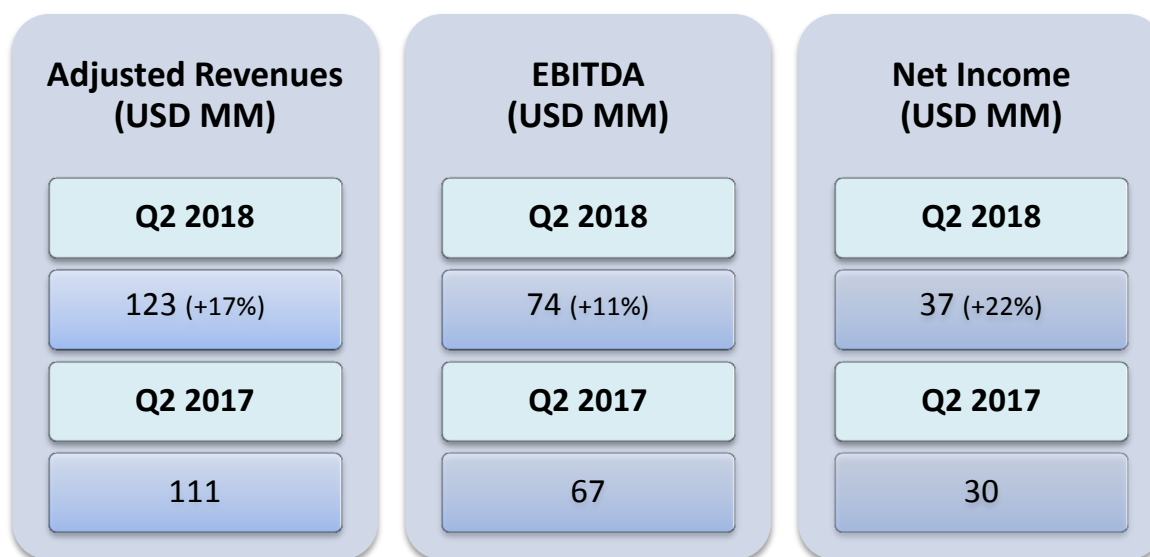


# Q2 2018

## Results Report

- ▶ Cálidda retains the exclusive distribution and operation right of the one single distribution natural gas pipeline at the department of Lima and Callao, in Peru.
  - ✓ Pipeline length: 8,926 km
  - ✓ Cálidda's capacity: 420 MMCFD (Lurín – Ventanilla System)
  - ✓ Contracted supply and transportation average of stable capacity: 229 MMCFD
  - ✓ The distribution system covers 75% of the market share in Peru.
- ▶ Total executed Capex is around USD 880 millions.
- ▶ The Annual Shareholder's Meeting took place on March 16<sup>th</sup>, 2018 and the main decision taken during this event was to distribute dividends until August 31<sup>th</sup>, 2018, which attain USD 52.7 millions.
- ▶ Osinergmin approved a distribution tariff increment close to 11% on last June 16<sup>th</sup>, which we implemented since May. All of this into the proper Peruvian legal framework of the five-year plan 2018-2022.
- ▶ On last July 7<sup>th</sup>, Moody's upgraded Cálidda's foreign currency credit classification to Baa2, outlook stable, recognizing the successful implementation of the investment and the stable regulatory framework in Peru.
- ▶ On July 20<sup>th</sup>, 2018 Cálidda issued Corporate Bonds in the Peruvian market for the equivalent of USD 61.5 millions, obtaining a competitive interest rate in the *Bolsa de Valores de Lima*. This instrument was covered with US dollars - Cross Currency Swap.



## Executive overview

### Operational and finance relevant information

**Table N°1 – Operational and finance key indicators**

<b>Operational Results</b>	<b>Q2 2018</b>	<b>Q2 2017</b>	<b>Var %</b>
Accumulated Clients	655,131	501,589	31%
Invoiced Volume (MMCFD) <sup>1</sup>	773	757	3%
Network Length (km)	8,926	7,911	13%
Potential Clients <sup>2</sup>	886,049	791,154	12%
Network Penetration	74%	63%	-
<b>Financial Results</b>	<b>Q2 2018</b>	<b>Q2 2017</b>	<b>Var %</b>
Total Revenues (USD MM)	302	284	6%
Total Adj. Revenues <sup>1</sup> (USD MM)	123	111	11%
EBITDA (USD MM)	74	67	11%
Adjusted EBITDA Margin	60.0%	59.2%	-
Net Utility (USD MM)	37	30	22%
Interest Coverage (x)	8.4x	8.2x	-

**International credit ranking:**

S&amp;P - Feb. 23 | 18: BBB-, stable

Fitch - May. 01 | 18: BBB, stable

Moody's - Jul. 10 | 18: Baa2, stable

**Domestic credit ranking:**

Equilibrium - Jun. 27 | 18: AAA.pe

 Class & Asociados - Jun. 30 |  
 18: AAA

### Peruvian Natural Gas Market

**Table N° 2 – Key market indicators**

<b>Indicator</b>	<b>Q2 2018</b>	<b>Q2 2017</b>	<b>Var %</b>
Natural Gas Production (MMPCD)	1,306	1,189	31%
Local Market Demand (MMPCD)	729	662	10%
Cálidda's Distribution (MMPCD)	542	480	13%
Number of Cálidda' Users (Miles)	655	501	31%

- During the second quarter of 2018, the Peruvian natural gas market increased by 10% compared to the same period of 2017, mainly supplied by the higher production from the following batches: X (CNPC), XIII (Olympic) and 57 (Repsol).

<sup>1</sup> Total Adjusted Revenues = Total revenues without considering the income of pass-through concepts, such as the acquisition and transport of natural gas, and IFRIC 12 (investments in the network distribution)

- ▶ Regarding Lima and Callao demand, in Q2 2018 the Industrial segment increased by 15%, Gas Stations by 9% and Residential & Commercial by 14%, compared the same period of the last year. Meanwhile, the Power Generators maintained the same consumption level.

## Commercial Performance

### Sales by segment

During the Q2 2018, Cálidda connected 78,318, and a total of 153,542 clients as of the last twelve months. In the Residential segment, Calidda has operations in 22 districts from the Metropolitan area of Lima and Callao, which are the following: Villa El Salvador, Comas, San Juan de Lurigancho, El Agustino, San Miguel, Santiago de Surco, Jesús María, Magdalena, Pueblo Libre, Cercado de Lima, Los Olivos, San Martín de Porres, San Juan de Miraflores, Santa Anita, Villa María del Triunfo, Ate, Callao, Independencia, Carabayllo, Lurín, San Vicente de Cañete & Puente Piedra. Likewise, in the Industrial, Commercial and NGV Stations segments, Calidda has operations in 42 districts.

**Table N° 4 – Clients Base**

Clients Base	2014	2015	2016	2017	Q2 2018
Power Generation	16	17	18	22	22
Industrial	489	507	535	577	596
NGV Stations	220	232	240	257	265
Residential and Commercial	254,280	344,380	437,607	575,957	654,248
<b>Total</b>	<b>255,005</b>	<b>345,136</b>	<b>438,400</b>	<b>576,813</b>	<b>655,131</b>

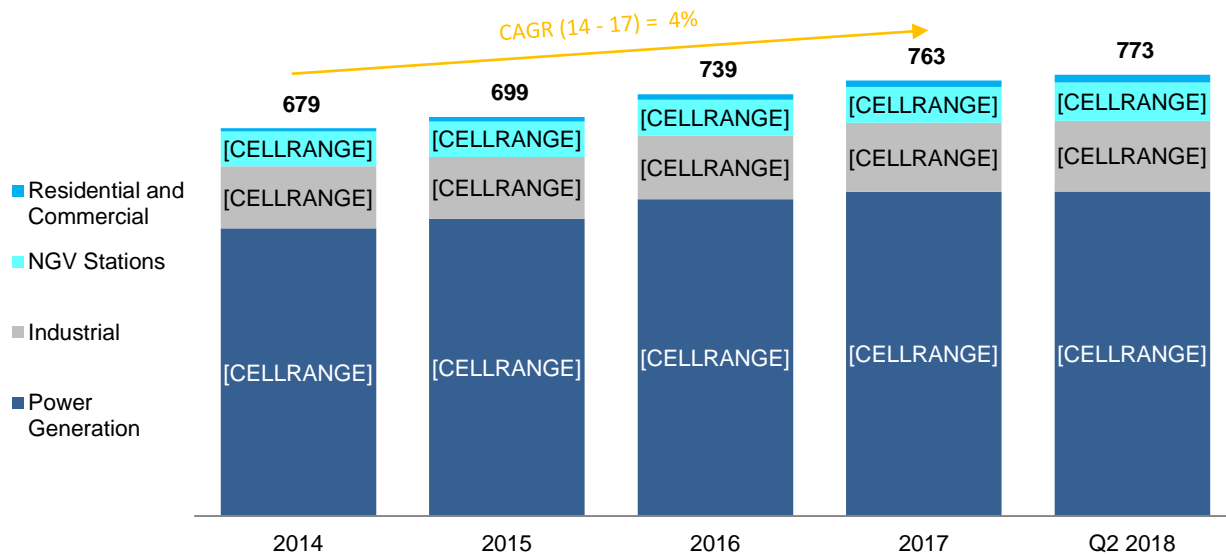
- ✓ There have been no new connections in the Power Generation segment.
- ✓ 19 new Industrial plants were connected over Q2 2018.
- ✓ 8 new NGV stations joined Cálidda's distribution system.
- ✓ Cálidda added 77,499 residential clients and 792 commercial clients over Q2 2018.

### Volume

- ✓ During the Q2 2018, the invoiced volume, in terms of million cubic feet per day, increased by 2% when compared to Q2 2017 mainly due to higher industrial and NGV consumption.
- ✓ As of Q2 2018, the invoiced volume has increased when compared to 2017 mainly due the development of the NGV Stations (+5MMCFD: +8%), the industrial (+3MMCFD; 2.5%) and residential segment (+1.5MMCFD: +12.9%).
- ✓ The stable contracts amounts 606 MMCFD (Power Generation: 563 MMCFD, Industry: 42 MMCFD), which represents the 80% of total invoiced volume as of Q2 2018.

The volume breakdown by client segments is shown in the following chart:

**Graph N° 1 – Invoiced Volume (MMCFD)**



**Chart N° 4 – Invoiced volume per Segment**

Invoiced Volume (MMPCD)	2014	2015	2016	2017	2T 2018
Power Generation	504	521	555	568	568
Industrial	109	108	112	121	125
NGV Stations	61	62	63	62	67
Residential and Commercial	6	8	10	12	13

- ✓ As shown in this graphic, 2Q 2018's invoiced volume reached a total of 773 MMCFD, which is 16 MMCFD more than the invoiced volume of 2Q 2017.

### Contractual Structure

**Chart N° 5 – Contracted Capacity (MMPCD)**

Period	Contracted Transportation capacity (MMCFD)			Contracted Supply capacity (MMCFD)		
	Stable	Non-Stable	Total	Stable	Non-Stable	Total
2016	178	31	209	40	138	178
2017	197	31	228	178	45	223
Q2 2018	197	31	228	183	46	229

- ✓ During the last year, both our Non-Regulated and Regulated clients have an average consumption around 289 MMCFD, equivalent to 70% of our total distribution capacity of natural gas (Lurín – Ventanilla).

- ✓ Over the same period, Regulated clients consume around 156 MMCFD, equivalent to 68% of the total contracted transportation and contracted supply volume of natural gas.

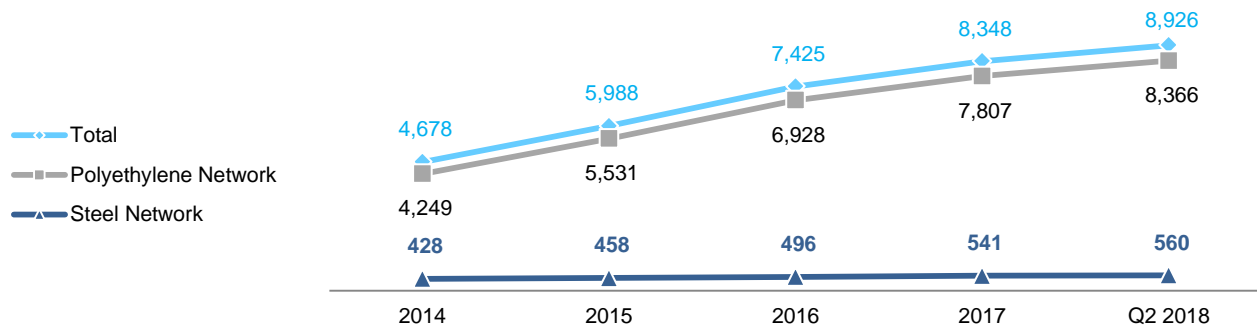
## Desempeño Operacional

### Distribution Network

- ✓ Calidda's distribution system consists of 8,926 km of underground pipelines in Lima and Callao.
- ✓ During Q2 2018, Calidda built 577 km, out of which 18 km were steel high pressure network, while the remaining 559 km were low pressure polyethylene pipeline.

The next chart shows the evolution of Calidda's distribution system:

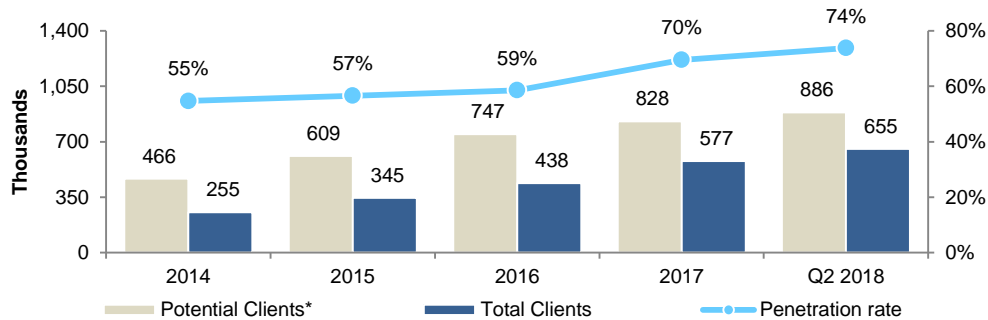
**Graph N° 2 – Network Distribution (km)**



### Network Penetration Rate

- ✓ The network penetration rate is measured as the number of connected clients over the number of potential clients that are located in an area close to Calidda's network. The network penetration rate increased as of Q2 2018 to 74% due to the record number of new connected clients.
- ✓ Calidda's focus is on low income districts benefited by the subsidies, where the savings produced by the use of natural gas against other alternative fuels is more appreciated.

**Graph N° 3 – Clients progress and Penetration Rate**



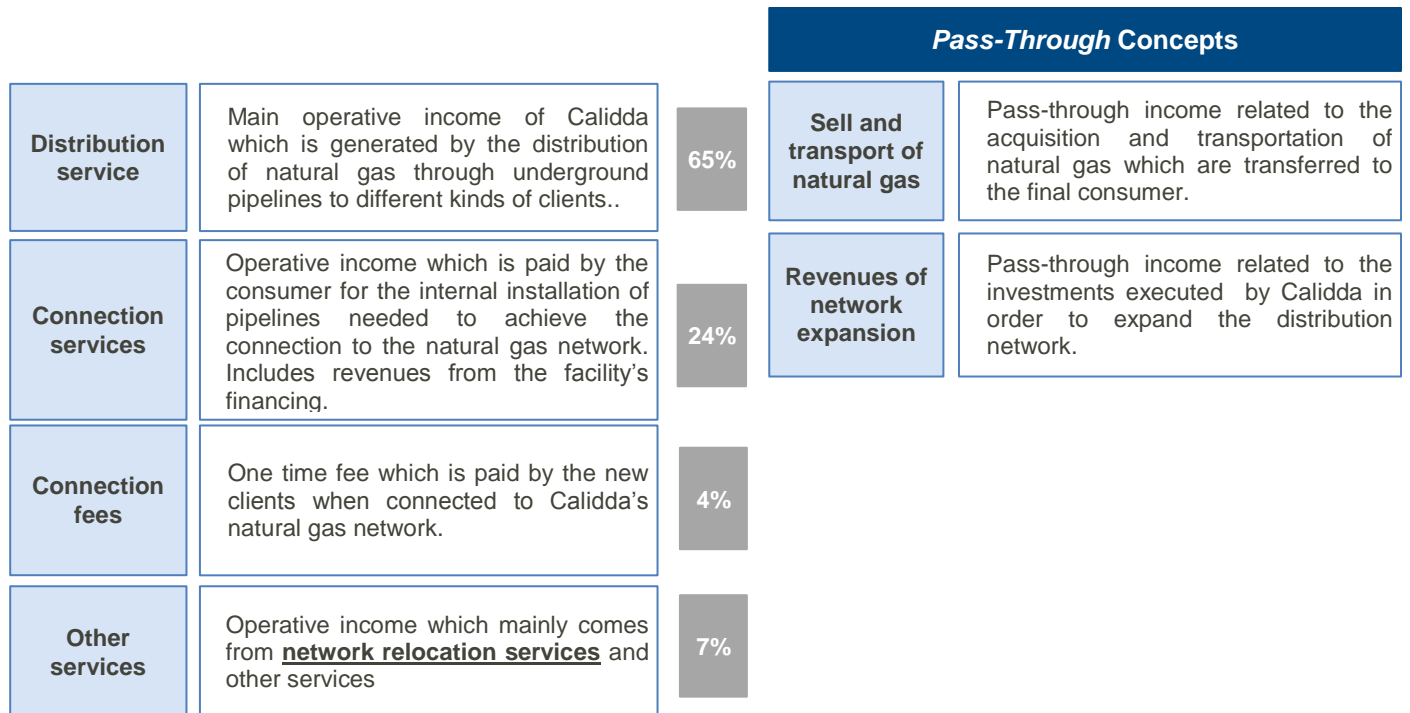
## Financial Performance

### Revenues

- ✓ Calidda's Total Revenues, Adjusted Revenues and EBITDA increased by 6%, 11% and 11%, respectively, driven by:
  - The higher Distribution Revenues due to the bigger invoiced volume and the greater approved tariff by Osinergmin, since the beginning of last May.
  - The increase of Residential segment services due to the greater number of connections and the fact that 24,981 gas appliances have been sold (168% of the sales obtained in the whole year 2017).
- ✓ Last twelve months as of Q2 2018, Operational revenues attained USD 302 millions, which represents an increment by 6% compared to the same period as of Q2 2017. This behavior was mainly due to the higher installation service sales and the increase of the regulated distribution tariff approved by Osinergmin (Organismo Supervisor de la Inversión en Energía y Minería), applied since last 7<sup>th</sup>, May .

**Tabla N° 6 – Revenues distribution by concepts**

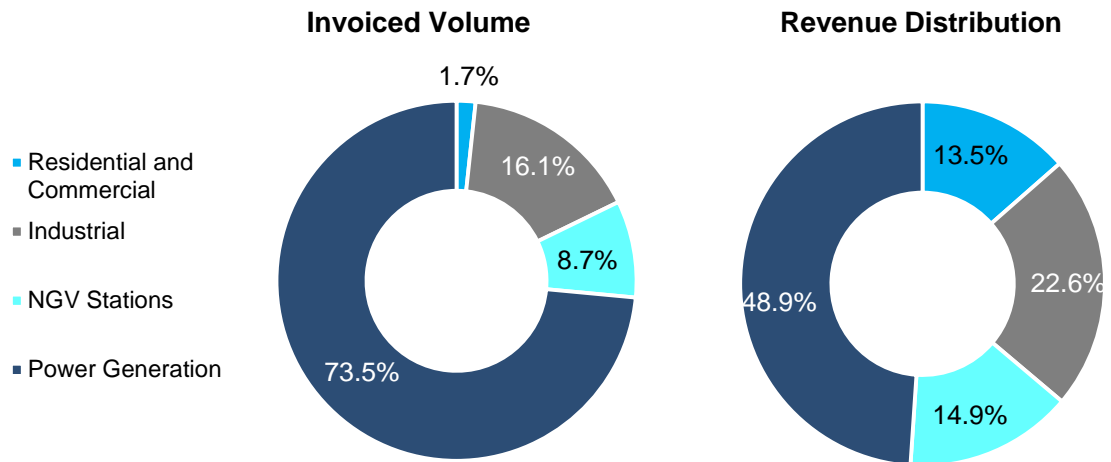
#### Distribution of the Adjusted Revenues (%) – 2Q 2018



- ✓ Cálidda's total revenues are compounded by the Adjusted Revenues: Distribution revenues, Installation revenues and Others non-recurrent services revenues. And the Pass-through revenues, without benefit, which corresponds to gas supply and transportation service. Finally, the revenues the IFRIC 12, which represents an accounting standard to book concession investments.
- ✓ Of the total of the Adjusted Revenues (USD 123 millions), 65% comes from Distribution services, 24% from Instalation services and 10% from Other Services.
- ✓ Clients are divided in two groups: (i) Non Regulated Clients (independent), which consume more than 1 MMCFD and signed separated contracts the natural gas supply and transportation services, and (ii) Regulated Clients, which consume less than 1 MMCFD and signed contracts with Calidda who provide NG distribution service and act as intermediary of supply and transportation natural gas services.

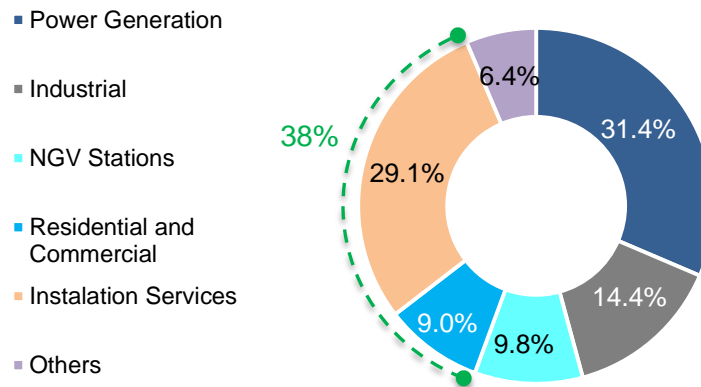
The next graph contains the evolution of Calidda's revenues (in US\$ MM), separated by pass-through and effective Calidda's revenues (Adjusted Revenues):

**Graph N° 4 – Invoiced Volume and Revenue Distribution (Q2 2018)**



- ✓ As shown in the following graph, even though the Residential and Commercial segment represents only 1.7% of the invoiced volume, it concentrates 13.5% of our distribution revenues. More over, if we take into consideration the revenues from installation services, this segment achieves 38.1% of our Total Adjusted Revenues. On the other hand, the Power Generation segment represents 73.5% of the involved volume, 48.9% of the distribution revenues, and 31.4% of the Total Adjusted Revenues

**Graph N° 5 – Adjusted Revenues by Client Segment (Q2 2018)**

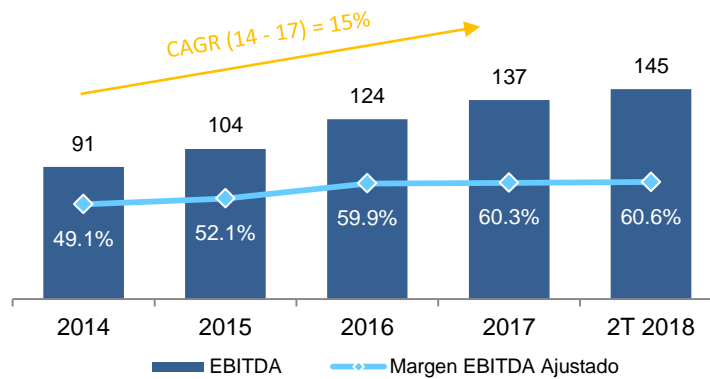


### Key Financial Indicators

Last twelve months as of Q2 2018 EBITDA was US\$ 145 MM, which increased by 5.8% when compared to 2017's EBITDA. This is mainly explained by extraordinary revenues obtained in Q2 2018 from connection fees and installation services.

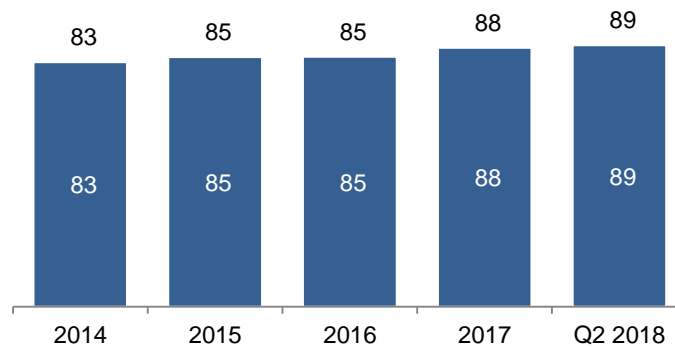
**Graph N° 6 – EBITDA (Millones USD) & Margen EBITDA Adjust. (%)**





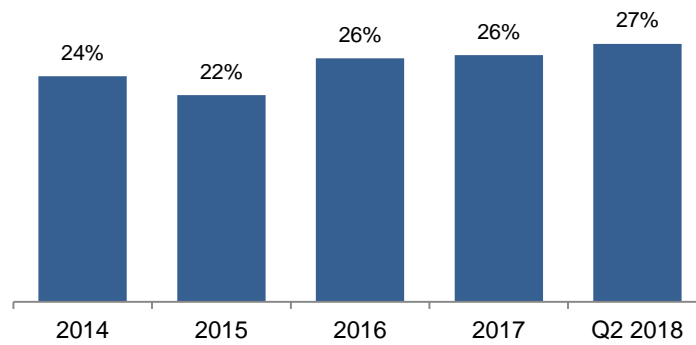
This performance has been achieved thanks to steady investment amounts over the past years, as seen in the next graph:

**Graph N° 7 – Capex (Millions USD)**



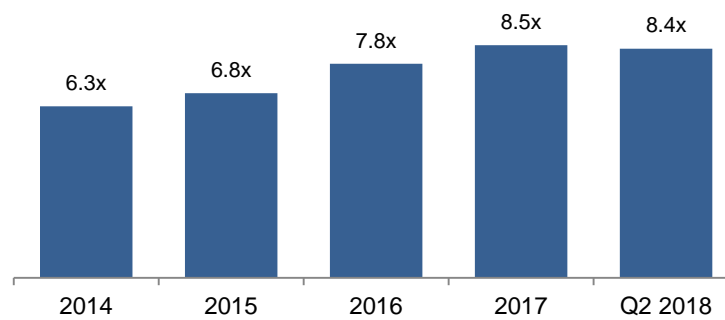
It is important to mention that these heavy investments have been made while maintaining solid financial ratios, as can be appreciated in the following graphs:

**Graph N° 8 – FFO / Net Debt**

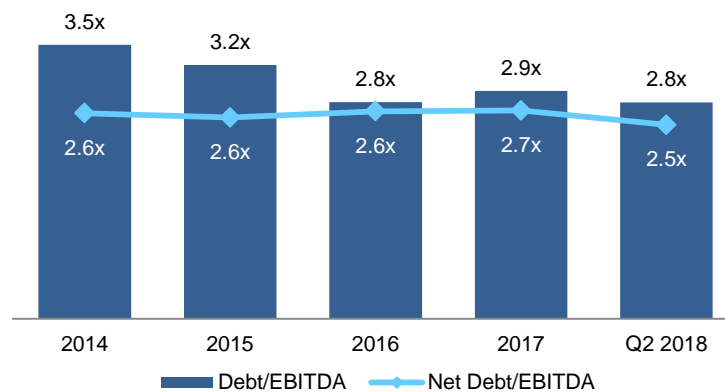


FFO – Funds From Operations: Net Profit + Depreciation + Amortization

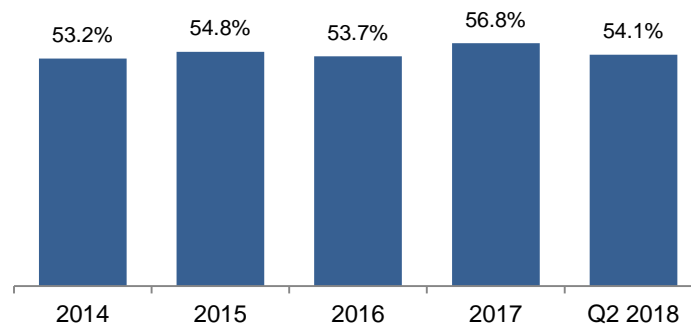
**Graph N° 9 – Interest Coverage (x)**



**Graph N° 10 – Debt & Net Debt / EBITDA (x)**



**Graph N° 11 – Debt / Capitalization**



## Annexes

### Annex 1: Legal note and remarks

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