



TGI AND CALIDDA RESULTS AND DEVELOPMENTS 1H 2014

Teleconference Text

Operator:

Good morning ladies and gentlemen and welcome to the Earnings Conference Call TGI and Calidda - Results and Key Developments first half 2014. As a reminder, this conference call is being recorded. This earnings call is divided into two parts. First we will have with us Mr. Antonio Angarita, Chief Financial Officer of TGI, presenting TGI's first half 2014 Results and Key Developments. And then we will have with us Mr. Adolfo Heeren, and he's the General Manager presenting Calidda's first half 2014 Results and Key Developments.

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

[Unintelligible]

Mr. Angarita, please go ahead.

Sir, please check to ensure your line is not on mute.

Mr. Angarita...

Antonio Angarita:

There's going to be a change, we're going to start with Calidda.

Operator:

You may begin.

Adolfo Heeren:

Yes, this is Adolfo Heeren, I'm talking from Calidda. We're going to start this teleconference with Calidda instead of TGI. Then TGI is going to continue. And Mr. Angarita is going to talk after me. We have the presentation of Calidda in the web, you can download the presentation, and I'm going to show you and mention what's my [unintelligible]. Starting



with slide number two, we have the Table of Contents. We are going to have four points in the presentation, the Significant Developments, then we're going to talk about the Commercial and Operational Performance, and after that the Financial Performance and Key Metrics.

Starting with the Significant Developments, we have that in April we connected one big customer, it's an industry called Quimpac and they have an average consumption of one million cubic feet per day. Also in June, we start our connection in a district called Santa Anita, with that we continue growing in Lima, and now we have 15 districts with residential and commercial pipelines in the city. Also in June we have a client base of two thousand fifty hundred customers, that represents 31% more than the ones we had at the end of 2013. In June we have a new monthly record of connections with 10,800 new customers. Finally, we have been working with OSINERGMIN, this is our local regulator, and they published the final resolution with our tariff, that they approved an average distribution tariff that was in line with our expectations and shows an increase of 6.37% compared to the last period of our study.

At the right side of this slide you can see our results for the first semester, and you can see how we compare 2014 against 2013. In most of the indicators, you can see how we grow, I'll just mention some of them, in the volume part, sorry, the invoiced volume we grow 35%, in the revenues 40%, in the EBITDA 41%, and in the number of customers you can see that we grow 73% compared to the last year semester.

In terms of the connection and performance, also you can see on the right side at the bottom the number of connections which have been done during the last 18 months, you can see in the top the last six months are below the previous year, and you can see how we are growing in that sector.

Moving to the next slide, we're going to talk about the Commercial Performance. In the commercial performance we have here our client base, and you can see that in power generation we maintain the same number of customers. We mentioned before that last year we connected two power generators that were Termochilca and Fénix; I'm going to talk about them later. In the case of the industrial side, we have 10 new industrial customers



connected during the last quarter. We are right now in more than 30 districts with pipelines to connect industries in Lima. And as I mentioned before, we connect Quimpac that represents a volume of one million cubic feet per day.

In the next slide you can see the client base for NGV Stations and Residential and Commercial. In the NGV Stations you can see in the green line the number of converted vehicles that has been growing for the last month. In an average, we continue growing at a rate of approximately 2,000 converted cars per month, and at this moment we are about 108,000 cars converted. During this period we...a total of five new service stations have joined Calidda's distribution system to support the process of car conversion in terms that they have more service stations to fill natural gas.

In the case of Residential and Commercial, we add about 50,000 customers during this period. As I mentioned at the beginning, in June we have a new record with more than 10,000 customers, and this represents a significant growth as you can see in the graph against what we have been done during last year.

In terms of Volume Sold, you can see how the volume grows for the last five years, so we compare from 2009 to 2013, and then on the right side we compare this year, the accumulated part of this year against previous years. And you can see that in average we are growing about 25% during the last year, and as I mentioned before, during the previous five years we have been growing at an average rate of 33%.

It is important to mention here that right now we have the two power gens connected, which are Fénix Power and Termochilca, but also at the end of Q1 we signed an agreement with Kallpa power generator, yet to increase their distribution capacity for 20 million cubic feet per day.

Moving to next slide, the Volume Sold by Client Segment, we have our four segments and, as you can see, again the comparison between 2009 and 2013 for all the four segments, but also the comparison between the Q2 2013 and Q2 2014 in terms of accumulated volumes. And also you can see in these four segments that we have been growing in the four



segments about 10% more, in some cases like in the power generation we are growing 31%, and in the residential and commercial we are growing 32% against previous years.

Moving to point three, the Operational Performance, you can see that our distribution system infrastructure continued growing. Calidda built 14 km of high-pressure network and 728 km of polyethylene secondary network. This all will help us to connect mostly the households customers.

In the case of network efficiency, we continue growing our efficiency, so you can see in the graph that in the last 5 years we moved from almost 20% to 52%. In some districts like El Agustino we have a penetration rate of 70% and we continue growing in our plan to continue growing our penetration rate in the network.

Moving to the next point, we have the Financial Performance and Key Metrics. In the case of the revenues, you can see we closed last year with a revenue of \$461 million dollars. Now, at the right side of that here you can see how in Q2 compared to 2014 and 2013 Q2 we grow an average of 49%, for the first semester you can see that we are close to \$300 million dollars.

In the case of the EBITDA and the EBITDA margin, the EBITDA margin maintained the same level of previous years but the EBITDA we estimate that the last twelve months average for 2014, the last twelve months compared to this last semester, that we are close to \$85 million dollars. So, you can compare that, this number against 2013, we have continued growing our EBITDA month to month.

In our indicators you can see again that we have continued growing compared to the previous years and, and in the case of the net income for example, you can see that the net income for the first semester is higher than the one we had during the whole 2013.

In the next slide, we have the revenue composition, and you can see how we have the revenue by segment. Again, you can compare from 2009 to 2014, to the second semester of 2014, and again you can see how the...we maintained a significant difference in all our customers for our different segments, and firm contracts revenue was representing 50% of



our distribution revenues. So we maintain an important part of our revenues under firm contracts.

Moving to the next slide, we have the Financial Performance for the Total Assets. Again, we are growing our assets not in the same way that we have been growing in the past, and this is why that we want to...we are increasing our penetration rates so we are using more our assets. In the case of Equity we have an increase of \$20 million during this year. Debt maintained the same level as the previous year, and in the CAPEX you can see that we have for the year \$45 million dollars that is slightly below than the one we had during the same period last year.

Finally, in the Financial Metrics we have some ratios, so you can see that in the debt / capitalization we maintain the same ratio of previous years. In the debt / EBITDA ratio right now we are close to 2.5, and we expect to continue growing down this ratio for the next month. In level ratio we maintain the level like the previous year.

This was the four points that I mentioned we were going to present. Now we can move to, if you have any questions regarding this presentation. Thanks.

Operator:

Thank you. Ladies and gentlemen if you have a question at this time please press star then one on your touchtone phone. If your question has been answered or if you wish to remove yourself from the queue please press the pound sign. Again to ask a question or make a comment, please press star then one now.

One moment, as questions queue up.

We do have a question from the line of Isidro Arieta. Sir, your line is open. Please go ahead.

Isidro Arieta:

Hi and thanks for the opportunity. I would like to ask two questions if I may. The first one on CAPEX as your target has been revised upwards as you were expecting, I wanted to know what you expect in terms of investments for the second half of this year and if you could give



us a guidance on the CAPEX for 2015. And the second question is related to the loan that Calidda gave to TGI and the \$50 million dollars that you...the out flows from your cash position, if that is going to be likely be reversed in the third quarter, how we're going to see that loan back to Calidda. Thank you.

Adolfo Hereen:

Thank you very much for both questions. Starting with the first question regarding the CAPEX and the tariff process, during the tariff review, we have been recognized an important amount of our CAPEX proposal, so we are going to maintain the same level of CAPEX for the second semester of the year and it could be aligned with the first semester, so probably we are going to continue the same trend. And for the second...and for the previous, for the future years, we are going to continue as expected; we don't expect any changes. As I mentioned the tariff had an increase of 6.37%, so that would recognize our expectations in terms of CAPEX.

Regarding the second question on the loan with TGI, the loan was for no longer than 90 days so we expect to recover the loan in the...by September, so in the third quarter we are going to recover that, that money.

Isidro Arieta:

Perfect. Thank you very much.

Operator:

Thank you. Once again ladies and gentlemen if you have a question at this time please press star then one now. One moment for further questions.

And speakers it looks like we have no further questions in the queue. You may proceed with any further remarks.

Adolfo Hereen:

Okay, I want to...thank you everybody for participating in this teleconference. As I mentioned, the company continues growing as expected. We closed the tariff process with



an average increase of the distribution tariff of 6.37, and we expect for the rest of the year to continue the same trend. So many thanks for your participation.

Operator:

Ladies and gentlemen thank you for your participation in today's conference. This concludes the program and you may all disconnect. Everyone have a wonderful day.