

Orazul Energy Perú S.A. and Subsidiaries
As of December 2017

About the company

Orazul Energy Perú S.A. (hereinafter, OEP) is a subsidiary of Orazul Energia (UK) Holdings LTD., which owns 99.99% of OEP's voting shares that are representative of its issued capital stock.

OEP was incorporated in Peru on October 10, 2016 and on December 20, 2016, acquired from Duke Energy Corporation 87.23% of Orazul Energy Group S.A.C. (former legal name was Duke Energy International Group Sarl), which owned a group of companies in Peru, Chile, Guatemala and El Salvador engaged primarily in generation of electrical energy. On August 2, 2017, OEP acquired an additional 12.76% of Orazul Energy Group S.A.C. from Orazul Energía (España) Holding S.R.L. (which previously acquired the participation from Duke Energy Corporation in 2016), increasing its participation to 99.99%.

As part of its strategy to improve business efficiencies, a corporate restructuring was undertaken to carve-out the businesses located in Chile, Guatemala and El Salvador; these businesses have been classified as assets held for sale in the financial statements.

The significant businesses of Peru are related to hydro and thermal power generation, electricity transmission and natural gas production and processing assets.

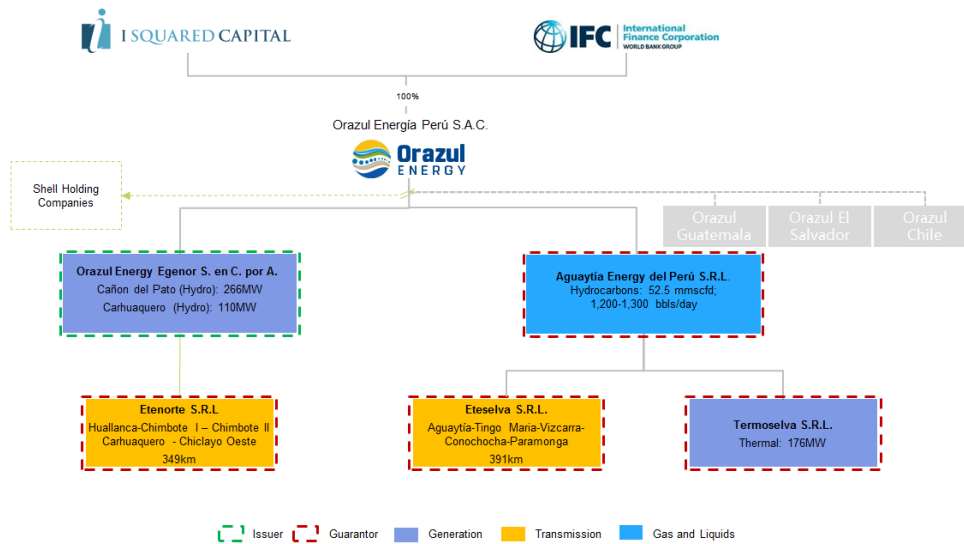
	Entity	Location	Type	Overview	Ownership %
Orazul Energy Peru	Orazul	Cañon del Pato	Hydro Generation/ Run-of-river	266MW	99.9
		Carhuaquero	Hydro Generation/ Run-of-river	Carhuaquero I – V 100MW	99.9
	Etenorte	Huallanca - Chimbote - Carhuaquero - Chiclayo	Transmission	349km	99.9

	Entity	Location	Type	Overview	Ownership %
Aguaytía	Termoselva	Aguaytía	Thermal Generation	176MW	100
	Eteselva	Aguaytía - Tingo Maria - Vizcarra - Conocoha - Paramonga	Transmission	391km	100
	Aguaytía Energy del Perú	Aguaytía	Hydrocarbons	52.5mmscfd 1,200-1,300 bbls/day	100

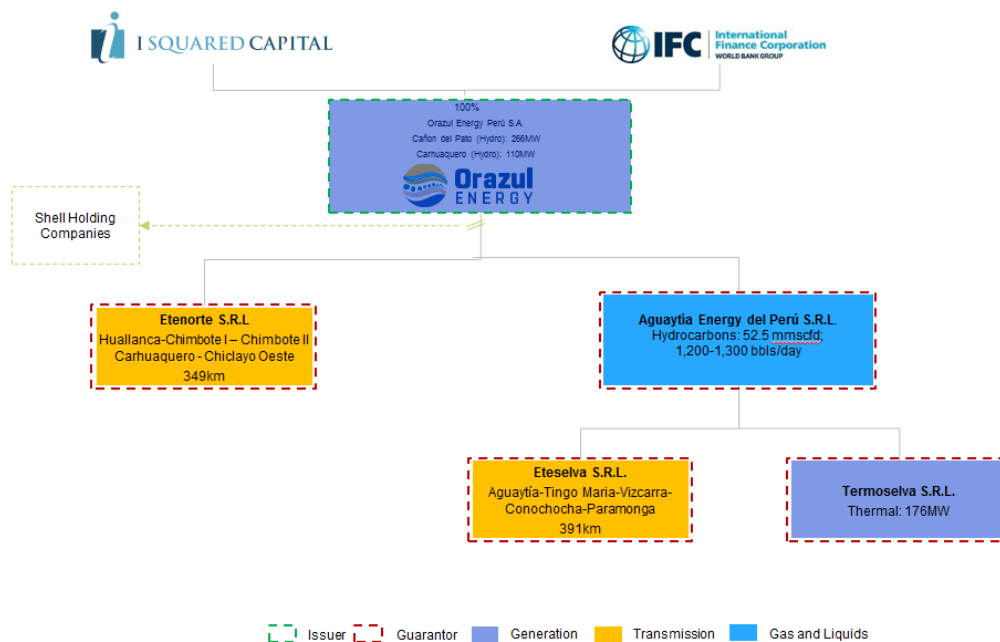
Corporate Reorganization

Based on the reorganization plan within Orazul Group, by public deed dated October 9, 2017 and Shareholders' Meeting held on August 16, 2017, the merger of OEP, remaining as acquirer company, with Orazul Energy Egenor S. en C. por A., was approved, having since then, Aguaytia Energy del Peru S.R.L. (Aguaytia) as its direct subsidiary. It is important to note that the carve-out of the Yungay asset in Chile, as contemplated in the reorganization plan, is still in process. The asset is intended to be carved out prior to or around the end of 2018.

Structure at closing



Current structure¹



¹ Current structure includes Yungay (Chile)

Bonds - Orazul Energy Perú

On April 25, 2017, OEP priced its inaugural bond offering in the international capital markets in the amount of US\$550 million under Rule 144A and Regulation S of the Securities Market Law of the United States of America. The bonds obtained a risk classification of BB by international risk classifiers Fitch Ratings and Standard & Poor's. The bonds will be redeemed at maturity in April 2027 and accrue interest at an annual rate of 5.625%; interest on the bonds will be paid semi-annually.

During the effective term of bonds, OEP will be subject to restrictions and responsibilities, the most relevant are as follow:

- OEP agrees to some restrictions in making payments outside its normal operation, new investments and in the sale of assets.
- OEP and its guarantors are obliged to keep their accounting records under IFRS, and report their Financial Statements within the periods established in the agreement.
- OEP agrees to comply with certain restrictions for new indebtedness.
- OEP agrees to maintain insurance policies effective that cover its generation and transmission assets and that have coverage, deductibles and insured amounts that result reasonable and usual for private companies engaged in the generation and distribution of electrical energy.

Overview of Results

OEP achieved an adjusted 2017 EBITDA of US\$103.4 million. The results were impacted by lower demand growth in Peru, driven by one-time events, including cuts in public infrastructure spending, El Niño Costero flooding, corruption scandals, and political conflicts. However, despite recent headwinds, outlook for growth remains positive:

- Favorable prices for key commodities produced in Peru, supporting electricity demand growth.
- Energy demand growth coupled with limited supply additions, resulting in a declining reserve margin.
- Favorable regulatory changes targeted to avoid artificially low energy prices.
- Market-friendly government expected to support and stimulate growth by improving and developing infrastructure.

Adjusted EBITDA decreased by US\$9.4 million to US\$103.4 million in 2017 from US\$112.8 million in 2016, mainly due to:

- (-) Lower PPA energy sales due to early termination of Yanacocha contract in October 2016 (-US\$15.9 million).

- (-) Lower consumption of distribution companies driven by low demand growth and migration of small-to-mid-size distribution clients to the bilateral PPA market (-US\$5.9 million).
- (-) Lower capacity revenues at our Aguaytia thermal plant as a result of lower energy demand growth (1.4% in 2017 vs 8.6% in 2016) and congestion in transmission lines (-US\$2.7 million).
- (-) Lower spot energy revenues due to decrease in spot prices (US\$9.8/MWh in 2017 and US\$21.6/MWh in 2016) (-US\$1.8 million).
- (-) Loss of revenues related to minimum load dispatch and voltage regulation in Pucallpa (-US\$6.1 million).
- (-) Increase in other expenses (-US\$1.2 million).

These effects were partially offset by:

- (+) Lower energy purchase expense due to decrease in marginal cost (+US\$12.0 million).
- (+) Lower gas royalties due to less thermal generation (+US\$6.9 million).
- (+) Successful royalty arbitration outcome, which reduced the royalty from US\$2.35/MBTU to US\$1.70 (+US\$1.0 million).
- (+) Higher third-party energy transmission revenues due to lower thermal generation coupled with favorable change in regulation in May 2017, which reduced the allocation of Eteselva and Etenorte tariffs to Termoselva and Orazul (+US\$4.3 million).

The Aguaytia loading plant began operations on July, and in October 2017, Orazul entered into a new contract to deliver natural gasolene to Petroperú (rated BBB+ by Fitch and BBB- by S&P).

As of December 2017, the weighted average life of our remaining contracts is 5.0 years (1.2 years for non-regulated customers, 5.6 years for regulated clients and 11.2 years for RER PPAs) and there remains significant opportunity to re-contract and extend the contracted nature of our cash flows as regulated clients are expected to commence long-term bidding processes between 2018 and 2019. Given the low variable cost of our operations, we expect to be competitive in these tenders.

Management's discussion and analysis of financial condition and results of operations

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements as of December 31, 2017 and combined financial information as of December 31, 2016.

The following tables present for 2016 the Unaudited Combined Financial Information. The Unaudited Combined Financial Information was derived from (i) Egenor's Financial Statements and Aguaytia's Financial Statements together with the notes thereto, included elsewhere in this document, and (ii) plus or minus combination adjustments. The Unaudited Combined Financial Information is being furnished solely for informational purposes and is not intended to represent or be indicative of the results that we would have reported if Egenor and Aguaytia were a single reporting entity, nor does it purport to represent the results of operations for future periods.

Consolidated (Combined) Statements of Profit or Loss for the year ended December 31, 2017 and 2016, and for the three months ended December 31, 2017 and 2016 (In thousands of dollars US\$000)

	Consolidated Q4 2017	Combined Q4 2016	Consolidated YTD 2017	Combined YTD 2016
CONTINUOUS OPERATIONS				
Sale of energy and electrical energy transmission services	45,028	48,040	183,845	211,925
Sale of hydrocarbons	7,315	4,566	18,678	18,761
Total sales	52,343	52,606	202,523	230,686
Costs of sale of energy and electrical energy transmission services	(27,195)	(29,015)	(112,716)	(116,857)
Cost of sales of hydrocarbons	(2,274)	(2,967)	(10,372)	(13,805)
Total cost of sales	(29,469)	(31,982)	(123,088)	(130,662)
Gross profit	22,874	20,624	79,435	100,024
Administrative expenses	(6,275)	(6,960)	(25,628)	(28,829)
Selling expenses	(343)	(310)	(1,406)	(1,404)
Other income, net	16	4,858	1,986	4,990
Financial expenses, net	(9,892)	(1,379)	(67,698)	(4,784)
(Loss) profit before income tax	6,380	16,833	(13,311)	69,997
Income tax expense	(4,001)	(9,847)	(10,905)	(25,118)
Net (loss) profit for continuous operations	2,379	6,986	(24,216)	44,879
(+) Income tax expense and Profit Sharing	4,019	10,535	11,612	27,844
(+) Financial expenses, net	9,892	1,379	67,698	4,784
(+) Depreciation and amortization	10,637	5,851	39,896	23,213
EBITDA	26,927	24,751	94,990	100,720
(+) Maple gas provision	-	893	5,815	8,609
(+/-) Any extraordinary gain or loss or any non-recurring expenses	726	1,293	2,549	3,504
ADJUSTED EBITDA	27,653	26,937	103,354	112,833

For the years ended December 31, 2017 and 2016

Revenues

Sale of energy, electrical energy transmission and hydrocarbons in 2017 declined by US\$28.2 million or 12.2% to US\$202.5 million from US\$230.7 million in 2016, primarily due to (i) lower PPA energy sales due to the early termination of the Yanacocha contract (-US\$15.9 million), (ii) lower demand from distribution companies mainly due to the migration of small-to-mid-size distribution clients to the bilateral PPA market (-US\$5.9 million), (iii) loss of revenues in 2017 related to minimum load dispatch and voltage regulation in Pucallpa (-US\$6.1 million), (iv) lower capacity revenues at the Aguaytia thermal plant (net of transmission charges and spot capacity purchases) as a result of lower energy demand growth (1.4% in 2017 vs 8.6% in 2016) and congestion in transmission lines (-US\$2.7 million), and (v) lower spot energy revenues due to a decrease in spot prices (US\$9.8/MWh in 2017 and US\$21.6/MWh in 2016) (-US\$1.8 million). These effects were partially offset by higher third-party energy transmission revenues due to lower thermal generation (+US\$4.3 million).

Cost of sales (including depreciation)

Cost of sales of energy, electrical energy transmission and hydrocarbons in 2017 decreased by US\$7.6 million or 5.8% to US\$123.1 million from US\$130.7 million in 2016, primarily due to (i) lower energy purchase expense in the spot market related to decrease in spot prices (US\$9.8/MWh in 2017 and US\$21.6/MWh in 2016) (+US\$12.0 million), (ii) decrease in gas royalties due to lower thermal generation (+US\$6.9 million), and a successful royalty arbitration outcome which reduced the royalty from US\$2.35/MBTU to US\$1.70 (+US\$1.0 million), (iii) lower personnel charges due to cost optimization initiatives, partially offset by one-time costs related to headcount reduction (+US\$0.4 million), and (iv) lower sundry charges mainly due to cost of sale of GLP (+US\$2.7 million), among others. These effects were partially offset primarily by a higher depreciation expense in 2017 due to the impact of purchase accounting (-US\$16.0 million).

Administrative expenses

Administrative expenses in 2017 decreased by US\$3.2 million or 11.1% to US\$25.6 million from US\$28.8 million in 2016, primarily due to (i) lower personnel charges due to cost optimization initiatives, partially offset by one-time costs related to headcount reduction (+US\$1.8 million), (ii) higher services provided by third parties due to one-time costs related to corporate reorganization (-US\$2.0 million), (iii) lower bad debt allowance in relation to natural gasoline sales to Maple Gas (-US\$2.6 million), and (iv) lower insurance costs (-US\$1.3 million), among others.

Other income, net

Other income, net in 2017 decreased by US\$3.0 million or 60.2% to US\$2.0 million from US\$5.0 million in 2016, primarily due to the net effect of (i) real estate sale in April 2017 (+US\$2.3 million), (ii) property tax related to the corporate reorganization (-US\$1.6 million), (iii) fine related to administrative proceedings initiated by OSINERGMIN at Aguaytia (-US\$0.7 million), and (iv) higher revenue in 2016 related to a penalty from Yanacocha for early termination of a PPA (-US\$4.7 million), among others.

Financial expenses, net

Financial expenses for the year ended December 31, 2017, totaled US\$67.7 million compared to US\$4.8 million for the year ended December 31, 2016. The increase was primarily due to (i) higher interest expense related to the 5.625% bonds issued in April 2017 (-US\$16.4 million), (ii) interest

and refinancing cost related to acquisition loan (Syndicate Loan) prepaid in April 2017 (-US\$20.6 million), (iii) net non-cash interest expenses associated with related parties mainly due to Shareholder Loan (US\$-10.6 million), (iv) interest and refinancing cost related to repurchase of local Corporate Bonds (-US\$10.1 million), and (v) withholding taxes related to accrued interest (US\$5.4 million), among others.

Income tax expense

Income tax provision decreased by US\$14.2 million or 56.6% to US\$10.9 million from US\$25.1 million in 2016, primarily due to (i) lower current income tax expense due to lower taxable income for reasons explained above (+US\$8.7 million), and (ii) higher deferred income tax asset related to purchasing accounting effects (+US\$5.5 million).

Liquidity and Capital Resources

As of December 31, 2017 and 2016, OEP had cash and cash equivalents of US\$23.4 million and US\$85.2 million, respectively, and working capital of US\$4.7 million and US\$74.5 million, respectively. The decrease was primarily due to intercompany loans and receivables related to corporate reorganization, which are expected to be settled in the short-term and without any cash disbursements.

Capital requirements are primarily for the following purposes:

- Operation, maintenance and administration expenses;
- Capital expenditures related to expansion projects; and
- Debt service.

Sources for liquidity and capital resources are:

- Funds generated by business activities through revenues from sales of electricity, revenues from energy transmission services, from hydrocarbons and other revenues;
- Committed credit line facilities in the amount of US\$25.0 million; and
- Financial income from the investment of cash and available funds.

Cash Flows

The table below sets forth OEP cash flows for the years ended December 31, 2017 (consolidated) and 2016 (combined).

	Years ended December 31	
	2017	2016
	US\$000	US\$000
Net cash and cash equivalents provided by (used in)		
Operating activities	40,067	69,025
Investment activities	(9,294)	(60,406)
Financing activities	(92,557)	(165,834)
Others	-	224
Net decrease of cash and cash equivalents	(61,784)	(156,991)
Cash and cash equivalents at the beginning of the year	85,213	194,056
Cash and cash equivalents at the end of the year	23,429	37,065

Cash Flows from Operating Activities

Our main source of operating funds corresponds to cash flow generated from our operations. Net cash provided by operating activities was US\$40.1 million as of December 31, 2017 and US\$69.0 million as of December 31, 2016. Decrease was primarily driven by: (i) lower revenues related to sale of energy and hydrocarbons for reason explained above, coupled with timing in collection (-US\$38.0 million), (ii) penalty for contract resolution received in 2016 (-US\$5.0 million), (iii) lower royalties due to less thermal generation (+US\$7.7 million), (iv) lower income tax payments due to application of prior year tax credit balance and lower revenues (+US\$21.4 million), and (v) timing in accounts payable to suppliers of goods and services (-US\$9.8 million), among others.

Cash Flows Used in Investing Activities

Net cash used in investing activities was US\$9.3 million as of December 31, 2017 and US\$60.4 million as of December 31, 2016. Cash flows used in investing activities declined by US\$51.1 million, or 84.6% primarily due to a loan granted to a related company for US\$46.1 million in 2016. During the year ended December 31, 2017, investing activities for which we used cash primarily consisted of acquisitions of property, plant and equipment of US\$13.4 million mainly related to the completion of a natural gasoline storage and loading plant, flare and blowdown system in gas plant, workover in wells, implementation of automated control systems in hydroelectric plants, replacement of equipment, overhauls of machinery and IT software upgrades, coupled with collection related to the sale of real estate for US\$4.1 million.

During year ended December 31, 2016, investing activities for which we used cash primarily consisted of acquisitions of property, plant and equipment of US\$14.4 million, mainly related to Aguaytia's gas facilities, including the storage and loading plant, a fire system and a flare and blowdown system as well as purchases of machinery and equipment related to power generation; and a loan granted to a related entity for an amount of US\$46.1 million.

Cash Flows from Financing Activities

Cash flows used by financing activities were US\$92.6 million during the year ended December 31, 2017 compared to uses of US\$165.8 million during 2016. During the year ended December 31, 2017, we received aggregate proceeds of US\$550 million from the Orazul Bond issuance in April 2017 and we used cash to (i) prepay the acquisition loan of US\$450 million, (ii) prepay local corporate bonds including a premium US\$83.0 million, (iii) pay financing cost related to the bond issuance of US\$10.9 million, (iv) pay interests related to the bonds of US\$15.1 million, and (v) payment of an intercompany loan granted for the acquisition of US\$83.0 million.

During year ended December 31, 2016, we used cash to (i) pay a dividend distribution approved in February and March 2016 to former owner for US\$144.6 million, (ii) prepay a loan with Citibank for US\$16.0 million, and (iii) pay debt interest payment for US\$5.4 million.

For the three-month period ended December 31, 2017 and 2016

Revenues

Sale of energy, electrical energy transmission and hydrocarbons during the three-month period ended December 31, 2017 declined by US\$0.3 million or 0.5% to US\$52.3 million from US\$52.6 million in 2016, primarily due to (i) lower PPA energy sales due to the early termination of the Yanacocha contract (-US\$2.8 million), (ii) lower demand from distribution companies mainly due to migration of small-to-mid-size distribution clients to the bilateral PPA market (-US\$3.0 million), (iii) higher capacity revenues at the Aguaytia thermal plant (net of transmission charges and spot capacity purchases) due to solution of system issue related to congestion in transmission lines in October 2017 (+US\$6.1 million), (iv) lower spot energy revenues due to the decrease in spot prices (US\$8.7/MWh in 2017 and US\$22.9/MWh in 2016) (-US\$1.7 million), (v) higher third party energy transmission revenues due to lower thermal generation (+US\$0.6 million), and (vi) higher natural gasoline sales due to a new contract in October 2017 to deliver natural gasoline to Petroperú (rated BBB+ by Fitch and BBB- by S&P) (+US\$3.0 million), among others.

Cost of sales

Cost of sale of energy, electrical energy transmission and hydrocarbons during the three-month period ended December 31, 2017 declined by US\$2.5 million or 7.9% to US\$29.5 million from US\$32.0 million in 2016, primarily due to (i) lower energy purchase expense in the spot market related to decrease in spot prices (US\$8.7/MWh in 2017 and US\$22.9/MWh in 2016) (+US\$4.8 million) and (ii) lower personnel charges due to cost optimization initiatives (+US\$0.6 million). These effects were partially offset by (i) higher services provided by third parties mainly due to storage and transport of natural gasoline (-US\$2.0 million), and (ii) higher depreciation expense in 2017 due to the impact of purchase accounting (-US\$4.7 million), among others.

Administrative expenses

Administrative expenses during the three-month period ended December 31, 2017 declined by US\$0.7 million or 9.8% to US\$6.3 million from US\$7.0 million in 2016, primarily due to (i) lower personnel charges due to 2016 one-time costs in connection with the acquisition from Duke (+US\$1.6 million), (ii) higher services provided by third parties and higher legal fees related to Maple arbitrage (-US\$1.7 million), among others.

Other income, net

Other income, net for the three-month period ended December 31, 2017, was lower primarily due to higher revenue in 2016 related to the penalty from Yanacocha for the early termination of a PPA (-US\$4.9 million).

Financial expenses, net

Financial expenses for the three-month period ended December 31, 2017, totaled US\$9.9 million compared to US\$1.4 million for the three-month period ended December 31, 2016. The increase was primarily due to (i) higher interest expense due to the bonds issued in April 2017 (-US\$6.5 million), (ii) interest to related parties mainly due to Shareholder Loan (US\$-1.5 million), and (iii) withholding taxes related to accrued interest (-US\$0.8 million), among others.

Income tax expense

Income tax provision during the three-month period ended December 31, 2017 declined by US\$5.8 million or 59.4% to US\$4.0 million from US\$9.8 million in 2016, primarily due to lower current income tax expense in connection with lower taxable income for reasons explained above (+US\$3.9 million); and higher deferred income tax asset related to purchasing accounting effects (+US\$1.9 million).

**Consolidated Statements of Profit or Loss for year ended on December 31, 2017 per quarter
(In thousands of dollars US\$000)**

	<u>Q1 2017</u>	<u>Q2 2017</u>	<u>Q3 2017</u>	<u>Q4 2017</u>	<u>YTD 2017</u>
CONTINUOUS OPERATIONS					
Sale of energy and electrical energy transmission services	47,693	47,415	43,709	45,028	183,845
Sale of hydrocarbons	4,998	4,023	2,342	7,315	18,678
Total of sales	<u>52,691</u>	<u>51,438</u>	<u>46,051</u>	<u>52,343</u>	<u>202,523</u>
Costs of sale of energy and electrical energy transmission services	(28,620)	(26,924)	(29,977)	(27,195)	(112,716)
Cost of sales of hydrocarbons	(3,425)	(2,656)	(2,017)	(2,274)	(10,372)
Total of cost of sales	<u>(32,045)</u>	<u>(29,580)</u>	<u>(31,994)</u>	<u>(29,469)</u>	<u>(123,088)</u>
Gross profit	20,646	21,858	14,057	22,874	79,435
Administrative expenses	(7,011)	(7,234)	(5,108)	(6,275)	(25,628)
Selling expenses	(310)	(382)	(371)	(343)	(1,406)
Other income, net	(189)	1,739	420	16	1,986
Financial expenses, net	<u>(12,525)</u>	<u>(34,681)</u>	<u>(10,600)</u>	<u>(9,892)</u>	<u>(67,698)</u>
(Loss) profit before income tax	611	(18,700)	(1,602)	6,380	(13,311)
Income tax expense	<u>(4,033)</u>	<u>(1,956)</u>	<u>(915)</u>	<u>(4,001)</u>	<u>(10,905)</u>
Net (loss) profit for continuous operations	<u><u>(3,422)</u></u>	<u><u>(20,656)</u></u>	<u><u>(2,517)</u></u>	<u><u>2,379</u></u>	<u><u>(24,216)</u></u>
(+) Income tax expense and Profit Sharing	4,751	1,546	1,296	4,019	11,612
(+) Financial expense, net	12,525	34,681	10,600	9,892	67,698
(+) Depreciation and amortization	9,811	9,293	10,155	10,637	39,896
EBITDA	23,665	24,864	19,534	26,927	94,990
(+) Maple gas provision	2,834	2,629	352	-	5,815
(+/-) Any extraordinary gain or loss or any non-recurring expenses	28	(424)	2,219	726	2,549
ADJUSTED EBITDA	26,527	27,069	22,105	27,653	103,354

**Combined Statements of Profit or Loss for year ended on December 31, 2016 per quarter
(In thousands of dollars US\$000)**

	Orazul Combined Q1 2016	Orazul Combined Q2 2016	Orazul Combined Q3 2016	Orazul Consolidated Q4 2016	Orazul Combined YTD 2016
CONTINUOUS OPERATIONS					
Sale of energy and electrical energy transmission services	58,880	56,817	48,188	48,040	211,925
Sale of hydrocarbons	5,189	5,011	3,995	4,566	18,761
Total sales	<u>64,069</u>	<u>61,828</u>	<u>52,183</u>	<u>52,606</u>	<u>230,686</u>
Costs of sale of energy and electrical energy transmission services	(25,354)	(30,917)	(31,571)	(29,015)	(116,857)
Cost of sales of hydrocarbons	(2,806)	(3,761)	(4,271)	(2,967)	(13,805)
Total cost	<u>(28,160)</u>	<u>(34,678)</u>	<u>(35,842)</u>	<u>(31,982)</u>	<u>(130,662)</u>
Gross profit	35,909	27,150	16,341	20,624	100,024
Administrative expenses	(4,358)	(10,107)	(7,404)	(6,960)	(28,829)
Selling expenses	(383)	(368)	(343)	(310)	(1,404)
Other income, net	(449)	33	548	4,858	4,990
Financial expenses, net	<u>(856)</u>	<u>(838)</u>	<u>(1,711)</u>	<u>(1,379)</u>	<u>(4,784)</u>
Profit before income tax	29,863	15,870	7,431	16,833	69,997
Income tax expense	<u>(8,701)</u>	<u>(3,991)</u>	<u>(2,579)</u>	<u>(9,847)</u>	<u>(25,118)</u>
Net (loss) profit for continuous operations	<u>21,162</u>	<u>11,879</u>	<u>4,852</u>	<u>6,986</u>	<u>44,879</u>
(+) Income tax expense and Profit Sharing	9,667	4,725	2,917	10,535	27,844
(+) Financial expense, net	856	838	1,711	1,379	4,784
(+) Depreciation and amortization	5,909	5,620	5,833	5,851	23,213
EBITDA	37,594	23,062	15,313	24,751	100,720
(+) Maple gas provision	-	5,508	2,208	893	8,609
(+/-) Any extraordinary gain or loss or any non-recurring expenses	582	658	971	1,293	3,504
ADJUSTED EBITDA	38,176	29,228	18,492	26,937	112,833

Notes to the consolidated (combined) financial statements for the year ended as of December 31, 2017 and 2016, and for the three-month period ended December 31, 2017 and 2016

(In thousands of dollars US\$000)

Sale of Energy and Electrical Energy Transmission Services and Hydrocarbons

	<u>2017</u> Q4	<u>2016</u> Q4	<u>2017</u> YTD	<u>2016</u> YTD
Sale of electrical energy:				
Sale of electrical energy and power				
Energy	26,488	32,303	104,513	126,293
Power	15,111	11,468	60,399	65,214
COES Compensations				
Energy	529	2,190	5,185	6,936
Power	418	790	3,956	1,983
Other	713	131	803	6,854
Sale of hydrocarbons:				
LPG	3,423	3,675	8,351	10,162
Natural gasoline	3,892	892	10,327	8,599
Electrical energy transmission	<u>1,769</u>	<u>1,157</u>	<u>8,989</u>	<u>4,645</u>
Total of sales	<u>52,343</u>	<u>52,606</u>	<u>202,523</u>	<u>230,686</u>

Costs of Sale of Energy and Electrical Energy Transmission Services and Hydrocarbons

	<u>2017</u> Q4	<u>2016</u> Q4	<u>2017</u> YTD	<u>2016</u> YTD
Royalties from electrical energy sales	670	1,205	2,615	10,469
Royalties from sales of hydrocarbons	2,024	1,486	5,935	5,740
Supplies, spare parts and fuel	245	316	831	1,110
Purchase of transmission charges	8,537	9,785	36,327	40,921
Purchase of energy				
Energy	10	4,803	7,142	19,159
Power	459	2,031	7,535	3,039
Other cost	136	551	1,766	2,538
Personnel charges	2,133	2,758	9,925	10,342
Services provided by third parties	3,741	1,769	8,602	8,312
Taxes	337	307	1,469	1,240
Sundry management charges	740	852	1,653	4,307
Estimates of the period:				
Depreciation	10,394	5,701	38,861	22,815
(Recovery) loss for obsolescence of inventories	(67)	294	(69)	152
Employee severance indemnities	<u>110</u>	<u>124</u>	<u>496</u>	<u>518</u>
Total	<u>29,469</u>	<u>31,982</u>	<u>123,088</u>	<u>130,662</u>

Administrative expenses

	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	Q4	Q4	YTD	YTD
Personnel charges	1,785	3,397	7,559	9,314
Services provided by third parties	2,866	1,117	6,770	4,731
Taxes	421	460	1,709	1,910
Sundry management charges	524	1,164	2,152	3,453
Estimates of the period:				
Depreciation	217	111	865	256
Amortization	26	39	170	142
Employee severance indemnities	96	111	408	414
Impairment estimate of accounts receivable, net	340	561	5,995	8,609
Total	<u>6,275</u>	<u>6,960</u>	<u>25,628</u>	<u>28,829</u>

Financial Expenses

	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	Q4	Q4	YTD	YTD
Interests - Bonds	7,648	1,148	21,010	4,578
Interests - Related Parties	2,551	-	14,681	-
Financial cost - Syndicate loan	-	-	20,632	-
Financial cost - Corporate bonds	-	-	10,075	-
Withholding tax on interests - Related Parties	837	-	5,373	-
Other financial expenses	769	192	1,485	851
Total	<u>11,805</u>	<u>1,340</u>	<u>73,256</u>	<u>5,429</u>

**Consolidated (Combined) Statements of Cash Flows for the year ended on December 31, 2017
and 2016
(In thousands of dollars US\$000)**

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES:		
Collection from:		
Sale of energy and electrical energy transmission services	180,899	212,267
Sale of hydrocarbons	8,339	14,990
Recovery of taxes	530	1,576
Interests and returns	439	695
Penalties for advances resolutions of contracts	-	4,994
Other operating activities	809	1,202
Payments for/to:		
Royalties	(8,550)	(16,209)
Suppliers of goods and services	(95,678)	(85,844)
Income tax	(14,072)	(35,506)
Employees and social benefits	(22,216)	(21,659)
Fuel prices stabilization fund	(950)	(52)
Taxes	(2,576)	(4,569)
Other operating activities	<u>(6,907)</u>	<u>(2,860)</u>
Net cash and cash equivalents provided by operating activities	<u>40,067</u>	<u>69,025</u>
INVESTMENT ACTIVITIES:		
Collection from:		
Sale of property, plant and equipment	4,072	106
Payments for:		
Purchase of property, plant and equipment	(2,779)	(6,294)
Purchase of intangibles assets	(1,208)	(294)
Purchase of gas investments	(9,379)	(7,776)
Loans granted to related entities	<u>-</u>	<u>(46,148)</u>
Net cash and cash equivalents used in investment activities	<u>(9,294)</u>	<u>(60,406)</u>
FINANCING ACTIVITIES:		
Collection from:		
Loans received - Bonds	550,000	-
Payments for:		
Financial cost	(10,941)	
Dividends	-	(144,552)
Financial obligations	(533,566)	(15,891)
Loans to related entities	(82,950)	-
Interests	<u>(15,100)</u>	<u>(5,391)</u>
Net cash and cash equivalents used in financing activities	<u>(92,557)</u>	<u>(165,834)</u>
EFFECT OF EXCHANGE DIFFERENCE ON CASH AND CASH EQUIVALENTS		224
NET DECREASE OF CASH AND CASH EQUIVALENTS	(61,784)	(156,991)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>85,213</u>	<u>194,056</u>
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	<u>23,429</u>	<u>37,065</u>

Key Operating Information

		Q4 2017	Q4 2016	YTD 2017	YTD 2016
Energy Demand Growth	%	0.2%	6.4%	1.4%	8.6%
Spot Price	\$/MWh	8.7	22.9	9.8	21.6
Hydro Generation	GWh	524.4	445.9	2,185.6	2,054.3
Thermal generation	GWh	32.5	43.2	126.2	368.5
PPA Energy volumes	Gwh	557.2	628.9	2,269.2	2,768.6
Spot Volumes, net	Gwh	-4.8	-144.8	23.2	-367.0
W.Avg PPA price	\$/MWh	43.5	42.8	43.5	43.3
LPG	bbl	33,322	49,116	155,796	217,926
Natural Gasoline	bbl	94,096	60,870	231,047	284,884
Effective capacity at end of period	MW	552.1	552.1	552.1	552.1