

## Orazul Energy Perú S.A. and Subsidiaries As of September 2018

### About the company

Orazul Energy Perú S.A. (“OEP”) is a subsidiary of Orazul Energia (UK) Holdings LTD., which owns 99.99% of OEP’s shares.

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. (formerly 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%.

On August 16, 2017, OEP merged by absorption with Orazul Energy Egenor S. en C. por A., which was one of its main subsidiaries in Peru.

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 were classified as assets held for sale in the financial statements.

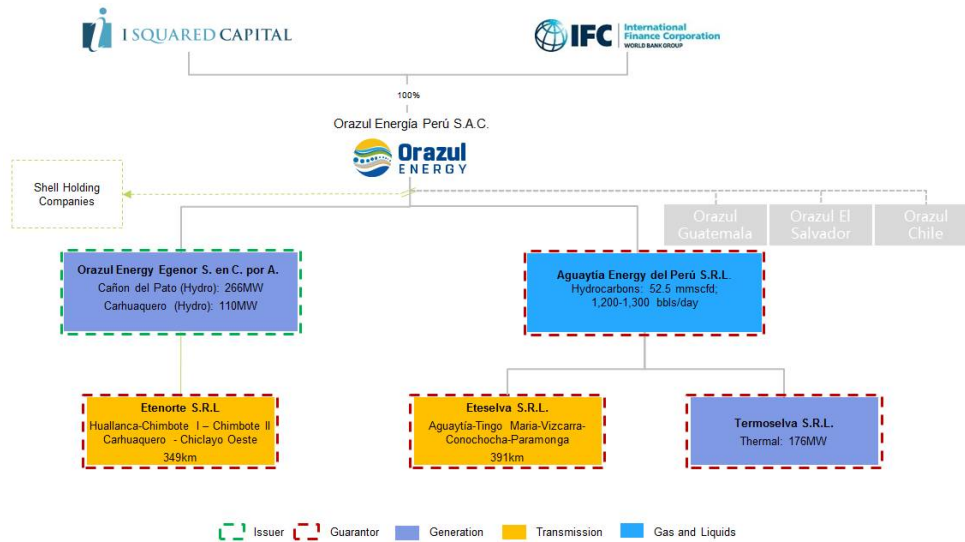
The significant Peruvian businesses are related to hydro and thermal power generation, electricity transmission and natural gas production and processing assets.

	Entity	Location	Type	Overview
Orazul Energy Peru	Orazul	Cañon del Pato	Hydro Generation/Run-of-river	266MW
		Carhuaquero	Hydro Generation/Run-of-river	Carhuaquero I – V 110MW
	Etenorte	Huallanca - Chimbote - Carhuaquero - Chiclayo	Transmission	349km
	Entity	Location	Type	Overview
Aguaytia	Termoselva	Aguaytia	Thermal Generation	176MW
	Eteselva	Aguaytia - Tingo Maria - Vizcarra - Conocoha - Paramonga	Transmission	391km
	Aguaytia Energy del Perú	Aguaytia	Hydrocarbons	52.5mmscf 1,200-1,300 bbls/day

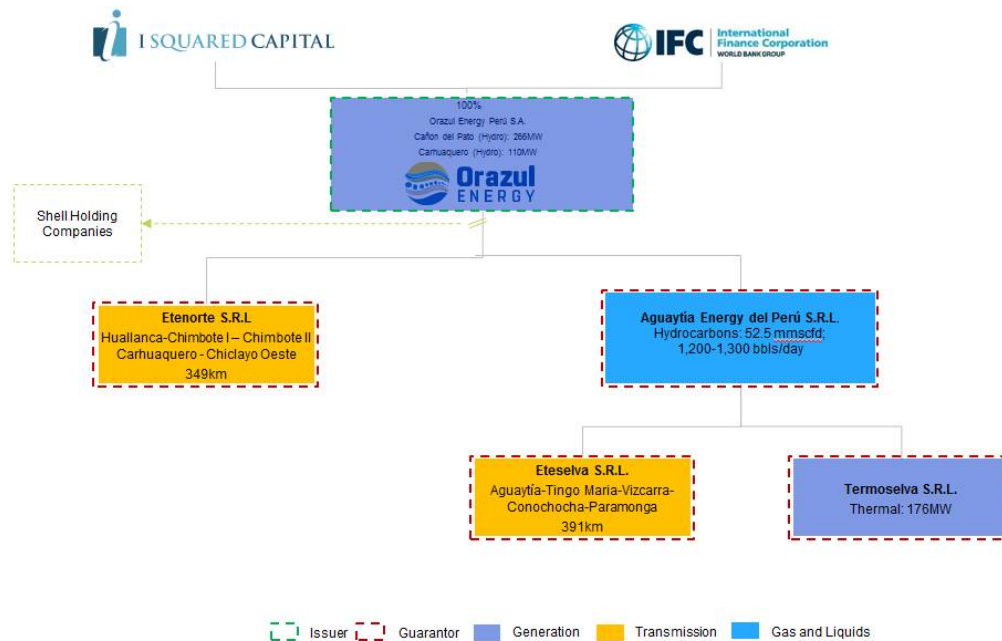
## Corporate Reorganization

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 with Orazul Energy Egenor S. en C. por A. was approved. The surviving entity was OEP and, since then, has Aguaytia Energy del Perú S.R.L. (Aguaytia) as its direct subsidiary. The carve-out of the Yungay asset in Chile, as contemplated in the reorganization plan, is still in process and is expected to be concluded by early 2019.

## Structure at closing



## Current structure<sup>1</sup>



<sup>1</sup> Current structure includes Yungay (Chile)

## Bonds - Orazul Energy Perú

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

While the bonds are outstanding, OEP is subject to covenants, the most relevant being:

- 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 indenture.
- OEP agrees to comply with certain limitations to incur in new indebtedness.
- OEP agrees to maintain insurance policies that cover its generation and transmission assets and that have coverage, deductibles and insured amounts that are market practice for private companies engaged in the generation and distribution of electrical energy.

## Overview of Results

For the nine months ended September 30, 2018, OEP achieved an Adjusted 2018 EBITDA of US\$73.9 million, which was lower by US\$1.8 million compared to the Adjusted EBITDA for the nine months ended September 30, 2017 of US\$75.7 million. This was mainly due to:

- (-) Lower PPA energy sales primarily due to the termination of certain contracts during 2017 (-US\$5.9 million);
- (-) Higher gas royalties due to the increase in thermal generation as result of the partial unavailability of the Camisea gas pipeline coupled with maintenance of other generators (-US\$4.7 million);
- (-) Lower consumption from distribution companies driven by low demand growth and migration of small-to-mid-size distribution clients to the bilateral PPA market (-US\$3.9 million);
- (-) Timing of PPA revenues associated with 88 GW of Renewable Energy Resources (RER) contract mainly due to maintenance in Carhuaquero IV hydro plant. It is expected to recover in the remaining period (through April to May each year) (-US\$2.3 million);
- (-) Lower third-party energy transmission revenues due to a compensation received in April 2017 in regard to a recalculation of a prior period (from May to April), partially offset by a reduction of the allocation of Eteselva and Etenorte tariffs to Termoselva and Orazul as a result of a change in regulation (-US\$1.6 million); and,

- (-) Higher tolls related to tariff adjustment (-US\$0.9 million)

These effects were partially offset by:

- (+) Higher capacity revenues at the Aguaytia thermal plant due to the resolution of congestion in the system's transmission lines (+US\$6.8 million);
- (+) Lower energy purchase expense due to higher thermal generation and lower clients' consumption (+US\$3.9 million);
- (+) Higher spot energy revenue due to increase in spot price (US\$11.7/MWh during the nine months ended September 30, 2018 compared to US\$9.8/MWh during the nine months ended September 30, 2017), as result of partial unavailability of the Camisea gas, coupled with higher volumes (737.2 GWh during the nine months ended September 30, 2018 compared to 645.4 GWh during the nine months ended September 30, 2017) (+US\$3.7 million);
- (+) Higher liquids gross margin mainly due to an increase in gasoline prices (US\$65.6/bbl during the nine months ended September 2018 compared to US\$ 36.0/bbl during the nine months ended September 2017), partially offset by cost of royalties, storage and transport (+US\$2.4 million); and
- (+) Lower expenses mainly labor and benefits, in connection with an optimization plan executed during 2018 (+US\$0.7 million).

As of the date of this report, the weighted average life of our remaining contracts is 4.4 years (1.8 years for non-regulated customers, 5.6 years for regulated clients and 12.2 years for RER PPAs). There is 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 in 2019.

In November 2018, OEP signed a new PPA with Enel, for its free market, up to 70MW for a 5 year term starting in January 2020.

Since September 2018, OEP and distribution companies are negotiating option agreements, by which distribution companies grants an option to sign amendments to existing PPAs, extending the contract term (until 2030 and 2032), modifying the contracted power capacity and associated energy (around 83 MW), and maintaining current fixed prices, as allowed under Supreme Decree N° 022-2018 EM issued by the Ministry of Energy and Mines. This decree allows distribution and generation companies to amend, until December 31, 2018, existing long term PPA acquired through public tenders to mitigate over contracting. OEP is obliged to pay the distribution companies a monthly consideration. Currently, such amendments are subject (since September) to OSINERGMIN approval.

## 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 Unaudited Condensed Consolidated Interim Financial Statements as of September 30, 2018 and 2017.

### Condensed Consolidated Interim Statements of Profit or Loss for the nine-month period and the three-month period ended September 30, 2018 and 2017 (Unaudited) (In thousands of dollars US\$000)

	<u>YTD 2018</u>	<u>YTD 2017</u>	<u>Q3 2018</u>	<u>Q3 2017</u>
<b>CONTINUOUS OPERATIONS</b>				
Sale of energy and electrical energy transmission services	100,913	111,210	31,576	33,944
Sale of hydrocarbons	<u>19,802</u>	<u>11,363</u>	<u>5,798</u>	<u>2,342</u>
Total of sales	120,715	122,573	37,374	36,286
Costs of sale of energy and electrical energy transmission services	(52,463)	(56,868)	(19,490)	(19,520)
Cost of sales of hydrocarbons	<u>(17,548)</u>	<u>(8,264)</u>	<u>(5,645)</u>	<u>(2,049)</u>
Total of cost of sales	(70,011)	(65,132)	(25,135)	(21,569)
Gross profit	50,704	57,441	12,239	14,717
Administrative and selling expenses	(14,361)	(21,116)	(4,252)	(5,511)
Other income (net)	2,025	1,790	3,038	(208)
Financial expenses (net)	<u>(33,341)</u>	<u>(57,806)</u>	<u>(11,061)</u>	<u>(10,600)</u>
Net profit before income tax	5,027	(19,691)	(36)	(1,602)
Income tax expense	<u>(127)</u>	<u>(6,904)</u>	<u>(1,801)</u>	<u>(915)</u>
<b>Net profit (loss) for the year / period from continuous operations</b>	4,900	(26,595)	(1,837)	(2,517)
<b>DISCONTINUED OPERATIONS</b>				
Net profit for the year from discontinued operations	<u>(540)</u>	<u>-</u>	<u>(1,589)</u>	<u>-</u>
<b>Net profit (loss) for the year / period</b>	<u>4,360</u>	<u>(26,595)</u>	<u>(3,426)</u>	<u>(2,517)</u>
(-) Discontinued operations	540	-	1,589	-
(+) Income tax expense and Profit Sharing	253	7,593	1,801	1,296
(+) Financial expense, net	33,341	57,806	11,061	10,600
(+) Depreciation and amortization	33,838	29,259	11,569	10,155
<b>EBITDA</b>	<b>72,332</b>	<b>68,063</b>	<b>22,594</b>	<b>19,534</b>
(+) Maple gas dab debt allowance	-	5,815	-	352
(+/-) Any extraordinary gain or loss or any non-recurring expenses	1,567	1,823	-410	2,219
<b>ADJUSTED EBITDA</b>	<b>73,899</b>	<b>75,701</b>	<b>22,184</b>	<b>22,105</b>

***For the nine-month period ended September 30, 2018 and 2017***

**Revenues**

Sale of energy, electrical energy transmission and hydrocarbons during the nine months ended September 30, 2018 declined by US\$1.9 million, or 1.5%, to US\$120.7 million from US\$122.6 million in the nine months ended September 30, 2017, primarily due to (i) lower PPA energy sales due to the termination of certain contracts during 2017 (-US\$5.9 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\$3.9 million), (iii) timing of PPA revenues associated with 88 GW of RER contracts (-US\$2.3 million), (iv) lower third-party energy transmission revenues due to a compensation received in April 2017 in regard to a recalculation of a prior year, partially offset by a reduction of the allocation of Eteselva and Etenorte tariffs to Termoselva and Orazul, as a result of a change in regulation (-US\$1.6 million). These effects were partially offset by (i) higher natural gasoline revenues due to increase in prices (US\$65.6/bbl during the nine months ended September 30, 2018 compared to US\$36.0/bbl during the nine months ended September 30, 2017) (+US\$8.4 million), (ii) higher capacity revenues at the Aguaytia thermal plant (net of transmission charges and spot capacity purchases) due to the resolution of congestion in the system's transmission lines (+US\$6.8 million); and (iii) higher spot energy revenue due to increase in spot price (US\$11.7/MWh during the nine months ended September 30, 2018 compared to US\$9.8/MWh during the nine months ended September 30, 2017), as a result of partial unavailability of the Camisea gas, coupled with higher volumes (737.3 GWh during the nine months ended September 30, 2018 compared to 645.4 GWh during the nine months ended September 30, 2017) (+US\$3.7 million).

**Cost of sales (including depreciation)**

Cost of sales of energy, electrical energy transmission and hydrocarbons during the nine months ended September 30, 2018 increased by US\$4.9 million, or 7.5%, to US\$70.0 million from US\$65.1 million in the nine months ended September 30, 2017, primarily due to (i) higher cost of royalties, storage and transport of natural gasoline related to higher sales (-US\$6.0 million), (ii) higher depreciation due to capitalized assets during 2018 and changes in the useful life of certain assets (-US\$4.8 million), (iii) higher gas royalties due to increase in thermal generation in connection with the partial unavailability of the Camisea gas coupled with maintenance of other generators and dispatch requested by COES (-US\$4.7 million); and (iv) higher transmission charges due to a tariff adjustment (-US\$0.9 million). These effects were partially offset by, (i) lower energy purchase expense in the spot market primarily due to higher thermal generation (+US\$3.9 million); and (ii) lower expenses, mainly labor in connection with an optimization plan executed during 2018 (+US\$0.5 million).

**Administrative expenses (including depreciation and amortization)**

Administrative expenses during the nine months ended September 30, 2018 decreased by US\$6.8 million, or 32.0%, to US\$14.4 million from US\$21.1 million in the nine months ended September 30, 2017, primarily due to (i) lower bad debt allowance in relation to natural gasoline sales to Maple Gas (+US\$6.0 million), (ii) lower expenses, mainly labor in connection with an optimization plan executed during 2018 (+US\$0.8 million), partially offset by higher legal expenses related to arbitration process with Maple, among others.

**Financial expenses, net**

Financial expenses, net during the nine months ended September 30, 2018 decreased by US\$24.5 million, or 42.3%, to US\$33.3 million from US\$57.8 million during the nine months ended September 30, 2017, primarily due to (i) interest and refinancing cost related to the acquisition syndicated loan prepaid in April 2017 (+US\$20.6 million), (ii) interest and refinancing cost related to repurchase of local corporate bonds (+US\$9.8 million), (iii) lower net non-cash interest to related parties mainly due to shareholder loan capitalization in July 2017 (+US\$3.7 million), partially offset by higher interest expense related to the 2027 5.625% bond issued in April 2017 (-US\$10.0 million), among others.

**Income tax expense**

Income tax expense during the nine months ended September 30, 2018 decreased by US\$6.8 million to US\$0.1 million from US\$6.9 million during the nine months ended September 30, 2017. Higher income tax in 2017 was mainly due to exchange gain in local currency, coupled with non-deductible expenses related to the acquisition syndicated loan. Lower income tax in 2018 was mainly due to exchange loss in local currency and timing of deferred income tax.

### Liquidity and Capital Resources

As of September 30, 2018 and December 31, 2017, OEP had cash and cash equivalents of US\$52.0 million and US\$23.4 million, respectively, and working capital of US\$66.2 million and US\$49.8 million, respectively.

Capital requirements are primarily for the following purposes:

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

Sources for liquidity and capital resources are:

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

### Cash Flows

The table below sets forth OEP consolidated cash flows for the nine months ended September 30, 2018 and 2017.

	Periods ended September 30	
	2018	2017
	US\$000	US\$000
<b>Net cash and cash equivalents provided by (used in)</b>		
Operating activities	66,756	28,481
Investment activities	(5,474)	(4,914)
Financing activities	(32,665)	(87,400)
<b>Net increase (decrease) of cash and cash equivalents</b>	<b>28,617</b>	<b>(63,833)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>23,429</b>	<b>85,213</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>52,046</b>	<b>21,380</b>

### 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\$66.8 million as of September 30, 2018 and US\$28.5 million as of September 30, 2017. The increase was primarily driven by: (i) higher hydrocarbons sales, mainly natural gasoline coupled with timing in collection of account receivables (+US\$17.0 million) (ii) lower energy and capacity purchases coupled with timing in accounts payable to suppliers of goods and services (+US\$16.4 million) (iii) lower labor and benefits due to one-time events in 2016-2017 (reorganization and acquisition process) (+US\$7.0 million), (iv) lower income tax payments due to application of prior year tax credit (+US\$2.3 million); partially offset by (i) lower revenues related to sale of energy coupled with timing in accounts receivable (-US\$3.3 million), (ii) higher gas royalties due to higher thermal generation (-US\$6.9 million); among others.



### **Cash Flows Used in Investing Activities**

Net cash used in investing activities was US\$5.5 million as of September 30, 2018 and US\$4.9 million as of September 30, 2017.

During the nine months ended September 30, 2018, investing activities for which we received and used cash primarily consisted of dividends from a Chilean subsidiary for US\$1.0 million together with proceeds from the sale of equipment for US\$0.2 million, offset by acquisitions of property, plant and equipment of US\$6.7 million mainly related to the completion of flare and blowdown system in gas plant, plugs installation in wells, tank for natural gasoline storage, implementation of automated control systems in hydroelectric plants, among others.

During the nine months ended September 30, 2017, investing activities for which we used and received cash primarily consisted of acquisitions of property, plant and equipment of US\$9.0 million, related primarily to Aguaytia's gas facilities, including the storage and loading plant, a fire system and a flare and blowdown system, coupled with proceeds from the sale of real estate for US\$4.1 million.

### **Cash Flows from Financing Activities**

Cash flows used by financing activities were US\$32.7 million during the nine months ended September 30, 2018, compared to US\$87.4 million during the nine months ended September 30, 2017.

During the nine months ended September 30, 2018, we used cash for a capital reduction of US\$17.2 million and to pay interest related to the 2027 5.625% bonds for US\$15.5 million.

During the nine months ended September 30, 2017, we received aggregate proceeds of US\$550 million from the 2027 5.625% bonds issued in April 2017, and we used cash to (i) prepay the acquisition syndicated loan of US\$450 million, (ii) prepay local corporate bonds including premium of US\$83.5 million, (iii) pay financing costs related to the bond issuance for US\$10.9 million, (iv) payment of an intercompany loan granted for the acquisition of US\$83.0 million, and (v) pay interest for US\$9.9 million.

## For the three-month period ended September 30, 2018 and 2017

### Revenues

Sale of energy, electrical energy transmission and hydrocarbons during the three months ended September 30, 2018 increased by US\$1.1 million, or 3.0%, to US\$37.4 million from US\$36.3 million in the three months ended September 30, 2017, primarily due to i) higher natural gasoline revenues due to increase in prices (US\$68.5/bbl during the three months ended September 30, 2018 compared to US\$34.3/bbl during the three months ended September 30, 2017) (+US\$3.4 million), (ii) higher capacity revenues at the Aguaytia thermal plant due to the resolution of congestion in the system's transmission lines (+US\$2.1 million); and (iii) higher spot energy revenue due to increase in spot price (US\$13.2/MWh during the three months ended September 30, 2018 and US\$12.6/MWh during the three months ended September 30, 2017), coupled with higher volumes sold (+US\$1.6 million). These effects were partially offset by (i) lower PPA energy sales due to the termination of certain contracts during 2017 (-US\$1.5 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\$1.4 million), (iii) timing of PPA revenues associated with 88 GW of RER contracts (-US\$0.6 million), among others.

### Cost of sales (including depreciation and amortization)

Cost of sales of energy, electrical energy transmission and hydrocarbons during the three months ended September 30, 2018 increased by US\$3.6 million, or 16.5%, to US\$25.1 million from US\$21.6 million in the three months ended September 30, 2017, primarily due to (i) higher gas royalties due to increased thermal generation (-US\$3.3 million), (ii) higher cost of liquids, mainly royalties, storage and transport of natural gasoline related to sales to Petroperu (-US\$2.3 million), (iii) higher depreciation due to capitalized assets during 2018 and changes in the useful life of certain assets (-US\$1.5 million), (iv) higher cost of system ancillary services regarding higher secondary frequency regulation offer and other costs (-US\$0.8 million), among others. These effects were partially offset by lower expenses, mainly labor in connection with an optimization plan executed during 2018 (+US\$0.8 million).

### Administrative expenses (including depreciation)

Administrative expenses during the three months ended September 30, 2018 decreased by US\$1.3 million, or 22.8%, to US\$4.3 million from US\$5.5 million in the three months ended September 30, 2017, primarily due to (i) lower bad debt allowance in relation to natural gasoline sales to Maple Gas (+US\$0.3 million), (ii) lower labor & benefits in connection with an optimization plan executed during 2018 (+US\$0.4 million), and (iii) lower expenses in services provided by third parties (+US\$0.4 million), among others.

### Financial expenses, net

Financial expenses, net during the three months ended September 30, 2018 increased by US\$0.5 million, or 4.3%, to US\$11.1 million from US\$10.6 million during the three months ended September 30, 2017, primarily due to (i) exchange gain in 2017 (-US\$1.1 million), (ii) lower interest income from related party (-US\$2.2 million), partially offset by (iii) lower withholding tax of interest with related parties due to a regularization in Q3 2017 (+US\$2.9 million), among others.

**Income tax expense**

Income tax expense during the three months ended September 30, 2018 increased by US\$0.9 million, or 96.8%, to US\$1.8 million from US\$0.9 million during the three months ended September 30, 2017, primarily due to timing of deferred income tax.

**Condensed Consolidated Interim Statements of Cash Flows for the nine months period ended  
 September 30, 2018 and 2017 (Unaudited)  
 (In thousands of dollars US\$000)**

	<u>09/30/2018</u>	<u>09/30/2017</u>
<b>OPERATING ACTIVITIES:</b>		
Collection from:		
Sale of energy and electrical energy transmission services	133,482	136,789
Sale of hydrocarbons	22,598	5,604
Other operating activities	4,150	2,191
Interests and returns	339	38
Payments for/to:		
Suppliers of goods and services	(54,830)	(69,664)
Employees and social benefits	(14,627)	(21,671)
Royalties	(13,017)	(6,164)
Income tax	(9,921)	(12,223)
Other taxes	(801)	(3,784)
Other operating activities	(435)	(2,019)
Fuel prices stabilization fund	(182)	(616)
	<u>66,756</u>	<u>28,481</u>
Net cash and cash equivalents provided by operating activities		
	<u>66,756</u>	<u>28,481</u>
<b>INVESTMENT ACTIVITIES:</b>		
Collection from:		
Dividends	1,049	-
Sale of property, plant and equipment	190	4,064
Payments for:		
Purchase of property, plant and equipment	(3,554)	(1,170)
Purchase of gas investments	(3,159)	(7,808)
	<u>(5,474)</u>	<u>(4,914)</u>
Net cash and cash equivalents used in investment activities		
	<u>(5,474)</u>	<u>(4,914)</u>
<b>FINANCING ACTIVITIES:</b>		
Collection from:		
Loans received from bank	-	550,000
Payments for:		
Capital reduction	(17,197)	-
Interests	(15,468)	(9,943)
Financial obligations	-	(533,566)
Loans to related entities	-	(82,950)
Financial cost	-	(10,941)
	<u>(32,665)</u>	<u>(87,400)</u>
Net cash and cash equivalents used in financing activities		
	<u>(32,665)</u>	<u>(87,400)</u>
<b>NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS</b>	<b>28,617</b>	<b>(63,833)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>23,429</b>	<b>85,213</b>
<b>CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD</b>	<b>52,046</b>	<b>21,380</b>

## Appendixes

### Condensed Consolidated Interim Statements of Profit or Loss (In thousands of dollars US\$000)

The results of each company as of September 30, 2018 presented in this report consider the accounting reclassification resulting from the application of IFRS 15 – Revenue from contracts with customers (effective since January 1, 2018), and for comparative purpose, 2017 figures have been reclassified as shown in the table below. This reclassification between revenues and cost of sales has no impact on EBITDA or adjusted EBITDA.

	<u>Before adoption</u> IFRS 15		<u>After adoption</u> IFRS 15
	<u>2018 Q2</u>	<u>Reclassification</u>	<u>2018 Q2</u>
Sale of energy and electrical energy transmission services	42,532	(9,073)	33,459
Costs of purchase of transmission charges	(9,641)	9,073	(568)
	<u>2018 Q1</u>	<u>Reclassification</u>	<u>2018 Q1</u>
Sale of energy and electrical energy transmission services	44,931	(9,053)	35,878
Costs of purchase of transmission charges	(9,526)	9,053	(473)
	<u>YTD Dec 2017</u>	<u>Reclassification</u>	<u>YTD Dec 2017</u>
Sale of energy and electrical energy transmission services	183,845	(35,299)	148,546
Costs of purchase of transmission charges	(36,327)	35,299	(1,028)
	<u>2017 Q4</u>	<u>Reclassification</u>	<u>2017 Q4</u>
Sale of energy and electrical energy transmission services	46,150	(8,814)	37,336
Costs of purchase of transmission charges	(9,252)	8,814	(438)
	<u>2017 Q3</u>	<u>Reclassification</u>	<u>2017 Q3</u>
Sale of energy and electrical energy transmission services	42,587	(8,643)	33,944
Costs of purchase of transmission charges	(9,185)	8,643	(542)
	<u>2017 Q2</u>	<u>Reclassification</u>	<u>2017 Q2</u>
Sale of energy and electrical energy transmission services	47,485	(9,243)	38,242
Costs of purchase of transmission charges	(8,841)	9,243	402
	<u>2017 Q1</u>	<u>Reclassification</u>	<u>2017 Q1</u>
Sale of energy and electrical energy transmission services	47,623	(8,599)	39,024
Costs of purchase of transmission charges	(9,049)	8,599	(450)

**Notes to the Unaudited Condensed Consolidated Interim Statements of Profit or Loss for the nine-month period and the three-month period ended September 30, 2018 and 2017  
(In thousands of dollars US\$000)**

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

	<u>YTD 2018</u>	<u>YTD 2017</u>	<u>Q3 2018</u>	<u>Q3 2017</u>
Sale of electrical energy:				
Sale of electrical energy and power				
Energy	58,567	74,979	18,834	23,667
Capacity	16,332	15,646	5,317	5,026
COES Compensations				
Energy	11,024	7,341	2,315	742
Capacity	8,414	6,022	2,990	2,187
Other	952	3	169	(6)
Electrical energy transmission	5,624	7,219	1,951	2,328
Sub- total	<u>100,913</u>	<u>111,210</u>	<u>31,576</u>	<u>33,944</u>
Sale of hydrocarbons:				-
LPG	6,482	6,435	2,068	2,043
Natural gasoline	13,320	4,928	3,730	299
Sub- total	<u>19,802</u>	<u>11,363</u>	<u>5,798</u>	<u>2,342</u>
Total of sales	<u>120,715</u>	<u>122,573</u>	<u>37,374</u>	<u>36,286</u>

**Cost of sales of Energy and Electrical Energy Transmission Services and Hydrocarbons**

	<u>YTD 2018</u>	<u>YTD 2017</u>	<u>Q3 2018</u>	<u>Q3 2017</u>
Personnel expenses	7,787	7,949	1,915	2,652
Royalties from sales of hydrocarbons:				
Natural gasoline	4,896	2,139	1,587	112
LPG	2,066	1,772	701	494
Royalties from electrical energy sales	6,651	1,945	4,355	1,050
Services provided by third parties	4,600	4,862	1,811	1,642
Transport, storage and other costs of natural gas	2,955	64	690	64
Purchase of energy				
Energy	2,194	6,118	774	2,471
Power	-	7,076	(31)	2,115
Purchase of transmission charges	1,473	590	432	542
Other cost	1,396	1,569	700	(56)
Taxes	989	1,070	124	184
Supplies, spare parts and fuel	843	776	306	231
Sundry management charges	501	339	265	60
Estimates of the period:				
Depreciation and amortization	33,269	28,478	11,393	9,879
Employee severance indemnities	377	395	124	123
Loss (recovery) for obsolescence of inventories	14	(10)	(11)	6
	<u>70,011</u>	<u>65,132</u>	<u>25,135</u>	<u>21,569</u>

### Administrative expenses

	<u>YTD 2018</u>	<u>YTD 2017</u>	<u>Q3 2018</u>	<u>Q3 2017</u>
Personnel expenses	5,740	6,533	1,807	2,200
Services provided by third parties	3,793	3,656	1,045	1,409
Taxes	1,908	2,035	600	679
Sundry management charges	1,857	1,624	501	494
Estimates of the period:				
Depreciation	447	637	136	206
Amortization	123	144	41	70
Employee severance indemnities	337	353	109	100
Impairment estimate of accounts receivable, net	156	6,134	13	353
<b>Total</b>	<b>14,361</b>	<b>21,116</b>	<b>4,252</b>	<b>5,511</b>

### Financial expenses

	<u>YTD 2018</u>	<u>YTD 2017</u>	<u>Q3 2018</u>	<u>Q3 2017</u>
Interests expenses - bonds	23,461	13,432	7,906	7,977
Interests expenses - related parties	6,765	12,130	2,164	2,446
Withholding tax on interests - related parties	3,342	4,944	975	3,889
Financial cost - Corporate bonds	643	10,417	643	342
Financial cost - Syndicate loan	-	20,632	-	-
Other financial expenses	93	141	(410)	(206)
<b>Total</b>	<b>34,304</b>	<b>61,696</b>	<b>11,278</b>	<b>14,448</b>

### Key Operating Information

		<u>YTD 2018</u>	<u>YTD 2017</u>	<u>Q3 2018</u>	<u>Q2 2017</u>
Energy Demand Growth	%	3.0%	4.9%	3.3%	1.5%
Spot Price	\$/MWh	11.7	9.8	13.2	12.6
Hydro Generation	GWh	1,528.4	1,661.2	223.4	305.5
Thermal generation	GWh	334.2	93.7	221.1	52.3
PPA Energy volumes	Gwh	1,413.0	1,712.0	464.5	549.3
Distributors	Gwh	1,029.4	1,193.8	338.6	385.7
Free clients	Gwh	335.3	438.8	109.9	138.9
RER	Gwh	48.4	79.4	16.0	24.7
Spot Volumes, net	Gwh	428.3	28.0	-23.4	-195.0
W. Avg PPA price	\$/MWh	43.2	45.1	43.3	45.2
LPG sales	bbl	115,087	122,473	32,909	39,335
Natural Gasoline sales	bbl	202,999	136,951	54,270	8,716
GLP Production	bbl	114,132	124,291	31,534	39,802
Natural Gasoline Production	bbl	187,304	202,128	53,118	67,291
LPG Price	\$/bbl	56.3	52.5	62.8	51.9
Natural Gasoline Price	\$/bbl	65.6	36.0	68.5	34.3
WTI	\$	59.4	50.6	55.5	47.4