



Cálidda  
GAS NATURAL DEL PERÚ



TGI  
GRUPO ENERGIA DE BOGOTA



GRUPO ENERGIA  
DE BOGOTA

## **Earnings Conference Call TGI and Cálidda: Results and Key Developments 3Q2015**

### **Operator Instructions**

Good morning ladies and gentlemen. Welcome to the Earnings Conference Call TGI and Cálidda Results and Key Developments 3Q2015. As a reminder this conference call is being recorded. Under the tab downloads you will find today's presentation. Today's presentation will be divided in two parts: First, we will have with us Mr. Antonio Angarita, TGI's CFO presenting TGI's key developments and results. And then, we will have with us Mr. Isaac Singer, Cálidda's CFO presenting Cálidda's results and key developments.

I would now like to turn the call over to Mr. Antonio Angarita, Chief Financial Officer of TGI. Please go ahead Mr. Angarita.

### **Antonio Angarita, TGI's CFO**

Thank you very much. I would like to give you a warm welcome to TGI's 3Q2015 Earnings Call. As you can see on slide three this presentation is divided into four parts. First, we will present a thorough overview of TGI, then we will present a summary of the main key updates of the 3<sup>rd</sup> quarter. Third we will go review the main operational indicators and financial results. Next we will have a summary of the main expansion projects in execution and then we will be pleased to open the call to your questions.

I will start by giving you a brief overview of our future plans, because you already know the current execution of our expansion plans and the current strategy. Then I will provide some insights of our key recent developments. We are evaluating the possibility to continue with our infrastructure expansion in Colombia. With three projects that were presented to the market the 2<sup>nd</sup> quarter of this year. For increasing our transport capacity we require important investments in the next



three to four years. These three projects are: first pipeline extension Cusiana – Vasconia that we will call Cusiana phase 4, second, bidirectionality Ballena – Barrancabermeja, and third pipeline expansion Mariquita – Gualanday. This year I submitted the main features of these projects to the main customers, and have already received the capacity requirements. The project Cuasiana phase 4 received important capacity requirements from main customers in Colombia, so we are working now on signing the contracts with the customers, in order to continue with engineering design and checking profitability before executing the project. Moreover, we have been working on giving more reliability to the system, in order to keep higher standards of quality in our service. For instance, we will be executing Cusiana phase 3.5, which is a new project that we will discuss in this presentation, this project will give additional possibility of transporting 17MCFD in addition to La Belleza and going west of the country to Cali, with a very small investment.

We are very interested and have been analyzing other opportunities in other Latam countries, like Mexico and Peru. Mexico represents for TGI an important opportunity in the natural gas transportation and distribution in the next years, in enhanced by recent reforms. We expect to participate in this new pipeline processes with EEB or by ourselves, or other partners; and moreover TGI is continuously looking for new opportunities for mergers and acquisitions in the region.

Now, moving on to Slide 6, I would like to emphasize some important highlights of our company. First, now the participation of TGI in the gas transport market in Colombia is 55%, which is very important and our network is very important, is key for Colombia, and this is very important for us and will have a great impact on our revenues and our results also. Remember that TGI serves more or less 70% of the Colombian population, and our networks connect the main basins in La Guajira, the Caribbean Sea and also in east of the country with the main cities



of Colombia, like Bogotá, Cali and Medellín and the cities in the Coffee Region of Colombia.

Related to our company's history, I would like to emphasize that now, in this moment on 2015, we are working very hard on IFRS that we already implemented on our company. We are also working very hard on our merger between TGI and IELAH, which is one of the company's shareholders and this is part of the acquisition of the stake of 31.9% that EEB made this year.

Now, moving to slide 8 please, we have the key updates for this quarter. First I would like to emphasize that TGI continues with investment grade for debt and for issuer also. On October 28, Fitch rating reaffirmed TGI's corporate debt and issuer ratings in BBB with stable perspective, which is very important for us. Also, on September 3<sup>rd</sup>, Standards and Poor's affirmed TGI corporate debt and issuer ratings in BBB- with negative perspective; aligned with the rating of EEB, our parent company. As was explained by Standards and Poor's in the media, this change in the perspective for TGI is more related to EEB, and it is according to the group rating methodology applied by S&P, the Group status for TGI and EEB is considered [unintelligible], which in practical terms means that any change in the issuer credit rating or outlook in any of the two companies will affect the other one in the same way; and that is the reason why the perspective for TGI changed in this new grade, with this new perspective.

Next, we are working also on the final steps of TGI's stake acquisition by EEB. We completed all the documentation for the merger in TGI and IELAH, we are ready to send all the information to the Society's Superintendence in Colombia, we already send the information to Spain, as a result of this merger, TGI will receive the debt of the loan in IELAH in the balance sheet of our company. In this moment the balance of that loan is US\$694 million, as TGI now delivers the company loan to IELAH in order to pay US\$175 million on September. This is the



reason why you have a lower balance right now and we plan to repay an additional amount on March in 2016 in order to reduce the net balance at the moment of the merger to US\$219 million, and that was the final amount that we received in TGI in the balance sheet.

Regarding the transition process to IFRS, it is important to remind you that for the merging process we have already prepared financial statements, interim financial statements that were audited by Deloitte and that documentation is part of the merging process, we have not received any comments from the auditors and we will continue working in the process in order to close the year with the standards required by TGI. We are already working on our [unintelligible] under IFRS and we need some specific effort to close some activities related to IFRS.

Moving on to slide 9, we have two operational updates. As I mentioned on the previous conference call, on July 5<sup>th</sup>, we had a leak in the Cusiana-APIAY gas pipeline that was a leak of natural gas that affected that stretch of the pipeline, very close to the Upia river. As a result the contracts with customers in that area were suspended for nine days, it affected 34 points and 8 clients were affected during the repair of the pipeline. By July 13 the natural gas pipeline had been repaired and transport of natural gas reactivated. The next update, which is also important and that I already mentioned is a new project that we identified by our engineers and is the new expansion in Cusiana, and we call this phase 3.5. It is a small investment, only US\$7.1 million, and the objective of this project is to increase transport capacity by 17MCFD, by adapting one of the compressor stations in the route from Cusiana to Vasconia, in Puente Guillermo compressor station and this will give additional capacity in this point a total of 412MCFD, this project is now under execution and was approved by the Board of Directors of this month. Because of the characteristics of the project, it did not require any additional environmental licensing and we expect to complete it during the 1H of 2017.



Other important updates of the quarter are the transported volume that reached in this period the highest amount in the company's history. For now the transported volume increased to 555MMCFD, and this is very important for us and it represents a 14% present increase with respect to the same quarter of the previous year.

Moving on to slide 10 please, we have the new timetable presented by the regulator related to the new tariff methodology and WACC Review, it is important to remark that the current tariff period is from 2013 to 2017, five years, but as has been happening in the past, this will be a little longer and will depend on the definitions of the new regulations issued by the regulator in Colombia. You can see in this slide the new date that was release by the regulator, all the dates were moved to the future, and it will give additional time not only for TGI but also for the market to participate, to propose additional things but we continue with our plans that the new tariff scheme will enter into application in 2018, but maybe it will need a few additional months, maybe to the 2H of 2018, but that will depend on the execution of activities that will be made by the regulator.

Moving on to slide 12, we have the summary of the operational performance of the company. The total capacity of the network is 734MMCFD, now at the end of this quarter the firm contracted capacity increased to 672MMCFD , which is a very important increase we are almost close to our total capacity. The transported volume as I mentioned before is 555MMCFD, and the load factor, as a result of this, the load factor increase is 67%.

Moving to slide 13 please, we have the summary of the main features of our revenues. As you know, our revenues are highly predictable, this is a regulated business with very predictable cash flow, approximately 99% of the revenues come from regulated tariffs, 100% of TGI are contract are ..with another average life of 9.8 years. 89% of the regulated revenues are fixed tariffs, and this is very



important because we don't depend on the transported volume for our revenues. And this features produce that our EBIDTA flow with very few sensitivity, not only because of the characteristics of the contracts, but also because we have tariffs in US\$ that represent more or less 67% of the total revenues, so the exchange rate does not affect strongly our results as a result as a consequence of this. The distribution sector continues being the main purpose of the company, the main revenues generator of the company, now with 33% of the revenues coming from them and the second is the thermal represented by these plants in Colombia, thermal generators in Colombia, now is 16% and Refinery Ecopetrol with 13% of our revenues.

Moving on to slide 14, we have the main financial results for this period. At the end of September this period we reached a total of revenues for the last twelve months of US\$439 million, you see an increase when compared to the closing of 2014, and this is the effect of the depreciation of our currency. During this year between January and the closing of September, local currency has depreciated 30%, and this affects the re-expression our revenues in COP from US\$, and that is the only reason why we present lower amount of revenues in US\$, but in contrast to this as you will see in our report, which you can download from the website, in Colombian pesos the situation is completely different and we got a very important increase, not only in revenues but also and EBIDTA, but these two and operational results also. The situation of EBITDA, the reasons why it decreased is the same one as with the revenues, we are now in the level of US\$358 million, with an EBITDA margin of 81%, which is a very good performance for our company, and earnings from operations increase in US\$327 million, which is also very important for our plans and our expansion in the future.

Moving on to slide 15, we have some accounts of the balance sheet. Total assets increased to US\$3 billion, the cash decreased in this quarter, because as I mentioned before, we granted a loan to IELAH, in order to repay the syndicate



loan of that company, and that is the only reason why the cash decreased to US\$123 million. PPE remains in US\$2.3 billion, which is an important proportion of total assets, and liabilities are now in the level of US\$1.1 billion and equity US\$1.2 billion.

Moving on to slide 16, we have the main indicators of our debt, first net to ebitda ratio is 3.5 total debt, if we consider only net debt [unintelligible] the cash [unintelligible] This indicator is 3.2. Senior debt, which is related only to our bonds that expire in 2022 related to ebitda is 2.5 and the interest coverage remain above 6.1 that is a very good condition, as you know it will give additional room for additional loans or debt in the company. And remember that next year we will receive in our balance sheet the loan of IELAH, which will amount at that moment to US\$219 million, and we expect to continue with this level of net debt to Ebitda but our purpose is to remain within the level of investment grade and we will check continuously this to remain in that level.

Moving on to slide 18, we have the summary of our expansion projects. The first we have is Cusiana phase 3 that is the project that we are executing right now for increasing the capacity in three compression stations and increasing the capacity by 20MMCFD, the total cost of this project is US\$31 million. The execution is 37% at the end of September and we expect to complete this project at the end of this year. Next the Armenia branch, this is another project under execution right now in order to give additional capacity to part of the Coffee Land in Colombia, to places to the cities in that area, it will increase the system capacity by 2.2MMCFD, it consists of a loop of 37KM and 8" loop parallel to the existing pipeline, total cost is US\$18 million, the project in under execution, with an execution of 20% at the end of September and we expect to complete it during 2Q 2017. Cusiana – Apiay – Villavicencio - Ocoa is the other project we are working on, this is a 2MMCFD expansion in the Cusiana – Apiay pipeline, and 7.8MMCFD in the Apiay – Ocoa segment, this consists of two new compression



stations in [unintelligible] and Apiay, total investment is approximately US\$48 million and this project will be developed under a BOMT contract that is very close to be signed, and all the capacities for this project are already contracted with the customers in that area. We expect to complete this project in 1Q 2017.

This is our presentation for this period, we are very happy with our last results, and we will continue on the same path along the year. Now we will open the call for the Q&A session.

### **Operator Instructions**

Thank you. Ladies and gentlemen, if you have a question or comment at this time please press the star key and the number one on your touchtone telephone, to remove yourself from the queue just press the pound key. Again to start questions, just press the start and the one on your touchtone telephone, One moment while we wait.

And we have a question from the line of Matthew ..... from Lorain..... Sir your line is now open.

### **Matthew**

Hi. Good morning, thank you very much for the call. Just a short question regarding the leak that you had on the pipe on July 15. What was the impact in EBITDA generation because I see the contracts were suspended for nine days. Just to know if it was a minor impact and how much it would be the impact in terms of Ebitda. The second question will be what would be the maximum leverage [unintelligible] way once you get the debt of IELAH in your balance sheet next year. Thank you very much

### **Antonio Angarita, TGI's CFO**



Ok. Thank you. For the first question the leakage in the pipeline the impact in EBITDA well we don't have that right now but the impact in revenues was COP1,000 million. That is more or less US\$300,000. That was the impact on revenues, and the cost of the repair and all the engineering works, COP\$5,200 million, which was the cost of the repair of that leakage. It was very important the main impact was that the pipeline in that zone is very deep because is very close to the river and that was the impact of this extraordinary event in July. Regarding the leverage, according to our financial projections, we will remain very close to 4 in the indicator net to ebitda, that is between the level of the credit rating agencies required for TGI to be in the levels of investment grade. That is our purpose and that is part of our strategy for financing new projects in the future. We have stated that maximum level in our projections and we will stay very close to that. Maybe at some point in the year a little higher, but with a perspective to decrease to 4 or lower than 4 in the future.

**Matthew.....**

Just to confirm, you said 4 net debt to ebitda, right, or total debt?

**Antonio Angarita, TGI's CFO**

No, it total debt to ebitda.

**Matthew.....**

Total debt, ok that makes sense. Thank you. And now if I may just one more question, TGI has adopted US\$ as functional currency, and depreciation of the Colombian peso is having other effects on revenues decreasing net debt to ebitda. Where will you see next year? Maybe going into 2016 taking into consideration that the depreciation of COP is not working against increasing the ebitda.

**Antonio Angarita, TGI's CFO**



Yes, we have a very strong position that a very low amount of companies in Colombia have, because our revenues are mainly generated in tariffs in US\$. That is very, very important, so our Ebitda is not [unintelligible] very affected by depreciation, for our projections we are considering [unintelligible] in local currency, but that will depend upon many factors not only in Colombia, but many drivers, for example the oil prices, or others, and our currency would not be affected, but if you see for example the depreciation of COP 30% at the closing of September 30, our ebitda decrease over US\$20 million, that is a lot because right now we are receiving more COP and that is the reason why we decided to adopt the US\$ as functional currency for our accounting is for IFRS gives this opportunity for the company and at the end and what is most important for TGI is that our next results will be less affected by the depreciation of COP against the US\$. That is the main result, of course we will receive impact in the operational account and also in the non-operational account like, I don't know, the deferred tax that is very important now. But this effect is lower than the effect we had previously when our functional currency was COP. So the conclusion is that we do not want to affect strong changes in our Ebitda, even if the COP continues its depreciation during this year.

**Matthew.....**

Okay. Thank you very much for the answer.

**Antonio Angarita, TGI's CFO**

It will be lower than in any other company in this economy.

### **Operator Instructions**

Ladies and gentleman as a reminder, if you have a question just press the star key and then number one. Ok, I'm not showing any questions for this session. I would like to turn the call back to Isaac Singer, Cálidda's CFO, presenting key results and key developments.



### **Isaac Singer, Cálidda's CFO**

Thank you very much. Good morning everyone. Welcome to Cálidda 3Q2015 Results Call. Thank you for joining us. This morning's presentation is divided into three parts. First of all we will talk about recent events during the 3Q, next we will present a summary of the commercial, operational and financial performance of the company, and finally we will close the call with some conclusions. Let's begin with the recent events. Cálidda has a natural gas supply contract with Canicea Consortium and a transportation contract with TGP in order to contract gas and transportation for our regulated clients. Cálidda agreed with Canicea Consortium to renew the current contract capacity, moving from 178MMCFD to 222.5MMCFD since January 2017. The terms of the contract have been approved and it is under the signing process by the Consortium. On the other hand, last October TGP performed an open season in order to grant an additional transportation capacity. With this capacity, Cálidda will increase our current capacity, from 204MMCFD to 228MMCFD since January 2017.

This additional gas supply transportation capacity, includes firm and contingency capacity, it is important to mention that since January 2018 firm gas and firm transportation capacity will be aligned to 198MMCFD and contingent capacity around 30 to 50 MCFD. Based on this new contract we can assure enough gas and transportation for our regulated customers in the next years.

Now I would like to go over the presentation and review the main commercial, operational and financial performance indicators. In the next slide we can review the significant developments you can find the year to end results, comparing the results of 3Q 2015 to 3Q 2014. The key metrics are in the right table. Let me start by showing the number of customers. Now Cálidda has 317,000 clients. Compared to 3Q 2014 it represents an increase of 35% in terms of connected clients and 27% increase in terms of potential clients. In the chart below, we can



find the financial results. As you can see total revenues from 3Q compared to 3Q last year increased 4%. The adjusted revenues without IFRS 12 and FAC... 2 increased 5%. In this quarter, the ebitda and adjusted ebitda margin grew mostly driven by higher distribution volumes and increase in the new distribution tariff set for the period 2014-2018 and extra revenues that came from relocation services, and from new contracts with our main contractors at lower prices.

Now in the next slide, I would like to take a look at the commercial performance. As you can see in the map, in the residential segment the company has operations in 17 districts. Meanwhile in the industrial sector the company has operations in more than 34 districts within Lima and Callao.

Next page please. During 2015, 13 new industrial plants were connected. 10 new GNV service stations joined the distribution system, and more than 212,000 converted vehicles are attended in the city of Lima.

Now I would like to turn to the other page to see the volume sold. The volume sold increased 4% when compared to the same period of the previous year, and this is mostly driven by the power generation segment. It is important to mention that take or pay contracts amount to 543MMCFD. Of which we reach 513MMCFD from the power generation segment, and the rest from the industrial segment. Take or pay contracts represent 78% of the total invoiced volume, which minimizes the impact of volume volatility. Particularly important considering the seasonality of volume demand, by the power generation customers.

Now please move forward to the next slide. The volume breakdown by clients' segment is shown in the following chart. As mentioned before, the most important volume increase comes from power generation. 23MMCFD mostly explained by firm volumes from distribution to Kalipa in the south and Termochilca. The industrial sectors shows a slight decrease compared to similar



period of the previous year, this decrease is mostly explained by a lower consumption of Cementos Lima due to its maintenance plan. In terms of the residential, commercial and NGV segments, show an increase explained by the successful addition of new customers.

Now I will go over the operational performance. The first chart illustrates the evolution of the Distribution System. During 2015 23 KM of steel high-pressure lines and 879 km of secondary polyethylene pipelines were built during this year.

In the second chart as can be observed, shows the penetration rate. This rate has reached 56% and this rate measures the number of committed clients over the number of potential clients as they are located in front of Cálidda's distribution network. There are over 563,000 potential clients, among households and other types of clients, all of which 317,000 are currently connected. We expect to finish the year with a 57% penetration rate.

Now moving forward to see the capacity, Cálidda's pipeline current capacity is, which is around 420 mmcf/d from city gate Lurin to Lima. As you can see in the chart, independent and regulated customers use nearly 296MMCFD, which is equivalent to 70% of our capacity. Our regulated clients consume 152MMCFD equivalent to 75% of our current gas transportation capacity from TGP and 85% of our current gas supply capacity from PlusPetrol.

In terms of transportation and natural gas supply, Cálidda has enough supply contracts to attend its regulated clients market. And now with future contracts, enough capacity for future growth.

Next page please. Now I would like to turn to the financial performance. As of September 2015 65% of our Adjusted Revenues are volume related and 35% comes from installation services and other revenues. During this year Other



Revenues have increased substantially compared to previous periods because of extraordinary revenues services like pipeline relocations. 8.5 million as of 3Q 2015, 2.3 million as of 3Q 2014.

In the next page please, in the third quarter total Revenues were US\$395 million, including IFRS and [unintelligible] 14, a 4% increase compared to 3Q 2014. Meanwhile the Total Adjusted Revenues it increased 5% from US\$140 million to US\$147 million driven by the increase in distribution revenues and other income that came from network relocations.

The second chart last 12-month EBITDA reached US\$100 million and adjusted ebitda margin reached 52%. This increase in mainly explained by higher in firm volume invoiced mainly to power generation plants and an increase in the distribution tariff set for the period of 2014-2018, more other revenues from network relocations and new contracts with our contractors at lower prices.

Funds from Operations almost maintained last year levels. The Debt & Net Debt / EBITDA ratio are below the target, which is 3.5 times.

In the next two slides we can find the key financial metrics regarding the leverage of the company. Like Total Debt, capitalization, interest coverage and funds from operations to net debt, all of them are very close to previous quarter metrics.

Then in the next slide some key metrics, like the level of assets, equity, net income and Capex executed. Now to finish the presentation, I would not like to leave without mentioning that we keep the target to connect 1 million customers by the end of 2020, we are constantly increasing the number of domestic sales by increasing our contractors' capacity and next month we expect to enter into a new district. Last but not least, we are close to the end of the year, and successfully connected more 317,000 clients and expanded the network in more



than 879 additional kilometers. Ebitda reached US\$100 million, and the company results and our commitment to massify the use of natural gas in the city of Lima. Thank you for all listeners, it was a pleasure being here today. We would be happy to answer any questions.

### **Operator Instructions**

Ladies and gentlemen, as a reminder to ask the question press the star key and the number one. To remove yourself from de queue press the pound key. One moment while we wait. And we have a question from Matthew Plan from [unintelligible]

### **Matthew [unintelligible]**

Thank you very much, just two quick questions. Where would you see the Ebitda at the end of this year, and where do you stand versus this year's plan of connections, the five-year plan, where do you stand on the first year of the plan. Thank you very much.

### **Mr. Singer**

In terms of ebitda as of October 2015 we have reached aroundtUS\$90 million so we expect to close the year with over US\$100 million for 2015. In terms of connected clients, we have been working on some plans to be more aggressive in the last quarter of the year, we expect to close around 90,000 new clients for this year, and I am talking about residential clients.

### **Matthew**

Thank you, perfect, and just one more quick question. And now the objective to reach one million clients by the end of 2020, do you have any longer objectives because the concession ends in 2033.

### **Mr. Singer**



Yes the concession ends in 2033, but we can renew it until 2060. We expect the government will renew the concession for periods of 10 years. So our main goal for the company we are analyzing other strategies to go into another businesses, but in terms of how we expect to massify gas we are in line with the government to cover most of the areas where we have low-income people and we have the advantage to use gas at a lower rate than the cost of using other sources of energy.

**Matthew**

And how many clients would that be, more or less? I am just wondering what that could look like in 2033, I mean for residential clients.

**Mr. Singer**

In 2033, well we have an estimate that we have more or less 2.2 million households in Lima and Callao, but we cannot reach all of them. The potential market for the residential is around 1.7 million clients, so for the next five years this is our main goal to reach one million, But there is room to grow because the population also will grow, so for this period we have that goal and for the 2020 the goal is one million and for 2033 we expect to grow at the same pace of previous years, because the conclusion for us this is a long process and we have enough potential market to grow.

**Matthew**

Thank you very much, and one more quick question if I may abuse. What is the long term guidance for capex, because in the first year we are talking about US\$100million capex per year, and I am wondering how that would look in the coming years because I think you will have a significant economy of scale when you develop your network. So what would be the guidance for long-term capex.

**Mr. Singer**



Based on what we have agreed with the government for this period 2014-2018 we have committed to invest around US\$80 million to US\$100 million per year. This amount of capex has been included in the formula to calculate the tariff, so for next year and other periods it will be around US\$80 to US\$100 million.

**Matthew**

And then would you expect a significant reduction? I mean could you go down as low as US\$50 million. Or how would this work.

**Mr. Singer**

Well you know if we want to continue growth and achieve the one million customers we need to invest some capex and one of our main goals is to improve is our penetration rate. That is one thing you talk about the economies of scale because we want to take advantage of the investments that had been done in the previous years, we expect to achieve a 57% penetration rate but also for every year we will increase and we have some metrics from other countries and they have reached around 80% penetration rate, so we need to keep investing in new districts to achieve new customers and also we have a commercial plan to increase our penetration rate where we have the polyethylene pipeline installed, to maximize or to reach around this 80% penetration rate.

**Matthew**

Ok, thank you very much for the answer.

**Operator**

Ok as a reminder for questions please press the star key and the number one. I am not showing any other questions, I will return the call to management for final remarks. Ladies and gentleman thank you very much for participating in this program, this concludes the program and you may all disconnect.