

Operator: Welcome to TGI and Cálidda earning results conference call for the third quarter 2018. My name is Freddy and I will be your operator for today's call. At this time, all participants are in a listen-only mode.

This conference will be divided into two parts. One, Cálidda's presentation and Q&A and after TGI's presentation and Q&A.

During the question and answer session, if you have a question please press * and then 1 on your touch tone phone. Please note that this conference is being recorded.

I will now turn the call over to Martin Mejia, Cálidda's CFO. Mr. Mejia, you may now begin.

Martin Mejia: Thank you. Good morning everyone and thank you for joining us today. On behalf of our company, I would like to welcome you to the Cálidda's third quarter of 2018 results call. As it was mentioned, my name is Martin Mejia. I'm the Chief Financial Officer of Cálidda.

I would like to start this presentation by giving you an overview of our business achievements. First of all, as we mentioned in the previous call, during this first semester of 2018 and according to the schedule established by the Peruvian authorities we have concluded with our distribution tariff process review, having incorporated in our tariff around 320 million USD in additional investments to expand our distribution network in almost 3,500 new kilometers during these next four years. This new infrastructure will allow us to connect more than 3,500 new clients and to reach more than one million clients by the year 2022.

It is important to mention that despite the average distribution tariff increase in 12% since May 2018, the final client cost has only increased by 2% in the last months, considering the distribution tariff being less relevant than the other components of the final tariff, as they are the natural gas tariffs and the transportation service tariffs. The difference with the other alternative fuels has been maintained between 37% and 75%, depending on the client's segment in which you compare that.

Regarding our commercial performance, I would like to mention that as of September 2018 we have connected more than 130,000 new customers through our distribution system, showing an increase of 36% when compared with the same period of 2017. It is also important to mention that as a consequence of such increase in connections and according to our commercial strategy, we have sold around 37,000 connections with two consumption points and 31,000 natural gas appliances, providing value adding to our residential, commercial and industrial clients.

This is a brief introduction of the results that we had in this third quarter and after this introduction I will give the floor to Mr. Alvaro Roca in order to continue with this presentation.

Alvaro Roca: Thank you, Martin. Please move to page 5 to show you our key results obtained as of the third quarter of 2018. At the bottom of the slide you will find two charts which contain our key operational and financial results.

Regarding the key operational results, as of September this year we reached almost 707,000 clients. Almost 173,000 within the last twelve months. This means a 32% increase in our client base and a new milestone for Cálidda in its way to the massification of natural gas within Lima and Callao.

Taking in consideration this additional number of clients, the invoiced volume increased 2% compared to last year's results, up to a total of 774 million cubic feet per day.

In the case of our network length, it grew by 14% and attained a total of 9,289 kilometers of underground pipeline structure, which means an increase of more than 1,100 kilometers in the last twelve months.

Regarding our financial results, we are in the second chart on the bottom right, we obtained a total of 475 million dollars in revenues. Also, total adjusted revenues, which are our revenues less pass/through concepts, as explained in note 4, reached a total of 197 million dollars. Both, when compared to last year results, had an increment of 12% and 19% respectively.

Meanwhile our EBITDA totaled 113 million dollars, which represents an increase of 7% mainly due to higher distribution revenues, due to effect of both the invoiced volume and the increase of the approved distribution tariff by Osinergmin since the beginning of May.

Well, I will now hand over to Miss Ana Bazan in order to continue this presentation with the detail of the commercial and operational results.

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

At first, you can see the overall development of our client dispositive. Regarding the power generation segment, Cálidda has connected 22 clients, out of which three were connected to Cálidda's distribution system during the last twelve months.

About the industrial segment, Cálidda reached 607 industrial clients, out of which 43 clients were connected to Cálidda's distribution system in the last twelve months.

In the case of NGV segment, 18 NGV stations joined our distribution system during the last twelve months, reaching a total of 270 stations. It is important to mention that NGV stations supply natural gas to more than 181,000 vehicles in the city of Lima and Callao.

Finally, in the case of the residential segment, up to the end of the third quarter of 2018 Cálidda has connected almost 698,000 clients in 22 districts within Lima and Callao, out of which more than 171,000 were connected to Cálidda's distribution system during the last twelve months.

We also have connected almost 8,000 commercial clients, out of which more than 1,600 clients were connected during the same period.

As it was mentioned in a previous conference call, since July 2016 most of the new residential clients have benefited by two subsidies established by the government to give general and inclusive access to natural gas in Peru, covering up to 100% of the connection costs and up to 97% of households have the connection costs subsidized.

Please follow me to the next slide to see Cálidda historic invoiced volume as of the third quarter of 2018.

As shown in the graphics, the third quarter 2018's invoiced volume reached a total of 774 million cubic feet per day, which is 16 cubic feet per day more than the invoiced as of the third quarter of 2017.

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

Moving on to the next slide, you will find our invoiced volume breakdown by client segment in four graphs. In terms of growth percentage, over the third quarter 2018 the most dynamic segment was the residential and commercial segment, in which the invoiced volume increased by 23%, explained by the successful addition of 173,000 customers in the last twelve months.

Also, the NGV stations segment has an upward trend, with an increase of 8% in comparison with the third quarter of 2017.

Regarding the industrial segment, it had an increase of 2% in comparison to last year's result, while the power generation segment maintained a stable volume.

The next topic is our historic operational performance, which presents the evolution of our distribution system and our distribution supply and transportation capacity. As you can see in slide 11 in the first graph to the left, Cálidda's distribution system reached an extension of 9,289 kilometers of underground pipelines, out of which 941 kilometers were constructed during this year.

Moreover, we constructed 37 kilometers of steel high pressure network and 904 kilometers of polyethylene low pressure network over the same period. This reflects the steady investment Cálidda has made over several years in our distribution network.

In the second chart you will find Cálidda's network efficiency in terms of its penetration rate, which is calculated by quantifying the connected clients over the number of potential clients located in front of Cálidda's network. This efficiency ratio has sharply increased to a total of 76%, resulting in a 6% increment since the end of 2017 and a 10% increment when compared to the third quarter of 2017.

We have a total of 927,000 potential clients, out of which almost 706,000 are currently connected to our gas distribution system.

As a reminder, our concession area has more than 2.5 million households, evidencing that there is still a great number of potential clients that could be connected over the next years.

In the next slide you will see in the first graph to the left that the volume of natural gas distributed through our network to our regulated and independent clients was 292 million cubic feet per day, which represents 70% of our system capacity within Cálidda city gates at Lurin and Ventanilla, which is 420 million cubic feet per day. Out of this volume, 156 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 with Cálidda the supply of natural gas, the transportation and the distribution services.

This volume in terms of gas supply and transportation contracted by Cálidda with Plus Petrol and TGP respectively represents 68% of the total contracted volume.

We also have independent clients located to the south of our city gates which contracted with Cálidda the distribution service. These clients consumed 245 million cubic feet per day as of the third quarter of 2018. These independent clients are mainly power generators with take-or-pay contracts.

In total, as of the third quarter of 2018, Cálidda's distributed volume was 537 million cubic feet per day.

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

Alvaro Roca: Thank you, Ana. Please follow me with the next topic, 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 for the third quarter of 2018.

In the first pie to the left you will see that the residential and commercial segment is almost 2% in terms of invoiced volume. However, if you see the second pie in the middle, in terms of distribution revenues this segment explains close to 14% and in the third pie to the right, in which we add to the segment the revenues from the installation services provided by Cálidda, this segment represents almost 39% of our adjusted revenues.

On the other hand, while power generators represent 73% of our invoiced volume, this segment's relevance comes down to close to 50% when analyzing our distribution revenues and down to 31% when analyzing our adjusted revenues.

Other services represent 7% 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 the last twelve months. On the first graph to the left, total revenues were 629 million dollars including pass-through

revenues, which represent a 9% increase from 2018 results. Adjusted revenues also increased by 14% from 228 to 259 million dollars.

On the graph to the upper right we can see Cálidda's historic EBITDA, which amounted to 145 million dollars. It has also grown to a compound average growth rate of 15% from the last four years.

In the third chart bottom left we can see that the capital expenditures increased to 100 million dollars although the Capex adjusted revenue ratio continues its downward trend to 38%.

In the last chart bottom right funds from operations calculated as net income plus depreciation plus amortization were 94 million dollars.

In the next slide, the first chart is about the debt and net debt to Ebitda ratio. As you can appreciate, we have a slight increment of our debt to Ebitda ratio since last year from 2.9 to 3.2 times our Ebitda due to the issuance of a local bond of 200 million soles, about 61 million dollars. Funds will finance our investments in the distribution system. Despite of the issuance, this ratio continues below 3.5 times the 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; interest coverage, which is 8.5 times our Ebitda and funds from operation to net debt.

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

We also have 80 million dollars in banking debt amortization between 2019 and 2022 which is expected to be refinanced.

In summary, in the rest of our key metrics 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 300 million, our net income with some 64 million dollars within the last twelve months and our total debt, which stands at 908 million dollars.

In the next it's like you can see our current debt, amortization schedule, our equity, net income and total assets evolution, in which you will find that our indicators are consistent with the company's vision.

Well, I will now hand over to Martin Mejia in order to conclude this presentation.

Martin Mejia: Thank you, Alvaro. Well, I would like to end this presentation by mentioning that we have achieved great results as of this third quarter of 2018, highlighting the number of connections performed during this period, which are almost 129,000 new connections, remembering that in 2017 we completed only 138,000 in all 2017 and in the year 2016 we completed 96,000 new connections. This year we expect to close with more than 160,000 new clients connected to our distribution network and this in turn will allow us to attend more than 730,000 clients connected to our distribution system in our concession area, making the

Peruvian domestic natural gas market one of the most dynamic sectors in the region. This is my closing of this presentation.

Thank you for your time and we open this session to attend any question you may have.

Operator: Thank you, Mr. Mejia. 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 headset first before pressing the numbers.

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

We're currently waiting for any questions.

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

Mr. Mejia, no questions are coming through.

We'll give it another second.

Martin Mejia: Ok.

Operator: Once again, if you have any question...

Alright. We have a question from Juliana Garcia. Juliana, you can ask your question.

Juliana Garcia: Hi everyone. First, I want to say thank you for the conference and my question is about the net debt and Ebitda. Why did it increase in this third quarter? Why is it 3.2 and not 3 or less? Can you explain again please?

Martin Garcia: Yes. That's because by the end of July we issued a local bond which was about 61 million dollars. It's a ten-year bullet bond in the local market in order to finance our distribution network expansion for the year, which is around 500 million dollars. This is the investment that we are going to perform this year to increase around 1,300 new kilometers our distribution network.

Juliana Garcia: Ok. Thank you.

Martin Garcia: Ok.

Operator: Ok. We have no further questions at this time. I will now turn the call over to Sergio Gomez, TGI's Financial Planning and Control Director. Mr. Gomez, you may now begin.

Sergio Gomez: Hello everyone. Now I would like to present the third quarter 2018 results for TGI.

In terms of contents, we have key updates, operational financial performance and expansion project and then we have the question and answer session.

In terms of key updates, we have operational performance, financial performance and also expansion projects.

I'm going to focus first on operational performance. During August and July we had two agreements. The first one is Cusiana-Abasto port route subscribed with EPM and the second one was an agreement subscribed with Emgesa. The route is Cusiana-Vasconia for 2020 to 2024.

In expansion projects, we have compression unit 8 at Puente Guillermo and at the end of July we had the crossing Magdalena River, which is expected to eliminate the risk of shortage for 84 municipalities in around 8 departments. The second one is the loop Armenia, which is 37 kilometers of pipeline in capacity.

In financial performance I would like to focus in the issuance of the bond. First, we had in September 4 the approval of the extraordinary general meeting for the bond with maturity in 2028 for 750 million dollars.

Then on October 17 we successfully completed the transaction with a coverage ratio of 3.5 times. In this opportunity we got a rate reduction from 5.70 to 5.55% with maturity in 2028.

Also on September 28 and October 9 we got two confirmations from the rating agencies. The first one was on September 28 with Standard and Poor's. We got a BBB- and then Fitch Ratings confirmed the BBB rating. The outlook in both credit agencies is stable.

Going to the next slide, we have at least three main opportunities under evaluation right now. The first one is three pipelines. One is the loop Mariquita-Gualanday, the second one is Barrancabermeja-Ballena and also Yumbo-Mariquita. Those two are expected to be bidirectional.

Second, we have the regasification plant. We have divided it into two sub-projects. The first one is a regasification plant in Buenaventura and the second one is the pipeline Buenaventura-Yumbo. As everybody knows, this is just one big project.

The last one is Pradera, which is a priority project. We are expecting it to be executed in first instance by TGI.

In the right side of the slide we got the map of the network. It's the same you saw in the last presentation in terms of length of the pipelines and also we got the three natural reserves. The first one is Cusiana-Cupiagua and the second one is in the north side of the country. There are other smaller ones in Magdalena valley.

Moving to the next slide, we have financial performance. First, we have the network length. In the third quarter of 2018 we have 3,994 kilometers. The transported volume in the third quarter of 2018 is 460 and moving to the bottom left of the slide we have the capacity with a slight increase from last year in the same quarter. We had this quarter 785 million cubic feet per day.

We have increased our firm contracted capacity in the third quarter. We had 719 and the ratio of firm contracted capacity over available capacity is 92%. It's quite steady if you compare it with the last three or four years.

We have a decrease in the loss factor in the third quarter of 2018, which is 52%. It's similar to last year's, but this is mostly explained because we had an increase in the firm contracted capacity and also in the capacity, but the volume transported is quite stable so that's why the loss factor is in this number right now.

Moving to the next slide, we have the revenues. As you see, we have a predictable cash flow generation represented in revenues in 330 million dollars, a little bit more than the same quarter last year. In the bottom side of the slide we have the revenues by industry and client. If you see revenues by industry, you can see the distributor of the main industry that gives revenues to TGI, which is 64.5% for distribution, followed by refinery and commercial. Vehicular is a little bit higher in 8.2% and just 1.6 in other type of industries, so by client we have almost 80% of our revenues focused in Gases de Occidente, Ecopetrol, EPM and Isagen. The most important client for TGI is obviously, as you see in the presentation, Gas Natural. The other clients are around 21.4%.

In the next slide we have the financial performance. We have operational and management expenses. As you see, you can appreciate an increase in expenses, something around 20 million dollars compared to September 2017. This is mainly explained by increasing maintenance costs and payrolls in the Mariquita-Cali project.

Also, we have administrative expenses, which is payrolls, increasing something around 1.6 million dollars and general expenses. I would like to focus on general expenses because we have something around 2.5 million dollars. That amount is explained by the fees incurred in the liability management operation.

Moving to the upper side right, we have the operational profit, which is 193 million dollars. Net profit has decreased to 72.85 million dollars. This is mainly explained because of the deferred tax, to the FX rate variations, and this is partially offset by the positive difference in exchange rate and lower financial expenses. This is because of a partial prepayment and hedging instruments.

Then we have total assets. We have more or less the same amount of taxes compared to 2017. We have right now 2.58 billion dollars and the next one is cash and equivalents, which is 56.69 million dollars. This is explained by the change in the debt profile, which is a syndicated loan. We had a payment in September 2017 of about 100 million dollars and also in March 2018 we prepaid 44 million dollars, and also the hedging instrument, as I told you before. The PP&E is 2.19 billion dollars in September 2018, which is quite similar to the past period.

In liabilities and equity, we have liabilities of around 1.80 billion dollars and equity of 0.78 billion dollars.

In the next slide we have the debt profile, ratio total debt / Ebitda and the other ratios. In the debt profile we have a total debt of 1.2 billion dollars mainly concentrated in the bond (64%), followed by intercompany loans, which is 31.6% and then a small amount, we have IELAH with 3.4%.

In the ratio total debt over Ebitda we have 3.6 times, which is quite far from the upper limit, which is 4.8 times. Right now, as you know, we have an investment grade, so this upper limit will be not effective for the next presentation in December.

The other ratio, total debt over Ebitda, is 3.44 times and Ebitda over interest expenses is about 4.2 times.

In the third part we have growth projects. We have four main projects I would like to explain. The first one is the expansion Cusiana-Cupay-Villavicencio-Ocoa. The cost of this project is 48 million dollars, but it's almost completed. The progress is 99.7 million, but in this quarter we executed Capex of about 1.5 million and this project has already entered into operation in this quarter of 2018.

The second one is Cusiana phase four. This one is divided in two main projects. The first one is Cusiana-Vasconia, with almost 40 kilometers of loops and the second one is Puente Guillermo-Vasconia, with around 17 million cubic feet per day. The Capex for this project is 71 million dollars and the progress is 42.2%. This project has already started operation. The first part in the second quarter of 2018 with 17 million cubic feet per day. The second one is going to enter into operation in the fourth quarter of 2019 with 41 million cubic feet per day. The Capex executed in the third quarter of 2018 is something around 7 million dollars.

The other two projects in the next slide are loop Armenia, which is expected to increase the capacity in 8.28 million cubic feet per day. The project entered into operation in the second quarter of 2018, so the progress is almost 100% but we have executed Capex in the third quarter of this year by 1.2 million dollars. The total cost of the project is around 20 million dollars.

The last one is the replacement of the lines. We have ten pipelines ending their regulatory life, so with the regulatory framework and the license of the infrastructure it has been decided to replace four of those ten pipelines and continue operating the other six. In this order of ideas, the plan is to replace the four pipelines. One is the Ramal Yariguies-Puerto Wilches and the second one is the Ramal Z, which is industrial Cantagallo to Cantagallo and the Ramal Cantagallo to San Pablo. The other one is the Ramal Galan-Casabe-Yondo.

The total cost of the project is 49 million dollars, divided in 17 Capex replacement and 32 million dollars Capex of maintenance. The progress at this point is 17.6% and it is expected to be completed in the second quarter of next year. The Capex executed in this third quarter is 0.5 million dollars.

That is all. Now we are moving to the question and answer session.

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 headset first before pressing the numbers.

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

We currently don't have any questions.

We have no further questions at this time.

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

We currently don't have any questions.

Mr. Gomez?

Sergio Gomez: Yes?

Operator: We have no further questions at this time.

Sergio Gomez: Ok. Thank you.

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