



# **ORAZUL ENERGY PERU S.A. AND SUBSIDIARIES**

*US\$550,000,000 – 5.625% Senior Notes due 2027*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**December 31, 2019 and 2018**

## ORAZUL ENERGY PERU AND SUBSIDIARIES S.A.

### About the Company

We are a Peruvian company and our business is composed of a diversified portfolio of hydropower and thermal power generation, transmission and natural gas production and processing assets. We are the only vertically integrated power company that owns and operates natural gas extraction and transmission assets in Peru.

We conduct our operations through two primary business units: Orazul, which is comprised of hydropower generation and transmission assets, and Aguaytía, which is an integrated gas-to-power complex comprised of natural gas production and processing, thermal power generation and transmission. We generate and sell electricity to regulated customers (distribution companies) and non-regulated customers under short-term and long-term power purchase agreements (“PPAs”) and to the spot market. Our contracting level under PPAs is approximately 92%<sup>1</sup> and since 2019 our PPA portfolio average life extended from 4 years to approximately 10 years, reducing the risk related to the fluctuation of spot market prices of electricity.

Our businesses are summarized in the following table:

|          | Entity                   | Location                                                  | Type                             | Overview                    |
|----------|--------------------------|-----------------------------------------------------------|----------------------------------|-----------------------------|
| Orazul   | Orazul                   | Cañon del Pato                                            | Hydro Generation/ Run-of-river   | 266MW                       |
|          |                          | Carhuaquero                                               | Hydro Generation/ Run-of-river   | 110MW                       |
|          | Etenorte                 | Huallanca - Chimbote - Carhuaquero - Chiclayo             | Transmission                     | 349km                       |
|          | Entity                   | Location                                                  | Type                             | Overview                    |
| Aguaytía | Termoselva               | Aguaytía                                                  | Thermal Generation (natural gas) | 192MW                       |
|          | Eteselva                 | Aguaytía - Tingo Maria - Vizcarra - Conococha – Paramonga | Transmission                     | 391km                       |
|          | Aguaytía Energy del Perú | Aguaytía                                                  | Hydrocarbons                     | 45 mmscfd<br>1,050 bbls/day |

Orazul Energy Perú S.A. (“OEP”) is a subsidiary of Orazul Energia (UK) Holdings LTD. 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), which owned a group of companies in Peru, Chile, Guatemala and El Salvador engaged primarily in power generation. 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 had previously acquired the participation from Duke Energy Corporation in 2016), increasing its share to the current 99.99%. On August 16, 2017, OEP merged by absorption with Orazul Energy Egenor S. en C. por A., one of its main subsidiaries in Peru. As part of the strategy to improve business efficiencies, a corporate restructuring was executed during 2017 and 2018, and the businesses located in Chile, Guatemala and El Salvador were carved-out.

<sup>1</sup> Estimated for the following 3 years (2020-2022). Calculated based on the optimal contracting level.

OEP is indirectly owned by certain funds managed by I Squared Capital Advisors (US) LLC and co-investors (collectively, the "Sponsor"). On December 31, 2017, the Sponsor through Nautilus Inkia Holdings LLC ("Inkia"), acquired substantially all the Latin American and Caribbean business held by Inkia Energy Limited, an international company focused on the electric power sector, specifically on generation and distribution, with operations in Peru and other countries in Latin America. On April 30, 2018, the Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual, INDECOPI, the Peruvian antitrust authority, approved the acquisition by the Sponsor. Since then, the related parties of OEP include Kallpa Generación S.A. ("Kallpa") and Samay I S.A. Since January 1, 2019, as part of a strategy to optimize operations and maximize benefits from having the same shareholders, Kallpa and OEP have integrated and streamlined their management teams, implementing a single management organization, with no legal mergers between the companies.

Management has extensive experience in the power generation business. Our executive officers have an average of approximately 15 years of experience in the power generation industry and have previously held senior positions in leading power generation companies, financial institutions and the Peruvian government. Our management team provides in-depth market knowledge and power industry experience, with significant experience in the Peruvian energy industry and government regulators. We believe that this overall level of experience allows our management team to lead the Company in the effective operation and maintenance of our facilities.

## **Our Notes**

On April 25, 2017, OEP issued senior notes for an aggregate principal amount of US\$550 million in the international capital markets under Rule 144A and Regulation S of the Securities Market Law of the United States of America (the "Notes"). These Notes accrue interest at a rate of 5.625% payable semi-annually and have final maturity in April 2027. The proceeds from this issuance were used to: i) prepay the outstanding senior debt incurred in connection with our acquisition under the US\$450 million senior secured loan facility with Deutsche Bank AG, Banco de Crédito del Perú, Scotiabank and Banco Internacional del Perú S.A.A., as lenders, and (ii) prepay US\$35 million and US\$40 million, in aggregate outstanding principal amount of local corporate bonds. The Notes are rated BB by Fitch Ratings and Standard & Poor's.

## **Potential sale of Transmission business companies**

In the fourth quarter of 2019, OEP received an indication of interest from transmission business companies to acquire OEP's Peruvian transmission business. In that context, in line with our aspiration of generating value through the portfolio optimization, a sale process of OEP's transmission companies started in November 2019.

On March 10, 2020, OEP and Orazul Energía (UK) Holdings LTD signed a purchase agreement with Interconexión Eléctrica - ISA Peru, part of the ISA group, to sell its 100% ownership of Orazul Energy Group S.A.C. ("OEG"). OEG is a subsidiary of OEP, domiciled in Peru and the owner of 99.99% of the shares of Etenorte S.R.L. and Eteselva S.R.L., with more than 740 km of 220kV and 138kV transmission lines.

Etenorte S.R.L. and Eteselva S.R.L., represent approximately US\$12.4 million in revenues and US\$10.9 million in EBITDA based on 2019 audited financial statements (US\$12.3 million in revenues and US\$10.2 million in EBITDA based on 2018 audited financial statements). The sale of these companies has no impact in the normal operation of OEP's hydro and thermal power generation and hydrocarbon businesses in Peru.

The amount of the sale is expected to be north of US\$140 million and subject to the normal closing price adjustments. Once the transaction is closed, the Net Cash Proceeds may be used within 1 year since the closing date to (i) purchase any Notes or repay other Senior Indebtedness, (ii) make capital expenditures in a Permitted Business (iii) reinvest in or purchase Additional Assets; or (iv) any combination of items (i), (ii) and (iii). On, or at any time prior to, the first anniversary of the closing date, OEP may make an Asset Sale Offer to purchase the Notes, at par, with any Excess Net Cash Proceeds.

The closing of the sale agreement is subject to the approval from Peruvian authorities. The transaction is expected to close no later than year-end 2020.

There is no assurance that the sale of Etenorte S.R.L. and Eteselva S.R.L. will take place.

## **COVID-19**

We know COVID-19 pandemic is causing anxiety and affecting our employees, businesses, customers and communities in a significant manner. At the same time, our operations require to remain open for business at the highest level in order to provide the vital electrical service.

We want to inform you about the measures management has adopted to ensure the safety and wellbeing of our employees, whilst guaranteeing the continuity of our operations, power service and financial liquidity:

### **Operational:**

We have developed contingency plans to face this emergency and will ensure its full implementation. Such plans include:

- Development of personnel rotation plans in line with applicable travel restrictions and labor law.
- Securing supply of all necessary equipment and supplies to allow the work of operating teams in our plants.
- Ensure that mechanisms are implemented to communicate timely and effectively all instructions to be followed during this emergency.
- Implementation of home-office for employees and directives wherever activities allow it and curfews and mobility restrictions apply.
- Implementation of mechanisms to secure adequate and safe transport of personnel and supplies to and from operating facilities, minimizing use of public transport.
- Implementation of periodic health-monitoring systems wherever employees are operating.
- All of our contingency procedures are being shared with contractors performing essential tasks, ensuring their adequate compliance.
- OEP ensures full compliance with legal measures being adopted by the Peruvian Government.
- OEP is taking extraordinary measures to limit, mitigate the contracting of the virus. Adapting best practices from large public service and medical organizations.

The Company is coordinating to ensure adequate cash management during the current situation. Two factors to maintain financially the continuity of business is debt management and liquidity. The following is a brief description of the status:

### **Debt Management:**

Our total debt of US\$550 million correspond to long-term notes that only require interest payments in the course of the next years. Debt service amounts are secured by significant cash flow from our operations.

OEP is current on each debt instrument and meets all of its financial obligations. We expect to maintain current and in compliance throughout the current turmoil.

### **Liquidity:**

We are extremely cautious with our liquidity. As of late last week, we have taken several measures to protect liquidity. Measures that are mostly implemented.

All cash on hand, other than the necessary for local weekly working capital, to be maintained in US bank accounts. Maintain bear minimum in local market. As scheduled payments become due, the company will transfer funds to local bank accounts. Other than current local payments, all new receipts of funds, are to be converted to US dollars and transferred to a US account.

We are working to ensure timely payment of local obligations: suppliers, contractors, providers of services, etc. It is critical to maintain working capital flow of our suppliers and level of service.

During this period, we are managing cash in a conservative manner in order to maintain continuity of business, and as well as to be prepared for any unplanned disruptions. We will maintain one year or greater of debt service cash in hand. Over the next six months, we are going to monitoring closely the evolution of cash flow. Several lessons learned in the past financial disruptions

and the 2008 events are opportune to apply, such as the drawing of the lines of credit. Another key lesson is to be proactive and attentive to the evolution of the market by keeping a close and systematic communication.

The following weeks will be challenging, unlike anything before experienced, but we will strive to continue our electrical service to all our customers while maintaining safe our employees and service personnel.

We will periodically inform the evolution of our operations, debt management and liquidity as matters progress.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS**

The following discussion of our financial condition and results of operations should be read in conjunction with our Audited Consolidated Financial Statements as of December 31, 2019 and 2018.

### **For the year ended December 31, 2019 and 2018**

|                                                                          | Year ended<br>December 31 |             | %<br>Change  |
|--------------------------------------------------------------------------|---------------------------|-------------|--------------|
| <i>In millions of U.S. dollars</i>                                       | 2019                      | 2018        |              |
| Revenues of energy, capacity and transmission                            | 136                       | 132         | 3%           |
| Revenues of hydrocarbons                                                 | 16                        | 24          | -33%         |
| <b>Revenues</b>                                                          | <b>152</b>                | <b>156</b>  | <b>-3%</b>   |
| Cost of Sales of energy generation, transmission and hydrocarbons        | (39)                      | (51)        | -24%         |
| <b>Cost of sales (excluding depreciation)</b>                            | <b>(39)</b>               | <b>(51)</b> | <b>-24%</b>  |
| Depreciation                                                             | (36)                      | (46)        | -22%         |
| Administrative expenses (including Impairment loss on trade receivables) | (10)                      | (21)        | -52%         |
| Other income, net                                                        | 1                         | 4           | -75%         |
| <b>Operating profit</b>                                                  | <b>68</b>                 | <b>42</b>   | <b>62%</b>   |
| Finance income                                                           | 1                         | 2           | -50%         |
| Finance cost                                                             | (41)                      | (45)        | -9%          |
| Net foreign exchange difference                                          | -                         | (1)         | 100%         |
| <b>Finance cost, net</b>                                                 | <b>(40)</b>               | <b>(44)</b> | <b>-9%</b>   |
| <b>Profit (loss) before income tax</b>                                   | <b>28</b>                 | <b>(2)</b>  | <b>1500%</b> |
| Income tax expense (income)                                              | (10)                      | 5           | -300%        |
| <b>Profit from continuing operations</b>                                 | <b>18</b>                 | <b>3</b>    | <b>500%</b>  |
| Loss from discontinued operations, net of tax                            | -                         | (11)        | 100%         |
| <b>Profit (loss) for the period</b>                                      | <b>18</b>                 | <b>(8)</b>  | <b>325%</b>  |

### **Results of Operations**

The Company's net profit from continuing operations for 2019 amounted to US\$18 million compared to US\$3 million during 2018. The Company's results were mainly explained by the following:

#### **Revenues**

Sales of energy, capacity, transmission and hydrocarbons declined by US\$4 million, or 3%, to US\$152 million in 2019 from US\$156 million in 2018 due to (i) US\$8 million lower hydrocarbon liquid sales driven by 27% lower production from 274,911 bbl in 2019 from 378,438 bbl in 2018 in connection with the unavailability of one of our wells, added to lower natural gasoline and liquified petroleum gas ("LPG") prices, to US\$60/bbl and US\$50/bbl in 2019, from US\$64/bbl. and US\$57/bbl in 2018, respectively, due to lower international prices; and (ii) US\$2 million in lower spot energy and capacity revenues primarily due to a 17% decrease in spot prices, to US\$8.9/MWh in 2019 from US\$10.8/MWh in 2018, partially offset by a 12% increase in net volumes, 625 GWh in 2019 compared to 552 GWh in 2018. These effects were partially offset by (i) US\$4 million in higher PPA energy and capacity revenues mainly due to a US\$2 million increase in energy revenues associated with 88 GW of RER contract,

and US\$2 million increase in PPA prices to an average of US\$46.6/MWh in 2019 from an average of US\$41.6/MWh in 2018, driven by regulated customers PPAs; and, (ii) US\$1 million in higher transmission revenues due to tariff increase, among others.

### **Cost of sales (excluding depreciation)**

Cost of sales decreased by US\$12 million, or 24%, to US\$39 million in 2019 from US\$51 million in 2018, primarily due to:

- US\$7 million decrease in personnel expenses due to the management integration between Kallpa and OEP, partially compensated by the US\$4 million increase in expenses related to the Operating Service Agreement with Kallpa;
- US\$6 million lower cost of royalties, storage and transport of natural gasoline and LPG related to lower sales in connection with lower production;
- US\$1 million lower cost of natural gas royalties related to lower thermal generation, to 320 GWh in 2019 from 366 GWh in 2018;
- US\$1 million lower spot energy purchase, inflexibility operation and ancillary costs; and,
- US\$1 million lower services provided by third parties. .

### **Depreciation**

Depreciation decreased by US\$10 million, or 22%, to US\$36 million in 2019 from US\$46 in 2018, due to the write-off and end of the useful life of certain assets.

### **Administrative expenses (including impairment loss on trade receivables)**

Administrative expenses decreased by US\$11 million, or 52%, to US\$10 million in 2019 from US\$21 million in 2018, primarily due to (i) US\$11 million decrease in personnel expenses and one-time severance expenses in 2018 due to the management integration between Kallpa and OEP, partially compensated by the US\$3 million expenses related to the Management Service Agreement with Kallpa; (ii) US\$2 million lower expenses in legal services and headquarter fees; and, (iii) US\$2 million lower bad debt allowance related to our former natural gasoline client Maple Gas. These effects were partially offset by a US\$1 million higher community services and other expenses.

### **Finance cost, net**

Finance cost, net decreased by US\$4 million, or 9%, to US\$40 million in 2019 from US\$44 million in 2018, primarily due to the reduction in the interest rate of our shareholder loan from 6% to zero since January 2019.

### **Income tax expense**

Income tax expense increased by US\$15 million, to US\$10 million expense in 2019 from US\$5 million income in 2018. The estimated average effective tax rate for 2019 was 36%. Income tax expense in 2019 resulted from higher taxable income and exchange gains in local currency (1.8% local currency devaluation in 2019 compared to 4.1% revaluation in 2018), coupled with non-deductible expenses. Income tax in 2018 resulted from exchange losses in local currency and timing of deferred income tax.

## Liquidity and Capital Resources

Our main cash requirements are primarily for the following purposes:

- Working capital requirements;
- Capital expenditures related to maintenance projects; and,
- Debt and interest service.

Our main sources of liquidity have traditionally consisted of the following:

- Cash flow from operating activities; and,
- Short-term under our US\$25 million committed credit facilities and long-term borrowings.

During 2019 and 2018, cash flow generated by operations was primarily used for investment activities and to service our outstanding interest and debt obligations.

As of December 31, 2019, our cash and cash equivalents amounted to US\$41 million.

## Cash Flows

|                                                           | Year ended<br>December 31, |             | %            |
|-----------------------------------------------------------|----------------------------|-------------|--------------|
| <i>In millions of U.S. dollars</i>                        | 2019                       | 2018        |              |
| <i>Cash from operating activities</i>                     | 106                        | 99          | 7%           |
| Income tax paid                                           | (4)                        | (13)        | -69%         |
| <b>Net cash from operating activities</b>                 | <b>102</b>                 | <b>86</b>   | <b>19%</b>   |
| <b>Net cash used in investing activities</b>              | <b>(17)</b>                | <b>(10)</b> | <b>70%</b>   |
| <b>Net cash used in financing activities</b>              | <b>(94)</b>                | <b>(49)</b> | <b>92%</b>   |
| <b>Net decrease (increase) in cash</b>                    | <b>(9)</b>                 | <b>27</b>   | <b>-133%</b> |
| Cash and cash equivalent as of January 1                  | 50                         | 23          | 117%         |
| Effects of variations on exchange difference on held cash | -                          | -           | -            |
| <b>Cash as of December 31</b>                             | <b>41</b>                  | <b>50</b>   | <b>-18%</b>  |

## Cash Flows from Operating Activities

Our primary source of operating funds is cash flow generated from our operations. The net cash from operating activities increased by US\$16 million, or 19%, to US\$102 million in 2019 from US\$86 in 2018.

The increase was primarily driven by (i) US\$14 million lower payments to employees mainly due to one-time severance expenses in 2018 and head count reduction related to the management integration between Kallpa and OEP; (ii) US\$9 million lower income tax paid due to application of prior year tax credit, added to higher taxable income from 2017, paid in 2018; (iii) US\$8 million in lower payments to suppliers; and, (iv) US\$4 million lower royalties related to decrease in hydrocarbons production. The effects of these factors were partially offset by US\$19 million lower collections due to lower sales in 2019 and higher collections in 2018 which included a pending balance from 2017.

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

Net cash used in investing activities increased by US\$7 million, or 70%, to US\$17 million in 2019 from US\$10 million used in 2018.

During 2019, uses of cash from investing activities were mainly: US\$10 million in payments related to the option agreements signed with distribution companies to extend the contract terms of certain PPAs, recorded as intangibles; and, US\$7 million in capital expenditures.

During 2018, uses of cash from investing activities were mainly: US\$11 million in capital expenditures, partially offset by US\$1 million dividends received from a Chilean subsidiary.

## **Cash Flows from Financing Activities**

Net cash flows used in our financing activities increased by US\$45 million, or 92%, to US\$94 million in 2019 from US\$49 million in 2018.

During 2019, we used cash to (i) amortize US\$63 million of the shareholder loan granted by Orazul Energia Partners LLC; (ii) US\$31 million in interest related to the 2027 Senior Notes.

During 2018, we used cash for (i) US\$31 million in interest related to the 2027 Senior Notes; (ii) a US\$17 million capital reduction, among others.

## For the three-month period ended December 31, 2019 and 2018

|                                                                          | Three-month ended<br>December 31 |             | %<br>Change |
|--------------------------------------------------------------------------|----------------------------------|-------------|-------------|
| <i>In millions of U.S. dollars</i>                                       | 2019                             | 2018        |             |
| Revenues of energy, capacity and transmission                            | 35                               | 31          | 13%         |
| Revenues of hydrocarbons                                                 | 4                                | 4           | 0%          |
| <b>Revenues</b>                                                          | <b>39</b>                        | <b>35</b>   | <b>11%</b>  |
| Cost of Sales of energy generation, transmission and hydrocarbons        | (10)                             | (11)        | -9%         |
| <b>Cost of sales (excluding depreciation)</b>                            | <b>(10)</b>                      | <b>(11)</b> | <b>-9%</b>  |
| Depreciation                                                             | (10)                             | (13)        | -23%        |
| Administrative expenses (including Impairment loss on trade receivables) | (2)                              | (9)         | -78%        |
| Other income, net                                                        | -                                | 2           | -100%       |
| <b>Operating profit</b>                                                  | <b>17</b>                        | <b>4</b>    | <b>325%</b> |
| Finance income                                                           | -                                | 1           | -100%       |
| Finance cost                                                             | (10)                             | (11)        | -9%         |
| Net foreign exchange difference                                          | -                                | (1)         | 100%        |
| <b>Finance cost, net</b>                                                 | <b>(10)</b>                      | <b>(11)</b> | <b>-9%</b>  |
| <b>Profit (loss) before income tax</b>                                   | <b>7</b>                         | <b>(7)</b>  | <b>200%</b> |
| Income tax expense (income)                                              | (1)                              | 5           | -120%       |
| <b>Profit (loss) from continuing operations</b>                          | <b>6</b>                         | <b>(2)</b>  | <b>400%</b> |
| Loss from discontinued operations, net of tax                            | -                                | (10)        | 100%        |
| <b>Profit (loss) for the period</b>                                      | <b>6</b>                         | <b>(12)</b> | <b>150%</b> |

## Results of Operations

The Company's profit (loss) from continuing operations for the three-month period ended December 31, 2019 amounted to US\$6 million profit compared to US\$2 million loss during the same period in 2018. The Company's results were mainly explained by the following:

### Revenues

Sales of energy, capacity, transmission and hydrocarbons increased by US\$4 million, or 11%, to US\$39 million during the fourth quarter of 2019 from US\$35 million during the same period in 2018, primarily due to higher PPA energy and capacity revenues mainly due to increase in PPA prices to an average of US\$47.9/MWh during the fourth quarter of 2019 from an average of US\$41.5/MWh during the same period in 2018, driven by regulated customers PPAs..

### Cost of sales (excluding depreciation)

Cost of sales decreased by US\$1 million, or 9%, to US\$10 million during the fourth quarter of 2019 from US\$11 million during the same period in 2018, primarily due to US\$3 million decrease in personnel expenses due to the management integration between Kallpa and OEP, partially offset by US\$2 million increase related to the Operating Service Agreement with Kallpa.

**Depreciation**

Depreciation decreased by US\$3 million, or 23%, to US\$10 million during the fourth quarter of 2019 from US\$13 million during the same period in 2018, due to write off and the ending of the useful life of certain assets.

**Administrative expenses (including impairment loss on trade receivables)**

Administrative expenses decreased by US\$7 million, or 78%, to US\$2 million during the fourth quarter of 2019 from US\$9 million during the same period in 2018, primarily due to a decrease in personnel expenses related to the severance payments made in 2018 and the reduction in head count due to the management integration between Kallpa and OEP executed during the four quarter of 2018.

**Finance cost, net**

Finance cost, net decreased by US\$1 million, or 9%, to US\$10 million during the fourth quarter of 2019 from US\$11 million during the same period in 2018, primarily due to the reduction in the interest rate of our shareholder loan to zero since January 2019.

**Income tax expense**

Income tax expense increased by US\$6 million, to US\$1 million expense during the fourth quarter of 2019 from US\$5 million income in the same period in 2018. Income tax expense in the fourth quarter of 2019 resulted from higher taxable income and exchange gains in local currency (2.3% local currency devaluation in the fourth quarter 2019 compared to 2.4% revaluation in the same period in 2018), coupled with non-deductible expenses. Income tax in the fourth quarter of 2018 resulted from exchange losses in local currency and timing of deferred income tax.

## Appendixes

### **EBITDA & Adjusted EBITDA reconciliation**

|                                                | Year ended<br>December 31, |           | Three months ended<br>December 31, |            |
|------------------------------------------------|----------------------------|-----------|------------------------------------|------------|
| <i>In millions of U.S.</i>                     | 2019                       | 2018      | 2019                               | 2018       |
| <b>Profit from continuing operations</b>       | <b>18</b>                  | <b>3</b>  | <b>6</b>                           | <b>(2)</b> |
| (+) Income tax and profit sharing              | 10                         | (5)       | 1                                  | (5)        |
| (+) Financial expense, net                     | 40                         | 44        | 10                                 | 11         |
| (+) Depreciation and amortization <sup>2</sup> | 38                         | 48        | 10                                 | 14         |
| <b>Total EBITDA</b>                            | <b>106</b>                 | <b>90</b> | <b>27</b>                          | <b>18</b>  |
| (+/-) Non-recurring expenses, net <sup>3</sup> | -                          | 8         | -                                  | 6          |
| <b>Total Adjusted EBITDA</b>                   | <b>106</b>                 | <b>98</b> | <b>27</b>                          | <b>24</b>  |

### **Material Indebtedness**

| <i>In millions of U.S. dollars</i>  | Outstanding<br>Principal Amount<br>as of December<br>31, 2019 | Interest<br>Rate | Final Maturity | Amortization                                                  |
|-------------------------------------|---------------------------------------------------------------|------------------|----------------|---------------------------------------------------------------|
| Long-term debt:                     |                                                               |                  |                |                                                               |
| Unsecured:<br>5.625% Notes due 2027 | 541                                                           | 5.625%           | April 2027     | Principal due at maturity with semi-annual interest payments. |
| <b>Total</b>                        | <b>US\$541</b>                                                |                  |                |                                                               |

**Note:** values net of transaction costs

<sup>2</sup> Includes depreciation classified as Administrative expenses in our consolidated financial statements.

<sup>3</sup> Includes primarily one-time severance payments related to the management integration between Kallpa and OEP in 2018.