



ANNUAL REPORT  
**2019**

PERU  LNG

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# MESSAGE FROM THE MANAGEMENT



This has been a year of great challenges, not only have we had to confront the difficult situation created by international natural gas prices, we also suffered and unexpected plant shut-down and unusual sea conditions that affected the availability of our port facility. Furthermore, at the end of the year international prices caused the rating agencies to reduce our rating.

Despite all this, our team's ability, professionalism and creativity kept us on top of the situation. Thus, we completed the plant maintenance successfully and without incident, and were able to meet our contractual commitments.

Even in these circumstances the plant achieved a 92 percent level of efficiency and despite stoppages and force majeure, production was 211.7 TBtu of LNG, a volume 7 percent greater than in 2018, while we loaded 58 methane tankers at our port facility - one more than in the previous year.

The company also continued to supply the local market by road; during the year we dispatched 2 410 road tankers to northern and southern Peru. Part of our mission is to grow and create value for the company and communities in which we have a presence through a secure operation that minimizes impacts on the environment, and 2019 saw encouraging results for protection of the country's ecosystems and biodiversity.

Our port facility, which operates in an environmentally friendly manner, has become a refuge for endangered birds and marine species and in recognition of this fact has received the Asia Pacific Economic Cooperation Forum - APEC Green Port Award, as well as the 2019 Sustainable Development Award from the Peruvian Mining, Petroleum and Energy Society, in the Environmental Management category.

We have also received the Global Energy Award, granted by consulting company S&P Global Platts for our project to strengthen the skills of local government officials, who have managed to leverage more than 13 million dollars for their communities. This initiative, developed in conjunction with the Universidad del Pacifico, was recognized as the best corporate social responsibility program among those implemented by the world's largest energy companies.





With regard to the social aspect, we encourage improvements in reading comprehension and the prevention of anemia in our areas of influence. Similarly, our Impacting Lives program promotes table tennis among school students.

We are also continuing to encourage income generation by people in the rural areas of Ayacucho, who were trained in processing, transformation and handicrafts made from alpaca fiber through the Allin Ruray program; while artisanal fishermen in Chíncha and Cañete received technical training at the Merchant Marine School, enabling them to enter the formal economy, obtain credit and obtain jobs in the fishing industry.

The information shown below reflects our commitment to operate responsibly, with sustainability as one of our strategic aims in furthering progress among our

A handwritten signature in blue ink, which appears to read 'María Julia Aybar'.

María Julia Aybar  
VP & General Manager



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# DECLARATION OF RESPONSIBILITY



This annual report was completed on March 31, 2020. It contains accurate and sufficient information on the performance of the business of PERU LNG S.R.L. (hereinafter PERU LNG) during 2019. Without prejudice to the PERU LNG's responsibility, the undersigned are responsible for its contents in accordance with applicable legislation.



María Julia Aybar  
VP & General Manager  
Officer responsible for the financial affairs of PERU LNG

PERU LNG is a limited liability corporation having its registered office at Calle Las Palmeras 435, edificio PAL 400, oficina 302, San Isidro, province and department of Lima, Peru. Its telephone number is (511) 707-2000 and its fax (511) 707-2099. The company was incorporated by public deed on March 24, 2003, in the presence of notary public of Lima Ricardo Fernandini Barreda, and is registered under electronic entry N° 11500968 in the Companies Registry at the Public Records Office for Lima and Callao (Lima office).







# FUNDAMENTAL PRINCIPLES





# Vision

To be world-class producers of LNG in the spheres of operational efficiency, environmental and social performance and industrial safety.



# Mission

To be the most efficient world-class LNG producer providing a workplace free from accidents and environmental incidents, which acts as a responsible investor contributing to the local community, supported by the most talented workforce and employing best practices to achieve continual operational improvements whilst maximizing value for its shareholders.







# OUR ORGANIZATION





## AIMS, TIME-FRAME AND ECONOMIC GROUP

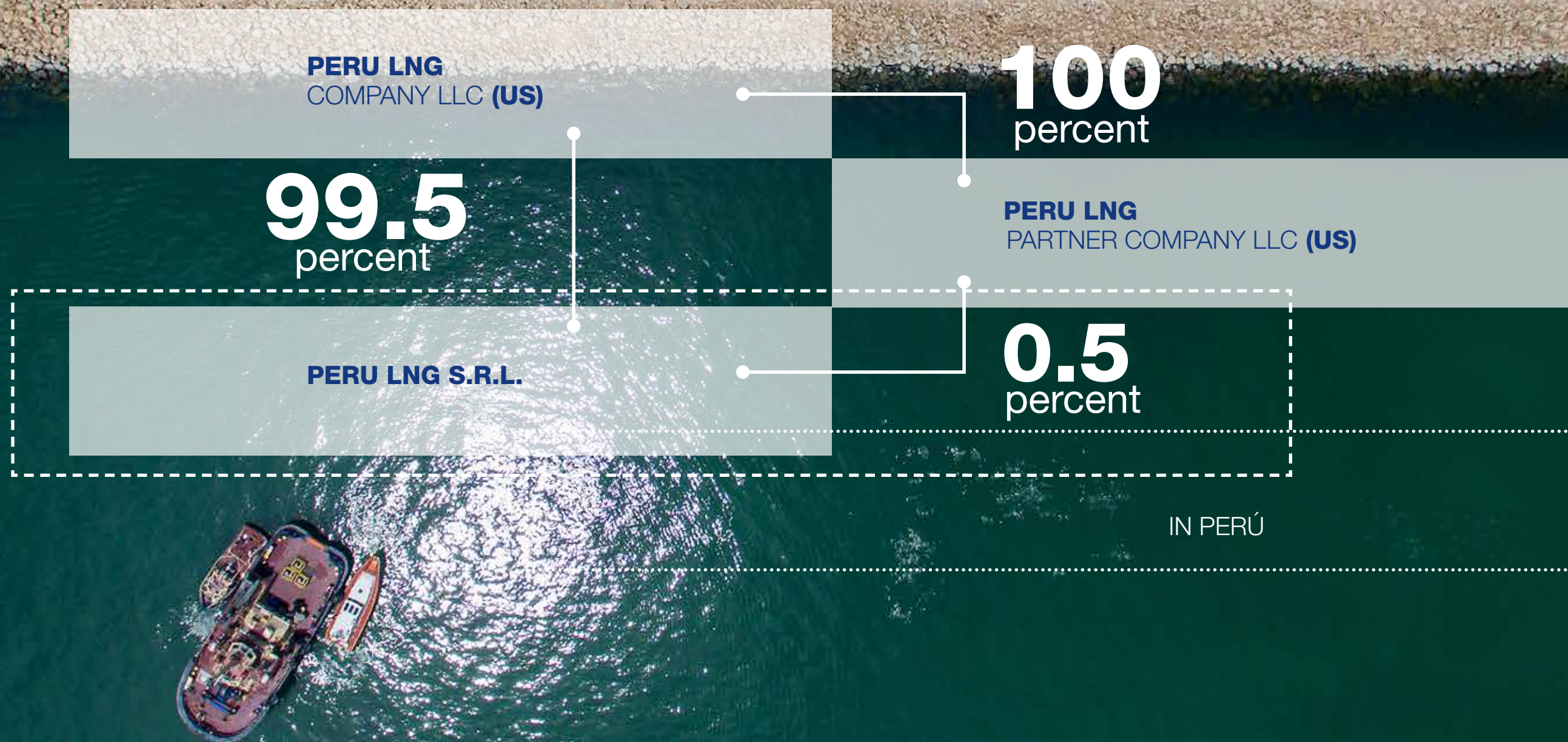
PERU LNG was created by public deed on March 24, 2003 to develop, build and operate a liquefied natural gas (LNG) plant. Its infrastructure includes a plant and related installations, port facilities for methane tankers, and a gas pipeline (ISIC 1110). The articles of incorporation of PERU LNG state that the company was created for an indefinite period.

PERU LNG Company LLC owns 99.5 percent of the company's shares and PERU LNG Partner Company LLC owns 0.5 percent.

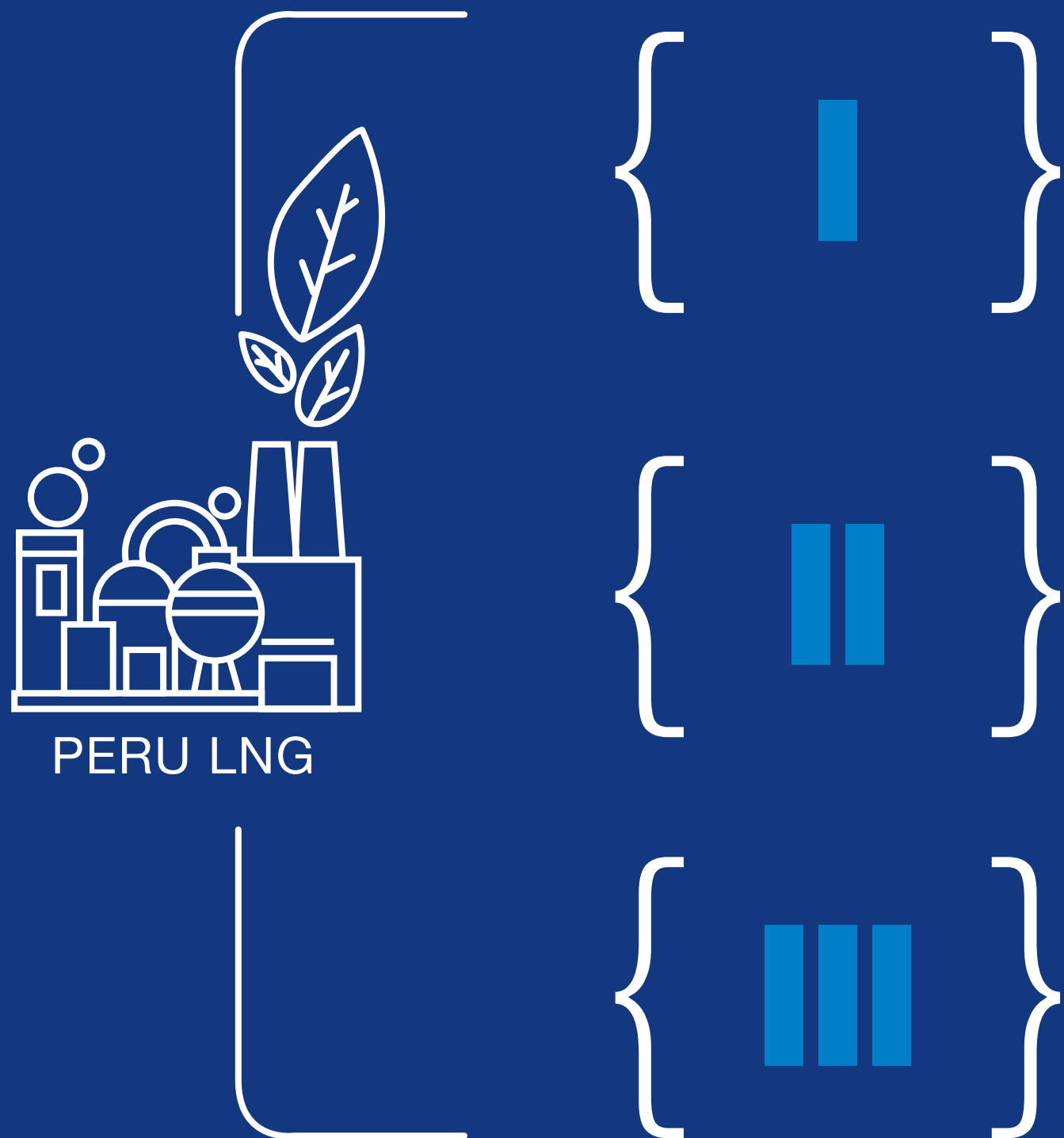
The principal activities of the group made up of PERU LNG, PERU LNG Company LLC and PERU LNG Partner Company LLC include the development, design, engineering, procurement, construction, commissioning, financing, ownership, operation and maintenance of a liquid natural gas plant and gas export installations.

The following illustration shows the economic group made up of three companies.









**PERU LNG** is registered under electronic entry N° 11500968 in the companies register at the Public Records Office for Lima and Callao (Lima office). Its business includes hydrocarbons activities, transport, distribution, treatment, processing, refining, separation, compression, pumping, storage, dispatch, sales, importing or exporting of hydrocarbons and derivatives, as well as the operation of liquefaction plants, gas pipelines, oil pipelines, aqueducts, mineral products pipelines, multi purpose pipelines, cable ducts and associated installations, and other similar activities

**PERU LNG Partner Company LLC**, a company incorporated and existing under the laws of the State of Delaware, United States of America, is not registered with the RPMV and has no securities registered in any stock market

**PERU LNG Company LLC**, a company incorporated and existing under the laws of the State of Delaware, United States of America, is not registered with the RPMV and has no securities registered in any stock market.



## CAPITAL

The capital of PERU LNG as at the December 31, 2019 was USD 1 461 435 077, represented by 1 461 435 077 fully subscribed and paid up shares having a nominal value of USD 1.00 each. The capital is duly registered under item B00012 of the company's registry entry. PERU LNG Company LLC is the holder, both directly and indirectly, of 100 percent of the shares in PERU LNG.

### Shareholdings in PERU LNG

Shareholding	Number of shareholders	Shareholders (percent)
Less than 1 percent	1	0.5
Between 1 percent and 5 percent	-	-
Between 5 percent and 10 percent	-	-
More than 10 percent	1	99.5
<b>Total</b>	<b>2</b>	<b>100</b>

Source: own data.

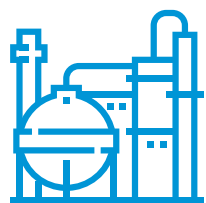


## THE PROMOTERS

The promoters are companies with indirect shareholdings in PERU LNG but they do not form part of the economic group. This group is made up of: Hunt Oil Company holds 50 percent; Shell Gas B.V. holds 20 percent; SK Innovation Co. Ltd., with 20 percent and Marubeni Corporation with 10 percent.

During the construction stage the promoters provided USD 1 571 435 077, which represents more than 40 percent of the total cost of the project (USD 3 874 597 513).

PERU LNG is operated by Hunt LNG Operating Company. S.A.C. (Hunt LNG), a Peruvian company 100 percent owned by Hunt Oil Company.



“ PERU LNG IS OPERATED BY HUNT LNG OPERATING COMPANY. S.A.C. (HUNT LNG), A PERUVIAN COMPANY  
**100 %**  
PERCENT OWNED BY HUNT OIL COMPANY”.

## CAPITAL CONTRIBUTIONS, FINANCING AND WORKING CAPITAL

### CAPITAL CONTRIBUTIONS

During the construction stage, the promoters provided USD 1 571 435 077. This represents, proportionally, all the capital necessary to finance the construction cost of the project. Financing was also obtained from other lenders and through local bond issues.

### FINANCING

To finance the project, on June 26, 2008 PERU LNG entered into a common terms agreement with lenders for a total sum of USD 2 050 000 000. Those taking part in financing the project were: IADB (USD 800 000 000), US EXIM (USD 400 000 000), IFC (USD 300 000 000), K EXIM (USD 300 000 000) and SACE (USD 250 000 000). This debt is being repaid at a rate of approximately USD 100 000 000 000 a year, from 2011 to 2024. As at December 31, 2017, PERU LNG had repaid USD1 000 000 000.

PERU LNG also obtained some financing from the Peruvian securities market through the first PERU LNG corporate bond program valued at USD 200 000 000 in four simultaneous issues, which was approved by Ruling N° 064-2009-EF/94.06.3 from the Companies and Securities Supervisory Commission (now the Stock Exchange Regulatory Authority - SMV).

### PERU LNG First Corporate Bonds Program - Issues

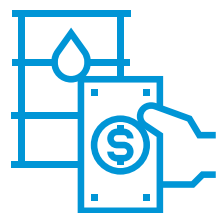
	First (2) issue	Second (3) issue	Third issue	Fourth issue
Value of the issue (thousands of USD)	10 000	40 000	160 000	160 000
Demand (USD thousands)	32 068	53 722	341 799	33 080
Amount placed (thousands of USD)	10 000	30 000	135 325	24 675
Term (years)	2.5	5.0	15.0	15.0
Period of grace	2.0	2.5	5.0	5.0
Coupon	Every six months	Every six months	Every six months	Every six months
Currency	USD	USD	USD	USD
Interest rate	3.44 percent	4.66 percent	Libor (6M) + 3.65625 percent	7.16 percent
Spread (1)	1.39 percent	1.22 percent	2.27 percent	2.27 percent

(1) Spread vs. Peruvian global bonds  
(The first issue was paid in full in May 2012.  
(The second issue was paid in full in November 2013.  
Source: own data.

On March 22, 2018, PERU LNG issued a bond in the international market having a total value of USD 940 000 000 under Rule 144A and Regulation S of the United States Securities

Act 1933, with a fixed interest rate of 5.375 percent. The bond was rated Baa3 (Moody's), BBB- (S&P) and BBB - (Fitch), all with a stable outlook, maturing in 2030.





“ TO FINANCE THE PROJECT, ON JUNE 26, **2008** TO FINANCE THE PROJECT, ON JUNE 26, 2008 PERU LNG ENTERED INTO A COMMON TERMS AGREEMENT WITH LENDERS FOR A TOTAL SUM OF **USD 2 050 000 000”.**

The total value of the bond issue plus approximately USD 280 000 000 that the company had in reserve accounts, was used to refinance the USD 1 221 000 000 balance of the original financing obtained in 2008, including local bonds. Consequently, on May 17, 2018, in accordance with Ruling N° 036-2018-SMV/11.1, the Stock Exchange Regulatory Authority excluded the whole of the PERU LNG first corporate bond program from the Stock Market Public Registry.

The international bond issue, with its six-year period of grace, modified repayment of the debt and extended the repayment period from 2024 to 2030.

As at March 22, 2018, the date of the refinancing, the total balance of the debt was USD 1 221 079. The balance broken down by institution is shown below.

#### Balance owed as at the March 22, 2018

	Balance (thousands of USD)
IADB A	245 491
IADB B	204 466
US EXIM	200 002
IFC	184 118
K EXIM	150 001
SACE	125 001
Bonos locales	112 000
<b>Total</b>	<b>1 221 079</b>

Fuente: elaboración propia.

As of December 31, 2019, the new balance owed was USD 940 000 000, resulting from the international bond issue described above.

In accordance with the six-month repayment schedule, the second and third interest coupons were paid in March and September respectively, amounting to USD 25 262 500 each. The next payment is programmed for March 2020.

Furthermore, on November 26, 2019, Standard and Poor's (S&P) lowered PERU LNG's rating from “BBB-” to “BB+”, with a negative outlook. This can be explained by the unexpected interruptions in production and reduced international natural gas prices. The S&P analysis took into account initiatives by PERU LNG to minimize these interruptions and the volatility of its cash flow.

Moody's also reduced PERU LNG's rating from “Baa3” to “Ba3” as a result of its analysis of natural gas prices for future years. The outlook is stable, which reflects Moody's expectation that PERU LNG will maintain its profile in 2020 and improve it towards the end of 2021.

On December 6, 2019, Fitch reaffirmed PERU LNG's “BBB-” rating but changed the outlook from “stable” to “negative”. According to the Fitch report, PERU LNG's negative outlook reflects weak operating performance due to lower natural gas spot prices and higher leverage, explained by a lower EBITDA, in other words earnings before interest, taxes, depreciation and amortization

#### WORKING CAPITAL

On March 7, 2018, PERU LNG entered into a working capital financing agreement and bank guarantees with the Banco de Credito del Peru (BCP) valued at USD 75 000 000 over a three-year period. This line includes letters of guarantee and letters of credit, in addition to short-term disbursements. Capital disbursements have a maximum term of 12 twelve months. As at December 31, 2019, no short-term disbursements from the working capital facility had been necessary.



## CONTRACTS WITH THE PERUVIAN STATE

On January 12, 2006 the company entered into an investment agreement for the construction, operation and maintenance of a natural gas processing plant (hereinafter the investment agreement), within the framework of a law prohibiting the unilateral modification or amendment of its terms.

The investment agreement was signed by representatives of PERU LNG and the Peruvian State, represented by the Hydrocarbons Bureau (DGH) of the Ministry of Energy and Mining and the Central Reserve Bank of Peru (BCR). It establishes, among others terms, the following: (i) PERU LNG shall enjoy exclusive ownership of the liquefied natural gas (LNG) plant and related installations (including the gas pipeline), and shall be free to make use of and export the LNG produced. (ii) Provisions concerning the investment by PERU LNG to build and operate the LNG plant and related installations and (iii) guarantees for PERU LNG and its shareholders relating to taxation, import duties and foreign currency.

This agreement, approved by Supreme Decree N° 005-2006-EM in accordance with the terms of the Promotion of Investment in Natural Gas Processing Plants Act gives PERU LNG the right to a stable tax and exchange rate regime, as well as other guarantees established in the Act, for a period of 40 years.

Later, on July 5, 2010, the investment agreement was modified by public deed to include Annex D, known as the “Agreement to Expand and Use the Carrying Capacity of the Main Pipeline”. This agreement was entered into by Transportadora del Gas del Peru S.A. and PERU LNG, according to the provisions of Article





81 of the Regulations for the Carriage of Hydrocarbons through Pipelines, approved by Supreme Decree N° 081-2007-EM.

## SUPPLY OF NATURAL GAS

In accordance with the supply contract, the plant will receive natural gas from the Camisea fields for eighteen years.

August 6, 2014 saw the commencement of a Modified and Re-drafted Natural Gas Sales Contract for Block 88, entered into by PERU LNG and the holders of the block, who undertake to provide natural gas to PERU LNG solely for local consumption or when it is to be used or consumed in any other manner in the PERU LNG production process.

A modified and re-drafted contract for the sale of natural gas from Block 56, entered into by PERU LNG and the holders of the block took effect on the same date. This contract permits the holders of Block 56 to acquire gas from the holders of Block 57 for inclusion in their obligation to supply PERU LNG.

With these contractual changes PERU LNG maintains its right to a firm commitment to deliveries of 4.2 trillion cubic feet of gas during the term of the contracts, at a rate of 670 000 million BTU (British Thermal Units) per day, in accordance with daily quantity required (CDR).





## COMPETITION AND POSITIONING IN THE MARKET

The main factors influencing this increase in demand are the replacement of coal by natural gas and local energy policies. In addition, it is expected that use of the latest technology will make a significant contribution to this growth. For example, floating storage and regasifying units (FSRU) enable the regasifying infrastructure to be deployed more quickly and at very competitive prices.

This is the context in which international gas prices fell in 2019 compared with 2018. Furthermore, the Henry Hub spot price fell by approximately 20 percent, while the NBP and JKM markers fell by 44 percent in the same period.



“THE MAIN FACTORS INFLUENCING THIS INCREASE IN DEMAND ARE THE REPLACEMENT OF COAL BY NATURAL GAS AND LOCAL ENERGY POLICIES”.



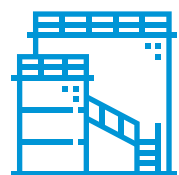


## TARGET MARKETS

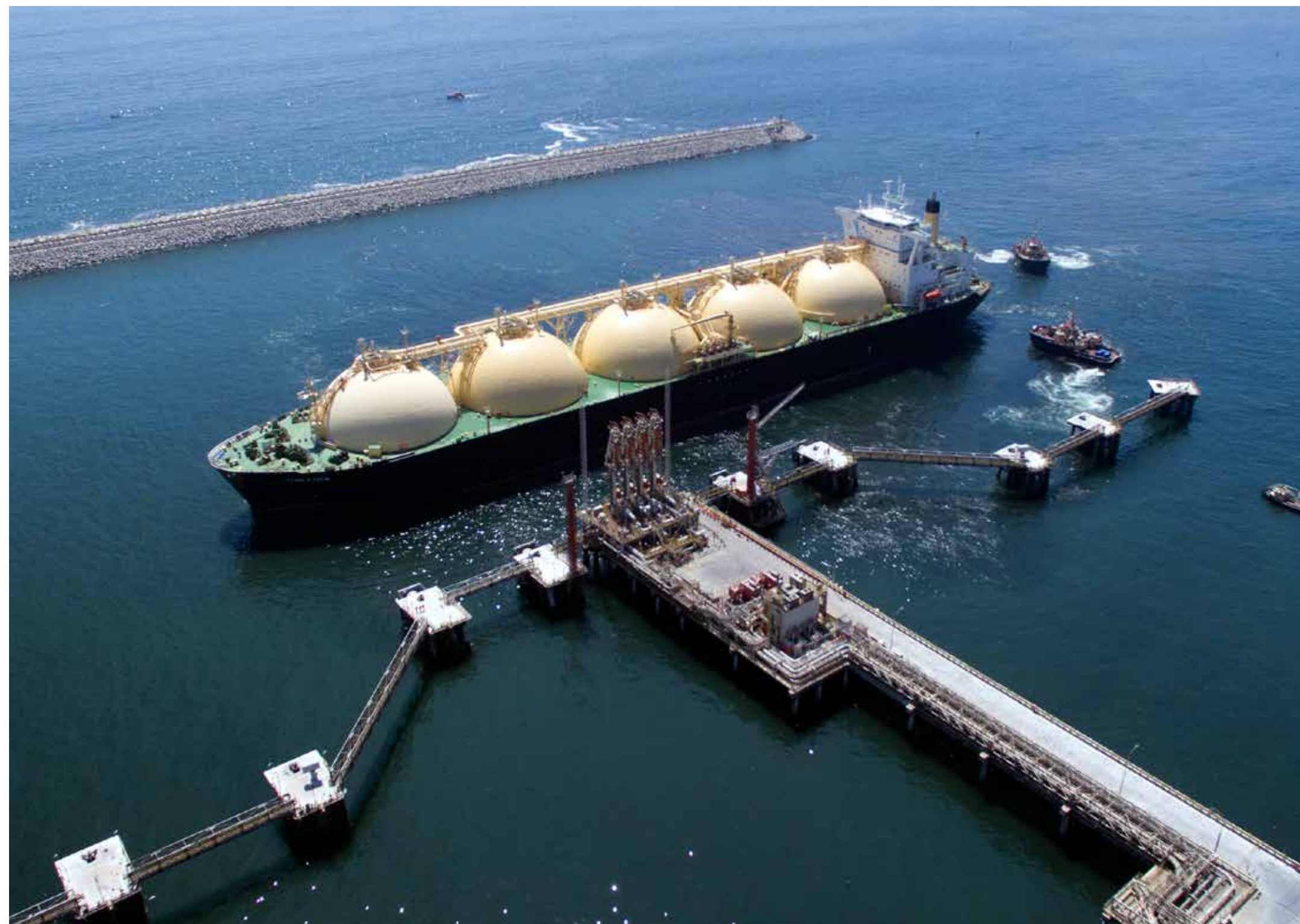
On January 1, 2014, Shell International Trading Middle East (SITME) replaced Repsol Comercializadora de Gas S.A. as the off-taker for PERU LNG, by means of the Third Amended and Restated LNG Sale and Purchase Agreement, entered into on December 31, 2013. SITME is part of the Royal Dutch Shell (RDS) group, one of the largest oil companies in the world. Shell's LNG businesses include trading and one of the largest fleets in the industry.

During 2019, the LNG produced by PERU LNG and sold by SITME went mainly to South Korea (34 percent), Japan (20 percent), China (18 percent), Spain (9 percent) and other destinations in Europe and Asia (19 percent).

Despite the long distances, PERU LNG remains attractive for European and Asian markets. Monthly sales during 2019 are shown below.



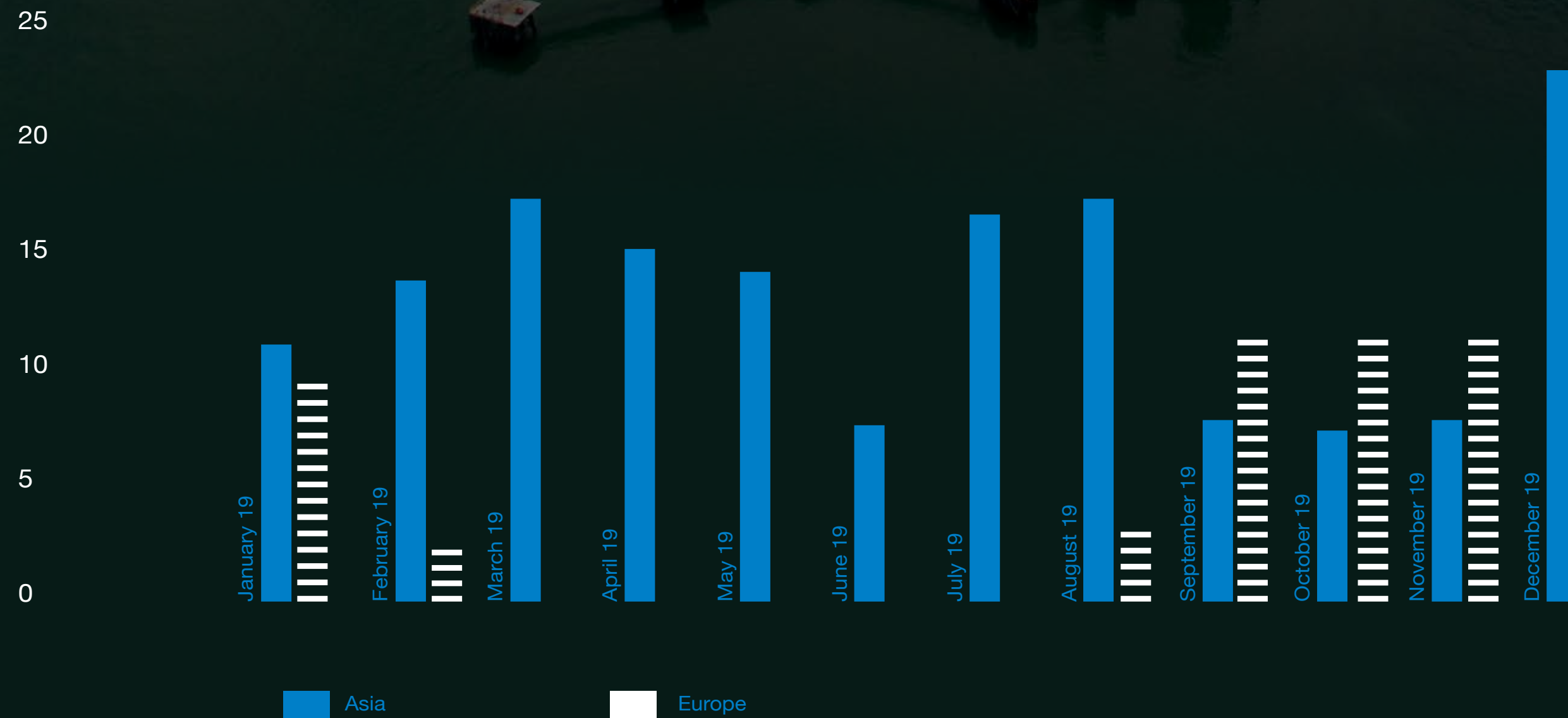
“DURING 2019, THE LNG PRODUCED BY PERU LNG WENT MAINLY TO SOUTH KOREA, JAPAN, CHINA, SPAIN AND OTHER DESTINATIONS IN EUROPE AND ASIA”.





# MONTHLY SALES IN 2019

Millones de MMBTU





## THE HYDROCARBONS SECTOR IN PERU

PERU LNG's activities are subject to current Peruvian law. One of the principal pieces of legislation for the sector is the Hydrocarbons Act, N° 26221, which regulates the sector in Peru and states that the Peruvian State encourages the development of hydrocarbons on the basis of free competition and free access to economic activities. For this purpose it guarantees the legal stability of contracts, as established in Article 62 of the Peruvian Constitution, as well as a stable tax and exchange rate regime.

In addition, the Hydrocarbons Act establishes that exploration and extraction of hydrocarbons must take place under license and service contracts, as well as other contract types governed by private law and authorized by the Ministry of Energy and Mining (MEM). Contracts that have been approved and signed can be modified by written agreement between the parties, subject to approval by Supreme Decree.

The legal framework for the hydrocarbons sector, which regulates and supports the activities of PERU

LNG, consists of the following principal legislation:

- Law N° 26221, the Hydrocarbons Act.
- Supreme Decree N° 051-93-EM: Regulations Concerning Hydrocarbons Refining and Processing;
- Law N° 28176: Promotion of Investment in Natural Gas Processing Plants Act;
- Supreme Decree N° 031-2004-EM: Executive Regulations to the Promotion of Investment in Natural Gas Processing Plants Act;
- Supreme Decree N° 032-2004-EM: Regulations Concerning Hydrocarbons Exploration and Extraction;
- Supreme Decree N° 042-2005-EM: Approved Text of the Hydrocarbons Act;
- Supreme Decree N° 081-2007-EM: Regulation for the Carriage of Hydrocarbons through Pipelines;
- Supreme Decree N° 043-2007-EM: Hydrocarbons Activities Safety Regulations.

The government authorities having a fundamental role in the hydrocarbons sector are the Ministry of Energy and Mining (MEM) and two regulatory authorities: the Supervising Body for Investment in Energy and Mining

(OSINERGMIN) and the Environmental Monitoring and Evaluation Authority (OEFA).

The MEM is responsible for designing general policies for the sector and, as the grantor, for awarding concessions. Osinergmin, which is a functional dependency of the Office of the Prime Minister, is responsible for establishing tariffs for the transport and distribution of gas, and for monitoring compliance with the concessionaires' obligations stipulated in their contracts and in applicable legislation. Also, it supervises the quality of the service provided with reference to the legislation and technical standards applicable to safety in the industry in question.

The OEFA, a dependency of the Environment Ministry, is responsible for ensuring that individuals and public and private entities comply with environmental legislation. It carries out checks, supervision, control and monitoring, and imposes sanctions in environmental matters.







# WORLD LEADING INFRASTRUCTURE





## GAS PIPELINE

The PERU LNG gas pipeline is an impressive piece of infrastructure that marks a milestone in the history of engineering in Peru. One distinguishing characteristic is its high pressure of up to an average of 1800 psig (124 barg). It is also 34 inches in diameter and can carry 1290 million cubic feet per day (MMcfd) of dry natural gas.

The gas pipeline runs for 408 kilometers through some of the world's most varied geography, including mountains and gorges where access is difficult, as well as crossing numerous rivers and the coastal desert. Its highest point is more than 4900 m.a.s.l., putting it in the Guinness Book of Records as the highest gas pipeline in the world.

It has fourteen shut-off valves for emergencies, six pig launching and receiving traps, one metering station and one pressure regulating station to control the delivery pressure at the coast.

The starting point is at approximately kilometer 211 of the Transportadora del Gas del Peru S.A. (TGP) gas pipeline, in the village of Chiquintirca, Ayacucho Region, in the central highlands. It ends at the PERU LNG natural gas liquefaction plant on the Peruvian coast.







## LIQUEFACTION PLANT

The PERU LNG plant transforms natural gas into liquid to facilitate transport. It is the first liquefaction plant in South America and was built on 521 hectares of land, 163 kilometers south of Lima on the Southern Pan-American Highway.

The site posed engineering challenges for PERU LNG and therefore required exhaustive and detailed study. Although Pampa Melchorita met certain specific requirements, such as a low level of environmental sensitivity, low population density, soil stability: and stable sea conditions, roads had to be built to reach the shore and optimize the site's altitude of 135 m.a.s.l. to build the port facilities.

The liquefaction plant has an installed capacity of 4.45 million tons per year (MMtpy) and processes approximately 626 million cubic feet per day (MMcfd), which covers the 4.2 MMtpy of LNG established in the contract.

The industrial process begins with the reception of dry natural gas from the Block 56 and 57 fields in Camisea and the removal of the liquids it contains. The natural gas is first measured and its pressure controlled, and which carbon dioxide (CO<sub>2</sub>) is removed by the acid gas removal unit.

Next, the gas is dried in molecular sieves and passes through an activated charcoal mercury absorption cell before liquefaction. In the final stage, the natural gas is cooled with a propane refrigerant and liquefied in the main cryogenic heat exchanger, where it is cooled even further. Before being shipped on board methane tankers, the LNG is stored in two tanks of 130 000 cubic meters each.

It should be noted that the plant is self-sufficient; it produces its own electricity and other services. It has three generators, one control center, offices, warehouses, workshops, training facilities and housing.

During 2019, PERU LNG addressed and resolved unexpected technical problems in some of its process equipment, which caused a temporary interruption in production while repairs were carried out. These were carried out by the company's own personnel, without foreign technical support, thus efficiently reducing repair time and cost. Based on this experience, the company has taken measures to prevent the occurrence of such problems and to minimize the potential for others to occur.



“ THE LIQUEFACTION PLANT HAS AN INSTALLED CAPACITY OF 4.45 MILLION TONS PER YEAR”.







## PORT FACILITY

The PERU LNG port facility is very well equipped and can accept vessels with a full load capacity of between 90 000 and 173 000 cubic meters. It consists of a trestle jetty 1380 meters long with a LNG loading platform at the end, equipped with four loading arms (three for loading LNG and one for return vapor). It also has a berth for methane tankers consisting of four dolphins with protective fenders and six dolphins fitted with triple mooring hooks.

The port facility is protected from the swell by a breakwater 800 meters long built parallel to the coast and 350 meters off the loading platform. There are also three navigable channels kept at the required depth by annual dredging. Four tugs with a bollard pull of 80 tons are available to assist with the berthing and unberthing of methane tankers.

As well as its marine infrastructure, the PERU LNG terminal is equipped with the latest generation of systems to ensure that loading operations are programmed and carried out safely. The main items of equipment consist of two meteorological buoys and wave sensors located inside and outside the breakwater, laser proximity sensors that measure a vessel's speed and angle of approach, and a

Portable Pilot Unit system to facilitate berthing and unberthing even in poor visibility.

Since 2015 the PERU LNG terminal has used bespoke software that provides a fourteen-day forecast of sea conditions, wind, visibility, swell and other characteristics. Furthermore, since the end of 2016 this forecast has included a tool for predicting the movement of berthed vessels and the load on their mooring lines.

In addition to this, 2019 saw the installation of the first version of an under keel clearance system (UKC Prediction System), the purpose of which is to guarantee the safety of vessels using the navigable channels. This makes the PERU LNG port facility a pioneer in the use of forecasting technology.

In 2018 the port facility's ISO 9001:2015 certification was renewed for the quality management of its LNG shipping systems and provision of basic port services such as berthing, unberthing, pilotage and towage. This certificate was granted by the classification society TÜV Rheinland and in addition Peru's national port authority reaffirmed the facility's international ship and port security (ISPS) certificate

and its Peruvian special port facility and port security certificates.

Furthermore, in 2019 the PERU LNG port facility received the Green Port Award System (GPAS) maritime award from the Secretariat of the Asia-Pacific Economic Cooperation Forum Port Services Network (APSN), in recognition of the good environmental practices employed by PERU LNG at its port facility.







## ROAD TANKER LIQUIFIED GAS LOADING TERMINAL

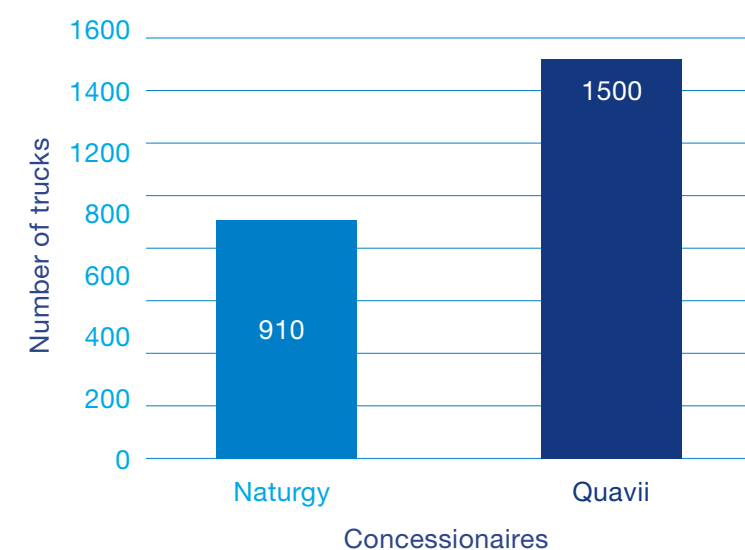
In March 2018 the LNG road tanker loading terminal (which is inside the PERU LNG plant) was finally given permission by Osinergmin to begin operating (before then it was loading trucks as part of the test phase). Commercial operation commenced on July 9th, after the contractual requirements the official start had been met.

Since then the terminal has been filling road tankers carrying LNG to regasification plants in the north and south west of the country operated by two Shell LNG concessionaires, Quavii and Naturgy. These companies supply the cities of Cajamarca, Lambayeque, Chiclayo, Pacasmayo, Trujillo, Chimbote and Huaraz in northern Peru, as well as Arequipa, Moquegua, Ilo and Tacna in the south.

The road tanker LNG loading terminal includes a control center, depressurization station, pipelines bringing gas from the plant, safety mechanisms, electrical and control systems, communications and closed circuit television, among others.

During 2019, two thousand four hundred and ten trucks were loaded with the equivalent of 2 774 187 MMBtu (2.77 TBtu).

TLF trucks



“THE CARGO TERMINAL OF LIQUEFIED GAS TRUCKS FROM PERU LNG HAS BEEN OPERATING SINCE 2018, SUPPLYING LNG TO THE NORTH AND SOUTH OF THE COUNTRY SO RELIABLE AND SAFE”.







# WORKING WITH RESPONSIBILITY AND COMMITMENT



## WORKING WITH RESPONSIBILITY AND COMMITMENT

The liquefaction plant started up in June 2010 and is one of the most important projects ever developed in Peru. The PERU LNG plant is the first in South America producing LNG, it is supplied by a gas pipeline 408 kilometers long carrying natural gas to the PRU LNG plant from Ayacucho, through Huancavelica, Ica and Lima.



DURING 2019, PERU LNG CARRIED AN AVERAGE OF 900 MMCFD OF NATURAL GAS THROUGH ITS PIPELINE

# 900

MMpcd

## OPERATION TO HIGH QUALITY STANDARDS

PERU LNG operates to the highest industry standards, not only to guarantee strict compliance with Peruvian and international legislation, but also to achieve its vision and mission as a world-class organization, efficient technically, operationally and economically as well as being environmentally and socially responsible. During 2019, PERU LNG carried an average of 900 MMcfd of natural gas through its pipeline.

### • GAS PIPELINE

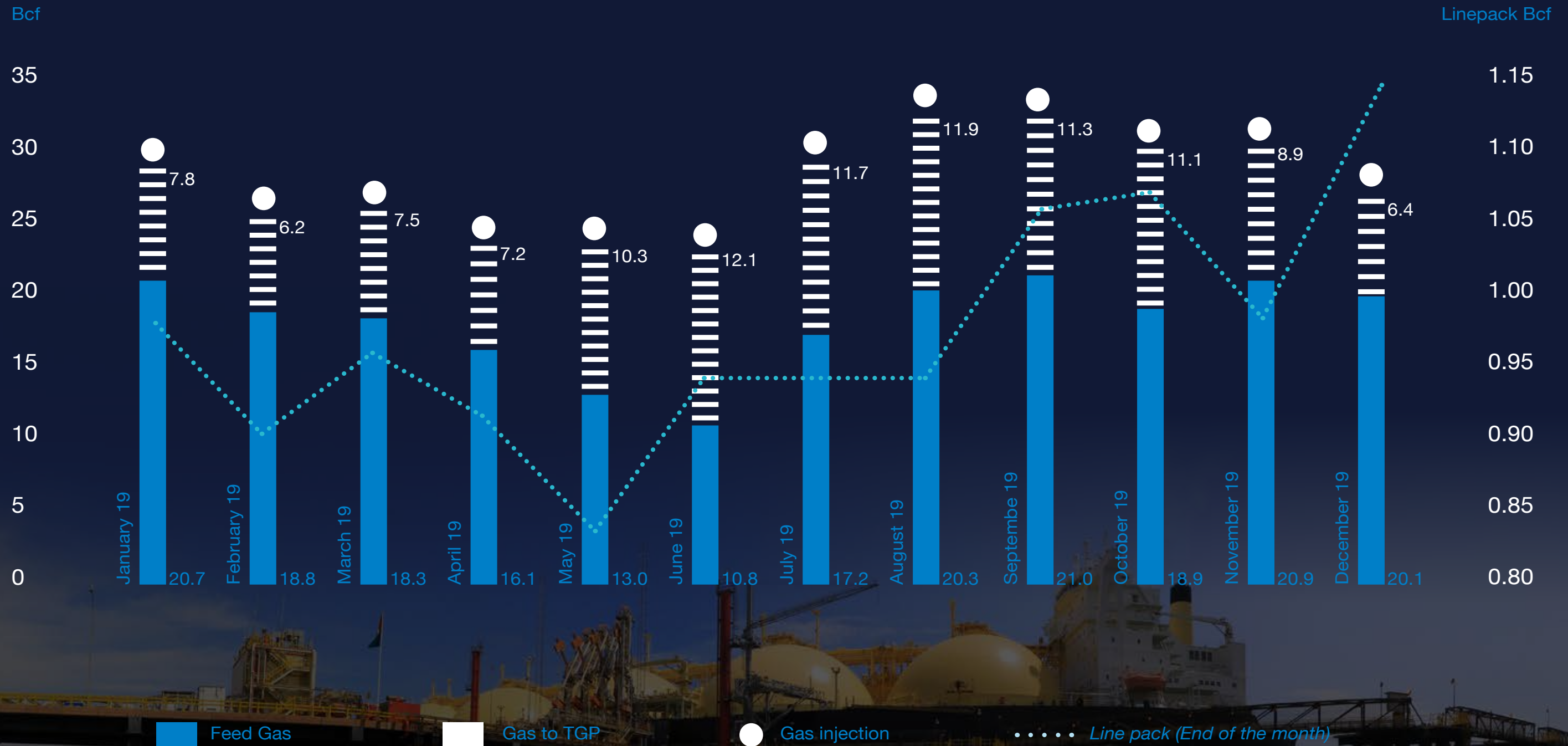
In 2019 PERU LNG sent a total of 216 234 MMcf to the LNG plant and 112 319 MMcf to the domestic market, in accordance with the agreement to expand and use the carrying capacity of the main pipeline.

As far as Transportadora de Gas del Peru (TGP) was concerned, the volume of gas carried by the PERU LNG gas pipeline for the local market remained stable at an average of 308 MMcfd with peaks of up to 571 MMcfd.

It is worth noting that expansions carried out by TGP in 2016 increased the transport capacity of the system from 1150 to 1540 MMcfd in the jungle zone. The capacity increase provided PERU LNG with permanent additional volumes of gas and greater flexibility in the pipeline system.



## VOLUMES CARRIED IN 2019





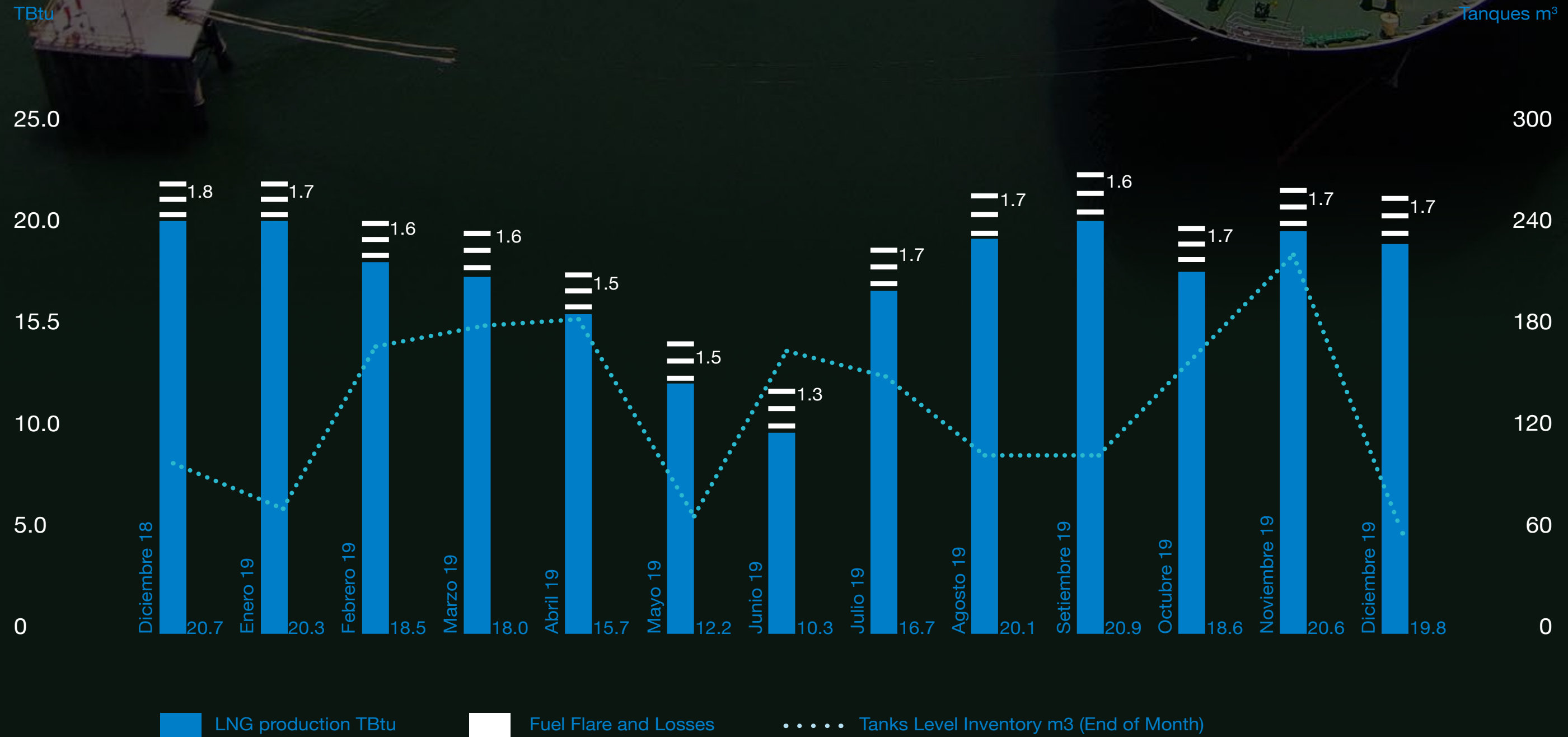


- LIQUEFACTION PLANT AND PORT FACILITY

Plant efficiency reached 92 percent during 2019. In spite of force majeure and stoppages, 211.7 TBtu of LNG was produced, compared with 197.8 TBtu in 2018, representing an increase of 7 percent, which is explained by the extensive plant maintenance carried out in 2018.



## VOLUMES PRODUCED IN 2019



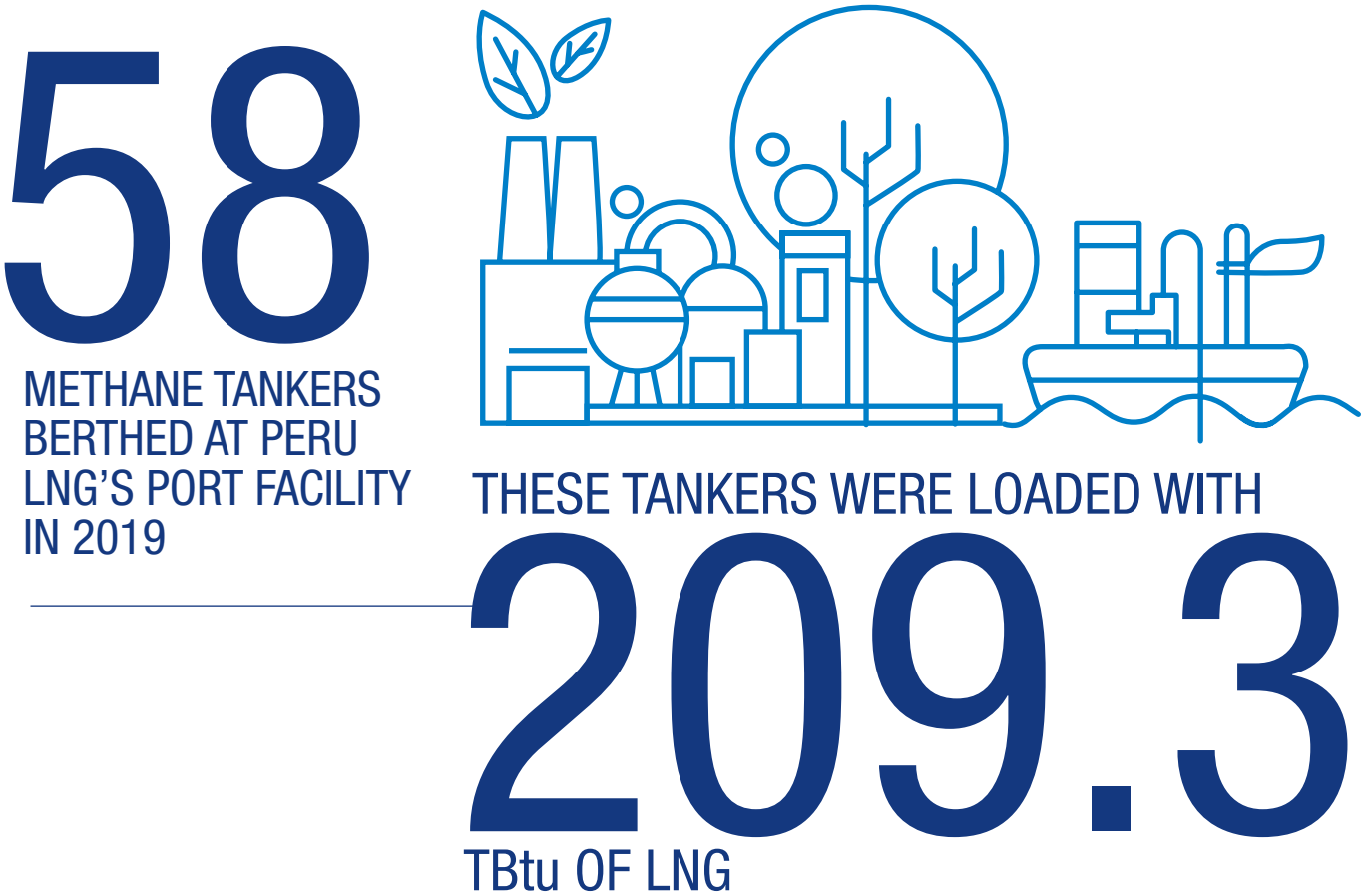


• CARGA DE GNL

Fifty eight methane tankers berthed at PERU LNG’s port facility in 2019. These tankers were loaded with 209.3 TBtu of LNG, which represents a 2 percent drop in the number of ships and a 7 percent fall in the volume carried compared with 2018, when seven vessels were loaded with 196.1 TBtu.

It should be remembered that in 2017 sixty four vessels (213.9 TBtu) were loaded, seventy (225.1 TBtu) in 2016, fifty six (187.8 TBtu) in 2015, sixty (214.4 TBtu) in 2014, fifty seven (222.4 TBtu) in 2013, fifty three (203.6 TBtu) in 2012 and fifty five (209.2 TBtu) in 2011. Operations commenced in June 2010, and therefore only twenty three vessels used the facility that year.

The destinations of the fifty eight tankers in 2019 were as follows:



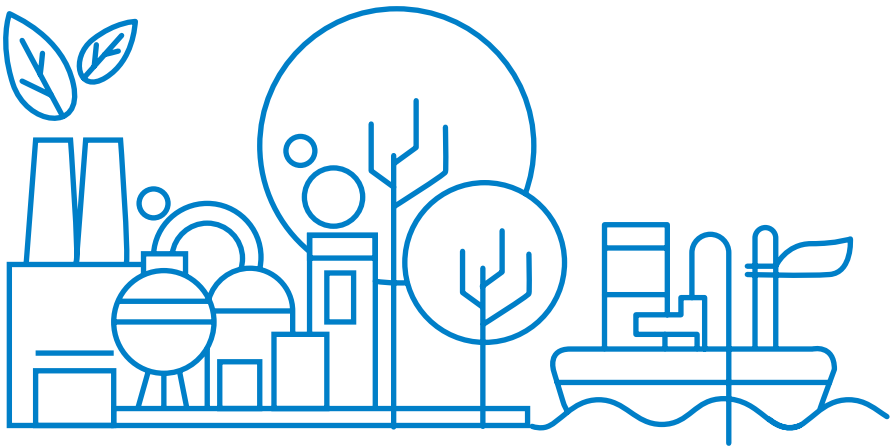
THE DESTINATIONS OF THE FIFTY EIGHT TANKERS IN 2019 WERE AS FOLLOWS:

	South Korea	Japan	China	Spain	France	Netherlands	Taiwan	Thailand	United Kingdom
NUMBER OF VESSELS	19	11	11	5	4	4	2	1	1
TBtu	71.0	41.2	38.6	18.3	14.9	12.2	6.5	3.5	3.1
percent	34 percent	20 percent	18 percent	9 percent	7 percent	6 percent	3 percent	2 percent	2 percent



VESSELS LOADED IN 2019 -  
VOLUME IN MMBTU & IN M³

SITME was the company responsible for purchasing, carrying and selling the LNG produced in the plant during 2019. LNG is sold on a FOB basis at a contractual sale price indexed to natural gas prices at the destination of the shipment.



58  
VESSELS

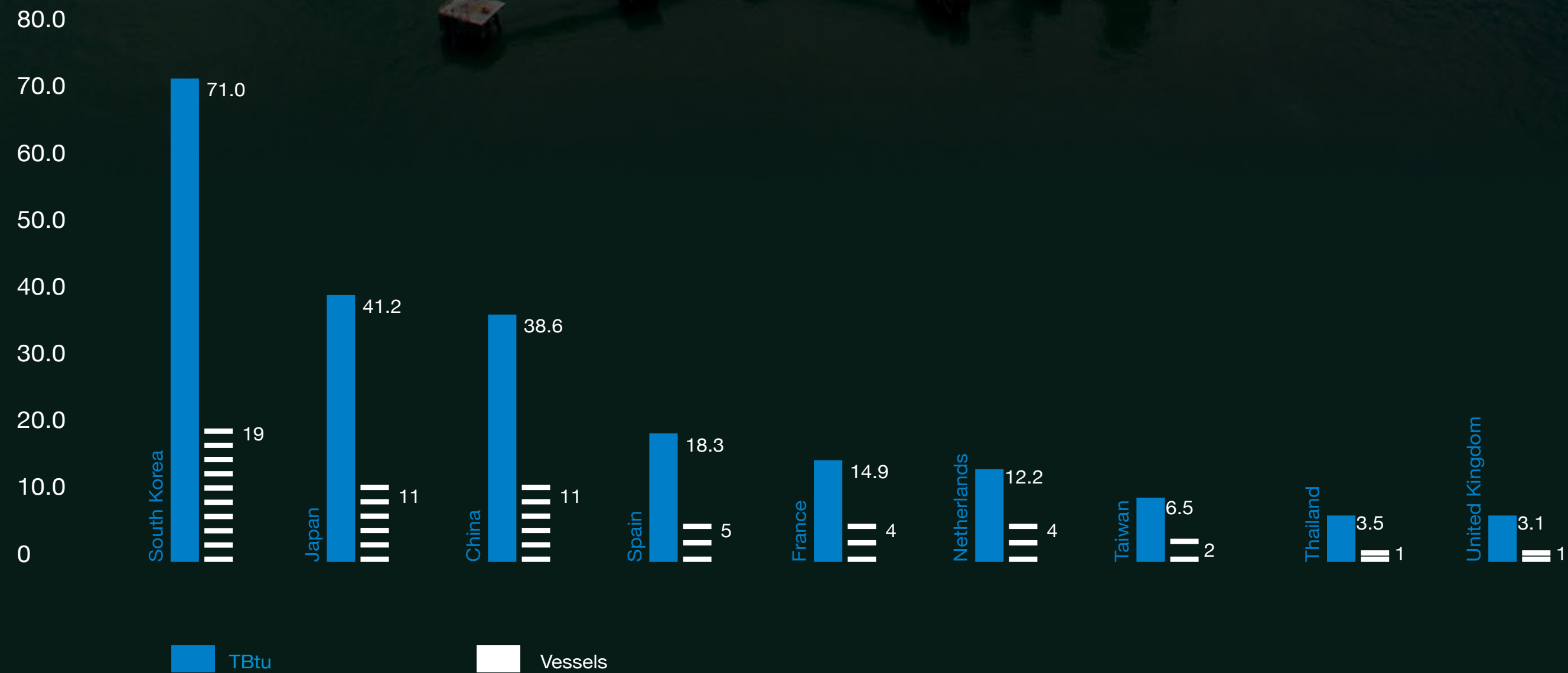
209 300 737  
MMBtu

Total 9 016 672  
m³

	January	February	March	April	May	June	July	August	September	October	November	December
VESSELS	6	5	5	4	4	2	5	6	5	5	5	6
MMBtu	20 740 707	16 207 366	17 569 253	15 381 217	14 434 081	7 741 367	16 829 686	20 876 609	19 077 910	18 707 124	18 643 469	23 091 948
m³	893 838	698 030	756 763	663 018	621 646	333 141	724 859	899 136	822 016	805 907	803 422	994 897



## VESSELS LOADED AND QUANTITY OF LNG (TBTU) BY DESTINATION





## HUMAN RESOURCES

**PERU LNG'S PERSONNEL DISTRIBUTION AS AT**  
December 2019 is shown below

Personnel	December 2019		Total
	Temporary	Permanent	
Senior staff	-	3	3
Employees	2	9	11
<b>Total</b>	<b>2</b>	<b>12</b>	<b>14</b>

Source: own data.Organizational culture





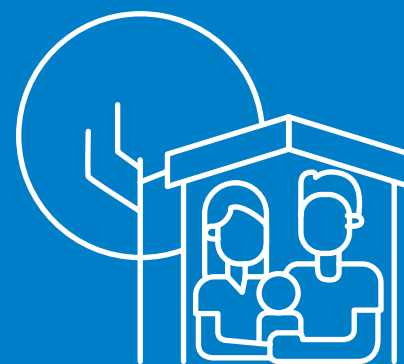
## • ORGANIZATIONAL CULTURE

Special emphasis was given in 2019 to managing the organizational, intangible, differential and strategic culture of the company.

During the first quarter we carried out an exploratory study to discover our employee' perceptions of the organizational culture, which enabled us to arrive at a diagnosis. The aspects that are valued most by our collaborators were identified, such as respect for the individual, seriousness and responsible business conduct, horizontal treatment, continual challenges and working conditions.

In the second quarter we defined cultural strategy based on the purpose of PERU LNG: "to grow and create long-term value for the company, our people, our partners and for the communities in which we choose to compete". The objective of this strategy is: "to be recognized as the chosen company by our employees, partners, the authorities and the community". To achieve this we propose the creation and positioning of an experience characterized by lasting relationships based on confidence that permits stakeholders to value and choose the company.

Later, also during the second semester, the model and success factors for developing this strategy were defined. The model uses corporate values and identity attributes; in other words, characteristics chosen intentionally, that should manifest in daily behavior, habits, beliefs and practices. Our culture promoters are



THE CULTURAL STRATEGY OF PERU LNG IS BASED ON "TO GROW AND CREATE LONG-TERM VALUE FOR THE COMPANY, OUR PEOPLE, OUR PARTNERS AND FOR THE COMMUNITIES IN WHICH WE CHOOSE TO COMPETE".



## HUMAN RESOURCES

### • ORGANIZATIONAL CULTURE

also fundamental; they are teams of collaborators who actively strengthen our culture.

Furthermore, during 2019 our human resources management and organizational culture enabled us to obtain ABE certification granted by the Association of Good Employers for social responsibility at work, for the third time.

This was conformation of the company's good employment practices, which are based on values such as respect for the individual and a commitment to excellence and, reflects our compliance with the standards and statutes enshrined in Peruvian law. It is also evidence of the implementation of reasonable policies, procedures and controls to guarantee compliance with anti-corruption legislation, as well as demonstrating PERU LNG's soundness and good reputation. This is the first option for attracting future talent and generating good relationships with

our strategic partners, thanks to good employment practices.

Renewed certification was the result of work carried out by the Human Resources department regarding punctual payment of wages, legal benefits and medical insurance. The certification also covers good practices in performance evaluation, benefits management and development and recognition in the organization, all of which help to create a good working environment.

### • REMUNERATIONS POLICY

The company is committed to equal rights and non-discrimination in all aspects, including remuneration. Our equal pay policy has been in force since June 2019 and establishes the guidelines for managing different employee remuneration schemes, while safeguarding employee rights and compliance with the relevant legislation. Thus the company can comply with the legal framework established by the employment authority in 2019.

### • SEXUAL HARASSMENT

PERU LNG is committed to guaranteeing a working environment that is free from all forms of sexual harassment and in which everyone's dignity and integrity is respected. As a result, all measures for prevention, protection, investigation and sanctioning established by law were adopted in 2019. These measures particularly included the creation of a sexual harassment committee whose members are elected by the workforce and the company. A procedure was developed for convening this committee, together with an internal directive for preventing and sanctioning sexual harassment, and these documents have been made available to all employees.





## • SUPERVISOR DEVELOPMENT PROGRAM

The principal of this program was to develop and strengthen the personal leadership skills (conduct, relationship and communication) of supervisors and production personnel in this key area for our business. It also sought to strengthen team performance and encourage compliance with objectives.

The program consisted of three phases: the first aimed at identifying creative needs and reactive trends using a 360 degree evaluation process; the second was the implementation of individual development processes using coaching as the principal tool and the third was the definition of support plans and follow-up based on reports, recommendations and indicators. The program also enabled us to clarify the role of leader during the process and to use a self-coaching manual as an aid to continual improvement.

As a result, the program strengthened the management skills of every participant, particularly strategic management, a commercial focus and personnel management.

# Fases

1

Aimed at identifying creative needs and reactive trends using a 360 degree evaluation process.

2

Implementation of individual development processes using coaching as the principal tool.

3

Definition of support plans and follow-up based on reports, recommendations.



## HUMAN RESOURCES

### • PARTICIPATION IN EMPLOYMENT FAIRS

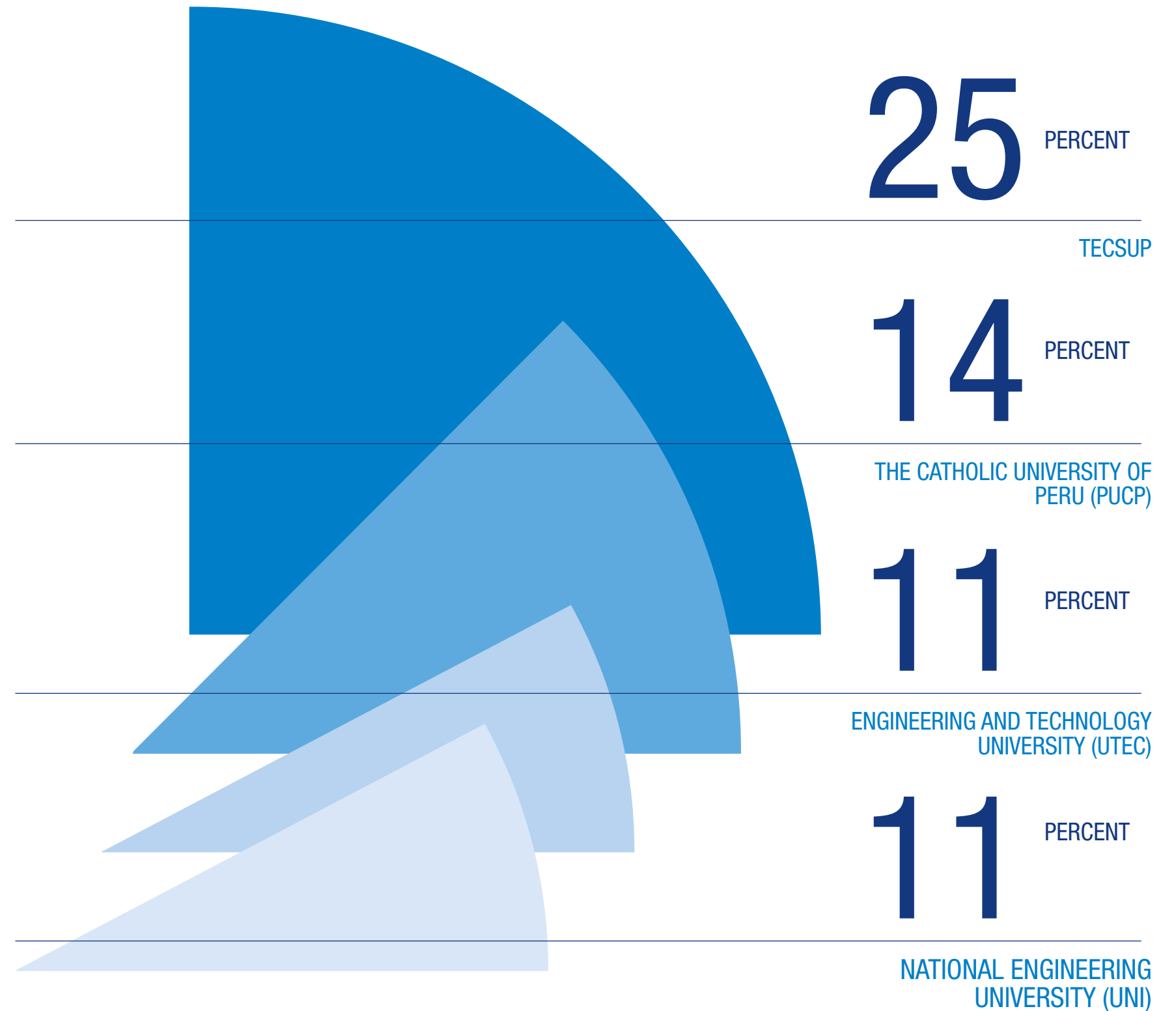
PERU LNG took part in a number of employment fairs during 2019 in order to identify and recruit talent, as well as to contribute to development through a work experience program aimed at university students and those in higher technical education.

The company chose to exhibit at fairs involving the educational institutions that produce young talent: 25 percent of whom come from TECSUP, 14 percent from the Catholic University of Peru (PUCP), 11 percent from Engineering and Technology University (UTEC) and 11 percent from the National Engineering University (UNI).

Company interns took part in each fair and, as graduates of the institutions in question, shared their experiences of the internship program. They replied to questions about the experience and the skills acquired, and were very popular with the attendees.

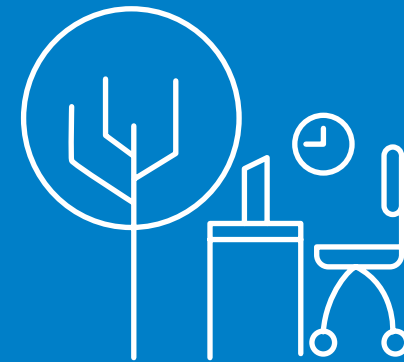
Participation in these fairs resulted in a database that is now used to recruit interns for next year. The experience also enabled us to share good practices and strengthen the image of the company as a good employer.

### PARTICIPATION IN EMPLOYMENT FAIRS





# PERU LNG ADMINISTRATION



SINCE SEPTEMBER 2018  
THE COMPANY'S OFFICES  
HAVE BEEN LOCATED IN THE  
PAL 400 BUILDING AT LAS  
PALMERAS 435, SAN ISIDRO.

## THE COMPANY'S SENIOR MANAGEMENT PERSONNEL ARE:



**MARÍA JULIA AYBAR**  
VP & GENERAL MANAGER



**SOLANGE CUADROS**  
GENERAL COUNSEL



**JAIME RISCO**  
COMMERCIAL AND PLANNING  
MANAGER



**WEI WONG**  
PLANNING MANAGER



## María Julia AYBAR

Mrs Aybar studied at the Catholic University of Peru's Faculty of Law and pursued postgraduate at the University of Lima. She taught specialist courses hydrocarbons sector legislation, including regulations applicable to natural gas. She started working in the oil and gas sector in the legal department of PeruPetro (the government body that administers oil exploration and extraction in Peru). She worked as an associate for nearly ten years and later as a partner in Estudio Muñoz law firm, where her experience in different aspects of the hydrocarbons business proved valuable. She was an adviser to the companies involved in the Camisea Project in all its phases: extraction, transport and distribution, and financing. She was General Counsel of PERU LNG from February 2006 to December 2016. From the January 1, 2017 she has occupied the post of CEO.

## Solange CUADROS

Studied at the Catholic University of Peru's Faculty of Law and pursued postgraduate studies at Duke University (USA.). She has more than thirteen years of experience in energy and corporate law and has taken various specialist courses in hydrocarbons and electricity. She began in the energy and mining department of Estudio Muñoz law firm before moving to the Peruvian ombudsman's office. From 2008 to 2012 she worked on the PERU LNG legal team and from 2013 to 2015 was Legal Manager and Head of Regulatory and Legal Affairs for the GCZ Energía group. In 2016 she took up the same post at EDC Peru Holdings, a renewable energy company. She has been the General Counsel of PERU LNG since January 2017.

## Jaime RISCO

Studied Industrial Engineering in the Faculty of Science and Engineering of the Catholic University of Peru before obtaining an MBA from the University of Virginia (USA. USA). He worked in the Camisea project commercial department of Pluspetrol as an analyst from 2006 to 2010. He was financial manager in the planning department of Microsoft's sales, marketing and services group.

He joined PERU LNG in 2014 and held the post of Planning Manager from February 2016 to June 30, 2017. He has been Commercial and Planning Manager since July 1, 2017.

## Wei WONG

Wei Wong studied at Baylor University, where he obtained an undergraduate degree in business administration and a master's in accountancy. He began his career with ConocoPhillips as a financial analyst and then joined Hunt Oil in the corporate strategic planning department. In 2015 he obtained a master's degree in business administration from the University of Texas. He then worked for the Hunt Oil business unit in the Middle East, during the initial stage of a production and company development project in Kurdistan and Yemen LNG. He is a qualified public accountant and internal auditor and has held the position of Planning Manager in PERU LNG since July 1, 2017.



## ANTI-CORRUPTION FRAMEWORK

PERU LNG is committed to spreading its corporate practices, the principal pillar of which is maintaining strict standards of excellence and business ethics. Furthermore, the company is subject to anti-corruption standards set in Peru and the United States of America, particularly the Foreign Corrupt Practices Act or FCPA. Applicable legislation in Peru penalizes companies (public and/or private) for corrupt acts, money laundering and financing terrorism, by the imposition of administrative measures ranging from fines to the closing of operations and/or winding up of the company.

As at the first quarter of 2019, as part of the legislative framework described above, PERU LNG approved a corruption prevention policy, the purpose of which is to create zero tolerance of corruption. Via this policy the Company approved a corruption prevention system, which establishes the criteria, guidelines, procedures and controls applicable throughout PERU LNG to the prevention of and fight against corruption, as well as compliance with applicable legislation.

In addition, a number of instruments have been developed as part of the integral anti-corruption framework and are used to broadcast our total rejection of corruption, money laundering and other crimes. We have incorporated relevant United States legislation into this process, as well as US guidelines on the prevention of corruption and applicable economic sanctions. Due diligence procedures regarding anti-corruption and sanctions are also included and compliance with them is obligatory for

employees, representatives, officers and directors, as well as our commercial partners and the company's stakeholders.

Furthermore, during 2019 the company appointed a compliance officer who will be responsible for correct implementation, supervision and monitoring of the prevention system. PERU LNG has concentrated its efforts on providing its employees with more information on the applicable legal framework and use of the corresponding reporting channels.

## JUDICIAL AND ADMINISTRATIVE PROCEDURES AND ARBITRATION

### • CONTESTED ADMINISTRATIVE PROCEDURES

At the close of 2019 the status of the court case brought in March 2011 by PERU LNG against Osinergmin arising from fines imposed by the latter (case 01130-2011), was as follows: ruling N° 36 issued by the fourteenth court having jurisdiction in administrative matters ordered this case to be dealt with by a higher instance: the second appellate court in administrative matters. Consequently, ruling N° 2 issued on May 23, 2019, set March 11, 2020 as the date for the case to be heard.

In the administrative claim, PERU LNG questions the validity and demand the annulment of rulings N° 004458 and 004666, as well as rulings N° 030-2010-OS/TASTEM-S2 and N° 007-2010-OS/TASTEM-S2. These imposed fines of approximately USD 912 635 for an alleged non-compliance with environmental management commitments.

### • ARBITRATION PROCEEDINGS

On October 6, 2016, after the parties had agreed to the terms of reference applicable to the proceedings, the arbitration panel consisting of two arbitrators and one president, established the procedural timetable that will govern the arbitration. These proceedings took place before the International Arbitration Panel of the International Chamber of Commerce between PERU LNG and companies Pluspetrol

Peru Corporation S.A., Pluspetrol Lote 56 S.A., Tecpetrol Bloque 56 S.A.C. and Sonatrach Peru Corporation S.A.C. (hereinafter "the companies"). In this arbitration process PERU LNG is questioning invoices issued by the above companies in July and August 2015 for alleged additional payments for gas sold in 2010 and 2011.

In October 2019, two arbitration proceedings against PERU LNG were lodged with the International Chamber of Commerce's International Court of Arbitration. The first was started by Pluspetrol Peru Corporation S.A., Pluspetrol Camisea S.A., Tecpetrol Bloque 56 S.A.C. and Sonatrach Peru Corporation S.A.C; claiming additional payments for gas sold to PERU LNG in 2015 and 2018. The second arbitration procedure was initiated by Pluspetrol Peru Corporation S.A., Pluspetrol Lote 56 S.A., Tecpetrol Bloque 56 S.A.C. and Sonatrach Peru Corporation S.A.C., who are claiming additional payments for gas sold to PERU LNG in 2011 and 2018. These arbitration procedures were consolidated into a single process, which is in its initial stage.







# OUR COMMITMENT TO THE COMMUNITY



PERU LNG IS IMPLEMENTING PROJECTS TO IMPROVE THE LIVING CONDITIONS AND PRODUCTIVE CAPACITY OF COMMUNITIES ADJACENT TO THE GAS PIPELINE AND PLANT.

PERU LNG has undertaken to contribute to the development of communities located throughout its direct area of influence in Ayacucho, Huancavelica, Ica and Lima regions. To do so it has defined three areas for social investment, on which action aimed at the community are based: strengthening skills, education and health.

These core areas are not only aligned with the sustainable development aims promoted by the United Nations, but also with the public policy of the Peruvian Government. It should be noted that in order to ensure the success of social investment in these areas, PERU LNG has created strategic alliances with public and/or private bodies with proven experience.

PERU LNG is implementing projects to improve the living conditions and productive capacity of communities adjacent to the gas pipeline and plant. This has enabled us to strengthen relationships and respect between the company and communities in its direct area of influence.

The projects have been designed to generate sustainable growth for these communities and are executed in coordination with them, thanks to permanent and transparent dialogue. A number of initiatives were developed during 2019, especially including the following:



OUR COMMITMENT  
TO THE COMMUNITY



## I. TRAINING PROGRAM FOR PUBLIC INVESTMENT MANAGEMENT



INVESTMENT

**USD 13 400 000**

## PROGRAM ACHIEVEMENTS as of December 2019



THE PROGRAM  
STARTED IN  
**2012**

IS AIMED  
AT STRENGTHENING  
THE ABILITIES OF  
LOCAL AUTHORITY  
TECHNICIANS

**USD 31**  
MILLONES DE  
FONDOS DEL  
ESTADO  
APALANCADOS  
PARA EJECUTAR  
PROYECTOS  
SOCIALES (ENTRE  
EL 2016 Y EL 2019)



## OUR COMMITMENT TO THE COMMUNITY

### I. TRAINING PROGRAM FOR PUBLIC INVESTMENT MANAGEMENT



This program began in March 2012 as part of an agreement with Universidad del Pacífico Center for Mining and Sustainability Studies and is aimed at strengthening the abilities of local authority technicians; specifically the preparation of technical dossiers and the design of strategies for obtaining public funds. This initiative is a direct response to the needs of local authority officials, who are responsible for formulating and managing strategic public investment projects and meeting people's basic need for healthcare, education and public hygiene.

Thanks to the program, specialists from the Universidad del Pacífico assist and advise officials in drawing up study profiles and technical dossiers. They also resolve queries about public services and facilitate links to government entities responsible for promoting public investment, especially the Ministry of Finance.

This program has helped to strengthen relationships with rural communities in the area of influence of the PERU LNG gas pipeline, through construction work carried out by the municipal authorities. As a result of this scheme more than 31 million dollars of central government funding was leveraged between

2016 and 2019, for social projects to meet the basic needs of the population. This is a clear example that it is possible to help local governments to obtain public funds.

Thanks to help from PERU LNG, 2019 saw the approval of funding for a large-scale project valued at 13.4 million dollars under the works in lieu of taxes mechanism.

It is worth noting that PERU LNG has decided to extend the implementation period of this program until 2021, showing that world-class investment can contribute to the sustainable development of communities in its area of influence and become a benchmark and example of a socially responsible business in the hydrocarbons sector.

Furthermore, in December 2019 the PERU LNG social responsibility program was recognized as the best by prestigious international consultants S&P Global Platts. The award ceremony took place in New York, where PERU LNG was the only company from Peru and Latin America to take part, competing against companies from the United States, Australia, The Philippines, India, Thailand and the People's Republic of China.

S&P Global Platts has been giving worldwide recognition to excellence by organizations and individuals in the energy industry since 1999. The jury said that PERU LNG provided more than just a temporary solution as it furthered the sustainable development of its communities, indicating: "this is a program with a vision for the future and a long-term impact".







OUR COMMITMENT  
TO THE COMMUNITY



## II. ALLIN RURAY – GOOD WORK



IN 2019 SALES OF FIBER TRANSFORMED INTO FELT, YARN,  
CLOTHING AND ORNAMENTS AMOUNTED TO

**S/ 19 804**

## PROGRAM ACHIEVEMENTS as of December 2019



THE REGION  
BENEFITED IN  
THIS PROJECT IS  
AYACUCHO



**43 %**

AN INCREASE OF 43  
PERCENT COMPARED  
WITH 2018



## OUR COMMITMENT TO THE COMMUNITY

One of the most difficult challenges facing PERU LNG has been to develop sustainable projects that help to improve the lives of extremely poor people living at the highest altitudes, who seek out a subsistence living based fundamentally on rearing alpacas.

The Allin Ruray (Quechua for 'learning while doing') program implemented as part of a strategic alliance with Prosynergy, covers annexes Minas Corral, Cayramayo and Huayraccasa in the community of Paccha, more than 4000 meters above sea level in Ayacucho region.

The purpose of the program is to educate families in the alpaca-raising communities in the direct area of influence of PERU LNG in techniques for processing and transformation of the fiber in order to increase their incomes significantly. The idea is to facilitate direct access to markets for high-value-added products rather than selling unprocessed fiber through intermediaries. To do this they are shown that the raw material can be processed and transformed into tops, felt, yarn and handicrafts.

In 2019 the program worked on improving competitiveness by strengthening management, production and commercial skills for added value products made from alpaca fiber, in the three cooperatives in the zone. The principal activities addressed were formalization, marketing and the sustainability of the cooperatives, as well as standardizing product quality.

This program improved the economy of the communities and was also highly inclusive. On the one hand it encourages the employment of women, giving them their own incomes, and on the other it encourages the employment of senior citizens, a vulnerable and frequently ignored segment of the population, and young people regardless of gender and all learned yarn spinning, embroidery weaving and handicrafts to give added value to the alpaca fiber.

In 2019 sales of fiber transformed into felt, yarn, clothing and ornaments amounted to 19 804 soles, an increase of 43 percent compared with 2018 (13 876 soles).









OUR COMMITMENT  
TO THE COMMUNITY



### III. IMPROVEMENTS IN READING COMPREHENSION

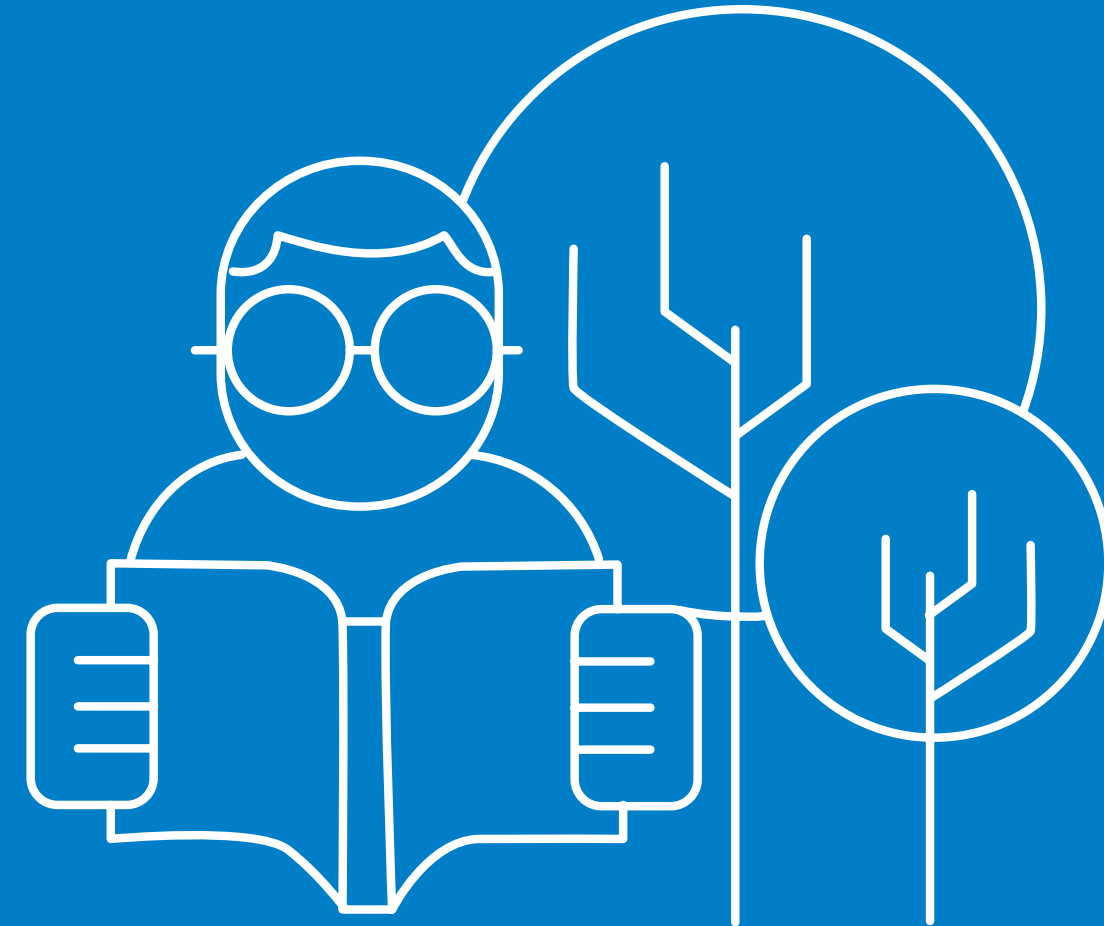


“LEER ES ESTAR ADELANTE” (READ TO GET  
AHEAD) IS A PROJECT STARTED IN

**2014**

### PROGRAM ACHIEVEMENTS as of December 2019

THE BENEFICIARY  
REGIONS ARE  
AYACUCHO AND  
HUANCVELICA



**33**  
BENEFICIARY  
EDUCATIONAL  
INSTITUTIONS

**530**  
BENEFICIARY  
STUDENTS



## OUR COMMITMENT TO THE COMMUNITY

PERU LNG understands that education is a fundamental component of development for the country and for that reason is committed to promoting education.

“Leer es Estar Adelante” (Read to Get Ahead) is a project started in 2014 in partnership with the BBVA Banco Continental Foundation, to improve the reading comprehension of third, fourth, fifth and sixth grade students in public primary schools. In 2019, the program was implemented in twenty seven public schools in Huamanga and La Mar in Ayacucho region and six schools in Huaytara, Huancavelica region. In total, the project reached five hundred and thirty students and forty-four teachers.

The program seeks to improve levels of reading comprehension through books for students and teaching guides for educators, who receive professional assistance in the classroom in order to bolster support and provide training in accordance with Ministry of Education (MINEDU) guidelines being implemented as part of the teacher support program.









OUR COMMITMENT  
TO THE COMMUNITY



## IV. WORKING TOGETHER TO REDUCE ANEMIA



PERU LNG HAS JOINED THIS CRUSADE TOGETHER WITH CARITAS DEL PERU, BY IMPLEMENTING A PROJECT CALLED "WORKING TOGETHER TO REDUCE ANEMIA".

### PROGRAM ACHIEVEMENTS as of December 2019



# 14

PRE-SCHOOLS  
BENEFITED

# 16

PRIMARY SCHOOLS  
WERE BENEFITED

THE LEVEL OF ANEMIA  
WAS REDUCED

# 8%

AMONG PRIMARY  
SCHOOL STUDENTS

# 740

BENEFITING  
STUDENTS IN  
SEVENTEEN VILLAGES  
IN HUAMANGA.



## OUR COMMITMENT TO THE COMMUNITY

Anemia affects health and development throughout infancy, creating cycles of disadvantage and inequality in society that may become irreversible. For this reason, the Peruvian government has declared the fight against anemia to be public policy.

PERU LNG has joined this crusade together with Caritas del Peru, by implementing a project called “Working together to reduce anemia”. The aim is to help to improve the health of pre-school children and students in the provinces of Huamanga and Cangallo, benefiting fourteen nursery and sixteen primary schools having a total of seven hundred and forty students in seventeen villages in Huamanga.

March 2019 saw the first measurements to determine the prevalence of anemia among children in nursery and primary education, and the results enabled modifications to be made to the intervention strategy.

The program includes action to control hemoglobin levels, eradication of parasites in children and direct family members, as well as the provision of ferrous sulphate supplements directly to children in school by previously-trained teachers. School kitchen gardens and greenhouses have also been built or improved, to produce vegetables as a complement for healthy eating.

The program also included visits to the homes of children with anemia, to discover their real needs and to help with advice on nutrition, personal hygiene, safe water consumption, cleanliness and order in the home.

In order to ensure the sustainability of the program, training was provided on the prevention and control of anemia to teachers, parents and local authorities. This was made possible through coordination with the regional education department, local education management unit and regional health department.

Thanks to this program, in 2019 the level of anemia among nursery school children was reduced from 32 percent to 26 percent and from 22 percent to 14 percent among primary school students.









OUR COMMITMENT  
TO THE COMMUNITY

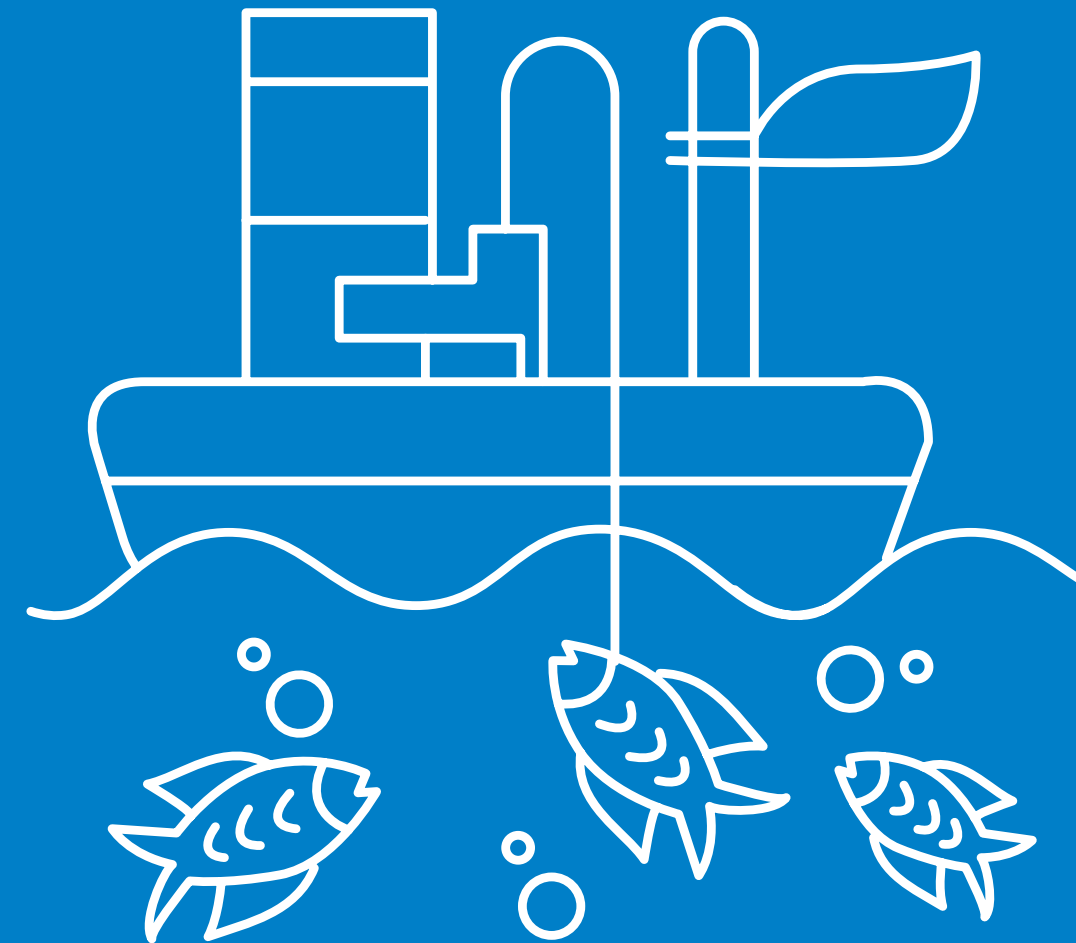


## V. TRAINING IN ARTISANAL FISHING



PERU LNG IS COMMITTED TO THE ECONOMIC WELL-BEING OF THE ARTISANAL FISHERMEN IN ITS AREAS OF INFLUENCE IN CHINCHA AND CAÑETE.

## PROGRAM ACHIEVEMENTS as of December 2019



# 53

FISHERMEN FROM CHINCHA AND CAÑETE, WHO OBTAINED CREDENTIALS AS SEAGOING ARTISANAL FISHERMEN FROM ENAMM IN 219.

# 55

FISHERMEN RENEWING OR VALIDATING THEIR ARTISANAL FISHERMAN CREDENTIALS



## OUR COMMITMENT TO THE COMMUNITY

PERU LNG is committed to the economic well-being of the artisanal fishermen in its areas of influence in Chincha and Cañete. In 2019, therefore, it signed an agreement with the Peruvian Merchant Navy Academy (ENAMM) to implement a training program at the academy in Callao. This training aims to encourage formalization and strengthen the skills of artisanal fishermen.

Each course lasted two weeks, with students living in the academy and receiving theoretical and practical training in fishing techniques. After passing the course, participants were given a credential issued by the Harbormasters and Coastguard Bureau of the Peruvian Navy, accrediting them as artisanal fishermen. The credential enables them to seek formal work in the fishing industry, obtain credit for materials and equipment, training and free health insurance.

The training courses held in 2019 enabled ENAMM to certify fifty three fishermen from Chincha and Cañete, who obtained credentials as seagoing artisanal fishermen. Furthermore, alliance with Centro de Educación Técnico Productiva - Peru Mar resulted in fifty five fishermen renewing or validating their artisanal fisherman credentials.





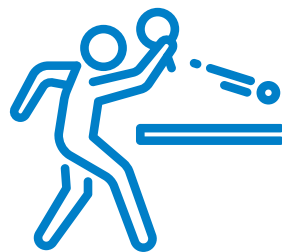




OUR COMMITMENT  
TO THE COMMUNITY



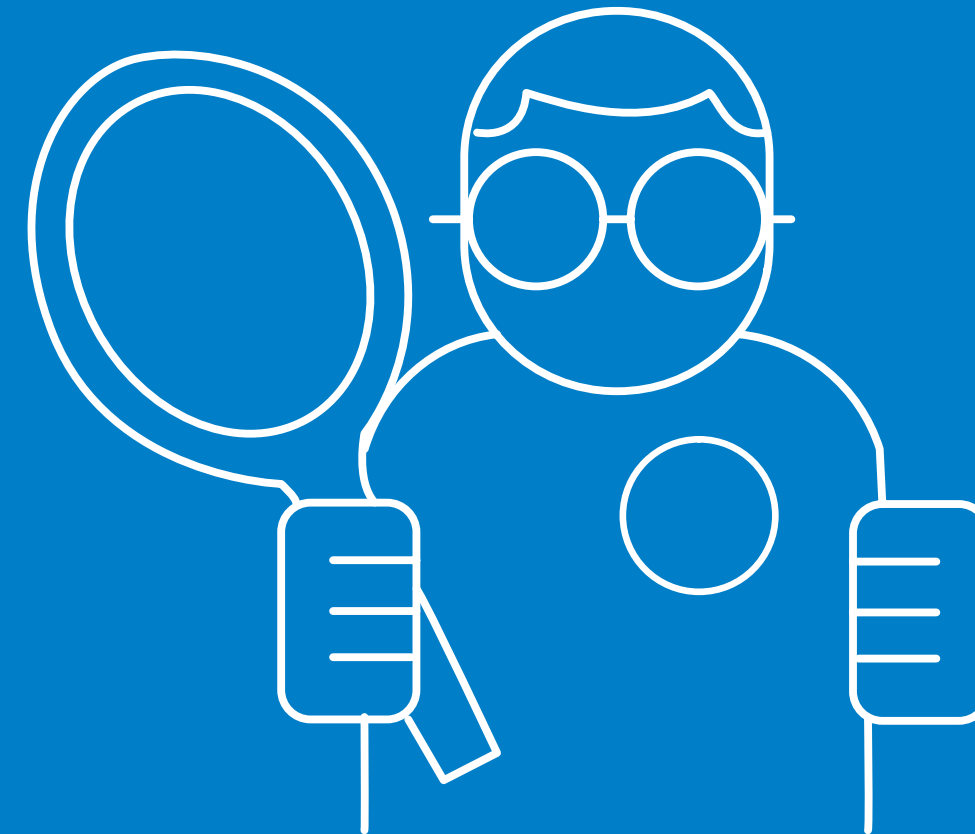
## VI. IMPACTING LIVES PROGRAM - TABLE TENNIS



# 6000

CHILDREN FROM PUBLIC SCHOOLS IN CHINCHA, CAÑETE,  
HUANCAVELICA AND AYACUCHO ARE BENEFITED.

## PROGRAM ACHIEVEMENTS as of December 2019



# 120

PHYSICAL  
EDUCATION AND  
SIMILAR  
TEACHERS WERE  
GIVEN TRAINING

# 1ST

ON JUNE 14, 2019  
THE FIRST TALENT  
TRAINING CENTER  
WAS OPENED  
IN THE SPORTS  
STADIUM OF  
AURELIO MOISÉS  
FLORES SCHOOL IN  
CHINCHA

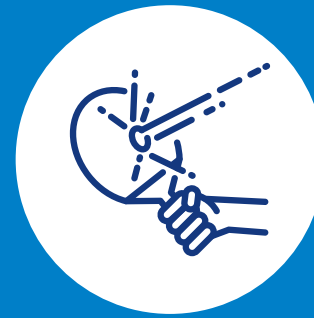


## OUR COMMITMENT TO THE COMMUNITY

PERU LNG supports a sports project through the Asociación Mónica Liyau, which encourages recreational table tennis among students between ages seven and fourteen. The “Impacting Lives” project benefits six thousand children in fourteen public schools in Ica, Cañete, Huancavelica and Ayacucho, for whom table tennis acts as a transformational tool for skills, attitudes and values.

One hundred and twenty physical education and similar teachers were given training and inter-school table tennis tournaments set up in Chincha (Ica), Cañete (Lima), Vinchos (Ayacucho) and Pilpichaca (Huancavelica). On June 14, 2019 the first talent training center was opened in the sports stadium of Aurelio Moisés Flores school in Chincha, Ica Region, attended by representatives of the Ministry of Education.

It should be noted that the general aim of the program is to promote and encourage table tennis as a means of achieving the integral development of players, and in 2019 we measured its impact on participants’ motivation and commitment using a tool called “Psychological Worksheet”, on a chosen sample of students.



### THE PRINCIPAL RESULTS WERE:

- Improvements in social skills and integration.
- Improvement in reading comprehension and mathematics.
- Improved creativity and initiative, self-esteem, coordination and balance.
- Motivation and self-esteem, discovering new talents;
- Commitment and a desire to improve their game technically.





# HEALTH, SAFETY AND THE ENVIRONMENT



PERU LNG  
GUARANTEE  
HEALTH AND SAFETY  
OF THEIR  
WORKERS, CONTRACTORS,  
CONSULTANTS AND VISITORS.

PERU LNG has developed and applied a set of practices and requirements on all its sites aimed at protecting its contractors, consultants and visitors, as well as guaranteeing the safety and occupational health of its employees. It ensures the preservation of the environment and prevents impacts on communities in the direct area of influence of the gas pipeline, the liquefaction plant and the port facility.

In line with its policy of responsibility and commitment to conservation of the environment and natural resources, PERU LNG carries out its activities to the highest industry standards, and guarantees strict compliance with Peruvian and international legislation. This is demonstrated by the fact that its Integrated Management System (IMS) holds ISO 14001 and OHSAS 18001 certification, having been externally audited every year by TÜV Rheinland.

This is how we verify that the environmental and safety management systems are properly implemented throughout PERU LNG's operations from KP 0 (the starting point) of the gas pipeline at Chiquintirca, to the LNG plant and the port facility.

The scope of the certification covers all activities, processes and premises of PERU LNG, including the offices. The IMS is designed to create safe working conditions for employees and contractors of PERU LNG and, furthermore, to establish a commitment to serve as social and environmental guardians for the communities in which it operates.



HEALTH, SAFETY AND  
THE ENVIRONMENT



## I. ENVIRONMENTAL MANAGEMENT IN THE PLANT

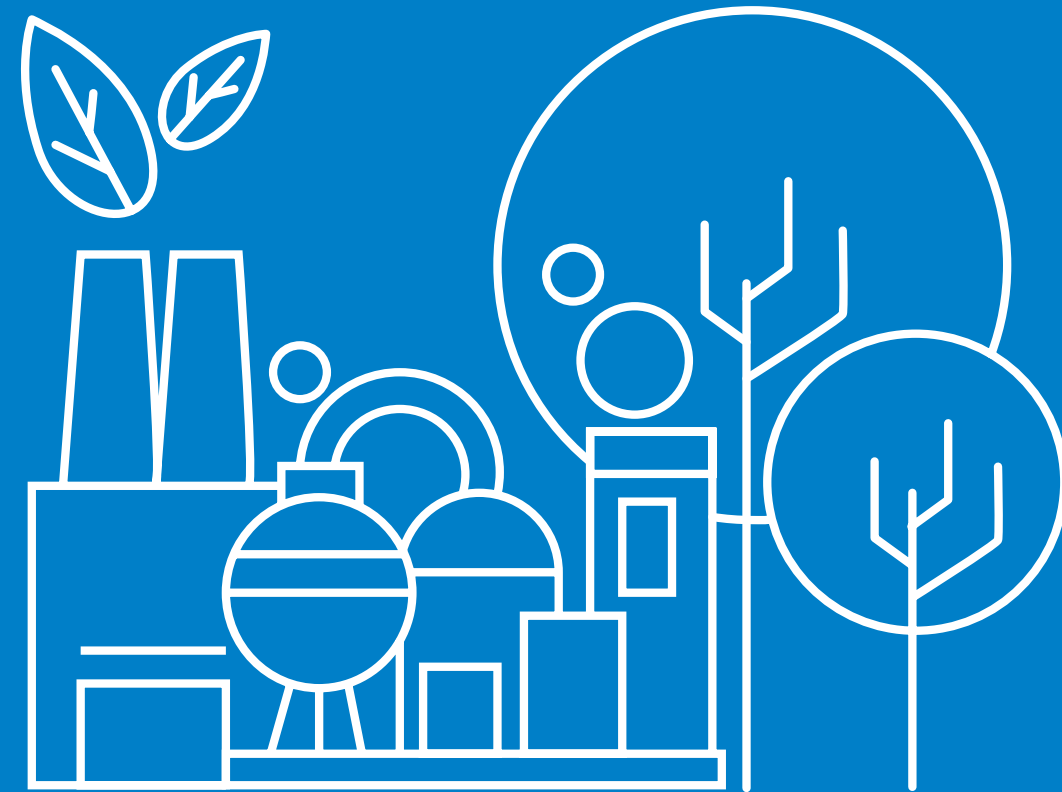


PERU LNG DOES NOT USE WATER FROM RIVERS OR LOCAL WELLS AND DOES NOT GENERATE IMPACTS ON WATER SOURCES IN THE ZONE. IT CREATES POTABLE WATER FROM SEAWATER USING A REVERSE OSMOSIS PLANT.

### PROGRAM ACHIEVEMENTS as of December 2019

# 8%

INCREASED  
THE PERCENTAGE  
RECYCLED OF SOLID  
WASTE



# 184

INSPECTIONS WERE  
CARRIED OUT AT THE  
FACILITIES OF  
THE PLANT AND PIPELINE  
FROM PERU LNG  
TO GUARANTEE  
COMPLIANCE WITH  
QUALITY, OCCUPATIONAL  
SAFETY AND  
ENVIRONMENTAL  
PROTECTION  
STANDARDS

# 46 940 m<sup>3</sup>

TREATS ALL WATER CONSUMED IN THE  
CAMPS AND PLANT OFFICES IN A WASTE WATER  
TREATMENT PLANT USING ACTIVATED SLUDGE.



HEALTH, SAFETY AND  
THE ENVIRONMENT

Responsible waste management

Waste management on the pipeline and in the plant (1514.8 tons in 2019) gives priority to reduction, recycling and reuse.

PERU LNG is continually seeking ways to make use of the solid waste it generates and in 2019 increased the percentage recycled to 8 percent, a 2 percent increase compared with the previous year.

Responsible water management

PERU LNG does not use water from rivers or local wells and does not generate impacts on water sources in the zone. It creates potable water from seawater using a reverse osmosis plant. It thus reduces any possible effect on the environmental to a minimum.

PERU LNG also treats all water consumed in the camps and plant offices (46 940 m³) in a waste water treatment plant using activated sludge. The treated water is then used to irrigate green areas and suppress dust on the plant’s internal roadways; in other words it is used rather than discharged into the sea. Effluent from this plant is monitored frequently and compared with established environmental standards using environmental management instruments approved by the competent authority.

These actions are part of PERU LNG’s sustainable management of water resources and its commitment

as a socially and environmentally responsible company that cares for the environment and the inhabitants of its direct areas of influence.

Environmental and safety standard assurance inspections

To guarantee compliance with quality, occupational safety and environmental protection standards, during 2019 the PERU LNG plant installations and pipeline were inspected one hundred and eighty four times, producing two hundred and ninety observations, which were duly addressed.

The resulting actions are both corrective and preventive. The aim is to guarantee that the risks and potential impacts of the operations are managed opportunely and in accordance with PERU LNG standards and procedures, as well as to contribute to the continual improvement process.

Guaranteeing compliance with the highest industry standards

PERU LNG has three environmental monitoring programs: (1) Discharges and emissions, (2) environmental quality monitoring of water bodies and (3) biodiversity monitoring, which applies to the whole of PERU LNG’s operations.

The environmental monitoring programs gather information on the effects that PERU LNG’s

operations may have on the environment, as well as mitigating any environmental effects and preserving the nature of its areas of influence. The monitoring results obtained during 2019 are shown below:

Monitoring discharges and emissions

Monitoring	Number of samples taken annually	Results
1 annual emissions sample: 8 chimneys	48	All meet the standards
12 effluent samples: 4 monitoring points	852	All meet the standards
58 vessels (water ballast)	290	All meet the standards
1 environmental noise measurements: 10 monitoring points and another 6 stations	32	All meet the standards
2 environmental noise measurements: 43 monitoring points in 17 surface monitoring stations for the pipeline	86	All meet the standards



## HEALTH, SAFETY AND THE ENVIRONMENT

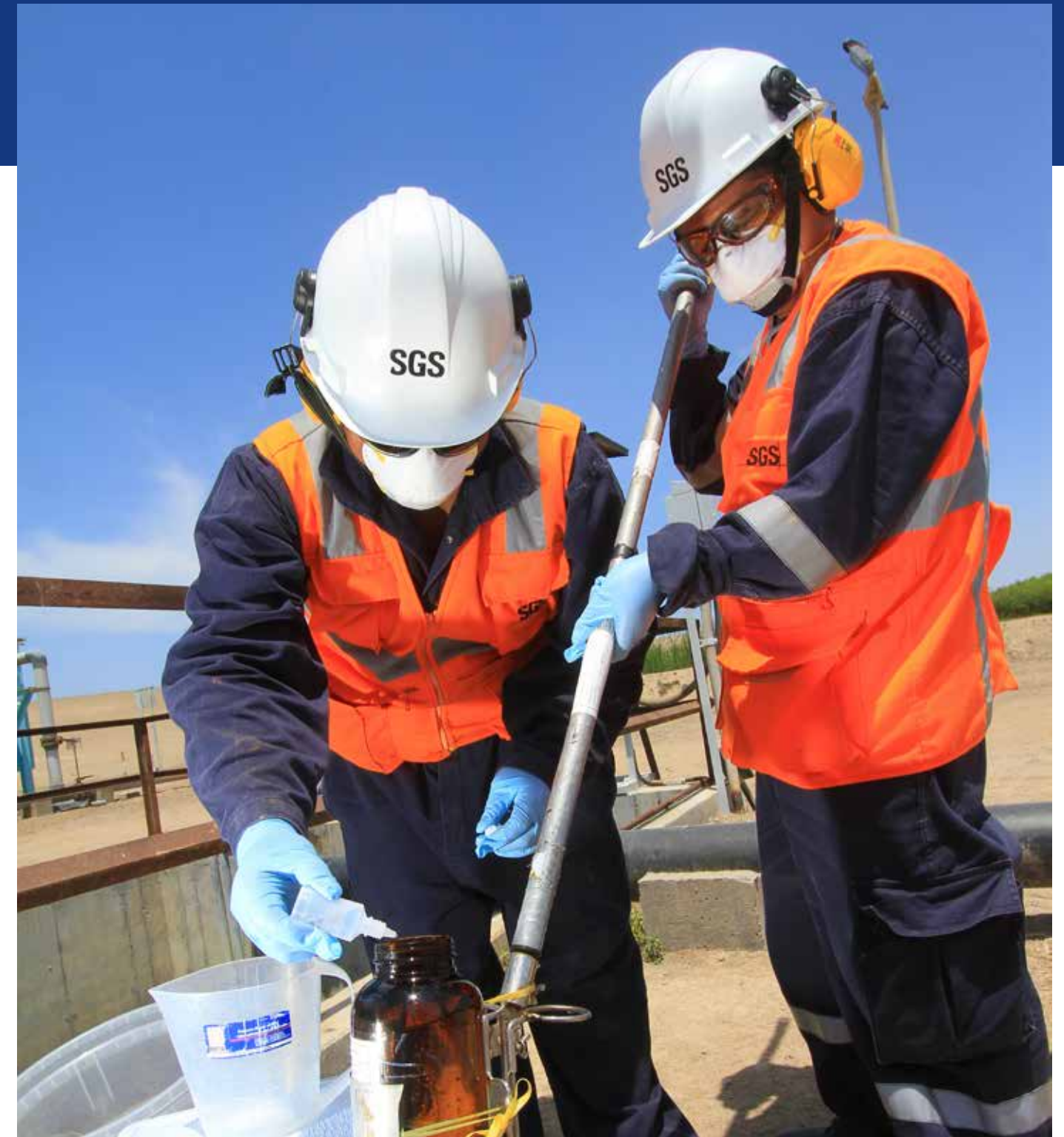
### Environmental monitoring of receiving water bodies

Monitoring	Number of samples taken annually	Results
2 air quality: 4 monitoring stations in the plant	72	All meet the standards
4 sea water plankton: 2 stations	16	No invasive or new species were found
2 sea water quality: 24 stations 2 sea water quality: 8 stations	960	The resulting values are similar to those reported in the environmental baselines of 2002 and 2005
2 for marine sediment quality monitoring: 10 stations	180	The resulting values are similar to those reported in the environmental baselines of 2002 and 2005
5 monitoring actions: 13 river crossings by the pipeline right of way	65 monitoring actions	Stability was assessed and no evidence of erosion was found

In addition to these controls, two participatory campaigns monitoring the marine environment were carried out with representatives of local fishermen's organizations and the authorities, as well as coastal morphology surveys (eight km of beaches evaluated in each one) and two more topographical feature surveys.

#### Monitoring bio-restoration work

PERU LNG carries out continual bio-restoration work to restore the natural conditions of areas that have been disturbed by the construction of the gas pipeline.





## HEALTH, SAFETY AND THE ENVIRONMENT

The 2019 bio-restoration campaign addressed 6.42 Km of the RoW (right of way) by transferring native species and improvement the soil by removing stones. Furthermore, fences have been erected to enclose areas in which pasture can recover from overgrazing on the right of way. This work has re-established the native vegetation over most of the distance disturbed during construction.

### Biodiversity Monitoring and Assessment Program (BMAP)

This program was conceived by PERU LNG together with the Center for Conservation and Sustainability (CCS) of the Smithsonian Conservation Biology Institute (SCBI), with the aim of preserving biodiversity during project construction and the operation of the gas pipeline, plant and port facility.

The BMAP uses biological evaluations and monitoring to determine the condition of species, their habitats and changes over time. This information was used to draw up guidelines so that PERU LNG can take decisions that help to mitigate any impact on biodiversity.

In 2019 a number of monitoring campaigns were implemented in accordance with the annual plan in the BMAP, which includes monitoring of the following research protocols:



### MONITORING OF THE RESEARCH PROTOCOLS

- Wetland vegetation;
- Bio-restoration of pastures and desert;
- Dry forest;
- Marine benthos;
- Sea fish;
- Sea birds.





## HEALTH, SAFETY AND THE ENVIRONMENT

### Participatory Socio-Environmental Monitoring Program (PMSAP)

The Participatory Socio-Environmental Monitoring Program (PMSAP) guarantees active participation by the communities and settlements in PERU LNG's direct area of influence. The communities nominate their own representatives (monitors), who are responsible for supervising and monitoring possible social and environmental impacts arising from the operation of the gas pipeline. If the monitors find anything, they are recorded and reported to their communities and to the company. When PERU LNG receives such reports, it analyzes them and takes prompt corrective action, thus enabling its operations to continually improve.

During 2019 ten field evaluations were carried out, resulting in sixty three findings. Of these, 40 were resolved appropriately while the rest were marked for future attention in the maintenance programs.

### Audits and relationship with the State

Audits by the environmental authorities help to maintain high operating standards and to confirm compliance with legal requirements. In 2019 the Environmental Evaluation and Monitoring Office (OEFA) carried out two audits of our operations (one in the plant and the other on the pipeline), and Peru's National Port Authority (APN) performed an audit of the plant. In neither case was any observation made.





HEALTH, SAFETY AND  
THE ENVIRONMENT



## II. OCCUPATIONAL HEALTH AND INDUSTRIAL HYGIENE



IN 2019 PACIFICO SEGUROS GAVE HUNT LNG, THE OPERATOR OF THE PERU LNG PLANT, A RISK MANAGEMENT AWARD FOR ITS HIGH STANDARDS IN OCCUPATIONAL HEALTH AND SAFETY.

### Industrial hygiene program

In accordance with the Annual Hygiene Monitoring Program, in 2019 we continued to monitor exposure to occupational hazards, as shown in the following table.

Occupational hazard	Location	Total monitoring points / areas
Chemical		
Inhalable dust	Tanks - plant	2
Silica	Tanks - plant	1
Heavy metals	Pond R1 - plant	1
Volatile organic components	Paint	2
Ergonomics		
Working posture	Lima office	15
Physical		
Noise (sonometry)	Planta: GTGs, utilities	67
Noise (sonometry)	Ayacucho offices	7
Noise (dosimetry)	Plant operators, electricians, instrument technicians, mechanics	8
Vertical vibration	Pipeline	2
Lighting	Lima offices	2
Lighting	Plant	30
Lighting	Ayacucho	19



IN 2019 PACIFICO SEGUROS GAVE HUNT LNG, THE OPERATOR OF THE PERU LNG PLANT, A RISK MANAGEMENT AWARD FOR ITS HIGH STANDARDS IN OCCUPATIONAL HEALTH AND SAFETY.



## HEALTH, SAFETY AND THE ENVIRONMENT

### Biological agents

**Drinking water:** the obligatory control parameters were monitored on a daily basis, with monthly monitoring of the additional parameters applicable to the quality of water from the reverse osmosis plant and to potable water treatment.

**Mess rooms:** an accredited external laboratory carried out monthly monitoring of biological agents on inert surfaces and the hands of people working with food prepared in the plant.

### Emergency response preparation

During 2019 first aid training was given to two hundred and eleven plant employees - 82 percent of the workforce. Training was also provided for the emergency brigades (Blue Jackets) with participation by all of the Lima and plant teams.

Furthermore, the plant medical center held monthly training sessions for employees on the treatment of the most common pathologies seen in our operations. The medical center also implemented a monthly program of emergency drills in the plant.

### Occupational health control & vigilance programs

PERU LNG uses the following tools to monitor the health of its own employees and those of contractors:

- **Occupational medical examinations:**

Three hundred and sixty four periodic occupational medical examinations were performed in 2019 on plant personnel, together with examinations of new employees and those required by job changes and employees rejoining the workforce, in accordance with Peruvian law.

The results of occupational medical examinations are reported confidentially to the employees through a new virtual platform developed especially for the purpose (EMO Delivery), which achieved 100 percent delivery of results, recommendations and controls in less time than in 2018. It is worth noting that no occupational illnesses were reported during the year.

- **Health control and vigilance of contractors and visitors:**

PERU LNG uses occupational health certificates (CAMO) to ensure that its contractors are monitoring the health of their employees and that they meet PERU LNG's medical standards for those working in its installations.

- **Time lost through illness:**

Every month checks are carried out on workforce absenteeism, to produce an epidemiological indicator of employee health that can be used to design intervention programs for at-risk groups to prevent illness and injury and reduce the rate of absenteeism.

Two hundred and eleven cases occurred in 2019, resulting in a total of two thousand one hundred and twelve days of sick leave for illnesses not related to work. The principal cause of absenteeism was non-work-related traumatism (thirty eight cases generating two hundred and ninety nine days of absence), followed by non-work-related musculoskeletal disorders (twenty seven cases generating two hundred and eighty two days of absence).

- **Medical treatment:** PERU LNG has a medical center at the plant, to treat urgent cases and emergencies affecting employees, contractors and visitors. One thousand six hundred and ninety four cases were treated in 2019, of which two required emergency evacuation by ambulance to Lima. All recovered fully.

### Illness prevention programs

The following programs and activities were carried out in 2019, aimed at maintaining and improving working conditions and preventing and monitoring risks to employees' health:

- **Recreation campaign:** Health and Safety at Work day saw a series of games organized in which contractors and plant employees took part, aimed at strengthening their knowledge of 10 rules that save lives.

- **Respiratory protection program:** seeks to protect employees from the risk particle inhalation, through correct use of personal protection equipment (PPE). Respirator fitting is carried out at the plant medical center; specifically in 2019, two hundred and thirty eight respiratory function and adjustment tests were carried out.

- **Sun protection program:** in order to promote good solar protection practices at work and at home, information has been made available and talks held since January 2019.

- **Health and welfare program:** Three major campaigns were introduced in 2019 aimed at maintaining the health of our employees at an optimum level and preventing the appearance of common illnesses or the worsening of chronic metabolic diseases. Hand washing as an effective means for preventing the transmission of illnesses. A nutrition campaign that included nutritional advice for seven hundred and twenty one participants and the publication of nutritional information on subjects such as healthy meals, heart care and diabetes. Furthermore, massage campaigns were implemented in Lima and the plant to reduce physical stress and prevent musculoskeletal lesions; a total of two hundred and seventy five people took part.



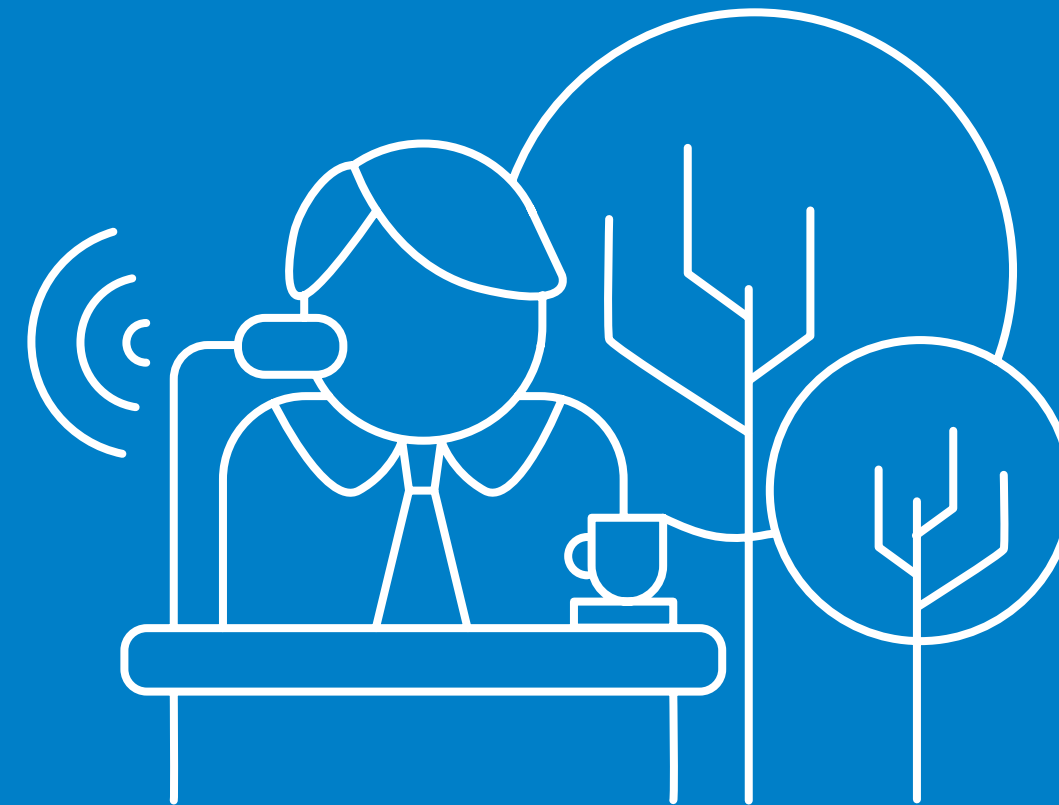
## COMMUNICATIONS



# I. CONFERENCES AND EVENTS



CORPORATE AFFAIRS AND COMMUNICATIONS DEPARTMENT ORGANIZED A SERIES OF EVENTS AND CAMPAIGNS AIMED AT STRENGTHENING RELATIONS BETWEEN PERU LNG AND THE LOCAL POPULATION AND AUTHORITIES.



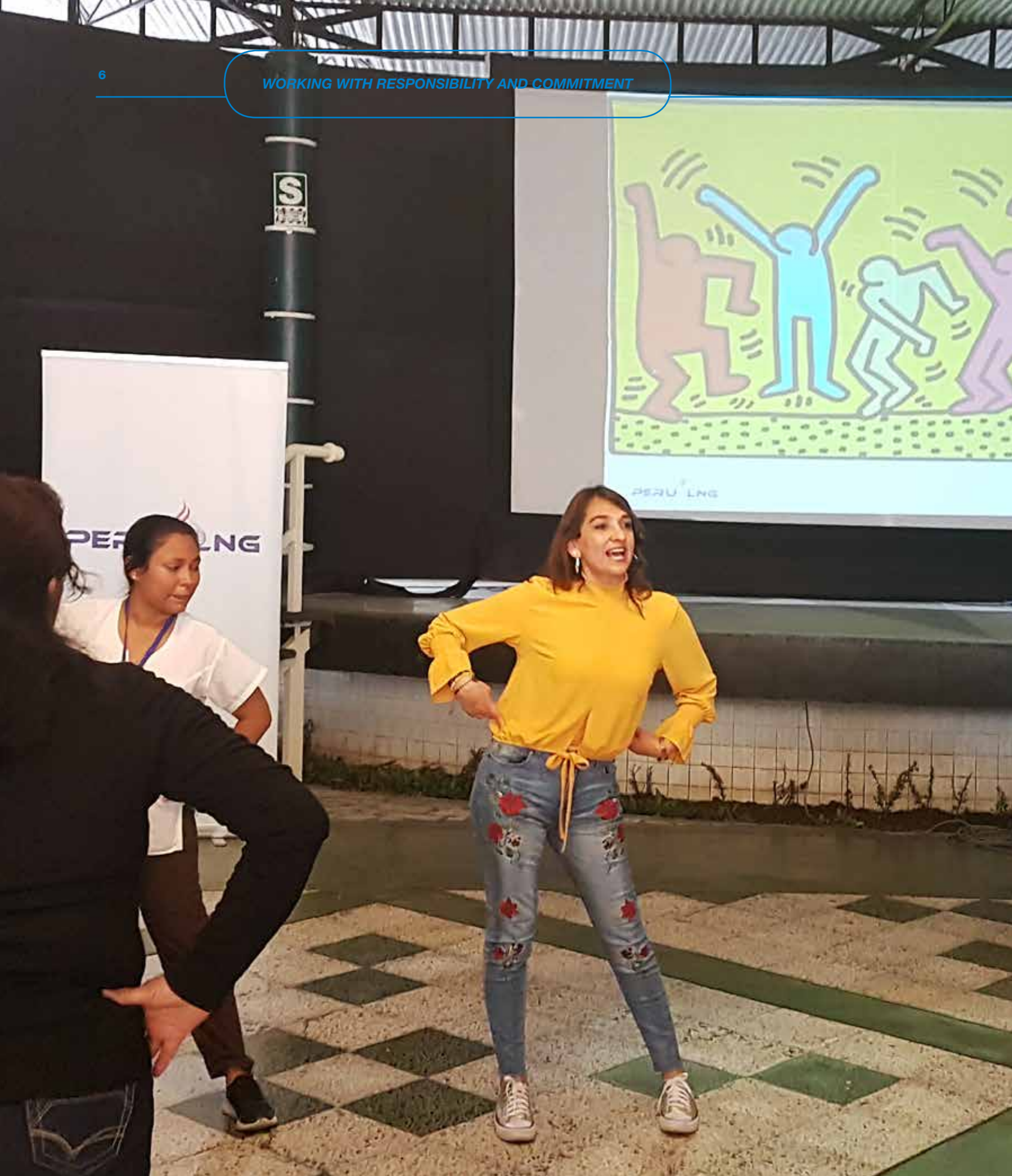
CHINCHA, CAÑETE AND HUAMANGA WERE THE CITIES BENEFITTED FROM THE CONFERENCES AND EVENTS

THE CONFERENCES CARRIED OUT BY PERU LNG CONTRIBUTED WITH THE WELFARE AND GROWTH PERSONNEL OF THE PEOPLE

# 1600

PEOPLE ATTENDED TO THE EVENTS CARRIED OUT BY PERU LNG





## I. CONFERENCES AND EVENTS

April 2019 saw the start of the PERU LNG conference cycle, with a talk entitled “Child rearing with respect: learning to impose limits on our children” given by psychologist Rachel Watson, who visited Chinchá, Cañete and Huamanga. The well-known presenter of the RPP radio program “Sin Vueltas” gave guidelines on how to impose limits on our children in given situations and show them the consequences of their actions. She emphasized that bringing up children with respect and affection gives them greater self-confidence and improves their self-esteem.

In November a conference entitled “Nutrition: the importance of knowing what to eat”, was given by nutritionist Milagros Agurto in Chinchá, Cañete and Huamanga aimed at providing practical advice to improve family nutrition.

With regard to anemia, she explained the importance of iron in developing neuronal links and learning during the first thousand days after conception. She also explained that anemia is caused not only by inadequate consumption of food containing iron, but also to parasites that may be acquired especially through inadequate hand washing and poor personal hygiene.

Both events, attended by more than one thousand six hundred people in Chinchá, Cañete and Huamanga, made a contribution to personal and local welfare and development, its purpose being to inform and stimulate debate on matters of interest to local people.



THE CONFERENCES AND 2019 EVENTS WERE FOCUSED ON THE UPBRINGING WITH RESPECT AND TO IMPROVE NUTRITION OF THE FAMILIES.



## COMMUNICATIONS

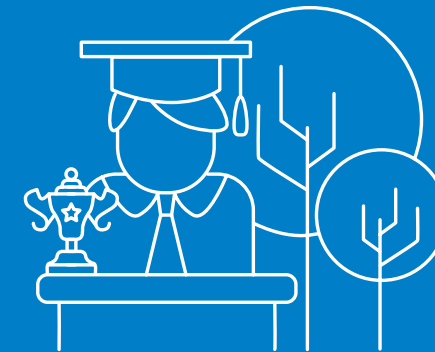


## II. PROMOVEMOS EL TALENTO PERUANO



PERU LNG HELPS TO TRAIN NEW LEADERS BY STIMULATING AND STRENGTHENING THE SKILLS OF TALENTED YOUNG PEOPLE.

## II. STRENGTHENING PERUVIAN TALENT



PERU LNG INVIERTE EN EL TALENTO DE LOS JÓVENES PERUANOS Y PROMUEVE QUE ACCEDAN A MEJORES OPORTUNIDADES.

PERU LNG helps to train new leaders by stimulating and strengthening the skills of talented young people. Within this framework an agreement was entered into with the National Engineering University (UNI) by which an annual PERU LNG scholarship will be awarded with financial assistance for young students to continue their professional training in internationally recognized academic institutions.

In 2019 UNI student Lesly Mamani Fuentes Rivera was chosen to study with a year at the University of Oklahoma (USA), one of the world's premier institutions in the field of oil and gas. When she finishes her course she will be able to carry out her pre-graduation work experience at PERU LNG and then join the team.

2019 was the eighth year of the program and the evaluation process is backed by the Commission for Student Exchanges between Peru and the USA (the Fulbright Commission).



## COMMUNICATIONS



### III. VOLUNTARY SERVICE



THE CHILDREN AND ADOLESCENTS OF THE HOGAR DE LAS BIENAVENTURANZAS (VILLA MARIA DEL TRIUNFO) WERE BENEFITED WITH DONATIONS AND AN INTEGRATION DAY.



PUNO AND AREQUIPA WERE THE REGIONS BENEFITED FROM THE CAMPAIGN AGAINST THE COLD



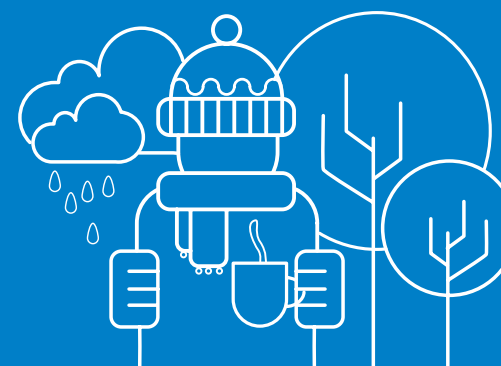
### III. VOLUNTARY SERVICE

During 2019 the Voluntary Service Team, made up of workers from different departments and places where the company has a presence, continued to support Hogar de las Bienaventuranzas, directed by Father Omar Sánchez through contributions deducted from their wages and salaries.

In March we started a campaign in support of the victims of the flooding in the cities of Tacna and Piura using donations made by employees to the NGO Juguete Pendiente led by Vanessa Vasquez to provide more than one hundred bottles of water of twenty liters each.

In order to obtain the funds and donations necessary to contribute to both of these institutions, our volunteers carried out various activities such as selling cakes in the Lima offices and plant. There was also a raffle among employees and their families and friends, the prizes of which were also donated.

July saw a campaign against the cold weather, in which our employees donated warm clothing in good condition, together with one hundred thermal blankets, one hundred and twenty thermal jackets for adults, sixty four thermal tracksuits for children, two hundred and five pairs of thermal socks and two hundred pairs of snow boots. These donations were taken to communities in Puno and Arequipa by the NGO Juguete Pendiente.



THE VOLUNTARY WORK IS MADE THANKS TO TO ENTHUSIASM, SOLIDARITY AND THE COMMITMENT SOCIAL OF THE COMPANY EMPLOYEES.





In August we organized a visit to the Hogar de las Bienaventuranzas by employees and their friends and families. One group of volunteers cleaned the home while another organized games and tasks (a 'gincana') for children and adolescents, and shared a healthy snack with them. We also made a significant donation of cleaning materials acquired thanks to donations from our employees.

In October we organized a campaign of support for the Teleton 2019 appeal and on November 8th the money collected was deposited in the Teleton bank account. Finally, December saw a Christmas celebration in the "Cerrito Libertad de Carapongo" marginal settlement, organized jointly with NGO Juguete Pendiente. Company employees and their families and friends took part, sharing a healthy breakfast with seventy eight children, who also received Christmas gifts. Participants also enjoyed an interactive workshop with a Christmas message.

These activities reinforced PERU LNG's social commitment and that of its employees, who voluntarily help out with all the activities to collect funds and assist different institutions that need a helping hand.



# 7. FINANCIAL INFORMATION



## EXECUTIVE SUMMARY FOR 2019

### Executive summary for 2019

Total sales of LNG reached 209 TBtus (trillion British Thermal units) in 2019, an increase of 13 TBtus compared with 2018, the year in which we carried out plant maintenance and which saw sales of 196 TBtus dispatched in fifty eight ships to the markets of Europe and Asia.

Although LNG sales increased, the company's results at the end of 2019 were affected by price reductions in the principal LNG markets: Japan Korea Marker (JKM), National Balancing Point (NBP) and Henry Hub (HH). The last named is used to calculate the adjustment in the minimum quantities to be delivered to the port of Manzanillo, in accordance with contract.

EBITDA as at December 2019 was USD 88 million, a figure USD 57 million (39 percent) lower than the USD 145 million reported in December 2018. This fall can be explained principally by the reduction in the average sale price of LNG from USD 4.84 per MMBtu in 2018 to USD 2.36 per MMBtu in 2019. Because of this earnings fell by 48 percent, from USD 955 million at the close of 2018 to USD 496 million as at December 31, 2019. The cost of sales fell by 45 percent from USD 907 million in 2018 to USD 498 million in 2019 and the net loss was 7 percent higher in 2019, at USD 80 million, compared with USD 75 million in December 2018.

The Manzanillo Minimum increased from USD 91 million in December 2018 to USD 135 million in December

2019 due to the higher TBtu figure in 2019 (146.7 TBtus) compared with the same period in 2018 (120.1 TBtus). This increase was affected by reductions in spot prices other than the Henry Hub (HH), which fell by 44 percent (from an average of US\$ 8.90 per MMBtu in 2018 to an average of USD 4.97 per MMBtu in 2019). The HH spot price also fell, from an average of USD 3.13 per MMBtu in 2018 to USD 2.52 per MMBtu in 2019.

PERU LNG's response to LNG price reductions involved two major projects, currently under development. The first seeks to increase the stability of product loaded in vessels, through infrastructure that will also increase the sales volume of LNG when the weather is unfavorable. The second consists in replacing the refrigerant used in the liquefaction process with another product that optimizes this process and reduces production costs.

Furthermore, projects are planned for the following year, such as optimization of operating costs and investments in lesser projects, provided that this does not affect the safety and continuity of plant operations.

As at December 31, 2019 we had dispatched 2410 trucks from the road tanker liquefied gas loading terminal, representing a total volume sold of 2 774 187 MMBtus. The loading facility operated at an average of 52 percent of capacity in the last quarter of 2019; in other words 15 percent more than the average 37 percent achieved in the third quarter of 2019. It should be mentioned that around 62 percent of total demand in the last quarter was from the north of Peru, because of the fishing season.

Cash and cash equivalents at the close of 2019 amounted to USD 140 million, 56 percent higher than at the close of 2018. Furthermore, and in compliance with our dividend payment policy, company's shareholders agreed that no dividend should be paid for fiscal year 2019.

Finally, in November and December 2019 the company received reports from ratings agencies Standard & Poor's, Fitch and Moody's, changing PERU LNG's earlier rating due to the fall in international LNG prices, less favorable results and reduced EBITDA. Standard & Poor's (S&P) reduced the company's rating from "BBB-" to "BB +", with negative outlook, Fitch confirmed its "BBB-" rating but changed the outlook from "stable" to "negative" and Moody's reduced its rating from "Baa3" to "Ba3".

### Financial information

The financial information on PERU LNG given below was obtained from the audited financial statements PERU LNG and the respective explanatory notes. Financial statements for fiscal years ending on December 31, 2019 and 2018, respectively, which were audited by Caipo y Asociados Sociedad Civil, a member of KPMG International.

This financial information has been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) in force as at December 31, 2019. The following financial statements are for the year ending on December 31, 2019 and are the first in which the company has applied IFRS 16 – Leases and IFRIC 23 – Uncertainty over Income Tax Treatments.

### Independent auditors' opinion

To the shareholders of PERU LNG S.R.L.  
We have audited the attached financial statements of PERU LNG S.R.L., a subsidiary of PERU LNG Company L.L.C. of the United States of America, consisting of the statement of financial position as of December 31, 2019 and 2018, the statement of income and other integrated results, changes in equity and cash flow for the financial years ending on those dates, as well as significant accounting policies and the attached notes 1 to 28.

### Management responsibility for the financial statements

The management is responsible for the preparation and reasonable presentation of the individual financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and internal controls implemented by the management to ensure that the individual financial statements are free from material inaccuracies, whether deliberate or erroneous.

### Auditor's responsibility

Our responsibility consists in giving an opinion on the financial statements based on our audits. Our audit was carried out in accordance with international audit standards approved for use in Peru by the Board of Rectors of the Professional Associations of Public Accountants of Peru. These rules demand that we meet ethical requirements and plan and carry out our



audit such that we are reasonable certain that the financial statements do not contain significant errors.

Lima, Perú  
February 27, 2020

An audit consists of procedures to obtain audit evidence of the balances and information contained in the financial statements. The procedures chosen depend on the auditor's judgment and include an evaluation of the risk that material inaccuracies may exist in the financial statements, whether through fraud or error. On carrying out this evaluation of risk, the auditor takes into consideration the company's internal controls used in the preparation and presentation of the financial statements in order to design audit procedures appropriate to the circumstances but not in order to express an opinion on the effectiveness of the company's internal controls. An audit also includes an evaluation of whether the accounting principles used are appropriate and whether the accounting estimates made by the management are reasonable, as well as an evaluation of the general presentation of the financial statements.

Countersigned by:

Juan Jose Córdova v (Partner).  
C.P.C.C. Registration N° 01-18869

We believe that the evidence we have obtained is sufficient and appropriate to support our auditors' opinion.

#### Opinion

In our opinion, the above financial statements reasonably represent, in all significant aspects, the financial position of PERU LNG S.R.L. as at December 31, 2019 and 2018, its financial performance and cash flows for the years ending on those dates, in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board.

#### Estado de la situación financiera

In thousands of United States dollars	2019	2018
<b>Assets</b>		
Current assets		
Cash and cash equivalents	140 357	89 835
Tax assets	24 313	31 103
Other accounts receivable	1590	1380
Accounts receivable from non-arms-length entities	47 957	73 680
Inventories	17 897	22 828
Other non-financial assets	7281	8498
<b>Total current assets</b>	<b>239 395</b>	<b>227 324</b>
<b>Non-current assets</b>		
Real estate, plant and equipment,	2 101 579	2 236 589
Deferred tax assets	117 175	75 826
Non-current part of tax assets	10 940	20 681
Current part of other non-financial	11 277	10 506
<b>Total non-current assets</b>	<b>2 240 971</b>	<b>2 343 602</b>
<b>Total assets:</b>	<b>2 480 366</b>	<b>2 570 926</b>



In thousands of United States dollars	2019	2018
<b>Liabilities</b>		
Current liabilities		
Trade accounts payable	36 072	86 830
Other accounts payable	4085	3179
Accounts payable to non-arms-length entities	136 814	101 087
Other financial liabilities	13 753	13 753
Lease liabilities	1455	-
<b>Total current liabilities</b>	<b>192 179</b>	<b>204 849</b>
<b>Non-current liabilities</b>		
Other financial liabilities	932 714	931 940
Accounts payable to non-arms-length entities	110 000	110 000
Lease liability	1259	-
<b>Total non-current liabilities</b>	<b>1 043 973</b>	<b>1 041 940</b>
<b>Total liabilities</b>	<b>1 236 152</b>	<b>1 246 789</b>
<b>Equity</b>		
Capital issued	1 461 435	1 461 435
Accumulated results	(217 221)	(137 298)
<b>Total equity</b>	<b>1 244 214</b>	<b>1 324 137</b>
<b>Total liabilities and equity</b>	<b>2 480 366</b>	<b>2 570 926</b>

**Estado de resultados**

In thousands of United States dollars	2019	2018
Earnings from ordinary activities	495 866	954 685
Sales cost	(497 820)	(906 459)
Gross Margin	(1954)	48 226
Sale and distribution costs	(28 075)	(27 017)
Management costs	(30 714)	(22 823)
Other operating income	723	322
Operating results	(60 020)	(1292)
Financial income	2295	1944
Financial expenses	(54 033)	(104 273)
Exchange rate difference, net	412	(337)
Loss before taxes	(111 346)	(103 958)
Income tax	31 423	29 069
Results of the fiscal year	(79 923)	(74 889)
Other integral results		
Derivatives	-	27 980
Corporation tax	-	(8394)
Other integral results, net of tax	-	19 586
<b>Total integral results for the fiscal year</b>	<b>(79 923)</b>	<b>(55 303)</b>



## Results for fiscal year 2019

Total earnings as at the close of fiscal year 2019 were USD 496 million, 48 percent (USD 459 million) lower than the figure for fiscal year 2018 (USD 955 million). This reduction can be explained by the fall in the principal LNG spot prices, as explained in the previous section.

The price fall also caused a USD 409 million reduction (45 percent) in sales cost, which fell from USD 907 million at the close of 2018 to USD 498 million in 2019. Other factors, such as bad weather, unscheduled plant stoppages, fixed costs and depreciation over the year also had a significant impact on this reduction.

Administration costs in fiscal year 2019 totaled USD 31 million, USD 8 million higher than the previous year (USD 23 million) because of fixed costs and other costs incurred during the unscheduled plant stoppage.

Financial expenses as of December 31, 2019 fell by USD 50 million, which represents a reduction of 48 percent in comparison with 2018 (USD 104 million). This variation is explained by refinancing of the debt held by the company up to March 2018.

Furthermore, cash and cash equivalents amounted to USD 140 million as of December 31, 2019, 56 percent (USD 50 millions) higher than at the close of the previous fiscal year (USD 90 million). At the date of issue of the audited financial statements, the company forecasts that it will have sufficient cash to meet commitments in 2020, in addition to a confirmed line of credit of USD 75 million.

Total assets at the close of 2019 amounted to USD 2480 million, a figure 4 percent lower (USD 91 million) compared with the USD 2571 million recorded in 2018. This change is explained by the net effect of the USD 50 million increase in cash and cash equivalents, as well as the net reduction of USD 137 million in property, plant and equipment due to depreciation during the year.

Total liabilities as at December 31, 2019 were USD 1236 million, 1 percent (USD 11 million) lower than the USD 1246 million recorded at the close of 2018.