

TGI & Calidda- Results Conference 3Q 2017

<p><b>Operator:</b></p>	<p>Good afternoon ladies and gentlemen and welcome to the TGI and Calidda 3Q 2017 Investor Call Conference. As a reminder this conference call is being recorded. Under the top download you will find today's presentation. It is also available in the investor relations section on the website. I will like now to turn the call over to Mr. Alvaro Flórez, Financial Manager of TGI, company of Grupo de Energía de Bogotá. Please go ahead Mr. Florez.</p>
<p><b>Mr. Florez</b></p>	<p>Ok. Thank you. I am going to speak in Spanish for ease of reference if you don't have any problem and the questions an all I can answer in English. Let's locate the first chapter, please.</p> <p>I am going to talk about TGI. Basically, you already know the infrastructure we have and we have about 4000 kilometers that correspond to approximately 55% of he gas pipeline infrastructure in Colombia. We transport 47% of the available gas in the network and we reach about 70% of the main populated centers in the country. Important, we are a natural monopoly, that is, we do not have competition and our infrastructure is strategically located and our regulatory matters are stable.</p> <p>With respect to the second chapter, we make reference to the tariff issue that for many of you is very important because of the change in regulation that is expected for 2019. We continue to follow-up with the Energy and Gas Regulatory Commission and we have evaluated prior experiences in which we noted that there is talk about tariff changes every five-years, but in some cases we have had the same tariff for up to nine years.</p> <p>What are we doing? We received for comments, Resolution 090 and 095, which provides the Watt indicative rate. We made a request to the regulator asking for a new round of comments and we hope that by the end of 2017, that is, at the end of this year, they will send us a new resolution to comment. This will give us all of next year to make adjustments to what the regulator wants to impose. What are we doing within our forecasts and what have we contemplated? We have changes starting as of January 2019. But, this is really conservative. What we expect is that it will be adjusted around the third quarter of 2019, the tariff adjustment. Very very close to what Resoluion 090 is saying. Nevertheless, this is the most conservative scenario. We expect that these figures improve when we submit our comments this year and the following year.</p> <p>Les continue on to chapter 3.</p> <p>What are we evaluating? What are we seeing now? The Energy and Mining Planing Unit, through the Supply Plan, established 4 projects that are embedded in our network; 4 expansion projects and this to maintain the gas supply in the future and 4 of those, which are the first we see here, the Yumbo - Mariquita pipeline, the 10 inches Loop Mariquita - Gualanday, the Barranca - Ballena pipeline, Cerrito - Popayan compressors to guarantee stable consumption in the mayor population centers for the next 10 or 20 years.</p> <p>What does the Energy and Mining Planning Unit seek? Maintain, knowing that the main production centers such as Cusiana and Cupiaga and Ballena in La Guajira are decreasing. The construction of a second regasifying plant is being proposed not now in the Atlantic but in the Pacific which will be the projects that are down below, the No-IPAT projects and the construction in red in the map, we see, goes from Buenaventura to Yumbo to deliver gas to the center of the country. We want to participate in those two projects, but those are open bids. What do we have in our forecast? The first four</p>

projects, those that I read initially are going to be included in our network, so we have an opportunity and we have them contemplated as essential projects for our CapEx in the next five years.

The other two projects are the ones we are seeing. In fact, we already have tasks done with the National Planning Department and the Ministry of Finance in which they have approved an important credit limit for additional debt if we win those projects. We do not need additional debt if we build the first 4. We can do those with cash. The regasifying plant, given its size, and the Buenaventura - Yumbo gas pipeline that has important investments, would affect the company's borrowing capacity. But we have contemplated this; we were granted a credit limit of up to an additional 460 million dollars to withdraw from in the next 5 years. So, we have covered this.

Let's continue to the next chapter. I can basically tell you how we are doing in financial terms.

The first graphs basically tell us about TGI's capacity in operative matters. Well, we basically have the same network; 4000 kilometers, an increase of 754 million cubic feet in 3Q 2017 of capacity and that is basically because the new DMT of the western part of the Company came in, which was previously held by Ecopetrol. Now it is in our hands; not Ecopetrol but BTDO. Its in our hands and that adds to our capacity. This is why in some items we see that the load capacity decreased, but basically it is because of that.

The transported volume. It is important that we focus on the transported volume versus what we saw in previous years, that it has decreased but it is basically due to the phenomena of the effect, the effect of the phenomena of "El Niño". In 2015 and 2016 we experienced the "El Niño" phenomena; in 2016 only 5 months, but we had it. This means that we are seeing less volume in 2017; which meant a small decrease of our income that we will see further below.

Who are our main clients? We continue with the main clients that are basically domestic consumption distributors, small industries and everything is through distributors. The refinery matter continues to be stable. The thermal matter fell versus 2016 because of what I told you about the "El Niño" phenomena. The thermal plants were on until June 2016 and this year we have not had these volumes. Our main clients continue to be Ecopetrol, Gas Natural and Gases de Occidente.

Now, the financial subject, which is what I was telling you about. The revenue subject. We see a drop of almost 20 million dollars that is basically because of two effects: first, the fall in consumed volumes. It is because of the "El Niño" phenomena; because the thermal plants were consuming a very important percentage, which more or less corresponds to 10 million dollars. The other 10 million dollars are explained because of the suspensions. What is a suspension? Distributors have the contractual power to suspend the operation for up to 30 days per year for maintenance, upgrades, etc. Estimated as of the close, until September we had 6.5 million dollars from suspensions and we project that by the end of the year, the suspensions with respect to the total income of the company will be 10 million dollars. Therefore, basically our income is affected by the suspensions and because of a lower volume of the networks. For 2018, we have better figures because Cusiana - Apiay - Ocoa will be accounted for and two other projects that, and the Mariquita Loop, not the Armenia Loop, which will account for 10 or 15 million dollars.

Regarding margins. The EBITDA margin, despite that we have less income, has not fallen significantly. We were close to the figures we had between 2013 and 2014. About 80%. We hope to close 2017 with 79%, very close to what is in the 3Q. We have less income, but costs and expenses have not increased significantly, which is what keeps a margin very close to that of 2016.

There are two important matters that I would like to mention. One is the subject of the



payments we made in 3Q of the debt we had. We paid 100 million dollars of the syndicated loan, which is an inheritance from IELAH and we paid 110 million in coverages that we had as commitment. It does not appear for October 2017 but I'm letting you know about this now. We paid 110 million dollars of coverage, which gives us better indebtedness ratios with respect to the total debt over EBITDA and the covenant we had, but that is suspended because it has an investment rating with the bond of 750 million dollars that is the senior debt over EBITDA. That is the only commitment or financial covenant we currently have; but that currently is suspended because of the investment rating that we get from rating agencies. Three rating agencies, the last was Standard & Poors, this quarter gave us, we keep our rating and we were certified in the investment grade.

What else can I tell you.

Now, the new projects.

We had new projects that are currently different than...let's continue...here

Other than the 4 projects that I told you about that are the IPAT which are included in the Supply Plan that we have included in the 2018 budget, we have started in many of them with engineering studies, consulting and everything for the regasifying plant that would be the two additional with which we would be participating in the bid; nevertheless, we are making important investments because we want to participate in these two additional projects. Other than those, we were talking about Cusiana Phase III that has a cost of 31.5 million dollars and that we hope it will start towards the end of this year. This was not included in the 3Q but it will be included next month. Loop Armenia; this means, what does this mean? this means more income for 2018. The Armenia Loop in 24.3 will start on the first quarter of 2018 and a little or more income for TGI.

We have Cusiana – Apiay – Ocoa – Villaviencio – Ocoa that starts in June 2018 and will be more income for TGI. Here we have included the dates that we have indicated; here is when we completed, but we have to do tests and everything. But when it is effective to be able to charge is as of the dates that I am telling you.

We have Cusiana Phase IV that up till now we are conducting some tests and regulatory replacements.

Other than that, we have those that we said initially that are 4 IPAT projects and 2 Non-IPAT projects. This is where we are currently and in what we are focusing. All of that is part of the 2018 budget in which we expect also, we will talk about that in our next meeting, but we expect an important increase in the income. We are also going to make some adjustments in costs and expenses, but not decreasing but maintaining the same costs and expenses. With respect to the financial matters, next year we expect to continue paying the IELAH syndicated loan; we will be making a debt management operation and for the bond, and finally, towards the end of the year, we will start looking for new resources for the IPAT projects and expansion projects that were the last ones I spoke about, specially Cusiana Phase IV and the infrastructure replacements.

With respect to TGI.

I am available to respond any questions.

**Operator:**

Thank you.

We will now begin the questions and answer session. If you have a question please press star then 1 on your touch tone phone. If you wish to be removed from the queue please press the pound sign or the hash key. If you are using a speaker phone you may now, you may need to pick up the handset first before

pressing the numbers. Once again, if you have a question, please press star then 1 on your touch tone phone.

We have a question from Diego Buitrago from Bancolombia.

Diego go ahead.

**Mr. Diego Buitrago:**

Good morning, thank you for the presentation. I have a couple of questions. The first is related to the issue of why is there a common factor in the delay in start of operation of the projects that you have in the pipeline, lets say, this year so far and since last year we have seen how those dates have been extending the start of operations date and I would like to know maybe if there is something specific that has made those schedules to change which respect to what was established before. The second is if you could summarize in two or three points which are the hottest issues that TGI is considering with respect to the regulatory proposal of CREG that is currently valid with respect to the comments you are sending. What concerns you about that regulation and that regulatory proposal? And the third is related to the regasifying plant projects. Is TGI evaluated with which partner it will do the project? and maybe, what comments does TGI have with respect to recent resolutions from CREG with the process conditions, the bidding process that is going to start for that project and when do you expect that that bidding will take place?

**Mr. Flórez:**

Ok, good morning. So I will answer in order. Firstly, the projects have experienced delays. We have had problems, well, its not typical, but we have had problems with contractors. In two of the projects we have changed contractor. We believe that the dates we have in this presentation are the final dates. In other projects, we had a delivery of some compressors and everything was complicated also because of the weather conditions in the United States; it was a problem for a couple of months; we are trying to apply the insurance issues for those projects because of the hurricane; I don't remember which one, New Orleans, not New Orleans, but the one in Dallas, I think; and it was there were one of the assembly plan, so this was delayed for a few months.

But what do we believe: that the dates we have in this last presentation are final. Many of the projects well advanced and we are expecting that for the 2018 budget they will start operations; one in February, the others in June and those that are going to take longer we have contemplated to continue to do investments and disbursements for the remainder of the year. We are adapting with this and we believe that in the end we will meet the timings. That is the first



question, the first question.

What was the second question?

The second is the regulatory proposal.

Ah, ok, what is our concern?

Our concern is clearly that in Resolutions 090 and 095 they are lowering 500 basics with respect to what is currently being remunerated. We send many comments. Last year we hired an expert in regulation called Quantum. They made important comments and we are hiring experts in the subject for issues of; they are academic issues with respect to the management of the CAPM methodology and we believe they have errors. Nevertheless, in our projections we have stipulated what I told you, the most conservative scenario and the most conservative scenario is to maintain that fall in the rate. Our concern is that such fall is maintained but, nevertheless, we are projecting 500 basics with that fall and that is why we are pushing all new projects that would provide us or would signify a lifeline, well not even a lifeline because if we end up with no projects this will not affect the company significantly. What do we want? We do not want to see a significant drop in 2019 and for that we included all of these new projects and above all, the IPAT projects that have a 100% or 99% probability that we will win them, the 4 I told you about plus those that are at the end of the presentation. We are contemplating all of this; we have made analysis, we hired the best, we are looking to talk with the CREG so that the impact is not that big; nevertheless, we are making projections with the most conservative scenario.

And the third point, ah, the regasifying plant.

How are we doing?

We are looking for a strategic partner. I think we are close to signing with a strategic partner. We have been looking for the best. We hired a consulting firm from Boston Consulting Group for this search of a strategic partner. We are working together with the Regulatory Department in issues with the Energy and Gas Regulatory Commission. We have hired engineering studies, the ports issues, the social, environmental issues, because let's remember that the subject of the regasifying plant is associated to the Yumbo - Mariquita - Yumbo - Buenaventura pipeline and they have important issues for the construction in social and environmental matters. So we are also putting a lot of emphasis in these issues and which are the timings established by the CREG and if they would be logical timings to meet. We are working with all the teams. We have the Commercial

Development Vice-presidency very focused in this subject and we believe that we have very well defined timings according to the initial deadlines established by the CREG. And what are we working with? We are working with those timings. What do we believe? That the timings will be extended a bit and this will give us more time to [...].

**Mr. Buitrago:**

Ok. In this respect, it's only, the first, with respect to the regasifying plant, When do you expect that the first bid will take place?

**Mr. Flórez:**

No, we expect that the terms of reference will come out next year, but this is yet not final, but we are working on that.

**Mr. Buitrago:**

And the second, is, what are the expectations you have for the demand of gas for next year? Taking into account that if this year, lets say, that there was a base effect with respect to the previous year because of the "El Niño" phenomena, lets say that we are stabilizing the last quarters, but looking at 2018 with respect to what we have today, what do we expect?

**Mr. Flórez:**

Look, we are forecasting, what are we forecasting for 2018? More income, but because of the start of the projects. Remember that everything is basically because of the capacity. If Cusiana Phase III as well as the Armenia Loop are included in the financial statements, well, that is an important increase in the income. But in volume, we are managing UPME's medium scenario that is basically the same volumes. A very small natural growth, that is the minimum residential and commercial subject less than 2 or 3%. That is what we hope for 2018. We don't believe, but remember also that our, most of our cars are 90/10, so the matter of the volume affects when they are significant volumes. So, there is no problem. The "El Niño" phenomena could affect us, but we are, oh, and we are being super conservative because we are not including the "El Niño" phenomena which we had included in 2017. At this time, we are not including the "El Niño" phenomena.

**Mr. Buitrago:**

Ok. An lastly, taking advantage of the space: and is about the other projects in the supply plan that are different than the regasifying plant and the Yumbo - Buenaventura pipeline, which are related to TGI's network, Can we now take into consideration that these projects will be developed by TGI?, or, How does this subject work?

<b>Mr. Flórez:</b>	Well, How does this work in reality? Because they are embedded in our network you have more, you have the first option. If you present a project to the CREG and this project costs X amount, then they first make an estimation. This project costs X and is done X way and these are the timings. CREG can tell you that you have a certain time to study the project and they can say: no, look, for me it costs X, I can remunerate X, I don't know, 10 million dollars, I said it cost 11. I have 5 days to say yes or no. Generally, how do we do this? We have this contemplated with a probability of 99% that this will be included in our CapEx. Why? Because we are a company that needs to grow and all of these expansion projects are necessary for our stable grown in the long term. So, this is why we have this contemplated; we have the first option and we do not have any reason to do them.
<b>Operator:</b>	Thank you. Next question, Daniel Sanin from Scotiabank. Daniel, go ahead.
<b>Mr. Sanin:</b>	Good morning, thank you. My question is centered in debt management. What alternatives have you contemplated? Do you expect to issue a new bond, senior debts? And more or less what are the timings you are handling?
<b>Mr. Flórez:</b>	Hello Daniel. So, basically, all the banks know, but I will clarify this. We are thinking of a debt management operation for the bond. It is a Plain Vanilla. We are starting in 2018 to extend it in 10 years plus the 750-million-dollar bond. 750 times 750, we are looking for a new term of 10 million, of additional 10 million. That is, to have a close as of 2028. That with respect to the 750. The syndicated loan and the A we have left in 84 million dollars; we expect to pay it off next year with cash from the company's operation. And towards the end of the year, we hope to come out with... it all depends also on the projects and the timings of the UPME and with the opening of the bids and all; we believe that we will need between 200 and 250 million dollars initially, but that would be for disbursements as of 2019, that is, to start the search for funds in one year and we would need the disbursements as of 2019. We believe that it could be initially through a syndicated loan.
<b>Operator:</b>	Thank you. We have no further questions at this time. I will now turn the call over to Mr. Martín Mejía, Cálidda CFO. Please Mr. Mejía, go ahead.
<b>Sr. Mejía:</b>	Ok. Thank you. Good morning everyone and thank you for joining us today on behalf of the company we would like to welcome to the Cálidda 3Q 2017 results call. My name is Martín Mejía and I am the CFO of Cálidda. I would like to start this presentation by giving you an overview of our business achievements. We have concluded the 3Q of the year with better than expected results. Our



EBITDA was 106 million dollars which is 12% higher than the 3Q of last year's result, which was 94 million dollars. In addition, our objective EBITDA margin increase from 57% to 64% mainly due to the higher distribution revenues within our related clients.

I would also like to mention that we connected more than 94000 customers to our distribution system which sets a significant milestone to Cálidda because we now have composed our net of clients with more than 500000 clients. Thanks of this performance we now have more than 2200000 people that benefit from the use of natural gas in the city Lima and Callao.

Also I want to share with you the important progress that Cálidda has made with the implementation of our business strategy by defining the totals of our new commercial approach. We have [...] different potential markets and are in the process of developing energy driving solutions according to each market needs. A proof of this progress is that we have sold over 10000 domestic natural gas appliances since May and we are expecting to close the year with more than 21000 sales. In addition to the sales of these natural gas appliances we continue to provide energy solutions and valuable proposals to our residential, commercial and industrial clients.

Please, follow me inside of the presentation. In the first slide we find our highlights of this 3Q 2017. On the right side of the slide you will find two charts in which you will see our key operational and financial results comparing the figures obtained as of this 3Q 2017 with the 3Q 2016.

Regarding the operational results, at the end of September 2017 we reached a total of 534000 clients adding around 117000 clients since the 3Q 2016. This means a 28% increase in our client's base over the past years. Taking into consideration this additional number of clients, in bold has an increase of 4% compared to the 3Q 2016 add to the total of 762000000 million cubic per day. In the case of our network [...] it has reached a total of eight thousand one hundred twelve kilometers of new infrastructure which means an increase of nine hundred fifty-five kilometers in a year.

Regarding our financial results which are in the second chart of the bottom right, we have obtained a total of 425 million dollars in revenues. Also total adjusted revenues which our revenues less pass-through concept as explained in the notes 3 of this chart, reach a total 165 million dollars. Both if you compare with the figures obtained in the 3Q 2016 has an increment of 6% and 70% respectively.

As for our DVA, as I have already mentioned, a total 106 million dollars which is 12% over the EBITDA obtained last year.

In the next slide you will find our commercial performance. As of 3Q 2017 Cálidda has connected more than 533000 clients in the residential segment in 22. Two districts within Lima and Callao. Out of which more than 94000 clients were connected to Cálidda's distribution system during this 2017.

We also have connected more than 6800 commercial clients out of which over 800 were connected during the last 9 months.

As it was mentioned in the previous conference call, since last year the majority of the new residential clients have benefited by 2 subsidies established by the Colombian government in order to give total access to the natural gas in Peru. Covering up to the 100% of the total connection costs. These are the promotional discounts and the "bonogas" which is denominated by the FISE.

Up to the 90% of the households have their connection costs subsidized, which is a better result for us because this allows us to connect more clients in the following month.

If you will go to the next slide, you will find the connection performance of our 3 main client segments in terms of invoice volume.

In the power generation segment, there has been no thermic plant connection this year. Our two co-generation clients have been connected.

In the case of the Industrial and the NGV segment, 29 industries and 12 NGV stations have joined our distribution system during the last semester.

It is important to mention that NGV stations supply natural gas to more than 180.000 vehicles in the city of Lima and Callao .

Please follow me to the next slide in which you will see our Cálidda's historic invoiced volume as of September 2017. As you can observe in the graphic, during the last nine months the invoiced volume reached a total of 752 million cubic feet per day, which is 31 million cubic feet per day more than the invoiced volume of the third quarter of 2016.

The main explanation of this increment is the additional invoiced volume from the Industrial and Power Generation segments, which increased by 8% and 2% respectively.

It is important to mention that 79% of the total invoiced volume correspond to a pay-per-pay, which minimized the impact of volume volatility derived from the seasonal effect on volume demand from the Power Generation segment.

Moving on to the next slide you will find our invoiced volume breakdown by client segment in four charts. As you may see the most important increment in terms of volume comes from the Power Generation and the Industrial segments with 13 million cubic feet and 9 million cubic feet respectively.

However, in terms of growth percentage, the most dynamic segment was the Residential and Commercial sector in which the invoiced volume increased by 35% explained by the successful of more than 94.000 new customers to our network link.

In the next slide, you will see our historic operational performance as of the third quarter 2017. As you can see in the first graph to the left, at the end of the third quarter 2017 Cálidda's distribution system reached an extension of 8.112 kilometers of underground pipelines. We have constructed more than 30 kilometers of steel high pressure network, and 657 of polyethylene low pressure network during the last nine months.

In the second chart you will find Cálidda's network efficiency, which is calculated by quantifying the connected clients over the number of potential clients located in front of Cálidda's network. This efficiency ratio increased by 7.3% which allowed raising the network penetration rate up to the 66%.

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As a reminder, our concession network has more than 2.5 million households which are available to connect now. We have a total penetration considering this number of 20% of the total clients that we can have now if we extend our network link.

In the next slide please, you will find our operational performance as may see in the first chart at the left, the natural gas volume that Cálidda transport inside of the distribution system which is less than the maximum capacity of our distribution network, which is 420 million cubic feet per day. During the first semester of 2017 the volume of natural gas transported by our distribution network was 249 million cubic feet per day which represents only a 59% of the total capacity that we have in our distribution network.

From this volume transported, 149 correspond to regulated clients, which are clients who have contracted Cálidda for the supply of natural gas, the



transportation and the distribution services.

This volume compared to the gas supply and the gas transportation contracted by Cálidda within Plus Petrol and TGP represents only 65% and 67% respectively of the total contracted volume and capacity.

We also have independent clients located in the north and the south of our city gates at Lurín which have contracted with Cálidda only the distribution system and have consumed 100 million cubic feet per day and 263 million cubic feet per day during this third quarter respectively. These independent clients are mainly large power generators with Take-or-Pay contracts now available until the end of the concession which is in the year 2033. In total, Cálidda's distributed volume amounted 512 million cubic feet per day.

Well, next topic is the financial performance which is in the next slide. As you will see that in this three graphs that represent our invoice volume, our distribution network revenues, and our adjusted revenue for 2017, you will see in the first pie to the left that the residential and commercial segment is only 2% in terms of invoiced volume. However, if you see the second pie in the middle; in terms of distribution revenues this segment represents 12% and in the third pie to the right, in which we add to this segment the installation service made by Cálidda the residential and commercial segment represent the 36% of our adjusted revenues. On the other hand, while Power Generation represents 74% of the invoiced volume, this segment relevance comes down to 50% when analyzing our distribution revenues and to 34% of our adjusted revenues.

This shows that the Residential and Commercial segment and the Power Generation segment are equally important in terms of adjust the revenues for the company.

Other revenues represent 5% of our adjusted revenues and it's mainly explained by pipeline relocation service and client's connection fee that are other incomes that we received year by year.

In the case of the next slide, we see the continuation of the financial, next please; at the end of September 2017, last twelve months total revenues were 550.000 million dollars including pass-through and IFRIC 12 revenues which represent a 5% increase compared to last year's results. Last year's adjusted revenues also increased by 5% from 207 million dollars to 217 million dollars.

On the second chart to the right you can see Cálidda's historic EBITDA which was as of the last twelve months 136 million dollars, showing a steady increase since

2011.

In the third chart bottom left, Funds from Operations calculated as a net profit plus depreciation and amortization from the last twelve months were 95 million dollars.

And in the last chart bottom right we can find the Debt and Net Debt to EBITDA ratio. As you can see we have maintained our debt to EBITDA ratio below the administration's 3.5 times target and closed last semester with a ratio of 2.9 times our EBITDA.

When in compared to the 2015 results, the increase was due to the new financing contract signed in May which will allow us to continue expanding our distribution network. This new financing was 18 million dollars and was disbursed in the month of May.

To sum up in the next two you will find more key financial matrix. There reviews that our financial performance over the last five years is consistent with the company's vision as expected results of our shareholders.

On slide 18 you will find debt indicators and ratios such as Total Debt which is 400 million, the financing related costs, the debt to capitalization ratio, interest coverage which is 80.5 times our EBITDA and funds from operation to net debt.

And in the next slide you will find our balance sheet and investment indicators such as the Total Assets which are close with 80 million dollars, our Equity, our Net Income which some 61 million dollars of the Net Income and the CapEx of 80 million dollars over the last past few months.

Well, with this said I would like to end this presentation by mentioning that 2017 will be a year that will mark our transition towards a more robust business model and close to the needs of our customers.

We anticipate that this process will be followed by an evolution in the financial performance of our company that will be reflected in the sustained increase of our revenues and profitability.

In this sense, it is important to mention that the results of this third quarter shows that we continue on track to meet our annual targets which includes the connection of more than 120.000 clients to our distribution network and to achieve an EBITDA of more than 130 million dollars this year.

Well thank you for all, for for your time to stay here with us in this call and we open the session to attend any questions you may have.

**Operator:**

Thank you. We will now begin the questions session. If you have questions, please



press "star" then o"1" on your touchstone phone. If you wish to be removed from the queue please press the # with the hash key.

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

Once again, if you have questions please press "star" then o"1" on your touchstone phone.

Next question comes from Andres Duarte of Corficolombiana.

Andrés, go ahead.

**Sr. Duarte**

Hello, thank you for the presentation and congratulations for your classification for the World Cup. Thank you. The whole country must be pretty happy right now.

**Mr. Mejía**

I have problems with that voice.

**Sr. Duarte**

Ok. So, congratulations again. I have three questions.

The first one is, I wanted to know what explains the drop on GNV volumes sold?

This is only a 1% drop but anyway I wanted to know what happened there.

The second question is related to the tariff revisions that you are expecting in Peru.

Given the excellent results that you guys have been having in terms of EBITDA margin, I was just..you had your EBITDA margin is above 64% as far as I can tell. If you considered that this might be an incentive for the regulator to a bit more demanding when this tariff revision was to be taking place and specially because of the capital expenditures that you guys have had since 2014 have been pretty stable.

Finally, the third question is just as you have been mentioning that this company, I mean, you're expecting like a, to have like a new face of the company from 2016 onwards, I was wondering what are your expectations in terms of return on equity, what are your expectations in terms of the payout ratio that you guys expected to have from now on and if you had any considerations when taking a look at the debt if you had restrictions related to capital structure, specially like thinking on the following years, if you had like a capital structure optimal level that you expected to use.

Thank you very much.

**Mr. Mejía**

Thank you for your questions.

First, regarding the NGC volume; now we have as it was mentioned during the presentation now we have consuming around 180.000 vehicles in Lima and Callao.

We are working now with our commercial area in order to increase this number of

vehicles and for that we have an strategy working with the government because the government is now working in order to massify the uses of natural gas and one of the points that the government has regarding the vehicles is that they want to increase the consume of NGV for different reasons. Like the environmental reasons, for example, and we have a campaign now in the media in order to increase this volume in the following months.

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First, regarding the NGC volume; now we have as it was mentioned during the presentation now we have consuming around 180.000 vehicles in Lima and Callao. We are working now with our commercial area in order to increase this number of vehicles and for that we have an strategy working with the government because the government is now working in order to massify the uses of natural gas and one of the points that the government has regarding the vehicles is that they want to increase the consume of NGV for different reasons. Like the environmental reasons, for example, and we have a campaign now in the media in order to increase this volume in the following months.

Thank you for your questions.

First, regarding the NGC volume; now we have as it was mentioned during the presentation now we have consuming around 180.000 vehicles in Lima and Callao. We are working now with our commercial area in order to increase this number of vehicles and for that we have an strategy working with the government because the government is now working in order to massify the uses of natural gas and one of the points that the government has regarding the vehicles is that they want to increase the consume of NGV for different reasons. Like the environmental reasons, for example, and we have a campaign now in the media in order to increase this volume in the following months.

The government has launched a subsidy for the connections which is one of the problems that we have now to connect more clients and this subsidy will be used in the following months in order to connect more vehicles and consume natural gas.

Regarding the studies, as you know, this year we have started the negotiation of the new tariff that will be in place since May 2018. For this we presented our investment plan for the government. After the approval of this investment plan, the government will apply the regulation that we have to pick the tariff which is very simple and is established and we have used this study regulation in 2 times in



the past.

We expected that the tariffs will be increased because we are investing in the following years around 500 million dollars and this is for the residential clients, and as you know, the volume is not the residential clients, which is, the volume is, we have more power generator clients connected to our network. But in the future all investment that we are going to do is to connect more residential clients. And this will not decrease the volume and we expect that the next in this process the tariff will be increased in 10% but this is not a problem for us because the competitiveness versus the substitutes that we have is more than 40% now.

And in the case of the ratios for distribution we don't have any restrictions established in our contract, but the company is always thinking about to not surpass that 3.5 times the Net Debt EBITDA ratio and in the following months for this 500 million dollars of new investment we are going to require in the market around the 300 million dollars and considering this new 300 million dollars, we are not going to surpass this 3.5% EBITDA ratio.

And, that's it. I don't know if it's good for you or you need more information.

**Operator**

Next question is Ricardo Sandoval from Davivienda Corredores.

Ricardo go ahead.

**Sr. Sandoval**

Hi. Thank you for the presentation and I have two questions. The first is related to the EBITDA margin.

I see an increase 400 points in EBITDA margin but I would to maybe explain a little bit more why is this increase? If there are maybe not current FX or something like that.

And the second question, is in the investor day of Cálidda you told us that a campaign for increase the per capita consumption in the residential and commercial segment were launched and I was wondering how are you doing with this campaign and if you are maybe watching an increase in the per capital consumption.

Thank you.

**Mr. Mejía**

Well, thank you.

Well, regarding the EBITDA margin, the incremental we have this year are mainly two sources. The first is the volume of natural gas. We are distributing around 752 million cubic feet per day now and in the last year we closed with 740 million cubic feet per day and this is part of this increase.

And the other increase is that we are connected more clients, that as you know the connections, the house connections are another [...] that Cálidda have and in the past year we connected around 96 thousand new residential clients and this year we are going to close with more than 120 thousand new clients.

This is the reason of the increase of our EBITDA margin.

We hope that the next year we are going to increase the, we hope that this year we are going to close with 134 million dollars in EBITDA and the next year will increase that more than 140 million dollars considering the investment that we are going to do in the next year.

Regarding the consume per capita of the residential and commercial segment we are working to increase that and for that we are, we have an strategy to do not, to connect not only one connection in the house. We are connecting now two connections and for that we are selling the gas appliances like the water, the whole water appliance and the kitchen and other appliances that we can allow us to increase the volume in the residential and commercial segment. And this is the reason.

And in the commercial we are thinking about some, we are in deciding some hubs with a lot consume like hospitals. We are going to connect around 12 hospitals in the future which will increase our volume consume in the following months. But these 12 hospitals will be connected in the following six months.

**Operator**

We have no further questions at this time.

As a reminder the financial results presentation and additional information are available in the investor relations section in the website.

Thank you ladies and gentlemen.

This concludes today's conference.

Thank you for participating.

You may now disconnect.