IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) OR (2) NON-U.S. PERSONS (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) OUTSIDE THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum following this page (the "Offering Memorandum"), and you are advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS. THE OFFERING MEMORANDUM AND THE OFFER OF THE SECURITIES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA ("EEA"). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU ("MIFID II"); OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (AS AMENDED, THE "INSURANCE MEDIATION DIRECTIVE"), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN REGULATION (EU) 2017/1129 (AS AMENDED, THE "PROSPECTUS REGULATION"). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (AS AMENDED, THE "PRIIPS REGULATION") FOR OFFERING OR SELLING THE SECURITIES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIN INVESTORS IN THE EEA, HAS BEEN PREPARED AND THEFORE THE OFFERING OR SELLING OF THE SECURITIES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION. IN ADDITION, IN THE UNITED KINGDOM THE OFFERING MEMORANDUM IS ONLY BEING DISTRIBUTED TO AND IS ONLY DIRECTED AT: (I) PERSONS WHO ARE OUTSIDE THE UNITED KINGDOM; (II) INVESTMENT PROFESSIONALS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "ORDER"); OR (III) HIGH NET WORTH ENTITIES, AND OTHER PERSONS TO WHOM IT MAY LAWFULLY BE COMMUNICATED, FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). ANY SECURITIES WILL ONLY BE AVAILABLE TO, AND ANY INVITATION, ORDER OR AGREEMENT TO SUBSCRIBE, PURCHASE OR OTHERWISE ACQUIRE SUCH SECURITIES WILL BE ENGAGED IN ONLY WITH, RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THE OFFERING MEMORANDUM OR ANY OF ITS CONTENTS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view this Offering Memorandum or make an investment decision with respect to the securities, investors must be either (1) QIBs or (2) non-U.S. persons (within the meaning of Regulation S under the Securities Act) outside the U.S. This Offering Memorandum is being sent at your request and by accepting the e-mail and accessing this Offering Memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) non-U.S. persons (within the meaning of Regulation S under the Securities Act) and (2) you consent to delivery of such Offering Memorandum by electronic transmission.

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Offering Memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers named in this Offering Memorandum (the "Initial Purchasers") or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the issuer in such jurisdiction.

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently neither the Initial Purchasers, nor any person who controls them nor any of their directors, officers, employees nor any of their agents nor any affiliate of any such person accept any liability or responsibility whatsoever in respect of any difference between this Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

OFFERING MEMORANDUM **STRICTLY CONFIDENTIAL**

U.S.$400,000,000

Promigas S.A. E.S.P.
(a public utilities company (empresa de servicios públicos) organized as a stock corporation (sociedad anónima) under the laws of Colombia)

Gases del Pacífico S.A.C.
(a closed stock corporation (sociedad anónima cerrada) incorporated under the laws of the Republic of Peru)

3.750% Senior Notes Due 2029

_____

Promigas S.A. E.S.P., or Promigas, and Gases del Pacífico S.A.C., or Gases del Pacífico, collectively referred to as the "Co-Issuers," are offering, as co-issuers, U.S.$400.0 million in aggregate principal amount of 3.750% senior notes due 2029, or the Notes. The issuers will be jointly and severally liable for all obligations under the Notes. The Notes will bear interest at 3.750% per year, payable semi-annually in arrears on April 16 and October 16 of each year, beginning on April 16, 2020.

The Co-Issuers may, subject to certain conditions, redeem the Notes, in whole or in part, at any time or from time to time prior to July 16, 2029 (which is the date that is three months prior to the maturity date), by paying the principal amount of the notes to be redeemed plus the applicable "make-whole" amount and accrued interest and additional amounts to, but excluding, the date of redemption. In addition, at any time or from time to time on or after July 16, 2029 (which is the date that is three months prior to the maturity date), the Co-Issuers will have the right to redeem the Notes, in whole or in part, at a redemption price equal to 100% of the outstanding principal amount of the Notes to be redeemed plus accrued but unpaid interest (if any) of the principal amount of the Notes to be redeemed and any additional amounts to, but excluding, the redemption date. The Notes may, at the option of the Co-Issuers, be redeemed, in whole or in part, at 100% of the then-outstanding principal amount of the notes plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the date of redemption, on any date upon the occurrence of specified events relating to withholding tax, as set forth in this offering memorandum. The Notes will rank equally in right of payment with all other present and future senior unsecured obligations of each Co-Issuer (except for any obligations that may be preferred by provisions of law that are both mandatory and of general application). The Notes will be effectively junior to the secured indebtedness of the Co-Issuers to the extent of the value of the assets securing such debt and structurally junior to the liabilities of the Co-Issuers' subsidiaries.

There is currently no public market for the Notes. Application will be made for the listing and quotation of the Notes on the Singapore Exchange Securities Trading Limited, or the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, or opinions expressed or reports contained in this offering memorandum. Admission of the Notes to the Official List of the SGX-ST and the quotation of the Co-Issuers on the SGX-ST are not to be taken as an indication of the merits of Co-Issuers or the Notes. See "Listing and General Information."

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Investing in the Notes involves risks. See "Risk Factors" beginning on page 24 for certain information that you should consider before investing in the notes.

Offering Price: 99.234% plus accrued interest, if any, from October 16, 2019.

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The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities laws in the United States of America (the "United States" or "U.S."). Therefore, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person unless the offer or sale would qualify for a registration exemption from the Securities Act and applicable state securities laws. Accordingly, the Notes are being offered and sold in the United States only to qualified institutional buyers ("QIBs") in accordance with Rule 144A under the Securities Act ("Rule 144A"), and outside the United States to non-U.S. persons in accordance with Regulation S under the Securities Act ("Regulation S"). Prospective purchasers of the Notes in the United States that are QIBs are hereby notified that the Issuer may be relying on an exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A under the Securities Act.

The Notes have not been and will not be publicly offered or sold in the Republic of Colombia ("Colombia"), without the prior authorization of the Colombian Superintendence of Finance (*Superintendencia Financiera de Colombia*, or the "SFC"), and the prior registration with the Colombian National Securities and Issuers Registry (*Registro Nacional de Valores y Emisores*). Pursuant to Article 6.12.1.1.1. of Decree No. 2555 of July 15, 2010, as amended, the issuance and sale of the Notes on the terms and conditions set forth in this offering memorandum do not require the prior authorization of the SFC.

The Notes will not be subject to a public offering in Peru. The Notes and the information contained in this offering memorandum have not been and will not be registered with or approved by the Peruvian Superintendency of Securities (*Superintendencia del Mercado de Valores*, or the "SMV"), or the Lima Stock Exchange (*Bolsa de Valores de Lima*, or the "BVL"). Accordingly, the Notes cannot be offered or sold in Peru, except in compliance with the securities laws and regulations of Peru.

The Notes are being offered pursuant to an exemption from the requirement to publish a prospectus under Regulation (EU) 2017/1129 (as amended and supplemented from time to time, the "Prospectus Regulation"), of the European Union, and this offering memorandum has not been approved by a competent authority within the meaning of the Prospectus Regulation. The Notes are not intended to be offered, sold, or otherwise made available to and should not be offered, sold, or otherwise made available to any retail investor in the European Economic Area.

Delivery of the Notes in book-entry form will be made on or about October 16, 2019 through The Depository Trust Company, or DTC, and its direct and indirect participants, including Euroclear Bank S.A./N.V., or Euroclear, and Clearstream Banking, *société anonyme*, or Clearstream.

Joint Bookrunners and Lead Managers

Citigroup **J.P. Morgan**

Colombian Financial Advisor

Corficolombiana

The date of this offering memorandum is October 8, 2019.

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In this offering memorandum references to: (1) "Promigas" or the "Colombian Co-Issuer" refers to Promigas S.A. E.S.P., a public utilities company (*empresa de servicios públicos*) organized as a stock corporation (*sociedad anónima*) under the laws of Colombia; (2) "we," "our," "us" or similar terms refer to Promigas and its direct and indirect subsidiaries on a consolidated basis and its Related Companies, as defined below, except where the context requires otherwise; (3) "Gases del Pacífico" or the "Peruvian Co-Issuer" refers to Gases del Pacífico S.A.C., a closed stock corporation (*sociedad anónima cerrada*) incorporated under the laws of the Republic of Peru, which is a wholly-owned subsidiary of Promigas; (4) "Co-Issuers" refers to the Colombian Co-Issuer and the Peruvian Co-Issuer; (5) "Related Companies" refers to Gases del Caribe S.A. E.S.P., or Gases del Caribe; Energía Eficiente S.A. E.S.P., or Energía Eficiente; Gas Natural de Lima y Callao S.A.C., or Cálidda; and, Concentra Inteligencia en Energía, or CIE; and (6) references to the "financial advisor" are to Corporación Financiera Colombiana S.A., or Corficolombiana.

The term "Colombia" refers to the Republic of Colombia, and the phrase "Colombian Government" refers to the central government of Colombia. In addition, the term "Peru" refers to the Republic of Peru, and the phrase "Peruvian Government" refers to the central government of Peru.

Furthermore, references in this offering memorandum to the "initial purchasers" are to Citigroup Global Markets Inc. and J.P. Morgan Securities LLC.

Neither the Co-Issuers nor the initial purchasers have authorized anyone to provide any information other than that contained in this offering memorandum. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you.

The information contained in this offering memorandum is accurate only as of the date of this offering memorandum, regardless of the time of delivery of this offering memorandum or of any sale of the Notes. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in the affairs of the Co-Issuers, or that the information set forth herein is correct as of any date subsequent to the date hereof.

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the Notes. This offering memorandum does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire notes. Distribution of this offering memorandum to any other person other than the prospective investors and any person retained to advise the prospective investors with respect to its purchase is unauthorized.

There is currently no trading market for the Notes. An application will be made for the Notes to be admitted to listing on the SGX-ST as soon as commercially practicable. See "Listing and General Information." The Notes will not be admitted to trading prior to or on the settlement date.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE)

The Company has determined that the classification of the Notes being offered for purposes of section 309B(1)(a) are prescribed capital markets products.

We are relying on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. The Notes offered are subject to restrictions on transferability and resale and may not be transferred or resold in the United States except as permitted under the Securities Act and applicable U.S. state securities laws pursuant to registration or exemption from them. By purchasing the Notes, you will be deemed to have made the acknowledgements, representations and warranties and agreements described under the heading "Transfer Restrictions" in this offering memorandum. You should understand that you may be required to bear the financial risks of your investment for an indefinite period of time.

Neither the U.S. Securities and Exchange Commission, or the SEC, nor any state securities commission has approved or disapproved of these securities or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

You should not distribute the documents relating to the offering of the Notes in Colombia, or the information contained therein, except under circumstances which do not constitute a public offering of securities or securities intermediation under applicable Colombian securities laws or regulations. Neither should you use such documents and information in connection with any public offering of the Notes in Colombia. The initial purchasers have agreed not to offer or sell the Notes in Colombia, except under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations. The Notes have not been registered in Colombia and may only be exchanged in the territory of Colombia to the extent permitted by applicable law.

This offering memorandum contains summaries intended to be accurate with respect to certain terms of certain documents, but reference is made to the actual documents, and all such summaries are qualified in their entirety by this reference.

This offering memorandum is intended solely for the purpose of soliciting expressions of interest in the Notes from qualified investors and does not purport to summarize all of the terms, conditions, covenants, and other provisions contained in the Indenture, the Notes and other transaction documents. Certain industry information in this offering memorandum has been obtained by the Co-Issuers from publicly available sources that we deem reliable. The Co-Issuers have not independently verified this information.

The initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum, including, without limitation, the Financial Statements included elsewhere in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers or the Co-Issuers as to the past or future. The Co-Issuers have prepared this offering memorandum. Neither the trustee, nor any agent under the Indenture, nor the initial purchasers makes any representation or warranties with respect to the accuracy, adequacy or completeness of this offering memorandum.

You hereby acknowledge that (1) you have been afforded an opportunity to request from the Co-Issuers to review and have received all additional public information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum; (2) you have not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with any investigation of the accuracy of the information or your investment decision; and (3) no person has been authorized to give any information or to make any representation concerning the Co-Issuers or the Notes (other than as contained herein and information given by duly authorized officers and our employees in connection with your examination of the Co-Issuers and the terms of this offering) and, if given or made, you should not rely upon any other information or representation as having been authorized by the Co-Issuers or the initial purchasers.

None of Promigas, Gases del Pacífico or any of their respective affiliates or representatives are making any representation to you regarding the legality of any investment by you under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes.

NOTICE TO RESIDENTS IN THE REPUBLIC OF COLOMBIA

The Notes may not be offered, sold or negotiated in Colombia, except under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations. Pursuant to Article 6.12.1.1.1 of Decree 2555 of July 15, 2010, issued by the MHCP, the issuance of the Notes in the terms set forth in this offering memorandum requires no notice to, or previous authorization from, the SFC.

NOTICE TO RESIDENTS IN PERU

The Notes will not be subject to a public offering in Peru. the Notes and the information contained in this offering memorandum have not been and will not be registered with or approved by the SMV or the BVL.

Peruvian securities laws and regulations on public offerings will not be applicable to the offering of the Notes, and therefore the disclosure obligations set forth therein will not be applicable to us, the initial purchasers or any other sellers of the Notes before or after their acquisition by prospective investors. This offering memorandum and other offering materials relating to the offer of the Notes are being supplied to those Peruvian investors who have expressly requested them. such materials may not be distributed to any person or entity other than the intended recipients. Accordingly, the Notes cannot be offered or sold in Peru, except if (i) such Notes were previously registered with the SMV, or (ii) such offering is considered a private offering under the Peruvian securities laws and regulations. The Peruvian securities laws establish, among other things, that an offer directed exclusively to Peruvian institutional investors (as defined by Peruvian law) qualifies as a private offering. In making an investment decision, institutional investors must rely on their own examination of the terms of the offering of the Notes to determine their ability to invest in the Notes.

No offer or invitation to subscribe for or sell the Notes or beneficial interests therein can be made in the Republic of Peru except in compliance with the Peruvian securities laws.

NOTICE TO INVESTORS WITHIN THE EUROPEAN ECONOMIC AREA

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. No key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling packaged retail and insurance based investment products or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

For purposes of this provision, the expression "Prospectus Directive" means Directive 2003/71/EC (including Directive 2010/73/EU) and includes any relevant implementing measure in any Member State of the European Economic Area. The expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

NOTICE TO INVESTORS WITHIN THE UNITED KINGDOM

Each initial purchaser has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Co-Issuers; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Further information with regard to restrictions on offers, sales and deliveries of the Notes and the distribution of this offering memorandum and other offering material relating to the Notes is set out under "Plan of Distribution."

ENFORCEMENT OF FOREIGN JUDGMENTS

Colombia

Promigas is a public utilities company (*empresa de servicios públicos*) organized as a stock corporation (*sociedad anónima*) under the laws of Colombia. All of Promigas' directors and executive officers named in this offering memorandum are residents of Colombia. Although Promigas will appoint an agent for service of process in the United States, it may be difficult for you to effect service of process on, or to enforce judgments of U.S. courts against Promigas or its respective directors and officers based on the civil liability provisions of the U.S. federal securities laws.

We have been advised by Gómez-Pinzón Abogados S.A.S., our Colombian counsel, that prior to enforcing a judgment issued by a U.S. court predicated on the U.S. securities laws in Colombia, a proceeding known under Colombian law as *exequatur* must be carried out before the Colombian Supreme Court of Justice. The Colombian Supreme Court of Justice will enforce a foreign judgment issued by a foreign court without reconsideration of the merits, only if the judgment satisfies the requirements set forth in articles 605, 606 and 607 of Law 1564 of 2012 *(Código General del Proceso)*. Per these articles, a foreign judgment will be enforced if:

- there is an international treaty between Colombia and the country where the judgment was granted relating to the recognition and enforcement of foreign judgments or, in the absence of such treaty or convention, there is reciprocity in the recognition of foreign judgments between the courts of the relevant jurisdiction and the courts of Colombia;

- the foreign judgment does not relate to "in rem rights" vested in assets that were located in Colombia at the time of the commencement of the proceedings in the foreign court that issued the judgment;

- the foreign judgment does not contravene, or conflict with, Colombian laws relating to public order, other than those governing procedure;

- the foreign judgment, in accordance with the laws of the country in which it was obtained, is final (res judicata) and not subject to appeal under the laws of the country in which it was obtained;

- a duly apostilled or legalized copy of the judgment, together with an official translation into Spanish, if the judgment is issued in a foreign language (other than Spanish), shall be submitted to the Colombian Supreme Court at the time of filing the request;

- the foreign judgment does not relate to any matter within the exclusive jurisdiction of Colombian courts;

- no proceedings are pending in Colombia with respect to the same cause of action, and no final judgment has been awarded in any proceeding in Colombia on the same subject matter; and

- in the proceeding commenced before the foreign court that issued the judgment, the defendant was duly served in accordance with the laws of such jurisdiction and in a manner reasonably designed to give the defendant an opportunity to present his case and defend himself or herself against the action.

Furthermore, even if you comply with all the requirements to obtain an exequatur, if the Colombian Superintendence of Domiciliary Public Utilities (*Superintendencia de Servicios Públicos Domiciliarios*), or the SSPD, takes possession of Promigas' business or if, through any other means, Promigas enters into bankruptcy, all judgments, including the exequatur, collecting activities, foreclosures and repossession of property will be subject to an automatic stay. We cannot predict how long this automatic stay would last, nor whether or when you would be able to enforce the exequatur in case of bankruptcy or administrative intervention. In addition, under Colombian law, if the enforcement of a judgment against any of the assets or properties that Promigas uses in the provision of public utilities in Colombia could render Promigas unable to provide the power or gas distribution services as required by law, and if such service is considered either critical to preserve the public or economic order or necessary to avoid damages to users or third parties, the SSPD may take possession and control of the management and operations.

The United States and Colombia do not have a bilateral treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. The Colombian Supreme Court, which is the only Colombian court that can recognize foreign judgments, has generally accepted that reciprocity exists when it has been proven that either a U.S. court has enforced a Colombian judgment or that a U.S. court would enforce a foreign judgment, including a judgment issued by a Colombian court. However, the Colombian legal system is not based on precedents, and exequatur decisions are made on a case-by-case basis.

The parties to the proceeding in which the foreign judgment was issued must be duly summoned in the exequatur proceedings. Although Law 1564 of 2012 does not provide for a re-examination or re-litigation of the merits of the original action during exequatur proceedings, such proceedings include an evidentiary stage wherein the parties present evidence in connection with the abovementioned requirements. In addition, each party is entitled to file closing arguments to support their case before a judgment is rendered. In other words, once the recognition petition is filed, the court must serve all the parties involved in the judgment, foreign or Colombian domiciliaries, for such parties to present their arguments regarding the petition. Thereafter, the court will decide upon the evidence requested and will set a date for a hearing where such evidence will be collected. Closing arguments will then be presented prior to the final decision. Proceedings before Colombian courts are conducted in Spanish.

Assuming that a foreign judgment complies with the standards set forth in the preceding paragraphs and has been granted exequatur, such foreign judgment would be enforceable in Colombia through a collection proceeding under the laws of Colombia. This means that a party interested in obtaining the recognition and enforcement of a foreign judgment would be required to conduct two different local proceedings (the exequatur proceedings and the collection proceedings) and will have to assume the cost and expenses incurred in these proceedings. Collection proceedings for enforcement of a money judgment by attachment or execution against any assets or property located in Colombia would be within the exclusive jurisdiction of Colombian courts.

We cannot assure you that a Colombian court would enforce a U.S. court judgment with respect to the Notes based on U.S. securities laws. We have been advised by our Colombian counsel that there is no legal basis for original actions to be brought against us or any of our or their directors and executive officers in a Colombian court predicated solely upon the provisions of the U.S. securities laws. In addition, certain remedies available under provisions of the U.S. securities laws may not be admitted or enforced by Colombian courts on the basis of being contrary to public policy in Colombia.

Peru

All of Gases del Pacífico's assets are located outside the United States. In addition, all of its management and certain other persons named in this offering memorandum reside outside the United States and all or a significant portion of their assets are located outside the United States. As a result, it may be difficult or impossible for investors to effect service of process within the United States upon such persons or to enforce against them or our company judgments of courts of the United States, whether or not predicated upon the civil liability provisions of the federal securities laws of the United States or other laws of the United States or any state thereof.

We have been advised by our Peruvian counsel, Miranda & Amado Abogados, that any final and conclusive judgment for a fixed and final sum obtained against us in any foreign court having jurisdiction in respect of any suit, action or proceeding against us for the enforcement of any of our obligations under the Notes that are governed by New York law will, upon request, be deemed valid and enforceable in Peru through an exequatur judiciary proceeding (which does not involve the reopening of the case), provided that: (i) there is a treaty in effect between the country where such foreign court sits and Peru regarding the recognition and enforcement of foreign judgments; or (ii) in the absence of such a treaty, the original judgment is ratified by the Peruvian Courts (Cortes de la República del Peru) under such exequatur proceeding, subject to the provisions of the Peruvian Civil Code and the Peruvian Civil Procedure Code, provided, further, that the following conditions and requirements are met:

(i) the judgment does not resolve matters under the exclusive jurisdiction of Peruvian courts (and the matters contemplated in respect of this offering memorandum or the Notes are not matters under the exclusive jurisdiction of Peruvian courts);

(ii) such court had jurisdiction under its own private international conflicts of law rules and under general principles of international procedural jurisdiction;

(iii) we received service of process in accordance with the laws of the place where the proceeding took place, were granted a reasonable opportunity to appear before such foreign court and were guaranteed due process rights;

(iv) the judgment has the status of *res judicata* as defined in the jurisdiction of the court rendering such judgment;

(v) no pending litigation in Peru between the same parties for the same dispute was initiated before the commencement of the proceeding that concluded with the foreign judgment;

(vi) the judgment is not incompatible with another judgment that fulfills the requirements of recognition and enforceability established by Peruvian law, unless such foreign judgment was rendered first;

(vii) the judgment is not contrary to Peruvian public policy (*orden público*) or good morals;

(viii) it is not proven that such foreign court has denied enforcement of Peruvian judgments or has engaged in a review of the merits thereof;

(ix) such judgment has been (a) duly apostilled by the competent authority of the jurisdiction of the issuing court, in case of jurisdictions that are party to the Hague Convention for Abolishing the Requirement of Legalization for Foreign Public Documents dated October 5, 1961, or the Hague Apostille Convention, or (b) certified by Peruvian consular authorities, in case of jurisdictions that are not party to the Hague Apostille Convention, and, in each case, is accompanied by a certified and officially translated copy of such judgment into Spanish by a Peruvian certified translator; and

(x) the applicable court taxes or fees have been paid.

We have no reason to believe that any of our obligations relating to the Notes would be contrary to Peruvian public policy (*orden público*), good morals and international treaties binding upon Peru or generally accepted principles of international law.

The United States does not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters with Peru. Therefore, unless the above-mentioned requirements are satisfied, a final judgment for payment of money rendered by a federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, may not be enforceable, either in whole or in part, in Peru. However, if the party in whose favor such final judgment was rendered brings a new suit in a competent court in Peru, such party may submit to the Peruvian court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States against our company or such persons could be regarded by a Peruvian court only as evidence of the outcome of the dispute to which such judgment relates, and a Peruvian court may choose to re-hear the dispute. In addition, awards of punitive damages in actions brought in the United States or elsewhere are unenforceable in Peru. In the past, Peruvian courts have enforced judgments rendered in the United States based on legal principles of reciprocity and comity.

AVAILABLE INFORMATION

We will make available to the prospective holders of Notes at our offices and at the office of the paying agent, free of charge, copies of the Indenture governing the Notes, the offering memorandum, the by-laws (*estatutos sociales*) registered in the form of a public deed pursuant to which Promigas was incorporated (as amended) and the by-laws (*estatutos sociales*) pursuant to which Gases del Pacífico was incorporated (as amended), as well as our Financial Statements described under "Presentation of Financial and Other Information."

We will furnish, upon prior written request of any registered owner of a Note (each, a "Holder of a Note"), or beneficial owner of a Note (each, a "Note Owner"), such information as is specified in paragraph (d)(4) of Rule 144A: (a) to such holder of a Note or Note owner, (b) to a prospective purchaser of such Note (or beneficial interest therein) who is a QIB designated by such holder of a Note or Note owner or (c) to the trustee for delivery to such holder of a Note or Note owner or such prospective purchaser so designated, in each case in order to permit compliance by such holder of a Note or Note owner with Rule 144A in connection with the resale of such Note (or a beneficial interest therein) in reliance upon Rule 144A unless, at the time of such request, (1) we are subject to the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), or (2) we qualify for the exemption to Rule 12g3-2(b) under the Exchange Act.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements within the meaning of the U.S. securities laws. Forward-looking statements include statements preceded by, followed by or that include expressions such as "believes," "expects," "intends," "plans," "projects," "estimates," or "anticipates" and variations of these words or similar expressions (or the negative versions of any such words) and appear in, among others, the sections in this offering memorandum entitled "Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Colombian and Peruvian Natural Gas Sector and Regulatory Framework" "Colombian Power Sector and Regulatory Framework," and "Business". Although we believe that these forward-looking statements are based upon reasonable assumptions, these statements are subject to several risks and uncertainties and are made in light of information currently available to us. Forward-looking statements include, among others, statements regarding our intent, belief, plans, objectives or current or future expectations, as well as those of its directors or executive officers with respect to, but are not limited to:

- our corporate strategy, plans, objectives or goals;
- our ability to realize the benefits of their acquisitions, investments and capital expenditures;
- tariff regulation and recognition of capital expenditures by the Colombian Energy and Gas Regulatory Commission (*Comisión de Regulación de Energía y Gas*, or the "CREG"), and other regulatory or governmental action;
- tariff regulation set by the Peruvian Electricity Regulatory Authority (*Organismo Supervisor de la Inversión en Energía y Minas* or "OSINERGMIN");
- our future operating income, net income (loss), financial position, cash flows, capital expenditures, dividends, capital structure or other financial items or ratios;
- future growth, international expansion and development of the gas transportation and distribution, or power distribution industries;
- expected demand for and services provided by us and the continued stability of our customers;
- our future economic performance or that of Colombia, Perú, the United States and other markets, including emerging markets, that, directly or indirectly, can have an influence over our performance;
- assumptions underlying any such statements;
- the expected timing, completion and commercial operation dates for our expansion projects; and
- other statements contained in this offering memorandum regarding matters that are not historical facts.

Such forward-looking statements include expectations with respect to our businesses following the completion of the offering and speak only as of the date of this offering memorandum.

None of the Co-Issuers, the initial purchasers or Corporacion Financiera Colombiana S.A. ("Corficolombiana") can assure prospective purchasers of the Notes that these forward-looking statements will prove to be correct or that the information and assumptions on which they are based will prove to be valid. The actual results of our forward-looking statements may depend on factors beyond our control.

None of the Co-Issuers, the initial purchasers or Corficolombiana undertake any duty to update such forward-looking statements after completion of this offering to reflect subsequent events or circumstances or the occurrence of unanticipated events even if new information, subsequent events or other circumstances have made such statements incorrect or misleading. In light of the risks and uncertainties underlying the forward-looking statements, there can be no assurance that the events described or implied in the forward-looking statements contained in this offering memorandum will in fact transpire. Accordingly, readers are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date they were made. These cautionary statements should be

considered in connection with any written or oral forward-looking statements that the Co-Issuers or the initial purchasers may issue or make in the future.

You should understand that the following important factors, in addition to those discussed in this offering memorandum, including those appearing in the sections entitled "Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Colombian Power Sector and Regulatory Framework," "Colombian and Peruvian Natural Gas Sector and Regulatory Framework" and "Business" could affect our future results and could cause results to differ materially from those expressed in such forward-looking statements:

- fluctuations in the value of the Colombian peso or Peruvian sol, including possible exchange controls and restrictions on foreign currency remittance;
- changes in the applicable laws and governmental regulations related to us, our activities and the services we render, including the implementation of new tax increases and new laws or regulations regarding the protection of the environment;
- our ability to retain certain key personnel and hire additional key personnel;
- general economic, political and other conditions in Colombia and Peru, Colombia's main trading partner countries and in other emerging market countries in which we operate, as well as the effect of world events, climate events or variations, catastrophic accidents and natural disasters;
- the impact of fluctuation in energy prices on our results of operation and financial condition;
- market or other trends affecting our financial condition or results of operations;
- our ability to identify and consummate acquisitions, joint ventures or strategic alliances and to realize the benefits of those acquisitions, joint ventures or strategic alliances;
- our ability to complete new projects or make capital investments and realize the benefits from those new projects or capital investments;
- our ability to generate cash and the cost and availability of the financing required to fund their operations and capital expenditures;
- the business skills and judgment of our personnel, including their expectations and estimates concerning such entities' future financial performance;
- the enactment of new and stricter regulations, including judicial or administrative decisions setting forth stricter interpretation of existing regulations, and the recognition of capital expenditures by regulatory bodies in the markets where we operate or offer their services;
- the future impact of competition in the markets where we operate or offer their services;
- our ability to maintain their existing concessions and licenses, when applicable, or to obtain new concessions or licenses that may be required to provide their services;
- extreme weather conditions and water shortages affecting the areas where we operate;
- business interruptions or impairment of our assets;
- loss of natural gas transportation contracts with key customers;
- the potential for acts of terrorism, vandalism, wars or embargoes or other similar events that may affect the integrity of our assets or infrastructure; and

- other factors discussed under the heading "Risk Factors."

In light of such limitations, you should not make any investment decision on the basis of the forward-looking statements contained herein.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise specified, references herein to "U.S. dollars," "dollars," "$" or "U.S.$" are to United States dollars, the legal currency of the United States of America, and references to "Colombian pesos", "pesos" or "Col$" are to Colombian pesos, the legal currency of Colombia.

U.S. dollar amounts presented in this offering memorandum have been translated from Colombian peso amounts solely for the convenience of the reader. No representation is being made that the peso or U.S. dollar amounts shown in this offering memorandum could have been or could be converted into U.S. dollars or Colombian pesos at the rate shown in this offering memorandum or at any other rate. The Federal Reserve Bank of New York does not report a buying rate for Colombian pesos. The translation of amounts expressed in Colombian pesos as of a specified date at the then prevailing exchange rate may result in presentation of U.S. dollar amounts that differ from those amounts that would have been obtained by translating Colombian pesos as of another specified date. Unless otherwise noted in this offering memorandum, all U.S. dollar figures in this offering memorandum have been translated into U.S. dollars at the June 30, 2019 exchange rate of Col$3,205.67 per U.S.$1.00, which was the Colombian Representative Market Exchange Rate (*Tasa Representativa del Mercado*, or "TRM"), published at such date by the SFC.

Furthermore, fluctuations in exchange rates significantly affect the comparability of the financial figures presented in U.S. dollars throughout this offering memorandum. The exchange rate between the Colombian peso and the U.S. dollar has had significant fluctuations during 2016, 2017, 2018 and 2019 to date. See "Exchange Rates".

Financial Statements

This offering memorandum includes:

- unaudited consolidated interim financial statements of Promigas as of June 30, 2019 and for the six-month periods ended June 30, 2019 and 2018 (our "Unaudited Consolidated Financial Statements");
- audited consolidated financial statements of Promigas as of December 31, 2018 and for each of the two years ended December 31, 2018 and 2017 (our "2018 Audited Consolidated Financial Statements"); and
- audited consolidated financial statements of Promigas as of December 31, 2017 and for each of the two years ended December 31, 2017 and 2016 (our "2017 Audited Consolidated Financial Statements" and, together with the 2018 Audited Consolidated Financial Statements, our "Audited Consolidated Financial Statements"; and together with our Unaudited Consolidated Financial Statements, our "Financial Statements").

Gases del Pacífico is a wholly-owned subsidiary of Promigas and therefore its financial statements are fully consolidated by Promigas.

Our Audited Consolidated Financial Statements were audited by KPMG S.A.S., or KPMG. Our Unaudited Consolidated Financial Statements have been prepared on the same basis as our Audited Consolidated Financial Statements and, in the opinion of our management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information set forth herein. Interim financial results are not necessarily indicative of results that may be expected for the full fiscal year or any future reporting period.

Our Financial Statements were prepared in Colombian pesos in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB, including the interpretations issued by the International Financial Reporting Interpretations Committee, or IFRIC, in each case, as adopted in Colombia, or Colombian IFRS. Pursuant to Law No. 1314 enacted in 2009, we began preparing our Financial Statements in accordance with Colombian IFRS beginning with our fiscal year ending December 31, 2015.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. These areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are

significant to the Financial Statements, are disclosed in note 1.4 to our 2018 Audited Consolidated Financial Statements, included elsewhere in this offering memorandum.

New Accounting Standard

IFRS 16 – Leasing Operations

Our Unaudited Consolidated Financial Statements as of and for the six-month period ended June 30, 2019 include the effects of NIIF 16/IFRS 16 – Leasing Operations, or IFRS 16, which are effective for reporting periods starting from January 1, 2019 onwards, but we have not restated comparative figures as of and for the six-month period ended June 30, 2018, as permitted by IFRS 16 transition rules.

IFRS 16 replaces NIC 17 and related interpretations and determines that leases are recognized as a right-of-use asset and a liability on the date the asset is leased and is available for use. Each lease payment is allocated between the liability and the financial cost. The financial cost is recognized in the income statement during the lease period. The right-of-use assets are depreciated during the shortest period between the useful life of the asset or until the end of the lease term.

After the adoption of IFRS 16, lease liabilities were measured at the present value of the remaining lease payments, discounted at our incremental borrowing rate from January 1, 2019 onwards. Some rights to use an asset were measured at the amount equal to remaining lease liabilities, adjusted for any lease payments anticipated or accrued for the relevant lease that were recognized in the balance sheet immediately prior to the initial application date.

Some rights of use associated with assets for leases of plant and equipment were measured retrospectively as if the new standard had always been applied. Other assets with right to use were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accumulated payment related to the lease recognized as of December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets in the initial recognition.

For more information about IFRS 16 and its impact on our Unaudited Consolidated Financial Statement, see note 5 to our Unaudited Consolidated Financial Statements included elsewhere in this offering memorandum.

Reporting Segments

We present certain information by segments in accordance with our different lines of business. These lines of business described below were established according to our organizational structure, taking into account the nature of services and products offered. The structure of this information is designed as if each line of business were an autonomous business and had its own separate resources, allocated based on the assets assigned to each line according to an internal system of percentage distribution of costs.

The Company's operating segments are structured as follows:

- *Natural Gas Transportation Business*. This reporting segment comprises the operations of Promigas, Transmetano, Transoccidente and Promioriente.

- *Natural Gas Distribution Business*. This reporting segment includes operations by Surtigas, Gases de Occidente, Gases del Caribe, Efigas S.A. E.S.P. ("Efigas"), Cálidda, Gases del Pacífico, Orion Contact Center S.A.S. and Enlace Servicios Compartidos S.A.S.

- *Power Distribution Business*. This reporting segment comprises the operations of CEO.

- *Integrated Solutions for Industry Business*. This reporting segment comprises the operations of Promisol, Zonagen S.A.S. ("Zonagen"), SPEC and Energía Eficiente.

- *Non-bank Financing Business*. This reporting segment includes operations by CEO, Gases de Occidente, Surtigas, Gascaribe S.A. E.S.P., Gases de la Guajira S.A. E.S.P. ("Gases de la Guajira") and Efigas.

Non-IFRS Financial Measures

We include certain non-IFRS financial measures in this offering memorandum, including:

- Consolidated EBITDA;
- Consolidated Adjusted EBITDA;
- Consolidated Adjusted Revenues;
- Consolidated Adjusted EBITDA Margin;
- Consolidated EBITDA by Business Segment;
- Consolidated Adjusted EBITDA by Business Segment;
- Net Debt;
- Adjusted Net Debt; and
- Funds from Operations.

Consolidated EBITDA, Consolidated Adjusted EBITDA and Consolidated Adjusted EBITDA by Business Segment. We believe that Consolidated EBITDA, Consolidated Adjusted EBITDA and Consolidated Adjusted EBITDA by Business Segment are useful for understanding our financial performance and our ability to satisfy principal and interest payment obligations under our indebtedness and our ability to fund capital expenditures and operation requirements.

We calculate Consolidated EBITDA and Consolidated EBITDA by Business Segment, as the case may be, as net income adjusted by finance expenses (net), taxes and depreciation and amortization. We calculate Consolidated Adjusted EBITDA and Consolidated Adjusted EBITDA by Business Segment as Consolidated EBITDA or Consolidated EBITDA by Business Segment, as the case may be, *plus* provisions *minus* the sum of others, net and SPEC's FSRU leasing interest expenses. Even though commonly used as financial indicators in Colombia and abroad, Consolidated EBITDA, Consolidated Adjusted EBITDA and Consolidated Adjusted EBITDA by Business Segment do not have standardized meanings, and different companies may use different definitions of Consolidated EBITDA, Consolidated Adjusted EBITDA, Consolidated EBITDA by Business Segment and Consolidated Adjusted EBITDA by Business Segment. Therefore, our definitions may not be comparable to the definitions or measures used by other companies and are not intended to be substitutes for net income as calculated under IFRS or Colombian IFRS. Each of Consolidated EBITDA, Consolidated Adjusted EBITDA, Consolidated EBITDA by Business Segment and Consolidated Adjusted EBITDA by Business Segment have important limitations as analytical tools, and you should not consider them in isolation, as indicative of the cash available to Promigas to make payments under the Notes or as a substitute for analysis of our results as reported under Colombian IFRS, the standards set forth in the SSPD Accounting Manual and the requirements of the SFC. For example, neither Consolidated EBITDA, Consolidated Adjusted EBITDA, Consolidated EBITDA by Business Segment nor Consolidated Adjusted EBITDA by Business Segment reflect (a) cash expenditures, or future requirements for capital expenditures or contractual commitments; and (b) changes in, or cash requirements for, working capital needs. For a reconciliation of Consolidated EBITDA, Consolidated Adjusted EBITDA, Consolidated EBITDA by Business Segment and Consolidated Adjusted EBITDA by Business Segment, see "Selected Financial and Operating Data—Reconciliation of Non-IFRS Measures."

Consolidated Adjusted Revenues and Consolidated Adjusted EBITDA Margin. Our Consolidated Adjusted EBITDA Margin for a relevant period consists of our Consolidated Adjusted EBITDA for the period divided by our Consolidated Adjusted Revenues for the same period, which consists of our revenues, *minus* revenues from construction of concessions, *plus* share of profit of equity-accounted investees, net of tax and dividends. For a reconciliation of Consolidated Adjusted Revenues, see "Selected Financial and Operating Data—Reconciliation of Non-IFRS Measures."

Net Debt and Adjusted Net Debt. This offering memorandum also includes our Adjusted Net Debt. We calculate our Adjusted Net Debt as the sum of our financial obligations (current and long-term) and outstanding bonds (current and long-term) *plus* amortized cost *minus* amounts recorded as (i) SPEC's FSRU lease, (ii) loans and bonds interest payable (iii) cash and cash equivalents, and (iv) financial assets at fair value. Adjusted Net Debt is not a measure of financial performance under IFRS and should not be considered as a measure of liquidity or our ability to pay interest on the Notes. Adjusted Net Debt does not have a standardized meaning, and our definition of Adjusted Net Debt may not be comparable to other similarly titled measures provided by other companies either in Colombia or in other jurisdictions. Notwithstanding its limitations, and in conjunction with other accounting and financial information available, our management considers Adjusted Net Debt a reasonable indicator of our indebtedness level for comparison between us and our peers. For a reconciliation of Adjusted Net Debt, see "Selected Financial and Operating Data—Reconciliation of Non-IFRS Measures."

Funds from Operations. Our Funds from Operations for a relevant period equals net income (attributable to owners of the company) for such period *plus* depreciation and amortization and provisions, and deferred taxes *minus* interest revenues from financial assets concession. Funds from Operations is a non-IFRS measure which should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with IFRS, as an indicator of financial performance. Funds from Operations do not have a standardized meaning under IFRS and may not be comparable to similar measures presented by other entities. Funds from Operations is presented to assist management and investors in analyzing operating performance in the stated period. For a reconciliation of Funds from Operations, see "Selected Financial and Operation Data— Reconciliation of Non-IFRS Financial Measures."

Market and Other Statistical Information

We obtained certain information included in this offering memorandum regarding the Colombian natural gas and power market and our participation in the natural gas and power sector from third-party sources believed to be reliable, including, among others, from the Colombian Ministry of Mines and Energy (*Ministerio de Minas y Energía*, or "MME"), the CREG, the Colombian Mining and Energy Planning Unit (*Unidad de Planeación Minero Energética*, or "UPME"), the Colombian National Hydrocarbons Agency (*Agencia Nacional de Hidrocarburos*, or "ANH"), the SSPD and Compañía de Expertos en Mercados S.A. E.S.P ("XM"). Some of the statistical information and data related to the business of Promigas and the Related Companies was obtained from government or sectorial entities or extracted from industry publications. Neither Promigas nor the initial purchasers have independently verified such information and data and, therefore, neither Promigas nor the initial purchasers can ensure its accuracy or completeness.

Similarly, internal company surveys, industry forecasts and market research, which we believe to be reliable based upon our management's knowledge of the industry, have not been verified by any independent sources. Forecasts are particularly likely to be inaccurate, especially over long periods of time. In addition, Promigas does not know what assumptions regarding general economic growth were used in preparing the third-party forecasts we have included in this offering memorandum.

Rounding

Certain rounding adjustments have been made in calculating some of the figures included in this offering memorandum. Accordingly, numerical figures shown as totals in some tables may not agree precisely with the figures that preceded them.

TECHNICAL AND REGULATORY TERMS

ANH	Colombian National Hydrocarbons Agency (*Agencia Nacional de Hidrocarburos*).
ANLA	Colombian National Environmental License Authority (*Autoridad Nacional de Licencias Ambientales*).
AO&M Costs	Administration, operation and maintenance costs.
ASIC	Colombian Administrator of the Commercial Exchange System (*Administrador del Sistema de Intercambios Comerciales*).
BOMT	Build-Own-Maintain-Transfer.
Central Bank	Colombian Central Bank (*Banco de la República de Colombia*)
CF	Cubic feet.
CND	Colombian National Dispatch Center (*Centro Nacional de Despacho*).
CNG	Compressed Natural Gas.
Colombian CPI	Colombian Consumer Price Index (*Índice de Precios al Consumidor*) certified by DANE.
Colombian PPI	Colombian Producer Price Index. (*Índice de Precios al Productor*) certified by DANE.
CREG	Colombian Energy and Gas Regulatory Commission (*Comisión de Regulación de Energía y Gas*).
DANE	Colombian National Department of Statistics (*Departamento Administrativo Nacional de Estadística*).
DNP	Colombian National Department of Planning (*Departamento Nacional de Planeación*).
DTF	Floating interest rate announced on a weekly basis by the Central Bank, based on the weighted average of 90 day rates on certificates of deposit offered by banks and other financial institutions in the Colombian market.
Firm Energy	According to CREG Resolution No. 071 of 2006, firm energy (*energía firme*) represents the maximum volume of electricity that may be continuously produced in a one year period by a generation plant under low hydrologic conditions.
FSRU	Floating storage regasification unit.
GNV	Vehicular Natural Gas (*Gas Natural Vehicular*).
GW	Gigawatts; one gigawatt equals 1,000 MW.
GWh	Gigawatt-hours; one gigawatt hour represents one hour of electricity consumption at a constant rate of 1 GW.
IBR	Colombian Reference Banking Indicator (*Indicador Bancario de Referencia*)
In	Inch.

KCF	1,000 CF.
KCFD	1,000 CF per day.
km	Kilometer.
kV	Kilovolt; one kilovolt equals one thousand volts; a unit of electric tension.
kW	Kilowatt; a kilowatt is a unit of power, representing the rate at which energy is produced.
Law 142 of 1994 or Law 142	Legal framework applicable to the rendering of residential public utilities and insolvency of public utilities companies in Colombia.
LIBOR	London interbank offer rate.
LNG	Liquified natural gas.
MADS	Colombian Ministry of the Environment and Sustainable Development (*Ministerio de Ambiente y Desarrollo Sostenible*).
MEM	Colombian Wholesale Energy Market (*Mercado de Energía Mayorista*).
MHCP	Colombian Ministry of Finance and Public Credit (*Ministerio de Hacienda y Crédito Público*).
MINEM	Peruvian Ministry of Energy and Mines (*Ministerio de Energía y Minas*).
MMCF/D	One million CF per day.
MME	Colombian Ministry of Mines and Energy (*Ministerio de Minas y Energía*).
MMm3	One million cubic meters.
MMm3/d	One million cubic meters per day.
MVA	Megavolt ampere, a unit used to measure transformer capacity.
MW	Megawatts.
MWh	Megawatt hour; one megawatt hour represents one hour of electricity consumption at a constant rate of 1 MW.
O&M	Operation and management.
OEFA	Peruvian Environmental Evaulation and Fiscalization Agency (*Organismo de Evaluación y Fiscalización Ambiental*).
OSINERGMIN	Peruvian Electricity Regulatory Authority (*Organismo Supervisor de la Inversión en Energía y Minas*).
PEN	Colombian National Energy Plan (*Plan Energético Nacional*).
PND	Colombian National Development Plan (*Plan Nacional de Desarrollo*).
PROINVERSION	Peruvian agency for the promotion of private investment.
Regulated Users	Colombian consumers of electricity that have a peak demand lower than 0.10 MW

	or a minimum monthly consumption lower than 55.0MWh.
SDL	Colombian Local Distribution System (*Sistema de Distribución Local*), a power distribution system at tension levels lower than 57.5 kv.
SFC	Colombian Superintendence of Finance (*Superintendencia Financiera de Colombia*).
SIC	Settlement and Clearance System for the MEM (*Sistema de Intercambios Comerciales*).
SIN	Colombian National Interconnected System (*Sistema Interconectado Nacional*).
SNT	National Gas Transportation System (*Sistema Nacional de Transporte*)
STN	Colombian National Power Transmission System (*Sistema de Transmisión Nacional*).
STR	Colombian Regional Transmission System (*Sistema de Transmisión Regional*), a power transmission system at tension levels higher than 57.5 kv but lower than 220 kv.
SSPD	Colombian Superintendency of Domestic Public Utilities (*Superintendencia de Servicios Públicos Domiciliarios*).
Tcf	Trillion CF.
TRM	Colombian Representative Market Exchange Rate (*Tasa Representativa del Mercado*).
Unregulated Market	Market that includes Colombian consumers of electricity that have a peak demand greater than 0.10 MW or a minimum monthly consumption greater than 55.0 MWh.
Unregulated Users	Colombian consumers of electricity that have a peak demand greater than 0.10 MW or a minimum monthly consumption greater than 55.0M Wh.
UPME	Colombian Mining and Energy Planning Unit (*Unidad de Planeación Minero Energética*).
U.S. PPI	United States Producer Price Index.
Virtual Pipeline	The distribution of compressed natural gas in drums or tanks that are transported to the delivery location using a motor vehicle or other means of transportation other than a physical pipeline, where such gas is injected into a local delivery station.
XM	Compañía de Expertos en Mercados S.A. E.S.P., in its capacity as ASIC and settler of charges for the use of the STN.

SUMMARY

This summary highlights information presented in greater detail elsewhere in this offering memorandum. This summary is not complete and does not contain all the information you should consider before investing in the notes. You should carefully read this entire offering memorandum before investing, including "Risk Factors" and our Audited Consolidated Financial Statements and Unaudited Consolidated Financial Statements. See "Presentation of Financial and Other Information" for information regarding our Audited Consolidated Financial Statements and Unaudited Consolidated Financial Statements, exchange rates, definitions of technical terms and other introductory matters.

Overview of Promigas

Promigas is a public utilities company (*empresa de servicios públicos*) organized as a stock corporation (*sociedad anónima*) under the laws of Colombia. Promigas is an integrated services conglomerate that participates both directly and through subsidiaries and Related Companies in the natural gas and power sectors in Colombia and Peru. In Colombia, we are the only vertically-integrated natural gas company allowed by Colombian law to operate both in the gas transportation and gas distribution sectors, since we were already engaged in natural gas transportation and distribution activities when Law 142 of 1994, which limits such integration, was enacted by the Colombian Government. In Peru, we are also a strong player with a market share of 92% in the natural gas distribution segment through our subsidiaries Cálidda and Gases del Pacífico, reaching 852,746 users as of June 30, 2019.

We are one of the two main natural gas transportation companies operating in Colombia, and we participate in the natural gas transportation sector both directly and through our subsidiaries (Transmetano, Promioriente, and Transoccidente). According to a study commissioned by us, in 2018 we transported 52% of the total natural gas consumed in Colombia and we have a total transportation capacity of 1,040 MMCF/D. We serve the regions of La Guajira, Magdalena, Atlántico, Bolívar, Sucre and Córdoba (by Promigas); Antioquia (by Transmetano); Valle del Cauca (by Transoccidente); and Santander (by Promioriente). As of the date of this offering memorandum, the total length of our natural gas transportation pipeline systems (the "Pipeline System"), was 3,094 km (1,922 miles) and accounted for 42% of the entire natural gas transportation system in Colombia.

We participate in the LNG business in Colombia through our subsidiary SPEC, a company we co-founded and in which we own, directly and indirectly, a 51% equity interest. In February 2014, following a private tender process organized by Grupo Térmico (a joint venture comprised of the main thermal power generation companies serving the Caribbean region of Colombia), SPEC was awarded a contract to build, operate, maintain and manage an LNG terminal that provides importation, storage and regasification services in Colombia. SPEC's LNG terminal also provides an entry point for injecting gas into the Colombian National Natural Gas Transportation System. For the first phase, a floating storage regasification unit ("FSRU"), was placed into commercial operation in December 2016. SPEC has a regasification capacity of 400 MMCF/D and a storage capacity of 170 Mm3. In 2018, SPEC regassified 10,353 MPC to timely meet Colombia's power generation needs. SPEC's installed capacity allows for the generation of 1,840 MW of energy, equivalent to 35% of Colombia's thermal generation capacity and 12% of Colombia's total generation capacity of 17,000 MW.

We participate in the natural gas distribution sector in Colombia through our subsidiaries Gases de Occidente and Surtigas and our Related Company, Gases del Caribe, serving, as of June 30, 2019, a total of approximately 3.6 million users. In 2018, we distributed approximately 34% of the total natural gas distributed in Colombia, and served approximately 38% of Colombia's natural gas distribution customers, according to the *Ministerio de Minas y Energía* ("MME"). Our subsidiary, Gases de Occidente, serves the Cauca and Valle del Cauca regions, while Surtigas serves the Bolivar, Córdoba, Sucre and Antioquia regions. In addition, we provide non-bank financing services to our natural gas distribution customers under the Brilla program. For more information, see "Business—Our Non-bank Financing Business".

We also participate in the natural gas distribution sector in Peru through our Related Company, Cálidda, and our subsidiary, Gases del Pacífico. Cálidda is the sole and exclusive natural gas distribution concessionaire for Lima,

Peru's capital city, the adjacent city of Callao and the surrounding region, serving, as of June 30, 2019, over 852,746 customers in those regions. We participate in the natural gas distribution sector in the northern region of Peru through our wholly-owned subsidiary (and co-issuer of the notes), Gases del Pacífico. Following a successful bid in a public tender conducted by the Peruvian Government in 2013, Gases del Pacífico was awarded a natural distribution concession through pipelines, which includes a Virtual Pipeline to supply the LNG to the concession area, and entered into a concession agreement with the Peruvian Government represented by MINEM on October 31, 2013.

Gases del Pacífico's concession commenced on December 7, 2017 and, as of June 30, 2019, the company had 46,926 residential natural gas customers connected. Under the concession agreement, Gases del Pacífico is required to have 150,137 consumers with a consumption of up to 100 m3/month (residential natural gas customers) connected by the end of 2020 (the "Initial Connection Plan"). The Initial Connection Plan establishes the number of required connections on a yearly basis. As a result of delays in the construction phase of the project, the term to comply with the Initial Connection Plan has been extended until 2022. See "Business—Our Natural Gas Transportation Business—Concessions."

Additionally, on August 16, 2019, Gases del Norte S.A.C. , a subsidiary of Promigas, ("Gases del Norte") obtained a natural gas distribution concession through pipelines covering the Region of Piura which will allow us to expand and consolidate our operations in Peru. For more information, see "—Recent Developments"

We participate in the Colombian power distribution sector through our subsidiary Compañía Energética de Occidente S.A. E.S.P. ("CEO"), which acquired operational control of the assets of Centrales Eléctricas del Cauca S.A. E.S.P. ("Cedelca"), pursuant to a management agreement entered into on June 28, 2010. In 2018, CEO distributed approximately 1% of the total electricity distributed throughout Colombia, and served approximately 3% of Colombia's power distribution customers and 97% of the power distribution customers in the Cauca region. We also participate in the Colombian power generation business through our subsidiary Promisol, which currently operates stations of its affiliate Zonagen, and third parties, and maintains an installed capacity of approximately 44 MW.

Our Financial and Operating Results

Our consolidated revenues for the six-month periods ended June 30, 2019 and June 30, 2018 totaled Col$1,961,901 million (U.S.$612 million) and Col$1,734,219 million (U.S.$541 million), respectively, and Col$3,727,680 million (U.S.$1,163 million), Col$3,439,041 million (U.S.$1,073 million) and Col$3,770,364 million (U.S.$1,176 million), respectively, for the years ended December 31, 2018, 2017 and 2016.

Our consolidated net income for the six-month periods ended June 30, 2019 and June 30, 2018 was Col$417,248 million (U.S.$130 million) and Col$392,255 million (U.S.$122 million), respectively, and Col$775,518 million (U.S.$242 million), Col$688,156 million (U.S.$215 million) and Col$648,089 million (U.S.$202 million), respectively, for the years ended December 31, 2018, 2017 and 2016.

Our Consolidated Adjusted EBITDA for the six-month periods ended June 30, 2019 and June 30, 2018 was Col$628,954 million (U.S.$196 million) and Col$605,047 million (U.S.$189 million), respectively, and Col$1,207,717 million (U.S.$377 million), Col$1,140,327 million (U.S.$356 million) and Col$1,090,527 million (U.S.$340 million), respectively, for the years ended December 31, 2018, 2017 and 2016.

The table below sets forth certain of our consolidated financial information for the periods indicated.

	For the Six-Month Period Ended June 30,		For the Year Ended December 31,		
	2019	2018	2018	2017	2016
Revenues (*Col$ millions*)	1,961,901	1,734,219	3,727,680	3,439,041	3,770,364
Revenues (*U.S.$ millions*)[(1)]	612	541	1,163	1,073	1,176
Gross income (*Col$ millions*)	652,762	629,794	1,244,654	1,194,336	1,105,876
Gross income (*U.S.$ millions*)[(1)]	204	196	388	373	345
Dividends received (*Col$ millions*)	486	925	1,054	1,205	734

	For the Six-Month Period Ended June 30,		For the Year Ended December 31,		
	2019	2018	2018	2017	2016
Dividends received (*U.S.$ millions*)[1]	0.2	0.3	0.3	0.4	0.2
Net income (*Col$ millions*)	417,248	392,255	775,518	688,156	648,089
Net income (*U.S.$ millions*)[1]	130	122	242	215	202
Consolidated adjusted EBITDA (*Col$ millions*)[2][3]	628,954	605,047	1,207,717	1,140,327	1,090,527
Consolidated adjusted EBITDA (*U.S.$ millions*)[1][2][3]	196	189	377	356	340
Total assets (*Col$ millions*)	10,991,678	9,810,025	10,425,471	9,634,659	9,265,148
Total assets (*U.S.$ millions*)[1]	3,429	3,060	3,252	3,006	2,890
Total liabilities (*Col$ millions*)	7,595,112	6,536,457.5	6,991,649	6,455,781	6,310,302
Total liabilities (*U.S.$ millions*)[1]	2,369	2,039	2,181	2,014	1,968
Total equity (*Col$ millions*)	3,396,565	3,273,567	3,433,822	3,178,877	2,954,846
Total equity (*U.S.$ millions*)[1]	1,060	1,021	1,071	992	922

(1) The amounts contained herein are converted from Colombian Pesos into U.S. dollars solely for your convenience at the TRM published by the SFC, at June 30, 2019, of Col$3,205.67 per U.S. $1.00. These translations should not be construed as a representation that the Colombian peso amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate.

(2) Consolidated Adjusted EBITDA for a period consists of net income adjusted by finance expenses (net), taxes and depreciation and amortization *plus* provisions *minus* the sum of others, net and SPEC's FSRU leasing interest expenses. For a reconciliation of our Consolidated Adjusted EBITDA to the most directly comparable Colombian IFRS measure, see "Selected Financial and Operating Data."

(3) Consolidated Adjusted EBITDA is not a presentation made in accordance with Colombian IFRS. Consolidated Adjusted EBITDA has important limitations as an analytical tool, and you should not consider it in isolation, as indicative of the cash available to Promigas to make payments under the Notes or as a substitute for analysis of our results as reported under Colombian IFRS, the standards set forth in the SSPD Accounting Manual and the requirements of the SFC. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures".

The table below sets forth the unconsolidated revenues from the natural gas transportation and gas distribution and the power distribution business of each company from Promigas, and each such company's share expressed as a percentage of our consolidated revenues, for the periods indicated.

Revenues by company	For the Six-Month Period Ended June 30,		For the Year Ended December 31,					
	2019		2018		2017		2016	
			(in millions of Col$, except for percentages)					
Promigas	299,659	14.7%	748,043	19.3%	644,137	18.0%	997,061	25.4%
Promioriente	78,576	3.9%	176,588	4.6%	203,358	5.7%	146,128	3.7%
Transmetano	31,381	1.5%	65,521	1.7%	106,516	3.0%	63,319	1.6%
Transoccidente	3,401	0.2%	6,089	0.2%	6,110	0.2%	5,956	0.2%
SPEC	127,529	6.3%	246,066	6.4%	251,080	7.0%	181,247	4.6%
Gases de Occidente	551,390	27.1%	1,033,900	26.7%	1,007,183	28.2%	1,111,969	28.3%
Surtigas	472,129	23.2%	834,316	21.6%	816,825	22.9%	841,736	21.4%
Gases del Pacífico	150,392	7.4%	214,789	5.5%	53,830	1.5%	44,893	1.1%
Enlace	1,976	0.1%	3,401	0.1%	300	—	—	—
Orión	4,498	0.2%	8,440	0.2%	9,511	0.3%	8,371	0.2%
CEO	216,938	10.7%	417,431	10.8%	390,484	10,9%	406,101	10.3%
Promisol	91,951	4.5%	105,573	2.7%	73,816	2.1%	116,238	3.0%
Zonagen	4,791	0.2%	10,215	0.3%	9,780	0.3%	6,266	0.2%
Total	**2,034,610**	**100.0%**	**3,870,373**	**100.0%**	**3,572,930**	**100.0%**	**3,929,285**	**100.0%**

The table below sets forth revenues attributable to each of our business segments:

Revenues by business segment	For the Six-Month Period Ended June 30,				For the Year Ended December 31,					
	2019		2018		2018		2017		2016	
	(in millions of Col$, except for percentages)									
Natural Gas Transportation	493,193	25.1%	605,236	34.9%	1,184,446	31.8%	1,163,850	33.8%	1,304,480	34.6%
Natural Gas Distribution	1,102,128	56.2%	826,428	47.7%	1,934,156	51.9%	1,711,351	49.8%	1,850,128	49.1%
Power Distribution	215,234	11.0%	201,530	11.6%	414,657	11.1%	387,962	11.3%	404,471	10.7%
Integrated Solutions for Industry	100,382	5.1%	54,820	3.2%	100,994	2.7%	85,562	2.5%	133,173	3.5%
Non-bank Financing	50,965	2.6%	46,205	2.7%	93,428	2.5%	90,317	2.6%	78,112	2.1%
Total revenues	**1,961,901**	**100.0%**	**1,734,219**	**100.0%**	**3,727,680**	**100.0%**	**3,439,041**	**100.0%**	**3,770,364**	**100.0%**

The table below sets forth Consolidated Adjusted EBITDA attributable to each of our business segments:

Consolidated Adjusted EBITDA	For the Six-Month Period Ended June 30,		For the Year Ended December 31,		
	2019	2018	2018	2017	2016
			(in millions of Col$)		
Natural Gas Transportation	300,399	322,294	658,317	634,124	554,098
Natural Gas Distribution[(1)]	213,473	175,559	383,416	338,296	388,768
Power Distribution	61,164	46,673	90,903	78,020	77,220
Integrated Solutions for Industry	28,094	30,507	17,667	31,815	28,535
Non-bank Financing	25,823	30,015	57,414	58,072	41,905
Total Consolidated Adjusted EBITDA[(2)(3)]	**628,954**	**605,047**	**1,207,717**	**1,140,327**	**1,090,527**

(1) Includes revenues obtained by Gases del Caribe and Cálidda, under equity method.

(2) Consolidated Adjusted EBITDA by business segment for a period consists of net income by business segment Consolidated Adjusted EBITDA for a period consists of net income adjusted by finance expenses (net), taxes and depreciation and amortization *plus* provisions *minus* the sum of others, net and SPEC's FSRU leasing interest expenses. For a reconciliation of our Consolidated Adjusted EBITDA by business segment to the most directly comparable Colombian IFRS measure, see "Selected Financial and Operating Data."

(3) Consolidated Adjusted EBITDA is not a presentation made in accordance with Colombian IFRS. Consolidated Adjusted EBITDA has important limitations as an analytical tool, and you should not consider it in isolation, as indicative of the cash available to Promigas to make payments under the Notes or as a substitute for analysis of our results as reported under Colombian IFRS, the standards set forth in the SSPD Accounting Manual and the requirements of the SFC. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures".

The table below sets forth the percentage of Consolidated Adjusted EBITDA margin attributable to our business segments:

Consolidated Adjusted EBITDA Margin[(2)]	For the Six-Month Period Ended June 30,		For the Year Ended December 31,		
	2019	2018	2018	2017	2016
			(% of Consolidated Adjusted EBITDA)		
Natural Gas Transportation	61.3%	65.8%	65.2%	62.5%	71.4%
Natural Gas Distribution	19.3%	19.5%	19.8%	18.8%	20.2%
Power Distribution	28.4%	23.2%	21.9%	20.1%	19.1%
Integrated Solutions for industry	28.0%	55.6%	17.5%	37.2%	21.4%
Non-bank Financing	50.7%	65.0%	61.5%	64.3%	53.6%
Consolidated Adjusted EBITDA Margin[(1)]	**32.1%**	**35.7%**	**34.0%**	**33.7%**	**32.9%**

(1) Consolidated Adjusted EBITDA margin has been calculated using our Consolidated Adjusted EBITDA for the period divided by our Consolidated Adjusted Revenues for the same period, which consists of our revenues, *minus* revenues from construction of concessions, *plus* share of profit of equity-accounted investees, net of tax and dividends.

(2) For a reconciliation of our Consolidated Adjusted EBITDA margin to the most directly comparable Colombian IFRS measure, see "Selected Financial and Operating Data."

Our Business Segments

Natural Gas Transportation

We participate in the natural gas transportation sector in Colombia both directly and through our subsidiaries Transmetano, Promioriente and Transoccidente. The Pipeline System has a total length of approximately 3,094 km (1,922 miles) and consists of four pipelines: (i) a 2,561 km (1,591 mile) pipeline operated by Promigas (the "Promigas Pipeline"); (ii) a 189 km (117 miles) pipeline owned and operated by Transmetano (the "Transmetano Pipeline"); (iii) a 333 km (207 miles) pipeline owned and operated by Promioriente (the "Promioriente Pipeline"); and (iv) an 11 km (7 miles) pipeline owned and operated by Transoccidente (the "Transoccidente Pipeline"). For the year ended December 31, 2018, Promigas, Transmetano, Promioriente and Transoccidente transported natural gas in an average daily amount of 369MMCF/D, 50MMCF/D, 34MMCF/D and 48MMCF/D, respectively.

We receive revenues calculated pursuant to both fixed and variable gas transportation rates. For the year ended December 31, 2018, 71.0% and 29.0%, respectively, of our consolidated revenues were attributable to fixed and variable natural gas transportation rates. For more information on the remaining life of the gas transportation agreements, see "Business—Our Natural Gas Transportation Business—Transportation and Contracted Capacity." Fixed transportation rates, which we charge for fixed transportation capacity, consist of a specified amount per cubic foot of natural gas per day-year denominated in U.S. dollars and payable in Colombian pesos based on a certain exchange rate formula. Fixed transportation rates are paid by our customers for the transportation capacity contracted by them, regardless of whether those customers actually use such transportation capacity. Variable transportation rates are applied to a specified amount per cubic foot of natural gas actually transported and delivered to a customer or to a third party at the request of such customer. Variable transportation rates are also denominated in U.S. dollars and payable in Colombian pesos based on the same exchange rate formula used for fixed transportation rates. Unlike the fixed transportation rate, in the variable rate such amount is paid by the shipper over the gas effectively transported. Tariffs are set to be reviewed by the CREG and consider, among other factors, the asset base of each natural gas transporter, the projected investments for the succeeding five years, the demand for transportation capacity and expected natural gas transportation volumes for the succeeding 20 years, and the expected operation and maintenance costs for the succeeding 20 years. For further information, see "Business—Our Natural Gas Transportation Business—Transportation Revenues and Rate Structure".

Fixed and variable transportation rates are subject to the maximum rates we can charge in accordance with the CREG's regulations. See "Business—Our Natural Gas Transportation Business—Transportation Revenues and Rate Structure."

Tariffs are also adjusted annually based on changes in the U.S. PPI (as investments in transportation assets are denominated in U.S. dollars) and the Colombian CPI (AO&M changes, which are denominated in Colombian pesos).

For the six-month period ended June 30, 2019 and the three years ended December 31, 2018, 2017 and 2016, the portion of our Consolidated Adjusted EBITDA attributable to natural gas transportation activities was 47.8%, 54.5%, 55.6% and 50.8%, respectively. Additionally, for the six-month period ended June 30, 2019 and the three years ended December 31, 2018, 2017 and 2016, the portion of our consolidated net income attributable to natural gas transportation activities was 51.1%, 55.4%, 55.3% and 56.7%, respectively.

Natural Gas Distribution

We participate in the natural gas distribution sector in Colombia through our subsidiaries, Gases de Occidente and Surtigas, our Related Company, Gases del Caribe, and indirectly through Gases de la Guajira, and Efigas. Additionally, we participate in the natural gas distribution sector in Peru through our subsidiary, Gases del Pacífico, and our Related Company, Cálidda and in the future with Gases del Norte which recently obtained the distribution concession for the Region of Piura.

Gases de Occidente distributes natural gas through a network of primary and secondary pipelines with a total length of 13,045 km (8,105 miles) on Colombia's western coast. For the year ended December 31, 2018, Gases de

Occidente distributed 976 MMm3 of natural gas to approximately 1,139,319 customers. Surtigas distributes natural gas through a network of primary and secondary pipelines with a total length of 11,610 km (7,214 miles) on Colombia's northern coast. For the year ended December 31, 2018, Surtigas distributed 844 MMm3 of natural gas to approximately 771,798 customers. Gases del Caribe and its subsidiaries Efigas and Gases de la Guajira supply natural gas through a network of primary and secondary pipelines with a total length of 22,838 km (14,190 miles) in the areas of Magdalena, Cesar, Atlántico, La Guajira, Quindío, Risaralda and Caldas. For the year ended December 31, 2018, Gases del Caribe and its subsidiaries distributed 1,554 MMm3 of natural gas to approximately 1,656,978 customers. As of June 2019, Gases del Caribe served 152 unregulated customers. Cálidda supplies natural gas through a network of primary and secondary pipelines in Peru with a total length of 9,692 km (6,022 miles) in the Department of Lima and the Province of Callao. For the year ended December 31, 2018, Cálidda distributed 5,496 MMm3 of natural gas to approximately 761,215 customers. Gases del Pacífico distributes natural gas through a network of primary and secondary pipelines with a total length of 883 km (550 miles) on Peru's north region (Lambayeque, La Libertad, Ancash and Cajamarca). For the year ended December 31, 2018, Gases del Pacífico distributed 7 MMm3 of natural gas to approximately 21,517 customers.

In Colombia, natural gas distribution tariffs are designed to provide for a pass-through to customers of the main non-controllable cost items (the distributor's cost in purchasing the natural gas and the cost of transporting the natural gas from the producer to the distributor's network), recovery of reasonable operating and administrative costs, incentives to reduce costs and make needed capital investments and a regulated rate of return established by the CREG based on the distribution company's regulated asset base. A separate commercialization charge is also included in each customer's invoice, based on the distribution company's administrative costs in producing the invoice.

Tariffs for Colombian natural gas distribution companies are set to be reviewed by the CREG periodically every five years, and adjusted annually based on changes in the Colombian CPI and the Colombian PPI. The CREG established the methodology of the distribution tariff with Resolution 202 of 2013. It was complemented with Resolution 066 of 2017, which allowed natural gas distribution companies to solicit a transitory tariff, which is being applied today. In 2018 the CREG established a new methodology by publishing Resolution 132 of 2018, amended by Resolution 090 of 2018, complementing Resolution 202 of 2013. Afterwards, the CREG gave the option to all natural gas companies whether to remain in the current transitory tariffs or apply for a new distribution tariff. Resolution 096 of 2015 established the return rates for natural gas distribution markets. The rate of return before taxes was determined to be 13.28% in 2015 and varied each year up to 2019. From 2019 onwards the rate of return before taxes was established at 12.47% (12.30% with recent changes in tax rates). See "Business—Our Natural Gas Distribution Business—Distribution Revenues and Rate Structure in Colombia."

Tariffs for Peruvian natural gas distribution companies are initially established under the concession agreements (commonly for a period of eight years). Later, tariffs are set by OSINERGMIN and reviewed periodically every four years. See " Colombian and Peruvian Natural Gas Sector and Regulatory Framework—The Peruvian Natural Gas Sector—Natural Gas Distribution Network Ownership, Organizational and Regulatory Framework."

Tariffs for the distribution service are set to compensate the investment, operation and maintenance considering the costs of an efficient company. Distribution tariffs cover the distribution costs (*margen de distribucion*), which include the annualized investment for the provision of the distribution service, standard annual costs of the operation and maintenance of distribution facilities, demand, loses and a rate of return of 12%, and commercial costs (*margen de comercializacion*), which include annual costs associated to the customer service and billing and collection costs.

Current regulations consider costs of the Virtual Pipeline as part of the distribution costs (*margen de distribucion*) although under the concession agreement the costs of the Virtual Pipeline are charged as a separate concept. Under the concession agreement, Gases del Pacífico may charge the distribution tariff to its customers and is allowed to a fee equivalent to 3.32 U.S.$/MBTU (adjusted in accordance with the concession agreement) to cover the costs of the Virtual Pipeline. Additionally, the concession agreement establishes a discount rate for the connection of residential natural gas customers.

Payment of the distribution tariffs is not guaranteed by the Peruvian government to the concessionaire. The extent of the grantor's guarantee covers the enactment and enforcement of a regulatory regime in which the concessionaire has an exclusive right to provide the distribution service through pipelines in a certain area and to charge tariffs which seek to cover the concepts mentioned above.

For the six-month period ended June 30, 2019 and the three years ended December 31, 2018, 2017 and 2016, the portion of our Consolidated Adjusted EBITDA attributable to natural gas distribution activities was 33.9%, 31.7%, 29.7% and 35.6%, respectively. Additionally, for the six-month period ended June 30, 2019 and the three years ended December 31, 2018, 2017 and 2016, the portion of our consolidated net income attributable to natural gas distribution activities was 43.0%, 37.6%, 35.4% and 37.8%, respectively.

Power Distribution and Commercialization

We participate in the power distribution sector in Colombia through our subsidiary CEO. CEO serves the department of Cauca on Colombia's Pacific coast. The principal power distribution assets operated by CEO consist of 38 substations, 21,099 transformers and 26,676 km (16,575.7 miles) of distribution, medium- and low-voltage lines. For the year ended December 31, 2018, CEO distributed 597 GWh of electricity to approximately 382,056 customers.

CEO's power distribution and commercialization tariffs (for regulated customers) are set in a Resolution issued by the CREG with respect to distribution tariffs that reflects CEO's cost of transmission services, as well as an assumed level of recognized electricity losses (*pérdidas reconocidas*) that are compensated for by a portion of the power distribution tariff, and the remuneration for the investment in the distribution assets. In the power commercialization activity, CEO's percentage of regulated customers amounts to 99.9%. Power distribution tariffs are adjusted monthly according to the Colombian IPP and are adjusted by the CREG on a basis term of five years, based on a methodology to determine, among others, the assets replacement value and operation and maintenance costs. If these tariffs are not adjusted in the fifth year, the current tariff will remain in place. The power distribution tariffs may also be adjusted when new assets of a company enter into commercial operation. On January 29, 2018, the CREG issued Resolution 015 of 2018, amended by Resolution 036 of 2019, which establishes the methodology for the remuneration of the electricity distribution activity in the National Transmission System for the period commencing on January 1, 2019.

For the six-month period ended June 30, 2019 and the three years ended December 31, 2018, 2017 and 2016, the portion of our Consolidated Adjusted EBITDA attributable to power distribution activities was 9.7%, 7.5%, 6.8% and 7.1%, respectively.

Non-bank Financing

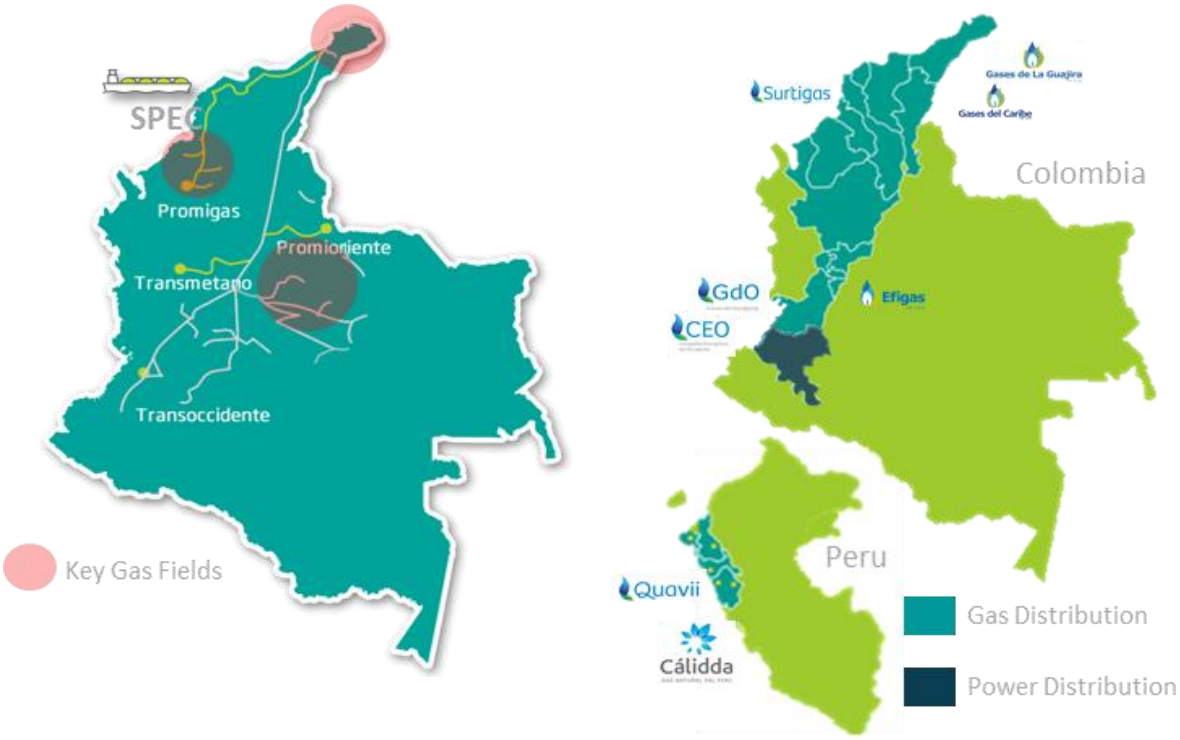
Under our non-bank financing business in Colombia, we provide financing for the purchase of home appliances and other household items that tend to increase natural gas consumption and may generate incremental demand for gas distribution services provided by CEO, Gases de Occidente, Surtigas, Gascaribe S.A. E.S.P., Gases de la Guajira and Efigas. This business is conducted under the "Brilla" program name. This program is limited to existing customers who have repaid their obligations under the connection financing program described above. The financing is provided directly by each company as part of its non-regulated business but managed centrally by Brilla. Interest on these loans cannot exceed the Colombian usury rate.

As of June 30, 2019, our non-bank financing business had an aggregate outstanding loan portfolio of Col$377,169 million (U.S.$118 million). The average outstanding amount of the loans held as part of our non-bank financing business as of June 30, 2019 was Col$1.2 million (U.S.$374), and the average life of the loans was approximately 23.1 months.

As of June 30, 2019 and the three years ended December 31, 2018, 2017 and 2016, the percentage of non-performing loans which are past-due for over 60 days was 8.6%, 5.7%, 5.5%, and 5.2%, respectively. For the six-month period ended June 30, 2019 and the three years ended December 31, 2018, 2017 and 2016, our consolidated

revenues from non-bank financing activities were Col$50,965 million, Col$93,428 million, Col$90,317 million, and Col$78,112 million, respectively. For more information, see "Business—Our Non-bank Financing Business".

The following maps show our areas of operations in Colombia and Peru.



Our Competitive Strengths

We believe that the following competitive strengths will enable us to successfully implement our strategy:

- *Major player in the Colombian natural gas sector with diversified revenue base*. We were engaged in both the natural gas transportation and distribution sectors in Colombia prior to the enactment of Law 142 of 1994, which limited vertical integration in the gas sector with the exception of companies, like us, that were previously vertically integrated natural gas transportation and distribution companies. We benefit from the diversified revenue base provided by such integration, as well as our participation in the power distribution sector. We are one of the two main natural gas transportation companies operating in Colombia. We participate in the natural gas transportation sector both directly and through our subsidiaries Transmetano, Promioriente and Transoccidente. According to a study commissioned by us, in 2018 we transported 52% of the total natural gas consumed in Colombia and we have a total gas transportation capacity of 1,040 MMCF/D. As of the date of this offering memorandum, the Pipeline System accounts for approximately 42% of the entire natural gas transportation system in Colombia, measured in kilometers of gas pipelines and related assets.

- *Important player in the Peruvian natural gas sector*. In July, 2019, we obtained a new concession which will allow us to expand and consolidate our operations in Peru. Our Related Company, Cálidda, is the sole and exclusive natural gas distribution concessionaire for Lima, the adjacent city of Callao and the surrounding region, serving, as of June 30, 2019, over 852,746 customers in those regions. In addition, our wholly-owned subsidiary and co-issuer, Gases del Pacífico, was awarded a 21-year gas distribution concession by the Peruvian Government. Under the terms of its concession agreement, Gases del Pacífico is required to have 150,137 residential natural gas customers connected by the end of 2022. See

"Business—Our Natural Gas Transportation Business—Concessions." Commercial operations under Gases del Pacífico's concession commenced on December 7, 2017 and, as of June 30, 2019, the company had 46,926 residential natural gas customers connected.

- *Limited competition due to high barriers of entry and strategic location of natural gas transportation assets.* The natural gas transportation network in Colombia is divided into two regions: (i) the interior, which is serviced by TGI; and (ii) the Atlantic coastal region (which accounted for 51% of the natural gas transported in Colombia for the year ended December 31, 2018), serviced by us. We believe that there is limited competition and high barriers of entry for new entrants into the gas transportation market, since the construction of a competing natural gas pipeline system and associated infrastructure would require a significant capital investment and competition with us for customers that we have been serving for many years, and who would incur in high costs by switching from service provider. Moreover, Promigas and its subsidiaries, Transmetano, Transoccidente and Promioriente, are the only natural gas transportation companies for the regions of Caribe, Antioquia and Occidente in Colombia, whose transportation infrastructure services connect with La Guajira and Sucre natural gas production fields for the Caribe region, and the Llanos Orientales gas fields for the areas of Antioquia and Occidente. These gas production fields represent approximately 82% of Colombia's natural gas reserves. Accordingly, those companies benefit from the high barriers of entry to transport natural gas extracted from such fields as well as any increased production resulting from an increase in proven and probable reserves in such fields compared to the reserves of older, more depleted fields. Additionally, Promioriente is the only natural gas transportation company that provides gas transportation service from the new Gibraltar natural gas field.

- *Core business in strategic sector.* We operate in a sector of strategic importance to the Colombian and Peruvian Governments. These governments actively support the development of their countries' oil and gas industry with a view to becoming regional and global players in that sector. In addition, the increased use of natural gas as a less *expensive* and cleaner fuel relative to other fossil fuels is expected to contribute to the increased demand for natural gas consumption in Colombia and Peru, which in turn would require additional transportation and distribution infrastructure.

- *Strong operational performance and efficiency.* Our natural gas transportation and gas distribution businesses in Colombia have consistently achieved high levels of operational availability of its natural gas transportation infrastructure totaling (99.99%) in each 2018, 2017 and 2016, and similarly high levels of continuity of service of its natural gas distribution infrastructure (99.99%) in each of 2018, 2017 and 2016. We believe that our strong operational performance and efficiency will allow us to maintain strong operating margins and to take advantage of growth opportunities in the natural gas and power sectors in the region.

- *Stable revenue stream and predictable cash flows.* Our revenues and cash flows have been historically stable and predictable due to the following factors:

  - 80.7%, 80.4%, 78.6%, 81.5% and 77.9% of our consolidated revenues for the six-month periods ended June 30, 2019 and 2018 and each of the three years ended December 31, 2018, 2017 and 2016, respectively, were derived from our regulated businesses (including results from our natural gas transportation, natural gas distribution and electricity distribution segments) in which tariffs are set to recover costs and capital expenditures;

  - 30.1%, 29.8%, 26.6% and 22.7% of our consolidated revenues for the six-month periods ended June 30, 2019 and the three years ended December 31, 2018, 2017 and 2016, respectively, were linked to foreign currencies; and

  - as of June 30, 2019, 72% of our natural gas transportation revenues were derived from fixed transportation rates charged by us to our customers based on their contracted capacity under long-term firm transportation contracts. Such fixed transportation rates are not dependent on the volume of natural gas transported by us to our customers.

- *Synergies with complementary businesses*. We are Colombia's only vertically integrated natural gas transportation and distribution company, and our technical and managerial experience and expertise developing and operating natural gas transportation and distribution businesses provide us with a competitive advantage to pursue investment opportunities in complementary businesses, such as power distribution and other public utilities. The natural gas and power distribution businesses are driven by similar supply and demand fundamentals, are subject to similar regulatory schemes and use similar technology and operating and managerial systems.

- *Experienced management and strong shareholders*. The members of our management team are highly trained industry professionals with an average of over 20 years of experience in the Colombian natural gas sector. In addition, we benefit from the operational excellence and expertise of Grupo Energía Bogotá S.A. E.S.P. ("GEB") in the energy sector in Colombia, Peru and other countries, and the financial strength and substantial managerial experience and expertise of Corficolombiana and Grupo Aval, both in Colombia and other Latin American markets.

- *Stable regulatory environment and proactive and constructive relationship with regulators*. The regulatory environment framework for the natural gas sectors in Colombia and Peru and the power sector in Colombia have historically been stable. Although we are awaiting certain resolutions and regulations to be issued, we have a constructive relationship with the CREG, MME, UPME, the OSINERGMIN and the Peruvian Ministry of Energy and Mines and the other governmental agencies that regulate our business, and actively cooperate with them in managing regulatory issues and addressing the challenges associated with the development of the Colombian energy sector.

Our Strategy

Our strategy is to maintain a prominent position in the natural gas and power sector in Colombia and to continue the expansion of our core businesses in Peru and into other Latin American countries with stable and sound energy regulatory frameworks and attractive growth prospects. Our strategy is based on the following key elements:

- *Continue domestic and international expansion*. We believe that our experience and managerial expertise in the natural gas transportation and distribution sectors will position us favorably to expand our business outside Colombia and participate in new expansion projects in certain key Latin American markets, such as Peru, where successful ventures have already been established, Mexico and Central America.

- *Continue improving operating efficiency and margins*. We intend to continue focusing on improving the operating margins of our businesses by investing further in the modernization of our operations and infrastructure and in the implementation of international operating standards and maintenance programs to improve the overall quality, efficiency and reliability of the services we provide. In October, 2017, we established Enlace, our shared services center which provides a new standardized and centralized management model for the administrative and financial processes of Promigas and its subsidiaries. During the year ended December 31, 2018, centralized purchases made through Enlace represented savings for Col$24,114 million (U.S.$8 million).

- *Continue capitalizing on synergies*. We believe that certain synergies such as cost savings and business opportunities can arise from our natural gas and power businesses. Potential synergies include taking advantage of marginal costs associated with the development of new infrastructure to improve the provision of services and the profitability of operations, deriving additional unregulated revenues from the provision of ancillary services related to the design and development of interconnection assets and systems, maintenance and construction management services for new expansion projects and cost reduction through economies of scale derived from combining procurement activities for our natural gas and power businesses.

- *Continue capitalizing on the experience and expertise of shareholders and relations with regulators*. We have developed a strong and collaborative relationship with GEB with respect to GEB's investment in us,

as well as the joint investment by GEB and us in Cálidda in Peru. Additionally, we have a strong working relationship with Corficolombiana and its parent, Grupo Aval, which has been our shareholder since 1977. We have also developed constructive relationships with CREG and UPME in Colombia and, through Cálidda, with OSINERGMIN in Peru.

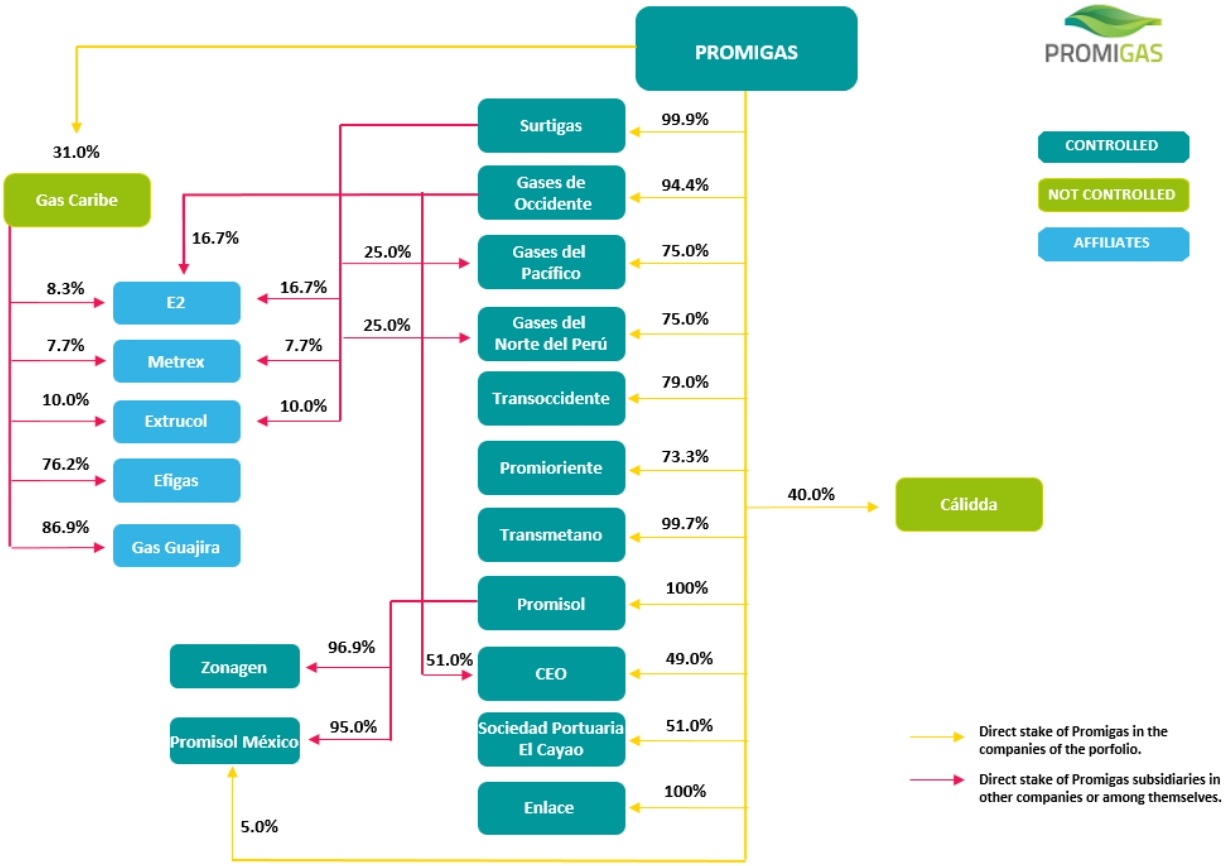
- *Continue to benefit from non-bank financing business.* We aim to further expand our services in our non-bank financing business where we have received returns above cost of capital consistently for the last years. The potential for growth is leveraged by low cost ventures capitalizing on synergies with the operations of our core businesses.

- *Expand relationship with core clients.* We are always looking to improve and expand our relationship with clients through different strategies. A clear example of these strategies is the key role we had in the implementation of SPEC's LNG import and regasification terminal. During that process, we worked with thermal power generation plants to submit a proposal to the CREG regarding the construction of the terminal as a way to address the natural gas supply shortage. This terminal, operating since December 2016, allows Colombia to provide new gas offers in order to support thermal power generators to meet the energy obligations they have with the country's demand. Currently, SPEC has a capacity to store 170 Mm3 of LNG and is able to regassify 400 MMCF/D, in order to provide 1,840 MW of power generation, around 35% of the country's thermal capacity. These strategies are executed and achieved thanks to a continuous and rigorous analysis of our clients' competitive environment, market position and situation, which allows us to know specifically the clients' needs, where we seek to align our objectives with theirs to construct long-term relationships.

- *Connect new natural gas sources to markets.* We have consistently developed infrastructure to connect new sources of gas supply to the markets of Cartagena and Barranquilla and interconnect markets. We have reached bilateral negotiations with gas suppliers such as Frontera Energy, Hocol and with Canacol, offering integrated solutions of gas transportation to these clients as well as adapting to the decreasing supply offer of traditional major camps in la Guajira that are being replaced by increasing supply offer in the Sucre and Cordoba departments.

Our Corporate Structure

The following chart presents our corporate structure as of the date of this offering memorandum.



Our History

Promigas was incorporated in 1974 as a limited liability company owned primarily by the Colombian Government. Corficolombiana and Corporación Financiera del Valle, which merged in 2005, were founding shareholders of Promigas with a 14.4% ownership interest, collectively. Promigas was fully privatized in 1996 when approximately 39.0% interest in the company was sold to affiliates of Enron Corporation ("Enron"), which subsequently increased its interest in Promigas to 42.9%. In 2006, as part of Enron's U.S. liquidation proceedings, Enron's interest was purchased by affiliates of Prisma Energy International. In 2007, Prisma Energy International transferred its 42.9% interest in Promigas to affiliates of Ashmore Energy International ("AEI"), which in 2009 acquired an additional 9.2% interest in Promigas, increasing its total participation to 52.1% interest. On February 10, 2011, AEI sold such affiliates to a group of investors including: (i) GEB, which purchased a 30.0% interest in such affiliates that represented a 15.6% interest in Promigas; (ii) Corficolombiana, which purchased a 20.3% interest in such affiliates that represented a 10.6% interest in Promigas; and (iii) a couple of private investment equity funds managed by Corredores Asociados, S.A., and Correval S.A., which purchased a 49.7% interest in such affiliates that represented a 25.9% interest in Promigas. From 2000 to 2010, a group of business entities owned by different members of the Scarpetta family of Colombia made several acquisitions of Promigas' stock and later transferred such shares to other entities. One of those entities is AMALFI S.A.S., which as of the date of this offering memorandum has a 15.9% ownership interest in Promigas.

Our Principal Shareholders

Corficolombiana

Corficolombiana, which as of the date of this offering memorandum, has a direct 34.9% and an indirect 10.6%, (through CFC Gas Holdings S.A.S.) ownership interest in Promigas, is a merchant bank that primarily invests in strategic sectors of the Colombian economy, including infrastructure, energy and finance, and also provides treasury, investment banking and private banking services. Corficolombiana is the fourth largest financial institution in Colombia in terms of shareholders' equity, as of June 2019 according to information reported by the SFC and the book value of its equity investment portfolio was U.S.$2.68 billion as of June 2019 (using an exchange rate of Col$3,205.67 per U.S. $1.00).

Grupo Aval is the parent company of Corficolombiana. The beneficial owner is Mr. Luis Carlos Sarmiento Angulo through its business group. Grupo Aval provides a comprehensive range of financial services and products across the Colombian market, ranging from traditional banking services, such as loans and deposits, to pension and severance fund management. Grupo Aval is Colombia's largest banking group based on total assets and its most profitable based on return on average shareholders' equity, as compared to its principal competitors, in each case for the years ended December 31, 2018, 2017 and 2016.

GEB

Grupo Energía Bogotá S.A. E.S.P. ("GEB") holds a 15.2% ownership interest in Promigas through EEB Gas S.A.S. GEB is a public utilities company (*empresa de servicios públicos*) organized as a stock corporation (*sociedad anónima*) under the laws of Colombia. GEB is primarily engaged, directly and through its subsidiaries and related companies, in the generation, distribution of electricity, as well as the transportation and distribution of natural gas. Currently, GEB has operations in Colombia, Peru, Guatemala and Brazil. GEB was established in 1896 by the Samper Brush family to generate, transmit and distribute electricity primarily to and within the District of Bogotá. The District of Bogotá acquired all of GEB's shares in 1959. In 1996, GEB was transformed from a State Owned Commercial and Industrial Company (*Empresa Industrial y Comercial del Estado*) into a public utilities company organized as a stock corporation. GEB's shares are registered with and trade on the Colombian Stock Exchange (*Bolsa de Valores de Colombia*). The District of Bogotá owns 65.7% of, and controls, GEB.

Recent Developments

- On August 16, 2019, we were awarded a new concession, through our subsidiary Gases del Norte, in the northern Peruvian region of Piura which will allow us to expand and consolidate our operations in Peru. Our projected investments in Peru with this new concession are approximately U.S.$230 million, and we expect it will benefit approximately 64,000 homes. The concession includes the construction of a 303 km main steel network with a transport capacity of 35 MMCF/D.

- In July 2019, we began the expansion of our transport capacity through the Jobo – Majaguas gas pipeline in the departments of Sucre and Córdoba, Colombia; this project has an investment of Col$240,000 million (U.S.$75 million) and a length of 85 km (52.8 miles). In addition, we began the operation of the Compresora Filadelfia station in Sucre with a total area of 25,000 square meters and an investment of Col$55,000 million (U.S.$17 million). The new gas turbocharger equipment in the station is expected to quadruple its current capacity. This pipeline and the compressor station are part of the first installment of a project to expand our existing natural gas transport network by 100 MMCF/D pursuant to an agreement with Canacol (the "Canacol Project").

- We expect the Paiva compressor station to commence operations by the end of 2019 and the 20 inch and 24 inch Mamonal Paiva gas pipelines and the Paiva Caracolí gas pipeline to commence operations during 2020. These projects are part of the expansion related to the Canacol Project.

- Prior to the closing of this offering, we expect to deliver a prepayment notice to the administrative agent of the U.S.$200 million syndicated credit agreement in order to repay outstanding amounts under this credit

agreement. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Material Financing Agreements, Local Issuances and Promissory Notes—Promigas and Gases del Pacífico Credit Agreement" for additional information.

Company Information

Our central administrative headquarters are located at Calle 66 No. 67 – 123, in the City of Barranquilla, Colombia. Our telephone number at this address is + 575 371 3444.

Our website address is www.promigas.com/En/Investors and the e-mail address of our investor relations team is atencionalinversionista@promigas.com.

Information on our website is not incorporated into this offering memorandum and should not be relied upon in determining whether to make an investment in the notes.

THE OFFERING

The following summary contains basic information about the Notes and is not intended to be complete. It does not contain all of the information that is important to you. For a more complete understanding of the Notes, please refer to the section of this offering memorandum entitled "Description of the Notes."

Co-Issuers	Promigas S.A. E.S.P. and Gases del Pacífico S.A.C.
Securities Offered	U.S.$400,000,000 3.750% Senior Notes due 2029 (the "Notes").
Issue Price	99.234% of the principal amount plus accrued interest, if any, from October 16, 2019.
Issue Date	October 16, 2019.
Maturity Date	October 16, 2029 (the "Maturity Date").
Form and Denominations	The Notes will be issued in registered global form in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Interest	Interest on the Notes will accrue at the rate of 3.750% per annum on the outstanding principal amount; interest will be payable semi-annually in arrears on April 16 and October 16 of each year commencing on April 16, 2020. Interest on the Notes will be computed on the basis of 360-day years comprised of twelve 30-days months, and will be payable to the Holders of record at the close of business on the second calendar day immediately preceding the related interest Payment Date.
Use of Proceeds	Promigas intends to use the net proceeds from the offering of the Notes primarily to repay or refinance existing short-term and long-term indebtedness. Gases del Pacífico intends to use the net proceeds from the offering of the Notes to repay or refinance existing short-term and long-term indebtedness. See "Use of Proceeds."
Ranking	The Notes will be joint and several, senior, unconditional, unsecured and unsubordinated obligations of the Co-Issuers. The Notes will rank equally without any preference among themselves and will rank equally with all the Co-Issuers' existing and future senior and unsecured Indebtedness in right of payment and senior to the Co-Issuers' existing and future indebtedness that by its terms is junior and subordinated in right of payment to the Notes. "Indebtedness" has the meaning given to it under "Description of the Notes."
Payments of Principal	The principal amount of the Notes will be repaid in a

	single installment on the Maturity Date.
Restrictive Covenants.....	The Co-Issuers will issue the Notes under an Indenture with U.S. Bank National Association, as Trustee. The Indenture will, among other things, restrict the Co-Issuers' ability to: • create liens; • enter into sale and lease-back transactions; and • enter into mergers or consolidations. These restrictions are subject to a number of important qualifications and exceptions. See "Description of the Notes."
Optional Redemption at Par.....	At any time or from time to time on or after July 16, 2029 (three months prior to the Maturity Date) (the "Par Call Date"), the Co-Issuers will have the right to redeem the Notes, in whole or in part, on at least 10 days' but not more than 60 days' prior notice, at a redemption price equal to 100% of the outstanding principal amount of the Notes to be redeemed plus accrued but unpaid interest (if any) of the principal amount of the Notes to be redeemed and any Additional Amounts (as defined under "Description of the Notes") to, but excluding, the Redemption Date (as defined under "Description of the Notes"). See "Description of the Notes—Optional Redemption—Optional Redemption at Par."
Optional Redemption with "Make-Whole" Amount.....	At any time or from time to time prior to the Par Call Date, the Co-Issuers will have the right to redeem the Notes, in whole or in part, on at least 10 days' but not more than 60 days' prior notice, at a redemption price equal to the greater of (a) 100% of the principal amount of the Notes to be redeemed and (b) the sum of the present values of each remaining scheduled payment of principal and interest thereon as if redeemed on the Par Call Date (exclusive of interest accrued to the Redemption Date) discounted to the Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined under "Description of the Notes") *plus* 35 basis points, in each case plus accrued but unpaid interest (if any) on the principal amount of the Notes to be redeemed and any Additional Amounts to, but excluding, the Redemption Date.
Optional Tax Redemption.....	The Notes are redeemable at the option of the Co-Issuers in whole (but not in part) on any date prior to the Maturity Date, on at least 10 days' but not more

	than 60 days' prior notice, at a price equal to the outstanding principal amount thereof, together with any Additional Amounts (if any) and accrued and unpaid interest to, but excluding, the Redemption Date, if, the laws, treaties or regulations, or the application, administration or interpretation of such laws, treaties or regulations, affecting taxes in Colombia or Peru or any jurisdictions through which payments are made change in certain respects. For more information, see "Description of the Notes—Optional Tax Redemption."
Change in Ownership Structure Event	Within 30 days of the occurrence of certain events constituting a Change in Ownership Structure Event (as defined under "Description of the Notes"), the Co-Issuers must offer to repurchase all of the Outstanding Notes at a purchase price of 101% of the aggregate principal amount of such Notes, plus accrued and unpaid interest and Additional Amounts (if any), to, but excluding, the date of purchase. See "Description of the Notes—Repurchases at the Option of the Holders of the Notes Upon Change in Ownership Structure Repurchase Event."
Release of Successor to Gases del Pacífico	Concurrently with any consolidation, merger, sale or any sale or conveyance of the assets or property of Gases del Pacífico as an entirety or substantially as an entirety to another Person (other than Promigas or its subsidiaries), the obligations of such Person (as successor to Gases del Pacífico) may, without the consent of the holders of the Notes, be released from its obligations under the Notes and the Indenture. See "Description of the Notes—Release of Successor to Gases del Pacífico."
Substitution of Co-Issuer	Either Co-Issuer may, without the consent of any Holder of the Notes, be substituted as principal debtor in respect of the Notes by any (i) wholly-owned subsidiary of either Co-Issuer or (ii) direct or indirect parent of either Co-Issuer, of which the Co-Issuer is a wholly-owned subsidiary. See "Description of the Notes—Substitution of the Co-Issuers."
Transfer Restrictions	The Notes have not been, and will not be, registered under the Securities Act or any state securities laws in the United States and are subject to certain restrictions on transfer and resale. There is currently no market for the Notes and the Co-Issuers cannot assure you that one will develop.
Governing Law	State of New York, except that all matters relating to the authorization and execution by the Co-Issuers of both the Notes and the Indenture will be governed by

	the laws of Colombia and Peru.
Initial Purchasers	Citigroup Global Markets Inc. and J.P. Morgan Securities LLC.
Listing	Application will be made for the listing and quotation of the Notes on the Official List of the SGX-ST. The Co-Issuers cannot assure you that any such application will be successful or that any such listing will be granted or maintained.
Additional Notes	The Co-Issuers may, without your consent, incur additional Indebtedness. At the option of the Co-Issuers, this additional Indebtedness may consist of Additional Notes issued in one or more transactions, which have substantially identical terms (other than issue price, issue date, date from which the interest initially will accrue and, to the extent necessary, certain temporary securities laws transfer restrictions) as the Notes issued on the Closing Date (as defined under "Description of the Notes"). Any Additional Notes will be consolidated and form a single class with the Notes issued on the Closing Date, so that, among other things, holders of any Additional Notes will have the right to vote together with holders of Notes issued on the Closing Date as one class; *provided* that, unless such Additional Notes are fungible with the original Notes issued on the Closing Date for U.S. federal income tax purposes, such Additional Notes will be issued under a separate CUSIP. See "Description of the Notes—Additional Notes."
Clearance and Settlement	The Notes will be issued in book-entry form through the facilities of The Depository Trust Company ("DTC") for the accounts of its participants, including Euroclear and Clearstream and will trade in DTC's same-day funds settlement system. Owners of beneficial interests in the Notes held in book-entry form will not be entitled to receive physical delivery of certificated Notes, except in certain limited circumstances. For a description of certain factors relating to clearance and settlement, see "Description of the Notes—Book-Entry, Delivery and Form."
Trustee, Security Registrar, Transfer Agent and Paying Agent	U.S. Bank National Association
Singapore Listing Agent	Allen & Gledhill LLP
CUSIP and ISIN	CUSIP 74348D AA5 (144A) and P7922T AA7 (Reg S). ISIN US74348DAA54 (144A) and USP7922TAA71 (Reg S).

Risk Factors.....	You should carefully consider all of the information in this offering memorandum. See "Risk Factors" for a description of the principal risks involved in making an investment in the Notes.

SUMMARY FINANCIAL AND OPERATING DATA

The summary financial and other information (i) as of June 30, 2019 and for the six-month periods ended June 30, 2019 and 2018 has been derived from our Unaudited Consolidated Financial Statements included elsewhere in this offering memorandum, and (ii) as of and for the years ended December 31, 2018, 2017 and 2016 has been derived from our Audited Consolidated Financial Statements included elsewhere in this offering memorandum.

This financial information should be read in conjunction with "Presentation of Financial and Other Information," "Selected Financial Data and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Audited Consolidated Financial Statements or Unaudited Consolidated Financial Statements, including the notes thereto, included elsewhere in this offering memorandum.

Our Financial Statements were prepared in Colombian pesos in accordance with IFRS as issued by the IASB, including the interpretations issued by the IFRIC, in each case, as adopted in Colombian pursuant to Colombian IFRS. Pursuant to Law No. 1314 enacted in 2009, we began preparing our Financial Statements in accordance with Colombian IFRS beginning with our fiscal year ending December 31, 2015.

Selected consolidated income statement data	For the Six-Month Period Ended June 30,			For the Year Ended December 31,			
	2019	2019	2018	2018	2018	2017	2016
	(U.S.$ in millions)[1]	*(Col$ in millions, except per share data)*		*(U.S.$ in millions)*[1]	*(Col$ in millions, except per share data)*		
Revenues	612	1,961,901	1,734,219	1,163	3,727,680	3,439,041	3,770,364
Cost of sales	(408)	(1,309,139)	(1,104,425)	(775)	(2,483,026)	(2,244,706)	(2,664,488)
Gross income	**204**	**652,762**	**629,794**	**388**	**1,244,654**	**1,194,336**	**1,105,876**
Operating expenses	(57)	(182,349)	(169,062)	(105)	(336,054)	(297,892)	(287,488)
Dividends received	—	486	925	—	1,054	1,205	734
Others, net	1	2,075	(1,031)	—	(1,276)	17,141	18,556
Operating income	**148**	**472,974**	**460,627**	**283**	**908,378**	**914,789**	**837,678**
Finance income	54	171,779	176,585	101	322,527	293,946	270,226
Finance expenses	(71)	(227,225)	(209,236)	(137)	(438,305)	(419,570)	(358,266)
Financial income, net	(17)	(55,446)	(32,651)	(36)	(115,778)	(125,624)	(88,040)
Share of profit of equity-accounted investees, net of tax	29	91,597	78,470	54	172,629	141,970	125,896
Income before tax	**159**	**509,126**	**506,446**	**301**	**965,229**	**931,136**	**875,534**
Income tax expense	(29)	(91,877)	(114,190)	(59)	(189,711)	(242,980)	(227,445)
Net income for the period	**130**	**417,248**	**392,255**	**242**	**775,518**	**688,156**	**648,089**
Attributable to:							
Owners of the company	125	400,056	365,707	226	725,463	645,247	616,697
Non-controlling interest	5	17,192	26,548	16	50,055	42,909	31,392
Net income per share *(Col$ in thousands)*	—	0.3	0.3	—	0.6	0.5	0.5

(1) Solely for the convenience of the reader, Colombian pesos amounts for the six-month period ended June 30, 2019 and for the year ended December 31, 2018 have been translated into U.S. dollars at the TRM published by the SFC as of June 30, 2019 of Col$3,205.67 to U.S.$1.00. These translations should not be construed as a representation that the Colombian peso amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate. See "Exchange Rates" for further information about recent fluctuations in exchange rates.

Condensed consolidated statements of financial position data	As of June 30, 2019 (U.S.$ in millions)[1]	As of June 30, 2019 (Col$ in millions)	As of December 31, 2018 (U.S.$ in millions)[1]	As of December 31, 2018	As of December 31, 2017	As of December 31, 2016
					(Col$ in millions)	
Assets						
Current assets:						
Cash and cash equivalents	71	228,504	87	279,356	187,581	203,615
Financial assets at fair value	45	143,752	52	166,260	153,405	167,235
Financial assets at amortized cost	320	1,026,929	281	899,500	926,567	859,139
Inventories	20	65,262	18	59,168	66,398	72,431
Prepayment or tax credit balances	13	40,877	6	18,883	23,147	21,384
Assets held for sale	—	—	—	—	587	2
Other assets	63	202,095	59	188,423	119,983	113,485
Total current assets	**533**	**1,707,420**	**503**	**1,611,591**	**1,477,669**	**1,437,292**
Long-term assets:						
Financial assets at fair value	814	2,608,350	780	2,502,015	2,295,682	2,079,199
Financial assets at amortized cost	501	1,607,217	506	1,621,129	1,613,020	1,537,942
Inventories	5	16,773	4	14,177	12,916	10,313
Investments in associates	204	654,605	215	689,021	640,407	580,489
Property, pipeline, plant and equipment:						
Property, pipeline, plant and equipment	354	1,135,800	355	1,139,381	1,135,752	1,241,804
Usage rights	44	141,955	—	—	—	—
Net properties, pipelines, plant and equipment	398	1,277,755	355	1,139,381	1,135,752	1,241,804
Net intangible assets:						
Concessions arrangements rights	861	2,758,639	791	2,534,795	2,187,289	2,121,717
Rights of use	3	10,573	—	—	—	—
Goodwill	40	128,819	40	128,819	128,819	128,819
Other intangible asset	28	90,777	26	84,439	74,708	67,183
Total net intangible assets	932	2,988,808	857	2,748,052	2,390,816	2,317,720
Deferred tax assets, net	27	87,824	23	74,411	62,772	52,594
Other non-current assets	13	42,928	8	25,694	5,624	7,795
Total long-term assets	**2,896**	**9,284,258**	**2,749**	**8,813,880**	**8,156,989**	**7,827,855**
Total assets	**3,429**	**10,991,678**	**3,252**	**10,425,471**	**9,634,659**	**9,265,148**
Liabilities and equity						
Current liabilities:						
Financial obligations	169	542,612	106	341,182	483,356	517,465
Outstanding bonds	115	370,149	86	275,789	18,112	23,889
Accounts payable	230	737,250	152	486,086	351,519	533,669
Employee benefits	5	17,559	5	17,508	16,739	16,011
Income tax payable	1	3,495	13	40,426	74,433	95,472
Provisions	—	221	—	—	2,079	—
Other liabilities	35	110,872	39	124,450	100,185	112,457
Total current liabilities	**556**	**1,782,158**	**401**	**1,285,442**	**1,046,422**	**1,298,962**
Long-term liabilities:						
Financial obligations	848	2,718,799	755	2,421,198	2,338,129	2,004,111
Outstanding bonds	707	2,265,455	769	2,465,175	2,217,112	2,216,843
Accounts payable	6	18,695	6	18,111	12,998	12,919
Employee benefits	1	4,581	1	4,498	4,405	4,251
Provisions	75	240,127	75	239,563	255,442	224,645
Deferred tax liabilities	176	565,229	174	557,593	581,234	548,134
Other liabilities	—	69	—	69	39	438
Total long-term liabilities	**1,813**	**5,812,955**	**1,780**	**5,706,206**	**5,409,359**	**5,011,339**
Total liabilities	**2,369**	**7,595,112**	**2,181**	**6,991,649**	**6,455,781**	**6,310,302**
Equity:						
Paid-in and subscribed capital	35	113,492	35	113,492	113,492	113,492
Share premium underwriting	101	322,823	101	322,823	322,823	322,823
Reserves	223	713,490	230	737,370	558,143	289,427
Retained earnings	598	1,917,154	600	1,922,309	1,861,788	1,919,325
Other equity accounts	(4)	(11,556)	(4)	(11,556)	(2,033)	(2,033)
Other comprehensive income	40	126,999	40	128,514	108,450	112,104
Owners of the company	**993**	**3,182,401**	**1,002**	**3,212,951**	**2,962,662**	**2,755,138**
Non-controlling interest	67	214,164	69	220,871	216,215	199,708
Total equity	**1,060**	**3,396,565**	**1,071**	**3,433,822**	**3,178,877**	**2,954,846**
Total liabilities and equity	**3,429**	**10,991,678**	**3,252**	**10,425,471**	**9,634,659**	**9,265,148**

(1) Solely for the convenience of the reader, Colombian pesos amounts for the six-month period ended June 30, 2019 and for the year ended December 31, 2018 have been translated into U.S. dollars at the TRM published by the SFC as of June 30, 2019 of Col$3,205.67 to U.S.$1 .00. These translations should not be construed as a representation that the Colombian peso amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate. See " Exchange Rates" for further information about recent fluctuations in exchange rates.

Other Financial and Operating Information

Other Financial Information	For the Six-Month Period Ended June 30,			For the Year Ended December 31,			
	2019	2019	2018	2018	2018	2017	2016
	(U.S.$ in millions)[1]	*(Col$ in millions)*		*(U.S.$ in millions)*[1]	*(Col$ in millions)*		
Consolidated Adjusted EBITDA[2][3]	196	628,954	605,047	377	1,207,717	1,140,327	1,090,527
Consolidated Adjusted EBITDA margin (%)[4]	32.1%	32.1%	35.7%	34.0%	34.0%	33.7%	32.9%
Adjusted Net Debt[5]	1,485	4,760,709	4,041,184	1,326	4,249,722	3,891,823	3,504,815
Adjusted Net Debt/Consolidated Adjusted EBITDA[6]	3.9	3.9	n.a.	3.5	3.5	3.4	3.2
Funds from Operations[7]	123	393,445	340,535	216	693,437	623,547	579,325

(1) The amounts contained herein are converted from Colombian pesos into U.S. dollars solely for your convenience at the TRM published by the SFC, at June 30, 2019, of Col$3,205.67 to U.S.$1.00. These translations should not be construed as a representation that the Colombian peso amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate.

(2) Our Consolidated Adjusted EBITDA for a period consists of net income adjusted by finance expenses (net), taxes and depreciation and amortization *plus* provisions *minus* the sum of others, net and SPEC's FSRU leasing interest expenses. For a reconciliation of our Consolidated Adjusted EBITDA to the most directly comparable Colombian IFRS measure, see "Selected Financial and Operating Data.".

(3) Consolidated Adjusted EBITDA is not a presentation made in accordance with Colombian IFRS. Consolidated Adjusted EBITDA has important limitations as an analytical tool, and you should not consider it in isolation, as indicative of the cash available to Promigas to make payments under the Notes or as a substitute for analysis of our results as reported under Colombian IFRS, the standards set forth in the SSPD Accounting Manual and the requirements of the SFC. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures".

(4) Consolidated Adjusted EBITDA margin has been calculated using Consolidated Adjusted EBITDA for the period divided by our Consolidated Adjusted Revenues for the same period, which consists of our revenues, *minus* revenues from construction of concessions, *plus* share of profit of equity-accounted investees, net of tax and dividends. For a reconciliation of Consolidated Adjusted Revenues, see "Selected Financial and Operating Data."

(5) We calculate our Adjusted Net Debt as the sum of our financial obligations (current and long-term) and outstanding bonds (current and long-term) *plus* amortized cost *minus* amounts recorded as (i) SPEC's FSRU lease, (ii) loans and bonds interest payable (iii) cash and cash equivalents, and (iv) financial assets at fair value. Adjusted Net Debt is not a measure of financial performance under IFRS and should not be considered as a measure of liquidity or our ability to pay interest on the Notes. Adjusted Net Debt does not have a standardized meaning, and our definition of Adjusted Net Debt may not be comparable to other similarly titled measures provided by other companies either in Colombia or in other jurisdictions. Notwithstanding its limitations, and in conjunction with other accounting and financial information available, our management considers Adjusted Net Debt a reasonable indicator of our indebtedness level for comparison between us and our peers. For a reconciliation of Adjusted Net Debt, see "Selected Financial and Operating Data."

(6) Adjusted Net debt/Consolidated Adjusted EBITDA ratio is the ratio of our Adjusted Net Debt of the end of the applicable period divided by our Consolidated Adjusted EBITDA for the then-most recently concluded period of four consecutive fiscal quarters, including the four consecutive fiscal quarters ended June 30 of each fiscal year.

(7) We calculate our Funds from Operations net income (attributable to owners of the company) for such period *plus* depreciation and amortization and provisions, and deferred taxes *minus* interest revenues from financial assets concession. Funds from Operations is a non-IFRS measure which should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with IFRS, as an indicator of financial performance. Funds from Operations do not have a standardized meaning under IFRS and may not be comparable to similar measures presented by other entities. Funds from Operations is presented to assist management and investors in analyzing operating performance in the stated period. For a reconciliation of Funds from Operations, see "Selected Financial and Operating Data."

The following table sets forth some of our key operating data:

Key operating data	As of and for the Six-Month Period Ended June 30,	As of and for the years ended December 31,		
	2019	2018	2017	2016
Natural gas transportation:				
Average firm transportation contracted capacity (*MMCF/D*)	822	877	873	827
Average natural gas transported (*MMCF/D*)	511	526	492	490
Gas pipeline length (*miles*)	1,919	1,919	1,919	1,919
Gas pipeline length (*km*)	3,089	3,089	3,089	3,089
Gas losses (%)	0.3%	0.3%	0.4%	0.7%
Employees	462	455	451	440
Natural gas distribution				
Municipalities served	831	807	784	676
New customers connected	169,073	299,352	282,488	238,758
Total number of customers	4,450,051	4,329,332	3,986,172	3,685,517
Gas losses (%)	1.2%	2.1%	1.2%	0.6%

Employees	2,349	2,245	2,171	2,109
Power distribution				
Distribution lines (*miles*)	16,677	16,578	16,493	16,126
Distribution lines (*km*)	26,839	26,676	26,543	25,953
Electricity Losses (%)	15.3%	15.1%	15.8%	16.4%
Employees	292	314	284	322
Non-bank financing				
Total Number of Clients	1,753,439	1,632,722	1,392,344	1,166,180
Annual Growth of Portfolio (%)	6.0%	12.4%	8.3%	n.a.
Outstanding loan portfolio at the end of the period (*Col$ in millions*)	377,169	355,717	31,540	292,232
Net interest margin (%)	65%	67%	68%	58%

RISK FACTORS

An investment in the Notes involves a high degree of risk. You should carefully consider the risks and uncertainties described below, as well as the other information included elsewhere in this offering memorandum before making an investment in the Notes. The risks described below are not the only ones we face. In the event any of the following risks actually occur, our business, financial condition and results of operations could be materially adversely affected. The market price of the Notes could decline due to any of these risks, and you may lose all or part of your investment in the Notes. The risks described below are those that we currently believe may materially affect us. Additional risks not presently known to us, or that we currently consider immaterial may also materially adversely affect us.

For purposes of this section, when we state that a risk, uncertainty or problem may, could or will have an "adverse effect" on us or "adversely affect" us, we mean that the risk, uncertainty or problem could have an adverse effect on our business, financial condition, results of operations, cash flow and/or prospects, and/or the price of the Notes, except as otherwise indicated. You should view similar expressions in this section as having similar meaning.

Risks Related to Our Business

The success of our business depends, in part, on factors beyond our control.

The success of our business is partly dependent on the actions of third parties and on factors beyond our control. The following factors, most of which are beyond our control, may unfavorably impact our business:

- availability and competitiveness of alternative energy sources in the markets that we serve;
- a competitor could offer services that are more desirable because of costs, location, facilities or other factors;
- expiration or termination of significant contracts and/or concessions;
- changes in regulation and actions of regulatory bodies, including changes to the maximum regulated natural gas transportation rates approved by the CREG every five years;
- changes in availability and demand of natural gas and electricity in Colombia;
- increases of capital costs;
- our ability to build or expand our gas or power infrastructure within anticipated costs;
- opposition to gas or power infrastructure development, particularly in environmentally sensitive areas;
- obtainment of the necessary rights of way and easements for expansion projects;
- adverse general economic conditions;
- the availability of adequate financing and interest rates;
- future severe weather conditions;
- suppliers may not comply with their contractual obligations with us, or may be subject to material adverse changes that may affect their ability to comply with contractual obligations with us, resulting in delays or increased costs; and
- relations with the communities in the areas where we operate or expect to develop infrastructure.

These and other factors could materially adversely affect our cash flow, financial condition and results of operations and could impair our ability to make payments under the Notes.

Fluctuations in energy prices could adversely affect our gas transportation business.

During the year ended December 31, 2018, we derived 31.8% of our revenues from natural gas transportation and 63.0% from natural gas and energy distribution. For the natural gas transportation segment, 71.0% of our revenues derived from the fixed rate provisions of the long-term natural gas transportation contracts entered into with customers and 29.0% of our revenues from the variable rate provisions of such contracts. Transported volume is affected by the demand for and price of natural gas, and an increase in price could reduce such demand. For example, electricity generators may have their gas-fired generation units dispatched less frequently since, in the Colombian power sector, power plants are generally dispatched based on the order of priority established by the Colombian regulatory agencies based on the short-term marginal cost of generating electricity by such units. An increase in natural gas prices could also result in industrial plant shutdowns or load losses to alternative energy sources as well as gas distribution companies' loss of customer base. Price volatility may also, in some cases, impact the value of under or over recoveries of retained gas, imbalances and system encroachments. Furthermore, price fluctuations may adversely affect the willingness of our customers under firm transportation contracts to renew such contracts. Any material fluctuations in the availability of gas and energy or their respective prices could adversely affect our businesses and results of operations. Fluctuations of gas and energy are caused by a number of factors, including:

- regional, national and international supply of and demand (i.e., reserves, import and export balance, etc.);
- international oil and natural gas prices;
- hydrological and meteorological conditions;
- availability and adequacy of transportation and transmission facilities;
- gas and energy legislation and regulation;
- local and national taxes;
- abundance of supply of, and competitive prices for alternative energy sources; and
- political unrest among oil producing countries.

Any material fluctuations in energy prices could have a material adverse effect on our cash flows, financial condition and results of operations and could impair our ability to make payments under the Notes.

Our natural gas transportation revenues are generated under natural gas transportation contracts that must be renegotiated or extended periodically.

A substantial portion of our revenues from natural gas transportation services are generated under natural gas transportation contracts which expire periodically and must be renegotiated and extended or replaced. As of June 30, 2019, our long-term firm natural gas transportation contracts had a remaining weighted average life of approximately 5.7 years. For information about remaining life of contracts, see "Business—Our Natural Gas Transportation Business—Transportation and Contracted Capacity." We cannot assure you that we will be able to extend or replace these contracts when they expire or that the terms of any renegotiated contracts will be as favorable as the existing contracts. In particular, our ability to extend and replace contracts could be adversely affected by factors beyond our control, including but not limited to:

- Colombian natural gas transportation regulations;
- international oil and gas prices;

- timing, volume and location of new market demand;
- competition from alternative energy sources;
- supply and price of natural gas in Colombia;
- demand for natural gas in the markets that we serve; and
- availability and competitiveness of alternative gas transportation infrastructure in the markets that we serve.

If we are unable to renew, extend or replace these transportation contracts or if we renew them on less favorable terms, our cash flows, financial condition and results of operations may be negatively affected, which, in turn, may impair our ability to make payments under the Notes.

Our operations are subject to operational hazards and uninsured risks.

Our operations are subject to the inherent risks normally associated with the industries in which we operate, including equipment failures and ruptures, explosions, pollution, releases of toxic substances, fires, adverse weather conditions, geological risks, vandalism and theft and other hazards, each of which could result in damage to or destruction of our infrastructure and facilities or injuries to persons and damage to property.

As of June 30, 2019, approximately 98.7% of our Pipeline System was buried underground. Accordingly, our Pipeline System is subject to damage resulting from natural geological movements and natural disasters, such as earthquakes, floods and mudslides that can cause the earth surrounding any part of the Pipeline System to move unpredictably. Any such unpredictable geological movement or natural disaster could cause a rupture or other malfunction of the Pipeline System, which would likely result in an interruption of service and damage to neighboring structures, as well as in losses or slowdowns to operations. In 2018, we experienced five service interruptions, mostly due to damage caused by the digging activities of third party damages and caused an average of 4.8 hours of interrupted service to the affected pipelines. As of the date of this offering memorandum, we have experienced zero interruptions of service in 2019.

In addition, our operations and assets face possible risks associated with acts of aggression and terrorism in Colombia. Colombia has experienced several periods of violence over the past five decades, primarily due to the activities of guerrilla groups, organized crime and drug cartels. In response, Colombia has implemented various security measures and programs and has strengthened its military and security forces by creating specialized units. Despite these efforts, drug-related crime and guerrilla activity continue to exist in Colombia. These activities, their possible escalation and the violence associated with them, may have a negative impact on the Colombian economy now or in the future. From January 1, 2016 up to the date of this offering memorandum, our infrastructure has not experienced attacks. For more details on the terrorist attacks see "—Risks Related to the Gas Transportation, Gas Distribution and Power Distribution Sectors in which We Operate—The Colombian energy industry has been and may be affected by terrorist attacks."

Although the Colombian Government and the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia*, or "FARC") signed a peace agreement on November 24, 2016, incidents of terrorism may recur in the future and the business, financial condition and results of operations of our company, our subsidiaries and our ability to make interest payment on the Notes could be adversely affected. The Colombian president, Iván Duque Márquez, has indicated that he may seek to renegotiate portions of the peace agreement. As such, there can be no assurance that the agreement will remain in effect and that hostilities will not recommence.

While we maintain insurance against many of these risks to the extent available in the relevant markets and in amounts that we believe are reasonable, this insurance does not cover all risks. Many of our and our subsidiaries' insurance policies have material deductibles, exclusions and self-insurance levels, as well as significant limits on our maximum recovery. We cannot assure you that our level of insurance is sufficient to cover all liabilities and, as a result, such events could have a material adverse effect on our cash flows, financial condition and results of operations and could impair our ability to make interest payments on the Notes.

Our insurance, guarantee and warranty coverage may not be adequate.

We currently maintain customary insurance of the types and amounts that are generally consistent with industry practice and applicable legal requirements for the natural gas industry in Colombia and Peru, and for the power industry in Colombia. See "Business—Insurance". There can be no assurance that such insurance coverage will continue to be available on commercially reasonable terms or at commercially reasonable rates or that the amounts for which we are insured, or that the proceeds of such insurance will compensate us fully for our losses. In the event there is a total or partial loss of our assets, any insurance proceeds that we may receive in respect thereof may not be sufficient in any particular situation to effect a restoration of such assets to their previous condition.

We currently maintain customary insurance of the types and amounts that are generally consistent with industry practice and applicable legal requirements for the natural gas and power industries in Peru. See "Business—Insurance". There can be no assurance that such insurance coverage will continue to be available on commercially reasonable terms or at commercially reasonable rates or that the amounts for which we are insured, or that the proceeds of such insurance will compensate us fully for our losses. In the event there is a total or partial loss of our assets, any insurance proceeds that we may receive in respect thereof may not be sufficient in any particular situation to effect a restoration of such assets to their previous condition.

In the event of a total or partial loss of our main assets, certain items of equipment may not be easily replaced because they may be excessively expensive or so system-specific that they are not readily available. Accordingly, notwithstanding that we may have insurance, guarantee or warranty coverage, the location of our assets or limitations on our ability to procure replacement equipment may give rise to significant delays in replacement and thereby cause service interruption which could have a material adverse effect on our cash flows, financial condition and results of operations and could impair our ability to make payments under the Notes.

We have a high customer concentration in our natural gas transportation business and the failure by one or more of our customers to make payments under, or renew or extend their natural gas transportation contracts with us may adversely affect our financial results.

Our top five natural gas transportation customers Termobarranquilla, Canacol, Celsia, Reficar and Surtigas together represented 84% of our natural gas transportation revenues as of June 30, 2019. If we are unable to renew, extend or replace our contracts with any of these customers, or renew them on less favorable terms, or if these customers fail to make payments under such contracts, we may suffer a material impact on our cash flows, financial condition and results of operations. Any such event could impair our ability to make payments under the Notes.

We are dependent on the continued performance and creditworthiness of our customers for a substantial part of our revenues.

We are dependent on our customers for revenues payable under commercial contracts entered into with us, which represent a substantial portion of our revenues. Although payments by our customers under such contracts are, in some cases, guaranteed by bank guarantees, performance bonds or escrow funds, the failure of our customers to perform under such contracts could have a material adverse effect on our cash flows, financial condition and results of operations and could impair the ability of our subsidiaries and Related Companies to pay dividends or make other distributions and, as a result, negatively affect our ability to make payments under the Notes.

Under the Colombian insolvency statute, Law 1116 of 2006 ("Law 1116"), as amended from time to time, in the event that an insolvency proceeding is initiated against certain of our customers (other than a customer organized as a public utilities company), our ability to recover payments due under existing contracts entered into with such a customer may be limited. In the event of reorganization or liquidation, statutory preferences, including claims for salaries, wages, secured obligations, social security, administrative expenses arising after the commencement of the insolvency proceeding (*gastos de administración*) taxes and court fees and expenses, will have priority over any other claims.

A reorganization proceeding can be requested by our customers or by their creditors in one of the following situations: (i) stoppage of payments: the company will declare its stoppage of payments in the following events: (a)

the default of two or more obligations for more than 90 days in favor of two or more creditors for a value of not less than 10% of the current liabilities of the company; or, (b) the existence of at least two collection judicial proceedings against the company by two or more creditors for a value of not less than 10% of the current liabilities of the company: or (ii) imminent default situation: the company will declare an imminent default situation when it can prove that due to the market or particular circumstances materially affecting the company's ability to satisfy its short-term obligations (with maturity date less than a year). Additionally, the reorganization proceeding can be initiated ex officio by the superintendence of corporations (*superintendencia de sociedades*) when: (i) a company under its surveillance is subject to stoppage of payments; (ii) it receives an express request by a different governmental authority exercising inspection and surveillance powers over a company is claiming that such company is subject to stoppage of payments; and (iii) when the insolvency proceeding of one of the company's affiliates or subsidiaries, or the financial condition of its parent company or controlling entity, causes the stoppage of payments of such company.

Any of our customers who have an insolvency proceeding initiated against them under Law 1116 may ask the judge presiding over such insolvency proceeding for permission to renegotiate its existing agreements, including those entered into with us. If we and any such customer fail to reach an agreement on the new terms and conditions of any existing contracts, the customer may request that the insolvency court terminate such contract by demonstrating that its obligations under the agreement in question are excessive. If termination of a contract is granted, we will be entitled to an indemnity payment, to be determined by the insolvency judge, with such payment being classified as a general unsecured claim. However, pursuant to Law 1116, if the payment obligations were accrued under an existing firm natural gas transportation contract after the initiation of insolvency proceedings under Law 1116, such payments will be treated as administrative expenses and be paid preferentially.

In contrast, those of our customers that are organized as public utilities companies, such as the case of Termobarranquilla and Surtigas, are subject to special insolvency proceedings established by Law 142 and Decree 663, which are administered by the SSPD and apply the same rules used for the administrative receivership (*toma de posesión para administrar*) and liquidation of financial institutions (*toma de posesión para liquidar*). At any time, such proceedings and obligations accrued under existing contracts may be restructured under an agreement approved by a simple majority of creditors holding allowed claims and the special agent appointed by the SSPD. Under Law 1116, these special insolvency proceedings have two principal differences.

First, under proceedings governed by Law 142 and Decree 663, the special agent appointed by SSPD acts as the legal representative of the insolvent company and is responsible for the management of the general business of the insolvent company. The primary purpose of the special agent is the protection of the public interest (and continuity of public service), the analysis of the viability of the company's business and the restructuring of existing debts. On the other hand, under proceedings governed by Law 1116, the insolvency judge is assisted by a judicial clerk (also known as a promoter (*promotor*), which is not appointed as the legal representative of the insolvent company and is, therefore, not in charge of managing the company's business.

Second, insolvent customers organized as public utilities companies cannot unilaterally request termination of existing contracts upon failing to renegotiate them as set forth in Law 1116 and termination can only be requested by the special agent. In this regard, contracts may only be terminated pursuant to a mutual agreement between the special agent (acting on behalf of the insolvent company) and the creditor. The occurrence of such events could have a material adverse effect on our cash flows, financial condition and results of operations and could impair our subsidiaries' or Related Companies' ability to pay dividends or make other distributions to Promigas and, as a result, negatively affect our ability to make payments under the Notes.

We are subject to financing and interest rate exposure risks.

Our future success depends on our ability to access capital markets and obtain financing at cost-effective rates. This is dependent on a number of factors, many of which we cannot control, including changes in:

- our credit ratings;

- prevailing interest rates;
- the structured and commercial financial markets;
- market perceptions of us or the natural gas transportation and distribution, and power distribution industries;
- tax rates due to new laws or changes to existing tax laws;
- foreign exchange and investment controls and restrictions; and
- market prices for electricity and natural gas.

For more information on our hedging practices, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures on Market Risks".

The raising of additional capital by our subsidiaries or Related Companies may dilute our ownership interest in them.

In connection with the implementation of their growth strategies, our subsidiaries and Related Companies may raise additional capital, including through the offering of their capital stock. Any additional capital raised by them through the sale of additional common stock may dilute our ownership interest in such subsidiaries in the event Promigas does not subscribe such shares of common stock in proportion to its percentage ownership interest in any such subsidiary or Related Company.

A dilution of our percentage ownership interest in any of our subsidiaries or Related Companies could have a material adverse effect on our cash flows, financial condition and results of operations and on our ability to make payments under the Notes.

We depend on information and processing systems to operate our business, the failure of which could adversely affect our financial condition and results of operations.

Information and processing systems are vital to our ability to adequately generate invoices to customers, achieve operating efficiencies and meet service targets and standards. We have not experienced any significant shutdowns of these systems in the last 25 years, but we cannot assure that shutdowns will not occur in the future. The future failures of any of these information and processing systems to operate properly could have a material adverse effect on our financial condition and results of operations and, as a result, could impact our ability to make payments under the Notes. In addition, we may become the target of cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of proprietary and other information. Any of these occurrences could disrupt our business, result in potential liability or reputational damage or otherwise have an adverse effect on our financial results.

Moreover, technology, knowledge and innovation are essential to our business, especially for improvements in pipeline transportation systems. If we do not develop the right technology or do not obtain the expertise to operate new technology or to improve our processes, do not have access to, or deploy the knowledge necessary to apply and improve such technology effectively, our business, results of operations and financial condition may be materially adversely affected.

Labor strikes could adversely affect our business.

A work stoppage, slowdown or strike could occur in the future and adversely affect our revenues and earnings and could, in turn, impair our ability to receive dividends, which in turn could negatively affect our ability to make payments under the Notes. As of the date of this offering memorandum, we have not experienced labor strikes. For information about work stoppages, see "Business—Employees and Pension Plan".

We have entered and may enter into certain significant transactions with affiliates or other related parties, which transactions may result in conflicts of interests.

We have entered and may enter into significant transactions with our subsidiaries or Related Companies concerning primarily the following:

- operation and maintenance and technical assistance agreements;
- natural gas transportation and electricity supply agreements;
- other transactions such as advisory agreements; and
- indebtedness owed by or to our subsidiaries or affiliates.

Any such transactions may not be on terms as favorable as those we could have obtained or may be able to obtain with unaffiliated third parties. See "Related Party Transactions". While we believe such transactions have been and will be negotiated on an arm's length basis, there can be no assurance that such transactions could not give rise to conflicts of interest that could adversely affect our financial condition and results of operations, and, as a result, impair our ability to make payments under the Notes. In addition, the CREG recently issued Resolution 080, which is aimed at establishing market behavior rules for the gas and energy markets and it is expected to issue further regulations affecting related party transactions and conflicts of interest. We cannot assure you that any such changes would not adversely affect our financial condition and results of operations.

We depend on key members of our management team and other key personnel for the success of our businesses.

The members of our management team are industry professionals with an average of over 20 years of experience in the natural gas and power sectors in Colombia. We depend on key members of our management team for the successful operation of our businesses. The loss of such key members of our management team could have a material adverse effect on our cash flows, financial condition and results of operations and could impair our ability to make payments under the Notes. See "Management".

The expansion of our transportation and distribution capacity subjects us to construction and other risks that may adversely affect our financial condition and results of operations.

We may expand the capacity of our existing natural gas transportation and distribution, and power distribution infrastructure businesses by constructing additional facilities and/or expanding existing infrastructure. Construction of these facilities and/or expanding existing infrastructure is subject to various regulatory, developmental and operational risks, including:

- the requirement that the relevant expansion plan be awarded to us or approved by regulatory agencies in the countries in which we operate or intend to operate;
- the requirement that all necessary regulatory approvals and permits be received on a timely basis on terms that are acceptable to us;
- potential changes to national and local statutes and regulations, including environmental requirements that prevent a project from proceeding or increase the anticipated cost of an expansion project;
- impediments to our ability to acquire rights-of-way, easements or land rights on a timely basis or within its anticipated costs;
- the ability to construct projects within anticipated costs, including the risk that we may incur cost overruns resulting from inflation or increased costs of equipment, materials, labor, or other factors beyond our control, that may be material;

- the possibility that anticipated future growth in electricity demand and natural gas supply may not materialize;

- the availability of adequate financing and interest rates;

- the lack of transportation, storage or through-put commitments that result in write-offs of development costs; and

- adverse decisions of governmental agencies with respect to any ongoing or future tariff review or adjustment applicable to us.

Any of these risks could prevent a project from proceeding, delay its completion or increase its anticipated costs. As a result, new facilities and/or expansion of existing infrastructure may not achieve the expected investment return, which could adversely affect our financial condition and results of operations, and our ability to make payments under the Notes.

We may be unable to capture new business opportunities that arise in connection with the discovery of new natural gas fields, and this may materially adversely affect our business, results of operation and financial condition.

In an effort to identify new natural gas reserves, Colombian natural gas producers are currently exploring various fields throughout Colombia. To the extent major natural gas discoveries are made in fields and we are unable to expand the pipeline into these fields or develop new pipeline systems to accommodate any new discoveries, we would be unable to capture the additional opportunities provided by these discoveries.

We are subject to significant litigation.

We are subject to significant litigation, which, if decided adversely to our interests, may have a material adverse effect on our business, results of operations, financial condition and/or prospects. We are involved as defendant in several litigation proceedings involving, among others, a suit by Osvaldo Meza claiming damages due to the construction of a pipeline owned by SPEC on his property, a suit by Mélida Carrasquilla de Vélez aiming to be recognized as the owner of two properties which make part of one of SPEC's project areas, and a suit by Jesús Manuel Camperos Villamizar and others against Promioriente claiming damages. Although we estimate the probabilities of these actions to succeed to be remote, we cannot assure you any adverse decisions will not have an adverse effect on our financial condition or results of operations. See "Business—Legal Proceedings."

Risks Related to the Gas Transportation, Gas Distribution and Power Distribution Sectors in which We Operate

We depend on the availability of natural gas reserves in Colombia.

The long-term financial condition of our business in the natural gas sector is dependent on the continuous availability of natural gas for transportation and distribution in Colombia. We expect that, during the current terms of our long-term firm transportation contracts, the majority of the natural gas transported through our Pipeline System and distributed by us will be produced from reserves in the Ballena and Chuchupa A and B gas wells, which are in the La Guajira gas basin, in the Valle Inferior del Magdalena gas basin, from the regasification terminal located in Cartagena and in the Cusiana well, which is located in the Llanos gas basin. The continued supply of natural gas from reserves located in the above gas fields to markets served by us is dependent on a number of factors over which we have no control, including:

- levels of exploration, drilling, reserves and production of natural gas in the La Guajira fields, Valle Inferior del Magdalena fields and Cusiana fields, as well as other areas of Colombia;

- the price of natural gas;

- accessibility to the La Guajira, Valle Inferior del Magdalena, Cusiana and other natural gas fields located in Colombia, which may be affected by weather, natural disasters, the terrain, environmental restrictions and regulations, as well as activities of guerrilla groups, drug cartels and Bacrim or other impediments to access;

- the availability, price and quality of natural gas as compared to those of alternative sources;

- the restricted access by communities located near exploration site of rich gas fields; and

- the regulatory environment in Colombia, including restrictions by the Colombian Government in developing unconvential deposits.

Any of the above factors could affect the continued supply of natural gas to the markets we serve, which, in turn, could have a material adverse effect on our cash flows, financial condition and results of operations and, as a result, impair our ability to make payments under the Notes.

An increase in alternative energy sources could adversely affect demand for natural gas.

Natural gas has common substitutes such as coal that can highly affect the demand of natural gas transportation services. For example, gas is a highly competitive resource in terms of electrical generation and it became one of the cheapest resources to use for electrical generation compared to diesel or fuel oil. However, electrical generation with gas costs more than electrical generation with coal or water.

In addition, alternative fuels, primarily fuel oil and coal for industries and power plants and liquefied petroleum gas for residential customers and smaller commercial users are currently used when and where natural gas service is unavailable or is interrupted, and they continue to be used as substitutes for natural gas. Future increases in natural gas prices, a failure of ongoing efforts to further develop the Colombian natural gas sector, reductions in the prices of alternative fuels or the generation of electricity from sources other than natural gas may have a material adverse effect on our cash flows, financial condition and results of operations and, as a result, on our ability to make payments under the Notes.

The Colombian energy industry has been and may be affected by terrorist attacks.

Guerrilla groups have long been active in Colombia. In many remote regions of Colombia, these organizations have engaged in acts of terrorism to draw attention to their causes. Although most of this activity has been directed towards the oil industry, the energy industry has been affected as well. Attacks by guerrilla groups have disrupted power supplies, which disruption, in some cases, has led to short-term regional power outages. If any of these attacks were to damage our infrastructure related to our energy distribution business, as well as infrastructure related to our natural gas transportation and distribution business, our financial condition and results of operations may be adversely affected, and therefore our ability to make payments under the Notes may be impaired. Although our infrastructure has not been subject to terrorist attacks, there is no assurance that such attacks will not occur in the future. From January 1, 2016 to the date of this offering memorandum, our infrastructure has not suffered terrorist attacks.

In 2018, there were attacks carried out by guerrilla groups against electricity distribution and generation infrastructure in Colombia. These attacks were focused in regions of different departments where the National Liberation Army (ELN) and the Popular Liberation Army (EPL) maintain presence and influence. From the beginning of 2016 to June 30, 2019, there were a significant number of attacks on Colombian electricity distribution and generation infrastructure. Disruptions in key electricity distribution and generation infrastructure may increase electricity costs and indirectly negatively affect our electricity distribution and commercialization business.

The operation of our natural gas transportation, distribution and power distribution systems could be disrupted as a result of differing requirements of facilities connected to our system.

Natural gas transportation and distribution systems operate through interconnections with numerous other facilities, gas processing plants and pipeline systems at their receipt points and power utilities and local natural gas distribution systems at or near their points of termination. Moreover, power distribution facilities are interconnected with numerous other facilities, including those of other power transmission, generation and distribution companies. As is customary in this industry, the regulated terms of service (where applicable) and prevailing business and operating principles may sometimes differ between and among such companies and those various facilities. Even though we generally require compliance with certain standards and specifications in their agreements with the operators of such facilities to mitigate these risks, we cannot assure that certain conflicts or issues will not arise from these differing requirements in certain circumstances. In addition, Peruvian regulations permit the use of the distribution facilities to third parties (open access) as long as this does not affect the distribution system or the quality and reliability of the service to the consumers.

Given our lack of control over the requirements adopted by operators of other facilities, no assurance can be given that these differing requirements will not result in material and/or lengthy operational problems or failure.

Any such operational problems may have a material adverse effect on our cash flows, financial condition and results of operations and, as a result, could impair our ability to make payments under the Notes.

The supply of the LNG to Gases del Pacífico may be affected by commercial problems between the supplier and Peru LNG S.R.L.

Although Gases del Pacífico has a commercial relationship with Shell GNL S.A.C. related to the supply of LNG, in practice it collects the LNG through trucks in the LNG facilities of Peru LNG S.R.L. As part of the bidding process for the development of the distribution concession, the Peruvian government, represented by PROINVERSION, entered into a LNG supply agreement with Shell GNL S.A.C on October 29, 2013 and on October 31, 2013 PROINVERSION assigned the agreement to Gases del Pacífico. Although under the terms of the agreement Shell GNL S.A.C is required to supply the LNG, Peru LNG S.R.L. acting on behalf of the supplier, will deliver the LNG to Gases del Pacífico at the delivery point (connection between the loading facility of Peru LNG S.R.L. and the trucks of Gases del Pacífico). The agreement will terminate on October 31, 2038 although the supplier may unilaterally terminate the agreement in the event Gases del Pacífico does not pay two consecutive invoices or four non-consecutive invoices during the term of one year. Pursuant to this arrangement, Gases del Pacífico has limited control to solve disputes that may arise between Peru LNG S.R.L and Shell GNL S.A.C. that may affect the supply of LNG. Any such operational problems may have a material adverse effect on our cash flows, financial condition and results of operations.

Gases del Pacífico depends of Transportes Rodrigo Carranza for the trucking of LNG to its facilities.

The distribution areas of the Gases del Pacífico concession are not connected to production fields through natural gas transport pipelines in Peru. Therefore, Gases del Pacífico is required to transport natural gas to regasification district stations located in the concession area (regions of Lambayeque, La Libertad, Ancash and Cajamarca) from where the distribution pipelines initiate (Chimbote, Chiclayo, Trujillo, Huaraz, Cajamarca, Lambayeque and Pacasmayo) through trucks (as part of the Virtual Pipeline). Transportes Rodrigo Carranza S.A.C. ("Transportes Rodrigo Carranza") and Gases del Pacífico entered into a transportation agreement on June 13, 2017, by which Transportes Rodrigo Carranza provides the LNG transportation service to the concessionaire. The transportation agreement is set to terminate on October 27, 2022 although, the transportation company could unilaterally terminate the agreement by giving notice 180 days prior to the termination of the agreement. In this case, Gases del Pacífico may acquire the trucks and equipment used by Transportes Rodrigo Carranza in the provision of the service. We cannot assure you that changes to this agreement or the termination thereof would not adversely affect Gases del Pacífico's results of operations and, as a result, our financial condition and results of operations.

Risks Related to Legal and Regulatory Matters

The agencies that regulate our and our Related Companies' businesses and customers may take actions that may affect our and their profitability.

Our businesses in Colombia are regulated by the CREG, the UPME, the ANH, the MME, the SSPD, the Colombian Ministry of Environment and Sustainable Development, ANLA and various other Colombian national and local regulatory agencies. Our businesses in Peru are regulated by OSINERGMIN, MINEM, the Peruvian Ministry of Environment (MINAM) National Service for Environmental Certification and Sustainable Investments (SENACE), Peruvian Environmental Enforcement Agency (OEFA), National Authority of Water (ANA), Forest and Wildlife Authority (SERFOR) Regional Government Authority, Province and District Authority and various other Peruvian national and local regulatory agencies.

Regulatory actions taken by those agencies in Colombia or Peru have the potential to adversely affect our profitability. In particular, the CREG regulates the rates we are permitted to charge to our Colombian customers for natural gas transportation services. If regulated rates were reduced or redesigned pursuant to regulations issued by the CREG in the future, or if the many relevant aspects of our business including volume of business under currently permitted rates were decreased significantly, or if we were required to substantially discount the rates for our services because of regulatory pressure, the profitability of such entity's business could be materially affected. For more information on the ongoing rate review, see "Colombian and Peruvian Natural Gas Sector and Regulatory Framework—The Colombian Natural Gas Sector—Natural Gas Transportation."

Similarly, in Peru the actions of OSINERGMIN may affect our financial condition and results of operation. Initial tariffs and their term –which should exceed eight years since the commercial operation date– are set in the concession agreements. During this period, the concessionaire benefits from the predictability of having stable tariffs previously determined by the regulator. Once the term of these tariffs expires, OSINERGMIN will set the tariff every four years in accordance with applicable regulations. Gases del Pacífico's initial tariffs are set to expire on 2022. OSINERGMIN also approves the billing procedures which may modify and impact the collection of tariffs from end users. Furthermore, OSINERGMIN enacts regulations regarding additional regulatory charges not included in the concession agreement such as suspension or reconnection of the residential consumers.

Changes to the tariff set by OSINERGMIN, which could be lower than the tariff of the initial period, as well as changes in billing procedures and additional regulatory charges could adversely affect our cash flows, financial condition and results of operations.

In addition, increased regulatory requirements relating to the integrity of our facilities or the quality of the services we provide may require additional spending in order to maintain compliance with these requirements. Any additional requirements could significantly increase the amount of these expenditures and affect our financial condition and results of operations and, as a result, could impair our ability to make payments under the Notes.

Gases del Pacífico's inability to comply with the Initial Connection Plan established under its concession with the Peruvian Government could affect our results of operation and financial condition.

The concession agreement establishes penalties that could be imposed by MINEM to Gases del Pacífico in the event the company does not comply with the Initial Connection Plan. Compliance with the implementation of the plan is verified every two years after the commercial operation date (December 2017) and, as such, the first verification will occur in December 2019**.** If Gases del Pacífico does not comply with the initial connection plan, it could face penalties of U.S.$720 multiplied for the number of residential natural gas costumers that have not been connected. Furthermore, in case there is a difference of 30% between the number of consumers considered in the Initial Connection Plan and those actually connected, MINEM could terminate the agreement. As of the date of this offering memorandum, MINEM had not imposed contractual penalties to Gases del Pacífico with regards to its compliance with the Initial Connection Plan. On May 29, 2019, Gases del Pacífico requested to MINEM the interruption of the term of the concession agreement since it believes the Municipality of Independencia in Huaraz (Region of Ancash) has not provided the permits required for the construction of the distribution pipelines. The period of the interruption requested was of 176 calendar days. In the event the concession is terminated, MINEM

could take control of the concession and could execute the U.S.$20 million stand-by letter of credit that was granted by Gases del Pacífico in favor of the Peruvian Government for a term of one year, as established in its concession agreement. See "– Under the concession agreements pursuant to which Gases del Pacífico conducts its natural gas distribution businesses, the Peruvian Government has the authority to declare the early termination of the concession agreement".

Changes to current regulation, legislation and rates may adversely affect our cash flows, financial condition and results of operations.

Our businesses are subject to natural gas, energy, environmental and other laws and regulations at the national and local level. Such laws and regulations relate to, among other things, required licenses, permits, registries and other approvals, payment of fees and rates, the rates established by the CREG or OSINERGMIN that we may charge for our services, the terms and conditions which apply to such services, our ability to recover various categories of costs and the acquisition, construction and disposition of facilities. In Colombia, two resolutions directly affecting the transportation of natural gas are currently under review: (i) the methodology of remuneration of the transport activity in Resolution 090 of 2016 and (ii) new mechanisms for the sale of primary transport capacity under Proposed Resolution 082 of 2019. We cannot assure you whether these resolutions will be passed and whether they will affect our financial condition and results of operation.

We believe that our businesses have been operated in material compliance with applicable laws, regulations, licenses, registries, permits and approvals. The failure to renew or maintain any required licenses, permits, registries or approvals or our inability to satisfy any applicable legal requirements may result in significantly increased compliance costs, the need for additional capital expenditures, the assessment of administrative procedures that may result in the imposition of remedial measures, penalties or a suspension of operations.

Any of the above factors could have an adverse effect on our cash flows, financial condition and results of operations and thus impair our ability to make payments under the Notes.

The natural gas transportation rates we can charge our customers may be significantly reduced after the twentieth anniversary of our pipelines entering into operation.

For purposes of determining the maximum regulated rates applicable to each segment of the Pipeline System, the CREG takes into account, among other things, any investments made in the pipelines. According to CREG Resolution 126 of 2010 as amended, for purposes of calculating the regulated rates, the CREG assumes a useful life of 20 years for investments in pipelines and 30 years in the case of pipelines built under BOMT Contracts. All of our main pipelines began commercial operation between 1977 and 2016, and only 17.0% of the rate base of Promigas has not expired its useful life. In the latest update process of the useful life of pipelines conducted by the CREG in 2016 a 3.3% increase in the tariff base was determined by the CREG in connection with our assets. If such rate adjustments were to occur prior to the maturity of the Notes, our operating results and financial condition could be adversely affected, which could impair our ability to make payments under the Notes. See "Colombian and Peruvian Natural Gas Sector and Regulatory Framework—Regulation of Natural Gas Sector in Colombia—Natural Gas Transportation".

Under the concession agreements pursuant to which Promigas, Transmetano and Promioriente conduct their natural gas transportation businesses, the Colombian Government has an option to purchase such companies' pipelines on the thirtieth and fiftieth anniversaries of the execution of the agreements.

In accordance with article 50 of Decree 1056 of 1953 and the concession agreements, the Colombian Government is entitled to purchase the company's pipelines on the thirtieth and fiftieth anniversaries of the execution of the agreements. Since 1994, a concession granted by the Colombian Government is no longer required for a company to engage in the natural gas transportation business in Colombia. Nevertheless, Promigas, Transmetano and Promioriente are collectively party to 37 concession agreements with the Colombian Government. A provision included in each of these concession agreements grants the Colombian Government an option to purchase the underlying pipeline assets on the thirtieth and fiftieth anniversaries of the execution of each agreement.

Historically, the Colombian Government has not exercised such options to purchase the underlying assets pursuant to any of the concession agreements to which Promigas, Transmetano or Promioriente is a party; including in 2006, when the Colombian Government did not exercise its option to purchase our principal pipeline under a concession agreement with Promigas. The next opportunity for the Colombian Government to exercise its option to purchase assets underlying one of these agreements will be in 2026, for approximately 30% of Promigas current gas transportation infrastructure. Nevertheless, the Colombian Government's exercise of any such option, subject to a compensation payment, would have a material adverse effect on such companies' cash flows, financial condition and results of operations and could thus impair our ability to make payments under the Notes.

Under the concession agreements pursuant to which Promigas, Promioriente, Transoccidente and Transmetano conduct their natural gas transportation businesses, the Colombian Government has the authority to transport natural gas for its own account and the authority to suspend pipeline operation.

Under the concession agreements executed by Promigas, Promioriente, Transoccidente and Transmetano to build, operate and maintain gas transportation pipelines, the Colombian Government (by virtue of article 45 of Decree 1056 of 1953 and the concession agreements) has a preferential right to transport natural gas, subject to the payment by the Colombian Government of applicable rates. The Colombian Government is entitled to such preferential right in respect of up to 20% of daily transportation capacity of the corresponding pipeline. The daily transportation capacity is equivalent to the total sum of each of the pipelines that have been built and developed as of the date on which the Colombian Government intends to perform its right. Throughout the duration of the concession agreements, the Colombian Government has not exercised such preferential right in respect of the daily transportation capacity. If the Colombian Government exercised such preferential right, the transportation service would not be suspended, but such exercise could have a material adverse effect on our cash flows, financial condition and results of operations and could thus impair our ability to make payments under the Notes.

Under the concession agreements pursuant to which Promigas, Transmetano and Promioriente conduct their natural gas transportation businesses, the Colombian Government has the authority to declare the early termination of the relevant concession agreement in certain circumstances.

Under the concession agreements pursuant to which Promigas, Transmetano and Promioriente conduct their respective natural gas transportation businesses, the Colombian Government has the authority to declare the early termination of any of such contracts if the concessionaire: (i) fails to permit the exercise by the Colombian Government of its authority to transport natural gas for its own account; (ii) suspends service for more than three consecutive months; (iii) in the absence of force majeure, suspends service for more than 120 days in any one-year period without government approval; (iv) assigns its rights under the concession agreement to a foreign government; (v) collects higher tariffs than those agreed to in the concession agreement; (vi) refuses to sell the pipeline to the government in certain circumstances as provided under Colombian law; (vii) is dissolved; (viii) becomes bankrupt; or (ix) pays a ransom in connection with any kidnapping or extortion.

Upon declaration by the Colombian Government of the early termination of a concession agreement, the Colombian Government must inform the concessionaire whether the Colombian Government intends to purchase the pipelines underlying such agreement. If so, the value of the pipeline must be appraised by a duly appointed expert in accordance with applicable Colombian regulation.

If the Colombian Government is not interested in purchasing the gas pipeline, the concessionaire is allowed to remove the pipes and other portions of the pipeline, or dispose of them in the manner it deems appropriate. Otherwise, after one year from the early termination declaration, such elements will automatically become property of the government without compensation to the concessionaire.

If the Colombian Government were to exercise its authority to declare the early termination of any of the concession agreements pursuant to which any of Promigas, Transmetano or Promioriente conducts their respective natural gas transportation businesses, such termination would have a material adverse effect on our cash flows, financial condition and results of operations and could thus impair our ability to make payments under the Notes.

Under the concession agreements pursuant to which Gases del Pacífico conducts its natural gas distribution businesses, the Peruvian Government has the authority to declare the early termination of the concession agreement.

Under the concession agreement entered into between MINEM and Gases del Pacífico, the Peruvian Government, may terminate the concession agreement unilaterally and without cause. In that event, Gases del Pacífico would be entitled to receive compensation from MINEM in accordance with the terms of the concession. MINEM may also terminate the concession agreement if there are delays of more than 90 days in the commercial operation date, the company fails to comply with the Initial Connection Plan or does not operate the distribution system during 360 hours during a calendar year, affecting at least 25% of the average consumption of Category A customers (residential consumers with a consumption of or lower than 100m3 per month), among others. In the event the concession is terminated, MINEM could take control of the concession and could execute the U.S.$20 million stand-by letter of credit, which could affect our results of operation and financial condition.

We could be responsible for the cost of relocating our natural gas transportation, natural gas distribution and power distribution infrastructure to make way for new roads as well as for restoring any public and private roads that may have been damaged as a result of the exercise of our concession rights.

Pursuant to Law 1682 of 2013, any government owned entity or private company which is responsible for advancing on the design and performance of infrastructure projects, must follow the procedure established therein for purposes of relocating the infrastructure required for the natural gas transportation, natural gas distribution and power distribution. Under this law, the entities in charge of advancing and constructing infrastructure projects are required to establish within their financial projections the cost of the relocation of the public utilities infrastructure, which must be borne by the corresponding infrastructure project, unless: (i) the permit granted for the installation of the public utilities infrastructure is conditioned to the expansion of transport infrastructure; (ii) there is an agreement previously executed by the parties, pursuant to which such parties require to comply with such agreement and (iii) if the public utilities infrastructure has been installed in the restricted areas referred to under Law 1228 of 2008 after the enactment of the aforesaid law. In any of these events, the public utilities company is required to cover the cost of the relocation of the public utilities infrastructure. We cannot assure that, with respect to all of the land occupied by the Pipeline System, we would not be responsible for the costs associated with such relocation.

In addition, we are responsible for the full restoration of any public and private road that may be damaged as a result of the exercise of our rights pursuant to our concession agreements. Whenever our pipelines break through, get over or pierce any public or private road, Promigas Transmetano and Promioriente will be responsible for the compensation and payment of all expenses that arise in connection with such damages.

Should we become responsible for the costs of the relocation of our infrastructure or for any repairs related to the damage of public and private roads, such responsibility could have an adverse effect on our cash flows, financial condition and results of operations and could thus impair our ability to make payments under the Notes.

The expansion of our infrastructure will be conditioned on obtaining the necessary permits, licenses and rights of way, which, together with other real property rights, may be challenged.

Our ability to engage in any expansion project will be subject to, among other things, numerous business, economic, regulatory, competitive and political uncertainties beyond our control. Therefore, we cannot assure you that any expansion or extension project will be undertaken or, if undertaken, will be successful. The success of any expansion project may depend on, among others, the following factors:

- a competitor could offer services that are more desirable because of lower costs, better location, facilities or other factors;
- customers may be unwilling to sign long-term contracts which would make use of a planned expansion;
- we may be unable to obtain the requisite environmental and regulatory licenses, permits, registries and approvals; and

- we must guarantee the socialization and participation of ethnic communities and minorities present in the area of influence of each project, in accordance with current legislation.

We may also require additional capital to fund any expansion project. If we fail to generate sufficient funds in the future, we may have to delay or abandon potential expansion projects. In addition, a potential expansion may cost more than planned to complete and such excess cost may not be recoverable. Our inability to recover any such costs or expenditures may affect our ability to make payments under the Notes.

Moreover, the costs to implement certain pipeline expansion projects may fluctuate and costs associated with engineering, labor and construction depend on a number of factors that can be difficult to predict or measure at the initial stage of a project. We cannot guarantee that construction and operations schedules will evolve as planned without significant delays or cost overruns. Any such delays may increase the cost of a project and require additional capital, and there is no guarantee that additional capital will be available to us in a timely manner and on acceptable terms.

Significant portions of our facilities are located on property over or through which we have acquired rights pursuant to mandatory easements and other types of agreements. Any successful challenge to such rights may adversely affect our operations or imply a higher easement payment and, as a result, our ability to make payments under the Notes. See "Business—Easements".

Although we have the right to obtain easements and rights of way and believe that all easements and rights of way were obtained and entered into in material compliance with applicable laws, legal challenges may be brought with respect to the form of documenting such rights of way with the relevant registries, or with respect to the content or priority of such rights, or with our compliance with the terms of such easements and agreements, or to claim compensation for damages caused to private property. In addition, we are involved in a number of proceedings relating to the creation of rights of way (*procesos de imposición de servidumbres*) that have been commenced in the normal course of business.

Regulatory agencies could penalize or in certain cases assume control of Promigas and its direct and indirect subsidiaries if it fails to comply with the terms of the rules and regulations applicable to its business.

Promigas and its direct and indirect subsidiaries that participate in the natural gas and electricity industries must maintain certain quality, safety and maintenance standards with respect to their businesses. The failure to meet the quality standards established by the CREG may result in the imposition of penalties, fines and restrictions. In addition to these penalties, fines and restrictions, the SSPD may assume control of the operations of our entities, to ensure the continuity in the provision of the service, and the compliance with applicable laws and regulations.

Similarly, under Peruvian regulations in the event Gases del Pacífico fails to comply with its obligations related to the provision of the distribution service, OSINERGMIN can impose a fine of up to 10,000 UIT (approximately U.S.$12,727,272.7) and additionally could order the suspension of works or the temporary suspension of the service. Furthermore, as mentioned above MINEM could impose penalties for breaches of the concession agreement and in the event the concession agreement is terminated, MINEM could take control of the assets of Gases del Pacífico and execute the applicable stand-by letter of credit.

Any of the foregoing penalties, fines or restrictions, or the intervention of the SSPD, OSINERGMIN or MINEM, may, ultimately, have a material adverse effect on our business, results of operations, and financial condition and thus impair our ability to make payments under the Notes.

It may be difficult to enforce your rights under the Notes if the SSPD takes control of us or either of the natural gas transportation or distribution business units, and/or the power distribution sectors.

Our direct and indirect subsidiaries that are deemed to be utilities are subject to Law 142. Under this law, the SSPD oversees the provision of public services by utilities subject to the law, including our relevant subsidiaries, and has authority to take control (*toma de posesión*) of a company, if necessary, to ensure the continued provision of

adequate public utilities. The SSPD may take control over one or more of our subsidiaries upon the occurrence of certain events, including:

- material interruptions or failures in the due provision of public utilities, with the required continuity and quality, provided that the provision is essential in order to preserve the public or economic order, or to avoid grave and undue damages to users or third parties;

- material and sustained violations by our administrators of laws governing our business or material breaches of the contracts to which we are a party;

- the failure to deliver complete, accurate and timely information to the CREG, the SSPD or their agents;

- revocation or expiration of the licenses, permits or concessions required to operate our businesses, to the extent that such events are deemed to be evidence of our intent to not comply with applicable laws and regulations;

- public catastrophes or disturbances of the public order;

- administrators' improper refusal (either on technical, legal or economic grounds) to cooperate with authorities in order to avoid the occurrence of material damages to users when another public utilities company is unable to perform normally;

- a severe default with regard to our commercial obligations, whether actual or expected; or

- Promigas or its direct and indirect subsidiaries become subject to insolvency or liquidation proceedings. Law 142 establishes the events under which public utilities can be subject to take-over for reorganization purposes (*toma de posesión para administrar*), which aims for the recovery of the insolvent entity as a going concern. If the continuity of the company's business is not economically viable, the liquidated entity may be subject to a take-over for liquidation purposes (*toma de posesión para liquidar*).

Should the SSPD take control of one of our subsidiaries, it would then be either managed by the SSPD's designees or by a trustee or liquidator appointed by the SSPD. In light of the broad powers of the SSPD, if the SSPD takes control of any the businesses, the management or liquidating trustee appointed by the SSPD may change our business strategy.

If the SSPD takes possession and control of our business, it could (i) enter into all the necessary contracts with other public utilities companies in order to replace our contracts, or (ii) directly assume all or part of the activities that are essential to ensure continuity in service provision, in accordance with the appointed fiduciary trust. If, after taking control, the SSPD decides to liquidate Promigas or any subsidiary, subordinated and unsubordinated creditors may have the same priority and, if such scenario were to occur, payments under the Notes could be delayed for an undetermined length of time, and you may not be compensated for any such delay.

Under Peruvian regulations (Supreme Decree N° 040-2008-EM, article 50) if any of the following events occur, MINEM could terminate the distribution concession and take control of the concession and its assets to ensure the provision of the distribution service:

- failure to execute the studies or the construction within the schedule set in the concession agreement except for events of force majeure;

- not operating the distribution system, without just cause, for 876 hours during one calendar year affecting at least 25% of the average consumption of natural gas of the previous year;

- despite being sanctioned the concessionaire does not comply with its regulatory, safety and security obligations as set in the concession agreement and technical dispositions;

- lack of natural gas supply agreements to cover the demand for the following two years;
- failing to comply with the commercial operation date set in the concession agreement except for events of force majeure;
- breaches of the concession agreement established explicitly as a cause for extinction of the concession;
- bankruptcy, dissolution or liquidation of the concessionaire;
- partial or complete assignment of the concession without previous authorization of MINEM; and/or,
- being sanctioned by OSINERGMIN during the term of one calendar year with fines that surpass 10% of the income of the previous year.

In the event of termination, MINEM shall designate an administrator of the concession and afterwards the concession and its assets will be auctioned. According to Supreme Decree N° 040-2008-EM, article 51, the lenders cannot oppose to the auction. Proceeds of such sale should be used to pay the creditors of the concessionaire and the remaining amount will go to the former concessionaire. In this scenario payments under the Notes could be delayed for an undetermined length of time, and you may not be compensated for any such delay.

Service interruption in the Pipeline System could give rise to the imposition of fines and other sanctions.

In accordance with the terms of our natural gas transportation contracts, CREG regulations and Law 142 amended by article 19 of Law 1955 of 2019, if any of Promigas, Transmetano, Promioriente or Transoccidente were to suspend or interrupt the services they provide through the Pipeline System for reasons other than regular maintenance according to the terms established in Resolution 114 of 2017, repairs, force majeure events or breaches by their customers under their contracts, they may have to indemnify their customers for the damages caused by any such service interruption. In addition, the SSPD could impose penalties on Promigas, Transmetano, Promioriente or Transoccidente, including, among others, (a) admonishment, (b) the imposition of successive fines of up to 100,000 monthly minimum legal wages (or approximately U.S.$25.8 million), depending on the nature and effect of the interruption and the repetitiveness of the offense, (c) suspension of activities of the relevant company, (d) removal of the companies' managers or employees and prohibit the offenders from working in similar companies for up to ten years, (e) termination of the agreements signed with the Colombian Government (if the relevant agreement provides for such penalty), and cancellations of the concessions granted, (f) prohibit the relevant utility from providing public services for up to ten years, and (g) the administrative takeover (*toma de posesión*) of the relevant company.

Any such damages or penalties could have a material adverse effect on our cash flows, financial condition and results of operations and, as a result, impair our ability to make payments under the Notes.

Because substantially all of our assets are dedicated to the provision of an essential public service (servicio público esencial), they may not be available for liquidation in the event of a bankruptcy and may not be subject to attachment to secure a judgment.

Our energy and gas distribution assets are used in connection with the provision of what is deemed to be an essential public service under Colombian law. Pursuant to Law 142, those assets may not be available for liquidation in the event of bankruptcy, insolvency or attachment to secure a judgment, and, in case of our relevant subsidiaries insolvency or bankruptcy, such assets could be transferred to another utilities company in order to ensure the continued provision of the relevant public utility services. Although we believe we would be entitled to compensation in this event, we cannot predict when or whether we will receive such compensation or that any compensation that we receive will be sufficient to allow us to fulfill our obligations, including our obligations under the Notes.

Our natural gas sector entities are subject to laws relating to protection of the environment which may increase the cost associated with operating the Pipeline System.

We are subject to extensive national, regional and local laws and regulations relating to the protection of the environment and the use of natural resources. Failure to comply with these laws and regulations may result in the assessment of administrative and civil penalties, imposition of remedial requirements (which may include temporary or permanent closure of facilities) and the issuance of injunctions to ensure future compliance. Under Law 1333 of 2009, environmental authorities may impose fines that vary from the imposition of daily fines that may rise to approximately U.S.$1.3 million, the termination of environmental licenses or permits, or even the definitive or temporary closing of a company's premises. Liability under certain environmental laws is strict and joint and several in nature. Compliance with environmental regulations may require us to incur in significant costs to install and maintain pollution controls, pay fines and penalties resulting from any failure to comply and place potential limitations on our operations. Remediation obligations can result in us incurring significant costs associated with the investigation, remediation and/or clean-up of contaminated properties, as well as damage claims arising out of the contamination of properties or impact on natural resources, which may be equivalent to over US $1 million per hectare.

Although we believe that the operations of the Pipeline System and the related natural gas and power distribution system are in material compliance with applicable environmental and safety laws and regulations, risks of substantial costs and liabilities, including those from leaks and explosions, are inherent in pipeline operations and significant costs and liabilities may be incurred, including those relating to claims for damages to property or injury or loss of life, resulting from operations of the pipeline. Further, it is possible that other developments, such as increasingly stringent national or local safety and environmental laws and regulations and enforcement policies thereunder, could result in increased costs and liabilities to us and our competitors in the pipeline industry.

We have reported to the environmental competent authority some leak related contingencies, which could imply the initiation of an environmental sanctioning procedure by the environmental authority. As stated above, in each of these environmental sanctioning procedures the environmental authority can impose a fine up to 5,000 monthly wages, and can also order the remediation of the contaminated soil and/or body water.

We cannot predict the effect that any future changes in safety laws and environmental laws and regulations will have on our cash flows, financial condition or results of operations or our ability to make payments under the Notes. Other environmental occurrences or conditions may arise or be discovered in the future, which could be costly to remedy and could have a material adverse effect on our cash flows, financial condition and results of operations.

Our operations are subject to health and safety risks relating to our workforce and local communities.

Certain of our operations are located in remote regions of Colombia and are subject to health and safety risks that could affect our workforce. Under Colombian law and industrial safety regulations, we are required to implement health and safety practices that minimize risks and health issues faced by our workforce. Failure to comply with health and safety regulations may lead to investigations by health officials that could result in lawsuits or fines.

We may be required to incur additional costs and expenses to allocate funds to industrial safety and health compliance under Colombian law and industrial safety regulations. Additionally, if any operational incident occurs that affects local communities in nearby areas, we will need to incur additional costs and expenses in order to return affected areas to normality. These additional costs may have a negative impact on the profitability of the projects we may decide to undertake and in turn may adversely affect our cash flow, financial condition and results of operations.

Promigas and its subsidiaries in the natural gas transportation sector may be required to make a mandatory investment in the conservation, preservation, recovery, and monitoring of the hydrographic basins that feed the water sources of the Pipeline System in an amount not less than to 1% of the total investment cost in the Pipeline System.

Owners or operators of gas pipelines may collect water directly from water sources to perform the initial testing of the pipeline at the end of its construction, provided that they have requested and granted the correspondent water use permit by the environmental competent authority. Very seldom, an operator may use natural water for the operation and maintenance of a pipeline. According to Law 99 of 1993, as amended by Decree 1076 of 2015 and Law 1955 of 2019, if the holders of the environmental license of the portion of the Pipeline System collect directly from water sources for the construction, operation or maintenance of the pipeline, they would have to make a mandatory investment in the conservation, preservation, recovery, and monitoring of the hydrographic basins that feed the water sources in an amount not less than 1% of the total investment costs in the respective pipeline (costs relating to the total invested capital, including fixed assets, prior to the production stage pursuant to Decree 1076 of 2015).

We currently have an environmental license that includes a water permit and the environmental authorities have imposed the obligation to comply with this mandatory investment. In the future we may be required to make additional investments in connection with our environmental licenses and this could materially affect our cash flow, financial condition and results of operations.

Regulatory changes may adversely affect our natural gas transportation and distribution business.

Tariffs for Colombian natural gas distribution companies are reviewed and re-set by the CREG periodically. The CREG conducted a review of distribution tariffs by means of CREG Resolution 11 of 2003, which was intended to be in effect for a period of five years starting in 2004. The distribution tariffs established pursuant to such review expired in 2009. Pursuant to article 126 of Law 142 of 1994, tariff reviews are generally conducted on a five years basis. However, if the CREG does not re-set the existing tariffs, the existing tariffs are to remain in effect until the CREG issues a new resolution setting forth any new tariffs. Tariff information files were submitted to the CREG in 2015 but the CREG subsequently archived tariff requests by means of CREG Resolution 093 of 2016.

Most recently, the CREG allowed natural gas distribution companies to solicit transitory tariffs by means of Circular CREG 034 of 2017. Under applicable regulations, Gases de Occidente, Surtigas, Gases del Caribe and Promigas are currently billing their customers the transitory tariff approved by the CREG as following:

- CREG Resolution 197 de 2017 for Gases de Occidente;
- CREG Resolution 006 de 2018 for Surtigas; and
- CREG Resolution 018 de 2018 for Gases del Caribe and Promigas.

In December 2018, the CREG established the definitive methodology by publishing CREG Resolution 132 of 2018, complementing CREG Resolution 202 of 2013. Afterwards, the CREG gave the option to all natural gas distribution companies whether to remain in the current transitory tariffs or apply for a new distribution tariff. Gas distribution companies that chose to apply for a new distribution tariff are expected to submit their tariff information files during the last quarter of 2019 or the first quarter of 2020. Currently, the rate of return before taxes is 12.5% (expected to be 12.3% with recent tax changes). If new tariffs do not properly or fully compensate us for our infrastructure investment and other costs, it could negatively affect our business and have a material adverse effect on our cash flows, financial condition and results of operations.

The current regulatory framework applicable to both distribution and transport is under review through draft resolutions that are in consultation and may have a significant impact on activities, these are: (i) Resolution 090 of 2016 and Resolution 082 of 2019.

Tariffs of the distribution concession of Gases del Pacífico are set in the concession agreement and are adjusted according to the formula set in 11.2.g) of the concession agreement on a yearly basis after the commercial operation date (every January 1st). On the other hand, the tariffs for Cálidda and its adjustment formula are approved every four years by OSINERGMIN, jointly with its investment plan. Current tariffs were set by Resolution N° 055-2018-OS/CD for the period 2018-2022, however, in August 2019, the tariff was modified in order to include more investment obligations in the investment plan from 2018 until 2022, pursuant to Resolution N° 129-2019-OS/CD.

Changes to these and other regulations could have a material adverse effect on our cash flow, financial condition and, as a result, impair our ability to make payments under the Notes.

We are subject to anti-corruption, anti-bribery and similar laws, and non-compliance with such laws can subject us to criminal penalties or significant fines and harm our business and reputation.

We are subject to anti-corruption, anti-bribery and anti-money laundering laws in countries in which we conduct activities. Anti-corruption and anti-bribery laws prohibit companies and their employees and agents from promising, authorizing, making, offering, soliciting, or accepting, directly or indirectly, improper payments or other improper benefits to or from any person whether in the public or private sector. As we increase our sales and business, our risks under these laws may increase. Noncompliance with these laws could subject us to investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, adverse media coverage and other consequences. Any investigations, actions or sanctions could adversely affect our business, results of operations and financial condition.

In addition, any such investigations against our shareholders may adversely affect our reputation. In December 2016, the United States Department of Justice ("DOJ") announced that Odebrecht S.A. ("Odebrecht"), a global construction conglomerate based in Brazil, pled guilty and agreed to pay a monetary penalty to resolve charges with authorities in the United States, Brazil and Switzerland arising out of schemes to pay bribes to government officials, including to certain governmental officials in Colombia.

Soon after Odebrecht's guilty plea, Colombia's Attorney General's Office (the *Fiscalía General de la Nación* or "Fiscalía") initiated several investigations that identified and resulted in the incarceration of certain persons alleged to have received these bribes. The Fiscalía concluded that Odebrecht made illicit payments to be awarded contracts for the construction of certain infrastructure projects. Grupo Aval and certain of its subsidiaries, including Corficolombiana and Episol (a wholly-owned subsidiary of Corficolombiana) and officers are defendants in some governmental investigations relating to these infrastructure projects. Such investigations and proceedings are subject to extensive media coverage and political interest in Colombia.

Risks Related to the Countries in which We Operate

Colombia

Substantially all of our revenues of the Colombian Co-Issuer are earned in Colombia, and all of their assets are located in Colombia.

The Colombian Co-Issuer is a public utilities company (*empresa de servicios públicos*) organized as a stock corporation (*sociedad anónima*) under the laws of Colombia. A substantial part of our assets is located in Colombia and the Colombian Co-Issuer income is earned in Colombia. As are all assets and income located or earned in emerging market countries, our assets and income are subject to political, economic, regulatory and other uncertainties, including expropriation, nationalization, renegotiation or voiding of existing contracts, currency exchange restrictions and international monetary fluctuations. Accordingly, our financial condition and results of operations depend significantly on macroeconomic and political conditions prevailing in Colombia.

In Colombia, inflation rates have fluctuated significantly in recent years. The inflation rate reached a 15-year high in mid-2016 at 9.0% before declining to 5.8%, 4.1% and 3.2% for the years ended December 31, 2016, 2017 and 2018, respectively. As June 30, 2019, the inflation rate was 3.4%. We cannot assure you that inflation rates will remain stable.

Changes in economic policies in Colombia could affect our business, financial condition and results of operations, as well as our subsidiaries' ability to pay dividends or make other distributions to us.

Our financial condition and results of operations may be adversely affected by changes in the political climate of Colombia to the extent that such changes affect the economic policies, growth, stability, outlook or regulatory environment.

Since 2017, and considering the amendments under Law 1943 of 2018, dividends distributed by Colombian legal entities to residents and non-residents from profits generated as of fiscal year 2017 are subject to dividends tax (in the case of non-residents the applicable tax rate is 7.5% if profits were taxed at the level of the distributing entity, or 33% (for the 2019 tax year) plus 7.5% once the 33% is levied if profits were not taxed at the level of the distributing entity). For the year ended December 31, 2018 and for the six-month period ended June 30, 2019 our subsidiaries distributed dividends to us in the amounts of Col$311,266 million and Col$94,581 million, respectively.

Despite the tax reform implemented in 2017, which included raising the VAT rate from 16% to 19%, below average economic activity and low oil prices maintained the pressure on fiscal goals. As a result of such pressure, Standard & Poor's lowered Colombia's long-term foreign currency sovereign credit rating to "BBB-" in December 2017. Additionally, on February 22, 2018, Moody's changed Colombia's rating outlook from stable to negative. As of the date of this memorandum, Colombia's long-term debt denominated in foreign currency is rated "Baa2" by Moody's, "BBB-" by S&P and "BBB" by Fitch. Colombia experienced a fiscal deficit of 4.0% of GDP in 2016 and has implemented measures to reduce the fiscal deficit to 1.0% of GDP by 2024. Colombia reduced its deficit to 3.6% in 2017 and expected to further reduce it to 3.1% in 2018. We cannot assure you that Colombia will meet its fiscal targets in 2019.

In addition, Colombia held presidential elections in May 2018 with runoffs in June. Iván Duque Márquez was elected president and took office in August 2018. President Duque's administration inherited high levels of spending, and if they fail to make significant reductions in investments, Colombia may be unable to meet its fiscal deficit targets.

The Colombian Government has historically exercised substantial influence on the local economy, and governmental policies are likely to continue to have an important effect on companies operating in Colombia like us, and on market conditions and the prices of the securities of local issuers, including the Notes. The President of Colombia has considerable power to determine governmental policies and actions relating to the economy, and may adopt policies that may negatively affect us. We cannot predict which policies will be adopted by the new government and whether those policies would have a negative impact on the Colombian economy in which we operate or our business and financial performance or the trading price of the Notes.

We cannot provide any assurances that political or social developments in Colombia over which we have no control, will not have an adverse effect on our respective economic situations and will not adversely affect the business, financial condition and results of operations of our subsidiaries and their ability to pay dividends or make other distributions to us. This could have a material adverse effect on our business, results of operations, financial condition and ability to make payments on the Notes.

Pursuant to the peace agreements negotiated between the FARC and the Colombian Government in 2016, the FARC occupies five seats in the Colombian Senate and five seats in the Colombian House of Representatives. We cannot predict which policies will be adopted by the Colombian Government and whether the policies would have a negative impact on the Colombian economy or our business, financial condition and results of operations.

Furthermore, there can be no assurance that the Colombian peso will not depreciate or appreciate relative to other currencies in the future. See "Exchange Rates."

The Colombian Government and the Central Bank exercise significant influence on the Colombian economy. Political and economic conditions may have an impact on our business, financial condition and results of operations.

The Colombian Government and the Central Bank can intervene in Colombia's economy and make significant changes in monetary, fiscal and regulatory policy, which could result in currency devaluation and the changes in international reserves. Our business, financial condition and results of operations may be adversely affected by changes in government or fiscal policies, and other political, diplomatic, social and economic developments that may affect Colombia or the international markets. Possible developments include fluctuations in exchange rates, inflation, instability of prices, changes in interest rates, liquidity of domestic capital and debt markets, exchange controls, deposit requirements on foreign borrowings, controls on capital flows, and limits on foreign trade.

Although the Colombian Government has not imposed foreign exchange restrictions since 1990, Colombia's foreign currency markets have historically been extremely regulated. Colombian law permits the Central Bank to impose foreign exchange controls to regulate the remittance of dividends and/or foreign investments in the event that the foreign currency reserves of the Central Bank fall below a level equal to the value of three months of imports of goods and services into Colombia. See "Exchange Rates" for actions the Central Bank could take to intervene in the exchange market. An intervention that precludes us from possessing, utilizing or remitting dollars would impair our financial condition and results of operations, and would impair the shareholders' ability to convert any dividend payments to U.S. dollars.

The Colombian Government has considerable power to shape the Colombian economy and, consequently, affect the operations and financial performance of businesses. The Colombian Government may seek to implement new policies aimed at controlling further fluctuation of the Colombian peso against the U.S. dollar and fostering domestic price stability. The president of Colombia has considerable power to determine governmental policies and actions relating to the economy and may adopt policies that are inconsistent with those of the prior government or that negatively affect us. On May 25, 2018, Colombia was accepted as a member of the Organization for Economic Cooperation and Development (the "OECD"), however, there can be no assurance that the Duque administration will determine policies following the standards set forth by the OECD to its members.

Pursuant to the peace agreements negotiated between the FARC and the Colombian Government in 2016, the FARC occupies five seats in the Colombian Senate and five seats in the Colombian House of Representatives. We cannot predict which policies will be adopted by the Colombian Government and whether the policies would have a negative impact on the Colombian economy or our business, financial condition and results of operations. Furthermore, there can be no assurance that the peso will not depreciate or appreciate relative to other currencies in the future. See "Exchange Rates."

We may become subject to exchange controls and restrictions on foreign currency remittance imposed by the countries where we operate.

Exchange control risks include: (i) availability risk, the risk that even if we generate cash flows in local currencies that may be ultimately distributable to us, other currencies will not be available for conversion; (ii) convertibility risk, the risk that a governmental entity will restrict, condition or terminate our legal right to convert local currency into other currencies, including the Colombian peso or the U.S. dollar; and (iii) transferability risk, the risk that a governmental entity will allow us to convert local currency into other currencies, but will place restrictions or prohibitions on those other currencies leaving the country. The imposition of exchange controls and restrictions on foreign currency remittance in any of the countries where we operate could have a material adverse effect on our business and results of operations.

The governments of the countries where we operate do not currently restrict the ability of local or foreign persons or entities to convert local currencies into other currencies. However, in the past, the countries where we operate have experienced balance of payment deficits and shortages in foreign exchange reserves, and the governments have responded by restricting the ability of local or foreign persons or entities to convert local currency to other currencies generally, and U.S. dollars in particular. We cannot assure you that any such restrictions will not

be imposed in the future, nor can there be any assessment of the duration or impact of such restrictions if imposed. Any restrictive exchange control policy or law could adversely affect our ability to engage in foreign or local exchange activities and could also have a material adverse effect on our business, financial condition or results of operations.

Our international operations may require funding if their cash requirements exceed operating cash flow. To the extent that funding is required, there may be exchange controls limiting such funding or adverse tax consequences associated with such funding. In addition, taxes and exchange controls may affect the dividends that we receive from our international subsidiaries. Exchange controls may prevent our international subsidiaries from transferring funds to Colombia. There can be no assurance that the governmental authorities of the countries where we operate will not require prior authorization or will grant such authorization for our international subsidiaries to make dividend payments to us in other jurisdictions and we cannot assure you that there will not be a tax imposed with respect to the expatriation of the proceeds from our international subsidiaries. The implementation of a restrictive exchange control policy, including the imposition of restrictions on the repatriation of earnings to foreign entities, could affect our ability to engage in foreign exchange activities, and could also have a material adverse effect on our business, financial condition and results of operations.

Colombia's economy remains vulnerable to external shocks, including a global economic crisis and those that could be caused by future significant economic difficulties of its major regional trading partners or by more general "contagion" effects, which could have a material adverse effect on Colombia's economic growth.

Although the Colombian economy has remained relatively stable, it remains vulnerable to external shocks. Even though exports from Colombia, principally petroleum and petroleum products, coal, coffee and gold, have grown in recent years, fluctuations in commodity prices pose a significant challenge to their contribution to the country's balance of payments and fiscal revenues. Unemployment continues to be high in Colombia compared to certain other economies in Latin America. Furthermore, recent political and economic actions in the Latin American region, including the corruption investigations and proceedings in Brazil and actions taken by the Venezuelan government, may negatively affect international investor perception of the region.

In addition, we cannot assure you that growth achieved over the past decade by the Colombian economy will continue in future periods. Between 2014 and 2018, Colombia had an average economic growth of 2.7%, a decrease from an average of 4.3% between 2009 to 2013. This decrease in average growth was due primarily to a decrease in the oil and gas extraction activity since 2014, which decreased by 45.1% in the 2014-2017.

In the medium term, the Colombian economy is expected to grow more rapidly, at a rate of 3.6%, as estimated by the IMF and within the 3.0% target set by the Central Bank. Nevertheless, the Colombian economy continues to be vulnerable to risks, including, lower economic growth globally, harsher financial conditions and continued migratory pressure from Venezuela.

In a volatile global context, the countries where we operate face challenges and risks that could affect their economic recovery and, as a result, the results of operations of our business. Some of these risks and challenges include the downward trend in the price of raw materials, the limited ability of fiscal and monetary policy to stimulate the economy, imbalances in external accounts, the decrease in foreign investment and the possibility of increases in prices coupled with a reduction of economic growth of any of these countries or their trade partners. With respect to Colombia in particular, a significant decline in economic growth of any of these countries or their trade partners—in particular, the United States, China, Brazil and Venezuela—could have a material adverse effect on Colombia's balance of trade and economic growth. In addition, a "contagion" effect, where by an entire region or class of investments becomes less attractive to, or subject to outflows of funds by, international investors could negatively affect the Colombian economy or that of any other country in which we operate.

According to the IMF, the key external risks that could affect the Colombian economy, which would, in turn, impact our business, include commercial tensions between the United States and China and the Euro Zone, decreased confidence of businesses, restrictive financial conditions, higher political uncertainty in both emerging

and developed markets, the exit of the United Kingdom from the European Union ("Brexit") negotiations and the policies of the new Mexican administration.

There can be no assurance that the occurrence of events such as financial, commercial or political crises will not have a negative impact on investor confidence in emerging markets or the economies of the key countries in Latin America, including Colombia and the other countries where we operate.

If the United States imposes sanctions on Colombia in the future, our business may be adversely affected.

Colombia is among several nations whose eligibility to receive foreign aid from the United States is dependent on its progress in stemming the production and transit of illegal drugs, which is subject to an annual review by the President of the United States. Although Colombia is currently eligible for such aid, Colombia may not remain eligible in the future. A finding by the President of the United States that Colombia has failed demonstrably to meet its obligations under international counter-narcotic agreements may result in the imposition of economic and trade sanctions on Colombia which could result in adverse economic consequences in Colombia including potentially threatening our ability to obtain necessary financing to develop our business and further heightening the political and economic risks associated with our operations.

Decreases in the market price for oil and natural gas could have a material adverse effect on the Colombian economy.

Even though exports from Colombia, principally petroleum and petroleum products, coal, coffee and gold, have grown in recent years, fluctuations in commodity prices pose a significant challenge to their contribution to the country's balance of payments and fiscal revenues. For example, oil and natural gas together accounted for 40.1% of total exports in 2018. A significant drop in the price of commodities could have a material adverse effect on the Colombian economy.

Developments and the perception of risk in other countries may adversely affect the market price of securities issued by Colombian companies, including the Notes.

Securities issued by Colombian companies may be affected by economic and market conditions in other countries, including the United States and other Latin American and emerging market countries. Securities issued by Colombian issuers are also likely to be affected by economic and political conditions in Colombia's neighbors: Venezuela, Ecuador, Peru, Brazil and Panama. Although economic conditions in these Latin American and other emerging market countries may differ significantly from economic conditions in Colombia, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Colombian issuers, including the Notes.

Due to financial and economic crises that may occur in countries around the world (such as the Asian financial crisis of 1997, the Russian financial crisis of 1998, the Argentine financial crisis of 2001, the 2009 worldwide financial crisis, the crisis in Brazil in 2016 and the ongoing crisis in Venezuela) and which may have an adverse effect in the economies of emerging markets, investors may view investments in emerging markets with heightened caution. As a result of financial and economic crises in other countries including, among others, the United States or countries with emerging market economies, flows of investments into Colombia may be reduced. Crises in other countries may hamper investors' enthusiasm for securities of Colombian issuers, which may in turn adversely affect the price for the Notes and make it difficult for us to access the international capital markets, finance our operations and capital expenditures and/or refinance our liabilities.

Ongoing negotiations around Brexit continue to pose risks for the countries where we operate, as those negotiations (and an eventual exit of the United Kingdom from the European Union) could generate indirect macroeconomic imbalances by fostering instability in the international markets, a reduction in foreign investments, an increase in the cost of financing and volatility in foreign exchange. Similarly, the United States' increase in tariffs on Chinese imports could also have a ripple effect on global trade. The combined effect of these events could negatively impact the market price of securities issued by Colombian entities, including ours.

Factors such as Colombia's growing public debt and fluctuating exchange rates could adversely affect the Colombian economy.

Colombia's fiscal deficit and growing public debt could adversely affect the Colombian economy. As of December 31, 2018, the Colombian Government's total direct internal funded debt was approximately 34.5% of GDP, compared to approximately 32.2% of GDP at December 31, 2017.

According to the MHCP's *Marco Fiscal de Mediano Plazo 2019*, the Colombian central government's fiscal deficit as of December 31, 2018 was 3.1% of GDP. The fiscal deficit target was set at 2.4% of GDP for 2019 and at 2.2% of GDP for 2020. The current medium term fiscal deficit target is 1% of GDP.

Although the country has implemented various tax reforms in the last five years, such as Law 1943 of 2018 (the "Financing Law"), the national government continues to face budgetary restrictions that could result in additional tax reforms and have an adverse impact on our results of operations.

Colombia has a floating U.S. dollar to Colombian peso exchange rate. The U.S. dollar to Colombian peso exchange rate has fluctuated in recent years, seeing a 31.6% depreciation of the Colombian peso in 2015 followed by a 4.7% and 0.56% appreciation in 2016 and 2017, respectively. In 2018, the U.S. dollar depreciated by 9% to an average exchange rate of Col$3,150 to U.S.$1.00. This behavior was related primarily to oil prices, economic growth in the United States, Federal Reserve interest rates and its monetary normalization policy, aversion to financial risk in emerging economies and trade tensions between the United States and other economies such as China and the European Union. Because the Colombian economy depends on external flows of capital and for financing and its balance of trade, continued volatility in foreign exchange rates could negatively impact its economy.

We cannot assure you that any measures taken by the Colombian Government and the Central Bank would be sufficient to control any resulting fiscal or exchange imbalances. Any further disruption in Colombia's fiscal and trade balance may therefore cause Colombia's economy to deteriorate and adversely affect our business, financial situation and results.

Any further downgrade in the credit rating of Colombia could adversely affect the Colombian economy.

The outlook of Colombia's credit rating was changed to negative by S&P and Fitch in 2016 and by Moody's in February 2018. However, in March 2017, Fitch upgraded its rating outlook for Colombia from negative to stable due to the perceived reduction in macroeconomic imbalances as a result of the sharp reduction in the current account deficit, diminished uncertainties surrounding Colombia's fiscal consolidation path due to the tax reform measures passed in December 2016, and the expectation that inflation will meet the Central Bank's target. In December 2017, S&P downgraded the rating of its long-term foreign currency sovereign credit ratings on Colombia from "BBB" to "BBB-," on the grounds of Colombia's weakened fiscal and external profiles generating diminished policy flexibility. Additionally, on February 22, 2018, Moody's changed Colombia's rating outlook from stable to negative. This change was driven by (i) the expectation of a slower pace of fiscal consolidation and weakening fiscal metrics, and (ii) the risk that the new government, after the 2018 presidential elections, will not have an effective mandate to pass additional fiscal measures to preserve Colombia's fiscal strength. As of the date of this memorandum, Colombia's long-term debt denominated in foreign currency is rated "Baa2" by Moody's, "BBB-" by S&P and "BBB" by Fitch. Any further downgrade of Colombia's credit rating could adversely affect the Colombian economy, our operations and the market value of securities of Colombian issuers, including the Notes.

It may be difficult or impossible to enforce judgments of courts of the United States and other jurisdictions against Promigas or any of its directors, officers and controlling persons.

Promigas is organized under the laws of Colombia. Most of our directors and executive officers currently reside in Colombia. Furthermore, a substantial part of our assets are located in Colombia. As such, it may be difficult or impossible for you to effect service of process on, or to enforce judgments of U.S. courts against Promigas and/or against its directors and officers based on the civil liability provisions of the U.S. federal securities laws.

Colombian courts will enforce a U.S. judgment predicated on the U.S. securities laws through a procedural system known under Colombian law as exequatur. Colombian courts will enforce a foreign judgment, without reconsideration of the merits, only if the judgment satisfies the requirements set forth in articles 605 through 607 of Law 1564 of 2012, or the Colombian General Code of Procedure (*Código General del Proceso*), which provides that the foreign judgment will be enforced if certain conditions are met, as described in detail in "Enforcement of Foreign Judgments."

Historically, Colombia has experienced several periods of violence and instability. Violence and instability in Colombia may adversely affect the Colombian economy and our operations.

Colombia has experienced several periods of violence over the past four decades, primarily due to the activities of guerrillas, paramilitary groups and drug cartels. In response, the Colombian Government has implemented various security policies and has strengthened its military and police forces, including the creation of specialized units.

Despite these efforts, drug related crime and guerrilla and paramilitary activity continue to exist in Colombia. Any possible escalation in the violence associated with these activities may have a negative impact on the Colombian economy in the future or on us, which may affect our customers, employees, assets or projects. This situation may have a negative impact on the credibility of the Colombian Government which could in turn have a negative impact on the Colombian economy or on us in the future.

We have taken measures that are standard industry practice in Colombia to protect ourselves and our assets against acts of violence. Examples of these measures include hiring specialized private security, implementing security technology and obtaining insurance against terrorism, fire, strikes and vandalism, among other measures. Nevertheless, there can be no assurance that the measures taken by us will be sufficient to safeguard our assets and operations.

Even though the Colombian Government recently reached a peace agreement with the FARC; and the Colombian Government's programs and policies have reduced guerrilla and criminal activity — particularly in the form of terrorist attacks, homicides, kidnappings and extortion — such criminal activity persists in Colombia. Possible escalation of such activity and the effects associated with it could have a negative effect on the Colombian economy and on us, our employees, financial condition and results of operations.

A failed implementation of the peace agreements between the Colombian Government and FARC may affect Colombia's security and our operations.

Since the beginning of the negotiations of the peace agreements executed between the Colombian Government and the FARC on August 24, 2016, guerrilla actions against maintenance related activities in our sector have diminished. Nonetheless, the process of implementation entails some risks that may affect our operations in the future, such as the emergence of new criminal structures composed of dissident members of the FARC and the resulting increase in criminal activity, especially in urban areas, new requests for restitution of land stripped during the conflict, areas with high presence of antipersonnel mines, the formation of a new political party composed by ex-guerrillas, along with the emergence of new political forces throughout regions in which we operate, and the strengthening of social pressure groups. Recently, a former FARC guerrilla leader was shown in a video along with other former guerilla members questioning the peace agreement. The former guerrilla leader could embolden dissident fighters and drug traffickers and significantly destabilize regions of Colombia historically vulnerable to these violent groups.

Should any of these risks materialize, the development of new projects could be slowed or discontinued, and/or could lead to a scenario of socio-political instability, which may increase demands for social and economic investment to the companies operating in the same sectors such as us

In addition, the peace agreement reached with the FARC may be modified by current or future governments, including President Duque's administration. Although the Colombian Congress has approved certain regulations implementing the final peace agreement, including laws governing the Special Peace Justice System (*Jurisdicción*

Especial para la Paz), laws enacted by the Colombian Congress in this regard may differ from the provisions of the peace agreement. If there are deviations from the peace agreement, there can be no assurance that criminal actions will not escalate in Colombia. The peace agreement signed with the FARC could result in the enactment of new laws and regulations, whose impact on our operations is unpredictable.

The implementation of the peace agreement with the FARC will require the enactment of new laws and regulations, which may impact our activity in ways we cannot anticipate. The impact of such new legislation is still unknown, and further regulations may be required for such legislation to be implemented. New laws or regulations enacted in connection with the implementation of the peace agreement may impact our activity and may have a negative effect on our financial condition and results of operations and our ability to repay the Notes. Furthermore, because the laws governing the Special Peace Justice System (*Jurisdicción Especial para la Paz*) were enacted recently, the scope of the rulings issued under that system and their potential impact on us are unknown.

Natural disasters in Colombia could disrupt our business and impact our financial condition and results of operations.

We are exposed to natural disasters in Colombia, such as earthquakes, volcanic eruptions, tornadoes, tropical storms and hurricanes. In particular, Colombia is exposed to recurring flooding and mudslides as a result of heavy rains attributable to the La Niña and El Niño weather patterns. In the event of a natural disaster, our disaster recovery plans may prove to be ineffective, which could have a material adverse effect on our ability to conduct our businesses, particularly if such an occurrence affects computer-based data processing, transmission, storage and retrieval systems or destroys customer or other data. In addition, if a significant number of our employees and senior managers were unavailable because of a natural disaster, our ability to conduct our business could be compromised. Natural disasters or similar events could also result in substantial volatility in our results of operations.

The Colombian Government could seize or expropriate our assets under certain circumstances.

Pursuant to articles 58 and 59 of the Colombian Political Constitution, the Colombian Government can exercise its eminent domain powers in respect of our assets if any such action is deemed by the Colombian Government to be required in order to protect public interests. Eminent domain powers may be exercised through: (i) an ordinary judicial expropriation proceeding (*expropiación judicial*), (ii) an administrative expropriation proceeding (*expropiación administrativa*) or (iii) an expropriation for war reason (*expropiación en caso de guerra*). In all cases, we would be entitled to a compensation (*indemnización previa*) for the expropriated assets.

Also, as a general rule, compensation must be paid before the asset is effectively expropriated (except in the case of expropriation for reasons of war, in which case compensation may be quantified and paid later). However, the compensation may be lower than the price for which the expropriated asset could be sold in a free-market sale or the value of the asset as part of an ongoing business. Any seizure or expropriation by the Colombian Government could adversely affect our business, results of operations and financial condition and our ability to make interest payments on the Notes.

Our assets are located in Colombia and are subject to various risks associated with Colombia.

Our assets are located in Colombia and, as with all assets in emerging market countries, are subject to political, economic and other uncertainties, including expropriation, nationalization, renegotiation or nullification of existing contracts, currency exchange restrictions and international monetary fluctuations. Our financial condition and results of operations may be affected by the occurrence of any such events.

Securities issued by Colombian companies may be affected by economic and market conditions in other countries, including the United States, other Latin American and emerging market countries. Securities issued by the Colombian Co-issuer are also likely to be affected by economic and political conditions in Colombia's neighbors, particularly Venezuela, Ecuador, Peru, Brazil and Panama. Although economic conditions in such Latin American and other emerging market countries may differ significantly from economic conditions in Colombia, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Colombian issuers, including the Notes.

Because of the characteristics of the Colombian electricity and natural gas industries (which require significant investments in operating assets) and our financing needs, if access to the capital and credit markets is limited, we could face difficulties in completing our investment plans and refinancing their obligations, which could adversely affect our business, results of operations and financial condition.

We are subject to new and higher taxes resulting from changes in tax regulations or the interpretation thereof in Colombia.

New tax laws and regulations, and uncertainties in the interpretation with respect to existing and future tax policies may affect us. In recent years, the Colombian Congress and tax authorities have imposed additional taxes and enacted modifications to existing taxes related to financial transactions, income, value added tax (VAT), and taxes on net worth. Changes in tax-related laws and regulations, and interpretations thereof, can create additional tax burdens on us and our businesses by increasing tax rates and fees, creating new taxes, limiting tax deductions, and/or eliminating tax-based incentives and non-taxed income. In addition, tax authorities and competent courts may interpret tax regulations differently than us, which could result in tax litigation and associated costs and penalties in part due to the novelty and complexity of new regulation.

On December 28, 2018, the Financing Law was issued, which established financing rules for restoring the balance of the national budget and introduced substantial changes to the then-existing tax framework. These included, among others, modification to the taxation of dividends distributed to residents and non-residents from profits generated in the fiscal years ended December 31, 2017 and 2018 and a modified corporate income tax regime. It also includes mechanisms to promote investment, such as the Colombian Holding Companies ("CHC") regime, a mega-investment regime that allows companies to enter into tax stability contracts to obtain lower tax rates and an income tax discount in connection with VAT paid on (i) the importation, acquisition, formation and construction of goods that are considered real productive fixed assets and (ii) services provided to make such assets serviceable. For more information, see "Taxation—Certain Colombian Tax Considerations".

Peru

It may be difficult or impossible to enforce judgments of courts of the United States and other jurisdictions against the Peruvian Co-Issuer or any of its directors and officers.

The Peruvian Co-Issuer is organized under the laws of Peru. Substantially all of its directors, trustees, officers and certain of its experts named herein reside outside the United States, and all or a substantial portion of its assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce judgments against them or us, including with respect to matters arising under the federal securities laws of the United States, or to enforce against such persons or against us judgments of courts of the United States predicated upon the civil liability provisions of the federal securities laws of the United States or other laws of the United States or any state thereof.

In addition, investors' rights under the Notes will be subject to the insolvency and administrative laws of Peru, and we cannot assure you that investors will be able to effectively enforce their rights in such bankruptcy, insolvency or similar proceedings. In addition, the bankruptcy, insolvency, administrative and other laws of Peru may be materially different from, or in conflict with, each other, including in the areas of rights of creditors, priority of government entities and related-party creditors, ability to obtain post-bankruptcy filing loans or to pay interest and the duration of proceedings. The laws of Peru may not be as favorable to the investors' interests as the laws of jurisdictions with which investors are familiar. The application of these laws, or any conflict among them, could call into question what and how Peruvian law should apply. Such issues may adversely affect your ability to enforce your rights under the Notes in Peru or limit any amounts that you may receive.

According to the Peruvian Bankruptcy Law, the law is mandatory for all bankruptcy proceedings of debtors domiciled in Peru, not being valid private agreements about any particular choice of law or jurisdiction. To be part a bankruptcy proceeding, the creditors must file a proof of claim and, once confirmed, they must appear in a creditors´ meeting to approve the payment system, either through a reorganization or liquidation system. In a reorganization

proceeding the payment terms are almost exclusively agreed by the same creditor´s meeting. In a liquidation proceeding, the payment priority is: (i) labor; (ii) alimony; (iii) secured debt; (iv) taxes; and, (v) unsecured debt.

Peru may experience political, social or economic problems that could affect the Peruvian Co-Issuer's business, financial condition and results of operations.

Substantially all of the Peruvian Co-Issuer's operations, capital investments and customers are located in Peru and it is dependent upon the performance of the Peruvian economy. As a result, economic, political and social developments in Peru, as well as the economic and other policies of the Peruvian Government, including currency exchange controls, inflation, economic downturns, political instability, corruption scandals, social unrest and terrorism, could have a material adverse effect on the Peruvian Co-Issuer's business, prospects, financial condition, results of operations or cash flows. Adverse media coverage could worsen the impact of these effects.

The Peruvian Co-Issuer's business is significantly dependent upon its customers' ability to make payments. Declining economic activity in the Peruvian economy, the depreciation of the sol and increases in inflation or domestic interest rates may reduce our customers' ability to make payments and could materially reduce our net earnings and revenues. In the past, Peru has experienced periods of weak economic activity and deterioration in economic conditions. We cannot assure you that such deterioration will not occur, nor that such a recurrence would not have a material and adverse effect on our business, financial condition or results of operations.

Our financial condition and results of operations may also be adversely affected by changes in Peru's political climate to the extent that such changes affect the nation's economic policies, growth, stability, outlook or regulatory environment. In addition, economic and political developments in other countries in Latin America, such as Argentina, Bolivia, Mexico, Brazil, Ecuador, Colombia and Venezuela may have an adverse effect on other countries in the region, including Peru.

During the past several decades, Peru has experienced political instability that has included a succession of elected governments and unelected regimes with differing economic policies, including military coups until the 1980s and a succession of governments and regimes with differing policies and programs thereafter. Historically, past administrations have directly intervened in Peru's economy and social structure. Among other things, past administrations have imposed controls on or otherwise regulated prices, exchange rates, repatriation of funds, local and foreign investment and international trade. Further, past administrations have restricted the ability of companies to dismiss employees, have expropriated private sector assets and have prohibited the repatriation of profits or funds by Peruvian companies to overseas foreign investors. Future administrations may take similar actions that may be adverse to our business, prospects, financial condition, results of operations or cash flows.

During the past 18 years, Peru has experienced a period of relative economic and political stability as compared to the period between 1980 and 2000. Peru's gross domestic product ("GDP") growth rates, low inflation, and external surplus reflect, in part, the strength of Peru's economic fundamentals. However, a deterioration of the global economy or a sharp decrease in commodity prices may adversely affect Peru's economy. In addition, an economic contraction or weak economic growth in Peru's trading partners may have an adverse effect on Peru's economy. Despite Peru's ongoing economic growth and stabilization, the social and political tensions and high levels of poverty and unemployment continue. There can be no assurance that Peru will not face political, economic or social problems in the future or that these problems will not adversely affect our business, financial condition and results of operations.

The resignation of former President Kuczynski and the impact to the political landscape in Peru could materially and adversely affect us.

On March 22, 2018, President Pedro Pablo Kuczynski presented his resignation, in response to allegations of corruption for vote-buying in connection with the impeachment proceedings against him. On March 23, Congress accepted his resignation and his first vice president, Martín Vizcarra, was sworn in as acting president. President Vizcarra may not remain in office for the remainder of the presidential term, which ends in July 2021. If President Vizcarra and the current second vice president both resign, the president of Congress would become acting president and Congress would call for new elections, which may include both new presidential and congressional elections.

The political instability caused by these events could affect macroeconomic conditions in the country, including currency volatility, as well as have a material adverse effect on our business, prospects, financial condition, results of operations or cash flows.

When the term of President Martín Vizcarra began, political opposition held the majority of the seats in the Peruvian Congress and prevented the new administration from adopting measures it originally proposed. President Martín Vizcarra sought the support of the public and presented four proposals to reform the Constitution through a popular referendum. On December 9, 2018, three out of the four proposals were approved with more than 80% of the popular vote; the remaining proposal was rejected by 80% of the public after the President requested that the public reject it, as the proposal had been altered by the Peruvian Congress. Currently, President Martín Vizcarra has popular approval of the Peruvian public and minor opposition by other political parties. There can be no assurance that this support will continue. Moreover, should President Martín Vizcarra or any official of his administration become involved in corruption practices or scandals, this may affect popular support and alter the political landscape. The foregoing political uncertainty and presidential decisions could further increase interest rate and currency volatility, as well as adversely and materially affect the Peruvian economy and our business.

Peru's economic conditions have an impact on our business, operations and the market price of our Notes.

Our business, financial condition and results of operation have been, and will continue to be, affected by the economic environment in Peru. Although Peruvian GDP increased in 2018 by 4.0% when compared with the same period of the previous year, the nation's economy has historically experienced considerable fluctuations in growth, proving to be vulnerable to external factors, including but not limited to interest rates in global financial markets, changes in international prices of commodities, low growth affecting the United States, China and other trading partners, and changes in the credit ratings of Peruvian sovereign bonds. Peru's economy is also affected by internal factors, including but not limited to general current economic, business or political events in Peru, the depreciation of the sol, the ability of the Peruvian Government to enact key economic reforms, the levels of domestic debt and domestic inflation, the level of foreign direct and portfolio investment and natural occurrences such as El Niño, earthquakes and floods. In general, changes in Peru's economic indicators such as per capita income, levels of private consumption, exchange rates, employment rates and inflation would indirectly affect our results of operations, as a downturn in the economy would adversely impact, among other things, our ability to access internal and external capital markets, the demand for our products and services, and our customers' ability to make timely payments.

Changes in Peruvian tax laws may increase our tax liabilities and, as a result, have a material and adverse effect on us.

The Peruvian Government regularly implements changes to its tax regulations and interpretations. Potential changes may include modifications in the tax rates or the enactment of temporary taxes that, in some cases, could become permanent taxes. These changes could, if enacted, have the effect of increasing our tax liabilities. Tax reforms related to the value added tax ("VAT") and the Peruvian tax code have recently been approved by the Peruvian Government.

While we continue to examine the effects of these reforms, we are currently unable to estimate the impact such reforms may have on our business. We cannot give any assurance that our legal stability agreement with the Peruvian Government (the "Peruvian Legal Stability Agreement") will not be changed. The effects of any tax reform that could be proposed in the future and any other changes that could result from the enactment of additional reform or changes in interpretation have not been, and cannot be, quantified. Any changes to our tax regime or income tax rate may increase our tax liabilities or our overall compliance costs, which could negatively affect our business. The Peruvian Legal Stability Agreement provides us with tax stability, as we are only subject to the tax regime applicable as of the date of signing such agreement. Additionally, the Peruvian Legal Stability Agreement is only applicable to the income tax (tax rate and determination). The effects of the agreement cannot be extended to other Peruvian taxes.

There can be no assurance that such tax stability will remain in connection with the expiration or renewal of the Peruvian Legal Stability Agreement.

Risks Related to the Notes

Payment of judgments against us in Colombia may be made in pesos, which may expose you to exchange rate risks.

In Colombia, in the event that proceedings are brought seeking performance of payment obligations denominated in a currency other than pesos, we would not be required to discharge those obligations in such currency. Under applicable law, an obligation payable in Colombia, resulting by agreement, if denominated in a currency other than pesos, must be satisfied in pesos at the applicable rate of exchange in effect on the date on which payments are made (or another conversion method, if agreed) unless such an obligation is deemed a foreign exchange operation (*operación de cambio*) under the Colombian foreign exchange regime, in which case the obligation must be paid in the agreed foreign currency. Furthermore, any obligation resulting from a judgment issued by a Colombian court must be discharged in pesos regardless of whether the payment obligation was denominated in a foreign currency and/or such obligation is deemed a foreign exchange operation. You should also be aware that no separate action exists or is enforceable in Colombia for compensation for any shortfall. As a result, holders of the Notes may be exposed to exchange rate risks.

Payments on the Notes will be effectively subordinated to our secured debt obligations.

The Notes will be our unsecured unsubordinated obligations and will rank equal in right of payment with all of our other existing and future unsecured unsubordinated indebtedness. The payment of principal and interest on the Notes will be effectively subordinated in right of payment upon our bankruptcy to any secured indebtedness to the extent of the assets securing such debt. If we secure existing indebtedness, or become insolvent or are liquidated, or if payment in respect of our secured indebtedness is accelerated, our secured lenders, if any, will be entitled to exercise the remedies available to a secured lender under applicable law, in addition to any remedies that may be available under the financing arrangements relating to that secured indebtedness, and we cannot assure you that there will be sufficient assets remaining to pay amounts due on the Notes. As a result, you may receive less, ratably, than the lenders of our secured indebtedness.

The obligations under the Notes will be subordinated to certain statutory liabilities.

Under Colombian and Peruvian bankruptcy law, obligations under the Notes are subordinated to certain statutory preferences. In the event of liquidation, statutory preferences, including claims for salaries, wages, secured obligations, social security, taxes, court fees and expenses and the administrative expenses arising after the beginning of the bankruptcy proceeding (*gastos de administración*), will have priority over any other claims, including claims by holders of the Notes.

There is no existing market for the Notes, and there can be no assurance that an active trading market will develop.

The Notes are a new issue of securities for which there is no established public market. We expect the Notes to be eligible for trading by "qualified institutional buyers" as defined under Rule 144A of the Securities Act.

Although we have been advised by the initial purchasers that they currently intend to make a market in the Notes following completion of the offering, they are not obligated to do so, and they may discontinue any such market-making activities at any time without notice. Application will be made to have the Notes listed on the Official List of the Singapore Exchange Securities Trading Limited, or the SGX-ST, and the quotation of the Co-Issuers on the SGX-ST. We cannot assure you, however, that the application will be accepted or that an active trading market for the Notes will develop or be sustained. We cannot assure that you will be able to sell your Notes, or of the price at which you may be able to sell your Notes. If a market for the Notes were to develop, the Notes could trade at prices that may be higher or lower than their initial offering price depending on many factors, including some beyond our control.

The liquidity of, and trading market for, the Notes may be adversely affected by changes in interest rates and declines and volatility in the market for similar securities, as well as by any changes in our financial condition or results of operations and by declines in the market for high-yield and emerging market securities generally.

In addition, subsequent to their initial issuance, the Notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar notes, our performance, the performance of other companies in our industry and other factors.

The U.S. and Colombian securities laws impose certain restrictions on the resale of the Notes.

The Notes are being offered in reliance upon an exemption from registration under the Securities Act and applicable state securities laws. Thus, the Notes have not been and will not be registered under the Securities Act or any state securities laws and, unless so registered, may not be offered, sold or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. See "Transfer Restrictions".

The offering of the Notes is not a public offering of securities in Colombia. Therefore, the Notes may not be offered, sold or otherwise transferred in Colombia, except under circumstances which do not constitute a public offering or distribution of securities under applicable Colombian laws and regulations. Furthermore, foreign financial entities must abide by the terms of Decree 2555 of 2010 to offer the notes privately to their Colombian clients.

Our ability to meet our payment obligations under the Notes, may depend on our ability to receive dividends and other distributions from our subsidiaries.

Our ability to meet our obligations under the Notes may depend upon our ability to receive dividends or other distributions in amounts sufficient to meet such obligations. For the year ended December 31, 2018, 23.9% of our net income was derived from dividends and other distributions from our subsidiaries.

Our subsidiaries ability to make dividend payments and other distributions will depend on their cash flows and earnings, and may be restricted by, among other things, applicable laws and regulations (including tax laws), capital expenditure requirements and by the terms of agreements, including those governing their existing indebtedness or the indebtedness of their affiliates, as well as shareholders' agreements. Currently, there is no significant limitation to the distribution of dividends in our subsidiaries, but nothing assures that this will not change in the future. Furthermore, our subsidiaries have incurred indebtedness and may be permitted to incur additional indebtedness that may impose further restrictions or prohibit the making of distributions, the payment of dividends or the making of loans by such entities.

In accordance with the Colombian Commerce Code (*Código de Comercio*), subsidiaries shall distribute at least the 50% of the net profits after the completion of all statutory reserves, unless such percentage is modified by, at least, the 78% of the represented shares in the correspondent general assembly of shareholders meeting.

There can be no assurance that we will obtain sufficient funds from our subsidiaries in order to meet our payment obligations under the Notes.

Changes in our credit rating could adversely affect the market price or liquidity of the Notes, as well as our cost of, and ability to, access capital.

Credit rating agencies continually revise their ratings for the companies that they follow, including us. The credit rating agencies also evaluate our industry as a whole and may change, suspend or withdraw their credit ratings for us based on their overall view of our industry. We cannot be sure that credit rating agencies will maintain their initial ratings on the Notes. A negative change in, or suspension or withdrawal of, our ratings could have an adverse effect on the market price of the Notes. Additionally, our ability to obtain adequate and cost-effective financing depends in part on our credit ratings. A reduction in our ratings by our rating agencies could adversely affect our cost of borrowing and/or access to sources of liquidity and capital.

We derive a material portion of our Consolidated Adjusted EBITDA and cash flow from dividends and other distributions from Gases del Caribe and Cálidda, over which we have no control.

We own 5,440,488 shares of Gases del Caribe, representing 31.0% of the total capital stock of Gases del Caribe. We also own 89,921,499 shares of Cálidda, representing 40.0% of the total capital stock of Cálidda. We derive a material portion of our Consolidated Adjusted EBITDA from Gases del Caribe and Cálidda. For the years ended December 31, 2017 and 2018, we derived 12.4% and 14.3% of our Consolidated Adjusted EBITDA from dividends and other distributions from Gases del Caribe and Cálidda, respectively, both of which are not Restricted Subsidiaries under the Indenture governing the Notes because Promigas does not control these companies. For the year ended December 31, 2018, Gases del Caribe distributed Col$89,474 million in the form of dividend and other distributions to its shareholders. Dividends paid by Cálidda to us for the year ended December 31, 2018 were U.S.$21 million.

In addition, Gases del Caribe and Cálidda may incur debt in the future pursuant to agreements that may restrict their ability to pay dividends and make other distributions to their shareholders. To the extent that Gases del Caribe and Cálidda enter into any such agreements in the future, their ability to continue making dividend payments and other distributions to us will be restricted and our financial condition could be adversely affected. Finally, we are not restricted from selling our investment in Gases del Caribe and Cálidda and may consider selling such investments in the future to the extent that it can obtain a meaningful return.

Our level of indebtedness may adversely affect our business, results of operations, financial condition and ability to comply with our obligations under the Notes.

We have, and after the offering and sale of the Notes, will continue to have, moderate levels of indebtedness. Our outstanding consolidated indebtedness as of June 30, 2019, on a pro-forma basis, after giving effect to this offering and the use of proceeds thereof, was Col$5,897,015 million (U.S.$1,840 million). See "Capitalization".

Our debt levels could have important consequences to you as a holder of the Notes. For example, they could result in one or more of the following:

- make it more difficult for us to satisfy our obligations with respect to the Notes;
- require us to dedicate a substantial portion of our cash flows from operations to payments on our debt, which would reduce the funds available for working capital, significant capital expenditures, acquisitions and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in production, customer demand and competitive pressures, as well as to other changes in our industry;
- place us at a competitive disadvantage to any of our competitors that are less leveraged than us;
- increase our vulnerability to both general and industry-specific adverse economic conditions; and
- limit our ability to borrow additional funds and increase the cost of any such borrowing, particularly due to the financial and other restrictive covenants contained in the agreements governing our debt.

We may also incur additional debt in the future. The Indenture will not restrict us from incurring additional debt, subject to certain conditions. See "Description of the Notes—Certain Covenants". Our strategy contemplates incurring additional debt to finance acquisitions, our internal expansion and the development of new projects. See "Business—Business Strategy". The incurrence of additional debt by us would increase the risk of us not being able to service our debt obligations, which would, in turn, materially adversely affect our ability to make payments under the Notes. There can be no assurance that we will not incur substantial additional debt in the future.

If we enter into a bankruptcy, insolvency, intervention, administrative takeover for management or for liquidation purposes or similar proceeding, holders of subordinated and unsubordinated debt may be given the same priority.

In a bankruptcy, insolvency, intervention, administrative takeover for management or for liquidation purposes or restructuring proceedings under Colombian and Peruvian law, subordination agreements may be disregarded. In such a case, subordinated and unsubordinated creditors (including holders of the Notes) may have the same priority. The Indenture allows us to incur subordinated debt, and to refinance, repay, redeem, repurchase or otherwise acquire or retire for value certain subordinated indebtedness. For example, we may incur an unlimited amount of subordinated debt. If we were to undergo bankruptcy, liquidation, restructuring or administrative takeover proceedings, holders of our debt that were contractually subordinated to our prior payments, including such intercompany debt, may have the same rights as holders of our unsubordinated debt under the Notes. Therefore, we cannot assure you that you will not lose your priority over any subordinated debt.

A breach of the covenants or an event of default applicable to our debt, including the Notes, and other financing obligations, could affect our ability to borrow funds and result in an acceleration of our debt and other financing obligations.

Our debt and other financing obligations contain restrictive covenants. In particular, under the terms of our existing senior unsecured credit facility, dated December 23, 2016, a failure to observe or perform any covenant, condition or agreement contained in such credit facility, among others, could mature into an event of default, and such event of default may entitle such holders to accelerate such debt. The occurrence of any such event of default may have a material adverse effect on our financial condition and our ability to comply with our payment obligations under the Notes. If this were to occur, we might not be able to repay such debt or other financing obligations and borrow additional funds, and our financial conditions could be materially adversely affected and could impair our ability to make payments under the Notes.

The affirmative and restrictive covenants applicable to our future debt and other financing obligations could adversely restrict our financial and operating flexibility and subject us to other risks.

We could incur debt and other financing obligations that contain numerous affirmative and restrictive covenants that would limit our ability, impose restrictions on our operations and activities, as well as our ability to incur additional indebtedness or grant guarantees. These instruments may contain a number of significant covenants, among others, that limit our ability to:

- enter into transactions with affiliates;
- sell assets;
- incur or guarantee additional indebtedness;
- pay dividends or make other distributions;
- incur additional debt;
- make investments;
- create liens; or
- consolidate, merge or sell substantially all of our assets.

These restrictions would limit our ability to operate our businesses and would prohibit or limit our ability to enhance our operations or take advantage of potential business opportunities as they arise. The breach of any of these covenants or our failure to meet any of these conditions could result in a default under any or all of such indebtedness. Our ability to comply with these covenants may be affected by events beyond our control, including

prevailing economic, financial and industry conditions and the renegotiation of public works and licenses. In addition, if we are unable to generate sufficient cash flow from operations, we may be required to refinance outstanding debt or to obtain additional financing. We cannot assure you that a refinancing would be possible or that any additional financing would be obtained on acceptable terms.

The Notes will be structurally subordinated to the financial and other obligations of certain of our subsidiaries.

Generally, claims of creditors of our subsidiaries will have priority with respect to such subsidiaries' assets and earnings over the claims of creditors of Promigas, including the holders of the Notes or other shareholders, except to the extent the claims of creditors of Promigas are guaranteed by such subsidiaries.

Subject to certain limitations, the Indenture will permit Promigas to create subsidiaries and make investments in other companies. Upon the liquidation or reorganization of such subsidiaries or companies, our right to participate in any distribution of assets of such subsidiaries or companies may be subject to the prior claims of all creditors of such subsidiaries or companies and to the priority rights of the holders of preferred shares of such subsidiaries or companies, if any. Under these circumstances, the claims of the holders of the Notes would be structurally subordinated to the claims of all creditors of such subsidiaries or companies, including trade creditors of, and banks and other lenders to, such companies, with respect to the assets and cash flow of such subsidiaries or companies, and as a result the ability of such companies to pay dividends or make other distributions to us and thus our ability to make payments under the Notes could be adversely affected. Our subsidiaries may become involved in litigation and other disputes involving monetary claims. If unfavorable decisions are rendered in one or more of these lawsuits, our subsidiaries could be required to pay substantial amounts, which could have a material adverse effect on our results of operations and financial condition and, as a result, on our ability to make payments under the Notes.

We may not be able to obtain the funds required to repurchase the Notes upon a change in ownership structure.

Upon the occurrence of a Change in Ownership Structure Repurchase Event as set forth in "Description of the Notes," we will be required to offer to repurchase all outstanding Notes at 101% of their principal amount plus accrued and unpaid interest, if any. The source of funds for any such purchase of the Notes will be our available cash or other sources, including borrowings, sales of assets or sales of equity. We may not be able to repurchase the Notes upon a Change in Ownership Structure Repurchase Event because we may not have sufficient financial resources to purchase all of the Notes that are tendered upon a Change in Ownership Structure Repurchase Event. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. Our failure to repurchase the Notes upon a Change in Ownership Structure Repurchase Event would cause a default under the Indenture.

In addition, there can be no assurance that our future indebtedness will not prohibit us from purchasing Notes upon the occurrence of a Change in Ownership Structure Repurchase Event. Moreover, the exercise by the holders of Notes of their right to require us to purchase the Notes under the Indenture could cause a default under other of our debt, even if the change in ownership structure itself does not, due to the financial effect of the change in ownership structure on us. See "Description of the Notes—Repurchases at the Option of the Holders of the Notes Upon Change in Ownership Structure Repurchase Event".

Our credit ratings may not reflect all risks of your investments in the Notes.

Our credit ratings are an assessment by rating agencies of our ability to pay the debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the Notes. These credit ratings may not reflect the potential impact of risks relating to structure or marketing of the Notes. Agency ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating.

Changes in tax laws could lead us to redeem the Notes.

The Co-Issuers may redeem the Notes prior to maturity if a change in Colombian, Peruvian or other tax laws results in the Co-Issuers becoming liable to compensate holders of Notes for certain withholding and other taxes.

See "Description of the Notes—Optional Tax Redemption", "Certain Colombian Tax Considerations" and "Certain Peruvian Tax Considerations." Considering that there will not be any income tax withholdings under the Notes for Colombian tax purposes pursuant to the legal stability agreement between Promigas and the Republic of Colombia (the "Colombian Legal Stability Agreement") and due to the official interpretation thereof by the Colombian tax office, payment of principal and interest on the Notes are subject to a rate of 0%. It is possible, however, that the Colombian tax office changes its position regarding notes issued in foreign markets and consider that the Colombian Legal Stability Agreement is not applicable by arguing that one specific rule in that regard was not included in the Agreement; the Decree 2105 of 1996 (although the law establishing the 0% withholding was properly stabilized).

Promigas intends to withhold at the 0% withholding tax rate under both the Colombian Legal Stability Agreement and the official opinion of the tax office. There can be no assurance that, during the life of the Notes, the Colombian tax office will not revert to imposing a 15% withholding tax rate (general rate on foreign indebtedness) or any other withholding tax rate. Considering the applicability of the Colombian Legal Stability Agreement and the official opinion of the Colombian tax office this risk has been assessed as low. Any increase in the withholding tax rate in excess of 15% would give the Co-Issuers the ability to redeem the Notes prior to maturity at 100% of their principal amount, together with interest accrued to the date fixed for redemption. See "Description of the Notes—Optional Tax Redemption."

We are not required to disclose as much information to investors as a U.S. issuer is required to disclose.

We are subject to the reporting requirements of relevant Colombian and Peruvian authorities. The corporate disclosure requirements that apply to us may not be equivalent to the disclosure requirements that apply to a U.S. issuer and, as a result, you may receive less interim information about us than you would receive from a U.S. issuer.

USE OF PROCEEDS

We expect the net proceeds from the sale of the Notes to be U.S.$393.8 million, after deducting the fees and estimated expenses of the offering, of which (i) U.S.$196.9 million will be used by Promigas and (ii) U.S.$196.9 million will be used by Gases de Pacífico.

Promigas intends to use the net proceeds from the offering of the Notes primarily to repay or refinance existing short-term and long-term indebtedness (including certain facilities in which affiliates of the initial purchasers are lenders). See "Plan of Distribution."

Gases del Pacífico intends to use the net proceeds from the offering of the Notes to repay or refinance existing short-term and long-term indebtedness (including certain facilities in which affiliates of the initial purchasers are lenders). See "Plan of Distribution."

EXCHANGE RATES

Overview

Since September 1999, the Central Bank has allowed the Colombian peso to float freely, intervening only to regulate the liquidity of the financial markets and the internal and external payments of the economy, to prevent undesirable fluctuations both in the exchange rate and accumulate or reduce the amount of the international reserves, in accordance with guidelines set forth by the Central Bank's board of directors. The Central Bank is authorized to intervene in the exchange market through the following mechanisms: buying and selling foreign exchange in the spot market or through call or put options at market rates through an auction process, and selling foreign exchange through swap agreements through an auction process at the rates determined by the Central Bank.

Law 9 of 1991, Decree 1068 of 2015, or Decree 1068, and Decree 119 of 2007, or Decree 119, External Resolution 1 of 2018 from the Board of Directors of the Central Bank, or Resolution 1, and External Circular DCIN – 83, or Circular DCIN-83, from the Central Bank establish the main scope and framework of Colombia's foreign exchange regime, or FX Regulations, and the international investment regime. In accordance with Resolution 1, certain transactions, including foreign capital investments in Colombia, the returns and dividends associated with such investments, the proceeds obtained from the sale of such investments, portfolio liquidation, winding up or capital reduction of the Company, as well as foreign indebtedness operations between a Colombian resident and a non-Colombian resident, shall be channeled through foreign exchange intermediaries (*intermediarios del mercado cambiario*) authorized for such purposes (i.e. commercial banks, financial corporations, finance companies and other financial institutions) or though the compensation account mechanism provided in Resolution 1, and must be registered with the Central Bank.

The Colombian Government and the Central Bank may also limit remittance of dividends and/or investments of foreign currency received by Colombian residents whenever the international reserves fall below an amount equal to three months of imports.

Additionally, the Colombian Government and the Central Bank have considerable power to determine governmental policies and actions that relate to the Colombian economy and, consequently, to affect the operations and financial performance of businesses. The Colombian Government and the Central Bank may seek to implement additional measures aimed at controlling further fluctuation of the Colombian peso against other currencies and fostering domestic price stability. Furthermore, we cannot assure you that the Colombian peso will not depreciate or appreciate relative to other currencies in the future. See "Risk Factors—Risk Factors Relating to Colombia—The Colombian Government and the Central Bank exercise significant influence on the Colombian economy. Political and economic conditions may have an impact on our business, financial condition and results of operations."

The Colombian Peso to U.S. Dollar Exchange

The Colombian peso appreciated against the U.S. dollar by 9.0% in 2012, from Col$1,942.70 to Col$1,768.23, depreciated by 9.0% in 2013, from Col$1,768.23 to Col$1,926.83, depreciated by 24.17% in 2014, from Col$1,926.83 to Col$2,392.46, depreciated further by 31.64% in 2015, from Col$2,392.46 to Col$3,149.47 appreciated by 4.72% in 2016, from Col$3,149.47 to Col$3,000.71 and appreciated 0.56% in 2017 from Col$3,000.71 to Col$2,984.00. The Colombian peso further depreciated against the U.S. dollar by 8.9% from Col$2,984.00 December 31, 2017 to Col$3,249.75 as of December 31, 2018. Although the Colombian peso is allowed to float freely, the Central Bank or the Colombian Government may intervene in the exchange market. The SFC calculates the representative market rate based on the weighted averages of the buy/ sell foreign exchange rates quoted daily by certain financial institutions for the purchase and sale of foreign currency.

The Federal Reserve Bank of New York does not report a rate for Colombian pesos. The Colombian Central Bank establishes the parameters that must be observed in order to calculate the Representative Market Rate (*Tasa Representativa del Mercado*); then, the SFC proceeds to compute and certify the Representative Market Rate based on the weighted averages of the buy/sell foreign exchange rates quoted daily by certain financial institutions for the purchase and sale of foreign currency.

The following tables set forth the selling rate, expressed in Colombian peso per U.S. dollar (Col$/U.S.$), for the periods indicated, as certified by the SFC. The rates shown below are presented in nominal Colombian pesos and have not been restated in constant currency units. No representation is made that the Colombian peso amounts referred to in this offering memorandum could have been or could be converted into U.S. dollars at any particular rate or at all.

	Low	High	Average for Period[(1)]	Period End
Year Ended December 31,				
2014	1,846.12	2,446.35	2,000.68	2,392.46
2015	2,360.58	3,356.00	2,746.47	3,149.47
2016	2,833.78	3,434.89	3,053.42	3,000.71
2017	2,837.90	3,092.65	2,951.15	2,984.00
2018	2,705.34	3,289.69	2,956.55	3,249.75

(1) Calculated as the average of the month-end exchange rates during the relevant period.

Source: SFC.

	Low	High	Average for Period[(1)]	Period End
Month				
March 2019	3,077.35	3,190.94	3,125.34	3,174.79
April 2019	3,095.66	3,247.72	3,155.22	3,247.72
May 2019	3,233.97	3,375.29	3,310.49	3,357.82
June 2019	3,177.94	3,377.94	3,256.02	3,205.67
July 2019	3,169.51	3,296.85	3,208.11	3,296.85
August 2019	3,291.79	3,477.53	3,412.65	3,427.29
September 2019 (through September 27, 2019)	3,356.15	3,451.02	3,392.51	3,435.71

(1) Calculated as the average of the exchange rates during the relevant period.

Source: SFC.

As of September 27, 2019, the U.S. dollar selling rate certified by the SFC was Col$3,435.71 per U.S.$1.00.

While the Colombian Government does not currently restrict the ability of Colombian or foreign persons or entities to convert Colombian pesos to U.S. dollars, it may do so in the future. Any restrictive exchange control policy could adversely affect your investment in the Notes. See "Risk Factors—Risk Factors Relating to Colombia—The Colombian Government and the Central Bank exercise significant influence on the Colombian economy. Political and economic conditions may have an impact on our business, financial condition and results of operations."

CAPITALIZATION

You should read this section in conjunction with "Use of Proceeds," "Summary of Financial and Other Information," "Selected Financial Data and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Unaudited Consolidated Financial Statements as of and for the six-month period ended June 30, 2019, included elsewhere in this offering memorandum.

The following table sets forth our short term financial obligations, long term financial obligations and shareholders' equity (i) as of June 30, 2019 and (ii) as adjusted to give effect to the issuance of the Notes and the application of the net proceeds from this offering as if the issuance of the Notes had occurred on June 30, 2019. See "Use of Proceeds". For additional information, see "Index to Financial Statements".

There has been no material change in our short-term debt, long-term debt or shareholders' equity since June 30, 2019 other than giving effect to the application of the proceeds from the sale of the Notes as described herein.

	As of June 30, 2019			
	Actual		As Adjusted[1]	
	(U.S.$ in millions)[2]	*(Col$ in millions)*	*(U.S.$ in millions)* [2]	*(Col$ in millions)*
Current financial obligations				
Financial obligations	169	542,612	152	487,612
Col Notes	115	370,149	115	370,149
Total current financial obligations	**284**	**912,761**	**267**	**857,761**
Long-term financial obligations:				
Financial obligations	848	2,718,799	471	1,511,478
Col Notes	707	2,265,455	707	2,265,455
U.S.$ Notes issued hereby	—	—	394	1,262,320
Total long-term financial obligations	**1,555**	**4,984,254**	**1,572**	**5,039,254**
Total financial obligations	**1,839**	**5,897,015**	**1,839**	**5,897,015**
Equity				
Owners of the company	993	3,182,401	993	3,182,401
Non-controlling interests	67	214,164	67	214,164
Total equity	**1,060**	**3,396,565**	**1,060**	**3,396,565**
Total financial obligations and equity	**2,899**	**9,293,580**	**2,899**	**9,293,580**

(1) The "as adjusted" column gives effect to (i) the issuance of the Notes resulting in net proceeds of U.S.$393.8 million and (ii) the application of the net proceeds, in full, from the sale of the Notes to refinance existing short-term and long-term indebtedness as described under "Use of Proceeds."

(2) The amounts contained herein are converted from Colombian pesos into U.S. dollars solely for your convenience at the TRM published by the SFC, at June 30, 2019, of Col$3,205.67 per U.S.$1.00. These translations should not be construed as a representation that the Colombian-peso amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate.

SELECTED FINANCIAL AND OPERATING DATA

The following tables present summary consolidated financial and operating data of Promigas as of June 30, 2019 and for the six-month periods ended June 30, 2019 and 2018 and as of December 31, 2018, 2017 and 2016 and for the three years ended December 31, 2018, 2017 and 2016. The summary consolidated financial data presented in the following tables is qualified in its entirety by reference to and should be read in conjunction with our Financial Statements, including the notes thereto, included elsewhere in this offering memorandum, and the sections "Presentation of Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this offering memorandum.

The selected data presented below under the captions "Selected consolidated income statement data" for the three years ended December 31, 2018, 2017 and 2016, "Condensed consolidated statements of financial position data" as of the three years ended December 31, 2018, 2017 and 2016, and "Other Financial Information by Business Segments" for the three years ended December 31, 2018, 2017 and 2016 are derived from our Audited Consolidated Financial Statements as of December 31, 2018, 2017 and 2016 and for the three years ended December 31, 2018, 2017 and 2016 included elsewhere in this offering memorandum and the auditor's reports appearing therein. The selected data presented as of June 30, 2019 and for the six-month period ended June 30, 2019 and 2018 was derived from our Unaudited Consolidated Financial Statements.

Our Financial Statements were prepared in Colombian pesos in accordance with IFRS as issued by the IASB, including the interpretations issued by the IFRIC, in each case, as adopted in Colombian pursuant to Colombian IFRS. Pursuant to Law No. 1314 enacted in 2009, we began preparing our Financial Statements in accordance with Colombian IFRS beginning with our fiscal year ending December 31, 2015.

Our Audited Consolidated Financial Statements were audited by KPMG. Our Unaudited Consolidated Financial Statements have been prepared on the same basis as our Audited Consolidated Financial Statements and, in the opinion of our management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information set forth herein. Interim financial results are not necessarily indicative of results that may be expected for the full fiscal year or any future reporting period.

Selected consolidated income statement data	**For the Six-Month Period Ended June 30,**			**For the Year Ended December 31,**			
	2019	**2019**	**2018**	**2018**	**2018**	**2017**	**2016**
	(U.S.$ in millions)[1]	*(Col$ in millions, except per share data)*		*(U.S.$ in millions)*[1]	*(Col$ in millions, except per share data)*		
Revenues	612	1,961,901	1,734,219	1,163	3,727,680	3,439,041	3,770,364
Cost of sales	(408)	(1,309,139)	(1,104,425)	(775)	(2,483,026)	(2,244,706)	(2,664,488)
Gross income	**204**	**652,762**	**629,794**	**388**	**1,244,654**	**1,194,336**	**1,105,876**
Operating expenses	(57)	(182,349)	(169,062)	(105)	(336,054)	(297,892)	(287,488)
Dividends received	—	486	925	—	1,054	1,205	734
Others, net	1	2,075	(1,031)	—	(1,276)	17,141	18,556
Operating income	**148**	**472,974**	**460,627**	**283**	**908,378**	**914,789**	**837,678**
Finance income	54	171,779	176,585	101	322,527	293,946	270,226
Finance expenses	(71)	(227,225)	(209,236)	(137)	(438,305)	(419,570)	(358,266)
Finance income, net	(17)	(55,446)	(32,651)	(36)	(115,778)	(125,624)	(88,040)
Share of profit of equity-accounted investees, net of tax	29	91,597	78,470	54	172,629	141,970	125,896
Income before tax	**159**	**509,126**	**506,446**	**301**	**965,229**	**931,136**	**875,534**
Income tax expense	(29)	(91,877)	(114,190)	(59)	(189,711)	(242,980)	(227,445)
Net income for the period	**130**	**417,248**	**392,255**	**242**	**775,518**	**688,156**	**648,089**
Attributable to:							
Owners of the company	125	400,056	365,707	226	725,463	645,247	616,697
Non-controlling interest	5	17,192	26,548	16	50,055	42,909	31,392
Net income per share *(Col$ in thousands)*	—	0.3	0.3	—	0.6	0.5	0.5

(1) Solely for the convenience of the reader, Colombian pesos amounts for the six-month period ended June 30, 2019 and for the year ended December 31, 2018 have been translated into U.S. dollars at the TRM published by the SFC as of June 30, 2019 of Col$3,205.67 to U.S.$1.00. These translations should not be construed as a representation that the Colombian peso amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate. See "Exchange Rates" for further information about recent fluctuations in exchange rates.

Condensed consolidated statements of financial position data	As of June 30, 2019 (U.S.$ in millions)[1]	As of June 30, 2019 (Col$ in millions)	As of December 31, 2018 (U.S.$ in millions)[1]	As of December 31, 2018	As of December 31, 2017	As of December 31, 2016
					(Col$ in millions)	
Assets						
Current assets:						
Cash and cash equivalents	71	228,504	87	279,356	187,581	203,615
Financial assets at fair value	45	143,752	52	166,260	153,405	167,235
Financial assets at amortized cost	320	1,026,929	281	899,500	926,567	859,139
Inventories	20	65,262	18	59,168	66,398	72,431
Prepayment or tax credit balances	13	40,877	6	18,883	23,147	21,384
Assets held for sale	—	—	—	—	587	2
Other assets	63	202,095	59	188,423	119,983	113,485
Total current assets	**533**	**1,707,420**	**503**	**1,611,591**	**1,477,669**	**1,437,292**
Long-term assets:						
Financial assets at fair value	814	2,608,350	780	2,502,015	2,295,682	2,079,199
Financial assets at amortized cost	501	1,607,217	506	1,621,129	1,613,020	1,537,942
Inventories	5	16,773	4	14,177	12,916	10,313
Investments in associates	204	654,605	215	689,021	640,407	580,489
Property, pipeline, plant and equipment:						
Property, pipeline, plant and equipment	354	1,135,800	355	1,139,381	1,135,752	1,241,804
Usage rights	44	141,955	—	—	—	—
Net properties, pipelines, plant and equipment	398	1,277,755	355	1,139,381	1,135,752	1,241,804
Net intangible assets:						
Concessions arrangements rights	861	2,758,639	791	2,534,795	2,187,289	2,121,717
Rights of use	3	10,573	—	—	—	—
Goodwill	40	128,819	40	128,819	128,819	128,819
Other intangible asset	28	90,777	26	84,439	74,708	67,183
Total net intangible assets	932	2,988,808	857	2,748,052	2,390,816	2,317,720
Deferred tax assets, net	27	87,824	23	74,411	62,772	52,594
Other non-current assets	13	42,928	8	25,694	5,624	7,795
Total long-term assets	**2,896**	**9,284,258**	**2,749**	**8,813,880**	**8,156,989**	**7,827,855**
Total assets	**3,429**	**10,991,678**	**3,252**	**10,425,471**	**9,634,659**	**9,265,148**
Liabilities and equity						
Current liabilities:						
Financial obligations	169	542,612	106	341,182	483,356	517,465
Outstanding bonds	115	370,149	86	275,789	18,112	23,889
Accounts payable	230	737,250	152	486,086	351,519	533,669
Employee benefits	5	17,559	5	17,508	16,739	16,011
Income tax payable	1	3,495	13	40,426	74,433	95,472
Provisions	—	221	—	—	2,079	—
Other liabilities	35	110,872	39	124,450	100,185	112,457
Total current liabilities	**556**	**1,782,158**	**401**	**1,285,442**	**1,046,422**	**1,298,962**
Long-term liabilities:						
Financial obligations	848	2,718,799	755	2,421,198	2,338,129	2,004,111
Outstanding bonds	707	2,265,455	769	2,465,175	2,217,112	2,216,843
Accounts payable	6	18,695	6	18,111	12,998	12,919
Employee benefits	1	4,581	1	4,498	4,405	4,251
Provisions	75	240,127	75	239,563	255,442	224,645
Deferred tax liabilities	176	565,229	174	557,593	581,234	548,134
Other liabilities	—	69	—	69	39	438
Total long-term liabilities	**1,813**	**5,812,955**	**1,780**	**5,706,206**	**5,409,359**	**5,011,339**
Total liabilities	**2,369**	**7,595,112**	**2,181**	**6,991,649**	**6,455,781**	**6,310,302**
Equity:						
Paid-in and subscribed capital	35	113,492	35	113,492	113,492	113,492
Share premium underwriting	101	322,823	101	322,823	322,823	322,823
Reserves	223	713,490	230	737,370	558,143	289,427
Retained earnings	598	1,917,154	600	1,922,309	1,861,788	1,919,325
Other equity accounts	(4)	(11,556)	(4)	(11,556)	(2,033)	(2,033)
Other comprehensive income	40	126,999	40	128,514	108,450	112,104
Owners of the company	**993**	**3,182,401**	**1,002**	**3,212,951**	**2,962,662**	**2,755,138**
Non-controlling interest	67	214,164	69	220,871	216,215	199,708
Total equity	**1,060**	**3,396,565**	**1,071**	**3,433,822**	**3,178,877**	**2,954,846**
Total liabilities and equity	**3,429**	**10,991,678**	**3,252**	**10,425,471**	**9,634,659**	**9,265,148**

(2) Solely for the convenience of the reader, Colombian pesos amounts for the six-month period ended June 30, 2019 and for the year ended December 31, 2018 have been translated into U.S. dollars at the TRM published by the SFC as of June 30, 2019 of Col$3,205.67 to U.S.$1.00. These translations should not be construed as a representation that the Colombian peso amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate. See " Exchange Rates" for further information about recent fluctuations in exchange rates.

Other Financial Information by Business Segments

The table below sets forth revenues attributable to each of our business segments:

Revenues by business segment	For the 12-Month Period Ended June 30,		For the Six-Month Period Ended June 30,		For the Year Ended December 31,			
	2019	2019	2019	2018	2018	2018	2017	2016
	(U.S.$ in millions)[1]	*(Col$ in millions)*	*(Col$ in millions)*		*(U.S.$ in millions)*[1]	*(Col$ in millions)*		
		(a-b+c)	(c)	(b)		(a)		
Natural gas transportation	335	1,072,403	493,193	605,236	369	1,184,446	1,163,850	1,304,480
Natural gas distribution	689	2,209,855	1,102,128	826,428	603	1,934,156	1,711,351	1,850,128
Power distribution	134	428,361	215,234	201,530	129	414,657	387,962	404,471
Integrated solutions for industry	46	146,555	100,382	54,820	32	100,994	85,562	133,173
Non-bank financing	31	98,188	50,965	46,205	29	93,428	90,317	78,112
Total revenues	**1,234**	**3,955,361**	**1,961,901**	**1,734,219**	**1,163**	**3,727,680**	**3,439,041**	**3,770,364**

(1) Solely for the convenience of the reader, Colombian pesos amounts for the six-month period ended June 30, 2019 and for the year ended December 31, 2018 have been translated into U.S. dollars at the TRM published by the SFC as of June 30, 2019 of Col$3,205.67 to U.S.$1.00. These translations should not be construed as a representation that the Colombian peso amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate. See "Exchange Rates" for further information about recent fluctuations in exchange rates.

The table below sets forth cost of sales attributable to each of our business segments:

Income statement	For the Six-Month Period Ended June 30,			For the Year Ended December 31,			
	2019	2019	2018	2018	2018	2017	2016
	(U.S.$ in millions)[1]	*(Col$ in millions)*		*(U.S.$ in millions)*[1]	*(Col$ in millions)*		
Cost of sales:							
Natural gas transportation	(53)	(168,588)	(255,720)	(149)	(477,137)	(467,560)	(731,468)
Natural gas distribution	(286)	(915,515)	(678,115)	(505)	(1,619,391)	(1,425,238)	(1,507,995)
Power distribution	(44)	(140,959)	(136,371)	(89)	(285,687)	(275,735)	(290,555)
Integrated solutions for industry	(21)	(66,063)	(20,360)	(22)	(70,402)	(47,088)	(101,384)
Non-bank financing	(6)	(18,014)	(13,859)	(9)	(30,409)	(29,085)	(33,087)
Total cost of sales	**(408)**	**(1,309,139)**	**(1,104,425)**	**(775)**	**(2,483,026)**	**(2,244,706)**	**(2,664,488)**

(1) Solely for the convenience of the reader, Colombian pesos amounts for the six-month period ended June 30, 2019 and for the year ended December 31, 2018 have been translated into U.S. dollars at the TRM published by the SFC as of June 30, 2019 of Col$3,205.67 to U.S.$1.00. These translations should not be construed as a representation that the Colombian peso amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate. See "Exchange Rates" for further information about recent fluctuations in exchange rates.

Other Financial Information

Other Financial Information	For the 12-Month Period Ended June 30,		For the Six-Month Period Ended June 30,		For the Year Ended December 31,			
	2019	2019	2019	2018	2018	2018	2017	2016
	(U.S.$ in millions)[1]	*(Col$ in millions)*	*(Col$ in millions)*		*(U.S.$ in millions)*[1]	*(Col$ in millions)*		
		(a-b+c)	(c)	(b)		(a)		
Consolidated Adjusted EBITDA[2][3]	384.2	1,231,624	628,954	605,047	377	1,207,717	1,140,327	1,090,527
Consolidated Adjusted EBITDA margin (%)[4]	32.2%	32.2%	32.1%	35.7%	34.0%	34.0%	33.7%	32.9%
Adjusted Net Debt[5]	1,485	4,760,709	4,760,709	4,041,184	1,326	4,249,722	3,891,823	3,504,815
Adjusted Net Debt/Consolidated Adjusted EBITDA[6]	3.9	3.9	n.a.	n.a.	3.5	3.5	3.4	3.2
Funds from Operations[7]	233	746,346	393,445	340,535	216	693,437	623,547	579,325

(1) The amounts contained herein are converted from Colombian pesos into U.S. dollars solely for your convenience at the TRM published by the SFC, at June 30, 2019, of Col$3,205.67 to U.S.$1.00. These translations should not be construed as a representation that the Colombian peso amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate.

(2) Our Consolidated Adjusted EBITDA for a period consists of net income adjusted by finance expenses (net), taxes and depreciation and amortization plus provisions *minus* the sum of others, net and SPEC's FSRU leasing interest expenses. For a reconciliation of our Consolidated Adjusted EBITDA to the most directly comparable Colombian IFRS measure, see " —Reconciliation of Non-IFRS measures" below.

(3) Consolidated Adjusted EBITDA is not a presentation made in accordance with Colombian IFRS. Consolidated Adjusted EBITDA has important limitations as an analytical tool, and you should not consider it in isolation, as indicative of the cash available to Promigas to make payments under the Notes or as a substitute for analysis of our results as reported under Colombian IFRS, the standards set forth in the SSPD Accounting Manual and the requirements of the SFC. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures".

(4) Consolidated Adjusted EBITDA margin has been calculated using our Consolidated Adjusted EBITDA for the period divided by our Consolidated Adjusted Revenues for the same period, which consists of our revenues, *minus* revenues from construction of concessions, plus share of profit of equity-accounted investees, net of tax and dividends. The table below sets forth a reconciliation of our Consolidated Adjusted EBITDA margin:

	For the 12-Month Period Ended June 30,		For the Six-Month Period Ended June 30,		For the Year Ended December 31,			
	2019	2019	2019	2018	2018	2018	2017	2016
	(U.S.$ in millions)[1]	*(Col$ in millions)*	*(Col$ in millions)*		*(U.S.$ in millions)*[1]	*(Col$ in millions)*		
		(a-b+c)	(c)	(b)		(a)		
Consolidated Adjusted EBITDA	**384**	**1,231,624**	**628,954**	**605,047**	**377**	**1,207,717**	**1,140,327**	**1,090,527**
Revenues	1,234	3,955,361	1,961,901	1,734,219	1,163	3,727,680	3,439,041	3,770,364
(–) Revenues from construction of concessions	100	319,469	93,802	120,509	108	346,176	200,639	583,018
(+)Share of profit of equity-accounted investees, net of tax	58	185,756	91,597	78,470	54	172,629	141,970	125,896
(+) Dividends	—	615	486	925	—	1,054	1,205	734
Consolidated Adjusted Revenues	**1,192**	**3,822,264**	**1,960,183**	**1,693,105**	**1,109**	**3,555,187**	**3,381,578**	**3,313,976**
Consolidated Adjusted EBITDA Margin	**32.2%**	**32.2%**	**32,1%**	**35.7%**	**34.0%**	**34.0%**	**33.7%**	**32.9%**

(1) The amounts contained herein are converted from Colombian pesos into U.S. dollars solely for your convenience at the TRM published by the SFC, at June 30, 2019, of Col$3,205.67 to U.S.$1.00. These translations should not be construed as a representation that the Colombian peso amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate.

(5) We calculate our Adjusted Net Debt as the sum of our financial obligations (current and long-term) and outstanding bonds (current and long-term) *plus* amortized cost *minus* amounts recorded as (i) SPEC's FSRU lease, (ii) loans and bonds interest payable (iii) cash and cash equivalents, and (iv) financial assets at fair value. Adjusted Net Debt is not a measure of financial performance under IFRS and should not be considered as a measure of liquidity or our ability to pay interest on the Notes. Adjusted Net Debt does not have a standardized meaning, and our definition of Adjusted Net Debt may not be comparable to other similarly titled measures provided by other companies either in Colombia or in other jurisdictions. Notwithstanding its limitations, and in conjunction with other accounting and financial information available, our management considers Adjusted Net Debt a reasonable indicator of our indebtedness level for comparison between us and our peers. For a reconciliation of Adjusted Net Debt, see "Selected Financial and Operating Data."

(6) Adjusted Net debt/Consolidated Adjusted EBITDA ratio is the ratio of our Adjusted Net Debt of the end of the applicable period divided by our Consolidated Adjusted EBITDA for the then-most recently concluded period of four consecutive fiscal quarters, including the four consecutive fiscal quarters ended June 30 of each fiscal year.

(7) We calculate our Funds from Operations as net income (attributable to owners of the company) for such period *plus* depreciation and amortization and provisions, and deferred taxes *minus* interest revenues from financial assets concession. Funds from Operations is a non-IFRS measure which should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with IFRS, as an indicator of financial performance. Funds from Operations do not have a standardized meaning under IFRS and may not be comparable to similar measures presented by other entities. Funds from Operations is presented to assist management and investors in analyzing operating performance in the stated period. For a reconciliation of Funds from Operations, see "Selected Financial and Operating Data."

Reconciliation of Non-IFRS Financial Measures

Consolidated Adjusted EBITDA

We calculate our Consolidated Adjusted EBITDA for a relevant period as net income adjusted by finance expenses (net), taxes and depreciation and amortization *plus* provisions *minus* the sum of others, net and SPEC's FSRU leasing interest expenses. Even though commonly used as financial indicators in Colombia and abroad Consolidated Adjusted EBITDA does not have a standardized meaning, and different companies may use different definitions of Consolidated Adjusted EBITDA. Therefore, our definitions may not be comparable to the definitions or measures used by other companies and are not intended to be substitutes for net income as calculated under IFRS or Colombian IFRS. For a more detailed discussion of Consolidated Adjusted EBITDA, see "Presentation of Financial and Other Information—Non-IFRS Financial Measures."

	For the 12-Month Period Ended June 30,		For the Six-Month Period Ended June 30,		For the Year Ended December 31,			
	2019	2019	2019	2018	2018	2018	2017	2016
	(U.S.$ in millions)[1]	*(Col$ in millions)* (a-b+c)	*(Col$ in millions)* (c)	(b)	*(U.S.$ in millions)*[1]	*(Col$ in millions)* (a)		
Net income	**250**	**800,511**	**417,248**	**392,255**	**242**	**775,518**	**688,156**	**648,089**
(+) Finance expenses, net	43	138,573	55,446	32,651	36	115,778	125,624	88,040
(+) Taxes	52	167,398	91,877	114,190	59	189,711	242,980	227,445
(+) Depreciation and amortization	58	184,483	94,153	84,750	55	175,080	163,836	139,955
Consolidated EBITDA	**403**	**1,290,965**	**658,724**	**623,846**	**392**	**1,256,087**	**1,220,595**	**1,103,529**
(+) Provisions	1	4,236	3,302	10,339	4	11,273	2,896	11,363
(–) Others, net	1	1,830	2,075	-1,031	—	(1,276)	17,141	18,556
(–) SPEC's FSRU leasing interest expenses	19	61,748	30,998	30,169	19	60,919	66,023	5,808
Consolidated Adjusted EBITDA	**384**	**1,231,624**	**628,954**	**605,047**	**377**	**1,207,717**	**1,140,327**	**1,090,527**

(1) The amounts contained herein are converted from Colombian pesos into U.S. dollars solely for your convenience at the TRM published by the SFC, at June 30, 2019, of Col$3,205.67 to U.S.$1.00. These translations should not be construed as a representation that the Colombian peso amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate.

Consolidated Adjusted EBITDA by Business Segments

Natural Gas Transportation

	For the 12-Month Period Ended June 30,		For the Six-Month Period Ended June 30,		For the Year Ended December 31,			
	2019	2019	2019	2018	2018	2018	2017	2016
	(U.S.$ in millions)[1]	*(Col$ in millions)* (a-b+c)	*(Col$ in millions)* (c)	(b)	*(U.S.$ in millions)*[1]	*(Col$ in millions)* (a)		
Net income	**131.6**	**422,026**	**213,160**	**220,848**	**134**	**429,717**	**380,891**	**367,315**

(+) Finance expenses (net)	32	102,611	20,821	(1,402)	25	80,389	74,954	(21,890)
(+) Taxes	24	77,451	48,948	78,159	33	106,662	152,591	139,158
(+) Depreciation and amortization	37	119,772	60,183	56,625	36	116,214	112,119	88,637
Consolidated EBITDA	**225**	**721,861**	**343,112**	**354,231**	**228**	**732,980**	**720,554**	**573,220**
(+) Provisions	1	1,579	901	10,200	3	10,879	2,503	10,641
(–) Others, net	8	25,270	12,616	11,968	8	24,622	22,910	23,955
(–) SPEC's FSRU leasing interest expenses	19	61,748	30,998	30,169	19	60,919	66,023	5,808
Consolidated Adjusted EBITDA	**199**	**636,422**	**300,399**	**322,294**	**205**	**658,317**	**634,124**	**554,098**

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Natural Gas Distribution

	For the 12-Month Period Ended June 30,		For the Six-Month Period Ended June 30,		For the Year Ended December 31,			
	2019	2019	2019	2018	2018	2018	2017	2016
	(U.S.$ in millions)[1]	*(Col$ in millions)* (a-b+c)	*(Col$ in millions)* (c)	(b)	*(U.S.$ in millions)*[1]	(a)	*(Col$ in millions)*	
Net income	**105**	**355,328**	**179,383**	**135,399**	**91**	**291,344**	**243,581**	**245,079**
(+) Finance expenses, net	13	41,262	22,335	22,910	13	41,836	34,714	82,225
(+) Taxes	15	48,694	21,779	21,442	15	48,357	60,940	52,424
(+) Depreciation and amortization	12	38,652	18,929	16,879	11	36,602	30,705	30,653
Consolidated EBITDA	**145**	**463,936**	**242,427**	**196,630**	**130**	**418,139**	**369,940**	**410,381**
(+) Provisions	1	2,442	2,398	47	—	91	—	445
(–) Others, net	14	45,049	31,352	21,117	11	34,814	31,644	22,058
(–) SPEC's FSRU leasing interest expenses	—	—	—	—	—	—	—	—
Consolidated Adjusted EBITDA	**131**	**421,330**	**213,473**	**175,559**	**120**	**383,416**	**338,296**	**388,768**

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Power Distribution

	For the 12-Month Period Ended June 30,		For the Six-Month Period Ended June 30,		For the Year Ended December 31,			
	2019	2019	2019	2018	2018	2018	2017	2016
	(U.S.$ in millions)[1]	*(Col$ in millions)* (a-b+c)	*(Col$ in millions)* (c)	(b)	*(U.S.$ in millions)*[1]	(a)	*(Col$ in millions)*	
Net income	**6**	**17,758**	**11,413**	**9,475**	**5**	**15,820**	**10,557**	**8,936**
(+) Finance expenses, net	6	18,387	11,876	6,767	4	13,277	19,907	28,908
(+) Taxes	9	28,136	13,511	11,416	8	26,041	20,009	16,954
(+) Depreciation and amortization	7	23,238	13,616	9,736	6	19,358	17,823	17,473
Consolidated EBITDA	**27**	**87,519**	**50,417**	**37,394**	**23**	**74,496**	**68,296**	**72,271**
(+) Provisions	—	214	3	86	—	298	387	149

(–) Others, net	(6)	(17,662)	(10,745)	(9,192)	(5)	(16,109)	(9,337)	(4,801)
(–) SPEC's FSRU leasing interest expenses	—	—	—	—	—	—	—	—
Consolidated Adjusted EBITDA	**33**	**105,395**	**61,164**	**46,673**	**28**	**90,903**	**78,020**	**77,220**

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Integrated Solutions for Industry

	For the 12-Month Period Ended June 30,		For the Six-Month Period Ended June 30,		For the Year Ended December 31,			
	2019	2019	2019	2018	2018	2018	2017	2016
	(U.S.$ in millions)[1]	*(Col$ in millions)* (a-b+c)	*(Col$ in millions)* (c)	(b)	*(U.S.$ in millions)*[1]	*(Col$ in millions)* (a)		
Net income	**2**	**7,776**	**7,634**	**8,436**	**3**	**8,578**	**17,523**	**14,087**
(+) Finance expenses, net	(6)	(20,657)	2,128	5,649	(5)	(17,136)	(1,280)	(1,203)
(+) Taxes	2	6,954	4,921	3,173	2	5,206	9,439	6,729
(+) Depreciation and amortization	1	2,821	1,424	1,510	1	2,907	3,189	3,192
Consolidated EBITDA	**(1)**	**(3,105)**	**16,109**	**18,768**	**—**	**(446)**	**28,872**	**22,805**
(+) Provisions	—	—	—	6	—	6	6	128
(–) Others, net	(6)	(18,360)	(11,986)	(11,733)	(6)	(18,107)	(2,937)	(5,603)
(–) SPEC's FSRU leasing interest expenses	—	—	—	—	—	—	—	—
Consolidated Adjusted EBITDA	**5**	**15,255**	**28,094**	**30,507**	**6**	**17,667**	**31,815**	**28,535**

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Non-bank Financing

	For the 12-Month Period Ended June 30,		For the Six-Month Period Ended June 30,		For the Year Ended December 31,			
	2019	2019	2019	2018	2018	2018	2017	2016
	(U.S.$ in millions)[1]	*(Col$ in millions)* (a-b+c)	*(Col$ in millions)* (c)	(b)	*(U.S.$ in millions)*[1]	*(Col$ in millions)* (a)		
Net income	**5**	**17,622**	**5,657**	**18,097**	**9**	**30,061**	**35,605**	**12,672**
(+) Finance expenses, net	(1)	(3,030)	(1,715)	(1,273)	(1)	(2,588)	(2,672)	—
(+) Taxes	2	6,163	2,717	—	1	3,446	—	12,180
(+) Depreciation and amortization	—	—	—	—	—	—	—	—
Consolidated EBITDA	**6**	**20,755**	**6,660**	**16,824**	**10**	**30,919**	**32,933**	**24,852**
(+) Provisions	—	—	—	—	—	—	—	—
(–) Others, net	(10)	(32,467)	(19,163)	(13,191)	(8)	(26,496)	(25,139)	(17,053)
(–) SPEC's FSRU leasing interest expenses	—	—	—	—	—	—	—	—
Consolidated Adjusted EBITDA	**17**	**53,222**	**25,823**	**30,015**	**18**	**57,414**	**58,072**	**41,905**

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Adjusted Net Debt

We calculate our Adjusted Net Debt as the sum of our financial obligations (current and long-term) and outstanding bonds (current and long-term) plus amortized cost *minus* amounts recorded as (i) SPEC's FSRU lease, (ii) loans and bonds interest payable (iii) cash and cash equivalents, and (iv) financial assets at fair value. Adjusted Net Debt is not a measure of financial performance under IFRS and should not be considered as a measure of liquidity or our ability to pay interest on the Notes. Adjusted Net Debt does not have a standardized meaning, and our definition of Adjusted Net Debt may not be comparable to other similarly titled measures provided by other companies either in Colombia or in other jurisdictions. Notwithstanding its limitations, and in conjunction with other accounting and financial information available, our management considers Adjusted Net Debt a reasonable indicator of our indebtedness level for comparison between us and our peers. For a reconciliation of Adjusted Net Debt, see "Presentation of Financial and Other Information—Non-IFRS Financial Measures."

	For the Six-Month Period Ended June 30,			For the Year Ended December 31,			
	2019	2019	2018	2018	2018	2017	2016
	(U.S.$ in millions)[1]	*(Col$ in millions)*		*(U.S.$ in millions)*[1]	*(Col$ in millions)*		
Reconciliation of Adjusted Net Debt							
(+) Current financial obligations	169	542,612	247,633	106	341,182	483,356	517,465
(+) Current outstanding bonds	116	370,149	125,187	86	275,789	18,112	23,889
(+) Long-Term financial obligations	848	2,718,799	2,165,507	755	2,421,198	2,338,129	2,004,111
(+) Long-Term outstanding bonds	707	2,265,455	2,615,217	769	2,465,175	2,217,112	2,216,843
(–) Cash and cash equivalents	71	228,504	186,397	87	279,356	187,581	203,615
(–) Financial assets at fair value	45	143,752	161,765	52	166,260	153,405	167,235
Net debt	**1,723**	**5,524,759**	**4,805,382**	**1,578**	**5,057,728**	**4,715,723**	**4,391,457**
(–) SPEC's FSRU lease	233	745,445	745,865	247	791,453	800,104	852,179
(–) Loans and bonds interest payable	12	38,349	33,413	12	38,390	38,619	37,827
(+)Amortized cost	6	19,744	14,945	7	21,837	14,823	3,363
Adjusted Net Debt	**1,485**	**4,760,709**	**4,041,184**	**1,326**	**4,249,722**	**3,891,823**	**3,504,815**

(1) The amounts contained herein are converted from Colombian pesos into U.S. dollars solely for your convenience at the TRM published by the SFC, at June 30, 2019, of Col$3,205.67 to U.S.$1.00. These translations should not be construed as a representation that the Colombian peso amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate.

Funds from Operations

We calculate our Funds from Operations for a relevant period as net income (attributable to owners of the company) for such period *plus* depreciation and amortization and provisions, and deferred taxes *minus* interest revenues from financial assets concession. Funds from Operations is a non-IFRS measure which should not be considered an alternative to, or more meaningful than, cash flow – operating activities as determined in accordance with IFRS, as an indicator of financial performance. Funds from Operations do not have a standardized meaning under IFRS and may not be comparable to similar measures presented by other entities. Funds from Operations is presented to assist management and investors in analyzing operating performance in the stated period. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures."

	For the 12-Month Period Ended June 30,		For the Six-Month Period Ended June 30,		For the Year Ended December 31,			
	2019	2019	2019	2018	2018	2018	2017	2016
	(U.S.$ in millions)[1]	*(Col$ in millions)* (a-b+c)	*(Col$ in millions)* (c)	(b)	*(U.S.$ in millions)*[1]	(a)	*(Col$ in millions)*	
Reconciliation of Funds from Operations								
(+) Net income (attributable to owners of the company)	237	759,812	400,056	365,707	226	725,463	645,247	616,697

(+) Depreciation and amortization and provisions	59	188,719	97,454	95,088	58	186,353	166,732	151,318
(+) Deffered taxes	(5)	(16,295)	3,067	6,785	(4)	(12,577)	21,504	(7,737)
(–) Interest revenues from financial assets concession	58	185,890	107,133	127,045	64	205,803	209,936	180,952
Funds from Operations	**233**	**746,346**	**393,445**	**340,535**	**216**	**693,437**	**623,547**	**579,325**

Selected Operating Data

	As of and for the Six-Month Period Ended June 30,	As of and for the years ended December 31,		
	2019	2018	2017	2016
Natural gas transportation:				
Promigas				
Average firm transportation contracted capacity (*MMCF/D*)	640	696	686	642
Average natural gas transported (*MMCF/D*)	359	366	331	339
Gas pipeline length (*miles*)	1,588	1,588	1,588	1,588
Gas pipeline length (*km*)	2,556	2,556	2,556	2,556
Gas losses (%)	0.2%	0.3%	0.4%	0.7%
Employees	401	394	391	380
Transmetano				
Average firm transportation contracted capacity (*MMCF/D*)	57.3	56	61.6	59.8
Average natural gas transported (*MMCF/D*)	49	50	51	50
Gas pipeline length (*miles*)	117	117	117	117
Gas pipeline length (*km*)	189	189	189	189
Gas losses (%)	0.3%	0.1%	0.2%	1.2%
Employees	23	23	22	20
Promioriente				
Average firm transportation contracted capacity (*MMCF/D*)	51.2	51	51.5	51.3
Average natural gas transported (*MMCF/D*)	54.6	62	65	58
Gas pipeline length (*miles*)	207	207	207	207
Gas pipeline length (*km*)	333	333	333	333
Gas losses (%)	—	0.1%	0.7%	0.7%
Employees	35	34	34	36
Transoccidente				
Average firm transportation contracted capacity (*MMCF/D*)	73.6	73.6	73.6	73.6
Average natural gas transported (*MMCF/D*)	47.8	48	45	43
Gas pipeline length (*miles*)	7	7	7	7
Gas pipeline length (*km*)	11	11	11	11
Gas losses (%)	0.8%	0.7%	0.3%	0.1%
Employees	3	4	4	4
Natural gas distribution				
Gases de Occidente				
Municipalities served	268	265	246	240
New customers connected	23,100	45,739	43,075	41,356
Total number of customers	1,116,417	1,139,319	1,093,580	1,050,500
Gas losses (%)	0.4%	0.6%	2.0%	0.2%
Employees	512	516	497	487
Surtigas				
Municipalities served	178	178	176	158
New customers connected	16,008	31,806	32,724	25,745
Total number of customers	787,966	771,798	736,073	683,674
Gas losses (%)	2.6%	2.7%	3.4%	1.7%
Employees	458	435	410	425
Gases del Caribe[(1)]				
Municipalities served	353	334	333	258
New customers connected	38,436	37,383	68,225	78,393
Total number of customers	1,692,875	1,656,978	1,579,655	1,512,943
Gas losses (%)	1.2%	—	0.8%	1.1%
Employees	847	782	788	774
Gases del Pacífico				
Municipalities served	7	7	7	—

New customers connected	6.073	21.466	51	—
Total number of customers	46.985	21.517	51	—
Gas losses (%)	2%	5%	—	—
Employees	135	103	85	44
Cálidda[2]				
Municipalities served	25	23	22	20
New customers connected	91,523	184,403	138,413	93,264
Total number of customers	852,746	761,215	576,813	438,400
Gas losses (%)	—	—	—	—
Employees	397	409	391	379
Power distribution				
CEO				
Distribution lines (*miles*)	16,677	16,578	16,493	16,126
Distribution lines (*km*)	26,839	26,676	26,543	25,953
Electricity Losses (%)	15.3%	15.1%	15.8%	16.4%
Employees	292	314	284	322
Non-bank financing				
New Clients from the period	120,717	240,378	226,164	209,668
Total Number of Clients	1,753,439	1,632,722	1,392,344	1,166,180
Annual Growth of Portfolio (%)	6.0%	12.4%	8.3%	—
New loans originated during the period (*Col$ in millions*)	149,316	265,776	233,832	217,230
Average loan amount (*Col$ in million*)	1.2	1.1	1	1
Outstanding loan portfolio at the end of the period (*Col$ in millions*)	377,169	355,717	316,540	292,232
Loans past due for more than 60 days (%)	9.0%	5.8%	5.5%	5.11%
Loans past due for more than 90 days (%)	6.6%	3,6%%	3.3%	3.1%
Net interest margin (%)	65%	67%	68%	58%
Consolidated Adjusted EBITDA attributable to non-bank financing activities (%)	4.3%	3.8%	3.9%	4.2%

(1) Non-consolidating subsidiary. Promigas has a 31% ownership interest.
(2) Non-consolidating subsidiary. Promigas has a 40% ownership interest.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read this discussion in conjunction with (i) the information set forth in "Summary Financial and Operating Data" and "Selected Financial and Operating Data," (ii) our Financial Statements, including the notes thereto, and (iii) the sections entitled "Colombian Power Sector and Regulatory Framework" and "Colombian Natural Gas Sector and Regulatory Framework".

Our Financial Statements were prepared in Colombian pesos in accordance with IFRS as issued by the IASB, including the interpretations issued by the IFRIC, in each case, as adopted in Colombian pursuant to Colombian IFRS. Pursuant to Law No. 1314 enacted in 2009, we began preparing our Financial Statements in accordance with Colombian IFRS beginning with our fiscal year ending December 31, 2015.

This section contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set forth in "Risk Factors" and the matters set forth elsewhere in this offering memorandum. For additional information regarding forward-looking statements, see "Forward-Looking Statements".

Overview

Promigas is a public utilities company (*empresa de servicios públicos*) organized as a stock corporation (*sociedad anónima*) under the laws of Colombia. Promigas is an integrated services conglomerate that participates both directly and through subsidiaries and Related Companies in the natural gas and power sectors in Colombia and Peru. In Colombia, we are the only vertically-integrated natural gas company allowed by Colombian law to operate both in the gas transportation and gas distribution sectors, since we were already engaged in natural gas transportation and distribution activities when Law 142 of 1994, which limits such integration, was enacted by the Colombian Government. In Peru, we are also a strong player with a market share of 92% in the natural gas distribution segment through our subsidiaries Cálidda and Gases del Pacífico, reaching 852,746 users as of June 30, 2019.

Significant Factors Affecting Our Results of Operations

General Factors Affecting Results of Operations

Colombian Economic Growth

From 2016 to 2018, the Colombian economy experienced a period of sustained economic growth with an average GDP growth rate of 2.1%. During periods of sustained economic growth, demand for and consumption of natural gas and electricity have generally increased and, as a result, companies such as Promigas, that participate in the natural gas and electricity sectors in Colombia, experienced increased revenues. According to the UPME, Promigas currently services areas accounting for 42.1% of the overall demand for natural gas in Colombia. From 2016 to 2018, the consumption of natural gas in Colombia had a negative compounded annual growth rate of 3.0%. Nevertheless, according to the UPME, from 2019 to 2035, demand for natural gas in Colombia is projected to increase at a projected annual average growth of 2.3%. See "Colombian and Peruvian Natural Gas Sector and Regulatory Framework— The Colombian Natural Gas Sector—Historical Background".

Exchange Rate, Interest Rate and Inflation Rate Fluctuation

Our financial and operational results are affected by changes in interest rates and, to a lesser extent, exchange rate fluctuations. In contrast, our financial and operational results are not significantly affected by variances in the inflation rate due to annual adjustments made by us to its fixed and variable rate gas transportation contracts.

Exchange Rate Fluctuation

For the six-month period ended June 30, 2019, 30.1%, or Col$591,175 million, of our consolidated revenues were denominated in U.S. dollars, with the remaining 69.9% of consolidated revenues denominated in Colombian pesos. As of June 30, 2019, 79.5% of our consolidated debt was denominated in Colombian pesos. In addition, 86.1% of the consolidated operating costs were denominated in Colombian pesos. We and our subsidiaries mitigate our exposure to exchange rate fluctuations through derivative instruments entered into in the ordinary course of their business. As of June 30, 2019, we and certain of our subsidiaries had derivative transactions for an aggregate outstanding notional value of Col$600,891 million (U.S.$187 million).

Interest Rate Fluctuation

As of June 30, 2019 and December 31, 2018, 96.5% and 96.3%, respectively, of our indebtedness was classified as variable rate debt (which bear interest at DTF, IBR, LIBOR rate or the Colombian CPI plus a spread). As a result, our results of operations can be significantly affected by variations in the DTF, IBR, LIBOR rate or Colombian CPI. To the extent that we incur in additional debt with interest rates that are directly influenced by Colombia's monetary policies, increases in prevailing interest rates in Colombia or internationally could adversely impact our interest expense and, accordingly, our margins.

Inflation Rate Fluctuation

Fixed and variable rates for natural gas transportation are adjusted annually based on changes in the U.S. PPI (since the investments in natural gas transportation assets are denominated in U.S. dollars) and charges for administration, operation and maintenance ("AO&M") related to natural gas transportation rates are adjusted annually based on changes in the Colombian CPI (since these charges are denominated in Colombian pesos). The natural gas distribution rates charged by Gases de Occidente, Surtigas and Gases del Caribe are adjusted annually based on changes in the Colombian CPI. In addition, 83.0% of our operating costs, administrative expenses and other expenses are indexed to the Colombian CPI.

The following table shows the rate of inflation (using Colombian CPI) in Colombia for the years ended December 31, 2018, 2017 and 2016.

	Year Ended December 31,		
	2018	**2017**	**2016**
Inflation	3.18%	4.09%	5.75%

Source: Central Bank.

For additional information, see "—Quantitative and Qualitative Disclosures on Market Risks."

Governmental Regulation

Our financial and operational results may also be affected by actions and initiatives undertaken by the Colombian Government to facilitate increased demand for and consumption of natural gas in Colombia, including by making natural gas and power more widely available to residential users in Colombia and promoting the use of natural gas as a substitute for other more expensive fuels. See "Colombian and Peruvian Natural Gas Sector and Regulatory Framework— The Colombian Natural Gas Sector —Historical Background".

Changes to the regulatory framework governing the power distribution sector and the implementation of tariffs by the CREG may also affect our financial and operational results. The CREG establishes the rates that CEO is permitted to charge its customers for power distribution, which takes into account the costs incurred by CEO in connection with the purchase of electricity for distribution as well as those operating costs and investments that the CREG deems reasonable and customary for power distribution companies such as CEO. See "Colombian Power Sector and Regulatory Framework—Functional Segregation of the Power Sector—Power Transmission in Colombia."

Changes in Tax Laws and our Ability to Maintain our Benefits Under Our Colombian Legal Stability Agreement

The Colombian Government enacted the Financing Law on December 28, 2018 and has implemented various tax reforms in the last five years. The Financing Law introduced substantial changes to the then-existing tax framework. These included, among others, modification to the taxation of dividends distributed to residents and non-residents of Colombia from profits generated during the fiscal year ended December 31, 2017 onwards (in the case of non-residents the applicable tax rate is 7.5% if profits were taxed at the level of the distributing entity, or 33% (for the 2019 tax year) plus 7.5% once the 33% is levied if profits were not taxed at the level of the distributing entity), provided that such profits have not been declared as payable dividends by the company before December 31, 2018, in which case the tax rate applicable to such dividends is 5% if profits were taxed at the level of the distributing entity or 35% plus 5% once the 35% is levied if profits were not taxed at the level of the distributing entity). Since Promigas receives dividends from its subsidiaries, any changes in the applicable tax laws could affect our results of operation.

Furthermore, Promigas is currently party to the Colombian Legal Stability Agreement and the application of such agreement is subject to the interpretation of the Colombian tax office. Additionally, in order to obtain the benefits under the Colombian Legal Stability Agreement, Promigas is required to comply with certain obligations, which are customary under such agreements.

Weather Conditions

Our business may also be affected by hydrological conditions as the majority of Colombia's installed electricity capacity is hydroelectric. Thermal power plants, including our customers, become operational to cover peaks in electricity demand and shortfalls in electricity generation from hydroelectric plants due to insufficient water resources. Colombia's hydrology typically follows a dual season annual cycle, with one period of low levels of precipitation from December to March and high levels during the rest of the year. However, over the past two decades, Colombia's hydrological conditions have been affected by a climatic phenomenon that can cause droughts, known as El Niño. In addition to El Niño, Colombia has been affected by an opposite phenomenon which leads to increase in precipitation, known as La Niña. The effects of the El Niño or La Niña can unevenly affect different regions in the country. For this reason, at any given time, certain generation plants can be affected by heavy rains while generation plants located elsewhere can be affected by droughts. The necessity of thermal power plants to become operational may contribute to variations in our results of operations.

Factors Affecting Natural Gas Transportation

Transportation Tariffs (Promigas, Promioriente, Transmetano and Transoccidente)

Our natural gas transportation revenues are a function of (a) the level at which fixed and variable transportation rates have been set under our long-term firm gas transportation contracts, (b) the maximum fixed and variable transportation rates that we may charge our customers under such contracts, which are set by the CREG every five years, (c) the capacity and volume of gas transportation services that our customers contract for, and (d) the actual capacity and volume of gas transportation services used by a customer when the natural gas actually transported for such customer exceeds the amount to be transported under such customer's contract. Our natural gas transportation services revenues include revenues received from (i) fixed rate transportation and variable rate transportation contracts, the majority of which are long-term (one year or longer) and (ii) charges for the operation and maintenance of pipeline interconnections, construction of pipelines and administrative and technical support.

For the six-month period ended June 30, 2019, we generated 72.0% of our natural gas transportation revenues from fixed rate transportation contracts, as compared to 71.0% of revenues generated from such contracts during the corresponding period of 2018. For the years ended December 31, 2018, 2017 and 2016, we generated 71.0%, 69.0% and 80.0%, respectively, of our natural gas transportation revenues from fixed rate transportation contracts.

During the six-month period ended June 30, 2019, we generated 28.0% of our natural gas transportation revenues from variable rate contracts, as compared to 29.0% of such revenues generated from variable rate contracts

during the corresponding period of 2018. For the years ended December 31, 2018, 2017 and 2016, we generated 29.0%, 31.0% and 20.0%, respectively, of our natural gas transportation revenues from variable rate contracts.

A substantial portion of our revenues from natural gas transportation contracts are derived from long-term transportation contracts. During the six-month period ended June 30, 2019 and the year ended December 31, 2018, 96.1% and 97.2%, respectively, of our revenues from natural gas transportation derived from rates charged under such long-term contracts. See "Business—Our Natural Gas Transportation Business—Transportation and Contracted Capacity".

The maximum rates that we may charge our customers for gas transportation services are determined by the CREG based on the appraised value of the assets contributed by us to the Colombian natural gas pipeline system, additional capital investments made by us in such assets and the operating expenditures incurred by us to maintain and upgrade such assets. Any capital expenditures incurred by us are expressed in U.S. dollars for the purpose of this determination, while operational expenses are expressed in Col$. As mentioned previously, a significant portion of our natural gas transportation segment revenues (77.3% for the first six months of 2019 and 76.7% for the year ended December 31, 2018) were denominated in U.S. dollars. In addition, we adjust our fixed and variable transportation rates annually, without the prior approval of the CREG, to account for changes in the U.S. PPI. Fixed and variable transportation rates are adjusted using the following formulas:

Fixed rate x (1 + % of U.S. PPI Variation)

Variable rate x (1 + % of U.S. PPI Variation)

Where: % of U.S. PPI Variation = (U.S. PPI 2019 / U.S. PPI 2018) – 1

Administration, operation and maintenance fees related to natural gas transportation are adjusted using the Colombian CPI. The formula under which such fees are adjusted is the same as the formulas used to adjust, except that the percentage of Colombian CPI variation is used instead of the percentage of U.S. PPI variation for the purpose of such adjustments.

The CREG sets rates for the transportation of natural gas in Colombia with the goal of allowing transporters of natural gas to cover operational costs and expenses and to obtain a specified return on the investments made in natural gas transportation assets. However, the Colombian Government does not guarantee minimum revenues, returns or cash flows to entities engaged in the natural gas transportation industry. Gas transportation companies enter into transportation contracts negotiated on an arm's-length basis with their respective customers that provide for either fixed or variable charges. Nevertheless, these charges cannot exceed the maximum periodic rates set by the CREG. The CREG reviews the maximum fixed and variable rates charged by entities participating in the gas transportation industry every five years based on, among other factors, the asset base of each natural gas transporter, the projected investments for the upcoming five year period, as well as the expected demand for transportation capacity, the expected natural gas transportation volumes and the operation and maintenance costs for the next 20 years. Due to high entry barriers for new competitors, natural gas transportation companies generally face little or no competition in their respective service areas. As a result, the transportation rates agreed upon by such companies and their customers usually correspond the maximum rates set by the CREG, provided that the volumes used by such customer are within the approved demand amount determined by the CREG. Natural gas transportation companies and their customers are permitted to agree to a transportation rate that differs from the price set by the CREG.

Transportation Rate Structure

We set the fixed and variable rates in our long-term natural gas transportation contracts entered into with our customers, subject to the maximum regulated rates established by the CREG. The fixed transportation rates, which we charge for fixed transportation capacity, are equal to a specified amount denominated in U.S. dollars per cubic foot of natural gas transportable per day or year and is payable in Colombian pesos based on the agreed upon exchange rate published by the SFC. Customers must pay the fixed transportation rates for the transportation capacity for which they contract, irrespective of whether such transportation capacity is actually used, thereby

reducing our risk. The variable transportation rates are applied to a specified amount per cubic foot of gas actually transported and delivered to such customer or a third party at the request of such customer. Variable transportation rates are also denominated in U.S. dollars and payable in Colombian pesos based on the agreed upon exchange rate published by the SFC.

As of June 30, 2019, Promigas charges the maximum allowed rate established by the CREG, providing its services on an open, neutral and non-discriminatory basis. Fixed and variable transportation rates are payable by customers on a monthly basis and within 30 days following the date of the invoice for the services provided. The risk of non-payment by our customers is mitigated by a strict credit review policy, periodic monitoring of customer accounts and a guarantee system that includes a prepayment mechanism, financial guarantees, performance bonds, promissory notes and letters of credit for those customers that pose potential credit risk for us or that contract for a lower volume of transportation services.

Tariff Review Process

In 2012, the CREG issued resolutions with respect to Promigas and its subsidiaries engaged in the gas transportation sector, which set forth the maximum natural gas transportation rates that such companies can charge their customers under existing firm natural gas transportation contracts for the 2010 to 2015 tariff period. Nevertheless, the CREG is currently preparing new methodology to determine the maximum natural gas transportation rates permitted to be charged by natural gas transportation companies in Colombia, and it expects to release its revised new methodology in January, 2020.

The CREG published in August 2016 the CREG Resolution 090 of 2016 with a new methodology for public consultation, to calculate the natural gas transportation rates, which in general terms, maintains the current regulatory guidelines of contract carrier, price cap and distance rates. The following are the main parameters proposed by CREG Resolution 090: (i) the WACC calculation will be done pursuant to the formula set forth in CREG Resolution 095 of 2015; (ii) a new valuation model would be used to determine the value of a company's infrastructure; (iii) a cost sharing system would be put in place to balance the difference between the investment made by a company and the value of the project; and (iv) the calculation of an asset's useful life would be modified, in order to reflect a final value of 30% of an asset's value at the expiration of its useful life. The tariffs currently in place will remain in effect until the CREG issues new tariffs.

Customer Base

As of June 30, 2019 and December 31, 2018, 66.9% and 55.6%, respectively, of our consolidated revenues were derived from our natural gas transportation segment contracts entered into with our five largest clients. However, we may not be able to renew our contracts with one or more of these customers or collect substantial amounts from one or more these customers in the event that any of these customers is in default or insolvent. See "Risk Factors—Risks Related to Our Business—We have a high customer concentration in our natural gas transportation business and the failure by one or more of our customers to make payments under, or renew or extend their natural gas transportation contracts with us may adversely affect our financial results."

Availability of Natural Gas Reserves and Alternative Energy Sources

Our long-term financial condition is dependent on the continuous availability of natural gas for transportation in Colombia or on natural gas imports from neighboring countries. As of 2018, the expected reserve life for natural gas in Colombia at the current production and consumption rates is approximately 9.8 years (and, including unproved reserves of 2017, the remaining reserve life is approximately 13.2 years), according to information published by the ANH.

In addition, variations in the price of natural gas compared to alternative fuels affect the demand for natural gas and can, in turn, adversely affect our financial condition and results of operations. The cost of natural gas delivered to users in Colombia at distribution rates is currently less expensive than the cost of most alternative fuels, except coal. Alternative fuels, primarily fuel oil and coal for industries and power plants, as well as liquefied petroleum gas for residential customers and smaller commercial users, are currently used when natural gas supply is unavailable or

interrupted, and such alternative fuels are likely to continue to be used as substitutes for natural gas when natural gas becomes scarce or unavailable. While current rates, among other advantages, favor the use of natural gas over these alternative fuels, if the price of natural gas increases or the prices for alternative fuels decrease, the demand for natural gas consumption and natural gas transportation services could be adversely affected.

Factors Affecting Natural Gas Distribution

Distribution Tariffs

Our natural gas distribution revenues are a function of the tariffs charged to our customers and our ability to increase the customer base and natural gas demand. Natural gas distribution tariffs are composed by a cost pass-through for the main non-controllable cost items (the distributor's cost in purchasing the natural gas and the cost of transporting the natural gas from the producer to the distributor's network) and the distribution tariff component. The non-pass-through distribution component is composed of the recovery of reasonable operating and administrative costs and a regulated rate of return established by the CREG on the distribution company's regulated asset base. Tariffs are denominated in Colombian pesos and are adjusted monthly to reflect changes in the Colombian CPI and the Colombian PPI. A separate commercialization charge is also included in each customer's invoice, based on the distribution company's administrative costs in producing the invoice.

In calculating the non-pass-through gas distribution tariff, the CREG established different formulas, depending on whether the gas distribution market is a new or existing market. The product of these formulas is an average distribution tariff charged per cubic meter of natural gas distributed by a distribution company. There is a distribution tariff charge for residential customers and another one for non-residential customers. For non-residential customers, companies can set ranges of tariffs depending on the consumption rates of each range. These tariff ranges are designed such that, when the distribution company divides its tariff revenues for a period by the volume of gas sold to the customers in the period, it will have achieved its average distribution tariff. For an update of the tariffs applicable to already existing markets, CREG uses a cross-section method, taking into consideration reasonable administrative and operating costs, existing regulatory asset base and the demand from the year immediately prior to the tariff update.

The Resolution 096 of 2015 established the return rates for natural gas distribution markets. The rate of return before taxes was determined to be 13.28% in 2015 and decreased gradually each year up to 2019. From 2019 onwards, the rate of return before taxes was established at 12.47% (12.30% with recent changes in tax rates).

Promigas and its natural gas distribution subsidiaries do not control or have influence as to the timing of when the CREG sets new rates nor in changes in the methodologies and rate of returns established by the CREG. See "Risk Factors—Risks Related to Legal and Regulatory Matters—The agencies that regulate our and our Related Companies' businesses and customers may take actions that may affect our and their profitability."

Customer Base

Our natural gas distribution revenues are affected by increases in its customer base, which result from additional customers connected in the areas where we currently operate and where we expand our operations. For the year ended December 31, 2018, Gases de Occidente served 1,139,319 customers in 265 municipalities and Surtigas served 771,798 customers in 178 municipalities. We have implemented a number of strategies to increase our customer base such as including the use of Virtual Pipelines to reach areas that lack natural gas distribution infrastructure. Virtual Pipelines distribute compressed natural gas in drums or tanks via ground transportation in areas where there are no physical pipelines and then, at each delivery point, inject such gas into a local delivery station.

Our natural gas distribution revenues are also affected by the composition of our revenues, customer base and the changes in demand from both industrial and residential customers. Gases de Occidente operates in 265 towns in the Valle del Cauca and Cauca regions of Colombia and serves principally industrial customers. As of December 31, 2018, excluding commercialization (trading), approximately 69% of Gases de Occidente's distributed gas was sold to non-residential customers. Surtigas operates in 178 towns in the Bolivar, Cordoba, Sucre and Antioquia regions of

Colombia and serves principally residential customers. As of December 31, 2018, excluding commercialization (trading), approximately 71% of Surtigas' distributed gas was sold to residential customers.

Our revenues from commercialization (trading) activities also affect our results of operations generated from natural gas distribution activities. When a certain customer consumes more than 100,000 kpc per month, they are considered a non-regulated customer. Commercialization (trading) activities consist of supplying natural gas and/or transportation capacity to these non-regulated customers at a freely negotiated price and the distribution company earns a margin for its services. These customers are generally large industrial companies and thermal-generation plants. As of December 31, 2018, commercialization services accounted for 56% of the total volume of gas distributed by Gases de Occidente and 79% of gas distributed by Surtigas. Since commercialization activities are mainly driven by demand from power generation companies, revenues from commercialization activities are dependent on hydrological conditions and changes in the demand for natural gas for thermal power generation.

Factors Affecting Power Distribution

Prices for Purchased Electricity

In 2018, we purchased over 91% of our electricity supply needs under long-term electricity supply contracts with Colombian power generation companies. These long-term supply contracts mitigate the risk posed by the volatility of electricity prices on the Colombian Electricity Exchange. The prices of electricity purchased by us under these long-term electricity supply contracts are determined using competitive auctions conducted periodically by us in accordance with the CREG's regulations and adjusted for inflation to reflect changes in the IPP. Our objective is to purchase electricity at prices which are lower, on average, than the average spot prices for electricity on the Colombian Electricity Exchange. We purchase the portion of our electricity supply that is not contracted for under long-term electricity supply contracts on the Colombian Electricity Exchange. Given the Colombian power sector's high dependence on hydroelectric power, we seek to increase our contracted electricity supply in the low rainfall season, and in 2018 we maintained an exposure to prices on the Colombian Electricity Exchange that did not exceed 9% of our total electricity supply needs. Every year we enter into electricity supply contracts for our projected electricity supply needs for the following two years.

In 2018, we purchased 648.1GWh of electricity supply, as compared to 725.8GWh of electricity supply in 2017, under long-term supply contracts. In 2018, we acquired 66.7GWh on the Colombian Electricity Exchange, or 9.3%, of the electricity we purchased in that period, compared to 46.7GWh, or 6%, of the electricity we purchased in 2017. The average prices paid by us for our electricity purchases for the years 2018 and 2017 were lower than the average spot market prices on the Colombian Electricity Exchange.

We have contracted for 81% of our electricity supply needs for the year 2019. From the total amount, we contracted 26% from Central Termoeléctrica El Morro, 23% from Emgesa, and 31% from Proenca.

Electricity Losses

Our results of operations from our power distribution business are materially affected by electricity losses. Electricity losses are equivalent to the difference between total electricity purchased from suppliers and energy sold within a period and are expressed as a percentage of energy purchased. Losses may be classified as technical and non-technical losses. Technical losses include electricity which is lost in the transmission system and in the distribution system as a consequence of a natural heating of the electrical conductors, which transmit the electricity from the generating plants to the customers and as a consequence of other processes such as voltage transformation. Technical losses are a normal occurrence, and while such losses may be reduced by improvements in the network, it is economically impracticable to eliminate them completely. Non-technical losses refer to illegally tapped energy, lack of metering capability and administrative errors in the transmission system and in the distribution system.

All electricity losses have adverse effects on power distribution companies. Electricity losses require the purchase of additional electricity supply to satisfy load requirements, but generate no additional revenue. Furthermore, illegally connected customers typically register abnormally high levels of electricity consumption, thereby increasing non-technical losses. The reduction of electricity losses may decrease the amount of electricity

the distribution companies must purchase to meet demand, and a reduction in non-technical losses, generally increases the amount of electricity sold. Power distribution tariffs provide for an allowance for electricity losses, which is adjusted periodically.

During 2018, we had total average of electricity losses equal to approximately 15.1% of sales to final customers during that period, as compared to losses of approximately 15.8% in 2017. The concession agreement signed by CEO and the government of the Department of Cauca currently provides for a maximum allowance of 19.0% of electricity losses.

Non-bank Financing Services

Under our non-bank financing services, we provide for the purchase of home appliances and other household items that tend to increase natural gas consumption and generate incremental demand for gas distribution services provided by CEO, Gases de Occidente, Surtigas, Gascaribe S.A. E.S.P., Gases de la Guajira and Efigas. This business is conducted under the "Brilla" name. This program is limited to existing customers who have repaid their obligations under the connection financing program described above. The financing is provided directly by each company as part of its non-regulated business but managed centrally by Brilla. Interest on these loans cannot exceed the usury rate.

The maximum interest rates that could be charged under these loans as of the end of each quarter of 2015, 2016, 2017 and 2018 are as follows:

Year	As of March 30,	As of June 30,	As of September 30,	As of December 31,
2015.....	28.8%	29.0%	28.9%	29.0%
2016.....	29.5%	30.8%	32.0%	33.0%
2017.....	35.5%	33.5%	32.2%	31.2%
2018.....	31.0%	30.4%	29.7%	29.1%
2019.....	29.1%	28.9%	N/A	N/A

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Source: *Historical usury rates as reported by the SFC.*

Brilla's non-bank financing business is affected by changes in general economic conditions and financing costs, as well as the ability of the companies engaged in the distribution of gas to connect additional customers.

The average interest rate charged under our non-bank financing business for the six-month period ended June 30, 2019 was 29.1%. The combined outstanding loan portfolio as of June 30, 2019 and December 31, 2018, 2017 and 2016 was Col$377,169 million, Col$355,717 million, Col$316,540 million, and Col$292,232 million, respectively. The percentage of non-performing loans (defined as loans past due for more than sixty days) as of June 30, 2019 and December 31, 2018, 2017 and 2016 was 8.6%, 5.7%, 5.5%, and 5.2%, respectively. For non-performing loans of more than 60 days, we are authorized to discontinue the natural gas distribution service. The maximum loan amount per transaction for our non-bank financing business was U.S.$1,014. Our consolidated revenues from non-bank financing activities for the six-month period ended June 30, 2019 and the years ended December 31, 2018, 2017 and 2016 were Col$50.965 million, Col$93,428 million, Col$90,317 million, and Col$78,112 million, respectively.

The table below sets forth certain operational metrics of Brilla's non-bank financing business for the periods indicated:

	As of and for the Six-Month Period Ended June 30,	As of and for the years ended December 31,		
	2019	2018	2017	2016
New clients from the period	120,717	240,378	226,164	209,668
Total number of clients.....	1,753,439	1,632,722	1,392,344	1,166,180
New loans originated during the period (*Col$ in millions*).....	149,316	265,776	233,832	217,230
Average loan amount (*Col$ in million*).....	1.2	1.1	1.0	1.0
Outstanding loan portfolio at the end of the period (*Col$ in millions*).....	377,169	355,717	316,540	292,232

	As of and for the Six-Month Period Ended June 30,	As of and for the years ended December 31,		
	2019	2018	2017	2016
Loans past due for more than 60 days (%)	9.0%	5.8%	5.5%	5.11%
Loans past due for more than 90 days (%)	6.6%	3.6%%	3.3%	3.1%
Net interest margin	65%	67%	68%	58%
Consolidated Adjusted EBITDA attributable to non-bank financing activities (%)	4.1%	4.8%	5.1%	3.8%

Financial Presentation and Accounting Policies

Financial Statements

This offering memorandum includes:

- our Unaudited Consolidated Financial Statements;
- our 2018 Audited Consolidated Financial Statements; and
- our 2017 Audited Consolidated Financial Statements.

Gases del Pacífico is a wholly-owned subsidiary of Promigas and therefore its financial statements are fully consolidated by Promigas.

Our Audited Consolidated Financial Statements were audited by KPMG. Our Unaudited Consolidated Financial Statements have been prepared on the same basis as our Audited Consolidated Financial Statements and, in the opinion of our management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information set forth herein. Interim financial results are not necessarily indicative of results that may be expected for the full fiscal year or any future reporting period.

Our Financial Statements were prepared in Colombian pesos in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB, including the interpretations issued by the International Financial Reporting Interpretations Committee, or IFRIC, in each case, as adopted in Colombia, or Colombian IFRS. Pursuant to Law No. 1314 enacted in 2009, we began preparing our Financial Statements in accordance with Colombian IFRS beginning with our fiscal year ending December 31, 2015.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. These areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in note 1.4 to our 2018 Audited Consolidated Financial Statements, included elsewhere in this offering memorandum.

New Accounting Standard

IFRS 16 – Leasing Operations

Our Unaudited Consolidated Financial Statements as of and for the six-month period ended June 30, 2019 include the effects of NIIF 16/IFRS 16 – Leasing Operations, or IFRS 16, which are effective for reporting periods starting from January 1, 2019 onwards, but we have not restated comparative figures as of and for the six-month period ended June 30, 2018, as permitted by IFRS 16 transition rules.

IFRS 16 replaces NIC 17 and related interpretations and determines that leases are recognized as a right-of-use asset and a liability on the date the asset is leased and is available for use. Each lease payment is allocated between the liability and the financial cost. The financial cost is recognized in the income statement during the lease period. The right-of-use assets are depreciated during the shortest period between the useful life of the asset or until the end of the lease term.

After the adoption of IFRS 16, lease liabilities were measured at the present value of the remaining lease payments, discounted at our incremental borrowing rate from January 1, 2019 onwards. Some rights to use an asset were measured at the amount equal to remaining lease liabilities, adjusted for any lease payments anticipated or accrued for the relevant lease that were recognized in the balance sheet immediately prior to the initial application date.

Some rights of use associated with assets for leases of plant and equipment were measured retrospectively as if the new standard had always been applied. Other assets with right to use were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accumulated payment related to the lease recognized as of December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets in the initial recognition.

For more information about IFRS 16 and its impact on our Unaudited Consolidated Financial Statement, see note 5 to our Unaudited Consolidated Financial Statements included elsewhere in this offering memorandum.

Reporting Segments

We present certain information by segments in accordance with our different lines of business. These lines of business described below were established according to our organizational structure, taking into account the nature of services and products offered. The structure of this information is designed as if each line of business were an autonomous business and had its own separate resources, allocated based on the assets assigned to each line according to an internal system of percentage distribution of costs.

The Company's operating segments are structured as follows:

- *Natural Gas Transportation Business*. This reporting segment comprises the operations of Promigas, Transmetano, Transoccidente and Promioriente.

- *Natural Gas Distribution Business*. This reporting segment includes operations by Surtigas, Gases de Occidente, Gases del Caribe, Efigas, Cálidda, Gases del Pacífico, Orion Contact Center S.A.S. and Enlace Servicios Compartidos S.A.S.

- *Power Distribution Business*. This reporting segment comprises the operations of CEO.

- *Integrated Solutions for Industry Business*. This reporting segment comprises the operations of Promisol, Zonagen, SPEC and Energía Eficiente.

- *Non-bank Financing Business*. This reporting segment includes operations by CEO, Gases de Occidente, Surtigas, Gascaribe S.A. E.S.P., Gases de la Guajira and Efigas.

Principal Accounting Estimates and Critical Accounting Policies

Principal Accounting Estimates

We make estimates and assumptions that affect the amounts recognized in our Financial Statements and the book value of assets and liabilities in the following fiscal year. Judgments and estimates are continually evaluated and are based on our management's experience and other factors, including the expectation of future events that may be reasonable given the circumstances. Our management also makes certain judgments different from those involving estimates in the process of applying the accounting policies.

Judgments that have the most significant effect on the amounts recognized in our Financial Statements and estimates that may cause a significant adjustment in the book value of assets and liabilities in the following year are the following:

Impairment of Portfolio and Other Accounts Receivable.

Since January 1, 2018, our impairment calculation method is based on the expected loss model, previously it was based on the incurred loss model. Under the expected loss model the value correction will measure the losses at an amount equal to the expected credit losses over the lifetime of the asset for those commercial accounts receivable that have a significant financial component. Under this scheme, we have developed an impairment determination model based on our historical loss experiences taking into account the days of default, and a simplified model for projection of macroeconomic factors that affect our industry.

Determination of the fair value of financial instruments with significant unobservable inputs.

Information regarding the fair values of financial instruments (including derivatives) that were measured using significant unobservable inputs is provided in Note 7 to our 2018 Audited Consolidated Financial Statements.

Recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.

Deferred income tax is recognized using the balance sheet method on the temporary differences between the tax bases of assets and liabilities and the respective carrying amounts at the closing date of the reporting period, calculated with the tax rates expected to be applicable for the period when the asset is realized or the liability is paid off, based on the rates approved or once the approval process by the government is practically over.

Liabilities for deferred taxes are recognized for all taxable temporary differences, except taxable temporary differences regarding investments in subsidiaries, affiliates and interests in joint ventures, when the reversal opportunity of temporary differences can be controlled and such temporary differences are unlikely to be reversed soon.

Deferred tax assets are recognized for all deductible temporary differences and future compensation of tax credits and unused tax losses, to the extent there will likely be availability of future taxable income to offset against such tax credits or tax losses, except deductible temporary differences regarding investments in subsidiaries, affiliates and interests in joint ventures.

Impairment testing for cash generating units containing goodwill: key assumptions underlying recoverable amounts.

We perform biannual assessments of goodwill impairment based on studies conducted by internal professionals. These studies are performed based on valuations of cash generating units by the method of discounted cash flow, taking into account the following factors: the economic situation of the country and the sector in which we operate, historical financial information and projected growth of our revenues and costs over the next five years and subsequently, perpetual growth taking into account our profit capitalization indices, discounted at risk-free interest rates, adjusted by risk premiums required based on the circumstances of each company. For additional information on the main assumptions used in the valuations, please refer to Note 1.4 to our 2018 Audited Consolidated Financial Statements.

We have reviewed the methodologies and assumptions used for the valuation of the different cash generating units that have allocated goodwill and, based on this review, we have concluded that as of December 31, 2018 and 2017, no impairment was identified.

Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

We estimate and record a provision for contingencies in order to cover any probable losses due to labor cases, civil and commercial proceedings, and tax assessments, among others, according to circumstances that, based on the opinion of external legal counsel, are likely to produce losses and can be reasonably estimated in time and amounts.

Employee Benefits

The pension obligations, costs and liabilities measurement depend on a wide variety of long-term premises determined by actuarial bases, including present value estimation of projected future pension payments for plan participants, considering potential future events probability, such as increase in legal minimum wages and demographic experience. These premises may have an effect in the amount and future contributions, should any variation occur.

The discount rate allows us to establish future cash flows at present value of the measurement date. We determine a long-term rate that represents the market rate for high quality fixed income investments or government bonds denominated in the currency in which the benefit shall be paid, and consider the opportunity and payment amounts of future benefits, for which government bonds have been selected.

Other key premises are used to measure actuarial liabilities and are calculated based on our specific experience combined with published statistics and market indicators.

"Smart Pig or Smart Tool" Provision

Smart tool or smart pig corresponds to the provision made by Promigas, Promioriente and Transmetano for the obligation to perform an inspection of the pipeline subject to concessions in order to determine the maintenance plan to be followed. By regulation, Promigas, Promioriente and Transmetano must perform inspections on the infrastructure to determine the maintenance plan to follow; therefore, the amount required for such inspection is annually estimated and debited from profit and loss account. The estimate is determined as follows:

- First, the last value paid under this item is used as a basis (part of this value is in dollars and another part in pesos).

- The part of the value paid in dollars is indexed with projections of the CPI (consumer price index) in the United States of America and then converted into pesos with the exchange rate projected as of the date of the next inspection. The part payable in pesos is indexed with projections of the CPI in Colombia.

- Macroeconomic projections are reviewed at the beginning of each year, or at the Companies' discretion if it determines there is any volatility in the variables used, to adjust the provision.

Determining Functional Currency

Promigas and its subsidiaries' functional currency was determined based on the economic environment and the correlative conditions in the country in which each company operates. This determination requires judgment regarding, among other factors, the place of the activities, cash flows, sources of income, risks relative to these activities and the operating currency denomination of the different entities.

For more information on use of significant accounting estimates and assumptions see note 1.4 to our 2018 Audited Consolidated Financial Statements included elsewhere in this offering memorandum.

Critical Accounting Policies

We have identified certain key accounting policies on which our financial condition and results of operations are dependent. These key accounting policies most often involve complex quantitative analyses or are based on subjective judgments or decisions. A change in these estimates and assumptions could affect the value of our assets, liabilities, equity and earnings, as well as our contingent assets and liabilities.

The following policies are the accounting policies that we believe are the most important to the portrayal of our financial condition and results of operations. For a full description of these accounting policies, see note 2 to our Audited Consolidated Financial Statements included elsewhere in this offering memorandum.

Financial instruments

Classification and measurement of financial assets and liabilities – The classification and measurement for financial assets is determined through the business model in which these assets and their cash flow characteristics are managed. It also includes three classification categories at the time of initial recognition for financial assets:

- *Amortized Cost* ("AC"). The asset is maintained within a business model whose objective is to maintain assets to obtain contractual cash flows; and the contractual terms of the financial asset establish specific dates for the cash flows derived only from payments of principal and interest on the current balance.

- *Fair Value through Other Comprehensive Income* ("FVTOCI"). A debt instrument is measured at FVTOCI only if it has not been designated as a FVTPL as described below and meets both of the following conditions: (i) the asset is maintained within a business model whose objective is achieved by collecting contractual cash flows and selling these financial assets; and (ii) the contractual terms of the financial asset establish specific dates for the cash flows derived only from payments of principal and interest on the current balance. We may irrevocably choose to record subsequent changes in fair value as part of other comprehensive income in equity.

- *Fair Value through Profit or Loss* ("FVTPL"). All financial assets not classified as measured at amortized cost or at FVTOCI as described above are measured at fair value through profit or loss.

Evaluation of the business model – An evaluation is made of the objectives of the business models where the different financial instruments at the portfolio level are maintained to reflect, as best as possible, the way in which the business is managed and how the information is provided to management. The following accounting policies apply to the subsequent measurement of financial assets:

- *Financial Assets at Fair Value through Profit or Loss* (FVTPL). These assets are subsequently measured at fair value. Net gains and losses, including revenues from interest or dividends, are recognized through profit or loss.

- *Financial assets at amortized cost* (CA). These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Revenues from interest, exchange gains and losses and impairment are recognized through profit or loss. Any gain or loss on derecognition is recognized through profit or loss.

- *Debt investments through other comprehensive income* (FVTOCI). These assets are subsequently measured at fair value. Revenues from interest calculated using the effective interest method, gains on exchange difference and impairment losses are recognized through profit or loss. Other net earnings and valuation losses are recognized through other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss to be realized in OCI.

- *Equity investments through other comprehensive income* (FVTOCI). These assets are subsequently measured at fair value. Dividends are recognized as revenue in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Derecognition – A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when: (i) contractual rights on the asset's cash flow expire; (ii) the contractual rights on the asset's cash flow are transferred, or an obligation is undertaken to pay a third party all cash flow without significant delay, through a transfer agreement; (iii) substantially all risks and benefits inherent to the property of the asset have been transferred; (iv) all risks and benefits inherent to the property of the asset have been substantially withheld, but the control thereof has been transferred.

Financial Liabilities – A financial liability is any contractual obligation to deliver cash or other financial asset to another entity or person or to exchange financial assets or liabilities under potentially unfavorable conditions for the companies, or any agreement that will or may be liquidated using equity instruments of the entity. Financial

liabilities are initially recorded by their transaction value, unless otherwise determined, being similar to its fair value, less transaction costs directly attributable to their issue. Subsequently such financial liabilities are measured at amortized cost according to the effective interest rate method initially determined and recorded as debit to profit and loss under finance expenses. Financial liabilities are only derecognized from the balance sheet when generated obligations are extinguished or when they are acquired (either with the intention of repaying them or reinvesting in them). Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legal right to offset such recognized amounts and the management intends to liquidate them on a net basis or realize the asset and liquidate the liability simultaneously.

Derivatives

Forward contracts entered into by us to cover the fluctuation of exchange rates in revenues are considered a cash flow hedge, given that they cover a particular risk associated with a recognized asset or liability or a highly likely expected transaction, in which case the effective portion of the changes in the fair value of derivatives is recognized in the account other comprehensive income in equity. Gains or losses in the derivative relative to the portion that is not effective to the hedge or that does not correspond to the hedged risk is recognized immediately in the income statement. Hedge accounting is implemented while the forwards remain within the range of effectiveness (80% and 125%).

Derivative transactions are revealed at baseline. Subsequent changes in the fair value are adjusted by debiting or crediting profit and loss, as applicable, unless the derivative is defined as hedge, if so, the nature of the hedged item. Hedge derivatives are defined as the cumulative values in the account other comprehensive income transferred to earnings for the period where the hedged item is also carried to income. We document at the beginning of the transaction the relationship between the hedging instrument and the hedged item and the risk objective and strategy for undertaking the hedge relationship. We also document our assessments both at the date of the transaction and on the recurring basis that the hedging relationship is highly effective in offsetting changes in fair value or cash flows of hedged items.

Financial assets and liabilities by transactions with derivatives are not offset in the statement of financial position; however, when there is a legal and exercisable right to offset the recognized values and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously, they are then presented net in the statement of financial position. Profits and losses for settlement of contracts are recognized at the end of each month. Contracts with derivatives implicit in other contracts, when the main contract is a financial asset, are not separated and instead the financial instrument is measured and recorded together as an instrument at fair value through profit or loss.

Property, pipelines, plant and equipment

Recognition and Measurement – Property, pipelines, plant and equipment are measured at cost less cumulative depreciations and cumulative amounts and any impairment losses suffered. Costs include expenditures that are directly attributable to the acquisition of the asset. The cost of assets we built includes the cost of materials and direct labor; any other costs directly attributable to the process of bringing the asset to a working condition for its intended use, costs of dismantling, removing and restoring the site where they are located.

Subsequent Costs – The cost of replacing part of an item of property, pipelines, plant and equipment is capitalized if future economic benefits are likely to be received and their cost can be measured reliably. The book value of the replaced part is derecognized. Daily maintenance costs of property, pipelines, plant and equipment are recognized in profit or loss when incurred.

Depreciation – Depreciation methods and useful lives are reviewed each year and adjusted if necessary. The cost of assets is depreciated on a straight-line basis over the depreciable amount, which corresponds to the cost of the asset, less its residual value, based on the estimated useful life detailed below:

Type of asset	Years
Constructions and buildings	50
Pipelines, plant and networks not under concession	70
Machinery and equipment	5 to 10
Transportation fleet and equipment	5
Computer and communication equipment	5
Furniture and fittings	10

Disposal – The difference between the proceeds of the sale and asset's net book value is recognized in the income statement under the item other revenues.

Concession agreements

We recognize the intangible asset arising from a service concession agreement when there is the right to charge for the use of concession infrastructure. On initial recognition, an intangible asset received as consideration for providing construction or improvement services in a service concession agreement is recognized at fair value. After initial recognition the intangible asset is measured at cost, including capitalized loan costs, less accumulated depreciation and accumulated impairment losses.

An intangible asset is recognized when there is no unconditional right to receive cash and the revenues are contingent on the extent of use of the asset under concession for the service provision. In some cases, there may be mixed agreements, where part of the agreement is a financial asset and the other part is an intangible asset. For us, the financial asset is not for the remuneration of the transportation service, but for the obligation to sell the gas infrastructure by the end of the term of the agreement.

Based on the above, we record rights in concession agreements as follows: (i) revenues from the construction and costs relative to the construction of concessions are recorded in the income statement after completing stages of the project in the reported period; (ii) if the concession agreement qualifies as a financial asset, the asset arising in the agreement is included in other accounts receivable at fair value and recognized at the present value of future payments to which we are entitled, discounted using the effective interest rate, in the event they are financial assets with mandatory sale at fair price at the end of the agreement. These financial assets are designated at fair value through profit or loss; and (iii) cumulative disbursements during the construction phase of the project are recognized as intangible assets, and amortized over the term of the concession agreement, save for compressors, which are amortized over the shortest between the concession agreement and its useful life, in a straight line debited on profit or loss from the date when the construction is completed and the corresponding asset is put the service of the users.

Impairment

Financial Assets – We periodically apply the impairment model due to expected credit loss ("ECL"). This model requires the recognition of a reserve due to the weighted probability in the default of payment since the granting of the loan, for which considerable judgment is applied regarding how changes in economic factors affect the ECL, which will be determined on a weighted average basis. The impairment model will be applicable to the following financial assets that are not measured at FVTPL: (i) investments in debt securities; (ii) commercial accounts receivable; and (iii) other accounts receivable.

Non-financial Assets – Impairment tests will be conducted when there are signs that the book value of an asset may exceed its recoverable amount. The recoverable amount of an asset is the higher of either its fair value minus disposal costs or its use value. We will assess at the end of the period whether there are any signs of impairment on the asset. If any, we would estimate the asset impairment.

Corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, the recoverable amount is determined for the cash-generating unit to which the corporate asset belongs. Impairment losses are recognized in profit and loss account. Impairment losses recognized in respect of cash-generating units are firstly distributed to reduce the carrying amount of any goodwill distributed to the units and then to reduce the carrying amount of other assets in the unit (unit groups) on a pro rata basis.

An impairment loss with respect to capital gains is not reversed. With respect to other assets, impairment losses recognized in prior periods are evaluated at the end of each reporting period, seeking any indication that the loss has decreased or disappeared. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only if the carrying amount of the asset does not exceed the carrying amount that would have been determined net of depreciation or amortization and if no impairment loss has been recognized.

Revenues from ordinary activities from contracts with customers

We recognize revenues from contracts with customers based on a five-step model: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

A performance obligation is met and recognizes the revenues over time, if one of the following criteria is met: (i) our performance does not create an asset with an alternative use, and there is an enforceable right to pay for the performance completed to date; (ii) our performance creates or improves an asset that the customer controls as it is created or improved; or (iii) the customer at the same time receives and consumes the benefits that result from the performance as it works.

For performance obligations where none of the indicated conditions is met, the revenue is recognized when the performance obligation is met. When we meet a performance obligation by delivering the promised goods or services, we create a contractual asset for the amount of the consideration obtained with the performance. When the amount of the consideration received by a customer exceeds the amount of the recognized revenue, this generates a contractual liability.

Revenue is measured based on the consideration specified in the contract with the customer, and excludes the amounts received on behalf of third parties. We recognize revenue when they transfer control over a good or service to a customer. The revenue is presented net of the value added tax (VAT), reimbursements and discounts. We evaluate our revenue plans based on specific criteria to determine whether to act as principal or agent. Revenue is recognized to the extent that the economic benefits are likely to flow to us and if revenues and costs, if any, are likely to be reliably measured.

Below is a description of the main activities through which we generate revenue from contracts with customers:

Utilities – The contracts with customers for the provision of utilities for the distribution and transportation of gas and the distribution of energy establish the rates and terms of the service. We determined that our obligation to distribute or transport gas, as well as to distribute energy, represents a single performance obligation, which is met over time (in the term of the contract it represents a series of defined goods that are substantially the same and have the same transfer pattern to the customer).

Some contracts include multiple deliverables, such as the installation of connections or repairs, which are accounted for as separate performance obligations. The transaction price is assigned to each performance obligation based on the individual rates (regulated rates). If the contracts include the installation of goods, the revenue of the goods is recognized at the moment in time when the goods are delivered, the legal title is transferred and the customer has accepted said goods.

Operation and construction services (Concessions) – In the concession agreements, we determine that our performance obligations (construction, operation and maintenance) have been met over time and measures its

progress in the activation of the project. We consider the nature of the products or services provided and the terms of the contract, such as the right to cancellation, rights to demand or withhold payments, and the legal title to work in a process to determine the best method of input or output to measure the progress toward compliance with a performance obligation.

We apply a single method to measure progress in each performance obligation within a contract. The method can be input (cost incurred, hours worked) or output (units produced, goals achieved). The estimates of revenues, costs or degree of progress towards completion are reviewed if circumstances change. Any increase or decrease in estimated revenues or costs is reflected in the statement of comprehensive income in the period in which management learned of the circumstances that led to the review.

Non-bank financing and finance leases – Revenues from non-bank financing and accounts receivable from finance leases are recognized through profit or loss at amortized cost, using the effective interest method described in IFRS 9. However, the companies also gain revenues that contain components found in IFRS 15, such as charging fees.

Sale of assets – Revenues from sale of assets are recorded when the significant risks and benefits pertaining to the ownership of the assets have been transferred to the buyer, generally when delivering said assets.

Description of Principal Line Items

Our Financial Statements were prepared in accordance with Colombian IFRS, the standards set forth in the SSPD Accounting Manual and the requirements of the SFC.

Revenues

Our revenues consist of the following items: (i) transport and distribution of natural gas, (ii) generation and distribution of power energy, (iii) installations and technical services, (iv) revenues from non-banking financing, (v) construction of concessions and (vi) other services.

Cost of Sales

Our cost of sales consist of the following items: (i) employee benefits, (ii) maintenance and materials, (iii) fees and consultancies, (iv) general costs, (v) construction of concessions, (vi) taxes and (vi) depreciation and amortization.

Operating Expenses

This item refers to operating expenses which are directly associated with operating businesses of Promigas.

Share of profit of equity-accounted investees, net of tax

This item refers to our equity participation in the results of our Related Companies.

Dividends

This item refers to dividends declared by our investees (other than our Related Companies). Following the ordinary shareholders meeting where dividends are declared, dividend payments are made prior to the subsequent ordinary shareholders' meeting based on non-consolidated net profits for the previous fiscal year.

Others, net

This item refers to non-operating income (expenses) and includes fees and commissions, other services, adjustment from prior years, extraordinary income, the reversal of provisions, gains on sale of real estate or stock and withholdings to foreign clients.

Finance Income

This item refers to interest and other income on temporary investments, income related to hedging instruments, income from exchange rate variations and income from concession agreements that qualify as financial assets and are recognized at the present value of future payments to which each company would be entitled to, discounted using the effective interest rate, in the event they were to be financial assets subject to mandatory sale to the government at fair price at the end of the agreement.

Finance Expenses

This item refers to interest and other expenses on temporary investments, interest expenses related to hedging instruments, expenses from exchange rate variations and interest expenses and fees and commissions related to debt financing denominated in local and foreign currency.

Income Tax Expense

Income tax expense refers to the estimated income taxes payable for the relevant period. We are subject to an income tax with a rate as of December 31, 2017, of 34% plus the income tax surcharge of 6%, except for Promigas, which as of December 31, 2017, is subject to an applicable rate of 33%. This rate is applicable to the highest of either the net income or the presumptive income. To calculate the presumptive income, 3.5% of the net worth of the previous year was applied as of December 31, 2018 and 2017.

On February 4, 2009, Promigas entered into the Colombian Legal Stability Agreement, whereby it agreed to build a pipeline and other transportation facilities amounting to Col$77,264 million over a seven year term. The contract term is twenty (20) years, during which the Colombian Government, as consideration, guarantees Promigas the legal stability on certain provisions of the Tax Code. The benefits include:

- The benefit from the deduction of productive real fixed assets during 2018 and 2017, for Col$57,402 million and Col$30,188 million respectively.

- Non-imposition of neither the 6% income surtax as of December 31, 2017 nor the 4% income surtax as of December 31, 2018, applicable under Law 1819 of 2016 of 33%.

Results of Operations

Results of Operations for the Six-Month Period Ended June 30, 2019 compared to the Six-Month Period Ended June 30, 2018

	For the Six-Month Period Ended June 30,		
	2019	**2018**	**Variation**
	(in millions of Col$)		*(%)*
Revenues	1,961,901	1,734,219	13.1%
Cost of sales	(1,309,139)	(1,104,425)	18.5%
Gross income	**652,762**	**629,794**	3.6%
Operating expenses	(182,349)	(169,062)	7.9%
Dividends received	486	925	(47.5)%
Others, net	2,075	(1,031)	n.a.
Operating income	**472,974**	**460,627**	2.7%
Finance income	171,779	176,585	(2.7)%
Finance expenses	(227,225)	(209,236)	8.6%
Financial income, net	(55,446)	(32,651)	69.8%
Share of profit of equity-accounted investees, net of tax	91,597	78,470	16.7%
Income before tax	**509,126**	**506,446**	0.5%
Income tax expense	(91,877)	(114,190)	(19.5)%
Net income for the period	**417,248**	**392,255**	6.4%

Revenues

Revenues for the six-month period ended June 30, 2019 were Col$1,961,901 million, a 13.1% increase compared to revenues of Col$1,734,219 million for the six-month period ended June 30, 2018, due to:

- *Natural Gas Transportation Services*. Revenues from natural gas transportation services for the six-month period ended June 30, 2019 were Col$493,193 million, a 19.5% decrease compared to revenues of Col$605,236 million for the six-month period ended June 30, 2018. This decrease was mainly due to a decrease in volumes transported for the six-month period ended June 30, 2018 compared to the six-month period ended June 30, 2019, mainly because during the six-month period ended June 30, 2018, the thermal power generation plants within our service area had an increase in activity due to limitations and maintenance to power transmission lines in other regions of Colombia. This decrease was partially offset by higher income for the six-month period ended June 30, 2019 as a result of forward derivatives coverage due to changes in the foreign exchange rate.

- *Natural Gas Distribution Services*. Revenues for natural gas distribution services for the six-month period ended June 30, 2019 were Col$1,102,128 million, a 33.4% increase compared to revenues of Col$826,428 million for the six-month period ended June 30, 2018. This increase was mainly due to the entrance of a new distribution rate applicable to Surtigas, which increased by 21.5% for the six-month period ended June 30, 2019 compared to the applicable distribution rate for the six-month period ended June 30, 2018, and Gases de Occidente, which increased by 5.3% for the six-month period ended June 30, 2019 compared to the applicable distribution rate for the six-month period ended June 30, 2018. This increase was also due to additional gas distribution connections and an increase in the volume of gas sold since April, 2018.

- *Power Distribution Services*. Revenues for power distribution services for the six-month period ended June 30, 2019 were Col$215,234 million, a 6.8% increase compared to revenues of Col$201,530 million for the six-month period ended June 30, 2018. This increase was mainly due to higher revenues from distribution

and commercialization of power due to higher unitary cost to customers resulting in higher power generation prices.

- *Integrated Solutions for Industry.* Revenues from integrated solutions for industry for the six-month period ended June 30, 2019 were Col$100,382 million, a 83.1% increase compared to revenues of Col$54,820 million for the six-month period ended June 30, 2018. This increase was mainly due to higher revenues by Promisol which increased from Col$43,677 million for the six-month period ended June 30, 2018 to Col$91,951 million for the six-month period ended June 30, 2019, as a result of greater construction services during the first six-month period ended June 30, 2019 associated with the construction by Promisol of an expansion to Promigas' existing pipeline in connection with the Canacol Project.

- *Non-bank Financing Services.* Revenues from non-bank financing services for the six-month period ended June 30, 2019 were Col$50,965 million, a 10.3% increase compared to revenues of Col$46,205 million for the six-month period ended June 30, 2018. This increase was mainly due to increases in the average balance of our outstanding loans portfolio from Col$377,169 million for the six-month period ended June 30, 2018 to Col$355,716 million for the six-month period ended June 30, 2019.

Cost of Sales

Cost of sales for the six-month period ended June 30, 2019 was Col$1,309,139 million, a 18.5% increase compared to cost of sales of Col$1,104,425 million for the six-month period ended June 30, 2018, due to:

- *Natural Gas Transportation Services.* Cost of sales from natural gas transportation services for the six-month period ended June 30, 2019 totaled Col$168,588 million, a 34.1% decrease compared to cost of sales of Col$255,720 million for the six-month period ended June 30, 2018. This decrease was mainly due to a decrease in the volumes transported for the six-month period ended June 30, 2019 compared to the six-month period ended June 30, 2018, because the thermal power generation plants within our service area had an increase in activity during 2018 due to limitations and maintenance to power transmission lines in other regions of Colombia.

- *Natural Gas Distribution Services.* Cost of sales for natural gas distribution services for the six-month period ended June 30, 2019 totaled Col$915,515 million, a 34.6% increase compared to cost of sales of Col$678,115 million for the six-month period ended June 30, 2018. This increase was mainly due to an increase in cost of sales as a result of higher depreciation and amortization cost in respect of larger investments by Gases del Pacífico and higher costs at Surtigas due to an increase in commercialization of natural gas in the non-regulated market.

- *Power Distribution Services.* Cost of sales from power distribution services for the six-month period ended June 30, 2019 totaled Col$140,959 million, a 3.4% increase compared to cost of sales of Col$136,371 million for the six-month period ended June 30, 2018. This increase was mainly due to increases in the unitary cost to customers resulting in higher power generation prices.

- *Integrated Solutions for Industry.* Cost of sales from integrated solutions for industry for the six-month period ended June 30, 2019 were Col$66,063 million, a 224.5% increase compared to cost of sales of Col$20,360 million for the six-month period ended June 30, 2018. This increase was mainly due to higher costs associated with the increase in Promisol's construction business from Col$16,993 million for the six-month period ended June 30, 2018 to Col$62,799 million for the six-month period ended June 30, 2019, associated with the construction by Promisol of an expansion to Promigas' existing pipeline in connection with the Canacol Project. This was partially offset by a decrease in SPEC's regasification costs for the six-month period ended June 30, 2019 compared to the six-month period ended June 30, 2018 due to increases in the activity of the thermal power generation plants in 2018.

- *Non-bank Financing Services.* Cost of sales from non-bank financing services for the six-month period ended June 30, 2019 totaled Col$18,014 million, a 30.0% increase compared to cost of sales of Col$13,859

million for the six-month period ended June 30, 2018. This increase was mainly due to costs associated with increases in the average balance of our outstanding loans portfolio from Col$355,717 million for the six-month period ended June 30, 2018 to Col$377,169 million for the six-month period ended June 30, 2019.

Gross Income

As a result of the factors discussed above, our gross income for the six-month period ended June 30, 2019 totaled Col$652,762 million, a 3.6% increase compared to the gross income of Col$629,794 million for the six-month period ended June 30, 2018.

Operating Expenses

Our operating expenses for the six-month period ended June 30, 2019 totaled Col$182,349 million, a 7.9% increase compared to operating expenses of Col$169,062 million for the six-month period ended June 30, 2018. This increase was mainly due to an increase in operating expenses in the gas natural distribution companies from Col$100,949 million for the six-month period ended June 30, 2018 to Col$117,448 million for the six-month period ended June 30, 2019, caused by an increase in the provisions for non-performing loans.

Dividends received

Dividends paid by our investees (other than our Related Companies) for the six-month period ended June 30, 2019 totaled Col$486 million, a 47.5% decrease compared to Col$925 million for the six-month period ended June 30, 2018. This decrease was mainly due to dividends received by Surtigas which decreased from Col$925 million in the six-month period ended June 30, 2018 to Col$486 million in the six-month period ended June 30, 2019, caused by a decrease in the dividends paid by the subsidiaries of our investees (other than our Related Companies).

Others net

Our other income for the six-month period ended June 30, 2019 totaled Col$2,075 million, compared to an other expense of Col$1,031 million for the six-month period ended June 30, 2018.

Operating Income

As a result of the factors discussed above, our operating income for the six-month period ended June 30, 2019 totaled Col$472,974 million, a 2.7% increase compared to operating income of Col$460,627 million for the six-month period ended June 30, 2018.

Finance Income

Our finance income for the six-month period ended June 30, 2019 totaled Col$171,779 million, a 2.7% decrease compared to Col$176,585 million for the six-month period ended June 30, 2018. This decrease was mainly due to a decrease in income from financial assets – concession agreements from Col$127,045 million for the six-month period ended June 30, 2018 to Col$107,132 million for the six-month period ended June 30, 2019, as a result of changes in the parameters (including operational and macroeconomic variables) utilized in determining the discount rate used for calculating the present value of the amounts we are entitled to pursuant to the concession agreements. For additional information on our accounting policies relating to concession agreements, see note 2.10 to our 2018 Audited Consolidated Financial Statements.

This decrease was partially offset by (i) higher income from exchange rate variations to Col$47,812 million in the six-month period ended June 30, 2019 from Col$38,182 million for the six-month period ended June 30, 2018 and (ii) an increase in other finance income to Col$7,812 million in the six-month period ended June 30, 2019 from Col$3,586 million for the six-month period ended June 30, 2018, mainly as a result of a higher cash balance during the six-month period ended June 30, 2019, as well as finance income related to positive exchange variation in respect of a dividend receivable of Cálidda.

Finance Expenses

Our finance expenses for the six-month period ended June 30, 2019 totaled Col$227,225 million, a 8.6% increase compared to Col$209,236 million for the six-month period ended June 30, 2018. This increase was mainly due to an increase in exchange rate variations to Col$45,846 million during the six-month period ended June 30, 2019, compared to Col$37,244 million during the six-month period ended June 30, 2018. This increase was partially offset by (i) a decrease in interest on bonds and securities to Col$71,099 million in the six-month period ended June 30, 2019 from Col$82,449 million for the six-month period ended June 30, 2018, mainly as a result of a decrease in the aggregate principal amount of bonds and securities as of June 30, 2019 compared to an aggregate principal amount of bonds and securities as of June 30, 2018, and (ii) a decrease in interest on financial obligations to Col$60,443 million in the six-month period ended June 30, 2019 from Col$83,899 million for the six-month period ended June 30, 2018, mainly as a result of a decrease in the aggregate amount of financial obligations as of June 30, 2019 compared to an aggregate amount of financial obligations as of June 30, 2018.

Share of profit of equity-accounted investees, net of tax

Share of profit of equity-accounted investees, net of tax for the six-month period ended June 30, 2019 totaled Col$91,597 million, a 16.7% increase compared to Col$78,470 million for the six-month period ended June 30, 2018. This increase was mainly due to an increase in Cálidda's net income of 7.0%, from Col$36,586 million for the six-month period ended June 30, 2018 to Col$51,831 million for the six-month period ended June 30, 2019, mainly as a result of a greater net margin of the natural gas business due to a higher billed volume and a higher rate applicable since May 2018.

Income Tax Expense

Our income tax expense for the six-month period ended June 30, 2019 totaled Col$91,877 million, a 19.5% decrease compared to a Col$114,190 million expense for the six-month period ended June 30, 2018. This decrease was mainly due to a decrease in our current income tax to Col$88,811 million for the six-month period ended June 30, 2019 compared to a current income tax of Col$107,406 million during the six-month period ended June 30, 2018. This decrease in current income tax was primarily due to (i) the recovery of certain tax credits related to a provision recorded in connection with the sale of a natural gas treatment plant and (ii) an increase in deductible expenses related to payments made in connection with an arbitration proceeding.

Net Income for the period

As a result of the factors discussed above, our net income for the six-month period ended June 30, 2019 totaled Col$417,248 million, a 6.4% increase compared to Col$392,255 million for the six-month period ended June 30, 2018.

Results of Operations for the Year Ended December 31, 2018 compared to the Year Ended December 31, 2017

	For the Year Ended December 31,		
	2018	**2017**	**Variation**
	(in millions of Col$)		*(%)*
Revenues	3,727,680	3,439,041	8.4%
Cost of sales	(2,483,026)	(2,244,706)	10.6%
Gross income	**1,244,654**	**1,194,336**	4.2%
Operating expenses	(336,054)	(297,892)	12.8%
Dividends received	1,054	1,205	(12.5)%
Others, net	(1,276)	17,141	n.a.
Operating income	**908,378**	**914,789**	(0.7)%
Finance income	322,527	293,946	9.7%
Finance expenses	(438,305)	(419,570)	4.5%
Financial income, net	(115,778)	(125,624)	(7.8)%
Share of profit of equity-accounted investees, net of tax	172,629	141,970	21.6%
Income before tax	**965,229**	**931,136**	3.7%
Income tax expense	(189,711)	(242,980)	(21.9)%
Net income for the period	**775,518**	**688,156**	12.7%

Revenues

Revenues for the year ended December 31, 2018 totaled Col$3,727,680 million, an 8.4% increase compared to revenues of Col$3,439,041 million for the year ended December 31, 2017, due to:

- *Natural Gas Transportation Services.* Revenues from natural gas transportation services for the year ended December 31, 2018 totaled Col$1,184,446 million, a 1.8% increase compared to revenues of Col$1,163,850 million for the year ended December 31, 2017. This increase was mainly due to higher revenues from Promigas which increased from Col$585,397 million for the year ended December 31, 2017 to Col$689,693 million for the year ended December 31, 2018, primarily caused by (i) higher natural gas volumes transported as a result of power transmission restrictions in certain regions of Colombia that led to higher activity by thermal plants located in our service area and (ii) the recognition of higher construction revenues related to the advances in the Canacol Project, the Paiva Compressor Station and the Malambo-Santa Rita variation. The foregoing was offset by a decrease in Transmetano and Promioriente revenues from Col$106,516 million and Col$203,358 million, respectively, for the year ended December 31, 2017 to Col$65,521 million and Col$176,588 million, respectively, for the year ended December 31, 2018, since, according to IAS 11, the revenues associated with the construction of the Malena and Los Pinos stations were recognized in 2017.

- *Natural Gas Distribution Services.* Revenues for natural gas distribution services for the year ended December 31, 2018 totaled Col$1,934,156 million, a 13.0% increase compared to revenues of Col$1,711,351 million for the year ended December 31, 2017. This increase was mainly due to (i) higher revenues received by Gases del Pacífico's entry into operation which increased from Col$46,375 million for the year ended December 31, 2017 to Col$214,789 million for the year ended December 31, 2018; (ii) Gases de Occidente increase in revenues from Col$960,424 million for the year ended December 31, 2017 to Col$984,745 million for the year ended December 31, 2018, due to the entry of transitory charges, greater volume and higher yields for technical services provided to third parties; and (ii) Surtigas increase in revenues from Col$816,824 million for the year ended December 31, 2017 to Col$834,316 million for the year ended December 31, 2018, as a result of the entry of transitory charges.

- *Power Distribution Services.* Revenues from power distribution services for the year ended December 31, 2018 totaled Col$414,657 million, a 6.9% increase compared to revenues of Col$387,962 million for the year ended December 31, 2017. This increase was mainly due to a higher commercialization margin which increased from Col$389,623 million for the year ended December 31, 2017 to Col$416,052 million for the year ended December 31, 2018, caused by lower energy losses compared to the previous periods.

- *Integrated Solutions for Industry.* Revenues from integrated solutions for industry for the year ended December 31, 2018 totaled Col$100,994, an 18.0% increase compared to revenues of Col$85,562 million for the year ended December 31, 2017. This increase was mainly due to higher costs associated with the increase in Promisol's construction business which increased from Col$73,816 million for the year ended December 31, 2017 to Col$105,573 million for the year ended December 31, 2018.

- *Non-bank Financing Services.* Revenues from non-bank financing services for the year ended December 31, 2018 totaled Col$93,428 million, a 3.4% increase compared to revenues of Col$90,317 million for the year ended December 31, 2017. This increase was mainly due to increases in the average balance of our outstanding loans portfolio from Col$316,540 million for the year ended December 31, 2017 to Col$355,717 million for the year ended December 31, 2018.

Cost of Sales

Cost of sales for the year ended December 31, 2018 totaled Col$2,483,026 million, a 10.6% increase compared to cost of sales of Col$2,244,706 million for the year ended December 31, 2017, for the reasons discussed below:

- *Natural Gas Transportation Services.* Cost of sales from natural gas transportation services for the year ended December 31, 2018 totaled Col$477,137 million, a 2.0% increase compared to cost of sales of Col$467,560 million for the year ended December 31, 2017. This increase was mainly due to purchases of combustible gas by Promigas for compression and corrective and preventive maintenance of compressor stations, offset by a decrease in Transmetano's costs for an amount of Col$30,522 million and Promioriente's costs for an amount of Col$19,717 million since, according to IAS 11, the costs associated with the construction of the Malena and Los Pinos stations were recognized in 2017.

- *Natural Gas Distribution Services.* Cost of sales for natural gas distribution services for the year ended December 31, 2018 totaled Col$1,619,391 million, a 13.6% increase compared to cost of sales of Col$1,425,238 million for the year ended December 31, 2017. This increase was mainly due to Gases del Pacífico's entry into operation which increased from Col$46,367 million for the year ended December 31, 2017 to Col$200,862 million for the year ended December 31, 2018.

- *Power Distribution Services.* Cost of sales from power distribution services for the year ended December 31, 2018 totaled Col$285,687 million, a 3.6% increase compared to cost of sales of Col$275,735 million for the year ended December 31, 2017. This increase was mainly due to an increase in power purchases by CEO which increased from Col$276,776 million for the year ended December 31, 2017 to Col$286,604 million for the year ended December 31, 2018.

- *Integrated Solutions for Industry.* Cost of sales from integrated solutions for industry for the year ended December 31, 2018 totaled Col$70,402, a 49.5% increase compared to cost of sales of Col$47,088 million for the year ended December 31, 2017. This increase was mainly due to higher construction and maintenance service costs by Promisol which increased from Col$38,562 million for the year ended December 31, 2017 to Col$56,548 million for the year ended December 31, 2018. This was partially offset by a decrease in the cost of sales of SPEC, since the cost associated with the purchase of its LNG inventory for commissioning tests was recorded for the year ended December 31, 2018.

- *Non-bank Financing Services.* Cost of sales from customer services for the year ended December 31, 2018 totaled Col$30,409 million, a 4.6% increase compared to cost of sales of Col$29,085 million for the year ended December 31, 2017. This was mainly due to costs associated with the increase in the average balance

of our outstanding loans portfolio from Col$316,540 million for the year ended December 31, 2017 to Col$355,717 million for the year ended December 31, 2018.

Gross Income

Our gross income for the year ended December 31, 2018 totaled Col$1,244,654 million, a 4.2% increase compared to the gross income of Col$1,194,336 million for the year ended December 31, 2017. This increase was due to the reasons discussed above.

Operating Expenses

Our operating expenses for the year ended December 31, 2018 totaled Col$336,054 million, a 12.8% increase compared to operating expenses of Col$297,892 million for the year ended December 31, 2017. This increase was mainly due to (i) Promigas' higher expenses which increased from Col$88,530 million for the year ended December 31, 2017 to Col$101,542 million for the year ended December 31, 2018, caused by the recognition of provisions corresponding to the lawsuit for the breach of a gas transport agreement due to the late operation of a new gas pipeline caused by delays in the construction works; (ii) Gases del Pacífico's entry into operation; and (iii) CEO higher expenses which increased from Col$53,037 million for the year ended December 31, 2017 to Col$58,201 million for the year ended December 31, 2018, caused by maintenance and repairs and temporary contracts.

Dividends received

Dividends declared by our investees (other than our Related Companies) for the year ended December 31, 2018 totaled Col$1,054 million, a 12.5% decrease compared to Col$1,205 million for the year ended December 31, 2017. This decrease was mainly due to a decrease in dividends received by Promigas which decreased from Col$522 million in the year ended December 31, 2017 to Col$129 million in the year ended December 31, 2018. This decrease was offset by an increase in dividends received by Surtigas, from Col$681 million in the year ended December 31, 2017 to Col$924 million in the year ended December 31, 2018.

Others, net

Our other expenses for the year ended December 31, 2018 totaled Col$1,276 million compared to an income of Col$17,141 million for the year ended December 31, 2017. This variation was mainly due to a Promigas' income in 2017 caused by the return of equity tax (*Impuesto al Patrimonio*); and recovery of liabilities for gas imbalance with Gases del Caribe from an amount of Col$1,445 million of expenses to Col$9,744 million of income. Also, this variation was due to Promisol's revenues for the sale of a compressor of Ballena station during the year ended December 31, 2017.

Operating Income

Our operating income for the year ended December 31, 2018 totaled Col$908,378 million, a 0.7% decrease compared to operating income of Col$914,789 million for the year ended December 31, 2017. This increase was mainly due to an increase in revenues derived from natural gas distribution and integrated solutions for industry activities for the reasons explained above.

Finance Income

Our finance income for the year ended December 31, 2018 totaled Col$322,527 million, an 9.7% increase compared to Col$293,946 million for the year ended December 31, 2017. This increase was mainly due to a greater difference in exchange for Promisol which increased from Col$27,683 million for the year ended December 31, 2017 to Col$75,910 million for the year ended December 31, 2018, caused by its financial assets in U.S. dollars.

Finance Expenses

Our finance expenses for the year ended December 31, 2018 totaled Col$438,305 million, a 4.5% increase compared to Col$419,570 million for the year ended December 31, 2017. This increase was mainly due to a higher outstanding value of Promigas' debt involving a finance expenses increase from Col$204,997 million for the year ended December 31, 2017 to Col$216,567 million for the year ended December 31, 2018.

Share of profit of equity-accounted investees, net of tax

Share of profit of equity-accounted investees, net of tax for the year ended December 31, 2018 totaled Col$172,629 million, a 21.6% increase compared to Col$141,970 million for the year ended December 31, 2017. This increase was mainly due to greater margin in the gas and facilities business and a decrease in the depreciation and amortization expenses as a result of the change in accounting amortization methodology of Cálidda which increased from Col$69,238 million to Col$80,984 million. In addition, this increase was also due to Gases del Caribe's greater marketing margin and connection rights which increased from Col$72,449 million for the year ended December 31, 2017 to Col$90,333 million for the year ended December 31, 2018.

Income Tax Expense

Our income tax expense for the year ended December 31, 2018 totaled Col$189,711 million, a 21.9% decrease compared to Col$242,980 million for the year ended December 31, 2017. This decrease was mainly due to the lower effective tax rate to 19.7% for the year ended December 31, 2018 from 26.1% for the year ended December 31, 2017, primarily due to lower applicable tax rates on deferred taxes pursuant to the Financing Law. See "Risk Factors—Risks Related to the Countries in which We Operate—We are subject to new and higher taxes resulting from changes in tax regulations or the interpretation thereof in Colombia."

Net Income for the period

Our net income for the year ended December 31, 2018 was Col$775,518 million, a 12.7% increase compared to Col$688,156 million for the year ended December 31, 2017. This increase was mainly due to the factors discussed above.

Results of Operations for the Year Ended December 31, 2017 compared to the Year Ended December 31, 2016

	For the Year Ended December 31,		
	2017	**2016**	**Variation**
	(in millions of Col$)		*(%)*
Revenues	3,439,041	3,770,364	(8.8)%
Cost of sales	(2,244,706)	(2,664,488)	(15.8)%
Gross income	**1,194,336**	**1,105,876**	8.0%
Operating expenses	(297,892)	(287,488)	3.6%
Dividends received	1,205	734	64.2%
Others, net	17,141	18,556	(7.6)%
Operating income	**914,789**	**837,678**	9.2%
Finance income	293,946	270,226	8.8%
Finance expenses	(419,570)	(358,266)	17.1%
Finance income, net	(125,624)	(88,040)	42.7%
Share of profit of equity-accounted investees, net of tax	141,970	125,896	12.8%
Income before tax	**931,136**	**875,534**	6.4%
Income tax expense	(242,980)	(227,445)	6.8%
Net income for the period	**688,156**	**648,089**	6.2%

Revenues

Revenues for the year ended December 31, 2017 totaled Col$3,439,041 million, a 8.8% decrease compared to revenues of Col$3,770,364 million for the year ended December 31, 2016, mainly due to:

- *Natural Gas Transportation Services.* Revenues from natural gas transportation services for the year ended December 31, 2017 totaled Col$1,163,850 million, a 10.8% decrease compared to revenues of Col$1,304,480 million for the year ended December 31, 2016. This decrease was mainly due to Promigas' lower revenues from construction concessions which decreased from Col$377,201 million for the year ended December 31, 2016 to Col$62,482 million for the year ended December 31, 2017 and a lower exchange rate for the year ended December 31, 2017. The foregoing was offset by the increase in revenues for Transmetano and Promioriente since, in accordance with IAS 11, the revenues associated with the construction of the Malena and Los Pinos stations for an amount of Col$100,428 million were recognized in 2017.

- *Natural Gas Distribution Services.* Revenues for natural gas distribution services for the year ended December 31, 2018 totaled Col$1,711,351 million, a 7.5% decrease compared to revenues of Col$1,850,128 million for the year ended December 31, 2016. This decrease was mainly caused by lower sales of gas to thermal plants by Surtigas and Gases de Occidente which decreased from Col$827,183 million and Col$1,072,127 million, respectively, for the year ended December 31, 2016 to Col$816,825 million and Col$960,424 million, respectively, for the year ended December 31, 2017, due to the absence of the El Niño phenomenon and little activity in the secondary market to place the gas inventory.

- *Power Distribution Services.* Revenues from power distribution services for the year ended December 31, 2017 totaled Col$387,962 million, a 4.1% decrease compared to revenues of Col$404,471 million for the year ended December 31, 2016. This decrease was mainly due to higher revenues recorded by CEO for the year ended December 31, 2016, as a result of trading activities, in which they purchased energy from Termovalle, and then sold it to the energy market.

- *Integrated Solutions for Industry.* Revenues from integrated solutions for industry for the year ended December 31, 2017 totaled Col$85,562, a 35.8% decrease compared to revenues of Col$133,173 million for the year ended December 31, 2016. This decrease was mainly due to the recognition of revenues by Promisol during 2016 for an amount of Col$46,611 million for the construction of the San Mateo-Mamonal pipeline of Promigas.

- *Non-bank Financing Services.* Revenues from non-bank financing services for the year ended December 31, 2017 totaled Col$90,317 million, a 15.6% decrease compared to revenues of Col$78,112 million for the year ended December 31, 2016.

Cost of Sales

Cost of sales for the year ended December 31, 2017 totaled Col$2,244,706 million, a 15.8% decrease compared to cost of sales of Col$2,664,488 million for the year ended December 31, 2016, for the reasons discussed below:

- *Natural Gas Transportation Services.* Cost of sales from natural gas transportation services for the year ended December 31, 2017 totaled Col$467,560 million, a 36.1% decrease compared to cost of sales of Col$731,468 million for the year ended December 31, 2016. This decrease was mainly due to lower costs for the construction of concessions by Promigas which decreased from Col$377,201 million for the year ended December 31, 2016 to Col$62,482 million for the year ended December 31, 2017, as a result of greater capitalizations of projects carried out during 2016. Additionally, SPEC recorded in 2016 the cost for the beginning of the concessional investment for an amount of Col$149,837 million due to the entry into operation.

- *Natural Gas Distribution Services.* Cost of sales for natural gas distribution services for the year ended December 31, 2017 totaled Col$1,425,238 million, a 5.5% decrease compared to cost of sales of Col$1,507,995 million for the year ended December 31, 2016. This decrease was mainly due to lower purchases of gas by Surtigas which decreased from Col$688,300 million for the year ended December 31, 2016 to Col$665,744 million for the year ended December 31, 2017, caused by an excess of natural gas in the market and greater efficiencies in connection and internal facilities; and also due to lower gas purchases by Gases de Occidente which decreased from Col$910,037 million for the year ended December 31, 2016 to Col$816,118 million for the year ended December 31, 2017.

- *Power Distribution Services.* Cost of sales from power distribution services for the year ended December 31, 2017 totaled Col$275,735 million, a 5.1% decrease compared to cost of sales of Col$290,555 million for the year ended December 31, 2016. This decrease was mainly due a decrease in the trading activity with Termovalle for the year ended December 31, 2016.

- *Integrated Solutions for Industry.* Cost of sales from integrated solutions for industry for the year ended December 31, 2017 totaled Col$47,088, a 53.6% decrease compared to cost of sales of Col$101,384 million for the year ended December 31, 2016. This decrease was due to lower construction and dehydration costs by Promisol for an amount of Col$54,295 million.

- *Non-bank Financing Services.* Cost of sales from customer services for the year ended December 31, 2017 totaled Col$29,085 million, a 12.1% decrease compared to cost of sales of Col$33,087 million for the year ended December 31, 2016.

Gross Income

Our gross income for the year ended December 31, 2017 totaled Col$1,194,336 million, a 8.0% increase compared to the gross income of Col$1,105,876 million for the year ended December 31, 2016. This decrease was due to the reasons discussed above.

Operating Expenses

Our operating expenses for the year ended December 31, 2017 totaled Col$297,892 million, a 3.6% increase compared to operating expenses of Col$287,488 million for the year ended December 31, 2016. This increase was mainly due to an increase in employee benefits and an increase in administrative taxes, which increased from Col$88,546 million for the year ended December 31, 2016 to Col$97,176 million for the year ended December 31, 2017, and from Col$43,545 million for the year ended December 31, 2016 to Col$54,872 million for the year ended December 31, 2017, respectively.

Dividends received

Dividends declared by our investees (other than Related Companies) for the year ended December 31, 2017 totaled Col$1,205 million, a 64.2% increase compared to Col$734 million for the year ended December 31, 2016. This increase was mainly due to an increase in dividends received by Promigas from Triple A S.A. E.S.P. for a total of Col$522 million in the year ended December 31, 2019.

Others, net

Our other income for the year ended December 31, 2017 totaled Col$17,141 million, a 7.6% decrease compared to an income of Col$18,556 million for the year ended December 31, 2016. This decrease was mainly due to the payment received during 2016 by Promioriente from the insurance company for damages caused to the Gibraltar-Bucaramanga gas pipeline after a winter emergency in 2015 and for an amount of Col$30,000 million. The above was partially offset by higher earnings for the sale of a compressor of Ballena station.

Operating Income

As a result of the foregoing, our operating income for the year ended December 31, 2017 totaled Col$914,789 million, a 9.2% increase compared to operating income of Col$837,678 million for the year ended December 31, 2016.

Finance Income

Our finance income for the year ended December 31, 2017 totaled Col$293,946 million, an 8.8% increase compared to Col$270,226million for the year ended December 31, 2016. This increase was mainly due to the recognition of revenues from our financial assets derived from concession agreements in an amount of Col$209,936 million during the year ended December 31, 2017 compared to Col$180,952 million during the year ended December 31, 2016.

Finance Expenses

Our finance expenses for the year ended December 31, 2017 totaled Col$419,570 million, a 17.1% increase compared to Col$358,266 million for the year ended December 31, 2016. This increase was mainly due to the recognition during the year ended December 31, 2017 of interest associated with the leasing of the FSRU by SPEC and the recognition of long-term financing interests for 12 months of operation in 2017 against one month of operation in 2016, which resulted on an increase from Col$25,236 million for the year ended December 31, 2016 to Col$92,022 million for the year ended December 31, 2017.

Share of profit of equity-accounted investees, net of tax

Share of profit of equity-accounted investees, net of tax for the year ended December 31, 2017 totaled Col$141,970 million, a 12.8% increase compared to Col$125,896 million for the year ended December 31, 2016. This increase was mainly due to an increase in the regulated distribution business and the unregulated commercialization business by Gases del Caribe which increased its revenues from Col$57,720 million for the year ended December 31, 2016 to Col$72,449 million for the year ended December 31, 2017.

Income Tax Expense

Our income tax expense for the year ended December 31, 2017 totaled Col$242,980 million, a 6.8% increase compared to Col$227,445 million for the year ended December 31, 2016 primarily due to (i) higher earnings before income tax for the year ended December 31, 2017 compared to the year ended December 31, 2016 and (ii) the higher effective tax rate of 26.1% during the year ended December 31, 2017 compared to an effective tax rate of 26.0% during the year ended December 31, 2016.

Net Income for the period

Our net income for the year ended December 31, 2017 was Col$688,156 million, a 6.2% increase compared to Col$648,089 million for the year ended December 31, 2016. This increase was mainly due to the factors discussed above.

Liquidity and Capital Resources

Our capital requirements are primarily for the following purposes:

- operating and maintenance costs related to our natural gas transportation and power distribution assets;
- capital expenditures related to the construction of new natural gas transportation and power distribution assets or the expansion and upgrade of our existing assets;
- debt service payments; and

- dividend payments.

Our sources of liquidity and capital resources are:

- funds generated by our natural gas transportation, natural gas distribution business, power distribution and non-bank financing;
- dividends and other distributions from our Related Companies (subject to the shareholders' agreements described in "—Dividends" below); and
- financial revenue from the investment of our cash and available funds.

In addition to the international capital markets, we can finance our financial needs through:

- uncommitted credited lines for more that Col$1 billion;
- leaseback over existing assets (with tax benefits); and
- local debt capital markets, as evidenced by Promigas and its subsidiaries having issued more than an aggregate principal amount of Col$3.1 billion in the Colombian capital markets since 2001, with 4, 5, 7, 10, 15, 20 and 25 year tenors.

Cash Flows

The table below sets forth our cash flows for the six-month periods ended June 30, 2019 and 2018 and for the years ended December 31, 2018, 2017 and 2016.

	For the Six-Month Period Ended June 30,		For the year Ended December 31,		
	2019	2018	2018	2017	2016
	(Col$ in millions)				
Net cash provided by operating activities	224,208	272,171	671,320	439,824	259,700
Net cash used in investing activities	(275,070)	(145,210)	(374,346)	(200,408)	(787,012)
Net cash provided by (used in) financing activities	795	(127,267)	(207,482)	(248,766)	604,288
Net increase (decrease) of cash and cash equivalents	**(50,067)**	**(306)**	**89,492**	**(9,350)**	**76,976**

Net Cash Provided by Operating Activities

Our net cash flows provided by operating activities for the six-month periods ended June 30, 2019 and 2018 was Col$224,208 million and Col$272,171 million, respectively. Our net cash flow from operations for the six-month periods ended June 30, 2019 and 2018, was principally affected by an increase of accounts receivable of Col$76,671 million during the six-month period ended June 30, 2019 compared to a decrease in accounts receivable of Col$51,322 million during the six-month period ended June 30, 2018, partially offset by (i) income taxes paid of Col$138,640 million during the six-month period ended June 30, 2019 compared to income taxes paid of Col$181,049 million during the six-month period ended June 30, 2018 and (ii) an increase in net income to Col$417,248 million during the six-month period ended June 30, 2019 from Col$392,255 million during the six-month period ended June 30, 2018.

Our net cash flows provided by operating activities for the years ended December 31, 2018 and 2017 was Col$671,320 million and Col$439,824 million, respectively. Our net cash flow from operations for the years ended December 31, 2018 and 2017, was principally affected by (i) an increase in accounts payable of Col$97,331 million during the year ended December 31, 2018 compared to a decrease in accounts payable of Col$42,717 million during the year ended December 31, 2017 and (ii) an increase in other liabilities of Col$25,083 million during the year

ended December 31, 2018 compared to a decrease in other liabilities of Col$17,490 million during the year ended December 31, 2017.

Our net cash flows provided by operating activities for the years ended December 31, 2017 and 2016 was Col$439,824 million and Col$259,700 million, respectively. Our net cash flow from operations for the years ended December 31, 2017 and 2016, was principally affected by (i) an increase of accumulated interest to Col$369,991 million during the year ended December 31, 2017 from Col$320,0948 million during the year ended December 31, 2016 and (ii) a decrease in equity instruments through profit or loss of Col$29,214 million during the year ended December 31, 2017 compared to an increase of equity instruments through profit and loss of Col$195,189 million during the year ended December 31, 2016, partially offset by an increase in interest paid to Col$380,906 million during the year ended December 31, 2017 from Col$322,203 million during the year ended December 31, 2016.

Net Cash Used in Investing Activities

Our net cash flow used in investing activities for the six-month periods ended June 30, 2019 and 2018 was Col$275,070 million and Col$145,210 million, respectively. This increase in our net cash flow used in investing activities was primarily due to a Col$94,381 million, or 48.8%, increase in our cash used in respect of capital expenditure related to maintenance and pipeline expansion of our existing concessions.

Our net cash flow used in investing activities for the years ended December 31, 2018 and 2017 was Col$374,346 million and Col$200,408 million, respectively. This increase in our net cash flow used in investing activities was primarily due to a Col$252,018 million increase in our cash used in respect of capital expenditure related to maintenance and pipeline expansion of our existing concessions for the year ended December 31, 2018 when compared to 2017.This increase was partially offset by a Col$69,525 million (or 88.2%) increase in our dividends received from investment in associates for the year ended December 31, 2018 when compared to the year ended December 31, 2017.

Our net cash flow used in investing activities for the years ended December 31, 2017 and 2016 was Col$200,408 million and Col$787,012 million, respectively. This decrease in our net cash flow used in investing activities was primarily due to Col$424,935 million used in acquisition of tangible assets and Col$403,923 million used in acquisition of concessions in the year ended December 31, 2016, compared to Col$97,176 million and Col$189,807 million, respectively, used in the year ended December 31, 2017. Our significant investments during the year ended December 31, 2016 were related to the construction of the regasification terminal by SPEC.

Net Cash Provided by (Used in) Financing Activities

We recorded net cash provided by financing activities of Col$795 million for the six-month period ended June 30, 2019, compared to net cash used in financing activities of Col$127,267 million for the six-month period ended June 30, 2018, primarily as a result of the combined effect of (i) our incurrence of financial obligations in an aggregate amount of Col$412,629 million during the six-month period ended June 30, 2019, compared to incurrence of Col$251,148 million in the corresponding period in 2018; (ii) our payment of financial obligations in an aggregate amount of Col$94,511 million during the six-month period ended June 30, 2019, compared to payment of Col$609,347 million in the corresponding period in 2018 and (iii) our payment of bonds issued in the local market for an aggregate amount of Col$105,000 million during the six-month period ended June 30, 2019. We paid dividends of Col$212,322 million during the six-month period ended June 30, 2019, compared to Col$266,663 million in the corresponding period in 2018.

Our net cash used in financing activities for the years ended December 31, 2018 and 2017 was Col$207,482 million and Col$248,766 million, respectively. The decrease in our net cash used in financing activities was primarily a result of the combined effect of (i) our incurrence of financial obligations in an aggregate amount of Col$840,245 million during the year ended December 31, 2018, compared to incurrence of Col$1,139,838 million in 2017; (ii) our payment of financial obligations in an aggregate amount of Col$1,034,324 million during the year ended December 31, 2018, compared to payment of Col$885,501 million in 2017, and (iii) our issuance of bonds in the local market for an aggregate amount of Col$505,000 million during the year ended December 31, 2018. We

paid dividends of Col$498,717 million during the year ended December 31, 2018, compared to Col$519,123 million during the year ended December 31, 2017.

We recorded net cash used in financing activities of Col$248,766 million for the year ended December 31, 2017, compared to net cash provided by financing activities of Col$604,288 million for the year ended December 31, 2016, primarily as a result of the combined effect of: (i) our incurrence of financial obligations in an aggregate amount of Col$1,139,838 million during the year ended December 31, 2017, compared to incurrence of Col$1,106,160 million in 2016; and (ii) our payment of financial obligations in an aggregate amount of Col$885,501 million during the year ended December 31, 2017, compared to payment of Col$574,872 million in 2016. We paid dividends of Col$519,123 million during the year ended December 31, 2017, compared to Col$320,870 million during the year ended December 31, 2016.

Dividends

We normally declare dividends during our annual ordinary shareholders' meetings held in March. We paid dividends for the years ended December 31, 2018, 2017 and 2016 in the amounts of Col$498,717 million, Col$519,123 million and Col$320,869 million, respectively.

Limitation on Dividends Affecting Us

Cálidda Shareholders' Agreement

A favorable vote representing more than fifty percent (50%) of the total shares of Cálidda is required to approve the distribution of dividends, unless Cálidda's organizational documents or the applicable law require a higher percentage vote that the one set forth in Cálidda Shareholders' Agreement.

SPEC Shareholders' Agreement

Promigas, Promisol, Promioriente, Transmetano, and Baru Investment LTD, as shareholders of SPEC, are parties to the SPEC shareholders' agreement ("SPEC SHA"), dated April 17, 2017. The SPEC SHA sets forth special majorities for certain decisions, particularly the affirmative vote of at least 75% of SPEC's outstanding shares for the distribution of dividends if the amount available for distribution is less than the equivalent to the maximum available net earnings. The maximum available earnings are calculated by (i) subtracting from SPEC's net earnings the amounts required for its investment plan and (ii) adding the maximum borrowing capacity of SPEC.

Capital Expenditures

In recent years, we have relied principally on our own cash flows from operations, financing from Colombian commercial banks and notes issuances in the Colombian capital markets to fund our capital expenditures plan.

We make significant capital expenditures during the stages of construction and commencement of commercial operation of natural gas transportation, natural gas distribution and power distribution assets and relatively low capital expenditures for maintenance during the ongoing operations of these assets. Our main capital expenditures in recent years have been related to new projects and the expansion of current infrastructure. For the six-month period ended June 30, 2019 and the years ended December 31, 2018, 2017 and 2016, our main capital expenditures were related to the construction of the Palomino – La Mami pipeline, the new underground pipeline crossing across the Magdalena river, the South Loop – San Mateo – Mamonal pipeline, the LNG regasification terminal in Cartagena, the dehydration and compression station for Hocol, the Gibraltar – Bucaramanga pipeline by Promioriente, the construction of the Malena and Los Pinos stations, investments in distribution infrastructure for Gases del Pacífico, including regasification plants in Peru, the replacement of equipment, technological and network updates, the electricity losses reduction plan by CEO and the expansion of the Palomino compression station by Promigas.

The table below sets forth our capital expenditures for the six-month periods ended June 30, 2019 and 2018 and the three years ended December 31, 2018, 2017 and 2016.

	For the Six-Month Period Ended June 30,		For the Year Ended December 31,		
	2019	2018	2018	2017	2016
			(Col$ in millions)		
Capital Expenditures	318,207	312,470	536,511	305,063	870,047

We anticipate making, directly and through our subsidiaries, capital expenditures of up to Col$2.9 billion (U.S.$0.9 billion) during the period 2019-2023 in connection with expansion projects, upgrades to our operating assets and maintenance capital expenditures. Our ability to make planned capital expenditures in future periods will depend in part on our ability to obtain the required financing from third party sources. No assurance can be given that the necessary financing sources will be available in the future or that any planned acquisition will be consummated.

Indebtedness

As of December 31, 2016, our total consolidated debt was Col$4,672,308 million, of which Col$1,929,513 million was unsecured debt of Promigas and Col$1,512,786 million was debt of our subsidiaries. Of that amount 12.0%, or Col$571,684 million, corresponded to debt obligations denominated in foreign currencies and 88.0%, or Col$4,190,623 million, corresponded to obligations denominated in Colombian pesos. As of December 31, 2016, 27.7% of our debt was secured.

As of December 31, 2017, our total consolidated debt was Col$5,056,709 million, of which Col$2,303,865 million was unsecured debt of Promigas and Col$1,460,328 million was debt of our subsidiaries. Of that amount 19.0%, or Col$959,271 million, corresponded to debt obligations denominated in foreign currencies and 81.0%, or Col$4,097,437 million, corresponded to obligations denominated in Colombian pesos. As of December 31, 2017, 25.6% of our debt was secured.

As of December 31, 2018, our total consolidated debt was Col$5,503,344 million, of which Col$2,473,952 million was unsecured debt of Promigas and Col$1,767,643 million was debt of our subsidiaries. Of that amount 20.1%, or Col$1,107,963 million, corresponded to debt obligations denominated in foreign currencies and 79.9%, or Col$4,395,381 million, corresponded to obligations denominated in Colombian pesos. As of December 31, 2018, 22.9% of our debt was secured.

As of June 30, 2019, our total consolidated debt was Col$5,897,015 million. Of this amount, 44.7%, or Col$2,635,604 million, corresponds to bonds issued in several tranches in the Colombian market, while 55.3%, or Col$3,261,411 million, corresponds to bank loans with and capital leases outstanding with international and local banks. As of June 30, 2019, of our total consolidated debt, Col$2,602,625 million was unsecured debt of Promigas and Col$1,916,899 million was debt of our subsidiaries. Of that amount 20.6%, or Col$1,216,039 million, corresponded to debt obligations denominated in foreign currencies and 79.4%, or Col$4,680,976 million, corresponded to obligations denominated in Colombian pesos. As of June 30, 2019, 23.4% of our debt was secured.

Material Financing Agreements, Local Issuances and Promissory Notes

The most significant financing agreements and guarantees entered into by us are described below:

Promigas and Gases del Pacífico Credit Agreement

On December 23, 2016, Promigas, Gases del Pacífico, JPMorgan Chase Bank, N.A. and the lenders party thereto entered into a five-year U.S.$200 million credit agreement with a group of fifteen international banks maturing on December 23, 2021. This credit agreement contains customary affirmative and negative covenants for an investment grade borrower that restrict the borrower and certain material subsidiaries from incurring liens and entering into transactions with related parties. In addition, the credit agreement requires that Promigas maintain the following financial ratios:

- prior to December 31, 2020, a leverage ratio not to exceed 4.25 to 1.00, or as of the day of any fiscal quarter of Promigas thereafter, beginning with the fiscal quarter ending on March 31, 2021, a leverage ratio not to exceed 4.00 to 1.00; and

- a fixed charge coverage ratio (defined as consolidated EBITDA for a period of four consecutive fiscal quarters divided by consolidated interest expense for such period) not less than 2.75 to 1.00.

The credit agreement contains customary events of default and remedies, including, change of control of Promigas or Gases del Pacífico. As of June 30, 2019, U.S.$ 200 million aggregate principal amount was outstanding under this credit agreement. We expect to use part of the net proceeds of this offering to repay outstanding amounts under this credit agreement.

SPEC Credit Agreement

On December 11, 2018, SPEC, as borrower, Itaú Corpbanca, as administrative agent, Itaú Corpbanca New York Branch and Banco Santander S.A., as joint lead arrangers and bookrunners and the lenders party thereto entered into a U.S.$103.3 million credit agreement with a group of international banks. The loans under this credit agreement are payable in 16 semi-annual instalments that commenced in June 2019 and end on December 11, 2026, and are secured by (i) 99.9% of the shares of SPEC, (ii) certain rights over accounts held by SPEC, (iii) real and personal property of SPEC, and (iv) SPEC's economic rights under certain services agreement. This credit agreement contains affirmative and negative covenants that prohibit or restrict SPEC, subject to certain exceptions, from incurring liens and indebtedness, making investments, capital expenditures or certain restricted payments, merging or consolidating with or into another person, disposing of assets and entering into transactions with affiliates. In addition, the credit agreement requires that SPEC maintain as of the end of every fiscal quarter a debt service coverage ratio of not less than 1.05 to 1.00.

The credit agreement contains customary mandatory prepayment events, including if Promigas ceases to control or ceases to beneficially own, directly or indirectly, at least 50% plus one of the voting capital stock of SPEC, and events of default, including the termination of certain material project documents. As of June 30, 2019, U.S.$99.4 million aggregate principal amount was outstanding under this credit agreement.

Local Issuances

From time to time, Promigas and its subsidiaries listed below issue non-amortizing bullet notes in the Colombian market to finance its working capital and other long-term capital projects. The local unsecured notes denominated in Colombian pesos issued in the Colombian public market do not provide for any significant restrictive, affirmative or negative covenants. As of June 30, 2019, U.S.$817 million aggregate principal amount was outstanding under these local notes issuances.

The principal terms and conditions of the outstanding notes are set forth in the table below:

Notes	Local Rating	Issue Date	Maturity	Interest Rate	Principal Amount
					(Col$ millions)
Promigas:					
2009 Notes.....	AAA	August 27, 2009	August 27, 2024	CPI + 5.99%	Col$170,000
2012 Notes.....	AAA	January 29, 2013	January 29, 2020	CPI + 3.05%	Col$99,821
2012 Notes.....	AAA	January 29, 2013	January 29, 2023	CPI + 3.22%	Col$150,179
2012 Notes.....	AAA	January 29, 2013	January 29, 2033	CPI + 3.64%	Col$250,000
2015 Notes.....	AAA	March 11, 2015	March 11, 2022	CPI + 3.34%	Col$120,000
2015 Notes.....	AAA	March 11, 2015	March 11, 2030	CPI + 4.37%	Col$175,000
2016 Notes Program....	AAA	September 8, 2016	September 8, 2020	CPI + 3.29%	Col$100,000
2016 Notes Program....	AAA	September 8, 2016	September 8, 2026	CPI + 3.74%	Col$150,000
2016 Notes Program....	AAA	September 8, 2016	September 8, 2036	CPI + 4.12%	Col$250,000
Gases de Occidente:					
2012 Notes.....	AAA	December 11, 2012	December 11, 2022	CPI + 3.75%	Col$110,382
2012 Notes.....	AAA	December 11, 2012	December 11, 2042	CPI + 4.13%	Col$89,618
2017 Notes.....	AAA	March 2, 2018	March 2, 2025	CPI + 3.65%	Col$126,400
2017 Notes.....	AAA	March 2, 2018	March 2, 2043	CPI + 4.12%	Col$173,600

Surtigas:					
2013 Notes.....	AAA	February 12, 2013	February 12, 2023	CPI + 3.25%	Col$130,000
2013 Notes.....	AAA	February 12, 2013	February 12, 2043	CPI + 3.64%	Col$70,000
Promioriente:					
2017 Notes.....	AA+	January 23, 2018	January 23, 2023	7.10%	Col$100,000
2017 Notes.....	AA+	January 23, 2018	January 23, 2025	CPI + 3.54%	Col$105,000

Promissory Notes

We have various promissory notes with Colombian and international banking institutions, which are subject to customary events of default plus the right of other holders to negotiate and sell the promissory notes and benefit from customary collection proceedings in Colombia. Our promissory notes range in maturity between one and five years and, individually, can have principal aggregate amounts of up to Col$90,000 million.

Contractual Obligations

The following table summarizes our consolidated contractual obligations as of June 30, 2019 as well as the maturity of those obligations:

	Payment Due by Period			
	Less than1 Year	**1 to 3 Years**	**After 3 Years**	**Total**
	(Col$ in millions)			
Loans.....	528,334	1,619,984	1,113,092	3,261,411
Bonds	270,139	429,636	1,935,829	2,635,604
Total Amount of Contractual Obligations.....	**798,473**	**2,049,620**	**3,048,921**	**5,897,015**

Quantitative and Qualitative Disclosures on Market Risks

We are exposed to market risks arising from our normal business activities. These market risks, which are beyond our control, principally involve the possibility of interest rate and exchange rate variations. We regularly monitor our exposure to financial risks and we evaluate the nature and extent of our net exposures to determine how to manage and reduce the impact of these risks. We have adopted a strategy that uses both natural and financial hedges to minimize these risks. We use derivative financial instruments solely for the purpose of managing market risks, primarily fluctuations in interest rates and foreign exchange rates. While these hedging instruments fluctuate in value, these fluctuations are generally offset by the value of the underlying hedged exposures. The counterparties to these contractual arrangements are primarily major financial institutions. As a result, we do not believe that we are subject to any material credit risk arising from these contracts, and accordingly, we do not anticipate any material credit-related losses. We do not enter into derivative or other hedging instruments for speculative purposes.

Interest and Inflation Rates Risk

We believe that our exposure to changes in the Colombian CPI and DTF is mitigated by the fact that 69.9% of our revenues from natural gas transportation and natural gas distribution (except pass-through charges for the cost of natural gas) are adjusted for inflation based on changes in the Colombian CPI (AO&M charges for transportation services and distribution rates) and Colombian PPI (commercialization rates for gas distribution). With respect to operating costs, 86.1% of our operating costs, administrative expenses and other expenses are denominated in Colombian pesos and indexed to the Colombian CPI or Colombian PPI. Since as of June 30, 2019, 69.9% of our consolidated revenues are denominated in Colombian pesos and indexed to the Colombian CPI or Colombian PPI, as applicable, we believe that we have limited exposure to changes in inflation.

Currency Exchange Rates Risk

Because 79.5% of our consolidated debt and 70.0% of our consolidated revenues were denominated in Colombian pesos as of June 30, 2019, we have limited exposure to changes in exchange rates. If we were to incur foreign currency denominated indebtedness in the future, our exposure to foreign exchange fluctuations could be more material, unless such exposure is hedged through derivatives or a natural hedge (i.e., through incremental revenues denominated in U.S. dollars).

As of June 30, 2019, 13.9% of our operating costs and 30.1% of our revenues were denominated in U.S. Dollars. Thus, we believe that it has limited exposure to exchange rates with respect to our operating costs. In any case, we mitigate any impact of our exposure through non-deliverable FX forward contracts entered into in the ordinary course of our business.

As of June 30, 2019, our subsidiaries that participate in gas transportation had 82% of their exposure to U.S. dollars hedged through forward contracts.

Off-balance sheet arrangements

We have no off-balance sheet arrangements or interest in or relationship with any special purpose vehicles.

COLOMBIAN AND PERUVIAN NATURAL GAS SECTOR AND REGULATORY FRAMEWORK

The Colombian Natural Gas Sector

Overview

Under Colombian law, the state owns all hydrocarbon reserves discovered in the Colombian territory and exercises control of the exploitation of such reserves primarily through the ANH.

Colombia has proven reserves of natural gas of about 3.8 Tcf and unproven reserves of natural gas of about 2,501 Gcf. Colombia's proven reserves of natural gas, at current production and consumption rates, translate into a remaining reserve life of approximately 9.8 years.

As of 2018, oil maintained its position as Colombia's primary energy source, though natural gas consumption has been increasing and narrowing the gap between oil and natural gas within Colombia's energy market. In 2018, natural gas represented 17% of Colombian's energy basket, followed by coal energy, with 14% of the energy basket. Oil remains the principal source of energy with 41% of the energy basket.

In 2018, the domestic consumption of natural gas reached 908 MMCF/D, a 5.2% increase compared with a consumption of 863 MMCF/D in 2017. Natural gas consumption in the market we serve has increased by 4.6% since 2017, reaching 382 MMCF/D in 2018 from a consumption of 365 MMCF/D in 2017. It is expected that domestic demand for natural gas will continue to increase at an average annual rate of 2.02% until 2027, according to UPME.

This growth in natural gas production and consumption is attributable primarily to the substitution of other more expensive and less environment-friendly fossil fuels for natural gas, and significant growth in many industrial segments of the Colombian economy.

Gas is transported through the Colombian national pipeline system that connects the main gas production fields in the Ballena/Chuchupa (Guajira), Cusiana and Valle Inferior del Magdalena basins with the largest consumption centers and distribution areas in Colombia. The main natural gas transportation systems in Colombia are the TGI pipeline system, which accounts for approximately 54% of the total length of the national pipeline system, and our Pipeline System, which accounts for approximately 41%. The remaining 5% of the Colombian pipeline system is accounted for by 410 km smaller privately owned natural gas transportation companies.

Natural gas distribution companies in Colombia are obligated to enter into contracts for transportation capacity and supply equal to 100% of their regulated demand.

Tariffs are composed of two concepts: (i) capacity charges and (ii) variable charges. These two concepts affect both the return on investment and the volume of transported gas. Capacity for some regulated contracts is determined by article 4 of Annex 1 of Resolution 114/17 and Resolution 106/2011. In some cases, tariffs may vary according to a specific contract, in accordance to article 9 of the Resolution 114/17. For the natural gas transportation and distribution sectors, of the final user tariff, 43% is used to compensate natural gas suppliers, 23% to compensate transporters, 21% to compensate distributors and 13% to compensate companies that provide commercialization services.

As of the date of this offering memorandum, the weighted average cost of capital for the natural gas transportation and distribution sectors was 15.0% (real before taxes in USD) and 12.3% (real before taxes), respectively.

Historical Background

The natural gas sector in Colombia remained virtually undeveloped until the mid-1970s, when significant discoveries of natural gas reserves in the Guajira basin, located on Colombia's Atlantic coast, were made. Natural gas was initially used as a substitute for fuel oil in electricity generation in the Atlantic coast region. In 1986, the

Colombian Government launched a program to promote the use of natural gas for residential consumption called the Gas Program for Change (*Programa de Gas para el Cambio*, or the "Gas Program"). Through the Gas Program, natural gas was brought to urban centers in the Atlantic coastal region and to areas located in the vicinity of the natural gas production fields. The main objectives of the Gas Program were to expand the regional coverage of natural gas distribution services, to have an interconnected national system to transmit natural gas from the production fields to the distribution and consumption centers and to promote exploration of new gas reserves.

The discovery of major gas reserves located in the Llanos Orientales region in the early 1990s led the Colombian Government to launch in 1991 another effort to support the development of natural gas transportation and distribution infrastructure, namely, the gas extension plan (the "Gas Extension Plan"). The Gas Extension Plan called for the immediate development of an extensive pipeline network, creating incentives for electricity generators' use of gas-fired generation units and for the increase of natural gas use by businesses and residential consumers. The Gas Extension Plan contributed to the diversification of the demand for natural gas and the increase of the demand for natural gas at an average annual rate of 3.99% from 1997 to 2017. In addition, gas-fired electricity generation installed capacity increased from 1,618MW in 1996 to 1,708 MW in 2017, (a 10.1% share of total power generation capacity in Colombia).

Ecopetrol was charged with implementing the Gas Extension Plan and developing a framework for the participation of private sector companies in the investment in and construction of the natural gas infrastructure necessary to support the expected increase in the demand for natural gas. Ecopetrol entered into several BOOT Contracts with private sector companies that would finance, build, own, maintain and operate the natural gas transportation assets and associated facilities that would be made available by such contractors to the Colombian pipeline system. The BOOT Concession Agreements entered into by Ecopetrol were for specified periods and provided for the payment by Ecopetrol of a service and availability fee and granted Ecopetrol an option to purchase the pipeline assets upon expiration of the BOOT Concession Agreement for an additional payment. As a result of the Gas Extension Plan, the length of the Colombian natural gas pipeline system increased from 1,810 km in 1991, to 5,623 km in 2001. At present, the length of the Colombian natural gas pipeline system totals approximately 7,460 km.

Ecogas was formed pursuant to Law 401 of August 20, 1997 as a state-owned industrial and commercial company dedicated exclusively to the transportation of natural gas, as part of the Gas Extension Plan adopted by the Colombian Government in the early 1990s to support the development of the natural gas transportation and distribution infrastructure. All the then-existing natural gas transportation assets, rights and contracts of Ecopetrol were transferred to Ecogas, including more than 3,600 km of natural gas pipelines and associated facilities that connect the Chuchupa, Ballena and Cusiana fields to the consumption and distribution centers in the interior region of the country, which account for approximately 53% of the potential market for natural gas. In 2005, the Colombian Government announced the privatization of Ecogas which was consummated on March 2, 2007, when TGI acquired the Ecogas business.

In addition, in 1999 the Colombian Government began promoting the use of compressed natural gas as an alternative lower-cost fuel for motor vehicles (*gas natural vehicular*), or GNV, in the interior region of the country, and subsequently extended this program across the entire country. This resulted in an increase in the quantity of vehicles that converted to GNV from approximately 4,600 in 1999 to approximately 557,183 in 2016.

Beginning in 1999, taking into consideration the continuous decline in oil reserves and with the objective of maintaining a self-sufficient supply of oil for internal consumption, the Colombian Government introduced new legislation to promote private sector investment in oil and gas exploration. In addition, the Colombian Government established a new royalty scheme for natural gas exploration and created an independent agency responsible for the development of the country's hydrocarbon policy, the ANH. Before these changes were implemented, the hydrocarbon policy was developed and implemented by Ecopetrol, the national oil company.

Between 2000 and 2013, the CREG introduced a series of incentives to further promote the development of natural gas production, directed to the interior region of the country, in the Cusiana-Cupiagua fields, including the

liberalization of gas prices subject to certain increases of the production capacity. As a result of these measures, production in this field increased from approximately 20 MMCF/D in 2003 to 481 MMCF/D in 2016.

In addition, in recent years the MME created a "Mission for the Transformation and Modernization of the Electricity and Gas Sector in Colombia" made up of 20 national and international experts who will work in five strategic focuses, including one specialized in the role of natural gas. This mission will prepare a roadmap so that Colombia is able to meet long term energy and gas challenges.

The ANH and the MME have been stimulating higher levels of exploration in new continental and offshore fields that should give positive results in the coming years. The PND of 2018-2022 states that the ANH will establish the exploration and production zones for unconventional fields, and MME and MADS will update, if necessary, the technical regulation and specific environmental for its exploration and production.

Market Description and Participants

The table below provides information about the different natural gas transportation companies that own the pipelines comprising the Colombian national natural gas pipeline system, as of December 31, 2018.

Company	km 2018	Market Share (by km %) 2018	Volume (MMCF/D) 2018	Market Share (by Volume %) 2018
TGI	3,994	53.5%	460	46.5%
Promigas	2,561	34.3%	369	37.3%
Others[(1)]	905	12.1%	160	16.2%
Total	**7,460**	**100.0%**	**990**	**100.0%**

Source: Gas Transportation Companies

(1) Promotora de Gases del Sur S.A. E.S.P., Transmetano, Transoccidente, Promioriente and Coinogas.

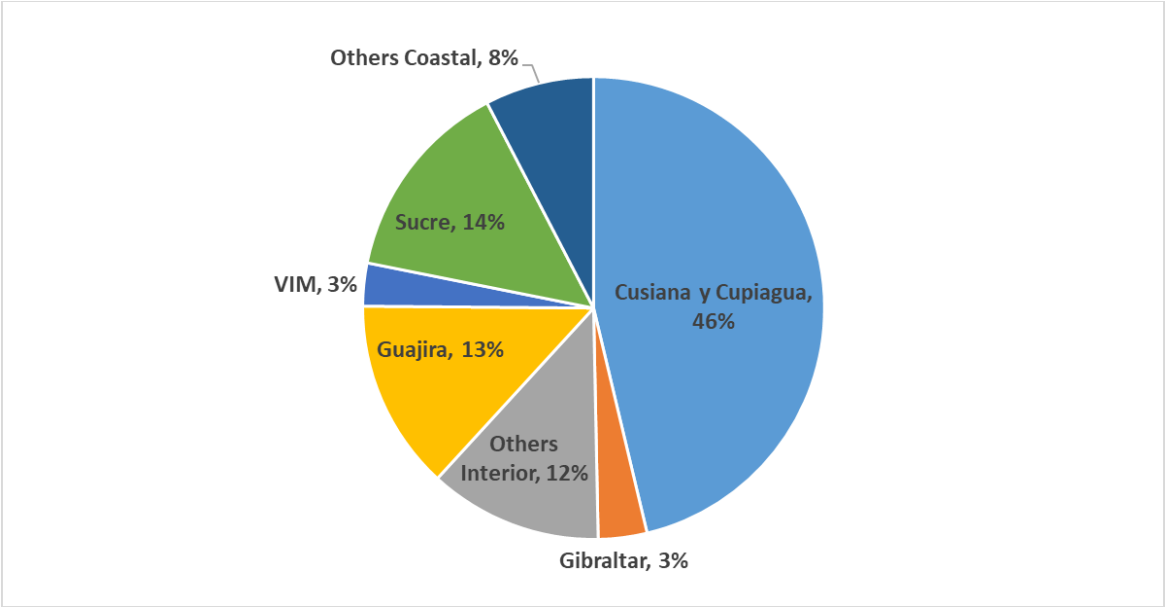
Natural Gas Supply

Colombia's hydrocarbon reserves are spread across seven basins, all of which have active production.

The map below shows the location of the main fields of natural gas production:

Source: MME

Of the total 1,049 Giga British Thermal Unit per day ("GBTUD") produced as of the date of this offering memorandum, 588 GBTUD came from interior basins and 401 GBTUD came from coastal basins. The chart below shows Colombia's main fields of natural gas production as of the date of this offering memorandum:



As of December 31, 2018, Colombia has proven reserves of natural gas of about 3.8 Tcf (according to the ANH) which, at current production and consumption rates, represent a remaining reserve life of 9.8 years. Including non-proven reserves, the remaining reserve life is approximately 13.2 years.

The table below shows the gas reserves for the main Colombian departments.

Department	**Proven Reserves (GCF)**
Antioquia	2
Bolivar	22
Boyacá	154
Casanare	2,216
Cesar	17
Cordoba	158
Cundinamarca	1
La Guajira	584
Huila	22
Magdalena	34
Meta	17
Norte de Santander	17
Santander	201
Sucre	306
Tolima	9
Total	**3,782**

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Source: ANH

Regional Integration

In April 2003, Colombia and Venezuela agreed to build a U.S.$335 million, 400 to 500 MMCF/D natural gas pipeline linking Colombia's Guajira basin to Venezuela's Lake Maracaibo region. Pursuant to this agreement between Colombia and Venezuela, during the first four years of operation, the pipeline would export natural gas

from Colombia to Venezuela and, subsequently, allow Venezuelan natural gas to be exported to Colombia as the demand for natural gas in Colombia continues to increase. Construction of this pipeline began in July 2006 and was completed in 2008. The potential access to foreign natural gas reserves through this pipeline is expected to reduce the risk of a natural gas shortage in Colombia and contribute to further develop the natural gas sector. However, to date, Colombia has not imported any gas through this pipeline due to the current political situation of Venezuela.

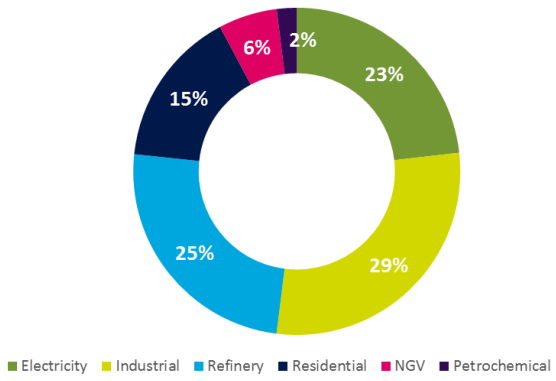
In December, 2016, Colombia began operating a 400 MMCF/D LNG plant, which connects the country with international natural gas markets. The principal objectives of the plant are to mitigate the risk of the future downfall of reserves and to bring reliability to the national electric system. The thermoelectric group (conformed by three thermoelectric generators off the Atlantic coast), which is responsible for the operation of the plant, will receive an annual regulated revenue equivalent to U.S.$41 million over 10 years. This plant will work as a new node of natural gas supply, which will increase the maximum national demand for gas, especially in periods of high demand from the thermoelectric sector.

Natural Gas Demand

Natural gas as source of fuel relative to the consumption of other fuels has experienced a significant increase in recent years, reaching approximately 17% of total national fuel consumption in 2018.

Natural gas consumption in Colombia has increased by 85%, from approximately 490 MMCF/D in 1999 to approximately 908 MMCF/D in 2018, representing an average annual growth rate in consumption of approximately 3.29%.

In the graph below, the national natural gas consumption for 2018 is shown for each industry.



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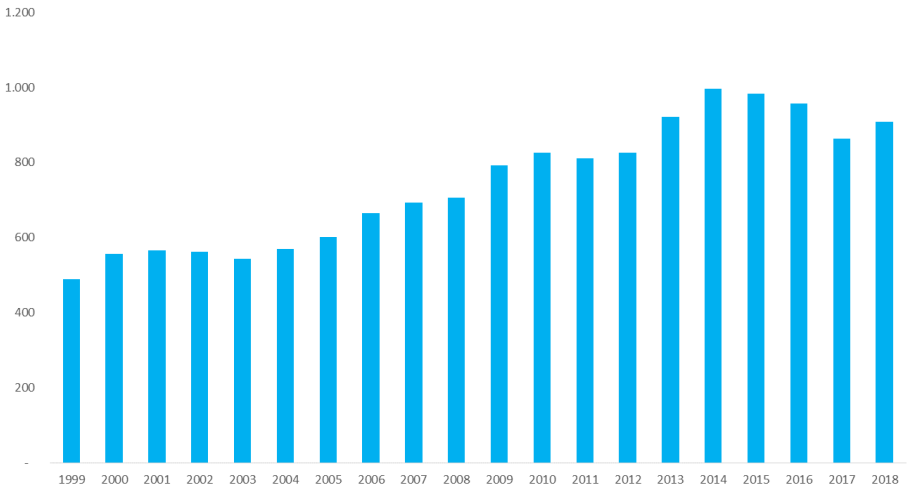
Source: UPME, SUI

Natural gas consumption in the markets that we serve has increased by 35% from approximately 282 MMCF/D in 1998 to 382 MMCF/D in 2018, representing an average annual growth rate in consumption of approximately 1.60%. This growth has been driven primarily by the residential and industrial sectors, the substitution of natural gas for other more expensive fuels and more recently by the rapid development of the GNV sector.

The graph below depicts the evolution of natural gas consumption between 1999 and 2018 in MMCF/D.

Natural Gas Consumption (MMCF/D)



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Source: UPME, SUI

The peak of natural gas consumption was 2014, with 997 MMCF/D. However, despite the peak of the regulated market (210 MMCF/D) in 2017, the peak for the non-regulated market was (698 MMCF/D) in the same year. The peaks in consumption over the past years were mainly as a result of the impact of the El Niño phenomenon.

Regulation of Natural Gas Sector in Colombia

Overview

We are regulated by a set of laws, rules and regulations passed or issued by various Colombian Governmental entities which establish frameworks for:

- the production, transportation, distribution and retail of different forms of energy including natural gas;
- the promotion of private sector participation in the natural gas market;
- the provision of incentives for the development of the Colombian natural gas sector;
- the development of competition in the Colombian natural gas sector;
- limitations on vertical and horizontal cross-ownership of companies within the natural gas sector;
- provision of open, non-discriminatory access to the natural gas transportation network;
- the provision of price formulas and methodologies applicable to the fees to be charged to end users;
- Market Behavior Rules.

In 1994, Law 142 created the current framework for gas and other public utility services and eliminated the concession system for the provision of natural gas transportation services, establishing a system of open, non-discriminatory access to the Colombian natural gas transportation system. Under the current system, the Colombian Government does not award concessions to provide natural gas transportation services and therefore any industry participant can enter the natural gas transportation market through the construction of a natural gas pipeline system. However, the significant investment required to develop a pipeline makes the industry, in practice, a natural

monopoly for the existing players. As a result, there is no term limitation established by the Colombian Government for the provision of the service and the assets used in the provision of the service are not owned by the state but by the company providing the service.

Natural Gas Transportation

Natural gas transportation activities consist of transporting natural gas through steel pipelines at high levels of pressure from natural gas production sites to the entrances to large cities (*puerta de ciudad*) and to large consumers (thermal power plants and large industries). These pipelines form part of the National Transportation System (*Sistema Nacional de Transporte*, or "SNT"). Natural gas transportation is considered a natural monopoly and is regulated in price, quality and access.

The most relevant sources for the regulation governing the transportation of gas are:

- the CREG Resolution 071 of 1999, or the Single Regulation for Natural Gas Transport (*Reglamento Unico de Transporte de Gas Natural* or "RUT"), which establishes the framework for the operation of the natural gas pipeline system;

- the CREG Resolution 126 of 2010, as amended by Resolutions 129 de 2010, 079 of 2011, 097 of 2011, 66 of 2013, 148 of 2017 and 033 of 2018, ("CREG Resolution 126 of 2010") which contains the current methodology for determining compensation for the transportation of natural gas and the general mechanism to establish the transportation charges for the SNT;

- the CREG Resolution 089 of 2013, as amended by Resolution 114 of 2017, ("CREG Resolution 089 of 2013") which contains the regulatory framework for the wholesale of natural gas, including trading and transportation capacity;

- the CREG Resolution 155 of 2017, which contains regulatory framework related to an open season approach to promoting the expansion of natural gas transportation capacity. The resolution does not contemplate amendments to the priorities of the transportation company to perform extensions in the capacity of the pipelines;

- the CREG Resolution 107 of 2017, which contains regulatory framework related to the execution of the Natural Gas Provision Plan (*Plan de Abastecimiento de Gas Natural*). This Resolution indicates that if a project included in the plan is integrated to the existing transportation infrastructure, such company will have the first option to develop the project. To the contrary, if the transportation company decides not to execute such plan, the UPME may assign the project through an open call process, allowing other companies to construct infrastructure complementary to our current assets;

- the CREG Resolution 033 of 2018, which contains regulatory framework related to terms related to the application of interconnecting pipelines; and

- the CREG Resolution 080 of 2019, which contains the Market Behavior Rules for the agents that develop domiciliary public services of energy and gas.

In addition to existing regulation, CREG has also issued 2 resolutions currently subject to public consultation:

- the CREG Resolution 090 of 2016, which contains the new methodology framework to establish the transportation rates for the national transportation system; and

- the CREG Resolution 082 of 2019, which contains the regulatory framework for the wholesale and trading of transportation capacity in the primary natural gas market.

With respect to environmental policies dealing with public utilities services, the Colombian Political Constitution has several articles, including one that provided that environmental protection is a collective right of all Colombian nationals.

The main environmental laws and regulations applicable to the energy industry are Law 99 of 1993, which established the institutional structure and principles for the national environmental policy, the Colombian code of natural resources (*Código Nacional de Recursos Naturales Renovables y de Protección al Medio Ambiente*, Decree 2811 of 1974 or the "Natural Resource Code"), which regulates the use of natural resources, Law 1333 of 2009 which regulates the environmental sanctioning procedure and Decree 1076 of 2015, which compiled and unified the majority of Colombian environmental regulations in effect, with the purpose of rationalizing and simplifying the existing environmental legal framework and having a single reference source. Among the regulations that have been compiled are those related to: (i) environmental licensing, (ii) environmental permits (logging, water permit, water disposal, emissions, etc.) and (iii) hazardous waste.

In accordance with Decree 1076 of 2015, the following projects, works or activities related to gas transportation will require an environmental license for their development, between others: (i) the transportation and conduction of liquid and gaseous hydrocarbons that are developed outside the fields of exploitation that involve the construction and assembly of infrastructure of conduction lines with diameters equal or superior to six inches (15.24 centimeters), including pumping stations and/or pressure reduction and the corresponding storage and flow control infrastructure; except those activities related to the distribution of natural gas for home, commercial or industrial use; and (ii) the delivery terminals and hydrocarbon transfer stations, understood as the storage infrastructure associated with the transportation of hydrocarbons and their products and derivatives by pipelines.

Regarding environmental liability, Law 1333 of 2009 established the administrative environmental sanctioning procedure to which any individual or entity may be subject in the case that it incurs an environmental infringement. Under Colombian environmental rules, an environmental infringement will exist either when: (i) an environmental rule is breached through an action or omission which constitutes a violation of the rules contained in the Natural Resource Code, in Law 165 of 1994 and in the other environmental rules in force that supersede or modify them, in the administrative writs issued by the competent environmental authority or; (ii) when damages to the environment are caused, with the same conditions required for non-contractual liability arising under the Civil Code and the complementary legislation: (a) damage, (b) the generating event with negligence or willful misconduct and (c) the causal relation between both of them. When these elements are configured, they will give rise to an environmental administrative sanction, without prejudice of the civil liability toward third parties that may arise from this event.

An environmental breach will give rise to the declaration of administrative environmental liability against the infringer. Law 1333 of 2009 establishes the presumption of negligence or willful misconduct for environmental infringements, and transfers the burden of proof to the alleged offender. Related to the energy industry, it is important to mention that not fulfilling the legal requirements established under an environmental authorization (including permits and licenses) may generate the following: (i) prior to the initiation of a sanctioning procedure or during the performance of one, the environmental authority is entitled to impose preventive measures (injunctions) aimed at ceasing the environmental infringement; and (ii) the initiation of a sanctioning procedure and to the extent that the alleged infringements are proved, it is probable that administrative environmental sanctions will be imposed, considering the strict liability established by Law 1333 of 2009. These measures are not subject to appeal and the alleged offender will be definitely sanctioned if he does not refute the presumption of negligence or willful misconduct by using all the applicable legal means of proof.

Regulatory Entities

The government entities that play an important role in the natural gas sector are: (i) the Ministry of Mines and Energy, (ii) the Ministry of the Environment and Sustainable Development, (iii) the National Environmental Licenses Authority, (iv) the Energy and Gas Regulatory Commission, (v) the Autonomous Regional Corporations, (vi) the National Hydrocarbons Agency, (vii) the Superintendence of Domestic Public Utilities, and (viii) the Mining and Energy Planning Unit.

Ministry of Mines and Energy ("MME")

The energy sector is under the jurisdiction of the MME. The MME is responsible for adopting the Colombian Government's policies on: (i) the exploration, production, transportation, processing and distribution of minerals and hydrocarbons; and (ii) the development of the mining and energy sectors. The MME also determines the order of priority for the supply of natural gas to the various sectors in certain extraordinary circumstances such as severe supply restrictions, in which the existing supply of natural gas may not be sufficient to satisfy the then-current demand for such fuel. In addition, the MME establishes the Colombian Government's policies for natural gas exports. In addition, the authority over the electricity sector is entrusted to a number of agencies under its control, including the CREG and the UPME.

Ministry of the Environment and Sustainable Development ("MESD")

The MESD was created by Law 99 of 1993 and is responsible for the environmental policy-making that may affect the gas sector, since there are certain environmental requirements that must be met in order to develop projects of gas transportation and distribution as mentioned above.

National Environmental Licenses Authority ("ANLA")

The ANLA was created by Decree 3573 of 2011 and is responsible for granting or denying environmental licenses and permits of competence of the MESD, which are large-scale projects, including the environmental license for projects, works or activities related to: (i) the transportation and conduction of liquid and gaseous hydrocarbons outside the fields of exploitation that involve the construction and assembly of infrastructure of conduction lines with diameters equal or superior to six inches (15.24 centimeters), including pumping stations and/or pressure reduction and the corresponding storage and flow control infrastructure; except those activities related to the distribution of natural gas for home, commercial or industrial use; and (ii) the delivery terminals and hydrocarbon transfer stations, understood as the storage infrastructure associated with the transportation of hydrocarbons and their products and derivatives by pipelines.

Autonomous Regional Corporations

The Autonomous Regional Corporations are responsible for the execution of the policies, plans, programs and projects regarding the environment and renewable natural resources in their jurisdiction. They are also responsible for granting individual environmental permits for: logging, water permits, water discharge air emissions, riverbed occupation, etc.), applicable as the project, work or activity may require them for its operation.

Energy and Gas Regulatory Commission ("CREG")

The CREG is an administrative body comprised of the following members: the Minister of Mines and Energy, the Minister of Finance and Public Credit, the Director of the National Planning Department and five independent technical experts appointed by the President of Colombia. The CREG's principal purpose is to ensure that companies in the sector provide economically efficient and high-quality energy and gas related services. The CREG fulfills this purpose by, among other things, (i) issuing resolutions applicable to the provision of energy-related services, (ii) promoting competition through open and non-discriminatory access to and use of the transportation and distribution networks, and (iii) establishing the tariff structure for the provision of energy and gas-related services.

Natural Gas Market Operator ("BMC")

The BMC is in charge of collecting, centralizing and publishing the transactional and operational information of the natural gas sector. It is also in charge of managing the primary and secondary natural gas markets

National Hydrocarbon Agency ("ANH")

ANH is an administrative body created in 2003 to manage Colombia's hydrocarbon reserves and implement the oil and gas exploration and exploitation policies.

Superintendence of Domiciliary Public Utilities ("SSPD")

The SSPD is an administrative body created by the Colombian Political Constitution that is primarily responsible for:

- inspecting, controlling and monitoring all companies providing public utility services;
- enforcing regulations, imposing penalties and generally overseeing the financial and administrative performance of public utility service companies;
- developing the accounting norms and rules for public utility service companies; and
- in general, organizing statistical and other information networks and databases pertaining to public utilities.

The SSPD affects our business as it monitors our operations. It may impose fines on us or take possession and control of us in certain cases.

Mining and Energy Planning Unit ("UPME")

The UPME is a special administrative unit of the MME and is responsible for developing and updating the national energy plan and the national electric reference expansion plans. UPME is also responsible for forecasting the overall energy requirements of Colombia, planning and developing ways and means to satisfy such energy requirements, including the development of alternative sources of energy, and establishing programs to conserve and optimize the use of energy. The CREG may use the UPME's forecasts in the tariff setting and adjustment process. See "— Regulation of Transportation Rates."

Relevant Laws and Regulations

Colombian Political Constitution

Article 365 of the Colombian Political Constitution establishes the constitutional framework for public utilities in Colombia, providing that (i) public utilities are inherent to the social purposes of the nation; (ii) the nation must ensure that such services, including domestic public utilities, are made available to all citizens in an efficient manner; and (iii) private persons are entitled to provide such services, subject to regulation by the Colombian Government. Article 365 also provides that the provision of public utility services shall be subject to a framework established by law. The following are certain material laws and resolutions applicable to gas transportation in Colombia:

Law 142

Law 142 was enacted pursuant to the mandate of article 365 of the Colombian Political Constitution and was designed to guarantee the continuous provision of public services under certain standards of quality and efficiency. Law 142 contains the overall legal framework applicable to the provision of domestic public services (i.e., water and sewage, sanitation, electricity, natural gas distribution and telephone services) as well as to activities complementary to those services such as transportation of natural gas.

Under Law 142, (i) national, regional and municipal government entities have the responsibility to ensure that public, mixed capital or private entities provide public utility services efficiently; (ii) citizens have the right to choose their service providers; and (iii) any person has the right to organize and operate companies dedicated to the provision of public utility services.

Companies that provide public utility services (*empresas de servicios públicos*) are subject to a special legal regime set out in Law 142 and therefore their acts and contracts are subject to private law, regardless of whether they are private or government-owned. They are also required to (i) ensure that services are provided continuously and efficiently; (ii) refrain from practices that restrict competition, when such competition is possible; (iii) facilitate

lower income users' access to subsidies provided by the government; and (iv) facilitate other service providers' access and interconnection to their networks and assets used for the provision of the corresponding services.

Companies that provide public utilities, whether private or government owned, are also subject to regulations issued by the relevant regulatory commission (i.e., the CREG in the case of natural gas transportation services) and to the oversight of the SSPD.

Tariff rates charged by companies that provide public utilities are regulated by the relevant regulatory commission, except when such commission determines such public utility companies do not have a dominant position in their market. In any event, CREG-defined price formulas and methodologies for calculating fees charged by companies that provide natural gas to end-users.

Pursuant to article 59 of Law 142, the SSPD may take possession and control of any company that provides public services to guarantee the continued provision of the relevant public service, if:

- the company will not, or cannot, render the relevant public service with the continuity and quality standards required by law and such service is considered either critical to preserve the public or economic order or necessary to avoid serious damages to users or third parties;
- there is a material and continued breach of any applicable regulations or contracts by the company;
- the management fails to deliver complete, accurate and timely information to the relevant authorities;
- the company breaches the terms of any of its permits, licenses or concessions and the SSPD determines that such breach indicates that the company is unable to operate its business;
- there is a calamity or disturbance of public order;
- the company fails, without cause, to assist any other service provider when any such public service provider is unable to provide services under normal conditions to prevent serious damages to users of the relevant services;
- the company suspends payments of its commercial obligations in general or there is a serious risk that it may suspend such payments; or
- the company enters into liquidation.

Such administrative takeover may be for purposes of managing the company or for its liquidation, depending on the situation of the company.

If the purpose of the administrative takeover is to assume operational control of the company, the SSPD may appoint a fiduciary entity or new management under its authority and subject to the oversight of an advisory board. At least two of the major creditors of the company must be represented in such advisory board. As a result of the takeover (i) all judicial attachments over the public utilities company's assets are stayed; (ii) all collection proceedings initiated prior to the takeover are stayed (creditors may join the takeover proceedings in order to collect on their credits); and (iii) the SSPD has two months to determine whether it elects to liquidate the company or continue to manage the company for a period of up to two years in order to rehabilitate it.

If the SSPD and the relevant regulatory commission determine that the company has to be liquidated, the SSPD will transfer the assets of the company subject to such liquidation to other public utility companies to ensure the continued provision of public utility services. The company will be dissolved after the transfer of its assets and, as a result, the SSPD will appoint a liquidator, summon all creditors, determine the estate subject to such liquidation (which will include the proceeds obtained from the transfer of the company's assets) and determine the liabilities of the company and pay such liabilities in the legal order of priority (i.e., labor and tax credits, secured credits and unsecured credits).

Upon the SSPD's liquidation order (i) all of the company's obligations will become due and payable, (ii) all judicial attachments over assets of the company will be terminated and its assets will become assets of the estate subject to liquidation, (iii) collection proceedings initiated against such company prior to the takeover will be terminated, and (iv) creditors of the liquidated company will only have a claim against such company in insolvency proceedings.

The liquidation process will be supervised by a board of creditors appointed by the SSPD that will be comprised of five members, three of which will represent the largest creditors and the two remaining will be appointed by the SSPD.

Decree 2100 of 2011 (Compiled in Decree 1073 of 2015)

Decree 2100 of 2011, or Decree 2100, establishes new mechanisms to guarantee the supply of natural gas in Colombia. Among other things, Decree 2100 (i) establishes trading policy guidelines in order to promote competition, seeks efficient prices, mitigate supply concentration and attain information symmetry, (ii) provides incentives and mechanisms to export and import natural gas, (iii) sets forth incentives to explore unconventional natural gas deposits and (iv) defines new procedures to manage operative information about the gas industry in order to coordinate the provision of natural gas services.

CREG Resolution 067 of 1995

CREG Resolution 067 of 1995 establishes the Gas Distribution Code in which the rights and responsibilities of distributors, commercialization companies and users, the criteria for infrastructure expansion, the conditions for free access to the distribution network and the minimum security and quality standards of the distribution service are established.

CREG Resolution 057 of 1996, as amended

CREG Resolution 057 of 1996 or Resolution 057, as amended, consolidates most of the resolutions affecting the natural gas sector that the CREG issued prior to 1996. Among other things, Resolution 057 regulates the following:

- *Separation of activities*. Resolution 057 recognizes five independent participants in the economic chain of natural gas: the producer, the transporter, the distributor, the commercialization agent, and the unregulated customer, which, as of January 1, 2005, is defined as a consumer of more than 100 KCFD.

- *Limits to vertical integration*. Resolution 057 prohibits transporters of natural gas from participating directly in production, distribution or retail activities, or from having an economic interest in companies dedicated to these activities. Similarly, it prohibits companies dedicated to the production, distribution or retail of natural gas from participating directly in transportation activities, or from having an economic interest in companies dedicated to the transportation of natural gas. Resolution 057 also prohibits transporters of natural gas from participating directly in the generation of electricity, and from having an economic interest in companies dedicated to gas-fired electricity generation. For purpose of this Resolution 057, economic interest is defined as an interest in more than 25% of the outstanding equity of a company.

CREG Resolution 071 of 1999, as amended

CREG Resolution 071 of 1999, as amended, or Resolution 071, created the RUT, which sets forth specific operative and commercial rules in connection with the natural gas pipeline system, such as the establishment of best practices and quality standards for the transportation of natural gas. The RUT also includes rules directed at ensuring open access to the natural gas pipeline system to all agents in the gas transportation sector.

CREG Resolution 041 of 2008

CREG Resolution 041 of 2008 or Resolution 041, amends the RUT providing new rules in order to establish better standards for the transportation of natural gas. This amendment modifies, among other things, definitions of standard conditions and standard volumes of natural gas. Additionally, this amendment modifies objectives of the RUT to: (i) secure access without discrimination; (ii) secure conditions and instruments to an efficient, economic and trustworthy operation; (iii) facilitate the development of supply a transport gas markets; and (iv) standardize practices and terminology for the gas industry.

CREG Resolution 126 of 2010, as amended

CREG Resolution 126 of 2010, as amended or Resolution 126, sets out the general framework for the determination by the CREG of the rates to be charged for gas transportation services. Resolution 126 also establishes the criteria for determining the amounts that the CREG will recognize as investment in the expansion of the gas pipeline system and AO&M costs for purposes of determining the rates.

Resolution 126 allows gas transporters to negotiate the service rates with their customers, which rates may not exceed the maximum rates established by the CREG. See "—Regulation of Transportation Rates."

It is expected that this year a new remuneration methodology will be issued regulating the way in which the distributors are compensated. Through Circular 34 of 2017, the CREG allowed distributors to choose whether they wanted to have Resolution 11 of 2003 (the prior compensation methodology) or Resolution 066 of 2017 (which adopted some transitory charges to the prior compensation methodology while the new resolution is issued) apply to them.

The current regulatory status generates uncertainty and instability in the activity, since it has not allowed the distributors to make long-term plans to develop the business. As of today, a definitive date for the issuance of the new remuneration methodology has not been defined.

CREG Resolution 117 of 2011

CREG Resolution 117 of 2011 set forth the regulated tariffs for the gas transportation services provided using our transportation system. The tariff rates established under this resolution are currently under review by the CREG following a request (*Recurso de Reposición*) by us.

CREG Resolution 118 of 2011, as amended

CREG Resolution 118 of 2011 or "Resolution 118" develops the guidelines provided in Decree 2100 regarding the natural gas energy policy that seeks to establish adequate conditions for natural gas sale and supply in Colombia. Additionally, Resolution 118 introduces new definitions of take or pay contracts and of natural gas purchase agreement options.

CREG Resolution 122 of 2012

CREG Resolution 122 of 2012, approved the regulated tariff for gas transportation services for our transportation system as a consequence of the recourse filed within the tariff review process (*Recurso de Reposición*).

CREG Resolution 068 of 2013

CREG Resolution 068 of 2013 modified the regulated tariff for Cartagena-Sincelejo´s pipeline, approving investments for capacity expansions for the Loop del Sur project which involves 122 km of pipelines.

CREG Resolution 089 of 2013, as amended

CREG Resolution 089 of 2013 set a defined framework for the gas commercialization business, setting rules for the interaction between different producers, marketers and consumers. It also created a new actor responsible for the entire overview of the operation of the marketeering business ("Market Manager"), which is in charge of centralizing the gas information market, manage the auctions and transactions in the market. In addition, it set forth additional regulation in relation with the Gas Distribution Code. This resolution replaced CREG Resolution 23 of 2000.

CREG Resolution 082 of 2014

CREG Resolution 082 of 2014, adjusted the tariff as a result of the acknowledgement of new replacement values for the pipelines that met their regulatory life span of 20 years in 2013.

CREG Resolution 040 of 2015

CREG Resolution 040 of 2015, adjusted the tariff as a result of an error in CREG's valuation of some pipelines.

CREG Resolution 084 of 2016

CREG Resolution 082 of 2016, adjusted the tariff as a result of the acknowledgement of new replacement values for the pipelines that met their regulatory life span of 20 years in 2014.

CREG Resolution 114 of 2017, as amended

CREG Resolution 114 of 2017, as amended, regulates commercial aspects of the natural gas wholesale market. The resolution contains the set of provisions applicable to negotiations regarding the supply and transportation of natural gas to the primary market and to the secondary market.

CREG Resolution 114 of 2017 compiled content from the CREG Resolution 089 of 2013 and contains all the mechanisms for retail, transportation and supply of natural gas in the wholesale market. In general, this resolution contains the different alternatives for the co-retail of the product and clarifies many aspects of participation of agents and available products in the natural gas market.

CREG Resolution 107 of 2017

CREG Resolution 107 of 2017 establishes the procedures that must be carried out in order to undertake and complete natural gas supply projects.

This Resolution had a great impact on natural gas transporters and it established the mechanism for the development of projects as part of the natural gas supply plan. Previously, all the projects developed by the transporters were on their own initiative and they were free to determine the necessary investments. Following adoption of this new procedure, each transporter was given priority rights to develop the applicable project and, in the case that it decided not to carry out the development, the regulator will offer the right to conduct the project to market participants, so a different transporter may be able to perform it.

CREG Resolution 155 of 2017

CREG Resolution 155 of 2017, contains regulatory framework related to an open season approach to promoting the expansion of natural gas transportation capacity. The Resolution does not contemplate amendments to the priority of the transportation company to perform extensions in the capacity of the pipelines.

CREG Resolution 33 of 2018

CREG Resolution 33 of 2018 establishes the regulation measures in relation to the definition and application of the connection pipeline.

CREG Resolution 080 of 2019

CREG Resolution 080 of 2019 contains the general behavioral framework for the agents that develop domiciliary public services of energy and gas.

Regulation of Transportation Rates

Pursuant to Colombian law, the tariff structure for gas transportation and other public utility services should be based on the principles of financial feasibility and economic efficiency. The first principle is served by setting a tariff that allows the service provider to recover operating costs and expenses and the investments in its assets, and to obtain a return on investment comparable to the return that would be obtained by an efficient company in a sector of comparable risk. Under the second principle, the tariff scheme should provide for a mechanism that sets prices for such services in a manner similar to that in which prices are set in a competitive market. In addition, under such principle the service provider should share the benefits of productivity increases with its customers, as it would do in a competitive market, and may not transfer to the consumer the cost of inefficiency in its operations. In case of conflicts between the two principles, the financial feasibility principle shall prevail.

Under Colombian law, providers of natural gas transportation services are not entitled to receive any assured or guaranteed revenues or cash flows for providing natural gas transportation services or making available their transportation assets to users of the national pipeline system. As a result, the Colombian natural gas transportation system is premised on the existence of privately negotiated contracts between transporters and users of the service. Therefore, a provider of natural gas transportation services will only obtain revenues if it enters into contracts with third parties charging them transportation rates, subject to the maximum regulated prices set periodically by the CREG.

Rate Determination Methodology

The transportation rates are calculated and determined by the CREG applying the general methodology established by the CREG Resolution 126 of 2010, as amended by Resolutions 129 of 2010, 79 of 2011, 97 of 2011 66 of 2013, 148 of 2017 and 033 of 2018. The CREG also issued Resolution 155 of 2017, which established an alternative procedure for the construction of network extensions.

The CREG divides each transportation system into segments and determines the rates applicable to each separate segment, using a rate setting methodology that takes into account: (i) investment costs (denominated in U.S. dollars); (ii) Administrative, Operation and Maintenance costs, or AO&M costs (denominated in Colombian pesos); and (iii) projected demand of transportation services through the pipeline. For purposes of these calculations, the CREG assumes a useful life of 20 years for pipelines and 30 years for pipelines built under BOOT Concession Agreements.

Using this information, the CREG establishes 14 combinations of fixed and variable charges which compensate the owner of the system for its investment (denominated in U.S. dollars), and a fixed charge which compensates the owner of the system for AO&M costs (denominated in Colombian pesos), for each segment of the pipeline system. Fixed charges apply to the contracted capacity, and variable charges apply to the actual transported volumes.

The CREG uses rates of return of approximately 15.0% for fixed charges and of 17.7% for variable charges.

Fixed and variable charges for the transportation of gas are adjusted every year based on the PPI, while AO&M charges are adjusted annually based on the Colombian CPI.

The price for transportation services is calculated as the sum of the fixed and variable transportation rates for each segment of pipeline for which capacity is contracted or over which the gas is transported from the receipt point to the delivery point. The way in which gas transporters and customers negotiate the service rates is by selecting the combination of fixed and variable charges that best fits their needs, as well as by determining the contracted capacity for which such fixed charges are paid by customers.

In 2016, CREG Resolution 090 of 2016 proposed a new methodology to calculate the natural gas transportation rate. The following are the main aspects proposed by CREG Resolution 090: (i) the WACC calculation will be done

pursuant to the formula set forth in the CREG Resolution 095 of 2015; (ii) a new valuation model would be used to determine the value of a company's infrastructure; (iii) a cost sharing system would be put in place to balance the difference between the investment made by a company and the value of the project; and (iv) the calculation of an asset's useful life would be modified, in order to reflect a final value of 30% of an asset's value at the expiration of its useful life. According to Circular 084 of 2018, the new resolution outlining the tariff methodology was expected to be published in the first quarter of 2019. However, as of the date of this offering memorandum, the new resolution has not been published. We expect the new tariff to be defined in January 2020. The rates we are permitted to charge are adjusted every five years, based on the efficiency of, and investments in, our operations.

Rate Determination Procedure

Pursuant to the methodology currently in effect and established by the CREG for an initial five-year period, in order to obtain approval of the fixed and variable charges, gas transporters must submit to the CREG every five years a report of: (i) the investments made in the pipeline system and the projected investments for the next five years, (ii) the projections for the next 20 years of the demand for capacity and the expected transportation volumes, and (iii) expenses from the last tariff period and the expected AO&M costs for the next 20 years for compression stations. The CREG analyzes this information in light of its efficiency standards, the projections submitted by other gas transporters, the guidelines set forth by the UPME and other information.

The CREG resolutions that determine applicable natural gas transportation rates for each transporter may be contested through an administrative recourse (*Recurso de Reposición*), which is filed with the CREG, requesting the reversal, modification or clarification of the CREG's decision or resolution, and in the event the CREG determines that no reversal or modification should be granted, the resolution shall be contested through a judicial proceeding before administrative courts.

The methodology currently in effect was established pursuant to the CREG Resolution 126 of 2010 and amended by the CREG Resolutions 129 de 2010, 079 of 2011, 097 of 2011, 66 of 2013, 148 of 2017 and 033 of 2018.

Limitations to Enforcement of Liabilities

Under Colombian law, if the enforcement of a judgment against any of our assets or properties located in Colombia that are used in the provision of public utility services could render us unable to transport natural gas with the continuity and quality standards required by law, and if such service is considered either critical to preserve the public or economic order or necessary to avoid damages to users or third parties, the SSPD may take possession and control of Promigas.

The Peruvian Natural Gas Sector

Overview

The organizational structure of the natural gas market in Peru is based on the vertical non-integration of exploration and production, transportation and distribution activities.

Oil and gas exploration and exploitation activities are developed through license or service agreements executed with the Peruvian Government represented by Perupetro S.A. Under the license agreement the investor pays a royalty to the Peruvian Government and under service agreements, the government pays a remuneration to the investor. The most common form is the license agreement under which the investor is the owner of the extracted hydrocarbon and is able to freely set the sale price of the natural gas subject to certain restrictions.

Exploration includes geological and geophysical work to determine the location and areas of natural gas fields, the drilling of wells and any other activity that may be necessary to discover hydrocarbons. Once the well has been drilled, the presence of natural gas is detected and exploitation is determined to be commercially viable, production follows, which consists of the systematic extraction of natural gas and the conditioning thereof of transportation. This includes both the design and construction of pipelines and storage tanks, processing and metering facilities, and

the operation of such facilities. This stage covers the production system, the gas basin, the processing plant and the storage. Currently, the most important fields of natural gas under production in Peru are Blocks 56, 57 and 88, located in the Peruvian jungle. There is a consortium in charge of production at this site (the "Camisea Consortium"), which signed the License Agreement for the Exploitation of Hydrocarbons in Blocks 56, 57 and 88 with Perupetro S.A. (the "License Agreement"). The operator of the consortium is the Argentine company Pluspetrol. The potential recovery of Blocks 56, 57 and 88 is 14.3 Tcf. The Block 88 reserves are ten times larger than any other natural gas reserve in Peru, according to OSINERGMIN. The production operations of Pluspetrol are developed in the Malvinas Plant.

Transportation includes the operation of gas pipeline systems, compression and metering stations, installation and control of valves, and inspection and safety of the networks in order to transport the natural gas from the production fields or treatment plants to consumption areas. This stage covers the transportation system, compression plants, pipelines, referrals and recompression. The Company in charge of transportation for Camisea Consortium's blocks is Transportadora de Gas del Peru S.A. ("TGP"). The transport phase involves the operation of two parallel pipelines by TGP: (A) the liquids pipeline, which goes from the Malvinas Plant to the fractionation plant, located on the Loberia beach in Pisco of 540 km, and (B) the dry natural gas pipeline of 730 km, which continues along the coastal strip up to the city gate, located in Lurin and measures and reduces pressure before supplying such natural gas to the customers ("City Gate"). Both pipelines go through the departments of Cusco, Ayacucho, Huancavelica, Ica and Lima. The liquids are received in the fractionation plant, which is located on Loberia beach in Pisco.

Distribution is the supply of natural gas to users through high pressure trunk line networks or medium or low-pressure pipelines. High pressure distribution supplies natural gas to industries and power generators, while residential customers are supplied through additional medium and low-pressure pipelines. This stage includes the distribution systems, networks in high, medium and low pressure, nodes and regulation station, and final consumption (industrial, residential, etc.). Cálidda is responsible for the distribution of natural gas for Lima and Callao. The distribution of natural gas involves the concession for Lima and Callao; the operator receives the natural gas from Block 88 at the City Gate and subsequently distributes it through a network of high-pressure trunk pipeline that crosses the city of Lima and reaches a terminal in Ventanilla. Camisea also supplies natural gas to Gases del Pacífico. Contugas, which is responsible for the distribution of natural gas by pipelines in Ica and Naturgy which is responsible for the distribution of natural gas by pipelines in Moquegua, Ilo, Arequipa and Tacna.

Additionally, Peru LNG S.R.L. is managing a plant for natural gas exports. This plant consists of two parts: (A) a liquefied natural gas plant that includes a marine loading terminal from which liquefied natural gas will be exported; and (B) a gas supply pipeline of 408 km connected to the existing TGP pipeline in the rainforest section that transports the gas from this connection point to the LNG Plant located between the provinces of Cañete and Chincha. The Peru LNG plant has a volume of 8.4 million cubic meters, using a refrigerant process that pre-cools the natural gas in a refrigeration circuit with propane, reaching the final temperature (negative 163 Celsius) in a mixed refrigerant circuit.

The MINEM is the entity in charge of defining governmental policies for the development of hydrocarbon activities, from exploration to the transportation and distribution thereof. In addition, the Congress of the Republic of Peru is authorized to legislate on issues directly or indirectly related to the natural gas sector. Finally, OSINERGMIN and OEFA are the entities in charge of supervising and imposing sanctions regarding the technical and environmental obligations, respectively, related to the natural gas sector. Both entities have also legislative initiatives on these matters and, in the case of OSINERGMIN, it has regulatory authority on natural gas activities considered to be public services and this authority extends to the determination of regulatory obligations as well as the determination of the applicable tariffs.

If OSINERGMIN verifies that a distribution system does not comply with regulatory and safety regulations, it may impose material fines as well as corrective measures, such as the closure of facilities or ordering a standstill of activities.

Compressed Natural Gas ("CNG") and Liquefied Natural Gas ("LNG") dealers, are companies entitled by OSINERGMIN to sell CNG and LNG. Current regulations permit these companies to sell CNG and LNG all over

the country, even in areas that have been given a natural gas distribution concession. These regulations tend to have a negative impact on companies that have natural gas distribution concessions because the CNG and LNG dealers may enter into agreements with industrial companies located within the concession area and can therefore take part of the market share of the distribution concessionaires. Nevertheless, MINEM is working on a project to modify this situation.

Peru's energy requirements

For the year ended December 31, 2017, the matrix of gross domestic supply of primary energy in Peru is classified as commercial for about 95% of the total offer, which is composed by 81% of hydrocarbons (24% oil and 57% natural gas and derivatives), 6% firewood and 8% of hydropower. The remaining 5% is considered non-commercial.

The MINEM estimated that by year 2025, electricity demand will increase in rates up to 6.6% per year, although increase in 2017 was 1.8% and for 2018 was 4.38%. As of June 30, it has increased 4.2% for 2019. Also is expected to reach an energy demand up to 12,300 MW in 2025 (in 2017 maximum demand was about 6,462 MW).

Peru's current natural gas requirements are met through domestic natural gas production. Nevertheless, it is important to point out that there was an unanticipated increase in the demand of natural gas in Peru, higher than what was expected at the time of issuing the rules governing the natural gas sector. This unanticipated increase in demand for natural gas has led to congestion of the infrastructure and the temporary restriction of gas supply, and therefore the Peruvian Government has decided to establish a priority order for the domestic requests of supply of liberated natural gas to be treated in this period. However, the current demand remains stable, with the Block 88 Producers seeking optimizations to offer their production. A new tariff schedule for natural gas distribution in Lima and Callao entered into effect on May 7, 2018 and will remain in effect through May 6, 2022 pursuant to the Resolution de Consejo Directivo OSINERGMIN No. 055-2018-0S/CD. In August 2019, the tariff was modified due to an update of Cálidda's investment plan, pursuant to Resolution No. 129-2019-OS/CD.

In August 5, 2010, the Supreme Decree No. 046-2010-EM, Regulation of the Secondary Market of Natural Gas was approved. It regulates the transactions in the Secondary Market of Natural Gas in order to assure an efficient usage of the production and the take or pay transportation capacity of Natural Gas. Additionally, it states that the transfer of production or take or pay transportation to be made in the Secondary Market shall be made through electronic bid. Nevertheless, this regulation is suspended until December 31, 2019.

Peru's natural gas exports

According to the Block 88 License Agreement, only liquids produced in the contract area can be exported, while natural gas will be fully used in the local domestic market. Meanwhile, natural gas from the rest of blocks can be exported freely. The natural gas supply agreement which allow natural gas exportation was executed in February 2006 (and later amended in 2014) between the members of Camisea Consortium and Peru LNG S.R.L., when the latter liquefies natural gas from Blocks 56 and 57 on its Pampa Melchorita Plant, then exports the LNG obtained from the process.

Access to natural gas transportation pipelines and associated infrastructure

According to the Regulation of Transportation of Hydrocarbons through Pipelines, Supreme Decree No. 081-2007-EM, the concessionaire is obliged to allow the open access to the pipeline without discrimination to those who require it, as long as it is technically viable. In those cases where the concession has been granted as a consequence of a public bid, the terms may establish limitations to the open access for a fixed term and for purposes of promoting private investment. To assign the available capacity of the pipeline TGP must call an open season, which will be supervised by OSINERGMIN.

According to Supreme Decree No. 016-2004-EM, to assign the available capacity of the pipeline TGP must call an "Open Season", which will be supervised by OSINERGMIN. An Open Season is a public bid that TGP must carry on each twelve (12) months, as minimum, if there is available capacity in the pipeline

TGP´s pipeline begun commercial operation in 2004. On January 2011, MINEM and TGP executed an amendment to the natural gas transportation agreement to increase the capacity of the pipeline. However, due to force majeure events, the works could not be completed, which led to the lack of capacity in the pipeline to execute open seasons during 2012-2013. The works to increase the capacity of the pipeline were concluded in 2016 and since then, four Open Seasons have occurred. As indicated above, there have been periods in which there was no availability in the pipeline to execute Open Seasons. Therefore, a situation where there is no available capacity to cover the demand may occur again.

Natural Gas Distribution Network Ownership, Organizational and Regulatory Framework

For purposes of operating a natural gas distribution system, a concession is required. Concessions are granted by MINEM as result of a bidding process or by application and the term of the concession should not be larger than sixty (60) years. Distribution concessions have a BOOT (build, operate, own and transfer) format. At the end of the term the concession and its assets are transferred to MINEM.

The concession to distribute natural gas by pipelines in a particular area will be exclusive to a single concessionaire within a determined area ("Concession Area"). Once the concessionaire begins commercial operations in the Concession Area the authorizations granted by MINEM to third parties for the development of pipelines to receive their supply of natural gas (*ductos de uso propio*) shall terminate and left with no further force and effect and either pipelines should be transferred to the concessionaire or the concessionaire shall install a new pipeline to provide the service. The price that the concessionaire should pay to the third party for the pipelines transfer will be set by the parties.

The concessionaire may request an extension of its concession area, as long as it complies with the requirements set forth by the Regulations of Natural Gas Distribution by Pipeline Networks (Supreme Decree No. 040-2008-EM) and after following a similar procedure to that provided for the granting of a concession.

There are two types of natural gas customers in the market, independent (non-regulated) customers with consumption levels surpassing 30,000 m3 per day on contractual periods of not less than 6 months, and regulated customers whose consumption is lower or equal to 30,000 m3 per day. The latter include residential and commercial customers, small and medium industries and vehicle natural gas stations.

The main difference between them is that independent consumers can purchase natural gas directly from producers, traders or distribution concessionaires and have open access to use the facilities of transportation and distribution system for which they must pay the respective fees. However, both independent and regulated customers will pay to the concessionaire the distribution tariff for the provision of the distribution service within the Concession Area.

The concessionaire is obliged to provide distribution services to customers located within the Concession Area within 45 days, or within one year if the required infrastructure does not exist in the area, and provided that the requested supply is deemed technically and financially feasible. Should supply be technically but not financially feasible the user may provide the funds for the construction of the required facilities; such funds will be reimbursed to clients after OSINERGMIN includes them in the distribution tariff.

Additionally, all customers should pay a fee denominated Connection Right (*Derecho de Conexion*) in order to be able to receive the distribution service.

Distribution concessionaires are also required to maintain their natural gas supply contracts with producers in force and effect for the 24 following months, to ensure supply to its users.

Contracts for the provision of the distribution service to the regulated consumers are subscription contracts, which content has been previously approved by the MINEM and should contain, at a minimum: (i) the location of the supply point and determination of the real property to which such supply is intended; (ii) classification of the regulated customer according to supply type; (iii) supply characteristics; (iv) contracted capacity; (v) term of

effectiveness and conditions of supply; and (vi) the applicable rate and legal provisions applicable to connection fees.

Tariffs for the distribution service are set to compensate the investment, operation and maintenance considering the costs of an efficient company. Specifically, distribution tariff seek to cover the distribution costs (annual costs of the investment for the provision of the distribution service such as the development of pipelines, standard annual costs of the operation and maintenance of distribution facilities) and commercial costs (annual costs for the provision of the commercial service, operation and maintenance costs associated to the customer service and billing and collection costs). Tariff setting also considers the existing and potential demand for the next four years and the rate of return which is of 12%.

Peruvian natural gas distribution tariffs are designed to provide for a pass-through to customers of the main non-controllable cost items (the distributor's cost in purchasing the natural gas and the cost of transporting through pipelines the natural gas from the producer to the distributor's network). In the case of the concession agreement of Gases del Pacífico the costs related to the transportation of natural gas through pipelines are a pass-through; however the trucking costs (Virtual Pipeline) are not pass-through costs constituting part of the revenues of the concessionaire.

Tariffs for Peruvian natural gas distribution companies are initially established under the concession agreements (commonly for a period of eight years). Later, tariffs are set by OSINERGMIN and reviewed periodically every four years.

For the natural gas distribution sector in Peru, of the final user tariff, 51% is used to compensate distributors, 34% is used to compensate natural gas suppliers and 16% to compensate transporters. As of the date of this offering memorandum, the weighted average cost of capital for the natural gas distribution sector in Peru was 12.0% (real before taxes in USD).

There are four operational distribution concessions in Peru: (i) Cálidda in the regions of Lima and Callao; (ii) Contugas in the region of Ica; (iii) Gases del Pacífico for the regions of La Libertad, Lambayeque, Ancash and Cajamarca and (iv) Gas Natural Fenosa Peru for the regions of Arequipa, Moquegua and Tacna. There is no uniformity regarding the scheme set for the development of these projects. Both the concessions of Cálidda and Contugas are connected to TGP's transportation pipeline whereas Gases del Pacífico and Gas Natural Fenosa Peru are not connected to the main pipeline and receive the LNG through trucks (Virtual Pipeline). Additionally, MINEM awarded a concession for the supply of CNG and vehicular natural gas to the cities of Abancay, Andahuaylas, Huamanga, Huanta, Huancavelica, Jauja, Cusco, Juliaca and Puno through a Virtual Pipeline, though no distribution concession has yet been awarded in this cities.

Recent trends and developments

There is a debate in Peru as to whether the reserves of natural gas in Peru are enough to cover the local market demand for natural gas. In November 9, 2009, the Supreme Decree No. 079-2009-EM amended the previous regulation, in which guaranteed local market supply was subject to a minimum defined period in the License Agreement. In addition, such Supreme Decree indicated that such mechanism may fail to satisfy the local market demand for natural gas because such demand cannot be properly estimated at the time when the agreements are executed for sales of gas exports. In August 2014, the Supreme Decree No. 023-2014-EM approved the amendment of the Block 88 License Agreement to ensure that production in such block was aimed to serve exclusively the local market.

Another important development to consider is the potential execution of a new pipeline project. The project named South Andean Pipeline involves designing, constructing and operating the pipeline that will transport natural gas from gas fields located in the Cusco region to the cities of Cusco, Juliaca, Arequipa and Ilo-Matarani. With an approximate length of 1,085 km, the South Andean Pipeline constitutes the backbone of socio-economic development of regions Cusco, Arequipa, Moquegua and Puno and increases the reliability of the national natural gas supply because it is a separate pipeline of the existing pipeline.

Peruvian environmental regulation

Authorities

The entities responsible for regulating, operating and supervising the Peruvian hydrocarbon activities are described below:

- The Peruvian Ministry of Energy and Mines ("MINEM"), which is responsible for: (i) defining the national energy policy; (ii) proposing and adopting rules and regulations governing the mining, energy and hydrocarbons sector; (iii) promoting scientific research and investments in the energy sector; and, (iv) awarding concessions and contracting with interested companies, according to applicable law.

- The General Bureau of Environmental Energy Affairs ("DGAAE") is an administrative entity dependent of the MINEM and the competent authority that approves the environmental management instruments applicable prior to the initiation of any hydrocarbon activities, its expansion or modification. Depending on the environmental impacts generated by the hydrocarbon activities, the DGAAE require the approval of an Environmental Impact Statement or a Semi-detailed Environmental Impact Assessment.

- The National Service for Environmental Certification and Sustainable Investments ("SENACE") is a specialized technical governmental agency, dependent of the Ministry of Environment, in charge of reviewing and approving detailed Environmental Impact Assessments ("EIA") in connection with projects involving activities, works or services that may cause significant impacts to the environment, except for those excluded by supreme decree at the request of a specific ministry.

- Pursuant to Ministerial Resolution No. 328-2015-MINAM, dated November 25, 2015, the transfer of jurisdiction from the MINEM in favor of SENACE has been completed. Therefore, as from December 28, 2015, SENACE reviews and approves Detailed Environmental Impact Assessments related to projects involving activities, works or services that may cause significant impacts to the environment

- Regional Government. Each regional government is in charge of approving the environmental certification for regional scope projects. This is the case of regional natural gas distribution projects developed by Gases del Pacífico. Such Regional Governments approve an Environmental Impact Statement, a Semi-detailed Environmental Impact Assessment or Detailed Environmental Impact Assessment.

- The Ministry of Environment ("MINAM") approves general environmental policies, in collaboration with the MINEM.

- The Ministry of Culture ("MINCUL"), which is the competent authority responsible for the issuance of Certificates of Inexistence of Archaeological Remains (*Certificado de Inexistencia de Restos Arqueológicos*) ("CIRA"), prior to the development of investment projects, as well as other permits in order to protect the Nation's Cultural Heritage, as the case may be.

- Organization of Supervision and Environmental Assessment ("OEFA") is a specialized technical governmental agency, dependent of the Ministry of Environment, responsible for ensuring that individuals and entities, both public and private, comply with environmental regulations, which it does through enforcing, overseeing, controlling and, where necessary, sanctioning, (through penalties and administrative measures) on environmental matters. On March 4, 2011, OEFA took on the responsibility for verifying compliance with environmental regulations by companies operating in the hydrocarbon and energy industries, particularly enforcing the compliance of applicable environmental laws and regulations.

- National Authority of Water ("ANA"), which is responsible for exercising exclusive jurisdiction over natural water resources; and taking management, monitoring, control and surveillance actions aimed to ensure the preservation and conservation of natural water sources, natural assets associated with the aforementioned sources and hydraulic infrastructure. The ANA has sanctioning and enforcement powers.

- The National Service for Forest and Wildlife ("SERFOR") is a specialized technical governmental agency, dependent of the Ministry of Agriculture, in charge of regulating forest and wildlife matters and proposing policies, strategies, plans and other instruments to promote the sustainable use of forest and wildlife resources. SERFOR is the entity in charge of granting several permits in order to perform forest and non-forest activities, such as forest clearing activities, among others.

Regulation

The main regulations applicable to hydrocarbons activities are the following:

- General Environmental Law (Law 28611). It is the general legal background for all environmental regulations in Peru. It sets relevant guidelines, like the principle of prevention (the main purpose of the environmental management is to prevent environmental deterioration, and correction should be the only the second choice), and the principle of environmental liability (the person or company that causes environmental damage must correct it). It also set the bases of the current Environmental Protection Regulation for Hydrocarbon Activities.

- Law for the National Environmental Impact Assessment System (Law 27446) and its Regulations (Supreme Decree 019-2009-MINAM). Create the National Environmental Impact Assessment System ("SEIA") as a unique and coordinated system of identification, prevention, supervision, control and early correction of negative environmental impacts derived from human actions expressed through the investment project. It also establishes the obligation to obtain an environmental certification to be able to execute an investment project in Peru.

- Regulations for Environmental Protection in Hydrocarbon Activities (Supreme Decree 039-2014-EM). They regulate the protection and environmental management of Hydrocarbon Activities, with the purpose of preventing, minimizing, rehabilitating, remediating and compensating the negative environmental impacts derived from such activities, in order to promote sustainable development, in accordance with the current environmental regulations. These environmental regulations establish: (i) the classification of environmental management instruments applicable to hydrocarbon activities; (ii) the procedure for the evaluation, approval and modification of environmental management instruments; (iii) complementary environmental obligations applicable for each hydrocarbon activity, and its phases; and (iv) the obligation of the holder of an environmental management instrument to notify the competent environmental authorities, in case of transfer, assign or lease of the hydrocarbon activities, among others.

- Law for the Integral Management of Solid Waste (Legislative Decree 1278) and its Regulation (Supreme Decree N° 014-2017-MINAM). It stablishes certain obligations regarding the integral management of solid waste, such as to submit the Annual Solid Waste Management Declarations and Quarterly Hazardous Solid Waste Manifests, and the disposal of solid waste through authorized companies. Its compliance is supervised by OEFA.

- Water Resources Law (Law 29338) and its Regulation (Supreme Decree 001-2010-AG). They regulate the rights for the use of water and the authorizations for wastewater discharge over natural sources, among others, and stablish several specific obligations for the beneficiaries, such as to pay the compensation for the water use or discharge. Its compliance is supervised and sanctioned by the ANA.

- Law of Forestry and Wildlife (Law 29763). This Law has four Regulations: (i) Regulation for Forest Management (Supreme Decree 018-2015-MINAGRI), (ii) Regulation for Wildlife Management (Supreme Decree 019-2015-MINAGRI), (iii) Regulation for Forest Plantations and Agroforestry (Supreme Decree 020-2015-MINAGRI) and (iv) Regulation for Forest and Wildlife Management in native and rural communities (Supreme Decree 021-2015-MINAGRI). Such Law and Regulations stablishes several obligations and the corresponding fines for the non-compliance. Its compliance is supervised and sanctioned by SERFOR.

Main obligation: to obtain an environmental certification

According to the environmental legal framework, the approval of the environmental study by the corresponding authority must be obtained prior to the development of projects of public or private investment that can have negative impacts on the environment. Investment projects that require environmental certification are listed on the Supreme Decree 019-2009-MINAM (Appendix 2), which include natural gas distribution system. The environmental certification means the environmental viability of the project.

Investment projects are classified on the basis of the environmental risks they pose or environmental impacts they may create, as follows:

a) Environmental Impact Statement – DIA (Category I): projects that do not have significative negative impacts on the environment. According to the Appendix 1 of the Regulation for the Environmental Protection on Hydrocarbon Activities, low pressure gas distribution pipelines in urban areas classify as Category I. We understand that the environmental certification approved in favor of Gases del Pacífico also includes the tanker which transport the natural gas until the district stations.

b) Semi-detailed Environmental Impact Assessment – EIA-sd (Category II): projects that may have moderate negative impacts on the environment.

c) Detailed Environmental Impact Assessment – EIA-d (Category III): projects that may cause significant negative impacts on the environment. Main pipelines (*troncales*) or high pressure gas distribution pipelines classify as Category III.

All measures, commitments and obligations related to the project must be included in the environmental plans, as part of the environmental certification. These plans can be: Citizen Participation Plan, Environmental Management Plan, Environmental Vigilance Plan, Contingency Plan, Community Relations Plan, Closing or Abandonment Plan, among others. The project´s owner is obliged to comply with any environmental or social obligations contained in the environmental instrument and will be subject to inspections (and imposition of fines) by OEFA. Additionally, the owner of the project must comply all regulations resulting from other licenses, permits or authorizations, and those resulting from the current legislation.

If OEFA verifies that a distribution system does not have the corresponding approved environmental certification, it may impose material fines and a corrective measure of closure of facilities or standstill of activities.

Other environmental authorizations and obligations

The approval of an environmental management instrument does not per se grant the titleholder the right to initiate hydrocarbon activities. In this sense, the titleholder of hydrocarbon activities must obtain all the other licenses, authorizations or permits required, as applicable to the activities to be carried out, in accordance with the legislation in force.

Depending on the activity, certain permits, licenses or environmental authorizations might be required from different sectoral authorities, either for the construction or the operation of the project. For example, the construction may require water use authorizations. Moreover, as mentioned before, there are additional obligations that might be required, such as those proper of the Hydrocarbons subsector, and those related to solid waste management.

Environmental enforcement

Peru has several national and regional laws and regulations related to the protection of the environment and the use of natural resources. Failure to comply with these laws and regulations may result in the assessment of administrative and civil penalties, imposition of fines and corrective measures (which may include, in the worst scenario, temporary or permanent closure of facilities and the cancellation of licenses). In addition, significant costs may arise from the compliance with environmental regulations, payment of fines resulting from infringements. Remediation obligations can result into significant costs associated with the investigation, remediation and/or clean-

up of contaminated properties, as well as damage claims arising out of the contamination of properties or impact on natural resources.

In case of infringements to environmental management instruments, to the Regulation for Environmental Protection in Hydrocarbons Activities and solid waste managed regulations, OEFA (helped by the corresponding Regional Government) may initiate an enforcement action and, eventually impose a sanction. The administrative responsibility is independent from the civil or criminal liability that may exist for the same conduct.

OEFA will apply the following a criterion to estimate the sanctions: (i) severity of the environmental damage, (ii) degree of incidence over environmental quality, (iii) geographic extension, (iv) reversibility and recoverability, (v) affectation to natural resources, (vi) protected natural areas or buffer areas, (vii) affectation to rural or native communities and (viii) effects on people's health.

On the other hand, the ANA supervises and imposes sanctions regarding infringements to the Law for Water Resources and its regulation, and SERFOR supervises and impose sanctions regarding infringement to the Forest and Wildlife Law and its regulations.

Risks of substantial costs and liabilities, including those from leaks and explosions, are inherent in pipeline operations and significant costs and liabilities may be incurred, including those related to claims for damages to property or injury or loss of life, resulting from operations of the pipeline.

Additional remarks regarding environmental enforcement

Pursuant to Law 30230, published on July 12, 2014, OEFA has been instructed to prioritize preventive and corrective actions for a period of three years (July 13, 2014 – July 13, 2017). Thus, during such period, if OEFA declares the existence of an infringement in the context of an administrative sanctioning proceeding, this authority shall order the execution of corrective measures that seek to reverse the alleged infringement. If the investigated company complies with the corrective measure, the procedure shall conclude. Otherwise, failing to comply with the corrective measure may cause OEFA to impose pecuniary sanctions (which shall not exceed 50% of the penalty that would otherwise be applicable to such infringement). The described benefits –under Law 30230– will not apply to: (i) severe infringements that cause a real and/or severe damage to an individual's health or life; (ii) activities carried out in prohibited areas or without the appropriate environmental management instrument or the authorization to start operations; and, (iii) companies that are reoffenders. After July 13, 2019, OEFA applies the normal imposition of fines legislation, with the additional possibility of imposing administrative measures.

On the other hand, Peruvian legislation has stablished the exemption of responsibility in case the offender, voluntarily corrects the illegal conduct before being notified by the authority with the charges of the procedure; if so, the offender may be exempt of administrative liability.

The statute of limitations for environmental infractions is four (4) years from the occurrence of the infringement.

COLOMBIAN POWER SECTOR AND REGULATORY FRAMEWORK

Overview

As of March 31, 2019, Colombia's total installed energy generation capacity was 17,326 MW, of which 63% was hydraulic, 30.6% was thermal, 0.8% was from biomass, 0.1% was solar and 0.1% was wind power. The Colombian power grid is interconnected with the Venezuelan power grid, and with the Ecuadorian power grid. The energy's exchange with Venezuela has been null; with Ecuador, in 2018, Colombia exported 106 GWh and import 177 GWh.

The STN is an interconnected system for power transmission formed by 15,601.6 km of transmission lines that operate at 220 kV or above. Out of the total network of transmission lines that comprise the STN, 2,535.4 km operate at 500 kV, and 13,066.2 km operate at 220-230 kV. The STN is an interconnected system for power transmission formed by three subsystems, one in Colombia's Atlantic coast region, one in Colombia's central region and one in Colombia's southwest region. The three subsystems are interconnected by 500 kV and 220-230 kV lines. The STN integrates Colombia's local and regional electricity and distribution networks into a single network.

The Colombian power sector includes many market participants, including generation, transmission, distribution and commercialization companies, some of which engage in more than one activities which engages in four activities. As of December 2018, there were 248 market participants, 73 generation companies, 16 transmission companies, 37 distribution companies and 122 commercialization companies. Sixty of these companies are engaged in two or more activities. Colombian law provides for a functional separation between different types of market participants.

Under the functional separation regime, power generation, transmission, distribution and commercialization businesses are required to operate separately and are subject to different regulatory regimes. CREG regulations have established certain other ownership and market share restrictions that, among other limitations, place limits on the ownership interest that a power generation company may take in a power distribution company and on the maximum market share of Colombia's Firm Energy held by a single market participant. The companies who were engaged in both activities before 1994 have different integration limits regime. However, Law 1955 of 2019 removed some of the market limitations set forth on Law 143. CREG has not issued yet new regulation regarding this new law. Currently, power generators and distributors are entitled to act as electricity traders. Although any company may in principal enter the power transmission business, power transmission companies cannot decide on the level of investments that are required to expand the power transmission network or establish rights to the utilization of the power transmission network. Also, power transmission companies cannot engage in generation, distribution or commercialization of power.

In 2018, Colombia's total demand for electricity reached 69,176 GWh. During the period from 2014 to 2018, electricity demand grew at a rate of 2.6%. The UPME estimates that Colombia's electricity demand will grow at an annually compounded rate of 2.9% during the period from 2019 to 2023. According to UPME's estimates, Colombia's electricity generation capacity is expected to reach 17,896.5 MW by 2019 and 19,096.5 MW in 2022. According to the results of the auction for the reliability charge expansion, for the period December 2022 to November 2023, the generation capacity of the country is expected to be 21,322 MW.

A substantial portion of the electricity generated in Colombia is initially sold to commercialization companies at unregulated prices. Such commercialization companies then deliver the electricity either to other commercialization companies at freely negotiated prices, to Unregulated or Non-Regulated Customers, also at freely negotiated prices, or to their Regulated Customers, at regulated prices. Generally, electricity is delivered to end-customers through the networks of local distribution companies, although some large end-customers have direct interconnections to regional transmission networks ("STR") or the national transmission networks (STN).

History

The Colombian power sector was vertically integrated until 1994. During the years prior to 1994, the electricity industry was a government monopoly.

In 1994, the Colombian congress passed significant reforms to the public industry sector. These reforms, contained in Law 142 and Law 143, were the result of constitutional amendments made in 1991 and created the basic legal framework that currently governs the power sector in Colombia. The most significant reforms included the opening of the electricity industry to private sector participation, the functional segregation of the power sector into generation, transmission, distribution and commercialization activities, the creation of an open and competitive wholesale electricity market, the regulation of transmission and distribution activities as regulated monopolies, and the adoption of universal access principles applicable to transmission and distribution networks.

As a result of the substantial restructuring of the electricity industry, the Colombian Government assumed a regulatory and oversight role with respect to the public utilities provision and abandoned its traditional role as an operator of public utilities, and since then, new regulatory and oversight authorities were created, as well as an independent policy-making agency. These entities operate relatively independently of the Colombian Government's commercial and political interests.

Structure of the Colombian Power Market

The constitutional duties and responsibilities of the Colombian Government with respect to the power sector are carried out through several governmental entities, including the following:

ASIC

The ASIC (*Administrador del Sistema de Intercambios Comerciales*), is part of XM and is responsible for the registration of bilateral energy contracts among agents and the settlement and billing of all transactions that take place at the MEM.

CAC

The Commercialization Advisory Committee (*Comité Asesor de Comercialización*) is responsible for assisting the CREG in evaluating and adjusting the commercial aspects of the MEM.

CND

The National Dispatch Center (*Centro Nacional de Despacho*) is part of XM and is responsible for the planning, supervision and control of the operations of the SIN.

CNO

The National Operation Council (*Consejo Nacional de Operación*) is a technical organism, responsible for establishing technical standards to facilitate the efficient integration and operation of the SIN.

CREG

The CREG (*Comisión de Regulación de Energía y Gas*) is the regulator of the natural gas and electricity markets and regarding electricity is responsible for (i) promoting market competition; (ii) approving interconnection and Distribution Usage Charges for the transmission and distribution of electricity; (iii) establishing methodologies for calculating Distribution Usage Charges for the Regulated Market; (iv) defining the Regulated and Unregulated end-customer markets; (v) establishing regulations for the planning and coordination of the operation of the SIN; (vi) establishing technical criteria relating to the quality, reliability and security of electricity supply; and (vii) establishing regulations of the market agents behavior and for the protection of customers' rights.

DNP

DNP (*Departamento Nacional de Planeación*), together with CONPES (*Consejo Nacional de Política Económica y Social*), is a national governmental technical entity responsible for conducting studies and advising the

Colombian Government on matters related to Colombia's development, which include, for instance, the development of infrastructure projects.

MHCP

The MHCP (*Ministerio de Hacienda y Crédito Público*) is responsible for, among other issues, establishing Colombia's fiscal and macroeconomic policies.

MME

The MME (*Ministerio de Minas y Energía*) is responsible for the policy-making and supervision of the oil, gas and power sectors. The MME set out the public policies required for the generation, distribution, transmission, commercialization and interconnection of electricity in Colombia. Direct authority over the power sector is entrusted to a number of agencies under the MME's control, including the CREG and the UPME.

SSPD

The SSPD (*Superintendencia de Servicios Públicos Domiciliarios*) is a national governmental authority responsible for overseeing and controlling all public utilities companies. The SSPD monitors the efficiency and regulation compliance of all public utilities companies and the quality of services but does not issue regulations for the electricity sector. The SSPD can also sanction public utilities companies and assume control over public utilities companies when the availability of public utility services or the viability of such companies is at risk.

UPME

The UPME (*Unidad de Planeación Minero Energética*) is a special administrative unit which depends of the MME and is responsible for developing and updating the national electricity plan and the national reference expansion plans. The UPME is also responsible for forecasting Colombia's electricity needs and developing and implementing strategies to meet Colombia's electricity requirements. All power transmission and distribution companies are required to prepare and submit information to the UPME upon its request.

XM

XM (*XM Compañía de Experto en Mercados S.A E.S.P.*) is a private company, operator of the electricity market and responsible for planning and coordinating the SIN's operations, managing the commercial exchanges in the MEM and billing for the use of the SIN (acronym for the National Interconnected System).

The Electricity Market

The MEM is based on a competitive market model and operates under open access principles. The Colombian Government participates in this market through an institutional structure that is responsible for setting forth policies and regulations, as well as for exercising surveillance and control powers in respect of market participants. See "— Operation of the MEM." The MEM relies for its effective operation on a central agency known as ASIC, part of XM.

The MEM is formed by various systems for the exchange of information between electricity generation and commercialization companies operating in the SIN. These systems are designed to enable market participants to make electricity transactions. All of the electricity supply offered by generation companies connected to the SIN and all the electricity requirements of end-customers, whose demand is represented by commercialization companies, is traded at the MEM. The SIN is formed by the National Transmission Grid ("STN"), the regional transmission lines ("STR"), the distribution lines ("SDL") and the electrical loading points of the customers (commercial boarders).

Substantially all of the electricity generated in Colombia is initially purchased on a wholesale basis through the MEM. XM, through CND, conducts the planning, supervision and control of the operation of the resources of the

SIN, and manages the ASIC and is in charge of the settlement and administration of the charges for the use of networks (STN and STR) in the SIN.

The designated participants of the MEM are generation and commercialization companies. Generation companies are required to participate in the MEM with all their generation plants or units connected to the SIN with capacities equivalent to or exceeding 20 MW. This electricity is centrally dispatched by the CND. All commercialization companies, which deal with end-customers connected to the SIN, are required to conduct their electricity transactions through the MEM. Unlike other market participants, power transmission and sole distribution companies do not enter into agreements with other market participants. The only agreements entered into by power transmission companies are mandates granted to XM.

The electricity transactions in the MEM are carried out under the following modalities: The Energy Spot Market, bilateral contracts. All generation companies in the MEM can freely enter into any or all of these transactions.

The Colombian electricity market is divided into two market segments: The Regulated Market and the Unregulated Market. The tariffs applicable to the Regulated Market are set forth by the CREG according to certain formulae. The current applicable tariff for a unit of cost (*costo unitario* or "CU") of the service applicable to the Regulated Market is:

CU = G + T + D + C + R + P

Where:

G Is the generation cost of electricity from the generator.

T Is the cost for the use of the STN.

D Is the cost for the use of the distribution network (STR and SDL).

C Is the cost of the commercialization service.

R Is the cost of restrictions and ancillary services related to electricity generation.

P Is the cost of electricity losses.

The framework and rules of operation have remained stable since the introduction of the MEM, undergoing only necessary modifications to further promote market competition and efficiency. Since the creation of the wholesale electricity market in 1995, relatively stable amounts of electricity have been exchanged between generators, trading and distribution companies. Initially, power distribution-commercialization companies were required to enter into contracts to supply 100.0% of their Regulated Market and, although this requirement has been eliminated, distribution companies acting in their capacity as commercialization companies still tend to secure contracts for a large proportion of their Regulated Market. Power commercialization companies are required to provide in between 8% and 10 % of their power purchase from non-conventional renewable energy sources, by long term power contracts allocated on market mechanisms set forth in regulation.

For the power distribution sector in Colombia, of the final user tariff, 30% is used to compensate distributors, 31% is used to compensate power suppliers, 22% to compensate companies that provide commercialization services, 5% to compensate transporters, 6% to compensate for restrictions and 6% for energy losses. As of the date of this offering memorandum, the weighted average cost of capital for the power distribution sector in Colombia was 11.8% (real before taxes).

Energy Spot Market

The MEM relies on a single node system. In this market, the transmission network is considered as neutral, which implies that the generator sets its daily price offer and its hourly availability declaration without considering the physical and technical restrictions of the transmission network. Electricity resources to be dispatched at a particular time are selected based on the lowest price offers. This mechanism is known as the ideal dispatch and differs from the real dispatch because in the latter the CND takes into account the restrictions that may affect the transmission network.

The price offered by generation companies that participate in the MEM reflects the variable costs of generation as well as opportunity costs. The price of the last resource used to meet the total demand in each hour is the one that sets the price to be used to pay all the inframarginal resources at the same hour, and it is known as the spot price. Electricity demand from commercialization companies that is not covered by bilateral contracts is settled at the spot price. Since December 1, 2006, electricity generators connected to the SIN are entitled to participate for a firm energy obligation rewarded with a payment known as the Reliability Charge.

Bilateral Financial Contracts Market

In the bilateral contracts market, generation and commercialization companies sell and purchase electricity under the terms of mutually and freely agreed contracts.

The market for bilateral contracts is essentially a medium-term financial market. The purpose of these contracts is to reduce the purchasers' and sellers' exposure of both the supplier and the end-customer of electricity to short-term price volatility. The generation and commercialization companies that initially entered into the agreement deliver the electricity committed under these contracts. Pursuant to the requirements of an indicator named as *Capacidad de Respaldo de Operaciones en el Mercado* ("CROM") (which set forth limits to register contracts to purchase or sell contracts in the MEM), the capacity to purchase or sell energy in the market (as established in CREG Resolution 156 of 2012) must be positive before registering any new contract.

The purchase of electricity by commercialization companies through bilateral contracts to supply the demand of Regulated Customers is subject to certain rules aimed at ensuring fair competition among generation and commercialization companies, and the only criteria to adjudicate is lowest price. On the other hand, the purchase of electricity by commercialization companies through bilateral contracts to supply the demand of Unregulated Customers is freely negotiated between the parties to the contract. The only components included in the tariff, which are subject to free negotiation, are the G and C components. Companies engaged in both the generation and the commercialization businesses may only purchase up to 60.0% of their own electricity for sale on the Regulated Market and are required to participate in the electricity market on the same terms as any other generator in order to purchase the additional electricity that they may require. This regulation is under CREG's review and the proposed new mechanism was published by Resolution CREG 79 of 2019. Under this proposal, after 2025 commercialization companies cannot have contracts resulting from bids of the Regulated Market with generators or commercialization companies controlling up to 10.0% of their regulated demand.

Long-term contracts (centralized auctions)

In order to implement complementary mechanisms of long-term contracts for power generation projects in Colombia, and encourage the introduction of renewable energy generators the MME issued Decree 0570 of 2018, whereby a chapter was added to Decree 1073 of 2015 related to public policy guidelines for such long-term contracts of power generation projects. The main objectives set forth by this Decree, to be considered within said long-term projects contracts, are: (i) Diversify the risk to strengthen the resilience of the power generation matrix due to variability and climate changes, (ii) Promote competition and increase efficiency in price generation through long-term contracting of new or existing generation projects, (iii) Benefit from the complementarity of available energy resources within the country, (iv) Promote sustainable economic development and strengthening of regional energy security, and (v) Reduce emissions of Greenhouse Gases (GHG) from the electricity generation sector, within the framework of the commitments acquired by Colombia at the United Nations Climate Change Conference in Paris (COP21).

Decree 0570, was further regulated by means of Resolution 40791 of 2018, as amended by Resolution 41307 of 2018, and Resolution 40590 of 2019 which defined and implemented a mechanism for promoting said long-term contracts of power generation projects, complementary to the existing mechanisms within the Wholesale Energy Market, such as the Energy Spot Market and bilateral agreements.

The first auction under this new regulation, was scheduled by the MME for February 26, 2019 through Resolution 41314, whereby the objectives and rules for said auction were established (requirements of 1,183GWh per year under contracts of 12-years term). Despite the participation of 8 sale and 14 commercialization proposals within the auction, the auction was not awarded as the competition requirements set out by CREG Resolution 020 of 2019, were not met under the rules of Resolutions 409050 and 40951 of 2019, the new auction will take place on October 22, 2019.

Reliability Charge Auctions

Firm Energy Obligation auctions are aimed at allocating Firm Energy Obligation among generators in order to ensure a reliable and price-efficient supply of Firm Energy in the long term for the scarcity periods. The allocation of Firm Energy among generators is conducted through a dynamic auction mechanism. The electricity demand of end-customers connected to the SIN is determined by a price/quantity function established by the CREG in anticipation of the auction. Firm Energy auctions are conducted four years in advance of the date on which the Firm Energy Obligation is due. The price determination of Firm Energy Obligations was established in the first two auctions through descending clock Dutch auctions, and then it changed, during the most recent auction in February 2019), to a closed envelope mechanism.

In order to provide a funding mechanism for electricity projects for which development may take longer than the planning period, generators are authorized to sell a portion of their future Firm Energy Obligation under special circumstances, in auctions that take place within five to ten years before the Firm Energy of their projects becomes available (GPPS Plants). Once generators and investors have sold part of their future Firm Energy Obligation under the special mechanism created by the CREG, they are required to participate in the auctions with the Firm Energy that has not been committed under the same rules applicable to all other participants.

CREG Resolution 071 of 2006 (as amended from time to time) established the regulation for the Reliability Charge, which remunerates a generator's commitment to deliver Firm Energy.

The first Reliability Charge auction took place in May 2008 and allocated Firm Energy Obligations from December 2012 to November 2013. In addition, there was an allocation of Firm Energy commitments relating to three generation projects for 3,017 GWh from December 2012 to November 2032. These projects represent an installed capacity of 430 MW (78 MW hydro, 150 MW thermal and 202 MW fuel oil).

In June 2008, through an auction mechanism for generation projects with construction periods longer than the first auction, new Firm Energy Obligations commitments were sought to cover long-term energy requirements (i.e., at least 20 years from December 2014).

On December 2011, the CREG convened the second reliability charge auction (last auction to date) to cover a 70,000 GWh per year target demand required to cover the country's energy needs for the 2015-2016 period. Through a descending clock auction," five new projects were awarded with an additional capacity to the system of 575 MW and additional Firm Energy Obligations (*Energía en Firme por Cargo de Confiabilidad*, or "ENFICC") — of 3,710 GWh per year. In a closed envelop auction for plants requiring longer construction periods — GPPS — four projects were awarded which committed to deliver additional Firm Energy Obligations of 6,075 GWh per year.

In February 2019, a new auction for the allocation of Firm Energy Obligations was carried out for the period December 2022 to November 2023, under the closed envelope modality. The additional net capacity that will enter the system will be 4,010 MW, of which 1,240 MW will be thermal power plants, 1,372 MW will be hydro plants, 1,160 MW will be wind power plants and 238 MW will be solar plants.

Operation of the MEM

Access to the MEM is granted to generation and commercialization companies pursuant to agreements executed with XM. Also, distribution and transmission companies execute agreements with XM for the regulated charges submission. These agreements, also known as mandates, enable XM to act on behalf of generation and commercialization companies in the transactions conducted at the MEM and entitle XM to collect and distribute income resulting from the charges for the use of the SIN for distribution and transmission companies and from transactions conducted in the Energy Spot Market. Essentially, XM acts as a clearing house.

The mandates granted to XM include transmission, distribution, generation and commercialization mandates. Under the transmission and distribution mandates, XM conducts the billing, collection, payment and settlement of charges for the use of transmission assets owned by power transmission companies and billing and settlement of charges by power regional transmission companies. Under the generation mandates, XM undertakes the clearing and settlement of electricity purchases and the billing and collection of amounts owed by purchasers to power generators as a result of transactions carried out at the MEM. Under the commercialization mandates, XM undertakes the clearing and settlement of power purchases and the billing and collection of amounts owed by purchasers to electricity traders as a result of transactions carried out at the Energy Spot Market.

XM also records all the hedging contracts entered into by power generators and commercialization companies, analyzes dispatch on an hourly basis and calculates the amounts owed to or by generators and commercialization companies under bilateral contracts or as a result of spot transactions. XM only bills and collects the amounts owed with respect to transactions executed at the MEM.

The transmission regulated income is paid solely by commercialization companies and received by power transmission companies through settlement on the MEM.

Functional Segregation of the Power Sector

Pursuant to applicable rules and regulations, the Colombian power sector is largely vertically segregated. Law 143 segregated the electricity industry into four main activities: power generation, transmission, distribution and commercialization. The electricity utilities companies that were vertically integrated prior to the enactment of Law 142 are entitled to continue to engage in all of the functions in which they were previously engaged provided they maintain separate accounting records for each business activity.

Power Generation in Colombia

Generation activities consist of the production of electricity through hydroelectric and thermal plants and all other plants connected to the SIN. There are also minor hydraulic plants, solar plants or wind plants, and plants called "co-generators," which auto generate electricity for a particular business with sources such as biomass, and deliver the remaining electricity to the SIN through the SDL or through the STR. As of March 31, 2019, Colombia's total installed energy generation capacity was 17,326 MW, of which 63% was hydraulic, 30.6% was thermal, 0.8% was from biomass, 0.1% was solar and 0.1% was wind power.

The table below illustrates the evolution of Colombia's net effective generation capacity during the period 2014-2019:

Year	Net Effective Generation Capacity
	(in MW)
2014	15,489
2015	16,420
2016	16,595
2017	16,779
2018	17,313
September 25, 2019	17,367

Source: XM

In 2018, 68,943 GWh were generated in the SIN, of which 82.2% were obtained from hydraulic plants, 16.7% from thermal plants, 1.1% from biomass plants, 0.06% from one wind power plant and 0.02% from the one solar plant.

The following table shows the amounts of energy by technology, the SIN's totals and the decrease with respect to 2015:

Generation by Technology Type 2017-2018 SIN Operation Variables

Variables	2017	2018	Variation	Growth
Hydraulic (GWh)	57,343	56,647	(696.0)	82.2%
Thermal (GWh)	8,683	11,511	2,827.8	16.7%
Biomasa (GWh)	633	730	97.0	1.1%
Eolic (GWh)	3	43	40.3	0.1%
Solar (GWh)	5	12	6.6	0.02%
Total (GWh)	**66,667**	**68,943**	**2,275.7**	**100.0%**

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Source: Market Management and SIN Operation Report March 31, 2019 (*Informe de Operación del SIN y Administración del Mercado 31 de marzo de 2019*).

Power Transmission in Colombia

In Colombia the SIN is the system that interconnects the STN, STR, SDL and end-customers. Transmission activities consist of transporting electricity through the STN by using national transmission networks that operate at voltages higher than 220 kV. Although, in principle, any company may enter the electricity transmission business, such companies cannot participate in any other activity of the electricity market, either decide on the level of investments that are necessary to expand the electricity transmission network or establish rights to the utilization of the electricity transmission network. These decisions related to expansion are reserved to the UPME. Under current regulation, electricity generation, distribution, commercialization companies and integrated companies may own more than 15.0% of the capital stock of an electricity transmission company, provided that the income of such electricity transmission company attributable to transmission activities is less than 2.0% of the total income from electricity transmission of the STN. In Colombia, electricity transmission services are a natural monopoly regulated by the CREG.

Key Characteristics of the Power Transmission Market and the Transmission Network

The transmission of electricity in Colombia is a highly regulated business due to its status as a natural monopoly. The key characteristics of the power transmission market and the transmission network are:

- The STN is owned by eleven power transmission companies. Although the Colombian Government partially owns the STN through different government owned companies, the Colombian electricity transmission system operates as a centralized system administered by XM. The centralized operation of the system ensures lower costs of operation and economies of scale.

- The STN operates under open access principles. All market participants in the electricity industry are entitled to access the STN to the extent that they comply with legal, technical and certain payment obligations, including the payment of interconnection and usage charges.

- Power transmission companies have a less active role than other participants in the electricity sector. The main role of power transmission companies is to reach end-customers via the STN, while maintaining required quality standards and asset availability. Power transmission companies cannot engage in the purchase or sale of electricity. Also, these companies have no decision-making power in respect of the expansion of the STN or in respect of the STN's utilization parameters. These decisions are made by MME following studies and recommendations made by the UPME. The revenues of power transmission companies are aimed at recouping their investments in the STN, as well as their operation and maintenance costs and are approved by CREG.

Asset Availability and Service Quality Requirements

Power transmission companies are required to comply with certain asset availability and service quality standards set forth by the CREG.

These standards were reviewed by CREG Resolutions 011 of 2009 and 093 of 2012, for the regulatory period that began in 2011. Companies that fail to comply with these standards are subject to reductions of their regulated income, which in turn translates into lower charges for the use of the STN.

The following table shows the asset availability standards currently applicable:

Assets	Annual Maximum of Unavailable Hours
Assets Connecting to STN	51
Line Unit	15
Transformation Unit	15
Autotransformer	28
Compensation Unit	16
Compensation Modules	15
Line of 500 kV	37
Line of 220 or 230 kV — > 100 km	20
Line of 220 or 230 kV — £ 100 km	20

The calculated regulated income per transformation unit, in terms of service quality, is subject to incurring non-compliance under the following conditions:

- The unavailability period of assets used to provide electrical power transmission service within the National Transmission System (*Sistema de Transmisión Nacional*, or "STN") shall not exceed the Maximum Annual Hours of Adjusted Unavailability.

- The maximum permitted unavailability of an asset originating from natural catastrophes, such as erosion (volcanic, fluvial or glacial), earthquake, tidal wave, hurricanes, cyclones, and/or tornadoes, and acts of terrorism, should not exceed more than six months from the date of occurrence of such natural catastrophe.

- Non-Supplied Energy (*Energía No Suministrada*, or "ENS") due to unavailability of an asset will not exceed 2% of the hourly demand forecast for Economic Dispatch estimated by the National Dispatch Center.

- From the moment the accumulated unavailability hours of an asset exceed the maximum annual hours of adjusted unavailability, the unavailability of said asset will not affect other assets (or render them inoperative).

Any variation of these conditions related to quality service in the provision of electric energy transmission services which exceeds the limits set forth herein, will generate a reduction or compensation on the regulated income of the relevant transformation unit, which will be calculated following the process as set out in section IV of the appendix of Resolution CREG 11 of 2009.

Expansion of the STN

Under Colombian law, the MME is responsible for overseeing the expansion of the STN, rationalizing government and private efforts to meet domestic electricity demand in a manner that is consistent with the National Development Plan (*Plan Nacional de Desarrollo*) and the National Energy Plan (*Plan Energético Nacional*, or "PEN"). The UPME undertakes the technical and administrative oversight of the STN expansion, including the selection of investors through public bidding processes to undertake projects that have been previously approved by the MME in accordance with the STN expansion plans. Both the Colombian Transmission Planning Advisory Committee and the CND are responsible for assisting the UPME in planning the STN expansion and for setting the criteria, strategy and methodology for expanding the STN.

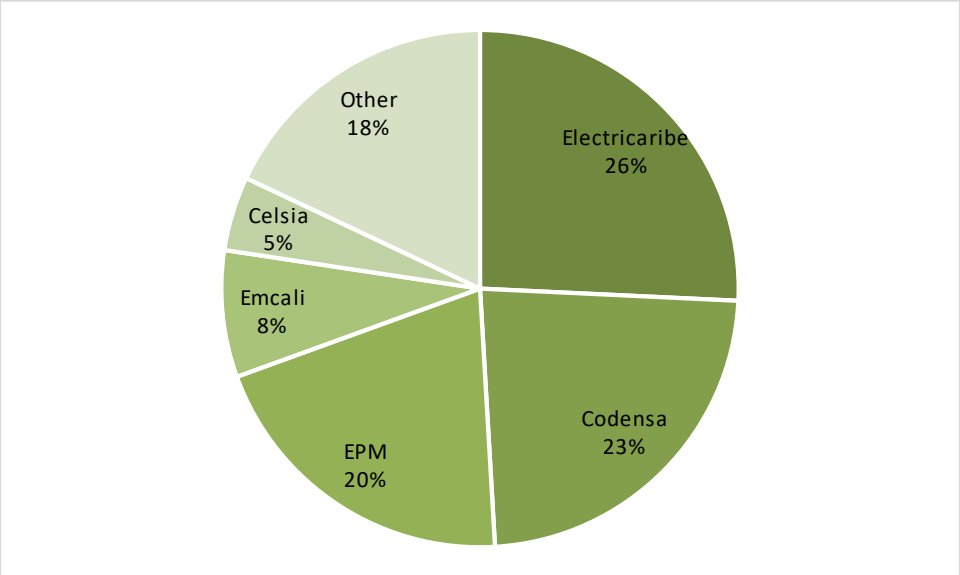
The STN expansion plans must be flexible, both in the medium and long term, and adaptable to changes resulting from technical, economic, financial and environmental conditions, while complying with STN's quality, reliability and safety requirements. The projects proposed in the STN expansion plans must be technically and economically feasible and must have the approval of the relevant environmental authorities.

The STN expansion procedure guarantees a competitive bidding process with respect to the construction, operation and maintenance of new electricity transmission expansion projects. Bidders submit estimated annual revenues in U.S. dollars for each of the 25 years following the commissioning of the project. Proposals are compared calculating the present value of the estimated annual revenue for each of the 25 years, applying a discount rate approved by the CREG. Estimates submitted by bidders include costs related to pre-construction works, such as design, rights of way, environmental studies and licenses; construction works, including independent engineering and all works required for the project's environmental feasibility; the opportunity cost of capital invested, and corresponding administration, operation and maintenance expenses.

Power Distribution in Colombia

Distribution activities consist of transporting and delivering electricity to end-customers through the STR and the SDL. Power distribution services are a natural monopoly and a highly regulated activity. The STR is an electricity transmission system formed by transmission lines and substations that operate between 57.5 kV and below 220 kV. The STR has 11,074.4 km of 110-138 kV transmission lines. The SDL is an electricity transmission system formed by transmission lines and substations that operate at voltages lower than 57.5 kV (Levels 1, 2 and 3) and which are devoted to the rendering of electricity services in one or more commercialization markets. Any customer may have access to the SDL provided that it pays a connection charge.

According to XM, in Colombia, there are 16 distribution companies registered. With nine of them serving approximately 83.6% of the distribution market in Colombia. The chart below illustrates the shares of the power distribution market as of December 31, 2018 based on the percentage of consumption by operators of the network:



Pursuant to CREG regulations, power distribution companies cannot have direct or indirect ownership interests in power generation companies in excess of 25.0%. This ownership restriction is not applicable to affiliates or subsidiaries of the relevant power distribution company. Also, power distribution companies may have ownership interests in excess of 25.0% of the shareholdings of integrated companies that perform electricity generation, distribution and commercialization activities, provided that the integrated company's electricity generating capacity does not exceed 2.0% of the total Firm Energy declared for purposes of the Reliability Charge mechanism.

Key Characteristics of the Power Distribution Market

Distribution activities consist of transporting and delivering electricity to end-customers through the STR and SDL. The distribution is made by network operators (*operadores de red* or "ORS"). ORS are in charge of planning the expansion, investment, operation and maintenance of all or part of the STR or SDL. Assets may be owned by ORS or by third parties, although the expansion of the system is the responsibility of the ORS. An STR may be owned by one or more ORS. ORS do not purchase electric energy.

The CREG is responsible for establishing the usage charges for the distribution of electricity. Such charges are reviewed every five years. The methodology applicable to the calculation of distribution charges related to Level 4 is a regulated revenue methodology, while the methodology applicable to the calculation of distribution charges related to

Levels 1, 2 and 3 consists of a maximum price. In the case of Level 4, income of the OR is guaranteed without considering demand. In the cases of Levels 1, 2 and 3, income of the OR is guaranteed but with an associated risk of demand.

Distribution Usage Charges of all levels are calculated as the quotient between yearly assets, administration, operation and maintenance expenses, and the electricity transmitted. With respect to assets, constructive units (physical amounts) are defined and valued as cost of reposition. The administration, operation and maintenance expenses are calculated as a percentage of the value of the assets, which, with the methodology set forth in 2018 which replace the methodology set out in 2008. For 2009, the CREG calculated a reference percentage of administration, operation and maintenance expenses per company, based on the actual costs for the years 2004 to 2007 and, since September 1, 2010, such percentage is updated considering actual costs for 2009 and the evolution of quality service indicators with respect to the prior year. The CREG also defines the value of WACC (weighted average cost of capital), which is the discount rate used for obtaining annual revenues. The measure of electricity transmitted also takes electricity efficiency losses into account. Once the methodology is defined, charges of distribution by level of tension are approved for each OR. The CREG is currently reviewing the ORs requests for the Distribution Usage Charges under 2018's methodology.

Asset Availability and Service Quality Requirements

Power distribution companies are required to comply with certain asset availability and service quality standards for the STR, revised by CREG Resolution 094 of 2012. Asset availability and service quality are measured by standards that measure the number and duration of interruptions in a certain period of time. The following table shows the asset availability and quality service standards currently applicable:

Assets	**Annual Maximum of Unavailable Hours**
Assets Connecting to STN	65
Compensation equipment	18
Line voltage Level 4	38
Electrical connectors:	
Without bays maneuvers	15
With bays maneuvers	30

The quality of service of the SDL is reviewed on a quarterly basis. Reviews are made in terms of average quality of services of an OR for customers connected at Level 1 and, in an aggregate form, for customers connected at Levels 2 and 3. Such average is then compared to a reference of average quality.

Such average quality measures are expressed as an Index of Discontinuity or *Indices de Discontinuidad* that reflects the average amount of Non-Transmitted Electricity (*Energía No Suministrada* or "ENS") by an or per unit of electricity transmitted or *energía suministrada* by an OR. Depending on the amount of ENS in a given three-month period, the OR may be entitled to receive incentives that may reduce the Distribution Usage Charge for the corresponding tension level or increase it during the next immediate three-month period following the evaluation. The incentives are matched with compensation granted to worst-served customers, which is intended to reduce the

frequency of low quality service delivered by an OR vs. quality average, with the purpose of guaranteeing a minimum level of quality to the end-customers.

Expansion of the STR and the SDL

The expansion of the STR and SDL is subject to the criteria and regulations set forth by the CREG. According to these regulations, the distribution companies are responsible for designing and implementing the expansion plans for the systems they operate in accordance with their strategic and financial plans. These plans shall be prepared based on certain criteria including, among other items, the demand, adaptability, flexibility, environmental feasibility, economic efficiency, quality and continuance of the service. Distribution companies are required to include in their expansion plans all the projects required by the systems they operate, including third party requests that are financially feasible. With respect to the STR expansion, in 2013 the CREG issued Resolution 024, which establishes a summons mechanism should it be necessary, which was amended by CREG Resolution 093 of 2014 and CREG Resolution 113 of 2015, which established additional procedures for the execution of urgent and expansion projects within the STR.

Revenues of Power Distribution Companies

The revenues of power distribution companies consist of distribution charges paid by end-customers in their energy purchase billing, which may be either Unregulated or Regulated Customers. The basic components of the electricity distribution charges provide for the recovery of reasonable operating, administrative, maintenance and capital costs incurred by the power distribution companies as approved by CREG Resolution to each one of the ORs. The methodology applicable to the calculation of distribution charges varies depending on the voltage levels of the SDL.

The methodology applicable to the calculation of distribution charges related to Level 4 is a regulated revenue methodology, while the methodology applicable to the calculation of distribution charges related to Levels 1, 2 and 3 consists of a maximum price. In 2012, the MME issued Resolution 180574, which provides that the new area of distribution of electric energy in the center of the country (ADD, for its acronym in Spanish) shall be comprised by the distribution systems of the following companies Electrificadora de Santander S. A. E.S.P., Centrales Eléctricas de Norte de Santander S. A. E.S.P., Empresas Públicas de Medellín S. A. E.S.P., Empresa de Energía del Quindío S. A. E.S.P., Central Hidroeléctrica de Caldas S. A. E.S.P, Empresa de Energía de Pereira S.A. E.S.P and Ruitoque S.A. E.S.P.

Ongoing Revenue Review

The revenues of distribution companies are subject to an ongoing review by the CREG. The purposes of CREG's review is to update the recognized unitary costs, constructive units, capital expenses, the management, operation and maintenance percentages and the quality requirements expected from said companies, among other aspects. The CREG, by means of Resolution 015 of 2018, defined the remuneration methodology applicable for energy distribution activities (including, among other aspects, amendments to the remuneration of assets and the recognition of management, operation and maintenance activities under an efficiency model) for the next five years. Distribution companies are currently expecting the CREG to review their revenues, which were submitted for approval between July and September 2018.

Power Commercialization in Colombia

Commercialization activity consists of the purchase of electricity in the wholesale market and the subsequent resale to other market participants or to end-customers, both Regulated and Unregulated. The commercialization company purchases electricity in the wholesale market to resell it to end-customers. Commercialization can be performed by both generators and distribution companies, as well as by pure commercialization companies. In addition, commercialization companies provide services such as billing and collection, metering and customer services, among others.

Individual commercialization companies may not, directly or indirectly, account for over 25.5% of the sector's total electricity sales at any time. If a commercialization company exceeds such restriction, it may be required to reduce its market share to less than 25.5% of the sector's total electricity sales within a term of one year.

Law 143 divides the market into two market segments:

Regulated Market

The Regulated Market is comprised of individual customers and industrial customers, residential or commercial, with electricity demands below 0.1 MW or monthly consumption lower than 55.0 megawatt-hours ("MWh"). Regulated Customers are free to select any service provider. Even tariffs are subject to a regulated liberty regime, the tariffs charged to the Regulated Market are required to follow the criteria and methodology set forth by the CREG, which establishes the parameters that must be used by power companies in setting forth their maximum applicable charges for the services they provide. The tariffs applicable to the Regulated Market are set forth by the CREG according to predetermined formulae. Purchases of electricity for the supply of the Regulated Market are made through public bids in order to ensure open and free access. Companies engaged in both the generation and the commercialization businesses may only purchase up to 460.0% of their own electricity for sale to the Regulated Market. This regulation is under an ongoing CREG's review. The proposed new mechanism was published by Resolution CREG 79 of 2019 set out that after 2025 commercialization companies shall not have contracts, resulting from bids of the Regulated Market, with generation or commercialization companies controlling up to the 10.0% of their regulated demand.

Unregulated Market

The Unregulated Market is comprised of electricity consumers that either have a peak demand greater than 0.10 MW or a minimum monthly consumption greater than 55.0 MWh. This segment is attended by generation and commercialization companies. Purchases of electricity in this segment can be freely made among participants at freely negotiated prices for the C and G components of the tariff.

Furthermore, Law 143 restricts vertical integration between power generators and distributors. Nevertheless, the National Development Plan or Law 1955 of 2019, permits vertical integration between commercialization, distribution and generation companies under specific conditions in that region. In order to determine whether a power generation or commercialization company is in compliance with Colombia's vertical integration limitations or maximum ownership interests permitted, the applicable CREG regulations provide that ownership interests that any given company may have must be added to those of other companies that are controlled by or under common control with such company. Law 1955 of 2019 also established that commercialization companies must have an 8.0% to 10.0% of its electricity supply from non-conventional renewable energy sources.

BUSINESS

Overview

Promigas is a public utilities company (*empresa de servicios públicos*) organized as a stock corporation (*sociedad anónima*) under the laws of Colombia. Promigas is an integrated services conglomerate that participates both directly and through subsidiaries and Related Companies in the natural gas and power sectors in Colombia and Peru. In Colombia, we are the only vertically-integrated natural gas company allowed by Colombian law to operate both in the gas transportation and gas distribution sectors, since we were already engaged in natural gas transportation and distribution activities when Law 142 of 1994, which limits such integration, was enacted by the Colombian Government. In Peru, we are also a strong player with a market share of 92% in the natural gas distribution segment through our subsidiaries Cálidda and Gases del Pacífico, reaching 852,746 users as of June 30, 2019.

We are one of the two main natural gas transportation companies operating in Colombia, and we participate in the natural gas transportation sector both directly and through our subsidiaries (Transmetano, Promioriente, and Transoccidente). According to a study commissioned by us, in 2018 we transported 52% of the total natural gas consumed in Colombia and we have a total transportation capacity of 1,040 MMCF/D. We serve the regions of La Guajira, Magdalena, Atlántico, Bolívar, Sucre and Córdoba (by Promigas); Antioquia (by Transmetano); Valle del Cauca (by Transoccidente); and Santander (by Promioriente). As of the date of this offering memorandum, the total length of our Pipeline System was 3,094 km (1,922 miles) and accounted for 42% of the entire natural gas transportation system in Colombia.

We participate in the LNG business in Colombia through our subsidiary SPEC, a company we co-founded and in which we own, directly and indirectly, a 51% equity interest. In February 2014, following a private tender process organized by Grupo Térmico (a joint venture comprised of the main thermal power generation companies serving the Caribbean region of Colombia), SPEC was awarded a contract to build, operate, maintain and manage an LNG terminal that provides importation, storage and regasification services in Colombia. SPEC's LNG terminal also provides an entry point for injecting gas into the Colombian National Natural Gas Transportation System. For the first phase, an FSRU, was placed into commercial operation in December 2016. SPEC has a regasification capacity of 400 MMCF/D and a storage capacity of 170 Mm3. In 2018, SPEC regassified 10,353 MPC to timely meet Colombia's power generation needs. SPEC's installed capacity allows for the generation of 1,840 MW of energy, equivalent to 35% of Colombia's thermal generation capacity and 12% of Colombia's total generation capacity of 17,000 MW.

We participate in the natural gas distribution sector in Colombia through our subsidiaries Gases de Occidente and Surtigas and our Related Company, Gases del Caribe, serving, as of June 30, 2019, a total of approximately 3.6 million users. In 2018, we distributed approximately 34% of the total natural gas distributed in Colombia, and served approximately 38% of Colombia's natural gas distribution customers, according to the MME. Our subsidiary, Gases de Occidente, serves the Cauca and Valle del Cauca regions, while Surtigas serves the Bolivar, Córdoba, Sucre and Antioquia regions. In addition, we provide non-bank financing services to our natural gas distribution customers under the Brilla program. For more information, see "Business—Our Non-bank Financing Business".

We also participate in the natural gas distribution sector in Peru through our Related Company, Cálidda, and our subsidiary, Gases del Pacífico. Cálidda is the sole and exclusive natural gas distribution concessionaire for Lima, Peru's capital city, the adjacent city of Callao and the surrounding region, serving, as of June 30, 2019, over 852,746 customers in those regions. We participate in the natural gas distribution sector in the northern region of Peru through our wholly-owned subsidiary (and co-issuer of the notes), Gases del Pacífico. Following a successful bid in a public tender conducted by the Peruvian Government in 2013, Gases del Pacífico was awarded a natural distribution concession through pipelines, which includes a Virtual Pipeline to supply the LNG to the concession area, and entered into a concession agreement with the Peruvian Government represented by MINEM on October 31, 2013.

Gases del Pacífico's concession commenced on December 7, 2017 and, as of June 30, 2019, the company had 46,926 residential natural gas customers connected. As part of the Initial Connection Plan, Gases del Pacífico is required to have 150,137 consumers with a consumption of up to 100 m3/month (residential natural gas customers) connected by the end of 2020. The Initial Connection Plan establishes the number of required connections on a yearly basis. As a result of delays in the construction phase of the project, the term to comply with the Initial Connection Plan has been extended until 2022. See "Business—Our Natural Gas Transportation Business—Concessions." Additionally, on August 16, 2019, Gases del Norte, obtained a natural gas distribution concession through pipelines covering the Region of Piura which will allow us to expand and consolidate our operations in Peru. For more information, see "Summary—Recent Developments"

We participate in the Colombian power distribution sector through our subsidiary CEO, which acquired operational control of the assets of Cedelca, pursuant to a management agreement entered into on June 28, 2010. In 2018, CEO distributed approximately 1% of the total electricity distributed throughout Colombia, and served approximately 3% of Colombia's power distribution customers and 97% of the power distribution customers in the Cauca region. We also participate in the Colombian power generation business through our subsidiary Promisol, which currently operates stations of its affiliate Zonagen, and third parties, and maintains an installed capacity of approximately 44 MW.

Our History

Promigas was incorporated in 1974 as a limited liability company owned primarily by the Colombian Government. Corficolombiana and Corporación Financiera del Valle, which merged in 2005, were founding shareholders of Promigas with a 14.4% ownership interest, collectively. Promigas was fully privatized in 1996 when approximately 39.0% interest in the company was sold to affiliates of Enron, which subsequently increased its interest in Promigas to 42.9%. In 2006, as part of Enron's U.S. liquidation proceedings, Enron's interest was purchased by affiliates of Prisma Energy International. In 2007, Prisma Energy International transferred its 42.9% interest in Promigas to affiliates of AEI, which in 2009 acquired an additional 9.2% interest in Promigas, increasing its total participation to 52.1% interest. On February 10, 2011, AEI sold such affiliates to a group of investors including: (i) GEB, which purchased a 30.0% interest in such affiliates that represented a 15.6% interest in Promigas; (ii) Corficolombiana, which purchased a 20.3% interest in such affiliates that represented a 10.6% interest in Promigas; and (iii) a couple of private investment equity funds managed by Corredores Asociados, S.A., and Correval S.A., which purchased a 49.7% interest in such affiliates that represented a 25.9% interest in Promigas. From 2000 to 2010, a group of business entities owned by different members of the Scarpetta family of Colombia made several acquisitions of Promigas' stock and later transferred such shares to other entities. One of those entities is AMALFI S.A.S., which as of the date of this offering memorandum has a 15.9% ownership interest in Promigas.

Our Competitive Strengths

We believe that the following competitive strengths will enable us to successfully implement our strategy:

- *Major player in the Colombian natural gas sector with diversified revenue base*. We were engaged in both the natural gas transportation and distribution sectors in Colombia prior to the enactment of Law 142 of 1994, which limited vertical integration in the gas sector with the exception of companies, like us, that were previously vertically integrated natural gas transportation and distribution companies. We benefit from the diversified revenue base provided by such integration, as well as our participation in the power distribution sector. We are one of the two main natural gas transportation companies operating in Colombia. We participate in the natural gas transportation sector both directly and through our subsidiaries Transmetano, Promioriente and Transoccidente. According to a study commissioned by us, we have a total gas transportation capacity of 1,040 MMCF/D, and in 2018 transported 52% of the total natural gas consumed in Colombia. As of the date of this offering memorandum, the Pipeline System accounts for approximately 42% of the entire natural gas transportation system in Colombia, measured in kilometers of gas pipelines and related assets.

- *Important player in the Peruvian natural gas sector*. In July, 2019, we obtained a new concession which will allow us to expand and consolidate our operations in Peru. Our Related Company, Cálidda, is the sole and exclusive natural gas distribution concessionaire for Lima, the adjacent city of Callao and the surrounding region, serving, as of June 30, 2019, over 852,746 customers in those regions. In addition, our wholly-owned subsidiary and co-issuer, Gases del Pacífico, was awarded a 21-year gas distribution concession by the Peruvian Government. Under the terms of its concession agreement, Gases del Pacífico is required to have 150,137 residential natural gas customers connected by the end of 2022. See "Business—Our Natural Gas Transportation Business—Concessions." Commercial operations under Gases del Pacífico's concession commenced on December 7, 2017 and, as of June 30, 2019, the company had 46,926 residential natural gas customers connected.

- *Limited competition due to high barriers of entry and strategic location of natural gas transportation assets*. The natural gas transportation network in Colombia is divided into two regions: (i) the interior, which is serviced by TGI; and (ii) the Atlantic coastal region (which accounted for 51% of the natural gas transported in Colombia for the year ended December 31, 2018), serviced by us. We believe that there is limited competition and high barriers of entry for new entrants into the gas transportation market, since the construction of a competing natural gas pipeline system and associated infrastructure would require a significant capital investment and competition with us for customers that we have been serving for many years, and who would incur in high costs by switching from service provider. Moreover, Promigas and its subsidiaries, Transmetano, Transoccidente and Promioriente, are the only natural gas transportation companies for the regions of Caribe, Antioquia and Occidente in Colombia, whose transportation infrastructure services connect with La Guajira and Sucre natural gas production fields for the Caribe region, and the Llanos Orientales gas fields for the areas of Antioquia and Occidente. These gas production fields represent approximately 82% of Colombia's natural gas reserves. Accordingly, those companies benefit from the high barriers of entry to transport natural gas extracted from such fields as well as any increased production resulting from an increase in proven and probable reserves in such fields compared to the reserves of older, more depleted fields. Additionally, Promioriente is the only natural gas transportation company that provides gas transportation service from the new Gibraltar natural gas field.

- *Core business in strategic sector*. We operate in a sector of strategic importance to the Colombian and Peruvian Governments. These governments actively support the development of their countries' oil and gas industry with a view to becoming regional and global players in that sector. In addition, the increased use of natural gas as a less *expensive* and cleaner fuel relative to other fossil fuels is expected to contribute to the increased demand for natural gas consumption in Colombia and Peru, which in turn would require additional transportation and distribution infrastructure.

- *Strong operational performance and efficiency*. Our natural gas transportation and gas distribution businesses in Colombia have consistently achieved high levels of operational availability of its natural gas transportation infrastructure totaling (99.99%) in each 2018, 2017 and 2016, and similarly high levels of continuity of service of its natural gas distribution infrastructure (99.99%) in each of 2018, 2017 and 2016. We believe that our strong operational performance and efficiency will allow us to maintain strong operating margins and to take advantage of growth opportunities in the natural gas and power sectors in the region.

- *Stable revenue stream and predictable cash flows*. Our revenues and cash flows have been historically stable and predictable due to the following factors:

  – 80.7%, 80.4%, 78.6%, 81.5% and 77.9% of our consolidated revenues for the six-month periods ended June 30, 2019 and 2018 and each of the three years ended December 31, 2018, 2017 and 2016, respectively, were derived from our regulated businesses (including results from our natural gas transportation, natural gas distribution and electricity distribution segments) in which tariffs are set to recover costs and capital expenditures;

- 30.1%, 29.8%, 26.6% and 22.7% of our consolidated revenues for the six-month periods ended June 30, 2019 and the three years ended December 31, 2018, 2017 and 2016, respectively, were linked to foreign currencies; and

- as of June 30, 2019, 72% of our natural gas transportation revenues were derived from fixed transportation rates charged by us to our customers based on their contracted capacity under long-term firm transportation contracts. Such fixed transportation rates are not dependent on the volume of natural gas transported by us to our customers.

- *Synergies with complementary businesses*. We are Colombia's only vertically integrated natural gas transportation and distribution company, and our technical and managerial experience and expertise developing and operating natural gas transportation and distribution businesses provide us with a competitive advantage to pursue investment opportunities in complementary businesses, such as power distribution and other public utilities. The natural gas and power distribution businesses are driven by similar supply and demand fundamentals, are subject to similar regulatory schemes and use similar technology and operating and managerial systems.

- *Experienced management and strong shareholders*. The members of our management team are highly trained industry professionals with an average of over 20 years of experience in the Colombian natural gas sector. In addition, we benefit from the operational excellence and expertise of GEB in the energy sector in Colombia, Peru and other countries, and the financial strength and substantial managerial experience and expertise of Corficolombiana and Grupo Aval, both in Colombia and other Latin American markets.

- *Stable regulatory environment and proactive and constructive relationship with regulators*. The regulatory environment framework for the natural gas sectors in Colombia and Peru and the power sector in Colombia have historically been stable. Although we are awaiting certain resolutions and regulations to be issued, we have a constructive relationship with the CREG, MME, UPME, the OSINERGMIN and the Peruvian Ministry of Energy and Mines and the other governmental agencies that regulate our business, and actively cooperate with them in managing regulatory issues and addressing the challenges associated with the development of the Colombian energy sector.

Our Business Strategy

Our strategy is to maintain a prominent position in the natural gas and power sector in Colombia and to continue the expansion of our core businesses in Peru and into other Latin American countries with stable and sound energy regulatory frameworks and attractive growth prospects. Our strategy is based on the following key elements:

- *Continue domestic and international expansion*. We believe that our experience and managerial expertise in the natural gas transportation and distribution sectors will position us favorably to expand our business outside Colombia and participate in new expansion projects in certain key Latin American markets, such as Peru, where successful ventures have already been established, Mexico and Central America.

- *Continue improving operating efficiency and margins*. We intend to continue focusing on improving the operating margins of our businesses by investing further in the modernization of our operations and infrastructure and in the implementation of international operating standards and maintenance programs to improve the overall quality, efficiency and reliability of the services we provide. In October, 2017, we established Enlace, our shared services center which provides a new standardized and centralized management model for the administrative and financial processes of Promigas and its subsidiaries. During the year ended December 31, 2018, centralized purchases made through Enlace represented savings for Col$24,114 million (U.S.$8 million).

- *Continue capitalizing on synergies*. We believe that certain synergies such as cost savings and business opportunities can arise from our natural gas and power businesses. Potential synergies include taking advantage of marginal costs associated with the development of new infrastructure to improve the

provision of services and the profitability of operations, deriving additional unregulated revenues from the provision of ancillary services related to the design and development of interconnection assets and systems, maintenance and construction management services for new expansion projects and cost reduction through economies of scale derived from combining procurement activities for our natural gas and power businesses.

- *Continue capitalizing on the experience and expertise of shareholders and relations with regulators*. We have developed a strong and collaborative relationship with GEB with respect to GEB's investment in us, as well as the joint investment by GEB and us in Cálidda in Peru. Additionally, we have a strong working relationship with Corficolombiana and its parent, Grupo Aval, which has been our shareholder since 1977. We have also developed constructive relationships with CREG and UPME in Colombia and, through Cálidda, with OSINERGMIN in Peru.

- *Continue to benefit from non-bank financing business*. We aim to further expand our services in our non-bank financing business where we have received returns above cost of capital consistently for the last years. The potential for growth is leveraged by low cost ventures capitalizing on synergies with the operations of our core businesses.

- *Expand relationship with core clients*. We are always looking to improve and expand our relationship with clients through different strategies. A clear example of these strategies is the key role we had in the implementation of SPEC's LNG import and regasification terminal. During that process, we worked with thermal power generation plants to submit a proposal to the CREG regarding the construction of the terminal as a way to address the natural gas supply shortage. This terminal, operating since December 2016, allows Colombia to provide new gas offers in order to support thermal power generators to meet the energy obligations they have with the country's demand. Currently, SPEC has a capacity to store 170 Mm3 of LNG and is able to regassify 400 MMCF/D, in order to provide 1,840 MW of power generation, around 35% of the country's thermal capacity. These strategies are executed and achieved thanks to a continuous and rigorous analysis of our clients' competitive environment, market position and situation, which allows us to know specifically the clients' needs, where we seek to align our objectives with theirs to construct long-term relationships.

- *Connect new natural gas sources to markets*. We have consistently developed infrastructure to connect new sources of gas supply to the markets of Cartagena and Barranquilla and interconnect markets. We have reached bilateral negotiations with gas suppliers such as Frontera Energy, Hocol and with Canacol, offering integrated solutions of gas transportation to these clients as well as adapting to the decreasing supply offer of traditional major camps in la Guajira that are being replaced by increasing supply offer in the Sucre and Cordoba departments.

Our Focus on Sustainability

We implement a corporate sustainability policy with an inclusive focus, seeking to generate long-lasting economic, social and environmental value among our stakeholders, centered on the human being as the cornerstone. Guided by ethics and transparency we take a responsible and effective approach to the opportunities and risks associated with our operations, promoting sustainable development. For us, sustainability is a dynamic process supported on excellence and innovation, in line with the interests and expectations of our stakeholders and with global standards and best practices.

Framed in eight commitments, in 2018 we obtained the following results, among others:

- *Sustained Growth*. Our comprehensive and responsible management contributed to the economic and social development of the country. For the year ended December 31, 2018, we obtained a total revenue of U.S.$1,163 million as a result of the good performance of our business activities, aiming to adequately reward our shareholders while extending our services to an ever growing number of users.

- *Ethical and Transparent Conduct*. Ethical and transparent behaviors and practices are a constant in the organization and are led by senior management. As a result, we have defined and prioritized on three pillars: Code of Conduct, Code of Good Corporate Governance and Anti-Fraud Policy.

- As part of the range of initiatives that contribute to the strengthening of our ethical behavior, the consolidation of the strategy of compliance with Sarbanes-Oxley – SOX has been highlighted, yielding as a result 100% effectiveness in the key controls associated.

- We also achieved the Investor Relations ("IR") Recognition from the Colombian Stock Exchange -BVC- promoting among issuers the voluntary adoption of best practices on disclosure and investor relations. These initiatives earned us this recognition result in greater transparency and closeness to shareholders and investors.

- Additionally, we obtained the accreditation of all our processes, procedures, structures and internal audit existing policies by The Institute of Internal Auditors ("IIA"), fully complying with international standards regulating this matter. We are the first Colombian company in the gas sector and the Colombian Caribbean to achieve this certification, thanks to our commitment to the quality and competence of our regulatory bodies, the fundamental support of good corporate governance, helping to create transparency for shareholders, control and surveillance authorities, and the market in general.

- *Culture of Quality*. Operational excellence is one of the premises to provide our customers reliable natural gas transportation and distribution services with permanent availability, which motivates us to develop our operation with a strict adherence to the highest standards of quality and the national and international regulations applicable to the business. In 2018, we maintained customer loyalty indices of over 82%.

- We highlight the completion of the horizontal direction drilling -HDD- river crossing in the Magdalena River, one of the longest in Latin America, which involved a significant investment and remarkable professional work of our technical team. The crossing is 2,800 meters long, 15 meters below the bottom of the river and will ensure our remitters a continuous and safe natural gas service.

- *Safe and Healthy Workplace*. We guarantee a safe and healthy environment for our stakeholders in the development of our operations. No effort has been spared on this front. Our gas pipeline integrity management meets the most stringent national and international standards. Through the implementation of workplace safety and occupational health programs, together with the control of occupational risk, we maintained the number of behavior based safety numbers in an average percentage of 94%.

- *Integral Human Talent*. We provide for the integral development of our employees. In 2018, we invested more than Col$70,100 million in salaries, allowances and benefits for our team, totaling 394 employees by the end of 2018. The average age of our staff is 39 years and employment time with the company amounts to 9 years. Our turnover rate was 4.6%.

- *Environmental Responsibility*. Our environmental management system, certified under ISO 14001, guides our commitment and allows our operations to act in harmony with the environment. In 2018, we reduced 16% our water consumption, generated 510GWh from renewable sources and installed a 23,014kWh photovoltaic solar generation system for self-generation of electrical energy at our headquarters. In addition, we included our commitment to climate change in our environmental policy, establishing specific goals for this matter.

- *Sustainable Suppliers*. Ethics and transparency are core values in our relationships with our suppliers and contractors. The belief of working for common goals makes us long-term strategic partners. In 2018 a total of 694 national and international suppliers of goods and services participated in the development of our business, with purchases worth Col$437,694 million (U.S.$137 million).

- *Communities with Quality of Life*. We are committed to improving the quality of primary education and providing opportunities for entrepreneurship. We believe this is the best way to contribute to local development and contribute to the national goals of reducing poverty. We are present in 100% of the municipalities on our zone of influence, where we hire locally 100% of unskilled labor and 50% on average of the qualified labor needed for the development of the new projects. In 2018, we invested Col$14,300 million in 2018 in social investment and benefit more than 150,000 people. Thanks to the social management of the Promigas Foundation, 11 Colombian departments have benefited from this program, seven of them corresponding to the Colombian Caribbean region and four in other regions.

Our Natural Gas Transportation Business

The Pipeline System

We own and operate several natural gas transportation pipelines in Colombia. The following map illustrates the pipelines and compression stations that comprise our natural gas transportation assets.

Source: Promigas

Our natural gas pipelines are generally large-diameter buried steel pipelines which transport natural gas for long distances and in large volumes at pressures of 250 to 1,200 pounds per square inch gauge, which, according to industry standards, is considered high pressure. We transport natural gas through four main pipelines, which together make up the Pipeline System: (i) the Promigas Pipeline, a 2,561 km (1,591 miles) pipeline operated by Promigas; (ii) the Transmetano Pipeline, a 189 km (117 miles) pipeline owned and operated by Transmetano; (iii) the Promioriente Pipeline, a 333 km (207 miles) pipeline owned and operated by Promioriente; and (iv) the Transoccidente Pipeline, a 11 km (7 miles) pipeline owned and operated by Transoccidente. The total length of the Pipeline System is approximately 3,094 km (1,922 miles).

The Pipeline System maintains very high availability rates, and an average rate of gas loss lower than 1.0%, which, under current CREG regulations, is the maximum level of gas losses we can sustain without being required to pay any penalties. See "Selected Financial and Operating Data—Selected Operating Data".

For the six-month period ended June 30, 2019 and the three years ended December 31, 2018, 2017 and 2016, the portion of our Consolidated Adjusted EBITDA attributable to natural gas transportation activities was 47.8%, 54.5%, 55.6% and 50.8%, respectively. Additionally, for the six-month period ended June 30, 2019 and the three years ended December 31, 2018, 2017 and 2016, the portion of our consolidated net income attributable to natural gas transportation activities was 51.1%, 52.8%, 55.3% and 56.7%, respectively.

Pipelines

The Promigas Pipeline is a 2,561 km (1,591 miles) natural gas pipeline with a capacity of 838 MMCF/D and transports natural gas from fields in the region of La Guajira, Valle Inferior de Magdalena ("VIM"), La Creciente and Sinú San Jacinto ("SIN SJ") to the natural gas demand in Colombia's Coast. We also provide subcontracted pipeline design, construction, operation and maintenance services for government and/or third-party-owned natural gas transportation customers who own pipelines.

The Transmetano Pipeline is a 189 km (117.5 miles) natural gas pipeline with a capacity of 78 MMCF/D and transports natural gas from Sebastopol to the city gate in Medellín in the Department of Antioquia. The natural gas transported comes from the La Guajira gas field. As of the date of this offering memorandum, we owned 99.7% of Transmetano's capital stock.

The Promioriente Pipeline is a 333 km (207 miles) natural gas pipeline with a capacity of 50 MMCF/D from Gibraltar to Bucaramanga and 37MMCF/D from Bucaramanga to Barrancabermeja. The Promioriente Pipeline transports natural gas from the Gibraltar gas field to the city gate in Bucaramanga in the Department of Santander, and then on to the city gate in Barrancabermeja. The natural gas transported comes from the Gibraltar gas field. As of the date of this offering memorandum, Promigas owned 73.3% of Promioriente's capital stock.

The Transoccidente Pipeline is a 11 km (6.8 miles) natural gas pipeline with a capacity of 73.6 MMCF/D and transports natural gas from Yumbo to the city gate in Cali in the Department of Valle del Cauca. The natural gas transported comes from the Llanos Orientales gas field. As of the date of this offering memorandum, Promigas owned 79.0% of Transoccidente's capital stock.

Receipt Locations

Natural gas enters the Promigas Pipeline from eight receipt points, which as June 30, 2019 have a total receipt capacity of approximately 842 MMCF/D. Through these receipt points, our customers may access natural gas from various production sources. The location of our receipt points provides our customers access to the production areas of La Guajira, Magdalena, Sucre y Córdoba.

Natural gas enters the Transmetano Pipeline from the one receipt point, which has a total receipt capacity of approximately 78 MMCF/D. The location of the Transmetano's receipt point provides Transmetano's customers access to the production area of La Guajira and Cusiana.

Regularly, natural gas enters the Promioriente Pipeline from one receipt point. However, the system has the facilities to receipt natural gas from another source when main source fail. Promioriente Pipeline has a total receipt capacity of approximately 87 MMCF/D (this value includes a counter flow capacity of 37 MMCF/D considering COGB inlet point). The location of the Promioriente's receipt points provides Promioriente's customers access to the production area of Gibraltar, La Guajira and Cusiana.

Natural gas enters the Transoccidente Pipeline from one receipt point, which has a total receipt capacity of approximately 74 MMCF/D per day. The location of Transoccidente's receipt point provides Transoccidente's customers access to the production area of La Guajira and Cusiana.

Custody Transfer and Metering Stations

All natural gas receipt and delivery locations for the Pipeline System have a custody transfer and metering station. The receipt metering stations measure the volume, pressure and temperature of the natural gas received,

along with its energy, water, sulfur and hydrogen sulfide content, as applicable, and are continuously monitored by a gas chromatograph and other instrumentation that is utilized to perform these functions. These metering stations are located at all of the entrance stations for each pipeline, but only at the exit stations of larger pipelines, or pipelines that feature mixed gas systems.

All of the custody transfer and metering stations for the Pipeline System are owned and operated by us.

Compressor Stations

Compressor stations along a pipeline recompress the gas transported in the pipeline so as to restore pressure to the optimum operational value, which ensures maximum use of pipeline capacity and efficient delivery. These are spaced along the pipelines at various points depending on certain technical characteristics of the pipelines and the required pressure for delivery.

The four compressor stations connected to the Promigas Pipeline, with an aggregate installed capacity of 47,800 HP, are:

- Palomino, with a capacity of 7,800 HP;
- Caracolí, with a capacity of 15,600 HP;
- Filadelfia, with a capacity of 20,000 HP; and
- Sahagún, with a capacity of 4,400 HP.

We also own two standby compressors in some stations, one at Filadelfia and one at Caracolí, each with a capacity of 7,800 HP (considered within the installed capacity above). Currently, our personnel operates Palomino and Caracolí compressor stations and we maintain all of our compressor stations. We rely on the use of natural gas to power our compressor stations. We purchase the natural gas required to power our compression stations from Surtigas.

Transmetano and Promioriente Pipelines have a compressor station each of them, as follow:

- Malena (Transmetano), with a capacity of 3,360 HP; and
- Los Pinos (Promioriente), with a capacity of 2,760 HP.

These stations also have standby compressors, Malena with a capacity of 1,680 HP and Los Pinos with a capacity of 1,380 HP.

Transoccidente Pipeline has not compressor stations, as the gas transported through such pipelines is received at the pressure required for delivery. as the gas transported through such pipelines is received at the pressure required for delivery.

Control and Supervision Centers

Our main gas control center (CPC), located in Barranquilla, where we receive and process orders (nominations) from shippers, and also schedules, programs and manages all of the operation of our pipelines. We receive data in real time, 24 hours a day, of the principal variables of operation such as flow pressure, temperatures and alarms, which data is used for remote operation and emergency shut-off of the Promigas Pipeline, when necessary. Additionally, our CPC monitors and operates some of the compression stations of the Promigas Pipeline. We also control the Transmetano, Promioriente and Transoccidente Pipeline from the CPC in Barranquilla.

Mainline Valves

Sectionalizing mainline valves are installed throughout the Pipeline System at locations determined in accordance with applicable regulations (mainly ASME). Pipeline valves permit the Pipeline System to be isolated into sections, either for operational reasons or to prevent the loss of line-pack gas in the event of a leak or rupture. Depending on the requirements of a particular mainline valve, a combination of the following instrumentation and controls are installed at mainline valve sites:

- controls to permit the opening and closing of the valves and its by-passes remotely;
- control units to permit the open and close status to be monitored and to monitor line pressure at such sites;
- pig passage indicators;
- switches that allow the monitoring of the status of opening and closing of the facility's door where the valve and the communication equipment are located;
- pressure transmitters upstream or downstream of the valves;
- remote indication of pressure drop alarms;
- remote communication equipment; and
- back-up power generation systems.

Pipeline Delivery Points

The Pipeline System connects with several cities and has approximately 333 delivery points. The main delivery points are located at the following companies or cities: EPM (at Tasajera, Barbosa and Parque de las Aguas), Alcanos (at Rionegro and Guarne), Euroceramica (at Honda), Gases de Oriente (at Bucaramanga and Lebrija), Metrogas and COGB (at Barrancabermeja), Yumbo Industrial, Propal, Lloreda, Alúmina, Acopi Carrera 37, Acopi, Came, Goodyear, Cartón Colombia, Yumbo, Mac GNCV, San José, Pacará, Carrera 35, Petrolgas, Cali and several local distribution companies located along the Atlantic Coast of Colombia.

Operation and Maintenance

Promigas, Transmetano, Promioriente and Transoccidente each perform the operation and maintenance of their respective pipelines with their own employees, except for certain specialized functions such as operating some compressor stations, painting the pipeline and evaluating the soundness of the lining surrounding underground sections of the pipeline.

Transportation and Contracted Capacity

Transportation capacity is the maximum capacity of natural gas that can be transported through the Promigas Pipeline at any time assuming a 41.0% utilization rate of our system. Contracted capacity is the natural gas transportation capacity contracted and paid for by customers, regardless of whether the customers actually use such capacity.

The tables below provide information about our contracted transportation capacity as of June 30, 2019:

Promigas

Customer	Customer Since	Remaining Life of Contract	Firm Capacity Contracted	Percentage
	(Year)	*(# of Years)*	*(KPCD)*	*(%)*
Gecelca	2000	0.5	4,000	1.0%

Customer	Customer Since	Remaining Life of Contract	Firm Capacity Contracted	Percentage
Gases del Caribe	1999	0.5	42,500	7.0%
Reficar	2014	14.5	90,000	14.0%
Celsia ZF	1998	7.5	100,000	16.0%
Surtigas	1999	3.2	56,858	9.0%
Termocandelaria	2014	7.5	82,000	13.0%
Yara	2006	0.5	17,000	3.0%
Frontera	2008	0.5	16,051	3.0%
Canacol	2016	1.7	76,000	12.0%
Hocol	2016	0.5	3,000	0.5%
EPM	2017	2.5	2,008	0.3%
Tebsa	2016	3.0	150,500	24.0%
Total			**639,917**	**100.0%**
Installed Capacity			838,000	
% Contracted Capacity			76.4%	

Transmetano

Customer	Customer Since	Remaining Life of Contract	Firm Capacity Contracted	Percentage
	(Year)	*(# of Years)*	*(KPCD)*	*(%)*
EPM	2012	2.5	46,500	81.2%
Alcanos	2008	7.7	1,470	2.6%
Eurocerámica	2018	0.5	1,343	2.3%
Gazel Dallas	2012	2.8	82	0.1%
Terpel Energía	2012	0.5	1,700	3.0%
Vanti	2017	2.0	5,823	10.2%
Senco	2018	0.5	154	0.3%
Rotoplast	2018	0.5	212	0.4%
Total			**57,284**	**100.0%**
Installed Capacity			78,000	
% Contracted Capacity			73.4%	

Promioriente

Customer	Customer Since	Remaining Life of Contract	Firm Capacity Contracted	Percentage
	(Year)	*(# of Years)*	*(KPCD)*	*(%)*
Gas Natural	2009	4.8	50,000	97.6%
Gases del Oriente	2013	2.5	251	0.5%
Proviservicios	2013	0.5	21	—
Organización Terpel	2012	0.5	620	1.2%
COGASEN	2011	0.9	335	0.7%
Total			**51,127**	**100.0%**
Installed Capacity			87,000	
% Contracted Capacity			58.8%	

Transoccidente

Customer	Customer Since	Remaining Life of Contract	Firm Capacity Contracted
	(Year)	*(# of Years)*	*(KPCD)*
Gases de Occidente	2010	11.5	73,600

Installed Capacity	73,600
% Contracted Capacity.....	100.0%

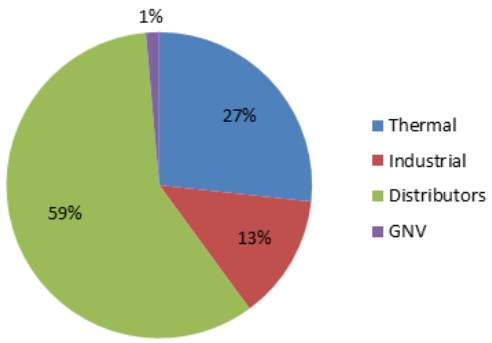
Transportation Capacity, Contracts, Customers and Market

Natural gas transportation services are provided on either a firm or interruptible basis under transportation contracts. Under interruptible transportation contracts, we will transport gas when and if unutilized capacity exists in the Pipeline System. Interruptible transportation services are subject to interruption when deliveries under such services would interfere with or restrict deliveries under transportation services having a higher delivery priority. Conversely, firm transportation services are not subject to delivery priority in favor of another customer and take priority over interruptible service. Pursuant to firm transportation contracts, we agree to make the Pipeline System available and transport natural gas as required by the respective customers, who must pay fixed transportation rates, regardless of whether they utilize the system, as well as other variable rates depending on the extent to which they use the system. As of December 31, 2018, 79.0% of the transportation capacity of our main pipelines was subscribed under long-term firm transportation contracts which had a remaining average life of 5.7 years. For the year ended December 31, 2018, 1.0% of our natural gas transportation revenues was attributable to interruptible transportation contracts and the remaining 99.0% was attributable to firm transportation contracts. As for Transmetano, Transoccidente and Promioriente, for the year ended December 31, 2018, 100.0%, 100.0% and 89.0% of our natural gas transportation revenues respectively, were attributable to firm transportation contracts.

The technical, economic and service conditions of our firm transportation contracts, the transportation rates provided thereunder and, in some cases, the entirety of the terms of such contracts are subject to certain CREG regulations, which are incorporated into the terms of the contracts, irrespective of whether the parties have consented to them. Under most of these contracts, failure by any of the parties to comply with their obligations will give rise to an early termination event, with the defaulting party having to pay a penalty equal to the amount corresponding to the transportation rates to be charged for the remaining term of the respective agreement had it not been terminated. These contracts also include provisions pursuant to which customers may terminate the contract at their option upon any breach attributable exclusively to us, if such breach persists for more than 15 consecutive days in any one-year period. Under such trigger provisions, the relevant entity is obligated to pay a penalty equal to the amount corresponding to the transportation rates to be charged for the remaining term of the contract had it not been terminated. In some cases, the penalty to be paid by us may equal the annual value of the corresponding contract. Under certain contracts, such amount could exceed U.S. $100 million. In addition, a majority of such contracts also provide for special indemnification clauses in the event of low natural gas pressure or poor quality at the exit point of the pipelines. The amount of the penalty under such indemnification clauses varies depending on the terms of the corresponding contract. Breaches and early termination events are not common for our customers.

Another common clause included in the firm transportation contracts we execute with their customers provides for performance guarantees and other forms of security (such as promissory notes and letters of credit), which must remain in force during the entire term of the contract, and which must be renewed and/or modified upon any amendment to the corresponding contract's terms. Failure to do so may give rise to an early termination event, as described above.

The following chart describes the portion of our natural gas transportation revenues attributable to each of the sectors served by us during the year ended December 31, 2018.



As of June 30 2019, our top five natural gas transportation customers together represented 84% of our natural gas transportation revenues. Set forth below are our revenues attributable to firm transportation services to major natural gas distribution companies and industrial customers:

	As of June 30, 2019	
	(Col$ in millions)	*(Percentage (%))*
Termobarranquilla	66,057	24.1%
Surtigas	40,808	14.9%
Reficar	48,199	17.6%
Canacol	50,926	18.6%
Celsia	23,311	8.5%
Others	41,621	15.2%
Total	**274,321**	**100.0%**

Transportation Revenues and Rate Structure

Our revenues from natural gas transportation services consist of fees charged mainly to power generation and natural gas distribution companies and to other customers for making available the transportation capacity of our pipelines and for actually transporting gas to such customers up to their respective contracted capacity under long-term firm transportation contracts or for actually transporting gas purchased by such customers from the gas production fields to the distribution companies' gas distribution networks or to other customers' facilities under long-term firm transportation contracts.

Our transportation rates are contractually agreed to with our customers, subject to maximum regulated rates established by the CREG. The Colombian Government does not guarantee us a specified or minimum rate of return on their investment in pipeline assets and we do not have a guaranteed revenue or cash flow for making their pipeline assets available to the Colombian natural gas transportation sector. Our maximum fixed and variable charges for the transportation of natural gas are authorized by the CREG for five-year periods and adjusted every year based on the U.S. PPI (since the investments are approved in U.S. dollars, and thus related fix and variable charges are indexed to U.S. PPI), while charges for AO&M are adjusted annually based on the Colombian CPI (since they are approved by the CREG in Colombian pesos, and the respective tariff is indexed to Colombian CPI).

The CREG issued the following resolutions, which established the regulated transportation rates applicable to Promigas, Promioriente, Transmetano and Transoccidente:

Promigas

- The CREG Resolution 117 of 2011, which approved the regulated tariff for gas transportation services for Promigas transportation system;

- The CREG Resolution 122 of 2012, which approved the regulated tariff for gas transportation services for Promigas transportation system as a consequence of the recourse filed within the tariff review process (*Recurso de Reposición*);

- The CREG Resolution 068 of 2013, which modified the regulated tariff for Cartagena-Sincelejo's pipeline, approving investments for capacity expansions for the Loop del Sur project which involves 122 Km of pipelines;

- The CREG Resolution 082 of 2014, which adjusted the tariff as a result of the acknowledgement of new replacement values for the pipelines that met their regulatory life span of 20 years in 2013;

- The CREG Resolution 040 of 2015, which adjusted the tariff as a result of an error in CREG's valuation of some pipelines; and

- The CREG Resolution 084 of 2014, which adjusted the tariff as a result of the acknowledgement of new replacement values for the pipelines that met their regulatory life span of 20 years in 2014.

Promioriente

Barranca-Payoa-Bucaramanga

- The CREG Resolution 111 of 2011, which approved the regulated tariff for gas transportation services for Barrancabermeja-Payoa Bucaramanga of Promioriente's transportation system;

- The CREG Resolution 195 of 2011, approved the regulated tariff for gas transportation services for Promioriente's transportation system as a consequence of the recourse filed within the tariff review process (*Recurso de Reposición*);

- The CREG Resolution 062 of 2015, which modified the regulated tariff for Barrancabermeja-Payoa-Bucaramanga pipeline, approving investments for Los Pinos Compressor Station to increase transport capacity; and

- The CREG Resolution 086 of 2016, which adjusted the tariff as a result of the acknowledgement of new replacement values for the Payoa – Bucaramanga's pipeline that met its regulatory life span of 20 years in 2015.

Gibraltar-Bucaramanga

- The CREG Resolution 045 of 2014, which approved the regulated tariff for gas transportation services for Gribraltar-Toledo-Bucaramanga's of Promioriente's transportation system.

Transmetano

- The CREG Resolution 114 of 2011, which approved the regulated tariff for gas transportation services for Transmetano transportation system;

- The CREG Resolution 041 of 2015, which adjusted the tariff as a result of an error in CREG's valuation of some pipelines;

- The CREG Resolution 092 of 2015, which modified the regulated tariff for Transmetano pipeline, approving investments for Malena Compressor Station to increase transport capacity; and

- The CREG Resolution 167 of 2015, which approved the regulated tariff for gas transportation services in Transmetano pipeline as a consequence of the recourse filed within the tariff review process (*Recurso de Reposición*) for Malena Compressor Station.

Transoccidente

- The CREG Resolution 115 of 2011, which approved the regulated tariff for gas transportation services for Transoccidente transportation system;

- The CREG Resolution 123 of 2012, which approved the regulated tariff for gas transportation services for Transoccidente transportation system as a consequence of the recourse filed within the tariff review process (*Recurso de Reposición*); and

- The CREG Resolution 043 of 2014, which approved the regulated tariff of gas transportation services for Transoccidente after the adjustments in the investment projects.

Transportation Rates

We receive revenues calculated pursuant to both fixed and variable gas transportation rates. For the year ended December 31, 2018, 71.0% and 29.0%, respectively, of the revenues of the natural gas transportation entities of Promigas were attributable to fixed and variable natural gas transportation rates. Fixed transportation rates, which we charge for fixed transportation capacity, consist of a specified amount per cubic foot of natural gas per day -year denominated in U.S. dollars and payable in Colombian pesos based, for us, on the average exchange rates for the conversion of U.S. dollars into Colombian pesos calculated and published by the SFC for the month of service, and for Transmetano, Promioriente and Transoccidente, on the exchange rate for the conversion of U.S. dollars into Colombian pesos calculated and published by the SFC for the last day of the month of service. Fixed transportation rates are paid by our natural gas transportation customers for the transportation capacity contracted by them, irrespective of whether such customers actually use such transportation capacity. Invoices are issued on the first business day of the month following the month of service and are payable, generally, in the 30 days following the receipt of such invoice.

Variable transportation rates are applied to a specified amount per cubic foot of natural gas actually transported and delivered to such customer or to a third party at the request of such customer. Variable transportation rates are also denominated in U.S. dollars and payable in Colombian pesos based, for Promigas, on the average exchange rates for the conversion of U.S. dollars into Colombian pesos calculated and published by the SFC for the month of service, and for Transmetano, Promioriente and Transoccidente, on the exchange rate for the conversion of U.S. dollars into Colombian pesos calculated and published by the SFC for the last day of the month of service. Invoices are issued on the first business day of the month following the month of service and are payable, generally, in the 30 days following the receipt of such invoice.

For the six-month period ended June 30, 2019, 72.0% of our natural gas transportation revenues were derived from fixed transportation rates and 28.0% were derived from variable transportation rates.

Fixed and variable transportation rates are subject to the maximum rates Promigas can charge in accordance with the CREG's regulations. As of June 30, 2019, we charge the maximum allowed rate established by the CREG, providing our services on an open, neutral and non-discriminatory basis.

In the event of natural gas loss in route to a customer, the customer is responsible for such loss up to a maximum of one percent of the contracted amount of gas to be transported. Although gas in the pipeline is technically already the property of the customer, we are responsible for any loss over this one percent maximum. A table below shows the average gas losses for our gas transportation business.

Average Gas Losses (%)	2018	2017	2016	Average

Promigas	0.3%	0.4%	0.7%	0.5%
Transmetano	0.1%	0.2%	1.2%	0.5%
Promioriente	—	0.7%	0.7%	0.5%
Transoccidente	0.7%	0.4%	0.1%	0.4%

During the year ended December 31, 2018, 76.7% of our revenues were linked to the U.S. dollar.

Concessions

Promigas, Transmetano and Promioriente all hold exclusive long-term renewable concessions for their respective portions of the Pipeline System from the MME. Each concession agreement provides for exclusive transportation rights within the concession area. The first terms of Promigas', Transmetano's and Promioriente's concession agreements expire in 2026, 2044 and 2045, respectively, and the Colombian Government has the option to repurchase each of Promigas', Transmetano's and Promioriente's assets at a to-be-determined fair value price in 2025, 2043 and 2044, respectively. Otherwise, the concession agreements contemplate extensions in 20-year increments. Since 1994, concessions have not been required to operate new pipelines in Colombia. Nevertheless, Promigas, Promioriente and Transmetano have maintained their concession agreements with the Colombian Government, as they provide a source of legal stability for their operations and a potential for recourse in the event of a dispute with the government.

Competition

We do not currently face any significant direct competition in their natural gas transportation business, which in Colombia is deemed as a public service. Although there are no existing regulatory restrictions or limitations on the ability of other companies to build pipelines in the areas that we serve, constructing a competing natural gas pipeline would require a significant capital investment. In addition, a direct competitor would have to enter into contracts with gas distributors, gas-powered thermal power plants and other customers on terms that would allow such competitor to get an attractive rate of return on our investment.

Rights of Way

We have approximately 1,489 permanent rights of way for the land occupied by the Promigas Pipeline.

Promisol

Promisol has a wide service portfolio, with three main services such as the construction of gas pipelines, the treatment of natural gas and the generation of electricity. During the second half of 2018, Promisol entered into a fourth business unit which offers the service of preventive and corrective maintenance of transport infrastructure to Promigas. As of the date of this offering memorandum, we owned 100% of Promisol's ownership interest.

Promigas is developing important construction projects to increase Promigas' transport capacity system by 100 MMCF/D, which will inject new gas from Canacol's fields. These construction projects are scheduled to be completed during 2019:

- PHD in Canal del Dique: 16 inches and 3.4 km;
- Mamonal-Paiva gas pipeline project of 20 inches and 26 km;
- Jobo – Majaguas gas pipeline of 20 inches and 26 km; and
- Paiva-Caracolí gas pipeline of 24 inches.

Promisol continuously provided treatment/upstream services to Hocol's gas fields with no type of affectation, complying with its contractual agreement with a 99.8% of availability (reliability). This agreement will expire in 2029.

Promisol also offers management of energy systems, in the design, installation, operation and maintenance of auto generation and cogeneration plants to industries located mainly in Cartagena, and through its subsidiary Zonagen that offers power generation services to industries in Barranquilla. Promisol currently operates and maintains an installed power generation capacity of 44 MW. These services were carried out with excellent operational and safety standards, guaranteeing the availability required by customers

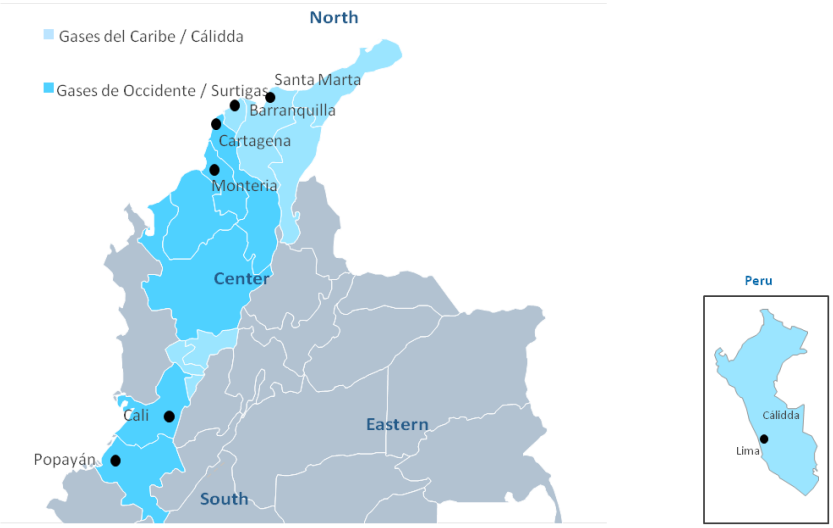
Our Natural Gas Distribution Business

Introduction

We participate in the natural gas distribution business segment in Colombia through Gases de Occidente and Surtigas and our related company Gases del Caribe. Additionally, we participate in the natural gas distribution business segment in Peru through Gases del Pacífico and our related company Cálidda. Promigas consolidates the results of operations of Gases de Occidente, Surtigas and Gases del Pacífico. Gases del Caribe owns direct interests in, and consolidates the results of operations of, two additional natural gas distribution businesses in Colombia, Gases de la Guajira and Efigas. Together, these businesses serve more than 3.5 million customers throughout Colombia and over 899,731 customers in Peru. Each natural gas distribution company has limited competition in its area and only competes with alternative energy sources.

The main natural gas distribution activities of Promigas and the Related Companies is to distribute gas from city entrances to end-users through low and mid-level pressure pipes, mostly made of polyethylene. These companies are also responsible for measuring consumption through gas meters, billing and, in general, all related customer service activities. Gases de Occidente, Surtigas, Gases del Caribe, Gases del Pacífico and Cálidda are responsible for collecting on bills related to their natural gas distribution services, which includes the pass-through costs of the other agents of the natural gas supply chain (producers and transportation companies). The distribution and commercialization charges of natural gas are regulated activities. As such, the CREG (with respect to Gases de Occidente, Surtigas and Gases del Caribe) and OSINERGMIN (with respect to Gases del Pacífico and Cálidda) establish the tariffs such companies can charge for each of these services.

Another important source of revenues comes from commercialization (trading) activities. These entail supplying natural gas and/or transportation capacity to our non-regulated customers at a freely negotiated price. These customers are generally large industrial companies and thermal-generation plants.



Gases de Occidente distributes natural gas in a service area with a potential population of approximately 1,476,597 that encompasses approximately 22,095 square kms in the area of Valle del Cauca and in Cauca, located on Colombia's west coast. As of June 30, 2019, Gases de Occidente had approximately 1,116,417 customers and sold approximately 976 MMm3 of natural gas during the year ended December 31, 2018. As of the date of this offering memorandum, Promigas owns 94.4% of Gases de Occidente.

Surtigas distributes natural gas in a service area with a potential population of approximately 821,528, which encompasses approximately 39,803 square kms in the areas of Bolívar, Sucre, Córdoba and Antioquia, located on Colombia's north coast. As of June 30, 2019, Surtigas had approximately 787,966 customers and sold approximately 844 MMm3 of natural gas during the year ending in December 31, 2018. As of the date of this offering memorandum, Promigas owns 99.9% of Surtigas.

Gases del Caribe and its subsidiaries, Gases de la Guajira and Efigas, supply natural gas to a service area with a population of approximately 2,012,193 that encompasses approximately 50,197 square miles in the regions of Magdalena, Cesar, Atlántico, La Guajira, Quindío, Risaralda and Caldas. As of the June 30, 2019, Gases del Caribe and its subsidiaries had approximately 1,656,978 customers and served 152 unregulated customers. During the year ending in December 31, 2018, Gases del Caribe and its subsidiaries sold approximately 1,554 MMm3 of natural gas. As of the date of this offering memorandum, Promigas owns 31.0% of Gases del Caribe, and Gases del Caribe owns 86.9% and 76.12% of Gases de la Guajira and Efigas respectively.

For the six-month period ended June 30, 2019 and the three years ended December 31, 2018, 2017 and 2016, the portion of our Consolidated Adjusted EBITDA attributable to natural gas distribution activities was 33.8%, 33.4%, 30.9% and 35.3%, respectively. Additionally, for the six-month period ended June 30, 2019 and the three years ended December 31, 2018, 2017 and 2016, the portion of our consolidated net income attributable to natural gas distribution activities was 42.7%, 40.3%, 37.4% and 37.2%, respectively.

Distribution Systems in Colombia

Gases de Occidente's distribution system begins at a city gate located in each municipality in which Gases de Occidente serves. The primary function of each city gate is to reduce the gas pressure, perform the odorization and measure the amount of gas received from the transportation company. Primary and secondary pipelines have a total length of 12,970 km, which cross the provinces that Gases de Occidente serves.

Surtigas' distribution system begins at a city gate located in each municipality. Primary and secondary pipelines have a total length of 11,610 km, which covers the areas that Surtigas serves.

The distribution system of Gases del Caribe and its subsidiaries (whose collective results are not consolidated by Promigas) begins at a city gate located in each municipality they serve. Primary and secondary pipelines have a total length of 22,838 km, covering the areas that they serve.

Gases de Occidente and Surtigas also distribute natural gas through Virtual Pipelines.

Most of Gases de Occidente's natural gas supply comes from the Cusiana field. Most of the gas supply of Surtigas, Gases del Caribe and Gases del Caribe's subsidiaries comes from the La Guajira and Lower Magdalena fields. The price of natural gas from these fields have not been capped since 2014.

Natural Gas Supply and Transportation Contracts

Natural gas distribution companies in Colombia contract with natural gas suppliers and natural gas transportation companies the supply and transportation capacity, respectively, which the distribution companies then sell to their distribution customers. Gases de Occidente, Surtigas and Gases del Caribe usually contract natural gas purchases for their projected natural gas supply in order to limit their exposure to shifts in the supply, demand and price for natural gas while maintaining a satisfactory degree of reliability in terms of natural gas supply. For natural gas transportation contracts, the contracted term is generally longer, as transportation rates are not subject to short-term fluctuations in the price of natural gas.

Customers and Market

The following table sets forth the amount of natural gas sold by the distribution companies to each of its different types of customers, in MMm3, for the periods indicated:

Gases de Occidente

Type of Customer	Six-Month Period Ended June 30,		Year Ended December 31,			
	2019	%	2018	%	2017	2016
Distribution	**215**	**40.0%**	**434**	**44.5%**	**427**	**424**
Residential	67	31.2%	133	30.7%	129	122
Commercial	21	9.8%	42	9.6%	40	38
Industrial	90	41.7%	181	41.8%	175	171
GNV	37	17.3%	77	17.8%	83	93
Commercialization	**323**	**60.0%**	**542**	**55.5%**	**536**	**697**
Total	**538**	**100.0%**	**976**	**100.0%**	**963**	**1,121**

Surtigas

Type of Customer	Six-Month Period Ended June 30,		Year Ended December 31,			
	2019	%	2018	%	2017	2016
Distribution	**95**	**21.1%**	**181**	**21.5%**	**179**	**177**
Residential	64	67.8%	128	70.7%	124	118
Commercial	10	10.6%	20	10.9%	19	20
Industrial	9	9.8%	18	10.2%	18	15
GNV	11	11.7%	15	8.2%	17	24
Commercialization	**355**	**78.9%**	**663**	**78.5%**	**706**	**624**
Total	**449**	**100.0%**	**844**	**100.0%**	**885**	**801**

Gases del Caribe and its subsidiaries

Type of Customer	Six-Month Period Ended June 30,		Year Ended December 31,			
	2019	%	2018	%	2017	2016
Distribution	**465**	**53.5%**	**938**	**60.3%**	**943**	**897**
Residential	133	28.6%	261	27.8%	250	236
Commercial	31	6.6%	60	6.4%	58	55
Industrial	245	52.7%	501	53.4%	511	468
GNV	56	12.1%	116	12.4%	125	138
Commercialization	**404**	**46.5%**	**618**	**39.7%**	**515**	**500**
Total	**869**	**100%**	**1,557**	**100%**	**1,458**	**1,396**

Distribution Revenues and Rate Structure in Colombia

Tariffs for Colombian natural gas distribution companies are reviewed and re-determining by the CREG periodically. The CREG conducted a review of distribution tariffs by means of the CREG Resolution 11 of 2003, which was intended to be in effect for a period of five years starting in 2004. The distribution tariffs established pursuant to such review expired in 2009. Pursuant to article 126 of Law 142, tariff reviews are generally conducted on a five years basis. However, if the CREG does not re-determining the tariffs, the existing tariffs remain in effect until the CREG issues a new resolution determining forth any new tariffs. Tariff information files were submitted to the CREG in 2015 but it subsequently archived tariff requests by means of CREG Resolution 093 of 2016.

Most recently, the CREG allowed natural gas distribution companies to solicit transitory tariffs by means of CREG Circular 034 of 2017. Under applicable laws, Gases de Occidente, Surtigas and Gases del Caribe are currently billing their customers the transitory tariff approved by the CREG in the following resolutions:

- the CREG Resolution 197 of 2017, for Gases de Occidente;

- the CREG Resolution 006 of 2018, for Surtigas; and

- the CREG Resolution 018 of 2018 for Gases del Caribe and Promigas.

In December 2018, the CREG established the definitive methodology by publishing the CREG Resolution 132 of 2018, complementing the CREG Resolution 202 of 2013. Later, the CREG gave the option to all natural gas distribution companies whether to remain in the current transitory tariffs or apply for a new distribution tariff. Gas distribution companies that choose to apply for a new distribution tariff are expected to submit their tariff information files during the last quarter of 2019 or the first quarter of 2020.

The CREG Resolution 096 of 2015 established the return rates for natural gas distribution markets. The rate of return before taxes was determined to be 13.3% in 2015 and varied each year up to 2019. From 2019 onwards, the rate of return before taxes was established at 12.5% (12.3% with recent changes in tax rates).

Under applicable laws, Gases de Occidente, Surtigas and Gases del Caribe are currently charging the transitory tariff previously approved by the CREG. It is adjusted monthly by the Colombian CPI (for the Colombian peso-denominated revenues from the remuneration of the reasonable administrative and operating costs and the commercialization charge), and Colombian PPI (for Colombian peso-denominated revenues for the regulatory asset base charge), according to the methodology established by the CREG.

Tariffs are composed of two main costs: (i) those which are a pass-through to the respective users and (ii) those which are recognized to the distributing company by the CREG considering the general tariff review and the charges approved for the respective distribution market.

The pass-through costs, which are transferred directly to the user without the distributing company being able to request additional costs, are the distributor's cost in purchasing the natural gas required to provide the service and the cost of transporting the natural gas from the producer to the distributor's network.

In calculating the non-pass-through element of the tariff, the CREG considers the following factors:

- the relevant natural gas distribution company's base investment in its distribution network;

- the company's projected capital expenditures over the next succeeding five years;

- the natural gas demand in the market the distributor serves;

- the administrative and operation costs; and

- a regulated rate of return.

In calculating the non-pass-through gas distribution tariff, the CREG established different formulas, depending on whether the gas distribution market is a new or existing market. The product of these formulas is an average distribution tariff charged per cubic meter of natural gas distributed by a distribution company. There is a distribution tariff charge for residential customers and another one for non-residential customers. For non-residential customers, companies can set ranges of tariffs depending on the consumption rates of each range. These tariff ranges are designed such that, when the distribution company divides its tariff revenues for a period by the volume of gas sold to the customers in the period, it will have achieved its average distribution tariff. For an update of the tariffs applicable to already existing markets, the CREG uses a cross-section method, taking into consideration reasonable administrative and operating costs, existing regulatory asset base and the demand from the year immediately prior to the tariff update.

A separate commercialization charge is also included in each customer's invoice, based on the distribution company's administrative costs in producing the invoice.

Concessions

Gases de Occidente holds a non-exclusive long-term concession from the Colombian MME. Gases de Occidente's concessions provides for natural gas distribution rights within the concession area until 2047.

Surtigas main markets is an exclusive long-term renewable concession from the Colombian MME. Surtigas' concession agreement, the first term of which expires in 2034, provides for exclusive natural gas distribution rights within the concession area.

Gases del Caribe holds several exclusive long-term renewable concessions from the Colombian MME, starting between 1978 and 1996. Gases de la Guajira holds several exclusive long-term renewable concessions from the MME, which are set to expire between 2044 and 2048.

Gases del Pacífico was awarded a natural gas distribution concession through pipelines and entered into a concession agreement with the Peruvian Government represented by MINEM on October 31, 2013. Under the terms of the concession agreement Gases del Pacífico has the exclusivity to provide the natural gas distribution service through pipelines in the Regions of Lambayeque, La Libertad, Ancash and Cajamarca ("Concession Area"). Considering these distribution areas are not connected to production fields through natural gas transport pipelines, Gases del Pacífico also assumed the commitment to transport through trucks ("Virtual Pipeline") to regasification district stations located in the Concession Area from where the distribution pipelines initiate (Chimbote, Chiclayo, Trujillo, Huaraz, Cajamarca, Lambayeque and Pacasmayo). LNG is supplied to Gases del Pacífico by Shell GNL S.A.C. at the loading facility (*cargadero*) of Peru LNG S.R.L. located in Pampa Melchorita Liquefaction Plant, Lima (Central Peru).

The term of the concession is of 21 years counted since the date of the execution of the concession agreement. Under the Initial Connection Plan, Gases del Pacífico is required to reach 150,137 consumers with a consumption of up to 100 m3/month (residential natural gas customers) connected by the end of 2022. The company can also provide the distribution service to commercial, industrial and vehicular segments within its concession area. Distribution tariffs are set in the concession agreement for each category of consumers. Under the concession agreement there are nine categories of consumers. Categories I to VII are determined depending of the monthly consumption of natural gas. Fishing and vehicles sectors constitutes special categories regardless of their monthly consumptions. The term of the concession was suspended during the period of construction for almost two years due to delays of third parties in the construction of the loading facility of Peru LNG S.R.L., and therefore the commercial operation date changed from October 31, 2015 to December 7, 2017. Initially the MINEM granted the suspension on the basis that the delay was a force majeure event and it was maintained on the basis of mutual consent between the parties.

The concession agreement establishes that Surtigas S.A. E.S.P., as Qualified Operator of the concession (*Operador Calificado*), shall maintain a participation of at least 25% of the shares of Gases del Pacífico for a term no shorter of ten years since the date of the execution of the agreement. The Qualified Operator is in charge of the technical operation of the distribution system.

Cálidda

As of the date of this offering memorandum, we have 40.0% ownership interest in Cálidda, whose results have not been consolidated by us since January 1, 2011. Cálidda supplies natural gas to a service area with a population of approximately 9 million that encompasses approximately 14,000 square miles in the department of Lima and the province of Callao. As of June 30, 2019, Cálidda had more than 852,746 customers and distributed approximately 2,809 MMm3 within the same period. As of the date of this offering memorandum, we own 40% of Cálidda's capital stock.

Cálidda's Natural Gas Distribution Assets. Cálidda's distribution system has a total capacity of 420 MMCF/D and consists of two subsystems: (i) city gate upstream and (ii) city gate downstream. The city gate is located in the district of Lurín and its function is to reduce the gas pressure as well as the odorization and measurement of gas transported by Transportadora de Gas del Perú S.A., the company holder of the concession for the transportation of

Camisea's natural gas to Lima. The city gate upstream subsystem has a distribution capacity of 617 MMCF/D and is located south of this facility, in the district of Chilca, province of Cañete. It consists of relatively short steel pipelines that connect electric power plants (clients of Cálidda) directly to TGP's gas transportation system. The city gate downstream subsystem starts with the city gate facility and has a distribution capacity of 420 MMCF/D.

Concession Agreement. Cálidda holds an exclusive long-term renewable concession from the Peruvian Government. Cálidda's concession agreement, the first term which will expire in 2033, provides for exclusive natural gas distribution rights within the concession area. The concession agreement is a BOOT Contract and allows for 10 year extensions with a maximum accumulated period of 60 years.

By means of Resolution 037 of April 29, 2010, Cálidda's concession agreement was amended through the establishment of a new commitment to serve 91,000 new customers by 2015.

Dividends. Dividends paid by Cálidda to Promigas for the year ended December 31, 2018 were for U.S.$21 million, which were agreed and effectively paid. These represent the first dividends paid by Cálidda to Promigas.

Our Power Distribution Business

We participate in the power distribution sector in Colombia through CEO. CEO was incorporated on July 24, 2010, and on July 28, 2010 it entered into a management agreement with Cedelca pursuant to which CEO assumed the investment, administration, operation, maintenance and other activities necessary to provide power distribution services for the department of Cauca. Such agreement became effective on August 1, 2010 and has a term of 25 years.

CEO serves a region of approximately 21,573 square kilometers in Popayan and 37 other municipalities in the department of Cauca. More than 1.4 million people, or approximately 3.1% of the Colombian population, live in the areas served by CEO.

For the six-month period ended June 30, 2019 and the years ended December 31, 2018, 2017 and 2016, the portion of our Consolidated Adjusted EBITDA attributable to power distribution activities was 11.0%, 8.0%, 7.0% and 8.0%, respectively.

The map below sets forth the area where CEO's power distribution assets are located in Colombia.

Distribution Network

The table below sets forth CEO's power distribution assets as of June 30, 2019.

Component	Unit	Amount
Substations	Units	38
Installed Capacity	MVA	734
High Tension Network	km	1,405
Medium Tension Network	km	10,930
Low Tension Network	km	14,542
Medium Tension Distribution Transformers	Units	21,297
Medium Tension Capacity	MVA	225

Substations. As of June 30, 2019, CEO owned 38 distribution substations, with a total transformation capacity of 734MVA, including reserve substations, and 21,297 transformers.

Distribution Lines. The total length of distribution lines that CEO operated as of June 30, 2019 is 26,839 km. The table below shows the voltage level of the high voltage lines that CEO operates.

Description	Length (km)
Level 4 (115 kV)	542
Level 3 (34.5 kV)	825

Medium Voltage Lines. CEO operates 10,930 km of Level 2 (13.2 kV) lines.

Low Voltage Lines. CEO operates 14,542 km of Level 1 (220 kV) lines.

Customers

As of June 30, 2019, CEO served 388,441 customers in its service area. During 2018, CEO's annual sales volume reached 598 GWh, reflecting a 2.0% increase compared to 2017. From these sales, residential, commercial, industrial and other customers represented approximately 66.0%, 9.0%, 4.0% and 20.0%, respectively.

The following table contains a breakdown of CEO's customers (by type of customer) as of the dates indicated.

	As of June 30,		As of December 31,			
Description	2019	%	2018	%	2017	%
Residential	368,383	95.0%	362,301	95.0%	348,294	95.0%
Commercial	14,039	4.0%	13,774	4.0%	13,177	4.0%
Industrial	1,761	—	1,758	—	1,741	—
Other	4,211	1.0%	4,173	1.0%	3,998	1.0%
Non-regulated clients	47	—	50	—	48	—
Total	**388,441**	**100.0%**	**382,056**	**100.0%**	**367,258**	**100.0%**

Electricity Purchases by CEO

During 2018, CEO purchased approximately 91% of its energy through long-term supply contracts at freely negotiated prices to reduce its exposure to the volatility of energy prices in the Electricity Exchange. CEO purchased 50.0% of its energy in 2018 from EPM, 32.0% from Proenca, 9.0% from other suppliers and 9.0% in the Electricity Exchange.

The prices of electricity purchased by CEO under these long-term supply contracts are determined based on competitive auctions conducted periodically by CEO in accordance with CREG's regulations. CEO's objective is to reduce the volatility of the prices that would affect its clients. CEO purchases the portion of its electricity supply that is not contracted for under long-term supply contracts in the Electricity Exchange. Given the high dependence on hydroelectric power, CEO seeks to increase its contracted electricity supply during the low rainfall season and maintain at all times an exposure to prices in the Electricity Exchange which does not exceed 15% of its total

electricity supply needs. CEO usually contracts electricity purchases for its projected electricity supply needs for the succeeding two years, and as of the date of this offering memorandum, CEO's electricity supply contracts had an average remaining life of 9 years.

In 2018, CEO purchased 663GWh, compared to 692GWh in 2017, under long-term supply contracts. In 2018, CEO acquired 62GWh of electricity on the Electricity Exchange, or 9.0% of the electricity it purchased during that period, compared to 70GWh, or 9.0%, in 2017. The average prices paid by CEO for its electricity purchases for the years 2018 and 2017 were lower than the average electricity prices quoted in the Electricity Exchange during those periods.

Power Distribution Tariffs

CEO submitted the tariff information file in September 2018 in accordance with Resolution 015 of 2018. CEO is waiting for the resolution with the approved income and the additional information for the quality scheme and investment plan.

Distribution tariffs also include a contribution (which is a pass-through charge) that distribution companies make to CREG, the SSPD and XM, related to such regulatory agencies administration expenses and a commercialization charge which compensates distribution companies for metering, billing and collections related to power distribution services, which, in the case of CEO, represents approximately 16% of the total distribution tariff charged to Regulated Users.

In addition, energy tariffs include an additional charge to compensate generators for restrictions in the dispatch of electricity which is allocated to end users in proportion to the electricity they consume, which ranges from approximately 2.0% to 6.0% of the total distribution tariff. See "Colombian Power Sector and Regulatory Framework— Functional Segregation of the Power Sector —Power Distribution in Colombia".

Electricity Losses

CEO's results of operations are materially affected by electricity losses. Electricity losses are equivalent to the difference between electricity purchased from suppliers and electricity invoiced to customers and may be classified as technical or non-technical losses. Technical losses refer to electricity which is lost on the power transmission system and in a distribution system as a consequence of the natural heating of the electrical conductors which transmit electricity from the generating plants to the customers and as a consequence of other processes such as voltage transformation. Technical losses are a normal occurrence and, while these may be reduced by improvements in the network, their complete elimination is economically impracticable. Non-technical losses refer to the remainder of electricity losses due primarily to theft of services, lack of metering capability and administrative errors.

All electricity losses have adverse effects on power distribution companies. Electricity losses require the purchase of additional energy to satisfy load requirements that generate no revenues. Moreover, illegally connected customers typically register abnormally high levels of electricity consumption. The reduction of electricity losses may reduce the amount of energy the distribution companies must purchase to meet demand. The tariff provides an allowance for electricity losses which may be adjusted periodically. Reducing electricity losses has been and continues to be a priority of CEO.

In 2018, CEO had electricity losses of 15.1%, compared to 15.8% in 2017. This decrease was due to the loss recovery plan.

Our Integrated Solutions for Industry Business

We provide integrated solutions for industry businesses through Promisol and Zonagen. We offer various services to natural gas and power industries, such as the construction of gas pipelines, the treatment of natural gas and the generation of electricity.

As of June 30, 2019, our revenues from integrated solutions for industry services were mainly the result of the construction and maintenance of gas pipelines. As of June 30, 2019, our integrated solutions business, through Promisol, had a generation capacity of 44MW, a compression capacity of 11,200 horsepower and dehydrated 35 MMCF/D of natural gas for Promisol's client, Hocol.

Our Non-bank Financing Business

We carry out our non-bank financing business through Brilla, which is a separate business unit that finances the purchase of home appliances and other household items that tend to increase natural gas consumption and generate incremental demand for gas distribution services provided by CEO, Gases de Occidente, Surtigas, Gas caribe S.A. E.S.P., Gases de la Guajira and Efigas. This program is limited to existing customers who have repaid their obligations under the connection financing program described above. The financing is provided directly by each company as part of its non-regulated business but managed centrally by Brilla. Interest on these loans cannot exceed the usury rate. The respective distribution company is authorized to suspend service to a customer if the loan is past due for more than 60 days. As June 30, 2018, our non-bank financing business had an aggregate outstanding loan portfolio of Col$377,169 million with 1,753,439 customers.

For the year ended December 31, 2018, revenues from non-bank financing activities represented 23.2% of the aggregate EBITDA of our natural gas distribution business. Our non-bank financing business is affected by changes in general economic conditions and financing costs and the connection of new customers.

The average interest rate charged by our non-bank financing business for the six-month period ended June 30, 2019 was 30.4%. The outstanding loan portfolio of our non-bank financing business as of as of June 30, 2019 and December 31, 2018, 2017 and 2016 was Col$377,169 million, Col$355,717 million, Col$316,540 million, and Col$292,232 million, respectively. The percentage of non-performing loans (defined as loans past due for more than sixty days) as of June 30, 2019 and December 31, 2018, 2017 and 2016 was 9.0%, 5.8%, 5.5%, and 5.11%, respectively. The percentage of non-performing loans (defined as loans past due for more than ninety days) as of June 30, 2019 and December 31, 2018, 2017 and 2016 was 6.6%, 3.6%, 3.3%, and 3.1%, respectively. The maximum loan amount per transaction for our non-bank financing business is U.S.$1,014. Our revenues from non-bank financing activities for the six-month period ended June 30, 2019 and the years ended December 31, 2018, 2017 and 2016 were Col$50,965 million, Col$93,428 million, Col$90,317 million and Col$78,112 million, respectively.

The table below sets forth certain operational metrics of our non-bank financing business for the periods indicated:

	As of and for the Six-Month Period Ended June 30,	As of and for the years ended December 31,		
	2019	2018	2017	2016
New clients from the period	120,717	240,378	226,164	209,668
Total number of clients	1,753,439	1,632,722	1,392,344	1,166,180
New loans originated during the period (*Col$ in millions*)	149,316	265,776	233,832	217,230
Average loan amount (*Col$ in million*)	1.2	1.1	1.0	1.0
Outstanding loan portfolio at the end of the period (*Col$ in millions*)	377,169	355,717	316,540	292,232
Loans past due for more than 60 days (%)	9.0%	5.8%	5.5%	5.11%
Loans past due for more than 90 days (%)	6.6%	3.6%	3.3%	3.1%
Net interest margin	65%	67%	68%	58%
Consolidated Adjusted EBITDA attributable to non-bank financing activities (%)	4.1%	4.8%	5.1%	3.8%

Health, Safety and Environmental Matters

We endeavor to comply with applicable Colombian national and local environmental standards, rules and regulations, and we believe that our current operations are substantially in compliance with such standards, rules and regulations as they have historically been interpreted and enforced. Notwithstanding the fact that environmental laws

in Colombia are currently less strict than those applied in many other countries, our management believes that our operations meet stricter standards that are comparable in many respects to those in effect in the United States and in Europe.

We believe that we operates our facilities and conducts our operations in accordance with internationally accepted good management practices on environmental and social issues.

In accordance with the above we have adopted a Code of Conduct which includes specific health, safety and environmental requirements and standards. Our management systems have been certified by the International Certification Network – IQNET and by Icontec International under the ISO 9001 and ISO 14001 standards of the International Standards Organization.

Legal Proceedings

We are party to several civil, tax, commercial, environmental and labor proceedings and claims that have arisen in the ordinary course of our business. Although there can be no assurance as to the ultimate outcome of these proceedings, our management believe, based upon the information available and consultation with external legal counsel in charge of these proceedings, that the expected outcome of these proceedings, individually or in the aggregate, is not likely to have a material adverse effect in our financial position, cash flows or results of operations.

As of the date of this offering memorandum, the aggregate amount of all claims made under legal proceedings served upon us (under which any entity of Promigas is a defendant or co-defendant) was Col$307,518 million (U.S.$95.9 million), and the amount we provisioned in connection with these legal proceedings was Col$7,907 million (U.S.$2.5 million).

The following is a brief summary of what our management considers to be the most significant proceedings as of the date of this offering memorandum.

SPEC and Other Administrative Proceedings

Tort proceeding initiated by Osvaldo Meza Cardales

In December 2016, Osvaldo Meza Cardales initiated a tort action before the Colombian administrative courts against SPEC, MADS, ANLA, Promigas, Americas Energy Fund II and Tam LNG Holdings. Mr. Meza is seeking the payment of U.S $41.2 million in damages. According to Mr. Meza, SPEC has a pipeline easement over his land. As a result, Mr. Meza argues: (i) that he cannot construct or grow crops in his land; (ii) that having gas transported through his property represents a danger for him and his property; and (iii) that crime has increased in his property due to the illegal tapping of gas.

SPEC considers that the probability of Mr. Meza obtaining a favorable decision is low because (i) the pipeline easement affects only 0.764% of the land; (ii) Mr. Meza did not submit evidence of the damages he claims to have suffered; (iii) Mr. Meza is not the sole owner of the land; (iv) it is possible that the land belongs to the Colombian State and (v) third-parties dispute Mr. Meza's rights over the land.

Colombian administrative courts usually take between one to three years to issue a first instance ruling. Considering the amount of damages claimed by Mr. Meza, the first instance ruling would be subject to appeal. The court of appeals usually takes between one to three years to issue a final decision on the matter.

Civil proceeding initiated by Mélida Carrasquilla de Vélez

Mrs. Carrasquilla de Vélez filed civil proceedings against SPEC claiming she is the owner of two properties that are part of one of SPEC's project areas. Although the total amount of the claims is not material (approximately US$23,254), an adverse judgment against SPEC in which the claimant is recognized as owner of those properties, could result in the termination of the concession agreement 001 of 2015 entered into between SPEC and ANI.

Moreover, SPEC could be held liable for any damages suffered by ANI or the Colombian Government as a result of the consequences of this adverse judgment. We believe the probabilities of an adverse result to be remote.

This proceeding is currently at its initial stage as certain parties still have to be served. Colombian civil courts usually take between one to two years to issue a first instance ruling. Considering the nature of the claim, the first instance ruling would be subject to appeal. The court of appeals usually takes between one to two years to issue a final decision on the matter.

Administrative proceeding initiated by Jesús Manuel Camperos Villamizar and others against Promioriente

Mr. Camperos and others initiated a group action (*acción de grupo*) before the Colombian administrative courts against Promioriente, the Colombian Government, MADS and other entities, seeking the payment of Col$ 38,905 million (U.S.$12.1 million) in damages. The claimants allege that some landslides and earth movements have been caused by the construction of gas infrastructure of Promioriente.

A judgment denying the claims was rendered on January 31, 2016 by first instance administrative courts, and the claimant appealed the judgement before the highest administrative court in Colombia (*Concejo de Estado*). Parties have filed their last submissions on this matter. We expect that the court will render a final judgement in the coming months. We believe the probability of an adverse decision is remote.

Easements

We generally do not own the land on which our infrastructure assets are located but rather hold easement rights with respect to such lands. An easement for a natural gas transportation pipeline on private property may be obtained in the following ways: (i) a contract negotiated and executed directly with the property owner and recorded in a public deed; (ii) a court judgment in a judicial proceeding whereby the necessity of the pipeline is deemed a matter of public interest; (iii) a governmental decision in an administrative proceeding whereby the necessity of the pipeline is deemed a matter of public interest; or (iv) adverse possession (*prescripción adquisitiva*), whereby the pipeline assets occupied the property without contest from the property owner for a statutory term of ten years, at which point the adverse possessor may initiate a judicial proceeding (*acción de prescripción adquisitiva*) to register the easement on the property's ownership certificate.

In Colombia, we generally obtain our easements through consensual arrangements with land owners. Such easements generally require a one-time payment at the commencement of the easement. Under Colombian law, if a public utilities company does not reach an agreement with a land owner with respect to an easement or the amount of compensation payable, the public utilities company is entitled to commence judicial or administrative easement imposition proceedings (*proceso de imposición de servidumbres*) to require property owners to grant easements that are necessary for the provision of the service. Under such proceedings, the public utilities company is required to compensate the property owner fairly and the amount of such compensation is usually determined by the intervening court. As of the date of this offering memorandum, we are party to certain easement imposition proceedings, which we expect will be resolved by the end of 2021. See "Risk Factors—Risks Related to Legal and Regulatory Matters—The expansion of our infrastructure will be conditioned on obtaining the necessary permits, licenses and rights of way, which, together with other real property rights, may be challenged."

According to the legal regulations in Peru, the easements for the distribution of natural gas could be located in public or private property. These easements can be obtained by a consensual arrangement with the land owner or impose or amended by the MINEM. The property owner must be fairly compensated for any damages caused by the easements and for using the land. The amount of such compensation can be agreed between the parties or imposed by the MINEM.

The request for commencing an administrative easement imposition proceeding has to be issued before the General Direction of Hydrocarbons of MINEM. This request must include the list of affected real estate and the technical and economic justification.

The MINEM, based on the request by a party or itself, will declare the termination of the established easements when:

(i) The construction of facilities or works were not carried out by the party who requested the easement within the period specified when the easement was granted;

(ii) The owner or administrator of the servant property demonstrates that the easement remains unused for more than twelve (12) consecutive months;

(iii) Without prior authorization, the easement is intended for a different purpose for which it was requested; and

(iv) The purpose for that easement is terminated.

Insurance

Colombian law requires that employers provide mandatory coverage of professional risk workers' compensation insurance. The authorized providers of such policies are called Professional Risks Managers (*Administradoras de Riesgos Profesionales*). Colombian law also requires mandatory social security coverage, administered through entities designated as Heath Promotion Entities (*Entidades Promotoras de Salud* or "EPS"). The social security system is monitored and controlled by the Colombian Government and financed through contributions made by employers, workers and independent contractors. Colombian law also requires a mandatory pension scheme, which is managed by Pension Fund Administrators (*Administradoras de Fondos de Pensiones*).

We believe that we currently maintain customary insurance of the types and amounts that are generally consistent with prudent industry practice and applicable legal requirements for public utility systems of a similar size and nature in Colombia. Our insurance coverage is subject to limits and exclusions or limitations on coverage that we believe to be reasonable, given the cost of procuring insurance and current operating conditions. We regularly contract for insurance policies of one- to two-year terms in accordance with market conditions.

Peruvian law requires that employers provide mandatory coverage of professional risk workers' compensation insurance, through an individual scoped policy (*Seguro Complementario de Trabajo de Riesgo – SCTR*). Such policy may be hired through certain public entities or private insurance companies, since there is no regulatory limitation for its provision and/or offering to the market. Peruvian law also requires a mandatory insurance coverage for the workers who have more than four (4) years working within a certain entity (*Seguro de Vida Ley*). Additionally, considering the applicable insurance provisions of the Concession Agreement (*Contrato de Concesión del Sistema de Distribución de Gas Natural por Red de Ductos*) entered by Gases del Pacífico and the Peruvian Government and provided that the risk study contemplated therein, Gases del Pacífico is required to maintain: (i) civil liability insurance policy; (ii) multirisk insurance policy; and (iii) special scoped policy intended to cover the gas losses due to accidents occurred within the distribution system *(Sistema de Distribución)*.

We believe that we currently maintain customary insurance of the types and amounts that are generally consistent with prudent industry practice and applicable legal requirements for public utility systems of a similar size and nature in Peru. Our insurance coverage is subject to limits and exclusions or limitations on coverage that we believe to be reasonable, given the cost of procuring insurance and current operating conditions. We regularly contract for insurance policies of one- to two-year terms in accordance with market conditions.

As of the date of this offering memorandum, we have an all-risk material damage and business interruptions policy for an insured value of: Col$135,000 million for Promigas, Col$190,000 million for Promisol/Zonagen, Col$90,000 million for Transmetano, Col$90,000 million for Promioriente, Col$19,724 million for Transoccidente, Col$75,000 million for Surtigas, Col$60,000 million for Gases de Occidente, U.S.$24 million for Gases del Pacífico, U.S.$221 million for Cálidda, and U.S.$30 million for CEO) and a terrorism acts insurance for its assets for an insured value of: Col$120,000.0 million for Promigas, Promisol, Zonagen, Transmetano, Promioriente, and Transoccidente; Col$80,000.0 million for Surtigas and Gases de Occidente; U.S.$10 million for Gases del Pacífico; U.S.$221 million for Cálidda, and U.S.$15 million for CEO). We also have liability policy for an insured value of:

U.S.$500 million for Promigas, Promisol, Zonagen, Transmetano, Promioriente and Transoccidente; Col$45,000 million for Surtigas and Gases de Occidente; U.S.$25 million for Gases del Pacífico; U.S.$300 million for Cálidda and Col$15,000 million for CEO. Our failure of supply coverage and employer's liability are included in our liability policies.

We also have a 3D policy (Dishonesty, Disappearance and Destruction), directors and officers liability policies and other insurance policies customary in our business.

Employees and Pension Plan

As of the June 30, 3019, we had 1,970 employees (Promigas: 401, Surtigas: 458, Gases de Occidente: 512, CEO: 292, Gases del Pacífico: 135, Transmetano: 23, Promioriente: 35, Transoccidente: 3, Promisol: 52, Zonagen: 26, SPEC: 33) employees. Approximately 1.0% (18 employees) of our employees are members of a labor union.

As of the date of this offering memorandum, we had outsourced services with third party contractors, such as headhunting, legal services, etc.

We offer various benefits to our employees, including health insurance, education benefits for employees' families, and programs to assist in employees' purchases of homes.

For health insurance, we pay 100.0% of the insurance policy for the employee and its family. Employees with indefinite term employment agreement also are entitled to medicine coverage.

For life insurance, we have a collective life insurance that covers their employees in case of that event. Currently, this insurance covers 36 monthly basic salaries (*sueldos básicos mensuales*) of the employee.

As per education programs, we grant scholarships for primary and high school, and college studies of employees' children, provided that they are subscribed to the collective agreement.

As per home financing, we grant loans to our employees for the purchase of a home, according to the rules set for each entity within Promigas. Among the factors considered for this loan program, we consider the employee's number of years working for the company, his position within the relevant company and its debt capacity.

We have the FIMPRO program in which an employee saves between 3% to 10% of its basic salary and we provide an additional amount. The total amount is deposited in the *Fondo de Pensiones Voluntarias Porvenir*, and can only be retrieved after three years. Employees obtain tax benefits as foreseen by Colombian law.

Gases de Occidente and Surtigas are directly liable for legal retirement pensions duly provisioned.

As of the date of this offering memorandum, Gases de Occidente, Promigas, Promioriente, SPEC, Surtigas and Transmetano have ongoing labor proceedings which claims do not exceed U.S.$2,432,478 in the aggregate.

MANAGEMENT

Promigas' Management

Board of Directors

Promigas is managed by a board of directors. Promigas' board of directors is the main deliberative body responsible for establishing its general business policies and guidelines, as well as its long-term strategy, the control and inspection of our performance, and the supervision of the management activities of our managers. Pursuant to Promigas' bylaws, its board of directors is composed of five directors or principal members and five alternates, who are elected at the general shareholders' meeting. Directors must remain in office until their successors are elected and have taken office. In addition, the board of directors must elect a president and two vice-presidents of the board from among the five principal members.

Promigas' board of directors generally meets once a month at Promigas' offices, and has the power to call an extraordinary meeting whenever necessary. A board of directors' meeting may be called by the chairman, the statutory auditor, or two principal members of the board of directors. The quorum required for meetings of the board of directors is a majority of its members and the decisions are adopted by a majority vote.

As of the date of this offering memorandum, Promigas' board of directors was comprised of the following principal members and alternates:

Name	Position	Age	Election Date
María Lorena Gutiérrez Botero	Director/Chairman	51	September 21, 2018
Carlos Caballero Argáez	Director	72	February 22, 2011
Luis Ernesto Mejía Castro	Director	56	April 1, 2013
Moisés Rubinstein Lerner	Director	67	March 22, 2019
Claudia Betancourt Azcarate	Director	54	January 4, 2009
Carlos Arcesio Paz Bautista	Alternate	70	April 1, 2009
Gustavo Ramírez Galindo	Alternate	52	February 20, 2011
Bernardo Noreña Ocampo	Alternate	58	May 16, 2016
Leonardo Garnica Eljaiek	Alternate	46	April 1, 2016
Camilo de Francisco Valenzuela	Alternate	45	April 4, 2012

A brief biographical description of the members of Promigas' board of directors is set forth below:

María Lorena Gutiérrez Botero (Chairman).

Ms. María Lorena Gutiérrez Botero obtained her Ph.D. in business administration at Tulane University in the United States. She is an Industrial Engineer from Universidad de los Andes with a specialization in finance and a Master of Business Administration (MBA) from the same University. Mrs. Gutierrez has worked as dean of the School of Business Administration at Universidad de los Andes and as an advisor and consultant for several companies and has been a member of several boards of directors of international organizations and universities, such as the European Foundation for Management Development, Durham University, Tulane University, Universidad de los Andes, the SUMAQ Alliance, the Latin American Council of Schools of Management, the Business Association for Latin American Studies and Corporación Calidad de Colombia. She has published nearly a dozen books on microfinance, credit and investment banking. Additionally, she has held several important public offices including Minister of Foreign Trade.

Carlos Caballero Argáez

Mr. Carlos Caballero Argaez received a Master's degree in science from the University of California-Berkeley and a Master's degree in Public Administration from the Woodrow Wilson School of Public and International Affairs at Princeton University. He has a degree in Civil Engineering from Universidad de los Andes. He served as member of the board of directors of the Colombian Central Bank (*Banco de la República*). Among the positions he has held the following stand out: Director of the Escuela de Gobierno Alberto Lleras (Alberto Lleras School of Government) at Universidad de los Andes, Minister of Mines and Energy, President of the Bogotá Stock Exchange,

President of the Banco de Comercio Exterior (Foreign Trade Bank), Director of Proexport, President of the Asociación Bancaria de Colombia (Colombia Banking Association) and Chief Executive of Fedesarrollo (Development Federation).

Luis Ernesto Mejía Castro

Mr. Luis Ernesto Mejia Castro received his Law degree from Universidad de San Buenaventura in Cali, Colombia and holds a Master in Business Administration (MBA) degree from Universidad ICESI. Among the positions he has held, the following stand out: Minister of Mines and Energy; Vice Minister of Hydrocarbons and Mines; General Manager, Vice President of Administration and Chief Financial and Commercial Manager of MAC. He has also worked as an independent consultant and has served on the boards of directors of Ecopetrol, Isa, Isagen Ecogas, MAC, Coéxito, Smurfit Kappa of Colombia, the Cerrejón Foundation for the Advancement of La Guajira, Carvajal, and Tecnoquímicas.

Moisés Rubinstein Lerner

Mr. Moisés Rubinstein Lerner received his degree in Industrial Economics from Universidad de los Andes and holds a Master in Business Administration (MBA) from the New York University. He acted as account executive for Merrill Lynch in Panama and as member of Grupo Afin, a stockbroker from Bogotá. Mr. Rubinstein has been in charge of the financial management of several companies, such as, Manufacturas Eliot S.A. (Pat Primo Group), Filmtex S.A., and Carulla S.A. He also worked as accounting and financial advisor for Ficitec, and served as professor at Universidad de los Andes in areas such as capital markets, financial management, and finance.

Claudia Betancourt Azcarate

Ms. Claudia Betancourt Azcarate received her degree in Economics from Colegio Mayor de Nuestra Señora del Rosario in Colombia. She has served as the General Manager of Amalfi S.A.S., a portfolio investment company, since 2006. Before she held several positions at Corporación Financiera del Valle, including Vice President of Risk, Vice President of Investment Portfolios, Director of Investment Portfolios, and Investment Analyst. Ms. Betancourt acted as member of the boards of directors of Promigas, Proenergía Internacional (Proenergy International), Cementos Argos (Argos Cement), WWB Colombia, Editorial Norma Carvajal S.A. and the Compañía Hotelera Cartagena de Indias S.A. (Cartagena de Indias Hotel Company S.A.).

Alternates

Carlos Arcesio Paz Bautista

Mr. Carlos Arcesio Paz Bautista received a postgraduate degree in Logistics from Universidad ICESI-ANDI, and a specialization in Marketing from Universidad ICESI-EAFIT. He received his degree in Business Administration from Universidad EAFIT in Colombia. He acted as president of Harinera del Valle S.A., and managing director of Portagraneles Ltda, Proyenco Ltda. and Compañía Nacional de Alimentos Ltda. Mr. Arcesio served on the board of directors of Banco de Bogotá S.A., Asociación Nacional de Industriales – ANDI and Comité Intergremial de Cali. Currently, he is member of the board of directors of the Federación Nacional de Molineros de Trigo, Corporación Financiera del Valle S.A. and Promigas.

Gustavo Ramírez Galindo

Mr. Gustavo Ramírez Galindo received a Master's in Economics from Universidad de los Andes in Colombia. He received a degree in Electrical Engineering from the same University. Currently, he serves as vice-president of investments for Corficolombiana and as member of the board of directors of GEB and Promigas. For more than 15 years, Mr. Ramírez worked as an investment banker, specializing in structuring and financing of energy and infrastructure businesses and projects. He has also served as member of the board of directors of Organización Terpel S.A., Proenergía Internacional S.A., Proyectos de Infraestructura S.A., Coviandes S.A., Concesionaria Ruta del Sol S.A. and Gascop S.A.

Bernardo Noreña Ocampo

Mr. Bernardo Noreña Ocampo has a BSc in Economics from Universidad Javeriana and a Master of Business Administration (MBA) with honors from the University of Notre Dame, United States. Mr. Noreña acted as chief executive officer of Corporación Financiera Colombiana, Citibank Colombia and its subsidiaries in Colombia: Citivalores, Cititrust and Colrepfin. He also served as member of the board of directors of Citibank operations in Latin America, Citibank Colombia, Colfondos S.A. and Citivalores S.A. Mr. Noreña was previously managing director of Citigroup Investment Banking for the Andean Region. He also acted as Chairman of the board of the council of American companies, which comprises the top 120 American companies with presence in Colombia. He served as vice-Chairman of the board of directors of the Colombian Association of Banking and Financial Institution and the Colombian American Chamber of Commerce – Amcham.

Leonardo Garnica Eljaiek

Mr. Leonardo Garnica Eljaiek has a Master's degree in Industrial Engineering from the Universidad de los Andes and is an Industrial Engineer from the same University. He serves as vice-president of investments for GEB and as investment and served as financial structure manager for Construtora Norberto Odebrecht in Panama. Mr. Garnica is a business consultant and project manager with 20 years of experience in the design and implementation of high-impact projects in the public and private sectors.

Camilo de Francisco Valenzuela

Mr. Camilo de Francisco Valenzuela received a degree in Business Administration from Universidad de los Andes and completed a program in Risk Management in the administration of investment portfolios at the same University. He currently serves as Director of Projects and Investments at Amalfi S.A.S. Mr. de Francisco acted as corporate sector and securitization associate director and alternate manager of BRC Investor Services S.A.S.C.V., a Colombian affiliate of Moody's Investors Service Inc. He has held several positions in the finance and corporate sectors, including financial director at InBusinessCo and financial consultant at Tecfin S.A.

Independent Directors

Pursuant to Colombian law, at least 25% of the members of the board of directors must be compromised by independent directors. As of the date of this offering memorandum, Promigas' board of directors complies with such requirement, as four of Promigas' current directors are considered independent directors according to Colombian law.

Executive Officers

Promigas' executive officers are appointed by the board of directors. The executive officers are responsible for all matters concerning Promigas' day-to-day management and operations. As of June 30, 2019, the following Promigas' executive officers hold interest in Promigas' capital.

Name	No. of Shares	Ownership (%)
Ricardo Ignacio Fernández Malabet	276,139	0.02
Aquiles Ignacio Mercado González	12,605	0.00

Set forth below is a list of Promigas' executive officers as of the date of this offering memorandum. All of Promigas' executive officers are residents of Colombia and are based in Promigas' offices in Barranquilla.

Name	Position	Age	Election Date
Eric Flesch Santoro	Chief Executive Officer	62	August 15, 2018
Ricardo Fernández Malabet	Chief Transportation Officer	58	March 1, 1995
Natalia Abello Vives	General Counsel	52	December 3, 2018
Aquiles Mercado González	Chief Financial and Administrative Officer	55	June 5, 2006
Alejandro Villalba McCausland	Chief Operating Officer	51	August 1, 2017
Wilson Chinchilla	Chief Distribution Officer	56	December 7, 2018

Name	Position	Age	Election Date
Raúl Andrés Cabezas	Internal Audit Manager	36	August 1, 2018
Ximena Correa Agudelo	Risk and Compliance Manager	44	January 8, 2019
John Rodriguez	Financial Results Manager	61	November 15, 1981

Additionally, Eduardo Jose García Piñeres is our legal representative for all judicial and extra-judicial matters, being Jaime Eduardo De Luque Palencia and Julieta Elena Barbosa Mendez his first and second alternates, respectively.

A brief biographical description of Promigas' executive officers is set forth below:

Eric Flesch Santoro

Mr. Eric Flesch has a civil engineering degree from Universidad del Norte and holds a Master's degree in Administration and Finance (MBA) from West Coast University, Irvine, California. Mr. Flesh served 12 years as Chief Executive Officer of Cementos Argos in the United States, contributing to the company's international expansion. Mr. Flesch is a prominent Barranquilla executive and has more than 35 years' corporate experience. Current member of the Board of Directors of Promigas, Gases del Caribe, Surtigas, Cálidda, Gases de Occidente, Gases del Pacífico, Porvenir, AMCHAM ANDI, Fundación para el Desarrollo del Caribe, among others.

Ricardo Fernández Malabet

Mr. Ricardo Fernández Malabet has a degree in Mechanical Engineer from the Universidad del Norte, with studies in strategic marketing management, industrial marketing and senior management from the Universidad de los Andes, Colombia, The Wharton School and Harvard Business School, USA. He currently serves as member of the boards of director of Gases de Occidente, Surtigas, Gases del Caribe, Compañía Energética de Occidente and Transmetano. Since joining Promigas in 1985, Mr. Fernández has acted as General Manager of Gazel, and Administrative Vice President and Commercial Vice President. He also served on the boards of directors of industry associations including the Barranquilla section of the Asociación Nacional de Industriales – ANDI, as well as Promitel and Cálidda.

Natalia Abello Vives

Ms. Natalia Abello Vives received her Law degree specializations in Top Management, Company Law, Conflict Negotiation and Management, and Domestic Public Services from Universidad Javeriana. She has also studied Leadership at Harvard, Management for Lawyers at Yale, and Decision-Making Strategy at University of Pittsburgh. Ms. Abello has worked as Minister of Transport, General Secretary of Barranquilla district, General Secretary of Transelca, and recently as Colombian Ambassador in Uruguay and Permanent Colombian Representative to the Latin American Integration Association (ALADI). Current member of the boards of directors of Gases de Occidente, Surtigas, CEO, GASNORP, Enlace and Fundación Promigas.

Aquiles Mercado González

Mr. Aquiles Mercado González has a bachelor's degree in business administration from Universidad del Norte, a specialization in financial administration from the Maastricht School of Management and a Master's of Business Administration (MBA) from Universidad de los Andes. Since joining Promigas in 1986, he has acted as Financial Planning Manager, Investments Manager, Vice President of Investments and Financial Vice President. Mr. Mercado is currently a member of the boards of directors of Gases de Occidente, Surtigas, Gases del Caribe, Compañía Energética de Occidente and Transoriente. He is also an independent member of the boards of directors of Organización Olímpica and Dann Regional finance company.

Alejandro Villalba McCausland

Mr. Alejandro Villalba McCausland has an industrial engineer degree from Universidad del Norte with a specialization in Engineering Project Management and Top Management, and an Executive MBA from Universidad

de los Andes. Current member of the board of directors of Transmetano, SPEC, Promioriente, Promisol and Promifondo. He has deep technical, operational and comprehensive knowledge and insights of the natural gas industry.

Wilson Chinchilla

Mr. Wilson Chinchilla received his electrical engineer degree from Universidad Nacional de Colombia and holds specializations in Gas Engineering from Universidad Industrial de Santander and in Industrial Organization and Economic Regulation from Universidad EAFIT. He has worked for Empresa Antioqueña de Energía – EADE and Empresas Públicas de Medellín – EPM, where he held managerial roles relating to energy sector regulation and markets, leading the growth market strategy in the energy, natural gas and water sectors.

Raúl Andrés Cabezas

Mr. Raúl Andrés Cabezas has a degree in accounting from Universidad del Valle, Cali Colombia and holds a Master in Business Administration from Universidad Icesi, Colombia. He has over 14 years of experience in accounting and finance, and before joining Promigas worked for Almaviva and Cemex Latam Holdings. Mr. Cabezas became Internal Audit Manager of Promigas on August 1, 2018.

Ximena Correa Agudelo

Ms. Ximena Correa has a degree in production engineering from EAFIT University (Colombia). She also has a specialization in Management from Universidad Pontificia Bolivariana (Colombia) and a Master in Safety, Environmental and Quality from Universidad Viña del Mar (Chile). Furthermore, she is a PHD candidate in Project Management from Universidad Benito Juarez – UBJ (Mexico). On the other hand, she has several risk certifications, such as: AIRM - ALARYS International Manager of Risks, Certified Professional in Business Continuity, ICOR BCMM and ITIL V3. Before starting at Promigas, Ms. Correa worked at Grupo Nutresa, Grupo EPM and Grupo Fanalca being responsible for managing the risk, insurance, physical security, quality and improvement areas. She has 20 years experience in risk and compliance management; she has also been working as an university professor in financial, operational and strategics risk management subjects for more than 20 years. Ms. Correa is the Corporate Risk and Compliance Manager of Promigas since January 8, of 2019.

John Rodriguez

Mr. John Rodriguez Benavides has a degree in public accounting from Universidad Autonoma del Caribe, a Master's in Business Administration from Universidad del Norte, with certification ACCA (Association of Chartered Certified Accountants) and is specialized in tax law. Prior to joining Promigas, Mr. Rodriguez served as Senior Finance Auditor at PriceWaterhouseCoopers. He has also served as teacher of auditing and tax reviewing until 1993. Mr. Rodriguez has been working at Promigas since 1985.

Corporate Governance Matters

Corporate governance of Colombian stock corporations (*sociedades anónimas*) is subject to the rules set forth in the Colombian Commerce Code (*Código de Comercio*) for stock corporations and to the respective stock corporation's by-laws.

Pursuant to the Colombian Commerce Code, the management of stock corporations is carried out by the general shareholders' meeting (*asamblea general de accionistas*), the board of directors (*junta directiva*) and the legal representative (*representante legal*) of the stock corporation. See "Principal Shareholders—Shareholders' General Meetings".

Additionally, stock corporations are required to appoint a statutory auditor (*revisor fiscal*) which will be in charge of ensuring that all transactions entered on the company's behalf are compliant with the by-laws provisions, of informing in due course about any irregularity that may arise within the internal functioning of the company, and of supervising the compliance of the company's accountability with the applicable laws and standards.

Promigas is subject to the *Código País*, which sets forth general recommendations related to the best international corporate governance practices for issuers in matters such as: (i) rights and equal treatment to investors; (ii) general shareholders' meetings; (iii) board of directors; (iv) internal control policies; and (v) transparency in financial and non-financial information reporting.

Good Corporate Governance

Promigas has adopted a Corporate Governance Code (last updated on November, 2017), mandatory for the company and its subsidiaries, setting out standards of good practice regarding transparency, board composition and business practices, compensation, accountability and audit, internal and external risk management, compliance, conflict of interests, and relationship with shareholders and company's suppliers. The provisions set forth by the Corporate Governance Code must be complied with during the general shareholders meeting and by the board of directors, the legal representatives and its alternates, tax reviewers, auditors, employees and in general, any person who advises or provides services to Promigas. These practices also include the following strategies: (i) the application of a corporate strategic plan; (ii) a quality management system based on ISO 9001; (iii) the organization of internal committees to evaluate and monitor the company's processes and activities; (iv) the strengthening of customer service culture; (v) the implementation of an anti-fraud policy; and (vi) the evaluation of Promigas by rating agencies.

Board of Directors

Under the Colombian Commerce Code, a stock corporation's board of directors is required to meet in accordance with the terms of the stock corporation's by-laws and may deliberate and decide matters with the affirmative vote of at least the majority of its members.

Pursuant to the Colombian Commerce Code, unless otherwise provided in the stock corporation's by-laws, a stock corporation's board of directors may authorize the performance of any and all acts and the entering into of any and all agreements falling under the scope of the company's corporate purpose, and as may be necessary to adequately discharge such corporate purpose.

Pursuant to Promigas' by-laws, Promigas' board of directors consists of five (5) principal members, each one with its personal alternate chosen by the general shareholders' meeting which are entitled to replace the principal members in all of their absences. By Promigas' nature of securities issuer, at least 25% of its board of directors members must be independent, in accordance with the definition set forth in article 44 of Law 964 of 2005.

Additionally, pursuant to Promigas' by-laws and Code of Conduct, Promigas' board of directors has the power to, among other things:

- take all necessary actions to comply with and enforce Promigas' by-laws and decisions of the general shareholders 'meeting;
- call the annual shareholders' general meeting;
- draft its own regulations;
- appoint and remove the Chief Executive Officer of Promigas and its alternates and set compensation for the office;
- appoint and remove Promigas' legal representative and its alternates;
- advise the President of Promigas when requested or when deemed necessary;
- open positions, appoint and remove employees, establish compensation and roles;
- approve Promigas' annual budget and its investment, maintenance and expenditure plans;

- submit to the general shareholders' meeting, reports, financial statements, inventory and profit sharing projects;

- authorize the president in order to enter into and execute any agreement by means of which the company's real or personal property is disposed to third parties;

- decide on the acquisition, sale, construction and operation of pipelines and other gas transportation, oil and its derivative means of transport, equipment, machinery, etc., acquisition of real state, concessions, licenses, privileges, encumbrances, liens or limitations over such;

- authorize the legal representative in order to guarantee affiliates and subsidiaries obligations;

- regulation the Corporate Governance code and ensure compliance with the regulations therein;

- approve and regulate the issuance of bonds or other securities authorized by law or the securitization of assets; and

- approve and regulate share issuances, subscription and placement regulations, in particular all matters related to the right of first refusal of the company's shares.

The board of directors shall meet and deliberate in accordance with the provisions set forth in the company's by-laws, taking into account that, in all cases, the decisions of the board shall be approved and adopted by at least the favorable vote of three (3) members.

Chief Executive Officer

Pursuant to Promigas' by-laws, the Chief Executive Officer of the company is entitled, among other functions to:

- represent the company as a legal entity;

- execute and perform the decisions made by the general shareholders' meeting; and

- enter into and execute agreements on behalf of the company within a maximum total sum of U.S.$1,500,000 per each agreement.

Audit, Risk and Corporate Governance Committee

The main function of the committee is to advise the board of directors in fulfilling its oversight and control responsibilities. The committee's objectives are designed to assess Promigas' processes relating to risk management and maintaining an appropriate control environment, to monitor the financial reporting process, evaluate corporate control management processes and the statutory auditors. The committee also provides a communication channel between the statutory auditors, the management of corporate control, the management team and the board of directors, ensuring the transparency of information prepared by the company and its appropriate disclosure.

The committee have the following duties and responsibilities with regard to the principles of Good Corporate Governance: (i) develop and periodically review the corporate governance principles adopted by the board of directors and ensure that they are appropriate for Promigas according to regulatory recommendations from the SFC and BVC; and (ii) review any topic related to corporate governance that may arise and make the necessary recommendations to the board of directors on the matter.

The committee is composed of three members from the board of directors. The current principal members are Claudia Betancourt Azcárate (president), Gustavo Ramírez Galindo, Moisés León Rubinstain Lerner and Oscar Darío Morales (independent external member); and the alternates are Camilo de Francisco Valencia, Bernardo

Noreña and Leonardo Garnica Eljaiek. The Corporate Control Manager and the Statutory Auditor, as well as the Chief Executive Officer and the Chief Financial and Administrative Officer, shall attend the Committee.

Investment, Strategy and Sustainability Committee

The strategy and sustainability committee has the following main objectives: (i) analyze the proposals related to corporate strategy demarcation, its monitoring and updating; design suggestions for its execution; and (ii) deliberate, propose and approve corporate governance practices guidelines that strengthen Promigas' commitment with sustainability, revealed within the management corporate model, which has a sustainable approach and emphasizes in the relation between the company and interested parties.

The committee is composed of four members from the board of directors. The current principal members are Carlos Caballero Argáez, Gustavo Ramírez Galindo, Luis Ernesto Mejía Castro, María Lorena Gutiérrez and Claudia Betancourt Azcárate and Camilo de Francisco Valencia. From Promigas, the CEO, the Chief Transportation Officer, Chief Operating Officer, Chief Distribution Officer, Chief Financial and Administrative Officer, General Counsel, and the Sustainability and Environment Manager may attend.

Compensation, Development and Nominations Committee

The compensation and development committee primary responsibilities include guaranteeing that the human resources in Promigas and its subsidiaries follow the corporate guidelines and modern integration practices and maintaining an equitable compensation system that allows Promigas to attract, develop and retain the people it requires to fulfill its mission and strategic objectives.

The committee is composed of three members from the board of directors. The current principal members are Carlos Caballero Argáez, Claudia Betancourt Azcárate and Gustavo Ramírez Galindo. From Promigas, the Chief Executive Officer, the Chief Financial and Administrative Officer, and the Human Resources Manager may attend.

Gases del Pacífico's Management

Board of Directors

Gases del Pacífico is managed by a board of directors. Gases del Pacífico's board of directors is responsible for establishing its general business policies and guidelines, as well as its long-term strategy. Pursuant to Gases del Pacífico's bylaws, its board of directors is composed of three directors and three alternates, who are elected at the general shareholders' meeting. Directors must remain in office for a period of three years. In addition, the board of directors must elect a president and vice-president of the board from among the directors.

Gases del Pacífico's board of directors generally meets once a month at Gases del Pacífico's offices, and has the power to call an extraordinary meeting whenever necessary. A board of directors' meeting may be called by the chairman. The quorum required for board of directors meetings is a half of its members plus one of its members and the decisions are adopted by a majority vote.

As of the date of this offering memorandum, Gases del Pacífico's board of directors was comprised of the following members and alternates:

Name	Position	Election Date
Eric Flesch Santoro	Director/Chairman	March 19, 2019
Natalia Abello Vives	Substitute	March 19, 2019
Wilson Chinchilla Herrera	Director	March 19, 2019
Santiago Mejía Medina	Substitute	March 19, 2019
Maria Angela Holguin	Director	March 19, 2019
Bernardo Noreña Ocampo	Substitute	March 19, 2019

Executive Officers

Gases del Pacífico's executive officers are appointed by the board of directors. The executive officers are responsible for all matters concerning Gases el Pacífico's day-to-day management and operations.

Corporate Governance Matters

Corporate governance of Peruvian closed stock corporation (*sociedades anónimas cerradas*) is subject to the rules set forth in the Peruvian Corporation Act (*Ley General de Sociedades*) for stock corporations and to the respective stock corporation's by-laws.

Pursuant to the Peruvian Corporation Act, the management of stock corporations is carried out by the general shareholders' general meeting (*Junta General de Accionistas*), the board of directors (*Directorio*) and the legal management (*Gerencia*) of the stock corporation.

Board of Directors

Under the Peruvian Corporation Act, a stock corporation's board of directors is required to meet in accordance with the terms of the stock corporation's by-laws and may deliberate and decide matters with the affirmative vote of at least the majority of its members.

Pursuant to the Peruvian Corporation Act, unless otherwise provided in the stock corporation's by-laws, a stock corporation's board of directors may authorize the performance of any and all acts and the entering into of any and all agreements falling under the scope of the company's corporate purpose, and as may be necessary to adequately discharge such corporate purpose.

Pursuant to Gases del Pacífico's by-laws, Gases del Pacífico's board of directors is entitled to, among other things:

- Direct and control all and every business and activities of the corporation;
- draft its own regulations;
- appoint and remove the General Manager of Gases del Pacífico and set compensation for the office;
- appoint and remove Gases del Pacífico's legal representative; and,
- approve Gases del Pacífico's financial statements.

PRINCIPAL SHAREHOLDERS

Promigas' Principal Shareholders

As of the date of this offering memorandum, we had an authorized share capital of 1,150,000,000 shares, of which 15,081,390 are treasury shares and 1,134,848,043 are outstanding.

Our current shareholders and their respective shareholdings are set forth in the following table:

Shareholders	Number of Shares	Percentage of Total
Corporación Financiera Colombiana S.A.	395,710,250	34.9%
EEB GAS S.A.S.	172,916,643	15.2%
CFC Gas Holdings S.A.S.	120,084,141	10.6%
Amalfi S.A.S.	90,661,847	8.0%
Consultorias de Inversiones S.A.	59,742,495	5.3%
Others	295,732,667	26.0%
Total	**1,134,848,043**	**100.0%**

Description of Our Principal Shareholders

Corficolombiana

Corficolombiana, which as of the date of this offering memorandum, has a direct 34.9% and an indirect 10.6%, (through CFC Gas Holdings S.A.S.) ownership interest in Promigas, is a merchant bank that primarily invests in strategic sectors of the Colombian economy, including infrastructure, energy and finance, and also provides treasury, investment banking and private banking services. Corficolombiana is the fourth largest financial institution in Colombia in terms of shareholders' equity, as of June 2019 according to information reported by the SFC and the book value of its equity investment portfolio was U.S.$2.68 billion as of June 2019 (using an exchange rate of Col$3,205.67 per U.S. $1.00).

Grupo Aval is the parent company of Corficolombiana. The beneficial owner is Mr. Luis Carlos Sarmiento Angulo through its business group. Grupo Aval provides a comprehensive range of financial services and products across the Colombian market, ranging from traditional banking services, such as loans and deposits, to pension and severance fund management. Grupo Aval is Colombia's largest banking group based on total assets and its most profitable based on return on average shareholders' equity, as compared to its principal competitors, in each case for the years ended December 31, 2018, 2017 and 2016.

GEB

GEB, holds a 15.2% ownership interest in Promigas through EEB Gas S.A.S. GEB is a public utilities company (*empresa de servicios públicos*) organized as a stock corporation (*sociedad anónima*) under the laws of Colombia. GEB is primarily engaged, directly and through its subsidiaries and related companies, in the generation, transmission and distribution of electricity, as well as the transportation and distribution of natural gas. Currently, GEB has operations in Colombia, Peru, Guatemala and Brazil. GEB was established in 1896 by the Samper Brush family to generate, transmit and distribute electricity primarily to and within the District of Bogotá. The District of Bogotá acquired all of GEB's shares in 1959. In 1996, GEB was transformed from a State Owned Commercial and Industrial Company (*Empresa Industrial y Comercial del Estado*) into a public utilities company organized as a stock corporation. GEB's shares are registered with and trade on the Colombian Stock Exchange (*Bolsa de Valores de Colo*mbia). The District of Bogotá owns 65.7% of, and controls, GEB.

AMALFI S.A.S.

As of the date of this offering memorandum, Amalfi S.A.S., or Amalfi, holds a direct 8.0% ownership interest in Promigas. Amalfi is organized as a stock corporation (*sociedad anónima*) under the laws of Colombia and is primarily engaged in making financial investments in local or foreign currency, in shares or social rights of any kind

of companies, and in urban or rural real estate. Likewise, the corporate purpose of Amalfi includes the exploitation of agricultural businesses and the importing of any type of products.

Other shareholders – Colombian Pension Funds

Colombian pension funds have a 6.8% ownership insterest in Promigas through Fondo de Pensiones Obligatorias Protección (3.3% ownership interest), Fondo de Pensiones Obligatorias Colfondos (1.0% ownership interest) and Fondo de Pensiones Obligatorias Porvenir (2.5% ownership interest).

Shareholders' General Meeting

The general shareholders' assembly ("GSA") consists of all shareholders duly registered in the company's stock ledger, which will be the corporate document on which all meetings, deliberations, resolutions, and appointments duly approved in accordance with the by-laws proceedings will be registered. The GSA will ordinarily meet on a yearly basis within the first three months of each year, and extraordinarily upon the president's board of directors or statutory auditor summoning in accordance with the process set forth in the company's by-laws. The decisions of the GSA must be approved and adopted with the affirmative vote of more than the 50% of the represented shares, except for those matters which are subject to a higher quorum in accordance with the applicable law.

Pursuant to Promigas' by-laws, its GSA is entitled to, among other things:

- approve the financial statements submitted by the board of directors.
- decide on the company's capital reserves.
- choose and appoint board of directors members for each period (2 years).
- choose and appoint the statutory auditor for each period (2 years).

Additionally, it is forbidden for the GSA to delegate the following functions to any corporate body: (i) the approval of the board of directors payment policy; (ii) the appointment policy of the board of directors; (iii) the acquisition, sale of, encumbrance of or imposition of liens on assets considered essential for the company's performance (as declared as such by the board of directors); and, (iv) the approval of the company's partial spin-off.

Gases del Pacífico's Principal Shareholders

As of the date of this offering memorandum, Gases del Pacífico has an outstanding share capital of 79,534,319 with a nominal value of S/0.79 each. 79,534,319 shares of our capital stock have been fully paid.

Gases del Pacífico's current shareholders and their respective shareholdings are set forth in the following table:

Shareholders	Number of Shares	Percentage of Total
Promigas S.A. E.S.P.	59'650,487	75%
Surtidora de Gas del Caribe S.A. E.S.P.	19'883,832	25%
Total	**79'534,319**	**100.0%**

Gases del Pacífico Shareholders' General Meeting

Pursuant to the Peruvian corporate act and Gases del Pacífico's by-laws, the shareholders' general meeting must be held at least once every within three months after the termination of the first financial quarter of the year.

Under the Peruvian corporate act, a shareholders' general meeting may deliberate when at least half of the subscribed shares are represented in the meeting and, generally, all decisions require the approval of more than 50% of the represented shares, subject to certain exceptions.

RELATED PARTY TRANSACTIONS

Colombian law sets forth certain restrictions and limitations on transactions carried out with certain related parties, such as directors and senior management of a company, as well as its subsidiaries and affiliates. The transactions that are limited or prohibited are described in the Colombian Code of Commerce, as amended by Law 222 of 1995, which establishes, among other things, the following: (i) transactions between the parent company and its subsidiaries or affiliates must be of a real nature and may not differ considerably from standard market conditions, nor be to the detriment of the Colombian Government, stockholders or third parties, and (ii) subsidiaries may not acquire any shares issued by their parent company. Furthermore, pursuant to Law 222 of 1995, legal representatives, board members and any other manager (*administrador*), or a Manager, must refrain from participating in activities in which they have a conflict of interest, unless an express authorization is granted in a shareholders' meeting. Even though there is no legal definition of conflict of interest, the Superintendence of Corporations (*Superintendencia de Sociedades*) has issued judgements and non-binding decisions identifying cases of conflict of interest, such as the execution of contracts between a company and (i) its manager, an affiliate of such Manager or a company in which such Manager is a shareholder, legal representative or board member, or (ii) its controlling shareholder or parent company.

Peruvian law sets forth certain restrictions and limitations on transactions with certain related parties. For instance, from a tax standpoint, regardless of the value actually agreed between certain related parties, the income tax must be calculated considering the fair market value assessed under transfer pricing rules (i.e., the value agreed to by non-related parties under the same or similar circumstances), provided that said rules may not be applicable when the party has entered into an agreement granting tax stability.

We believe that we have complied and are in compliance in all material respects with the requirements of Peruvian laws governing related party transactions with respect to all of our transactions with related parties.

We carry out transactions and operations with related parties on an arm's-length basis and in accordance with usual market practices.

See note 23 of our Unaudited Consolidated Financial Statements for more information regarding our material related party transactions as of June 30, 2019.

DESCRIPTION OF THE NOTES

We will issue U.S.$400,000,000 of our 3.750% Senior Notes due 2029 (the "Notes") offered hereby under an indenture (the "Indenture") between us and U.S. Bank National Association, as trustee (the "Trustee"), dated as of October 16, 2019. The terms of the Notes include those set forth in the Indenture. The Indenture is not required to be nor will it be qualified under the Trust Indenture Act. The following description is a summary of the material terms of the Indenture and the Notes. It does not, however, restate the Indenture in its entirety, and where reference is made to particular provisions of the Indenture, such provisions, are qualified in their entirety by reference to the provisions of the Indenture and the Notes. You should read the Indenture because it contains additional information and because it and not this description of the Notes defines your rights as Holder of the Notes. The Holders will be entitled to the benefits of, be bound by and be deemed to have notice of all the provisions of the Indenture. Copies of the Indenture may be obtained by requesting them from the Co-Issuers.

Application will be made for the listing and quotation of the Notes on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this offering memorandum. Admission of the Notes to the Official List of the SGX-ST and the quotation of the Co-Issuers on the SGX-ST are not to be taken as an indication of the merits of the Co-Issuers or the Notes. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Note is exchanged for a Certificated Note, the Co-Issuers will appoint and maintain a paying agent in Singapore, where the Certificated Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for a Certificated Note, an announcement of such exchange will be made by or on behalf of the Co-Issuers through the SGX-ST and such announcement will include all material information with respect to the delivery of the Certificated Notes, including details of the paying agent in Singapore. The Notes will be traded on the SGX-ST in a minimum board lot size of SGD$200,000 (or its equivalent in foreign currencies) for so long as the Notes are listed on the SGX-ST.

Certain terms used in this description are defined below under "—Certain Defined Terms." In this Description of the Notes, "Co-Issuers" refers only to Promigas S.A. E.S.P. ("Promigas") and Gases del Pacífico S.A.C. ("Gases del Pacífico"), and any successor obligor on the Notes, and not to any of their subsidiaries.

The Notes and the Indenture

The Notes will be issued in an aggregate principal amount of U.S.$400,000,000. Each of the Notes offered hereby and issued pursuant to the Indenture will represent the right of the applicable Holder to receive:

(1) payments of interest on such Note. The Notes will bear interest at an annual rate of 3.750% on the outstanding principal amount, payable semiannually in arrears on April 16 and October 16 of each year (each a "Payment Date") commencing on April 16, 2020;

(2) payment of 100% of the principal on the Notes in a single installment on the Maturity Date; and

(3) any Additional Amounts (as defined below) on any of the foregoing.

For purposes of all payments of interest, principal or Additional Amounts contemplated herein:

- The Co-Issuers will pay all amounts in respect of the principal of and interest on the Notes and any Additional Amounts in U.S. Dollars.

- Interest on the Notes will be payable to the persons who are registered Holders at the close of business on the Record Date. Interest on the Notes will be computed on the basis of 360-day years comprised of twelve 30-days months.

- Payments due on a date other than a Business Day shall be made on the next succeeding Business Day and such extension of time shall not be included in computing interest and fees in connection with that payment.

- The principal amount of the Notes will be repaid in a single installment on the Maturity Date.

- The Notes constitute joint and several senior, unconditional and unsecured obligations of the Co-Issuers and will rank equally without preference among themselves and will rank equally with all the Co-Issuers' existing and future senior and unsecured Indebtedness in right of payment and senior to the Co-Issuers' existing and future debt that by its terms is junior and subordinated in right of payment to the Notes. The payment of principal, and the final payment of interest and Additional Amounts (if any) are expected to be made on the Notes on the Maturity Date. The Notes will not be redeemable prior to the Maturity Date except as otherwise provided herein.

Additional Notes

The Co-Issuers may, without your consent, incur additional indebtedness. At the Co-Issuers' option, this additional indebtedness may consist of additional Notes ("Additional Notes") issued in one or more transactions, which have identical terms (other than issue price, issue date, date from which the interest initially will accrue and, to the extent necessary, certain temporary securities law transfer restrictions) as Notes issued on the Closing Date. Any Additional Notes will be consolidated and form a single class with the Notes issued on the Closing Date, so that, among other things, Holders of any Additional Notes will have the right to vote together with Holders of Notes issued on the Closing Date as one class; *provided* that, unless such Additional Notes are fungible with the original Notes issued on the Closing Date for U.S. federal income tax purposes, such Additional Notes will be issued under a separate CUSIP.

Additional Amounts

Pursuant to the Indenture, all payments to be made in respect of the Notes are to be made free and clear of, and without deduction or withholding for or on account of, any Taxes, except to the extent such Taxes are imposed by applicable law. In the event that any Taxes are required by applicable law to be deducted or withheld (1) by Colombia, Peru or any political subdivision or taxing authority of Colombia or Peru, (2) any jurisdiction in which either Co-Issuer, Successor, Substituted Debtor or any other successor thereof is then deemed resident for tax purposes, or (3) any jurisdiction from or through which payment is made by or on behalf of the Co-Issuers (each a "Tax Jurisdiction") from any payment required to be made in respect of the Notes or otherwise under the Indenture, then the amount of such payment shall be increased by such additional amounts as may be necessary for such payment to be made, after withholding or deduction for or on account of such Taxes, in an amount equal to the amount that would have been received by the Holder in respect of such payment had no such Taxes (including any Taxes payable in respect of such Additional Amounts) been required to be so deducted or withheld (any such amounts, "Additional Amounts"). Furthermore, the amount of any Taxes required to be withheld or deducted from any payment made in respect of the Notes or otherwise under the Indenture shall be withheld or deducted from such payment (as increased by any Additional Amounts) and paid to the taxing authority imposing such Taxes in accordance with applicable law. Notwithstanding the preceding sentences, no such Additional Amounts will be payable in respect of:

(1) any Tax assessed or imposed by any taxing authority to the extent that such Tax would not have been assessed or imposed but for the Holder or beneficial owner of such payment having a present or former connection with the relevant Tax Jurisdiction other than solely by reason of the Holder's or beneficial owner's mere holding of the Notes (or such beneficial interest);

(2) any estate, inheritance, capital gains, gift, personal property, sales, use, excise, transfer or other similar Tax imposed with respect to such payment;

(3) any such Taxes that would not have been imposed but for the failure of the Holder or beneficial owner of such payment to comply with any certification, identification, information, documentation or other reporting requirement to the extent (a) such compliance is required by applicable law or an applicable treaty of the relevant Tax Jurisdiction as a precondition to exemption from, or reduction in the rate of deduction or withholding of, such Taxes and (b) at least 30 days before the first Payment Date with respect to which the obligor with respect to a

payment shall apply this clause (3), such obligor shall have notified such Holder or beneficial owner in writing that such Holder or beneficial owner will be required to comply with such requirement;

(4) any Tax required to be withheld by any paying agent from any payment of principal, premium (if any) or interest on the Note, if such Tax results from the presentation of such Note for payment (where presentation is required) in the European Economic Area and the payment can be made without such withholding or deduction by the presentation of such Note for payment to at least one other paying agent in the European Economic Area;

(5) any Note presented for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that such Holder would have been entitled to Additional Amounts had the Note been presented during such 30-day period);

(6) any Tax payable other than by withholding or deduction;

(7) any Tax required to be withheld or deducted under Section 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, or any amended or successor revisions of such Sections ("FATCA"), any regulations or other guidance thereunder, or any agreement (including an intergovernmental agreement) entered into in connection therewith, or any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement in respect of FATCA; or

(8) any combination of the circumstances described in clauses (1) through (7),

nor will any Additional Amounts be paid with respect to any payment to an Holder who is a fiduciary or partnership or any person other than the sole beneficial owner of such payment to the extent that a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been in the place of such Holder.

In addition, the Co-Issuers shall pay any and all Other Taxes imposed by Colombia or Peru.

The Co-Issuers will provide the Trustee upon its request with documentation reasonably satisfactory to it evidencing the payment of Taxes in respect of which the Co-Issuers have paid any Additional Amounts. Copies of such documentation will be made available to the Holder or beneficial owner upon written request therefor to the Trustee.

The obligation to pay Additional Amounts will survive the repayment of the Notes and the sale or transfer of the Notes (or beneficial interests therein) by any investor.

Optional Redemption

Optional Redemption at Par

At any time or from time to time on or after July 16, 2029 (three months prior to the Maturity Date) (the "Par Call Date"), the Co-Issuers will have the right to redeem the Notes, in whole or in part, on at least 10 days' but not more than 60 days' prior notice, as provided herein under "—Notices," at a redemption price equal to 100% of the outstanding principal amount of the Notes to be redeemed plus accrued but unpaid interest (if any) on the principal amount of the Notes to be redeemed and any Additional Amounts to, but excluding, the Redemption Date (subject to the right of the Holders of record on the relevant Record Date to receive interest and Additional Amounts (if any) on the relevant Redemption Date).

Optional Redemption with "Make-Whole" Amount

The Co-Issuers will have the right to redeem any of the Notes, in whole or in part, at any time or from time to time prior to the Par Call Date, at their option, on at least 10 days' but not more than 60 days' prior notice, as provided herein under "—Notices," at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes to be redeemed and (2) the sum of the present values of each remaining scheduled payment of principal

and interest thereon as if redeemed on the Par Call Date (exclusive of interest accrued to the Redemption Date) discounted to the Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 35 basis points, in each case *plus* accrued but unpaid interest (if any) on the principal amount of the Notes to be redeemed and any Additional Amounts to, but excluding, the Redemption Date (subject to the right of the Holders of record on the relevant Record Date to receive interest and Additional Amounts (if any) on the relevant Redemption Date).

"Treasury Rate" shall mean, with respect to any Redemption Date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

"Comparable Treasury Issue" shall mean the United States Treasury security or securities selected by an Independent Investment Banker appointed by the Co-Issuers as having an actual or interpolated maturity comparable to the Par Call Date that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of investment grade corporate debt securities of comparable maturity to the Par Call Date.

"Comparable Treasury Price" shall mean, with respect to any Redemption Date (1) the average of the Reference Treasury Dealer Quotations, as calculated by the Independent Investment Banker, for such Redemption Date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if we obtain fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" shall mean one of the Reference Treasury Dealers appointed by the Co-Issuers.

"Reference Treasury Dealer" shall mean Citigroup Global Markets Inc. and J.P. Morgan Securities LLC, or their respective affiliates which are primary United States government securities dealers and two other leading primary United States government securities dealers in New York City reasonably designated by Co-Issuers; *provided, however*, that if any of the foregoing shall cease to be a primary United States government securities dealer in New York City (a "Primary Treasury Dealer"), the Co-Issuers will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" shall mean, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to us by such Reference Treasury Dealer at 3:30 pm New York time on the third Business Day preceding such Redemption Date.

If the Co-Issuers redeem the Notes in part, the Trustee will select the Notes for redemption on a *pro rata* basis, by lot or by such other method as the Trustee shall deem fair and appropriate; *provided, however*, that the selection of any Notes held in the form of a Global Note shall be subject to the applicable procedures of the depositary therefor. The Co-Issuers shall not redeem Notes of U.S.$200,000 principal amount in part, and Notes of a principal amount in excess of U.S.$200,000 may be redeemed in part only in multiples of U.S.$1,000; *provided, however*, that if the Notes are redeemed in part only, Notes in an aggregate principal amount of at least U.S.$100 million shall remain Outstanding after any such partial redemption. If any Note is to be redeemed in part only, the notice of redemption will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued upon the cancellation of the original Note.

On and after the Redemption Date, interest will cease to accrue on the Notes or any portion of the Notes called for redemption (unless the Co-Issuers default in the payment of the redemption price and accrued interest). On or before the Business Day prior to the Redemption Date, the Co-Issuers will deposit with the trustee money sufficient to pay the redemption price of and (unless the Redemption Date shall be a Payment Date) accrued interest to, but excluding, the Redemption Date on the Notes to be redeemed on such date.

Notice of any optional redemption shall be, at the Co-Issuers' discretion, subject to one or more conditions precedent, including, but not limited to, the completion of an equity offering or other corporate or financing transactions. In addition, if such optional redemption is subject to satisfaction of one or more conditions precedent, such notice shall describe each such condition, and if applicable, shall state that, in the Co-Issuers' discretion, the Redemption Date may be delayed until such time as any or all such conditions shall be satisfied, or such optional redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the Redemption Date, or by the Redemption Date as so delayed.

Optional Tax Redemption

The Notes may be redeemed at the Co-Issuers' election in whole (but not in part) on any date prior to the Maturity Date, by the giving of notice as provided herein under "—Notices," at a redemption price equal to 100% of the outstanding principal amount thereof, together with any Additional Amounts (if any) and accrued and unpaid interest to, but excluding, the Redemption Date (subject to the right of the Holders of record on the relevant Record Date to receive interest and Additional Amounts (if any) on the relevant Redemption Date), if, as a result of:

(1) any change in, or amendment to, laws or treaties (or any regulation or rulings promulgated thereunder) of a Tax Jurisdiction or any political subdivision or taxing authority thereof or therein; or

(2) any change in the official application, administration or interpretation of such laws, treaties, regulations or rulings in such jurisdictions,

which amendment, change, application, administration or interpretation becomes effective on or after the Closing Date or, if later, the date a jurisdiction becomes a Tax Jurisdiction, as a result of which the Co-Issuers have become or would become obligated to pay any Additional Amounts on the next date on which any amount would be payable with respect of such Notes and the Co-Issuers determine in good faith that such obligation cannot be avoided by taking commercially reasonable measures available to the Co-Issuers; *provided, however*, that no such notice of redemption shall be given earlier than 60 days prior to the earliest date on which the Co-Issuers would be obligated to pay such Additional Amounts. For the avoidance of doubt, commercially reasonable measures shall include a change in the jurisdiction of the paying agent(s).

Notice of any redemption will be given, in accordance with the provision set out under "—Notices" below, at least 10 days but not more than 60 days before the Redemption Date to each Holder of the Notes to be redeemed. Prior to the giving of notice of redemption of such Notes pursuant to the preceding paragraph, the Co-Issuers will deliver to the Trustee an Officers' Certificate and a written opinion of independent counsel of recognized standing in such Tax Jurisdiction, to the effect that all governmental approvals necessary for it to effect such redemption have been, or at the time of redemption will be, obtained and are, or will be, in full force and effect, and that the Co-Issuers have or will become obligated to pay such Additional Amounts as a result of such change, amendment, application, administration or interpretation.

On and after the Redemption Date, interest will cease to accrue on the Notes or any portion of the Notes called for redemption (unless the Co-Issuers default in the payment of the redemption price and accrued interest). On or before the Business Day prior to the Redemption Date, the Co-Issuers will deposit with the trustee money sufficient to pay the redemption price of and (unless the Redemption Date shall be a Payment Date) accrued interest to, but excluding, the Redemption Date on the Notes to be redeemed on such date.

Open Market Purchases

The Co-Issuers or any of their respective Affiliates may at any time purchase any Note in the open market or otherwise at any price. Any Note so purchased by the Co-Issuers or any Affiliate may, at the option of the Co-Issuers, continue to be outstanding or be surrendered to the Trustee for cancellation.

Certain Covenants

The Indenture contains the following covenants:

Limitation on Liens

The Co-Issuers will not and will not permit any of their respective Material Subsidiaries to incur any Indebtedness secured, directly or indirectly, by a Lien on any property, assets, income or profits of the Co-Issuers or any of their respective Material Subsidiaries without effectively providing that the Notes (together with, if the Co-Issuers so determine, any other Indebtedness or obligation then existing or thereafter created which is not subordinated to the Notes) shall be secured equally and ratably with (or prior to) such Indebtedness so long as such Indebtedness shall be so secured, except that the foregoing provisions shall not apply to:

(1) Liens in existence on the Closing Date;

(2) Liens that secure Indebtedness owing by a Subsidiary of either Co-Issuer to either Co-Issuer and/or by one or more other Subsidiaries of the Co-Issuers or by the Co-Issuers to one or more of their Subsidiaries;

(3) Liens on any property or assets acquired from a Person that is merged with or into either Co-Issuer or any of their respective Subsidiaries, or any Liens on the property, Capital Stock, assets, revenue or profits of any Person, existing at the time such Person becomes a Subsidiary of either Co-Issuer and, in either such case, is not created as a result of or in connection with or in anticipation of any such transaction (unless such Lien was created to secure or provide for the payment of any part of the purchase price of such Person or was created in contemplation of such Person being merged with or into, or such Person becoming a Subsidiary of, either Co-Issuer or any of their respective Subsidiaries); *provided, however*, that such Liens may not extend to any other property, assets, revenue or profits of the Co-Issuers or any of their respective Subsidiaries;

(4) any Lien on any property, assets, revenue or profits existing at the time of acquisition, construction or improvement thereof and that is not created as a result of or in connection with or in anticipation of such acquisition, construction or improvement, as applicable (unless such Lien was created to secure or provide for the payment of any part of the purchase price of such property or assets); *provided, however*, that such Liens may not extend to any other property, assets, income or profits of the Co-Issuers or any of their respective Subsidiaries;

(5) any Lien on the Capital Stock of any Subsidiaries of the Co-Issuers;

(6) Liens (including extensions and renewals) with respect to Indebtedness incurred to finance the acquisition, construction or improvement of assets or property (including Capital Stock of any Person) acquired, constructed or improved after the Closing Date; *provided, however*, that (a) such Lien is created solely for the purpose of securing the payment of Indebtedness incurred to finance the cost (including the cost of design, development, acquisition, construction, installation, improvement, transportation or integration) of the assets or property subject thereto and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition, the completion of construction or the commencement of the full operation of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost (including the cost of design, development, acquisition, construction, installation, improvement, transportation or integration) of such property or assets; and (c) such Lien shall not extend to cover any property, assets, revenue or profits other than such items of property and any improvements on such items; *provided, further*, that to the extent that the assets or property acquired is Capital Stock, and subject to the limitations in clause (a) above, the Lien may also encumber other property or assets of the Person so acquired, constructed or improved.

(7) Liens imposed by law, including carriers', warehousemen's, suppliers' and mechanics' Liens and other similar Liens, on the property or assets of the Co-Issuers or any of their respective Subsidiaries arising in the ordinary course of business that are not more than 180 days past-due or are being contested in good faith by appropriate proceedings;

(8) Liens on the property, assets, revenue or profits of the Co-Issuers or any of their respective Subsidiaries incurred in the ordinary course of business to secure the performance of tenders, bids, statutory obligations, surety and appeal bonds and deposits, government contracts, workers' compensation and social security claims, performance and return-of-money bonds, or other obligation of a like nature and incurred in a manner consistent with industry practice, in each case which are not incurred in connection with the borrowing of money, the obtaining

of advances or credit or the payment of the deferred purchase price of property or assets in the operation of the business of the Co-Issuers and any of their respective Subsidiaries;

(9) easements, rights of way, sewers, electric lines, zoning, building codes or other restrictions, or defects or irregularities in title and other similar charges or encumbrances which do not interfere in any material respect with the business of the Co-Issuers or any of their respective Subsidiaries;

(10) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of set-off or similar rights or remedies as to deposit accounts or other funds maintained with a creditor depository institution;

(11) Liens arising out of judgments or awards against the Co-Issuers or any Subsidiary of the Co-Issuers which do not give rise to an Event of Default;

(12) Liens securing Purchase Money Obligations;

(13) Liens imposed by law for taxes not yet due or delinquent (or which may be paid without interest or penalties) or that are otherwise being contested in good faith by appropriate procedures and for which adequate reserves have been maintained in accordance with Colombian IFRS;

(14) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof incurred in the ordinary course of business;

(15) (a) licenses, sublicenses, leases or subleases granted by the Co-Issuers or any of their respective Subsidiaries in the ordinary course of business to other Persons not materially interfering with the conduct of the business of the Co-Issuers or any of their respective Subsidiaries and (b) any interest or title of a lessor, sublessor or licensor under any lease or license agreement permitted by the Indenture to which the Co-Issuers or any Subsidiary is a party; *provided* that with respect to (a) and (b), the licenses, sublicenses, leases or subleases granted under this clause (15) do not secure any Indebtedness;

(16) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods in the ordinary course of business;

(17) Liens on patents, trademarks, service marks, trade names, copyrights, technology, know-how and processes to the extent such Liens arise from the granting of license to use such patents, trademarks, service marks, trade names, copyrights, technology, know-how and processes to any Person in the ordinary course of business of the Co-Issuers or any of their respective Subsidiaries;

(18) Liens to secure the Notes;

(19) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Lien referred to in the foregoing clauses (1) through (18) or of any Indebtedness secured thereby; *provided that* the principal amount of Indebtedness so secured thereby shall not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal or replacement (plus accrued and unpaid interest and reasonable fees and expenses, incurred in connection therewith), and that such extension, renewal or replacement Lien shall be limited to all or part of the property that secured the Lien extended, renewed or replaced (plus improvements on or additions to such property);

(20) Liens securing Hedging Obligations entered into in the ordinary course of business and not for speculative purposes; or

(21) Liens not otherwise permitted by clauses (1) through (20) above securing Indebtedness in an aggregate principal amount not in excess of 15.0% of Consolidated Net Tangible Assets at any one time outstanding.

Liens or deposits required by any contract or statute or other regulatory requirements in order to permit the Co-Issuers or any of their respective Subsidiaries to perform any contract or subcontract made by it with or at the request of a governmental entity or any department, agency or instrumentality thereof, or to secure partial progress, advance or any other payments to the Co-Issuers or any of their respective Subsidiaries by a governmental entity or any department, agency or instrumentality thereof pursuant to the provisions of any contract or statute shall not be deemed to create Indebtedness secured by Liens.

Limitation on Sale and Lease-Back Transactions

The Co-Issuers shall not, and shall not permit any of their respective Material Subsidiaries to, directly or indirectly, enter into any sale and lease-back transaction unless the Co-Issuers comply with this restrictive covenant. A "sale and lease-back transaction" generally is an arrangement between the Co-Issuers or any of the Material Subsidiaries and a bank, insurance company or other lender or investor where the Co-Issuers or any of the Material Subsidiaries leases real or personal property for an initial term of three years or more which was or will be sold by the Co-Issuers or any of the Material Subsidiaries to that lender or investor for a sale price of U.S.$5.0 million (or its equivalent) or more.

The Co-Issuers can comply with this restrictive covenant if (A) (i) within 12 months after the effective date of such sale and lease-back transaction (whether made by the Co-Issuers or any of the Material Subsidiaries), the Co-Issuers or any of the Material Subsidiaries apply an amount equal to 100% of the net cash proceeds received from such sale lease-back transaction to repay and permanently reduce any Indebtedness which is secured by a Lien; or (ii) the sale lease-back transaction is entered into prior to, concurrently with or within six months after the acquisition, the completion or construction (including any improvements on an existing property) or the commencement of commercial operations of the property which is the subject of the sale lease-back transaction; and (B) the Co-Issuers or their respective Material Subsidiaries could otherwise grant a lien on the property as described in "—Limitation on Liens."

Financial Reporting

For so long as any of the Notes are Outstanding, Promigas shall, within 90 days after the end of each fiscal quarter of each fiscal year (other than the final fiscal quarter of any fiscal year) and 120 days after the end of each fiscal year, provide to the Trustee copies of an unaudited (with respect to a fiscal quarter) or audited (with respect to a fiscal year) consolidated balance sheet, statements of income and statements of cash flows of Promigas, prepared in a form substantially similar to the financial statements included in this offering memorandum, prepared in accordance with Colombian IFRS and presented in the English language. The audited information provided with respect to a fiscal year shall also include a report thereon by Promigas' certified independent public accountants. The Trustee's receipt of such reports shall not constitute actual or constructive notice of any information contained therein or determinable from information contain therein, including Promigas' compliance with any of its covenants under the Indenture.

Maintenance of Ratings

The Co-Issuers shall, for so long as any Notes are Outstanding, use commercially reasonable efforts to maintain ratings on the Notes from at least two of the Rating Agencies (it being acknowledged and agreed that the Co-Issuers shall not be required to maintain any minimum credit rating).

Limitation on Line of Business

The Co-Issuers will not, and will not permit any of their respective Material Subsidiaries, to engage in any material business other than a Related Business.

Consolidation, Merger, Conveyance, Sale or Lease

Nothing contained in the Indenture will prevent either Co-Issuer from consolidating with or merging into another Person or conveying, transferring or leasing such Co-Issuer's properties and assets substantially as an entirety (determined on a consolidated basis, with such Co-Issuer's Subsidiaries) to any Person; *provided that*:

(1) the resulting, surviving or transferee Person (if not any of the Co-Issuers) shall be a Person organized and existing under the laws of Colombia, Peru, a member country of the European Union or the United States of America, any State thereof, the District of Columbia, any other OECD member country or any other country in Latin America whose long-term foreign currency-denominated debt has an Investment Grade Rating from at least two Rating Agencies;

(2) if the Co-Issuer is not the continuing Person, such Co-Issuer shall be obligated under the Indenture to cause the Person formed by such consolidation or into which such Co-Issuer is merged or the Person which acquires by conveyance or transfer, or which leases, such Co-Issuer's properties and assets substantially as an entirety (determined on a consolidated basis, with such Co-Issuer's Subsidiaries) (the "Successor"), to expressly assume such Co-Issuer's obligations under the Indenture;

(3) immediately after giving effect to such transaction on a pro forma basis (and treating any Indebtedness which becomes an obligation of the resulting, surviving or transferee Person as a result of such transaction as having been issued by such Person at the time of such transaction), no Default or Event of Default has occurred and is continuing;

(4) all requisite governmental approvals therefor shall have been obtained, if applicable; and

(5) such Co-Issuer has delivered to the Trustee an Officers' Certificate and an opinion of counsel, each stating that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

provided, however, that the provisions of paragraph (2) above shall not apply to the Successor if such Successor is released pursuant to the provisions of "—Release of Successor to Gases del Pacífico" below.

For the avoidance of doubt, the foregoing shall not prevent any consolidation or merger of any Subsidiary with or into any of the Co-Issuers or any sale or conveyance, transfer or leasing of assets or property to any of the Co-Issuers.

Upon the consummation of any transaction effected in accordance with these provisions, the Successor will succeed to, and be substituted for, the applicable Co-Issuer under the Indenture and the Notes. Upon such substitution, the applicable Co-Issuer will be released from its obligations under the Indenture and the Notes.

Release of Successor to Gases del Pacífico

Notwithstanding the "—Consolidation, Merger, Conveyance, Sale or Lease" provision, concurrently with any consolidation, merger or sale of Gases del Pacífico with or to another Person (other than Promigas or its Subsidiaries) or any sale or conveyance as an entirety or substantially as an entirety of the property or assets of Gases del Pacífico to another Person (other than Promigas or its Subsidiaries), the obligations of such Person (as Successor to Gases del Pacífico) under the Indenture and the Notes will be released provided the following conditions are satisfied:

(1) Promigas shall have obtained a Rating Reaffirmation prior to such release;

(2) Gases del Pacífico is not a Material Subsidiary;

(3) no Default or Event of Default has occurred and is continuing; and

(4) Promigas shall deliver to the Trustee an Officer's Certificate and an opinion of counsel to the effect that such release was made in accordance with the provisions described under this section.

Repurchases at the Option of the Holders of the Notes Upon Change in Ownership Structure Repurchase Event

If a Change in Ownership Structure Repurchase Event occurs with respect to either of the Co-Issuers, each Holder of Notes will have the right to require the Co-Issuers to repurchase all or any part (in integral multiples of U.S.$1,000) of that Holder's Notes pursuant to a Change in Ownership Structure Offer (as defined below) on the terms set forth in the Indenture. No such purchase in part shall reduce the outstanding principal amount at maturity of the Notes held by any Holder to below U.S.$200,000. In the Change in Ownership Structure Offer, the Co-Issuers will offer a "Change in Ownership Structure Payment" in cash equal to 101% of the aggregate principal amount of Notes repurchased *plus* accrued and unpaid interest and Additional Amounts (if any) on the Notes repurchased, to, but excluding, the date of purchase (subject to the right of the Holders of record on the relevant Record Date to receive interest and Additional Amounts (if any) on the relevant Payment Date).

Within 30 days following any Change in Ownership Structure Repurchase Event, the Co-Issuers will make a "Change in Ownership Structure Offer" by giving notice to each Holder of Notes in accordance with the provision set out under "—Notices" below, describing the transaction or transactions that constitute the Change in Ownership Structure Repurchase Event and offering to repurchase Notes on the date specified in the notice (the "Change in Ownership Structure Payment Date"), which date will be no earlier than 10 days and no later than 60 days from the date such notice is given, pursuant to the procedure required by the Indenture and described in such notice.

The Co-Issuers will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other applicable securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any applicable securities laws or regulations conflict with provisions of this covenant, the Co-Issuers will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue of its compliance with such securities laws or regulations.

The Co-Issuers will, to the extent lawful:

(1) on the Business Day immediately preceding the Change in Ownership Structure Payment Date, deposit with the paying agent an amount equal to the Change in Ownership Structure Payment in respect of all Notes or portions of Notes properly tendered; and

(2) on the Change in Ownership Structure Payment Date:

(i) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change in Ownership Structure Offer; and

(ii) deliver or cause to be delivered to the Trustee the Notes properly accepted, together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Co-Issuers.

The paying agent under the Indenture will promptly deliver each Holder of Notes properly tendered the Change in Ownership Structure Payment for such Notes, and the Trustee will authenticate and give (or cause to be transferred by book entry), in accordance with the provision set out under "—Notices" below, to each Holder a new note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided that* each new note will be in a principal amount of U.S.$200,000 or an integral multiple of U.S.$1,000 in excess thereof. The Co-Issuers will publicly announce the results of the Change in Ownership Structure Offer on or as soon as practicable after the Change in Ownership Structure Payment Date.

The provisions described above that require the Co-Issuers to make a Change in Ownership Structure Offer following a Change in Ownership Structure Repurchase Event will be applicable whether or not any other

provisions of the Indenture are applicable. Except as described above with respect to a Change in Ownership Structure Repurchase Event, the Indenture does not contain provisions that permit the Holders of the Notes to require that the Co-Issuers repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Co-Issuers will not be required to make a Change in Ownership Structure Offer upon a Change in Ownership Structure Repurchase Event if a third party makes the Change in Ownership Structure Offer in the manner, at the times and otherwise in compliance with the requirements, set forth in the Indenture, that are applicable to a Change in Ownership Structure Offer made by the Co-Issuers and such third party purchases all Notes properly tendered and not withdrawn under the Change in Ownership Structure Offer.

Notwithstanding anything to the contrary contained herein and subject to applicable law, a Change in Ownership Structure Offer may be made in advance of a Change in Ownership Structure and conditioned upon the occurrence of such Change in Ownership Structure Repurchase Event if a definitive agreement is in place for the Change in Ownership Structure at the time of making of the Change in Ownership Structure Offer.

In the event that the Holders of the Notes of not less than 90% of the aggregate principal amount of notes accept a Change in Ownership Structure Offer and either Co-Issuer or a third party purchases all the notes held by such Holders, the Co-Issuers will have the right, on not less than 30 nor more than 60 days' prior notice to the Holders of the Notes, given not more than 30 days following the purchase date pursuant to the Change in Ownership Structure Offer, to redeem all of the Notes that remain outstanding following such purchase at the purchase price equal to that in the Change in Ownership Structure Offer *plus*, to the extent not included in the purchase price, accrued and unpaid interest and additional amounts, if any, on the Notes that remain outstanding, to, but excluding, the date of redemption.

Rule 144A Information

For so long as any of the Notes remain Outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Co-Issuers shall furnish, upon the request of any Holder, such information as is specified in Rule 144A(d)(4) under the Securities Act: (i) to such Holder, (ii) to a prospective purchaser of such Note (or beneficial interests therein) who is a QIB designated by such Holder and (iii) upon written request of the Co-Issuers, to the Trustee for delivery to any applicable Holders or such prospective purchaser so designated, in each case in order to permit compliance by such Holder with Rule 144A in connection with the resale of such Note (or beneficial interest therein) in reliance upon Rule 144A. All such information shall be in the English language.

Substitution of the Co-Issuers

(a) Notwithstanding any other provision contained in the Indenture, either Co-Issuer may, without the consent of any Holder of the Notes, be substituted as principal debtor in respect of the Notes by any (i) wholly-owned Subsidiary of either Co-Issuer or (ii) direct or indirect parent of either Co-Issuer, of which the Co-Issuer is a wholly-owned subsidiary (in that capacity, the "Substituted Debtor"); *provided* that the following conditions are satisfied:

(1) the Substituted Debtor is a corporation organized and validly existing under the laws of Colombia, Peru, a member country of the European Union or the United States of America, any State thereof, the District of Columbia, any other OECD member country or any other country in Latin America whose long-term foreign currency-denominated debt has an Investment Grade Rating from at least two Rating Agencies;

(2) such documents will be executed by the Substituted Debtor, the applicable Co-Issuer and the Trustee as may be necessary to give full effect to the substitution, including a supplemental indenture under which the Substituted Debtor assumes all of such Co-Issuer's obligations under the Indenture and the Notes (collectively, the "Issuer Substitution Documents") and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favor of each Holder of the Notes to be bound by the terms and conditions of the Notes and the provisions of the Indenture as fully as if the Substituted

Debtor had been named in the Notes and the Indenture as the principal debtor in respect of the Notes in place of the applicable Co-Issuer (or any previous substitute), and, in the case of a substitution Promigas only, pursuant to which Promigas shall unconditionally and irrevocably guarantee in favor of each holder of the Notes the payment of all sums payable by the Substituted Debtor as such principal debtor on the same terms *mutatis mutandis* as the Notes (the "Substitution Guarantee");

(3) the Issuer Substitution Documents shall contain a provision (i) to ensure that each Holder has the benefit of a covenant in terms corresponding to the obligations of the applicable Co-Issuer in respect of the payment of additional amounts set forth in "—Additional Amounts" if the Substituted Debtor is organized in a jurisdiction other than Colombia or Peru (as the case may be), and (ii) to indemnify and hold harmless each Holder and beneficial owner of the Notes against all taxes or duties (x) imposed by the jurisdiction in which the Substituted Debtor is organized and which arise by reason of a law or regulation in effect or contemplated on the effective date of the substitution, which may be incurred or levied against such Holder or beneficial owner of the Notes as a result of the substitution and which would not have been so incurred or levied had the substitution not been made, or (y) which are imposed on such Holder or beneficial owner of the Notes by any country (including any political subdivision or taxing authority thereof) in which such Holder or beneficial owner of the Notes resides or is subject to tax and which would not have been so imposed had the substitution not been made; provided that any Holder making a claim with respect to such tax indemnity shall provide the applicable Co-Issuer with notice of such claim, along with supporting documentation, within 60 days following the execution of the Issuer Substitution Documents; provided further that none of the applicable Co-Issuer, any paying agent or any other person shall be required to indemnify any Holder or beneficial owner of the Notes for any taxes imposed pursuant to FATCA, the laws of Colombia or Peru (as the case may be) or the jurisdiction of the Substituted Debtor implementing FATCA, or any agreement between the applicable Co-Issuer or the Substituted Debtor and the United States or any authority thereof implementing FATCA;

(4) the Issuer Substitution Documents shall contain a representation and warranty by the Substituted Debtor and the applicable Co-Issuer that the Substituted Debtor and the applicable Co-Issuer have obtained all necessary governmental and regulatory approvals and consents for such substitution and, in the case of Promigas only, for the giving by Promigas of the Substitution Guarantee in respect of the obligations of the Substituted Debtor on the same terms *mutatis mutandis* as the Notes, that each of the Substituted Debtor and the applicable Co-Issuer has obtained all necessary governmental and regulatory approvals and consents for the performance by each of the Substituted Debtor and the applicable Co-Issuer of its obligations under the Issuer Substitution Documents and/or Substitution Guarantee (in the case of Promigas only), as applicable, and that all such approvals and consents are in full force and effect;

(5) each stock exchange which has the Notes listed thereon shall have confirmed that following the proposed substitution of the Substituted Debtor, the Notes would continue to be listed on such stock exchange;

(6) the applicable Co-Issuer shall have delivered, or procured the delivery to the Trustee of, an opinion of counsel addressed to the Trustee from a leading firm of New York lawyers to the effect that the Issuer Substitution Documents are enforceable and constitute valid and binding obligations of the parties thereto and an opinion of counsel from a leading firm of the jurisdiction of organization of the Substituted Debtor as to the due authorization, execution and delivery of the Issuer Substitution Documents by the Substituted Debtor, as well as an Officer's Certificate as to compliance with the provisions described under this section;

(7) the applicable Co-Issuer shall have obtained a Rating Reaffirmation prior to such substitution;

(8) the Substituted Debtor shall have appointed a process agent in the Borough of Manhattan, the City of New York to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes or the Issuer Substitution Documents;

(9) no Default or Event of Default has occurred and is continuing; and

(10) the substitution complies with all applicable requirements under the laws of the jurisdiction of organization of the Substituted Debtor and Colombia and Peru.

Upon the execution of the Issuer Substitution Documents and compliance with the other conditions in the Indenture relating to the substitution, the Substituted Debtor will be deemed to be named in the Notes and the Indenture as the principal debtor in place of the applicable Co-Issuer and the applicable Co-Issuer will be released from all of its obligations under the Notes and the Indenture, other than, in the case of Promigas only, its obligations as a Subsidiary Guarantor under the Substitution Guarantee.

(b) Not later than 10 Business Days after the execution of the Issuer Substitution Documents, the Substituted Debtor shall give notice thereof to the Holders of the Notes in accordance with the provisions described under "—Notices."

Events of Default

Events of Default with respect to the Notes in the Indenture will include (each, an "Event of Default"):

(1) default in the payment of any interest (or Additional Amounts, if any) on any Note when it becomes due and payable and such default shall continue un-remedied for a period of 30 days; or

(2) default in the payment of the principal of (or premium, if any, on) any Note when it becomes due and payable, whether at Stated Maturity or otherwise; or

(3) default in the performance, or breach, of any covenant, agreement or obligation contained in the Indenture or the Notes by either of the Co-Issuers or any of the Material Subsidiaries and continuance of such default or breach for a period of 60 consecutive days after a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under the Indenture has been given to the Co-Issuers by the Trustee or to the Co-Issuers and the Trustee by the Noteholders of at least 25% in aggregate principal amount of the Outstanding Notes; or

(4) with respect to either of the Co-Issuers or any of the Material Subsidiaries, any final and non-appealable judgment or order for the payment of money in excess of U.S.$50 million (to the extent not covered by insurance as acknowledged in writing by the insurer) is rendered against either of the Co-Issuers or any of the Material Subsidiaries and such judgment or order remains unpaid, undischarged or unstayed for a period of 180 days after such judgment becomes final and non-appealable; or

(5) either:

(i) either of the Co-Issuers or any of the Material Subsidiaries shall default (as principal or guarantor or other surety) in the payment of principal of any Indebtedness in the principal amount of at least U.S.$50 million in the aggregate (or its equivalent in any other currency) and such default shall have continued for more than any applicable period of grace and any time for payment of such amounts has not been expressly extended, or

(ii) Indebtedness of either of the Co-Issuers or any of the Material Subsidiaries is accelerated by the holders thereof because of a default, and the total amount of such accelerated Indebtedness exceeds U.S.$50 million (or its equivalent in any other currency); or

(6) certain events of insolvency, administrative takeover for liquidation or reorganization purposes or other similar laws relating to either of the Co-Issuers or any of the Material Subsidiaries.

Each Co-Issuer will be required to provide to the Trustee written notice, within ten Business Days of obtaining knowledge thereof, of any Event of Default. The Indenture provides that the Trustee may withhold notice to the

Holders of any Event of Default (except on payment of principal of (or premium, if any, on), or interest, if any, on the Notes) if a Responsible Officer or Officers of the Trustee in good faith determine that it is in the interest of the Holders of the Notes to do so.

The Indenture provides that:

(a) if any Event of Default (other than an Event of Default involving a bankruptcy, insolvency or other similar event in respect of either of the Co-Issuers) with respect to the Notes specified therein shall have happened and be continuing, either the Trustee acting at the written direction of Holders holding at least 25% in aggregate principal amount of Outstanding Notes or the Holders of at least 25% in aggregate principal amount of the Outstanding Notes may declare the principal amount of all the Notes to be due and payable immediately; and

(b) if an Event of Default involving a bankruptcy, insolvency or other similar event in respect of either of the Co-Issuers shall have happened, the principal amount of all the Notes will be immediately due and payable without notice or any other act on the part of the Trustee or any Holder.

However, if all Defaults are cured (except the nonpayment of principal of and accrued interest on Notes at maturity or which shall become due by acceleration) and certain other conditions are met, such declaration may be rescinded by the Holders of not less than a majority in aggregate principal amount of the Outstanding Notes. In addition, past Defaults with respect to the Notes may be waived by the Holders of not less than a majority in aggregate principal amount of the Outstanding Notes except a Default in the payment of principal of (or premium, if any) or interest, if any, on any Note.

A Holder shall not have any right to institute any suit, action or proceeding for the enforcement of the Indenture, or for the exercise of any other remedy hereunder unless:

(i) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Notes,

(ii) Holders of more than 25% in aggregate principal amount of Outstanding Notes shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee thereunder,

(iii) such Holder or Holders have offered to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request,

(iv) the Trustee during the 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding, and

(v) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Notes;

it being understood and intended that no one or more Holders shall have any right to affect, disturb or prejudice in any manner whatsoever the benefit of the Indenture afforded the Notes by its or their action, or to enforce, except in the manner provided herein, any remedy, right or power hereunder. Any suit, action or proceeding shall be instituted and maintained in the manner provided herein for the benefit of the Holders of all Outstanding Notes.

Notwithstanding any other provision herein, the right of any Holder to receive payment of principal of and interest on the Notes held by such Holder, on or after the respective due dates expressed in the Notes, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder. The Indenture contains provisions requiring the consent of the Holder of each Outstanding Note affected by any proposed amendment to the Indenture in order to, among other things, reduce in any manner the amount of, delay the timing of or alter the priority of, any payments that are required to be made herein on any Note or reduce any premium and Additional Amounts in respect thereof, or change any date of payment on any Note, or change the place of payment where, or the coin or currency in which, any Note is payable,

or impair any Holder's right to institute suit for the enforcement of any payment on or after the due dates therefor, as further described under "—Modification of the Indenture."

Defeasance

The Co-Issuers may at any time terminate all of their obligations with respect to the Notes ("defeasance"), except for certain obligations, including those regarding any trust established for a defeasance and obligations to register the transfer or exchange of the Notes, to replace mutilated, destroyed, lost or stolen Notes, to maintain agencies in respect of the Notes. The Co-Issuers may at any time terminate their obligations under certain covenants set forth in the Indenture, and any omission to comply with such obligations will not constitute a Default or an Event of Default with respect to the Notes issued under the Indenture ("covenant defeasance"). In order to exercise either defeasance or covenant defeasance, the Co-Issuers must irrevocably deposit in trust, for the benefit of the Holders of the Notes, with the Trustee money or U.S. Government Obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent accountants, investment bank or consultants expressed in a written certificate delivered to the Trustee, without consideration of any reinvestment, to pay the principal of, premium, if any, and interest on the Notes to redemption or Stated Maturity and comply with certain other conditions, including the delivery of an opinion of U.S. counsel to the effect that beneficial owners of Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such defeasance or covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance, as the case may be, had not occurred). In the case of defeasance, such opinion must be based on a ruling by the Internal Revenue Service or a change in the applicable U.S. federal income tax law.

Form, Denomination and Registration

Any Notes sold outside the United States to non-U.S. Persons in reliance on Regulation S will be in fully registered form without interest coupons attached and only in denominations of U.S.$200,000 and in integral multiples of U.S.$1,000 in excess thereof. Any Notes sold pursuant to Rule 144A will be issued in fully registered form without interest coupons attached and only in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Trustee may require payment of a sum sufficient to cover any tax or other government charge payable in connection therewith. The Notes (or beneficial interests therein) may not be transferred unless the principal amount so transferred is in an authorized denomination.

The Global Notes will be deposited on or about the Closing Date with the Trustee as custodian for (and registered in the name of a nominee of) DTC. Except as described in the limited circumstances described under "—Book Entry, Delivery and Form," Holders holding beneficial interests in Global Notes through DTC will not be entitled to receive physical delivery of Certificated Notes. The Notes are not (and will not be) issuable in bearer form.

Listing

Application will be made for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this offering memorandum. Admission of the Notes to the Official List of the SGX-ST and the quotation of the Co-Issuers on the SGX-ST are not to be taken as an indication of the merits of the Co-Issuers or the Notes. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Note is exchanged for a Certificated Note, the Co-Issuers will appoint and maintain a paying agent in Singapore, where the Certificated Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for a Certificated Note, an announcement of such exchange will be made by or on behalf of the Co-Issuers through the SGX-ST and such announcement will include all material information with respect to the delivery of the Certificated Notes, including details of the paying agent in Singapore. The Notes will be traded on the SGX-ST in a minimum board lot size of SGD$200,000 (or its equivalent in foreign currencies) for so long as the Notes are listed on the SGX-ST.

Singapore Listing Agent

Allen & Gledhill LLP is the Singapore Listing Agent in respect of the Notes. The Co-Issuers will maintain such agency so long as the Notes are listed on the Official List of the SGX-ST. The address of the Singapore Listing Agent is set forth on the inside back cover of this offering memorandum.

Lost, Stolen and Mutilated Notes

In case any Note shall become mutilated, defaced, destroyed, lost or stolen, the Co-Issuers will execute and the Trustee will, upon direction by the Co-Issuers, authenticate, register and deliver a new definitive Note of like tenor and equal principal amount registered in the same manner, dated the date of its authentication and bearing interest from the date to which interest has been paid on such Note, in exchange and substitution for such Note (upon surrender and cancellation thereof in the case of mutilated or defaced Notes) or in lieu of and in substitution for such Note. In case a Note is destroyed, lost or stolen, the applicant for a substitute Note shall furnish the Co-Issuers and the Trustee (a) such security or indemnity as may be required by them to save each of them harmless and (b) satisfactory evidence of the destruction, loss or theft of such Note and of the ownership thereof. Upon the issuance of any substituted Note, the Trustee may require the payment by the Holder thereof of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any fees and expenses (including those of the Trustee) connected therewith.

With respect to mutilated, defaced, destroyed, lost or stolen definitive Notes, a Holder thereof may obtain new definitive registered Notes from the office of the transfer agent.

Notwithstanding any statement herein, the Co-Issuers and the Trustee reserve the right to impose such transfer, certificate, exchange or other requirements, and to require such restrictive legends on Notes, as they may determine are necessary to ensure compliance with the securities laws of the United States and the states therein and any other applicable laws.

Payments; Registration of Transfer

The Trustee will be responsible for (among other things) (a) maintaining a record of the aggregate holdings of Notes represented by the Global Notes and accepting Notes for exchange and registration of transfer, (b) making payments in respect of the Notes to the Holders to the extent funds are available therefor (as contemplated by the Indenture) and (c) transmitting notices to Holders and from Holders to the Co-Issuers (in each case as contemplated by the Indenture).

The Trustee will keep at its office a register (the "Register") in which, subject to such reasonable regulations as it may prescribe, the Trustee will provide for the registration of the Notes and registration of transfers and exchanges of the Notes. In the event of a partial transfer of a Certificated Note, new Notes will be obtainable at the office of the Trustee in connection with such transfer. In accordance with the Indenture, the Co-Issuers may terminate the appointment of the Trustee and any agent or appoint additional trustees or other agents. The Co-Issuers will cause notice of any resignation, termination or appointment of the Trustee, and of any change in the office through which any agent will act, to be provided to Holders in accordance with "—Notices" below.

Distributions

Distributions on the Notes will be made by the Trustee directly to the Holders in accordance with the procedures set forth in the Indenture. Distributions of principal, interest and any other amounts that may be due on the Notes will be made on each Payment Date to the Holders in whose names the Notes were registered as of the close of business on the preceding Record Date. Distributions on Certificated Notes will be made by check mailed to the address of each such Holder as it appears on the Register maintained by the Trustee or by electronic funds transfer to an account maintained by such Holder with a bank having electronic funds transfer capability. Unless such designation for payment by electronic funds transfer is revoked, any such designation made by such Holder with respect to such Note will remain in effect with respect to any future payments in respect of such Note. Distributions on Global Notes will be made to DTC in accordance with its applicable procedures. The Co-Issuers

will pay any administrative costs that are imposed in connection with making payments by wire transfer. The final payment on any Note (including any Global Note registered in the name of the nominee of DTC), however, will be made only upon presentation and surrender of such Note at the office or agency of the Trustee.

Any monies deposited with or paid to the Trustee for the payment of the principal, premium, interest or any other amount due with respect to the Notes and not applied but remaining unclaimed for three years after the date upon which such principal, premium, interest or other amount shall have become due and payable, will (to the extent not required to escheat to any governmental authority) shall upon receipt by the Trustee of a written request transfer from the Co-Issuers be repaid by the Trustee to or for the account of the Co-Issuers, and, to the extent permitted by applicable law, the Person claiming such money shall thereafter look only to the Co-Issuers for any related payment that it may be entitled to receive, and all liability of the Trustee with respect to such monies shall thereupon cease.

Notices

Any notice or communication to a Holder shall be deemed to have been duly given (i) upon the mailing of such notice by first class mail to such Holder at its registered address as recorded in the Register not later than the latest date, and not earlier than the earliest date, prescribed in the Indenture for the giving of such notice and (ii) for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST shall so require, notices regarding the Notes shall be disclosed by us to the SGX- ST via SGXNET and published by us in a leading newspaper having general circulation in Singapore (which is expected to be The Business Times). If and so long as such Notes are listed on any other securities exchange, notices will also be given in accordance with any applicable requirements of such securities exchange. In the case of Global Notes, notices shall be sent to DTC or its nominees (or any successors), as the Holders thereof, and DTC will communicate such notices to the DTC participants (as defined below) in accordance with its standard procedures. Any requirement of notice hereunder may be waived by the Person entitled to such notice before or after such notice is required to be given, and such waivers shall be filed with the Trustee.

Modification of the Indenture

The Indenture contains provisions permitting the Co-Issuers and the Trustee, with the consent of the Holders of a majority in aggregate in principal amount of the Outstanding Notes, to modify the Indenture, any supplemental indenture, or the rights of the Holders; *provided that* no such modification shall, without the consent of the Holder of each Outstanding Note affected thereby:

- reduce in any manner the amount of, delay the timing of or alter the priority of, any payments that are required to be made herein on any Note or reduce any premium and Additional Amounts in respect thereof, or change any date of payment on any Note, or change the place of payment where, or the coin or currency in which, any Note is payable, or impair any Holder's right to institute suit for the enforcement of any payment on or after the due dates therefor;

- reduce the percentage of the Outstanding Notes the consent of which is required for any such amendment, or reduce such percentage required for any waiver or instruction provided for in the Indenture;

- modify certain provisions of the Indenture;

- reduce the premium payable upon the redemption or repurchase of any Note or change the time at which any Note may or shall be redeemed or repurchased in accordance with the Indenture; or

- modify or amend in any manner adverse to the Holders the terms and conditions of the obligation of the Co-Issuers for the due and punctual payment of the principal of or interest on the Notes.

The Indenture provides that Notes (or beneficial interests therein) owned by the Co-Issuers or any of their respective Affiliates shall be disregarded and deemed not to be Outstanding for, among other purposes, consenting to any such modification.

Notwithstanding the foregoing, without the consent of any Holder of the Notes, the Co-Issuers and the Trustee may modify, amend or supplement the Indenture:

(a) to evidence the succession by another Person to either of the Co-Issuers and the assumption by any such successor of the covenants in the Indenture and in the Notes of such series in accordance with "—Consolidation, Merger, Conveyance, Sale or Lease;"

(b) to evidence the release of a successor to Gases del Pacífico of its obligations under the Notes and the Indenture in accordance with "—Release of Successor to Gases del Pacífico;"

(c) to comply with the terms of the "—Substitution of the Co-Issuers";

(d) to add to either of the Co-Issuers' covenants and those of any other obligor of the Notes for the benefit of the Holders of the Notes or to surrender any right or power conferred upon us or any other obligor of the Notes, as applicable, in the Indenture or in the Notes for the benefit of the Holders of the Notes;

(e) to cure any ambiguity, or to correct or supplement any provision in the Indenture or the Notes that may be defective or inconsistent with any other provision in the Indenture, the Notes or this description in this offering memorandum;

(f) to make any other changes with respect to matters or questions arising under the Indenture or the Notes; *provided that*, such changes shall not materially adversely affect the interests of the Holders of the Notes;

(g) to evidence and provide the acceptance of the appointment of a successor or additional trustee under the Indenture;

(h) to mortgage, pledge, hypothecate or grant a security interest in favor of the Trustee for the benefit of the Holders of the Notes as security for the payment and performance of either of the Co-Issuers' obligations under the Indenture, in any property, or assets, including any of which are required to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Trustee pursuant to the Indenture or otherwise;

(i) to provide for the issuance of Additional Notes in accordance with and if permitted by the terms of and limitations set forth in the Indenture; and

(j) to conform the text of the Indenture, or the Notes to any provision of this "Description of Notes," to the extent such provision was intended to be a verbatim recitation of the text of the Indenture or the Notes (as applicable), which such intention shall be evidenced to the Trustee by delivery of an Officer's Certificate from the Co-Issuers, upon which the Trustee may conclusively rely.

The Trustee

U.S. Bank National Association will be the Trustee under the Indenture. The Trustee's corporate trust office is presently located at 100 Wall Street, Suite 1600, New York, NY 10005, United States of America. The Co-Issuers and their respective Affiliates may from time to time enter into normal banking and trustee relationships with the Trustee and its Affiliates. In addition, the Trustee may appoint co- or separate trustees to the extent required to meet the legal requirements of a particular jurisdiction.

The Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the Holders, unless such Holders shall have offered to the Trustee security or indemnity acceptable to the Trustee. Subject to such provision for indemnification, the Holders of a majority in principal amount of the Outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee with respect to the Notes, *provided that* the Trustee shall have the right to decline to follow any such direction if the Trustee shall determine that the action so directed conflicts with any law or the provisions of the Indenture or subjects the Trustee to personal liability.

The rights and duties of the Trustee shall be more fully set forth in the Indenture.

Appointment to Fill Vacancy in Office of Trustee

If the Trustee resigns or is removed or if a vacancy exists in the office of the Trustee for any reason, the Co-Issuers will promptly appoint a successor Trustee meeting certain eligibility requirements by notifying the Trustee in writing. Within one year after the successor Trustee takes office, Holders representing at least a majority of the aggregate principal amount of the Notes then Outstanding may appoint a successor Trustee reasonably acceptable to the Co-Issuers to replace the successor Trustee appointed by the Co-Issuers.

Each successor Trustee shall execute, acknowledge and deliver to the Holders, the Co-Issuers and to its predecessor Trustee an instrument accepting such appointment and, upon the resignation or removal of the predecessor Trustee, such appointment shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor, with like effect as if originally named as Trustee. Upon written request of any such successor Trustee, the Holders and the Co-Issuers shall execute any and all instruments in writing for fully and certainly vesting in and confirming to such successor Trustee all such rights and powers. In the event of a change of Trustee, a notice regarding such a change will be published in Singapore as provided under "—Notices."

No Personal Liability of Incorporators, Stockholders, Directors, Officers or Employees

The Indenture provides that there will be no recourse against any incorporator, stockholder, officer, director, employee or controlling person of the Co-Issuers for the payment of the principal of, premium, if any, or interest on the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Co-Issuers in the Indenture or the Notes or because of the creation of any Indebtedness represented thereby. Each Holder, by accepting the Notes, waives and releases all such liability.

Governing Law; Consent to Jurisdiction and Service of Process

The Indenture and the Notes provide that they will be governed by, and construed in accordance with, the laws of the State of New York, except that all matters relating to authorization and execution by the Co-Issuers of both the Notes and the Indenture will be governed by the laws of Colombia and Peru. Each Co-Issuer has consented to the non-exclusive jurisdiction of: (i) the courts of the State of New York and the United States District Court for the Southern District of New York (in either case sitting in Manhattan, New York City) and (ii) the courts of its own corporate domicile, and has irrevocably appointed an agent for service of process, with respect to any action that may be brought in connection with the Indenture and the Notes and has irrevocably appointed an agent for service of process in respect of any such actions in the State of New York.

Prescription

Claims against the Co-Issuers for the payment of principal or interest and Additional Amounts in respect of the Notes will be prescribed unless made within six years of the due date for payment of such principal or interest and Additional Amounts.

Certain Defined Terms

The terms listed below have the following meanings when used herein:

"Additional Notes" shall have the meaning given to it under "—Additional Notes."

"Affiliates" shall mean, with respect to any specified Person, any other Person which, directly or indirectly, is in control of, is controlled by or is under common control with such specified Person. For purposes of this definition, control of a Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Board of Directors" shall mean, with respect to any Person, the Board of Directors of such Person or any committee thereof duly authorized to act on behalf of the Board of Directors of such Person.

"Business Day" shall mean a day, other than a Saturday, or Sunday, on which commercial banks are open, or not authorized to close by applicable law, regulation or executive order, in the City of New York.

"Capital Stock" of any Person shall mean any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"Capitalized Lease Obligations" shall mean an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with Colombian IFRS, and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation determined in accordance with Colombian IFRS; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"Change in Ownership Structure" shall mean the occurrence of any of the following events with respect to either of the Co-Issuers:

(1) the sale, lease, transfer, conveyance or other disposition (other than by way of a merger or consolidation transaction permitted by the covenant "—Consolidation, Merger, Conveyance, Sale or Lease"), in one or a series of related transactions, of all or substantially all of the properties or assets of either of the Co-Issuers and their Subsidiaries, taken as a whole, to any "person" (within the meaning of Section 13(d)(3) of the Exchange Act) or "group" (within the meaning of Rule 13d-5 of the Exchange Act), other than to one or more of the Co-Issuers, any of their respective Subsidiaries, any one or more of the Permitted Holders or a "group" controlled by one or more Permitted Holders; or

(2) the consummation of any transaction (including without limitation, any merger, consolidation or amalgamation) the result of which is that (A) any "person" (within the meaning of Section 13(d)(3) of the Exchange Act) or "group" (within the meaning of Rule 13d-5 of the Exchange Act) (other than any Permitted Holder or "group" controlled by one or more Permitted Holders)) becomes the "beneficial owner" (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the outstanding Voting Stock of either of the Co-Issuers (or their successor by merger, consolidation or amalgamation), measured by voting power rather than number of shares, and (B) the Permitted Holders (including any "group" controlled by one or more Permitted Holders) "beneficially own" (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act), directly and indirectly, in the aggregate a lesser percentage of the outstanding Voting Stock of either of the Co-Issuers (or their successor by merger, consolidation or amalgamation), measured by voting power rather than number of shares, than such other "person" or "group" and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors of such Co-Issuer (or its successor by merger, consolidation or amalgamation).

"Change in Ownership Structure Offer" shall have the meaning given to it under "—Repurchases at the Option of the Holders of the Notes Upon Change in Ownership Structure."

"Change in Ownership Structure Payment" shall have the meaning given to it under "—Repurchases at the Option of the Holders of the Notes Upon Change in Ownership Structure."

"Change in Ownership Structure Payment Date" shall have the meaning given to it under "—Repurchases at the Option of the Holders of the Notes Upon Change in Ownership Structure."

"Change in Ownership Structure Repurchase Event" shall mean the occurrence of both a Change in Ownership Structure and a Rating Downgrade Event with respect to either of the Co-Issuers.

"Closing Date" shall mean October 16, 2019.

"Co-Issuers" shall mean Promigas S.A. E.S.P., a public utilities company (*empresa de servicios públicos*) organized as a corporation (*sociedad anónima*) under the laws of Colombia and Gases del Pacífico S.A.C., a closed stock corporation (*sociedad anónima cerrada*) incorporated under the laws of the Republic of Peru, which is a wholly-owned subsidiary of Promigas S.A. E.S.P.

"Colombian IFRS" shall mean IFRS as adopted in Colombia.

"Consolidated Net Tangible Assets" shall mean the Total Assets of each Co-Issuer and its Subsidiaries less goodwill and intangibles (other than intangibles arising from, or relating to, concession arrangement rights, intellectual property, licenses or permits (including, but not limited to, emissions rights) of such Co-Issuer and its Subsidiaries), in each case calculated in accordance with Colombian IFRS less current liabilities (other than current maturities of long-term debt), *provided that* in the event that such Co-Issuer or any of its Subsidiaries assumes any indebtedness or acquires any assets in connection with the acquisition by such Co-Issuer or any of its Subsidiaries of another Person subsequent to the commencement of the period for which the Consolidated Net Tangible Assets is being calculated but prior to the event for which the calculation of the Consolidated Net Tangible Assets is made, then the Consolidated Net Tangible Assets shall be calculated giving pro forma effect to such assumption of indebtedness or acquisition of assets, as if the same had occurred at the beginning of the applicable period.

"Corficolombiana" shall mean Corporación Financiera Colombiana S.A.

"Corporate Trust Office" shall mean the office of the Trustee on the Closing Date located at 100 Wall Street, Suite 1600, New York, NY 10005, United States of America, or such other office as the Trustee may from time to time designate in writing to the Co-Issuers.

"Currency Agreement" shall mean, with respect to any Person, any foreign exchange contract, currency swap agreement or other similar agreement or arrangement to which such Person is a party or of which it is a beneficiary.

"Default" shall mean any event that is, or after notice or passage of time or both would be, an Event of Default.

"DTC" shall mean The Depository Trust Company, a New York corporation.

"Exchange Act" shall mean the United States Securities and Exchange Act of 1934, as amended.

"Fair Market Value" means, with respect to any asset or liability, the fair market value of such asset or liability as determined by the chief executive officer and the chief financial officer of the relevant Co-Issuer in good faith; *provided* that if the fair market value exceeds U.S.$10 million (or its equivalent thereof in any other currency), such determination shall be made by the board of directors of such Co-Issuer or an authorized committee thereof in good faith (including as to the value of all non-cash assets and liabilities).

"Fitch" shall mean Fitch Ratings Ltd. or any successor thereto (including the surviving entity of any merger with another rating agency).

"guarantee" shall mean any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and any obligation, direct or indirect, contingent or otherwise, of any Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term "guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a correlative meaning.

"Hedging Agreement" shall mean (a) any and all Interest Rate Agreements, Currency Agreements, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward

bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts or any other similar transactions or any combination of the foregoing (including any option to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, traded at the over-the-counter or standardized markets and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or are governed by any form of master agreement published by the International Swaps and Derivative Association, Inc., any International Foreign Exchange Master Agreement or any other master agreement (including such master agreement, together with any related schedules, a "Master Agreement") including any such obligations or liabilities under any Master Agreement.

"Hedging Obligations" of any Person shall mean the obligations of such Person pursuant to any Interest Rate Agreement or Hedging Agreement.

"IFRS" shall mean International Financial Reporting Standards, as issued by the International Accounting Standards Board.

"Indebtedness" shall mean, with respect to any Person on any date of determination (without duplication):

(1) the principal in respect of indebtedness of such Person for borrowed money;

(2) the principal in respect of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of the face amount of letters of credit or other similar instruments;

(4) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred to in clause (2) and (3) above.

(5) all obligations of such Person to pay the deferred and unpaid purchase price of property or services (except trade payables in the ordinary course of business and contingent obligations to pay earn-outs until such obligation becomes a liability on the balance sheet of such Person in accordance with Colombian IFRS), which purchase price is due after the date of placing such property in service or taking delivery and title thereto or the completion of such services;

(6) all Capitalized Lease Obligations of such Person;

(7) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any disqualified stock or, with respect to any Subsidiary of such Person, any preferred stock (but excluding, in each case, any accrued dividends);

(8) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of Indebtedness of such Person shall be the lesser of the Fair Market Value of such asset at such date of determination and the amount of such Indebtedness of such other Persons;

(9) to the extent not otherwise included in this definition, the aggregate net termination value of all Hedging Obligations of such Person; and

(10) all obligations of the type referred to in clauses (1) through (9) above of other Persons guaranteed by such Person or for which such Person is otherwise liable as obligor, guarantor or otherwise.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

The following obligations shall not be deemed to be Indebtedness for any purpose:

(a) obligations arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided* that such Indebtedness is extinguished within five Business Days of its incurrence; or

(b) customer deposits and advance payments received from customers for the sale, lease or license of goods and services in the ordinary course of business.

"Interest Rate Agreement" shall mean, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is a party or a beneficiary.

"Investment Grade Rating" means (i) a rating equal to or higher than BBB- (or the equivalent) by S&P; (ii) Baa3 (or the equivalent) by Moody's; or (iii) the equivalent of such ratings by another Rating Agency.

"Lien" shall mean any *caución, garantía mobiliaria,* mortgage, pledge, lien, hypothecation, security interest or other charge or encumbrance on any property or asset including, without limitation, any equivalent created or arising under applicable law.

"Material Subsidiary" shall mean any Subsidiary of the Co-Issuers which, as of the date of Promigas' most recent quarterly or annual, as applicable, consolidated balance sheet, constitute 10% or more of the Total Assets, after giving pro forma effect to any acquisition or disposition of companies, divisions, lines of businesses, operations or assets by Promigas and its Subsidiaries to such date; *provided* that no Project Finance Subsidiary shall be considered a Material Subsidiary.

"Maturity Date" shall mean October 16, 2029.

"Moody's" shall mean Moody's Investor Services, Inc. or any successor thereto (including the surviving entity of any merger with another rating agency).

"Noteholder" or "Holder" shall mean the Person in whose name a Note is registered on the Register.

"Officers' Certificate" shall mean a certificate signed by two officers (as defined in the Indenture) or by an officer and the Chief Financial Officer of the Co-Issuers or any of their respective Subsidiaries, as the case may be, and delivered to the Trustee.

"Other Taxes" shall mean any and all stamp, documentary or similar taxes, or any other excise or similar levies that arise on account of the execution, delivery, registration, recording or enforcement of the Notes and the Indenture (other than any Taxes paid in accordance with the first paragraph of "—Additional Amounts").

"Outstanding" when used with respect to the Notes, shall mean, as of the date of determination, all Notes theretofore authenticated and delivered under the Indenture, except:

(1) Notes theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(2) Notes, or portions thereof, for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any paying agent (other than either of the Co-Issuers) in trust or set aside and segregated in trust by the Co-Issuers (if the Co-Issuers shall act as their own paying agent) for the Holders of such Notes; *provided that,* if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made; and

(3) Notes which have been paid pursuant to the provisions for "Mutilated Notes" under the Indenture or in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to the Indenture, other

than any such Notes in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Notes are held by a protected purchaser in whose hands such Notes are valid obligations of the Co-Issuers;

provided, however, that in determining whether the Holders of the requisite principal amount of the Outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned by the Co-Issuers or their respective Affiliates shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes which a Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded. Notes so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the reasonable satisfaction of the Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not any of the Co-Issuers or their respective Affiliates.

"Payment Date" shall have the meaning given to it under "The Notes and the Indenture."

"Permitted Holder" shall mean (i) Corficolombiana, Amalfi S.A., Consultoria Inversiones S.A., Grupo Energia Bogotá S.A. E.S.P., CFC Gas Holdings S.A.S., Azurita S.A., Inversiones Gloscar S.A.S, Lipu & Cia S.C.A. and Conscar S.A.S., (ii) any Affiliate of any of the foregoing and (iii) any corporation, partnership, joint venture, association, trust, unincorporated organization, or any other entity or group formed pursuant to a shareholders, control or voting agreement or similar agreement, of which any one or more of the Permitted Holders referred to in clauses (i) or (ii) hereof is a shareholder, partner, beneficiary, member or party.

"Person" shall mean an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, other entity or governmental authority.

"Pesos" or "Ps." shall mean the lawful currency of the Republic of Colombia.

"Preferred Stock" shall mean, with respect to the Capital Stock of any Person, any class or classes (however designated) that is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Project Finance Subsidiary" means (a) SPEC and (b) any other Subsidiary of Promigas (i) the sole business of which is to acquire, own, develop, construct, improve and/or operate a defined property, asset or project and (ii) that has no Subsidiaries and owns no material assets other than those assets or Subsidiaries necessary for the ownership, leasing, development, construction or operation of such property, asset or project.

"Purchase Money Obligation" shall mean:

(1) mortgage financings, purchase money obligations or other Indebtedness incurred or assumed for the purpose of financing or refinancing all or any part of the purchase price, lease, expense or cost of any property or asset, tangible or intangible used in any Related Business (including the documented cost of design, development, acquisition, construction (including capitalized interests), installation, improvement, transportation, integration and prepaid maintenance and all reasonable and documented related fees or expenses) or

(2) Indebtedness incurred in connection with any lease financing transaction whether such lease will be treated as an operating lease or a Capitalized Lease Obligation in accordance with Colombian IFRS.

"QIB" shall mean a "qualified institutional buyer" as such term is defined from time to time for purposes of Rule 144A.

"Rating Agencies" shall mean Fitch, Moody's and S&P or, if any of Fitch, Moody's or S&P shall not make a rating on the Notes publicly available, such other "nationally recognized statistical rating organization" (within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act) as the Co-Issuers may select (as certified by a resolution of the Boards of Directors of the Co-Issuers) as a replacement agency for Fitch, Moody's or S&P or each of them, as the case may be.

"Rating Downgrade Event" shall mean the event of the rating on the Notes being lowered from their rating then in effect by any of the Rating Agencies on any date from the date of the public notice of an arrangement that could result in a Change in Ownership Structure until the end of the 60-day period following public notice of the occurrence of a Change in Ownership Structure (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies); *provided* that such rating downgrade is in whole or in part in connection with a Change in Ownership Structure.

"Rating Reaffirmation" in connection with a release or a substitution requiring a Rating Reaffirmation in accordance with the terms described under "—Release of Successor to Gases del Pacífico" and "—Substitution of the Co-Issuers," as the case may be, a written reaffirmation from at least two Rating Agencies then rating the Notes stating that the credit rating on the Notes, which was in effect immediately prior to a public notice of such release or substitution or of the intention to effect such release or of either Co-Issuer to effect such substitution, will not be decreased as a result of such release or substitution, as the case may be.

"Record Date" shall mean, with respect to any payment of principal or interest on any Note, the second calendar day (whether or not a Business Day) prior to the due date for such payment.

"Redemption Date" shall mean, when used with respect to any Note to be redeemed, the date fixed for such redemption by or pursuant to the Indenture.

"Register" shall have the meaning given to it under "—Payments; Registration of Transfer."

"Regulation S" shall mean Regulation S under the Securities Act.

"Related Business" shall mean the businesses conducted by the Co-Issuers and any of their Subsidiaries on the Closing Date and any business related, incidental, ancillary or complementary to the businesses of the Co-Issuers and any of their Subsidiaries on the Closing Date.

"Responsible Officer" shall mean, with respect to the Trustee, except as otherwise provided in the Indenture, any officer within the corporate trust department of the trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of the Indenture.

"Rule 144A" shall mean Rule 144A under the Securities Act.

"S&P" shall mean S&P Global Ratings, a division of The McGraw Hill Corporation, or any successor thereto (including the surviving entity of any merger with another rating agency).

"Securities Act" shall mean the United States Securities Act of 1933, as amended.

"Stated Maturity" shall mean, with respect to any Indebtedness, the date specified in such Indebtedness as the fixed date on which the final payment of principal of such Indebtedness is due and payable, including, with respect to any principal amount that is then due and payable pursuant to any mandatory redemption or prepayment provision, the date specified for the payment thereof (but excluding any provision providing for the repurchase or prepayment of such Indebtedness at the option of the holder thereof upon the happening of any contingency beyond the control of the obligor thereunder unless such contingency has occurred).

"Subsidiary" shall mean, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with Colombian IFRS as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (1) of which securities or other ownership interests representing more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of

such date, owned, controlled or held; or (2) that is, as of such date, otherwise controlled by the parent or one or more Subsidiaries of the parent.

"Taxes" shall mean any and all taxes, duties, levies, imposts, charges, fees, deductions or withholdings (including interest and penalties with respect to the foregoing), now or hereafter imposed, levied, collected, withheld or assessed by any governmental authority having the power to impose taxes.

"Total Assets" shall mean the total of all assets as shown on the most recent consolidated balance sheet of Promigas required to be delivered pursuant to the covenant under "Certain Covenants—Financial Reporting;" *provided that* in the event that Promigas or any of its Subsidiaries acquires any assets in connection with the acquisition by Promigas or any of its Subsidiaries of another Person subsequent to the commencement of the period for which the Total Assets is being calculated but prior to the event for which the calculation of the Total Assets is made, then the Total Assets shall be calculated giving pro forma effect to such acquisition of assets, as if the same had occurred at the beginning of the applicable period.

"U.S. Dollars" or "U.S.$" shall mean the lawful currency for the time being in the United States of America.

"U.S. Government Obligations" shall mean direct obligations (or certificates representing an ownership interest in such obligations) of the United States (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States is pledged and that are not callable or redeemable at the issuer's option.

"Voting Stock" of a Person shall mean all classes of Capital Stock or other interests (including partnership interests) of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof.

Book-Entry, Delivery and Form

The Notes will be represented by one or more definitive, fully registered securities in global form. A global security is a special type of indirectly held debt security.

All Notes initially sold in the United States or to U.S. persons will be restricted Notes ("Restricted Notes"). The Restricted Notes will be issued in definitive, fully registered form without interest coupons to QIBs pursuant to Rule 144A, in the form of beneficial interests in one or more global Notes in registered form ("Restricted Global Notes") registered in the name of a nominee of DTC, and will be deposited with the Trustee as custodian for DTC.

The Restricted Global Notes (and any Notes issued in exchange for them) will be subject to certain restrictions on transfer set forth therein and in the Indenture (the "Transfer Restrictions") and will bear the legend relating to such restrictions set forth under "Transfer Restrictions—Investors' Representations and Restrictions on Resale" in this offering memorandum.

Notes sold to persons other than U.S. persons in offshore transactions in reliance on Regulation S ("Regulation S Notes") will initially be represented by one or more global Notes in definitive, fully registered form without interest coupons (collectively, the "Regulation S Global Notes" and, together with the Restricted Global Notes, the "Global Notes") registered in the name of a nominee of DTC, and will be deposited with the Trustee as custodian for DTC. The Notes will be subject to certain restrictions on transfer set forth therein and will bear the legend relating to such restrictions set forth under "Transfer Restrictions—Investors' Representations and Restrictions on Resale" in this offering memorandum.

Each Global Note will be deposited with the Trustee, as custodian for DTC, and will be registered in the name of Cede & Co., as nominee of DTC. Any person wishing to own a beneficial interest in the Notes must do so indirectly by virtue of an account with a broker, bank or other financial institution that in turn has an account with DTC.

As an indirect holder, an investor's rights relating to a Global Note will be governed by the account rules of the investor's financial institution and of DTC, as well as general laws relating to securities transfers. The Co-Issuers do

not recognize this type of investor as a Holder of the Notes under the Indenture and instead deal only with DTC, which holds the Global Notes.

An investor should be aware that because the Notes are issued only in global form:

- the investor cannot get the Notes registered in his or her own name;
- the investor cannot receive physical certificates for his or her interest in the Notes except in limited circumstances;
- the investor will be a "street name" holder and must look to his or her own bank or broker for payments on the Notes and protection of his or her legal rights relating to the Notes;
- the investor may not be able to sell interests in the Notes to some insurance companies and other institutions that are required by law to own their securities in the form of physical certificates; and
- DTC's policies will govern payments, transfers, exchange and other matters relating to the investor's interest in the Global Note. None of the Co-Issuers, the Trustee and their respective agents have any responsibility for any aspect of DTC's actions or for its records of ownership interests in the Global Note. The Co-Issuers, the Trustee and their respective agents also do not supervise DTC in any way.

In a few special situations described below, the Global Notes will terminate and interests in them will be exchanged for physical certificates representing the Notes. After that exchange, the choice of whether to hold the Notes directly or in "street name" will be up to the investor. Investors must consult their own bank or brokers in the event of such special situation to find out how to have their interests in the Notes transferred to their own name so that they will be direct holders.

The special situations for termination of the Global Notes are when:

- DTC or its successor notifies the Co-Issuers that it is unwilling, unable or no longer qualified to continue as depositary for the Notes and no successor depositary has been appointed within 90 days of this notification to them or of their becoming aware of this; or
- an Event of Default on the Notes has occurred and not been cured.

The laws of some jurisdictions may require that certain persons take physical delivery of securities in certificated form. Consequently, the ability to transfer beneficial interests in a Global Note to such persons may be limited. Because DTC can act only on behalf of DTC participants, which, in turn, act on behalf of indirect DTC participants and certain banks, the ability of an investor to pledge its beneficial interest in a Note to persons that do not participate in the DTC system, or otherwise take actions in respect of such beneficial interest, may be affected by the lack of a physical certificate evidencing such interest.

DTC

DTC has advised the Co-Issuers as follows:

- DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for DTC participants and to facilitate the clearance and settlement of transactions among its participants in those securities through electronic book-entry changes in accounts of DTC participants, thereby eliminating the need for physical movement of certificates.
- DTC participants include certain securities brokers and dealers, banks, trust companies and clearing corporations and may in the future include certain other organizations ("DTC participants"). Indirect access

to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly ("indirect DTC participant").

- Transfers of ownership or other interests in Notes in DTC may be made only through DTC participants. Indirect DTC participants are required to effect transfers through a DTC participant. DTC has no knowledge of the actual beneficial owners of the Notes. DTC's records reflect only the identity of the DTC participants to whose accounts the Notes are credited, which may not be the beneficial owners. DTC participants will remain responsible for keeping account of their holdings on behalf of their customers and for forwarding all notices concerning the Notes to their customers.

- So long as DTC, or its nominee, is a registered owner of the Global Notes, payments of principal and interest on the Notes will be made in immediately available funds in accordance with the DTC participants' holdings shown on DTC's records. Each relevant DTC participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the DTC participants and the indirect DTC participants to the beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the DTC participants and not of DTC, the Trustee or the Co-Issuers, or their respective agents subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Co-Issuers. Disbursement of payments to DTC participants will be DTC's responsibility, and disbursement of payments to the beneficial owners will be the responsibility of DTC participants and indirect DTC participants.

- Because DTC can only act on behalf of DTC participants, who in turn act on behalf of indirect DTC participants, and because owners of beneficial interests in the Notes holding through DTC will hold interests in the Notes through DTC participants or indirect DTC participants, the ability of the owners of beneficial interests to pledge the Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to the Notes, may be limited.

- Ownership of interests in the Notes held by DTC will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC, the DTC participants and the indirect DTC participants. The laws of some jurisdictions require that certain persons take physical delivery in definitive form of securities which they own. Consequently, the ability to transfer beneficial interests in the Notes held by DTC is limited to that extent.

Euroclear and Clearstream Positions and Procedures

Euroclear and Clearstream will hold omnibus positions on behalf of their participants through customers' securities accounts in Euroclear's and Clearstream's names on the books of their respective system depositaries which in turn will hold the positions in customers' securities accounts in the system depositaries' names on the books of DTC. Euroclear and Clearstream are indirect DTC participants.

Subject to compliance with the transfer restrictions applicable to the Notes described below under "— Registration of Transfer and Exchange," cross-market transfers between DTC participants, on the one hand, and Euroclear participants or Clearstream participants, on the other hand, will be effected in DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be; *provided, that* such cross-market transfers will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels/Luxembourg time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Notes in DTC, and by making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

Because of time zone differences, the securities account of a participant with Euroclear or Clearstream purchasing a beneficial interest in a Global Note from a DTC participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as applicable) immediately after the DTC settlement date, and such credit of any transaction or beneficial interest in a Global Note settled during such processing day will be reported to the relevant participant with Euroclear or Clearstream on such day. Cash received in Euroclear or Clearstream as a result of sales of beneficial interests in a Global Note by or through a participant with Euroclear or Clearstream to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Euroclear or Clearstream cash account only as of the Business Day after settlement in DTC.

The Co-Issuers expect that DTC will take any action permitted to be taken by a Holder (including the presentation of Notes for exchange as described below) only at the direction of one or more DTC participants to whose account such DTC interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes to which such DTC participant(s) has/have given such direction.

Although the foregoing procedures are those currently in place to facilitate transfers of interests in the Global Notes among DTC participants, Euroclear participants and Clearstream participants, DTC, Euroclear and Clearstream are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Co-Issuers nor the Trustee nor any of their respective agents will have any responsibility for the performance by DTC, Euroclear, Clearstream, or their respective participants, or indirect participants of their respective obligations under the rules and procedures governing their transactions.

Registration of Transfer and Exchange

General

Subject to the restrictions on transfer contained in the Indenture, and described below and in "Transfer Restrictions—Investors' Representations and Restrictions on Resale," and the limitations applicable to Global Notes, Notes may be presented for exchange for other Notes of any authorized denominations and of a like tenor and aggregate principal amount or for registration of transfer by the Holder thereof or his attorney duly authorized in writing and, if so required by the Co-Issuers or the Trustee, with the form of transfer thereon duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Co-Issuers or the Trustee duly executed, at the office of the Registrar or at the office of any transfer agent designated by the Co-Issuers for such purpose. No service charge will be made for any exchange or registration of transfer of Notes, but the Co-Issuers may require payment of a sum by the holder of a Note sufficient to cover any tax or other governmental charge payable in connection therewith.

Such transfer or exchange will be effected upon the Registrar or such transfer agent, as the case may be, being satisfied with the documents of title and identity of the person making the request. The Registrar may decline to accept any request for an exchange or registration of transfer of any Note during the period of 15 days preceding the due date for any payment of principal of or any other payments on or in respect of the Notes. The Co-Issuers have appointed the Trustee as Registrar. The Co-Issuers may at any time designate additional transfer agents or rescind the designation of any transfer agent or approve a change in the office through which any transfer agent acts; *provided, however, that* there shall at all times be a Registrar in the Borough of Manhattan, the City of New York.

Upon the transfer, exchange or replacement of Restricted Notes or Regulations S Notes bearing the legend referred to under "Transfer Restrictions—Investors' Representations and Restrictions on Resale," or upon specific request for removal of such legend on a Note, the Trustee will deliver only Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Co-Issuers or the Trustee such evidence as shall be satisfactory to the Co-Issuers, which may include an opinion of counsel, as may reasonably be required by the Co-Issuers or the Trustee that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Transfers Within Global Notes

Subject to the procedures and limitations described above, transfers of beneficial interests within a Global Note may be made without delivery to the Co-Issuers or the Trustee of any written certifications or other documentation by the transferor or transferee.

Transfers Between Global Notes

Prior to the 41st day after the later of the commencement of this offering and the Closing Date (the "Restriction Date"), a beneficial interest in a Regulation S Global Note may be transferred only to another person who takes delivery in the form of an interest in a Regulation S Global Note or to a person who takes delivery in the form of an interest in a Restricted Global Note, upon receipt by the Trustee of a written certification from the transferee or the transferor, as the case may be (in the form provided in the Indenture) to the effect that such transferee is purchasing the Notes for its own account or for accounts as to which it exercises sole investment discretion and that it, and, if applicable, each such account, is a QIB within the meaning of Rule 144A, in each case, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Beneficial interests in a Restricted Global Note may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note, whether before, on or after the Restriction Date, only upon receipt by the Trustee of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S (as applicable).

Any beneficial interest in any Global Note that is transferred to a person who takes delivery in the form of an interest in the other type of Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other type of Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other type of Global Note for as long as it remains such an interest. Except in the circumstances described herein, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of Certificated Notes.

Transfers or Exchanges from Global Notes to Certificated Notes

If (a) DTC or any successor depositary is at any time unwilling, unable or no longer qualified to continue as a depositary for the reasons set forth above, and a successor depositary is not appointed by the Co-Issuers within 90 days of this notification to them or of their becoming aware of this or (b) an Event of Default on the Notes has occurred and not been cured, the Co-Issuers will issue Notes in certificated, non-global, definitive form ("Certificated Notes") of like tenor in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof in exchange for the Regulation S Global Notes and Restricted Global Notes, as the case may be.

In all cases, Certificated Notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by DTC.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Note is exchanged for a Certificated Note, the Co-Issuers will appoint and maintain a paying agent in Singapore, where the Certificated Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for a Certificated Note, an announcement of such exchange will be made by or on behalf of the Co-Issuers through the SGX-ST and such announcement will include all material information with respect to the delivery of the Certificated Notes, including details of the paying agent in Singapore.

Same Day Settlement and Payment

Settlement for the Notes must be made by the Initial Purchasers in immediately available funds. All payments of interest or premium on, principal of, or Additional Amounts on, Global Notes will be made in immediately available funds.

So long as Notes are represented by a Global Note registered in the name of DTC or its nominee, the Notes will trade in DTC's Same-Day Funds Settlement System and secondary market trading activity in the Notes will be required by DTC to settle in immediately available funds on trading activity in the Notes. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary manner in accordance with their respective rules and operating procedures.

TAXATION

The following discussion summarizes certain Colombian, Peruvian and U.S. federal tax considerations that may be relevant to the, ownership and disposition of the Notes. This summary is based on laws and regulations now in effect in Colombia, Peru and the United States, each of which may change (possibly on a retroactive basis). This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your own tax advisors about the tax consequences of the ownership and disposition of the Notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

Certain Colombian Tax Considerations

The following summarizes certain Colombian tax considerations that may be relevant to you if you invest in the Notes. This summary is based on laws, regulations, rulings and decisions now in effect in Colombia and which may change. Any change could apply retroactively and could affect the continued validity of this summary.

The summary of Colombian tax discussed below is applicable only to the portion of the Notes allocated to or assumed by Promigas and do not apply the portion of the Notes allocated to or assumed by Gases del Pacífico.

Under current Colombian law non-Colombian entities, and individuals without residence in Colombia, are subject to income tax in Colombia, but only on their Colombian-source income. Interest income will be deemed Colombian-source for this effect, if the borrower is a resident entity in Colombia.

In general, interest income earned by non-Colombian entities and individuals without residence in Colombia, resulting from loans granted to Colombian companies, which term equals or exceeds one (1) year, will be subject to a 15% income tax withholding. Conversely, if the term of the loan is lower than one (1) year, 20% income tax withholdings will apply. The withholding tax rate may be increased if the payment is made to an entity or individual resident in a country deemed to be a non-cooperative jurisdiction, subject to low to nil taxation, or to a preferential regime under Colombian law. In addition, income tax withholding rates may decrease if payments are made to non-resident lenders located in a jurisdiction with which the Colombian Government has entered into an applicable tax treaty.

On November 25, 2016 the Colombian tax office issued Opinion 32227 of 2016 to the effect that income of any kind (including interest thereon or any capital gain from their sale) derived from notes or debt securities issued by Colombian issuers which are traded outside of Colombia are not subject to Colombian income tax, provided that the note holders are non-Colombian residents for tax purposes. Consequently, pursuant to this construal, interest payments related to notes, bonds or other debt securities that are (i) issued by Colombian parties and (ii) traded outside of Colombia are deemed to be income sourced outside of Colombia, provided that the note holders are non-Colombian residents for tax purposes.

Notwithstanding current rules and the official construal in this regard, in 2009, Promigas entered into the Colombian Legal Stability Agreement pursuant to which Promigas agreed to make certain investments in Colombia and to pay a specific stability premium to the Colombian Government, and the Republic of Colombia agreed for a period of 20 years not to modify such rules in a manner that would be adverse to Promigas.

Pursuant to the Colombian Legal Stability Agreement, the Colombian Government granted Promigas stability not to change the application of section 25(a.5) of the Colombian Tax Code (as it was enforceable in 2009), which stated that payments related to foreign indebtedness incurred by companies that perform activities that under the law were considered of interest to the economic and social development of the country, were not deemed Colombian source income (giving rise to income sourced outside Colombia) and, therefore, are not subject neither to income tax nor to any withholding tax in Colombia. The scope of the activities that are considered of interest to the economic and social development of the country was wide and included activities related to the primary, manufacturing, and services sectors.

The issuance of the Notes is deemed as a foreign indebtedness incurred by Promigas, which performs activities considered of interest to the economic and social development of the country. Consequently, interest payments under the Notes to non-resident noteholders will neither be subject to income tax nor income tax withholdings in Colombia.

Income earned by non-Colombian entities, or individuals without residence in Colombia, resulting from the transfer of legal title over assets held outside Colombian territory, will be deemed non-Colombian source; thus, such income or gain will not be subject to income tax nor to capital gains tax in Colombia.

Provided that the holders of the Notes are non-Colombian residents, there will be no Colombian transfer, inheritance, gift or succession taxes applicable to the Notes. Pursuant to the Colombian Tax Code, an entity (including a holder of notes) will be deemed to be a Colombian resident if (i) it is incorporated under the laws of Colombia and/or (ii) if its place of effective management is located within the country. On the other hand, an individual (including a holder of notes) will be deemed to be a tax resident in Colombia if he or she meets any of the following criteria:

- If such person physically stays in Colombia for more than 183 calendar days within any given 365 consecutive day term.

- If such person has been in service with the Colombian State or Government in a foreign state in which that person is exempt from taxes during the time of service by virtue of any provisions of the Vienna Conventions on diplomatic relations.

- If such person is a Colombian national residing abroad, provided that, additionally, any of the following conditions are met:

  – such person has a spouse or permanent companion, or dependent children, who is a resident of Colombia, or

  – 50% or more of such person's total income is sourced in Colombia, or

  – 50% or more of such person's assets are managed in Colombia, or

  – 50% or more of such person's assets are deemed to be owned in Colombia, or

  – such person has been summoned by the Colombian tax office to provide proof of residency in another country (other than Colombia) and has failed to provide such evidence, or

  – such person is a resident of a country deemed as a non-cooperative jurisdiction, subject to low to nil taxation, or to a preferential regime under Colombian law.

Colombian nationals considered tax residents due to the abovementioned criteria, will not be considered as tax resident in Colombia if 50% or more of their annual income have their source in the jurisdiction in which they have their domicile, or 50% or more of their assets are located in the jurisdiction in which they have their domicile.

Other changes introduced in tax related laws and regulations, and interpretations thereof, can affect tax burdens by increasing tax rates and fees, creating new taxes, limiting tax deductions, and eliminating tax based incentives and non-taxed income. In addition, tax authorities or courts may interpret tax regulations differently than we do, which could result in tax litigation and associated costs and penalties.

This summary does not describe all the tax considerations that may be relevant to you or your situation, and therefore you should consult your tax adviser about the applicable regulations and specific tax consequences of holding the Notes.

Certain Peruvian Tax Considerations

The following summary of certain Peruvian tax matters as in force on the date of this offering memorandum describes the principal tax consequences of an investment in the Notes or the beneficial interest therein by non-Peruvian holders. This summary is not intended to be a comprehensive description of all of the tax considerations that may be relevant to a decision to make an investment in the Notes or the beneficial interest therein. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Peru or (b) applicable to anyone different from a non-Peruvian holder.

For purposes of this section, "non-Peruvian holder" means either: (i) a legal entity which has neither been incorporated nor established in Peru, provided that it does not conduct any trade or business through a permanent establishment in Peru or holds the Notes or the beneficial interest therein through a Peruvian branch or (ii) an individual who is not a Peruvian tax resident. For Peruvian tax purposes, an individual is deemed to be a Peruvian tax resident if such individual is (i) a Peruvian citizen who has a regular residence in Peru, or (ii) a non-Peruvian citizen who has resided or remained in Peru for more than 183 calendar days during any 12-month period. The change on the condition of residence will be effective as of January 1 of the following calendar year in which such conditions are met.

The discussion in this summary is not intended or written to be used, and cannot be used or relied upon by any person, for the purpose of avoiding Peruvian taxation, and was written to support the promotion or marketing of this offering. Prospective investors should consult an independent tax advisor with respect to the Peruvian tax consequences of participating.

The Peruvian tax effects described herein are those applicable to the portion of the debt allocated to or assumed by Gases del Pacífico due to the issuance of the Notes, and they will not be applicable to the portion of debt allocated to or assumed by Promigas.

Peruvian Income Tax

Payment of Interest

Interest paid on the Notes will be subject to a Peruvian withholding tax at a 4.99% preferential rate; unless the non-Peruvian holder of the Notes is (i) a related party to us, or (ii) an individual residing in not cooperative or a low-tax or zero-tax jurisdiction or (iii) individuals which income for interest is subject to a preferred tax regimen as defined by Peruvian Law, in which cases a 30% Peruvian withholding tax rate would apply.

We are required to act as withholding agent for any income tax due with respect to interest paid on the Notes. We have agreed, subject to specified exceptions and limitations, to assume the withholding payments or pay additional amounts so that the non-Peruvian holder of the Note or the beneficial interest therein receives an amount equal to the sum it would have received had no such deductions or withholdings been made. See "Description of the Notes—Additional Amounts."

Sale of the Notes

Proceeds received by a non-Peruvian holder on the sale, exchange or disposition of a beneficial interest in the Notes will not be subject to any Peruvian withholding or capital gains tax. In the event that the beneficial interests in Notes is exchanged for definitive notes, any capital gains accrued and received by a non-Peruvian holder on the sale, exchange or disposition of the definitive notes will be subject to Peruvian income tax at a 30% rate.

A 5% preferential rate would be applicable should (i) such definitive notes be registered with the Stock Market Superintendence (*Superintendencia del Mercado de Valores*); and (ii) such sale be performed through trading sessions (*Rueda de Bolsa*) of the Lima Stock Exchange (*Bolsa de Valores de Lima*).

A capital gain will be equal to the difference between (i) the amount realized on the sale, exchange or disposition of the definitive notes, and (ii) the purchase price paid for such definitive notes, which must be certified

by the Peruvian tax administration, before any payment is made, under a form submitted by the non-Peruvian holder of the definitive notes along with back-up documentation evidencing, among others, that the purchase price has been paid in a Peruvian bank account, unless the sale, exchange or disposition is made through the Peruvian Stock Exchange.

A further tax exemption would be applicable provided (i) such definitive notes be registered with the Stock Market Superintendence (*Superintendencia del Mercado de Valores*); (ii) such sale be performed through trading sessions (*Rueda de Bolsa*) of the Lima Stock Exchange (*Bolsa de Valores de Lima*), and (iii) such definitive notes have a stock market presence as of the transfer date (ensuring share liquidity and continuous price quotations). This tax exemption will expire in its entirety on December 31, 2019.

Value added tax

Interest paid on the Notes is not subject to Peruvian Value Added Tax (*Impuesto General a las Ventas* or "VAT").

The sale, exchange or disposition of the Notes or a beneficial interest therein, or the definitive notes, is not subject to VAT.

Financial Transaction Tax

Deposits in and withdrawals from accounts held in Peruvian banks or other financial institutions, whether in soles or foreign currency, are levied with a financial transactions tax ("FTT") at a 0.005% rate. Therefore, FTT will levy the price paid for and the interest resulting from the Notes if deposited in or withdrawn from a Peruvian bank or other financial institution, as the case may be.

Certain U.S. Federal Income Tax Consequences to U.S. Holders

The following is a description of certain U.S. federal income tax consequences of the acquisition, ownership, retirement or other disposition of the Notes by a holder thereof. This description only applies to the Notes held as capital assets by a "U.S. Holder" (as defined below) and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as:

- financial institutions;
- insurance companies;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- tax-exempt organizations;
- persons that will own the Notes through partnerships or other pass-through entities;
- dealers or traders in securities or currencies;
- certain former citizens or long-term residents of the United States;
- holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes; or
- holders that have a functional currency other than the U.S. dollar.

Moreover, this description does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the acquisition, ownership, retirement or other disposition of the Notes and does not address the U.S. federal income tax treatment of holders that do not acquire the Notes as part of the initial offering at their issue price. The "issue price" of a Note is generally equal to the first price at which a substantial amount of the Notes is sold for money to investors (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Each prospective purchaser should consult its tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding and disposing of the Notes.

This description is based on the Internal Revenue Code of 1986, as amended, or the "Code," existing and proposed U.S. Treasury regulations, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein.

For purposes of this description, a U.S. Holder is a beneficial owner of the Notes who, for U.S. federal income tax purposes, is:

- an individual who is a citizen or resident of the United States;
- a corporation (or any other entity that is treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States, any State thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (1) that has a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

If a partnership (or any other entity that is treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to the tax consequences of acquiring, holding and disposing of the Notes.

Additional Payments on the Notes

In certain circumstances (see "Description of the Notes—Additional Amounts", "Description of the Notes—Repurchase at the Option of Holders Upon Change in Ownership Structure Repurchase Event" and "Description of the Notes—Optional Tax Redemption"), we may be obligated to redeem the Notes prior to maturity or pay amounts on the Notes that are in excess of stated interest on and principal of the Notes. These potential payments may implicate the provisions of the U.S. Treasury regulations relating to "contingent payment debt instruments". Under these regulations, however, one or more contingencies will not cause a debt instrument to be treated as a contingent payment debt instrument if, as of the issue date, such contingencies are, in the aggregate, considered to be remote or incidental. We intend to take the position that the likelihood of such potential payments will be remote or incidental within the meaning of the applicable U.S. Treasury regulations. Our determination that this contingency is remote or incidental is binding on a U.S. Holder unless such holder discloses its contrary position in the manner required by applicable U.S. Treasury regulations. However, the IRS may take a different position, in which case, if such position is sustained, a U.S. Holder might be required to accrue ordinary interest income at a higher rate than the stated interest rate and to treat as ordinary income rather than capital gain any gain realized on the taxable disposition of the Notes. The remainder of this discussion assumes that the Notes will not be treated as contingent payment debt instruments. U.S. Holders are encouraged to consult their tax advisors regarding the possible application of the contingent payment debt instrument rules to the Notes.

Accelerated Accrual

U.S. Holders that use an accrual method of accounting for tax purposes generally will be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements. The application of this rule thus may require the accrual of income earlier than would be the case under the general tax rules described below, although the precise application of this rule is unclear at this time. U.S. Holders that use an accrual method of accounting should consult with their tax advisors regarding the potential applicability of this legislation to their particular situation.

Interest on the Notes

It is expected and this discussion assumes that either the issue price of each of the Notes will equal the stated principal amount of such Notes or each of the Notes will be issued with less than a *de minimis* amount of original issue discount.

Interest paid to a U.S. Holder on the Notes, including any Colombian, Peruvian or other foreign tax withheld and any additional amounts with respect thereto as described under "Description of the Notes—Payment of Additional Amounts," will be includible in such U.S. Holder's gross income as ordinary interest income in accordance with such U.S. Holder's usual method of tax accounting. In addition, interest on the Notes will be treated as foreign source income for U.S. foreign tax credit purposes.

Eligibility for Foreign Tax Credits for Foreign Taxes Withheld on Interest Payments on the Notes

Subject to certain conditions and limitations, any Colombian, Peruvian or other foreign taxes withheld on interest payments on the Notes may be treated as foreign taxes eligible for credit against a U.S. Holder's U.S. federal income tax liability. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific "baskets" of income. Interest on the Notes generally will constitute "passive category income," or, in the case of certain U.S. Holders, "general category income." As an alternative to the tax credit, a U.S. Holder may elect to deduct such taxes (the election would then apply to all foreign income taxes such U.S. Holder paid in that taxable year). The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale, Exchange, Retirement or Other Taxable Disposition of the Notes

Upon the sale, exchange, retirement or other taxable disposition of a Note, a U.S. Holder will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange, retirement or other taxable disposition, other than accrued but unpaid interest which will be taxable as interest, as discussed above under "—Certain U.S. Federal Income Tax Consequences to U.S. Holders—Interest on the Notes", and such U.S. Holder's adjusted tax basis in such Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the cost of such Note to such U.S. Holder, and any such gain or loss will be capital gain or loss. For a non-corporate U.S. Holder, the maximum marginal U.S. federal income tax rate applicable to any gain will generally be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than certain dividends) if such U.S. Holder's holding period for the Notes exceeds one year (i.e., such gain is long-term capital gain). Any gain or loss realized on the sale, exchange, retirement or other disposition of a Note generally will be treated as U.S. source gain or loss for U.S. foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding

In general, payments of interest on, and the proceeds of a sale, redemption or other disposition of, the Notes may be required to be reported to the IRS and to the U.S. Holder under applicable U.S. Treasury regulations. Backup withholding will apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status (on IRS Form W-9 or a successor form) or otherwise fails to comply with the applicable backup withholding requirements. Certain U.S. Holders are not subject to backup withholding. Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules is allowable as a credit against a U.S. Holder's actual U.S. federal income tax liability, if any, and a refund may be

obtained from the IRS if the amounts withheld exceed such U.S. Holder's actual U.S. federal income tax liability and such U.S. Holder timely provides the required information or appropriate claim form to the IRS.

Foreign Asset Reporting

Certain U.S. Holders who are individuals are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by U.S. financial institutions). U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of the Notes.

Medicare Tax

A U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax on the lesser of (1) such U.S. Holder's ''net investment income'' (or undistributed "net investment income" in the case of estates and trusts) for the relevant taxable year and (2) the excess of such U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000, depending on the individual's circumstances). A U.S. Holder's net investment income will generally include its gross interest income and its net gains from the disposition of the Notes, unless such interest or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a U.S. Holder that is an individual, estate or trust, you are urged to consult your tax advisor regarding the applicability of this tax to your income and gains in respect of your investment in the Notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of the Notes. Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of their particular situations.

PLAN OF DISTRIBUTION

Citigroup Global Markets Inc. and J.P. Morgan Securities LLC are acting as initial purchasers.

Subject to the terms and conditions stated in the purchase agreement, dated October 8, 2019, each initial purchaser named below has severally agreed to purchase, and we have agreed to sell to the initial purchasers, the principal amount of the Notes set forth opposite such initial purchaser's name.

Initial Purchaser	Principal Amount of Notes
Citigroup Global Markets Inc.	U.S.$200,000,000
J.P. Morgan Securities LLC	U.S.$200,000,000
Total	U.S.$400,000,000

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed to purchase all of the Notes sold under the purchase agreement if any Notes are purchased. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased or the purchase agreement may be terminated.

Corficolombiana has been appointed a financial advisor in respect of this offering and is not a broker-dealer registered with the SEC. Accordingly, Corficolombiana cannot make any sales of the Notes in the United States. All placements of the Notes in the United States will be effected solely through the initial purchasers. Corficolombiana will not be providing any recommendations to Promigas in respect of the pricing of this offering.

We have agreed to indemnify the initial purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

The initial purchasers have advised us that they propose initially to offer the Notes at the offering price set forth on the cover page of this offering memorandum and to certain dealers at that price less a selling concession. After the initial offering, the offering price, concession or any other term of the offering may be changed. The initial purchasers may offer and sell Notes through certain of their affiliates.

Porvenir and Corficolombiana, which are affiliates of certain of our existing shareholders, intend to purchase approximately US$35 million aggregate principal amount of the Notes. These purchases could have a negative impact on the liquidity, and therefore on the trading prices, of the Notes.

Notes Are Not Being Registered

The Notes have not been registered under the Securities Act, or the securities law of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Each purchaser of the Notes will be deemed to have made acknowledgements, representations and agreements as described under "Sales Outside of the United States." In connection with sales outside the United States, each of the initial purchasers has agreed that it will not offer, sell or deliver the Notes to, or for the account of, U.S. persons (unless in reliance on Rule 144A) (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, and it will send to each dealer to whom it sells such Notes during such period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Resales of the Notes are restricted as described below under "Sales Outside of the United States."

Further, until 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

New Issue of Notes

The Notes will constitute a new issue of securities with no established trading market. An application will be made for the listing of the Notes on the SGX-ST. However, we cannot assure you that the listing application will be approved. We have been advised by the initial purchasers that they presently intend to make a market in the Notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Settlement

We expect that delivery of the Notes will be made to investors on or about October 16, 2019, which will be the fifth business day following the date of this offering memorandum (such settlement being referred to as "T+5"). Under Rule 15c6-1 under the U.S. Securities Exchange Act, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes prior to the delivery of the Notes hereunder will be required, by virtue of the fact that the Notes initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to their date of delivery hereunder should consult their advisors.

No Sales of Similar Securities

We have agreed that for a period of 45 days after the date of the purchase agreement, none of the Co-Issuers will, without the prior written consent of the initial purchasers, offer, sell, contract to sell or otherwise dispose of any debt securities in the international markets issued or guaranteed by any of the Co-Issuers and having a tenor of more than one year.

Short Positions

In connection with the offering, the initial purchasers may purchase and sell the Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of Notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing Notes in the open market.

Similar to other purchase transactions, purchases by the initial purchasers to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

Neither we nor the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor the initial purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

The initial purchasers are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The initial purchasers and their respective affiliates have in the past performed commercial banking, investment banking and advisory services for us from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. An affiliate of J.P. Morgan Securities LLC is a lender and administrative agent under a senior unsecured credit agreement with Promigas and Gases del Pacífico, which will be repaid with part of the net proceeds of this offering. As of June 30, 2019, the outstanding aggregate principal amount of the credit agreement was U.S.$200 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Material Financing Agreements, Local Issuances and Promissory Notes— Promigas and Gases del Pacífico Credit Agreement." The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Sales Outside of the United States

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the Notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the Notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the Notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

Prohibition of Sales to EEA Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

For purposes of this provision, the expression "Prospectus Directive" means Directive 2003/71/EC (including Directive 2010/73/EU) and includes any relevant implementing measure in any Member State of the European Economic Area. The expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Notice to Prospective Investors in the United Kingdom

Each initial purchaser and the financial advisor has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Co-Issuers; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Switzerland

This offering memorandum, as well as any other material relating to the Notes which are the subject of the offering contemplated by this offering memorandum, do not constitute an issue prospectus pursuant to Article 652a of the Swiss Code of Obligations. The Notes will not be listed on the SWX Swiss Exchange and, therefore, the documents relating to the Notes, including, but not limited to, this offering memorandum, do not claim to comply with the disclosure standards of the listing rules of SWX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SWX Swiss Exchange. The Notes are being offered in Switzerland by way of a private placement, i.e., to a small number of selected investors only, without any public offer and only to investors who do not purchase the Notes with the intention to distribute them to the public. The investors will be individually approached by us from time to time. This offering memorandum, as well as any other material relating to the Notes, is personal and does not constitute an offer to any other person. This offering memorandum may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

Notice to Prospective Investors in the Dubai International Financial Centre

This offering memorandum relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority, or the DFSA. This offering memorandum is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this offering memorandum nor taken steps to verify the information set forth herein and has no responsibility for this offering memorandum. The Notes to which this offering memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Notes offered should conduct their own due diligence on the Notes. If you do not understand the contents of this offering memorandum you should consult an authorized financial advisor.

Notice to Prospective Investors in Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Japan

The Notes offered in this offering memorandum have not been and will not be registered under the Financial Instruments and Exchange Law of Japan. The Notes have not been offered or sold and will not be offered or sold,

directly or indirectly, in Japan or to or for the account of any resident of Japan (including any corporation or other entity organized under the laws of Japan), except (i) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

Notice to Prospective Investors in Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore and the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, or (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor, as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 except: (1) to an institutional investor or to a relevant person, or any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law; or (4) as specified in Section 276(7) of the SFA; or (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

In connection with section 309B(1)(c) of the SFA, the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Notice to Prospective Investors in Canada

The Notes may be sold only to purchasers in the provinces of Alberta, British Columbia, Ontario and Quebec purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer

to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers and the financial advisor are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Mexico

The Notes have not been and will not be registered with the RNV maintained by the CNBV, and, therefore, may not be offered publicly in Mexico. The Notes may only be offered in Mexico pursuant to the exemptions to registration provided in article 8 of the Mexican Securities Market Law. We will notify the CNBV of the terms and conditions of this offering of the Notes outside of Mexico, for informational and statistical purposes only. The delivery to, and the receipt by, the CNBV of such notice does not constitute or imply a certification as to the investment quality of the Notes, our solvency, liquidity or credit quality or the accuracy or completeness of the information set forth in this offering memorandum. This offering memorandum is solely our responsibility and has not been reviewed or authorized by the CNBV. The acquisition of the Notes by investors, including Mexican investors, will be made under their own responsibility.

Notice to Prospective Investors in Chile

Pursuant to Law No. 18,045 of Chile (the securities market law of Chile) and Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the Superintendence of Securities and Insurance of Chile (*Superintendencia de Valores y Seguros de Chile*, or the "SVS"), the Notes may be privately offered in Chile to certain "qualified investors" identified as such by Rule No. 336 (which in turn are further described in Rule No. 216, dated June 12, 2008, of the SVS).

Rule No. 336 requires the following information to be provided to prospective investors in Chile:

1) Date of commencement of the offer: September 30, 2019. The offer of the Notes is subject to Rule No. 336, dated June 27, 2012, issued by the SVS;

2) The Notes and this offering memorandum are not registered with the Securities Registry (R*egistro de Valores*) of the SVS, nor with the foreign securities registry (*Registro de Valores Extranjeros*) of the SVS and as such are not subject to the oversight of the SVS;

3) Since the Notes are not registered in Chile, there is no obligation by the Co-Issuers to make publicly available information about the Notes in Chile;

4) The Notes shall not be subject to a public offering in Chile unless registered with the relevant Securities Registry of the SVS.

La oferta de los valores comienza el 30 de septiembre de 2019 y está acogida a la Norma de Carácter General 336 de la Superintendencia de Valores y Seguros de Chile (la "SVS"). La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que los valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública a menos que sean inscritos en el registro de valores correspondiente.

Notice to Prospective Investors in France

Neither this offering memorandum nor any other offering material relating to the Notes described in this offering memorandum has been submitted to the clearance procedures of the Autorité des Marchés Financiers or of the competent authority of another member state of the European Economic Area and notified to the Autorité des Marchés Financiers. The Notes have not been offered or sold and will not be offered or sold, directly or indirectly, to

the public in France. Neither this offering memorandum nor any other offering material relating to the Notes has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the Notes to the public in France.

Such offers, sales and distributions will be made in France only:

- to qualified investors (investisseurs qualifiés) and/or to a restricted circle of investors (cercle restreint d'investisseurs), in each case investing for their own account, all as defined in, and in accordance with, articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code Monétaire et Financier;
- to investment services providers authorized to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French Code Monétaire et Financier and article 211-2 of the General Regulations (Règlement Général) of the Autorité des Marchés Financiers, does not constitute a public offer (appel public à l'épargne).

The Notes may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code Monétaire et Financier.

Notice to Prospective Investors in Colombia

The Notes have not been and will not be registered in the Colombian National Registry of Securities and Co-Issuers maintained by the Colombian Superintendence of Finance and may not be offered or sold publicly or otherwise be subject to brokerage activities in Colombia, except as permitted by Colombian law.

Notice to Prospective Investors in Peru

The offer of the Notes, this offering memorandum and the Notes have not been, and will not be, registered with the Comisión Nacional Supervisora de Empresas y Valores (the Peruvian Securities and Exchange Commission). The offer of the Notes in Peru is not considered a public offering and will not be launched in Peru except in circumstances which do not constitute public offering or distribution under Peruvian laws and regulations. This notice is for informative purposes and it does not constitute public offering of any kind.

TRANSFER RESTRICTIONS

The Notes have not been registered, and will not be registered, under the Securities Act or any other applicable securities laws, and thus, the Notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act.

Accordingly, the Notes are being offered and sold only:

1. in the United States to QIBs in reliance on Rule 144A under the Securities Act; and

2. outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of Notes (other than the initial purchasers in connection with the initial issuance and sale of Notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

1. It is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (i) a QIB and is aware that the sale to it is being made in reliance on Rule 144A, or (ii) a non-U.S. person that is outside the United States.

2. It acknowledges that the Notes have not been registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below.

3. It understands and agrees that Notes initially offered in the United States to QIBs will be represented by one or more global notes, each, a Rule 144A Global Note, and that Notes offered outside the United States in reliance on Regulation S will also be represented by one or more global notes, each, a Regulation S Global Note.

4. It will not resell or otherwise transfer any of such Notes except (i) to us, (ii) within the United States to a QIB in a transaction complying with Rule 144A under the Securities Act, (iii) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (iv) pursuant to the exemption from registration provided by Rule 144 or another exemption under the Securities Act (if available) or (v) pursuant to an effective registration statement under the Securities Act.

5. It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.

6. It acknowledges that prior to any proposed transfer of Notes (other than pursuant to an effective registration statement or in respect of Notes sold or transferred either pursuant to (i) Rule 144A or (ii) Regulation S), the Holder of such Notes may be required to provide certifications relating to the manner of such transfer as provided in the Indenture.

7. It acknowledges that the trustee, security registrar or transfer agent for the Notes will not be required to accept for registration transfer of any Notes acquired by it, except upon presentation of evidence satisfactory to us that the restrictions set forth herein have been complied with.

8. It acknowledges that we, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it will promptly notify us and the initial purchasers. If it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with

respect to each such account and it has full power to make the foregoing acknowledgements, representations, and agreements on behalf of each account.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

1. a corporation (which is not an accredited investor (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

2. a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor;

securities (as defined in the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA); or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

The following is the form of restrictive legend which will appear on the face of the Rule 144A Global Note, and which will be used to notify transferees of the foregoing restrictions on transfer:

"Neither this Note nor any beneficial interest herein has been registered under the United States Securities Act of 1933, as amended (the "Securities Act"). Each of the Holder hereof and each owner of a beneficial interest herein, by holding this Global Note and acquiring their beneficial interests herein, respectively, agrees for the benefit of the Co-Issuers that this Global Note and beneficial interests herein may be offered, sold, pledged or otherwise transferred only by a Holder (as defined in the Indenture pursuant to which this Note was issued) (1) to the Co-Issuers, (2) so long as this Global Note is eligible for resale pursuant to Rule 144A under the Securities Act ("Rule 144A") to a person who the seller reasonably believes is a qualified institutional buyer, as defined in Rule 144A, acquiring for its own account or for the account of one or more other qualified institutional buyers in a transaction meeting the requirements of Rule 144A, (3) in an offshore transaction meeting the requirements of Rule 903 or Rule 904 (as applicable) of Regulation S under the Securities Act, (4) pursuant to an exemption from registration under the Securities Act (if available) or (5) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities laws of any state of the United States (provided that as a condition to the registration of any notes pursuant to (4) above, the Co-Issuers or the Trustee may, in circumstances that any of them deems appropriate, require evidence that the Co-Issuers deem necessary or appropriate to evidence compliance with such exemption and with any state securities laws that may be applicable). Each owner of a beneficial interest in this Global Note, by acquiring such beneficial interest, represents and agrees for the benefit of the Co-Issuers that it will notify any purchaser of such beneficial interest from it of the resale restrictions referred to

above. This legend can only be removed at the option of the Co-Issuers and in compliance with applicable law."

The following is the form of restrictive legend which will appear on the face of the Regulation S Global Note and which will be used to notify transferees of the foregoing restrictions on transfer:

"This Note has not been registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered, sold or delivered in the United States or to, or for the account or benefit of any U.S. person, unless the Note is registered under the Securities Act or any exemption from the registration requirements thereof is available. The foregoing shall not apply following the expiration of forty days from the later of (a) the date on which the Notes were first offered and (b) the date of issuance of this Note."

For further discussion of the requirements (including the presentation of transfer certificates) under the Indenture to effect exchanges or transfers of interest in global notes and certificated notes, see "Description of the Notes."

LISTING AND GENERAL INFORMATION

1. We expect that the Notes will be delivered in book-entry form through DTC, and its direct and indirect participants, including Clearstream and Euroclear, on October 16, 2019. The CUSIP and ISIN numbers for the Notes are as follows:

	Restricted Global Note	Regulation S Global Note
CUSIP	74348D AA5	P7922T AA7
ISIN	US74348DAA54	USP7922TAA71

2. We will apply for the listing and quotation of the Restricted Global Note and the Regulation S Global Note on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this offering memorandum. Listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the issuer or the Notes. For the purposes of the listing and quotation of the Notes on the SGX-ST, the Notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies) and a paying agent in Singapore will be appointed upon the issue of the Notes in definitive form. In addition, for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the issuer shall appoint and maintain a paying agent in Singapore, where the debt securities may be presented or surrendered for payment or redemption. In the event that any of the Global Notes is exchanged for definitive notes, announcement of such exchange shall be made by or on behalf of the issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive notes, including details of the paying agent in Singapore.

3. Copies of our Audited Consolidated Financial Statements for their two most recently ended fiscal years and their latest Unaudited Consolidated Financial Statements (produced quarterly) may be obtained at the offices of the trustee. Copies of Promigas' by-laws, as well as the Indenture, will be available, at no cost, at the offices of the trustee.

4. Except as disclosed in this offering memorandum, there has been no material adverse change in the consolidated financial position of Promigas since June 30, 2019 the date of the latest Financial Statements included in this offering memorandum.

5. The issuance of the Notes was authorized by Promigas' general shareholder meeting on September 16, 2019 and by Gases del Pacífico's general shareholders' meeting on September 13, 2019.

LEGAL MATTERS

The validity of the Notes will be passed upon for the Co-Issuers by White & Case LLP, our U.S. counsel, and for the initial purchasers by Davis Polk & Wardwell LLP, U.S. counsel for the initial purchasers. White & Case LLP and Davis Polk & Wardwell LLP will rely, as to all matters of Colombian law, on the opinion of Gómez-Pinzón Abogados S.A.S., the Colombian Co-Issuer's Colombian counsel, and Philippi Prietocarrizosa Ferrero DU & Uría, Colombian counsel to the initial purchasers, respectively. Furthermore, Miranda & Amado Abogados will act as Peruvian counsel to the Peruvian Co-Issuer in respect of all matters of Peruvian law; and Philippi Prietocarrizosa Ferrero DU & Uría will act as Peruvian counsel to the initial purchasers.

INDEPENDENT AUDITORS

The financial statements of Promigas S.A. E.S.P. and subsidiaries as of December 31, 2018 and 2017 and for the years then ended, and for the years ended December 31, 2018 and 2017 and for the years then ended, included in this offering memorandum, have been audited by KPMG, independent auditors, as stated in their reports appearing herein.

With respect to the unaudited interim financial information as of June 30, 2019, and for the six months then ended, included herein, the independent auditors have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their report with respect thereto, included herein, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

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Promigas S.A. E.S.P.

Condensed Consolidated Interim Financial Statements
With Independent Auditor's Review Report

KPMG S.A.S.
Carrera 53 No. 82 - 86, Oficinas 803 - 804
Barranquilla - Colombia

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors
Promigas S.A. E.S.P.:

Introduction

We have reviewed the accompanying June 30, 2019 interim condensed consolidated financial statements of Promigas S.A. E.S.P. and Subsidiaries ("the Group"), which comprise:

- The condensed consolidated statements of financial position as at June 30, 2019 and December 31, 2018;
- The condensed consolidated income statements for the six and three-month periods ended June 30, 2019 and June 30, 2018;
- The condensed consolidated statements of other comprehensive income for the six and three-month periods ended June 30, 2019 and June 30, 2018;
- The condensed consolidated statements of changes in equity for the six-month periods ended June 30, 2019 and June 30, 2018;
- The condensed consolidated statements of cash flows for the six-month periods ended June 30, 2019 and June 30, 2018; and
- Notes to the interim condensed consolidated financial statements.

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 (IAS 34), 'Interim Financial Reporting', as adopted in Colombia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", included in the Information Assurance Standards accepted in Colombia. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing accepted in Colombia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG S.A.S., sociedad colombiana por acciones simplificada y firma miembro de la red de firmas miembro independientes de KPMG afiliadas a KPMG International Cooperative ("KPMG International"), una entidad suiza.

KPMG S.A.S.
Nit 860.000.846 - 4

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements as at June 30, 2019 and for the six and three-month periods ended June 30, 2019 and June 30, 2018 are not prepared, in all material respects, in accordance with International Accounting Standard 34 (IAS 34), 'Interim Financial Reporting', as adopted in Colombia.

KPMG. S.A.S.

KPMG S.A.S
September 29, 2019
Carrera 53 No. 82-86 Oficina 804 Edificio Ocean Tower
Barranquilla, Colombia

PROMIGAS S.A. E.S.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Figures in thousands of Colombian pesos)

	Note		June 30, 2019	December 31 2018
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalent	6	$	228,504,070	279,355,881
Financial assets at fair value	7		143,751,587	166,260,218
Financial assets at amortized cost	8		1,026,929,261	899,500,013
Inventories			65,262,492	59,168,056
Prepayments or tax credit balances			40,876,799	18,883,334
Other assets			202,095,432	188,423,192
TOTAL CURRENT ASSET**S**			1,707,419,641	1,611,590,694
LONG-TERM ASSETS:				
Financial assets at fair value	7		2,608,349,817	2,502,014,512
Financial assets at amortized cost	8		1,607,216,828	1,621,128,686
Inventories			16,772,526	14,177,087
Investment in associates	9		654,604,687	689,021,050
Property, pipelines, plant and equipment:				
Property, gas pipelines, plant and equipment	10		1,135,800,038	1,139,381,280
Rights Of Use			141,954,733	-
Net properties, pipelines, plant and equipment			1,277,754,771	1,139,381,280
Net intangible assets:				
Concession arrangements rights	11		2,758,638,695	2,534,794,623
Rights Of Use			10,573,110	-
Goodwill			128,818,925	128,818,925
Other intangible assets			90,777,272	84,438,613
Total net intangible assets			2,988,808,002	2,748,052,161
Deferred tax asset, net	12		87,823,744	74,411,250
Other non-current assets			42,927,584	25,694,203
TOTAL LONG-TERM ASSETS			9,284,257,959	8,813,880,229
TOTAL ASSETS		$	10,991,677,600	10,425,470,923
LIABILITIES				
CURRENT LIABILITIES:				
Financial obligations	13	$	542,611,665	341,182,413
Outstanding bonds	14		370,148,807	275,789,036
Accounts payable	15		737,250,438	486,085,912
Employee benefits			17,559,373	17,508,421
Income tax payable			3,494,580	40,426,222
Provisions			221,010	-
Other liabilities			110,871,994	124,450,310
TOTAL CURRENT LIABILITIES			1,782,157,867	1,285,442,314
LONG-TERM LIABILITIES:				
Financial obligations	13		2,718,799,164	2,421,197,813
Outstanding bonds	14		2,265,455,244	2,465,174,809
Accounts payable	15		18,695,025	18,110,562
Employee benefits			4,580,673	4,498,421
Provisions			240,126,675	239,563,290
Deferred tax liabilities	12		565,229,009	557,592,810
Other liabilities			68,764	68,764
TOTAL LONG-TERM LIABILITIES			5,812,954,554	5,706,206,469
TOTAL LIABILITIES			7,595,112,421	6,991,648,783
EQUITY				
OWNERS OF THE COMPANY	16			
Paid-in and subscribed capital			113,491,861	113,491,861
Share premium underwriting			322,822,817	322,822,817
Reserves			713,490,402	737,369,908
Retained earnings			1,917,153,807	1,922,309,331
Other equity transactions			(11,556,417)	(11,556,425)
Other comprehensive income			126,998,581	128,513,623
OWNERS OF THE COMPANY			3,182,401,051	3,212,951,115
NON-CONTROLLING INTEREST	17		214,164,128	220,871,025
TOTAL EQUITY			3,396,565,179	3,433,822,140
TOTAL LIABILITIES AND EQUITY		$	10,991,677,600	10,425,470,923

The notes attached hereto are an Integral part of these condensed consolidated interim financial statements

PROMIGAS S.A. E.S.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED INCOME STATEMENTS
(Figures in thousands of Colombian pesos)

	Note	Six-month period ended		Three-month period ended	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Revenue	18	$ 1,961,901,019	1,734,219,416	1,026,514,838	860,266,253
Cost of Sales	19	(1,309,138,871)	(1,104,425,054)	(690,475,297)	(539,264,041)
GROSS INCOME		652,762,148	629,794,362	336,039,541	321,002,212
Operating expenses	20	(182,348,962)	(169,061,738)	(103,104,742)	(91,353,437)
Dividends received		486,237	924,975	-	14,561
Others, net		2,074,870	(1,030,902)	2,412,094	(117,054)
OPERATING INCOME		472,974,293	460,626,697	235,346,893	229,546,282
Finance income	21	171,779,121	176,585,479	90,346,974	95,927,309
Finance costs	22	(227,225,095)	(209,236,042)	(121,220,904)	(99,108,889)
FINANCE INCOME, NET		(55,445,974)	(32,650,563)	(30,873,930)	(3,181,580)
Share of profit of equity-accounted investees, net of tax		91,597,453	78,469,790	52,697,726	42,477,117
INCOME BEFORE TAX		509,125,772	506,445,924	257,170,689	268,841,819
Income tax expense	12	(91,877,378)	(114,190,461)	(18,668,061)	(60,972,526)
NET INCOME FOR THE PERIOD		$ 417,248,394	392,255,463	238,502,628	207,869,293
INCOME ATTRIBUTABLE TO:					
Owners of the Company		$ 400,056,034	365,707,329	226,643,782	195,899,427
Non-controlling interest		17,192,360	26,548,134	11,858,846	11,969,866
		$ 417,248,394	392,255,463	238,502,628	207,869,293
NET INCOME PER SHARE		$ 352.52	322.25	199.71	172.62

The notes attached hereto are an Integral part of these condensed consolidated interim financial statements

PROMIGAS S.A. E.S.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
(Figures in thousands of Colombian pesos)

	Six-month period ended		Three-month period ended	
	Junio 30, 2019	Junio 30, 2018	April 1 to June 30, 2019	April 1 to June 30, 2018
Net income for the period	$ 417,248,394	392,255,463	238,502,628	207,869,293
ITEMS THAT ARE OR MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT				
Foreing operations-Foreing currency traslation differences	(11,314,831)	(9,137,086)	5,411,592	27,269,664
Hedging Transactions	9,469,879	291,579	(7,848,391)	(16,846,890)
Related tax	(3,815,197)	2,411,734	1,591,095	5,802,950
	(5,660,149)	(6,433,773)	(845,704)	16,225,724
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT				
Revaluation of investment properties	1,831,129	-	1,831,129	-
Fair value of equity instruments	(797,449)	(84,948)	-	(2,221,986)
Employee benefits	-	(83,576)	-	(83,576)
Related tax	80,424	1,716,709	-	-
	1,114,104	1,548,185	1,831,129	(2,305,562)
	(4,546,045)	(4,885,588)	985,425	13,920,162
TOTAL INCOME AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD	$ 412,702,349	387,369,875	239,488,053	221,789,455
INCOME AND OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 398,540,992	361,938,652	239,804,588	217,483,338
Non-controlling interest	14,161,357	25,431,223	(316,535)	4,306,117
	$ 412,702,349	387,369,875	239,488,053	221,789,455

The notes attached hereto are an Integral part of these condensed consolidated interim financial statements

PROMIGAS S.A. E.S.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Figures in thousands of Colombian pesos)

For the six-month periods ended on:		Paid-in and subscribed capital	Share premium underwriting	Reserves	Retained earnings				Other equity transactions	Other comprehensive income	Total attributable to the owners of the company	Non-controlling interests	Total Equity
					Results from Previous Year	Net income	First-time adoption effect	Total					
Balances as of December 31, 2018	$	113,491,861	322,822,817	737,369,908	56,767,008	359,755,697	1,505,786,626	1,922,309,331	(11,556,425)	128,513,623	3,212,951,115	220,871,025	3,433,822,140
Sale of shares to non-controlling companies		-	-	-	-	-	-	-	8	-	8	-	8
Legal reserves		-	-	81,976,638	(81,976,638)	-	-	(81,976,638)	-	-	-	-	-
Use of reserves		-	-	(105,856,144)	105,856,144	-	-	105,856,144	-	-	-	-	-
Declared cash dividends		-	-	-	(402,871,055)	-	-	(402,871,055)	-	-	(402,871,055)	(20,101,826)	(422,972,881)
Reclasification from Net Income to Retained Earnings		-	-	-	359,755,697	(359,755,697)	-	-	-	-	-	-	-
Income and other comprehensive income		-	-	-	-	400,056,034	-	400,056,034	-	(1,515,042)	398,540,992	14,161,357	412,702,349
Initial effect of application of IFRS 16		-	-	-	(26,220,009)	-	-	(26,220,009)	-	-	(26,220,009)	(766,428)	(26,986,437)
Balances as of June 30, 2019	$	113,491,861	322,822,817	713,490,402	11,311,147	400,056,034	1,505,786,626	1,917,153,807	(11,556,417)	126,998,581	3,182,401,051	214,164,128	3,396,565,179
Balances as of December 31, 2017	$	113,491,861	322,822,817	558,143,087	27,222,468	328,778,639	1,505,786,626	1,861,787,733	(2,033,458)	108,450,056	2,962,662,096	216,215,390	3,178,877,486
Capitalizations		-	-	-	-	-	-	-	-	-	-	49,842,117	49,842,117
Advances to capital		-	-	-	-	-	-	-	-	-	-	(57,246,875)	(57,246,875)
Interest sale in non-controlling interest		-	-	-	-	-	-	-	299	-	299	56	355
Legal reserves		-	-	74,612,724	(74,612,724)	-	-	(74,612,724)	-	-	-	-	-
Declared cash dividends		-	-	-	(254,205,962)	-	-	(254,205,962)	-	-	(254,205,962)	(15,570,243)	(269,776,205)
Reclasification from Net Income to Retained Earnings		-	-	-	328,778,639	(328,778,639)	-	-	-	-	-	-	-
Income and other comprehensive income for the year		-	-	-	-	365,707,329	-	365,707,329	-	(3,768,677)	361,938,652	25,431,223	387,369,875
Initial effect of application of IFRS 9		-	-	-	(14,407,708)	-	-	(14,407,708)	-	-	(14,407,708)	(1,091,767)	(15,499,475)
Balances as of June 30, 2018		113,491,861	322,822,817	632,755,811	12,774,713	365,707,329	1,505,786,626	1,884,268,668	(2,033,159)	104,681,379	3,055,987,377	217,579,901	3,273,567,278

The notes attached hereto are an Integral part of these condensed consolidated interim financial statements

PROMIGAS S.A. E.S.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Figures in thousands of Colombian pesos)

For the six-months periods ended on		June 30, 2019	June 30, 2018
Cash flow from operating activities:			
Net income	$	417,248,394	392,255,463
Adjustments to reconcile net income with net cash provided by operating activities:			
Depreciation		21,043,543	17,503,692
Amortization of intangibles		73,366,033	67,246,172
Accrued interest		188,576,582	178,110,122
Accrued yield		(196,704,289)	(190,474,132)
Changes in fair value of financial assets		(107,132,754)	(127,045,225)
Share of profit of equity-accounted investees, net of tax		(91,597,453)	(78,469,790)
Hedge instruments		(3,029,112)	-
Impairment of:			
Inventories		36,700	244,450
Accounts receivable		30,408,070	15,860,448
Accrued provisions		3,301,661	10,338,537
Exchange difference for transactions in foreign currency		(3,378,568)	(937,657)
Loss from the sale of properties, pipelines, plant and equipment		(261)	(177,466)
Loss for derecognition of:			
Inventories		366,350	16,000
Properties, pipelines, plant and equipment		115,273	206,720
Concessions		6,785	217,857
Intangible assets		-	11,676
Valuation of investment properties		(500,000)	(625,000)
Income and CREE (Income Tax for equality) Tax		92,039,883	114,190,461
Changes in assets and liabilities:			
Accounts receivable		(76,670,761)	51,322,307
Inventories		(9,404,804)	13,672,776
Equity instruments through profit or loss		32,015,917	(9,134,151)
Other assets		(29,217,314)	(25,089,669)
Accounts payable		33,668,091	20,412,689
Employee benefits		135,246	109,161
Provisions		(57,636)	13,586,051
Other liabilities		(12,014,404)	(6,492,011)
Income tax Paid		(138,639,701)	(181,048,650)
Interests Received		186,733,897	185,022,826
Interests Paid		(186,507,267)	(188,662,242)
Net cash provided by operating activities		224,208,101	272,171,415
Investment activities			
Acquisition of:			
Tangible assets		(18,801,743)	(27,196,188)
Concessions		(287,665,532)	(193,284,475)
Other intangibles		(11,739,545)	(3,559,917)
Debt securities		-	22,901,292
Proceeds from the sale of:			
Property, pipelines, plant and equipment		5,226	269,586
Excess paid for acquisition of interest in non-controlling interests		8	299
Dividends received from investment in associates		43,131,609	55,659,257
Net cash used in investment activities		(275,069,977)	(145,210,146)
Financing activities:			
Dividends Paid		(212,321,784)	(266,663,370)
Acquisition of financial obligations		412,629,104	251,147,825
Payment of financial obligations		(94,511,454)	(609,347,003)
Bond issue		-	505,000,000
Bond payment		(105,000,000)	-
Non-controlling interest		(603)	(7,404,701)
Net cash (used in) provided by financing activities		795,263	(127,267,249)
Net decrease of cash and cash equivalents		(50,066,613)	(305,980)
Effect of movements in exchange rates on cash held from foreing operation		61,191	(1,630,708)
Effect of exchange differences on cash		(846,389)	753,006
Cash and cash equivalents at the beginning of the year		279,355,881	187,580,982
Cash and cash equivalents at the end of the year	$	228,504,070	186,397,300

The notes attached hereto are an Integral part of these condensed consolidated interim financial statements

NOTE 1. REPORTING ENTITY

Promigas S.A. E.S.P. (hereinafter Promigas S.A. E.S.P., Promigas or the Company) was incorporated in accordance with Colombian Law on December 27, 1974, and its corporate purpose is the purchase, sale, transportation, distribution, exploitation and exploration of natural gas, oil and hydrocarbons in general, and the gas and oil activities in all their forms. It can also, inter alia, sell or provide goods or services to third parties, either financial or non-financial, and finance the acquisition of goods or services from third parties with its own resources. Promigas' controlling shareholder is Corporación Financiera Colombiana S.A., whose parent company is Grupo Aval Acciones y Valores S.A. both are public companies incorporated in Colombia, the corporate seat of the Company is in Barranquilla, its address is Calle 66 No. 67 – 123 and its term of duration expires on December 27, 2074.

The Company is supervised by the Superintendence of Residential Utilities and in order to keep the National Register of Securities and Brokers (RNVI, for its Spanish acronym) current is subject to the concurrent supervision of the Colombian Financial Superintendence, in accordance with the provisions of Articles 5.2.4.1.2 and 5.2.4.1.3 of single Decree 2555/2010 of the Colombian Financial Superintendence and Regulation Letter 007/2015, Title Three. These condensed consolidated interim financial statements (Interim Consolidated financial statements) as at and for the six and three months ended June 30, 2019 comprise the Company and its subsidiaries:

Entity	June 30, 2019			December 31, 2018		
	Direct	Indirect	Total	Direct	Indirect	Total
Surtigas S.A. E.S.P.	99.99%	0.00%	99.99%	99.99%	0.00%	99.99%
Transoccidente S.A. E.S.P.	79.00%	0.00%	79.00%	79.00%	0.00%	79.00%
Promioriente S.A. E.S.P.	73.27%	0.00%	73.27%	73.27%	0.00%	73.27%
Transmetano E.S.P. S.A.	99.67%	0.00%	99.67%	99.67%	0.00%	99.67%
Gases de Occidente S.A. E.S.P.	94.43%	0.00%	94.43%	94.43%	0.00%	94.43%
Compañía Energética de Occidente S.A. E.S.P.	49.00%	48.16%	97.16%	49.00%	48.16%	97.16%
Orion Contac Center S.A.S.	0.00%	96.65%	96.65%	0.00%	96.65%	96.65%
Promisol S.A.S.	100.00%	0.00%	100.00%	100.00%	0.00%	100.00%
Gases del Pacífico S.A.C.	75.00%	25.00%	100.00%	75.00%	25.00%	100.00%
Gases del Norte del Perú S.A.C.	75.00%	25.00%	100.00%	75.00%	25.00%	100.00%
Promisol México S.A. de C.V.	5.00%	95.00%	100.00%	5.00%	95.00%	100.00%
Zonagen S.A.S.	0.00%	99.95%	99.95%	0.00%	99.95%	99.95%
Sociedad Portuaria El Cayao S.A. E.S.P.	51.00%	0.00%	51.00%	51.00%	0.00%	51.00%
Enlace Servicios Compartidos S.A.S.	100.00%	0.00%	100.00%	100.00%	0.00%	100.00%

In addition, it has the following associates:

Entity	Country of incorporation	Ownership Interest	
		June 30, 2019	December 31, 2018
Gases del Caribe S.A. E.S.P. (Gas Caribe)	Colombia	30.99%	30.99%
E2 - Energía Eficiente S.A. E.S.P.	Colombia	48.81%	48.81%
Concentra en Inteligencia en Energía S.A.S.	Dominican Republic	28.52%	28.52%
Complejo Energético del Este S.A. (1)	Panama	0%	33.00%
Gas Natural de Lima y Callao S.A.C.	Peru	40.00%	40.00%

Regulatory Framework

Promigas is mainly governed by Act 142/1994, whereby the Public Utilities Regime is established, CREG Resolution 071/1999, whereby the Single Regulation for Natural Gas Transportation (RUT, for its Spanish acronym) in Colombia is established, Act 689/2001, whereby Act 142/1994 is partially amended, the industry's regulations, the concession agreements in force, its bylaws and other provisions contained in the Code of Commerce.

The rates the Company charges its customers for natural gas transportation and distribution services are regulated by the National Government through the Energy and Gas Regulatory Commission (CREG, for its Spanish acronym).

NOTE 2. BASIS OF ACCOUNTING

2.1 Technical Normative Framework

The consolidated interim financial information has been prepared in accordance with International Accounting Standard 34 (IAS 34) – Interim Financial Reporting, included in the Accounting and Financial Reporting Standards accepted in Colombia (CFRS), set out in Act 1314/2009, regulated by Single Regulatory Decree 2420/2015, as amended by Decrees 2496/2015, 2131/2016, 2170/2017 and 2483/2018. The CFRS applicable in 2019 are based on the International Financial Reporting Standards (IFRS), along with its interpretations, issued by the International Accounting Standards Board (IASB). The base standards correspond to the officially translated to Spanish by the IASB and issued as of January 1, 2017.

These interim condensed consolidated financial statements must be read together with the annual consolidated financial statements as of December 31, 2018, which include and disclose the policies, calculation methods, judgments and accounting estimates used in the preparation of the interim consolidated financial statements.

The interim condensed consolidated financial statements do not include all the information required for a complete set of financial statements under CFRS, however, notes were selected which

include explanation of events and significant transactions that allow us to understand the changes observed in the financial position and the development of the Company since the latest annual financial statements.

For legal purposes in Colombia, the separate financial statements are the statutory financial statements.

2.2 Functional and Presentation Currency

The items included in these financial statements are presented using "Colombian pesos", currency of the principal economic environment in which the Company operates, which in turn is its functional currency. All information is expressed in thousands of pesos rounded up to the nearest unit.

Transactions in foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the prevailing exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies in terms of historical costs are measured using the exchange rate at the transaction date. Financial instruments measured at fair value are converted using the exchange rate at the date the fair value was determined. Profits or losses resulting from the translation process are recognized in profit or loss, except for financial instruments designated as hedging instruments.

As of June 30, 2019, and December 31, 2018, the representative exchange rates to convert the transactions from United States Dollar to Colombian Pesos as computed and certified by the Superintendency of Finance are as follows:

Period		June 30, 2019	December 31, 2018
Period-end	$	3,205.67	3,249.75

Monthly average exchange rates for the months:

		2019	2018
April	$	3,155.22	2,765.96
May		3,310.49	2,862.95
June		3,256.02	2,893.22

Below is a detail of the functional and presentation currency of Promigas subsidiaries:

	Functional Currency
Subsidiaries:	
Surtigas S.A. E.S.P.	Colombian Peso
Transoccidente S.A. E.S.P.	Colombian Peso
Gases de Occidente S.A. E.S.P.	Colombian Peso
Transmetano E.S.P. S.A.	Colombian Peso
Compañía Energética de Occidente S.A. E.S.P.	Colombian Peso
Promioriente S.A. E.S.P.	Colombian Peso
Enlace Servicios Compartidos S.A.S.	Colombian Peso
Sociedad Portuaria El Cayao S.A. E.S.P.	United States Dollar
Gases del Pacífico S.A.C.	United States Dollar
Gases del Norte del Perú S.A.C.	Peruvian Sol
Orión Contac Center S.A.S.	Colombian Peso
Promisol S.A.S.	Colombian Peso
Zonagen S.A.S.	Colombian Peso
Promisol Mexico S.A. de C.V.	Mexican Peso
Associates:	
Gases del Caribe S.A. E.S.P. (Gascaribe)	Colombian Peso
Energía Eficiente S.A. E.S.P.	Colombian Peso
Gas Natural de Lima y Callao S.A.C.	United States Dollar
Concentra Inteligencia en Energía S.A.S.	Colombian Peso

There were no changes in the functional currency of the company and its subsidiaries during the period.

NOTE 3. USE OF SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for the new significant judgements related to lease accounting under IFRS 16, which are described in note 5.

NOTE 4. DETERMINING FAIR VALUES

The interim consolidated financial statements have the same criteria for determining fair values used as of December 31, 2018. No significant variations were identified, for this reason, they must be read together with the annual consolidated financial statements as of December 31, 2018.

Fair Value Measurements on a Recurring Basis

Fair value measurements on a recurring basis are those that the IFRS require or allow in the statement of financial position at the end of reporting accounting period.

The following table analyzes, within the fair value hierarchy, the assets and liabilities (by class) of Promigas and subsidiaries measured at fair value on a recurring basis as of:

	June 30, 2019		December 31, 2018	
	Level 2	Level 3	Level 2	Level 3
Assets				
Hedging asset position	$ 4,420,737	-	42,966	-
Equity instruments through profit or loss	139,184,859	-	166,217,252	-
Financial instruments at fair value through profit and loss	300,000	-	300,000	-
Equity instruments through OCI	12,503,491	-	13,300,940	-
Long-term financial assets	-	2,595,546,326	-	2,488,413,572
Investment property	-	7,232,798	-	4,101,669
	$ 156,409,087	2,602,779,124	179,861,158	2,492,515,241
Liabilities				
Creditors for hedging liability position	$ 5,343,426	-	14,843,102	-

Promigas and its subsidiaries have no assets or liabilities categorized in Level 1, considering that for an asset or liability to be categorized in Level 1, its values must be based on quoted prices in active markets

The following table shows the movement of assets classified in Level 3. There were no transfers between levels during the period:

		Investment properties	Financial assets from pipelines under concession
Balance as of December 31, 2018	$	4,101,669	2,488,413,572
Effect of fair value measurement		500,000	107,132,754
Adjustments to fair value charged to the OCI		1,831,129	-
Property, plant and equipment Reclassified to Investment Property		800,000	-
Balance as of June 30, 2019	$	7,232,798	2,595,546,326

NOTE 5. CHANGE IN SIGNIFICANT ACCOUNTING POLICIES

As previously mentioned, and except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements. The changes in accounting policies are also expected to be reflected in the Company's consolidated financial statements as at and for the year ending December 31, 2019.

Until December 31, 2018, the company applied IAS 17 to account for leases. On January 1, 2019, the Company adopted IFRS 16 Leases, as described below:

Promigas S.A. E.S.P. and subsidiaries adopted IFRS 16 using the modified retrospective approach as of January 1, 2019, without the need to restate the comparative figures for the presented comparative periods, which is allowed in accordance with the transitory provisions of the new standard. Reclassifications and adjustments derived from the new lease provisions were recognized in the condensed consolidated statement of financial position as of January 1, 2019.

Leases are recognized as a right-of-use asset and a liability on the date the asset is leased and is available for use by the Entity. Each lease payment is allocated between the liability and the financial cost. The financial cost is recognized in the income statement during the lease period. The right-of-use assets are depreciated during the shortest period between the useful life of the asset or until the end of the lease term, on a straight-line basis.

Assets and liabilities arising from a lease are initially measured based on at the present value using the company's incremented borrowing rate.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense through profit or loss. Short-term leases are leases with a term of 12 months or less. Low-value assets include computer equipment and small items of office furniture when new, in the order of magnitude of US$5,000 or less.

Adjustments recognized in the adoption of IFRS 16

After the adoption of IFRS 16, the Company recognized lease liabilities related to leases that were previously classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, deducted using the incremental borrowing rate of each entity as of January 1, 2019.

Some rights of use associated with the assets for leases of plant, property and equipment were measured retrospectively as if the new rules had always been applied, while other right-of-use asset were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accumulated payment related to the lease recognized on the balance sheet as of December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets in the initial recognition.

Impact on assets and liabilities from the recognition of IFRS 16 in the Financial Statements of Promigas and subordinates.	**Impact of IFRS 16 adoption as of January 1, 2019**
Expressed in thousands of pesos	
Operated lease liability as of December 31, 2018	13,587,945
Assets	
Right-of-use property plant and equipment	190,295,903
	11,263,233
Right-of-use assets related to the concession	
Right-of-use depreciation	(56,854,828)
Deferred tax assets	46,026,010
Total impact IFRS 16 on assets	190,730,318
Liabilities	
Lease liabilities	(184,976,031)
Deferred tax liabilities	(32,740,724)
Total impact IFRS 16 on liabilities	(217,716,755)
Equity	
Controlling shareholders	
Retained earnings -Effects of IFRS 16 adoption	39,127,955
Related deferred tax	(12,907,946)
Total impact IFRS 16 on equity from controlling shareholders	26,220,009
Non-controlling interest	
Retained earnings - Effects of IFRS 16 adoption	1,143,766
Related deferred tax	(377,338)
Total impact IFRS 16 on non-controlling equity	766,428

For the first-time application of IFRS 16, Promigas S.A. E.S.P. and subsidiaries used the following practical expedients allowed by the standard:

- The use of a single discount rate on lease portfolios with reasonably similar characteristics.
- The accounting of operating leases with a value equal to or less than USD 5,000 or with a lease term of less than 12 months as of January 1, 2019, recorded on the expense.
- The exclusion of initial direct costs for the measurement of right-of-use assets as of the date of initial application, and
- The use of hindsight information in determining the lease term in cases where the contract contains options to extend or terminate the lease.

NOTE 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are integrated as follows:

		June 30, 2019	December 31, 2018
In local currency			
Cash	$	927,133	1,163,383
Banks (1)		168,804,204	230,773,380
Others		1,052,733	1,106,936
Cash in local currency		170,784,070	233,043,699
In foreign currency			
Cash		96,411	81,789
Banks (1)		57,623,589	46,230,393
Cash in foreign currency		57,720,000	46,312,182
Cash and cash equivalents	$	228,504,070	279,355,881

(1) Breakdown of the credit rating of the main financial institutions where the Company and its subsidiaries keep cash funds:

A	16,609
A+	4,031,243
AA	33,682
AA+	44,268,732
AAA	150,681,179
BBB	2,766
BBB+	28,434,314
No rating	12,001
	227,480,526

NOTE 7. FINANCIAL ASSETS AT FAIR VALUE

The balance of financial assets at fair value is as follows:

		June 30, 2019	December 31, 2018
Short-term			
Equity instruments through profit or loss	$	139,184,859	166,217,252
Derivatives designated as a hedging instrument		4,566,728	42,966
	$	143,751,587	166,260,218
Long-term			
Financial instruments at fair value through profit or loss	$	300,000	300,000
Equity instruments through OCI		12,503,491	13,300,940
Concession financial assets (1)		2,595,546,326	2,488,413,572
	$	2,608,349,817	2,502,014,512

(1) Below is the detail of financial assets from concession contracts from each company as of June 30, 2019 and December 31, 2018:

		June 30, 2019	December 31, 2018
Promigas S.A. E.S.P.	$	2,054,288,691	1,970,037,239
Transmetano E.S.P. S.A.		137,417,507	131,608,676
Surtigas S.A. E.S.P.		276,379,217	264,897,098
Promioriente S.A. E.S.P.		43,715,563	41,811,532
Gases de Occidente S.A. E.S.P.		83,745,348	80,059,027
	$	2,595,546,326	2,488,413,572

NOTE 8. FINANCIAL ASSETS AT AMORTIZED COST

The balance of financial assets at amortized cost is as follows:

		June 30, 2019	December 31, 2018
Short-term			
Debt securities	$	-	24,282
Accounts receivable (1)		883,754,656	852,761,965
Other accounts receivable		143,174,605	46,713,766
	$	1,026,929,261	899,500,013
Long-term			
Debt securities	$	172,553	174,320
Accounts receivable (1)		1,589,967,517	1,603,137,498
Other accounts receivable		17,076,758	17,816,868
	$	1,607,216,828	1,621,128,686

(1) Commercial accounts receivable are as follows:

		June 30, 2019	December 31, 2018
Short-term			
Gas transport	$	84,463,136	79,683,446
Gas Distribution		310,317,652	292,110,866
Distribution and trade of energy		144,958,079	119,123,331
Non-bank financing - NBF		219,027,167	202,094,996
Finance lease		110,086,888	102,635,654
Other services		107,501,371	137,613,552
Doubtful debts		-	377,749
Impairment Provision		(92,599,637)	(80,877,629)
	$	883,754,656	852,761,965
Long-term			
Gas Distribution	$	147,797,369	105,360,464
Other services		138,706,518	134,288,859
Non-bank financing - NBF		176,053,807	164,438,755
Finance lease		1,166,214,101	1,227,416,012
		1,628,771,795	1,631,504,090
Impairment provision		(38,804,278)	(28,366,592)
	$	1,589,967,517	1,603,137,498

Below is the consolidated movement of the accounts receivable impairment:

		June 30, 2019	December 31, 2018
Initial balance	$	109,244,221	86,031,192
Impairment		33,765,830	32,569,195
Write-offs		(8,235,232)	(19,174,747)
Recovery		(3,321,059)	(9,911,651)
Conversion adjustments effect		(49,845)	189,656
IFRS 9 initial adoption effect		-	19,540,576
Final balance	$	131,403,915	109,244,221

NOTE 9. INVESTMENTS IN ASSOCIATES

Below is the detail of investments in associate's companies:

Company	Economic Activity	seat	%		June 30, 2019	December 31, 2018
Gas Natural de Lima y Callao S.A.C.	Gas distribution	Peru	40,00%	$	379,759,178	410,984,024
Gases del Caribe S.A. E.S.P.	Gas distribution	Colombia	30,99%		265,629,189	269,184,681
Complejo Energético del Este S.A. (1)	LNG Regasification	Panama	33,00%		-	3,059,206
E2 - Energía Eficiente S.A. E.S.P.	Energy trading	Colombia	48,81%		8,518,013	8,251,748
Concentra en Inteligencia en Energía S.A.S.	LNG trading	Dominican Republic	28,52%		698,307	600,597
					654,604,687	692,080,256
Impairment of investments in associates					-	(3,059,206)
				$	654,604,687	689,021,050

(1) In 2019, Complejo Energético del Este S.A. was liquidated. Promigas as a shareholder and the only cash contributor to the account, received a refund of advances paid for future capitalizations and proceeded to begin the process with the Bank of the Republic for the cancellation of investments abroad ending June 4, 2019.

The movement of investments in associates are as follows:

		June 30, 2019	December 31, 2018
Balance as of December 31, 2018	$	689,021,050	640,407,180
Dividends declared by companies		(118,041,667)	(149,562,995)
Investment derecognition		(3,059,206)	-
Reversal of impairment due to the derecognition		3,059,206	-
Equity method through profit or loss		91,597,453	172,628,778
Equity method OCI associates		(7,972,149)	29,239,071
Effects of initial adoption IFRS changes		-	(3,690,984)
Balance as of June 30, 2019	$	654,604,687	689,021,050

NOTE 10. PROPERTY, PIPELINES, PLANT AND EQUIPMENT

Below is the detail by type of property, pipelines, plant and equipment:

	June 30, 2019			December 31, 2018		
	Cost	Accumulated depreciation	Total	Cost	Accumulated depreciation	Total
Lands	$ 72,439,582	-	72,439,582	73,046,880	-	73,046,880
Construction in progress	25,997,718	-	25,997,718	22,817,692	-	22,817,692
Machinery, plant and equipment in assembly	18,417,759	-	18,417,759	18,935,725	-	18,935,725
Buildings	87,184,923	(12,790,850)	74,394,073	87,046,471	(11,698,863)	75,347,608
Pipelines and stations	488,803,900	(36,347,230)	452,456,670	488,803,900	(32,720,775)	456,083,125
Networks not under concession	440,964,943	(32,693,114)	408,271,829	431,316,900	(29,078,074)	402,238,826
Machinery and equipment	111,751,516	(47,489,306)	64,262,210	109,308,581	(44,281,074)	65,027,507
Furniture and fittings	13,046,725	(6,063,899)	6,982,826	12,784,456	(5,432,853)	7,351,603
Communication and computer equipment	31,657,882	(20,701,911)	10,955,971	30,346,217	(19,184,655)	11,161,562
Transportation equipment and fleet	8,535,322	(5,462,500)	3,072,822	25,990,032	(17,167,857)	8,822,175
Right of use	216,923,831	(74,969,097)	141,954,734			
	1,515,724,101	(236,517,907)	1,279,206,194	1,300,396,854	(159,564,151)	1,140,832,703
Impairment	(1,451,423)	-	(1,451,423)	(1,451,423)	-	(1,451,423)
	$ 1,514,272,678	(236,517,907)	1,277,754,771	1,298,945,431	(159,564,151)	1,139,381,280

The movements of property, plant, pipelines and equipment are presented below:

		Lands	Constructions in progress	Machinery, plant and equipment in assembly	Buildings	Pipelines and stations	Networks not under concession	Machinery and Equipment	Furniture and Fittings	Communication and computer equipment	Transportation equipment and fleet	Right of use asset	Total
Cost													
Balance as of December 31, 2017	$	70,776,279	31,411,813	18,488,935	97,849,255	471,005,096	403,376,395	116,144,922	10,944,306	26,647,494	25,934,009	-	1,272,578,504
Purchases		445,730	60,630,178	1,106,704	429,493	-	1,099,583	3,687,216	1,615,359	3,099,557	1,672,543	-	73,786,363
Capitalization in kind		-	-	-	-	-	-	-	26,454	-	-	-	26,454
Capitalized interests		-	599,827	-	-	-	-	-	-	-	-	-	599,827
Leases		-	-	-	-	-	-	-	-	-	79,755	-	79,755
Capitalizations		-	(54,230,112)	(346,870)	9,002,917	17,798,804	26,840,922	2,282,546	-	364,044	-	-	1,712,251
Disposals		(56,250)	-	-	-	-	-	(10,366,960)	(60,280)	(478,070)	(680,844)	-	(11,642,404)
Non-material error adjustments (1)		325,000	(15,843,078)	(313,044)	(20,371,454)	-	-	(2,484,090)	73,062	449,215	(1,118,071)	-	(39,282,460)
Adjustment for exchange differences		1,556,121	249,064	-	136,260	-	-	44,947	185,555	263,977	102,640	-	2,538,564
Balance as of December 31, 2018	$	73,046,880	22,817,692	18,935,725	87,046,471	488,803,900	431,316,900	109,308,581	12,784,456	30,346,217	25,990,032	-	1,300,396,854
Balance as of December 31, 2018	$	73,046,880	22,817,692	18,935,725	87,046,471	488,803,900	431,316,900	109,308,581	12,784,456	30,346,217	25,990,032	-	1,300,396,854
Purchases		12,100	15,512,718	518,533	-	-	-	963,007	249,910	1,480,124	65,351	-	18,801,743
Adoption of IFRS 16		-	-	-	-	-	-	-	-	-	-	190,295,903	190,295,903
Additions right of use asset		-	-	-	-	-	-	-	-	-	-	10,973,838	10,973,838
Capitalized interests		-	55,313	-	-	-	-	-	-	-	-	-	55,313
Capitalizations		-	(10,505,920)	(635,093)	161,053	-	9,648,043	1,325,522	6,395	-	-	-	-
Disposals		-	(44,744)	-	-	-	-	(504,373)	(23,478)	(129,248)	-	-	(701,843)
Non-material error adjustments (1)		(361,284)	(1,806,328)	(401,406)	-	-	-	665,166	55,977		(17,506,473)	15,739,503	(3,614,845)
Adjustment for exchange differences		(258,114)	(31,013)	-	(22,601)	-	-	(6,387)	(26,535)	(39,211)	(13,588)	(85,413)	(482,862)
Balance as of June 30, 2019	$	72,439,582	25,997,718	18,417,759	87,184,923	488,803,900	440,964,943	111,751,516	13,046,725	31,657,882	8,535,322	216,923,831	1,515,724,101

		Lands	Constructions in progress	Machinery, plant and equipment in assembly	Buildings	Pipelines and stations	Networks not under concession	Machinery and Equipment	Furniture and Fittings	Communication and computer equipment	Transportation equipment and fleet	Right of use asset	Total
Accumulated Depreciation													
Balance as of December 31, 2017	$	-	-	-	(9,837,224)	(25,752,590)	(21,604,878)	(43,945,192)	(4,091,440)	(15,287,965)	(14,855,875)	-	(135,375,164)
Depreciation		-	-	-	(2,388,751)	(6,968,185)	(7,473,196)	(7,633,099)	(1,235,370)	(3,916,161)	(3,875,828)	-	(33,490,590)
Withdrawals		-	-	-	-	-	-	4,883,217	41,786	444,837	460,184	-	5,830,024
Non-material error adjustments (1)		-	-	-	665,254	-	-	2,425,815	(97,959)	(335,611)	1,177,786	-	3,835,285
Adjustment for exchange differences		-	-	-	(138,142)	-	-	(11,815)	(49,870)	(89,755)	(74,124)	-	(363,706)
Balance as of December 31, 2018	$	-	-	-	(11,698,863)	(32,720,775)	(29,078,074)	(44,281,074)	(5,432,853)	(19,184,655)	(17,167,857)	-	(159,564,151)
Balance as of December 31, 2018	$	-	-	-	(11,698,863)	(32,720,775)	(29,078,074)	(44,281,074)	(5,432,853)	(19,184,655)	(17,167,857)	-	(159,564,151)
Adoption of IFRS 16		-	-	-	-	-	-	-	-	-	-	(56,854,828)	(56,854,828)
Depreciation		-	-	-	(1,114,589)	(3,626,455)	(3,615,040)	(3,663,347)	(648,007)	(1,657,746)	(569,377)	(5,892,136)	(20,786,697)
Withdrawals		-	-	-	-	-	-	443,497	14,272	123,835	-	-	581,604
Non-material error adjustments (1)		-	-	-	-	-	-	10,114	(4,478)	3,289	12,263,941	(12,222,084)	50,782
Adjustment for exchange differences		-	-	-	22,602	-	-	1,504	7,167	13,366	10,793	(49)	55,383
Balance as of June 30, 2019	$	-	-	-	(12,790,850)	(36,347,230)	(32,693,114)	(47,489,306)	(6,063,899)	(20,701,911)	(5,462,500)	(74,969,097)	(236,517,907)
Impairment June 30, 2019 and December 31, 2018.	$	(1,451,423)	-	-	-	-	-	-	-		-	-	(1,451,423)
Net balance													
Balance as of December 31, 2018	**$**	**71,595,457**	**22,817,692**	**18,935,725**	**75,347,608**	**456,083,125**	**402,238,826**	**65,027,507**	**7,351,603**	**11,161,562**	**8,822,175**	-	**1,139,381,280**
Balance as of June 30, 2019	**$**	**70,988,159**	**25,997,718**	**18,417,759**	**74,394,073**	**452,456,670**	**408,271,829**	**64,262,210**	**6,982,826**	**10,955,971**	**3,072,822**	**141,954,734**	**1,277,754,771**

1) The above-mentioned line items labeled as “non-material error adjustments” refer to adjustments made by the Company to correct presentation aspects between Property, Pipelines, Plant and Equipment and Concession Arrangement Rights that were identified during the periods presented. Such adjustments are not deemed material

NOTE 11. CONCESSION ARRANGEMENTS RIGHTS

Detail of assets under concession arrangements:

	June 30, 2019			December 31, 2018		
	Cost	Accumulated amortization	Total	Cost	Accumulated amortization	Total
Lands under concession	$ 29,696,898	(1,439,087)	28,257,811	30,547,738	(1,691,285)	28,856,453
Constructions in progress	635,775,005	-	635,775,005	430,266,247	-	430,266,247
Pipelines and networks	2,287,100,448	(464,076,248)	1,823,024,200	2,208,432,205	(411,366,501)	1,797,065,704
Machinery and equipment	347,153,461	(99,386,317)	247,767,144	342,911,811	(88,633,578)	254,278,233
Buildings	26,794,993	(2,980,458)	23,814,535	26,620,722	(2,292,736)	24,327,986
	$ 3,326,520,805	(567,882,110)	2,758,638,695	3,038,778,723	(503,984,100)	2,534,794,623

Below are the movements of assets under concession:

	Lands	Constructions in progress	Buildings	Pipelines and networks	Machinery and equipment	Total
Cost						
Balance as of December 31, 2017	$ 4,074,135	210,444,651	-	2,013,327,272	331,583,392	2,559,429,450
Purchases	-	369,219,886	550,735	71,884,491	169,903	441,825,015
Capitalized interests	-	21,616,426	-	2,212,894	-	23,829,320
Capitalizations	24,081,196	(327,932,141)	5,517,136	287,175,416	11,158,393	-
Withdrawals	-	(101,643)	-	(1,157,243)	-	(1,258,886)
Investment plan	-	-	-	(7,717,482)	-	(7,717,482)
Reclassifications	28,499	142,064,358	20,552,851	(173,967,718)	123	(11,321,887)
Adjustment for exchange rate differences	2,363,908	14,954,710	-	16,674,575	-	33,993,193
Balance as of December 31, 2018	30,547,738	430,266,247	26,620,722	2,208,432,205	342,911,811	3,038,778,723
Balance as of December 31, 2018	$ 30,547,738	430,266,247	26,620,722	2,208,432,205	342,911,811	3,038,778,723
Purchases	-	287,001,321	-	227,173	437,038	287,665,532
Capitalized interests	-	13,903,354	-	1,059,856	-	14,963,210
Capitalizations	-	(93,800,060)	174,271	89,763,505	3,862,284	-
Withdrawals	-	-	-	(6,930)	-	(6,930)
Reclassifications	(499,473)	(10,805)	-	(8,375,798)	-	(8,886,076)
Adjustment for exchange rate differences	(351,367)	(1,585,052)	-	(3,999,563)	(57,672)	(5,993,654)
Balance as of June 30, 2019	29,696,898	635,775,005	26,794,993	2,287,100,448	347,153,461	3,326,520,805

		Lands	Constructions in progress	Buildings	Pipelines and networks	Machinery and equipment	Total
Accumulated amortization							
Balance as of December 31, 2017	$	(955,283)	-	-	(304,469,875)	(66,714,922)	(372,140,080)
Amortization		(704,868)	-	(1,627,481)	(105,257,981)	(21,918,533)	(129,508,863)
Write-off costs		-	-	-	157,106	-	157,106
Reclassification		-	-	(665,255)	(9,521)	(123)	(674,899)
Transfer		(12,744)	-	-	12,766	-	22
Adjustment for exchange rate differences		(18,390)	-	-	(1,798,996)	-	(1,817,386)
Balance as of December 31, 2018		(1,691,285)	-	(2,292,736)	(411,366,501)	(88,633,578)	(503,984,100)
Balance as of December 31, 2018	$	(1,691,285)	-	(2,292,736)	(411,366,501)	(88,633,578)	(503,984,100)
Amortization		(233,339)	-	(687,722)	(55,297,327)	(10,746,841)	(66,965,229)
Write-off costs		-	-	-	145	-	145
Transfers		499,473	-	-	2,424,361	(5,991)	2,917,843
Adjustment for exchange rate differences		(13,936)	-	-	163,074	93	149,231
Balance as of June 30, 2019		(1,439,087)	-	(2,980,458)	(464,076,248)	(99,386,317)	(567,882,110)
Net balance:							
Balance as of December 31,2018	$	28,856,453	430,266,247	24,327,986	1,797,065,704	254,278,233	2,534,794,623
Balance as of June 30, 2019	$	28,257,811	635,775,005	23,814,535	1,823,024,200	247,767,144	2,758,638,695

In the course of its operations, Promigas and its subsidiaries have the following existing concession agreements:

Concession owner	Business and country	Objective	Current stage	Contract date	Year of construction start	Concession-end date
Gas and Energy						
Surtigas S.A. E.S.P.	Gas and Energy Colombia	Purchase, storage, packaging and distribution of gases derived from hydrocarbons.	Operation	03/1984 to 04/1994	1984	2034 to 2045
Transmetano S.A. E.S.P.	Gas and Energy Colombia	Construction, operation and maintenance of gas transportation systems.	Operation and maintenance	08/1994	1996	2044
Promigas S.A. E.S.P.	Gas and Energy Colombia	Purchase, sale, transportation, distribution, exploitation and exploration of natural gas, oil and hydrocarbons in general.	Operation	05/1976 to 11/1994	1976	2026 to 2044
Promioriente S.A. E.S.P.	Gas and Energy Colombia	Construction, operation and maintenance of gas pipelines.	Operation and maintenance	09/1995	1995	2026 to 2044
Promioriente S.A. E.S.P.	Gas and Energy Colombia	Construction, operation and maintenance of gas pipelines.	Operation and maintenance	09/1995	1995	2045
Gases de Occidente S.A. E.S.P.	Gas and Energy Colombia	Transportation and distribution of liquefied petroleum gas and natural gas	Operation	08/1998	1998	2047
Compañía Energética de Occidente S.A. E.S.P.	Gas and Energy Colombia	Administrative, operational, technical and commercial management for the provision of electrical energy.	Construction and Operation	01/2010	2010	2035
Gases del Pacífico S.A.C.	Gas and Energy Perú	Purchase, sale, production, commercialization of energy in any of its forms.	Construction and operation	10/2013	2015	2034
Sociedad Portuaria El Cayao S.A. E.S.P.	Gas and Energy Perú	Construction, maintenance and administration of ports.	Operation and maintenance	07/2015	2015	2035

NOTE 12. DEFERRED TAX AND INCOME TAX

Below is the detail of the deferred tax:

	June 30, 2019	December 31, 2018
Net deferred tax assets	87,823,744	74,411,250
Net deferred tax liabilities	(565,229,009)	(557,592,810)
	(477,405,265)	(483,181,560)

Deferred tax movement:

		June 30, 2019	December 31, 2018
Net balance as of January 01, 2019	$	(483,181,560)	(518,461,939)
Net through profit or loss		(3,066,848)	12,577,030
Through OCI		3,734,773	14,453,941
Conversion adjustment of deferred tax		5,104,295	1,577,936
Through retained earnings		4,075	6,671,472
Net Deferred tax as of June 30, 2019	$	(477,405,265)	(483,181,560)

Below is the breakdown of the income tax expense:

		June 30, 2019	June 30, 2018	April 1 to June 30, 2019	April 1 to June 30, 2018
Current income tax	$	88,810,530	107,405,740	35,212,108	50,225,782
Net deferred taxes		3,066,848	6,784,721	(16,544,047)	10,746,744
	$	91,877,378	114,190,461	18,668,061	60,972,526

NOTE 13. FINANCIAL OBLIGATIONS

Below is a summary of the financial obligations obtained:

		June 30, 2019	December 31, 2018
Short-term			
Loans in foreign currency	$	233,571,556	136,039,689
Loans in local currency		179,653,883	88,671,991
Lease agreements		111,159,104	98,869,860
Interest payable		18,227,122	17,600,873
		542,611,665	341,182,413
Long-term			
Loans in foreign currency		972,979,644	963,164,368
Loans in local currency		786,573,461	618,653,934
Lease agreements		959,246,059	839,379,511
	$	2,718,799,164	2,421,197,813

NOTE 14. OUTSTANDING BONDS

Below is the balance of ordinary bonds issued by Promigas and its subsidiaries:

		June 30, 2019	December 31, 2018
Short-term			
Ordinary bonds	$	350,027,000	255,000,000
Interests on bonds payable		20,121,807	20,789,036
	$	370,148,807	275,789,036
Long-term			
Ordinary bonds	$	2,270,179,000	2,470,206,000
Bond placement discount		(4,723,756)	(5,031,191)
	$	2,265,455,244	2,465,174,809

Below is the movement of financial obligations, bonds and liabilities:

	Interest payable	Bonds	Financings obtained	Lease agreements	Total
Balance as of December 31, 2018	38,389,909	2,720,174,809	1,806,529,982	938,249,372	5,503,344,072
Additions	-	-	412,629,104	-	412,629,104
Additions capitalized interest	15,018,523	-	-	-	15,018,523
Addition finance lease	209,918	-	-	10,122,464	10,332,382
Conversion adjustments	237,806	-	(8,930,085)	(10,836,519)	(19,528,798)
Exchange difference	(262,498)	-	(1,830,993)	(8,868)	(2,102,359)
Effects of adoption of IFRS changes	-	-	-	184,976,031	184,976,031
Interest payable	(144,366,244)	-	-	-	(144,366,244)
Non-derivative hedges with effect on OCI	-		(3,247,128)	-	(3,247,128)
Interest accrued lease	43,431,536	-	-	-	43,431,536
Interests accrued through profit or loss	128,320,920	123,393	3,098,472	-	131,542,785
Interest paid finance lease	(42,141,023)	-	-	-	(42,141,023)
Reclassifications	2,259,746	32,302	(1,771,817)	(3,441,943)	(2,921,712)
Payments financial obligations	(12,157,088)	-	(33,698,991)	(48,655,375)	(94,511,454)
Bond payments	-	(105,000,000)	-	-	(105,000,000)
Interest through cost	9,559,164	-	-	-	9,559,164
Bond restatement	(151,740)	151,740	-	-	-
Balance as of June 30, 2019	38,348,929	2,615,482,244	2,172,778,544	1,070,405,162	5,897,014,879

NOTE 15. ACCOUNTS PAYABLE

Below is the detail of accounts payable:

		June 30, 2019	December 31, 2018
Domestic goods and services	$	379,111,453	342,195,173
Foreign goods and services		13,123,157	2,277,195
Creditors		66,743,570	64,505,429
Dividends payable (see note 15 and 22)		272,916,110	62,265,013
Hedges payable		5,356,148	14,843,102
	$	737,250,438	486,085,912
Long-Term			
Other creditors		15,382,050	18,110,562
Interest rate swap hedging operations		3,312,975	-
		18,695,025	18,110,562

NOTE 16. EQUITY ATTRIBUTABLE THE OWNERS OF THE COMPANY

Reserves – The balance of reserves is detailed as follows:

		June 30, 2019	December 31, 2018
Legal reserve	$	56,745,931	56,745,931
Reserves pursuant to bylaws		74,974,508	77,142,919
Other reserves		581,769,963	603,481,058
	$	713,490,402	737,369,908

Profit Allocation – Dividends are ordered and paid to shareholders based on non-consolidated net profits for the immediately previous year half. The dividends ordered were the following:

Dividends paid in cash (1)	Monthly ordinary dividends of $19 per share that will be paid each month on the 21st from April to March 2020. An additional dividend of $63 per share payable on April 21, 2019. An additional dividend of $64 per share payable on October 21, 2019.

Date of Meeting		March 22, 2019
Total outstanding shares		1,134,848,043
Non-consolidated earnings of the immediately preceding half-year	$	359,779,430
Total dividends declared		402,871,055
Sum available to the Meeting for future distributions		53,195,436
Transfer of previous period results to reserve for IFRS effect		81,976,638

(1) Corresponds to the total number of outstanding shares at the time of dividend allocation as approved by the General Meeting of Shareholders, which may vary with the number of outstanding shares as of the closing dates of these financial statements.

NOTE 17. NON-CONTROLLING INTEREST

Below is the detail of the non-controlling interest in the consolidated companies:

		Equity		Earnings
Company	**%**	**June 30, 2019**	**December 2018**	**June 30, 2019**
Surtidora de Gas del Caribe S.A. E.S.P.	0.01%	$ 58,544	54,588	4,040
Transoccidente S.A. E.S.P.	21.00%	2,211,988	2,129,265	295,755
Promioriente S.A. E.S.P.	26.73%	105,824,285	101,584,816	11,210,824
Transportadora de Metano E.S.P. S.A.	0.33%	578,782	536,591	78,809
Gases de Occidente S.A. E.S.P.	5.57%	14,574,786	14,205,409	2,831,501
Zonagen S.A.S.	0.05%	1,187	1,223	(36)
Sociedad Portuaria El Cayao S.A. E.S.P.	49.00%	90,914,556	102,359,133	2,771,467
		$ 214,164,128	220,871,025	17,192,360

NOTE 18. REVENUE

Below is the detail of revenues from continuing operations for the six and three-month periods ended:

				April 1 to June	April 1 to June
	June 30, 2019	**June 30, 2018**		**30, 2019**	**30, 2018**
Transport and distribution of natural gas	$ 1,262,860,876	1,115,490,164		642,372,416	570,886,814
Generation and distribution of power	214,123,820	199,931,809		107,533,094	102,161,220
Installations and technical services	122,207,203	95,663,234		64,620,793	48,379,447
Revenues from non-banking financing	50,965,103	46,205,333		25,534,368	23,217,373
Revenues from concessions	93,802,178	120,508,859		48,038,373	26,119,589
Other services	217,941,839	156,420,017		138,415,794	89,501,810
	$ 1,961,901,019	1,734,219,416		1,026,514,838	860,266,253

NOTE 19. COST OF SALES

Below is the detail of costs of sales for the six and three-month periods ended:

				April 1 to June	April 1 to June
	June 30, 2019	**June 30, 2018**		**30, 2019**	**30, 2018**
Employee benefits	$ 68,717,169	63,441,325		35,766,798	32,726,115
Maintenance and materials	140,204,811	78,786,478		94,403,763	49,623,078
Fees and consultancies	12,402,471	12,188,300		6,278,467	7,273,151
General expenses	916,116,655	760,457,554		468,935,337	388,469,568
Construction of concessions	93,802,178	120,508,859		48,038,373	26,119,589
Taxes	1,345,411	1,357,835		381,659	517,047
Depreciation and amortization	76,550,176	67,684,703		36,670,900	34,535,493
	$ 1,309,138,871	1,104,425,054		690,475,297	539,264,041

NOTE 20. OPERATING EXPENSES

Below is the detail of operating expenses for the six and three-month periods ended:

	June 30, 2019	June 30, 2018	April 1 to June 30, 2019	April 1 to June 30, 2018
Employee benefits	$ 57,239,281	52,727,142	30,214,212	27,875,000
Fees	19,642,359	18,643,849	11,771,753	9,993,249
Maintenance and materials	4,612,649	3,489,330	2,937,757	2,430,898
General administrative expenses	25,095,249	25,378,515	13,042,433	12,725,664
Impairment effect of IFRS 9	30,444,771	16,104,897	21,995,791	6,844,527
Provisions	3,301,661	10,338,537	3,263,610	9,979,393
Administrative taxes	24,410,438	25,314,310	11,376,293	13,182,754
Depreciation and amortization	17,602,554	17,065,158	8,502,893	8,321,952
	$ 182,348,962	169,061,738	103,104,742	91,353,437

NOTE 21. FINANCE INCOME

Below is the detail of finance income for the six- and three-month periods ended:

	June 30, 2019	June 30, 2018	April 1 to June 30, 2019	April 1 to June 30, 2018
Interest	$ 9,022,673	7,772,344	4,309,242	3,770,087
Interest from financial assets under concession	107,132,754	127,045,225	53,435,301	75,034,647
Exchange difference	47,811,990	38,182,009	27,869,200	15,357,728
Other financial revenues	7,811,704	3,585,901	4,733,231	1,764,847
	$ 171,779,121	176,585,479	90,346,974	95,927,309

NOTE 22. FINANCE COSTS

Below is the detail of finance costs for the six- and three-month periods ended:

	June 30, 2019	June 30, 2018	April 1 to June 30, 2019	April 1 to June 30, 2018
Interests on bonds and securities issued	71,099,445	82,449,747	34,346,201	42,557,066
Interests on financial obligations	60,443,314	83,899,860	31,664,564	41,161,577
Interests on lease agreements	43,609,336	-	22,516,946	-
Exchange difference	45,845,729	37,244,354	29,273,344	13,196,262
Other financial expenses	6,227,271	5,642,081	3,419,849	2,193,984
	$ 227,225,095	209,236,042	121,220,904	99,108,889

NOTE 23. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Operations with related parties: During the period ended June 30, 2019, there were no significant operations of the following characteristics:

- Free or compensated services debited to a related company.
- Loans implying an obligation to the borrower that does not correspond to the essence or nature of the loan agreement.

Below is the summary of assets and liabilities for transactions made with non-controlled companies, shareholders, legal representatives and key management personnel as of June 30, 2019:

June 30, 2019	Shareholders	Board Members	Key management personnel	Associates	Others related	Total
Assets						
Cash	$ 319,352	-	-	-	67,154,010	67,473,362
Investment	-	-	-	661,814,059	-	661,814,059
Debtors	357,666	-	2,057,418	80,128,562	33,354	82,577,000
	677,018	-	2,057,418	741,942,621	67,187,364	811,864,421
Liabilities						
Financial Obligations	63,063	-	-	-	-	63,063
Accounts payable	121,298,966	-	-	3,863,704	279,683	125,442,353
Bonds	5,020,000	-	-	-	-	5,020,000
	126,382,029	-	-	3,863,704	279,683	130,525,416
Revenues						
Sale of goods	58,821	-	-	184,997	-	243,818
Sale of Services	-	-	-	24,908,353	1,143,536	26,051,889
Finance	5,706	-	42,802	-	451,487	499,995
Share of profit of equity-	-	-	-	91,597,453	-	91,597,453
Other income	-	-	-	20,076	-	20,076
	64,527	-	42,802	116,710,879	1,595,023	118,413,231
Expenses						
Costs	-	-	-	452,107	295,412	747,519
Salaries	-	-	3,682,062	-	-	3,682,062
Fees	-	292,145	-	-	-	292,145
General	7,753	-	-	6,832	1,019,407	1,033,992
Interests	184,699	-	-	-	17,390	202,089
	$ 192,452	292,145	3,682,062	458,939	1,332,209	5,957,807

		Shareholders	Board Members	Key management personnel	Associates	Others related	Total
June 30, 2018							
Assets							
Cash	$	373,025	-	-	-	46,924,312	47,297,337
Investment		-	-	-	594,955,463	-	594,955,463
Debtors		-	-	883,100	68,884,543	59,743	69,827,386
	$	373,025	-	883,100	663,840,006	46,984,055	712,080,186
Liabilities							
Financial Obligations	$	131,932	-	-	-	-	131,932
Accounts payable		61,873,371	-	-	426,063	202,503	62,501,937
Bonds		23,020,000	-	-	-	-	23,020,000
	$	85,025,303	-	-	426,063	202,503	85,653,869
Revenues							
Sale of Goods	$	-	-	-	14,287	-	14,287
Sale of Services		555	-	-	32,898,761	954,281	33,853,597
Finance		21,132	-	22,846	-	361,974	405,952
Share of profit of equity-		-	-	-	78,469,790	-	78,469,790
Other Income		-	-	-	22,335	-	22,335
	$	21,687	-	22,846	111,405,173	1,316,255	112,765,961
Egresos							
Costs	$	-	-	-	716	235,704	236,420
Salaries		-	-	2,996,157	-	-	2,996,157
General		484,457	243,812	-	36,950	777,547	1,542,766
Interests		815,157	-	-	-	361,742	1,176,899
	$	1,299,614	243,812	2,996,157	37,666	1,374,993	5,952,242

NOTE 24. COMMITMENTS AND CONTINGENCIES

Commitments **-** For the development of its corporate purpose, the Company has entered into the following agreements, among others:

a) By Public Deed No. 1629 of September 16, 1976, the Company obtained from the National government the concession to build, operate, maintain, exploit and manage a public utility pipeline for the transportation of hydrocarbons from Ballenas, Department of La Guajira, to the cities of Barranquilla and Cartagena, for a 50-year term, extendable to 20 more years. Under the terms of the concession, The National Government has a preemption right over the transportation of these products through the gas pipeline, paying a current rate. The Company shall be obligated to sell the pipeline to the Nation, if required by the Government, upon completion of the first 30 years of the Agreement (2006), at the expiry thereof (2026) or upon termination of the extension period, at the price agreed by the parties, or based on the appraisal of an independent expert. The Company may not assign or relinquish the agreement, neither totally nor partially, without prior approval by the National Government. In notice served to the Company on May 11, 2005, the ministry of Mines confirmed that they would not take up the purchase option that was available for 2006 over the gas pipelines under concession.

In addition, the Company and its subsidiaries have executed another 82 concession contracts.

b) Agreements signed with customers for the transportation of natural gas through the gas pipeline systems available to the Company are in accordance with the current regulatory framework and have the guarantees stipulated by the Company for each agreement.

The Company's management considers that there are no risks of significant losses in the future arising from the performance of these agreements and commitments.

***Commitments of Gases del Pacifico S.A.C.* -** Maintains a letter of guarantee of US $20.000.000 in favor of the Peruvian State for a term of one year, pursuant to the Natural Gas Concession Agreement in the Northern Zone of Peru.

***Commitments of Sociedad Portuaria el Cayao S.A. E.S.P.* -** For the development of its corporate purpose, the Company has entered into the following agreements, among others:

Port Concession Agreement No. 001 of 2015 - The Ministry of Transport, through resolution No. 594 of March 5, 2015, indicates the terms in which the port concession would be established, to occupy temporarily and exclusively a public use area for 20 years, to develop am unloading platform, underwater gas pipelines and connections to the land pipeline connected to the National Transport System, for the import, export and cabotage of liquefied natural gas, in the department of Bolivar, district of Cartagena de Indias, in the form of public utility service. On July 17, 2015, port concession agreement No. 001 of 2015 was entered into by and between the National Infrastructure Agency and the Company.

This agreement will not be automatically extended. It may be extended only by carrying out the procedure provided for such purpose in current regulations, not less than 12 calendar months before the date of expiry of the concession period.

The reference value of the port concession agreement is equal to the net present value of the consideration, which corresponds to US $3.931.493 payable during 20 years with annual installments. Payment must be made in Colombian pesos.

Agreements with Thermoelectric Companies - On October 29, 2014, the Company signed agreements with Zona Franca Celsia S.A. E.S.P., Termobarranquilla S.A. E.S.P. and Termocandelaria S.C.A. E.S.P. (the Customers) in order to provide services for access to and use of port infrastructure for the reception, storage, regasification of liquefied natural gas (LNG) and gas conduction and delivery at the Inlet Point into the National Transportation System (TUA Agreements). To fulfill said purpose, the Company must design, construct, operate and maintain the Terminal in accordance with the terms established in said contracts.

The annual fixed revenues of US $82,500,000, which will be paid in 12 equal installments, allocated according to the percentage share of each customer. This revenue corresponds to all investment costs, fixed costs of administration, operation and maintenance, and other costs relative to the Terminal and the provision of services. This revenue also includes the acquisition and maintenance of LNG Heel in the Terminal.

In addition, there is a variable revenue that corresponds to all variable costs of administration, operation (including fuel and electricity), maintenance and other costs relative to the Terminal and the provision of services, such as LNG cargo services on gas tankers from the Terminal, which will be charged on a monthly basis according to the terms set out.

The commercial operation start date was December 2016. The TUA Agreements are valid for ten (10) years until November 30, 2026. At the Customers' discretion, the TUA Agreement can be extended once, giving 4-year notice before the date of its expiry, for the term agreed by the parties, otherwise the extension will be of 5 years. In the event that the Company, for any reason, cannot provide the gas delivery service or causes the Customer to declare itself before the Wholesale Power Market Administrator as unavailable to generate electric power, the Company must pay the Customer for each KPC nominated and not delivered at the inlet point into the NTS the equivalent of US $2 per KPC for the number of hours unavailable over 24 hours. The Company will be exempt from paying this fine as long as the event is an exemption event. Said fine shall not exceed US $12,000,000 per contract year. Further, in the event that the Company fails to comply with its unloading obligation, or the actual unloading time exceeds the time provided, the Company must compensate the Customer for any damages incurred arising from the event up to a point in time US $8,000,000 per event. The Company will be exempt from the payment of this fine as long as the event is due to an exemption event or force majeure.

Other Agreements - On November 1, 2014, the Company signed with HOEGH LNG FSRU IV LTD an International Lease Agreement - ILA on a Floating Storage and Regasification Unit - FSRU "Hoegh Grace," which has an annual value during the term of the agreement of US $40,809,000 and allows a purchase option in year 10 of US $425,798,487. On that same date, the Company signed with HÖEGH LNG HOLDINGS LTD. An Agreement for the Provision of Operation and Maintenance Services with respect to the FSRU. Both agreements have a 10-year term from the date of acceptance of the FSRU (03/12/2016). The cumulative limit of liability, borne by the Company, arising from the agreement, extracontractual civil liability (including negligence) or arising out of the law, for both agreements is USD $100,000,000. Additionally, both agreements contain a provision that in the event of non-compliance, the party in compliance can terminate the respective agreement.

***Commitments of Gases de Occidente S.A. E.S.P.* -** The Company established an irrevocable Commercial Trust Agreement for Trust Resources Management with Corficolombiana S.A., related to the GNCV Bond Program, from 2010. Said agreement completed the agreed term and a new irrevocable Commercial Trust Agreement for Trust Resources Management was created with Corficolombiana S.A., as provided in the Bond Conversion Agreement CNG-IV (signed on March 21, 2015) for cooperation to encourage the trade, distribution and consumption of compressed vehicular natural gas in the country's western market, where Gases de Occidente SA E.S.P. serves as administrative operator.

Commitment of Compañía Energética de Occidente S.A. E.S.P.: The Company, among other commitments, undertook to execute an infrastructure expansion, replacement, and improvement plan for the development of the trading and distribution services in CEDELCA'S trading market aimed at maintaining and/or rehabilitating the existing networks so that they can operate optimally.

The Investment Plan has a defined amount that is estimated at current prices by means of adjustment techniques to the net present value. The TES (Public Debt Securities issued by the General Treasury of the Nation) is used as the discount rate. Changes in the provision are recognized as a result of changes in the discount rate and the CPI. The provision utilization corresponds to the projects carried out according to the commitment acquired with CEDELCA.

Commitments of Surtidora de Gas del Caribe S.A. E.S.P. - For the development of its corporate purpose, the Company has entered into the following agreements, among others:

a. Natural gas supply agreements with Empresa Colombiana de Petróleos (Ecopetrol), Frontera Energy, CNE oil & gas, Hocol and Lewis, and gas transportation agreements with Promigas S.A. E.S.P. These agreements are in accordance with the regulatory framework, and their terms of duration range from one to five years, and the necessary and sufficient guarantees for the performance and stability of the agreements have been executed.

b. Agreements with industrial users and power generating companies with consumptions greater than 100,000 cubic feet per day, under wellhead gas trading and natural gas transport capacity of customer. These agreements are in accordance with the regulatory framework and their terms of duration conform to the trading period determined by current regulations, and the necessary and sufficient guarantees for the performance and stability of the agreements have been executed. The Company's management considers that there are no significant risks of losses expected in the future as a result of the performance of these agreements and commitments. The Company's management considers that there are no significant risks of losses expected in the future as a result of the performance of these agreements and commitments.

Contingencies

- **Litigations and lawsuits** - As June 30, 2019, the following individual litigations and lawsuits are filed against the Company. Information below is determined by the claims and are not recognized in the provisions, given that the lawyers handling each process consider that the classification by the lawyers in charge of each process is remote or eventual:

	June 30, 2019	
	Number of claims	Value
Litigations and Lawsuits Against		
Easement claims:		
From $1 to $1.000	30	$ 8,095,576
From $1.001 onward	6	10,875,639
Easement	36	18,971,215
Ordinary processes:		
From $1 to $1.000	40	9,577,981
From $1.001 to $3.000	7	11,395,480
From $3.001 onward	2	26,728,266
Ordinary	49	47,701,727
Labor	118	6,780,408
Total	203	$ 73,453,350
Contingency rights		
Contingency rights	90	62,608,712
Litigations and lawsuits	14	68,193,142
Total	104	130,801,854

In the course of its operations, Promigas and its subsidiaries are subject to several legal regulations pertaining to public utilities and environmental protection companies. Management considers, based on legal opinions, that there have been no situations that may indicate possible breaches to those regulations and leading to significant impacts on the financial statements.

NOTE 25. INFORMATION BY SEGMENTS

Information by segment is structured according to the different lines of business of Promigas and its subsidiaries. The lines of business described below were established according to the organizational structure of the Company, considering the nature of services and products offered. The structure of this information is designed as if each line of business were an autonomous business and had its own separate resources, allocated based on the assets assigned to each line according to an internal system of percentage distribution of costs.

The Company's operating segments are structured as follows:

Natural Gas Transportation	Integrated solutions for the industry and power generation
Promigas S.A. E.S.P.	Promisol S.A.S.
Promioriente S.A. E.S.P.	Zonagen S.A.S.
Transmetano E.S.P. S.A.	Sociedad Portuaria el Cayao S.A. E.S.P.
Transoccidente S.A. E.S.P.	Energía Eficiente S.A. E.S.P.

Distribution of Natural Gas	Distribution of Electricity	Non-bank financing
Surtigas S.A. E.S.P.	Compañía Energética de Occidente S.A. E.S.P.	Compañía Energética de Occidente S.A. E.S.P.
Gases de Occidente S.A. E.S.P.		Gases de Occidente S.A. E.S.P.
Gases del Caribe S.A. E.S.P.		Surtigas S.A. E.S.P.
Efigas S.A. E.S.P.		Gascaribe S.A. E.S.P.
Gases de la Guajira S.A. E.S.P.		Gases de la Guajira S.A. E.S.P.
Gas Natural de Lima y Callao S.A.C.		Efigas S.A. E.S.P.
Gases del Pacífico S.A.C.		
Orion Contac Center S.A.S.		
Enlace Servicios Compartidos S.A.S.		

Below are the assets, liabilities and income statement by segment:

	Gas transportation	Gas distribution	Distribution and trade of energy	Integrated solutions for industry	Non-bank financing	Total
Balance as of June 30, 2019						
Assets	$ 6,486,589,525	3,174,380,240	669,190,394	284,348,549	377,168,892	10,991,677,600
Liabilities	$ 4,965,209,560	1,941,668,142	580,876,172	102,374,100	4,984,446	7,595,112,420
Income statement of June 30, 2019						
Revenues	$ 493,193,243	1,102,127,603	215,233,533	100,381,537	50,965,103	1,961,901,019
Cost of sales	(168,588,452)	(915,515,002)	(140,958,740)	(66,062,930)	(18,013,747)	(1,309,138,871)
Gross income	324,604,791	186,612,601	74,274,793	34,318,607	32,951,356	652,762,148
Share of profit of equity-accounted investees, net of tax	117,760	91,479,693	-	-	-	91,597,453
Operating expenses	(54,409,727)	(86,432,329)	(26,729,640)	(7,648,705)	(7,128,561)	(182,348,962)
Dividends received	-	486,237	-	-	-	486,237
Others, net	12,615,929	31,351,924	(10,744,721)	(11,985,644)	(19,162,618)	2,074,870
Operating profit	282,928,753	223,498,126	36,800,432	14,684,258	6,660,177	564,571,746
Financial revenues	126,341,348	24,375,519	3,302,226	16,045,287	1,714,741	171,779,121
Financial expenses	(147,162,084)	(46,710,866)	(15,178,373)	(18,173,772)	-	(227,225,095)
Income before income tax	262,108,017	201,162,779	24,924,285	12,555,773	8,374,918	509,125,772
Income tax	(48,947,800)	(21,779,449)	(13,511,196)	(4,921,483)	(2,717,450)	(91,877,378)
Net income	$ 213,160,217	179,383,330	11,413,089	7,634,290	5,657,468	417,248,394

	Gas transportation	Gas distribution	Distribution and trade of energy	Integrated solutions for industry	Non-bank financing	Total
Balance as of December 31, 2018						
Assets	$ 6,246,006,806	3,025,435,752	536,573,616	261,737,771	355,716,978	10,425,470,923
Liabilities	$ 4,721,720,075	1,759,149,911	421,587,505	81,954,121	7,237,171	6,991,648,783
Income statement of June 30, 2018						
Revenues	$ 605,235,847	826,428,299	201,529,572	54,820,365	46,205,333	1,734,219,416
Cost of sales	(255,719,942)	(678,114,981)	(136,371,239)	(20,359,884)	(13,859,008)	(,104,425,054)
Gross income	349,515,905	148,313,318	65,158,333	34,460,481	32,346,325	629,794,362
Operating expenses	(63,885,967)	(69,066,531)	(28,308,306)	(5,469,414)	(2,331,520)	(169,061,738)
Share of profit of equity-accounted investees, net of tax	7,646	78,462,144	-	-	-	78,469,790
Dividends received	-	924,975	-	-	-	924,975
Others, net	11,967,936	21,117,232	(9,192,266)	(11,732,837)	(13,190,967)	(1,030,902)
Operating profit	297,605,520	179,751,138	27,657,761	17,258,230	16,823,838	539,096,487
Financial revenues	139,747,333	18,765,546	2,210,724	14,588,909	1,272,967	176,585,479
Financial expenses	(138,345,571)	(41,675,449)	(8,977,348)	(20,237,674)	-	(209,236,042)
Income before income tax	299,007,282	156,841,235	20,891,137	11,609,465	18,096,805	506,445,924

	Gas transportation	Gas distribution	Distribution and trade of energy	Integrated solutions for industry	Non-bank financing	Total
Balance as of December 31, 2018						
Income tax	(78,158,900)	(21,442,130)	(11,416,278)	(3,173,153)	0	(114,190,461)
Net income	$ 220,848,382	135,399,105	9,474,859	8,436,312	18,096,805	392,255,463

NOTE 26. EVENTS OCCURRED AFTER THE REPORTING PERIOD

On July 25, 2019, the Supreme resolution 007-2019-EM from the Peruvian Government published that our subsidiary Gases del Norte del Perú, S.A.C., obtained a new concession which will allow the Company to duplicate its operations in natural gas transportation, gas distribution and marketing services sector in Peru. The investments projected in Peru with the new concession are around of USD230 million.

NOTE 27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements and notes thereto were approved for issue according to Board Meeting Minutes No. 493 of September 24, 2019.

Promigas S.A. E.S.P. and Subsidiaries
Consolidated Financial Statements
December 31, 2018 and 2017
With Independent Auditor´s Review Report

KPMG S.A.S.
Carrera 53 No. 82 - 86, Oficinas 803 - 804
Barranquilla - Colombia

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Promigas S.A. E.S.P.:

We have audited the consolidated financial statements of Promigas S.A. E.S.P. and Subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2018 and 2017, and the consolidated income statements, statements of other comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the fair preparation and presentation of these consolidated financial statements in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (NCIF). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of separated financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conduct our audit in accordance with International Standards on Auditing as accepted in Colombia. Those standards require that we comply with ethical requirements and that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG S.A.S., sociedad colombiana por acciones simplificada y firma miembro de la red de firmas miembro independientes de KPMG afiliadas a KPMG International Cooperative ("KPMG International"), una entidad suiza.

KPMG S.A.S.
Nit 860.000.846 - 4

Opinion

In our opinion, the accompanying consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (NCIF).

KPMG S.A.S.

KPMG S.A.S

September 29, 2019
Carrera 53 No. 82 – 86 of 804, Edificio Ocean Tower
Barranquilla

PROMIGAS S.A. E.S.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Figures in thousands of Colombian Pesos)

	Note	December 31, 2018	December 31, 2017
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	6	$ 279,355,881	187,580,982
Financial assets at fair value	7	166,260,218	153,404,752
Financial assets at amortized cost	8	899,500,013	926,567,426
Inventories	9	59,168,056	66,398,474
Prepayments or tax credit balances		18,883,334	23,147,445
Assets held for sale		-	586,907
Other assets	10	188,423,192	119,983,277
TOTAL CURRENT ASSETS		1,611,590,694	1,477,669,263
LONG-TERM ASSETS:			
Financial assets at fair value	7	2,502,014,512	2,295,682,092
Financial assets at amortized cost	8	1,621,128,686	1,613,020,439
Inventories	9	14,177,087	12,915,789
Investment in associates	11	689,021,050	640,407,180
Property, pipelines, plant and equipment net	12	1,139,381,280	1,135,751,917
Intangible assets:			
Concessions arrangements rights	13	2,534,794,623	2,187,289,370
Goodwill	14	128,818,925	128,818,925
Other Intangible assets	15	84,438,613	74,707,602
Total intangible assets		2,748,052,161	2,390,815,897
Deferred tax asset, net	16	74,411,250	62,772,169
Other non-current assets	10	25,694,203	5,623,970
TOTAL LONG-TERM ASSETS		8,813,880,229	8,156,989,453
TOTAL ASSETS		$ 10,425,470,923	9,634,658,716
LIABILITIES			
CURRENT LIABILITIES			
Financial obligations	17	$ 341,182,413	483,355,750
Outstanding bonds	21	275,789,036	18,111,719
Accounts payable	18	486,085,912	351,519,311
Employee benefits	19	17,508,421	16,738,698
Income tax payable		40,426,222	74,432,865
Provisions	22	-	2,078,840
Other liabilities	20	124,450,310	100,184,689
TOTAL CURRENT LIABILITIES		1,285,442,314	1,046,421,872
LONG-TERM LIABILITIES:			
Financial obligations	17	2,421,197,813	2,338,129,157
Outstanding bonds	21	2,465,174,809	2,217,112,080
Accounts payable	18	18,110,562	12,998,181
Employee benefits	19	4,498,421	4,404,826
Provisions	22	239,563,290	255,442,243
Deferred tax liabilities, net	16	557,592,810	581,234,108
Other liabilities	20	68,764	38,763
TOTAL LONG-TERM LIABILITIES		5,706,206,469	5,409,359,358
TOTAL LIABILITIES		6,991,648,783	6,455,781,230
EQUITY	23		
CONTROLLING SHAREHOLDERS			
Paid-in and subscribed capital		113,491,861	113,491,861
Share premium underwriting		322,822,817	322,822,817
Reserves		737,369,908	558,143,087
Retained earnings		1,922,309,331	1,861,787,733
Other equity account		(11,556,425)	(2,033,458)
Other comprehensive income		128,513,623	108,450,056
CONTROLLING SHAREHOLDERS		3,212,951,115	2,962,662,096
NON-CONTROLLING INTEREST	24	220,871,025	216,215,390
TOTAL EQUITY		3,433,822,140	3,178,877,486
TOTAL LIABILITIES AND EQUITY		$ 10,425,470,923	9,634,658,716

The notes attached hereto are an integral part of the consolidated financial statements.

PROMIGAS S.A. E.S.P. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

(Figures in thousands of Colombian Pesos)

Years ended on:	**Note**	**December 31, 2018**	**December 31, 2017**
Revenue	25	$ 3,727,679,814	3,439,041,299
Cost of Sales	26	(2,483,025,504)	(2,244,705,621)
GROSS INCOME		1,244,654,310	1,194,335,678
Operating expenses	27	(336,054,118)	(297,891,736)
Dividends received		1,053,978	1,204,633
Others, net		(1,276,095)	17,140,511
OPERATING INCOME		908,378,075	914,789,086
Finance income	28	322,527,366	293,946,427
Finance costs	29	(438,305,215)	(419,570,109)
FINANCE COSTS, NET		(115,777,849)	(125,623,682)
Share or profit of equity-accounted investees associates, net of tax	11	172,628,778	141,970,267
INCOME BEFORE TAX		965,229,004	931,135,671
Income tax expense	16	(189,711,433)	(242,979,506)
NET INCOME FOR THE YEAR		$ 775,517,571	688,156,165
INCOME ATTRIBUTABLE TO:			
Owners of the company		$ 725,463,026	645,246,943
Non-controlling interest	24	50,054,545	42,909,222
		$ 775,517,571	688,156,165
NET INCOME PER SHARE		$ 639.26	568.58

The notes attached hereto are an integral part of the consolidated financial statements.

PROMIGAS S.A. E.S.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Fgures in thousands of Colombian Pesos)

Years ended on:	Note	December 31, 2018	December 31, 2017
Net Income for the year		775,517,571	688,156,165
ITEMS THAT ARE OR MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT			
Foreing operations-Foreing currency traslation differences		51,621,584	(2,788,045)
Hedging Transactions		(38,745,249)	(6,589,093)
Related tax	16	12,828,241	1,132,897
		25,704,576	(8,244,241)
ITEMS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO THE INCOME STATEMENT			
Fair value of equity instruments		529,744	7,265,379
Employee benefits		(22,510)	(519,441)
Related tax		1,625,699	(2,239,766)
		2,132,933	4,506,172
		27,837,509	(3,738,069)
TOTAL INCOME AND OTHER COMPREHENSIVE INCOME FOR THE YEAR		803,355,080	684,418,096
INCOME AND OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the company		745,526,593	641,592,754
Non-controlling interest		57,828,487	42,825,342
		803,355,080	684,418,096

The notes attached hereto are an integral part of the consolidated financial statements.

PROMIGAS S.A. E.S.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Fgures in thousands of Colombian Pesos)

Years ended on December 31, 2018 and 2017	Paid-in and subscribed capital	Share premium underwriting	Reserves	Retained earnings: Results from Previuos Year	Retained earnings: Net income	Retained earnings: First-time adoption effect	Retained earnings: Total	Other equity account	Other comprehensive income	To the owners of the company	Non-controlling interests	Total Equity
Balances as of December 31, 2016	113,491,861	322,822,817	289,427,102	(203,158,215)	616,697,082	1,505,786,626	1,919,325,493	(2,033,458)	112,104,244	2,755,138,059	199,707,696	2,954,845,755
Decrease in capital and premium	-	-	-	-	-	-	-	-	-	-	(13,980,638)	(13,980,638)
Legal reserve	-	-	272,677,295	(272,677,295)	-	-	(272,677,295)	-	-	-	-	-
Declared cash dividends	-	-	-	(430,107,407)	-	-	(430,107,407)	-	-	(430,107,407)	(12,042,134)	(442,149,541)
Reclasification from Net Income to Retained Earnings	-	-	-	616,697,082	(616,697,082)	-	-	-	-	-	-	-
Equity tax	-	-	(3,961,310)	-	-	-	-	-	-	(3,961,310)	(294,876)	(4,256,186)
Income and other comprehensive income	-	-	-	-	645,246,942	-	645,246,942	-	(3,654,188)	641,592,754	42,825,342	684,418,096
Balances as of December 31, 2017	113,491,861	322,822,817	558,143,087	(289,245,835)	645,246,942	1,505,786,626	1,861,787,733	(2,033,458)	108,450,056	2,962,662,096	216,215,390	3,178,877,486
Capitalizations	-	-	-	-	-	-	-	-	-	-	49,842,117	49,842,117
Interest acquisition in non-controlling interest	-	-	-	-	-	-	-	(9,523,266)		(9,523,266)	(12,281,809)	(21,805,075)
Advances to capital	-	-	-	-	-	-	-	-	-	-	(57,246,875)	(57,246,875)
Interest sale in non-controlling interest	-	-	-	-	-	-	-	299	-	299	56	355
Legal reserve	-	-	179,226,821	(179,226,821)	-	-	(179,226,821)	-	-	-	-	-
Declared cash dividends	-	-	-	(469,827,090)	-	-	(469,827,090)	-	-	(469,827,090)	(32,394,574)	(502,221,664)
Reclasification from Net Income to Retained Earnings	-	-	-	328,778,639	(328,778,639)	-	-	-	-	-	-	-
Income and other comprehensive income	-	-	-	-	725,463,026	-	725,463,026	-	20,063,567	745,526,593	57,828,487	803,355,080
Equity effect of new IFRS adoption	-	-	-	(15,887,517)	-	-	(15,887,517)	-	-	(15,887,517)	(1,091,767)	(16,979,284)
Balances as of December 31, 2018	$ 113,491,861	322,822,817	737,369,908	(625,408,624)	1,041,931,329	1,505,786,626	1,922,309,331	(11,556,425)	128,513,623	3,212,951,115	220,871,025	3,433,822,140

The notes attached hereto are an integral part of the consolidated financial statements.

PROMIGAS S.A. E.S.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
(Figures in thousands of Colombian Pesos)

Years ended on:		December 31 2018	December 31 2017
Cash flow from operating activities:			
Net income	$	775,517,571	688,156,165
Adjustments to reconcile net income with net cash provided by operating activities:			
Depreciation		33,490,588	33,737,628
Amortization of intangibles		141,589,738	130,096,672
Acumulated interest		352,785,448	369,991,396
Changes in fair value of financial assets		(205,802,678)	(209,936,431)
Share of profit of equity-accounted investees, net of tax		(172,628,778)	(141,970,267)
Impairment of:			
Investments		-	299
Inventories		732,293	397,954
Accounts receivable		22,657,544	18,333,737
Accrued provisions		11,272,945	2,895,756
Exchange difference for transactions in foreign currency		(1,707,920)	(15,748,252)
Revenues from the sale of properties, pipelines, plant and equipment		(217,966)	-
Revenues from purchase option finance lease		(11,721,080)	-
(Revenue)/loss in the sale of:			
Investment of equity Instruments		-	130,824
Non-current assets held for sale		-	(12,555,641)
Loss for disposal/removal of:			
Inventories		291,889	372,003
Accounts Receivable		-	2,910
Properties, pipelines, plant and equipment		5,618,767	7,862,560
Concessions		1,101,780	1,285,331
Intangible assets		11,676	-
Valuation of investment properties		(639,762)	336,321
Income and CREE (Income Tax for equality) Tax		189,711,433	242,979,506
Acumulated equity tax		-	65,223
Changes in assets and liabilities:			
Accounts receivable		107,996,195	(16,573,494)
Inventories		19,427,003	(7,696,383)
Equity instruments through profit or loss		(16,264,928)	29,214,322
Other assets		(79,083,493)	7,475,278
Accounts payable		97,330,913	(42,716,809)
Employee benefits		713,879	350,725
Provisions		(24,700,314)	(8,121,880)
Other liabilities		25,082,510	(17,490,389)
Equity tax paid		-	(4,351,858)
Income and Cree tax Paid		(231,302,370)	(235,792,790)
Interests paid		(369,942,620)	(380,906,173)
Net cash provided by operating activities		671,320,263	439,824,243
Cash flow from investment activities:			
Acquisition of:			
Properties, pipelines, plant and equipment		(73,786,364)	(97,175,856)
Concessions rigth		(441,825,015)	(189,807,216)
Other intabgibles		(20,899,231)	(18,079,901)
Debt securities		22,901,292	24,253,806
Properties, pipelines, plant and equipment		411,579	58,756
Result from the sale of investments in companies		-	59,534
Excess paid for acquisition of interest in non-controlling interests		(9,522,967)	-
Dividends received from equity instruments		-	1,432,645
Dividends received from investment in associates		148,374,563	78,850,038
Net cash used in investment activities		(374,346,143)	(200,408,194)
Cash flow from financing activities :			
Dividends paid		(498,717,187)	(519,122,651)
Proceeds obtained from financial obligations		840,245,326	1,139,838,520
Payment of financial obligations		(1,034,323,751)	(855,500,921)
Bond issue		505,000,000	-
Non-controlling interests in decapitalization		(19,686,510)	(13,980,638)
Net cash provided (used in) financing activities		(207,482,122)	(248,765,690)
Net increase (decrease) of cash and cash equivalents		89,491,998	(9,349,641)
Effect of movements in exchange rates on cash held from foreing operation		8,295,345	(2,020,896)
Effect of exchange differences on cash		(6,012,444)	(4,663,473)
Cash and cash equivalents at the beginning of the year		187,580,982	203,614,992
Cash and cash equivalents at the end of the year	$	279,355,881	187,580,982

The notes attached hereto are an integral part of the consolidated financial statements.

NOTE 1. REPORTING ENTITY

Promigas S.A. E.S.P. (hereinafter Promigas S.A. E.S.P., Promigas or the Company) was incorporated in accordance with Colombian Law on December 27, 1974, and its corporate purpose is the purchase, sale, transportation, distribution, exploitation and exploration of natural gas, oil and hydrocarbons in general, and the gas and oil activities in all their forms. It can also, inter alia, sell or provide goods or services to third parties, either financial or non-financial, and finance the acquisition of goods or services from third parties with its own resources. Promigas' controlling shareholder is Corporación Financiera Colombiana S.A., whose parent company is Grupo Aval Acciones y Valores S.A. both are public companies incorporated in Colombia, the corporate seat of the Company is in Barranquilla, its address is Calle 66 No. 67 – 123 and its term of duration expires on December 27, 2074.

The Company is supervised by the Superintendence of Residential Utilities and in order to keep the National Register of Securities and Brokers (RNVI, for its Spanish acronym) current is subject to the concurrent supervision of the Colombian Financial Superintendence, in accordance with the provisions of Articles 5.2.4.1.2 and 5.2.4.1.3 of single Decree 2555/2010 of the Colombian Financial Superintendence and Regulation Letter 007/2015, Title Three. These consolidated financial statements comprise the Company and its subsidiaries:

1.1 Regulatory Framework

Promigas is mainly governed by Act 142/1994, which states the Public Utilities Regime is established in Resolution 071/1999 issued by the energy and gas regulation commission, (CREG by Spanish acronym), whereby the Single Regulation for Natural Gas Transportation (RUT, for its Spanish acronym in Colombia is established, Act 689/2001, whereby Act 142/1994 is partially amended, the industry's regulations, the concession agreements in force, its bylaws and other provisions contained in the Code of Commerce.

The rates the Company and its subsidiaries charge to customers for natural gas transportation and distribution services are regulated by the National Government through the CREG.

1.2 Preparation Bases

Basis of Accounting

The consolidated financial statements have been prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (NCIF), set out in Act 1314/2009, regulated by Single Regulatory Decree 2420/2015, as amended by Decrees 2496/2015, 2131/2016, 2170/2017 and 2483/2018. The CFRS applicable in 2018 are based on the International Financial Reporting Standards (IFRS), along with its interpretations, issued by the International Accounting Standards Board (IASB). The base standards correspond to the official Spanish translations issued by the IASB during the first half of 2016.

For legal purposes in Colombia, the separate financial statements are the statutory financial statements.

Functional and Presentation Currency

The items included in these financial statements are presented using "Colombian pesos", currency of the principal economic environment in which the Company operates, which in turn is its functional currency. All information is expressed in thousands of pesos rounded up to the nearest unit.

Transactions in foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the prevailing exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies in terms of historical costs are measured using the exchange rate at the transaction date. Financial instruments measured at fair value are converted using the exchange rate at the date the fair value was determined. Profits or losses resulting from the translation process are recognized in profit or loss, except for financial instruments designated as hedging instruments.

As of December 31, 2018, and 2017, the representative exchange rates to convert the transactions from United States Dollar to Colombian Pesos as computed and certified by the Superintendence of Finance are as follows:

	December 31, 2018	December 31, 2017
Year-end	$ 3,249.75	$ 2,984.00

1.3 Basis for Measurements

The consolidated financial statements have been prepared on the historical cost basis, except for the following items:

- Derivative financial instruments are measured at fair value.
- Financial instruments measured at fair value through profit or loss and OCI.
- Financial assets under concession measured at fair value.
- Financial instruments at fair value through other comprehensive income.

1.4 Use of Significant Accounting Estimates and Assumptions

The Company and its subsidiaries make estimates and assumptions that affect the amounts recognized in the consolidated financial statements and the book value of assets and liabilities in the following fiscal year. Judgments and estimates are continually evaluated and are based on the management's experience and other factors, including the expectation of future events that may be reasonable under the circumstances. Management also makes certain judgments besides from those involving estimates in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognized in the consolidated financial statements and estimates that may cause a significant adjustment in the book value of assets and liabilities in the following year are detailed below:

Impairment of Portfolio and Other Accounts Receivable

From January 1, 2018, the impairment calculation method used by the Companies is based on the expected loss model, previously it was based on the incurred loss model. The expected loss model has the following premises:

The value correction will measure the losses at an amount equal to the expected credit losses over the lifetime of the asset for those commercial accounts receivable that have a significant financial component. Under this scheme, the Companies have developed an impairment determination model based on the Companies' historical loss experiences taking into account the days of default, and a simplified model for projection of macroeconomic factors that affect each Company's industry. (See Nota 8)

Determination of the fair value of financial instruments with significant unobservable inputs

Information regarding the fair values of financial instruments (including derivatives) that were measured using significant unobservable inputs is provided in Note 7.

Recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.

Deferred income tax is recognized using the balance sheet method on the temporary differences between the tax bases of assets and liabilities and the respective carrying amounts at the closing date of the reporting period, calculated with the tax rates expected to be applicable for the period when the asset is realized or the liability is paid off, based on the rates approved or once the approval process by the Government is practically over.

Liabilities for deferred taxes are recognized for all taxable temporary differences, except taxable temporary differences regarding investments in subsidiaries, affiliates and interests in joint ventures, when the reversal opportunity of temporary differences can be controlled and such temporary differences are unlikely to be reversed soon.

Deferred tax assets are recognized for all deductible temporary differences and future compensation of tax credits and unused tax losses, to the extent there will likely be availability of future taxable income to offset against such tax credits or tax losses, except deductible temporary differences regarding investments in subsidiaries, affiliates and interests in joint ventures.

Impairment testing for CGUs containing goodwill: key assumptions underlying recoverable amounts.

The Company performs biannual assessments of goodwill impairment based on studies conducted by internal professionals. These studies are performed based on valuations of cash generating units by the method of discounted cash flow, taking into account the following factors: The economic situation of the country and the sector in which the company operates, historical financial information, historical financial information, and projected growth of the Company's revenues and costs over the next five years and subsequently, perpetual growth taking into account its profit capitalization indices, discounted at risk-free interest rates, adjusted by risk premiums required in the circumstances of each company. The following are the main assumptions used in the valuations:

Internal assumptions:

- Revenues (contracted capacities, volumes, rates, contracts)
- AO&M (Administration, operation and maintenance)
- Insurances and taxes
- Investments (Capex)

Macroeconomic assumption:

- Colombia inflation
- USA inflation
- PPI Colombia
- PPI USA
- Representative Exchange Rate
- Fixed Term Deposit (FDT)
- Libor (180 days)

Valuation assumptions CAPM model:

- Unlevered Beta
- Risk-free rate
- Market return
- Country risk premium
- Tax rate

Methodologies and assumptions used for the valuation of the different cash generating units that have allocated goodwill were properly reviewed by the Company and, based on this review, the Company concluded that as of December 31, 2018 and 2017, no impairment was identified.

Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

The Company and its subsidiaries estimate and record a provision for contingencies in order to cover any probable losses due to, inter alia, labor cases, civil and commercial proceedings, and tax assessments, according to circumstances that, based on the opinion of external legal counsel, are likely to produce losses and can be reasonably estimated in time and amounts.

Employee Benefits

The pension obligations, costs and liabilities measurement depend on a wide variety of long-term premises determined by actuarial bases, including present value estimation of projected future pension payments for plan participants, considering potential future events probability, such as increase in legal minimum wages and demographic experience. These premises may have an effect in the amount and future contributions, should any variation occur.

The discount rate allows to establish future cash flows at present value of the measurement date. The Company and its subsidiaries determine a long-term rate that represents the market rate for high quality fixed income investments or government bonds denominated in the currency in which the benefit shall be paid, and considers the opportunity and payment amounts of future benefits, for which Government bonds have been selected.

Other key premises are used to measure actuarial liabilities and are calculated based on the Company and its subsidiaries specific experience combined with published statistics and market indicators.

"Smart Pig or Smart Tool" Provision

Smart tool or Smart pig; Corresponds to the provision made by Promigas, Promioriente and Transmetano for the obligation to perform an inspection of the under concession pipeline in order to determine the maintenance plan to be followed.

By regulation, Promigas, Promioriente and Transmetano must perform inspections on the infrastructure to determine the maintenance plan to follow; therefore, the amount required for such inspection is annually estimated and debited from profit and loss account. The estimate is determined as follows:

- First, the last value paid under this item is used as a basis (part of this value is in dollars and another part in pesos).
- The part of the value paid in dollars is indexed with projections of the CPI (consumer price index) in the United States of America and then converted into pesos with the exchange rate projected as of the date of the next inspection. The part payable in pesos is indexed with projections of the CPI in Colombia.

- Macroeconomic projections are reviewed at the beginning of each year, or at the Companies' discretion if it determines there is any volatility in the variables used, to adjust the provision.

Determining Functional Currency

The Company and its subsidiaries' functional currency was determined based on the economic environment and the correlative conditions in the country in which the company operates. This determination requires judgment, such judgment assess, among other factors, the place of the activities, cash flows, sources of income, risks relative to these activities and the operating currency denomination of the different entities.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies applied consistently for the preparation of the consolidated financial statements under the International Financial Reporting Standards accepted in Colombia (CFRS) are described below:

Basis for Consolidation

According to the CFRS, the Company must prepare consolidated financial statements. Separate financial statements are the basis for dividend allocation and other appropriations by the shareholders. Consolidated financial statements are presented to the General Meeting of Shareholders for information purposes only.

Consolidation of Subsidiaries

According to International Financial Reporting Standard (IFRS) 10 – Consolidated Financial Statements, the Company must prepare consolidated financial statements with controlled entities. The Company has control over another entity if, and only if, it meets the following elements:

- Power over the investee, giving the parent company current ability to direct any relevant activities of the former that may significantly affect its performance.
- Exposure or right to variable returns from its involvement with the investee.
- Ability to use its power over the investee to influence the amount of investor returns.

Such consolidated financial statements as of December 31, 2018 and 2017, include the financial statements of Promigas S.A. E.S.P. and its subsidiaries (hereinafter "the Companies"), understanding as subsidiaries the companies whose decision-making power is directly or indirectly subject to the will of Promigas.

In this process the Company consolidates the assets, liabilities and results of the entities in which it determines control, prior homogenization of its accounting policies and conversion into Colombian pesos of subsidiaries with a different functional currency.

The consolidation process involves the elimination of intercompany transactions and unrealized profits between them. The stakes of non-controlling interests in subsidiaries is presented in equity separately from the equity of the Company shareholders.

For the conversion process of financial statements of foreign Subsidiaries whose functional currency is the United States Dollar, the Company converts assets and liabilities into Colombian pesos at the current exchange rate on the closing date of the reported period; the income statement is converted at the average exchange rate for the year; and equity at its respective historical rate. The resulting net adjustment is included in equity as “Foreign operations - foreign currency translation differences” under “other comprehensive income”.

The consolidated financial statements hereto include assets, liabilities, equity and income of the Company and its subsidiaries.

The Company's interest in its subsidiaries is as follows:

Company	Functional currency	Country	Purpose	December 31, 2018		
				Direct	Indirect	Total
Surtidora de Gases del Caribe Surtigas S.A. E.S.P.	Colombian Peso	Colombia	Gas distribution	99.99%	0.00%	99.99%
Transoccidente S.A. E.S.P.	Colombian Peso	Colombia	Gas transportation	79.00%	0.00%	79.00%
Promioriente S.A. E.S.P.	Colombian Peso	Colombia	Gas transportation	73.27%	0.00%	73.27%
Transmetano E.S.P. S.A.	Colombian Peso	Colombia	Gas transportation	99.67%	0.00%	99.67%
Gases de Occidente S.A. E.S.P. (1)	Colombian Peso	Colombia	Gas distribution	94.43%	0.00%	94.43%
Compañía Energética de Occidente S.A. E.S.P. (2)	Colombian Peso	Colombia	Energy distribution	49.00%	48.16%	97.16%
Orion Contac Center S.A.S. (2)	Colombian Peso	Colombia	Telephone Customer Service	0.00%	96.65%	96.65%
Promisol S.A.S.	Colombian Peso	Colombia	Construction			
Gases del Pacífico S.A.C.	United States Dollar	Peru	Gas distribution	75.00%	25.00%	100.00%
Gases del Norte del Perú S.A.C.	Peruvian Sol	Peru	Gas distribution	75.00%	25.00%	100.00%
Promisol México S.A. de C.V.	Mexican Peso	Mexico	Gas extraction	5.00%	95.00%	100.00%
Zonagen S.A.S.	Colombian Peso	Colombia	Electric Power Generation	0.00%	99.95%	99.95%
Sociedad Portuaria El Cayao S.A. E.S.P.	United States Dollar	Colombia	Liquefied Natural Gas	51.00%	0.00%	51.00%
Enlace Servicios Compartidos S.A.S.	Colombian Peso	Colombia	Gasification, regasification and Storage of GNL	100.00%	0.00%	100.00%

(1) On December 17, Promigas made a capitalization without change in interest in Gases del Norte del Perú S.A.C. for USD $22,500 equivalent to $71,918 Further, on December 13, 2018, it purchased an additional 10% of its interest in Transoccidente S.A. E.S.P from EPSA S.A. for $1,012,075 and acquired an additional interest of 4.32% in Gases de Occidente S.A. E.S.P. from Energía del Pacifico S.A. E.S.P., which sold its share of 2.78% for $13,380,680 and from Compañía de Electricidad de Tuluá S.A. E.S.P., which sold its share of 1.54% for $7,412,319 paying a total of $21,805,074.

(2) For purchases made in shares from minority shareholders in Gases de Occidente S.A. E.S.P. the indirect interest of Promigas increased over Compañía Energética de Occidente S.A. E.S.P. and Orion Contact Center S.A.S., as these entities are consolidated in Gases de Occidente S.A. E.S.P.

Below is the total value of assets, liabilities and equity of the companies included in the consolidation as of:

Company		Assets	Liabilities	Equity
December 31, 2018				
Surtidora de gases del caribe Surtigas S.A. E.S.P.	$	1,059,295,866	562,839,827	496,456,039
Transoccidente S.A. E.S.P.		13,972,905	3,833,547	10,139,358
Promioriente S.A. E.S.P.		653,697,780	273,532,120	380,165,660
Transmetano E.S.P. S.A.		291,451,105	130,922,075	160,529,030
Gases de Occidente S.A. E.S.P.		1,081,274,948	826,054,351	255,220,597
Compañía Energética de Occidente S.A. E.S.P.		552,236,943	432,164,834	120,072,109
Orión Contac Center S.A.S.		4,853,996	1,823,007	3,030,989
Promisol S.A.S.		363,124,167	255,070,855	108,053,312
Promisol México S.A. de C.V.		121,572	2,319	119,253
Gases del Pacífico S.A.C.		434,874,675	411,597,931	23,276,744
Gases del Norte del Perú S.A.C.		354,094	181,440	172,654
Zonagen S.A.S.		7,740,150	4,591,507	3,148,643
Enlace Servicios Compartidos S.A.S.		15,733,077	2,484,023	13,249,054
Sociedad Portuaria El Cayao S.A. E.S.P.	$	1,416,832,995	1,207,928,213	208,904,782
December 31, 2017				
Surtidora de gases del caribe Surtigas S.A. E.S.P.	$	1,029,816,739	585,426,575	444,390,164
Transoccidente S.A. E.S.P.		13,760,317	3,632,289	10,128,028
Promioriente S.A. E.S.P.		699,860,633	332,225,252	367,635,381
Transmetano E.S.P. S.A.		286,792,981	127,598,803	159,194,178
Gases de Occidente S.A. E.S.P.		1,026,161,033	777,911,226	248,249,807
Compañía Energética de Occidente S.A. E.S.P.		517,125,313	395,655,434	121,469,879
Orión Contac Center S.A.S.		5,763,725	1,937,952	3,825,773
Promisol S.A.S.		390,375,343	309,197,123	81,178,220
Promisol México S.A. de C.V.		3,667	5,270	(1,603)
Gases del Pacífico S.A.C.		280,254,153	264,589,236	15,664,917
Gases del Norte del Perú S.A.C.		231,786	94,377	137,409
Zonagen S.A.S.		7,257,670	4,390,214	2,867,456
Enlace Servicios Compartidos S.A.S.		12,009,354	1,022,313	10,987,041
Sociedad Portuaria El Cayao S.A. E.S.P.	$	1,355,738,173	1,173,456,607	182,281,566

Below are the revenues, earnings before taxes, income tax and net income for the period of the companies included in the consolidation of the half-years ended:

Company	Revenues	Earnings before taxes	Income tax	Net income
December 31, 2018				
Surtidora de gases del caribe Surtigas S.A. E.S.P.	$ 834,315,658	82,385,705	(24,826,508)	57,559,197
Transoccidente S.A. E.S.P.	6,088,579	3,388,471	(1,043,006)	2,345,465
Promioriente S.A. E.S.P.	176,588,430	109,467,075	(40,022,539)	69,444,536
Transmetano E.S.P. S.A.	65,520,810	37,405,704	(8,427,062)	28,978,642
Gases de Occidente S.A. E.S.P.	1,033,900,490	116,330,802	(32,102,393)	84,228,409
Compañía Energética de Occidente S.A. E.S.P.	417,430,948	58,881,919	(26,040,702)	32,841,217
Orión Contac Center S.A.S.	8,426,075	1,064,048	(358,832)	705,216
Promisol S.A.S.	117,293,851	32,924,685	(4,570,126)	28,354,559
Promisol México S.A. de C.V.	-	(88,805)	-	(88,805)
Gases del Pacífico S.A.C.	214,801,746	(24,427,959)	12,314,028	(12,113,931)
Gases del Norte del Perú S.A.C.	-	62,817)	-	(62,817)
Zonagen S.A.S.	10,214,940	543,610	(239,413)	304,197
Enlace Servicios Compartidos S.A.S.	3,407,388	(610,044)	(84,568)	(694,612)
Sociedad Portuaria El Cayao S.A. E.S.P.	246,066,249	59,801,688	(12,585,055)	47,216,633

	Revenues	Earnings before taxes	Income tax	Net income
December 31, 2017				
Surtidora de gases del Caribe, Surtigas S.A. E.S.P.	803,316,032	76,855,478	(31,860,046)	44,995,432
Transoccidente S.A. E.S.P.	6,109,915	3,928,540	(1,511,572)	2,416,969
Promioriente S.A. E.S.P.	204,723,762	112,012,478	(47,177,426)	64,835,053
Transmetano E.S.P. S.A.	102,034,513	48,205,950	(18,614,490)	29,591,461
Gases de Occidente S.A. E.S.P.	1,007,342,490	108,113,752	(36,969,730)	71,144,022
Compañía Energética de Occidente S.A. E.S.P.	390,484,166	41,842,046	(20,009,308)	21,832,738
Orión Contac Center S.A.S.	9,510,756	1,995,360	(714,293)	1,281,067
Promisol S.A.S.	73,815,545	25,386,693	(8,326,321)	17,060,372
Promisol México S.A. de C.V.	-	(3,733)	-	(3,733)
Gases del Pacífico S.A.C.	46,375,710	(22,206,988)	7,654,244	(14,552,744)
Gases del Norte del Perú S.A.C.	-	(182,247)	-	(182,247)
Zonagen S.A.S.	9,780,122	480,398	(153,658)	326,740
Enlace Servicios Compartidos S.A.S.	300,000	(500,448)	164,990	(335,457)
Sociedad Portuaria El Cayao S.A. E.S.P.	251,080,298	42,979,926	(7,321,283)	35,658,643

2.1 Investments in Associates

If the Company holds, directly or indirectly, 20% or more of the voting power in the investee, it is presumed to have significant influence, unless it can be clearly demonstrated that such influence does not exist. If the Companies hold, directly or indirectly, less than 20% of the voting power in the investee, it is presumed that they have no significant influence, unless it can be clearly demonstrated that there is such influence. Decisions about using the equity method when the investee has less than 20% of the voting power requires a careful evaluation of voting rights and their impact on the ability of the Companies to exercise significant influence.

The Companies' management considers the existence of the following circumstances, which may indicate that they are in a position to exert significant influence over a company in which it holds less than 20% of the voting power:

- Representation on the board of directors or equivalent governing body of the investee;
- Participation in the process of setting policies, including decisions on dividends and other allocations;
- Material transactions between the Company and the investee;
- Exchange of executive personnel; or
- Supply of essential technical information.

Management also considers that the existence and effects of potential voting rights that are exercisable or convertible securities should be also considered when assessing whether the Company has significant influence.

The Company also evaluates the following indicators that provide evidence of significant influence:

- The Company's shareholding is significant with respect to other shareholding (i.e., minority of other shareholders);
- Major Shareholders of the Company, its parent company, subsidiaries or executives have additional investment in the investee; and
- The Company is part of the Board of Directors or important internal committees of the investee.

For the conversion in associates, the Company uses the equity method which is an accounting method according to which the investment is initially recorded at cost and is periodically adjusted for changes in the net assets of the investee. The income of the investor includes its share in the profit or loss of the investee and in other comprehensive income of the investor; its equity includes its share in other comprehensive income of the investee.

2.2 Transactions and Balances in Foreign Currency

Foreign currency transactions are converted to the respective functional currency of the Company and its subsidiaries on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies as of the date at the reporting date are converted to the functional currency at the exchange rate of that date.

Gains or losses from conversion of foreign currency into monetary items is the difference between the amortized cost of the functional currency at the beginning of the period, adjusted for interests and effective payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary items that are measured at historical cost in a foreign currency are not converted.

Foreign currency differences arising during the conversion are recognized in income; however, foreign currency differences arising from the conversion of qualified cash flow hedges are recognized in other comprehensive income, provided that the hedge is effective.

2.3 Financial Instruments

Classification and measurement of financial assets and liabilities

The classification and measurement approach for financial assets is determined through the business model in which these assets and their cash flow characteristics are managed. It also includes three classification categories at the time of initial recognition for financial assets:

Approach	**Conditions**
Amortized cost (AC)	• The asset is maintained within a business model whose objective is to maintain assets to obtain contractual cash flows; and • The contractual terms of the financial asset establish specific dates for the cash flows derived only from payments of principal and interest on the current balance.
Fair value through other comprehensive income (FVTOCI)	A debt instrument is measured at FVTOCI only if it meets both of the following conditions and has not been designated as a FVTPL: • The asset is maintained within a business model whose objective is achieved by collecting contractual cash flows and selling these financial assets; and • The contractual terms of the financial asset establish specific dates for the cash flows derived only from payments of principal and interest on the current balance. The Company may irrevocably choose to record subsequent changes in fair value as part of other comprehensive income in equity.
Fair value through profit or loss (FVTPL)	All financial assets not classified as measured at amortized cost or at fair value through OCI as described above are measured at fair value through profit or loss.

Evaluation of the business model

An evaluation of the business model objectives in which the different financial instruments are maintained at the portfolio level is carried out to reflect, in the best way, the way the business is managed and how the information is provided to management.
The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at fair value through profit or loss (FVTPL)	These assets are subsequently measured at fair value. Net gains and losses, including revenues from interest or dividends, are recognized through profit or loss.
Financial assets at amortized cost (CA)	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Revenues from interest, exchange gains and losses and impairment are recognized through profit or loss. Any gain or loss on derecognition is recognized through profit or loss.
Debt investments through other comprehensive income (FVTOCI)	These assets are subsequently measured at fair value. Revenues from interest calculated using the effective interest method, gains on exchange difference and impairment losses are recognized through profit or loss. Other net earnings and valuation losses are recognized through OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss to be realized in OCI.
Equity investments through other comprehensive income (FVTOCI)	These assets are subsequently measured at fair value. Dividends are recognized as revenue in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when:

- Contractual rights on the asset's cash flow expire;
- The contractual rights on the asset's cash flow are transferred, or an obligation is undertaken to pay a third party all cash flow without significant delay, through a transfer agreement
- Substantially all risks and benefits inherent to the property of the asset have been transferred;
- All risks and benefits inherent to the property of the asset have been substantially withheld, but the control thereof has been transferred.

Financial Liabilities

A financial liability is any contractual obligation to deliver cash or other financial asset to another entity or person or to exchange financial assets or liabilities under potentially unfavorable conditions for the Companies, or any agreement that will or may be liquidated using equity instruments of the entity. Financial liabilities are initially recorded by their transaction value, which unless otherwise determined, is similar to their fair value, less transaction costs directly attributable to their issue. Subsequently such financial liabilities are measured at amortized cost according to the effective interest rate method initially determined and recorded as debit to profit and loss under financial expenses.

Financial liabilities are only derecognized from the balance sheet when generated obligations are extinguished or when they are acquired (either with the intention of repaying them or reinvesting in them).

Offset of Financial Instruments in the Balance Sheet

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legal right to offset such recognized amounts and the management intends to liquidate them on a net basis or realize the asset and liquidate the liability simultaneously.

2.4 Transactions with Derivatives Instruments

A derivative is a financial instrument whose value changes over time based on an underlying variable, does not require an initial net investment or a small investment related to the underlying asset and is liquidated on a future date.

Forward contracts entered into by the Company and some of its subsidiaries to cover the fluctuation of exchange rates in revenues are considered a cash flow hedge, given that they cover a particular associated risk with a recognized asset or liability or a highly likely expected transaction, in which case, the changes effective portion in the fair value of derivatives is recognized in the "other comprehensive income in equity" account . Gains or losses in the derivative relative to the portion that is not effective to the hedge or that does not correspond to the hedged risk is recognized immediately in the income statement. Hedge accounting is implemented while the forwards remain within the range of effectiveness (80% and 125%).

Derivative transactions are initially recognized at fair value. Subsequent changes in the fair value are recognized in profit or loss, unless the derivative instrument is designated as a hedging instrument and, in this case, the accounting criteria will depend on the nature of the hedged item, as described below.

At the beginning of the hedging transaction, the Company formally documents the relationship existing between the hedging instrument and the hedged item, including the risk management objective and strategy in undertaking the hedging relationship. It also documents its assessment, both initially as well as on a recurring basis, of whether the hedging relationship is highly effective in offsetting the changes in fair value or cash flows of the hedged items.

(i) For fair value hedge of assets or liabilities and firm commitments, changes in the fair value of the derivative instrument are recognized in profit or loss, as well as any other change in the fair value of the asset, liability or firm commitment attributable to the hedge risk,

(ii) For cash flow hedge of a particular risk associated with a recognized asset or liability or a projected highly probable transaction, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income. The gain or loss relating to the portion that is not effective for hedging or that does not relate to the hedged risk is immediately recognized in profit or loss.

The values accumulated in other comprehensive income are transferred to profit or loss in the same period in which the hedged item is recognized in profit or loss.

Profits and losses for settlement of contracts are recognized at the end of each month.

Contracts with derivatives implicit in other contracts, when the main contract is a financial asset, are not separated and instead the financial instrument is measured and recorded together as an instrument at fair value through profit or loss.

2.5 Hedges of net investments in Foreign Operations

The companies use different financial instruments in order to manage their exposure to exchange rate risks. Financial liabilities are measured at amortized cost; those traded with a foreign currency generate an exchange difference. The gain or loss from the exchange difference is immediately recognized through profit or loss unless the financial liability is designated and in effect as a hedging instrument, in which case the moment of recognition through profit or loss depends on the nature of the hedge ratio.

The hedge is classified as a net investment in foreign operation when it hedges the exchange rate risk that arises from the translation effect of a net investment in foreign operation.

At the beginning of the hedge ratio, the relationship between the hedging instrument and the hedged item is documented, together with the risk management objectives and the strategy for carrying out various hedging transactions. Additionally, at the beginning of the hedge and on an ongoing basis, the companies document whether the hedging instrument is highly efficient in counteracting changes in market values or the cash flows of the hedged item attributable to the hedged risk.

The effective portion of the changes in the financial liabilities that are designated and that qualify as hedges of a net investment is recognized in other comprehensive income and accumulated under the net investment hedge. The loss or gain related to the ineffective portion is recognized immediately through profit or loss and is included in the profit or loss item in the exchange rate of the income statement for foreign currency hedging instruments.

The amounts previously recognized in other comprehensive income and accumulated in equity are reclassified in income for the periods in which the hedged item is recognized in income.

These profits are included within the same heading of the income statement of the recognized hedged item.

Hedge accounting is discontinued when the hedging instrument expires or is sold, completed or exercised, or when it no longer meets the hedge accounting criteria. Any loss or gain recognized in other comprehensive income and accumulated in equity at that time is held in equity and recognized when the expected transaction is finally recognized in profit or loss. When an expected transaction will not occur, the accumulated loss or gain in equity is immediately recognized in profit or loss.

2.6 Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash, bank balance and collective portfolios that are subject to an insignificant risk of change in value, and are used by management to short-term commitments.

2.7 Property, Pipelines, Plant and Equipment

Recognition and Measurement

Elements of property, pipelines, plant and equipment are measured at cost less cumulative depreciations and cumulative amounts and any impairment losses suffered. Costs include disbursements that are directly attributable to the acquisition of the asset.

The cost of assets built by the Company and its subsidiaries includes the cost of materials, direct labor and any other costs directly attributable to the process of bringing the asset to a working condition for its intended use, including costs of dismantling, removing and restoring the site where they are located.

Subsequent Costs

The cost of replacing a component of property, pipelines, plant and equipment is capitalized if future economic benefits are likely to be received and their cost can be measured reliably. The book value of the replaced part is derecognized. Daily maintenance costs of property, pipelines, plant and equipment are recognized in profit or loss when incurred.

Depreciation

The cost of assets is depreciated on a straight-line basis over the depreciable amount, which corresponds to the cost of the asset, less its residual value, based on the estimated useful life detailed below:

	Years
Constructions and buildings	50
Pipelines, plant and networks not under concession	70
Machinery and equipment	10
Transportation fleet and equipment	5
Computer and communication equipment	5
Furniture and fittings	10

Depreciation methods and useful lives are reviewed each year and adjusted if necessary.

Disposals

The difference between the proceeds of the sale and asset's net book value is recognized in the income statement under the item other revenues.

2.8 Loan Costs

The Company and its subsidiaries capitalize as part of the relevant asset coast the loan costs directly attributable to the purchase, construction or production of suitable assets. A suitable asset is considered an asset that necessarily requires a substantial period before being ready for its intended use or sale.

These loan costs are capitalized as part of the cost of the asset, provided that they will likely give rise to future financial benefits for the entity and can be measured reliably.

2.9 Intangible Assets

The cost of intangible assets is recognized at the value of the transaction at the date of purchase. After the initial recognition, the intangible assets are accounted for at cost less any cumulative amortization and any cumulative impairment loss.

Intangible assets with finite useful lives are amortized over their economic useful lives and are assessed to determine whether impairment occurred, provided that there are signs that an intangible asset may have suffered such impairment. The amortization period and method for an intangible asset with finite useful life is reviewed at the closing of each reported period.

Intangible assets with indefinite useful lives are not amortized, but are subject to annual evaluations to determine whether they have suffered impairments, either individually or collectively in the cash-generating unit where they were assigned. An indefinite useful life is evaluated and reviewed annually to determine whether such useful life is still appropriate, and, if not, the change from indefinite to finite useful life is done prospectively.

The useful lives of intangible assets are shown below:

	Useful Life
Goodwill acquired in a business combination	Indefinite
Software	3 to 5 years
Licenses	3 to 5 years
Rights	20 years
Easements	50 years

Gains or losses arising from derecognizing an intangible asset are measured as the difference between net income from the sale and the book value of the asset, and are recognized in the income statement when the asset is derecognized.

The Company and its subsidiaries record as expenses for the period all research costs, as well as any development costs where the technological and commercial feasibility thereof cannot be established.

2.10 Concession Agreements

The Company and its subsidiaries recognize the intangible asset arising from a service concession agreement when there is the right to charge for the use of concession infrastructure. On initial recognition, an intangible asset received as consideration for providing construction or improvement services in a service concession agreement is recognized at fair value. After initial recognition the intangible asset is measured at cost, including capitalized loan costs, less accumulated depreciation and accumulated impairment losses.

An intangible asset is recognized when there is no unconditional right to receive cash and the revenues are contingent on the extent of use of the asset under concession for the service provision. In some cases, there may be mixed agreements, where part of the agreement is a financial asset and the other part is an intangible asset. In the case of Promigas and its subsidiaries, the financial asset is not for the remuneration of the transportation service, but for the obligation to sell the gas infrastructure by the end of the term of the agreement.

Based on the above, rights in concession agreements are recorded by the Company and its subsidiaries as follows:

i. Revenues from the construction and costs relative to the constriction of concessions are recorded in the income statement after completing stages of the project in the reported period.

ii. If the concession agreement qualifies as a financial asset, the asset arising in the agreement is included in the account "other accounts receivable at fair value" and recognized at the present value of future payments to which each Company is entitled, discounted using the effective interest rate, in the event they are financial assets with mandatory sale at fair price at the end of the agreement. These financial assets are designated at fair value through profit or loss.

iii. In addition, cumulative disbursements during the construction phase of the project are recognized as intangible assets, and amortized over the term of the concession agreement, save for compressors, which are amortized over the shortest between the concession agreement and its useful life, in a straight line debited on profit or loss from the date when the construction is completed and the corresponding asset is put the service of the users. Compressor stations are amortized as follows:

Compressor Stations (Components)	**Years**
Centrifugal compressors	
Turbine	30,000 Machine hours*
Compressor	60,000 Machine hours*
Reciprocating compressors	
Turbine	20,000 Machine hours *
Compressor	40,000 Machine hours *
Skid Valves	20
Ancillary Systems	
Cooling Units	20
Fire Protection Equipment	10
Unit Control Panel	5
Ancillary Equipment	
Fuel Gas Skid	20
Air Compressor Skid	10
Station Control Panel	5
Motor Control Center	20
Power Generator	10
Valves and Accessories	20
Important spare parts	Associated with the component

* An equivalence is calculated by taking the utilization rate of each compressor station.

2.11 Inventories

Inventories are measured at the lower of either the cost or the net realizable value. The cost includes the purchase price of inventories and other direct costs required to make them available for use. The cost of inventories is determined by using the weighted average method and classified either as short- or long-term based on the item's rotation. The net realizable value is the estimated selling price in the ordinary course of business less trading and distribution expenses.

2.12 Assets Held for Sale

Assets held for sale, which the Company and its subsidiaries intend to sell within a term not exceeding one year, such sale being considered highly likely, are recorded as "assets held for sale". Such assets are recorded at the lower of either their carrying value at the time of their transfer to this account or their fair value less estimated costs of sale.

2.13 Prepaid Expenses and Prepaid Assets

Expenses paid in advance mainly include insurance and services that are paid in advance and are amortized periodically on a monthly basis, charged to income.

Insurance

Insurance is recognized for its cost and amortization is calculated using the straight-line method to assign the cost to results at the policy period of coverage.

2.14 Leases

Assets Received under Lease

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at the lower of either fair value or the present value of the minimum lease payments. After initial recognition, the asset is accounted for in accordance with the applicable accounting policy.

Other leases are operating leases, and the leased assets are not recognized in the Company's separate statement of financial position.

Assets Delivered under Lease

Assets delivered under lease are classified at the time of signing the lease as financial or operating leases. A lease is classified as financial when it substantially transfers all the risks and advantages inherent in the property. A lease is classified as operating if it does not substantially transfer all the risks and benefits inherent in the property. Leases classified as financial are included in the balance sheet under "financial assets at amortized cost - accounts receivable" and are accounted for in the same way as the loans granted. Leases that are classified as operating are included within the property, plant and equipment account and are accounted for and depreciated considering the asset class.

2.15 Employee Benefits

Defined Benefits

The net obligation of the Companies related to defined benefit plans is calculated separately for each plan, estimating the amount of future benefit the employees have earned in the current period and in previous periods, deducting that amount and deducting the fair value of the plan's assets.

The defined benefit obligations estimation is performed annually by a qualified actuary, according to the parameters provided in Decree 2783/2001, as required by Decree 2496 of December 2015. The method used is the projected unit credit method. When the calculation results in a potential asset for the company, recognition of the asset is limited to the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to it. To calculate the present value of economic benefits, any minimum funding requirement must be considered.

For defined contribution plans, the Companies pay contributions to public or private pension plan administrators on mandatory, contractual and voluntary bases. No additional payment obligations are considered once the contributions have been paid. The contributions are recognized as personnel expenses when expected. Prepaid contributions are recognized as an asset insofar as a cash reimbursement or a future payment reduction is available.

Short-term Benefits

Short-term employee benefits are measured on an undiscounted basis and are recognized as expenses when the related service is provided.

An obligation for the amount expected to be paid is recognized if the Companies have a current legal or implied obligation to pay this amount as a result of a service provided by the employee in the past and the obligation can be estimated reliably.

Long-term Benefits

The net obligation of the Companies regarding long-term employee benefits is the amount of future benefit that employees have earned in return for their services in the current period and in previous periods. The benefit is discounted to determine its present value. The new measurements are recognized in profit or loss for the period in which they arise.

Termination Benefits

Termination benefits are recognized as an expense when the Companies cannot withdraw the offer related to benefits or when the Companies recognize costs for a restructuring, whichever comes first. If the total benefits are not expected to be settled in full within 12 months after the end of the reporting period, these are discounted.

2.16 Taxes

Income Tax

The tax expense or income comprises the income tax for the period.

Current and deferred taxes are recognized as income or expense and are included in profit or loss, except when related to items recognized in other comprehensive income or directly in equity, in which case, the current or deferred tax is also recognized in OCI or directly in equity, respectively.

Current Taxes

Current tax is the amount payable or to recover current income tax. It is calculated based on the tax laws enacted as of the date of statement of financial position. Management periodically evaluate positions taken in tax returns with respect to situations where tax laws are subject to interpretation and, if necessary, makes provisions on the amounts expected to be paid to the tax authorities.

To determine the provision of income tax, the Companies make their calculation based on the higher value between taxable income and presumptive income (minimum return on equity last year that the law presumes to establish the income tax).

The Companies only compensate tax assets and liabilities to current earnings if there is a legal right to the tax authorities and it intends either to settle the debts resulting on a net basis or to realize assets and settle debts simultaneously.

Deferred Taxes

Deferred tax is recognized using the asset and liability method, determined on temporary differences between the tax bases and the book value of assets and liabilities included in the financial statements.

Deferred tax liabilities are the amounts payable in the future as income tax related to taxable temporary differences, while deferred tax assets are the amounts to be recovered by way of income tax due to the existence of deductible temporary differences, tax loss carryforwards or deductions pending application. Temporary difference is understood as the difference between the book value of assets and liabilities and their tax base.

Recognition of Taxable Temporary Differences

Deferred tax liabilities arising from taxable temporary differences are recognized in all cases except if:

- They arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that on the date of such transaction neither the accounting result or the taxable income is affected.
- They correspond to differences associated with investments in subsidiaries, associates, and joint ventures, when the Companies can control the reversal opportunity of temporary differences and such temporary differences are unlikely to be reversed in the near future.
- In the case of the recognition of deferred tax liabilities for temporary differences related to investments in associates when the intention to sell the investment is not expected in the foreseeable future, only deferred tax liabilities will be recognized for the existence of undistributed earnings that may generate dividends taxed in the foreseeable future and for which there is no agreement that sets forth the non-distribution of taxed dividends.

Recognition of Deductible Temporary Differences

Deferred tax assets arising from deductible temporary differences are recognized provided that:

- Future taxable incomes against which the temporary differences may be offset are likely to be available, except in those cases where the difference arise from the initial recognition of assets or liabilities in a transaction that is not a business combination and that on the date of such transaction neither the accounting result or the taxable income is affected.
- Correspond to temporary differences associated with investments in subsidiaries and affiliates, and interests in joint ventures, when the temporary differences are likely to be reversed in the near future and positive future tax gains are expected to offset such differences.

Deferred tax assets that fail to meet the above conditions are not recognized in the statement of financial position. The Company and its subsidiaries reconsider at the end of the reporting period whether the conditions are met to recognize deferred tax assets that had not previously been recognized.

Tax planning opportunities are considered in the recovery assessments of deferred tax assets only if the Company and its subsidiaries intend to adopt them or will likely adopt them.

Measurement

Deferred tax assets and liabilities are estimated using the tax rates applicable for the period where asset realization is expected or liabilities are going to be paid, based on the regulations enacted or expected to be enacted, and after considering the tax consequences that arise from the way in which the Company and its subsidiaries expect to recover assets or settle liabilities.

The Company and its subsidiaries review at the end of the reporting period the carrying value of the deferred tax assets, in order to reduce such value so that it becomes unlikely that there will be sufficient future taxable income to offset them.

The Company and its subsidiaries non-monetary assets and liabilities are measured in terms of its functional currency. If tax losses or profits are calculated in a different currency, exchange rate differences give rise to temporary differences and the recognition of a liability or a deferred tax asset and the resulting effect is charged or credited to profit or loss for the period.

Offset and Classification

The Company and its subsidiaries offset deferred tax assets and liabilities over current income when there is a legal right with tax authorities and those assets and liabilities relate to the same tax authority.

Offset deferred tax assets and liabilities are recognized in the statement of financial position as noncurrent assets and liabilities regardless of the expected date of realization or settlement.

2.17 Provisions

A provision is recognized if it is the result of a past event, the Company and its subsidiaries have a legal or implicit obligation that can be estimated reliably, and an outflow of economic benefits to settle the obligation is probably necessary. Provisions are determined by discounting the cash flow expected in the future from the pre-tax rate that reflects the current market assessment of the value of money over time and the specific risks of the obligation.

Dismantling and Removal Costs

The best provision estimation for cost of dismantling and removing an item or restoring the place where it is located is recognized when there is an obligation. The estimate is based on a current obligation (legal or implied) arising from the purchase, construction or development of a long-term asset. If it is unclear whether a current obligation exists, the entity may assess the evidence under the most likely threshold. Such threshold is assessed in relation to the settlement risk of the obligation.

"Environmental Obligations" Provision

The Company and its subsidiaries must review at least once a year the environmental obligations existence resulting from new and existing projects. The recorded estimation will be the best disbursement estimation necessary to settle the present obligation, which is updated.
Insofar as environmental costs are costs necessary for an asset to function as expected by management, they are recorded as a higher value of the asset that originates them. The provision is updated periodically through profit or loss.

"Investment Plan Commitment" Provision

The best estimate is recognized for the investment to be made. The estimate is based on a current obligation (legal or implied) arising from the purchase, construction or development of a long-term asset. If it is unclear whether a current obligation exists, the entity may assess the evidence under the most likely threshold.

2.18 Impairment

Financial Assets

The Companies periodically apply the impairment model to determine expected credit loss (ECL). This model requires the recognition of a reserve due to the weighted probability of default of payment since the granting of the loan, for which considerable judgment is applied regarding how changes in economic factors affect the ECL, which will be determined on a weighted average basis.
The impairment model is applicable to the following financial assets that are not measured at FVTPL:

- Investments in debt securities;
- Commercial accounts receivable;
- Other accounts receivable.

Non-financial Assets

Impairment tests will be conducted when there are signs that the book value of an asset may exceed its recoverable amount. The asset recoverable amount is the higher of either its fair value less costs to sell or its value in use. The Company and its subsidiaries will assess at the end of the period whether there are any signs of impairment on the asset. If any, the Company and its subsidiaries would estimate the asset impairment.

Corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, the recoverable amount is determined for the cash-generating unit to which the corporate asset belongs.

Impairment losses are recognized in profit and loss account. Impairment losses recognized in respect of cash-generating units are firstly distributed to reduce the carrying amount of any goodwill distributed to the units and then to reduce the carrying amount of other assets in the unit (unit groups) on a pro rata basis.

An impairment loss with respect to goodwill is not reversed. With respect to other assets, impairment losses recognized in prior periods are evaluated at the end of each reporting period, seeking any indication that the loss has decreased or disappeared. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only if the carrying amount of the asset does not exceed the carrying amount that would have been determined net of depreciation or amortization and if no impairment loss has been recognized.

2.19 Revenues from ordinary activities from contracts with customers

Policy applicable from January 1, 2018:

The Companies recognize revenues from contracts with customers based on a five-step model:

- *Step 1 Identify the contract(s) with a customer*: A contract is defined as an agreement between two or more parties, which creates rights and enforceable obligations and establishes criteria that must be met for each contract. Contracts can be written, verbal or implicit through the customary business practices of a company.
- *Step 2. Identify the performance obligations in the contract:* A performance obligation is a promise in a contract with a customer for the transfer of a good or service to the latter.
- *Step 3. Determine the transaction price:* The transaction price is the amount of the payment expected to be entitled to in exchange for the transfer of goods or services promised to a customer, without considering the amounts received on behalf of third parties.
- *Step 4. Allocate the transaction price to the performance obligations in the contract:* In a contract with more than one performance obligation, the transaction price is allocated among the performance obligations in amounts that represent the amount of consideration to which the Company expects to be entitled in exchange for meeting each performance obligation.
- *Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.*

A performance obligation is met and recognizes the revenues over time, if one of the following criteria is met:

a) The performance of the Company does not create an asset with an alternative use, and there is an enforceable right to pay for the performance completed to date.
b) The Company's performance creates or improves an asset that the customer controls as it is created or improved.
c) The customer at the same time receives and consumes the benefits that result from the performance as it works.

For performance obligations where none of the indicated conditions is met, the revenue is recognized when the performance obligation is met.

When the Companies meet a performance obligation by delivering the promised goods or services, they create a contractual asset for the amount of the consideration obtained with the performance. When the amount of the consideration received by a customer exceeds the amount of the recognized revenue, this generates a contractual liability.

Revenue is measured based on the consideration specified in the contract with the customer, and excludes the amounts received on behalf of third parties. The Companies recognize revenue when they transfer control over a good or service to a customer. The revenue is presented net of the value added tax (VAT), reimbursements and discounts.

The Companies evaluate their revenue plans based on specific criteria to determine whether to act as principal or agent. Revenue is recognized to the extent that the economic benefits are likely to flow to the Companies and if revenues and costs, if any, are likely to be reliably measured.

Below is a description of the main activities through which the Companies generate revenue from contracts with customers:

Utilities

The contracts between customer and the companies for utilities provision to distribute and transport of gas and energy establish the rates and terms of the service. The Company and its subsidiaries determined that their obligation to distribute or transport gas, as well as to distribute energy, represents a single performance obligation, which is met over time (in the term of the contract it represents a series of defined goods that are substantially the same and have the same transfer pattern to the customer).

Some contracts include multiple deliverables, such as the installation of connections or repairs, which are accounted for as separate performance obligations. The transaction price is assigned to each performance obligation based on the individual rates (regulated rates). If the contracts include the installation of goods, the revenue of the goods is recognized at the moment in time when the goods are delivered, the legal title is transferred and the customer has accepted said goods.

Operation and construction services (Concessions)

In the concession agreements, the Companies determine that their performance obligations (construction, operation and maintenance) have been met over time and measures its progress in the activation of the project. The Companies consider the nature of the products or services provided and the terms of the contract, such as the right to cancellation, rights to demand or withhold payments, and the legal title to work in a process to determine the best method of input or output to measure the progress toward compliance with a performance obligation.

The Companies apply a single method to measure progress in each performance obligation within a contract. The method can be input (cost incurred, hours worked) or output (units produced, goals achieved).

The estimates of revenues, costs or degree of progress towards completion are reviewed if circumstances change. Any increase or decrease in estimated revenues or costs is reflected in the statement of comprehensive income in the period in which management learned of the circumstances that led to the review.

Non-bank financing and finance leases

Non-bank financing income and accounts receivable for financial leases are recognized in results at amortized cost, using the effective interest method described in IFRS 9 issued on January 1, 2012, however, companies also obtain income containing components that are within IAS 18, such as the commissions collection.

Sale of assets

Revenues from sale of assets are recorded when the significant risks and benefits pertaining to the ownership of the assets have been transferred to the buyer, generally when delivering said assets.

2.20 Financial Revenues and Costs

It mainly includes revenues and/or expenses for the update of the financial asset associated with the concession, which is periodically updated through profit or loss. Additionally, the Companies' financial revenues and costs include interest revenues and expenses, which are recognized using the effective interest method and the exchange difference.

2.21 Recognition of Costs and Expenses

The Company and its Subsidiaries recognize their costs and expenses as economic events occur in such a way that they are systematically recorded in the corresponding accounting period (accrual), regardless of the flow of monetary and financial resources (cash).

An expense is immediately recognized when a disbursement does not generate future economic benefits or when it fails to meet the necessary requirements for recognition as asset.

2.22 Earnings per Share

Promigas presents information of basic earnings per shares of its common shares. Basic earnings per shares are estimated by dividing the result attributable to the Company's common shares by the weighted average of common shares outstanding during the period, adjusted by the Company's own maintained shares.

2.23 Operating Segments

The information by segment is presented consistently with the internal reports reviewed by the chief operating decision maker (CODM). The Company has the following segments:

- Gas transportation
- Gas distribution
- Integrated solutions for the industry
- Power distribution
- Non-bank financing

Senior Executives regularly review the results of the segments and evaluate the results of each operation and the resources that must be allocated.

NOTE 3. RISK MANAGEMENT

The Companies are exposed to a variety of risks, including market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, liquidity risk, operational and legal risks, which are managed depending on their nature.

Risk Management Framework

The Companies' Boards of Directors are responsible for establishing and supervising the risk management structure of Promigas and its subsidiaries.

The Companies' risk management policies are provided in order to identify and analyze the risks faced, set limits and appropriate risk controls, and monitor risks and adherence to limits. Policies and risk management systems are reviewed regularly to reflect changes in market conditions and activities of Promigas and its subsidiaries.

The Companies, through management standards and procedures, aim to develop an environment of disciplined and constructive control where all employees understand their roles and obligations.

3.1 Market Risk:

1. *Macroeconomic Factors*

The main macroeconomic factors that impact the financial results of Promigas and its subsidiaries are devaluation, inflation and the Fixed Term Deposit (FDT for its acronym in English) interest rate.

Operating revenues are generated through fees that are indexed in US dollars, transport service invoices are issued in Colombian pesos and settled with the exchange rate at the time of invoice, while 95% of costs are in Colombian Pesos. Therefore, the exchange rate variation may positively or negatively affect income. The exchange rate exposure is mitigated by the contracting financial hedging instruments (Forwards), which are contracted provided that future dollar sale rates are greater than or equal to the macroeconomic bases budgeted by the Companies.

In respect to inflation, FDT and other interest rates, the Companies are exposed given that the total debt is indexed to these macroeconomic indexes. The risk for these variables is mitigated by maintaining a permanent monitoring, which allows timely decision making, maintaining or refinancing existing credits or contracting new obligations, always seeking, where possible, to minimize financial costs.

2. *Vulnerability to Changes in Interest Rates and Exchange Rates*

Fluctuations in interest rates may negatively or positively affect the Companies; however, to mitigate any negative impact that may arise, each and every financial obligation is contracted without prepayment penalty in order to benefit in the event of falls in market rates.

Regarding vulnerability to exchange rates, each project is analyzed independently to determine its exposure and the strategy to be implemented, which could be through the contracting of derivatives or the implementation of hedge accounting. For example, asset accounts held in foreign currency can be hedged naturally with financing in the same currency. Financial liabilities or accounts payable in foreign currency that do not have natural hedging with an active account may be hedged by the contracting of derivatives or by accounting derivatives. The measures implemented seek to minimize exchange rate risk.

3. *Risk of Variation in the Exchange Rate of Foreign Currency:*

The Companies are exposed to variations in the exchange rate produced by transactions in several currencies, mainly in US Dollars. The risk of variation in the exchange rate of foreign currency arises from assets, liabilities, revenues, costs and some recognized expenses.

Assets, liabilities and transactions denominated in foreign currency are those made in currencies different from the Company's functional currency. As of December 31, 2018 and 2017, assets and liabilities denominated in foreign currency, expressed in Colombian pesos are:

	December 31, 2018		December 31, 2017	
	Dollars	Thousands of pesos	Dollars	Thousands of pesos
Current assets	$ 9,501,583	28,352,724	67,639,693	201,836,844
Noncurrent assets	268,643,109	801,631,038	664,737,276	1,983,576,030
Total assets	278,144,692	829,983,762	732,376,969	2,185,412,874
Current liabilities	(4,180,001)	(12,473,122)	(47,682,364)	(142,284,176)
Long-term liabilities	(290,679,351)	(867,387,184)	(580,859,019)	(1,733,283,314)
Total liabilities	(294,859,352)	(879,860,306)	(628,541,383)	(1,875,567,490)
Net asset position	$ (16,714,660)	(49,876,544)	103,835,586	309,845,384

Revenues received by the Companies for the gas transport service are determined by the dollar rate. The sensitivity related to the effect of the dollar in revenues is as follows:

Dollar fluctuation effects on our Net Income/Equity:

Scenario	Devaluation	Value (in millions)
Bajo	4.00%	$ 10,186
Medio	0.00%	-
Alto	(4.00%)	$ (10,186)

For the above sensitivity, we start from the medium scenario, which is the real scenario. For the low and high scenarios, a fluctuation of the devaluation in 400 basis points is considered.

Hedge Accounting

Promigas and its subsidiaries generate revenues from transportation and distribution of gas under a regulated rate in US Dollars. To mitigate the exchange rate effect risks, hedge positions with non-deliverable and deliverable forwards are taken to cover expected cash flows based on income projection. The companies' policy consists on ensuring at least the budgeted income of the companies, neutralizing the exchange rate risk without speculating on the currency.

The Companies contractually monetize the monthly invoicing with the average and final Exchange Rate for the month, so hedge agreements must replicate the exchange Rate of the contract. Through Non-Deliverable Forwards the Company has the option to take as much forwards as there are business days in a month, given that these are negotiated (settled) daily, with an averaged base of the revenues wishing to cover, to which different strike rates apply. At the end of the month, the average rate with which the revenues are contractually settled is simulated with the sum of the settled forwards.
The Companies' risk management strategy consists on adjusting the hedge value instrument periodically, so it reflects the changes in the hedged position. In order to measure the efficiency

expected at the beginning of the hedge and the actual efficiency during the hedge period, the Market to Market-MtM valuation and the Dollar Offset method will be used under an efficiency range of 80-125 percent.

3.2 Price Risk

Companies in the regulated gas transportation and distribution business have a selling price directly established by the government through the Energy and Gas Regulatory Commission (CREG) and for fixed periods; therefore, such companies do not have fluctuation risks. Price changes are generated in times of rate recalculations when the CREG defines the methodology and variables to be included in the respective calculation.

3.3 Credit Risk

Promigas S.A. E.S.P., Surtigas S.A. E.S.P., Gases de Occidente S.A. E.S.P. and Compañía Energética de Occidente S.A. E.S.P., through its non-bank financing Program – Brilla, are exposed to credit risk, which consists of the debtor causing a financial loss for not fulfilling its obligations. Credit risk exposure arises as a result of activities of the Brilla program and transactions with counterparties that lead to financial assets, executed by gas and energy distributors where the program runs.

Brilla it is an approved credit quota that is reflected in the gas bill, granted to users with good payment behavior in their service, with which they can finance construction materials, appliances, gas appliances, furniture, computers, cell phones, university fees, school supplies, motorcycles, and many more products or services offered by the Company's allies.

Brilla began operating in 2007 when Promigas portfolio distributors, at its request, began granting approved credit quotas to users with a good track record in paying connections to the natural gas service.

The maximum exposure to credit risk is the amount of the commitments, reflected in the book value of financial assets and in the Companies' statement of financial position.

The principles and rules for managing the Brilla credit are stated in the Non-Bank Financing Policy. The evaluation criteria to control credit risk follow the guidelines provided by Non-Bank Financing Policy and the Brilla Executive Committee.

The maximum credit authority is the Brilla Executive Committee, which guides the general policy and has the power to establish the credit limits for each distributor that handles credit requests and is responsible for the analysis, monitoring and results.

For credit approvals, the user's payment behavior during the last two years is taken into account and, additionally, for the gas distribution companies, users must have finished paying the gas connection or have a debt less than three hundred thousand pesos.

3.4 Liquidity Risk

Liquidity risk is related to the inability of meeting obligations to creditors, for which purpose the Companies review its available resources on a daily basis. With the information obtained, the Company determines the liquidity needs and makes the relevant decisions to define the excess liquidity placement strategy, seeking to optimize profitability and minimize concentration risk. See notes 6, 17 and 21.

3.5 Interest Rate Risk

The Companies are exposed to effects of market fluctuations in interest rates that affect its financial position and future cash flows.

Therefore, the Companies periodically review the conditions of financial obligations to analyze whether hedges need to be replaced, prepaid or managed. 100% of the financial obligations are contracted without prepayment penalty clauses in order to have benefit in cases of drops of market rates.

Promigas and its subsidiaries contract loans indexed to FDT, CPI, IBR, Libor and Fixed Rate; in addition, issues of ordinary bonds are indexed to the CPI. As for the consolidated financial debt as of December 31, 2018, it consisted of Libor 24.6%, FDT 12.7%, CPI 54.9%, IBR 4,2% and fixed rate 3.6%.

The sensitivity of the net result of fluctuations of interest rates is detailed in the table below:

FDT fluctuation effects:

Variable	Scenario	Rate	Impact		Value
	Low	5.96%	Net Income /Equity	$	(1,823,202)
FDT	Medium	6.96%	Net Income /Equity		-
	High	7.96%	Net Income /Equity	$	1,823,202

For the above sensitivity, we start from the medium scenario, which is the real scenario. For the low and high scenarios, a fluctuation of the devaluation in 100 basic points and a 40% tax rate are considered. The result will be reflected through profit or loss on the following periods.

CPI fluctuation effects:

Variable	Scenario	Rate	Impact		Value
	Low	6.39%	Net Income /Equity	$	(7,905,618)
CPI	Medium	7.39%	Net Income /Equity		-
	High	8.39%	Net Income /Equity	$	7,905,618

For the above sensitivity, we start from the medium scenario, which is the real scenario. For the low and high scenarios, a fluctuation of the devaluation in 100 basic points and a 40% tax rate are considered, with respect to the medium scenario.

Libor fluctuation effects:

Variable	Scenario	Rate	Impact		Value US $
	Low	4.38%	Net Income /Equity	$	(1,089)
Libor	Medium	5.38%	Net Income /Equity		-
	High	6.38%	Net Income /Equity	$	1,089

For the above sensitivity, we start from the medium scenario, which is the real scenario. For the low and high scenarios, a fluctuation of the devaluation in 100 basic points and a 40% tax rate are considered, with respect to the medium scenario.

IBR fluctuation effect:

Variable	Scenario	Rate	Impact		Value US $
	Low	5.86%	Net Income /Equity	$	(604,711)
IBR	Medium	6.86%	Net Income /Equity		-
	High	7.86%	Net Income /Equity	$	604,711

For the above sensitivity, we start from the medium scenario, which is the real scenario. For the low and high scenarios, a fluctuation of the devaluation in 100 basic points and a 40% tax rate are considered, with respect to the medium scenario.

Fixed Rate Fluctuation effect:

Variable	Scenario	Rate	Impact		Value US $
	Low	5.82%	Net Income /Equity	$	(520,892)
Fix rate	Medium	6.82%	Net Income /Equity		-
	High	7.82%	Net Income /Equity	$	520,892

For the above sensitivity, we start from the medium scenario, which is the real scenario. For the low and high scenarios, a fluctuation of the devaluation in 100 basic points and a 40% tax rate are considered, with respect to the medium scenario.

According to the analysis discussed above, the methodology and assumptions used are still valid and have not been modified.

Promigas receives dividends from its gas distributor subsidiaries, which have revenues adjusted for CPI; therefore, the business has a natural hedge against fluctuations that this variable may have.

Promigas and its subsidiaries use the resource investment mechanism to optimize their treasury strategies through Mutual Funds, the returns of which are product of the daily valuation of their portfolios at market price These, can increase interest margins, but can also reduce them and generate losses if unexpected movements in the rate of such funds occur. The Companies monitor on a daily basis the balance of the money invested in Mutual Funds, in order to make decisions whether to transfer the resources to bank accounts in adverse events or keep them, considering that these investments are demand deposits and can be made available at any moment.

In addition, resources remain invested in savings accounts or current accounts with special remuneration, which do not have interest rate risk because they are fixed rates agreed with the banks.

In turn, financial obligations are contracted with prepayment clauses in order to have benefit in the event of market rate decreases.

NOTE 4. DETERMINING FAIR VALUE

Some of the Company and its subsidiaries accounting policies and disclosures require fair value measurement of both financial and non-financial assets and liabilities.

The Company and its subsidiaries have established a control framework regarding the measurement of fair values. This includes the finance team, which has the overall responsibility for the supervision of all significant fair value measurements.

Fair value of assets and liabilities traded in active markets (such as financial assets in debt and equity securities and derivatives actively traded in securities exchange or interbank markets) is based on market prices quoted at the end of the trade on the reporting period closing.

An active market is a market where transactions for assets or liabilities are carried out with the required frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets and liabilities not traded in an active market is determined using valuation techniques permitted by the IFRS that are in line with those established by the Financial Superintendence. Promigas and its subsidiaries use a variety of methods and assume that they are based in market conditions existing on each period closing date. The valuation techniques used for forwards include the use of recent similar transactions in equal conditions, references to other substantially similar instruments, discounted cash flow analysis, option pricing models and other valuation techniques commonly implemented by market participants that make the most of market data and rely as little as possible on entity specific data. The fair value of non-current assets held for sale is determined by independent experts using the replacement cost method minus damages.

Promigas and its subsidiaries develop internal financial models to measure instruments that lack active markets, which are based on generally accepted valuation methods and techniques standardized for the different items. Under this practice, Promigas and its subsidiaries have estimated the fair value of the financial asset that arises in pipeline concession agreements according to IFRIC 12 - Service Concession Arrangements, and in its estimate by not having observable market transactions or market information. Such markets must estimate the price of an ordered transaction to sell the asset or transfer the liability between market participants on the date of the measurement under current market conditions.

The model output is always an estimate or approximation of a value that cannot be determined with certainty, and the valuation techniques used may not fully reflect every factor relevant to the Companies positions. Therefore, valuations are adjusted, if necessary, to allow additional factors, including model, liquidity and counterparty risks.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value level hierarchy within which the fair value measurement is categorized in its entirety is determined based on the lowest level input that is significant to the entire measurement of the fair value. For such purpose, the importance of an input is assessed with respect to the measurement of fair value in its entirety. If a measurement of fair value uses observable inputs that require significant adjustments based on unobservable inputs, such measurements is a Level 3 measurement. The evaluation of the importance of a particular input for the measurement of fair value in its entirety requires judgment, considering factors specific to the asset or liability.

Determining what constitutes "observable" requires significant judgment by the Companies. Promigas and its subsidiaries consider observable data any market data that is already available, that is distributed or updated regularly, that is reliable and verifiable, that has no property rights, and that is provided by independent sources that actively participate in the reference market.

4.1 Fair Value Estimate of Financial Assets under Concession

Promigas and its subsidiaries designate at fair value through profit or loss the group of financial assets related to concession contracts governed by the petroleum law due to the contractual nature of the asset, taking into account that the Government will exercise the purchase at the end of the contract at its fair price in accordance with Article 51 of the Petroleum Code. In order to determine fair value, the income approach is applied. Discounted cash flows correspond to the residual value (perpetuity) of the cash flows generated by the assets under concession, i.e., the estimated flows that such assets would generate from the end of the concession onwards; subsequently, the value of the financial asset will be adjusted in each period; this adjustment will be made considering once again changes in the assumptions made in the company discount rate (WACC) and the new horizon of the end of the concession.

Below is the sensitivity of the fair value of the financial assets under concession measured at fair value through the following variables for the low and high scenarios with a variation of plus or minus 10 basis points:

Net Income Impact	High	Low
	Figures in millions	
Discount Interest Rates	(80,133)	83,585
Gradual growth into perpetuity	48,662	(47,020)
	%	
Discount Interest Rates	(11.0%)	11.5%
Gradual growth into perpetuity	6.7%	(6.5%)

The valuations of financial assets are considered at level III of the hierarchy in the measurement of fair value

Fair Value Measurements on a Recurring Basis

Fair value measurements on a recurring basis are those that the IFRS require or allow in the statement of financial position at the end of each reporting period.

The following table analyzes, within the fair value hierarchy, the assets and liabilities (by class) of Promigas and its subsidiaries measured at fair value on a recurring basis as of:

	December 31, 2018		December 31, 2017	
	Level 2	Level 3	Level 2	Level 3
Assets				
Hedging asset position	$ 42,966	-	5,154,056	-
Equity instruments through profit and loss	166,217,252	-	148,251,078	-
Financial instruments at fair value through profit and loss	300,000	-	299,618	-
Equity instruments through OCI	13,300,940	-	12,771,198	-
Long-term concession financial assets	-	2,488,413,572	-	2,282,610,894
Investment properties	-	4,101,669	-	2,875,000
	$ 179,861,158	2,492,515,241	166,475,950	2,285,485,894
Liabilities				
Hedging liability position	$ 14,843,102	-	165,516	-

Promigas and its subsidiaries have no assets or liabilities categorized in Level 1, considering that for an asset or liability to be categorized in Level 1, its values must be based on quoted prices in active markets.

Financial instruments not traded in active markets, but valued according to quoted market prices, broker quotes or alternative price sources supported by observable inputs, are categorized in Level 2. Derivatives from foreign currency and free sale derivatives hedging contracts are included. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, the valuations may be adjusted to reflect illiquidity or non-transferability, which are generally based on available market information.

When a price for an identical asset or liability is unobservable, an entity shall measure the fair value suing another valuation technique that maximizes the use of relevant observable input data and minimizes the use of unobservable input data. Given that fair value is a market-based measurement, it is measured using assumptions that market participants would use to fix the price of the asset or liability, including risk assumptions. These financial instruments are categorized in Level 3. These are the financial assets recognized at fair value for the sale obligation of the residual interest of the infrastructure at the end of the concession agreements.

Assets reflected in the Company and its subsidiaries' statement of financial position correspond to the financial asset of the unconditional contractual right to receive from the Colombian State or from an entity under its supervision cash or other financial asset for the construction services of the pipelines and networks under concession by the end of the term of the concession agreements, the payment of which the State has little or no ability to avoid, as the agreement is enforceable by law.

Management has decided that the best option to measure the fair value of the financial asset is free discounted cash flow, as it reflects current market expectations on future amounts that constitute the fair value of the concession to be negotiated with the State, once completed or renewed.

The assumptions for calculating the financial asset were:

- The financial asset is calculated considering the date of termination of the respective concession agreement.

- Promigas and some of its subsidiaries made proportional calculations for the completion of each current concession agreement.

- Only operating cash flows of these assets under concession were considered. Below are the components of the calculation:
  - Free cash flow generated exclusively by assets under concession
  - Concession expiry period
  - Perpetuity value of Free Cash Flow (FCF) for year n
  - Current value discounted of WACC residual value*
  - Financial Revenue: Annual adjustment of the value of the financial asset

* Nominal WACC (Weighted Average Cost of Capital) calculated under the CAPM, which is updated periodically.

Significant unobservable input data used for measuring the financial asset fair value for the pipelines under concession are: operating revenues, costs and expenses and investments pertaining exclusively to the assets under concession, and the WACC formula intended to take into account the sources of capital used and their share in the total capital of the Company, to determine the average cost of procuring equity capital resources and financial debt. Increases (decreases) in any of these input data considered independently would result in a fair value measurement significantly lower (greater). Generally, a change in the assumption used to project revenues is reflected accordingly in the measurement of the financial asset and with an opposite change in the assumption of costs and expenses.

Promigas and its subsidiaries periodically review the Level 3 valuations and consider the appropriateness of the valuation model inputs and valuation result using several industry standardized valuation methods and techniques. In selecting the most appropriate valuation model, the Company and its subsidiaries conduct the tests once again and consider which are the results of the model that historically are more in line with actual market transactions.

		Investment Properties	Financial Assets Related to Pipelines Under Concession
Balance as of December 31, 2016	$	-	2,072,674,462
Adjustments to fair value through profit or loss		-	209,936,432
Adjustments to fair value charged to the OCI		(336,321)	-
Reclassified from Property, plant and equipment		3,211,321	-
Balance as of December 31, 2017	$	2,875,000	2,282,610,894
Adjustments to fair value through profit or loss		639,762	205,802,678
Reclassifications (a)		586,907	-
Balance as of December 31, 2018	$	4,101,669	2,488,413,572

(a) Corresponds to the reclassification of the plot located in the La Soledad district that is part of the El Bolivar farm, which went from being non-current assets held for sale to investment property in the entity Promisol S.A.S.

NOTE 5. CHANGES IN ACCOUNTING POLICES

As of January 1, 2018, a change in accounting policy was made given the adoption of IFRS 9 - financial instruments and IFRS 15 revenue from contracts with clients are detailed in subsection “c, r and s” of this note.

Following is the applicable policy applied as of December 31, 2017:

Services provision: Promigas provides pipeline gas transportation services and other maintenance services related to transportation activity. The revenue recognition for services provision is made in the accounting period in which those services are provided, by reference to the completion stage of the specific transaction and assessed on the actual service basis provided as a proportion of total services that will be provided. When services are provided through an indeterminate number of acts, over a specified period of time, revenue from ordinary activities is recognized in a linear manner over the agreed time interval.

Non-bank financing - Non-bank financing income is recognized in results at amortized cost, using the effective interest method.

Construction contracts - Revenue from ordinary construction contracts activities on concessioned networks is measured by the fair value of the consideration received or to be received. Promigas recognizes revenue from ordinary activities and costs in accordance with IAS 11- Construction Contracts, taking into account the completion stage of some construction phases. Revenue is measured by the fair value of the consideration received or to be received.

Goods sales - Revenue from the goods sale is recorded when the significant risks and rewards inherent in the ownership of the goods have been transferred to the buyer, generally when delivering said goods.

Revenue policy change impact. Income determination according to "IFRS 15 Revenue from ordinary activities from customer contracts" did not generate impacts on the financial statements.

Financial Instruments

Financial Assets

Recognition, initial measurement and classification – The financial assets initial recognition is at fair value; In the case of a financial asset that is not accounted for at fair value through profit or loss, transaction costs directly attributable to the financial asset acquisition are added.

Financial assets are classified as measured subsequently at amortized cost or at fair value based on:

a. Entity business model to manage the portfolios of financial assets.

b. Of the characteristics of the contractual cash flows of the financial asset.
Financial assets purchases or sales that require assets delivery within a period established by a market norm or convention are recognized on sale date, that is, the date on which the company undertakes to buy or sell the asset.

Financial assets include cash and cash equivalents, debt securities, trade accounts receivable, other accounts receivable and derivative transactions.

Financial assets at fair value - Financial assets at fair value with changes in results include undesignated financial assets at the time of their classification as amortized cost.

Financial assets at amortized cost - A financial asset is measured at amortized cost using the effective and net interest method of impairment loss, if:

1. The asset is maintained within a business model with the objective of maintaining the assets to obtain the contractual cash flows; and

2. The contractual terms of the financial asset give rise, on specific dates, to cash flows that are only capital and interest payments.

Equity instruments

Equity instruments are measured at fair value through profit or loss, except those designated through other comprehensive income considered strategic. However, in specific circumstances, cost may be an appropriate estimate of fair value. That may be the case if the recent information available is insufficient to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

Financial assets at fair value through other comprehensive income include equity instruments. Equity instruments designated at fair value through other comprehensive income are those that are neither classified as held for trading or as at fair value through profit or loss. This classification is irrevocable.

For investments in equity instruments not held for trading, the companies may choose at initial recognition to present gains and losses in other comprehensive income. For such investments measured at fair value through other comprehensive income, gains and losses are never reclassified to results and no impairment is recognized. Dividends earned from such investments are recognized in income unless the dividend clearly represents a repayment of part of the cost of the investment. Free-standing trust funds are managed according to their purpose:

1. If there is control, it must be determined whether it is a cash management asset, in that case they are recorded from the separate one according to the types of product that the autonomous equity implies, for example savings accounts, collective portfolios, etc.
2. In cases where there is no control, they are registered in the line of fiduciary orders and mandates where there is no control.
3. In case of control and not for the administration of cash resources then it must be registered in accordance with IFRS 10 and consolidate it, however, this type of assets is currently not available.

Disposal of assets - A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The contractual rights on the cash flows of the asset expire;
- The contractual rights on the cash flows of the asset are transferred or an obligation is assumed to pay to a third party all of the cash flows without a significant delay, through a transfer agreement;
- Substantially all risks and rewards inherent in ownership of the asset have been transferred;
- Substantially all risks and rewards inherent to ownership of the asset are retained, but control of the asset has been transferred.

Financial liabilities - A financial liability is any contractual obligation to deliver cash or another financial asset to another entity or person, or to exchange financial assets or financial liabilities under conditions that are potentially unfavorable to the Company or a contract that will be or may be settled using equity instruments of the entity. Financial liabilities are initially recorded at their transaction value, which, unless otherwise determined, is similar to their fair value, less transaction costs that are directly attributable to their issuance. Subsequently, said financial liabilities are measured at their amortized cost in accordance with the effective interest rate method determined at the initial time charged to results as financial expenses.

Financial liabilities are only written off the statement of financial position when the obligations they generate have been extinguished or when they are acquired (either with the intention of canceling them, or with the intention of relocating them again)

Financial instruments compensation in the balance sheet - Financial assets and liabilities are compensated and the net amount reported in financial position statement, when there is legally the right to compensate the recognized amounts and there is management intention to settle them on net basis or make the asset and settle the liability simultaneously.

Impairment of financial assets - By the end of each reported period, the Company assesses whether there is any objective evidence of an impaired financial asset or group thereof. A financial asset or group thereof is considered impaired only if there is objective evidence of impairment as a consequence of one or more events occurring after the initial recognition of such asset (an “event causing the loss”), and if such event causing the loss has an impact over future estimated cash flows of the financial asset, which can be reliably estimated.

Impairments objective evidence may include debtors signs or group thereof having significant financial difficulties, nonpayment of or default in principal or interest payments, the bankruptcy likelihood or other form of financial reorganization, and when observable data indicate that there is a measurable decrease in future estimated cash flows, such as adverse changes in the status of overdue payments or in the financial conditions that correlate with defaults.

To determine the impairment of financial assets, the Company and its subsidiaries use the quantification of incurred losses, which considers three basic factors: exposure, probability of default and severity, as follows:

1. Exposure is the amount of risk at the time of the counterparty default.

2. Probability of default is the likelihood that the counterparty defaults on its obligations of principal and/or interest payments. Probability of default is associated with the rating/scoring of each counterparty/transaction.

3. Severity is the estimate of the loss if default occurs. It mainly depends on the counterparty’s characteristics and the appraisal of guarantees or collaterals associated with the transaction.

If in subsequent periods a recovery of the financial asset's value at amortized cost were evident, the loss due to impairment would be reversed. Such reversal will be limited to the book value the financial asset would have had should the loss due to impairment had not been recorded. The record of the reversal is recognized through profit or loss.

The Company adopted the standard using the modified retrospective approach, which means that the cumulative impact of the adoption as of December 31, 2017, was recognized in retained earnings as of that date and that the comparative figures were not restated.

Impact of the change in the provision model for impairment losses on financial instruments
For assets within the scope of the impairment model under IFRS 9, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of the impairment requirements of IFRS 9 as of January 1, 2018, results in an additional impairment assigned as follows:

Retained earnings		
Balance as of December 31, 2017	$	27,222,468
Recognition of expected losses under IFRS 9		
Effect on non-controlling interest		(1,091,767)
Impairment Promigas S.A. E.S.P.		(6,387,542)
Deferred tax		2,107,889
Impairment effect from subsidiaries and equity-accounted investees		(11,607,864)
Total impact as of January 1, 2018		(16,979,284)
Balance as of January 1, 2018	$	(16,979,284)

NOTE 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

		December 31, 2018	December 31, 2017
Domestic currency			
Cash	$	1,163,383	2,278,283
Banks (1)		230,773,380	130,697,766
Cash equivalents		1,106,936	1,673,850
Cash in domestic currency		233,043,699	134,649,899
In Foreign Currency			
Cash		81,789	62,100
Banks (1)		46,230,393	52,868,983
Total in Foreign Currency		46,312,182	52,931,083
Total Cash and Cash Equivalents	$	279,355,881	187,580,982

(1) Breakdown of the credit quality of the main financial institutions where the Company and its subsidiaries keep cash funds, as determined by independent risk rating agencies:

Credit Rating of banks		December 31, 2018	December 31, 2017
AAA	$	191,359,596	123,599,697
AA+		67,055,978	17,961,300
AA		214,875	-
A+		5,816,944	35,951,357
BBB+		12,047,172	6,052,188
BBB		509,208	2207
	$	277,003,773	183,566,749

NOTE 7. FINANCIAL ASSETS AT FAIR VALUE

The balance of financial assets at fair value is as follows:

		December 31, 2018	December 31, 2017
Short-term			
Equity instruments through profit or loss	$	166,217,252	148,250,696
Other accounts receivable		42,966	5,154,056
	$	166,260,218	153,404,752
Long-term			
Financial instruments at fair value through profit or loss	$	300,000	300,000
Equity instruments through OCI		13,300,940	12,771,198
Concession financial assets (1)		2,488,413,572	2,282,610,894
	$	2,502,014,512	2,295,682,092

(1) Corresponds to the obligation of selling the networks and pipelines under concession to the Colombian State at the termination date of the agreements. In accordance with IFRIC 12 - Service Concession Arrangements, the Operator shall recognize a financial asset by the residual interest over the infrastructure insofar as it has an unconditional contractual right to receive from the grantor or from an entity under the latter's supervision, cash or other financial asset for the construction services, the payment of which the grantor has little or no ability to avoid, as the agreement is enforceable by law. According to IFRS 9 - Financial Instruments, financial assets are measured at fair value for each reported period. This measurement is based on the application of IFRS 13 – Fair Value Measurement.

Below is the detail of financial assets for each Company:

		December 31, 2018	December 31, 2017
Promigas S.A. E.S.P.	$	1,970,037,239	1,798,689,386
Transmetano E.S.P. S.A.		131,608,676	127,264,041
Surtigas S.A. E.S.P.		264,897,098	247,256,822
Promioriente S.A. E.S.P.		41,811,532	38,522,356
Gases de Occidente S.A. E.S.P.		80,059,027	70,878,289
	$	2,488,413,572	2,282,610,894

Financial assets correspond to the obligation of selling the networks and pipelines under concession to the Colombian State at the termination date of the agreements. In accordance with IFRIC 12 - Service Concession Arrangements, the operator shall recognize a financial asset by the residual interest over the infrastructure insofar as it has an unconditional contractual right to receive from the grantor or from an entity under the latter's supervision, cash and other financial asset for the construction services, the payment of which the grantor has little or no ability to avoid, as the agreement is enforceable by law. In accordance with IFRS 9 - Financial Instruments, financial assets are measured at fair value for each reported period. This measurement is based on the application of IFRS 13 – Fair Value Measurement.

NOTE 8. FINANCIAL ASSETS AT AMORTIZED COST

The balance of financial assets at amortized cost is as follows:

		December 31, 2018	December 31, 2017
Short-term			
Debt securities	$	24,282	24,334,240
Commercial accounts receivable (1)		852,761,965	843,669,243
Other accounts receivable (2)		46,713,766	58,563,943
	$	899,500,013	926,567,426
Long-term			
Debt securities	$	174,320	-
Commercial accounts receivable (1)		1,603,137,498	1,596,113,662
Other accounts receivable (2)		17,816,868	16,906,777
	$	1,621,128,686	1,613,020,439
	$	2,520,628,699	2,539,587,865

(1) Commercial accounts receivable are made up as follows:

	December 31, 2018			December 31, 2017		
	Third Parties	Related Entities	Total	Third Parties	Related Entities	Total
Short-term						
Gas transport (a)	$ 75,744,991	3,938,455	79,683,446	75,558,317	6,349,031	81,907,348
Gas distribution (a)	290,258,441	1,852,425	292,110,866	322,644,974	1,054,791	323,699,765
Distribution and trade of energy (b)	119,123,331	-	119,123,331	124,324,299	-	124,324,299
Non-bank financing (c)	201,818,746	276,250	202,094,996	179,502,309	458,756	179,961,065
Finance lease	102,635,654	-	102,635,654	107,210,077	-	107,210,077
Other services	137,598,101	15,451	137,613,552	111,041,922	1,174,633	112,216,555
Doubtful debts	377,749	-	377,749	381,326	-	381,326
	927,557,013	6,082,581	933,639,594	920,663,224	9,037,211	929,700,435
Impairment rovision	(80,877,629)	-	(80,877,629)	(86,031,192)	-	(86,031,192)
	$ 846,679,384	6,082,581	852,761,965	834,632,032	9,037,211	843,669,243
Long-term						
Gas distribution (a)	$ 105,360,464	-	105,360,464	85,540,423	-	85,540,423
Non-bank financing (c)	164,438,755	-	164,438,755	139,348,099	-	139,348,099
Finance lease	1,227,416,012	-	1,227,416,012	1,244,768,760	-	1,244,768,760
Other services	134,288,859	-	134,288,859	126,456,380	-	126,456,380
	1,631,504,090	-	1,631,504,090	1.596.113.662	-	1.596.113.662
Impairment provision	(28,366,592)	-	(28,366,592)	-	-	-
	$ 1,603,137,498	-	1,603,137,498	1,596,113,662	-	1,596,113,662

(a) Includes accounts receivable from users of natural gas with the “Brilla” business, whose portfolio ranges from 1 to 5 years at the maximum legal interest rate authorized by the Colombian Financial Superintendence.

(b) As of December 31, 2018 and 2017, includes accounts receivable of: Sociedad Portuaria El Cayao S.A. E.S.P. for the finance lease to Grupo Térmico for the investment in a gas pipeline and a floating storage and regasification unit (FSRU), worth $1,158,196,310 and $111,541,077, and Promisol S.A.S. as a result of the lease agreements entered into with Hocol and Canacol, worth $171,855,356 and $236,693,339, respectively. The variation of the balance is mainly due to the early purchase option exercised by Canacol on the assets delivered in finance lease by Promisol.

(c) Includes accounts receivable from users of natural gas with the “Brilla” business, whose portfolio ranges from 1 to 5 years at the maximum legal interest rate authorized by the Colombian Financial Superintendence.

As of December 31, 2018 and 2017, there are no levies or restrictions on the balance of the debt account.

Below is the consolidated movement of the accounts receivable impairment:

		December 31, 2018	December 31, 2017
Balance at the beginning of the year	$	86,031,192	82,417,253
Impairment		32,569,195	20,063,064
Write-off		(19,174,747)	(14,719,798)
Recovery		(9,911,651)	(1,729,327)
Conversion adjustments		189,656	-
IFRS 9 adoption effect		19,540,576	-
Year-end balance		109,244,221	86,031,192

Below is a summary of the years when long-term accounts will be collected:

Year		Value
2020	$	318,414,874
2021		243,893,598
2022		215,726,858
2023		222,083,885
2023 onwards		631,384,875
	$	1,631,504,090

The composition by maturity of accounts receivable is as follows:

		December 31, 2018	December 31, 2017
Maturity 0 - 30 days	$	2,267,766,710	2,181,028,588
Maturity 31 - 90 days		131,225,864	137,929,719
Maturity 91 - 180 days		71,522,631	19,660,158
Maturity 181 - 360 days		34,855,348	17,709,690
Maturity over 360 days		59,773,131	169,485,942
	$	2,565,143,684	2,525,814,097

(2) Other accounts receivable are as follows:

		December 31, 2018	December 31, 2017
Short-term			
Granted loans	$	2,360,001	2,063,148
Dividends receivable (a)		-	32
Other debtors		44,353,765	56,500,763
	$	46,713,766	58,563,943
Long-term			
Granted loans	$	14,997,190	13,079,553
Other debtors		2,819,678	3,827,224
	$	17,816,868	16,906,777

(a) In August 2017, dividends were received in dollars receivable that were maintained with Gas Natural de Lima y Callao S.A.C. worth $60.089.103 and $2.113.439 for withholdings made abroad.

Below is a summary of the years when long-term accounts receivable will be collected:

Year		Value
2020	$	2,194,914
2021		1,194,365
2022		2,656,404
2023		3,690,614
2023 onwards		8,080,571
	$	17,816,868

NOTE 9. INVENTORIES

Below is the composition of the balances of inventories:

		December 31, 2018	December 31, 2017
Short-term			
Goods in stock	$	43,046,356	51,785,846
Materials for the provision of services		14,202,122	16,158,015
Inventories in transit		-	1,373,863
Inventories held by third parties		5,881,088	3,985,811
		63,129,566	73,303,535
Impairment of inventories		(3,961,510)	(6,905,061)
	$	59,168,056	66,398,474
Long-term			
Materials for the provision of services		14,190,760	12,929,569
Impairment of inventories		(13,673)	(13,780)
	$	14,177,087	12,915,789
	$	73,345,143	79,314,263

Below is the movement of inventory impairment:

		December 31, 2018	December 31, 2017
Balance at the beginning of the year	$	(6,871,583)	(7,005,693)
Impairment through expenses		(487,843)	(151,190)
Write-off		3,384,243	238,042
Year-end balance	$	(3,975,183)	(6,918,841)

NOTE 10. OTHER ASSETS

Below is the detail of other current assets:

		December 31, 2018	December 31, 2017
Short-term			
Prepaid expenses			
Prepayments for energy purchased	$	113,878,303	75,679,238
Insurance		18,868,828	15,080,867
Leases		43,517	74,125
Other prepaid expenses		15,501,520	479,352
Other tax advance payments		35,827,882	27,686,986
Escrow deposits		4,303,142	982,709
	$	188,423,192	119,983,277
Long-term			
Long Term Deposits		625,032	48,429
Expenses paid in advance long term		10,707,412	2,700,541
Deferred advances or balances in favor		10,260,091	-
Investment properties		4,101,669	2,875,000
	$	25,694,204	5,623,970
	$	214,117,397	125,607,247

NOTE 11. INVESTMENTS IN ASSOCIATES

Below is the detail of investments in associate companies:

Company	Economic Activity	Seat	Ownership interest		Book Value	Revenues Equity Method	OCI for the period
December 31, 2018							
Gas Natural de Lima y Cayao S.A.C.	Gas distribution	Peru	40,00%	$	410,984,024	80,984,287	29,420,693
Gases del Caribe S.A. E.S.P.	Gas distribution	Colombia	30,99%		269,184,681	90,333,619	(193,142)
Complejo Energético del Este S.A.	LNG Regasification	Panama	33,00%		3,059,206	-	-
E2 - Energía Eficiente S.A. E.S.P.	Gas trading	Colombia	48,81%		8,251,748	1,324,555	-
Concentra en Inteligencia en Energía S.A.S.	LNG Regasification	Dominican	28,52%		600,597	(13,683)	11,520
					692,080,256	172,628,778	29,239,071
Impairment of investments in associates (1)					(3,059,206)		
				$	689,021,050		
December 31, 2017							
Gas Natural de Lima y Cayao S.A.C.	Gas distribution	Peru	40,00%	$	363,138,570	69,238,176	(1,923,055)
Gases del Caribe S.A. E.S.P.	Gas distribution	Colombia	30,99%		269,738,655	72,448,697	(1,290,765)
Complejo Energético del Este S.A.	LNG Regasification	Panama	33,00%		3,059,206	-	-
E2 - Energía Eficiente S.A. E.S.P.	Gas trading	Colombia	36,17%		6,927,194	249,448	-
Antillean Gas Ltda. (1)	LNG Regasification	Dominican	20,00%		968,035	-	-
Concentra en Inteligencia en Energía S.A.S.	LNG Regasification	Dominican	28,26%		602,761		12,053
						33,946	
					644,434,421	141,970,267	(3,201,767)
Impairment of investments in associates (1)					(4,027,241)		
				$	640,407,180		

(1) Corresponds to the total impairment on the investment in Complejo Energético del Este S.A.

In order to calculate and record the equity method, the Company recognizes the accounting principles to align the accounting policies with those of Promigas S.A. E.S.P.

The total value of the assets, liabilities and equity of the associated companies is indicated below:

Company		Assets	Liabilities	Equity
December 2018				
Gas Natural de Lima y Cayao S.A.C.				
Current		399,449,612	333,866,874	
Non-current		2,544,027,444	1,582,150,124	
	$	2,943,477,056	1,916,016,998	1,027,460,058
Gases del Caribe S.A. E.S.P.				
Current		687,618,588	746,903,979	
Non-current		1,898,050,181	861,203,265	
	$	2,585,668,769	1,608,107,244	977,561,525

Company		Assets	Liabilities	Equity
December 2017				
Gas Natural de Lima y Cayao S.A.C.				
Current		485,511,925	246,874,469	
Non-current		1,955,885,940	1,289,863,886	
	$	2,441,397,865	1,536,738,355	904,659,510
Gases del Caribe S.A. E.S.P.				
Current		611,147,328	726,591,866	
Non-current	$	1,752,316,470	754,728,295	
		2,363,463,798	1,481,320,161	882,143,637

The operations of investments in associates are as follows:

		December 31, 2018	December 31, 2017
Balance at the beginning of the year	$	640,407,180	580,488,718
Dividends declared by companies		(149,562,995)	(78,850,038)
Equity method through profit or loss		172,628,778	141,970,267
Other comprehensive income from associates		29,239,071	(3,201,767)
Effects of adoption of IFRS 9 and 15		(3,690,984)	-
Year-end balance	$	689,021,050	640,407,180

In the first half of 2018 dividends were received from Gases del Caribe S.A. E.S.P. worth $55.024.539.
The dividends declared by the associates as of December 31, 2018 and 2017, are as follows:

		2018		2017	
		Declared	Received	Declared	Received
Gases del Caribe S.A. E.S.P.	$	89,473,891	89,473,891	20,944,598	20,944,598
Gas Natural de Lima y Cayao S.A.C.		60,089,104	57,975,664	57,905,440	57,905,440
Colombiana de Extrucol S.A.		-	275,659	-	-
Others		-	14,630	-	-
	$	149,562,995	147,739,844	78,850,038	78,850,038

Below is the detail of the equity composition of investments in associates, recorded using the equity method:

		Capital	Share placement premium	Reserves	Period Results	Retained earnings	Results from first time adoption of IFRS	Unrealized gains or losses (OCI)	Total equity
December 31, 2018									
Gas Natural de Lima y Cayao S.A.C.	$	474,434,154	-	68,230,750	96,914,708	81,274,684	-	306,605,762	1,027,460,058
Gases del Caribe S.A. E.S.P.		1,755,369	1,260,919	40,051,653	130,614,745	331,603,715	336,459,944	(1,867,164)	839,879,181
Complejo Energético del Este S.A.		13,428,000	-	-	(20,211)	(390,372)	-	1,159,105	14,176,522
E2 - Energía Eficiente S.A. E.S.P.		909,998	1,439,982	454,999	1,926,999	14,457,234	(682,535)	-	18,506,677
Concentra en Inteligencia en Energía S.A.S.		1,764,000	-	-	(71,993)	323,450	-	2511	2,017,968
Total December 2018		492,291,521	2,700,901	108,737,402	229,364,248	427,268,711	335,777,409	305,900,214	1,902,040,406
December 31, 2017									
Gas Natural de Lima y Cayao S.A.C.	$	474,434,154	-	51,539,417	84,983,865	64,028,652	-	233,166,510	908,152,598
Gases del Caribe S.A. E.S.P.		1,755,369	1,260,919	132,760,095	107,063,769	284,607,537	336,459,944	(208,922)	863,698,711
Complejo Energético del Este S.A.		13,428,000	-	-	465	(391,807)	-	-	13,036,658
E2 - Energía Eficiente S.A. E.S.P.		909,998	1,439,982	454,999	2,603,901	13,372,775	(721,671)	-	18,059,984
Concentra en Inteligencia en Energía S.A.S.		1,764,000	-	-	355,902	(62,262)	-	42,643	2,100,283
Antillan Gas Ltd.		8,868,169	-	-	-	(11,691,876)	-	-	(2,823,707)
Total December 2017		501,159,690	2,700,901	184,754,511	195,007,902	349,863,019	335,738,273	233,000,231	1,802,224,527

NOTE 12. PROPERTY, PIPELINES, PLANT AND EQUIPMENT NET

Below is the detail by type of property, pipelines, plant and equipment:

	December 31, 2018			December 31, 2017		
	Cost	Accumulated depreciation	Total	Cost	Accumulated depreciation	Total
Lands	$ 73,046,880	-	73,046,880	70,776,279	-	70,776,279
Construction in progress	22,817,692	-	22,817,692	31,411,813	-	31,411,813
Machinery, plant and equipment in assembly	18,935,725	-	18,935,725	18,488,935	-	18,488,935
Constructions and buildings	87,046,471	(11,698,863)	75,347,608	97,849,255	(9,837,224)	88,012,031
Pipelines and stations	488,803,900	(32,720,775)	456,083,125	471,005,096	(25,752,590)	445,252,506
Networks not under concession	431,316,900	(29,078,074)	402,238,826	403,376,395	(21,604,878)	381,771,517
Machinery and equipment	109,308,581	(44,281,074)	65,027,507	116,144,922	(43,945,192)	72,199,730
Furniture and fittings	12,784,456	(5,432,853)	7,351,603	10,944,306	(4,091,440)	6,852,866
Communication and computer equipment	30,346,217	(19,184,655)	11,161,562	26,647,494	(15,287,965)	11,359,529
Fleet and transportation equipment	25,990,032	(17,167,857)	8,822,175	25,934,009	(14,855,875)	11,078,134
	1,300,396,854	(159,564,151)	1,140,832,703	1,272,578,504	(135,375,164)	1,137,203,340
Impairment	(1,451,423)	-	(1,451,423)	(1,451,423)	-	(1,451,423)
	$ 1,298,945,431	(159,564,151)	1,139,381,280	1,271,127,081	(135,375,164)	1,135,751,917

The movements of property, pipelines, plant and equipment are presented below:

Cost		**Lands**	**Constructions in progress**	**Machinery, plant and equipment in assembly**	**Constructions and buildings**	**Pipelines and stations**	**Networks not under concession**	**Machinery and equipment**	**Furniture and fittings**	**Communication and computer equipment**	**Fleet and transportation equipment**	**Total**
Balance as of December 31, 2016	$	74,040,185	100,244,698	94,753,551	87,804,080	465,829,064	358,039,593	107,213,757	9,085,792	23,042,685	25,091,675	1,345,145,080
Purchases		872,388	58,601,860	17,328,985	1,527,827	261	7,226,796	5,558,428	1,760,554	3,136,304	1,162,453	97,175,856
Capitalized interests		-	996,568	553,155	-	-	-	-	-	-	-	1,549,723
Finance lease		-	-	73,240,413	-	-	-	-	-	-	3,258,656	76,499,069
Withdrawals		(3,978)	(213,436)	-	-	(80,538)	-	(7,969,457)	(147,181)	(544,170)	(752,138)	(9,710,898)
Reclassifications		(4,034,469)	(128,285,152)	(167,387,169)	8,525,918	5,256,309	38,110,006	11,338,949	248,469	1,024,217	(2,821,261)	(238,024,183)
Adjustments for exchange		(97,847)	67,275	-	(8,570)	-	-	3,245	(3,328)	(11,542)	(5,376)	(56,143)
Balance as of December 31, 2017	$	70,776,279	31,411,813	18,488,935	97,849,255	471,005,096	403,376,395	116,144,922	10,944,306	26,647,494	25,934,009	1,272,578,504
Purchases		445,730	60,630,178	1,106,704	429,493		1,099,583	3,687,216	1,615,359	3,099,557	1,672,543	73,786,363
Capitalization in kind		-	-	-	-	-	-	-	26,454	-	-	26,454
Capitalized interests		-	599,827	-	-	-	-	-	-	-	-	599,827
Finance lease		-	-	-	-	-	-	-	-	-	79,755	79,755
Capitalizations		-	(54,230,112)	(346,870)	9,002,917	17,798,804	26,840,922	2,282,546	-	364,044	-	1,712,251
Withdrawals		(56,250)	-	-	-	-	-	(10,366,960)	(60,280)	(478,070)	(680,844)	(11,642,404)
Reclassifications		325,000	(15,843,078)	(313,044)	(20,371,454)	-	-	(2,484,090)	73,062	449,215	(1,118,071)	(39,282,460)
Adjustments for exchange		1,556,121	249,064	-	136,260	-	-	44,947	185,555	263,977	102,640	2,538,564
Balance as of December 31, 2018	$	73,046,880	22,817,692	18,935,725	87,046,471	488,803,900	431,316,900	109,308,581	12,784,456	30,346,217	25,990,032	1,300,396,854

Accumulated depreciation	Lands	Constructions in progress	Machinery, plant and equipment in assembly	Constructions and buildings	Pipelines and stations	Networks not under concession	Machinery and equipment	Furniture and fittings	Communication and computer equipment	Fleet and transportation equipment	Total
Balance as of December 31, 2016	$ -	-	-	(6,679,648)	(18,836,429)	(15,598,029)	(33,817,781)	(2,976,973)	(11,482,332)	(12,498,559)	(101,889,751)
Depreciation	-	-	-	(3,154,657)	(6,947,988)	(5,994,890)	(8,269,709)	(1,158,475)	(3,640,192)	(4,571,717)	(33,737,628)
Withdrawals	-	-	-	-	33,524	-	436,924	125,653	514,675	737,562	1,848,338
Reclassifications	-	-	-	-	(1,697)	(11,959)	(2,294,431)	(81,367)	(678,163)	1,477,028	(1,590,589)
Exchange foreing	-	-	-	(2,919)	-	-	(195)	(278)	(1,953)	(189)	(5,534)
Balance as of December 31, 2017	-	-	-	(9,837,224)	(25,752,590)	(21,604,878)	(43,945,192)	(4,091,440)	(15,287,965)	(14,855,875)	(135,375,164)
Depreciation	-	-	-	(2,388,751)	(6,968,185)	(7,473,196)	(7,633,099)	(1,235,370)	(3,916,161)	(3,875,828)	(33,490,590)
Withdrawals	-	-	-	-	-	-	4,883,217	41,786	444,837	460,184	5,830,024
Reclassifications	-	-	-	665,253	-	-	2,425,815	(97,959)	(335,610)	1,177,786	3,835,285
Exchange foreing			-	(138,142)	-	-	(11,815)	(49,870)	(89,755)	(74,124)	(363,706)
Balance as of December 31, 2018	-	-	-	(11,698,864)	(32,720,775)	(29,078,074)	(44,281,074)	(5,432,853)	(19,184,654)	(17,167,857)	(159,564,151)
Impairment 2017	(1,451,423)	-	-	-	-	-	-	-	-	-	(1,451,423)
Impairment 2018	(1,451,423)	-	-	-	-	-	-	-	-	-	(1,451,423)
Net balance											
Balance as of December 31, 2017	$ 69,324,856	31,411,813	18,488,935	88,012,031	445,252,506	381,771,517	72,199,730	6,852,866	11,359,529	11,078,134	1,135,751,917
Balance as of December 31, 2018	$ 71,595,457	22,817,692	18,935,725	75,347,607	456,083,125	402,238,826	65,027,507	7,351,603	11,161,563	8,822,175	1,139,381,280

(1) Corresponds mainly to transfer to accounts receivable for the entry into operation of the assets located in the Bonga & Mamey plant given in financial lease by Promisol S.A.S. to Hocol S.A. for $217,698,577.

There are currently no restrictions or signs of impairments regarding property, pipelines, plant and equipment that have not been recorded.

NOTE 13. CONCESSIONS ARRANGEMENTS RIGHTS

Detail of assets under concession:

	December 31, 2018			December 31, 2017		
	Cost	Accumulated amortization	Total	Cost	Accumulated amortization	Total
Lands under concession	$ 30,547,738	(1,691,285)	28,856,453	4,074,135	(955,283)	3,118,852
Constructions in progress	430,266,247	-	430,266,247	210,444,651	-	210,444,651
Buildings under concession	26,620,722	(2,292,736)	24,327,986	2,013,327,272	(304,469,875)	1,708,857,397
Pipelines and networks	2,208,432,205	(411,366,501)	1,797,065,704	-	-	-
Machinery and equipment	342,911,811	(88,633,578)	254,278,233	331,583,392	(66,714,922)	264,868,470
	$ 3,038,778,723	(503,984,100)	2,534,794,623	2,559,429,450	(372,140,080)	2,187,289,370

Below are the movements of assets under concession:

		Lands under Concession	Constructions in progress	Buildings under Concession	Pipelines and networks	Machinery and equipment	Concessions
Cost							
Balance as of December 31, 2016	$	3,963,319	233,221,352	-	1,915,805,970	222,704,795	2,375,695,436
Purchases		9,533	106,193,531	-	69,776,560	13,827,592	189,807,216
Capitalized interests		-	16,617,372	-	6,663,302	-	(23,280,674)
Withdrawals		-	(22)	-	(257,260)	(1,657,696)	(1,914,978)
Investment plan		-	-	-	(18,802,725)	-	(18,802,725)
Reclassifications (1)		101,283	(145,587,582)	-	41,181,721	96,708,701	(7,595,877)
Adjustments for exchange		-	-	-	(1,040,296)	-	(1,040,296)
Balance as of December 31, 2017	$	4,074,135	210,444,651	-	2,013,327,272	331,583,392	2,559,429,450
Purchases		-	369,219,886	550,735	71,884,491	169,903	441,825,015
Capitalized interests		-	21,616,426	-	2,212,894	-	23,829,320
Capitalizations		24,081,196	(327,932,141)	5,517,136	287,175,416	11,158,393	-
Withdrawals		-	(101,643)	-	(1,157,243)	-	(1,258,886)
Investment plan		-	-	-	(7,717,482)	-	(7,717,482)
Reclassifications (1)		28,499	5,195,319	20,552,851	(6,403,085)	-	19,373,584
Transfers		-	136,869,039	-	(167,564,633)	123	(30,695,471)
Adjustments for exchange		2,363,908	14,954,710	-	16,674,575	-	33,993,193
Balance as of December 31, 2018	$	30,547,738	430,266,247	26,620,722	2,208,432,205	342,911,811	3,038,778,723
Accumulated Amortization							
Balance as of December 31, 2016	$	-	-	-	(210,197,768)	(43,780,326)	(253,978,094)
Amortization (2)		(955,283)	-	-	(95,039,690)	(23,553,876)	(119,548,849)
Withdrawals		-	-	-	28,345	601,302	629,647
Reclassification		-	-	-	823,250	17,978	841,228
Adjustments for exchange		-	-	-	(84,012)	-	(84,012)
Balance as of December 31, 2017	$	(955,283)	-	-	(304,469,875)	(66,714,922)	(372,140,080)
Amortization (2)		(704,868)	-	(1,627,481)	(105,257,981)	(21,918,533)	(129,508,863)
Withdrawals		-	-	-	157,106	-	157,106
Reclassification		-	-	(665,255)	(9,521)	(123)	(674,899)
Transfers		(12,744)	-	-	12,766	-	22
Adjustments for exchange		(18,390)	-	-	(1,798,996)	-	(1,817,386)
Balance as of December 31, 2018	$	(1,691,285)	-	(2,292,736)	(411,366,501)	(88,633,578)	(503,984,100)
Net balance:							
Balance as of December 31,2017	$	3,118,852	210,444,651	-	1,708,857,397	264,868,470	2,187,289,370
Balance as of December 31, 2018	$	28,856,453	430,266,247	24,327,986	1,797,065,704	254,278,233	2,534,794,623

(1) Reclassifications occur mainly because of the technical and functional analysis carried out on the buildings registered as property, plant and equipment. Management determined that to the extent that the buildings are currently located in the operational areas of the concession, they should be registered as part of the concession. As of December 31, 2018, the relevant transfers were made, recognizing under the concessions item a cost for buildings of $20,385,573 and buildings under construction of $4,576,095 with their corresponding depreciation. Additionally, the revenues and cost of the concession was recognized for $18,243,367 corresponding to the buildings transferred to the concession, including the value of the amortization.

(2) The land is amortized until the end of the associated concession contract, at which time the company will receive economic benefits from them.

In the course of its operations, Promigas and its subsidiaries have the following existing concession agreements:

Concession owner	Business and country	Objective	Current stage	Contract date	Year of construction start	Concession end date
Gas and Energy						
Surtigas S.A. E.S.P.	Gas and Energy Colombia	Purchase, storage, packaging and distribution of gases derived from hydrocarbons.	Operation	03/1984 to 04/1994	1984	2034 to 2045
Transmetano S.A. E.S.P.	Gas and Energy Colombia	Construction, operation and maintenance of gas transportation systems.	Operation and maintenance	08/1994	1996	2044
Promigas S.A. E.S.P.	Gas and Energy Colombia	Purchase, sale, transportation, distribution, exploitation and exploration of natural gas, oil and hydrocarbons in general.	Operation	05/1976 to 11/1994	1976	2026 to 2044
Promioriente S.A. E.S.P.	Gas and Energy Colombia	Construction, operation and maintenance of gas pipelines.	Operation and maintenance	09/1995	1995	2026 to 2044
Promioriente S.A. E.S.P.	Gas and Energy Colombia	Construction, operation and maintenance of gas pipelines.	Operation and maintenance	09/1995	1995	2045
Gases de Occidente S.A. E.S.P.	Gas and Energy Colombia	Transportation and distribution of liquefied petroleum gas and natural gas	Operation	08/1998	1998	2047
Compañía Energética de Occidente S.A. E.S.P.	Gas and Energy Colombia	Administrative, operational, technical and commercial management for the provision of electrical energy.	Construction and Operation	01/2010	2010	2035
Gases del Pacífico S.A.C.	Gas and Energy Perú	Purchase, sale, production, commercialization of energy in any of its forms.	Construction and operation	10/2013	2015	2034
Sociedad Portuaria El Cayao S.A. E.S.P.	Gas and Energy Perú	Construction, maintenance and administration of ports.	Operation and maintenance	07/2015	2015	2035

Except for the Gases del Pacífico S.A.C., Compañía Energética de Occidente S.A. E.S.P. and Sociedad Portuaria El Cayao S.A. E.S.P. contracts, the previous agreements are signed in accordance with Decree 1056/1953, the Petroleum Code (now in force), and other laws complementing it. Each concession with the Government was for 50 years, whereby the government gives Promigas and its subsidiaries the right to build, operate, maintain, exploit and manage a network of public utility pipelines for the transportation of hydrocarbons from La Guajira to major cities such as Barranquilla and Cartagena with trunk pipelines and regional pipelines to other populations in the Atlantic Coast. These agreements additionally have the following relevant elements:

- The agreement required the construction services provision to develop, operate, maintain, exploit and manage a network of pipelines by Promigas and its subsidiaries. The agreements term is 50 years, renewable for 20 more years, without representing an automatic renewal, and the estimated useful life of the pipelines is 70 years, in current conditions and with minimal maintenance required. Additionally, since the concession agreements include construction, operation and maintenance activities, at the end of the contractual term, the pipeline shall be in optimum operating conditions to ensure the continued provision of public utilities beyond the contractual term of the concessions; therefore, it is concluded that the infrastructure is not used for its entire useful life. The extensions should proceed with the approval of the Ministry of Mines and Energy.

- Promigas and its subsidiaries have the right to recover the investment by charging the public service, which is regulated by the Government to set rates for transporting gas through the CREG.

  The remuneration of construction service is included in the fees fixed by the CREG, which are established considering the provisions of the Petroleum Code, as follows:

  - Amortization of invested capital in construction;
  - Maintenance, management and exploitation expenses; and
  - Fair earnings for entrepreneurs.

  Such remuneration with the building service does not cover payments receivable when the Government exercises its right acquired in signing the agreement to buy transportation infrastructure. In fact, in establishing the remuneration of new investments or reinforcement of infrastructure, the regulated asset base is calculated through the concession on a five-year basis, according to the regulatory framework and in which the fair contractual selling price at the end of the concession is not taken into account, enabling Promigas and its subsidiaries to recover its investment by charging customers for services before fulfilling the obligation to sell the system to the State. That is, the final payment is not part of the repayments related to the investments in construction and maintenance.

- The agreement provides that Promigas and its subsidiaries shall be obligated to sell the pipeline only and exclusively to the Government as follows: i) 30 years after the agreement; ii) 50 years after terminating the agreement; and iii) at the end of each extension, if any. Therefore, the Government shall always have the right to purchase the infrastructure at the time that it sees fit, without implying that it has an option of absolute waiver of a payment obligation, but otherwise that it has the ability to choose when to make the payment. Neither party shall have the option of waiving the terms of the agreement with respect to the exercise of the right of purchase by the Government and the obligation to sell by Promigas and its subsidiaries.

  Regarding the above obligation, the Government and Promigas and its subsidiaries shall agree the price of the pipeline and only in case of dispute shall the fair price be fixed by a third party.

  Contract law and the relevant contractual obligation exist because of a transaction or event that has happened in the past; in the case of Promigas and its subsidiaries, the execution of the concession agreement, which sets out the mandatory the sale of the infrastructure to the Government at a fair price at the end of the concession agreement, produces clear economic consequences that the Government, as party to the agreement, has little or no ability to prevent, as the agreement is enforceable by law.

  From the above it follows that, for each concession, Promigas and its subsidiaries is facing a significant residual interest in the pipeline infrastructure and on which it has acknowledged having a right represented in a financial asset by the obligation to sell the infrastructure to the Government, the measurement of which being at fair value.

- Promigas and its subsidiaries may not assign or transfer this Agreement, in whole or in part, to any natural or juridical person without prior approval by the Government, which, at its discretion, can approve or deny it without being obligated to provide the reasons for its determination.

Concession for the Provision of Electric Power

Compañía Energética de Occidente S.A.S. E.S.P. (CEO) was incorporated for the purpose of assuming at its own risk and expense the administrative, operational, technical and commercial management, the investment, expansion of coverage, reconditioning and preventive and corrective maintenance of the infrastructure and other activities required for the provision of electric power distribution and trading services in the Department of Cauca. The execution of the Management Agreement was on August 1, 2010, and has a 25-year term.

For the development of the purpose of the agreement, CEO received as lease the assets and possession and use of the infrastructure for the distribution and trade of public services. Upon termination of the management agreement for whatever reason, the infrastructure and assets owned by CEO will be transferred without any consideration to Centrales Eléctricas del Cauca S.A. (Cedelca), the counterparty to the management agreement, in which the National Government has shareholding interest.

CEO, as manager, shall comply with the law and regulations regarding subsidies to lower-income strata and solidarity contribution.

In signing the agreement CEO has also agreed to pay and invest in the following:

a) Monthly and during the contract term the sum of $887,000 plus VAT. These payments shall be adjusted on January 1 of each calendar year, according to the CPI variation of the previous year between January 1 and December 31, as consideration for the use of the infrastructure.

b) With the execution of the agreement, constituted rights worth $44,000,000 and purchase of assets for $ 46,236,194 payable to Cedelca S.A.

c) CEO has agreed to develop an investment plan, understanding such investments as those made in non-current assets (tangible or intangible) that shall serve for the expansion, replacement and improvement of the infrastructure throughout the 25-year period, worth $328,875,000.

For this agreement, CEO, acting as operator, applied the intangible asset model according to IFRIC 12 – Service Concession Agreements, considering that the compensation mechanism will be realized by charging the use if the infrastructure, even though, as Operator, it has no obligation to build but to make improvements to the infrastructure, which are recognized as they are performed as an intangible asset measured at cost.

In addition, CEO is also contractually obligated to perform corrective maintenance as part of the contractually defined investment, and recognized as part of the intangible asset.

Port Consideration Concession

Sociedad Portuaria el Cayao S.A. E.S.P. is in charge of running the first liquefied natural gas (LNG) regasification plant in Colombia, operated by a Floating Storage Regasification Unit (FSRU), since December 2016. For this purpose, a Port Concession agreement was entered into with the National Infrastructure Agency (ANI, for its Spanish abbreviation), which grants the entity the right to build, operate and maintain a port terminal. This was evaluated under the scope of IFRIC 12 – Service Concession Agreements, thus recognizing an intangible asset for its right to charge rates to users. In accordance with the reversal clause of the same agreement, this gas pipeline will be assigned free of charge and in an operational state at the end of the agreement.

Concession in Peru

By Supreme Resolution No. 067-2013-EM published on October 18, 2013, the Concession of the Natural Gas Distribution System was granted to Gases del Pacífico S.A.C., comprising the following regions: Lambayeque, La Libertad, Ancash and Cajamarca; under the terms and conditions detailed in the Concession Agreement. The main issues set out in the agreement are the following:

- The term of the Concession Agreement is 21 years from the closing date (subject to extension of up to 60 years); however, by document No. 981-2016 MEM/DGH dated June 1, 2016, the General Hydrocarbons Directorate (hereinafter DGH) submitted Technical-Legal Report No. 011- 2016-MEM/DGH-DNH-DGGN, which specifies that the Concession's operating term is 19 years from the Commercial Operation (POC).

- The Company will deliver an irrevocable, unconditional, joint-liability letter of guarantee of automatic performance, without exclusion benefit, which must be issued by a bank for US $20,000,000, with coverage from the closing date to 60 days after compliance with the First Connections Plan. After such date, the letter of guarantee must be for US $3,000,000. During the term of the Concession Agreement, the Company will be the owner of the Assets Under Concession, which will be transferred to the Concessionaire at the end of the Concession Agreement.

- The Company may assign its contractual position in the Concession Agreement, which shall be total, including all rights and obligations.

Additional Information Required for Concession Agreements Currently Under Construction

The following is a breakdown of the main movements of revenues and costs incurred in the stage of construction of concession agreements in the semesters ended December 31, 2018 and 2017:

	Period accruals	
	Revenues	**Costs**
December 2018		
Revenues from concession agreements	346,175,508	-
Construction costs incurred in the period	-	346,175,508
December 2017		
Revenues from concession agreements	200,638,639	-
Construction costs incurred in the period	-	200,638,639

As of December 31, 2018 and 2017, the Company and its subsidiaries had no contingent assets under revenues receivable caused by a contractual dispute in a pipeline construction, other than a recognition rate. Nor did the Company have any contingent liabilities under fines or penalties imposed by the Government in the performance of the concession agreement for possible contractual breaches.

NOTE 14. GOODWILL

Goodwill generated by the purchase of companies are detailed below:

		December 31, 2018	**December 31, 2017**
Gas Natural de Lima y Cayao S.A.C.	$	20,912,996	20,912,996
Compañía Energética de Occidente S.A.S. E.S.P.		448,207	448,207
Gases de Occidente S.A. E.S.P.		65,577,389	65,577,389
Promioriente S.A. E.S.P.		2,845,365	2,845,365
Promisol S.A.S.		91,501	91,501
Surtigas S.A. E.S.P.		35,414,936	35,414,936
Transmetano E.S.P. S.A.		921,966	921,966
Sociedad Portuaria El Cayao S.A. E.S.P.		329,486	329,486
Transoccidente S.A. E.S.P.		234,352	234,352
Enercolsa S.A.S.		2,042,727	2,042,727
	$	128,818,925	128,818,925

As of December 31, 2018 and 2017, a financial analysis of the results of each company was performed in order to monitor financial soundness indicators that reflect whether there has been any business impairment. To determine whether capital gains impairment has occurred, the following criteria were evaluated:

- Significant decrease in the fair value of a long-term asset or cash-generating unit (CGU).
- Significant adverse changes in the way in which the long-term asset is being used or in its physical condition.
- Adverse change in legal factors or in the business environment that may affect the value of the asset.
- Cost accumulation much higher than originally expected in the acquisition or construction the asset.
- A current period or a history of operating losses in the cash movement involving ongoing losses.
- A highly likely current expectation that a long-term asset will be sold or derecognized before its estimated useful life.

No reductions were found in the value of long-term assets or the group, nor were there significant changes recognized in the legal or business environment factors that may affect the value of the asset.

The results of the recovery test yielded satisfactory figures in all the related entities. No changes or events were found indicating non-recoverability of the recognized capital gains. In addition, the Company performed an impairment test at this time and no deterioration was evident. As of December 31, 2018 and 2017, the valuation was as follows:

Figures in millions of pesos		Total valuation	Direct interest	Book Value	Fair value free cash flow (% Promigas)	Excess on book value
December 31, 2018						
Gas Natural de Lima y Cayao S.A.C.	$	2,180,387	40,00%	428,527	872,155	443,628
Compañía Energética de Occidente S.A.S. E.S.P.		527,039	49,00%	58,385	258,249	199,864
Gases de Occidente S.A. E.S.P.		1,230,519	94,43%	241,008	1,161,993	920,985
Promioriente S.A. E.S.P.		679,516	73,27%	281,407	497,907	216,500
Gases del Caribe S.A. E.S.P.		4,226,724	30,99%	261,741	1,310,006	1,048,265
Gases del Pacífico S.A.C.		492,683	75,00%	17,457	369,509	352,052
Promisol S.A.S.		385,245	100,00%	108,053	385,245	277,192
Surtigas S.A. E.S.P.		980,894	99,99%	496,400	980,786	484,386
Transmetano E.S.P. S.A.		355,568	99,67%	160,344	354,379	194,035
Sociedad Portuaria El Cayao S.A. E.S.P.		277,639	51,00%	106,541	141,596	35,055
Transoccidente S.A. E.S.P.	$	14,298	79,00%	8,010	11,296	3,286
December 31, 2017						
Gas Natural de Lima y Cayao S.A.C.	$	2,112,737	40,00%	384,052	845,095	461,043
Compañía Energética de Occidente S.A.S. E.S.P.		565,374	49,00%	59,715	277,033	217,318
Gases de Occidente S.A. E.S.P.		1,744,268	90,12%	289,300	1,571,935	1,282,635
Promioriente S.A. E.S.P.		678,281	73,27%	272,225	497,002	224,777
Gases del Caribe S.A. E.S.P.		2,830,243	30,99%	269,739	877,189	607,450
Gases del Pacífico S.A.C.		230,844	75,00%	11,749	173,132	161,383
Promisol S.A.S.		271,708	100,00%	81,270	271,708	190,438
Surtigas S.A. E.S.P.		760,630	99,99%	479,756	760,548	280,792
Transmetano E.S.P. S.A.		338,372	99,67%	159,583	337,241	177,658
Sociedad Portuaria El Cayao S.A. E.S.P.		242,566	51,00%	93,725	123,709	29,984
Transoccidente S.A. E.S.P.	$	17,191	69,00%	7,223	11,862	4,639

NOTE 15. OTHER INTANGIBLE ASSETS

Below is the detail of other intangible assets:

		December 31, 2018			December 31, 2017		
		Cost	Accumulated Amortization	Net book value	Cost	Accumulated Amortization	Net book value
Licenses	$	97,109,180	(43,211,010)	53,898,170	-	-	-
Software		2,081,580	(1,049,291)	1,032,289	90,517,111	(34,342,887)	56,174,224
Rights		7,115,749	(2,153,342)	4,962,407	5,485,961	(492,680)	4,993,281
Other intangibles assets		25,020,845	(475,098)	24,545,747	14,043,338	(503,241)	13,540,097
	$	131,327,354	(46,888,741)	84,438,613	110,046,410	(35,338,808)	74,707,602

Below is the movement of intangible assets:

		December 31, 2018	December 31, 2017
Cost			
Balance at the beginning of the year	$	110,046,410	93,255,071
Purchases		20,899,231	18,079,901
Additions for capitalization in kind		2,930,171	-
Withdrawals, sales (net)		(617,695)	-
Reclassifications		(2,886,799)	(1,273,752)
Adjustments for exchange		956,036	(14,810)
Year-end Balance	$	131,327,354	110,046,410
Accrued amortization			
Balance at the beginning of the year	$	(35,338,808)	(26,071,673)
Amortization		(12,080,873)	(10,547,823)
Withdrawals, sales (net)		606,017	-
Reclassifications		3,838	1,276,004
Adjustments for exchange		(78,915)	4,684
Year-end Balance	$	(46,888,741)	(35,338,808)

NOTE 16. DEFERRED TAX, NET

Below is the detail of the deferred income tax asset and liability:

		December 31, 2018	December 31, 2017
Deferred tax assets, net	$	74,411,250	62,772,169
Deferred tax liabilities, net		(557,592,810)	(581,234,108)
Deferred tax, net	$	(483,181,560)	(518,461,939)

Below is the detail of the movement of deferred income tax:

	December 31, 2016	Credited (debited) to profit and loss	Credited (debited) to OCI	OCI conversion adjustment	December 31, 2017	Credited (debited) to profit and loss	Credited (debited) to OCI	OCI conversion adjustment	Recognized directly through equity	December 31, 2018
Credit portfolio	(8,252,591)	(92,769,295)	16,818	-	(101,005,068)	58,873,660	680,032	-	6,543,784	(34,907,592)
Concession agreements	19,651,316	14,666,348	-	-	34,317,664	(10,171,513)	-	-	-	24,146,151
Biological asset	-	-	-	-	-	-	-	-	-	-
Fiscal losses	10,588,429	15,740,591	-	-	26,329,020	13,411,214	-	-	-	39,740,234
Excess of presumptive income	58,682	(50,496)	-	-	8,186	111,602	-	-	-	119,788
Liability provisions	4,035,142	6,552,090	-	-	10,587,232	7,860,476	(5,692)	-	-	18,442,016
Difference between accounting and tax Values of property, plant and equipment	254,451,126	(168,240,086)	-	-	86,211,040	(44,429,593)	-	-	-	41,781,447
Lease agreement	-	60,385	-	-	60,385	2,657,426	-	-	-	2,717,811
Provision of investment commitment	52,095,795	(3,044,151)	-	-	49,051,644	(5,073,081)	-	-	-	43,978,563
Employee benefits	(229,870)	644,866	-	-	414,996	(136,747)	17,875	-	-	296,124
Valuation of derivatives	(2,247,507)	1,017,116	(65,467)	-	(1,295,858)	2,267,850	3,935,898	-	-	4,907,890
Goodwill	(2,598,921)	2,598,921	-	-	-	-	-	-	-	-
Deferred charges	-	1,154,574	-	-	1,154,574	(614,076)	-	-	-	540,498
Financial assets	(427,913,514)	(45,225,760)	-	-	(473,139,274)	735,752	-	-	-	(472,403,522)
Valuation of equity investments	(16,753,275)	348,186	(2,289,918)	-	(18,695,007)	1,378,087	1,206,740	-	127,688	(15,982,492)
Cost of property, plant and equipment	(57,657,307)	(45,436,333)	(160,765)	-	(103,254,405)	(155,456)	-	-	-	(103,409,861)
Cost of intangible assets	(93,364,731)	45,705,012	-	-	(47,659,719)	5,682,902	-	-	-	(41,976,817)
Commercial bank loans	-	(1,066,295)	-	-	(1,066,295)	1,066,295	-	-	-	-
Conversion effect deferred tax account Gases del Pacífico S.A.C.	(368,724)	242,603	-	(311,091)	(437,212)	579,599	-	1,577,936	-	1,720,323
Others	12,425,026	6,138,668	1,392,464	-	19,956,158	(21,467,367)	8,619,088	-	-	7,107,879
Accounts receivable	(239,458,676)	239,458,676	-	-	-	-	-	-	-	-
$	(495,539,600)	(21,504,380)	(1,106,868)	(311,091)	(518,461,939)	12,577,030	14,453,941	1,577,936	6,671,472	(483,181,560)

Income Tax:

The Company and its subsidiaries are subject to an income tax with a rate as of December 31, 2018, of 33%. The mentioned rate is applicable to the highest of the net income or the presumptive income. To calculate the presumptive income, 3.5% of the net worth of the previous year was applied.

The subsidiaries Gases del Pacífico S.A.C. and Gases del Norte del Perú S.A.C., as of December 31, 2018 and 2017, are subject to an income tax of 30%; Zonagen S.A.S. and Sociedad Portuaria El Cayao S.A. E.S.P., as of December 31, 2018, were subject to an income tax of 20%.

As of December 31, 2018, the Company and its subsidiaries calculated and recorded provisions for income taxes, based on taxable income, which takes into account certain adjustments to the commercial profit of the separate financial statements prepared in accordance with the Financial Reporting Standards accepted in Colombia (CFRS), provided in Act 1314/2009.

The Company and its subsidiaries are subject to an income tax with a rate as of December 31, 2017, of 34% plus the income tax surcharge of 6%, except for Promigas S.A. E.S.P., which as of December 31, 2017, is subject to an applicable rate of 33%. This rate is applicable to the highest of either the net income or the presumptive income. To calculate the presumptive income, 3.5% of the net worth of the previous year was applied.

As of December 31, 2018 and 2017, Sociedad Portuaria El Cayao S.A. E.S.P. calculated and recorded the provision for income tax based on presumptive income.

The taxable years 2017 and 2016 are open for review by the tax authorities of Promigas S.A. E.S.P., Compañía Energética de Occidente S.A.S. E.S.P., Gases de Occidente S.A. E.S.P., Surtigas S.A. E.S.P., Transmetano E.S.P. S.A., Transoccidente S.A. E.S.P., Sociedad Portuaria El Cayao S.A. E.S.P. and Promisol S.A.S. For Promioriente S.A. E.S.P., in addition to the years 2017 and 2016, the years 2013, 2014 and 2015 are open for review, and for Zonagen S.A.S., the years 2013 and 2014. No adjustments are expected as a result of the reviews.

On February 4, 2009, Promigas S.A. E.S.P. entered into a Legal Stability Agreement with the Nation – Ministry of Mines and Energy, whereby it agrees to build a pipeline and other transportation facilities amounting to $77,263,585, over a seven-(7)-year term. The contract term is twenty (20) years, during which the Nation, as consideration, guarantees Promigas the legal stability on certain provisions of the Tax Code. The benefits include:

- The benefit from the deduction of productive real fixed assets during 2018 and 2017, for $57,401,587 and 30,188,499, respectively.
- Non-imposition of the 4% income surtax as of December 31, 2018, applicable under Act 1819/2016 of 6%. Applying this surtax would have meant a higher tax close to $6,141,813.

As of December 31, 2018, the following Companies had accrued fiscal loss and excess presumptive income over ordinary income: Zonagen S.A.S., Sociedad Portuaria El Cayao S.A. E.S.P. and Gases del Pacífico S.A.C., whose fiscal losses and excess presumptive rate over net income amount to $151,589,672, respectively. Excesses expire in 2022 and fiscal losses have no expiry, as they were caused after 2007.

		December 31, 2018	December 31, 2017
Period income tax	$	188,898,704	207,736,118
Surtax		15,862,463	14,478,506
Subtotal current period taxes		204,761,167	222,214,624
Income tax or prior year		(2,472,705)	(337,644)
CREE tax prior year		-	(401,854)
Net deferred taxes		(12,577,029)	21,504,380
Total	$	189,711,433	242,979,506

Below is the reconciliation of the effective rate:

		December 31, 2018		December 31, 2017	
			%		%
Earnings before income tax	$	965,229,004		931,135,671	
Expense of theoretical tax calculated based on the current tax rate		357,134,731	37,00%	372,454,268	40,00%
Non-deductible expenses		24,288,376	2,52%	21,833,434	2,34%
Equity tax		-	-	65,223	0,01%
Revenues from equity method		(63,872,648)	(6,62)%	(56,788,107)	(6,10)%
Interests and other untaxed revenues		(11,136,778)	(1,15)%	6,709,151	0,72%
Exempt income		(256,000)	(0,03)%	(432,000)	(0,05)%
Deduction investment in science and technology		-	-	(492,258)	(0,05)%
Occasional earnings		1,619,044	0,17%	(733,611)	(0,08)%
Non-deductible expenses taken as tax discounts		518,393	0,05%	285,051	0,03%
Effects of results taxed at different rates		(4,347,768)	(0,45)%	(7,697,834)	(0,83)%
Tax benefit on acquisition of productive assets		(13,568,387)	(1,41)%	(1,132,185)	(0,12)%
Subsidiary earnings in countries with different tax rates		2,748,509	0,28%	2,888,785	0,31%
Tax rate change adjustment		(39,621,824)	(4,10)%	(63,311,740)	(6,80)%
Effect on deferred tax due to changes in tax rates on concessions		(74,258,626)	(7,69)%	(35,092,028)	(3,77)%
Effect on income tax due to adjustments in previous periods		(2,536,359)	(0,26)%	(732,032)	(0,08)%
Other items		13,000,770	1,35%	5,155,389	0,55%
Total tax expense for the period	$	189,711,433	19,65%	242,979,506	26,09%

Transfer Pricing

Pursuant to Acts 788/2002 and 863/2003, Promigas S.A. E.S.P., Promisol S.A.S., Surtigas S.A. E.S.P. and Orion Contact Center S.A.S. prepared the last transfer pricing assessment over transactions with related entities abroad in 2017. The assessment did not give rise to adjustments affecting tax income, costs or expenses of the Company.

The Company must carry out transfer pricing studies in September 2019, for the operations carried out with related parties during the year 2018; however, no significant changes are expected with respect to the aforementioned studies.

Tax Reform

With the entry into force of Act 1943 of 2018 (Financing Law), there were amendments to the income tax. Here are some of them:

- Gradual reduction in the rate of the income tax and complementary as follows: taxable year 2019, 33% rate; taxable year 2020, 32% rate; taxable year 2021, 31% rate; and as of taxable year 2022, 30% rate.

- For financial institutions, a surtax of 4% is created for the taxable year 2019 and 3% for the taxable year 2020 and 2021, when the net taxable income exceeds 120,000 UVT.

- Gradual reduction and final elimination of the presumptive income in the following terms: taxable year 2018, 3.5% rate; taxable years 2019 and 2020, 1.5% rate; and from taxable year 2020, 0% rate.

- General rule that determines that 100% of taxes, rates and contributions effectively paid in the taxable year that have a causal relationship with the income generating activity (except income tax) will be deductible. As special rules, it provides that 50% of the tax on movement of funds will be deductible, regardless of whether or not it has a causal relationship with the income generating activity.

- 50% of the industry and trade tax may be deductible from the income tax in the taxable year in which it is actually paid, and to the extent that it has a causal relationship with its economic activity. As of the year 2022 it can be 100% deductible.

- The VAT on the import, formation, construction or acquisition of productive real fixed assets, including services, may be taken as a discount on income tax only by those responsible for the sales tax.

- The subcapitalization rule is amended providing that the maximum amount of indebtedness will be the liquid assets of the immediately preceding year multiplied by two (previously multiplied by three) and that indebtedness must correspond to loans with residents and non-residents associates. This rule will not be applied to entities supervised by the Financial Superintendence, factoring companies, un productive companies or in cases of financing of transportation infrastructure projects or financing of infrastructure projects of public utilities.

- In relation to the tax on dividends, the following amendments were made:

  - ✓ The withholding tax rate was increased to 7.5% on untaxed dividends declared for the benefit of foreign companies and entities, non-resident natural persons and permanent establishments.

  - ✓ The table applicable to non-taxed dividends declared for the benefit of natural persons residents in the country and illiquid successions of taxpayers resident in the country was amended, providing a marginal rate of 15% for dividends exceeding 300 UVT ($10,281,000 for 2019).

  - ✓ It provided that the taxed dividends shall be determined: (i) applying the income tax rate corresponding to the year in which they are declared (33% for 2019, 32% for 2020, 31% for 2021, and 30% for 2022 onwards); and (ii) over the remainder, the rate corresponding to the non-taxed dividend will be applied, depending on the beneficiary (if resident natural person or illiquid succession of taxpayer resident, the table will be applied; and for all other cases the 7.5% rate will apply).

  - ✓ A withholding tax regime was provided for dividends declared for the first time to national companies, which will be transferable to the final beneficiary resident natural person or investor resident abroad. In this case, the non-taxed dividend will be subject to the 7.5% rate, while the taxed dividend will be subject to the income tax rate of the year in which it is declared adding the 7.5% rate on the remainder.

  - ✓ Dividends declared for earnings in 2016 and earlier will retain the current treatment for that time; and those corresponding to earnings for 2017 and 2018 will be governed by the rates set out in Act 1819 of 2016 if they were declared as enforceable before December 31, 2018, otherwise, they must comply with to the new rules of the Financing Law.

NOTE 17. FINANCIAL OBLIGATIONS

Below is a summary of the financial obligations obtained by Promigas and its subsidiaries as of December 31, 2018, for the essential purpose of financing operations and investment plans:

	December 31, 2018			December 31, 2017		
	Third Parties	Related Entities	Total	Third Parties	Related Entities	Total
Short-term						
Loans in foreign currency (1)	$ 136,039,689	-	136,039,689	54,503,139	-	54,503,139
Loans in local currency	88,671,991	-	88,671,991	308,708,283	-	308,708,283
Lease agreements (2)	98,869,860	-	98,869,860	99,637,491	-	99,637,491
Interest payable	17,484,291	116,582	17,600,873	20,158,236	348,601	20,506,837
	$ 341,065,831	116,582	341,182,413	483,007,149	348,601	483,355,750
Long-term						
Loans in foreign currency (1)	$ 963,164,368	-	963,164,368	887,051,811	-	887,051,811
Loans in local currency	618,653,934	-	618,653,934	535,317,790	45,514,429	580,832,219
Lease agreements (2)	839,379,511	-	839,379,511	870,245,127	-	870,245,127
	$ 2,421,197,813	-	2,421,197,813	2,292,614,728	45,514,429	2,338,129,157
	$ 2,762,263,644	116,582	2,762,380,226	2,775,621,877	45,863,030	2,821,484,907

(1) As of December 31, 2018 and 2017, loans in foreign currency mainly include loans obtained for $ 243,577,021 and $268,131,492 by Sociedad Portuaria El Cayao S.A. E.S.P., intended to cover commitments acquired by the start of operation of its ordinary activities. Additionally, as of December 31, 2018 and 2017, it includes the syndicated loan taken by Promigas and Gases del Pacifico for USD $200,000,000, broken down as USD $125,000,000 and USD $75,000,000, respectively. The managing agent is JP Morgan Chase Bank. The loan was closed with 14 banks from different countries: JP Morgan, Banco de Crédito del Perú, Bank of America, Bank of Tokio Mitsubishi, Citi, Mizuho, Scotiabank, Sumitomo, Banco BCI, Banco Sabadell, Banco Santander Colombia, Banco Santander España, EDC, ING, and Intesa San Paolo.

Terms of the loan agreement: The loan agreement mainly includes the following terms, which have been met by the Company:

- In each quarter, the debt may not exceed the Consolidated Ebitda, with the following multiples: 4,00 to 1,00, until December 31, 2017, 4,25 to 1,00, after December 31, 2017, and until December 31, 2020, and finally after December 31, 2020, and until December 31, 2021, 4,00 to 1,00.
- At the end of each quarter, the ratio between the Consolidated Ebitda and the Financial Expense cannot be lower by 2.75 to 1.00.

(2) As of December 31 2018 and 2017, it mainly includes the FSRU (Floating Regasification Unit) long-term finance lease of Sociedad Portuaria El Cayao S.A. E.S.P. for $791,452,974 and $750,840,130, respectively.

Below is a summary of the effective interest rates contracted with different financial institutions:

Rate %	In Colombian Pesos		In foreign currency	
	Minimum	Maximum	Minimum	Maximum
December 2018				
Obtained loans	2,35%	8,75%	4,13%	6,33%
Lease Agreements	7,77%	8,21%	0,00%	0,00%
Rental Agreements	0,66%	9,22%	0,00%	0,00%

Below is a summary of the maturities of long-term financial obligations:

Year		Value
2020	$	475,686,888
2021		938,250,781
2022		175,235,740
2023		327,238,085
2024 onwards		504,786,319
	$	2,421,197,813

Below is a reconciliation of the changes between liabilities and cash flows arising from financing activities:

	Interest	Bonds	Financial obligations	Leases	Totals
Balance as of December 31, 2016	37,827,289	2,216,842,560	1,457,693,544	1,049,944,116	4,762,307,508
Addition obligations and bonds	-	-	1,139,838,520	-	1,139,838,520
Addition capitalized interest	24,830,397	-	-	-	24,830,397
Addition finance lease	-	-	-	13,934,008	13,934,008
Conversion adjustments from foreign operations	127,556	-	(3,032,782)	(5,371,915)	(8,277,140)
Non-derivative hedges through OCI	-	-	4,379,981	-	4,379,981
Exchange difference	(2,328,826)	-	(5,715,866)	4	(8,044,688)
Interest paid	(380,906,173)	-		-	(380,906,173)
Interests accrued through profit or loss	351,201,342	-	-	-	351,201,342
Reclassifications	(10,560,141)	(93,423)	6,319,443	4,334,121	-
Payments of principal	-	-	(762,543,205)	(92,957,716)	(855,500,921)
Interest charged at cost	18,790,054	-	-	-	18,790,054
Transfer costs attributed to financial obligations and/or bonds	-	-	(5,844,185)	-	(5,844,185)
Bond restatement	(362,943)	362,943	-	-	-
Balance as of December 31, 2017	38,618,555	2,217,112,080	1,831,095,450	969,882,618	5,056,708,703
Addition obligations and bonds	-	505,000,000	840,245,326	-	1,345,245,326
Addition capitalized interest	24,429,147	-	-	-	24,429,147
Addition finance lease	-	-	-	139,008	139,008
Conversion adjustments from foreign operations	776,238	-	55,729,591	64,108,867	120,614,696
Non-derivative hedges through OCI	-	-	16,082,876	-	16,082,876
Exchange difference	7,438	-	10,513,202	-	10,520,640
Interest paid	(304,146,075)	-	-	(65,796,546)	(369,942,620)
Interests accrued through profit or loss	329,087,358	-	-		329,087,358
Reclassifications	(67,943,693)	264,365	2,446,694	65,232,634	-
Payments of principal	(13,320)	-	(949,583,159)	(95,317,209)	(1,044,913,689)
Interest charged at cost	17,598,265	52,961	-	-	17,651,226
Transfer costs attributed to financial obligations and/or bonds	-	(2,278,602)	-	-	(2,278,602)
Bond restatement	(24,005)	24,005	-	-	-
Balance as of December 31, 2018	38,389,908	2,720,174,809	1,806,529,980	938,249,372	5,503,344,069

Hedging Financial Liabilities

Promigas, at the end of 2016, contracted a syndicated loan for US $200,000,000, of which US $75,000,000 were disbursed directly to Gases del Pacífico S.A.C. and US $125,000,000 to Promigas. The loan is amortizable until December 23, 2021, with a three-year grace period. As of December 31, 2018 and 2017, the value of the syndicated loan is $406,218,750 and $596,800,000, respectively, not including the costs of debt, and the effect on other comprehensive income is $20,462,857 and $4,379,981, respectively.

Hedge Ratio:

Promigas has identified the fluctuation risk in the exchange rate of the conversion effect on investments with dollar functional currency as a hedged item. Designated financial liabilities limit the risk resulting from fluctuations in the dollar exchange rate above or below the specified ranges.

The Company designated a portion of the syndicated loan as a hedging instrument, as follows:

Amount Designated		Hedged Hedging Instrument	Hedged Item (1)
July 2018	$	53,773,014	53,773,014
August 2018		54,160,940	54,160,940
September 2018		54,550,523	54,550,523
October 2018		54,941,769	54,941,769
November 2018		55,334,687	55,334,687
December 2018		73,800,550	73,800,550

(1) The hedged items designated in the hedging ratio of foreign net investments are part of the cost of Gases del Pacifico S.A.C., Sociedad Portuaria El Cayao S.A.C. and Gas Natural de Lima and Cayao S.A.C.

To determine the effectiveness of the hedge ratio, the Company evaluates qualitatively the critical contractual obligations between the hedged item and the hedging instrument. If inconsistencies are noticed in contractual obligations, a quantitative assessment is used to determine the impact of potential ineffectiveness.

Impact of the Hedge Ratio:

The part of the gain or loss on the hedging instrument determined as an effective hedge is recognized in other comprehensive income. The determination of the results by net investment hedge is as follows:

		Hedged Item Measurement	Hedging Instrument Measurement	Ratio
Effectiveness of the hedge ratio	$	1,937,552	1,937,552	100%

NOTE 18. ACCOUNTS PAYABLE

Below is the detail of accounts payable:

	December 31, 2018			December 31, 2017		
	Third Parties	Related Entities	Total	Third Parties	Related Entities	Total
Short-Term						
Domestic goods and services	$ 338,381,222	3,813,951	342,195,173	237,370,236	318,140	237,688,376
Goods and services	2,277,195	-	2,277,195	6,001,911	-	6,001,911
Suppliers	64,505,429	-	64,505,429	48,902,972	-	48,902,972
Dividends payable (1)	-	62,265,013	62,265,013	-	58,760,536	58,760,536
Hedges payable	14,843,102	-	14,843,102	165,516	-	165,516
	$ 420,006,948	66,078,964	486,085,912	292,440,635	59,078,676	351,519,311
Long-Term						
Suppliers	$ 18,110,562	-	18,110,562	12,998,181	-	12,998,181
	$ 438,117,510	66,078,964	504,196,474	305,438,816	59,078,676	364,517,492

(1) The balance mainly corresponds to three installments of ordinary monthly dividends payable until March 2019.

NOTE 19. EMPLOYEE BENEFITS

Below is the detail of balances of employee benefits:

	December 31, 2018	December 31, 2017
Short-Term		
Severance and interest on severance pay	$ 5,699,077	4,910,026
Vacations	6,827,783	6,166,700
Extralegal benefits	1,845,678	1,784,736
Other payments and benefits	3,135,883	3,877,236
	$ 17,508,421	16,738,698
Long-term		
Severance previous labor law	$ 629,388	524,547
Pension actuarial calculation	968,753	909,271
Other actuarial calculation	2,900,280	2,971,008
	$ 4,498,421	4,404,826
	$ 22,006,842	21,143,524

NOTE 20. OTHER LIABILITIES

Below is the detail of other liabilities:

		December 31, 2018	December 31, 2017
Shor-term			
Collection for third parties	$	21,197,025	27,135,275
Withholding tax and self-withholding tax		15,288,047	14,429,686
Industry and trade withholding tax payable		1,138,751	839,150
Other taxes and contributions payable		19,043,684	11,202,238
Value added tax payable		3,403,228	3,666,874
Advances and prepayments received		25,214,071	21,925,050
Deposits received from third parties		37,322,507	18,606,125
Revenues received in advance		1,842,997	2,380,291
	$	124,450,310	100,184,689
Long-term			
Other liabilities		68,764	38,763
	$	68,764	38,763
	$	124,519,074	100,223,452

NOTE 21. OUTSTANDING BONDS

Outstanding bonds are detailed below:

		December 31, 2018	December 31, 2017
Short-term			
Ordinary bonds	$	255,000,000	-
Bonds interest payable		20,789,036	18,111,719
	$	275,789,036	18,111,719
Long-term			
Ordinary bonds	$	2,470,206,000	2,220,206,000
Bond underwriting premium		(5,031,191)	(3,093,920)
	$	2,465,174,809	2,217,112,080
	$	2,740,963,845	2,235,223,799

The characteristics of all bond issues by Promigas and some of its subsidiaries are ordinary issues, through a public offering without guarantees. The payment of interests is quarterly in arrears, with BULLET-type principal payments (at the security's maturity).

The legal representative of bondholders exclusively represents the obligations of each issuer, and the funds were used to replace financial liabilities and/or to finance investment plans of the Companies.
The detail of issues by issue date and maturity is as follows:

Issuer		December 2018	December 2017	Series	Term years	Interest rate	Issue date	Trust Company representing the holders
Promigas S.A. E.S.P. (1)	$	150,000,000	150,000,000	C10	10	IPC + 5.40%	27/08/2009	Helm Trust S.A.
Promigas S.A. E.S.P.		170,000,000	170,000,000	C15	15	IPC + 5.99%	27/08/2009	Helm Trust S.A.
Promigas S.A. E.S.P.		99,821,000	99,821,000	A7	7	IPC + 3.05%	29/01/2013	Helm Trust S.A.
Promigas S.A. E.S.P.		150,179,000	150,179,000	A10	10	IPC + 3.22%	29/01/2013	Helm Trust S.A.
Promigas S.A. E.S.P.		250,000,000	250,000,000	A20	20	IPC + 3.64%	29/01/2013	Helm Trust S.A.
Promigas S.A. E.S.P. (1)		105,000,000	105,000,000	A4	4	IPC + 2.55%	11/03/2015	Helm Trust S.A.
Promigas S.A. E.S.P.		120,000,000	120,000,000	A7	7	IPC + 3.34%	11/03/2015	Helm Trust S.A.
Promigas S.A. E.S.P.		175,000,000	175,000,000	A15	15	IPC + 4.37%	11/03/2015	Helm Trust S.A.
Promigas S.A. E.S.P.		100,000,000	100,000,000	A4	4	IPC + 3.29%	08/09/2016	Helm Trust S.A.
Promigas S.A. E.S.P.		150,000,000	150,000,000	A10	10	IPC + 3.74%	08/09/2016	Helm Trust S.A.
Promigas S.A. E.S.P.		250,000,000	250,000,000	A20	20	IPC + 4.12%	08/09/2016	Helm Trust S.A.
Surtigas S.A. E.S.P.		130,000,000	130,000,000	A10	10	IPC + 3.25%	12/02/2013	Helm Trust S.A.
Surtigas S.A. E.S.P.		70,000,000	70,000,000	A20	20	IPC + 3.64%	12/02/2013	Helm Trust S.A.
Gases de Occidente S.A. E.S.P.		100,206,000	100,206,000	C10	10	IPC + 5.89%	23/07/2009	Helm Trust S.A.
Gases de Occidente S.A. E.S.P.		110,382,000	110,382,000	A10	10	IPC + 3.75%	11/12/2012	Helm Trust S.A.
Gases de Occidente S.A. E.S.P.		89,618,000	89,618,000	B20	20	IPC + 4.13%	11/12/2012	Helm Trust S.A.
Gases de Occidente S.A. E.S.P.		126,400,000	-	A7	7	IPC + 3.65%	02/03/2018	Central S.A.
Gases de Occidente S.A. E.S.P.		173,600,000	-	A25	25	IPC + 4.12%	02/03/2018	Central S.A.
Promioriente S.A. E.S.P.		105,000,000	-	A7	7	IPC + 3.54%	23/01/2018	Central S.A.
Promioriente S.A. E.S.P.		100,000,000	-	C5	5	IPC + 7.10%	23/01/2018	Central S.A.
Total	$	2,725,206,000	2,220,206,000					

(1) It is included in the short term due to its early expiry.

Promigas and its subsidiaries apply the amortized cost method for calculating the effective interest rate, which means that the amortization of these costs is made over the expected life of the instrument.

Interests were recognized , see note 17.

Below is the detail of the bond issue maturities of Promigas and its subsidiaries:

Year		Value
2019	$	200,027,000
2020		100,000,000
2021		120,000,000
2022		740,561,000
2023 onwards		1,309,618,000
	$	2,470,206,000

NOTE 22. PROVISIONS

Below is the detail of provisions:

		December 31, 2018	December 31, 2017
Short-term			
Provisions		-	2,078,840
	$	-	2,078,840
Long-term			
Provisions		239,563,290	255,442,243
	$	239,563,290	255,442,243
	$	239,563,290	257,521,083

The table below shows the nature and value of long-term loss contingencies:

		Administrative (2)	Labor	Civil (2)	Dismantling and restoration costs	Other Provisions (1)	Total Provisions
Balance as of December 31, 2016	$	87,956	565,126	53,930,633	2,185,885	167,874,988	224,644,588
New provisions		1,136,506	72,760	1,382,751	2,004,810	125,762	4,722,589
Increase in provisions		-	7,460	7,838,076	11,975,111	22,079,828	41,900,475
Provisions used		-	(1,089,599)	(1,312,322)	-	(3,051,310)	(5,453,231)
Withdrawal of provisions		(28,792)	(1,568,251)	(952,584)	(119,020)	(5,825,368)	(8,494,015)
Reclassifications		1,155,086	2,342,386	(3,497,472)	-	-	-
Conversion adjustments		-	-	-	-	200,677	200,677
Balance as of December 31, 2017	$	2,350,756	329,882	57,389,082	16,046,786	181,404,577	257,521,083
New provisions		639,536	-	9,870,371	-	0	10,509,907
Increase in provisions		553,723	15,658	6,053,941	962,922	31,031,880	38,618,124
Capitalized provisions		-	-	-	-	1,712,252	1,712,252
Provisions used		(327,502)	-	(56,160,992)	(637,413)	(4,135,807)	(61,261,714)
Withdrawal of provisions		(23,775)	(270,000)	(957,167)	-	(10,195,290)	(11,446,232)
Adoption effect IFRS 9		-	-	-	-	419,196	419,196
Reclassifications		248,204	520,000	(768,204)	-	-	-
Conversion adjustments		-	-	-	-	3,490,674	3,490,674
Balance as of December 31, 2018	$	3,440,942	595,540	15,427,031	16,372,295	203,727,482	239,563,290

(1) As of December 31, 2018 and 2017, mainly includes estimates of the investment plan of Compañía Energética de Occidente S.A. E.S.P. for $145,824,484 and $147,537,619, respectively. This provision is decreasing because of the repayment plan. Compañía Energética de Occidente S.A. E.S.P. agreed to implement an infrastructure expansion, replacement and improvement plan for the development of the trading services of CEDELCA. IFRIC

12.21 sets out contractual obligations for these to maintain or restore the infrastructure, such as the case of the investment plan, which must be recognized and measured in accordance with IAS 37, i.e., according to the best estimate of the expenditure that would be required to settle the obligation at the end of the reporting period. To contribute to the analysis, it should be noted that, under the type of contract entered into by and between CEDELCA and Compañía Energética de Occidente S.A. E.S.P., no construction contracts are performed.

(2) Provisions mainly relate to the following: 1) **Administrative:** they refer to legal proceedings with government agencies in Colombia with which the Company has open processes at the date of financial reporting, Company expects that these will be settled in a period longer that one year; **2) Civils:** they relate to legal proceeding with third parties (other companies and individuals) related with aspects regulated by the civil law in Colombia, such as: debts, default on payments to third parties, compliance of contracts, among others, Company expects they will be settled in a period longer that one year.

NOTE 23. EQUITY

***Share Capital* –** As of December 31, 2018 and 2017, share capital was represented by 1,150,000,000 common shares, respectively, with a nominal value of one hundred pesos each. The detail of the assets is presented below:

	December 31, 2018	December 31, 2017
Number of shares authorized, issued and outstanding	1,134,848,043	1,134,848,043
Number of shares paid-in and subscribed	1,134,918,610	1,134,918,610
Number of shares repurchased (1)	70,567	70,567
Paid-in and subscribed capital	$ 113,491,861	113,491,861

(1) From 2005 to June 30, 2017, the Company has repurchased 70,567 shares for $1.527.933. In accordance with the provisions of the Code of Commerce, any rights inherent to repurchased shares are suspended.

Reserves – The balance of reserves is detailed as follows:

	December 31, 2018	December 31, 2017
Legal reserve	$ 56,745,931	56,745,931
Reserves pursuant to bylaws	77,142,919	70,865,347
Occasional reserves	629,242,798	456,293,549
Wealth tax reserves paid by subsidiaries	(25,761,740)	(25,761,740)
	$ 737,369,908	558,143,087

Legal Reserve – According to Colombian Law, the Company must transfer at least 10% of profits for the period to a legal reserve until such reserve equals 50% of the subscribed capital. This reserve is not available for allocation, but may be used to offset losses.

Tax Reserve – Pursuant to article 45 of Act 75/1986, the Company created a reserve equal to 70% of the higher value of the depreciation requested as tax deduction. Such reserve may be capitalized or allocated insofar as it is released.

Reserve for Share Repurchase – In 2005, the Company created a reserve for share repurchase amounting to $1,527,933.

Profit Allocation – Dividends are ordered and paid to shareholders based on non-consolidated net profits for the immediately previous year. The dividends declared were the following:

		December 31, 2018	June 30, 2018	December 31, 2017	June 30, 2017
Date of Meeting		21.sep.2018	20.mar.2018	26.sep.2017	21.mar.2017
Unconsolidated earnings from the previous half-year		365,629,147	328,818,686	320,039,214	291,833,225
Cash dividends					
Ordinary dividends per share	$	18	17	17	16
Payment date		21.oct.2017 to 21.mar.2019	21.abr.2017 to 21 sep.2018	21.oct.2017 to 21.mar.2018	21.abr.2017 to 21 sep.2017
Extraordinary dividend per share	$	82	122	115	66
Payment date		21.oct.2017	21.abr.2017	21.oct.2017	
Total outstanding shares		1,134,848,043	1,134,848,043	1,134,848,043	1,134,848,043
Total dividends declared	$	215,621,128	254,205,962	246,262,024	183,845,383
Detail of mandatory and voluntary reserves	$	59,220,175	6,277,572	87,444,214	107,376,018
Available for future allocation	$	45,393,922	68,335,152	27,013,633	611,824

(1) Corresponds to the transfer to the Reserve due to CFRS convergence effects approved by the General Shareholders' Meeting.

NOTE 24. NON-CONTROLLING INTEREST

Below is the detail of the non-controlling interest in the consolidated companies:

	December 31, 2018				December 31, 2017		
Company	%		Interest in Equity	Interest in Earnings	%	Interest in Equity	Interest in Earnings
Surtigas S.A. E.S.P.	0.01%	$	54,588	6,330	0.01%	48,865	5,037
Transoccidente S.A. E.S.P.	21.00%		2,129,265	699,524	31.00%	3,139,689	749,260
Promioriente S.A. E.S.P.	26.73%		101,584,816	18,559,907	26.73%	98,244,605	17,327,966
Transmetano E.S.P. S.A.	0.33%		536,591	96,923	0.33%	532,201	98,959
Gases de Occidente S.A. E.S.P.	5.57%		14,205,409	7,964,765	9.88%	24,522,861	6,845,971
Zonagen S.A.S.	0.05%		1,223	147	0.05%	1,017	93
Sociedad Portuaria El Cayao S.A. E.S.P.	49.00%		102,359,133	22,726,949	49.00%	89,726,152	17,881,936
			220,871,025	50,054,545		216,215,390	42,909,222

NOTE 25. REVENUES

Below is the detail of revenues from continuing operations for the -years ending:

	December 31, 2018	December 31, 2017
Transport and distribution of natural gas	$ 2,317,404,175	2,249,109,323
Generation and distribution of power energy	410,182,031	385,979,439
Installations and technical services	221,543,105	190,468,490
Revenues from non-banking financing	93,427,788	90,317,168
Construction of concessions (see note 13)	346,175,508	200,638,639
Other services	338,947,207	322,528,240
	$ 3,727,679,814	3,439,041,299

NOTE 26. COST OF SALES

Below is the detail of costs of sales:

	December 31, 2018	December 31, 2017
Employee benefits	$ 134,770,987	129,144,218
Maintenance and materials (1)	202,696,697	149,895,509
Fees and consultancies	26,625,781	23,816,629
General costs (2)	1,629,297,028	1,605,143,750
Construction of concessions (See note 13)	346,175,508	200,638,639
Taxes	2,143,887	3,706,452
Depreciation and amortization	141,315,616	132,360,424
	$ 2,483,025,504	2,244,705,621

(1) Corresponds mainly to maintenance related to coating changes in the transportation system for $3,311,000, cost incurred by Promisol S.A.S. with third parties in the construction of the crossing of the North-South dike to Promigas S.A. E.S.P. for $12,287,000, payments made to third parties in the development of the Paiva compressor station project for $4,481,000, adjustment in conversion of the maintenance costs of Sociedad Portuaria el Cayao S.A. E.S.P for $5,648,000, taxes paid associated with maintenance for $3,153,000, among others.

(2) In Gases de Occidente S.A. E.S.P. mainly due to the increase in gas distribution for $4,077,000, use of networks for $30,439,000; in Surtidora de Gas del Caribe S.A. E.S.P. there was a greater amount of purchase of gas from different suppliers, increasing this cost by $17,546,800.

NOTE 27. OPERATING EXPENSES

Below is the detail of operating expenses:

		December 31, 2018	December 31, 2017
Employee benefits	$	108,371,154	97,176,262
Fees		45,787,916	39,909,189
Maintenance and materials		9,228,633	7,323,966
General administrative expenses		52,241,184	45,507,144
Impairment of inventories and accounts receivable (2)		23,389,837	18,731,691
Provisions (1)		11,272,946	2,895,756
Administrative taxes		51,997,738	54,872,216
Depreciation and amortization		33,764,710	31,475,512
	$	336,054,118	297,891,736

(1) During 2018, provisions were recognized corresponding to the lawsuit for breach of a gas transport contract due to the late operation of a new gas pipeline, as a result of the delays in the construction works mainly due to the prior consultations, stoppages and non-legal recourses of the communities, filed by Generadora y Comercializadora de Energía del Caribe SA E.S.P. - Gecelca S.A. E.S.P., with which a settlement was reached for $ 9,870,371 plus interest.

(2) From this amount, $ 22,657,544 relates to impairment of accounts receivable determined according to IFRS 9, as of December 31, 2018.

NOTE 28. FINANCE INCOME

Below is the detail of financial revenues:

		December 31, 2018	December 31, 2017
Interest from debt securities	$	15,288,398	20,274,282
Interest revenues from financial assets concession		205,802,678	209,936,431
Foreign exchange gain		93,894,089	55,943,199
Other financial revenues		7,542,201	7,792,515
	$	322,527,366	293,946,427

NOTE 29. FINANCE COST

Below is the detail of financial expenses:

		December 31, 2018	December 31, 2017
Interests from issued bonds and securities	$	161,027,398	159,750,405
Interests from financial obligations		168,059,960	191,450,937
Foreign exchange losses		92,170,922	49,753,891
Other financial expenses		17,046,935	18,614,876
	$	438,305,215	419,570,109

NOTE 30. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

According to the "IAS 24 - Related Party Disclosures", a related party is a person or entity that is related to the entity that is preparing its financial statements and has control or joint control over the reporting entity; has significant influence over the reporting entity; or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. The definition of a related party includes: a) persons and/or close members of that person's family related to the reporting entity, entities that are members of the same group (parent and subsidiaries), associates or joint ventures of the entity, post-employment benefit plans for the benefit of employees of either the reporting entity or an entity related to the reporting entity.

Related parties are:

- An economic affiliate is a person or entity that is related to any group entity through transactions such as transfers of resources, services and obligations, regardless of whether or not it is charged. For the Company, transactions between economic affiliates are any economic operations held with shareholders and entities of the parent company.
- Shareholders who individually own more than 10% of the Company's share capital.
- Key management personnel: persons with authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly, including any director or manager (whether executives or otherwise) of the entity, including the CEO, Senior Executives and Board Members.
- Subordinated Entities: Companies where control is exercised according to the definition of control in the code of commerce and "*IFRS 10 - Consolidated Financial Statements*".
- Affiliated Entities: companies where significant influence is exercised, which is generally considered as a participating interest of between 20% and 50% of its share capital.

Operations with related parties:

During the years ended December 31, 2018 and 2017, there were no significant operations of the following characteristics:

- Free or compensated services debited to a related company.
- Loans implying an obligation to the borrower that does not correspond to the essence or nature of the loan agreement.

Below is the summary of assets and liabilities as of December 31, 2018 and 2017, with shareholders, board members, managers, affiliated companies and other related entities:

	Shareholders	Board Members	Key management personnel	Associates	Others related (1)	Total
December 2018						
Assets						
Cash	$ 314,046	-	-	-	88,444,403	88,758,449
Investments	-	-	-	689,021,050	-	689,021,050
Debtors	-	1,953,507	-	6,082,581	-	8,036,088
	$ 314,046	1,953,507	-	695,103,631	88,444,403	785,815,587
Liabilities						
Financial Obligations	$ 116,582	-	-	-	-	116,582
Accounts payable	62,265,013	-	-	3,615,869	198,082	66,078,964
Issued bonds and securities	9,020,000	-	-	-	-	9,020,000
	$ 71,401,595	-	-	3,615,869	198,082	75,215,546
Revenues						
Sale of Goods	$ 963	-	-	51,973		52,936
Sale of Services	5,188	-	-	63,488,011	1,966,027	65,459,226
Financial	21,132	-	22,846	-	705,043	749,021
Equity Method	-	-	-	172,628,778	-	172,628,778
Other revenues	-	-	-	96,193	-	96,193
	$ 27,283	-	22,846	236,264,955	2,671,070	238,986,154
Expenses						
Costs	$ -	-	-	1,746,895	622,061	2,368,956
Salaries and wages	-	-	2,996,157	-	-	2,996,157
General	484,457	243,812	-	83,902	1,563,907	2,376,078
Interest	1,342,011	-	-	-	385,826	1,727,837
	$ 1,826,468	243,812	2,996,157	1,830,797	2,571,794	9,469,028
December 2017						
Assets						
Cash	$ 241,924	-	-	-	37,476,330	37,718,254
Investments	-	-	-	640,407,180	479,746	640,886,926
Debtors	-	-	926,982	8,025,641	84,588	9,037,211
	$ 241,924	-	926,982	648,432,821	38,040,664	687,642,391
Liabilities						
Financial Obligations	$ -	-	-	-	45,863,030	45,863,030
Accounts payable	58,760,536	-	-	41,205	276,935	59,078,676
Issued bonds and securities	20,710	-	-	-	-	20,710
	$ 58,781,246	-	-	41,205	46,139,965	104,962,416
Revenues						
Sale of Goods	$ -	-	-	325,811	-	325,811
Sale of Services	1,428	-	-	67,740,001	1,848,262	69,589,691
Financial	9,332	-	49,759	-	1,397,292	1,456,383
Equity Method	-	-	-	141,970,267	-	141,970,267
Other revenues	-	-	-	2,460,079	37,158	2,497,237
	$ 10,760	-	49,759	212,496,158	3,282,712	215,839,389
Expenses						
Costs	$ -	-	-	15,570	482,943	498,513
Salaries and wages	-	-	14,106,218	-	-	14,106,218
General	-	381,093	364,911	88,070	1,473,265	2,307,339
Interest	155,663	-	-	-	16,909,281	17,064,944
	$ 155,663	381,093	14,471,129	103,640	18,865,489	33,977,014

(1) The Company considers than above-mentioned transaction have been carried out on arm's length basis.

Below is the compensation for key management personnel on the years ending:

		December 2018	December 2017
Salaries	$	19,962,013	24,534,569
Employee Benefits		3,814,827	6,781,907
Total	$	23,776,840	31,316,476

NOTE 31. COMMITMENTS AND CONTINGENCIES

***Commitments* Promigas S.A. E.S.P. -** For the development of its corporate purpose, the Company and its subsidiaries have entered into the following agreements, among others:

a. By Public Deed No. 1629 of September 16, 1976, the Company obtained from the National government the concession to build, operate, maintain, exploit and manage a public utility pipeline for the transportation of hydrocarbons from Ballenas, Department of La Guajira, to the cities of Barranquilla and Cartagena, for an 50-year term, extendable to 20 more years. Under the terms of the concession, The National Government has a preemption right over the transportation of these products through the gas pipeline, paying a current rate. The Company shall be obligated to sell the pipeline to the Nation, if required by the Government, upon completion of the first 30 years of the Agreement (2006), at the expiry thereof (2026) or upon termination of the extension period, at the price agreed by the parties, or based on the appraisal of an independent expert. The Company may not assign or relinquish the agreement, neither totally nor partially, without prior approval by the National Government.

   In notice served to the Company on May 11, 2005, the ministry of Mines confirmed that they would not take up the purchase option that was available for 2006 over the gas pipelines under concession.

   The detail of the concession agreements for the pipeline sectors entered into with the National Government is included in note 13.

b. Agreements signed with customers for the transportation of natural gas through the gas pipeline systems available to the Company are in accordance with the current regulatory framework and have the guarantees stipulated by the Company for each agreement.

   The Company's management considers that there are no risks of significant losses in the future arising from the performance of these agreements and commitments.

***Commitments of Gases del Pacifico S.A.C.* -** Maintains a letter of guarantee of US $20,000,000 in favor of the Peruvian State for a term of one year, pursuant to the Natural Gas Concession Agreement in the Northern Zone of Peru.

***Commitments of Sociedad Portuaria el Cayao S.A. E.S.P.* -** For the development of its corporate purpose, the Company has entered into the following agreements, among others:

Port Concession Agreement No. 001 of 2015 - The Ministry of Transport, through resolution No. 594 of March 5, 2015, indicates the terms in which the port concession would be established, to occupy temporarily and exclusively a public use area for 20 years, to develop am unloading platform, underwater gas pipelines and connections to the land pipeline connected to the National Transport System, for the import, export and cabotage of liquefied natural gas, in the department of Bolivar, district of Cartagena de Indias, in the form of public utility service. On July 17, 2015, port concession agreement No. 001 of 2015 was entered into by and between the National Infrastructure Agency and the Company.

This agreement will not be automatically extended. It may be extended only by carrying out the procedure provided for such purpose in current regulations, not less than 12 calendar months before the date of expiry of the concession period.

The reference value of the port concession agreement is equal to the net present value of the consideration, which corresponds to US $3.931.493 payable during 20 years with annual installments. Payment must be made in Colombian pesos.

Agreements with Thermoelectric Companies - On October 29, 2014, the Company signed agreements with Zona Franca Celsia S.A. E.S.P., Termobarranquilla S.A. E.S.P. and Termocandelaria S.C.A. E.S.P. (the Customers) in order to provide services for access to and use of port infrastructure for the reception, storage, regasification of liquefied natural gas (LNG) and gas conduction and delivery at the Inlet Point into the National Transportation System (TUA Agreements). To fulfill said purpose, the Company must design, construct, operate and maintain the Terminal in accordance with the terms established in said contracts.

The annual fixed revenues of US $82,500,000, which will be paid in 12 equal installments, allocated according to the percentage share of each customer. This revenue corresponds to all investment costs, fixed costs of administration, operation and maintenance, and other costs relative to the Terminal and the provision of services. This revenue also includes the acquisition and maintenance of LNG Heel in the Terminal.

In addition, there is a variable revenue that corresponds to all variable costs of administration, operation (including fuel and electricity), maintenance and other costs relative to the Terminal and the provision of services, such as LNG cargo services on gas tankers from the Terminal, which will be charged on a monthly basis according to the terms set out.

The commercial operation start date was December 2016. The TUA Agreements are valid for ten (10) years until November 30, 2026. At the Customers' discretion, the TUA Agreement can be extended once, giving 4-year notice before the date of its expiry, for the term agreed by the parties, otherwise the extension will be of 5 years. In the event that the Company, for any reason, cannot provide the gas delivery service or causes the Customer to declare itself before the Wholesale Power Market Administrator as unavailable to generate electric power, the Company must pay the Customer for each KPC nominated and not delivered at the inlet point into the NTS the equivalent of US $2 per KPC for the number of hours unavailable over 24 hours. The Company will be exempt from paying this fine as long as the event is an exemption event. Said

fine shall not exceed US $12,000,000 per contract year. Further, in the event that the Company fails to comply with its unloading obligation or the actual unloading time exceeds the time provided, the Company must compensate the Customer for any damages incurred arising from the event up to a point in time US $8,000,000 per event. The Company will be exempt from the payment of this fine as long as the event is due to an exemption event or force majeure.

Other Agreements - On November 1, 2014, the Company signed with HOEGH LNG FSRU IV LTD an International Lease Agreement - ILA on a Floating Storage and Regasification Unit - FSRU "Höegh Grace," which has an annual value during the term of the agreement of US $40,809,000 and allows a purchase option in year 10 of US $425,798,487. On that same date, the Company signed with HÖEGH LNG HOLDINGS LTD. An Agreement for the Provision of Operation and Maintenance Services with respect to the FSRU. Both agreements have a 10-year term from the date of acceptance of the FSRU (03/12/2016). The cumulative limit of liability, borne by the Company, arising from the agreement, extracontractual civil liability (including negligence) or arising out of the law, for both agreements is USD $100,000,000. Additionally, both agreements contain a provision that in the event of non-compliance, the party in compliance can terminate the respective agreement.

Commitments of Gases de Occidente S.A. E.S.P. - The Company established an irrevocable Commercial Trust Agreement for Trust Resources Management with Corficolombiana S.A., related to the GNCV Bond Program, from 2010. Said agreement completed the agreed term and a new irrevocable Commercial Trust Agreement for Trust Resources Management was created with Corficolombiana S.A., as provided in the Bond Conversion Agreement CNG-IV (signed on March 21, 2015) for cooperation to encourage the trade, distribution and consumption of compressed vehicular natural gas in the country's western market, where Gases de Occidente SA E.S.P. serves as administrative operator.

Commitment of Compañía Energética de Occidente S.A. E.S.P: The Company, among others commitments, undertook to execute an infrastructure expansion, replacement, and improvement plan for the development of the trading and distribution services in Cedelca's trading market aimed at maintaining and/or rehabilitating the existing networks so that they can operate optimally.

The Investment Plan has a defined amount that is estimated at current prices by means of adjustment techniques to the net present value. The TES (Public Debt Securities issued by the General Treasury of the Nation) is used as the discount rate. Changes in the provision are recognized as a result of changes in the discount rate and the CPI. The provision utilization corresponds to the projects carried out according to the commitment acquired with Cedelca.

Commitments of Surtidora de Gas del Caribe S.A. E.S.P. - For the development of its corporate purpose, the Company has entered into the following agreements, among others:

a. Natural gas supply agreements with Empresa Colombiana de Petróleos (Ecopetrol), Frontera Energy, CNE oil & gas, Hocol and Lewis, and gas transportation agreements with Promigas S.A. E.S.P. These agreements are in accordance with the regulatory framework, and their terms of duration range from

one to five years, and the necessary and sufficient guarantees for the performance and stability of the agreements have been executed.

b. Agreements with industrial users and power generating companies with consumptions greater than 100,000 cubic feet per day, under wellhead gas trading and natural gas transport capacity of customer. These agreements are in accordance with the regulatory framework and their terms of duration conform to the trading period determined by current regulations, and the necessary and sufficient guarantees for the performance and stability of the agreements have been executed. The Company's management considers that there are no significant risks of losses expected in the future as a result of the performance of these agreements and commitments.

The Company's management considers that there are no significant risks of losses expected in the future as a result of the performance of these agreements and commitments.

Contingencies

As of December 31, 2018 and 2017, the following individual litigations and lawsuits are filed against the Company. Their quantities are determined by the claims and are not recognized in the provisions, given that the lawyers handling each process consider that the success likelihoods of such claims are classified as eventual:

	December 2018		December 2017	
	Number of Claims	**Value**	**Number of Claims**	**Value**
Litigations and other legal proceedings				
Easement claims				
Between $1 and $1,000	29	$ 6,547,549	41	6,372,258
From $1,001 onward	7	32,847,496	5	7,271,086
Easement	36	39,395,045	46	13,643,344
Ordinary processes				
Between $1 and $1,000	62	17,389,941	28	7,114,702
Between $1,001 and $3,000	12	18,462,609	4	5,780,485
From $3,001 onward	2	137,420,759	2	54,725,859
Ordinary	76	173,273,309	34	67,621,046
Labor	112	5,861,170	28	2,154,609
Other litigation and lawsuits	8	952,042	4	613,695
			32	2,768,304
Total	232	$ 219,481,566	112	84,032,694

Contingency rights

Contingency rights	1,707	86,429,595	96	61,086,136
Litigations and lawsuits	12	1,113,018	9	53,039,369
Total	1,719	87,542,613	105	114,125,505

In the course of their operations, Promigas and its subsidiaries are subject to several legal regulations pertaining to public utilities and environmental protection companies. The Management of these Companies considers, based on legal opinions, that there have been no situations that may indicate possible breaches to those standards and leading to significant impacts on the financial statements.

NOTE 32. SEGMENT INFORMATION

Information by segment is structured according to the different lines of business of Promigas and its subsidiaries. The lines of business described below were established according to the organizational structure of the Company, considering the nature of services and products offered. The structure of this information is designed as if each line of business were an autonomous business and had its own separate resources, allocated based on the assets assigned to each line according to an internal system of percentage distribution of costs.

The Company's operating segments are structured as follows:

Natural Gas Transportation	Integrated solutions for the industry and power generation
Promigas S.A. E.S.P.	Promisol S.A.S.
Promioriente S.A. E.S.P.	Zonagen S.A.S.
Transmetano E.S.P. S.A.	Sociedad Portuaria el Cayao S.A. E.S.P.
Transoccidente S.A. E.S.P.	Energía Eficiente S.A. E.S.P.

Distribution of Natural Gas	Distribution of Electricity	Non-bank financing
Surtigas S.A. E.S.P.	Compañía Energética de Occidente S.A. E.S.P.	Compañía Energética de Occidente S.A. E.S.P.
Gases de Occidente S.A. E.S.P.		Gases de Occidente S.A. E.S.P.
Gases del Caribe S.A. E.S.P.		Surtigas S.A. E.S.P.
Efigas S.A. E.S.P.		Gascaribe S.A. E.S.P.
Gases de la Guajira S.A. E.S.P.		Gases de la Guajira S.A. E.S.P.
Gas Natural de Lima y Cayao S.A.C.		Efigas S.A. E.S.P.
Gases del Pacífico S.A.C.		
Orion Contac Center S.A.S.		
Enlace Servicios Compartidos S.A.S.		

Below are the assets, liabilities and income statement by segment:

		Gas transportation	Gas distribution	Distribution and trade of energy	Integrated solutions for industry	Non-bank financing	Total
December 2018							
Assets	$	6,246,006,806	3,025,435,752	536,573,616	261,737,771	355,716,978	10,425,470,923
Liabilities	$	4,721,720,075	1,759,149,911	421,587,505	81,954,121	7,237,171	6,991,648,783
Revenues	$	1,184,445,708	1,934,155,614	414,656,979	100,993,725	93,427,788	3,727,679,814
Costs		(477,136,794)	(1,619,391,263)	(285,686,685)	(70,401,536)	(30,409,226)	(2,483,025,504)
Gross earnings		707,308,914	314,764,351	128,970,294	30,592,189	63,018,562	1,244,654,310
Operating expenses		(115,151,948)	(141,737,583)	(57,722,879)	(15,837,428)	(5,604,280)	(336,054,118)
Dividends received		-	1,053,978	-	-	-	1,053,978
Others, net		24,621,968	34,814,137	(16,109,227)	(18,107,276)	(26,495,697)	(1,276,095)
Results from ordinary activities		616,778,934	208,894,883	55,138,188	(3,352,515)	30,918,585	908,378,075
Finance income		225,166,594	40,396,564	5,295,925	49,079,897	2,588,386	322,527,366
Finance cost		(305,555,555)	(82,232,848)	(18,573,249)	(31,943,563)	-	(438,305,215)
Earnings before income tax		536,389,973	167,058,599	41,860,864	13,783,819	33,506,971	792,600,226
Equity method		(13,683)	172,642,461	-	-	-	172,628,778
Income tax		(106,662,075)	(48,357,001)	(26,040,702)	(5,205,814)	(3,445,841)	(189,711,433)
Net income	$	429,714,215	291,344,059	15,820,162	8,578,005	30,061,130	775,517,571
December 2017							
Assets	$	5,879,181,291	2,654,256,868	506,917,607	277,762,847	316,540,103	9,634,658,716
Liabilities	$	4,495,195,213	1,490,010,099	388,686,651	76,766,418	5,122,849	6,455,781,230
Revenues	$	1,163,849,550	1,711,350,864	387,961,749	85,561,968	90,317,168	3,439,041,299
Costs		(467,559,509)	(1,425,238,085)	(275,734,735)	(47,088,478)	(29,084,814)	(2,244,705,621)
Gross earnings		696,290,041	286,112,779	112,227,014	38,473,490	61,232,354	1,194,335,678
Operating expenses		(109,011,736)	(123,448,941)	(52,417,062)	(9,853,816)	(3,160,181)	(297,891,736)
Dividends received		522,647	681,986	-	-	-	1,204,633
Others, net		22,909,880	31,643,824	(9,336,731)	(2,937,144)	(25,139,318)	17,140,511
Results from ordinary activities		610,710,832	194,989,648	50,473,221	25,682,530	32,932,855	914,789,086
Finance income		229,246,514	42,019,470	4,140,093	15,867,572	2,672,778	293,946,427
Finance cost		(304,200,610)	(76,733,757)	(24,047,357)	(14,587,995)	(390)	(419,570,109)
Earnings before income tax		535,756,736	160,275,361	30,565,957	26,962,107	35,605,243	789,165,404
Equity method		(2,275,587)	144,245,854	-	-	-	141,970,267
Income tax		(152,590,508)	(60,940,415)	(20,009,308)	(9,439,275)	-	(242,979,506)
Net income	$	380,890,641	243,580,800	10,556,649	17,522,832	35,605,243	688,156,165

NOTE 33. IMPACT FROM THE ADOPTION OF NEW STANDARDS

IFR 16 – LEASES

IFRS 16 was issued by the IASB on January 13, 2016 and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted.

IFRS 16 replaced the existing guidelines for accounting for leases, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC 15 Operating Leases-Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduced a single accounting registration model of lease agreements in the statement of financial position for lessees. A lessee recognizes an asset by right of use representing the right to use the leased asset and a lease liability representing its obligation to make the lease payments. There are optional exemptions for short-term leases or leases of very low-value assets. The accounting treatment of lease agreements for lessors remains similar to current accounting standards in which the lessor classifies leases as financial or operating leases.

The nature of the expenses related to operating leases will change, as IFRS 16 replaces the straight-line lease expense for a depreciation charge for assets for right of use and interest expense for lease liabilities.

The following is a general summary of the analysis performed by Promigas and its subsidiaries, the volume of agreements analyzed and the segmentation of properties and services, as well as the initial recognition of the asset for right of use and the lease liability for the entity as a result of the implementation of the new lease policy (IFRS 16).

To complete this information, the agreements that meet the conditions to be determined as leases under IFRS 16 were considered:

- Entity: Corresponds to Promigas and its subsidiaries.
- Leases: The amount of lease agreements that the Entity has is reported.
- Average term: The average term of the identified agreements is determined.
- Discount rate: The average rate of the identified agreements is determined.
- Value: The total value of the liabilities of the agreements is reported.

Entity	Leases (amount)	Average term (months)	Average discount rate	
PROMIGAS & SUBSIDIARIES	158	166	10,46%	$

The entity has completed its initial assessment of the possible impact on its financial statements, but has not yet completed its detailed assessment. The actual impact of the application of IFRS 16 on the financial statements of the initial application period will depend on future economic conditions, including the discount rate as of January 1, 2019, the composition of the lease detail at that date, the last assessment of the entity with respect to whether it will exercise any option to renew the lease and the extent to which the company chooses to use practical solutions and recognition exemptions.

So far, the most significant impact identified is that new assets and liabilities should be recognized for the leases that are held in land, premises, warehouses and servers of Datacenter services. As of December 31, 2018, the effect of the IFRS 16 application in the statement of financial position is:

Impact on assets and liabilities due to the recognition of IFRS 16 in the separate Financial Statements of Promigas and subsidiaries.	**Impact of IFRS 16 adoption as of January 1, 2019**
Assets	
Property, plant and equipment by right of use	145,417,332
Deferred tax assets	56,100,845
Total impact IFRS 16 on assets	**201,518,177**
Liabilities	
Lease liabilities	(185,676,509)
Deferred tax liability	(44,130,839)
Total impact IFRS 16 on liabilities	**(229,807,348)**
Equity	
Controlling Interest	
Property, plant and equipment for right of use	39,115,768
Related tax	(11,970,006)
Total impact IFRS 16 on controlling equity	**27,145,762**
Non-controlling Interest	
Property, plant and equipment for right of use	1,143,410
Related tax	(377,325)
Total impact IFRS 16 on non-controlling equity	**766,085**

NOTE 34. NEW STANDARDS AND INTERPRETATIONS

34.1 Standards and interpretations with subsequent application issued by the Ministry of Finance and Public Credit and the Ministry of Trade, Industry and Tourism

- ***IAS 40: Investment Property***

The explanation of when there is a transfer of investment properties is simplified, indicating that an entity will transfer a property to, or from, investment properties when, and only when, there is a change in its use. A change in its use occurs when the property meets, or fails to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions of using a property does not provide evidence of a change in use. Examples of evidence of a change in use include:

i. Commencement of owner-occupation, or of the development with a view to owner-occupation, in case of transfer from investment property to owner-occupied property;
ii. Commencement of development with a view to sale, in case of transfer from investment property to inventories;
iii. End of owner-occupation, in case of transfer from owner-occupied property to investment property; and
iv. Commencement of an operating lease to another party, in case of transfer from inventories to investment property.

- ***IAS 19: Employee Benefits: Amendment, reduction and liquidation of a plan***

The amendment requires a company to remeasure its liability or net assets when changes occur in a defined benefit plan.

These amendments will be effective as of January 1, 2019. To the extent there are changes to the defined benefit plan, the company will measure the impacts by using the updated assumptions of the new measurement to determine the annual cost of the service and net interest.

- ***New Conceptual Framework***

The revised Conceptual Framework includes: a new chapter on measurement; guidance on the presentation of financial reports; improved definitions and guidance such as, for example, the definition of obligation; and clarifications in important areas, such as management functions, prudence and uncertainty in the measurement of financial information.

The new revised conceptual framework contains 6 relevant aspects:

1. Analysis of the most important issues, in order to serve as basis for the Board to establish new or update the IFRS Standards.
2. Confirms the objective of providing useful financial information for investors and clarify the role of the investor when deciding to invest in a company.

3. Highlights the importance of financial reporting in terms of returns, i.e., the ratio of revenue and expenses; and the financial position: assets, liabilities and equity. It also provides guidance on how to report a company's financial performance.
4. The definitions of assets and liabilities in the new conceptual framework focus on a company's rights and obligations. It also establishes the decisions for the disclosures of assets, liabilities, revenue and expenses, which should be based on what is useful for investors.
5. Explain how to make decisions regarding the measurement of assets and liabilities, i.e., when to use the historical cost and when they should be measured at the current value, to the extent that it constitutes useful information for investors.
6. The new conceptual framework is not a standard. It is the basis for the revision, update or creation of new standards. It does not replace nor does it annul the current standards or any of its requirements.

This framework will be applied immediately by IASB, while companies will do so as of 2020.

IFRIC 22 Foreign Currency Transactions and Advance Considerations

This Interpretation addresses the way to determine the date of the transaction for purposes of establishing the exchange rate to be used in the initial recognition of the related asset, expense or revenue (or the corresponding part thereof), in the derecognition of an non-monetary asset or non-monetary liability arising from the payment or collection of the advance consideration in foreign currency, indicating that the date of the transaction for purposes of determining the exchange rate to be used in the initial recognition of the related asset, expense or revenue (or the corresponding part thereof) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability that arises from the payment or collection of the advance consideration. If there are multiple advance payments or collections, the entity will determine a date of the transaction for each payment or collection of the advance consideration.

The amendment indicates that first-time adopters of IFRS will not need to apply IFRIC 22 to assets, expenses and revenues that fall within the scope of that interpretation initially recognized before the date of transition to IFRS Standards.

IFRS 9: Financial Instruments - Prepayment features with negative compensation

In order to determine the amortized cost, a company must consider the contractual terms that may terminate a contractual relationship. Regardless of the event or circumstance that causes the early termination of the contract, a party may pay or receive a reasonable compensation for that early termination. For example, a party may pay or receive a reasonable compensation when it chooses to terminate the contract in advance (or causes the early termination of the contract by other means).

A negative compensation can occur when an early payment feature results in the party that causes the early termination of the contract receiving effectively an amount from the other party, instead of paying a consideration to the other party. To illustrate, the IASB considered a loan with an early payment feature that may result in negative compensation. Specifically, the borrower and the lender

have the option to pay the loan before maturity and, if it is paid early, the corresponding amount includes the compensation that reflects the change in the relevant reference interest rate. That is, if the loan is paid in advance (by either party) and the corresponding reference interest rate has decreased since the loan was initially recognized, then the lender will effectively receive an amount that represents the present value of those interest income lost over the remaining term of the loan. On the contrary, if the contract is paid in advance (by either party) and the corresponding reference interest rate has increased, the borrower will effectively receive an amount representing the effect of that change in said interest rate on the remaining term of the loan.

Annual Improvements 2015 - 2017 Cycle

The amendments to IFRS 3 and 11 indicate that an entity can gain control over a joint operation in stages over time. If this occurs, it must derecognize its previously held shareholding and recognize a controlling interest in all the assets and liabilities of the previous joint operation. These changes are applied to the financial statements that are issued as of January 1, 2019.

For IAS 12, the paragraph regarding the effects of the dividends on the income tax is amended, not making reference to the same IAS 12, but rather according to the provisions of IFRS 9, indicating that this effect is recognized through profit or loss, other comprehensive income or equity, depending on where the entity originally recognized those transactions or past events. The mandatory application date for these changes is as of January 1, 2019.

In IAS 23, the determination of the capitalization rate on susceptible costs is amended, where the weighted average of the borrowing costs of all the loans received by the entity during the period is taken, except for those taken to finance eligible assets until substantially all the activities necessary to provide that asset for its intended use or sale are executed. For this last change, the application date will be from the beginning of the annual reporting period in which the entity applies these amendments for the first time.

34.2 New Accounting Statements Issued by the International Accounting Standards Board (IASB):

During the year 2018 the IASB International Accounting Standards Board issued new statements on amendments related to standards already issued or new issues of standards that may imply an impact on the Company and its subsidiaries, which are:

IAS 1: Definition of material or materiality

The definitions of materiality and relative importance are modified to allow early adoption independently of the amendments to the references to the Conceptual Framework in the IFRS.

Previous concept:

"Omissions or misstatements of items are material or of relative importance if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality (or relative importance) depends on the size and nature of the omission or misstatement, judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

New definition:

"Materiality or relative importance depends on the size and nature of the information, or both. An entity evaluates whether the information in question, individually or in combination with other information, is material or of relative importance in the context of its financial statements taken collectively."

Changes made in IAS 1 and IAS 8 will necessarily apply to periods beginning on January 1, 2019.

Definition of a business (amendments to IFRS 3)

The amendment modifies the definition of business in order to help entities determine whether a transaction should be accounted for as a business combination or as the acquisition of an asset. The modifications are the following:

a) clarifies that, to be considered a business, an acquired set of activities and assets must include, at least, an input and a substantive process that together contribute significantly to the ability to produce products;

b) eliminates the assessment of whether the market participants can substitute the missing processes or supplies and continue with the production of products;

c) adds guides and illustrative examples to help entities assess whether a substantial process has been acquired;

d) restricts the definitions of a business or products focusing on goods and services provided to customers and eliminate the reference to the ability to reduce costs; and

e) adds an optional concentration test that allows a simplified assessment of whether a set of activities and businesses acquired is not a business.

The impacts of the previous amendments must be executed at the time of acquisition transactions on assets and liabilities that can be considered a business to be combined in their current operations.

The amendments are applied prospectively to the transactions in which the acquisition date occurs from the beginning of the period to January 1, 2020.

NOTE 35. EVENTS OCCURRED AFTER THE REPORTING PERIOD

On July 25, 2019, the Supreme resolution 007-2019-EM from the Peruvian Government published that our subsidiary Gases del Norte del Perú, S.A.C., obtained a new concession which will allow the Company to duplicate its operations in natural gas transportation, gas distribution and marketing services sector in Peru. The investments projected in Peru with the new concession are around of USD230 million.

NOTE 36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements and notes thereto were approved for issue according to Board Meeting Minutes No. 493 of September 24, 2019.

Promigas S.A. E.S.P. and Subsidiaries
Consolidated Financial Statements
December 31, 2017 and 2016
With Independent's Auditor´s Report

KPMG S.A.S.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Promigas S.A. E.S.P.:

We have audited the consolidated financial statements of Promigas S.A. E.S.P. and Subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2017 and 2016, and the consolidated income statements, statements of other comprehensive income, changes in equity and cash flows for the years then ended and notes, comprising significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the fair preparation and presentation of these consolidated financial statements in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (NCIF). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of separated financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conduct our audit in accordance with International Standards on Auditing as accepted in Colombia. Those standards require that we comply with ethical requirements and that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG S.A.S., sociedad colombiana por acciones simplificada y firma miembro de la red de firmas miembro independientes de KPMG afiliadas a KPMG International Cooperative ("KPMG International"), una entidad suiza.

KPMG S.A.S.
Nit 860.000.846 - 4

Opinion

In our opinion, the accompanying consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (NCIF).

KPMG S.A.S.

KPMG S.A.S

September 29, 2019
Carrera 53 No. 82 – 86 of 804, Edificio Ocean Tower
Barranquilla

PROMIGAS S.A. E.S.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Figures in thousands of Colombian pesos)

	Note	December 31, 2017	December 31, 2016
ASSETS			
CURRENT ASSET:			
Cash and cash equivalents	5	$ 187,580,982	203,614,992
Financial assets at fair value	6	153,404,752	167,235,358
Financial assets at amortized cost	7	926,567,426	859,139,405
Inventories	8	66,398,474	72,430,518
Prepayments or tax credit balances		23,147,445	21,384,050
Assets held for sale		586,907	2,490
Other assets	9	119,983,277	113,485,476
TOTAL CURRENT ASSETS		1,477,669,263	1,437,292,289
LONG-TERM ASSETS:			
Financial assets at fair value	6	2,295,682,092	2,079,198,977
Financial assets at amortized cost	7	1,613,020,439	1,537,941,504
Inventories	8	12,915,789	10,313,197
Investment in associates	10	640,407,180	580,488,718
Property, pipelines, plant and equipment net:	11	1,135,751,917	1,241,803,906
Intangible assets:			
Concession arrangements rights	12	2,187,289,370	2,121,717,342
Goodwill	13	128,818,925	128,818,925
Other Intangible assets	14	74,707,602	67,183,398
Total intangible assets		2,390,815,897	2,317,719,665
Deferred tax asset, net	15	62,772,169	52,593,939
Other non-current assets	9	5,623,970	7,795,374
TOTAL LONG-TERM ASSETS		8,156,989,453	7,827,855,280
TOTAL ASSETS		$ 9,634,658,716	9,265,147,569
LIABILITIES			
CURRENT LIABILITIES:			
Financial obligations	16	$ 483,355,750	517,464,771
Outstanding bonds	19	18,111,719	23,889,028
Accounts payable	17	351,519,311	533,669,158
Employee benefits	18	16,738,698	16,010,671
Income tax payable		74,432,865	95,472,015
Provisions	21	2,078,840	-
Other liabilities	19	100,184,689	112,456,673
TOTAL CURRENT LIABILITIES		1,046,421,872	1,298,962,316
LONG-TERM LIABILITIES:			
Financial obligations	16	2,338,129,157	2,004,111,150
Outstanding bonds	20	2,217,112,080	2,216,842,560
Accounts payable	17	12,998,181	12,919,028
Employee benefits	18	4,404,826	4,250,612
Provisions	21	255,442,243	224,644,588
Deferred tax liabilities, net	15	581,234,108	548,133,539
Other liabilities	19	38,763	438,021
TOTAL LONG-TERM LIABILITIES		5,409,359,358	5,011,339,498
TOTAL LIABILITIES		6,455,781,230	6,310,301,814
EQUITY	22		
CONTROLLING SHAREHOLDERS			
Paid-in and subscribed capital		113,491,861	113,491,861
Share premium underwriting		322,822,817	322,822,817
Reserves		558,143,087	289,427,102
Retained earnings		1,861,787,733	1,919,325,493
Other equity accounts		(2,033,458)	(2,033,458)
Other comprehensive income		108,450,056	112,104,244
CONTROLLING SHAREHOLDERS		2,962,662,096	2,755,138,059
NON-CONTROLLING INTEREST	23	216,215,390	199,707,696
TOTAL EQUITY		3,178,877,486	2,954,845,755
TOTAL LIABILITIES AND EQUITY		$ 9,634,658,716	9,265,147,569

The notes attached hereto are an integral part of these consolidated financial statements

PROMIGAS S.A. E.S.P. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
(Figures in thousands of Colombian pesos)

Years ended on:	Note	December 31, 2017	December 31, 2016
Revenue	24	$ 3,439,041,299	3,770,364,440
Cost of Sales	25	(2,244,705,621)	(2,664,488,333)
GROSS INCOME		1,194,335,678	1,105,876,107
Operating expenses	26	(297,891,736)	(287,487,744)
Dividends received		1,204,633	733,708
Others, net	27	17,140,511	18,556,397
OPERATING INCOME		914,789,086	837,678,468
Finance income	28	293,946,427	270,225,903
Finance costs	29	(419,570,109)	(358,265,814)
FINANCE COST, NET		(125,623,682)	(88,039,911)
Share or profit of equity-accounted investees associates, net of tax	10	141,970,267	125,895,564
INCOME BEFORE TAX		931,135,671	875,534,121
Income tax expense		(242,979,506)	(227,445,345)
NET INCOME FOR THE PERIOD		$ 688,156,165	648,088,776
INCOME ATTRIBUTABLE TO:			
Owners of the company		$ 645,246,943	616,697,082
Non-controlling interest		42,909,222	31,391,694
		$ 688,156,165	648,088,776
NET INCOME PER SHARE		$ 568.58	543.42

The notes attached hereto are an integral part of these consolidated financial statements

PROMIGAS S.A. E.S.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
(Figures in thousands of Colombian pesos)

Years ended on:	**Note**		**December 31, 2017**	**December 31, 2016**
Net income for the year		$	688,156,165	648,088,776
ITEMS THAT ARE OR MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT				
Foreing operations-Foreing currency traslation differences			(2,788,045)	(22,148,399)
Hedging Transactions			(6,589,093)	18,944,832
Related tax effect	15		1,132,897	(5,826,364)
			(8,244,241)	(9,029,931)
ITEMS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO THE INCOME STATEMENT				
Fair value of equity instruments			7,265,379	-
Employee benefits			(519,441)	2,190,930
Related tax effect			(2,239,766)	186,976
			4,506,172	2,377,906
			(3,738,069)	(6,652,025)
TOTAL INCOME AND OTHER COMPREHENSIVE INCOME FOR THE YEAR		$	684,418,096	641,436,751
INCOME AND OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the company		$	641,592,754	609,752,980
Non-controlling interest			42,825,342	31,683,771
		$	684,418,096	641,436,751

The notes attached hereto are an integral part of these consolidated financial statements

PROMIGAS S.A. E.S.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Figures in thousands of Colombian pesos)

Years ended on December 31, 2016 and 2017:	Paid-in and subscribed capital	Share premium underwriting	Reserves	Accumulated results: Results from Previuos Year	Accumulated results: Net income	Accumulated results: First-time adoption effect	Accumulated results: Total	Other equity account	Other comprehensive income	To the owners of the company	Non-controlling interests	Total Equity
Balances as of December, 31 2015	$ 113,491,861	322,822,817	188,629,772	57,983,118	245,390,896	1,505,786,626	1,809,160,640	-	119,048,346	2,553,153,436	179,392,812	2,732,546,248
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(2,034,045)	-	(2,034,045)	(1,836,955)	(3,871,000)
Sale of shares to non-controlling companies								587		587	(587)	-
Capitalizations	-	-	-	-	-	-	-	-	-	-	705	705
Legal reserve	-	-	111,174,526	(111,174,526)	-	-	(111,174,526)	-	-	-	-	-
Declared cash dividends	-	-	-	(394,927,119)	-	-	(394,927,119)	-	-	(394,927,119)	(8,791,187)	(403,718,306)
Use of reserves	-	-	-	(430,584)	-	-	(430,584)	-	-	(430,584)	-	(430,584)
Reclasification from Net Income to Retained Earnings	-	-	-	245,390,896	(245,390,896)	-	-	-	-	-	-	-
Equity tax	-	-	(10,377,196)	-	-	-	-	-	-	(10,377,196)	(740,863)	(11,118,059)
Income and other comprehensive income	-	-	-	-	616,697,082	-	616,697,082	-	(6,944,102)	609,752,980	31,683,771	641,436,751
Balances as of December, 31 2016	113,491,861	322,822,817	289,427,102	(203,158,215)	616,697,082	1,505,786,626	1,919,325,493	(2,033,458)	112,104,244	2,755,138,059	199,707,696	2,954,845,755
Decrease in capital and premium	-	-	-	-	-	-	-	-	-	-	(13,980,638)	(13,980,638)
Legal reserve	-	-	272,677,295	(272,677,295)	-	-	(272,677,295)	-	-	-	-	-
Declared cash dividends	-	-	-	(430,107,407)	-	-	(430,107,407)	-	-	(430,107,407)	(12,042,134)	(442,149,541)
Reclasification from Net Income to Retained Earnings	-	-	-	616,697,082	(616,697,082)	-	-	-	-	-	-	-
Equity tax	-	-	(3,961,310)	-	-	-	-	-	-	(3,961,310)	(294,876)	(4,256,186)
Income and other comprehensive income	-	-	-	-	645,246,942	-	645,246,942	-	(3,654,188)	641,592,754	42,825,342	684,418,096
Balances as of December, 31 2017	113,491,861	322,822,817	558,143,087	(289,245,835)	645,246,942	1,505,786,626	1,861,787,733	(2,033,458)	108,450,056	2,962,662,096	216,215,390	3,178,877,486

The notes attached hereto are an integral part of these consolidated financial statements

PROMIGAS S.A. E.S.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Figures in thousands of Colombian pesos)

Years ended on:		December 31, 2017	December 31, 2016
Cash flow from operating activities:			
Net income	$	688,156,165	648,088,778
Adjustments to reconcile net income with net cash provided by operating activities:			
Depreciation		33,737,628	30,847,167
Amortization of intangibles		130,096,672	107,766,236
Acumulated interest		369,991,396	320,097,848
Changes in fair value of financial assets		(209,936,431)	(180,952,483)
Share of profit of equity-accounted investees, net of tax		(141,970,267)	(125,895,565)
Impairment of:			
Investments		299	4,027,241
Inventories		397,954	564,791
Accounts receivable		18,333,737	26,069,302
Properties, pipelines, plant and equipment		-	1,451,423
Accrued provisions		2,895,756	11,362,599
Exchange difference for transactions in foreign currency		(15,748,252)	(19,364,835)
(Revenue)/loss in the sale of:			
Investments of equity instruments		130,824	-
Non-current assets held for sale		(12,555,641)	(239,174)
Properties, pipelines, plant and equipment			(60,282)
Concesions			(9,292)
Loss for disposal/write-off related to:			
Inventories		372,003	-
Accounts receivable		2,910	-
Properties, pipelines, plant and equipment		7,862,560	7,714,155
Concessions		1,285,331	3,568,553
Biological assets		-	911,573
Valuation of investment properties		336,321	-
Income and CREE (Income Tax for equality) Tax		242,979,506	227,731,105
Acumulated equity tax		65,223	-
Changes in assets and liabilities:			
Accounts receivable		(16,573,494)	(225,035,598)
Inventories		(7,696,383)	(50,710,098)
Equity instruments through profit or loss		29,214,322	(195,188,566)
Other assets		7,475,278	-
Accounts payable		(42,716,810)	128,298,951
Employee benefits		350,725	1,485,571
Provisions		(8,121,880)	5,066,740
Other liabilities		(17,490,389)	43,025,737
Equity tax paid		(4,351,858)	(9,992,626)
Income and Cree tax paid		(235,792,790)	(178,726,233)
Interests paid		(380,906,173)	(322,203,332)
Net cash provided by operating activities		439,824,243	259,699,686
Cash flow from investment activities:			
Acquisition of:			
Properties, pipelines, plant and equipment		(97,175,856)	(461,597,004)
Equity instruments at fair value		-	(100,000)
Concessions right		(189,807,216)	(403,923,295)
Other intangibles		(18,079,901)	(4,526,507)
Debt securities		24,253,806	1,314,658
Result from the sale of:			
Financial instruments at fair value charged to ORI			63,845
Concessions right			343,522
Non-current assets held for sale		58,756	461,000
Equity instruments		59,534	4,389,043
Excess paid for acquisition of participation in non-controlling interests			(2,033,458)
Dividends received:			
Equity instruments		1,432,645	-
Investment in associates		78,850,038	78,595,858
Net cash used in investment activities		(200,408,194)	(787,012,338)
Cash flow from financing activities :			
Dividends Paid		(519,122,651)	(320,869,581)
Proceeds obtained from financial obligations		1,139,838,520	1,106,160,309
Payment of financial obligations		(855,500,921)	(574,872,042)
Bond issue			500,000,000
Bond payment			(104,294,000)
Decrease in capital and premium		(13,980,638)	(1,836,249)
Net cash (used in) provided financing activities		(248,765,690)	604,288,437
Net increase (decrease) of cash and cash equivalents		(9,349,641)	76,975,785
Effect of movements in exchange rates on cash held from foreing operation		(2,020,896)	(610,300)
Effect of exchange differences on cash		(4,663,473)	5,955,860
Cash and cash equivalents at the beginning of the year		203,614,992	121,293,647
Cash and cash equivalents at the end of the year	$	187,580,982	203,614,992

The notes attached hereto are an integral part of these consolidated financial statements

NOTE 1. REPORTING ENTITY

Promigas S.A. E.S.P. (hereinafter Promigas S.A. E.S.P., Promigas or the Company) was incorporated in accordance with Colombian Law on December 27, 1974, and its corporate purpose is the purchase, sale, transportation, distribution, exploitation and exploration of natural gas, oil and hydrocarbons in general, and the gas and oil activities in all their forms. It can also, inter alia, sell or provide goods or services to third parties, either financial or non-financial, and finance the acquisition of goods or services from third parties with its own resources. Promigas controlling shareholder is Corporación Financiera Colombiana S.A., whose parent company is Grupo Aval Acciones y Valores S.A. both are public companies incorporated in Colombia, the corporate seat of the Company is in Barranquilla, its address is Calle 66 No. 67 – 123 and its term of duration expires on December 27, 2074.

The Company is supervised by the Superintendence of Residential Utilities and in order to keep the National Register of Securities and Brokers (RNVI, for its Spanish acronym) current is subject to the concurrent supervision of the Colombian Financial Superintendence, in accordance with the provisions of Articles 5.2.4.1.2 and 5.2.4.1.3 of single Decree 2555/2010 of the Colombian Financial Superintendence and Regulation Letter 007/2015, Title Three. These consolidated financial statements the Company and its Subsidiaries.

1.1 Regulatory Framework

Promigas is mainly governed by Act 142/1994, which states the Public Utilities Regime is established in Resolution 071/1999 issued by the energy and gas regulation commission, (CREG by Spanish acronym), whereby the Single Regulation for Natural Gas Transportation (RUT, for its Spanish acronym) in Colombia is established, Act 689/2001, whereby Act 142/1994 is partially amended, the industry's regulations, the concession agreements in force, its bylaws and other provisions contained in the Code of Commerce.

The rates the Company and its Subsidiaries charge to customers for natural gas transportation and distribution services are regulated by the National Government through the CREG.

1.2 Preparation bases

Basis of Accounting

The consolidated financial statements have been prepared in accordance with the Colombian Financial Reporting Standards (CFRS), set out in Act 1314/2009, regulated by Single Regulatory Decree 2420/2015, as amended by Decree 2496/2015, Decree 2131/2016 and Decree 2170/2017. The CFRS applicable in 2017 are based on the International Financial Reporting Standards (IFRS), along with its interpretations, issued by the International Accounting Standards Board (IASB). The base standards correspond to the official Spanish translations issued by the IASB during the first half of 2016.

The Company applies the exception of Article 10 of Act 1739 of December 23, 2014, which allows to recognize the equity tax affecting equity reserves instead of recognizing the expense according to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

For legal purposes in Colombia, the separate financial statements are the statutory financial statements.

Functional and Presentation Currency

The items included in these financial statements are presented using "Colombian pesos", currency of the principal economic environment in which the Company operates, which in turn is its functional currency. All information is expressed in thousands of pesos rounded up to the nearest unit.

Transactions in foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the prevailing exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies in terms of historical costs are measured using the exchange rate at the transaction date. Financial instruments measured at fair value are converted using the exchange rate at the date the fair value was determined. Profits or losses resulting from the translation process are recognized in profit or loss, except for financial instruments designated as hedging instruments.

As of December 31, 2017, and 2016, the representative exchange rates to convert the transactions from United States Dollar to Colombian Pesos as computed and certified by the Superintendency of Finance are as follows:

	December 31, 2017	December 31, 2016
	$ 2,984.00	$ 3,000.71

1.3 Basis for Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following items:

- Derivative financial instruments are measured at fair value.
- Financial instruments measured at fair value through profit or loss.
- Financial assets under concession measured at fair value.
- Financial instruments at fair value through other comprehensive income.
- Biological assets are measured at fair value less costs to sell.

1.4 Use of Significant Accounting Estimates and Assumptions

The Company and its Subsidiaries make estimates and assumptions that affect the amounts recognized in the consolidated financial statements and the book value of assets and liabilities in the following fiscal year. Judgments and estimates are continually evaluated and are based on the management's experience and other factors, including the expectation of future events that may be reasonable under the circumstances. Management also makes certain judgments besides from those involving estimates in the process of applying the accounting policies.

Investments in Debt Securities Classified at Amortized Cost

Promigas and its Subsidiaries apply judgments in assessing whether in the consolidated financial statements, investments in debt securities may be categorized at amortized cost considering its business model for managing financial assets and whether they meet the conditions for such financial assets to be measured at amortized cost. The Company and its Subsidiaries may sell these assets only in limited circumstances, in rare and immaterial transactions related to the total portfolio, such situations as assets failing to meet the investment accounting policies of the Company and its Subsidiaries, adjustments in the maturity structure of their assets and liabilities, need to finance important capital disbursements and standing liquidity needs.

Impairment for Doubtful Debts

The impairment for doubtful debts is reviewed and updated at the end of the reporting period based an aging analysis of balances and collectability evaluations of individual accounts conducted by the administration. Periodically, amounts considered uncollectible are debited from impairment. (see note 7)

Impairment of Accounts Receivable Due to Non-bank Financing

The method for calculating the impairment made by the Company and its Subsidiaries is based on an incurred loss model, which has the following premises:

- The calculation of the impairment is made when the accounts receivable reach an expiration date after 150 days; and
- Calculation of a recovery rate.

The calculation is made based on a one-(1)-year behavior analysis of the portfolio. After completing the exercise, the values are taken by age of the month to be impaired, the percentage of the recovery average of the last year in each one of the default ages is subtracted, and the result is the money with which expect loss can be incurred. It also considers the portfolio in default age

greater than 360 days, which is impaired in its entirety, as it is a portfolio that has failed to recover and shall be offset.

Fair Value of Financial Instruments and Derivatives

Information on the fair values of financial instruments and derivatives that were measured using assumptions not based on observable market data is provided in note 6.

Recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.

Deferred income tax is recognized using the balance sheet method on the temporary differences between the tax bases of assets and liabilities and their respective carrying amounts at the closing date of the reporting period, calculated with the tax rates expected to be applicable for the period in which the asset is realized or the liability is paid off, based on the rates approved or once the approval process by the Government is practically over.

Liabilities for deferred taxes are recognized for all taxable temporary differences, except taxable temporary differences regarding investments in Subsidiaries, affiliates and interests in joint ventures, when the reversal opportunity of temporary differences can be controlled, and such temporary differences are unlikely to be reversed soon.

Deferred tax assets are recognized for all deductible temporary differences and future compensation of tax credits and unused tax losses, to the extent there will likely be availability of future taxable income to offset against such tax credits or tax losses, except deductible temporary differences regarding investments in Subsidiaries, affiliates and interests in joint ventures.

Impairment testing for CGUs containing goodwill: key assumptions underlying recoverable amounts.

The Company performs biannual assessments of goodwill impairment based on studies conducted by internal professionals. These studies are performed based on valuations of cash generating units by the method of discounted cash flow, taking into account the following factors: The economic situation of the country and the sector in which the company operates, historical financial information, and historical financial information, and projected growth of the Company's revenues and costs over the next five years and subsequently, perpetual growth taking into account its profit capitalization indices discounted at risk-free interest rates, adjusted by risk premiums required in the circumstances of each company.

Methodologies and assumptions used for the valuation of the different cash generating units that have allocated goodwill were reviewed by the Company and, based on this review, the Company concluded that as of December 31, 2017 and 2016, no impairment was identified.

Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

The Company and its Subsidiaries estimate and record a provision for contingencies in order to cover any possible losses due to, inter alia, labor cases, civil and commercial proceedings, and tax assessments, according to circumstances that, based on the opinion of external legal counsel, are likely to produce losses and can be reasonably estimated in time and amounts.

"Smart Pig or Smart Tool" Provision

Smart tool or Smart pig; Corresponds to the provision made by Promigas, Promioriente and Transmetano for the obligation to perform an inspection of the pipeline under concessions in order to determine the maintenance plan to be followed.

By regulation, Promigas, Promioriente and Transmetano must perform inspections on the infrastructure to determine the maintenance plan to follow; therefore, the amount required for such inspection is annually estimated and debited from profit and loss account. The estimate is determined as follows:

- First, the last value paid under this item is used as a basis (a part of this value is in dollars and the other part in pesos).
- The part of the value paid in dollars is indexed with projections of the CPI (consumer price index) in the United States of America and then converted into pesos with the exchange rate projected as of the date of the next inspection. The part payable in pesos is indexed with projections of the CPI in Colombia.
- Macroeconomic projections are reviewed at the beginning of each year, or at the Company's discretion if it determines any volatility in the variables used, to adjust the provision.

Determining Functional Currency

The Company and its Subsidiaries functional currency was determined based on the correlative economic conditions of the country of operations. This determination requires judgment. Despite this judgment, the Company assessed, among other factors, the place of the activities, cash flows, sources of income and risks related to these activities and the operating currency denomination of the different entities.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies applied consistently for the preparation of the consolidated financial statements under the Colombian Financial Reporting Standards (CFRS) are described below:

2.1. Bases for Consolidation

According to the CFRS, the Company must prepare consolidated financial statements. Separate financial statements are the basis for dividend allocation and other appropriations by the shareholders. Consolidated financial statements are presented to the General Meeting of Shareholders for information purposes only.

Consolidation of Subsidiaries

According to International Financial Reporting Standard (IFRS) 10 – Consolidated Financial Statements, the Company must prepare consolidated financial statements with controlled entities. The Company has control over another entity if, and only if, it meets the following elements:

- Power over the investee, giving the parent company current ability to direct any relevant activities of the former that may significantly affect its performance.
- Exposure or right to variable returns from its involvement with the investee.
- Ability to use its power over the investee to influence the amount of investor returns.

Such consolidated financial statements as of December 31, 2017 and 2016, include the financial statements of Promigas and its Subsidiaries (hereinafter “the Companies”), understanding as Subsidiaries the companies whose decision-making power is directly or indirectly subject to the will of Promigas.

In this process, the Company consolidates the assets, liabilities and results of the entities in which it determines control, prior homogenization of its accounting policies and conversion into Colombian pesos of the foreign Subsidiaries.

The consolidation process of the presentation currency involves the elimination of intercompany transactions and unrealized profits between them. The stakes of non-controlling interests in Subsidiaries is presented in equity separately from the equity of the Company shareholders.

For the conversion process of financial statements of foreign Subsidiaries whose functional currency is the United States Dollar, the Company converts assets and liabilities into Colombian pesos at the current exchange rate on the closing date of the reported period; the income statement is converted at the average exchange rate for the year; and equity at its respective historical rate. The resulting net adjustment is included in equity as “Foreign operations - foreign currency translation differences” under “other comprehensive income”.

The consolidated financial statements hereto include assets, liabilities, equity and income of the Company and its Subsidiaries.

The Consolidated financial statements hereto include the following companies:

Company	Functional currency	Country	Purpose	Interest		
				Direct	Indirect	Total
Surtidora de Gases del Caribe S.A. E.S.P.	Colombian Peso	Colombia	Gas distribution	99.99%	0.00%	99.99%
Transoccidente S.A. E.S.P.	Colombian Peso	Colombia	Gas transportation	68.99%	0.00%	68.99%
Promioriente S.A. E.S.P.	Colombian Peso	Colombia	Gas transportation	73.27%	0.00%	73.27%
Transmetano E.S.P. S.A.	Colombian Peso	Colombia	Gas transportation	99.67%	0.00%	99.67%
Gases de Occidente S.A. E.S.P.	Colombian Peso	Colombia	Gas distribution	90.12%	0.00%	90.12%
Compañía Energética de Occidente S.A. E.S.P.	Colombian Peso	Colombia	Energy distribution	49.00%	45.96%	94.96%
Orión Contac Center S.A.S.	Colombian Peso	Colombia	Telephone Customer Service	0.00%	94.07%	94.07%
Promisol S.A.S.	Colombian Peso	Colombia	Construction	100.00%	0.00%	100.00%
Gases del Pacífico S.A.C.	United States Dollar	Peru	Gas distribution	75.00%	25.00%	100.00%
Gases del Norte del Perú S.A.C.	Peruvian Sol	Peru	Gas distribution	75.00%	25.00%	100.00%
Promisol México S.A. de C.V.	Mexican Peso	Mexico	Construction	5.00%	95.00%	100.00%
Zonagen S.A.S.	Colombian Peso	Colombia	Electric Power Generation	0.00%	99.95%	99.95%
Sociedad Portuaria El Cayao S.A. E.S.P.	United States Dollar	Colombia	Gasification, regasification and storage of GNL	51.00%	0.00%	51.00%
Enlace Servicios Compartidos S.A.S.	Colombian Peso	Colombia	Management and administrative support	100.00%	0.00%	100.00%

Below is the total value of assets, liabilities and equity of the companies included in the consolidation as of:

Company		Assets	Liabilities	Equity
December 31, 2017				
Surtidora de gases del caribe S.A. E.S.P.	$	1,029,816,739	585,426,575	444,390,164
Transoccidente S.A. E.S.P.		13,760,317	3,632,289	10,128,028
Promioriente S.A. E.S.P.		699,860,633	332,225,252	367,635,381
Transmetano E.S.P. S.A.		286,792,981	127,598,803	159,194,178
Gases de Occidente S.A. E.S.P.		1,026,161,033	777,911,226	248,249,807
Compañía Energética de Occidente S.A. E.S.P.		517,125,313	395,655,434	121,469,879
Orión Contac Center S.A.S.		5,763,725	1,937,952	3,825,773
Promisol S.A.S.		390,375,343	309,197,123	81,178,220
Promisol México S.A. de C.V.		3,667	5,270	(1,603)
Gases del Pacífico S.A.C.		280,254,153	264,589,236	15,664,917
Gases del Norte del Perú S.A.C.		231,786	94,377	137,409
Zonagen S.A.S.		7,257,670	4,390,214	2,867,456
Enlace Servicios Compartidos S.A.S.		12,009,354	1,022,313	10,987,041
Sociedad Portuaria El Cayao S.A. E.S.P.	$	1,355,738,173	1,173,456,607	182,281,566

Company		Assets	Liabilities	Equity
December 31, 2016				
Surtidora de Gas del Caribe S.A. E.S.P.	$	1,016,845,824	621,982,602	394,863,222
Transoccidente S.A. E.S.P.		14,390,259	4,235,413	10,154,846
Promioriente S.A. E.S.P.		663,857,076	329,721,699	334,135,377
Transportadora de Metano E.S.P. S.A.		272,022,965	117,420,925	154,602,040
Gases de Occidente S.A. E.S.P.		950,969,745	742,097,366	208,872,379
Compañía Energética de Occidente S.A.		522,360,573	407,097,469	115,263,104
Orion Contac Center S.A.S.		6,632,611	2,086,114	4,546,497
Promisol S.A.S.		302,111,527	237,824,614	64,286,913
Promisol México S.A. de C.V.		8,398	6,534	1,864
Gases del Pacífico S.A.C		172,163,792	158,129,948	14,033,844
Zonagen S.A.		6,871,526	4,330,810	2,540,716
Sociedad Portuaria El Cayao S.A. E.S.P	$	1,531,066,768	1,355,807,820	175,258,948

Below are the revenue, earnings before taxes, income tax and net income for the period of the companies included in the consolidation of the years ended:

Company		Revenue	Earnings before taxes	Income tax	Net Income
December 31, 2017					
Surtidora de gases del caribe S.A. E.S.P.	$	803,316,032	76,855,478	(31,860,046)	44,995,432
Transoccidente S.A. E.S.P.		6,109,915	3,928,540	(1,511,572)	2,416,969
Promioriente S.A. E.S.P.		204,723,762	112,012,478	(47,177,426)	64,835,053
Transmetano E.S.P. S.A.		102,034,513	48,205,950	(18,614,490)	29,591,461
Gases de Occidente S.A. E.S.P.		1,007,342,490	108,113,752	(36,969,730)	71,144,022
Compañía Energética de Occidente S.A. E.S.P.		390,484,166	41,842,046	(20,009,308)	21,832,738
Orión Contac Center S.A.S.		9,510,756	1,995,360	(714,293)	1,281,067
Promisol S.A.S.		73,815,545	25,386,693	(8,326,321)	17,060,372
Promisol México S.A. de C.V.		-	(3,733)	-	(3,733)
Gases del Pacífico S.A.C.		46,375,710	(22,206,988)	7,654,244	(14,552,744)
Gases del Norte del Perú S.A.C.		-	(182,247)	-	(182,247)
Zonagen S.A.S.		9,780,122	480,398	(153,658)	326,740
Enlace Servicios Compartidos S.A.S.		300,000	(500,448)	164,990	(335,457)
Sociedad Portuaria El Cayao S.A. E.S.P.		251,080,298	42,979,926	(7,321,283)	35,658,643

December 31, 2016	Revenue	Earnings before taxes	Income tax	Net Income
Surtidora de gases del caribe S.A. E.S.P.	861,897,022	73,790,362	(28,521,335)	45,269,027
Transoccidente S.A. E.S.P.	5,955,940	3,678,366	(1,345,586)	2,332,780
Promioriente S.A. E.S.P.	149,227,507	106,996,801	(29,027,249)	77,969,552
Transmetano E.S.P. S.A.	73,269,476	53,493,435	(15,448,080)	38,045,355
Gases de Occidente S.A. E.S.P.	1,136,804,685	111,647,663	(39,443,678)	72,203,985
Compañía Energética de Occidente S.A. E.S.P.	406,101,209	35,498,563	(16,953,858)	18,544,705
Orion Contac Center S.A.S.	8,370,718	1,831,151	(715,309)	1,115,842
Promisol S.A.S.	116,728,392	11,639,354	(6,148,487)	5,490,867
Promisol México S.A. de C.V.	-	(5,742)	-	(5,742)
Gases del Pacífico S.A.C.	44,892,956	(16,219,144)	4,388,072	(11,831,072)
Zonagen S.A.S.	6,266,371	(510,664)	1,711	(508,953)
Sociedad Portuaria El Cayao S.A. E.S.P.	181,247,206	9,903,906	(5,044,026)	4,859,880

2.2. Investments in Associates

If the Company holds, directly or indirectly, 20% or more of the voting power in the investee, it is presumed to have significant influence, unless it can be clearly demonstrated that such influence does not exist. If the Companies hold, directly or indirectly, less than 20% of the voting power in the investee, it is presumed that they have no significant influence, unless it can be clearly demonstrated that there is such influence. Decisions about using the equity method when the

investee has less than 20% of the voting power requires a careful evaluation of voting rights and their impact on the ability of the Companies to exercise significant influence.

The Company and its Subsidiaries' management considers the existence of the following circumstances, which may indicate that they are in a position to exert significant influence over a company in which it holds less than 20% of the voting power:

- Representation on the board of directors or equivalent governing body of the investee;
- Participation in the process of setting policies, including decisions on dividends and other allocations;
- Material transactions between the Company and the investee;
- Exchange of executive personnel; or
- Supply of essential technical information.

Management also considers that the existence and effects of potential voting rights that are exercisable or convertible securities should be also considered when assessing whether the Company has significant influence.

The Company also evaluates the following indicators that provide evidence of significant influence:

- The Company's shareholding is significant with respect to other shareholding (i.e., minority of other shareholders);
- Major Shareholders of the Company, its parent company, Subsidiaries or executives have additional investment in the investee; and
- The Company is part of the Board of Directors or important internal committees of the investee.

For the conversion in associates, the Company uses the equity method which is an accounting method according to which the investment is initially recorded at cost and is periodically adjusted for changes. The income of the investor includes its share in the profit or loss of the investee and in other comprehensive income of the investor; its equity includes its share in other comprehensive income of the investee.

2.3. Transactions and Balances in Foreign Currency

Foreign currency transactions are converted to the respective functional currency of the Company and its Subsidiaries on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are converted to the functional currency at the exchange rate of that date.

Gains or from conversion of foreign currency into monetary items is the difference between the amortized cost of the functional currency at the beginning of the period, adjusted for interests and

effective payments during the period, and the amortized cost in foreign currency converted at the exchange rate at the end of the period.

Foreign currency differences arising during the conversion are recognized in income; however, foreign currency differences arising from the conversion of qualified cash flow hedges are recognized in other comprehensive income, provided that the hedge is effective.

2.4. Financial Instruments

Financial Assets

Recognition, initial measurement and classification

The initial recognition of financial assets is at fair value; in the event of a financial asset not carried at fair value through profit or loss, the transaction costs directly attributable to the acquisition of the financial asset are added. Financial assets are classified as subsequently measured at amortized cost or fair value on the basis of:

a. The business model of the entity for managing portfolios of financial assets.
b. The characteristics of contractual cash flows of the financial asset

Purchases or sales of financial assets that require the delivery of assets within a period set out by a market standard or convention are recognized at the date of the purchase or sale, i.e., the date on which the Company commits to purchase or sell the asset.

Financial assets include cash and cash equivalents, debt securities, trade receivable and other receivables and derivative transactions.

Financial Assets at Fair Value through Profit or Loss

Financial Assets at Fair Value through profit or loss include financial assets not designated at the time of classification at amortized cost.

Financial Assets at Amortized Cost

A financial asset is measured at amortized cost using the effective interest method and net loss for impairment if:

- The asset is kept within a business model in order to hold the assets to obtain contractual cash flows; and
- The contract terms of the financial give rise, on specific dates, to cash flows that are solely payments of principal and interests.

Equity Instruments

Equity instruments are measured at fair value through profit or loss, except those designated through other comprehensive income considered strategic. However, in specific circumstances, cost may be an appropriate estimate of fair value. That may be the case if the recent information available is insufficient to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

Financial assets at fair value through other comprehensive income include equity instruments. Equity instruments designated at fair value through other comprehensive income are those that are neither classified as held for trading or as at fair value through profit or loss. This classification is irrevocable.

For investments in equity instruments not held for trading, the companies may choose at initial recognition to present gains and losses in other comprehensive income. For such investments measured at fair value through other comprehensive income, gains and losses are never reclassified to results and no impairment is recognized. Dividends earned from such investments are recognized in income unless the dividend clearly represents a repayment of part of the cost of the investment.

Free-standing trust funds are managed according to their purpose:

1. If there is control, it must be determined whether it is a cash management asset, in that case they are recorded from the separate one according to the types of product that the autonomous equity implies, for example savings accounts, collective portfolios, etc.

2. In cases where there is no control, they are registered in the line of fiduciary orders and mandates where there is no control.

3. In case of control and not for the administration of cash resources then it must be registered in accordance with IFRS 10 and consolidate it, however, this type of assets is currently not available.

Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when:

- Contractual rights on the asset's cash flow expire;
- The contractual rights on the asset's cash flow are transferred, or an obligation is undertaken to pay a third party all cash flow without significant delay, through a transfer agreement
- Substantially all risks and benefits inherent to the property of the asset have been

  transferred;
- All risks and benefits inherent to the property of the asset have been substantially withheld, but the control thereof has been transferred.

Financial Liabilities

A financial liability is any contractual obligation to deliver cash or other financial asset to another entity or person or to exchange financial assets or liabilities under potentially unfavorable conditions for the Companies, or any agreement that will or may be liquidated using equity instruments of the entity. Financial liabilities are initially recorded by their transaction value, unless otherwise determined, being similar to its fair value, less transaction costs directly attributable to their issue. Subsequently such financial liabilities are measured at amortized cost according to the effective interest rate method initially determined and recorded as debit to profit and loss under financial expenses.

Financial liabilities are only derecognized from the balance sheet when generated obligations are extinguished or when they are acquired (either with the intention of repaying them or reinvesting in them).

Offset of Financial Instruments in the Balance Sheet

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legal right to offset such recognized amounts and the management intends to liquidate them on a net basis or realize the asset and liquidate the liability simultaneously.

2.5 Transactions with Derivatives Instruments

A derivative is a financial instrument whose value changes over time based on an underlying variable, does not require an initial net investment or a small investment related to the underlying asset and is liquidated on a future date.

Forward contracts entered into by the Company and some of its Subsidiaries to cover the fluctuation of exchange rates in revenues are considered a cash flow hedge, given that they cover a particular risk associated with a recognized asset or liability or a highly likely expected transaction, in which case the effective portion of the changes in the fair value of derivatives is recognized in the account other comprehensive income in equity. Gains or losses in the derivative relative to the portion that is not effective to the hedge or that does not correspond to the hedged risk is recognized immediately in the income statement. Hedge accounting is implemented while the forwards remain within the range of effectiveness (80% and 125%).

Derivative transactions are initially recognized at fair value. Subsequent changes in the fair value are recognized in profit or loss, unless the derivative instrument is designated as a hedging instrument and, in this case, the accounting criteria will depend on the nature of the hedged item, as described below.

At the beginning of the hedging transaction, the Company formally documents the relationship existing between the hedging instrument and the hedged item, including the risk management objective and strategy in undertaking the hedging relationship. It also documents its assessment, both initially as well as on a recurring basis, of whether the hedging relationship is highly effective in offsetting the changes in fair value or cash flows of the hedged items.

(i) For fair value hedge of assets or liabilities and firm commitments, changes in the fair value of the derivative instrument are recognized in profit or loss, as well as any other change in the fair value of the asset, liability or firm commitment attributable to the hedge risk,

(ii) For cash flow hedge of a particular risk associated with a recognized asset or liability or a projected highly probable transaction, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income. The gain or loss relating to the portion that is not effective for hedging or that does not relate to the hedged risk is immediately recognized in profit or loss.

The values accumulated in other comprehensive income are transferred to profit or loss in the same period in which the hedged item is recognized in profit or loss.

2.6. Net Investment Hedges in Foreign Operations

Promigas uses different financial instruments in order to manage its exposure to exchange rate risks. Financial liabilities are measured at amortized cost; those traded with a foreign currency generate an exchange difference. The gain or loss from the exchange difference is immediately recognized through profit or loss unless the financial liability is designated and in effect as a hedging instrument, in which case the moment of recognition through profit or loss depends on the nature of the hedge ratio.

The hedge is classified as a net investment in foreign operation when it hedges the exchange rate risk that arises from the translation effect of a net investment in foreign operation.

At the beginning of the hedge ratio, Promigas documents the relationship between the hedging instrument and the hedged item, together with its risk management objectives and its strategy for carrying out various hedging transactions. Additionally, at the beginning of the hedge and on a continuous basis, Promigas documents whether the hedging instrument is highly efficient in counteracting changes in market values or the cash flows of the hedged item attributable to the hedged risk.

The effective portion of the changes in the financial liabilities that are designated and that qualify as hedges of a net investment is recognized in other comprehensive income and accumulated under the net investment hedge. The loss or gain related to the ineffective portion is recognized immediately through profit or loss and is included in the profit or loss item in the exchange rate of the income statement for foreign currency hedging instruments.

The amounts previously recognized in other comprehensive income and accumulated in equity are reclassified in income for the periods in which the hedged item is recognized in earnings.

These profits are included within the same heading of the income statement of the recognized hedged item.

Hedge accounting is discontinued when the hedging instrument expires or is sold, completed or exercised, or when it no longer meets the hedge accounting criteria. Any loss or gain recognized in other comprehensive income and accumulated in equity at that time is held in equity and recognized when the expected transaction is finally recognized in profit or loss. When an expected transaction will not occur, the accumulated loss or gain in equity is immediately recognized in profit or loss.

2.7. Cash and Cash Equivalents

Cash and cash equivalents comprise bank balance and collective portfolios that are subject to an insignificant risk of change in value and are used by management to short-term commitments.

2.8. Property, Pipelines, Plant and Equipment

Recognition and Measurement

Elements of property, pipelines, plant and equipment are measured at cost less cumulative depreciations and cumulative amounts and any impairment losses suffered. Costs include expenditures that are directly attributable to the acquisition of the asset.

The cost of assets built by the Company and its Subsidiaries includes the cost of materials, direct labor and any other costs directly attributable to the process of bringing the asset to a working condition for its intended use, including costs of dismantling, removing and restoring the site where they are located.

Subsequent Costs

The cost of replacing a component of property, pipelines, plant and equipment is capitalized if future economic benefits are likely to be received and their cost can be measured reliably. The book value of the replaced part is derecognized. Daily maintenance costs of property, pipelines, plant and equipment are recognized in profit or loss when incurred.

Depreciation

The cost of assets is depreciated linearly based on estimated useful life, as detailed below:

	Years
Constructions and buildings	50
Pipelines, plant and networks not under concession	70
Machinery and equipment	10
Transportation fleet and equipment	5
Computer and communication equipment	5
Furniture and fittings	10

Depreciation methods and useful lives are reviewed each year and adjusted if necessary.

Disposals

The difference between the proceeds of the sale and asset's net book value is recognized in the income statement under the item other revenues.

2.9. Loan Costs

The Company and its Subsidiaries capitalize loan costs directly attributable to the purchase, construction or production of suitable assets, as part of the cost of it. A suitable asset is considered

an asset that necessarily requires a substantial period before being ready for its intended use or sale.
These loan costs will be capitalized as part of the cost of the asset, provided that they will likely give rise to future financial benefits for the entity and can be measured reliably.

2.10. Intangible Assets

The cost of intangible assets is recognized at the value of the transaction at the date of purchase. After the initial recognition, the intangible assets are accounted for at cost less any cumulative amortization and any cumulative impairment loss.

Intangible assets with finite useful lives are amortized over their economic useful lives and are assessed to determine whether impairment occurred, provided that there are signs that an intangible asset may have suffered such impairment. The amortization period and method for an intangible asset with finite useful life is reviewed at the closing of each reported period.

Intangible assets with indefinite useful lives are not amortized, but are subject to annual evaluations to determine whether they have suffered impairments, either individually or collectively in the cash-generating unit where they were assigned. An indefinite useful life is evaluated and reviewed annually to determine whether such useful life is still appropriate, and, if not, the change from indefinite to finite useful life is done prospectively.

The useful lives of intangible assets are shown below:

	Useful Life
Goodwill acquired in a business combination	Indefinite
Software and Licenses	3 to 5 years
Rights	20 years

Gains or losses arising from derecognizing an intangible asset are measured as the difference between net income from the sale and the book value of the asset and are recognized in the income statement when the asset is derecognized.

The Company and its Subsidiaries record as expenses for the period all research costs, as well as any development costs where the technological and commercial feasibility thereof cannot be established.

2.11. Concession Agreements

The Company and its Subsidiaries recognize the intangible asset arising from a service concession agreement when there is the right to charge for the use of concession infrastructure. On initial recognition, an intangible asset received as consideration for providing construction or improvement services in a service concession agreement is recognized at fair value. After initial recognition the intangible asset is measured at cost, including capitalized loan costs, less accumulated depreciation and accumulated impairment losses.

An intangible asset is recognized when there is no unconditional right to receive cash and the revenues are contingent on the extent of use of the asset under concession for the service provision.

In some cases, there may be mixed agreements, where part of the agreement is a financial asset and the other part is an intangible asset. In the case of Promigas and its Subsidiaries, the financial asset is not for the remuneration of the transportation service, but for the obligation to sell the gas infrastructure by the end of the term of the agreement.

Based on the above, rights in concession agreements are recorded by the Company and its Subsidiaries as follows:

i. Revenues from the construction and costs relative to the constriction of concessions are recorded in the income statement after completing stages of the project in the reported period.

ii. If the concession agreement qualifies as a financial asset, the asset arising in the agreement is included in the “other accounts receivable at fair value” account and recognized at the present value of future payments to which each Company is entitled, discounted using the effective interest rate, in the event they are financial assets related to the mandatory sale at fair price at the end of the agreement. These financial assets are designated at fair value through profit or loss.

iii. In addition, cumulative disbursements during the construction phase of the project are recognized as intangible assets, and amortized over the term of the concession agreement, except for compressors, which are amortized over the shortest between the concession agreement and its useful life, in a straight line debited on profit or loss from the date when the construction is completed and the corresponding asset is put the service of the users. Compressor stations are amortized as follows:

Component	Years	Rate
Centrifugal compressors		
Turbine (30,000 hours)	11	*
Compressor (60,000 hours)	22	*
Reciprocating compressors		
Motor-compressor (20,000 hours)	7	*
Compressor (40,000 hours)	15	*
Skid Valves	20	5%
Ancillary Systems:		
Cooling Units	20	5%
Fire Protection Equipment	10	10%
Ancillary Equipment:		
Fuel Gas Skid	20	5%
Air Compressor Skid	10	10%
Station Dashboard	5	20%
Motor control center	20	5%
Power Generator	10	10%
Valves and Accessories	20	5%
Separator filters	10	10%

(*) Equivalence is calculated with the percentage of each compressor stations' statistical use.

2.12 . Inventories

Inventories are measured at the lowest of either the cost or the net realizable value. The cost includes the purchase price of inventories and other direct costs required to make them available for use. The cost of inventories is determined using the weighted average method and classified either as short- or long-term based on the item's rotation. The net realizable value is the estimated selling price in the ordinary course of business less trading and distribution expenses.

2.13 . Noncurrent Assets Held for Sale

Non-current assets held for sale, which the Company and its Subsidiaries intend to sell within a term not exceeding one year, such sale being considered highly likely, are recorded as "non-current assets held for sale". Such assets are recorded at the lower value between their book value at the time of their transfer to this account or their fair value less estimated costs of sale.

2.14. Prepaid Expenses and Prepaid Assets

Prepaid expenses - mainly comprise insurance, services and leases paid in advance, amortized monthly at the contractual term, through profit or loss.

Insurance - Insurance is recognized at cost; depreciation is calculated using the straight-line method to allocate the cost to profit or loss at the end of the term of the policy.

2.15. Leases

Assets Received under Lease

Leases in terms in which the Company and its Subsidiaries assume substantially all the risks and rewards of ownership are classified as financial leases. On initial recognition, the leased asset is measured at the lowest between fair value or the present value of the minimum lease payments. After initial recognition, the asset is accounted for in accordance with the applicable accounting policy.

Other leases are operating leases, and the leased assets are not recognized in the Company's separate statement of financial position.

Assets Delivered under Lease

Assets leased are classified at the signing time of the contract as financial or operating leases. A lease is classified as financial when it substantially transfers all the risks and advantages inherent to the property. A lease is classified as operating if it does not substantially transfer all the risks and benefits inherent to the property. Leases classified as financial are included in the balance sheet under "financial assets at amortized cost - accounts receivable "and are accounted for in the same way as the loans granted. Leases that are classified as operating are included within the property, plant and equipment account and are accounted for and depreciated considering the asset class.

2.16. Taxes

Income Tax

The tax expense or income comprises the income tax for the period.

Current and deferred taxes are recognized as income or expense and are included in profit or loss, except when related to items recognized in other comprehensive income or directly in equity, in which case, the current or deferred tax is also recognized in OCI or directly in equity, respectively.

Current Taxes

Current tax is the amount to be paid or to be recovered from the current income tax and complementary taxes. It is calculated based on the tax laws enacted at the date of the financial statement. Management periodically evaluates the position assumed in tax returns, regarding situations in which tax laws are subject to interpretation and, if necessary, constitutes provisions on the amounts expected to be paid to the tax authorities.

To determine the provision of income tax, the Companies make their calculation based on the higher value between taxable income and presumptive income (minimum return on equity last year that the law presumes to establish the income tax).

The Companies only compensate tax assets and liabilities to current earnings if there is a legal right to the tax authorities and it intends either to settle the debts resulting on a net basis or to realize assets and settle debts simultaneously.

Deferred Taxes

Deferred tax is recognized using the asset and liability method, determined on temporary differences between the tax bases and the book value of assets and liabilities included in the financial statements.

Deferred tax liabilities are amounts to be paid in the future as income tax related to taxable temporary differences, while deferred tax assets are amounts to be recovered for income tax due to the existence of deductible temporary differences, compensable negative tax bases or deductions pending application. Temporary difference is understood as the difference between the book value of assets and liabilities and their tax base.

Recognition of Taxable Temporary Differences

Deferred tax liabilities arising from taxable temporary differences are recognized in all cases except if:

- They arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that on the date of such transaction neither the accounting result or the taxable income is affected.

- They correspond to differences associated with investments in Subsidiaries, associates, and joint ventures, when the Companies can control the reversal opportunity of temporary differences and such temporary differences are unlikely to be reversed in the near future.

- In the case of the recognition of deferred tax liabilities for temporary differences related to investments in associates when the intention to sell the investment is not expected in the foreseeable future, only deferred tax liabilities will be recognized for the existence of

  undistributed earnings that may generate dividends taxed in the foreseeable future and for which there is no agreement that sets forth the non-distribution of taxed dividends.

Recognition of Deductible Temporary Differences

Deferred tax assets arising from deductible temporary differences are recognized provided that:

- Future taxable incomes for compensation of temporary differences, except in those cases where the difference arise from the initial recognition of assets or liabilities in a transaction that is not a business combination and that the transaction date neither the accounting result or the taxable income is affected.

- Correspond to temporary differences associated with investments in Subsidiaries and affiliates, and interests in joint ventures, when the temporary differences are likely to be reversed in the near future and positive future tax gains are expected to offset such differences.

Deferred tax assets that fail to meet the above conditions are not recognized in the statement of financial position. The Company and its Subsidiaries reconsider at the end of the reporting period whether the conditions are met to recognize deferred tax assets that had not previously been recognized.

Tax planning opportunities are considered in the recovery assessments of deferred tax assets only if the Company and its Subsidiaries intend to adopt them or will likely adopt them.

Measurement

Deferred tax assets and liabilities are estimated using the tax rates applicable for the period where asset realization is expected or liabilities are going to be paid, based on the regulations enacted or expected to be enacted, and after considering the tax consequences that arise from the way in which the Company and its Subsidiaries expect to recover assets or settle liabilities.

The Company and its Subsidiaries review at the reporting period ending, the carrying value of the deferred tax assets, in order to reduce such value so that it becomes unlikely that there will be sufficient future taxable income to offset them.

The Company and its Subsidiaries non-monetary assets and liabilities are measured in terms of its functional currency. If tax losses or profits are calculated in a different currency, exchange rate

differences give rise to temporary differences and the recognition of a liability or a deferred tax asset and the resulting effect is charged or credited to profit or loss for the period.

Offset and Classification

The Company and its Subsidiaries offset deferred tax assets and liabilities when there is a legal right with tax authorities and those assets and liabilities relate to the same tax authority.

Offset deferred tax assets and liabilities are recognized in the statement of financial position as noncurrent assets and liabilities regardless of the expected date of realization or settlement.

Equity Tax

Article 1 of Act 1739 of December 23, 2014, creates as of January 1, 2015, an extraordinary tax called Equity tax, which will be temporary for taxable years 2015, 2016 and 2017. The tax will be accrued annually on January 1 each year.

This Act provides that, for accounting purposes in Colombia, such tax may be recorded as mentioned. The Company and its Subsidiaries decided to benefit from this exemption and recorded the equity tax in 2017 and 2016 against reserves, except for Sociedad Portuaria El Cayao S.A. E.S.P., which recorded it through profit or loss, as it had no reserved for such record.

2.17. Provisions

A provision is recognized if it is the result of a past event, the Company and its Subsidiaries have a legal or implicit obligation that can be estimated reliably, and an outflow of economic benefits to settle the obligation is probably necessary. Provisions are determined by discounting the cash flow expected in the future from the pre-tax rate that reflects the current market assessment of the value of money over time and the specific risks of the obligation.

Dismantling and Removal Costs

The best provision estimation for the cost of dismantling and removing an item or restoring the place where it is located is recognized when there is an obligation. The estimation is based on a current obligation (legal or implied) arising from the purchase, construction or development of a long-term asset. If it is unclear whether a current obligation exists, the entity may assess the evidence under the most likely threshold. Such threshold is assessed in relation to the settlement risk of the obligation.

“Environmental Obligations” Provision

The Company and its Subsidiaries must review at least once a year the existence of environmental obligations resulting from new and existing projects. The recorded estimation will be the best disbursement estimation necessary to settle the present obligation, which is updated.

Insofar as environmental costs are costs necessary for an asset to function as expected by management, they are recorded as a greater value of the asset that originates them. The provision is updated periodically through profit or loss.

2.18. Impairment

Financial Assets

By the end of each reported period, the Company and its Subsidiaries assess whether there is any objective evidence of an impaired financial asset or group thereof. A financial asset or group thereof is considered impaired only if there is objective evidence of impairment as a consequence of one or more events occurring after the initial recognition of such asset (an "event causing the loss"), and if such event causing the loss has an impact over future estimated cash flows of the financial asset, which can be reliably estimated.

Impairments evidence may include signs of debtors or group thereof having significant financial difficulties, nonpayment of or default in principal or interest payments, the likelihood of entering bankruptcy or other form of financial reorganization, and when observable data indicate that there is a measurable decrease in future estimated cash flows, such as adverse changes in the status of overdue payments or in the financial conditions that correlate with defaults.

To determine the impairment of financial assets, the Company and its Subsidiaries use the quantification of incurred losses, which considers three basic factors: exposure, probability of default and severity, as follows:

- Exposure is the amount of risk at the time of the counterparty default.

- Probability of default is the likelihood that the counterparty defaults on its obligations of principal and/or interest payments. Probability of default is associated with the rating/scoring of each counterparty/transaction.

- Severity is the estimate of the loss if default occurs. It mainly depends on the counterparty's characteristics and the appraisal of guarantees or collaterals associated with the transaction.

If in subsequent periods a recovery of the financial asset's value at amortized cost were evident, the loss due to impairment would be reversed. Such reversal will be limited to the book value the

financial asset would have had should the loss due to impairment had not been recorded. The record of the reversal is recognized in the income statement.

Non-financial Assets

Impairment tests will be conducted when there are signs that the book value of an asset may exceed its recoverable amount. The recoverable amount of an asset is the higher of either its fair value less

costs to sell or its value in use. The Company and its Subsidiaries will assess at the end of the period whether there are any signs of impairment on the asset. If any, the Company and its Subsidiaries would estimate the asset impairment.

Corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, the recoverable amount is determined for the cash-generating unit to which the corporate asset belongs.

Impairment losses are recognized in profit and loss account. Impairment losses recognized in respect of cash-generating units are firstly distributed to reduce the carrying amount of any goodwill distributed to the units and then to reduce the carrying amount of other assets in the unit (unit groups) on a pro rata basis.

An impairment loss related to goodwill is not reversed. With respect to other assets, impairment losses recognized in prior periods are evaluated at each reporting period ending, seeking any indication that the loss has decreased or disappeared. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only if the book value of the asset does not exceed the net book value determined of depreciation or amortization and if no impairment loss has been recognized.

2.19. Revenues

Revenues are measured at the fair value of the consideration received or receivable and represent amounts to be collected for delivered goods, net discounts, returns and value added tax, as follows:

Transportation and Distribution of Natural Gas, Energy, Pipeline Operation and Technical Services

Revenues from ordinary activities associated with the provision of services are recognized in the income statement when each and every condition below is met:

- The amount of revenue from ordinary activities can be reliably measured;
- The entity will likely receive the economic benefits associated with the transaction;

- The degree of completion of the transaction at the end of the reporting period can be reliably measured; and
- Costs incurred during the provision, as well as those to be incurred until completing the transaction, ca*n be reliably measured.*

Non-bank Financing

Revenues (interests) from non-bank financing are recognized in the income statement at amortized cost using the effective interest method.

Construction Contracts

Revenues from ordinary activities in construction contracts on networks under concession are measured at fair value of the consideration received or expected.

Promigas and its Subsidiaries recognize the revenues from ordinary activities and costs according to IAS 11 – Construction Contracts, considering the final construction phase. Revenues are measured at fair value of the consideration received or expected.

Sale of Assets

Revenues from sale of assets are recorded when the significant risks and benefits pertaining to the ownership of the assets have been transferred to the buyer, generally when delivering such assets.

Revenues from Connections

Revenues from connections are recorded in the income statement of the period when the customer takes the delivery, considering that connections are transactions independent from the provision of gas, which is done after the installation.

2.20. Financial Revenues and Costs

The Companies' financial revenues and financial costs include interest revenues and interest expenses. The interest revenue or expense is recognized using the effective interest method.

2.21. Recognition of Costs and Expenses

The Company and its Subsidiaries recognize their costs and expenses as economic events occur in such a way that they are systematically recorded in the corresponding accounting period (accrual), regardless of the flow of monetary and financial resources (cash).

An expense is immediately recognized when a disbursement does not generate future economic benefits or when it fails to meet the necessary requirements for recognition as asset.

2.22. Costs of Construction Contracts

Costs related to construction contracts include costs that are directly related to the specific contract and the contract activity in general. Costs can be allocated to the contract, and any other costs that can be charged to the customer, under the terms agreed in the contract.

2.23. Earnings per Share

Promigas presents information of basic earnings per shares of its common shares. Basic earnings per shares are estimated by dividing the result attributable to the Company's common shares by the weighted average of common shares outstanding during the period, adjusted by the Company's own maintained shares.

2.24. Operating Segments

The information by segment is presented consistently with the internal reports reviewed by the chief operating decision maker (CODM). The Company has the following segments.

- Gas transportation
- Gas distribution
- Integrated solutions for the industry
- Power distribution
- Non-bank financing

Senior Executives regularly review the results of the segments and evaluate the results of each operation and the resources that must be allocated.

NOTE 3. RISK MANAGEMENT

The Companies are exposed to a variety of risks, including market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, liquidity risk, operational and legal risks, which are managed depending on their nature.

3.1. Risk Management Framework

The Companies' Boards of Directors are responsible for establishing and supervising the risk management structure of Promigas.

The Companies' risk management policies are provided in order to identify and analyze the risks faced, set limits and appropriate risk controls, and monitor risks and adherence to limits. Policies and risk management systems are reviewed regularly to reflect changes in market conditions and activities of Promigas and its Subsidiaries.

The Companies, through management standards and procedures, aim to develop an environment of disciplined and constructive control where all employees understand their roles and obligations.

3.2. Market Risk

Macroeconomic Factors

The main macroeconomic factors that impact the financial results of Promigas and its Subsidiaries are devaluation, inflation and the Fixed Term Deposit (FDT for its acronym in English) interest rate.

Operating revenues are generated through fees that are indexed in US dollars, transport service invoices are issued in Colombian pesos and settled with the exchange rate at the time of invoice, while 95% of costs are in Colombian Pesos. Therefore, the exchange rate variation may positively or negatively affect income. The exchange rate exposure is mitigated by the contracting financial hedging instruments (Forwards), which are contracted provided that future dollar sale rates are greater than or equal to the macroeconomic bases budgeted by the Companies.

With respect to inflation, term deposit certificates and other interest rates, the Companies are exposed given that the total debt is indexed to these macroeconomic indexes. The risk for these variables is mitigated by maintaining a permanent monitoring, which allows timely decision making, maintaining or refinancing existing credits or contracting new obligations, always seeking, where possible, to minimize financial costs.

Vulnerability to Changes in Interest Rates and Exchange Rates

Fluctuations in interest rates may negatively or positively affect the Companies; however, to mitigate any negative impact that may arise, each and every financial obligation is contracted without prepayment penalty in order to benefit in the event of falls in market rates.

As for the vulnerability to exchange rates, each project is analyzed independently to determine its exposure and the strategy to be implemented, which could be through the contracting of derivatives

or the implementation of hedge accounting. For example, asset accounts held in foreign currency can be hedged naturally with financing in the same currency. Financial liabilities or accounts payable

in foreign currency that do not have natural hedging with an active account may be hedged by the contracting of derivatives or by accounting derivatives. The measures implemented seek to minimize exchange rate risk.

Risk of Variation in the Exchange Rate of Foreign Currency:

The Companies are exposed to variations in the exchange rate produced by transactions in several currencies, mainly in US Dollars. The risk of variation in the exchange rate of foreign currency arises from assets, liabilities, revenues, costs and some recognized expenses.

Assets, liabilities and transactions denominated in foreign currency are those made in currencies different from the Company's functional currency. As of December 31, 2017, and 2016, assets and liabilities denominated in foreign currency, expressed in Colombian pesos are:

	December 31, 2017		December 31, 2016	
	Dollars	**Thousands of Pesos**	**Dollars**	**Thousands of Pesos**
Current assets	$ 67,639,693	201,836,844	74,964,767	224,948,857
Noncurrent assets	664,737,276	1,983,576,030	621,587,208	1,865,202,952
Total assets	732,376,969	2,185,412,874	696,551,975	2,090,151,809
Current liabilities	(47,682,364)	(142,284,176)	(11,563,400)	(34,698,411)
Long-term liabilities	(580,859,019)	(1,733,283,314)	(388,311,230)	(1,165,209,393)
Total liabilities	(628,541,383)	(1,875,567,490)	(399,874,630)	(1,199,907,804)
Net asset position	$ 103,835,586	309,845,384	296,677,345	890,244,005

Revenues received by the Companies for gas transportation services are determined by the dollar rate. The sensitivity due to the effect of the dollar in revenues is as follows:

Dollar fluctuation effects on our Net Profit:

Scenario	**Devaluation**	**Value**
Low	4.00%	2,221
Medium	0.00%	-
High	-4.00%	$ (2,120)

For the above sensitivity, we start from the medium scenario, which is the real scenario. For the low and high scenarios, a fluctuation of the devaluation in 400 points is considered.

Hedge Accounting

Promigas and its Subsidiaries generate revenues from transportation and distribution of gas under a regulated rate in US Dollars. To mitigate the exchange rate effect risk, hedge positions with Non-Deliverable Forwards are taken to cover expected cash flows based on income projection. The companies' policy consists on ensuring at least the budgeted income of the companies, neutralizing the exchange rate risk without speculating on the currency.

The Companies contractually monetize the monthly invoicing with the average and final Exchange Rate for the month, so hedge agreements must replicate the exchange Rate of the contract. Through Non-Deliverable Forwards the Company has the option to take as much forwards as there are business days in a month, given that these are negotiated (settled) daily, with an averaged base of the revenues wishing to cover, to which different strike rates apply. At the end of the month, the average rate with which the revenues are contractually settled is simulated with the sum of the settled forwards.

The Companies' risk management strategy consists on adjusting the value of the hedge instrument periodically, so it reflects the changes in the hedged position. In order to measure the efficiency expected at the beginning of the hedge and the actual efficiency during the hedge period, the Market to Market-MtM valuation and the Dollar Offset method will be used under an efficiency range of 80-125 percent.

3.3 Price Risk

Companies in the regulated business of gas transportation and distribution have a selling price directly established by the government through the Energy and Gas Regulatory Commission (CREG) and for fixed periods; therefore, such companies do not have fluctuation risks. Price changes are generated in times of rate recalculations when the CREG defines the methodology and variables to be included in the respective calculation.

Credit Risk

Promigas S.A. E.S.P., Surtidora de gases del Caribe S.A. E.S.P., Gases de Occidente S.A. E.S.P. and Compañía Energética de Occidente S.A. E.S.P., through its non-bank financing product - Brilla, are exposed to credit risk, which consists of the debtor causing a financial loss for not fulfilling its obligations. Credit risk exposure arises as a result of activities and transactions with counterparties that lead to financial assets.

Brilla it is an approved credit quota that is reflected in the gas bill, granted to users with good payment behavior in their service, with which they can finance construction materials, appliances,

gas appliances, furniture, computers, cell phones, university fees, school supplies, motorcycles, and many more products or services offered by the Company's allies.

Brilla began operating in 2007 when Promigas portfolio distributors, at its request, began granting approved credit quotas to users with a good track record in paying connections to the natural gas service.

The maximum exposure to credit risk is reflected in the book value of financial assets and in the Companies' statement of financial position. The maximum exposure to credit risk is the amount of the commitment, which is mitigated through guarantees and collaterals.

The principles and rules for managing the Brilla credit are stated in the Non-Bank Financing Policy. The evaluation criteria to control credit risk follow the guidelines provided by the Portfolio Committee.

The maximum credit authority is the Board of Directors, which guides the general policy and has the power to establish the credit limits for each distributor that handles credit requests and is responsible for the analysis, monitoring and results

For credit approvals, the user must have finished paying the gas connection and his payment behavior over the past two years is taken into account.

The Companies calculate the portfolio provision considering an incurred loss model. For monitoring and measuring the portfolio, the Companies have the indicator of non-performing loans. Daily monitoring of the portfolio is conducted based on the analysis of nonperforming loans by age. The Portfolio Committee meets on a monthly basis, presenting the indicators and reviewing the cases that affect collection in order to set out strategies and action plans to improve recovery, assistance is provided to collection agents on their visits to users, and reports by locations are analyzed in order to identify related items of default that establish a trend and control them immediately.

Portfolio Concentration:

Aware of the economic capacity of users to whom the Brilla program is targeted, average limits of $1.750 are assigned to economic strata 1 through 3 and an average of $2.450 for strata 4 through 6, taking into account the socioeconomic stratum and that the user must have a good record in their payment behavior, thus mitigating portfolio concentration per user. The nonperforming loan indicator is monitored by location in order to control portfolio impairment.

As of December 31, 2017, the Brilla consolidated portfolio increased by 15% with respect to the same period the previous year, due to non-bank financing placements made by related companies: Surtidora de gases del Caribe S.A. E.S.P., Gases de Occidente S.A. E.S.P. and Compañía Energética de Occidente S.A. E.S.P.

Liquidity Risk

Liquidity risk is related to the inability of meeting obligations to creditors, for which purpose the Companies review its available resources on a daily basis. With the information obtained, the Company determines the liquidity needs and makes the relevant decisions to define the excess liquidity placement strategy, seeking to optimize profitability and minimize concentration risk.

Interest Rate Risk

The Companies are exposed to effects of market fluctuations in interest rates that affect its financial position and future cash flows.

Meanwhile, financial obligations are exposed to the effects of fluctuations in market interest rates that affect their future cash flows. For this, the Companies periodically review the conditions of financial obligations to analyze whether hedges need to be replaced, prepaid or managed. 100% of the financial obligations are contracted without prepayment penalty clauses in order to have benefit in cases of drops of market rates.

Promigas and its Subsidiaries contract loans in pesos indexed to FDT, CPI, IBR, Libor and Fixed Rate; in addition, issues of ordinary bonds are indexed to the CPI. As for the consolidated financial debt as of December 31, 2017, it consisted of Libor 23%, FDT 15.6%, CPI 55.7%, IBR 3.1% and fixed rate 2.6%.

The sensitivity of the net result of fluctuations of interest rates is detailed in the table below:

FDT fluctuation effects:

Variable	Scenario	Rate	Impact		Value
FDT	Low	6.97%	Net Profit	$	(2,102,165)
	Medium	7.97%	Net Profit		-
	High	8.97%	Net Profit	$	2,102,165

For the above sensitivity, we start from the medium scenario, which is the real scenario. For the low and high scenarios, a fluctuation of the devaluation in 100 basic points and a 40% tax rate are considered. The result will be reflected through profit or loss on the following periods.

CPI fluctuation effects:

Variable	Scenario	Rate	Impact		Value
CPI	Low	7,25%	Net Profit	$	(7,489,112)

	Medium	8,25%	Net Profit	-
	High	9,25%	Net Profit	$ 7,489,112

For the above sensitivity, we start from the medium scenario, which is the real scenario. For the low and high scenarios, a fluctuation of the devaluation in 100 basic points and a 40% tax rate are considered, with respect to the medium scenario.

Libor fluctuation effects:

Variable	Scenario	Rate	Impact	Value US$
	Low	3.88%	Net Profit	$ (1,039)
Libor	Medium	4.88%	Net Profit	-
	High	5.88%	Net Profit	$ 1,039

For the above sensitivity, we start from the medium scenario, which is the real scenario. For the low and high scenarios, a fluctuation of the devaluation in 100 basic points and a 40% tax rate are considered, with respect to the medium scenario.

IBR fluctuation effect:

Variable	Scenario	Rate	Impact	Value US$
	Low	6.72%	Net Profit	$ (420,000)
IBR	Medium	7.72%	Net Profit	-
	High	8.72%	Net Profit	$ 420,000

For the above sensitivity, we start from the medium scenario, which is the real scenario. For the low and high scenarios, a fluctuation of the devaluation in 100 basic points and a 40% tax rate are considered, with respect to the medium scenario.

Fixed Rate Fluctuation effect:

Variable	Scenario	Rate	Impact	Value US$
	Low	6.25%	Net Profit	$ (346,771)
Fixed Rate	Medium	7.25%	Net Profit	-
	High	8.25%	Net Profit	$ 346,771

For the above sensitivity, we start from the medium scenario, which is the real scenario. For the low and high scenarios, a fluctuation of the devaluation in 100 basic points and a 40% tax rate are considered, with respect to the medium scenario.

According to the analysis discussed above, the methodology and assumptions used are still valid and have not been modified.

Promigas receives dividends from its gas distributor Subsidiaries, which have revenues adjusted for CPI; therefore, the business has a natural hedge against fluctuations that this variable may have.

Promigas and its Subsidiaries use the resource investment mechanism to optimize their treasury strategies through Mutual Funds, such returns are product of the daily valuation of their portfolios at market price. These can increase interest margins, but can also reduce them and generate losses if unexpected movements in the rate of such funds occur. The Companies monitor on a daily basis the balance of the money invested in Mutual Funds, in order to make decisions whether to transfer the resources to bank accounts in adverse events or keep them, considering that these investments are demand deposits and can be made available at any moment.

In addition, resources remain invested in savings accounts or current accounts with special remuneration, which do not have interest rate risk because they are fixed rates agreed with the banks.

In turn, financial obligations are contracted with prepayment clauses in order to have benefit in the event of market rate decreases.

NOTE 4. DETERMINING FAIR VALUE

Some of the Company and its Subsidiaries accounting policies and disclosures require fair value measurement of both financial and non-financial assets and liabilities.

The Company and its Subsidiaries have established a control framework regarding the measurement of fair values. This includes the finance team, which has the overall responsibility for the supervision of all significant fair value measurements.

Fair value of assets and liabilities traded in active markets (such as financial assets in debt and equity securities and derivatives actively traded in securities exchange or interbank markets) is based on market prices quoted at the end of the trade on the reporting period closing.

An active market is a market where transactions for assets or liabilities are carried out with the required frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets and liabilities not traded in an active market is determined using valuation techniques permitted by the IFRS that are in line with those established by the Financial

Superintendence. Promigas and its Subsidiaries use a variety of methods and assume that they are based in market conditions existing on the closing date of each period. The valuation techniques

used for forwards include the use of recent similar transactions in equal conditions, references to other substantially similar instruments, discounted cash flow analysis, option pricing models and other valuation techniques commonly implemented by market participants that make the most of market data and rely as little as possible on entity specific data. The fair value of non-current assets held for sale is determined by independent experts using the replacement cost method minus damages.

Promigas and its Subsidiaries develop internal financial models to measure instruments that lack active markets, which are based on generally accepted valuation methods and techniques standardized for the different items. Under this practice, Promigas and its Subsidiaries have estimated the fair value of the financial asset that arises in pipeline concession agreements according to IFRIC 12 - Service Concession Arrangements, and in its estimate by not having observable market transactions or market information. Such markets must estimate the price of an ordered transaction to sell the asset or transfer the liability between market participants on the date of the measurement under current market conditions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and the valuation techniques used may not fully reflect every factor relevant to the positions of the Companies. Therefore, valuations are adjusted, if necessary, to allow additional factors, including model, liquidity and counterparty risks.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs for the asset or liability.

The level of the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined based on the lowest level input that is significant to the entire measurement of the fair value. For such purpose, the importance of an input is assessed with respect to the measurement of fair value in its entirety. If a measurement of fair value uses observable inputs that require significant adjustments based on unobservable inputs, such measurements is a Level 3 measurement. The evaluation of the importance of a particular input for the measurement of fair value in its entirety requires judgment, considering factors specific to the asset or liability.

Determining what constitutes “observable” requires significant judgment by the Companies. Promigas and its Subsidiaries consider observable data any market data that is already available, that is distributed or updated regularly, that is reliable and verifiable, that has no property rights, and that is provided by independent sources that actively participate in the reference market.

4.1. Fair Value Measurement of Financial Assets under Concession

Promigas and its Subsidiaries designate at fair value through profit or loss the group of financial assets related to concession contracts governed by the petroleum law due to the contractual nature of the asset, taking into account that the Government will exercise the purchase at the end of the contract at its fair price in accordance with Article 51 of the Petroleum Code. In order to determine fair value the income approach is applied. Discounted cash flows correspond to the residual value (perpetuity) of the cash flows generated by the assets under concession, i.e., the estimated flows that such assets would generate from the end of the concession onwards; subsequently, the value of the financial asset will be adjusted in each period; this adjustment will be made considering once again changes in the assumptions made in the company discount rate (WACC) and the new horizon of the end of the concession.

Below is the sensitivity of the fair value of the financial assets under concession measured at fair value through the following variables for the low and high scenarios with a variation of plus or minus 10 basis points:

Net Income Impact	**High**	**Low**
	Figures in millions	
Discount Interest Rates	(57,681)	60,251
Gradual growth in perpetuity	34,544	(33,346)
	%	
Discount Interest Rates	(8.9%)	9.3%
Gradual growth in perpetuity	5.4%	(5.2%)

The valuations of financial assets are considered at level III of the hierarchy in the measurement of fair value.

4.2. Fair Value Measurements on a Recurring Basis

Fair value measurements on a recurring basis are those that the IFRS require or allow in the statement of financial position at the end of each accounting period.

The following chart analyzes, within the fair value hierarchy, the assets and liabilities (by class) of Promigas and its Subsidiaries measured at fair value on a recurring basis as of:

	December 31, 2017		December 31, 2016	
	Level 2	Level 3	Level 2	Level 3
Assets				
Hedging asset position	$ 5,154,056	-	8,800,251	-
Debt securities	-	-	16,294,985	-
Equity instruments through profit and loss	148,251,078	-	159,263,145	-
Financial instruments at fair value through profit and loss	299,618	-	-	-
Equity instruments through OCI	12,771,198	-	5,696,476	-
Long-term concession financial assets	-	2,282,610,894	-	2,072,674,463
Investment properties	-	2,875,000	-	-
Biological assets	-	-	-	1,520
	$ 166,475,950	2,285,485,894	190,054,857	2,072,675,983
Liabilities				
Hedging liability position	$ 165,516	-	1,840,013	-

Promigas and its Subsidiaries have no assets or liabilities categorized in Level 1, considering that for an asset or liability to be categorized in Level 1, its values must be based on quoted prices in active markets.

Financial instruments not traded in active markets, but valued according to quoted market prices, broker quotes or alternative price sources supported by observable inputs, are categorized in Level 2. Derivatives from foreign currency and free sale derivatives hedging contracts are included. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, the valuations may be adjusted to reflect illiquidity or non-transferability, which are generally based on available market information.

When a price for an identical asset or liability is unobservable, an entity shall measure the fair value suing another valuation technique that maximizes the use of relevant observable input data and minimizes the use of unobservable input data. Given that fair value is a market-based measurement, it is measured using assumptions that market participants would use to fix the price of the asset or liability, including risk assumptions. These financial instruments are categorized in Level 3. These are the financial assets recognized at fair value for the sale obligation of the residual interest of the infrastructure at the end of the concession agreements.

Assets reflected in the Company and its Subsidiaries statement of financial position correspond to the financial asset of the unconditional contractual right to receive from the Colombian State or from an entity under its supervision cash or other financial asset for the construction services of the

pipelines and networks under concession by the end of the term of the concession agreements, the payment of which the State has little or no ability to avoid, as the agreement is enforceable by law. Promigas and its Subsidiaries recognize an intangible asset by the consideration for the construction services, and the plantation project that Transmetano E.S.P. S.A. has classified as biological assets and that has been measured at fair value by independent experts.

Management has decided that the best option to measure the fair value of the financial asset is free discounted cash flow, as it reflects current market expectations on future amounts that constitute the fair value of the concession to be negotiated with the State, once completed or renewed.

The assumptions for calculating the financial asset were:

- The financial asset is calculated considering the date of termination of the respective concession agreement.

- Promigas and come of its Subsidiaries made proportional calculations for the completion of each current concession agreement.

- Only operating cash flows of these assets under concession were considered. Below are the components of the calculation:

    - Free cash flow generated exclusively by assets under concession
    - Concession expiry period
    - Perpetuity value of Free Cash Flow (FCF) for year n
    - Current value discounted of WACC residual value*
    - Financial Revenue: Annual adjustment of the value of the financial asset

*Nominal WACC (Weighted Average Cost of Capital) calculated under the CAPM, which is updated periodically.

Significant unobservable input data used for measuring the fair value of the financial asset for the pipelines under concession are: operating revenues, costs and expenses and investments pertaining exclusively to the assets under concession, and the WACC formula intended to take into account the sources of capital used and their share in the total capital of the Company, to determine the average cost of procuring equity capital resources and financial debt. Increases (decreases) in any of these input data considered independently would result in a fair value measurement significantly lower (greater). Generally, a change in the assumption used to project revenues is reflected accordingly in the measurement of the financial asset and with an opposite change in the assumption of costs and expenses.

Promigas and its Subsidiaries periodically review the Level 3 valuations and consider the appropriateness of the inputs of the valuation model and the result of the valuation using several industries standardized valuation methods and techniques. In selecting the most appropriate

valuation model, the Company and its Subsidiaries conduct the tests once again and consider which are the results of the model that historically are more in line with actual market transactions.

The following chart indicates the movement of assets classified in Level 3, showing that there are no transfers between levels during the period:

		Investment properties	Biological assets	Financial Asset from Pipelines Under Concession
Balance as of December 31, 2015	$	-	5,360,901	1,891,721,980
Effect of fair value measurement		-	996,309	-
Reclassified to Property, plant and equipment		-	(6,355,690)	-
Reclassification to other non-current assets		-	(1,520)	-
Earnings included in profit or loss		-	-	180,952,483
Balance as of December 31, 2016	$	-	-	2,072,674,463
Adjustments to fair value through profit or loss		-	-	209,936,431
Adjustments to fair value charged to the OCI		(336,321)	-	-
Reclassified from Property, plant and equipment		3,211,321	-	-
Balance as of December 31, 2017	$	2,875,000	-	2,282,610,894

NOTE 5. CASH AND CASH EQUIVALENTS

Balances of cash and cash equivalents comprise the following as of December 31, 2017 and 2016:

		December 31, 2017	December 31, 2016
Domestic currency			
Cash	$	2,278,283	557,891
Banks		130,697,766	131,154,017
Cash equivalents		1,673,850	40,033
Total in Domestic Currency	$	134,649,899	131,751,941
In Foreign currency			
Cash		62,100	80,675
Banks		52,868,983	71,782,376
Total in Foreign Currency		52,931,083	71,863,051
Total Cash and cash equivalents	$	187.580.982	203.614.992

Below is a breakdown of the credit quality of the banks where the Company and its Subsidiaries keep cash funds, as determined by independent risk rating agencies:

Credit rating of banks		**December 31, 2017**	**December 31, 2016**
AAA	$	123,599,697	178,791,485
AA+		17,961,300	13,453,077
A+		35,951,357	10,535,772
BBB+		6,052,188	156,059
N/A		2,207	-
	$	183,566,749	202,936,393

NOTE 6. FINANCIAL ASSETS AT FAIR VALUE

The balance of financial assets at fair value is as follows:

		December 31, 2017	**December 31, 2016**
Short-term			
Equity instruments through profit or loss	$	148,250,696	158,435,107
Derivatives designated as a hedging instrument		5,154,056	8,800,251
	$	153,404,752	167,235,358
Long-term			
Financial instruments at fair value through profit or loss	$	300,000	828,038
Equity instruments through OCI		12,771,198	5,696,476
Concession financial assets (1)		2,282,610,894	2,072,674,463
	$	2,295,682,092	2,079,198,977
	$	2,449,086,844	2,246,434,335

(1) Below is the detail of financial assets for each Company:

		December 31, 2017	**December 31, 2016**
Promigas S.A. E.S.P.	$	1,798,689,386	1,629,993,799

Transmetano E.S.P. S.A.	127,264,041	125,585,385
Surtidora de gases del caribe S.A. E.S.P.	247,256,822	223,353,537
Promioriente S.A. E.S.P.	38,522,356	36,864,784
Gases de Occidente S.A. E.S.P.	70,878,289	56,876,958
	$ 2,282,610,894	2,072,674,463

Financial assets correspond to the obligation of selling the networks and pipelines under concession to the Colombian State at the termination date of the agreements. In accordance with IFRIC 12 - Service Concession Arrangements, the operator shall recognize a financial asset by the residual interest over the infrastructure insofar as it has an unconditional contractual right to receive from

the grantor or from an entity under the latter's supervision, cash and other financial asset for the construction services, the payment of which the grantor has little or no ability to avoid, as the agreement is enforceable by law. In accordance with IFRS 9 - Financial Instruments, financial assets are measured at fair value for each reported period. This measurement is based on the application of IFRS 13 – Fair Value Measurement.

NOTE 7. FINANCIAL ASSETS AT AMORTIZED COST

The balance of financial assets at amortized cost is as follows:

	December 31, 2017	**December 31, 2016**
Short-term		
Debt securities	24,334,240	16,800,040
Accounts receivable (1)	843,669,243	821,580,011
Other accounts receivable	58,563,943	20,759,354
	926,567,426	859,139,405
Long-term		
Debt securities	-	47,228,435
Accounts receivable (1)	1,596,113,662	1,481,123,754
Other accounts receivable	16,906,777	9,589,315
	1,613,020,439	1,537,941,504
	2,539,587,865	2,397,080,909

As of December 31, 2017, and 2016, the Company and its Subsidiaries show no signs of impairment in debt securities.

(1) Commercial accounts receivable are as follows:

	December 31, 2017			December 31, 2016		
	Third Parties	Related Entities	Total	Third Parties	Related Entities	Total
Short-term						
Gas transport	$ 75,558,317	6,349,031	81,907,348	112,621,391	7,375,064	119,996,455
Gas distribution	322,644,974	1,054,791	323,699,765	301,083,874	1,121,126	302,205,000
Distribution and trade of energy	124,324,299	-	124,324,299	144,538,060	-	144,538,060
Non-bank financing (a)	179,502,309	458,756	179,961,065	169,948,680	1,141,536	171,090,216
Finance lease (b)	107,210,077	-	107,210,077	51,332,337	-	51,332,337
Other services	111,041,922	1,174,633	112,216,555	114,240,142	48,797	114,288,939
Doubtful debts	381,326	-	381,326	546,257	-	546,257
	920,663,224	9,037,211	929,700,435	894,310,741	9,686,523	903,997,264
Provision impairment	(86,031,192)	-	(86,031,192)	(82,417,253)	-	(82,417,253)
	$ 834,632,032	9,037,211	843,669,243	811,893,488	9,686,523	821,580,011
Long-term						
Gas distribution	$ 85,540,423	-	85,540,423	66,645,306	-	66,645,306
Non-bank financing (a)	139,348,099	-	139,348,099	121,049,407	-	121,049,407
Finance lease (b)	1,244,768,760	-	1,244,768,760	1,175,255,171	-	1,175,255,171
Other services	126,456,380	-	126,456,380	118,173,870	-	118,173,870
	1,596,113,662	-	1,596,113,662	1,481,123,754	-	1,481,123,754

(a) Includes accounts receivable from users of natural gas with the "Brilla" business, whose portfolio ranges from 1 to 5 years at the maximum legal interest rate authorized by the Colombian Financial Superintendence.

(b) As of December 31, 2017 and 2016, includes accounts receivable of: Sociedad Portuaria El Cayao S.A. E.S.P. for the finance lease to Grupo Térmico for the investment in a gas pipeline and a floating storage and regasification unit (FSRU), worth $1.111.541.077 and $145.728.106, and Promisol S.A.S. as a result of the lease agreements entered into with Hocol and Canacol, worth $236.693.339 and $80.859.402, respectively.

As of December 31, 2017, and 2016, there are no levies or restrictions on the balance of the debt account.

Below is the consolidated movement of the accounts receivable impairment:

		December 31, 2017	December 31, 2016
Initial balance	$	82,417,253	74,637,633
Impairment		20,063,064	29,967,013
Write-off		(14,719,798)	(13,981,542)
Recovery		(1,729,327)	(2,719,416)
Reclassification		-	(5,486,435)
Final balance	$	86,031,192	82,417,253

Below is a summary of the years when long-term accounts will be collected:

Year		Value
2019	$	173,897,840
2020		136,130,392
2021		84,122,044
2022		46,872,900
2023 onward		1,155,090,486
	$	1,596,113,662

The composition by maturity of accounts receivable is as follows:

		December 31, 2017	December 31, 2016
Maturity 0 - 30 days	$	2,181,028,588	2,130,425,942
Maturity 31 - 90 days		137,929,719	95,215,880
Maturity 91 - 180 days		19,660,158	66,160,889
Maturity 181 - 360 days		17,709,690	47,720,664
Maturity over 360 days		169,485,942	45,597,643

	$	2,525,814,097	2,385,121,018

NOTE 8. INVENTORIES

Below is the composition of the balances of inventories:

		December 31, 2017	December 31, 2016
Short-term			
Goods in stock	$	51,785,846	63,530,332
Materials for the provision of services		16,158,015	14,990,688
Inventories in transit		1,373,863	898,299
Inventories held by third parties		3,985,811	14,473
		73,303,535	79,433,792
Impairment of inventories		(6,905,061)	(7,003,274)
	$	66,398,474	72,430,518
Long-term			
Materials for the provision of services		12,929,569	10,323,366
Impairment of inventories		(13,780)	(10,169)
	$	12,915,789	10,313,197
	$	79,314,263	82,743,715

Below is the movement of inventory impairment:

		December 31, 2017	December 31, 2016
Balance at the beginning of the year	$	(7,013,443)	(7,056,286)
Impairment through expenses		(397,954)	(465,791)
Write offs		492,556	508,634
Year-end balance	$	(6,918,841)	(7,013,443)

NOTE 9. OTHER ASSETS

Below is the detail of other current assets:

		December 31, 2017	December 31, 2016
Short term			
Prepaid expenses			
Prepayments for energy purchase	$	75,679,238	34,483,676
Insurance		15,080,867	11,203,882
Leases		74,125	60,206
Other prepaid expenses		479,352	53,283,374
Other tax advance payments		27,686,986	14,454,338
Escrow deposits		982,709	-
	$	119,983,277	113,485,476
Long term			
Long Term Deposits		48,429	48,429
Expenses paid in advance long term		2,700,541	7,746,945
Investment properties		2,875,000	-
	$	5,623,970	7,795,374
	$	125,607,247	121,280,850

NOTE 10. INVESTMENT IN ASSOCIATES

Below is the detail of investments in associate companies:

Company	Economic Activity	Seat	Ownership interest		Book Value	Revenues Equity Method	OCI for the period
December 31, 2017							
Gas Natural de Lima y Callao S.A.C.	Gas distribution	Peru	40,00%	$	363,138,570	69,238,176	(1,923,055)
Gases del Caribe S.A. E.S.P.	Gas distribution	Colombia	30,99%		269,738,655	72,448,697	(1,290,765)
Complejo Energético del Este S.A.	LNG Regasification	Panama	33,00%		3,059,206	-	-
E2 - Energía Eficiente S.A. E.S.P.	Gas trading	Colombia	36,17%		6,927,194	249,448	-
Antillean Gas Ltda.	LNG Regasification	Dominican	20,00%		968,035	-	-
Concentra en Inteligencia en Energía S.A.S.	LNG Regasification	Dominican	28,26%		602,761	33,946	12,053
					644,434,421	141,970,267	(3,201,767)
Impairment of investments in associates					(4,027,241)		
				$	640,407,180		
December 31, 2016							
Gas Natural de Lima y Callao S.A.C.	Gas distribution	Peru	40,00%	$	354,823,129	67,396,993	(18,886,079)
Gases del Caribe S.A. E.S.P.	Gas distribution	Colombia	30,99%		218,431,080	57,719,914	76,622
Complejo Energético del Este S.A.	LNG Regasification	Panama	33,00%		3,059,206	-	-
E2 - Energía Eficiente S.A. E.S.P.	Gas trading	Colombia	36,17%		6,677,746	608,185	-
Antillean Gas Ltda.	LNG Regasification	Dominican	20,00%		968,035	-	
Concentra en Inteligencia en Energía S.A.S.	LNG Regasification	Dominican	28,26%		556,763	170,472	-
					584,515,959	125,895,564	(18,809,457)
Impairment of investments in associates					(4,027,241)		
				$	580,488,718		

The total value of assets, liabilities and equity of associates is indicated below:

Company		Assets	Liabilities	Equity
December 31, 2017				
Gas Natural de Lima y Callao S.A.C.				
Current		485,511,925	(246,874,469)	
Noncurrent		1,955,885,940	(1,289,863,886)	
	$	2,441,397,865	(1,536,738,355)	904,659,510
Gases del Caribe S.A. E.S.P.				
Current		611,147,328	(726,591,866)	
Noncurrent	$	1,752,316,470	(754,728,295)	
		2,363,463,798	(1,481,320,161)	882,143,637

Company		Assets	Liabilities	Equity
December 31, 2016				
Gas Natural de Lima y Callao S.A.C.				
Current		358,267,904	(254,769,749)	
Noncurrent		1,867,951,793	(1,096,861,657)	
	$	2,226,219,697	(1,351,631,406)	874,588,291
Gases del Caribe S.A. E.S.P.				
Current		606,476,409	(675,421,023)	
Noncurrent	$	1,641,494,586	(860,686,331)	
		2,247,970,995	(1,536,107,354)	711,863,641

The operations of investments in associates are as follows:

		December 31, 2017	December 31, 2016
Balance at the beginning of the year	$	580,488,718	560,001,415
Additions and/or (Disposal)		-	(4,389,042)
Dividends declared by companies		(78.850.038)	(77,862,152)
Use of the Benefits reserve		-	(361,850)
Equity method through profit or loss		141,970,267	125,895,564
Other comprehensive income for the year in associates		(3,201,767)	(18,809,457)
Equity method equity tax		-	(344,810)
Impairment through expenses		-	(4,027,241)
Reclassifications		-	386,291
Year-end balance	$	640,407,180	580,488,718

The dividends declared by the associates are as follows:

		December 31, 2017	December 31, 2016
Gases del Caribe S.A. E.S.P.	$	20,944,598	40,420,925
Gas Natural de Lima y Callao S.A.C.		57,905,440	37,441,226
	$	78,850,038	77,862,151

Below is the detail of the equity composition of investments in associates, recorded using the equity method:

	Capital	Share placement premium	Reserves	Period Results	Retained earnings	Results from first time adoption of IFRS	Unrealized gains or losses (OCI)	Total equity
December 31, 2017								
Gas Natural de Lima y Callao S.A.C.	$ 474,434,154	-	51,539,417	84,983,865	64,028,652	-	233,166,510	908,152,598
Gases del Caribe S.A. E.S.P.	1,755,369	1,260,919	132,760,095	107,063,769	284,607,537	336,459,944	(208,922)	863,698,711
Complejo Energético del Este S.A.	13,428,000	-	-	465	(391,807)	-	-	13,036,658
E2 - Energía Eficiente S.A. E.S.P.	909,998	1,439,982	454,999	2,603,901	13,372,775	(721,671)	-	18,059,984
Concentra en Inteligencia en Energía S.A.S.	1,764,000	-	-	355,902	(62,262)	-	42,643	2,100,283
Antillan Gas Ltd.	8,868,169	-	-	-	(11,691,876)	-	-	(2,823,707)
Total December 31, 2017	501,159,690	2,700,901	184,754,511	195,007,902	349,863,019	335,738,273	233,000,231	1,802,224,527
December 31, 2016								
Gas Natural de Lima y Callao S.A.C.	$ 474,434,154	-	35,454,572	75,345,025	61,226,806	-	240,596,879	887,057,436
Gases del Caribe S.A. E.S.P.	1,755,369	1,260,919	42,126,971	92,900,649	230,014,981	336,459,944	247,217	704,766,050
Complejo Energético del Este S.A.	8,222,580	-	(325,341)	(1,639)	-	-	-	7,895,600
E2 - Energía Eficiente S.A. E.S.P.	909,998	1,439,982	454,999	1,900,756	12,613,864	(721,671)	-	16,597,928
Concentra en Inteligencia en Energía S.A.S.	1,764,000	-	-	473,804	(310,986)	-	-	1,926,818
Antillan Gas Ltd.	8,868,169	-	-	-	(11,691,876)	-	-	(2,823,707)
Total December 31, 2016	495,954,270	2,700,901	77,711,201	170,618,595	291,852,789	335,738,273	240,844,096	1,615,420,125

NOTE 11. PROPERTY, PIPELINES, PLANT AND EQUIPMENT

Below is the detail by type of property, pipelines, plant and equipment:

	December 31, 2017			December 31, 2016		
	Cost	Accumulated depreciation	Total	Cost	Accumulated depreciation	Total
Lands	$ 70,776,279	-	70,776,279	74,040,185	-	74,040,185
Construction in progress	31,411,813	-	31,411,813	100,244,698	-	100,244,698
Machinery, plant and equipment in assembly	18,488,935	-	18,488,935	94,753,551	-	94,753,551
Constructions and buildings	97,849,255	(9,837,224)	88,012,031	87,804,080	(6,679,648)	81,124,432
Pipelines and stations	471,005,096	(25,752,590)	445,252,506	465,829,064	(18,836,429)	446,992,635
Networks not under concession	403,376,395	(21,604,878)	381,771,517	358,039,593	(15,598,029)	342,441,564
Machinery and equipment	116,144,922	(43,945,192)	72,199,730	107,213,757	(33,817,781)	73,395,976
Furniture and fittings	10,944,306	(4,091,440)	6,852,866	9,085,792	(2,976,973)	6,108,819
Communication and computer equipment	26,647,494	(15,287,965)	11,359,529	23,042,685	(11,482,332)	11,560,353
Fleet and transportation equipment	25,934,009	(14,855,875)	11,078,134	25,091,675	(12,498,559)	12,593,116
	1,272,578,504	(135,375,164)	1,137,203,340	1,345,145,080	(101,889,751)	1,243,255,329
Impairment	(1,451,423)	-	(1,451,423)	(1,451,423)	-	(1,451,423)
	$ 1,271,127,081	(135,375,164)	1,135,751,917	1,343,693,657	(101,889,751)	1,241,803,906

There are no restrictions on the use of the property, plant and equipment of the company and Subsidiaries.

The movements of property, pipelines, plant and equipment are presented below:

		Lands	Constructions in progress	Machinery, plant and equipment in assembly	Buildings	Pipelines and stations	Networks	Machinery and equipment	Furniture, fittings and office equipment	Communication and computer equipment	Transportation equipment	Total
Cost												
Balance as of December 31, 2015	$	53,988,314	181,903,318	63,367,422	76,854,366	439,866,374	353,582,634	103,208,058	7,897,740	17,317,674	19,549,325	1,317,535,325
Purchases		14,432,107	354,484,727	62,555,681	1,809,624	-	6,242,361	11,020,926	1,258,323	4,281,503	5,511,752	461,597,004
Capitalized interests		-	3,759,328	3,317,033	-	-	-	-	-	-	-	7,076,361
Disposals		-	(4,235,018)	-	(1,043,261)	(3,515,812)	-	(204,380)	(14,929)	(269,780)	(211,020)	(9,494,200)
Reclassifications		5,662,241	(435,210,800)	(34,486,585)	10,293,504	29,478,502	(1,785,402)	(6,810,847)	(18,070)	1,673,204	270,130	(430,934,123)
Adjustments for exchange		(42,477)	(456,857)	-	(110,153)	-	-	-	(37,372)	40,084	(28,512)	(635,287)
Balance as of December 31, 2016	$	74,040,185	100,244,698	94,753,551	87,804,080	465,829,064	358,039,593	107,213,757	9,085,792	23,042,685	25,091,675	1,345,145,080
Purchases		872,388	58,601,860	17,328,985	1,527,827	261	7,226,796	5,558,428	1,760,554	3,136,304	1,162,453	97,175,856
Capitalized interests		-	996,568	553,155	-	-	-	-	-	-	-	1,549,723
Finance lease		-	-	73,240,413	-	-	-	-	-	-	3,258,656	76,499,069
Disposals		(3,978)	(213,436)	-	-	(80,538)	-	(7,969,457)	(147,181)	(544,170)	(752,138)	(9,710,898)
Reclassifications (1)		(4,034,469)	(128,285,152)	(167,387,169)	8,525,918	5,256,309	38,110,006	11,338,949	248,469	1,024,217	(2,821,261)	(238,024,183)
Adjustments for exchange		(97,847)	67,275	-	(8,570)	-	-	3,245	(3,328)	(11,542)	(5,376)	(56,143)
Balance as of December 31, 2017	$	70,776,279	31,411,813	18,488,935	97,849,255	471,005,096	403,376,395	116,144,922	10,944,306	26,647,494	25,934,009	1,272,578,504
Accumulated depreciation												
Balance as of December 2015	$	-	-	-	(4,469,752)	(12,722,743)	(10,227,669)	(26,155,989)	(1,789,923)	(7,172,786)	(7,982,182)	(70,521,044)
Depreciation		-	-	-	(3,238,691)	(6,484,100)	(5,363,996)	(8,229,317)	(1,099,484)	(3,418,892)	(4,354,290)	(32,188,770)
Disposals		-	-	-	968,722	370,414	-	54,661	10,628	194,264	181,356	1,780,045
Reclassification		-	-	-	(5,162)	-	(6,364)	513,305	(99,499)	(1,104,346)	(356,212)	(1,058,278)
Adjustments for exchange differences		-	-	-	65,235	-	-	(441)	1,305	19,428	12,769	98,296
Balance as of December 31, 2016	$	-	-	-	(6,679,648)	(18,836,429)	(15,598,029)	(33,817,781)	(2,976,973)	(11,482,332)	(12,498,559)	(101,889,751)
Depreciation		-	-	-	(3,154,657)	(6,947,988)	(5,994,890)	(8,269,709)	(1,158,475)	(3,640,192)	(4,571,717)	(33,737,628)
Disposals		-	-	-	-	33,524	-	436,924	125,653	514,675	737,562	1,848,338
Reclassification		-	-	-	-	(1,697)	(11,959)	(2,294,431)	(81,367)	(678,163)	1,477,028	(1,590,589)
Adjustments for exchange		-	-	-	(2,919)	-	-	(195)	(278)	(1,953)	(189)	(5,534)
Balance as of December 31, 2017	$	-	-	-	(9,837,224)	(25,752,590)	(21,604,878)	(43,945,192)	(4,091,440)	(15,287,965)	(14,855,875)	(135,375,164)
Impairment 2016		(1,451,423)	-	-	-	-	-	-	-	-	-	(1,451,423)
Impairment 2017		(1,451,423)	-	-	-	-	-	-	-	-	-	(1,451,423)
Net Balance												
Balance as of December 31, 2016	**$**	**72,588,762**	**100,244,698**	**94,753,551**	**81,124,432**	**446,992,635**	**342,441,564**	**73,395,976**	**6,108,819**	**11,560,353**	**12,593,116**	**1,241,803,906**
Balance as of December 31, 2017	**$**	**69,324,856**	**31,411,813**	**18,488,935**	**88,012,031**	**445,252,506**	**381,771,517**	**72,199,730**	**6,852,866**	**11,359,529**	**11,078,134**	**1,135,751,917**

1. This reclassification mainly relates to a lease transaction between Promisol S.A.S. (as lessor) and Hocol S.A. (as a lessee) for a total amount of $217,698,577. The above given that Promisol S.A.S. built the plant and recognized a long-term account receivable, which resulted in the derecognition of such plant from property, pipelines, plant and equipment.

NOTE 12. CONCESSIONS ARRANGEMENTS RIGHTS

Detail of assets under concession:

	December 31, 2017			December 31, 2016		
	Cost	Accumulated amortization	Total	Cost	Accumulated amortization	Total
Lands under concession	$ 4,074,135	(955,283)	3,118,852	3,963,319	-	3,963,319
Constructions in progress under concession	210,444,651	-	210,444,651	233,221,352	-	233,221,352
Pipelines and networks under concession	2,013,327,272	(304,469,875)	1,708,857,397	1,915,805,970	(210,197,768)	1,705,608,202
Machinery and equipment under concession	331,583,392	(66,714,922)	264,868,470	222,704,795	(43,780,326)	178,924,469
	$ 2,559,429,450	(372,140,080)	2,187,289,370	2,375,695,436	(253,978,094)	2,121,717,342

Below are the movements of assets under concession:

		Lands under Concession (1)	Construction in Progress under Concession	Pipelines and Networks under Concession	Machinery and Equipment under Concession	Total
Cost						
Balance as of January 1, 2016	$	1,930,220	353,680,492	1,392,122,785	142,597,145	1,890,330,642
Purchases		1,375,000	315,702,630	87,238,617	-	404,316,247
Capitalized interests		-	33,475,363	253,993	-	33,729,356
Disposal		-	(706,153)	(2,124,095)	(1,515,753)	(4,346,001)
Reclassifications (1)		658,099	(468,930,980)	442,133,934	81,623,403	55,484,456
Adjustments for exchange differences		-	-	(3,819,264)	-	(3,819,264)
Balance as of December 31, 2016	$	3,963,319	233,221,352	1,915,805,970	222,704,795	2,375,695,436
Purchases		9,533	106,193,531	69,776,560	13,827,592	189,807,216
Capitalized interests		-	16,617,372	6,663,302	-	23,280,674
Disposal		-	(22)	(257,260)	(1,657,696)	(1,914,978)
Investment plan		-	-	(18,802,725)	-	(18,802,725)
Reclassifications (1)		101,283	(145,587,582)	41,181,721	96,708,701	(7,595,877)
Adjustments for exchange differences		-	-	(1,040,296)	-	(1,040,296)
Balance as of December 31, 2017	$	4,074,135	210,444,651	2,013,327,272	331,583,392	2,559,429,450
Accumulated Amortization						
Balance as of December 31, 2015	$	-	-	(127,923,583)	(27,402,006)	(155,325,589)
Amortization		-	-	(80,774,668)	(16,736,768)	(97,511,436)
Disposal		-	-	91,870	685,578	777,448
Reclassifications		-	-	(1,591,387)	(327,130)	(1,918,517)
Balance as of December 31, 2016	$	-	-	(210,197,768)	(43,780,326)	(253,978,094)
Amortization		(955,283)	-	(95,039,690)	(23,553,876)	(119,548,849)
Disposal		-	-	28,345	601,302	629,647
Reclassifications		-	-	823,250	17,978	841,228
Adjustments for exchange differences		-	-	(84,012)	-	(84,012)
Balance as of December 31, 2017	$	(955,283)	-	(304,469,875)	(66,714,922)	(372,140,080)
Net balance:						
Balance as of December 31, 2016	$	**3,963,319**	**233,221,352**	**1,705,608,202**	**178,924,469**	**2,121,717,342**
Balance as of December 31, 2017	$	**3,118,852**	**210,444,651**	**1,708,857,397**	**264,868,470**	**2,187,289,370**

(1) The land is amortized until the end of the associated concession contract, at which time the company will receive economic benefits from them.

In the course of its operations, Promigas and its Subsidiaries have the following existing concession agreements:

Concession owner	Business and country	Objective	Current stage	Contract date	Year of construction start	Concession end date
Gas and Energy						
Surtigas S.A. E.S.P.	Gas and Energy Colombia	Purchase, storage, packaging and distribution of gases derived from hydrocarbons.	Operation	03/1984 to 04/1994	1984	2034 to 2045
Transmetano S.A. E.S.P.	Gas and Energy Colombia	Construction, operation and maintenance of gas transportation systems.	Operation and maintenance	08/1994	1996	2044
Promigas S.A. E.S.P.	Gas and Energy Colombia	Purchase, sale, transportation, distribution, exploitation and exploration of natural gas, oil and hydrocarbons in general.	Operation	05/1976 to 11/1994	1976	2026 to 2044
Promioriente S.A. E.S.P.	Gas and Energy Colombia	Construction, operation and maintenance of gas pipelines.	Operation and maintenance	09/1995	1995	2026 to 2044
Promioriente S.A. E.S.P.	Gas and Energy Colombia	Construction, operation and maintenance of gas pipelines.	Operation and maintenance	09/1995	1995	2045
Gases de Occidente S.A. E.S.P.	Gas and Energy Colombia	Transportation and distribution of liquefied petroleum gas and natural gas	Operation	08/1998	1998	2047
Compañía Energética de Occidente S.A. E.S.P.	Gas and Energy Colombia	Administrative, operational, technical and commercial management for the provision of electrical energy.	Construction and Operation	01/2010	2010	2035
Gases del Pacífico S.A.C.	Gas and Energy Perú	Purchase, sale, production, commercialization of energy in any of its forms.	Construction and operation	10/2013	2015	2034
Sociedad Portuaria El Cayao S.A. E.S.P.	Gas and Energy Perú	Construction, maintenance and administration of ports.	Operation and maintenance	07/2015	2015	2035

Except for the agreements of Gases del Pacífico S.A.C., Compañía Energética de Occidente S.A. E.S.P. and Sociedad Portuaria El Cayao S.A. E.S.P., the previous agreements are signed in accordance with Decree 1056/1953, the Petroleum Code (now in force), and other laws complementing it. Each concession with the Government was for 50 years, whereby the government gives Promigas and its Subsidiaries the right to build, operate, maintain, exploit and manage a network of public utility pipelines for the transportation of hydrocarbons from La Guajira to major cities such as Barranquilla and Cartagena with trunk pipelines and regional pipelines to other populations in the Atlantic Coast. These agreements additionally have the following relevant elements:

- The agreement required the provision of construction services to develop, operate, maintain, exploit and manage a network of pipelines by Promigas and its Subsidiaries. The term of the agreements is 50 years, renewable for 20 more years, without representing an automatic renewal, and the estimated useful life of the pipelines is 70 years, in current conditions and with minimal maintenance required. Additionally, since the concession agreements include construction, operation and maintenance activities, at the end of the contractual term, the pipeline shall be in optimum operating conditions to ensure the continued provision of public utilities beyond the contractual term of the concessions; therefore, it is concluded that the infrastructure is not used for its entire useful life. The extensions should proceed with the approval of the Ministry of Mines and Energy.

- Promigas and its Subsidiaries have the right to recover the investment by charging the public service, which is regulated by the Government to set rates for transporting gas through the CREG.

  The remuneration of construction service is included in the fees fixed by the CREG, which are established considering the provisions of the Petroleum Code, as follows:

  - Amortization of invested capital in construction;
  - Maintenance, management and exploitation expenses; and
  - Fair earnings for entrepreneurs.

  Such remuneration with the building service does not cover payments receivable when the Government exercises its right acquired in signing the agreement to buy transportation infrastructure. In fact, in establishing the remuneration of new investments or reinforcement of infrastructure, the regulated asset base is calculated through the concession on a five-year basis, according to the regulatory framework and in which the fair contractual selling price at the end of the concession is not taken into account, enabling Promigas and its Subsidiaries to recover its investment by charging customers for services before fulfilling the obligation to sell the system to the State. That is, the final payment is not part of the repayments related to the investments in construction and maintenance.

- The agreement provides that Promigas is obligated to sell the pipeline only and exclusively to the Government as follows: i) 30 years after the agreement; ii) 50 years after terminating the agreement; and iii) at the end of each extension, if any. Therefore, the Government shall always have the right to purchase the infrastructure at the time that it sees fit, without implying that it has an option of absolute waiver of a payment obligation, but otherwise that it has the ability to choose when to make the payment. Neither party shall have the option of waiving the terms of the agreement with respect to the exercise of the right of purchase by the Government and the obligation to sell by Promigas and its Subsidiaries.

Regarding the above obligation, the Government and Promigas and its Subsidiaries shall agree the price of the pipeline and only in case of dispute shall the fair price be fixed by a third party.

Contract law and the relevant contractual obligation exist because of a transaction or event that has happened in the past; in the case of Promigas and its Subsidiaries, the execution of the concession agreement, which sets out the mandatory the sale of the infrastructure to the Government at a fair price at the end of the concession agreement, produces clear economic consequences that the Government, as party to the agreement, has little or no ability to prevent, as the agreement is enforceable by law.

From the above it follows that, for each concession, Promigas and its Subsidiaries is facing a significant residual interest in the pipeline infrastructure and on which it has acknowledged having a right represented in a financial asset by the obligation to sell the infrastructure to the Government, the measurement of which being at fair value.

- Promigas and its Subsidiaries may not assign or transfer this agreement, in whole or in part, to any natural or juridical person without prior approval by the Government, which, at its discretion, can approve or deny it without being obligated to provide the reasons for its determination.

12.1. Concession for the Provision of Electric Power

Compañía Energética de Occidente S.A.S. E.S.P. (CEO) was incorporated for the purpose of assuming at its own risk and expense the administrative, operational, technical and commercial management, the investment, expansion of coverage, reconditioning and preventive and corrective maintenance of the infrastructure and other activities required for the provision of electric power distribution and trading services in the Department of Cauca. The execution of the Management Agreement was on August 1, 2010, and has a 25-year term.

For the development of the purpose of the agreement, CEO received as lease the assets and possession and use of the infrastructure for the distribution and trade of public services. Upon termination of the management agreement for whatever reason, the infrastructure and assets owned by CEO will be transferred without any consideration to Centrales Eléctricas del Cauca S.A. (Cedelca), the counterparty to the management agreement, in which the National Government has shareholding interest.

CEO, as manager, shall comply with the law and regulations regarding subsidies to lower-income strata and solidarity contribution.

In signing the agreement CEO has also agreed to pay and invest in the following:

a) Monthly and during the contract term the sum of $887,000 plus VAT. These payments shall be adjusted on January 1 of each calendar year, according to the CPI variation of the previous year between January 1 and December 31, as consideration for the use of the infrastructure.

b) With the execution of the agreement, constituted rights worth $44.000.000 and purchase of assets for $ 46,236,194 payable to Cedelca S.A.

c) CEO has agreed to develop an investment plan, understanding such investments as those made in non-current assets (tangible or intangible) that shall serve for the expansion, replacement and improvement of the infrastructure throughout the 25-year period, worth $328,875,000.

For this agreement, CEO, acting as operator, applied the intangible asset model according to IFRIC 12 – Service Concession Agreements, considering that the compensation mechanism will be realized by charging the use if the infrastructure, even though, as Operator, it has no obligation to build but to make improvements to the infrastructure, which are recognized as they are performed as an intangible asset measured at cost.

In addition, CEO is also contractually obligated to perform corrective maintenance as part of the contractually defined investment, and recognized as part of the intangible asset.

12.2. Port Consideration Concession

Sociedad Portuaria El Cayao S.A. E.S.P. is in charge of running the first liquefied natural gas (LNG) regasification plant in Colombia, operated by a Floating Storage Regasification Unit (FSRU), since December 2016. For this purpose, a Port Concession agreement was entered into with the National Infrastructure Agency (ANI, for its Spanish abbreviation), which grants the entity the right to build, operate and maintain a port terminal. This was evaluated under the scope of IFRIC 12 – Service Concession Agreements, thus recognizing an intangible asset for its right to charge rates to users. In accordance with the reversal clause of the same agreement, this gas pipeline will be assigned free of charge and in an operational state at the end of the agreement.

12.3. Concession in Peru

By Supreme Resolution No. 067-2013-EM published on October 18, 2013, the Concession of the Natural Gas Distribution System was granted to Gases del Pacífico S.A.C., comprising the following regions: Lambayeque, La Libertad, Ancash and Cajamarca; under the terms and conditions detailed in the Concession Agreement. The main issues set out in the agreement are the following:

- The term of the Concession Agreement is 21 years from the closing date (subject to extension of up to 60 years); however, by document No. 981-2016 MEM/DGH dated June 1, 2016, the General Hydrocarbons Directorate (hereinafter DGH) submitted Technical-Legal Report No. 011- 2016-MEM/DGH-DNH-DGGN, which specifies that the Concession's operating term is 19 years from the Commercial Operation (POC).

- The Company will deliver an irrevocable, unconditional, joint-liability letter of guarantee of automatic performance, without exclusion benefit, which must be issued by a bank for US $20,000,000, with coverage from the closing date to 60 days after compliance with the First Connections Plan. After such date, the letter of guarantee must be for US $3,000,000. During the term of the Concession Agreement, the Company will be the owner of the Assets Under Concession, which will be transferred to the Concessionaire at the end of the Concession Agreement.

- The Company may assign its contractual position in the Concession Agreement, which shall be total, including all rights and obligations.

12.4. Additional Information Required for Concession Agreements Currently Under Construction

The following is a breakdown of the main movements of revenues and costs incurred in the stage of construction of concession agreements in the years ended December 31, 2017 and 2016:

	Period accruals	
	Revenues	**Costs**
December 31, 2017		
Revenues from concession agreements	200,638,639	-
Construction costs incurred in the period	-	200,638,639
December 31, 2016		
Revenues from concession agreements	$ 583,017,844	-
Construction costs incurred in the period	-	583,017,844

Promigas and its Subsidiaries recognize, only for the pipelines under concession, revenues and costs in accordance with IAS 11 - Construction Contracts, taking into account the stage of completion of the construction. Revenues are measured at the fair value of the consideration received or receivable, which is very close to the costs incurred.

As of December 31, 2017 and 2016, the Company and its Subsidiaries had no contingent assets under revenues receivable caused by a contractual dispute in a pipeline construction, other than a recognition rate. Nor did the Company have any contingent liabilities under fines or penalties imposed by the Government in the performance of the concession agreement for possible contractual breaches.

NOTE 13. GOODWILL

Goodwill generated by the purchase of companies are detailed below:

		December 31, 2017	December 31, 2016
Gas Natural de Lima y Callao S.A.C.	$	20,912,996	20,912,996
Compañía Energética de Occidente S.A.S. E.S.P.		448,207	448,207
Gases de Occidente S.A. E.S.P.		65,577,389	65,577,389
Promioriente S.A. E.S.P.		2,845,365	2,845,365
Promisol S.A.S.		91,501	91,501
Surtidora de gases del caribe S.A. E.S.P.		35,414,936	35,414,936
Transmetano E.S.P. S.A.		921,966	921,966
Sociedad Portuaria El Cayao S.A. E.S.P.		329,486	329,486
Transoccidente S.A. E.S.P.		234,352	234,352
Enercolsa S.A.S.		2,042,727	2,042,727
	$	128,818,925	128,818,925

As of December 31, 2017 and 2016, a financial analysis of the results of each company was performed in order to monitor financial soundness indicators that reflect whether there has been any business impairment. To determine whether capital gains impairment has occurred, the following criteria were evaluated:

- Significant decrease in the fair value of a long-term asset or cash-generating unit (CGU).
- Significant adverse changes in the way in which the long-term asset is being used or in its physical condition.
- Adverse change in legal factors or in the business environment that may affect the value of the asset.
- Cost accumulation much higher than originally expected in the acquisition or construction the asset.
- A current period or a history of operating losses in the cash movement involving ongoing losses.
- A highly likely current expectation that a long-term asset will be sold or derecognized before its estimated useful life.

No reductions were found in the value of long-term assets or the group, nor were there significant changes recognized in the legal or business environment factors that may affect the value of the asset.

The results of the recovery test yielded satisfactory figures in all the related entities. No changes or events were found indicating non-recoverability of the recognized capital gains. In addition, the Company performed an impairment test at this time and no deterioration was evident. As of December 31, 2017 and 2016, the valuation was as follows:

Figures in millions of pesos		Total valuation	Direct interest	Book value	Fair value free cash flow (% Promigas)	Excess on book value
December 31, 2017						
Gas Natural de Lima y Callao S.A.C.	$	2,112,737	40.00%	384,052	845,095	461,043
Compañía Energética de Occidente S.A.S. E.S.P.		565,374	49.00%	59,715	277,033	217,318
Gases de Occidente S.A. E.S.P.		1,744,268	90.12%	289,300	1,571,935	1,282,635
Promioriente S.A. E.S.P.		678,281	73.27%	272,225	497,002	224,777
Gases del Caribe S.A E.S.P		2,830,243	30.99%	269,739	877,189	607,450
Gases del Pacífico S.A. E.S.P		230,844	75.00%	11,749	173,132	161,383
Promisol S.A.S.		271,708	100.00%	81,270	271,708	190,438
Surtidora de gases del caribe S.A. E.S.P.		760,630	99.99%	479,756	760,548	280,792
Transmetano E.S.P. S.A.		338,372	99.67%	159,583	337,241	177,658
Sociedad Portuaria El Cayao S.A. E.S.P.		242,566	51.00%	93,725	123,709	29,984
Transoccidente S.A. E.S.P.	$	242,566	69.00%	7,223	11,862	4,639

Figures in millions of pesos	Total valuation	Direct interest	Fair value (Book Value Promigas Separate)	Valuation free cash flow discounted (% Promigas)	Higher commercial value over fair value
December 31, 2016					
Gas Natural de Lima y Callao S.A.C.	2,365,120	40.00%	374,191	946,048	571,857
Compañía Energética de Occidente S.A.S. E.S.P.	301,994	49.00%	56,674	147,977	91,303
Gases de Occidente S.A. E.S.P.	1,482,043	90.12%	253,813	1,335,618	1,081,805
Promioriente S.A. E.S.P.	613,940	73.27%	247,679	449,856	202,177
Gases del Caribe S.A E.S.P	2,011,658	30.99%	216,769	623,481	406,712
Gases del Pacífico S.A. E.S.P	154,204	75.00%	10,525	115,652	105,127
Promisol S.A.S.	161,931	100.00%	64,378	161,931	97,553
Surtidora de gases del caribe S.A. E.S.P.	657,254	99.99%	430,235	657,182	226,947
Transmetano E.S.P. S.A.	308,254	99.67%	155,006	307,223	152,217
Sociedad Portuaria El Cayao S.A. E.S.P.	213,658	51.00%	89,719	108,966	19,247
Transoccidente S.A. E.S.P.	15,188	69.00%	7,241	10,480	3,239

NOTE 14. OTHER INTANGIBLE ASSETS

Below is the detail of intangible assets:

	December 31, 2017			December 31, 2016		
	Cost	Accumulate Amortization	Net book value	Cost	Accumulate Amortization	Net book value
Software	$ 90,517,111	(34,342,887)	56,174,224	84,722,010	(25,089,431)	59,632,579
Licenses	5,485,961	(492,680)	4,993,281	-	-	-
Other intangibles assets	14,043,338	(503,241)	13,540,097	8,533,061	(982,242)	7,550,819
	$ 110,046,410	(35,338,808)	74,707,602	93,255,071	(26,071,673)	67,183,398

Below is the detail of the movement of intangible assets:

	December 31, 2017	December 31, 2016
Cost		
Balance at the beginning of the year	$ 93,255,071	94,333,749
Purchases	18,079,901	8,119,379
Disposal, sales (net)	-	(308,241)
Reclassifications	(1,273,752)	(8,163,786)
Adjustments for exchange differences	(14,810)	(726,030)
Year-end Balance	$ 110,046,410	93,255,071
Accumulated amortization		
Balance at the beginning of the year	$ (26,071,673)	(13,430,829)
Amortization	(10,547,823)	(10,254,803)
Disposal, sales (net)	-	289,775
Reclassifications	1,276,004	(2,679,158)
Adjustments for exchange differences	4,684	3,342
Year-end Balance	$ (35,338,808)	(26,071,673)

NOTE 15. DEFERRED TAX, NET

Below is the detail of the deferred income tax asset and liability:

	December 31, 2017	December 31, 2016
Deferred tax assets, net	$ 62,772,169	52,593,939
Deferred tax liabilities, net	(581,234,108)	(548,133,539)
Deferred tax, net	$ (518,461,939)	(495,539,600)

Below is the detail of the movement of deferred income tax:

		December 31, 2015	Credited (debited) to profit and loss	Credited (debited) to OCI	OCI conversion adjustment	December 31, 2016	Credited (debited) to profit and loss	Credited (debited) to OCI	OCI conversion adjustment	December 31,2017
Credit portfolio	$	12,282,985	(20,535,576)	-	-	(8,252,591)	(92,769,295)	16,818	-	(101,005,068)
Concession agreements		9,944,952	75,582,442	-	-	85,527,394	14,666,348	-	-	100,193,742
Biological asset		343	(343)	-	-	-	-	-	-	-
Fiscal losses		13,246,873	(2,658,444)	-	-	10,588,429	15,740,591	-	-	26,329,020
Excess of presumptive income		43,646	15,036	-	-	58,682	(50,496)	-	-	8,186
Liability provisions		4,343,672	(308,530)	-	-	4,035,142	6,552,090	-	-	10,587,232
Difference between accounting and tax values of property, plant and Equipment		15,714,915	238,736,211	-	-	254,451,126	(168,240,086)	-	-	86,211,040
Lease agreement		-	-	-	-	-	60,385	-	-	60,385
Provision of investment commitment		54,332,171	(2,236,376)	-	-	52,095,795	(3,044,151)	-	-	49,051,644
Employee benefits		835,014	(1,251,859)	186,975	-	(229,870)	644,866	-	-	414,996
Valuation of derivatives		3,829,089	203,681	(3,829,089)	-	203,681	14,820	(146,833)	-	71,668
Goodwill		(2,951,753)	352,832	-	-	(2,598,921)	2,598,921	-	-	-
Deferred charges		-	-	-	-	-	1,154,574	-	-	1,154,574
Financial assets		(432,250,350)	4,336,836	-	-	(427,913,514)	(45,225,760)	-	-	(473,139,274)
Valuation of fixed income investment		6,904	(6,904)	-	-	-	-	-	-	-
Valuation of equity investments		(73,774,386)	56,119,940	901,171	-	(16,753,275)	348,186	(2,289,918)	-	(18,695,006)
Accounts Receivable		-	(239,458,676)	-	-	(239,458,676)	239,458,676	-	-	-
IAS 27 application adjustment		57,854,330	(57,854,330)	-	-	-	-	-	-	-
Cost of property, plant and equipment		(84,864,929)	27,207,622	-	-	(57,657,307)	(45,436,333)	(160,766)	-	(103,254,405)
Cost of intangible assets		(15,962,708)	(77,402,023)	-	-	(93,364,731)	45,705,012	-	-	(47,659,719)
Intangibles under concession agreement		(90,052,826)	24,176,748	-	-	(65,876,078)	-	-	-	(65,876,078)
Commercial bank loans		-	-	-	-	-	(1,066,295)	-	-	(1,066,295)
Conversion effect deferred tax account Gases del Pacífico S.A.C.		-	-	-	(363,238)	(363,238)	242,603	-	(311,090)	(431,725)
Valuation of derivative instruments		(657,655)	-	(1,793,533)	-	(2,451,188)	1,002,296	81,366	-	(1,367,526)
Others		30,811,208	(17,286,756)	(1,104,912)	-	12,419,540	6,138,668	1,392,464	-	19,950,672
	$	(497,268,505)	7,731,531	(5,639,388)	(363,238)	(495,539,600)	(21,504,380)	(1,106,869)	(311,090)	(518,461,939)

15.1. Income Tax:

The Company and its Subsidiaries are subject to an income tax with a rate as of December 31, 2017 and 2016, of 34% plus the 6% income tax surcharge, except for Promigas S.A. E.S.P., which as of December 31, 2017, is subject to an applicable rate of 33%. This rate is applicable to the highest of either the net income or the presumptive income. To calculate the presumptive income, 3.5% of the net worth of the previous year was applied.

The Subsidiaries Gases del Pacífico S.A.C. and Gases del Norte del Perú S.A.C., as of December 31, 2017, are subject to an income tax of 30%; Zonagen S.A.S. and Sociedad Portuaria El Cayao S.A. E.S.P., were subject to an income tax of 20%.

As of December 31, 2017, Sociedad Portuaria El Cayao S.A. E.S.P., calculated and recorded the provision for income tax based on the presumptive income.

As of December 31, 2016, the Company and its Subsidiaries are subject to a 25% rate income tax applicable to the highest of either net income or presumptive income. The presumptive income is equivalent to 3% of the net assets of the previous year . The controlled companies Gases del Pacífico S.A.C. and Gases del Norte del Perú S.A.C. are subject to a 30% income tax.

As of December 31, 2017, the Company and its Subsidiaries calculated and recorded provisions for income taxes, based on taxable income, which takes into account certain adjustments to the commercial profit of the separate financial statements prepared in accordance with the Financial Reporting Standards accepted in Colombia (CFRS), provided in Act 1314/2009.

The taxable years 2016 and 2015 are open for review by the tax authorities of Promigas, Compañía Energética de Occidente S.A.S. E.S.P., Gases de Occidente S.A. E.S.P., Surtidora de gases del Caribe S.A. E.S.P., Transmetano E.S.P. S.A., Transoccidente S.A. E.S.P., Sociedad Portuaria El Cayao S.A. E.S.P. and Promisol S.A.S. For Promioriente S.A. E.S.P., in addition to the years 2016 and 2015, the years 2012, 2013 and 2014 are open for review, and for Zonagen S.A.S., the years 2013 and 2014. No adjustments are expected as a result of the reviews.

On February 4, 2009, Promigas S.A. E.S.P. entered into a Legal Stability Agreement with the Nation – Ministry of Mines and Energy, whereby it agrees to build a pipeline and other transportation facilities amounting to $77,263,585, over a seven-(7)-year term. The contract term is twenty (20) years, during which the Nation, as consideration, guarantees Promigas the legal stability on certain provisions of the Tax Code. The benefits include:

- The benefit from the deduction of productive real fixed assets as of December 31, 2017 and 2016, for $30,188,499, respectively.
- Application of the income tax rate as of December 31, 2017, of 33% and not the new rate applicable under Act 1819/2016 of 34%. Applying the rate of 34% would have meant a higher tax in 2017 close to $922.458.
- Non-imposition of the 6% income surtax as of December 31, 2017, applicable under Act 1819/2016 of 6%. Applying this surtax would have meant a higher tax close to $7.895.797.

As of December 31, 2017, the following Companies had accrued fiscal loss or excess presumptive income over ordinary income: Zonagen S.A.S., Sociedad Portuaria El Cayao S.A. E.S.P. and Gases del Pacífico S.A.C., whose fiscal losses and excess presumptive rate over net income amount to $60.935.073. Excesses expire in 2017 and fiscal losses have no expiry, as they were caused after 2007.

Below is the detail of income tax expense for the years ended December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Period income tax	207,736,118	142,673,518
CREE tax	-	50,247,868
Surtax	14,478,506	40,332,896
Subtotal current period taxes	222,214,624	233,254,282
Income tax or prior years	(337.644)	348,270
CREE tax prior years	(401,854)	173,802
Income tax paid abroad	-	1,406,008
Net deferred taxes	21,504,380	(7,737,017)
Total	242,979,506	227,445,345

Below is the reconciliation of the effective rate for the years ended December 31, 2017 and 2016:

	December 31, 2017	%	December 31, 2016	%
Earnings before income tax	$ 931,135,671	-	875,534,120	
Expense of theoretical tax calculated based on the current tax rate	372,454,268	40.00 %	350,213,649	40.00 %
Non-deductible expenses	21,833,434	2.34 %	29,433,653	3.36 %
Equity tax	65,223	0.01 %	-	0.00 %
Revenues from equity method	(56,788,107)	(6.10)%	(50,358,225)	(5.75)%
Interests and other untaxed revenues	6,709,151	0.72%	(18,872,875)	(2.16%)
Exempt income	(432,000)	(0.05)%	(1,624,336)	(0.19)%
Deduction investment in science and technology	(492,258)	(0.05)%	(566,062)	(0.06)%
Deductions with different rates for CREE	-	-	95,198	0.01 %
Occasional earnings	(733,611)	(0.08)%	-	0.00 %
Non-deductible expenses taken as tax discounts	285,051	0.03 %	-	0.00 %
Effects of results taxed at different rates	(7,697,834)	(0.83)%	-	0.00 %
Tax benefit on acquisition of productive assets	(1,132,185)	(0.12)%	(21,417,125)	(2.45)%
Subsidiary earnings in countries with different tax rates	2,888,785	0.31 %	1,002,037	0.11 %
Tax rate change adjustment	(63,311,740)	(6.80)%	(12,440,527)	(1.42)%
Effect on deferred tax due to changes in tax rates on concessions	(35,092,028)	(3.77)%	(47,761,135)	(5.46)%
Effect on income tax due to adjustments in previous periods	(732,032)	(0.08)%	181,027	0.02 %
Other items	5,155,389	0.55 %	(439,934)	(0.05)%
Total tax expense for the period	$ 242,979,506	26.09%	227,445,345	25.98%

Equity Tax:

Pursuant to the provisions of Act 1739/2014, for the years 2015, 2016 and 2017, the Company and its Subsidiaries shall be obligated to settle a equity tax equal to 1.15%, 1.0% and 0.40%, respectively. This law provides that for accounting purposes in Colombia such tax may be recorded against equity reserves. The Company and its Subsidiaries recognized a equity tax for $3.961.310, recorded against the equity reserves account, except for Sociedad Portuaria El Cayao S.A. E.S.P., which recorded the value affecting the income statement, as it had no equity reserves for such record worth $65.214.

Transfer Pricing

Pursuant to Acts 788/2002 and 863/2003, Promigas S.A. E.S.P., Promisol S.A.S., Surtidora de gases del Caribe S.A. E.S.P. and Orion Contact Center S.A.S. prepared the last transfer pricing assessment over transactions with related entities abroad in 2016. The assessment did not give rise to adjustments affecting tax income, costs or expenses of the Company. Although the transfer pricing study for 2017 is being prepared, no significant changes are anticipated with respect to the previous year.

Tax Reform

On December 29, 2016, Act 1819/2016 was passed, whereby new tax rules are introduced, the most relevant aspects of which are the following:

- As of 2017, the income tax for equality CREE is revoked and the income and complementary tax is unified. The applicable rates will be 34% in 2017 and 33% in 2018 and 2019 with a corresponding surcharge of 6% in 2017 and 4% in 2018 applicable when the taxable base is greater than or equal to $800 million pesos; such surcharge will not apply for 2019.
- The percentage of presumptive income is increased to 3.5%, which will continue being settled on net worth.
- The Colombian Financial Reporting Standards (CFRS) would be the basic rules used to determine the taxable base for the income tax, but the reconciliations will continue to be managed for those specific cases where accounting treatments have no incidence on the income tax.
- The Peso was determined as functional currency for tax purposes.
- The tax system is modified for profits generated as of 2017, to be drawn as dividends, for which both the company and the shareholder will be taxed. For profits that are "untaxed," according to articles 48 and 49 of the Tax Code, the following rates shall be applied, considering the type of beneficiary:
  - Marginal rates between 0%, 5% and 10% in the payment or account credits to resident natural persons.
  - 5% fee on payment or account credit to nonresidents, foreign companies and branch offices of foreign companies.
  - The payment or account credit made to national companies will continue to be considered revenues that do not qualify as taxable income or occasional earnings.

"Taxable" profits will initially be subject to a 35% tax, and once this tax is reduced, the rates of 0%, 5% and 10% will be applied to resident natural persons, and 5% to non-resident natural persons, foreign companies and branch offices of foreign companies.

National companies must incorporate such rates in their income tax return statement of the payment or account credit, being thereby taxed at the current rate.

- Tax losses may only be offset against the net income obtained within the following 12 taxable periods and the possibility of adjusting the tax credits derived from excess of presumptive income and tax losses is eliminated. The value of tax losses and excess presumptive income generated before 2017 on the income and complementary tax and/or income tax for equality CREE will be proportionally offset and will not have a time limit.
- The general term of the tax returns was fixed at three (3) years. For entities subject to transfer prices, the term will be six (6) years, which applies also in the case of tax returns where tax losses are offset. The term of the tax returns where tax losses are generated will be equal to the time provided to offset them, i.e., twelve (12) years; however, if the taxpayer offsets the loss within the final two years, the term shall be extended for three (3) more years from such offset with respect to the tax return where said loss was settled, so the period for inspection could be 15 years.

- The rates of the withholding tax for payments abroad are modified, fixed at 15% for capital and labor income, consulting, technical services, technical assistance, payments to parent companies for management activities, financial returns, among others. The rate corresponding to 33% of 80% of the payment or account credit for the exploitation of computer programs is maintained.

- In terms of sales tax, the general rate was modified from 16% to 19% and the taxable event was modified, including the sale or assignment of rights on intangible assets associated with industrial property and services provided from abroad. For this purpose, services provided and intangibles acquired or licensed from abroad shall be understood to be provided, acquired or licensed on national territory when the direct beneficiary or recipient has his fiscal residence, domicile, permanent establishment or seat of his economic activity on national territory.

NOTE 16. FINANCIAL OBLIGATIONS

Below is a summary of the financial obligations obtained by Promigas and its Subsidiaries as of December 31, 2017, for the essential purpose of financing operations and investment plans:

	December 31, 2017			December 31, 2016		
	Third Parties	Related Entities	Total	Third Parties	Related Entities	Total
Short-term						
Loans in foreign currency (1)	$ 54,503,139	-	54,503,139	110,751,584	-	110,751,584
Loans in local currency	308,708,283	-	308,708,283	196,058,775	102,230,989	298,289,764
Lease agreements (2)	99,637,491	-	99,637,491	94,410,387	74,775	94,485,162
Interest payable	20,158,236	348,601	20,506,837	11,998,049	1,940,212	13,938,261
	$ 483,007,149	348,601	483,355,750	413,218,795	104,245,976	517,464,771
Long-term						
Loans in foreign currency (1)	$ 887,051,811	-	887,051,811	460,932,767	-	460,932,767
Loans in local currency	535,317,790	45,514,429	580,832,219	503,019,742	84,699,687	587,719,429
Lease agreements (2)	870,245,127	-	870,245,127	955,458,954	-	955,458,954
	$ 2,292,614,728	45,514,429	2,338,129,157	1,919,411,463	84,699,687	2,004,111,150
	2,775,621,877	45,863,030	2,821,484,907	2,332,630,258	188,945,663	2,521,575,921

(1) As of December 31, 2017, and 2016, it mainly includes loans obtained for $268,131,492 and $266,438,787 by Sociedad Portuaria El Cayao S.A. E.S.P. Additionally, as of December 31, it includes the syndicated loan taken by Promigas and Gases del Pacifico for USD $200,000,000. The managing agent is JP Morgan Chase Bank. The loan was closed with 14 banks from different countries: JP Morgan, Banco de Crédito del Perú, Bank of America, Bank of Tokio Mitsubishi, Citi, Mizuho, Scotiabank, Sumitomo, Banco BCI, Banco Sabadell, Banco Santander Colombia, Banco Santander España, EDC, ING, and Intesa San Paolo.

Terms of the loan agreement: The loan agreement mainly includes the following terms, which have been met by the Company:

- In each quarter, the debt may not exceed the Consolidated Ebitda, with the following multiples: 4,00 to 1,00, until December 31, 2017, 4,25 to 1,00, after December 31, 2017, and until December 31, 2020, and finally after December 31, 2020, and until December 31, 2021, 4,00 to 1,00.
- At the end of each quarter, the ratio between the Consolidated Ebitda and the Financial Expense cannot be lower by 2.75 to 1.00.

(2) Mainly includes the FSRU (Floating Regasification Unit) long-term finance lease of Sociedad Portuaria El Cayao S.A. E.S.P. for $789,514,436 and $793,935,614, respectively.

Below is a summary of the effective interest rates contracted with different financial institutions:

Rate %	In Colombian Pesos		In foreign currency	
	Minimum	**Maximum**	**Minimum**	**Maximum**
December 31,2017				
Obtained loans	3,05%	10,46%	4,34%	6,33%
Lease agreements	7,98%	8,65%	0,00%	0,00%
Rental agreements	0,92%	26,08%	0,00%	0,00%
December 31, 2016				
Obtained loans	3,52%	13,88%	3,66%	6,33%
Lease agreements	9,57%	10,66%	0,00%	0,00%
Rental agreements	6,61%	6,61%	15,00%	15,00%

Below is a summary of the maturities of long-term financial obligations:

Year		Value
2019	$	346,377,131
2020		562,366,350
2021		445,065,880
2022		255,316,216
2023 onward		729,003,580
	$	2,338,129,157

Below is the movement of financial obligations as of December 31, 2017 and 2016:

	Interest	Bonds	Financial obligations	Leases	Totals
Balance as of December 31, 2015	**13,751,965**	**1,837,901,732**	**895,650,001**	**232,985,318**	**2,980,289,016**
Addition obligations and bonds	37,520	500,000,000	1,106,122,829	(40)	1,606,160,309
Addition capitalized interest	40,805,717	-	-	-	40,805,717
Addition finance lease	-	-	-	858,974,260	858,974,260
Conversion adjustment from foreign operations	(15,794,861)	-	(4,135,841)	(27,883)	(19,958,585)
Exchange difference	(654,972)	-	(20,580,131)	-	(21,235,103)
Interest paid	(322,203,332)	-	-	-	(322,203,332)
Interests accrued through profit or loss	301,130,322	-	-	-	301,130,322
Reclassifications	-	(13,521,189)	13,521,189	-	-
Payments of principal	-	(104,294,000)	(532,884,503)	(41,987,539)	(679,166,042)
Interest charged at cost	18,967,526	-	-	-	18,967,526
Bond restatement	1,787,404	(3,243,983)	-	-	(1,456,579)
Balance as of December 31, 2016	**37,827,289**	**2,216,842,560**	**1,457,693,544**	**1,049,944,116**	**4,762,307,509**
Addition obligations and bonds	-	-	1,139,838,520	-	1,139,838,520
Addition capitalized interest	24,830,397	-	-	-	24,830,397
Addition finance lease	-	-	-	13,934,008	13,934,008
Conversion adjustment from foreign operations	127,556	-	(3,032,782)	(5,371,915)	(8,277,141)
Non-derivative hedges through OCI	-	-	4,379,981	-	4,379,981
Exchange difference	(2,328,825)	-	(5,715,864)	4	(8,044,685)
Interest paid	(380,906,173)	-		-	(380,906,173)
Interests accrued through profit or loss	351,201,342	-	-	-	351,201,342
Reclassifications	(10,560,141)	(93,423)	6,319,443	4,334,121	-
Payments of principal	-	-	(762,543,205)	(92,957,716)	(855,500,921)
Interest charged at cost	18,790,054	-	-	-	18,790,054
Transfer costs attributed to financial obligations and/or bonds	-	-	(5,844,185)	-	(5,844,185)
Bond restatement	(362,943)	362,943	-	-	-
Balance as of December 31, 2017	**38,618,556**	**2,217,112,080**	**1,831,095,452**	**969,882,618**	**5,056,708,706**

Hedging Financial Liabilities

Promigas, at the end of 2016, contracted a syndicated loan for US $200,000,000, of which US $75,000,000 were disbursed directly to Gases del Pacífico S.A.C. and US $125,000,000 to Promigas. The loan is amortizable until December 23, 2021, with a two-year grace period. As of December 31, 2017, the value of the syndicated loan is $596.800.000, not including the costs of debt, and the effect on other comprehensive income is $4.379.981.

Hedge Ratio:

Promigas has identified the fluctuation risk in the exchange rate of the conversion effect on investments with dollar functional currency as a hedged item. Designated financial liabilities limit the risk resulting from fluctuations in the dollar exchange rate above or below the specified ranges.

The Company designated a portion of the syndicated loan as a hedging instrument, as follows:

Amount Designated for 2017		Hedged Hedging Instrument	Hedged Item (1)
January 2018	$	51,484,391	51,484,391
February 2018		51,861,426	51,861,426
March 2018		52,240,092	52,240,092
April 2018		52,620,397	52,620,397
May 2018		53,002,347	53,002,347
June 2018		53,385,950	53,385,950

(1) The hedged items designated in the hedging ratio for the consolidated financial statements are the net assets (assets and liabilities incorporated) of Gases del Pacifico S.A.C., Sociedad Portuaria El Cayao S.A. E.S.P. and Gas Natural de Lima and Callao S.A.C., without taking into account the results of the period of those same companies.

To determine the effectiveness of the hedge ratio, the Company evaluates qualitatively the critical contractual obligations between the hedged item and the hedging instrument. If inconsistencies are noticed in contractual obligations, a quantitative assessment is used to determine the impact of potential ineffectiveness.

Impact of the Hedge Ratio:
The part of the gain or loss on the hedging instrument determined as an effective hedge is recognized in other comprehensive income. The determination of the results by net investment hedge is as follows:

		Hedged Item Measurement	Hedging Instrument Measurement	Ratio
Effectiveness of the hedge ratio	$	4,379,981	4,379,981	100%

NOTE 17. ACCOUNTS PAYABLE

Below is the detail of accounts payable:

	December 31, 2017			December 31, 2016		
	Third Parties	Related Entities	Total	Third Parties	Related Entities	Total
Short-Term						
Domestic goods and services	$ 237,370,236	318,140	237,688,376	229,368,027	2,599,694	231,967,721
Goods and services	6,001,911	-	6,001,911	115,767,001	-	115,767,001
Suppliers	48,902,972	-	48,902,972	48,342,045	-	48,342,045
Dividends payable	-	58,760,536	58,760,536	-	135,733,636	135,733,636
Hedges payable	165,516	-	165,516	1,840,013	-	1,840,013
Assigned subsidies payable	-	-	-	18,742	-	18,742
	$ 292,440,635	59,078,676	351,519,311	395,335,828	138,333,330	533,669,158
Long-term						
Suppliers	$ 12,998,181	-	12,998,181	12,919,028	-	12,919,028
	12,998,181	-	12,998,181	12,919,028	-	12,919,028
	305,438,816	59,078,676	364,517,492	408,254,856	138,333,330	546,588,186

NOTE 18. EMPLOYEE BENEFITS

Below is the detail of balances of employee benefits:

	December 31, 2017	December 31, 2016
Short-Term		
Severance and interest on severance pay	$ 4,910,026	4,595,494
Vacations	6,166,700	6,277,236
Extralegal benefits	1,784,736	1,664,483
Other payments and benefits	3,877,236	3,473,458
	$ 16,738,698	16,010,671
Long-term		
Severance previous labor law	$ 524,547	191,979
Pension actuarial calculation	909,271	923,937
Other actuarial calculation	2,971,008	3,134,696
	$ 4,404,826	4,250,612
	$ 21,143,524	20,261,283

NOTE 19. OTHER LIABILITIES

Below is the detail of other liabilities:

		December 31, 2017	December 31, 2016
Collection for third parties	$	27,135,275	33,858,972
Withholding tax and self-withholding tax		14,429,686	18,711,784
Industry and trade withholding tax payable		839,150	-
Other taxes and contributions payable		11,202,238	-
Value added tax payable		3,666,874	-
Advances and prepayments received		21,925,050	33,736,244
Deposits received from third parties		18,606,125	23,580,676
Revenues received in advance		2,380,291	2,568,997
	$	100,184,689	112,456,673
Long-term		38,763	438,021
	$	38,763	438,021
	$	100,223,452	112,894,694

NOTE 20. OUTSTANDING BONDS

Outstanding bonds are detailed below:

		December 31, 2017	December 31, 2016
Short-term			
Bonds interest payable		18,111,719	23,889,028
	$	18,111,719	23,889,028
Long-term			
Ordinary bonds	$	2,220,206,000	2,220,206,000
Bond underwriting premium		(3,093,920)	(3,363,440)
	$	2,217,112,080	2,216,842,560
	$	2,235,223,799	2,240,731,588

The characteristics of all bond issues by Promigas and some of its Subsidiaries are ordinary issues, through a public offering without guarantees. The payment of interests is quarterly in arrears, with BULLET-type principal payments (at the security's maturity).

The legal representative of bondholders is Helm Trust S.A., which represents exclusively the obligations of each issuer, and the funds were used to replace financial liabilities and/or to finance investment plans of the Company.

The detail of issues by issue date and maturity is as follows:

Issuer	Series	Term years	December 31, 2017	December 31, 2016	Interest rate	Issue date	Maturity
Promigas S.A. E.S.P.	Series C10	10	$ 150,000,000	150,000,000	CPI + 5,40%	27/08/2009	27/08/2019
Promigas S.A. E.S.P.	Series C15	15	170,000,000	170,000,000	CPI + 5,99%	27/08/2009	27/08/2024
Promigas S.A. E.S.P.	Series A7	7	99,821,000	99,821,000	CPI + 3,05%	29/01/2013	29/01/2020
Promigas S.A. E.S.P.	Series A10	10	150,179,000	150,179,000	CPI + 3,22%	29/01/2013	29/01/2023
Promigas S.A. E.S.P.	Series A20	20	250,000,000	250,000,000	CPI + 3,64%	29/01/2013	29/01/2033
Promigas S.A. E.S.P.	Series A4	4	105,000,000	105,000,000	CPI + 2,55%	11/03/2015	11/03/2019
Promigas S.A. E.S.P.	Series A7	7	120,000,000	120,000,000	CPI + 3,34%	11/03/2015	11/03/2022
Promigas S.A. E.S.P.	Series A15	15	175,000,000	175,000,000	CPI + 4,37%	11/03/2015	11/03/2030
Promigas S.A. E.S.P.	Series A4	4	100,000,000	100,000,000	CPI + 3,29%	08/09/2016	08/09/2020
Promigas S.A. E.S.P.	Series A10	10	150,000,000	150,000,000	CPI + 3,74%	08/09/2016	08/09/2026
Promigas S.A. E.S.P.	Series A20	20	250,000,000	250,000,000	CPI + 4,12%	08/09/2016	08/09/2036
Surtidora de Gas del Caribe S.A. E.S.P.	Series A10	10	130,000,000	130,000,000	CPI + 3,25%	12/02/2013	12/02/2023
Surtidora de Gas del Caribe S.A. E.S.P.	Series A20	20	70,000,000	70,000,000	CPI + 3,64%	12/02/2013	12/02/2033
Gases de Occidente S.A. E.S.P.	Series C10	10	100,206,000	100,206,000	CPI + 5,89%	23/07/2009	23/07/2019
Gases de Occidente S.A. E.S.P.	Series A10	10	110,382,000	110,382,000	CPI + 3,75%	11/12/2012	11/12/2022
Gases de Occidente S.A. E.S.P.	Series B20	20	89,618,000	89,618,000	CPI + 4,13%	11/12/2012	11/12/2032
Total			2,220,206,000	2,220,206,000			
Amortized cost			(3,093,920)	(3,363,440)			
			$ 2,217,112,080	2,216,842,560			

Below is the detail of the bond issue maturities of Promigas and its Subsidiaries:

Year	Value
2019	$ 355,206,000
2020	199,821,000
2022	230,382,000
2023 onward	1,434,797,000
	$ 2,220,206,000

NOTE 21. PROVISIONS

Below is the detail of provisions:

	December 31, 2017	December 31, 2016
Short-term		
Provisions	2,078,840	-
	$ 2,078,840	-
Long-term		
Provisions	255,442,243	224,644,588
	$ 255,442,243	224,644,588
	$ 257,521,083	224,644,588

The table below shows the nature and value of long-term loss contingencies:

		Administrative (2)	Labor	Civil (2)	Dismantling	Other provisions (1)	Total provisions
Balance as of December 31, 2015	$	2,568,763	87,477	42,938,931	2,372,225	158,474,080	206,441,476
New provisions		87,956	688,890	2,985,957	948	5,532,691	9,296,442
Increase in provisions		-	-	113903	11,689,780	172,022,791	183,953,627
Withdrawal of provisions		(2,568,763)	(325,144)	(3,684,035)	(314,441)	(168,154,574)	(175,046,957)
Balance as of December 31, 2016	$	87,956	565,126	53,930,633	2,185,885	167,874,988	224,644,588
New provisions		1,136,506	72,760	1,382,751	2,004,810	125,762	4,722,589
Increase in provisions		-	7,460	7,838,076	11,975,111	22,079,828	41,900,475
Provisions used		-	(1,089,599)	(1,312,322)	-	(3,051,310)	(5,453,231)
Withdrawal of provisions		(28,792)	(1,568,251)	(952,584)	(119,020)	(5,825,368)	(8,494,015)
Reclassifications		1,155,086	2,342,386	(3,497,472)	-	-	-
Conversion adjustments		-	-	-	-	200,677	200,677
Balance as of December 31, 2017	$	2,350,756	329,882	57,389,082	16,046,786	181,404,577	257,521,083

(1) As of December 31, 2017, and 2016, mainly includes estimates of the investment plan of Compañía Energética de Occidente S.A. E.S.P. for $147,537,619 and $156,425,321, respectively. This provision is decreasing because of the repayment plan. Compañía Energética de Occidente S.A. E.S.P. agreed to implement an infrastructure expansion, replacement and improvement plan for the development of the trading services of Cedelca. IFRIC 12.21 sets out contractual obligations for these to maintain or restore the infrastructure, such as the case of the investment plan, which must be recognized and measured in accordance with IAS 37, i.e., according to the best estimate of the expenditure that would be required to settle the obligation at the end of the reporting period. To contribute to the analysis, it should be noted that, under the type of contract entered into by and between Cedelca and Compañía Energética de Occidente S.A. E.S.P., no construction contracts are performed as per IAS 11.

(2) Provisions mainly relate to the following: 1) **Administrative:** they refer to legal proceedings with government agencies in Colombia with which the Company has open processes at the date of financial reporting, Company expects that these will be settled in a period longer that one year; **2) Civils:** they relate to legal proceeding with third parties (other companies and individuals) related with aspects regulated by the civil law in Colombia, such as: debts, default on payments to third parties, compliance of contracts, among others, Company expects they will be settled in a period longer that one year.

NOTE 22. EQUITY

Share Capital **–** As of December 31, 2017 and 2016, share capital was represented by 1,150,000,000 common shares, respectively, with a nominal value of one hundred pesos each. The detail of the assets is presented below:

		December 31, 2017	December 31, 2016
Number of shares authorized, issued and outstanding		1,134,848,043	1,134,848,043
Number of shares paid-in and subscribed		1,134,918,610	1,134,918,610
Number of shares repurchased (1)		70,567	70,567
Paid-in and subscribed capital	$	113,491,861	113,491,861

(1) From 2005 to June 30, 2017, the Company has repurchased 70,567 shares for $1.527.933. In accordance with the provisions of the Code of Commerce, any rights inherent to repurchased shares are suspended.

Reserves – The balance of reserves is detailed as follows:

		December 31, 2017	December 31, 2016
Legal reserve	$	56,745,931	56,745,931
Reserves pursuant to bylaws		70,865,347	70,865,347
Occasional reserves		456,293,549	183,271,325
Equity tax reserves paid by Subsidiaries		(25.761.740)	(21,455,501)
	$	558,143,087	289,427,102

Legal Reserve – According to Colombian Law, the Company must transfer at least 10% of profits for the period to a legal reserve until such reserve equals 50% of the subscribed capital. This reserve is not available for allocation, but may be used to offset losses.

Tax Reserve – Pursuant to article 45 of Act 75/1986, the Company created a reserve equal to 70% of the higher value of the depreciation requested as tax deduction. Such reserve may be capitalized or allocated insofar as it is released.

Reserve for Share Repurchase – In 2005, the Company created a reserve for share repurchase amounting to $1,527,933.

Profit Allocation – Dividends are ordered and paid to shareholders based on non-consolidated net profits for the immediately previous year half. The dividends ordered were the following:

		December 31, 2017	June 30, 2017	December 31, 2016		June 30, 2016
Date of Meeting		26.sep.2017	21.mar.2017		22.sep.2016	22.mar.2016
Unconsolidated earnings from the previous half-year		320,039,214	291,833,225		322,351,520	221,556,546
Cash dividends						
Ordinary dividends per share	$	17	16		211	15
Payment date		21.oct.2017 to 21.mar.2018	21.abr.2017 to 21 sep.2017		21.oct.2016 to 21 mar.2017	21.abr.2016 to 21.sep.2016
Extraordinary dividend per share	$	115	66	46	69	47
Payment date		21.oct.2017	21.abr.2017	21.oct.2016	21.mar.2017	21.abr.2016
Total outstanding shares		1,134,848,043	1,134,848,043		1,134,848,043	1,134,848,043
Total dividends declared	$	246,262,024	183,845,383		239,452,937	155,474,182
Detail of mandatory and voluntary reserves	$	87,444,214	107,376,018		72,343,769	38,830,757
Available for future allocation	$	27,013,633	611,824		10,554,814	27,251,608

NOTE 23. NON-CONTROLLING INTEREST

Below is the detail of the non-controlling interest in the consolidated companies:

	December 31, 2017			December 31, 2016		
Company	**%**	**Interest in Equity**	**Interest in Earnings**	**%**	**Interest in Equity**	**Interest in Earnings**
Surtidora de gases del caribe S.A. E.S.P.	0.01%	48,865	5,037	0.01%	43,622	5,175
Transoccidente S.A. E.S.P.	31.00%	3,139,689	749,260	31.00%	3,148,002	723,162
Promioriente S.A. E.S.P.	26.73%	98,244,605	17,327,966	26.73%	89,301,791	20,838,322
Transmetano E.S.P. S.A.	0.33%	532,201	98,959	0.33%	516,959	127,146
Gases de Occidente S.A. E.S.P.	9.88%	24,522,861	6,845,971	9.88%	20,819,502	7,316,736
Zonagen S.A.S.	0.05%	1,017	93	0.05%	938	(188)
Sociedad Portuaria El Cayao S.A. E.S.P.	49.00%	89,726,152	17,881,936	49.00%	85,876,882	2,381,341
		216,215,390	42,909,222		199,707,696	31,391,694

NOTE 24. REVENUE

Below is the detail of revenue from ordinary activities for the years ending:

	December 31, 2017	December 31, 2016
Transport and distribution of natural gas	$ 2,249,109,323	2,343,605,069
Generation and distribution of power energy	385,979,439	404,344,824
Installations and technical services	190,468,490	114,011,623
Revenues from non-banking financing	90,317,168	78,112,337
Construction of concessions (see note 13)	200,638,639	583,017,844
Other services	322,528,240	247,272,743
	$ 3,439,041,299	3,770,364,440

NOTE 25. COST OF SALES

Below is the detail of cost of sales:

	December 31, 2017	December 31, 2016
Employee benefits	$ 129,144,218	114,601,569
Maintenance and materials	149,895,509	148,341,189
Fees and consultancies	23,816,629	21,320,760
General expenses	1,605,143,750	1,684,061,873
Construction of concessions (See note 13)	200,638,639	583,017,844
Taxes	3,706,452	4,302,131
Depreciation and amortization	132,360,424	108,842,967
	$ 2,244,705,621	2,664,488,333

NOTE 26. OPERATING EXPENSES

Below is the detail of operating expenses:

	December 31, 2017	December 31, 2016
Employee benefits	$ 97,176,262	88,545,730
Fees	39,909,189	38,206,732
Maintenance and materials	7,323,966	7,529,985
General administrative expenses	45,508,479	41,402,051
Impairment of inventories and debtors	18,731,992	25,783,883
Provisions	2,895,756	11,362,599
Administrative taxes	54,872,216	43,544,722
Depreciation and amortization	31,473,876	31,112,042
	$ 297,891,736	287,487,744

NOTE 27. OTHERS, NET

The following is a breakdown of other revenues and expenses, net for the years ended:

	December 31, 2017	December 31, 2016
Other revenues		
Leases	$ 1,697,607	987,382
Fees	883,171	2,401,249
Earnings on sale of assets	12,560,614	311,456
Compensations	2,883,528	31,828,176
Exploitations	15,022,499	14,443,352
Other revenues with related parties	2,460,079	1,713,793
	35,507,498	51,685,408
Other expenses		
Donations	12,470,912	11,737,437
Loss in sale of assets	4,973	2,708
Loss in asset derecognition	2,069,260	16,825,700
Other expenses	3,821,842	4,563,166
	18,366,987	33,129,011
Others, net	$ 17,140,511	18,556,397

NOTE 28. FINANCE INCOME

Below is the detail of financial revenues:

		December 31, 2017	December 31, 2016
Interest from debt securities	$	20,274,282	16,310,448
Interest from financial assets		-	349,359
Interest revenues from financial assets concession		209,936,431	180,952,483
Foreign exchange gain		55,943,199	61,781,898
Other financial revenues		7,792,515	10,831,715
	$	293,946,427	270,225,903

NOTE 29. FINANCE COST

Below is the detail of financial expenses:

		December 31, 2017	December 31, 2016
Interests from issued bonds and securities	$	159,750,405	183,670,278
Interests financial obligations		191,450,937	117,460,044
Foreign Exchange losses		49,753,891	46,051,164
Other financial expenses		18,614,876	11,084,328
	$	419,570,109	358,265,814

NOTE 30. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

According to the "IAS 24 - Related Party Disclosures", a related party is a person or entity that is related to the entity that is preparing its financial statements and has control or joint control over the reporting entity; has significant influence over the reporting entity; or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. The definition of a related party includes: a) person or a close member of that person's family related to the reporting entity, entities that are members of the same group (parent and Subsidiaries), associates or joint ventures of the entity, post-employment benefit plans for the benefit of employees of either the reporting entity or an entity related to the reporting entity.

Related parties are:

- An economic affiliate is a person or entity that is related to any group entity through transactions such as transfers of resources, services and obligations, regardless of whether or not it is charged. For the Company, transactions between economic affiliates are any economic operations held with shareholders and entities of the parent company.
- Shareholders who individually own more than 10% of the Company's share capital.
- Key management personnel: persons with authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly, including any director or manager (whether executives or otherwise) of the entity, including the CEO, Senior Executives and Board Members.
- Subsidiaries: Companies where control is exercised according to the definition of control in the code of commerce and "*IFRS 10 - Consolidated Financial Statements*".
- Associates: companies where significant influence is exercised, which is generally considered as a participating interest of between 20% and 50% of its share capital.

Operations with related parties:

Below is the summary of transactions and balances with related parties of December 31, 2017 and 2016.

		Shareholders	Board Members	Key management personnel	Associates	Others related (1)	Total
December 31, 2017							
Assets							
Cash	$	241,924	-	-	-	37,476,330	37,718,254
Investments		-	-	-	640,407,180	479,746	640,886,926
Debtors		-	-	926,982	8,025,641	84,588	9,037,211
	$	241,924	-	926,982	648,432,821	38,040,664	687,642,392
Liabilities							
Financial Obligations	$	-	-	-	-	45,863,030	45,863,030
Accounts payable		58,760,536	-	-	41,205	276,935	59,078,676
Issued bonds and securities		20,710	-	-	-	-	20,710
	$	58,781,246	-	-	41,205	46,139,965	104,962,416
Revenues							
Sale of Goods	$	-	-	-	325,811	-	325,811
Sale of Services		1,428	-	-	67,740,001	1,848,262	69,589,691
Financial		9,332	-	49,759	-	1,397,292	1,456,383
Equity method		-	-	-	141,970,267	-	141,970,267
Other revenues		-	-	-	2,460,079	37,158	2,497,237
	$	10,760	-	49,759	212,496,158	3,282,712	215,839,389
Expenses							
Costs	$	-	-	-	15,570	482,943	498,513
Salaries and wages		-	-	14,106,218	-	-	14,106,218
General		-	381,093	364,911	88,070	1,473,265	2,307,339
Interest		155,663	-	-	-	16,909,281	17,064,944
	$	155,663	381,093	14,471,129	103,640	18,865,489	33,977,014
December 31, 2016							
Assets							
Cash	$	148,755	-	-	-	26,219,413	26,368,168
Investments		22,810	-	-	580,488,718	482,245	580,993,773
Debtors		42,900	-	3,032,551	9,644,758	36,912	12,757,121
	$	214,465	-	3,032,551	590,133,476	26,738,570	620,119,062
Liabilities							
Financial Obligations	$	-	-	-	-	188,945,663	188,945,663
Accounts payable		135,733,636	-	255,581	2,599,694	224,529	138,813,440
Issued bonds and securities		15,051,059	-	-	-	-	15,051,059
Other liabilities		-	-	128,338	-	-	128,338
	$	150,784,695	-	383,919	2,599,694	189,170,192	342,938,500

Revenues							
Sale of Goods	$	-	-	-	156,968	-	156,968
Sale of Services		2,006,098	-	-	86,773,820	1,669,629	90,449,547
Financial		9,081	-	2,225	-	1,037,255	1,048,561
Revenues by Equity Method		-	-	-	125,895,565	-	125,895,565
Other revenues		-	-	31,984	97,156	-	129,140
	$	2,015,179	-	34,209	212,923,509	2,706,884	217,679,781
Expenses							
Costs	$	2,200,780	-	-	5,100,116	364,417	7,665,313
Salaries and wages		-	-	23,425,928	-	-	23,425,928
General		-	320,960	2,232,386	91,898	1,023,599	3,668,843
Interest		1,684,475	-	-	-	19,294,500	20,978,975
Commissions		-	311,669	-	-	-	311,669
	$	3,885,255	632,629	25,658,314	5,192,014	20,682,516	56,050,728

(1) Company considers that above-mentioned transactions have been carried out on an arm's length basis.

Below is the compensation for key management personnel on the years ended:

		December 31, 2017	December 31, 2016
Salaries	$	24,534,569	23,425,928
Employee Benefits		6,781,907	1,861,700
Total	$	31,316,476	25,287,628

During the years ended December 31, 2017 and 2016, there were no significant operations of the following characteristics:

- Free or compensated services debited to a related company.
- Loans implying an obligation to the borrower that does not correspond to the essence or nature of the loan agreement.

NOTE 31. COMMITMENTS AND CONTINGENCIES

***Commitments* Promigas S.A. E.S.P. -** For the development of its corporate purpose, the Company and its Subsidiaries have entered into the following agreements, among others:

a. By Public Deed No. 1629 of September 16, 1976, the Company obtained from the National government the concession to build, operate, maintain, exploit and manage a public utility pipeline for the transportation of hydrocarbons from Ballenas, Department of La Guajira, to the cities of Barranquilla and Cartagena, for a 50-year term, extendable to 20 more years. Under the terms of the concession, The National Government has a preemption right over the transportation of these products through the gas pipeline, paying a current rate. The Company shall be obligated to sell the pipeline to the Nation, if required by the Government, upon completion of the first 30 years of the Agreement (2006), at the expiry thereof (2026) or upon termination of the extension period, at the price agreed by the parties, or based on the appraisal of an independent expert. The Company may not assign or relinquish the agreement, neither totally nor partially, without prior approval by the National Government.

   In notice served to the Company on May 11, 2005, the ministry of Mines confirmed that they would not take up the purchase option that was available for 2006 over the gas pipelines under concession.

   The detail of the concession agreements for the pipeline sectors entered into with the National Government is included in note 13.

b. Agreements with gas distribution Companies, power generation companies and industrial users with consumption over 100,000 cubic feet per day, corresponding to natural gas transportation through the pipeline systems available to the Company. These agreements comply with the regulatory framework and their terms of duration range between five and ten years, and the guarantees necessary and sufficient for the performance and stability thereof have been constituted.

   The Company's management considers that there are no risks of significant losses in the future arising from the performance of these agreements and commitments.

***Commitments of Gases del Pacifico S.A.C.* -** Maintains a letter of guarantee of US $20.000.000 in favor of the Peruvian State for a term of one year, pursuant to the Natural Gas Concession Agreement in the Northern Zone of Peru.

***Commitments of Sociedad Portuaria Cayao S.A. E.S.P.* -** For the development of its corporate purpose, the Company has entered into the following agreements, among others:

a) Port Concession Agreement No. 001 of 2015
   The Ministry of Transport, through resolution No. 594 of March 5, 2015, indicates the terms in which the port concession would be established, to occupy temporarily and exclusively a public use area for 20 years, to develop am unloading platform, underwater gas pipelines and connections to the land pipeline connected to the National Transport System, for the import, export and cabotage of liquefied natural gas, in the department of Bolivar, district of Cartagena de Indias, in the form of public utility service.

On July 17, 2015, port concession agreement No. 001 of 2015 was entered into by and between the National Infrastructure Agency and the Company.

This agreement will not be automatically extended. It may be extended only by carrying out the procedure provided for such purpose in current regulations, not less than 12 calendar months before the date of expiry of the concession period.

The reference value of the port concession agreement is equal to the net present value of the consideration, which corresponds to USD $3.931.493 payable during 20 years with annual installments. Payment must be made in Colombian pesos.

b) Agreements with Thermoelectric Companies

On October 29, 2014, the Company signed agreements with Zona Franca Celsia S.A. E.S.P., Termobarranquilla S.A. E.S.P. and Termocandelaria S.C.A. E.S.P. (the Customers) in order to provide services for access to and use of port infrastructure for the reception, storage, regasification of liquefied natural gas (LNG) and gas conduction and delivery at the Inlet Point into the National Transportation System (TUA Agreements). To fulfill said purpose, the Company must design, construct, operate and maintain the Terminal in accordance with the terms established in said contracts.

The annual fixed revenues of USD $82,500,000, which will be paid in 12 equal installments, allocated according to the percentage share of each customer. This revenue corresponds to all investment costs, fixed costs of administration, operation and maintenance, and other costs relative to the Terminal and the provision of services. This revenue also includes the acquisition and maintenance of LNG Heel in the Terminal.

In addition, there is a variable revenue that corresponds to all variable costs of administration, operation (including fuel and electricity), maintenance and other costs relative to the Terminal and the provision of services, such as LNG cargo services on gas tankers from the Terminal, which will be charged on a monthly basis according to the terms set out.

The commercial operation start date was December 2016. The TUA Agreements are valid for ten (10) years until November 30, 2026. At the Customers' discretion, the TUA Agreement can be extended once, giving 4-year notice before the date of its expiry, for the term agreed by the parties, otherwise the extension will be of 5 years. In the event that the Company, for any reason, cannot provide the gas delivery service or causes the Customer to declare itself before the Wholesale Power Market Administrator as unavailable to generate electric power, the Company must pay the Customer for each KPC nominated and not delivered at the inlet point into the NTS the equivalent of USD $2 per KPC for the number of hours unavailable over 24 hours. The Company will be exempt from paying this fine as long as the event is an exemption event. Said fine shall not exceed USD $12,000,000 per contract year. Further, in the event that the Company fails to comply with its unloading obligation or the actual unloading time exceeds the time provided, the Company must compensate the Customer for any damages incurred arising from the event up to a point in time USD $8,000,000 per event. The Company will be exempt from the payment of this fine as long as the event is due to an exemption event or force majeure.

c) Other Agreements
On November 1, 2014, the Company signed with HOEGH LNG FSRU IV LTD an International Lease Agreement - ILA on a Floating Storage and Regasification Unit - FSRU "Höegh Grace," which has an annual value during the term of the agreement of USD $40,809,000 and allows a purchase option in year 10 of USD $425,798,487. On that same date, the Company signed with HÖEGH LNG HOLDINGS LTD. an Agreement for the Provision of Operation and Maintenance Services with respect to the FSRU. Both agreements have a 10-year term from the date of acceptance of the FSRU (03/12/2016). The cumulative limit of liability, borne by the Company, arising from the agreement, extracontractual civil liability (including negligence) or arising out of the law, for both agreements is USD $100,000,000. Additionally, both agreements contain a provision that in the event of non-compliance, the party in compliance can terminate the respective agreement.

***Commitments of Gases de Occidente S.A. E.S.P.* -** For the development of its corporate purpose, the Company has signed a Trust Agreement, among others: The company established an irrevocable Commercial Trust Agreement for Trust Resources Management with Corficolombiana S.A. GNCV Bond Program from 2010, and the agreement with the trust was renewed as provided in the Bond Conversion Agreement CNG-IV (signed on March 21, 2015) for cooperation to encourage the trade, distribution and consumption of compressed vehicular natural gas in the country's western market, where Gases de Occidente SA E.S.P. serves as Administrative Operator.

Commitments of Surtidora de Gas del Caribe S.A. E.S.P. - For the development of its corporate purpose, the Company has entered into the following agreements, among others:

a. Natural gas supply agreements with Empresa Colombiana de Petróleos (Ecopetrol), Chevron Petroleum Company, Pacific Energy, CNE Oil & Gas, and Lewis, and gas transportation agreements with Promigas S.A. E.S.P. These agreements are in accordance with the regulatory framework, and their terms of duration range from one to five years, and the necessary and sufficient guarantees for the performance and stability of the agreements have been executed.

b. Agreements with industrial users and power generating companies with consumptions greater than 100,000 cubic feet per day, under wellhead gas trading and natural gas transport capacity of customer. These agreements are in accordance with the regulatory framework and their terms of duration conform to the trading period determined by current regulations, and the necessary and sufficient guarantees for the performance and stability of the agreements have been executed.

The Company's management considers that there are no significant risks of losses expected in the future as a result of the performance of these agreements and commitments.

Contingencies

- **Litigations and Lawsuits**
As of December 31, 2017 and 2016, the following litigation and individual lawsuits are filed against the Company, the amount of which is determined by the claims; they are not recognized in provisions considering that the qualification of the lawyers who handle each process is qualified as remote or eventual:

	December 31, 2017		December 31, 2016	
	Number of Claims	Value	Number of Claims	Value
Litigations and other legal proceedings				
Easement claims				
Between $1 and $1,000	41	$ 6,372,258	26	$ 4,551,293
From $1,001 onward	5	7,271,086	3	4,238,039
Easement	46	13,643,344	29	8,789,332
Ordinary processes				
Between $1 and $1,000	28	7,114,702	21	3,701,944
Between $1,001 and $3,000	4	5,780,485	4	6,332,995
From $3,001 onward	2	54,725,859	1	42,652,659
Ordinary	34	67,621,046	26	52,687,598
Labor	28	2,154,609	16	1,986,328
Other litigations and lawsuits	4	613,695	1	45,000
	32	2,768,304	17	2,031,328
Total	112	$ 84,032,694	72	$ 63,508,258
Contingency rights				
Contingency rights	96	$ 61,086,136	96	$ 61,308,076
Litigations and lawsuits	9	53,039,369	9	52,251,586
Total	105	$ 114,125,505	105	$ 113,559,662

In the course of their operations, Promigas and its Subsidiaries are subject to several legal regulations pertaining to public utilities and environmental protection companies. The Management of these Companies considers, based on legal opinions, that there have been no situations that may indicate possible breaches to those standards and leading to significant impacts on the financial statements.

NOTE 32. SEGMENT INFORMATION

Information by segment is structured according to the different lines of business of Promigas and its Subsidiaries. The lines of business described below were established according to the organizational structure of the Company, considering the nature of services and products offered. The structure of this information is designed as if each line of business were an autonomous business and had its own separate resources, allocated based on the assets assigned to each line according to an internal system of percentage distribution of costs.

The Company's operating segments are structured as follows:

TRANSPORTATION BUSINESSES		DISTRIBUTION BUSINESSES		
Transportation of Natural Gas	**Integrated solutions for the industry and power generation**	**Distribution of Natural Gas**	**Distribution of Electricity**	**Non-bank financing**
Promigas	Promisol	Surtidora de gases del caribe	Compañía Energética de Occidente	Compañía Energética de Occidente
Promioriente	Zonagen	Gases de Occidente		Gases de Occidente
Transmetano	Sociedad Portuaria El Cayao	Gases del Caribe		Surtidora de gases del caribe
Transoccidente	Energía Eficiente	Efigas		Gascaribe
		Gases de la Guajira		Gases de la Guajira
		Gas Natural de Lima y Callao		Efigas
		Gases del Pacífico		
		Orion Contac Center		
		Enlace Servicios Compartidos		

Below are the assets, liabilities and income statement by segment:

		Gas transportation	Gas distribution	Distribution and trade of energy	Integrated solutions for the industry	Non-bank financing	Total
December 31, 2017							
Assets	$	5,879,181,291	2,654,256,868	506,917,607	277,762,847	316,540,103	9,634,658,716
Liabilities	$	4,495,195,213	1,490,010,099	388,686,651	76,766,418	5,122,849	6,455,781,230
Revenues	$	1,163,849,550	1,711,350,864	387,961,749	85,561,968	90,317,168	3,439,041,299
Costs		(467,559,509)	(1,425,238,085)	(275,734,735)	(47,088,478)	(29,084,814)	(2,244,705,621)
Gross earnings		696,290,041	286,112,779	112,227,014	38,473,490	61,232,354	1,194,335,678
Operating expenses		(109,011,736)	(123,448,941)	(52,417,062)	(9,853,816)	(3,160,181)	(297,891,736)
Dividends received		522,647	681,986	-	-	-	1,204,633
Others, net		22,909,880	31,643,824	(9,336,731)	(2,937,144)	(25,139,318)	17,140,511
Results from ordinary activities		610,710,832	194,989,648	50,473,221	25,682,530	32,932,855	914,789,086
Finance income		229,246,514	42,019,470	4,140,093	15,867,572	2,672,778	293,946,427
Finance cost		(304,200,610)	(76,733,757)	(24,047,357)	(14,587,995)	(390)	(419,570,109)
Earnings before income tax		535,756,736	160,275,361	30,565,957	26,962,107	35,605,243	789,165,404
Equity method		(2,275,587)	144,245,854	-	-	-	141,970,267
Income tax		(152,590,508)	(60,940,415)	(20,009,308)	(9,439,275)	-	(242,979,506)
Net income	$	380,890,641	243,580,800	10,556,649	17,522,832	35,605,243	688,156,165
December 31, 2016							
Assets	$	5,781,714,197	2,381,163,279	510,544,794	299,492,977	292,232,322	9,265,147,569
Liabilities	$	4,374,688,550	1,360,721,251	397,004,171	171,681,978	6,205,864	6,310,301,814
Revenue	$	1,304,480,008	1,850,128,070	404,470,773	133,173,252	78,112,337	3,770,364,440
Costs		(731,467,760)	(1,507,994,882)	(290,554,940)	(101,384,108)	(33,086,643)	(2,664,488,333)
Gross earnings		573,012,248	342,133,188	113,915,833	31,789,144	45,025,694	1,105,876,107
Operating expenses		(111,333,896)	(112,142,996)	(54,317,070)	(6,573,290)	(3,120,492)	(287,487,744)
Dividends received		-	733,708	-	-	-	733,708
Others, net		23,954,595	22,058,262	(4,800,641)	(5,602,913)	(17,052,906)	18,556,397
Results from ordinary activities		485,632,947	252,782,162	54,798,122	19,612,941	24,852,296	837,678,468
Financial revenue		239,665,031	14,635,463	6,934,020	8,991,389	-	270,225,903
Financial expenses		(217,774,624)	(96,860,384)	(35,841,975)	(7,788,831)	-	(358,265,814)
Earnings before income tax		507,523,354	170,557,241	25,890,167	20,815,499	24,852,296	749,638,557
Equity method		(1,050,280)	126,945,844	-	-	-	125,895,564
Income tax		(139,158,443)	(52,424,098)	(16,953,858)	(6,728,809)	(12,180,137)	(227,445,345)
Net income	$	367,314,631	245,078,987	8,936,309	14,086,690	12,672,159	648,088,776

NOTE 33. NEW STANDARDS AND INTERPRETATIONS

33.1 Standards and interpretations with subsequent application issued by the Ministry of Finance and Public Credit and the Ministry of Trade, Industry and Tourism.

In accordance with Decrees 2496 of December 2015 and 2131 of December 2016, the following standards are applicable as of 2018.

Standard	Issue	Detail
IAS 7 Statement of Cash Flows	Disclosure initiative	Require entities to provide disclosures that enable users of financial statements to assess changes in liabilities arising from financing activities.
IAS 12 Income Taxes	Recognition of Deferred Tax Assets for Unrealized Losses	Clarify the requirements for recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value.

33.2 New Accounting Statements Issued by the International Accounting Standards Board (IASB):

During 2017, the International Accounting Standards Board (IASB) issued the following new statements on amendments related to standards already issued or new issues of standards that may have an impact on the Company and its Subsidiaries, which are:

IFRS 17 - Insurance Contracts

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of insurance contracts and replaces IFRS 4 - Insurance Contracts. The standard is effective for annual periods beginning on or after January 1, 2021, with early application allowed. It is applied retrospectively unless it is impracticable, in which case the modified retrospective approach or the fair value approach is applied.

IFRIC 23 - Uncertainty over Income Tax Treatments

The Interpretation sets out how to determine the accounting tax position when there is uncertainty about the treatment of income taxes. The effective date is annual periods beginning on or after January 1, 2019.

Annual Improvements IFRS 12 - Disclosure of Interests in Other Entities

Establishes whether the disclosure requirements of IFRS 12 apply to interests in other entities when they are classified as non-current assets held for sale or discontinued operations in accordance with IFRS 5 Non-Current Assets Held for Sale or Discontinued Operations. The Board published the amendment in December 2016.

Annual Improvements IAS 28 - Investments in Associates and Joint Ventures

The amendment clarifies that an investment fund or trust may choose to apply the exemption from recognition of the equity method and record its investments in associates or joint ventures at fair value under IFRS 9; however, such choice must be made separately for each associate or joint venture in the initial recognition of such investment. The Board published the amendment in December 2016.

Amendment to IAS 40 - Investment Property

Clarifies the application of paragraph 57 of IAS 40 - Investment Property, providing guidance on transfers to, or from, investment property. The Board published the amendment in December 2016.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

Provides requirements on what exchange rate to use when reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance. The Board published the amendment in December 2016.

33.3 New standards, modifications and interpretations incorporated into the accounting framework accepted in Colombia whose application must be evaluated beyond January 1, 2018, or in some cases could be applied in advance

Decrees 2496 of December 2015, 2131 of December 2016 and 2170 of December 2017 introduced to the financial reporting regulatory framework new regulations, modifications or amendments issued or made by the International Accounting Standards Board (IASB) to the International Financial Reporting Standards between 2014 and 2016, to evaluate their application in financial periods beginning on or after January 1, 2018, although their application made in advance.

The assessment of the impact of these new standards and interpretations made by the Company is as follows:

IFRS 9 - Financial Instruments

In July 2014, the International Accounting Standards Board (IASB) issued the final version of International Financial Reporting Standard No. 9 (IFRS 9) “Financial Instruments” for mandatory application in annual periods beginning on or after January 1, 2018. This standard replaces International Accounting Standard No. 39 (IAS 39) and in Colombia replaces the previous version of IFRS 9 “Financial Instruments” that had been issued in 2010 and that was included in Decree 2420/2015.

The new IFRS 9 addresses issues related mainly to the classification and measurement of financial assets, establishes a new impairment model for financial assets and introduces new rules for hedge accounting.

I. Classification and measurement - Financial assets

The new IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which these assets are managed and their cash flow characteristics.

The new IFRS 9 includes three main classification categories for financial assets: measured at amortized cost (AC), at fair value through other comprehensive income, and at fair value through profit or loss (FVPL).

The new standard complements the two existing categories of AC and FVPL in the previous IFRS 9 that are currently in force in Colombia for the consolidated financial statements by adding the category of Debt Instruments at Fair Value through Equity in the other comprehensive income account. (FVOCI).

A financial asset is measured at amortized cost and not at fair value through profit or loss if it complies with both of the following conditions:

1. The asset is maintained within a business model whose objective is to maintain assets to obtain contractual cash flows; and
2. The contractual terms of the financial asset set specific dates for the cash flows derived only from payments of principal and interest on the current balance.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and has not been designated as FVPL:

1. The asset is maintained within a business model whose objective is achieved by collecting contractual cash flows and selling these financial assets; and
2. The contractual terms of the financial asset establish specific dates for cash flows derived only from payments of principal and interest on the outstanding balance.

During the initial recognition of investments in equity instruments not held for trading, you can irrevocably choose to record the subsequent changes in fair value as part of other comprehensive income in equity. This choice must be made on an instrument-by-instrument basis.

All financial assets not classified as measured at amortized cost or at fair value through OCI as described above are measured at fair value through profit or loss.

Preliminary impact assessment of the classification of financial assets

Based on the preliminary high-level assessment of possible changes in classification and measurement of financial assets held as of December 31, 2017, no significant changes in the classification and measurement of the company's financial assets will be presented.

II. Impairment of financial assets

The new IFRS 9 replaces the "incurred loss" model of IAS 39 with an expected credit loss model (ECL). This new model will require that considerable judgment be applied regarding how changes in economic factors affect the ECL, which will be determined on a weighted average basis.

The new impairment model will be applicable to the following financial assets that are not measured at FVPL:

- Investments in debt securities;
- Commercial accounts receivable;
- Other accounts receivable.

No impairment loss will be recognized on investments in equity instruments.

The new IFRS 9 requires recognition of a provision for impairment of financial assets at fair value through profit or loss and at fair value through OCI in an amount equal to an expected impairment loss in a period of twelve months after the cut-off date of the financial statements or during the remaining life of the financial asset. The expected loss in the remaining life of the financial asset is the expected loss that results from all possible impairment events over the expected life of the financial instrument, while the expected loss in the twelve-month period is the portion of expected losses that will result from impairment events that result from the impairment events that are possible within twelve months after the reporting date of the financial statements.

IFRS 9 presumes that an asset is impaired when it is more than 30 days past due unless the company can demonstrate and rebut this presumption.

The new model for determining the provision of financial assets is quite complex for entities fundamentally in the financial sector; however, for non-financial entities, IFRS 9 allows measuring the correction of the value for losses at an amount equal to the expected credit losses during the life of the asset for commercial accounts receivable that do not have a significant financial component. Under this scheme, the Companies have developed a provision determination model based on the Company and its Subsidiaries' historical loss experiences taking into account the days of default, and a simplified model for projection of macroeconomic factors that affect the Company and its Subsidiaries' industry. Based on these analyzes, the following provision percentages have been preliminarily estimated for commercial accounts receivable in accordance with the days of default as of January 1, 2018:

III. Hedge accounting

In the initial application of IFRS 9, the Company and its Subsidiaries may choose as an accounting policy to continue applying the hedge accounting requirements of IAS 39 instead of those included in IFRS 9. The Company and its Subsidiaries have chosen to continue applying the hedge accounting of IAS 39.

IFRS 15 - Revenue from contracts with customers.

In July 2014, the IASB issued IFRS 15 “Revenue from contracts with customers", which replaces several previous standards, but especially IAS 11 “Construction Contracts” and IAS 18 “Revenue.” This new standard with mandatory application as of January 1, 2018, requires that revenue from ordinary activities of customers other than those originated in financial instruments and financial lease agreements be recognized with specific standards for their registration. Under IFRS 15, revenues are recognized so as to reflect the transfer of control of goods or services promised to the customers in exchange for an amount that expresses the consideration expected. Under this new premise, the Company recognizes revenue from ordinary activities, other than financial revenues such as: fees for banking services, sale of goods or services under different headings, and revenue from construction contracts, through the application of the following stages:

1. Identifying the contract with the customer.
2. Identifying performance obligations in the contract.
3. Determining the price of the transaction.
4. Assigning the transaction price within performance obligations.
5. Recognizing revenue to the extent that each customer is satisfied with each performance obligation.

In accordance with the foregoing criteria, the main changes that apply to the Company and its Subsidiaries in determining other revenue other than financial revenue and revenue from lease agreements correspond to the reassessment made of the allocation of the transaction price based on fair values of the different services or costs plus profit margin instead of using the residual value method, especially in the allocation of revenue from contracts for the construction and operation of goods of the Colombian state in concession contracts.

The preliminary high-level assessment carried out by the Company and its Subsidiaries indicates that the implementation of IFRS 15 will not have a material impact on the timing and amount of recognition of the other revenue corresponding to the aforementioned operations.

The Company and its Subsidiaries intend to adopt the standard using the modified retrospective approach, which means the adoption cumulative impact will be recognized in the retained earnings as of January 1, 2018, and that the comparative figures will not be restated.

Preliminary impact assessment on revenue from ordinary activities.

Based on the preliminary high-level assessment of possible changes in the implementation of IFRS 15 as of January 1, 2018, there will be no significant changes.

IFRS 16 – Leases

IFRS 16 were issued by the IASB in 2016 with the date of effective application by the entities as of January 1, 2019, with early application allowed; however, in Colombia it has not yet been included in the regulatory decrees of accounting standards.

IFRS 16 replaces the existing guidelines for accounting for leases, including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC 15 Operating leases - Incentives, and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

IAS 16 introduces a single accounting record model of lease agreements in the statement of financial position for lessees. A lessee recognizes an asset by right of use representing the right to use the leased asset and a lease liability representing its obligation to make the lease payments. There are optional exemptions for short-term leases or leases of very low-value assets. The accounting treatment of lease agreements for lessors remains similar to current accounting standards in which the lessor classifies leases as financial or operating leases.

The possible impacts of this standard are currently being analyzed.

NOTE 34. EVENTS OCCURRING AFTER THE REPORTED PERIOD

Capitalization of Gases del Pacífico

On January 23, 2018, the Mandatory Annual Shareholders' Meeting of Gases del Pacífico S.A.C. and a capital contribution of US $6,300,000 (Promigas S.A. E.S.P. for US $4,725,000 and Surtidora de gases del Caribe S.A. E.S.P. for US $1,575,000) it was agreed. These contributions were paid in full in the month of January 2018, giving rise to the issue of 20,279,700 shares, 15,209,775 shares of Promigas S.A. E.S.P. and 5,069,925 shares of Surtidora de gases del Caribe S.A. E.S.P.

Issue of Promioriente bonds

On January 23, 2018, the Company Promioriente S.A. E.S.P. made its first bond issue in the Colombian capital market. The issue generated a demand 1.8 times the amount issued, supported by the results of the AA +rating granted by Fitch. The issue amount was $205,000,000 and 100% of the resources were used to refinance existing liabilities. The issue was placed in two series, the first for five years for an amount of $100,000,000 with fixed interest rate at 7.1% payable quarterly, and the second was placed for 7 years for a value of $105,000,000 with interest rate CPI + 3.54% payable quarterly. Fiduciaria Central was hired as legal representative of the bondholders.

NOTE 35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements and notes thereto were approved for issue according to Board Meeting Minutes No. 493 of September 24, 2019.

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3.750% Senior Notes Due 2029

OFFERING MEMORANDUM

October 8, 2019

Joint Bookrunners and Lead Managers

Citigroup **J.P. Morgan**

Colombian Financial Advisor

Corficolombiana