

Operator: Welcome to the TGI and Calidda results conference call Q4 2018. My name is Richard and I will be your operator during today's call.

Right now, participants are in listen only mode.

This teleconference will have two parts: the first one for the TGI presentation and questions and answers; and the second one for the Calidda presentation and questions and answers

During the question and answer session, if you have any questions, please press start (*), and then by 1 on your touch-tone phone.

Questions may be also asked both in English and in Spanish.

Please note that this conference call is being recording.

Now, I will put you through to Julio Hernando Alarcon, acting VP of Finance. Mr. Alarcon, you may begin

Julio Hernando Alarcon: Good morning. Welcome to this teleconference to announce the results of Transportadora de Gas Internacional, TGI, as of Q4 2018.

First of all, let's report on the general figures as of the end of 2018.

The company closed the year with income in the amount of 441 million American Dollars, for a 6.9% increase compared to 2017. EBITDA corresponds to 329 million American Dollars, for a 1.6 increase. On the other hand, EBITDA margin closed at 74.5, compared to 78.4 in 2017. In the operating profit, we closed with 249 million American Dollars, a nearly 4% increase compared to 2017. Finally, the company's net profit was 136 million American Dollars.

As regards the relevant facts we have for financial performance, on October 17, TGI completed its note pricing, with maturity in 2028, closing at a rate of 5.55%, compared to 5.7% for the 2022 notes, and a 3.5x demand in respect of the offering. On October 24, a dividend balance was paid to GEB in the amount of 150,000 million Colombian Pesos. On November 1, the 2022 notes were replaced with the 2028 notes. In December, there was a capitalization in Contugas for 1.8 million American Dollars.

As for the commercial performance, there was a bidding contract awarding relating to Transmilenio, under which 481 out of 1,383 articulated buses and bi-articulated buses will be gas-fueled, with an estimated volume of 2.9 million cubic feet per day. Satisfactory results seen in the course of the 2018 TGI forum, with nearly 270 attending guests, and with the participation of different agents from the chain, associations, governments, and the productive sector of the country.

As to operating performance, in December, the Floresta points were delivered in Boyaca, as well as the Paratebueno points in Cundinamarca. Also, the realignment of the Gualanday-

Dina gas pipeline was put into service by late December, and the Morichal-Yopal gas pipeline capacity increased, from 5 million cubic feet per day to 11.8 million cubic feet per day.

In operating performance, our quarterly income closed at 111 million American Dollars, compared to 104 seen in Q4 2017. As I was telling you, closing at 441 in 2018, for an increase of 6.9.

TGI shows significant stability in income, which is highly regulated. The company has an excellent quality in its agreements, 97% of its agreements are final, and have an average remaining life of seven years, final agreements with 90% fixed charges, and in Q4 2018, the main clients accounted for about 88% of income, while the most representative sectors accounted for 98% in that item.

In income per industry, we find that distributors account for the highest percentage with 64.5%, followed by the refinery and the thermal sector with 10,3%, and the refinery with 13.1%.

In income per client, the most representative one, Gas Natural with 31.3%, followed Gases de Occidente with 13.8%; Ecopetrol, 14.7%; EPM, Isagen and Alcanos with less than 10%; with EPM standing at 9.1%.

In operating cost and expense, we closed at 55 million in cost compared to 53 million in Q4 2017, and closing 2018 with cost at 198, for a 13.7% increase. The operating profit for the quarter ended with 56 million American Dollars compared to 52.1 million American Dollars in Q4 2017, with closing operating profit for 2018 in the amount of 249 million American Dollars, for a nearly 4% increase.

As for EBITDA and the EBITDA margin, we closed the quarter with EBITDA in the amount of 77 million and the EBITDA margin standing at 69.6% compared to 69.4% in Q4 2017, closing 2018 with EBITDA in the amount of 329, for an increase of 1.6%, and a 74.5% margin for 2018.

In net profit, this quarter closed with 63 million American Dollars, compared to 43 million in Q4 2017, and 2018 closed with profit of nearly 136 million American Dollars.

In assets, the company had nearly 2.5 trillion American Dollars, and cash equivalents in the amount of 46.8 million American Dollars, taking into consideration that the company prepaid the Ielah loan in 2018 for roughly 44 million American Dollars. The property, plant and equipment shows 2.1 billion American Dollars, and our assets and liabilities ended the year, liabilities in the amount of billion American Dollars, and equity in the amount of 840 million American Dollars.

In financial performance, we see that the debt profile, 1.2 billion, with 64% accounting for the notes refinanced in November last year, 64%, the intercompany loan we have with GEB, roughly 32%; the rest of the Ielah loan for 3.4%, which will be paid off in August this year; and minor leasing and renting loans accounting for 1%.

In the total gross debt indicator, EBITDA, we have a fair indebtedness indicator of 4%, and the company is at 3.5x. Total net debt, EBITDA, is 3.4x, and the EBITDA indicator for financial expense at 3.8, compared with 3.8 in 2017, very similar to that seen the previous year.

In operating performance, we have a total length in the gas pipeline network in TGI of roughly 3,994 kilometers, where 3,844 are owned and directly operated by TGI, while the other 150 are controlled and supervised and operated by a contractor.

In transported volume, during Q4 we transported 460, very similar to Q3 2018 and higher than 438 transported in Q4 2017.

In the total transported volume in the gas pipeline network at national level, TGI continues to be the main player, with 460 million cubic feet per day, followed by Promigas with 358.

The total capacity, the company has 792 as of Q4 2018 compared to 754 in Q4 2017. We have a stable capacity of 90%, roughly 713, taking into consideration that TGI also requires a percentage of that capacity for its own use in its operations.

In the use related factor, we stand at about 52%, very similar to Q4 2017, which was 52.1%.

As for investment projects, the new opportunities under review, we have the IPAT projects, which are subject to execution by TGI in accordance with the applicable regulations; and in those IPAT projects we have the Loop Mariquita-Gualanday, Bidireccionalidad Barrancabermeja-Ballena, Bidireccionalidad Yumbo-Mariquita, and the Compresor Ramal Jamundi-Aguas Project. Also, TGI is waiting for the release of the final specifications of the regasification plant project, as well as the Buenaventura-Yumbo gas pipeline.

The company estimates that such specifications will be finally delivered before the end of Q1 2019, and the new startup is expected by September 2023.

In our current investment projects, we have Cusiana Phase IV. This is a project with an initial investment of roughly 71 million American Dollars, and its current status corresponds to the executed capex as of the end of the year in the amount of roughly 28 million American Dollars, executed capex in Q4 in the amount of 8.4 million American Dollars, a 52% execution, and the implementation is expected to be completed by January 2020.

In branch line replacement, there is a total investment of 11.6 million American Dollars, with executed capex to date of 2 million. In Q4, 0.7 million was executed, for an execution of nearly 24%; and this implementation is expected to be implemented in Q3 2019.

This information is the presentation of the results; we'll now go into the questions. Thank you very much.

Operator: Thank you. We will now begin with the questions and answers for TGI.

If you have any questions, please press start (*), and then by 1 on your touch-tone phone. If you wish to be removed from the waiting list, please press hash (#). If you are on speaker, you may need to pick up the handset and press the buttons.

Again, if you have any questions, please press start (*), and then by 1 on your touch-tone phone. Questions may be also asked both in English and in Spanish.

And we have Juliana Garcia from Ultraserfinco on the line with a question.

Juliana Garcia: Good morning. First of all, thank you for this conference. My first question is about the EBITDA margin for Q4. I would like to know why it's below the average of the past three quarters, I don't know whether this is something seasonal or something coming in Q4 or that specifically happened in this case.

Julio Hernando Alarcon: Thank you for your question.

Indeed, it is because of the expense seasonality, with the highest expense by the end of 2018, as also seen in Q4 2017. However, overall, well, we closed with EBITDA at 74.5, but indeed there is seasonality in the company's cost and expense in Q4.

Juliana Garcia: And why that cost execution, that seasonality, with respect to what?

Julio Hernando Alarcon: It is because of higher billing for both maintenance and infrastructure creation costs.

Juliana Garcia: OK, right, thank you.

Operator: Thank you. The next question comes from Diego Buitrago from Bancolombia.

Diego Buitrago: Good morning. Thank you for this presentation. I have three questions; the first one is about the Cusiana - Phase IV project. I would like to learn a bit about the reasons for the launch of this project, you know, to continue to be postponed. A few quarters ago, we talked about late 2019, and now we are talking about Q1 2020.

The second question is about what we may expect this year of the deferred tax related matters. We saw that during 2018 a good share of net profit came from deferred tax recoveries. What may we expect in this connection in 2019?

And, finally, as regards the market expectations and the gas transport business conditions for 2019, what may we expect from the gas pipeline use related factor? We had a significant portion of the first quarter of the year or a significant portion of the first quarter of the year would be expected to be under El Niño phenomenon conditions. Are we expecting a significant increase in the use of gas pipelines this year? Thank you.

Julio Hernando Alarcon: Thank you, Diego, for your questions. Well, I will go first with the deferred tax question.

Indeed, given the financing law, which was enacted in late 2018, and the low long-term income tax rate, this caused the company's recovery in deferred tax. What we are expecting from 2019 on is stability in the tax expense.

Actually, it was the fall in long-term income tax rates that caused this recovery, you know, only once in 2018.

As for the Cusiana project, the postponement has been primarily due to the environmental license issue. This is what got the project a bit behind schedule. This issue has been already settled and, you know, the project already has the estimated start date set for January 2020.

In respect of the expectations regarding the use factor, El Niño phenomenon, you know, the analysis carried out by the company so far indicates that there won't be any higher gas pipeline use levels or higher income, in principle, because of that phenomenon.

We have considered that power generation and other companies have the capacity to respond to this phenomenon.

At the time, the company's and others' projections for 2019 don't see any additional income because of El Niño phenomenon.

Diego Buitrago: OK. Only one last clarification. Maybe medium- and long-term expectations of any firm energy obligation auctions and the thermal projects auctioned to come into operation during the next years for the electrical grid. Does this have any impact on TGI network? Might we have the volume or capacity for these projects increased?

>>Good morning. After the auction, there are several plants with their firm energy supported based on natural gas. However, there are probably in 2022-2023, which was the auction assigned at this time, there will be more plants supporting their energy based on natural gas, but right now this information has just been released, last Friday, by the Commission, and is under reviewed by XM. So, the analysis of this information is planned, we haven't finished the analysis.

Moreover, most of these plants, we have seen that some of them, such as Puerto Solo and other types of plants, have supported their firm energy on fuel other than gas, but we believe that once they get to close specific transport and natural gas, supply agreements, they might finally get their real support with natural gas, unlike the statements made now in the plants' technical parameters. But we need to wait; this is recent information, it was released on Friday, and needs to be analyzed. For now, the financial statements have no effects from such information.

Diego Buitrago: OK, thank you.

>>And in the budget.

Operator: Thank you. Again, if you have any questions, please press start (*), and then 1 on your touch-tone phone.

The next question comes from Andres Duarte from Corficolombiana. Please, go ahead.

Andres Duarte: Good morning, thank you for this presentation and for letting me ask my questions.

I have three questions. The first one, do you have estimated capex for, in case you're awarded the regasification plant, how much would that be and what would the investment be in the line connection, well, the green line for you, for connection to the port or to the regasification plant site?

This, and in the event that, well, you're awarded and need to make this investment, what would your expectations be in connection with the volume/capacity pair to get, you know, an idea of the rate matter here?

The other question is a little bit related to Diego's question, about any changes in the transported volumes, I would like to know whether you have seen clients such as Ecopetrol, or in case you have any other gas or oil production companies, if you have seen any increases in the transported volume that might be attributed to requirements relating to enhanced recovery, because, well, it's not that production has changed so much lately.

And finally, do you have any expectations of the implementation periods for any future regulatory changes?

Thank you.

Julio Hernando Alarcon: Thank you for your questions. Indeed, we have estimated capex for the plant and for the gas pipeline connecting Buenaventura-Yumbo. However, this information, given that it's a project we will be engaged in, is confidential. But, we have indeed worked on capex and an analysis of this information.

On...

>>Pairs, I believe it's the second question.

About the charge pair, it depends on when it will be negotiated.

As we see the regulations now, Resolution 182 of 2017 is not even final, it's under review. What it's suggested here is that it might be a pair of up to 50-50, 50 variable, 50 fixed. As regards the bidirectional issue, it might be 10-90 pair, 10% fixed, and 90% variable. Obviously, without affecting the current agreement pairs relating to Yumbo-Marquita, but in the flow direction.

It's not, it's not been defined yet, we need to wait for the Commission for Energy and Gas Regulation [CREG, acronym in Spanish] to issue a final resolution for confirmation, and that will be suitable, most likely, at least for the gas pipeline, for negotiation.

Andres Duarte: OK.

>>Regarding the change in transported volumes by our clients, such specific information is the client's business information, particularly speaking of function and use of that gas. Then, I don't think so...

Andres Duarte: Yes, understood, yes.

[Off the record]

>>As regards regulatory changes this year, well, the regulatory agenda has, as set by CREG, a lot of changes. One is the natural gas supply planning regulations; this has to do with the capacity sale, how the regasification plan capacity will be traded in the Yumbo-Buenaventura gas pipeline; the other one is how bidirectional flows will be traded; all of the IPAT projects, this capacity resulting from the construction of the IPAT projects, how it will be traded, this is another one.

There is another one suggested by CREG, the review of the sources of information of the WACC methodology. There is another one relating to the improvement in the gas wholesale market conditions in respect of both transport and supply. And the last one is the review of the vertical integration rules.

I think I have mentioned the most important ones, but there are some others. These are the ones we'll be considering at TGI.

Andres Duarte: OK. Another question, wouldn't that review cause any changes in your participation in the regasification plant procurement process?

>>No, not at all.

Andres Duarte: OK. Thank you very much.

>>Good.

Operator: We have Augusto Uribe from AIG on the line with a question.

Augusto Uribe: Good morning, thank you for this call.

My question is about the TPA. Could you please explain the maturity schedules, particularly for this year and for 2020, and what is the business strategy for their renewal? Thank you.

[Off the record]

>>The average life of agreements we have been entering into is 7.3 years, that's the average of the agreements being signed.

Here, there's something in particular to be taken into account; mostly, well, TGI's most stable demand corresponds to natural gas distributors, and that capacity, we expect to have it

renewed, since it's not a variable over time, at least not downward. Its growth is stable; it has grown, distributors, about 6% annually. So, we are expecting the renewal of the distributors' agreements.

We are obviously having continuous meetings, continuous approaches, to have the agreement renewal completed as soon as possible.

As for the industrial and the other non-regulated agreements, we are getting closer to holding the corresponding meetings, with the purpose of encouraging the renewal of those non-regulated agreements. However, as we have said before, most of the agreements are residential, distributors, and we will be certainly getting their renewal very soon.

This year, approximately by October, the gas supply agreements will be negotiated, the annual trading process, the gas supply capacities will be awarded and, coupled with this, we'll be certain about who is already getting the supply in the main fields, and we may have more information to come closer again to clients and encourage the renewal of transport agreements.

Augusto Uribe: Thank you.

Operator: And the last question comes from Nicolas Romo from MetLife.

Nicolas Romo: Hello, thank you for this call. I have a question about the regulatory issue regarding the WACC definition. Have you had any news about when this resolution will be issued or when the review period will finish and when the WACC mode for taxation will be finally released? Thank you.

>>OK. The WACC methodology was set in 2015. The only variable yet to be set by the regulator is the compensation risk premium, the type of compensation set by CREG, compared to a rate of return based compensation. This parameter will be set in the resolution to contain the final transport methodology.

As per the regulatory agenda, by the end of this quarter we should have the CREG proposal, issued again for comments, for this transport methodology. There, we would have an idea of the value of this missing parameter that would be suggested by CREG. We are expecting that it'll be higher than the one included in resolution 090 of 2016, but we still need to wait.

Then, the relevant comments will be made, obviously TGI will be making comments, and the regulator plans to have the final methodology issued by the end of Q2 this year. We'll have the missing final parameter by then, and we'll have an idea of how exactly the WACC will be.

Nicolas Romo: Thank you very much.

Operator: There are no questions in queue at this time.

I will now turn the call over to Alvaro Roca, Assistant Financial Planning Manager.

Mr. Roca, you may begin.

Alvaro Roca: Well, thank you. Good morning everyone and thank you for joining us today. On behalf of our company, I would like to welcome you to Calidda's 2018 results call. My name is Alvaro Roca and I'm the Head of Financial Planning of Calidda.

I would like to start this presentation by giving you an overview of our business achievements. To summarize 2018 highlights, I would like to mention that this was a very important year where we concluded our distribution tariff review process in May, according to the schedule established by the Peruvian authorities, having incorporated in our tariff around 320 million USD in additional investments to expand our distribution network in almost 3,500 kilometers during these next four years. This new infrastructure will allow us to connect more than 300,000 new clients and to reach more than 1,000,000 clients by the end of the year 2022.

Regarding our operational performance, I would like to mention that in this period we achieved a record in connections, adding more than 180,000 customers, showing an increase of 32% in connections compared to the year 2017. These new customers allowed us to conclude 2018 with more than 760,000 clients consuming natural gas through our distribution network. This means that now we have connected around 42% of our total potential customers in our concession area.

It is also important to mention that according to our strategy, which is focused in providing energy solutions and value added proposals to our residential, commercial and industrial clients, in 2018 we sold more than 40,000 natural gas appliances, which is 4.1 times more than 2017 results.

On the other hand, by the end of last year there were two negative legal arbitration results which were recognized as extraordinary expenses of over 30 million USD. These arbitrations come from non-recurring legal processes from 2010. Our adjusted Ebitda does not include them.

I would like to end this introduction by mentioning that since last year we are having conversations with the local authorities in order to increase our planned investments for the next years. That being said, in January we presented our revised plan with additional connections and kilometers, which is now being reviewed by the regulator. We will update on this matter in the following months.

In the next slide you will see at the bottom two charts which contain our key operational and financial results as of 2018 and 2017.

Regarding our key operational results, as of December 2018, as I have just mentioned, we reached more than 760,000 clients, adding almost 184,000 clients during the past year. Taking into consideration this additional number of clients, the invoice volume increased 2% compared to 2017 results up to a total of 779 million cubic feet per day.

In the case of our network length, it grew by 16% and attained a total of almost 9,700 kilometers of underground pipeline infrastructure, which means an increase of more than 1,300 new kilometers in the last 12 months.

Regarding our financial results, which are shown in the second chart to the bottom right, we obtained a total of 675 million USD. Also, our adjusted revenues, which are revenues from the concepts as explained in note four, reached a total of 278 million USD. Both when compared to 2017 results had an increment of 60 and 22% respectively.

Meanwhile, our EBITDA reached 159 million USD, which represents an increase of 15%, mainly due to higher distribution revenues due to the effect of volume and increase of the approved distribution tariff since the beginning of May.

I will now turn the call over to Mrs. Ana Bazan in order to continue this presentation with a detail of our commercial and operational results.

Ana Bazan: Thanks, Alvaro. Good morning everyone. My name is Ana Bazan and I'm the Financial Coordinator of Calidda. Please follow me to page 7 in order to talk about our historic commercial performance.

At first you can see the overall development of our clients with an upward trend. Regarding the power generation segment, Calidda has connected all generated total within its concession area.

Regarding the industrial segment, Calidda reached 625 industrial clients, out of which 48 clients were connected during the last twelve months.

In the case of the NGV segment, 18 NGV stations joined our distribution system during the last twelve months, reaching a total of 275 stations. It is important to mention that NGV stations supply natural gas to more than 185,000 vehicles in the cities of Lima and Callao.

Finally, in the case of the residential segment, by the end of 2018 Calidda has connected more than 751,000 clients in 23 districts within Lima and Callao, out of which more than 182,000 were connected during the last twelve months.

We also have connected almost 9,000 commercial clients, out of which more than 1,700 clients were connected during the same period.

Please follow me to the next slide to see Calidda's historic invoiced volume as of 2018.

As shown in the graphics, 2018's invoiced volume reached a total of 779 million cubic feet per day, which is 16 million cubic feet per day more than the invoiced volume of 2017.

It's important to mention that 80% of the total invoiced volume corresponds to take-or-pay contracts, which minimizes the impact of volume volatility derived from the seasonal effect on volume demand from the power generation segment.

Please follow me to the historic invoiced volume per segment. Regarding the residential and commercial clients, we can see the upward trend of this segment is about 25% and regarding the industrial, NGV stations and power generation, the trend is about 3 to 4%.

Please follow me to the next slide regarding the distribution system and the penetration index. The distribution system has totaled 9,600 kilometers of underground pipelines during 2018. Calidda has been 13,000 kilometers, out of which 12,907 kilometers were low pressure pipelines, while 48 kilometers were high pressure network.

In the graph below you can see the progress of penetration ratio, which totaled 79% by the end of 2018 explained by Calidda's focus on providing energy solutions and expanding our distribution network.

Please follow me to the next slide where you can see in the first graph to the left that our regulated and independent clients consume 286 million cubic feet per day, which represents 68% of our system capacity within Calidda city gates at Lurin and Ventanilla, which is 420 million cubic feet per day. Out of this volume, 158 million cubic feet per day correspond to our regulated clients, which are clients that demand less than one million cubic feet per day. These clients have contracted Calidda for the supply of natural gas, the transportation and the distribution services.

This volume in terms of gas supply and transportation contracted by Calidda with Plus Petrol and TGP respectively represents around 69% of the total contracted volume.

We also have independent clients located to the south of our city gates which contracted Calidda for its distribution service. These clients consumed 248 million cubic feet per day in 2018. These independent clients are mainly large power generators with take-or-pay contracts.

In total, in 2018, Calidda's distributed volume was 532 million cubic feet per day.

I will now hand the call over to Mr. Alvaro Roca to continue with this presentation.

Alvaro Roca: Thank you, Ana. The next topic is financial performance and key metrics, which are presented in the next slide. You will find three graphs that represent our invoiced volume, our distribution revenues and our adjusted revenues as of 2018.

In the first pie to the left you will see that the residential and commercial segment is only 1.8% in terms of invoiced volume. However, if you see the second pie in the middle, in terms of distribution revenues this segment explains 14.2% and in the third pie to the right, in which we add to the segment the revenues from the installation services provided by Calidda, the residential and commercial segment represents more than 39% of our adjusted revenues.

On the other hand, while power generators represent 73% of our invoiced volume, its relevance as a segment comes down to 48% when analyzing our distribution revenues and close to 30% to our adjusted revenues.

We have other services that represent 9% of our adjusted revenues, mainly explained by pipeline relocation and maintenance services.

On the next slide you will see our main financial results as of 2018. On the first graph to the left, total revenues, as I mentioned, were 675 million USD, including pass-through revenues, which represent a 16% increase from 2017. Adjusted revenues increased by 22% from 229 to 278 million USD.

On the graph to the upper right we can see that this trend also translates into Calidda's EBITDA, which amounted to 159 million USD, which has been growing at a rate of 15% during the last five years.

In the third graph bottom left you can see that all of this is achieved by investing more than 119 million USD during the past year. These investments are recognized in the tariff, which explains why our distribution revenues keep growing during the past years.

In the last chart bottom right funds from operations calculated as net income plus depreciation plus amortization were 96 million USD.

In the next slide, the first graph is about our net debt to EBITDA ratio. As you can appreciate, we have maintained our debt to EBITDA ratio since last year at 2.9 our EBITDA. This has been in spite of the issuance of a local bond of about 51 million USD to finance our investments in the distribution system. This ratio continues below our target of 3.5 times our EBITDA.

To sum up, in the rest of the graphs of this slide you will find more key financial metrics such as debt to capitalization ratio, our interest coverage, which is 8.8 times our EBITDA as of 2018, and funds from operation to net debt, which have been stable during the past year.

In the following slide, number 17, as you can appreciate, in the first graph top left it is important to notice that all of our debt maturity is within the concession period, with our international and local bonds maturing in years 2023 and 2028 respectively.

We also have 80 million USD of local debt that will be amortized between 2019 and 2022 and this debt is expected to be refinanced.

In summary, in the rest of our key indicators and historic performance you will find consistency with the company's vision and expected results of our shareholders. For instance, we can see equity of around 350 million USD, our net income close to 70 million USD last year and our total assets, which keep growing, with over 922 million USD as of 2018.

With this said, I would like to end this presentation by mentioning that by the end of 2018 we achieved great results compared to 2017. As of last month, we have close to 800,000 clients connected to our distribution service and we expect to keep growing in this segment.

Thank you all for your time and we open the session to attend any questions you may have.

Operator: Thank you. We will now begin the question and answer session. If you have any question, please press * and then 1 on your touch-tone phone. If you wish to be removed from the queue, please press the # key. If you are using a speaker phone, you may need to pick up the handset first before pressing the numbers.

Once again, if you have any question, please press * and then 1 on your touch-tone phone.

Our first question online comes from Andres Duarte, from Corficolombiana. Please go ahead.

Andres Duarte: Good morning. I have a question about the increase in the number of new clients. I would like to know whether you can separate here a little bit, according to what happened in 2018, how is it understood and how is now the marginal contribution issue related to a client's connection, well, a household, or any client, vs connections for new industrial clients? How are now the contributions? And what are you expecting in the future in relation to this return? Thank you very much.

Alvaro Roca: Hello, Andres. Thank you for your question.

Well, as for clients, right, in 2018 we got almost 184,000 clients connected, out of which 182,000 were residential clients; these are clients that give us a margin between 150 and 250 American Dollars per connection, right? And what we expect from now on is to keep the same speed, you now, with which we expand our distribution system and, therefore, get connected. We are expecting to have no less than 150,000 connections in 2019, and keep this pace over the next years, and always together with the rate we are, which is just being reviewed by the regulator again.

Andres Duarte: OK. And how about industrial clients?

Alvaro Roca: Yes. Industrial clients... Well, within the concession area, we already have the main clients connected, right?

Basically, efforts now, in terms of connection, are aiming at smaller clients, you know, more fragmented as to volume as well, and those are the clients we have been connecting lately.

No doubt, the margin per connection may be a little bit higher; it will totally depend on the client's size, the equipment necessary for gas distribution, but in quantity, well exactly, as Ana mentioned a few minutes ago, I believe we connected a little bit more than 30 last year. In quantity, it's still a small number, compared to connection income from the residential segment.

Andres Duarte: OK, thank you.

Operator: And our next question online comes from Juan Trujillo, from Porvenir. Please go ahead.

Juan Trujillo: Good morning, thank you for this presentation. We have a guidance that Cálidda would double its EBITDA after reaching 2 million clients. We would like to check whether this guidance is still applicable. And considering the presented growth rates, when are we expecting to reach 2 million clients? Thank you very much.

Alvaro Roca: Yes. How are you, Juan? Thank you for your question. I think that everything will depend on that guidance we issued, right? Well, if we are talking about the time we issued the notes, which was in 2013, back then our EBITDA was a little higher than 60 million American Dollars. That was doubled in 2018.

You know, doubling again our EBITDA, which is now roughly 160 million American Dollars as of the end of 2018, I find that a bit harder to pursue, but, anyways, we expect to continue to grow at a ratio of about 5% per year over the next years; provided that we continue with our investment plans, which are recognized in the rate, and that we continue to provide our clients with these additional services, non-regulated services, for which we also have a more attractive margin.

Juan Trujillo: OK, understood. Thank you.

Operator: Once again, for any questions please press * and then 1 on your touch-tone phone.

I'm showing we have no questions at this time. Correction, we have Augusto Uribe from AIG on the line with a question.

Augusto Uribe: Hello, thank you for this call. I only have a question about EBITDA. You have just mentioned that regulated clients are less profitable. Could you please explain the EBITDA breakdown for this type of clients? Thank you.

Alvaro Roca: Thank you, Augusto.

Actually, with the regulated clients, you know, the smaller ones are more profitable, if we analyze our income and distribution, this is on one of the slides, but basically we are going in two directions.

The distribution rate is not the same for all of our clients. Indeed, residential clients are charged a rate that is a little higher than the others, which is why, even if in terms of volume this is the smallest segment, when we see the distribution income, it's a little more than 14% of total income, right?

Then, if we add income from connection associated services, we are almost reaching 39% of our total adjusted income, right? income exactly from Cálidda, and we expect to keep that share at least over the next five years.

Well, as I was telling you, in respect of clients and the margin we get because of them, small clients, actually, basically, for associated services, and the distribution rate difference, are the ones to give us the highest margin in the company, you know, in relative terms compared to large clients.

However, if we look at the entire pie chart, and as you were told on slide 22, at the end, you know, the income ratio is fairly balanced, for residential and commercial, as well as large clients, power generating companies and industrial clients, and NGV stations.

And as for the perspectives on this configuration of our income, we are expecting to continue to have such income, since we are also expecting to continue to connect the same number of clients over the next years.

Operator: Thank you. Again, for any question press * and then 1 on your touch-tone phone.

We have a question online from Paula Alba, from Inteligo. Please go ahead.

Paula Alba: Hello, thank you for this opportunity. I have a question about the EBITDA margin. I see it has fallen from 60.5 to 57.13 this year. I would like to ask you, is this because of the penetration margin, which is quite high? Because I understand that installations give you a high margin, and what's the guidance on the EBITDA margin, regardless of the volume and connection increase?

Alvaro Roca: Hello, Paula, thank you for your question.

Basically, the decrease in the 2018 EBITDA margin compared to last year is due to a slight increase in our operating expense, which has increased exactly, to a good extent, because of a higher number of clients we have got connected.

Now, regarding the perspectives, we are expecting to maintain that EBITDA margin between 57 and 60% the next years. This should not change.

Indeed, we see a rising trend and this is exactly due to the proportion of the distribution income vs total income, and we expect it will continue and even increase as we complete our investments in the distribution system.

Operator: Thank you. And we have another question online from Rodrigo Torres, from Valora Analitic.

Rodrigo Torres: Good morning, thank you for this presentation.

I'm sorry if this has been explained before, but I had trouble connecting.

Could you please give some guidance to me on capex for 2019, and the comparison with 2018, to see the increase or decrease? Thank you.

Alvaro Roca: Hello, Rodrigo, thank you for your question. No, not at all, in the end it's all positive about capex.

Well, in 2019 we executed 119 million American Dollars. We expect this to actually continue over the next years; for 2019, it would be roughly 120 million American Dollars as well, and

this should remain, we expect, between 100 and 120 million American Dollars during the next years, even until 2022; this with the purpose of expanding our distribution network and reaching more clients.

As I said a few minutes ago, we will be connecting about 800,000 clients. As potential clients, we see within the concession area 1.8 million households. So, we do have a lot of room to continue to expand our distribution system and to install connections and, therefore, keep the level of investment we have had over the past years.

Rodrigo Torres: OK. Another question: How will that capex be financed, for instance, in 2019?

Alvaro Roca: Yes, we expect, you know, to always keep our debt/capital structure. The structure we see is about 60/40, debt/capital.

For 2019, we are planning to incur debt of about 100 million American Dollars, which will exactly help us finance these stations.

Rodrigo Torres: OK, right, thank you.

Operator: Thank you. We have a follow up from Andres Duarte, from Corficolombiana. Please go ahead.

Andres Duarte: Yes, thank you very much. This has been partly just answered, but given that this target capital structure is maintained, how about dividend? What is the policy from now on? Thank you very much.

Alvaro Roca: Thank you, Andres. Regarding dividend, at Cálidda we haven't a set annual fixed amount or a dividend ratio per annual results. Dividends are reviewed on a year-by-year basis. This is a decision that is to be made by the Board and the General Shareholders' Meeting, and Cálidda's financial health is always taken into account in making that decision, right?

This year, we expect to distribute dividend for over 55 million American Dollars, similar to dividend distributed last year, it's just a bit more, and we note that Cálidda would be in a position to continue with a similar amount over the next years, right? But this will be reviewed on a year-over-year basis.

Andres Duarte: Understood, thank you.

Operator: Now, we don't any further questions. There are no questions in queue at this time.

Alvaro Rico: Well, thank you.

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