

Gas Natural de Lima y Callao S.A.

Financial Statements

As of September 30, 2017 and December 31, 2016

GAS NATURAL DE LIMA Y CALLAO S.A.

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AND DECEMBER 31, 2016

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GAS NATURAL DE LIMA Y CALLAO S.A.

STATEMENT OF FINANCIAL POSITION SEPTEMBER 30, 2017 AND DECEMBER 31, 2016

| | <u>30/09/2017</u> | <u>31/12/2016</u> | | <u>30/09/2017</u> | <u>31/12/2016</u> |
|--|-------------------|-------------------|---------------------------------------|-------------------|-------------------|
| | <u>US\$000</u> | <u>US\$000</u> | | <u>US\$000</u> | <u>US\$000</u> |
| ASSETS | | | EQUITY AND LIABILITIES | | |
| CURRENT ASSETS: | | | CURRENT LIABILITIES | | |
| Cash and cash equivalents | 35,227 | 14,705 | Other financial Liabilities | - | 14,078 |
| Trade receivables (net) | 70,898 | 79,552 | Accounts payable | 50,305 | 41,704 |
| Accounts receivable from related parties | 30 | 60 | Accounts payable from related parties | 77 | 77 |
| Inventories | 26,954 | 18,372 | Accounts payable to employee | 6,559 | 7,133 |
| Other receivables | 15,883 | 1,538 | Current income tax payable | 3,904 | 6,840 |
| Other non financial Assets | 1,422 | 954 | Other accounts payable | 7,818 | 13,989 |
| | | | Deferred income | 19,183 | 23,878 |
| Total Current Assets | <u>150,414</u> | <u>115,181</u> | Total current liabilities | <u>87,846</u> | <u>107,699</u> |
| NON-CURRENT ASSETS | | | NON CURRENT LIABILITIES | | |
| Trade receivables (net) | 12,202 | 29,780 | Other financial Liabilities | 398,274 | 327,231 |
| Property, plant and equipment (net) | 7,452 | 8,509 | Provisions | 5,878 | 5,564 |
| Intangible assets | 623,296 | 588,963 | Other accounts payable | 8,229 | 7,068 |
| Deferred taxes assets | 712 | 530 | | | |
| Other receivables | 249 | 215 | Total non-current liabilities | <u>412,381</u> | <u>339,863</u> |
| Total non-current assets | <u>643,911</u> | <u>627,997</u> | Total liabilities | <u>500,227</u> | <u>447,562</u> |
| | | | EQUITY | | |
| TOTAL | <u>794,325</u> | <u>743,178</u> | Issued capital | 224,804 | 224,804 |
| | | | Legal reserve | 21,083 | 15,546 |
| | | | Other capital reserves | (25) | (106) |
| | | | Retained earnings | 48,236 | 55,372 |
| | | | Total equity | <u>294,098</u> | <u>295,616</u> |
| | | | TOTAL | <u>794,325</u> | <u>743,178</u> |

GAS NATURAL DE LIMA Y CALLAO S.A.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

| | 30/09/2017 | 30/09/2016 |
|---|-------------------|-------------------|
| | US\$000 | US\$000 |
| OPERATIONAL INCOME | | |
| Income from natural gas sales, transport distributions sales, transport distributions and associated services | 359,942 | 331,431 |
| Income from the main grid extension | 59,503 | 60,618 |
| Other operational income | 5,668 | 6,773 |
| Total operational income | 425,113 | 398,822 |
| COST OF SALES | | |
| Cost of natural gas sales, transport distributions and associated services | (259,246) | (238,988) |
| Cost of sales from the main grid extension | (59,503) | (60,618) |
| Gross profit | 106,364 | 99,216 |
| Administrative expenses | (22,476) | (19,336) |
| Commercialization expenses | (7,331) | (7,828) |
| Other (expenses) income | 2,727 | 1,247 |
| Operative profit | 79,284 | 73,299 |
| Financial income | 739 | 2,344 |
| Financial expenses | (15,869) | (15,094) |
| Exchange difference, net | 3,206 | 364 |
| Pre-income tax result | 67,360 | 60,913 |
| Income tax expense | (19,124) | (17,844) |
| Net profit of the year | 48,236 | 43,069 |
| Other integral result of the year | 81 | (642) |
| Total integral result of the year | 48,317 | 42,427 |
| Net profit per share: | | |
| Basic and diluted (in USD) | 0.215 | 0.189 |

GAS NATURAL DE LIMA Y CALLAO S.A.**STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

| | <u>Issued Capital</u> | <u>Legal Reserve</u> | <u>Other capital</u> | <u>Retained earnings</u> | <u>Total Equity</u> |
|----------------------------------|-----------------------|----------------------|----------------------|--------------------------|---------------------|
| | <u>US\$000</u> | <u>US\$000</u> | <u>reserves</u> | <u>US\$000</u> | <u>US\$000</u> |
| | | | <u>US\$000</u> | | |
| BALANCE AS OF JANUARY 1, 2016 | 230,352 | 12,163 | - | 33,836 | 276,351 |
| Net profit for the year | - | - | - | 43,069 | 43,069 |
| Other integral result | - | - | -642 | - | -642 |
| Provision for legal reserve | - | 3,383 | - | -3,383 | - |
| Reduction of share capital | -5,548 | - | - | - | -5,548 |
| Dividend Distribution | - | - | - | -30,453 | -30,453 |
| BALANCE AS OF SEPTEMBER 30, 2016 | <u>224,804</u> | <u>15,546</u> | <u>-642</u> | <u>43,069</u> | <u>282,777</u> |
| BALANCE AS OF JANUARY 01, 2017 | 224,804 | 15,546 | -106 | 55,372 | 295,616 |
| Net profit for the year | - | - | - | 48,236 | 48,236 |
| Other integral result | - | - | 81 | - | 81 |
| Provision for legal reserve | - | 5,537 | - | -5,537 | - |
| Dividend Distribution | - | - | - | -49,835 | -49,835 |
| BALANCE AS OF SEPTEMBER 30, 2017 | <u>224,804</u> | <u>21,083</u> | <u>-25</u> | <u>48,236</u> | <u>294,098</u> |

GAS NATURAL DE LIMA Y CALLAO S.A.

STATEMENT OF CASH FLOW FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

| | 30/09/2017 | 30/09/2016 |
|---|-------------------|---------------------|
| | US\$000 | US\$000 |
| OPERATING ACTIVITIES: | | |
| Collection corresponding to: | | |
| Income for distribution services | 365,520 | 320,566 |
| Fondo descuento osinergmin | | |
| Other cash income related to operating activities | 28,958 | 5,127 |
| Payments corresponding to: | | |
| Suppliers of goods and services | (242,548) | (224,570) |
| Employee benefits | (17,253) | (16,167) |
| Income tax | (24,169) | (22,296) |
| Interests | (18,567) | (16,801) |
| Other cash payments related to operating activities | (23,319) | (8,133) |
| Net cash provided by operating activities | 68,621 | 37,726 |
| INVESTMENT ACTIVITIES: | | |
| Collection corresponding to: | | |
| Sale of Property, plant and equipment | 33 | - |
| Payments corresponding to: | | |
| Investment in concession goods | (56,893) | (60,156) |
| Software purchase | | |
| Purchase of machinery and equipment and ongoing works | (107) | (1,379) |
| Net cash provided by operating activities | (56,967) | (61,535) |
| FINANCING ACTIVITIES: | | |
| Collection corresponding to: | | |
| Loans received | 80,000 | 23,988 |
| Financial contribution and overcharge | 630 | - |
| Payments corresponding to: | | |
| Dividend payments | (48,040) | (29,356) |
| Capital reduction | - | (5,363) |
| Payment of loan received | (23,723) | (15,654) |
| Net cash provided by operating activities | 8,868 | (26,385) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 20,522 | (50,194) |
| CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR | 14,705 | 69,541 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 35,227 | 19,347 |