CGC

# 3Q 2018 Results Presentation

November 2018

# Disclaimer

These materials have been prepared by Compañía General de Combustibles S.A. (the “Company”) and are being furnished to you solely for your information. The information contained in these materials has not been independently verified. No representation or warranty express or implied is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained herein. It is not the intention to provide, and you may not rely on these materials as providing, a complete or comprehensive analysis of the Company’s financial position, operations or prospects. Some of the information is still in draft form and is subject to verification, finalization, and change. The information contained in these materials should be considered in the context of the circumstances prevailing at the time and has not been, and will not be, updated to reflect material developments which may occur after the date of the presentation.

Certain statements contained in these materials constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, which may cause the actual results, performance or achievements of the Company to be materially different from those expressed by, or implied by the forward-looking statements in these materials. There can be no assurance that the results and events contemplated by the forward-looking statements contained in these materials will in fact occur. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we operate and are not a guarantee of future performance. Such forward-looking statements speak only as of the date on which they are made. The Company undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

The information contained herein is for discussion purposes only and this presentation does not constitute or form part of, and should not be construed as constituting or forming part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities of the Company or of any other entity, nor shall any part of this document nor the fact of its distribution form part of or be relied on in connection with any contract or investment decision relating thereto, nor does it constitute a recommendation regarding any securities of the Company or of another entity.

# Executive Summary

# Investment Highlights

CGC has strong pillars to support its strategy

1. Leading position in the Austral basin, featuring a high-quality, diversified asset portfolio in a gas prone basin.
2. Attractive oil and gas reserve base of 2P certified reserves of ~72 MMboe (78% Gas / 22% Oil) with an average life of approximately 9 years, supporting a healthy growth in production.
3. Installed infrastructure including treatment plants, pipelines and storage & delivery facilities, capable of absorbing significant growth in production.
4. Strong sponsorship of Corporación América, a multinational holding with investments in airports, energy, services, agriculture, real state, construction and technology.
5. CGC is a co-controlling partner in TGN and GasAndes, the largest and most strategic Gas Transport Infrastructure Asset in the Mid-West and North of Argentina.

# CGC at a glance

CGC is a gas prone leading independent O&G Company, with a dominant position in the Austral basin and a significant stake in the Midstream Business in the Mid-West and North of Argentina

## Overview

**Top-7**
Argentine gas producer

**Dominant position**
in the gas prone
Austral basin

**7.8 mm acres**
in concessions

**Relevant stake in midstream:**
TGN, TGM, GasAndes
*Market Cap TGN(4): US$ 734 million*
*CGC's stake:* ***US$ 169 million***

## Key Financial and Operating Metrics (5)

| *US$ million* | 2017 | 3Q18 LTM | 3Q18 YTD |
|---|---|---|---|
| **Net Sales:** | $295.5 | $488.8 | $393.8 |
| **Adj. EBITDA†:** | $80.7 | $268.9 | $220.4 |
| **Adj. EBITDA Margin:** | 27% | 55% | 56% |
| **Net Leverage(1):** | 4.5x | 1.2x | 1.2x |

| Net Production | 3Q18 |
|---|---|
| **Gas** ($Mm^3/d$) | 4,326.5 |
| **Crude Oil** (bbl/d) | 4,813.1 |
| **LPG** (bbl/d) | 648.7 |
| **Total** (boe/d) | 32,674.9 |

| Reserves(2) FY 2017 | 1P | 2P | 3P |
|---|---|---|---|
| **Gas** (MMboe) | 40.5 | 56.0 | 72.7 |
| **Oil** (MMbbls) | 10.5 | 15.4 | 21.7 |
| **Total** (MMboe) | **51.0** | **71.5** | **94.4** |
| **Reserve Life(3)** | **6.2 yr.** | **8.7 yr.** | **11.5 yr.** |

## Geographical Footprint


(1) Net Leverage calculated with a 3Q18 EBITDA basis and indebtedness as of September 30, 2018. Non-recourse ON Clase 10 is not included
(2) Calculation based on DeGolyer and MacNaughton, December 2017. (3) Based on 2017 annual production. (4) Market Capitalization of TGN as of September 30, 2018.
(5) Converted to US$ using the following period average exchange rates per US$ 1.00: AR$16.57 for 2017, AR$23.30 for 3Q18 LTM and AR$25.18 for 3Q18 YTD.
(†) Adj. EBITDA = Net Income + Financial Income (net) + D&A (incl. impairment charges on PPE) + Income Tax + Exploration Expenses + Other non-cash operating income and expenses


# 3rd Quarter 2018 Company Results

# 3rd Quarter 2018 Results Summary

Over-performing results, with a solid growth trend in Gas Production and strong EBITDA generation. LTM Adjusted EBITDA amounted to US$268.9 million

**Revenue (YTD)** (5)
**US$393.8 million**
3Q17: US$ 210.5 million

**Adj. EBITDA (YTD)** (5)
**US$220.4 million**
3Q17: US$ 38.2 million

**Gas Production**
**4,326.5 Mm$^3$/d**
3Q17: 2,829.9 Mm$^3$/d

**Oil Production**
**868.4 m$^3$/d**(1)
3Q17: 903.5 m$^3$/d(1)

**28/34**
Successful wells drilled(2)

**US$125.8 MM**
Capex (YTD) (5)

**1.18x**
Net Leverage Ratio(3)(4)

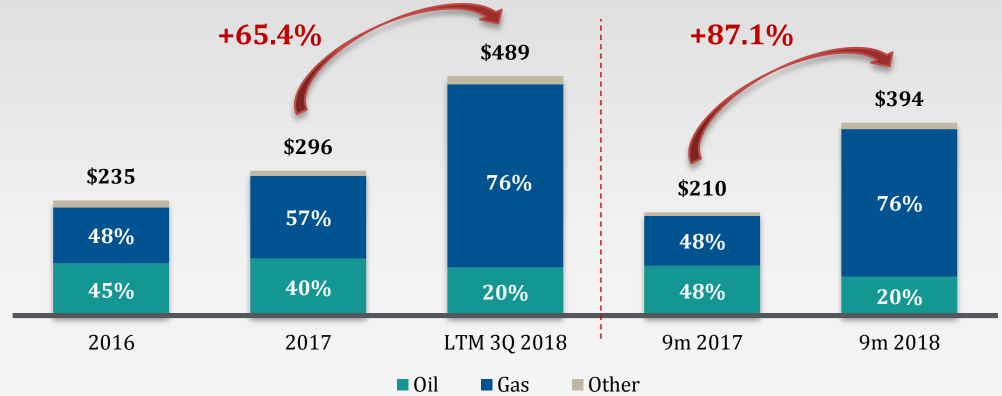
**US$318.1 MM**
Net Debt as of September, 2018(4)

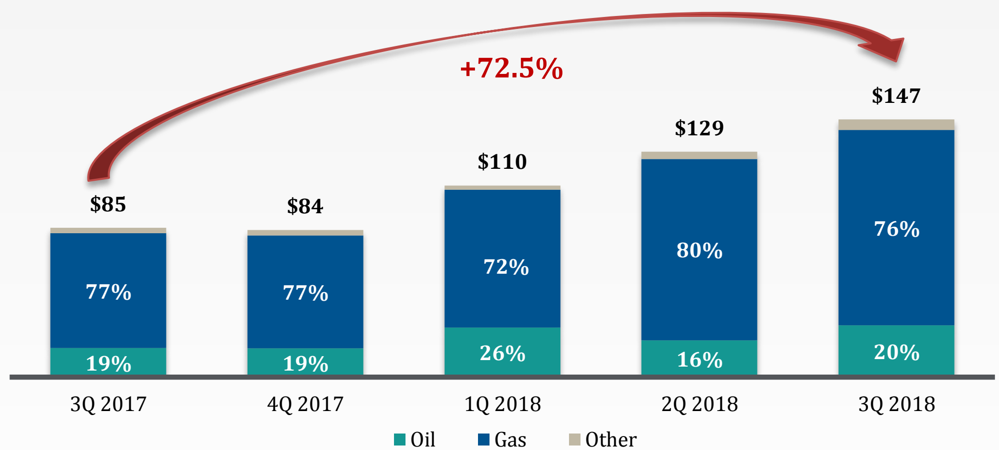
(1) Includes crude oil and LPG production.
(2) 27/28 successful development wells
(3) Net Debt to Adjusted EBITDA
(4) Non-recourse ON Clase 10 is not included. Considering this facility, Net Leverage Ratio is 1.48x.
(5) Converted to US$ using the following period average exchange rates per US$ 1.00: AR$25.18 for 3Q18 YTD.

# 3rd Quarter Net Sales

Net Revenues increased 87.1% year-over-year as of 3Q18. LTM Net Revenues increased more than 65% compared with year end 2017

**Total Net Revenues(1)(2)(3) (in US$ million)**



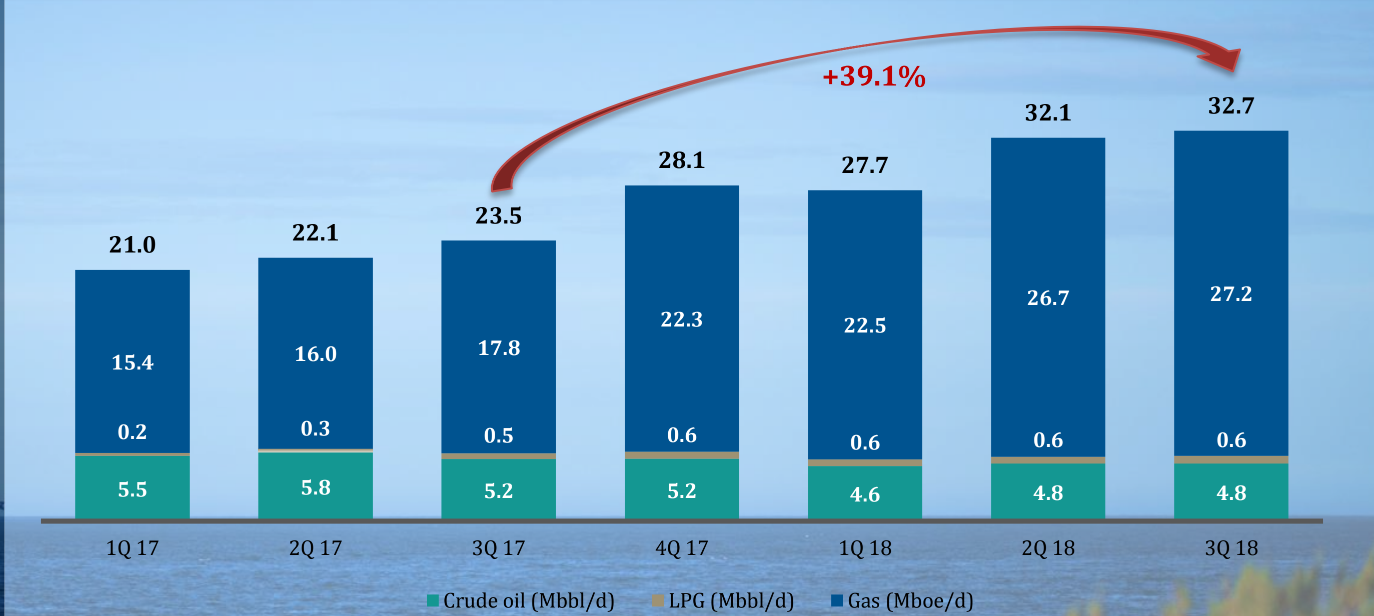

(1) Converted to US$ using the following period average exchange rates per US$ 1.00: AR$14.78 for 2016, AR$16.57 for 2017, and AR$23.30 for LTM 3Q18.
(2) Converted to US$ using the following period average exchange rates per US$ 1.00: AR$16.26 for 9m 2017 and AR$25.18 for 9m 2018.
(3) Converted to US$ using the following period average exchange rates per US$ 1.00: AR$17.29 for 3Q2017, AR$ 17.55 for 4Q2017, AR$ 19.68 for 1Q2018, AR$ 23.62 for 2Q2018 and AR$ 31.98 for 3Q2018.

# 3rd Quarter Production

Total gas production increased 53% year-over-year in 3Q18, and CGC expects to maintain this production level in the rest of 2018

- Average gas production was 4,327 Mm³ per day during 3Q18, which represented an increase of 53% in comparison with 3Q17.
- Non-conventional gas production represented 54% of CGC's total gas sales during 3Q 2018.
- Average oil production (crude + LPG) reached 868.4 m3 per day during 3Q18, a decrease of 3.9% in comparison with 3Q17, but an increase of 1.5% compared to 2Q18.

**Net average daily production (in Mboe/d)**




**Evolution of natural gas production**

2,830 Mm³/d — 3Q17

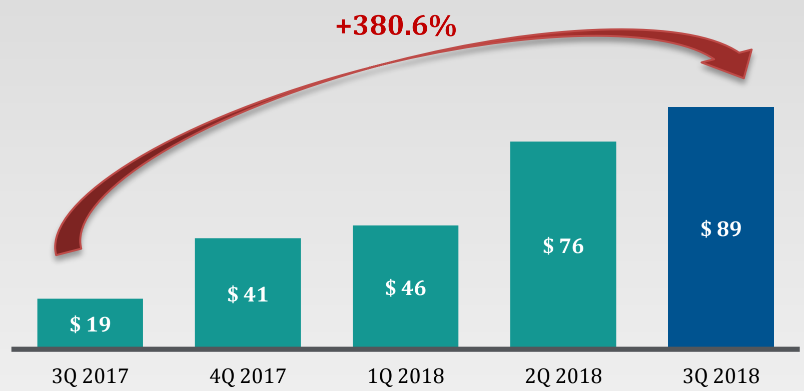
53%

4,327 Mm³/d — 3Q18

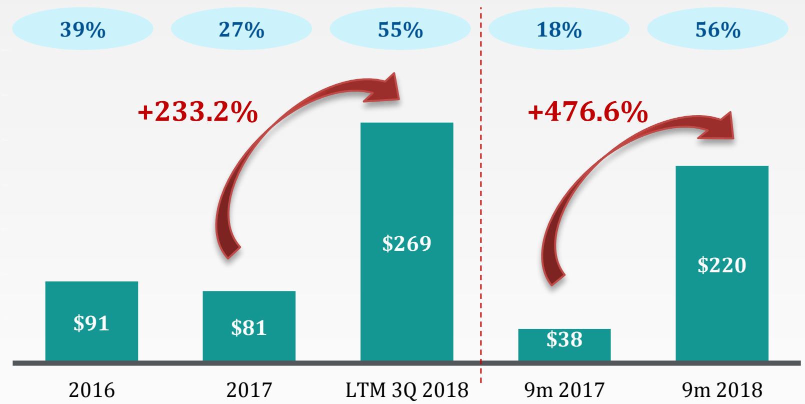
# 3rd Quarter Adjusted EBITDA

Adjusted EBITDA increased 380.6% year-over-year as of 3Q18. LTM Adjusted EBITDA reached US$268.9 million, an increase of 233.2% in comparison with year end 2017


## Quarterly Adjusted EBITDA(1) evolution (in US$ million)




## Adjusted EBITDA(2) and Adjusted EBITDA Margin evolution



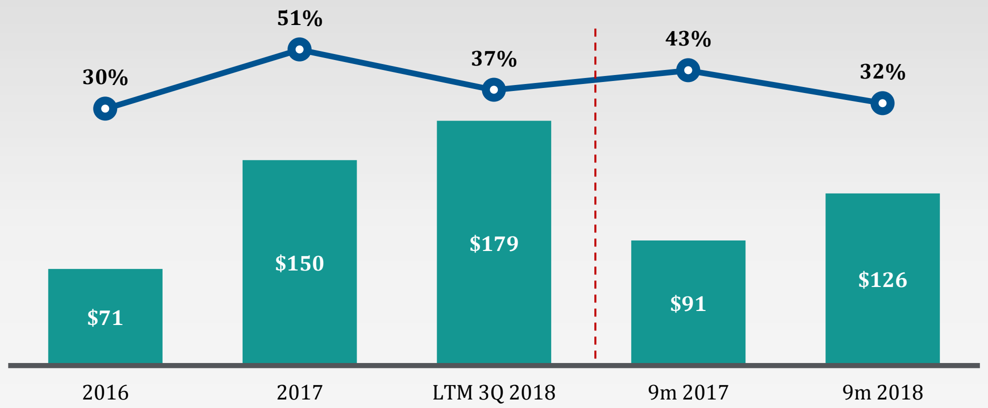

(1) Converted to US$ using the following period average exchange rates per US$1.00: AR$17.29 for 3Q2017, AR$17.55 for 4Q2017, AR$19.68 for 1Q2018, AR$23.62 for 2Q2018 and AR$31.98 for 3Q2018.

(2) Converted to US$ using the following period average exchange rates per US$ 1.00: AR$14.78 for 2016, AR$16.57 for 2017, AR$23.30 for LTM 3Q 2018, AR$16.26 for 9m 2017 and AR$25.18 for 9m 2018.

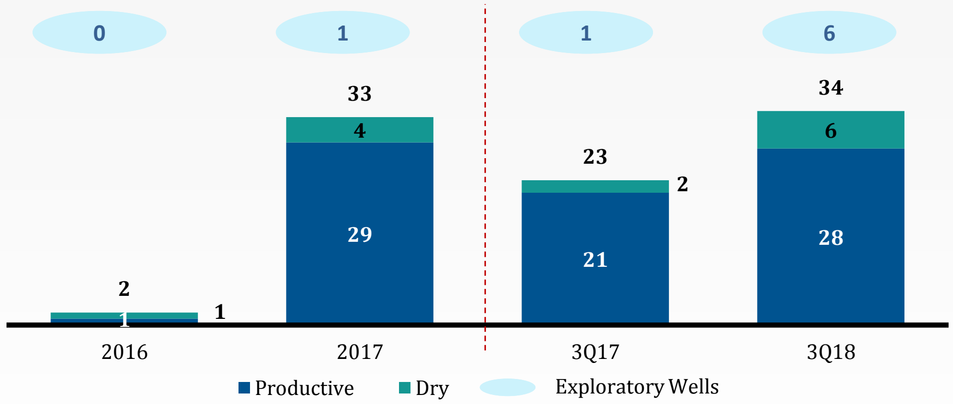
# 3rd Quarter Capex Evolution

CGC drilled 34 wells as of 3Q18 with 82.3% success rate. Considering only development wells, success rate in 9m 2018 was 96.4%

## Capex(1) (in US$ million and % of Revenues)




## Wells Drilled evolution

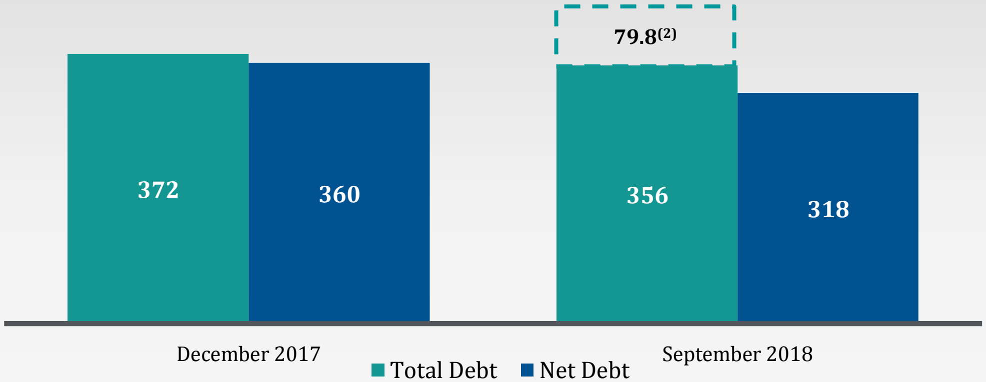



(1) Converted to US$ using the following period average exchange rates per US$ 1.00: AR$14.78 for 2016, AR$16.57 for 2017, AR$23.30 for LTM 3Q 2018, AR$16.26 for 9m 2017 and AR$25.18 for 9m 2018.

# Debt & Leverage as of September 30, 2018

The Company has reduced its net leverage four times since December 2017, and presents a solid interest coverage of approximately 9x

**Total and Net Debt(1) (in US$ million), Net Leverage and Coverage ratios**




| Net Leverage Ratio | |
|---|---|
| December 2017 | 4.45x |
| September 2018 | 1.18x |

| Coverage Ratio(3) | |
|---|---|
| December 2017 | 2.45x |
| September 2018 | 8.84x |

**CGC's 23% share in TGN(4): US$169 million**

(1) Converted to US$ using the following end of period exchange rates per US$1.00: AR$18.65 for 2017 and AR$41.25 as of September 30, 2018,

(2) US$ 79.8 million corresponds to "ON Clase 10", a non-recourse bond. All payments will be exclusively addressed with dividends or other remunerations received as a shareholder of Gasinvest, GasAndes Argentina and GasAndes Chile, or with the sale of the respective shares. Thus, this bond is not considered for the Net Leverage and Coverage ratios. Likewise, insufficient funds obtained by dividends or remunerations at maturity will not constitute an event of default, but will enable the sale of the respective shares.

(3) Calculated as the ratio of Adjusted EBITDA to net interest expense.

(4) Market capitalization of TGN as of September 30, 2018: US$734 million.

# Debt profile as of September 30, 2018

CGC does not face significant maturities in the next three years

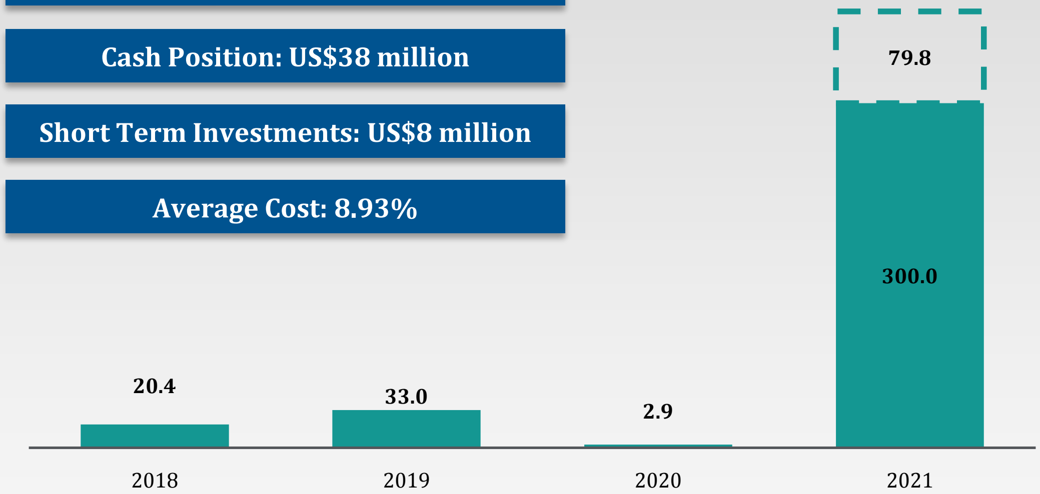
**Debt Maturities (in US$ million)**

**Average Life: 2.70 Years**

**Cash Position: US$38 million**

**Short Term Investments: US$8 million**

**Average Cost: 8.93%**




- 2018, 2019 & 2020 maturities corresponds to a Syndicated Loan (denominated in US$) and short-term bank loans (issued in US$).
- 2021 maturities corresponds to the 144A Reg S Bond (US$ 300 million in November) and the "ON Clase 10"(1) issued in January 2018 (US$ 79.8 million in July)

(1) "ON Clase 10" is a non-recourse bond. All payments will be exclusively addressed with dividends or other remunerations received as a shareholder of Gasinvest, GasAndes Argentina and GasAndes Chile, or with the sale of the respective shares. Thus, this bond is not considered for the Net Leverage and Coverage ratios. Likewise, insufficient funds obtained by dividends or remunerations at maturity will not constitute an event of default, but will enable the sale of the respective shares.


CGC

**Compañía General de Combustibles S.A.**

Honduras 5663 – 2nd Floor
C1414BNE – CABA
Buenos Aires - Argentina

**www.cgc.com.ar**

Investor’s contact: **investors@cgc.com.ar**