

**Operator:** Welcome to the TGI and Cálidda 3Q 2019 Results Conference. My name is Ana and I will be your operator for today's call.

At this time, all participants are in listen-only mode. This teleconference will be divided into two parts; the first for the presentation and questions and answers by TGI, and then the presentation and questions and answers by Cálidda.

During the question and answer sessions, we will answer questions in Spanish and English. If you have any questions press asterisk (\*) and 1 on your tone phone.

Please note that this conference call is being recorded.

Now I will pass the call to Julio Hernando Alarcón, Financial Vice President, Mr. Alarcón, you may begin.

**Mr. Alarcón:** Thank you. Good morning everyone and welcome to the Transportadora de Gas Internacional (TGI) 3Q 2019 results conference.

During this quarter, TGI has continued to strengthen itself as the leading gas transportation company in Colombia, with operational and commercial performance aimed at guaranteeing the Company's long-term profitability and sustainability. Under this perspective, I present the main relevant events that occurred during this quarter.

In terms of financial performance, we have an increase in revenues in 3Q 2019 compared to the same period in 2018, equivalent to 2.6%; the company's EBITDA margin stands at 66.5% having a growth of 3.7 pps. We had the confirmation of the corporate rating and the Bond in BBB by Fitch with a stable outlook.

In the strategic performance, we had the renewal of Cusiana - Sabana and Ballena - Barranca contracts for the period (2024 - 2025) for an estimated value of 40 million dollars.

Roadshow between TGI, the ACP and distributors during the second workshop, dealing with commercial and infrastructure issues for connection and development of new fields.

During 3Q 2019, 6.7 Mscfd (incremental) were registered for industry cases, additional customers and coal replacement, as well as NGV in dedicated fleets and conversions.

In operational performance, we had an increase in the transported volume for distribution and commercial sectors. The completion of adaptation works of the Vasconia - Miraflores – Puente Guillermo stations. With information provided by TGI, CREG opened a file to determine the value of efficient investment and AO&M for 4 IPAT projects.

Within the Company's stable and predictable cash flow generation, we have TGI had USD 115.7 million revenue during 3Q, compared to USD 112.7 million in the same period of 2018.

TGI's revenues are highly regulated, the Company enjoys excellent contract quality, 93% of its contracts are firm, with an average life span of 7 years. Firm contracts have 91.5% of fixed capacity and AO&M charges, while variable

charges represent 7.1% of total revenues.

There was an increase in transported gas for the distribution and commercial sectors.

Our revenue per industry are mainly located in distribution 66.1%, refinery 13.3%, thermal 9% and vehicle 6.4%.

Revenue per charge, 91% represent capacity charges and AO&M, and 7.1% represent variable charges.

Revenue per currency, 68.7%, 79.5 million are revenues indexed in dollars and 31.3% are revenues in Colombian pesos.

The Company's EBITDA was USD 88.5 million, a 7.8% growth compared to the same period of 2018 and the margin is 76.5%.

Operating costs showed a 5.7% decrease. Operating expenses increased due to the estimation of receivables impairment based on IFRS 9, and the decrease in other income, mainly recoveries.

Net income increased given the difference in exchange and financial income, a lower income tax and a positive effect caused by the deferred tax given the exchange rate presented at the end of the period.

Operating income was USD 64.3 million compared to USD 63.8 million in the same period of 2018.

Net income was USD 35.8 million compared to USD 12.5 million in the same period last year, mainly due to a positive deferred tax effect close to USD 18.5 million, and the foreign exchange difference that represented a positive effect of USD 3.4 million.

The debt profile was USD 1.2 billion, where the bond represents 66% of the debt and 32.5% to the inter-company loan subscribed with the parent company.

The total gross debt / EBITDA indicator was 3.2 times, presenting an improvement mainly due to the final settlement of the IELAH loan that was available and corresponded to an amount of USD 40 million.

Total net debt / EBITDA is 2.9 times.

EBITDA / financial expenses has an indicator of 4.1, much higher than 3 times, which is the one defined for TGI.

Regarding the Capital structure, we closed with a cash and cash equivalents close to USD 106 million; as aforementioned, in August, the pending balance of the syndicated loan with IELAH by USD 40 million that was settle due to maturity.

Moody's ratified the rating of the Company's bonds at Baa3 with a stable outlook, this was issued in July 2019; and Fitch ratified the corporate credit rating as well as that of the bond at BBB with a stable outlook, this was issued in October 2019.

The property, plant and equipment of the Company does not show greater variation and stands at USD 2.2 billion.

Regarding the Company's liabilities and equity, the liabilities stand at USD 1.7 billion, and the equity 800 million for a total of 2.5 billion.

In terms of operational performance, we have the total length of the TGI gas pipeline network, which is approximately 3,994 Km, of which 3,844 are owned and operated directly by TGI; the remaining 150 Km, even though they are under its control and supervision, are operated by the contractor.

Of the total volume transported through the pipeline network nationwide, TGI increased its transported volume to 490.7 Mscfd due to higher turnover in volume of the Distribution and Commercial sectors. Compared to 3Q 2018, it presents an increase close to 7%.

The total capacity of the Company stands at 792 Mscfd, the firm contracted capacity is at 713 which represents 90%.

And the Company's factor of use stands at 52.9% compared to 52.3% in 3Q 2018.

In terms of investment projects, the main projects that are being executed are: Cusiana Phase IV, which seeks to increase the natural gas transportation capacity by 58 Mscfd between Cusiana and Vasconia, consists of the construction of 38.5 Km of 30" diameter loops, expansion of the Puente Guillermo gas compression station and the adaptation of the Miraflores and Vasconia gas compression stations.

The total project investment is estimated at USD 92.3 million. Up to this date, 47.8 million dollars have been executed, during 3Q 2019, USD 9.5 million were executed and the physical progress of the work is 70.6%.

The entry into operation of the Puente Guillermo station (17 Mscfd) was in 2Q 2018, Puerto Romero Loop - Vasconia (46 Mscfd) will become operative in 1Q 2020 and the Puente Guillermo Loop – La Belleza and Porvenir - Miraflores (12 Mscfd) in 3Q 2020.

In terms of branches replacement, the replacement of 5 branches is being carried out in compliance with normative useful life in accordance with CREG resolution 126 of 2016.

There are the Yariguíes - Puerto Wilches branch, the Cantagallo Industrial Zone - Cantagallo branch, Cantagallo - San Pablo branch, Galán - Casabe - Yondó branch and the Pompeya branch.

The investment of these 5 branches is USD 11.6 million, the Capex executed to date is USD 5.8 million, total of Capex executed during 3Q 2019 amounted to 2.2 million and the physical progress of the work is 60.3%.

The Yariguíes - Puerto Wilches branch is estimated to become operative in 4Q 2019, as well as the Cantagallo - Cantagallo Industrial Zone, the Cantagallo - San Pablo branch in 1Q 2020, as well as the Galán - Casabe - Yondó branch, the Pompeya branch is estimated to be operative in 4Q 2019.

In terms of new evaluation opportunities, TGI considers the IPAT projects that

are subject to being directly executed by TGI according to the current resolutions, which include: the Mariquita - Gualanday Loop, the Yumbo - Mariquita Bidirectionality, the Jamundí Branch Compressor project and the Ballena - Barranca Bidirectionality.

TGI is also waiting for the final publication of the terms of reference for the Pacific Regasification project as well as the Buenaventura - Yumbo gas pipeline.

According to the schedule estimated by the UPME, the publication of these terms of reference would take place at the end of the year 2019, the reception of bids and awarding would be conducted at the end of 2Q 2020, the plant is estimated to become operative at the end of 2023 and the gas pipeline at the end of the year 2025.

These are the main facts presented by TGI for the 3Q 2019.

**Operator:** Now, we will begin the question and answer session for TGI, which can be done in Spanish or English.

If you have a question, press asterisk (\*) and then (1) on your tone phone, if you want to be removed from the queue, press the number sign or the number key (#). If you are using a speaker, you may need to pick up the handset before pressing the numbers.

Again, if you have a question press asterisk (\*) and then (1) on your tone phone.

We have a question from Nicolás Erazo from Credicorp Capital, you can start your question.

**Mr. Erazo:** Yes, good morning to everyone, just one question.

I would like to know a little bit more details about the contracts with Barrancabermeja for USD 40 million, do the rates stay the same or did they increase? And if the volumes that were agreed remain the same, thank you very much.

**Mr. Alarcón:** Thanks for the question, Nicolás. Our Commercial Manager, Heliodoro Mayorga, will answer.

**Mr. Mayorga:** Good morning, there actually was a renewal of contracts in two sections, between Cusiana - Sabana and some between Barranca and Ballena - Barranca.

The highest percentage of the contracts renewal is Cusiana – Sabana; the current rates are maintained, and they are contracts for the distributor in that zone, basically.

**Mr. Erazo:** Perfect, thank you very much.

**Operator:** We have a question from Diego Buitrago from Bancolombia, you can start your question.

**Mr. Buitrago:** Good morning, thanks for the presentation. I would like to go a little deeper into the topic of IPAT projects, if you could tell

us, what process should these projects take to be executed by TGI? What schedule is there? And if it is possible to know what the expectation is for a contribution to TGI EBITDA once these 4 projects are completed. Thank you.

**Mr. Alarcón:** Diego, thank you very much for the question, our Regulation Manager, Luis Serrato, will answer.

**Mr. Serrato:** Good morning, the procedure itself has already begun, it started a year and a half ago, after the Ministry of Mines and Energy adopted the natural gas supply plan, adopting those projects, the IPAT, a whole process started where the first milestone was that the UPME (Mining and Energy Planning Unit) indicated which projects were complementary to the infrastructure of which transporter.

That happened last year, approximately happened in January of last year, when the UPME said: "these 4 IPATs that we presented a while ago are complementary to the TGI infrastructure," ok?

The following, after that milestone, was that 3 months later, the company had the obligation to deliver the project and investment description information and AO&M to the Energy and Gas Regulation Commission, it happened in March last year for most of the IPATs, it was a specific IPAT that I tell you, but for most IPATs that milestone took place in March last year.

About a month ago, the following milestone took place, it is the beginning of administrative valuation by the Regulatory Commission, by CREG, where what it told us was: "we started valuing these IPAT projects", that is; they started to analyze the information and determine the efficient value they would recognize for these projects.

This is the process that is happening right now, as soon as the Regulatory Commission indicates what is the efficient value that it would grant for these projects, we will have a very short stage to file a right of revision, that would be 5 days after that; then CREG will firmly adopt its decision on the efficient investment that it will recognize for those assets.

After that, according to what is in the regulation, we would have 15 days (this could be modified but for now it is 15 days) to determine whether or not to develop the project with that efficient investment recognized by the regulator.

And there, the assignment would end, then the CREG would immediately assign and the resolution related to the incumbent, that in this case it would be us, would begin a whole process associated with the execution and audit of the project.

**Operator:** At this time, we have no more questions.

I give the word to Julio Alarcón for closing comments.

**Mr. Alarcón:** Thanks everyone for participating in this conference.

As always, I reiterate that TGI together with the GEB Investor Relations Management are at your disposal to address any additional concerns or requirements that may arise regarding TGI and after this presentation.

I thank you again and wish you all a good day.

**Operator:** Now I give the call to Mr. Álvaro Rocca, Cálidda Financial Planning Assistant Manager, Mr. Rocca, you may begin.

Mr. Rocca, may you begin?

**Mr. Rocca:** Yes. Hello, good morning everyone, my name is Álvaro Rocca, I am Cálidda 's Financial Planning Assistant Manager.

Thank you very much to everyone for being connected to the call, I know it is early but without further ado we will start.

The first thing that I am going to show you is the first slide with the key highlights at the end of 3Q. Here, the important thing to mention is that Cálidda issued bonds in the local market, a little more than USD 100 million at current exchange rates, because it was issued in Soles, the Peruvian currency.

This was covered with a hedge instrument, it was synthetically transformed into dollars, which got us very relevant savings versus a direct issuance in dollars.

This is a 10-years bullet amortization bond and will allow us to continue expanding our distribution system to reach more Peruvians.

Also, during the 3Q, the customer base and the invoiced volume increased by 28% and 1%, respectively, compared to 3Q 2018, and this led us to have more than 900 thousand customers already, a historical fact for Cálidda. In addition, we have built more than 1,500 Km of networks in the last 12 months, which means that our distribution system is almost 10,800 Km of underground pipelines.

On the side of revenues, adjusted revenues and EBITDA; these increased by 11%, 13% and 8%, respectively, due to higher distribution revenues.

It should be remembered that since August we had positive news from the regulatory point of view, additional investments were included in the investment plan of the current rate period, which led to an increase in the distribution rate of 7%; this along with the increase in networks and the arrival of more clients led us to invoice almost 10 additional Mscfd (we will see that breakdown later) and to connect in the last 12 months almost 200 thousand customers.

Another important point here is the ratification by Moody's, in this case it ratified Cálidda's Baa2 credit rating with a stable outlook, and from the local side, Cálidda maintains the highest rating that is AAA in terms of corporate bond rating within the Peruvian market.

At the bottom of the slide, you will see a summary of certain things that I've just commented, including accumulated customers, we have more than 900 thousand customers as I mentioned, the invoiced volume 784 Mscfd, the extension of the network and the importance of potential customers, which are those customers with network in front of their households, we already have more than one million potential customers, which takes our penetration of our distribution system to a level of 86%, this is 10% above what we had in this period last year.

Then, in the lower right side we have the financial results, our revenues were USD 529 million as of 3Q, our adjusted revenues, which are our total revenues minus the pass-through items as mentioned in note 4, were USD 223 million,

that is 13% above the 2018 result.

And we had an EBITDA of USD 128 million, it is USD 9 million above the result of the previous year.

The EBITDA margin is 57%.

Finally, we have a net profit of USD 62 million versus USD 54 million from the previous year, an increase of 15%.

And a no less important ratio is the coverage interest ratio, standing at 8.5 times EBITDA.

We move on to the next slide, this is number 7, here is our historical commercial performance.

As you can see, the general development of our customers has a general upward trend, this has in fact been maintained for many years and we hope it will continue.

As for the power generation segment, Cálidda already has all the main thermal customers connected.

In the industrial sector, we reached 651 industrial clients, of which 28 were connected during the last year.

On the side of the NGV, we connected an additional station, totaling 278 service stations and here these stations manage to supply natural gas to more than 191 thousand vehicles in the city of Lima and Callao.

And finally, in the case of the residential and commercial segments, these are in fact the most dynamic segments in terms of number of connections, we managed to connect more than 900 thousand customers at the end of the third quarter, of which more than 1,700 customers were commercial.

Additionally, and as mentioned in previous calls, we still have a subsidy system created by the government, which allows us to cover up to 100% of the costs and this is actually something that we in Cálidda can take advantage of, and allows us to place other types of products, financial products for example, to customers.

On the next slide, here we show the historical volume, we see that in 2015 they were almost 700 Mscfd, we have reached 784 Mscfd, this is an increase of almost 4% during the last 3 or 4 years, and about this, it is relevant to mention that 79% of this invoiced volume corresponds to take or pay contracts, these are 16 long-term contracts, many of which are valid until 2033, and this limits any effect of volatility on the consumption of our customers.

Moving on to the next slide, there is already a little more detail of our invoiced volume per customer segment.

Here, in terms of the growth percentage in the last 4 years, the most dynamic segment is the residential and commercial segment, whose turnover increased by more than 23%, explained by the addition of these many clients that I mentioned a few minutes ago.

The NGV stations, the industrial segment and the power generation segment also have an incremental trend, and this varies between 3% and almost 6% per year.

The next point is our historical operational performance, here the evolution in our distribution system is presented. In 2015, we had almost 6 thousand Km of pipelines; by the end of the quarter, we have almost doubled it, we are reaching the 10,800 Km that I commented at the beginning of the presentation, of which, and this is already with figures from this year, more than 1,100 Km were built in the last 9 months.

Here it is important to mention that the majority are made of polyethylene, these are networks to reach mainly these customers in the massive segment that are households and businesses, and of these 1,100 km, 13 km were made of high pressure steel, which allow us to continue reaching more industrial-type customers, NGV and reinforce the networks, when necessary.

The second figure shows the efficiency in terms of penetration, there the increase is really important, going to 86% from 57%, which I also mentioned at the beginning of the presentation.

On the next slide, in the first chart on the left, which shows the distributed volume of natural gas through our network of independent regulated customers, it totaled 200 Mscfd, this is the volume that is transported and distributed from, if you see the chart on the right, the City Gate of Lima, which is where Cálidda actually receives the gas from the transporter to the north, this system has a 420 Mscfd capacity, of which 292 or 70% is currently in use.

Additionally, regarding our capacity in terms of contracts, remember that we hire the supply of natural gas and the transportation service to supply our regulated customers, which are, our smaller customers, those who consume 1 Mscfd or less. And we have contracted, between take or pay volume and interruptible volume, a little more than 225 Mscfd, of which 161 Mscfd or 70% and 78%, respectively, are currently in use, depending on the contract and capacity we are seeing.

On the next slide, you can see the revenues topic, here we show the diversification of revenues per type of customer segment.

The first figure on the left shows that the residential and commercial sector represent only 2.1% of the invoiced volume, however, when we see the figure in the middle, in terms of distribution revenues only, this segment accounts for 16% of the total distribution revenues. On the right side, when we see the adjusted revenues, which includes the other revenues for other types of services that Cálidda provides, this residential and commercial segment represents 37.7% of our adjusted revenues.

On the other hand, although in terms of volume the power generation sector is extremely important with 72.4%, its relevance regarding how rates are distributed per level of consumption, which is determined by the regulator, its representation drops to 46.7% and when we see it at the level of adjusted revenues, its relevance drops to almost 29%.

The message here is that our revenues are finally diversified throughout our customer base.

On the next slide, you will see our main indicators and financial results, these are annualized figures and as of the 3Q 2019.

In the first figure, on the left side, you will see the total revenues which were USD 729 million, including the pass-through items, of which USD 304 million correspond to the adjusted revenues excluding pass-through revenues. This is an annual growth of 12% in the last 4 or 5 years.

In the figure, on the upper right side, we can see the historical EBITDA of Cálidda, which amounted to USD 168 million, we expect to close the year with USD 170 million of EBITDA, there is not much left, and this has an annual growth rate of 15% and the margin as you see remains stable at just over 57%.

In the third figure, on the lower left side, we can see the capital expenses, the Capex, which totalized USD 138 million on an annual basis. Here it is important to mention that more than 97% of these investments are precisely in everything related to the infrastructure of the distribution system, mainly infrastructure of the polyethylene type, both in networks and gas connection pipelines to connect our customers.

And finally, in the figure below on the right side we have the operating funds, that is cash generation itself, we already surpassed USD 100 million and it stands at USD 107 million.

On the next slide, we show financial indicators. There, as you can see in the first chart on the left above, the indicator has had a small increase from 2.9 times at the end of 2018 to 3.3 and this is due to the issuance of these USD 100 million in a debt that we took at the beginning of September.

Then we show other types of indicators and ratios, debt-to-capital ratio which is a little above 64%.

Below on the left side, the coverage interest ratio stands at 8.5, also remains relatively stable during the last years.

And operating funds / net debt which stands at 23%.

On the next slide and as you can see in the first figure, it is important to note that debt amortizations are within the concession period, the maximum we have is 2019 which is precisely the one I just mentioned and we have amortizations of a local loan, with a local financial institution that actually starts this month with 13 million, then we have 26, 27 and 14 until 2022. Then, the big tower is the one of the international bond that we issued in 2013, and then the two repayments that appear in green are precisely the issuances in the local market that we had this and last year.

Then we show other indicators, the equity as you can see is USD 313 million, the annualized net income is USD 77 million, we expect to reach USD 80 million, and finally the total assets which stand at USD 981 million.

On the next slide and to sum up, we show other indicators, sorry, I finish with this.

Instead, I will end by telling you that all these results that we show you actually reaffirm Cálidda's position, reaffirm investment plans and indeed the outlooks of our shareholders.

We plan to meet these investments, our investment plans that are approved and even to overcome them as we have always done.

With this, thank you all for your time and I would like to remain aware of any questions you may have.

Thank you very much.

**Operator:** Thank you. Now we will begin the question and answer session for Cálidda, which can be made in Spanish or English.

If you have any questions press asterisk (\*) and then 1 on your tone phone. If you want them removed from the queue, press the number sign or the number key (#).

If you are using a speaker, you may need to pick up the handset before pressing the numbers.

Again, if you have any questions press asterisk (\*) and then 1 on your tone phone.

We have a question from Ricardo Sandoval from Bancolombia, you can start your question.

**Mr. Sandoval:** Álvaro, thank you very much for the presentation.

I have a question about potential clients, on the investor day you made in Bogotá in 2017 you talked about a potential client base of 1.2 million and a penetration rate of 85% in which the business was already at its maturity stage, since you are close to reaching that 1.2 million customers, I wanted to know if you have any kind of update or expectation about maximum potential customers that the current regulation would allow you and the conditions that Lima would allow you at this time, or do we already maintain the number of 1.2 million customers in terms of business maturity? Thank you.

**Mr. Rocca:** Ricardo thank you very much for the question.

In fact, Lima has approximately 2.6 million households, obviously due to technical limitations as you mentioned or regulatory ones, it doesn't make it possible for us to reach all of them, we may have archaeological remains, so we could not arrive either, but our goal is to reach 1.8 or 2 million households of that total.

This is one of our long-term goals, and we really hope to achieve this before 2026.

**Mr. Sandoval:** Thanks, perfect.

**Operator:** We have a question from Andrés Duarte from Corficolombiana, you can start your question.

**Mr. Duarte:** Yes, good morning. Thank you very much for taking my question.

These are two very short questions, the first one is to confirm that the concession that Promigas was announcing yesterday in the north of the

country, wasn't that type of concession in Cálidda's interest? Or did Cálidda participate in this?

And the second was that I wanted to ask you to explain again the topic of debt that I didn't understand it very well, the reasoning of the coverage or what sometimes works as coverage is due to how interests vary for the Company or to make the operation cheaper.

Thank you very much.

**Mr. Rocca:** Andrés thank you very much for the questions.

Regarding the first one, we are really happy for Promigas, the concession was taken to the north, there I confirm you that Cálidda did not participate in this process.

And regarding the second question on the coverage we took to cover the issuance, what we analyzed at that time was the economic sense of the operation, it's not in Cálidda's interest to keep Soles in its liabilities since the Company's functional currency is the dollar, and being such a large LIBOR, that could generate more problems from the exchange rate fluctuation and we may have negative results.

Additionally, and what we saw through the market window that was present is that there was an arbitrage between going out directly in dollars or going out in soles with a *cross*, and that was exactly what we did, so those were the two reasons why we went out in soles and we took the *cross*, because we finally had interesting savings versus a direct dollar issuance.

**Operator:** At this moment we have no more questions, I give the word to Álvaro Rocca for final comments.

**Mr. Rocca:** Well, thank you very much everyone for your time.

In the same way as Julio mentioned a while ago, we are also open to any questions you may have, we have the e-mail for investors service, it is [investors@calidda.com.pe](mailto:investors@calidda.com.pe) and please, in case you think we can help with something we're happy to answer you.

**Operator:** Thank you. Ladies and gentlemen, this concludes today's call.

We remind you that the information corresponding to the delivery of results is available on the website of Grupo Energía Bogotá.

If you want to hear this conference again please contact the Company.

We end today's conference, thanks for participating.

You can disconnect now.