

TEXT CONFERENCE CALL

CTM Results and Key Developments
Investor Report

Moderator:

Good morning, ladies and gentlemen and welcome to the investor conference call CTM Results and Key Developments, first six months of 2013. My name is Lorene and I will be your operator during today's conference call. At this moment all participants are in listen-only mode and your lines will be muted. At the end of today's presentation, we will have a question and answer session. Please note that this conference is being recorded. Now, I'll turn the call over to Ms. Georgina Guerrero, Head of Planning and Finance. Ms. Guerrero, you may begin.

Georgina Gerrero:

Thank you, Lorena. We would like to welcome everybody to the First Half of 2013 Earnings Conference Call of Consorcio Transmantaro. We have today with us conducting the call Mr. Christian Restrepo, CFO, Mr. Luis Lasso, CDO, and Mr. Jose Echavarría, Project Program Manager. At the end of the conference call, we will be ready to answer your questions and listen to your comments. It is now my pleasure to turn the call over to Christian Restrepo, our CFO. Please go ahead, Cristian.

Christian Restrepo:

Thank you, Georgina and good morning to everyone. Thanks once again for joining us to review CTM's first semester 2013 performance.

Today, I'll begin with a brief CTM overview. Then, we will go through significant developments on first semester 2013. After that, we will talk about the operation performance. Then, we will go through our financial performance and some important key metrics. And finally, we will have a Q&A session.

Okay. CTM builds, maintains and operates power transmission networks in high voltage. It's one of the main transmission companies in Peru, with 23% of transmission market, percentage that we aim to maintain or even increase in the next years. CTM owns eight concessions with the Peruvian government that represent 88% of our revenues and nine contracts with private companies, mainly generation and mining companies. Given that the income from the concessions with the government is regulated and guaranteed, CTM has no volume risk. That means we get paid for having the transmission lines available and not for the amount of electricity that passes through our lines. Also, CTM has practically non-counterparty risk.

On the map, you can see CTM concessions on orange color, being Mantaro Socabaya the main one because of its great strategic importance for Peru. This line interconnects the central with the south part of the country, where mining projects are located today. On next slide, we explain the main significant events for the company on first semester this year. On July, CTM won an important and strategic concession line: the Mansaro Monsalvo line. This project also interconnects central with south parts of the country and reinforces the south interconnection system. It has 900 kilometers at 500 kilowatts with an expected investment of 400 million -more or less- dollars, and annual income of approximately 41,5 million. CTM signed the concession contract on September for the construction of this line. The construction period for this project would be 38 months and the concession period is for 30 years. Also, on the first semester CTM successfully issued 450 million dollars in an inaugural international bond under regulation 144... with regulation 144 Reg A with a coupon rate of 4,375%. These bonds had an investment rate and a stable outlook by Moody's and Fitch. The yield of proceeds of the money raised with this bond should prepay all debts that CTM has with banks and with a parent company, REP. We will see more details of this transaction later on the presentation. This transaction lowered significantly the company's financial costs and allowed us to continue growing.

On next slide, we show some CTM key figures. In July, CTM had 2,355 kilometers in line circuits. As you see, the company has been growing consistently, almost duplicating its size in the past four years. Even though the high rates of growing, we have aimed to keep our technical performance indexes like availability of the lines and number of failures, maintaining levels of operational excellence. On the other hand, CTM has been growing also its market share in the last year. Today, CTM has 23% of Peruvian transmission market and we expect this percentage to continue growing. ISA group, through its companies in Peru, is leader in the transmission market. It has more than 50% of Peruvian transmission market share. On next slide, speaking about financial performance, is CTM adjusted income. Here we say "adjusted" because we include the income from funds of CTM have with private companies, mainly generation and mining companies. This income in the financial statements because of accounting policies is considered a financial income, but for the exercise we included it in the operational income. Well, CTM adjusted income has been growing consistently in the last years. From 2009 to 2012, the company almost duplicated its income. At December 2013, we'll have approximately three times the income we had in 2009. At July, our income was 43,5 million and we expect to close 2014 with approximately 90 million dollars in income.

It is important to highlight that all our income is fixed in US dollars and adjusted by an USA inflation, that's the BLS Food and Energy index. Also, all our debt and our

accountancy is in dollars, so we don't have a FX risk. The significant income growth in 2013 is explained mainly because of the start up and commercial operations of three projects. First one, Zapayal Trujillo, which began operations in December, 2012. It's a 500-kw plan project. The CAPEX investment was approximately 200 million dollars and it has an annual regulated income of almost 26 million dollars. The second one, Talara Piura, began operations in May, 2013. The capex investment of these projects was approximately 20 million and it has an annual regulated income of more than 2 million dollars. And finally, Fenix, which began operations in March this year. Fenix is a private contract with capex investment of almost 60 million dollars and annual income of almost 3 million dollars. As I said before, Zapayal Trujillo and Talara Piura are contracts between CTM and the Peruvian government, with regulated income and a concession period of 30 years. Fenix is a 20-year private contract.

On the five graphs below, we can see that almost 90% of CTM income is regulated and the tendency for the future years is to increase this percentage. On the pie at the bottom right you see that our main clients are generation companies mainly. On next slide, sorry... In this slide we show the company revenue build up and the contribution in revenues of each of the projects that the company is developing today, that means projects with contracts already signed. As I mentioned before, at the end of 2012 CTM's revenue was almost 50 million. In 2013, our revenue will be approximately 89 million, growth explained by the beginning of operation of Zapayal-Trujillo on December 2012, Talara Piura, Fenix and Pomacocha Carhuamayo, that began operations on September 20, 2013.

In 2014 we will have approximately 109 million dollars in revenue. This incremental revenue for this year came from two-year operations of lines that began to operate in 2013, Pomacocha Carhuamayo and Talara Piura, and from the beginning of operation of Trujillo Chiclayo. In 2015, the company will have approximately 133 million dollars in revenue, explained by the incremental revenue from full-year operations of Trujillo Chiclayo and from the beginning of operations of Machu Picchu Cotaruse project. In 2016, the revenue will be approximately 140 million, increase explained by the beginning of operations of Mantaro Marcona, that will have full-year income in 2017, here with income of approximately 176 million dollars. It is important to highlight here that this revenue build up came from contracts already signed, with regulated and guaranteed income.

On next slide, talking about company net income, it decreases on the first semester of 2013, mainly explained due to the financial cost related to the prepayment of the banks, the loans that we had with commercial banks that prepaid with the issuance of the international bond. On the other hand, the company has had historically stable margins and we expect to continue to have

them through the next years. Our margin EBITDA has been around 80% and will continue on this level for the next years. The EBITDA has been growing also consistently in the past years and will continue to grow. For first semester 2013, EBITDA was almost 36 million and at the end of 2013 we expect to have approximately 73 million in EBITDA.

On next slide, we see CTM debt composition. On December 2012, CTM had 306 million dollars in debt with commercial banks. You can see on the charts the debt that we had. We had credit mainly with local banks as Banco de Crédito, BBVA, Banco Continental. And also we had a 120 million debt with a parent company, that's REP. That is the other company that the group has in Peru. And in May, with the issuance of the international bond, CTM prepaid all its debt. That was the commercial debt with banks and with the parent company.

In July 2013, as you see on the charts, CTM debt composition were 450 million dollars from the international bond and 34 million dollars with a local bank, that's Banco de Credito del Peru, and that loan is under a trust structure, I mean that the debt is under the... was taken by the trust to finance the Chiclayo Trujillo project.

Okay. Finally, on next slide we can see some important ratios. We can see the evolution of the ratios. We have EBITDA adjusted over service debt. We have, for the first half of 2013, 1,5 times and we expect to end this year with 2,4 times this ratio. Talking about adjusted EBITDA of interest expenses, for the first half we have 2,2 times and we expect to end the year with 2,4 times. Talking about debt to EBITDA, we have for the first half, if we consider the trust structure, 8,5 times and without the trust structure 7,9 times. And we expect to end the year with 7,7 times, taking into account all the debt and without the trust structure 6,7 times and our free cash flow over service debt for the first half we have 1,9 times and we expect to end this year with 3,3 8times this ratio.

Well, that's it for us here.

Moderator:

Thank you. We will now begin the question and answer session. If you have a question, please press star and then 1 on your touch-tone phone. If you wish to be removed from the queue, please press the pound or 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 a question, please press star and then 1 on your touch-tone phone.

Standing by for questions and once again, please star and 1 on your touch-tone phone if you have a question. And our first question comes from Isidro Arrieta. Please go ahead.

Isidro Arrieta

Hi. Thank you very much for the opportunity and congratulations on your results. I have two questions, if I may. One is... what is the rating agencies' opinion on your credit ratios? I know that Fitch would probably be confident with a lower ratio, probably lower than 7 times and if this is in line, if these new ratios are in line with what they are expecting or not. And also how are you going forward planning to finance the project, if is still 70% non- recourse and 70% equity and if you are willing to build for more projects in December. Thank you.

Christian Restrepo

Thank you. On your first question, our commitment with rating agencies was to start to decrease our levels of debt. What we have agreed with the rating agencies we have while we are in the construction period we will have to maintain between 7 or 7,5 times debt to EBITDA. Once we finish the construction period, we will decrease that level. But to answer your question, today they are confident with our ratio right now.

On your second question, right now we are analyzing how will be the indebtment structure for the new concession that we won. It probably will be on the same structure trust structure that we have used for finance the last project. That means that the indebtment will be under the trust. It will be taken by the trust, not by CTM and we are thinking in have as much... a structure of 30% of equity and 70% of debt. But that doesn't have... we haven't decided that debt. We are analyzing that. In this moment the company is finalizing to do the schedule for the investment period, the dates that we have to make the investment and after we have the schedule with the period that we have to get the environmental permits and all that, we will have more details on what will the structure be for financing the project.

Isidro Arrieta:

Okay. Thank you very much.

Moderator:

Thank you. Once again, if you have any question, please press star and then 1 on your touch-tone phone. Standing by for questions.

And at this time I am showing no further questions. Do you have any final remarks at this time?

Isidro Arrieta:

No. Thank you very much to all for joining us today. We are thinking having this call two times per year and if the market and investors consider it necessary, we can do it four times per year, but the first time we are thinking in doing it two times per year. Once again, thank you very much to all for joining us today.

Moderator:

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