2016 ANNUAL REPORT

Transportadora de Gas del Perú
“This document contains accurate and sufficient information regarding Transportadora de Gas del Perú S.A. business development during 2016. Notwithstanding the liability of the issuer, the signatories shall be responsible for the contents of this document according to the applicable legal provisions”.

Adolfo Hereen
General Manager

Lima, March 15th, 2017
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## The company

### General data

<table>
<thead>
<tr>
<th>Name</th>
<th>Transportadora de Gas del Perú S.A. (TgP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adress</td>
<td>Santo Toribio 173 Via Central Torre 8, Of. 901 San Isidro, 15073</td>
</tr>
<tr>
<td>Telephone</td>
<td>617-7777</td>
</tr>
<tr>
<td>Fax</td>
<td>617-7725</td>
</tr>
<tr>
<td>Date of incorporation</td>
<td>November 2nd 2000</td>
</tr>
<tr>
<td>Registration</td>
<td>File 11227891 of the Register of Legal Entities of the Registry Office of Lima and Callao</td>
</tr>
<tr>
<td>CIIU</td>
<td>Pipeline transportation (code: 60302)</td>
</tr>
<tr>
<td>Purpose</td>
<td>Natural gas and natural gas liquids transportation by pipelines; distribution of natural gas by pipeline networks; construction and assembling, civil engineering work in particular, design, supply of goods and services for the construction, operation, maintenance and repair of the network of such pipelines, construction of other infrastructure and installations necessary for the delivery of public transport services by pipelines of natural gas and natural gas liquids and the distribution of natural gas by pipeline networks and any related activity, whether by public or private concession.</td>
</tr>
<tr>
<td>Economic Group</td>
<td>TgP is not part of any economic group</td>
</tr>
<tr>
<td>Duration</td>
<td>Indefinite</td>
</tr>
<tr>
<td>Capital Stock</td>
<td>Total of 208’300,000 voting registered stocks, created, issued, subscribed and paid-up. Each stock has a face value of US$ 1.00</td>
</tr>
<tr>
<td>Rating</td>
<td>Rating as of December 31th 2016:</td>
</tr>
<tr>
<td></td>
<td>Internacional: BBB+ / BBB+ / Baa1</td>
</tr>
<tr>
<td></td>
<td>Local: AAA / AAA / AAA</td>
</tr>
</tbody>
</table>
The company

Transportadora de Gas del Perú (TgP) is the concessionaire responsible for the natural gas (NG) and natural gas liquids (NGL) transportation from Camisea fields in the jungle to the Peruvian coast: Pisco in the case of NGL and Lurín in the case of NG.

As part of its corporate policy, TgP aims to transport in an efficient and safe way the natural gas and its liquids from Cusco’s jungle to the coast going across 4,800 m.a.s.l. in the Peruvian highlands. This commitment began on December 6th 2000, date on which the Ministry of Energy and Mining granted, free of charge, TgP both concessions for a 33-year period, starting on the subscription date, which can be extended to a maximum of 60 years.

TgP’s has the following shareholders: Enagás Internacional, S.L.U., Tecgas Camisea INC., Sipco Peru Pipelines Corporation, Carmen Corporation, Pisco Four Holdings INC, La Habanera L.P. and Tecgas INC. It should be noted that La Habanera L.P., Pisco Four Holdings INC, and Tecgas Camisea INC are affiliates of Carmen Corporation, which in turn is affiliate of the Canada Pension Plan Investment Board (CPPIB). Moreover, Sipco Peru Pipelines Corporation is affiliate of Sonatrach. In this way, TgP has the support and trust of renowned international companies that are leaders in the hydrocarbon and infrastructure sectors.

It should also be noticed that during the previous year, TgP maintained the highest local credit rating (AAA) on its corporate local bonds by three rating agencies: Apoyo & Asociados Internacionales S.A.C., Equilibrium Clasificadora de Riesgos S.A. and Clasificadora de Riesgo Pacific Credit Rating SAC. On the other hand, the international credit rating for TgP’s international bonds is BBB+ according to S&P and Fitch Ratings and Baa1 according to Moody’s Investor Services.
Main Assets

TgP’s assets are those that comprise the Natural Gas Pipeline Transportation System from Camisea to the City Gate in Lima and the Natural Gas Liquids Pipeline Transportation System from Camisea to Pisco, both jointly with the respective concessions, regulated through the "BOOT Contracts", signed with the Peruvian Government.

Between January 2002 and August 2004 (date on which the company’s operations started), the two Pipeline Transportation Systems (PTS) were built: i) one of 729 Km, was built for the natural gas to flow from Camisea to the City Gate in Lurín and ii) another of 557 Km was built for the natural gas liquids to flow to the Fractionation Plant in Pisco. Additionally, during 2009, a Compressor Plant in the highland sector and a parallel 105 Km pipeline (known as Coast Loop) were added to the pipeline transportation system (PTS). In addition, in 2016, they were built the Kámani Compressor Plant in the jungle (KP 127), a parallel 31 Km natural gas pipeline (known as Coast Loop II) and the gas pipeline to the city of Ayacucho (known as Ayacucho Branch).

Moreover, the liquids transportation system has four pumping stations, which were originally composed of three bombs each. In 2011, a fourth pump was added to each station, and in 2012, a fifth pump was added only to the pumping station PS1 (Jungle sector). In addition, the Natural Gas Liquids Transportation System also has three pressure reduction stations that control the natural gas liquids flow throughout the system. The gas and liquids flows, as well as the facilities, are controlled, automatically and in real time, by the Supervisory Control And Data Acquisition System (SCADA), which performs an uninterrupted monitoring through the control room in the Lurín facilities.

The company conducts its business activities with the firm conviction that environmental protection and safety of both, the people it works with and neighbor communities, constitute the basis of a responsible policy on which a country’s energy development can be built. TgP takes responsibility for contributing to local economic development, by helping to improve the quality of life of the Transportation System’s neighbor communities. TgP works...
with a vision that pursues that the benefits of its activities should have an impact beyond its presence and permanence in the Camisea project.

**Relationship with the Government**

As a company of the hydrocarbon sector and as the concessionaire of Natural Gas and Natural Gas Liquids Transportation System of Camisea, TgP maintains a constant communication with the Ministry of Energy and Mines (MEM – Spanish acronyms for Ministerio de Energía y Minas), the Supervisory Organism for Investment in Energy and Mines (OSINERGMIN - Spanish acronyms for Organismo Supervisor de la Inversión en Energía y Minería), Ministry of Environment (MINAM – Spanish acronyms for Ministerio del Ambiente) and its related agency, the Environmental Evaluation and Control Organism (OEFA – Spanish acronyms for Organismo de Evaluación y Fiscalización Ambiental ) and several public organisms.

In this context, the Hydrocarbon General Direction (DGH – Spanish acronyms for Dirección General de Hidrocarburos) of MEM plays a normative and promoting role for the hydrocarbon sector. DGH signed with TgP the Concession Agreements for Natural Gas and Natural Gas Liquids transportation of Camisea (the BOOT contracts). Furthermore, MEM’s General Direction of Energetic and Environmental Affairs (DGAAE – Spanish acronyms for Dirección General de Asuntos Ambientales Energéticos) is a technical and normative organism responsible for promoting the execution and promulgation of environmental laws for energy related activities (comprising hydrocarbons and electricity). In this regard, DGAAE is in charge of creating conditions for such operations to be aligned with Peru’s sustainable development. TgP has obtained many environmental approvals from DGAAE, which are necessary for the development of its activities.

Regarding MINAM, OEFA plays the role of technical specialized organism, which is in charge of evaluating and controlling the enforcement of the environmental normativity by the companies, including the ones that belong to the energy subsector.
Regarding OSINERGMIN, TgP’s activities are regulated by the Natural Gas Control Management (GFGN – Spanish acronyms for Gerencia de Fiscalización de Gas Natural). GFGN is responsible for directing, coordinating and controlling the process of supervision and control of the activities developed by the company, as well as controlling the permanent compliance of contractual commitments assumed in the BOOT contracts signed by TgP.

Management team

<table>
<thead>
<tr>
<th>Year</th>
<th>Officers</th>
<th>Employees</th>
<th>Workers</th>
<th>Total</th>
<th>Officers Variation</th>
<th>Employees Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>5</td>
<td>12</td>
<td>-</td>
<td>17</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2011</td>
<td>5</td>
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<td>16</td>
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<tr>
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<td>12</td>
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<tr>
<td>2013</td>
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<tr>
<td>2014</td>
<td>4</td>
<td>13</td>
<td>-</td>
<td>17</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>2015</td>
<td>5</td>
<td>13</td>
<td>-</td>
<td>18</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>2016</td>
<td>5</td>
<td>13</td>
<td>-</td>
<td>18</td>
<td>0</td>
<td>-</td>
</tr>
</tbody>
</table>

Salaries of Directors and Managers ( % on gross income) 0.31%

Note: All personnel is permanent

ADOLFO HEEREN

General Manager of Transportadora de Gas del Perú since August, 2015.

Industrial Engineer from the Pontificia Universidad Catolica del Peru and the Advanced Management Program at the University of Piura (Piura PAD). He has done specialization courses in business planning, financial management, and risk assessment and management in London, England and an MBA from the University Adolfo Ibáñez, Chile.

He has 15 years of experience in the hydrocarbons sector in both upstream and downstream. He was general manager Cálidda from July 2011 to August 2015. Previously he held senior positions in the company Shell in various countries, becoming general manager in Peru.
He has taught at the Faculty of Engineering of the Pontifical Catholic University of Peru and is actively involved in activities of the Global Compact of the United Nations worldwide. It also serves as president of the executive committee of Peru 2021.

**TOMÁS DELGADO**

Finance and Administration Manager of Transportadora de Gas del Perú since January 2005.

Mechanical Engineer, Universidad de Simón Bolívar, Venezuela. Master in Business Management, Instituto de Estudios Superiores de Administración (IESA), graduated with honors. Senior Management Program (Universidad de Piura/IESE). He is Professor of Finance in Universidad del Pacífico’s Graduate School Master in Finance Program.

He was the Administration and Finance Manager of the Consorcio Credicard since 1988 until 1990. Later on, he assumed the Banco Mercantil Finance Management. In 1997, he was Project Manager in the Siderúrgica SIVENSA, where he was in charge of the joint-venture project with the petroleum company Amoco, for the exploitation of petroleum fields, being responsible for the evaluation of the economic model and of negotiating the shareholders' and operating agreements. He was also responsible for evaluating the privatization of Siderúrgica del Orinoco (SIDOR), assuming the company’s Finance Management in 1998 taking on the role of Finance Manager of the aforementioned company in 1998. At that moment, he was responsible for managing the company's financing strategy, including the company’s debt restructuring for approximately US$1,500 million.

**RAFAEL GUARDERAS**

Master in Business Administration (MBA), ESAN (Escuela Superior de Administración de Negocios para Graduados). He has complementary studies in finance; post graduate in Systems Engineering and graduate of the Escuela Naval del Peru.

He began his professional career in 1984 as officer in the Marina de Guerra del Peru, where he stayed for 12 years working in different areas like Administration, Logistics, Finance and Systems Engineering. In 1995, he began to work at Class Point S.A., a company dedicated to retail, where he performed as Administration and Finance Manager and Deputy Manager in the General Management.

He joined TgP in 2001, where he became the Administration and Finance Manager, leading the area, as well as the Systems, Logistics and Human Resources areas during the building period. Later on he takes the Institutional Relations and Social and Security Management.

RENZO VIANI
Legal Manager of Transportadora de Gas del Perú since May 2002.

Law graduate of the PUCP (Pontificia Universidad Católica del Peru) in August 1988. He holds a Master degree in International Economic Law of the PUCP’s Graduate School (1995-1996) and a Diploma in Business Administration for lawyers from the Universidad del Pacífico (2013).

He started working as a lawyer in the law firm Estudio Javier Alva Orlandini. From 1992 to 1995, he was Legal Manager of Daewoo Perú S.A.. Then, he worked for three years as a partner of the law firm Estudio Mendoza, Carrizales y Viani. Since 1998, he was legal advisor of the Peruvian Government in the Committee for the Delivery of the Concession of Camisea Project, having advised the Ministry of Energy and Mining, Copri (today Proinversión) and Perupetro until 2001. He was Board Member of the mining Company Bayóvar. From 2001 to 2002, he was associate lawyer of the law firm Muñiz, Forsyth, Ramírez, Pérez Taiman & Luna Victoria Abogados, in the energy area. During the same
period of time, he was National Attorney-in-fact of the oil Company Syntroleum Corporation, Peruvian branch, holder of the license contract for Block Z-1. He is author of several articles in specialized journals about regulation on transportation of natural gas.

He participated as exhibitor at the annual university extension courses from OSINERGMIN and post graduate courses of the Pontificia Universidad Católica del Perú in the area of regulation of natural gas. He has been an exhibitor in the V and VII Mining Hydrocarbons and Electricity International Law Congress organized by SNMPE (Sociedad Nacional de Minería, Petróleo y Energía). He has been a lecturer at the Hydrocarbons Management Diploma from ESAN University. He is a member of the SNMPE’s Hydrocarbons Legal Committee.

JOSÉ LUIS LANZIANI

Technical and Operative Manager of Transportadora de Gas del Perú since December 2015.

Electro-Mechanic Engineer, Universidad de Buenos Aires, Argentina. He was in several technical and executive positions inside the Engineering and Operative areas in the Empresa Gas del Estado of the Argentinian Republic from 1969 until 1991. His specialization and responsibility areas were natural gas exploitation, treatment, transport and distributing.

From 1991 until 2001, he performed as Manager of Natural Gas Sector in Tecpetrol E&P, company owned by Techint Organization, having as his responsibility the company’s commercial development of the natural gas production.

From 2001 until 2007 performed the charge of Operative Director in Tecpetrol G&P, being in charge of the development and implementation of the TgP’s Pipeline Transport System’s operation and maintenance, assuming during this hole period Coga’s (Spanish acronyms for Amazona’s Gas Operation Company) General Management.
From 2007 until December 2015, was in charge of Coga’s Expansions Management, developing over that period several works through TgP’s natural gas and natural gas liquids transport system, including among others, the Coast Loop I and II, Chiquintirca and Kepashiato Compressor Plants, that are the most prominent ones.

Supplements his professional profile with different academic activities in graduate programs in the Natural Gas Specialty in Institutions such as UBA Faculty of Engineering, ITBA, Universidad del Pacífico, among others.

**Board**

<table>
<thead>
<tr>
<th></th>
<th>#</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non Independent Directors</td>
<td>5</td>
</tr>
<tr>
<td>Independent Directors</td>
<td>-</td>
</tr>
</tbody>
</table>

**ALFREDO ERGAS**

Chairman of the Board of Directors of Transportadora de Gas del Perú since August 2015. He is Senior Advisor and Shareholder Representative in Chile for CPPIB. Board Member of Grupo Costanera S.A. and Transelec S.A., and serves as President of InBest and the AmCham Finance Committee.

He graduated as a Commercial Engineer from the University of Chile, with honors, and holds a Trium Global Executive MBA (NYU+LSE+HEC). He served as Enersis’ Regional CFO, where he also supported the Business Development Area as a controller. He previously worked as the Finance Manager of Enersa Chile and Smartcom, Endesa España’s telecommunications subsidiary. He also worked as Chief Trader in a brokerage firm.

Alfredo currently advises Grupo Corso and represents them in the following companies: David del Curto S.A., EquityBrand S.A. and Termotasajero S.A. (Colombia). Alfredo is a member of the Advisory Committee of University of Chile’s Economy and Business Faculty, where he is also a Finance Professor. Alfredo was recognized by his alma mater as the
"Best Commercial Engineer - University of Chile 2006". He was selected by his professional colleagues as "CFO of the Year" in 2010 by Revista Capital, awarded "One of the best Chilean CFO in Connection to Investors - 2012" by Lira, and also recognized for "Inbest/El Mercurio for his Contribution in the Chilean Capital Market Development 2014.

KARIM AIT SAID

Board Member of Transportadora de Gas del Perú since November 2012. President & General Manager of Sonatrach Peru Corporation since September 2011. He graduated as Engineer in Hydrocarbons Economy in 1989 (INHC – Algeria). In 2005, he obtained a Master degree in Business Administration (EDHEC – France).

Mr. Ait-Said began his professional career, in 1989, being in charge of Planning and Energy Studies - Energy and Mining Ministry of Algeria. After four years, he was appointed as Manager in the Economic Studies and Planning Area in Sonatrach Transportation Segment up until 2011.

From 2005 to 2011, he was Director and Vice President of MEDGAZ (Mediterranean Gas Pipeline), where he participated in the development and building of the natural gas pipeline between Algeria and Spain, and Director of the Board of CASH (Hydrocarbons Insurance Company - Algeria).

BRUCE HOGG

Board Member of Transportadora de Gas del Perú since March 2014. Canada Pension Plan Investment Board (CPPIB) Managing Director and Board Member of 407 International Inc. as well as former Board Member of Transelec S.A. and Grupo Costanera S.A. He has a Law degree from the University of Toronto and a Commerce degree from the University of Alberta.
At CPPIB, he is responsible for identifying, executing and managing the significant infrastructure investments in America and Australia. Before joining CPPIB in October 2007, Bruce directed the OPTrust private markets infrastructure team. Previously, he worked in the corporate finance area for Macquarie Group in London and Toronto, after working in investment banking for RBC Dominion Securities.

**JULIO LUQUE BADENES**

Board Member of Transportadora de Gas del Perú since March 2016 and Senior Advisor in Perú for CPPIB. He is a Mechanical Engineer from Universidad Simon Bolivar (Caracas, Venezuela) and holds an MBA from IESE, Universidad de Navarra, Spain.

He is Chairman of Casa Andina Hoteles, the largest Peruvian hotel chain, and of IPAE, a well-known entrepreneurial “think tank” in Peru. He serves on the board of Inretail, the largest retail conglomerate in the country, Laíve, a leading dairy producer, Aeropuertos del Perú, Dinet Logistics, Talma Airport Services and Innova Schools. Julio was Chairman of the Ethics Commission of the National Society of Radio and Television and President of the 48th Annual Congress of Entrepreneurs (CADE 2010).

**RAFAEL GONZALEZ RODRIGUEZ**

Board Member of Transportadora de Gas del Perú since March 2016. Director of International Assets Management of Enagás International, where he is responsible for the management and coordination of Enagás in international participated companies, in the LNG and NG business. Participates in the board of directors and shareholders meetings. In addition, he forms part of the Risk Committee. He holds a bachelor's degree in Industrial Engineering from the Universidad Politécnica de Huelva, and an Executive Development Program from IESE Business School of Universidad de Navarra.

Previously, he held various positions with Enagás Transport, Operations Manager and Terminal Manager of Huelva LNG Regasification Terminal and International LNG Manager. Prior to joining Enagás in 1987, González held positions of increasing responsibility with
engineering and construction companies for over 10 years for the oil and gas, Offshore & Onshore projects. World-wide experience on major projects from conceptual design, to construction, commissioning and start-up.
Shareholders

The distribution of shareholding is as follows:

<table>
<thead>
<tr>
<th>Holding</th>
<th>Number of shareholders</th>
<th>Shareholding (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1%</td>
<td>1</td>
<td>0.00005</td>
</tr>
<tr>
<td>Between 1%- 5%</td>
<td>0</td>
<td>0.00000</td>
</tr>
<tr>
<td>Between 5%- 10%</td>
<td>2</td>
<td>15.31384</td>
</tr>
<tr>
<td>More than 10%</td>
<td>4</td>
<td>84.68611</td>
</tr>
<tr>
<td>Total</td>
<td>7</td>
<td>100.0000</td>
</tr>
</tbody>
</table>

Note: All shares have voting rights

1 At the time of the Report’s preparation, there is no blood relationship and/or kinship between the TgP Directors and the members of the management team, or between these and the company shareholders.

Note: La Habanera L.P., Pisco Four Holdings INC y Tecgas Camisea INC. are affiliates of Carmen Corporation which in turn is affiliate of CPPIB.
Sipco Peru Pipelines Corporation is affiliate of Sonatrach
Gas sector

Macroeconomic context

Gross domestic product

In 2016, the Peruvian economy experienced a 3.9% growth, according to Central Reserve Bank of Peru (Banco Central de Reserva del Perú - BCRP) statistics. This is explained by the increased level of exports (8.6%) due to the growth of traditional exports, higher public spending (2.2%) due to higher public expenses on its different institutions and partially offset due to the lower level of private investment (-5.5%) as a result of the lower mining investments.

The economic recovery in 2016 regarding 2015 was based mainly on growth in the mining and hydrocarbons, electricity and water sectors. For 2017, greater dynamism in domestic demand is expected, as well as further growth in trade, construction and manufacturing sectors.

Source: BCRP

\[\text{GDP (%Var. / Year)}\]

\[\begin{array}{ccccccc}
\text{Year} & 2011 & 2012 & 2013 & 2014 & 2015 & 2016 \\
\hline
\text{GDP Peru} & 6.5 & 6.0 & 5.8 & 2.5 & 3.3 & 3.9 \\
\text{GDP Latin America} & 3.9 & 3.0 & 2.5 & 2.5 & 1.0 & 0.7 \\
\end{array}\]

Source: BCRP


Trade Balance

In 2016, the trade balance had a surplus of US$ 1,730 million, after two years of deficit. This is the result of the imports reducing in 14.1% while exports decrease but in a lower scale: 4.5%. Exports downfall was mainly in non-traditional products, and the imports downfall was related to consumption and investment dynamics.

For 2017, an improvement in the surplus of US$ 2.1 thousand million is expected as a consequence of the positive trend along 2016 and due to lower price pressures.

Inflation

2016 inflation rate was 3.23%; placing itself above the inflation target (2.0%, with +/-1% margin). Basically, the inflation reflected the price increase of some perishable food products and fuels. The categories in which the highest inflation levels were observed were

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4 Data obtained from the Central Reserve Bank of Peru website (www.bcrp.gob.pe), ‘Statistics’ Section
fuel and electricity, and sectors in which their tariffs are linked to the exchange rate, contributing to a cumulative rate above the target level.

For 2017 inflation rate is projected to return into its target range, based on a reduction in inflation expectations and the partial reversion of supply shocks.

![Inflation (var. % / Year)](image)

**Exchange rate**

In general terms, the exchange rate kept a stable trend throughout 2016. As of December 2016, the interbank-sell exchange rate reached S/ 3.397, 0.4% higher than the registered as of December 2015. As may be observed in the following graph, in the first half of the year, the appreciation of the Sol was consistent with the expectations of accommodative monetary policy in the developed economies and with the commodities price increase. In contrast, in the second half of the year, the exchange rate showed an upward trend as a result of the negative trend in commodities prices and the growing expectations of an increase in the Treasury rate by the FED.

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5 Data obtained from the web page of Central Reserve Bank of Peru (BCRP) ([www.bcrp.gob.pe](http://www.bcrp.gob.pe)). Section "Statistics"
According to the BCRP’s Inflation Report (December 2016), the local currency showed one of the lowest levels of volatility and depreciation in 2016 among the main currencies of the emerging economies. This was mainly due to the fundamentals of the Peruvian economy and to the actions taken by the BCRP to mitigate the exchange rate volatility.

**Country risk**

Peru’s country risk reached 165 bps at the end of 2016, according to BCRP’s statistics. In the same way, country risk for Latin America achieved the 482 basis points.

In 2016, Standard & Poor’s and Fitch Ratings affirmed Peru’s risk rating at “BBB+” for long-term debt in foreign currency. Moreover, Moody’s Investors Service, another of the most important credit rating agencies in the world, affirmed Peru’s risk rating at “A3”; both ratings with stable outlook.

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6 Data obtained from the web page of Central Reserve Bank of Peru (BCRP) ([www.bcrp.gob.pe](http://www.bcrp.gob.pe)). Section “Statistics”
Exchange Indexes

During 2016, the Lima Stock Exchange (Bolsa de Valores de Lima - BVL) recorded an upward trend. At the year’s closure, the General Index of Lima Stock Exchange (IGBVL in Spanish), the most representative index in the local exchange, increased by 58.1%, from 9,849 points in 2015 to 15,567 points at the end of 2016. Likewise, the Selective Index of Lima Stock Exchange (ISBVL in Spanish), which gathers the 25 leading stocks, increased by 82.8%, from 12,902 to 23,578 points.

The IGBVL registered its lowest peaks in January, February and March, and its highest peak in December. The negotiated amount in 2016 was greater than the previous year. The amount of Equities traded increased by 35.3%. The Market Capitalization of the Lima Stock Exchange as of December 31st 2016 was US$ 124,044 million, 36.8% lower compare to last year’s amount.

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7 Data obtained from the web page of Central Reserve Bank of Peru (BCRP) (www.bcrp.gob.pe). Section “Statistics”
Outlook for 2017

In its Inflation Report from December 2016, the Central Reserve Bank of Peru (BCRP) foresees a 4.3% growth rate for the GDP in 2017. The most important growth is expected to be associated to a higher dynamism in domestic demand due to an increase in private investment and greater public investment associated with improved public spending management by the Government.

The main determining factors in the forecast are based on improved business confidence, which is expected to bring a phase of optimism in 2017. Furthermore, more favorable external conditions are expected based on the growth of the global economy and improved terms of trade.

Moreover, according to the mentioned report, inflation expectations for 2017 have gradually decreased. Thus, it is expected that inflation rate will return to its target range, with a rate of 2.3% by the end of 2017. This is explained by a reduction in inflation expectations, and the partial reversal of supply shocks on prices.

8 Data obtained from the web page of Central Reserve Bank of Peru (BCRP) (www.bcrp.gob.pe). Section "Statistics"
According to the macroeconomic expectations survey carried out by the BCRP in December 2016, the financial system expects the exchange rate to increase to 3.47 Soles per US$ dollar by the end of 2017.\(^9\)

Regarding the current account, the BCRP anticipates that the decreasing trend in the deficit will continue, dropping from 3.2% of GDP in 2016 to 2.8% in 2017. This is explained by the expected increase in mining exports and by the recovery of export prices. Additionally, it is expected that in 2017, the funding inflows intended to finance investment projects in diverse economic sectors will increase within the context of optimistic business confidence and Government efforts to promote and facilitate projects.

Within the Marco Macroeconómico Multianual (MMM), released for 2015 – 2017 period by the Ministry of Economics and Finance, it states that the tax revenues would go up to 19.4% of GDP. This is based on the standardization of tax refunds, greater economic dynamism, and an increase in the price of raw materials.\(^{10}\)

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\(^{10}\) Data obtained from the Inflation Report – December 2015 published in the web page of Central Reserve Bank of Peru (BCRP)(www.bcrp.gob.pe).
Market Development

Natural gas transportation

Independent Customers

TgP has an important customer portfolio constituted mainly by electricity power generation plants, distribution companies and large industries.

In order to become an independent customer of TgP, the user must have natural gas consumption not lower than 30,000 m3/day, otherwise, the customer should request the natural gas transportation through distributors.

Power Generators

Up to December 2016, the power generators that hold transportation contracts with TgP are: Enel Generación Perú S.A.A. for its thermoelectric facilities in Ventanilla and Santa Rosa; Engie Energía Perú S.A. for its Chilca 1 facility; Kallpa Generación S.A. for Kallpa and Las Flores thermoelectric facilities; SDF Energía S.A.C for its Oquendo facility; EGASA for its thermoelectric facility in Pisco; EGESUR for its facility in Independencia; Fenix Power Perú S.A for its Chilca thermic station, and Termochilca S.A.C for its Santo Domingo de los Olleros facility.

As of December 2016, the Camisea natural gas power plants’ effective power is about 3,775 MW, which represents approximately 32% of the national effective capacity.

Distributors (Regulated Costumers)

Up to December 2016, TgP holds transportation contracts with two companies that provide the natural gas distribution service inside Lima Department and Callao Constitutional
Province (Gas Natural de Lima y Callao S.A. – Cálidda); and inside Ica Department (Contugas S.A.C.).

Users with a consumption lower than 30,000 m3/day hold a contractual relationship for the natural gas supply service only with the distributors. The regulated clients group includes residential, small and medium industries and the vehicle service stations (GNV).

**Industrial Customers**

TgP’s industrial customers are large companies dedicated to different productive activities, such as oil, cement, ceramics, glasses, textiles and food. These customers have a consumption level above 30,000 m3/day. The independent customers with a contracted transport service are:

- Alicorp S.A.A.
- Cerámica Lima S.A.
- Cerámica San Lorenzo S.A.C.
- Corporación Cerámica S.A.
- Minsur S.A
- Owens-Illinois Perú S.A.
- Perú LNG S.R.L.
- Pluspetrol Perú Corporation S.A.
- Sudamericana de Fibras S.A.
- UNACEM S.A.A.
- Refinería La Pampilla S.A.A.

The Delivery Point (City Gate) is located in Lurín (Kp 729, at the end of the Transportation System) and also in Chilca, with five additional delivery points for the Kallpa and Las Flores facilities (owned by Kallpa Generación S.A.), Chilca 1 (owned by Engie Energía Perú), Fenix Power (owned by Fenix Power Perú S.A.), and Santo Domingo de los Olleros
(owned by Termochilca S.A.C). The gas delivered by TgP to the delivery points is received by the distribution company Gas Natural de Lima y Callao S.A. (Cálidda).

Also, TgP delivers natural gas to four delivery points in Ica. Two of these are located in Humay (KP 520) and Chincha (KP 559) for Contugas S.A.C.; a third delivery point in Independencia (KP 528), which supplies natural gas to the companies Egasa and Egesur and a fourth delivery point in Humay (KP 519) for the company Pluspetrol Perú Corporation S.A.

Finally, in the KP 211 of the Transportation System, there is a connection to deliver gas to Perú LNG S.R.L.

![Natural Gas Transport by Sector](image)

**Natural Gas Transport by Sector**

**Local Market 2016**

- Power Generators: 66.40%
- Distributors: 25.50%
- Industrials: 8.10%

**Demand**

During 2016, the average transported volume of natural gas for the local market was 627 MMSCFD (17,747 Mm3/day). This volume represents an 8.33% increase compared to the volume transported in 2015. The transported volume increase is mainly due to the power generators, whose consumption grew by 11.77% when compared to the previous year and
which were responsible for 90.9\% of the total year’s increase. It is worth to mention that the transportation service to distributors increased by 2.12\%. In this context, it is worth emphasizing that it was possible to address the aforementioned increase in total local market demand thanks to the implementation of transportation system expansion, which took place in April 2016.

![Natural Gas Transport by quarter](Image)

Regarding the natural gas transportation service for Perú LNG, TgP has transported to the Chiquintirca (Kp 211) delivery point an average of 624 MMSCFD (17,704 Mm3/day), in addition to the volumes previously mentioned.

### Contracts

Regarding the natural gas transportation service, there are two different contracting modes. On one hand, the Firm Contract, in which the customer reserves a fixed daily consumption capacity in the Transportation System and the payment for this service is independent of its effective use. And on the other hand, the Interruptible Contract, in which the customer establishes a maximum quantity for daily transportation and only pays for the effective use
of the Transportation System, but the customer’s consumption of gas depends on the system’s availability.

**Natural Gas Liquids Transportation**

In the case of the natural gas liquids transportation service, TgP has two contracts with the Camisea Producers. These contracts are under the Ship or Pay modality and are established for a total fixed capacity of 115,000 bbl/day. It is worth mentioning that throughout the previous year, the pipeline transported an average of 92,180 bbl/day.

![Natural Gas Liquid Transport 2016 Quarterly](chart.png)
Expansions

Meeting the objectives foreseen for 2016, TgP successfully completed the Expansion Works for its NG transportation system, expanding its installed capacity to 1,540 MMSCFD, thus confirming its commitment to invest, and going along with the growing natural gas demand in the country, along with the highest standards of operation and world class transportation that characterizes it.

An important landmark within this investment plan was the construction and start-up of the Kámani Compressor Plant, located at KP 127 in the Jungle sector, and equipped with four (4) turbo compressors (TTCC) of 18,000 HP each, that would represent a total installed capacity of 72,000 HP. The aforementioned Plant came into operation in mid-April 2016.

In addition, the construction and commissioning of a second 31 Km NG Loop took place on the Coast (Proyecto Coast Loop II) along the PTS stretch between KP 699 (community of Chilca) and the City Gate in Lurín. This section also came into operation in mid-April.

Another work, which was completed in mid-September 2016 as part of the commitment undertaken with the Peruvian State, was the construction and commissioning of a branch of the natural gas pipeline to the city of Ayacucho.

It is important to emphasize that all this technical and economic effort was possible thanks to the implementation of a series of actions for dealing with the security conditions present in the Jungle and Highland sectors, and fundamentally thanks to the Peruvian State support which, through its Security Forces, made major efforts that facilitated the continuity of the construction works.
Corporate reputation strategy

2016 was characterized for being a year of important growth and learning, as it initiated a restructuring process of the reputational corporate strategy, developing a model based on two elements: the relationship with stakeholders and the assessment of the company’s reputation status.

Regarding the strategies with the stakeholders; during this period, management focused on the development of major initiatives seeking to bring TgP closer, and reinforce its relations with all the stakeholders.

On May, in the city of Huamanga in Ayacucho, TgP Yuyay took place. Within this learning space, around 300 people took part in talks whose aim was to motivate a change by promoting innovation. The event was attended by residents of the localities neighboring the system in the highlands area, local and regional authorities, academic authorities and young students.

In addition, on June and July, the TgP Educamóvil took place. This was an itinerant science fair, which received over 10 thousand people, including communities from the direct area of influence (DAI), local and regional authorities, media, customers and suppliers. Through this initiative, those who attended could enjoy entertaining and educational experiments on subjects related to the human mind, astronomy, physics, Peruvian biodiversity, and the challenges related to natural gas transportation.

Finally, as part of the commercial start-up of the expansion projects, the new Kámani Compressor Plant was inaugurated, in the presence of the Ministry of Energy and Mines and the competent authorities, as well as representatives of TgP’s customers and suppliers. The celebration was framed within: “A gas compressor plant is much more than that”, a campaign which focused on communicating all the benefits and the work associated to the operation of a gas compressor plant, such as the applied technology to transport more gas, which generates opportunities for thousands of Peruvians.

Furthermore, the company’s reputational model involved the developing of the following actions:
i. The identification and prioritization of its stakeholders, following a power-interest matrix, through which a list of 10 priority groups was identified.

ii. The identification of material issues for the relationship with all these groups.

iii. The collection of the stakeholders’ perceptions based on materiality. It should be noted that this study produced very satisfactory results, since, on average, the company obtained a general score of 79/100 points. It also contributed as an input to the management realignment.

This reputational model, in which the two elements are linked, allows evaluating the management to be evaluated and to reconsider customized actions that cover the expectations of the stakeholders in a timely manner.
Staff and Patrimonial Security

Permanent coordination with the Public Security Forces is an essential component of our security management system, especially along the first 226 Km of the gas pipeline that passes through the emergency zone located in the Valley of the Apurímac, Ene and Mantaro rivers (the VRAEM).

The installation of 7 permanent bases in critical facilities, and up to 16 temporary bases on the Right of Way (RoW), including the protection of up to 4 weekly logistical convoys from Kiteni, provided the security conditions required to carry out the geotechnical, pipeline, IT and expansion works indicated below:

1. Double the maintenance works and geotechnical remediation in the Jungle and Highland sectors, from 8 maintenance camps in 2015 to 16 camps in 2016.
2. Attending promptly to the pipeline breakage at KP 56+450 that occurred in mid-January 2016.
3. Performing the internal inspection (ILI) of the NGL pipeline between Malvinas and Pisco, along with the access of the company’s own personnel to the valves.
4. Performing the installation of antennas for the new Tetra communications system.
5. Meeting the construction schedule of the Kámani Compressor Plant.
6. Resuming the aerial operation from Quillabamba to Kiteni after approximately 4 years, this represented significant savings of resources.
7. Resuming land-monitoring activities along the RoW, which were postponed after October 2012, permitting the identification of sensitive points on the ground that could not be previously identified via aerial monitoring.
Aiming to keep the strong relationships established with populations located nearby the direct influence area and in this way facilitate Pipeline Transport System operations, TgP performed the Social Management Plan through three guidelines: i) maintaining the bidirectional and timely communication processes, ii) preventing and mitigating the social risk through mutual benefit agreements, and iii) generating shared value between the company and the nearby communities.

In 2016, the main investment activities in social management were as follows:

- The implementation of school kits in 267 pre-school and primary Public Educational Institutions located in 150 communities. By the end of 2016, 12,276 school kits have been distributed for children, and 823 kits for teaching staff.

- The project, “Improving skills in the production of coffee, cocoa and forest species”, was launched in the Manatarushiato and Cigakiato communities in the Echarate District, Province of La Convención, Cusco Region. It has been benefiting 140 agricultural producers.

- “TgP Educa” scholarships in the Chiquintirca rural community, Anco District, Province of Ayacucho. The project has been launched to benefit, with five scholarships, young people from low-income backgrounds who can demonstrate their admission to a higher-level public Educational Institution.

- Participation in the National Schools Olympics organized by the Ministry of Education, using the “TgP Educamóvil” strategy. It was an interactive fair whose objective was to introduce science, technology and gas-related issues in a playful and entertaining way.
• The updating of the profile and technical dossier of the project, “Installation of the rural center for alternation training in agoiganaera maganiro” in the Shima native community, Echarate District, Province of La Convención, Cusco, with the aim that it become an investment mechanism for Public Works Tax Deduction projects (Law N° 29230).

• The development of the project diagnosis and profile for the construction of the Anco - VRAEM Higher Public Technological Institute, thus fulfilling the commitment to the community undertaken by TgP.

• The development of the project, “Reestablishing the taricayas in the Lower Urubamba”, continued. This was carried out for the fifth consecutive year, with the purpose of preserving jungle biodiversity. By December 2016, more than 9,976 taricayas were released, and 6,000 taricaya eggs were gathered in three native communities: Timpía, Ticumpinía and Camaná, in the Lower Urubamba, located in the Echarate District.

• Closing of the solid waste management initiative in native communities of the Lower Urubamba, in Echarate, Cusco. This initiative was part of the process implemented by the Community Monitors.

• The Reforestation Project was developed for timber species and the development of forestry management skills in the communities of Manatarushiato and Cigakiato in Echarate, Cusco. Delivery of 38,500 pine, eucalyptus, cedar, balsam, bolaina, and other seedlings produced in the two installed vivariums, allowing the 140 beneficiaries to plant them on their plots.
TgP Educa: transporting education

TgP Educa is TgP’s most important social investment proposal. It aims to contribute to a significant improvement in the basic learning of pre-school and primary school boys and girls, using a participative approach, and with the mutual responsibility of parents, teachers and local authorities, using a methodology that is replicable and sustainable over time.

In 2016, the main activities executed as part of the program were:

- **Integral Schools in the Coast – Cañete:**

  In 2016, we continued implementing the project in the Coast sector of the Transportation System, encompassing seven primary Educational Institutions in the Districts of San Luis, San Vicente de Cañete and Cerro Azul, in the Province of Cañete. Thanks to this initiative, 421 students, and 36 headmasters and teachers were benefitted and approximately 268 families got involved. All of these with the support from the Cañete UGEL (agreement).

- **Inter-cultural Schools in the Jungle**

  The implementation continued in the community of Chiquintirca and its 23 annexes, in the La Mar Province, Ayacucho Region, in 44 pre-school and primary Educational Institutions. The program benefits 1,043 students and 80 teachers, involving approximately 897 families and receiving the support of La Mar UGEL and the Municipality of Anco. The latter are institutions with which inter-institutional agreements were signed.
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Intercultural Schools in the Jungle – Phase II Expansion

In 2016, the implementation of Phase II continued in 23 pre-school and primary Educational Institutions. 83 teachers and 1,193 students, and around 728 families, were involved, with the support of the La Convención UGEL, and the Municipality of Echarate.

Below, the main activities developed by the “TgP Educa” program in 2016 are described:

In the coast sector:

- The reconditioning of classrooms: Spaces were created for motivating, stimulating and incentivizing initiatives and constructive learning in boys and girls, with the implementation of 33 classrooms in 7 Educational Institutions.
- Changing the face of the school: through the organization of schoolrooms, implementing the spaces necessary for improving the physical conditions of the school. The principal activities are the cleaning of the various areas of the Educational Institutions, painting the patio games for the students use, painting the security circles, painting the skirting boards and unevenness in accordance with INDECI (National Institute of Civil Defense) instructions, painting the concrete playing areas and painting of fences.
- Ludic days: These are periods when parents and their children gather together and revalue traditional games. These events have permitted greater personal interaction, with each game having specific rules.
- Socio-educational fair - Day of Achievement: These are meeting spaces between parents and children where the teachers reinforce their abilities to manage and present educational results to students, both in the socio-personal and academic aspects.
- The upgrade program for teachers and headmasters of the seven Educational Institutions, whose aim was to reinforce teaching processes.
• Parental volunteering. This involves a commitment to the day-to-day dealings of the educational establishments. The volunteers help and foster interaction, while the teachers perform their pedagogical work.

• The implementation of an educational park in the District of San Luis.

• The management of one Education Resource Center continued at the Silva Luyo Primary Educational Institution in San Luis District, providing opportunities to the community to enjoy a different and informal space in order to stimulate extracurricular learning.

In the Highland sector:

• The implementation and dynamization of two Education Resource Centers implemented in Chiquintirca and San Antonio, which help to establish spaces that break the mold outside the school, promoting different learning methods to which students are accustomed.

• The activation of one “Educamóvil”, whose purpose has been to bring the key community stakeholders closer in order to promote informal spaces based on play-centered, participative and reflective methodologies, and stimulate learning in boys and girls.

• Inter-generational Meetings: This involves collaborative and cooperative work with parents and community sages in order to rescue its culture and customs.

• Contest: “My beautiful classroom”, stimulating the creation of attractive spaces within the classroom in order to stimulate the child’s learning.

• The gas culture module, “Educagas”, has been developed to materialize the technical content so that it can be structured in a pedagogical way for future dissemination.

• Training courses for pre-school and primary teachers, teacher companionship visits and mini workshops.

• The delivery of materials for communications, math, social personnel studies, fine motor skills, neuromotor circuit, and expendable materials for pre-school and primary levels.

• The implementation and dynamization of an “Educamóvil”
- Counselling to Parent’s Associations (APAFA in Spanish) regarding the development of their annual work plan.
- Workshops with parents related to the culture of upbringing.

**In the jungle sector:**
- Specialist training for teachers and headmasters, pedagogical companionship visits and mini workshops.
- The implementation of kits for the refurbishment of classrooms, and the delivery of expendable materials.
- Personalized psychological support for boys and girls. Family psychology days.
- Family and inter-generational gatherings.
- Management of five Education Resource Centers. These generate spaces outside the school gates, promoting learning at community level, and bringing the various stakeholders to stages that stimulate educational communities.
- The activation of one implemented Educamóvil, which serves to bring communities closer to innovative activities in order to stimulate learning in boys and girls.
- Inter-generational Meetings: This involves collaborative and cooperative work with parents and community sages to rescue its culture and customs.
- The design of a pop-up story, “Cotton-Spinning Wisdoms”: the preparation of appropriate material that brings back the cultural wisdom and customs, placing value on a cultural tradition that was only being preserved orally.
- The implementation of the strategy of recognizing good teaching performance with the participation of the Local Education Management Unit (UGEL).
Respectful with the environment

TgP performs its activities under a policy of prevention, control and mitigation of potential environmental impacts. This policy allows TgP to accomplish both legal requirements and the willingly subscribed agreements signed by the Company. To accomplish this, the Company frames the management according to the ISO 14001 guidelines.

Environmental Monitoring

As part of its monitoring and environmental commitment, the company performs periodical physical-chemical monitoring in several spots along the RoW and surface facilities aiming to identify possible changes in the environmental quality, analyzing parameters such as noise, atmospheric releases, air quality, water quality, soil quality and effluents.

During 2016, it was performed the quarterly physical-chemical monitoring in air and water quality, environmental noise, effluents, soil quality and emissions matrixes, monitoring the 91 points that form part of the company’s network. The results were presented to the regulatory organisms in the quarterly monitoring reports.

Biological Monitoring and Biodiversity Monitoring Program (BMP)

Aiming to timely detect any changes that might occur in the different biological components of the environment, as a consequence of TgP’s operations, a team of specialists evaluates the entire area of the PTS, prioritizing the biologically sensitive areas, such as the montane forest, wetlands, quenual forest in the highland sector, dry forests in the inter-Andean valleys and the Coast desert located between Ica and Lima. Monitoring also comprises the different mammals, birds, amphibians, reptiles and flora, as well as the aquatic life in rivers and ravines.

During the course of the 2016 monitoring, 46 stations were evaluated in the Coast, Highland and Jungle sectors for the different biological components considered in the BMP. As in the
2014 and 2015 evaluations, four additional stations were monitored in the wetland area which comprised the groups of flora, vegetation and birdlife. In addition, there was kept in place the monitoring of the stations located in the montane forest close to the Apurímac River, and 2 terrestrial and 6 aquatic stations were evaluated in the Jungle sector, which have not been evaluated since 2012.

Regarding the Biodiversity Monitoring Program, by mid-2016, the agreement with the Smithsonian Institute concluded. Thus, began the design of the bases for biodiversity management with the results obtained and the guidelines laid down by the IFC (International Finance Corporation). These bases will serve as a structure for the use of the mitigation hierarchy against impacts that may be produced to the detriment of biodiversity as result of the PTS operation, and in this way continue working in favor of biodiversity protection and care in a responsible and sustainable manner.

**Reforestation**

Once the PTS construction phase concluded, the Company performed works in erosion control works, revegetation and reforestation along the 3 sectors of the project for all the area used, achieving to decrease the RoW average width to less than 25 meters.

The area used in the jungle sector for the pipeline transport system installation was 503 ha, shaped by many different soil types: montane forest, “pacal” montane forest, semi-dense primary amazonic forest, pacal amazonic forest and dense primary amazonic forest. The PTS, also, goes through 38.4 ha of the Machiguenga Communal Reserve and through 238.7 ha in the damping area in the Machiguenga Communal Reserve, the Megantoni Sanctuary and the Otishi National Park.

In the highland sector, the area used to install the PTS was 758.2 ha, from which the RoW went across 13.2 ha composed by Andean wetlands. The reconstruction works performed in this sector allowed to achieve the wetlands recovery, which are constantly monitored to verify its good condition.
In the coast, the area used by the project was 802.7 ha, from which 18.9 ha belonged to the damping area of the Paracas Reserve.

During the 2015-2016 reforestation campaign, which concluded in April 2016, the revegetation maintenance works in the highlands sector were performed in 46 ha, between KP 342 and 385. The 2016-2017 campaign, which began in November, has scheduled works between KP 355 and 407+300 (Highland sector). By the end of 2016, 60 ha of the RoW had been replanted, and works will continue up to February 2017. The Coast and Jungle sectors were not considered in these campaigns.

This works involved several activities like the tillers or cuttings transplant activities, improving the top soil, fertilization, among others. The revegetation process plays a key role in TgP’s transport operation system, given that it protects the soil from erosion allowing it to integrate the natural landscape. In this way, the ecological equilibrium in each area is maintained and is kept close to the final vegetal architecture designed for the RoW.

**Waste**

TgP has a Solid Waste Management Plan for the PTS, where the guidelines are designated to be followed in order to manage according to current environmental legislation and the Company environmental policy. In this way, 100% of the waste generated in the operation of the PTS is treated and disposed in authorized locations. During 2016, 1,902 MT of solid waste were generated as result of the company’s operations.

Another important point concerning the company’s environmental commitment is recycling. Out of the total waste generated in 2016, with recycling potential, 735 MT were recycled (74% of the recyclable waste), among those we can highlight the organic waste (compost), plastics, cupboards, reused oils, batteries and metal.

It is worth to mention that the compost treatment applied for organic waste (28% of the waste generated in the operation during 2016), in which the company innovated in the development of new methods, adapting the process in accordance to the weather and altitudinal characteristics proper of each region where it operates.
In this way, through a specialized treatment, 30.4 MT of compost were generated, which were used for reforestation works in the RoW for sustainable developed projects with the communities, as well as for gardening activities at camps and facilities.

**Contingency Plan**

Since the beginning, the Company counts with a Contingency Plan where the processes are detailed in order to react adequately when facing any emergency situation.

During 2016, anticipated to the simulacrum, joint inspection visits were performed with the operative areas to the check points, installation practices of check points with the emergency brigades in each sector and new signs were installed in the check points to improve their identification in case of an eventual contingency.

The NGL spilling and the NG leakage simulacrum in the coast, highland and jungle sectors were performed the days: November 23, October 12 and December 6, correspondently, achieving an emergency responsive rate (IRE) of 93.08% in the Coast, 94.60% in the Highland and 97.70% in the Jungle sector, which indicates that the staff and the emergency brigades are highly prepared to face any potential emergency.

**Supervision and Auditory**

According to the IMS (Integrated Management System) guidelines, the company constantly carries out internal audits. Coga, the company in charge of the Operation and Maintenance of the PTS, performed two internal audits in the areas of Pisco and Lurín in 2016. The audits of the IMS of both TgP and Coga were carried out by teams of internal auditors, who are continually trained to reinforce the skills they require as auditors, as part of both companies' commitment to continually improve their Integrated Management System.

In addition, 746 environmental inspections were performed throughout the year, which allowed verifying the accomplishment of standards and correcting any possible deviation from it. In addition, the OEFA (Environmental Audit and Supervision Organism) also
performed 13 supervision visits (6 regular and 7 special) to the different scopes of the operation.
In the legal framework

Transportadora de Gas del Perú S.A. is involved in many Administrative Procedures and Prosecutions. Nonetheless, we must mention that those prosecutions are tied together to regular business development, without reasonably considering that some of them might end in a significant adverse result to financial position or Company results.
Management analysis

During 2016, revenues totaled US$ 623.5 million, which is consistent with the estimates for that period and implies a 14.5% increase in comparison to last year revenues. The revenues were distributed as follows:

The 14.5% increase was the result mainly of the commercial start-up of the planned Natural Gas Transportation System expansion in April 2016. As result, the local market transportation capacity was expanded from 655 to 920 MMSCFD, with the resulting increase in firm’s contracting capacity from that moment.
Furthermore, the cost of the service for 2016 was US$ 273.7 million which represents a 15.5% increase compared to 2015. This increased is explained mainly by the higher activities and operation of the company.

Therefore, the operating profit for 2016 totalized US$ 335.7 million, which represents a 52% increase compared to the previous year. This was mainly due to the revenues increase of 14.5% over the previous year and, to a lesser extent, to other revenues arising from the sale of materials amounting to US$5.9 million, and other revenues totalizing US$ 4.5 million. However, this was partly offset by the increase in administrative costs such as labor costs, depreciation and other contingencies.

As a result, the company obtained a US$184.2 million net profit in 2016, which compared to last year’s, represents a 70% increase. This was mainly due to higher revenues associated to the increased transportation capacity.

Up to date, TgP has three bond issuances outstanding. Two of them issued in the local market and one issued in the international market. Local issuances correspond to the
Fourth and Sixth Issuances of the First Corporate Bond Program, for 25 years, issued in local currency and with an interest rate adjusted by local inflation (VAC Bonds).

The issuance on the international market is under the 144A/RegS standard, and has been issued for an amount of US$ 850 million for a 15 years term and a 4.25% fixed interest rate.

Among the total financial costs incurred during the period, US$ 43.9 million correspond to the interests generated by the bonds outstanding in 2016, disaggregated in: US$ 7.8 million corresponding to accrued interest for the VAC Bonds, and US$ 36.1 million corresponding to accrued interest for the 144A/RegS bonds.

TgP’s debt profile as of December 2016 is shown below:

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<th>As of December 2016 31st</th>
<th>VAC Bonds (1st Program - 4th issuance)</th>
<th>VAC Bonds (1st Program - 6th issuance)</th>
<th>Senior Bonds 144A/RegS</th>
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<td>Currency</td>
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<tr>
<td>Total Debt</td>
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<td>28,960,000</td>
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<td>Outstanding Amount</td>
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<td>15 Years</td>
<td>10 Years</td>
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</table>

Regarding the Lima Stock Exchange registers, TgP’s local corporate bonds have not recorded any negotiation in the Stock Exchange during 2016\textsuperscript{11}.

On June 15\textsuperscript{th}, 2016, the company signed an agreement with Citibank, N.A. for a committed credit line of US$40,000,000, for general corporate purpose uses. This credit line is considered to be of immediate liquidity for the purpose of calculating the company’s liquidity ratios.

\textsuperscript{11} According to Lima Stock Exchange (BVL) newsletter CE-002/2017, issued on January 30th 2017
Overall, TgP shows strong liquidity levels. The company’s liquidity ratio measured as current assets plus the committed credit line to current liabilities was 4.4x, while the acid test ratio measured as cash and cash equivalents plus the committed credit line to current liabilities was 2.4x.

These high liquidity levels are mainly explained by the fact that 96% of the TgP’s liabilities are in the long term and that the company keeps an adequate level of cash and cash equivalents, which, by the end of 2016, totaled US$ 86.5 million.

Furthermore, TgP shows a solid capacity to take on additional debt. It registered a Net debt-EBITDA ratio of 2.1x for 2016. This is mainly due to the fact that the EBITDA represented 67% of revenues.
In accordance to current standards, the company keeps its accounting records in US$ American dollars, which constitutes its functional and reporting currency.

The elaboration of the financial information was in charge of the Certified Public Accountant (CPC), Mr. Horacio Quiñones Boza. TgP’s external audits have been Gaveglio, Aparicio y Asociados SCRL, member of PricewaterhouseCoopers International Limited (PwCIL). The external audits' opinion regarding TgP's financial statements has been “without observations” for the fiscal year 2016.
“According to the BOOT contracts signed between TgP and the Peruvian Government, the technical operations of the Transportation Systems are carried out by its pre-qualified strategic operator, which is operating through Compañía Operadora de Gas del Amazonas (Coga). Many of the activities described in this Annual Report were performed directly by Coga as operator.”