OFFERING MEMORANDUM

US$50,000,000

AI Candelaria (Spain), S.A.

7.500% Senior Secured Notes due 2028

We are offering $50,000,000 aggregate principal amount of 7.500% Senior Secured Notes due 2028 (the "New Notes"). The New Notes are being offered as additional notes under an indenture pursuant to which we previously issued $650,000,000 aggregate principal amount of our 7.500% Senior Secured Notes due 2028 on October 25, 2018 (the "Initial Notes") and $50,000,000 aggregate principal amount of our 7.500% Senior Secured Notes due 2028 on May 9, 2019 (together with the Initial Notes, the "Existing Notes" and, together with the New Notes, the "Notes"). The New Notes and the Existing Notes will be fungible and will be treated as a single series under the indenture governing the Notes and will have the same terms as the Existing Notes, other than their date of issue and their initial price to the public. The New Notes and the Existing Notes will vote as one class on all matters under the indenture governing the Notes. Immediately after giving effect to the issuance of the New Notes offered hereby, we will have $750,000,000 aggregate principal amount of our 7.500% Senior Secured Notes due 2028 outstanding.

We will pay interest on the New Notes semi-annually in arrears on June 15 and December 15 of each year (each, a "Payment Date"), commencing on December 15, 2020. Interest on the New Notes will accrue from June 15, 2020. We will pay principal on the Notes in consecutive semi-annual installments commencing on December 15, 2022. The Notes will mature on December 15, 2028. The Notes are our secured and unsubordinated debt obligations and will rank *pari passu* in right of payment with all of our other obligations that are not, by their terms, expressly subordinated in right of payment to the Notes. The holders of the Notes (each, a "Noteholder") will have the benefit of a Debt Service Reserve Account (as defined below) which is required to be funded with an amount equal to the product of (i) an amount sufficient to provide for the payment in full of interest and principal, if any, due on the next succeeding scheduled Payment Date and (ii) 1.25 (or obtain a letter of credit with respect to that amount). The net proceeds from this offering will be used to (i) fund the amount required in the Debt Service Reserve Account in connection with the aggregate principal amount of the New Notes, (ii) pay fees and expenses relating to the issuance of the New Notes and (iii) pay a dividend to affiliates of I Squared Capital ("I Squared") and Grupo Romero. We may prepay some or all of the Notes before September 15, 2028 (three (3) months prior to the maturity date of the Notes) at a prepayment price of 100% of the principal amount thereof plus accrued and unpaid interest, if any, to but not including the prepayment date, plus a "make whole" premium. At any time on or after September 15, 2028 (three (3) months prior to the maturity date of the Notes), we may prepay some or all of the Notes at a prepayment price of 100% of the principal amount thereof plus accrued and unpaid interest, if any, to but not including the prepayment date. In addition, upon the occurrence of specified tax events, we may choose to prepay the Notes, in whole but not in part, at any time at a prepayment price equal to 100% of the outstanding principal amount thereof, plus additional amounts, if any, and accrued and unpaid interest, if any, to but not including the prepayment date. We may also be required to make an offer to purchase the Notes upon the sale of certain assets and upon certain events defined as constituting a change of control event. If we sell shares in Ocensa (as defined below) that constitute collateral we will prepay a portion of the Notes with the proceeds of such asset sale at a prepayment price of 101% of the principal amount, plus accrued and unpaid interest, if any, to but not including the prepayment date.

We are a holding company whose primary asset as of the date hereof is a 22.352% ownership interest in Oleoducto Central S.A. ("Ocensa"), a capital stock corporation (*sociedad anónima*) incorporated under the laws of the Republic of Colombia and the owner and operator of the Ocensa Pipeline (as defined herein). Our obligations under the Notes are secured by a perfected first-priority lien on (i) all Ocensa shares owned by us as of the date of the issuance of the Initial Notes (the "Ocensa Pledged Shares") and (ii) the cash and cash equivalents on deposit in the Debt Service Reserve Account. See "Description of the Notes."

Investing in the Notes involves risks that are described in the "Risk Factors" section beginning on page 23.

We have not registered the Notes under the Securities Act of 1933, as amended (the "Securities Act") or under any state securities laws. Therefore, we may not offer or sell the New Notes within the United States, or to or for the account or benefit of any U.S. person, unless the offer or sale would qualify for a registration exemption from the Securities Act and applicable state securities laws. Accordingly, we are only offering the New Notes (1) to certain qualified institutional buyers (as defined in Rule 144A under the Securities Act) that are also "Qualified Purchasers" (as defined in Section 2(a)(51)(A)) of the Investment Company Act of 1940, as amended (the "Investment Company Act") and (2) outside the United States to non-U.S. persons (within the meaning of the Investment Company Act and Regulation S) in compliance with Regulation S under the Securities Act. Each purchaser of the New Notes in making its purchase will be deemed to have made certain acknowledgements, representations and agreements as set forth under "Transfer Restrictions" elsewhere in this offering memorandum. See "Transfer Restrictions" for additional information about eligible offerees and transfer restrictions.

None of the U.S. Securities Exchange Commission (the "SEC"), any state securities commission or other regulatory agency has approved or disapproved the New Notes or determined if this offering memorandum is truthful or complete. Any representation to the contrary is unlawful.

The Existing Notes are currently traded on the Singapore Exchange Securities Trading Limited (the "SGX-ST") and we have received approval-in-principle to increase the principal amount of Notes listed on the SGX-ST to include the New Notes. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this offering memorandum. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer or the Notes. The Existing Notes are, and the New Notes will be, in denominations of US$250,000 each or integral multiples of US$1,000 in excess thereof. The Existing Notes are, and the New Notes will be, traded on the SGX-ST in a minimum board lot size of US$250,000 (or its equivalent in foreign currencies) for so long as any of the Notes are listed on the SGX-ST and the rules of the SGX-ST so require. There can be no assurance that a trading market in the Notes will be maintained.

The delivery of the New Notes will be made to investors in book-entry form through the facilities of The Depository Trust Company ("DTC") for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, *société anonyme* ("Clearstream"), on or about August 11, 2020.

The Notes have not been and will not be registered in the *Registro Nacional de Valores y Emisores* (the Colombian National Registry of Securities and Issuers), managed by the Colombian Superintendence of Finance, or the Colombian Stock Exchange (*Bolsa de Valores de Colombia*), and accordingly may not be offered or sold publicly or otherwise be subject to brokerage activities in Colombia, except in circumstances which do not result in a public offering under Colombian law and in compliance with Part 4 of Decree 2555 of 2010.

This offering has not been registered with the *Comisión Nacional del Mercado de Valores* and, therefore, the Notes may not be offered or sold or distributed in Spain except in circumstances which do not qualify as a public offer of securities in Spain in accordance with article 35 of the Securities Market Act (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*), as amended and restated, or pursuant to an exemption from registration in accordance with Royal Decree 1310/2005 as amended (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*), and any regulations developing it which may be in force from time to time.

Price: 106.688% plus accrued interest from (and including) June 15, 2020, to (but excluding) August 11, 2020

Joint Book-Running Managers

Citigroup **Credit Suisse**

August 6, 2020

TABLE OF CONTENTS

This offering memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any New Notes offered by this offering memorandum by any person in any jurisdiction in which it is unlawful for that person to make an offer or solicitation. Neither the delivery of this offering memorandum nor any sale made under this offering memorandum will under any circumstances imply that there has been any change in our affairs or that the information set forth in this offering memorandum is correct as of any date subsequent to the date of this offering memorandum.

This offering memorandum does not constitute an offer to any other person or the public in general to subscribe for or otherwise acquire the New Notes. Distribution of this offering memorandum by you to any person other than those persons retained to advise you is unauthorized. By accepting delivery of this offering memorandum you agree to the foregoing and to make no photocopies of this offering memorandum, and, if you do not purchase the New Notes or the placement is terminated for any reason, to return this offering memorandum to: Latin America Investment Banking, Citigroup Global Markets Inc., 388 Greenwich Street, New York, NY 10013 or Latin America IBCM, Credit Suisse Securities (USA) LLC, 11 Madison Avenue, New York, NY 10010. Copies of the documents referred to in this offering memorandum may be obtained from AI Candelaria (Spain), S.A., Calle Suero de Quiñones, 34-36, 28002, Madrid, Spain.

We have prepared this offering memorandum solely for use in connection with the offer of the New Notes and take responsibility for its contents. No other person is responsible for its contents. We and other sources we believe to be reliable have furnished the information contained in this offering memorandum. Nothing contained in this offering memorandum is or shall be relied upon as a promise or representation, whether as to the past or the future; and the opinions and intentions expressed in this offering memorandum with regard to us are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, and all reasonable inquiries have been made by us to ascertain such facts and to verify the accuracy of all such information and statements. We accept responsibility accordingly.

The initial purchasers are not making any representation or warranty as to the accuracy or completeness of the information contained in this offering memorandum. The initial purchasers assume no responsibility for the accuracy or completeness of the information contained in this offering memorandum.

You must comply with all laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering memorandum and the purchase, offer or sale of the New Notes, and you must obtain any required consent, approval or permission for the purchase, offer or sale by you of the New Notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make purchases, offers or sales, and neither we nor the initial purchasers have any responsibility for those transactions. See "Transfer Restrictions."

You acknowledge that (1) you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum, (2) you have not relied on us, the initial purchasers or any person affiliated with us or the initial purchasers in connection with your investigation of the accuracy of the information or your investment decision, and (3) we and the initial purchasers have not authorized anyone to provide any information other than that contained in this offering memorandum. We and the initial purchasers take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you.

In making an investment decision, you must rely on your own examination of our business and the terms of the offering, including the merits and risks involved. The New Notes have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is unlawful. The New Notes may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. See "Risk Factors," following the "Summary," for a description of specified factors relating to an investment in the New Notes. Neither we, the initial purchasers, nor any of our or their respective representatives is making any representation to you regarding the legality of an investment by you under appropriate legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the New Notes.

IF ANY PERSON HOLDING AN INTEREST IN THE NEW NOTES IS NOT (1) A QUALIFIED INSTITUTIONAL BUYER AND, IN THE CASE OF A U.S. PERSON, A QUALIFIED PURCHASER AT THE TIME OF ACQUIRING SUCH INTEREST OR (2) A NON-U.S. PERSON, THE ISSUER MAY REGARD THE TRANSACTION AS NULL AND VOID AND OF NO EFFECT. IN SUCH CIRCUMSTANCES, SUCH PERSON MAY BE FORCED TO TRANSFER OR SELL SUCH INTEREST TO A PERMITTED TRANSFEREE MEETING THE REQUIREMENTS SET FORTH UNDER THE CAPTION "TRANSFER RESTRICTIONS—REPRESENTATIONS OF PURCHASERS" IN THIS OFFERING MEMORANDUM.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Statements

In this offering memorandum, all references to "AI Candelaria," "the Company," "the Issuer," "we," "our," "ours," and "us" refer to AI Candelaria (Spain), S.A. and all references to "Ocensa" refer to Oleoducto Central S.A. except as otherwise provided. We treat Ocensa as an equity method investee and do not consolidate Ocensa's financial statements in our financial statements.

All references to "$," "US$," "U.S. dollars" and "dollars" are to United States dollars, all references to "pesos" or "Ps$" are to Colombian pesos.

Our financial information as of and for the years ended December 31, 2017, 2018 and 2019 has been derived from our financial statements prepared in accordance with accounting principles generally accepted in Spain ("Spanish GAAP") and audited by Grant Thornton, S.L.P. Our financial information as of and for the three months ended March 31, 2019 and 2020 has been derived from our unaudited financial statements prepared in accordance with Spanish GAAP. The financial statements, contained elsewhere in this offering memorandum, as of and for the years ended December 31, 2018 and 2019 are stated in Euros, and the financial statements as of and for the year ended December 31, 2017 and the financial statements as of and for the three months ended March 31, 2020, are stated in U.S. dollars.

Ocensa's financial information contained in this offering memorandum is derived from its financial statements as of and for the years ended December 31, 2019, 2018 and 2017 which have been audited by Ernst & Young Audit S.A.S. and its unaudited interim financial statements as of March 31, 2020 and for the three months ended March 31, 2020 and 2019. Ocensa prepares its annual financial statements in accordance with the Accounting and Financial Information Standards Accepted in Colombia ("NCIF"). NCIF are based on the International Financial Reporting Standards ("IFRS") and its interpretations issued by the International Accounting Standards Board ("IASB") and other applicable legal provisions for entities supervised by the National Accounting Office (*Contaduría General de la Nación*). These financial statements, contained elsewhere in this offering memorandum, are stated in U.S. dollars.

Accounting Principles

Our financial statements are reported based on Spanish GAAP. Accordingly, the presentation of our financial statements may differ from presentations by non-Spanish companies and other companies that apply other accounting principles. No reconciliation of any of our financial statements to generally accepted accounting principles in the United States ("U.S. GAAP") has been prepared for the purposes of this offering memorandum. Any such reconciliation would likely result in material differences. A summary of significant differences between Spanish GAAP and U.S. GAAP is set forth below:

- **Deferred taxes**: Under Spanish GAAP, deferred tax assets and deferred tax liabilities are recognized on the balance sheet at their realizable value as non-current assets or liabilities, regardless of the expected date of realization or liquidation. To be able to recognize a deferred tax asset, it must be likely that the company will have future tax benefits which will allow it to compensate such negative tax bases within a period not exceeding the period provided by the tax legislation. Under Spanish GAAP there is also a limitation on the recognition of deferred tax assets that are expected to be realized beyond ten years from the date of incurring the losses, unless strong evidence can be provided that its recovery will be probable in longer term or in those cases in which the tax legislation allows to compensate in longer term or does not establish a temporary limitation to offset these tax bases. Under U.S. GAAP deferred tax assets are recognized in full and a valuation allowance is separately recognized to reduce the value to the amount that is more likely than not to be realized.

- **Investments in the equity of group and associated companies**: Under Spanish GAAP, group companies are considered to be those connected to a company by a relationship of control. The investment we have in Ocensa is considered an investment in an associated entity because control does not exist. These investments are initially recorded for the value of the consideration paid plus the direct costs of the transaction. Thereafter, they are valued at cost less the accumulated amount of any losses for impairment. These impairment losses are calculated as the difference between the book value and the recoverable value; the latter is the higher of the fair value less any selling costs and the present value of the future cash flows expected from the investment. Unless other evidence exists concerning the recoverable value, the net equity of the business in which the investment has been made is taken into account together with any excess of fair values over book values existing at the valuation date, including any goodwill that might exist. The changes in value due to impairment adjustments and, if applicable, any reversions, are recorded as an expense or income respectively in the profit and loss account. Like in Spanish GAAP, U.S. GAAP defines equity-method investees as an entity over whose operating and financial policies the investor has significant influence, but not control. Like in Spanish GAAP, U.S. GAAP defines "significant influence" as the ability to significantly influence the operating and financial policies of an investee, with the rebuttable presumption that if an entity holds 20 percent or more of the voting rights of another corporate then it does not have a controlling financial interest. Investment in associated companies are accounted for following the equity method of accounting under U.S. GAAP.

Ocensa's financial statements are reported based on NCIF and other applicable legal provisions for entities issued by the National Accounting Office (*Contaduría General de la Nación*). Accordingly, the presentation of Ocensa's financial statements and the calculation of reported earnings based on its financial statements may differ from presentations by non-Colombian companies and other companies that apply other accounting principles. No reconciliation of any of Ocensa's financial statements to IFRS has been prepared for the purposes of this offering memorandum. Any such reconciliation would likely result in material differences.

Colombia's National Accounting Office (*Contaduría General de la Nación*) determined on January 18, 2016 that, beginning in fiscal year 2014, Ocensa should not comply with International Accounting Standard ("IAS") 12 Income Tax, paragraphs 38 to 45 relating to the treatment of deferred tax, as the deferred tax from variations in the exchange rate resulting from comparing assets and liabilities in terms of U.S. dollar to the tax bases in Colombian pesos should not be recognized. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of Ocensa—Impact of Non-Application of Certain Provisions of IAS 12 – Income Tax" for additional information.

EBITDA

This offering memorandum includes Ocensa's earnings before interest, tax and depreciation and amortization, or EBITDA, which Ocensa calculates as net profit plus depreciation and amortization, income tax and financial (income) expenses, net. EBITDA is not a measure recognized under NCIF, does not have a standardized meaning and may not be comparable to similarly titled measures provided by other companies either in Colombia or in other jurisdictions. In addition, Ocensa has not calculated EBITDA in accordance with the guidelines adopted by the SEC on presentation of non-IFRS financial measures. We disclose EBITDA because we use it as a measure of Ocensa's operating performance. EBITDA should not be considered in isolation or as a substitute for net profit or loss or as an indicator of operating performance or cash flow or as a measure of liquidity or our ability to service debt obligations.

Industry and Market Data

The information in this offering memorandum also includes statistical data regarding the Colombian crude oil and gas industry, including crude oil transportation logistics. Ocensa generated some of this data internally and we obtained some data from independent industry and governmental publications and reports that we believe to be reliable sources, including, among others identified herein, the National Hydrocarbon Agency (*Agencia Nacional de Hidrocarburos*) (the "ANH"), the Ministry of Mines and Energy (*Ministerio de Minas y Energía*) (the "MME"), the BP Statistical Review of World Energy 2019 (the "2019 BP Statistical Review") and Argus Media price information. We have not independently verified the data obtained from external sources nor sought the consent of any organizations to refer to their reports in this offering memorandum. We have not participated in the preparation or compilation of any of such information.

Certain Definitions and Abbreviations

In this offering memorandum, except where otherwise indicated or the context otherwise requires, references to:

- "contracted capacity" means the amount of crude oil transportation capacity in kbpd (as defined below) that Ocensa has agreed to make available to shippers in the Ocensa Pipeline (as defined below) pursuant to its transportation agreements.

- "effective capacity" means the actual crude oil transportation capacity of all or a segment of the Ocensa Pipeline taking into consideration any factors that would impact transportation capacity.

- "AD600 Heavy Crude Project" means the project to increase the ability of the Ocensa Pipeline to accommodate extra heavy crude oils (up to 600 cSt viscosity).

- "Cenit" means Cenit Transporte y Logística de Hidrocarburos S.A.S., a wholly-owned subsidiary of Ecopetrol.

- "CLC" means Oleoducto Caño Limon Coveñas pipeline, a competitor pipeline to Ocensa.

- "DICOV" means the project to dilute crude oil in the Port of Coveñas.

- "Ecopetrol" means Ecopetrol S.A., the Colombian national crude oil and gas company and Colombia's largest producer of crude oil and gas.

- "FARC" means the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia*), a terrorist group in Colombia.

- "Fitch" means Fitch Ratings Inc. and its successors.

- "Hocol" means Hocol S.A., an oil and gas company in Colombia.

- "initial shippers" means Cepsa Colombia S.A. ("CEPSA"), Ecopetrol, Equión Energía Limited ("Equión"), Santiago Oil Company, Talisman (Colombia) Oil & Gas, Talisman Santiago A.G., Talisman SO A.G., Total E&P Colombia, and Transporte & Marketing S.A.S. (or their respective successors and assignees), which have entered into transportation agreements with Ocensa dated March 31, 1995, as amended from time to time.

- "km" means kilometers.

- "Moody's" means Moody's Investors Service, Inc. and its successors.

- "OBC Reversion Project" means the joint project between Ocensa and Oleoducto Bicentenario (as defined below) that allows the temporary reversal of Oleoducto Bicentenario's flow whenever it is inoperative.

- "Ocensa Pipeline" means the pipeline owned and operated by Ocensa pursuant to the Pipeline Concession (as defined below).

- "Oleoducto Bicentenario" or "OBC" means Oleoducto Bicentenario de Colombia, a competitor pipeline to Ocensa.

- "Oleoducto de Colombia" means Oleoducto de Colombia S.A., a competitor pipeline to Ocensa.

- “Oleoducto de los Llanos” or “ODL” means Oleoducto de los Llanos, an afferent pipeline.

- “Pipeline Concession” means the governmental concession granted to Ocensa to build, use, operate and exploit the Ocensa Pipeline and provide the public service of transporting hydrocarbons for a term of 50 years commencing on March 21, 1996.

- “Port Concession” means the governmental concession granted to Ocensa to build and operate a terminal facility in Coveñas to load crude oil for exportation that expires in 2036.

- “Project Delta 35” means Ocensa’s expansion project, completed in 2014, which (i) added 35 kbpd and 40 kbpd of capacity to Segments II and III of the Ocensa Pipeline, respectively, bringing the total capacity of each of these segments to 610 kbpd and 415 kbpd, respectively, and (ii) increased the reliability of the Ocensa Pipeline.

- “Project Potencia 135” means Ocensa’s expansion project in 2016 that added an additional three stations and 135 kbpd of capacity to Segments I, II and III of the Ocensa Pipeline.

- “S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. and its successors.

- “Taxes” means all taxes, levies, customs duties, imposts, fees, assessments or other charges, including all net income, gross income, gross receipts, sales, use, ad valorem, value added, turnover, transfer, franchise, profits, license, withholding, payroll, employment, social contributions, excise, estimated, severance, stamp, occupation, property, import, export, asset or other taxes, levies, customs duties, imposts, fees, assessments or charges of any kind whatsoever, together with any interest, penalties, adjustments for inflation, monetary corrections, additions to tax or additional amounts imposed by any governmental authority.

- “TLU-2” means the tanking loading unit operated and administered by Ocensa in connection with the Port Concession.

- “TLU-3” means the tanking loading unit operated and administered by Ecopetrol in connection with the Port Concession.

- “UPME” means the Mining Energetic Planning Unit (*Unidad de Planeación Minero Energética*) of the MME.

The following is a list of crude oil and natural gas measurement abbreviations commonly used throughout this offering memorandum:

bbl	Barrel with a capacity of 42 U.S. gallons
boe	Barrels of crude oil equivalent
bpd	Barrels per day
bph	Barrels per hour
cSt	Centistoke, equivalent to a viscosity of 1 mm^2 per second
kbpd	Thousand barrels per day
mbpy	Million barrels per year

ENFORCEMENT OF CIVIL LIABILITIES

We are a *sociedad anónima* incorporated under the laws of Spain. Our directors reside in Spain and in Luxembourg. In addition, all or a substantial portion of the assets of these persons and of AI Candelaria are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce against them or us in U.S. courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States or otherwise obtained in U.S. courts.

We have appointed CT Corporation as our authorized agent upon which process may be served in any action which may be instituted in any United States federal or state court having subject matter jurisdiction in the Borough of Manhattan, The City of New York, New York, arising out of or based upon the Indenture (as defined below) governing the Notes or the Notes themselves. See "Description of the Notes."

A final judgment obtained against us outside of Spain (and, in particular, in the United States), other than a country bound by the provisions of EU Regulation 1215/2012 of the European Parliament and of the Council, would be recognized and enforced by the courts of Spain (unless such judgment contravenes principles of Spanish public policy) pursuant to the following regimes:

- according to the provisions of any applicable treaty (there being none currently in existence between Spain and the United States for these purposes); and

- in the absence of any such treaty, the judgment would be enforced in Spain if it satisfies all of the following requirements in compliance with and subject to Article 523 of the Spanish Civil Procedure Act (*Ley 1/2000, de 7 de enero de Enjuiciamiento Civil*) and subject to Law 29/2015, of July 30, on International Legal Cooperation in Civil Matters (*Ley 29/2015, de 30 de julio, de Cooperación Jurídica Internacional en materia civil*) (the "*Law on International Legal Cooperation in Civil Matters*"):

    - such U.S. judgment is final and conclusive (*firme*);

    - such U.S. judgment was rendered by a court having jurisdiction over the matter since the dispute is clearly connected to the United States and the choice of the court is not fraudulent;

    - the judgment is not contrary to Spanish public policy or mandatory provisions and the obligation to be fulfilled is legal in Spain;

    - the documentation prepared for the purposes of requesting the enforcement is accompanied by a literal, authentic, sworn Spanish translation;

    - the copy of the judgment presented before the Spanish Court is duly apostilled;

    - there is not a pending previous proceeding between the same parties and in relation to the same issues in Spain;

    - there is not an incompatible judgment rendered in Spain or previously rendered in another country-when this last judgment meets the requirements to be eventually recognized in Spain;

    - where rendering the judgment, the courts rendering it did not infringe an exclusive ground of jurisdiction provided for under Spanish law or based their jurisdiction on exorbitant grounds and the choice of court is not fraudulent;

    - the rights of defense of the defendant were protected where rendering the judgment, including, but not limited to, a proper service of process carried out with sufficient time for the defendant to prepare its defense and the U.S. judgment was not rendered by default (i.e., without appearance or without the possibility to appear for the defendant); and

- although reciprocity is not a legal requirement, if it were proven that the U.S. jurisdiction in which the judgment was obtained does not recognize judgments issued by Spanish courts on a general basis, then the Spanish courts could be compelled to deny the recognition of the U.S. judgment in Spain.

The Law on International Legal Cooperation in Civil Matters expressly prohibits that a foreign judgment is reviewed as to its substance (*revision del fondo*) by the Spanish competent court.

Any party wishing to have a U.S. ruling recognized or enforced in Spain must file an application seeking declaration of enforceability of the U.S. resolution (*exequatur*) with the relevant Spanish Judge of First Instance (*Juzgado de Primera Instancia*) or Commercial Court (*Juzgado de lo Mercantil*).

The Spanish courts may express any such order in a currency other than euro in respect of the amount due and payable by the Issuer, but in case of enforcement in Spain, the court costs and interest will be paid in euros.

The enforcement of any judgment in Spain entails, among others, the following actions and costs: (a) translation fees for documents in a language other than Spanish, which must be accompanied by a sworn translation into Spanish; (b) certain professional fees for the verification of the legal representative of a party litigating in Spain, if needed; (c) judicial tax and fees; (d) the procedural acts of a party litigating in Spain must be directed by an attorney at law and the party must be represented by a court agent (*procurador*); and (e) the content and validity of foreign law must be evidenced to the Spanish courts. In addition, please note that Spanish civil proceedings rules cannot be amended by agreement of the parties and will, therefore, prevail notwithstanding any provision to the contrary in the Notes.

Substantially all of our assets are shares of Ocensa, a Colombian company. Additionally, the Share Pledge Agreement (as defined below) is governed by Colombian law.

We have been advised by Brigard & Urrutia Abogados S.A.S., our Colombian counsel, that the Colombian Supreme Court (*Corte Suprema de Justicia de Colombia*), determines whether to recognize a U.S. judgment predicated on the U.S. securities laws through a procedural system known under Colombian law as "*exequatur*." The Colombian Supreme Court will recognize a foreign judgment, without reconsideration of the merits, only if the judgment satisfies the requirements of articles 605 through 607 of Law 1564 of 2012 (*Código General del Proceso*), which provide that the foreign judgment will be enforced if:

- a treaty or convention exists between Colombia and the country where the judgment was granted relating to the recognition and enforcement of foreign judgments or, in the absence of such treaty, there is reciprocity in the recognition of foreign judgments between the courts of the relevant jurisdiction and the courts of Colombia;

- the foreign judgment does not relate to "*in rem* rights" vested in assets that were located in Colombia at the time of the commencement of the proceeding in the foreign court which issued the judgment;

- the foreign judgment does not contravene or conflict with Colombian laws relating to public order other than those governing judicial procedures;

- the foreign judgment, in accordance with the laws of the country where it was rendered, is final and is not subject to appeal and a copy of the judgment provided to the Colombian Supreme Court must be authenticated and legalized by a Colombian consul and translated into Spanish by an authorized translator duly registered at the Ministry of Foreign Affairs;

- the foreign judgment does not relate to any matter upon which Colombian courts have exclusive jurisdiction;

- no proceeding is pending in Colombia with respect to the same cause of action, and no final judgment has been awarded in any proceeding in Colombia on the same subject matter and between the same parties;

- in the proceeding commenced in the foreign court that issued the judgment, the defendant was served properly in accordance with the law of such jurisdiction and in a manner reasonably designated to give the defendant an opportunity to defend against the action; and

- the Colombian Supreme Court has granted *exequatur* upon the foreign judgment.

In the course of the *exequatur* proceedings, both the plaintiff and the defendant are granted the opportunity to request the production of evidence in connection with the requirements listed above. In addition, before the judgment is rendered, each party may file final allegations in support of such party's position. In other words, once the recognition petition is filed, the court must serve its admission to all the interested parties, foreign or Colombian domiciliaries, for such parties to present their considerations regarding the petition. Thereafter, the court will decide upon the evidence request and will set a date for a hearing where the evidence will be collected and closing arguments must be presented prior to its final decision. The United States and Colombia do not have a bilateral treaty providing for automatic reciprocal recognition and enforcement of judgments in civil and commercial matters. However, the Colombian Supreme Court has generally accepted that reciprocity exists when it has been proven that either a U.S. court has enforced a Colombian judgment or that a U.S. court would enforce a foreign judgment, including a judgment issued by a Colombian court. Nevertheless, such enforceability decisions are considered by Colombian courts on a case-by-case basis.

Once the Colombian Supreme Court grants the *exequatur* to the relevant foreign judgment, the party seeking its enforcement can initiate a judicial collection claim before the competent local court.

Colombia is party to international treaties such as the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention"), the 1975 Inter-American Convention on International Commercial Arbitration, and the 1965 Washington Convention for the Settlement of Disputes between States and Nationals of Other States.

As of the enactment of Law 1563 of 2012, in force as of October 13, 2012, international arbitration awards issued by arbitral tribunals sitting in Colombia are not subject to *exequatur* or recognition proceedings to be recognized, except when the parties waived their right to request the annulment of the award.

Recognition of international arbitration awards may only be denied pursuant to the grounds described in article 112 of Law 1563 of 2012:

when it is proved by the party against which recognition is sought that:

- the party to the arbitration agreement was, under the applicable law, under some incapacity, or said agreement is not valid under the law to which the parties have subjected it or, in the event the law has not been specified, under the law of the country where the award was made; or

- the party against whom the award is enforced was not given proper notice of the appointment of an arbitrator or of the initiation of the arbitration proceeding or was otherwise unable to present its rights in the case; or

- the subject matter of the award is a dispute not included within the terms of the submission to arbitration or it contains decisions on matters beyond the scope of the submission to arbitration (if the decisions on matters submitted to arbitration can be separated from those not submitted, the first may be recognized and enforced); or

- the integration of the arbitration tribunal or the arbitral procedure was not in accordance with the agreement of the parties, or in the event such agreement has not been made, in accordance with the law of the country where the arbitration took place; or

- the award has not yet become binding for the parties or has been set aside or suspended by a judicial authority of the country in which the award was issued; or

when the competent judicial authority verifies that:

- in accordance with Colombian law, the matter may not be subject to arbitration (Article 62 of Law 1563 of 2012 provides that the special regulation on international arbitration contained in the Third Section does not affect any other local law that excludes the arbitrability of certain matters); or

- the recognition or enforcement of the award would be contrary to Colombian international public policy. The Supreme Court of Colombia has consistently held that the notion of public policy under the New York Convention is limited to the basic or fundamental principles of legal institutions, such as the prohibition to exercise rights abusively, good faith, the arbitral tribunal's impartiality and due process. Thus, the contravention of a mandatory rule does not necessarily fall within the scope of article V.2.b. of the New York Convention. Therefore, the contravention of a mandatory provision of the *exequatur* judge's forum does not entail itself a violation of the international public policy, in accordance with the Colombian Supreme Court's decision of July 27, 2011.

If there is an annulment petition or a motion for suspension filed before a judicial authority of the country where the arbitration is located, then the Colombian judicial authorities may suspend its ruling on the award's recognition, as, in accordance with article 1112 of Law 1563 of 2012, the Supreme Court of Colombia has the power to decide whether to suspend the recognition proceeding in Colombia.

The above events are similar to the ones regulated in article V(a)(b) of the New York Convention.

CAUTIONARY DISCLOSURE REGARDING FORWARD-LOOKING INFORMATION

This offering memorandum contains statements that are or may constitute forward-looking statements. Many of the forward-looking statements contained in this offering memorandum can be identified by the use of forward-looking words such as "anticipate," "believe," "will," "could," "expect," "should," "plan," "seek," "intend," "estimate" and "potential," among others. These forward-looking statements are primarily based on current expectations about future events and financial trends that affect, or may affect, our business, financial condition, results of operation, liquidity and prospects, and include, without limitation, statements regarding our expectations and estimates concerning our and Ocensa's future financial performance and liquidity; financing plans; anticipated trends and competition; and the anticipated impact of legal and administrative proceedings. Although we believe that these forward-looking statements are based upon reasonable assumptions, these statements are subject to several risks and uncertainties and are made in light of information currently available to us. Investors should understand that the following important factors, in addition to those discussed in this offering memorandum, including in the sections entitled "Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations of AI Candelaria," "Management's Discussion and Analysis of Financial Condition and Results of Operations of Ocensa," "Industry and Regulatory Overview" and "Business" could affect our future results and could cause our results to differ materially from those expressed in such forward-looking statements:

- dependence on cash dividends due to being a holding company;
- changes of control of Ocensa;
- Limitations on deductibility due to provisions on Spanish corporate income tax ("CIT") in Spanish tax legislation;
- future growth and development of the oil transportation industry in Colombia, including the development of alternative pipelines or alternatives to transport crude oil;
- volatility in the price of crude oil;
- disruptions or slowdowns in the production of crude oil in Colombia;
- Ocensa's ability to successfully complete its expansion projects;
- general economic conditions in Colombia, the United States, the European Union and other markets including emerging markets, that, directly or indirectly, could affect Ocensa's performance and international and Colombian political, economic and social developments;
- a reduction in the price of crude oil and a decrease in demand for pipeline transportation services;
- Ocensa's level of indebtedness or its ability to generate sufficient cash flow to meet its debt service requirements;
- availability and cost of funding;
- Ocensa's ability to meet any future capital requirements;
- the impact of any natural disasters or pandemics, such as the novel coronavirus known as "COVID-19," on Ocensa's ability to provide its services to its customers, and the impact of any measures taken by the Colombian Government to address the crisis;
- loss of key personnel;
- Ocensa's ability to sustain or improve its operating performance and implement its business strategies;

- Ocensa's ability to realize its corporate strategy, plans, objectives and goals;
- Ocensa's ability to realize the benefits of its acquisitions, capital expenditures and other investments;
- expected demand for Ocensa's services;
- Ocensa's future operating profit, net profit (loss), financial position, cash flows, capital expenditures, dividends, capital structure or other financial items or ratios;
- increases in Ocensa's operating costs or its ability to meet efficiency or cost reduction objectives;
- unfavorable outcomes of legal actions and/or administrative proceedings involving Ocensa;
- foreign currency exchange fluctuations relative to the U.S. dollar or the Colombian peso and potential currency exchange control risks;
- the enactment of new and stricter regulations, including environmental, tax, judicial or administrative decisions or changes to interpretations of existing regulations in Colombia applicable to Ocensa and its business;
- Ocensa's ability to maintain existing concessions and licenses, when applicable, or to obtain new concessions or licenses that may be required to provide its services;
- business interruptions or impairment of Ocensa's assets;
- accidents, potential acts of terrorism, including cyber security attacks, vandalism, escalations of hostilities or other similar events that may affect the integrity of Ocensa's assets or infrastructure;
- extreme weather conditions affecting the areas where Ocensa operates;
- assumptions underlying any such statements; and
- other statements contained in this offering memorandum regarding matters that are not historical facts.

The forward-looking statements included in this offering memorandum are made only as of the date hereof. You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this offering memorandum to conform these statements to actual results or to changes in our expectations.

You should read this offering memorandum with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.

SUMMARY

You should read the following summary together with the more detailed information regarding Ocensa, us and each of our financial statements and notes appearing elsewhere in this offering memorandum. This summary highlights selected information from this offering memorandum and may not contain all the information that is important to you. For a more complete understanding of Ocensa, us and the New Notes offered pursuant to this offering memorandum, you should read this entire offering memorandum, including the risk factors and the financial statements appearing elsewhere herein.

AI Candelaria

Company Organization

We are a holding company whose sole activity since our incorporation in September 2013 has been to invest in shares of Ocensa. As of the date of this offering memorandum, we own 1,153,139 shares or 22.352% of Ocensa's capital stock, which have been pledged to secure the obligations under the Notes. This interest in Ocensa represents all of our assets from which we derive our income. We do not hold shares of any other operating company; however, we may acquire shares of other operating companies in the future or purchase additional shares of Ocensa, but any such shares are not required to be pledged as additional collateral to secure our obligations under the Notes.

We are owned 50% by ISQ Booster Acquisitions S.à r.l, a société à responsabilité limitée organized and existing under the laws of Luxembourg ("LIC"), having its registered office at 20, rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Trade and Companies Register under number B241501, and controlled by I Squared, through its private fund ISQ Global Infrastructure Fund II ("ISQ"), and 50% by Elystan Capital Holding Limited, a limited company organized under the laws of England and Wales ("ECH"), having its registered office at 35 Great St. Helen's, London, EC3A 6AP, United Kingdom, registered with the Companies Register under number 1150415276, and controlled by Grupo Romero.

We enforce our rights as shareholders in accordance with the Shareholders' Agreement, which contains corporate governance provisions establishing the relationship among ourselves, other shareholders of Ocensa and Ocensa. Because we own 22.352% of Ocensa's capital stock, we may nominate, and effectively control, the appointment of, two board members using the electoral quotient (*cuociente electoral*) system, and we have effective veto rights on critical decisions that require qualified majorities relating to Ocensa's operations and financial condition and on changes to Ocensa's existing dividend policy. We will maintain this effective veto right so long as our ownership does not fall below 10% of Ocensa's capital stock. The Shareholders' Agreement regulates, among others, the following matters:

Qualified Majorities in Shareholders' Meetings

Pursuant to the Shareholders' Agreement, the following decisions must be approved by a majority of Ocensa's shareholders that (1) comprises Cenit (or any of its affiliates) and at least one additional shareholder, and (2) represents at least 90.1% of Ocensa's total outstanding shares. As a result of our 22.352% ownership of Ocensa, we have effective veto rights over the following decisions:

- approve that a particular issuance of shares, of any class, be offered and traded without being subject to preemptive rights;

- create or issue any shares other than common shares;

- approve the creation of temporary reserves (*reservas ocasionales)* for an amount equal to or higher than 10% of the net profits;

- approve any profit distribution other than 100% of available distributable earnings;

- declare the payment of dividends in the form of paid-in shares of any class of Ocensa, or in kind;

- approve amendments to Ocensa's by-laws seeking to: (1) modify Ocensa's corporate purpose; (2) modify Ocensa's dividends distribution policy; (3) include in Ocensa's by-laws the preferential rights in the negotiation of shares or establish any restriction to the free marketability of shares; (4) declare Ocensa's voluntary wind-up, merger, spin-off or dissolution; (5) modify the number of members composing the Board of Directors of Ocensa or any of the qualifying majorities to adopt decisions in the shareholders' meeting or in the Board of Directors, as provided in the Shareholders' Agreement and the by-laws; or (6) modify any of the qualifying majorities set out in the Shareholders' Agreement;

- approve the listing of Ocensa's shares on a stock exchange and the corresponding initial public offering; and

- approve repurchasing any of Ocensa's outstanding shares.

Pursuant to the Shareholders' Agreement, the following decisions must be approved by a majority of shareholders that (1) comprises Cenit (or any of its affiliates) and at least one additional shareholder, and (2) represents at least 85% of Ocensa's total outstanding shares. As a result of our 22.352% ownership of Ocensa, we have effective veto rights over the following decisions:

- create reserves under Ocensa's corporate by-laws; and

- transfer or sell any of Ocensa's assets which are worth at least US$50 million.

Moreover, any issuance of shares representing Ocensa's capital stock must be approved by a majority of shareholders that (1) comprises Cenit (or any of its affiliates) and at least one additional shareholder, and (2) represents at least 80% of our total outstanding shares. As a result of our 22.352% ownership of Ocensa, we have effective veto rights over such decisions.

The following decisions must be approved by a majority of shareholders comprising the greater of (1) Cenit (or any of its affiliates) and at least one additional shareholder, or (2) more than 50% Ocensa's total outstanding shares:

- amend Ocensa's by-laws for purposes of changing the legal entity under which it was incorporated;

- transfer any of Ocensa's assets with a market price equal to or greater than US$25 million but less than US$50 million;

- approve any public offering of securities issued or secured by Ocensa, other than the listing and initial public offering of Ocensa's shares on a stock exchange;

- approve the valuation of in-kind contributions to Ocensa;

- approve temporary reserves of an amount lower than 10% of net profits; and

- approve amendments to an agenda of a special shareholders' meeting.

Board of Directors

<u>Appointment and qualified majorities</u>

In accordance with the Shareholders' Agreement, Ocensa's board members are nominated and appointed in the following proportion: (1) Cenit may nominate three members of the board of directors, two of which must be independent members pursuant to criteria set forth in Article 44 of Law 964 of 2005; and (2) based on our 22.352% minority ownership, we may nominate, and effectively control the appointment of, two members total using the electoral quotient (*cuociente electoral*) system.

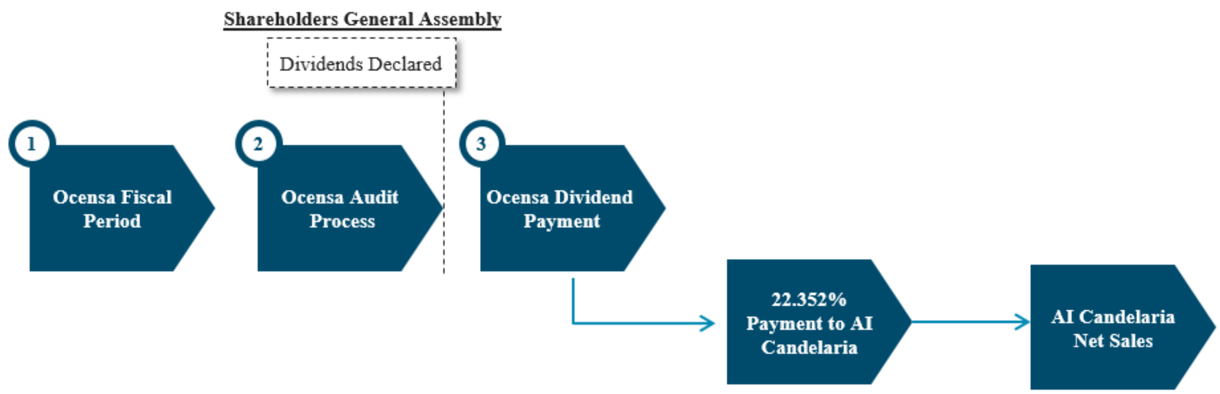
Pursuant to the Shareholders' Agreement, a qualified majority of at least four of Ocensa's five board members is required to:

- approve Ocensa's business plan and any amendments thereto;
- approve projects that involve amounts greater than US$100 million;
- approve Ocensa's corporate governance code and any amendments thereto;
- delegate any capacities of the board to any of its members or to any other person;
- approve the regulations for issuing and placing any of Ocensa's shares or other securities for a price lesser than the fair market value;
- approve transactions involving amounts higher than US$0.5 million to be carried out between Ocensa and any shareholder or any affiliate thereof (except for transactions related to services rendered by Ocensa and based on regulated tariffs);
- approve any amendments to Ocensa's transporter's manual or to the regulations governing operating or technical conditions at its terminal at the Port of Coveñas; and
- approve Ocensa's involvement in new lines of business that are substantially different from its current activities and that are not contemplated in its current business plan.

Dividend Policy

Pursuant to the Shareholders' Agreement and Ocensa's by-laws, Ocensa must prepare financial statements at June 30 and December 31 of each year and, if applicable, distribute as dividends to its shareholders 100% of net profit that is available after funding any applicable reserves, unless otherwise instructed by its shareholders at a shareholders' meeting.

Our principal sources of cash flows have historically been Ocensa's dividends, which we register as net sales in our financial statements. Dividend payments from Ocensa are subject to a time lag with respect to the end of the fiscal period during which the net profit being distributed was accumulated in order for Ocensa to complete its audit process and declare dividends in a General Shareholders Assembly for payment to its shareholders. Once the declared dividends are paid to us, we recognize them as net sales. The following diagram sets forth an illustrative timeline regarding the dividend payment process.



In 2017, dividends were declared and paid by Ocensa to all its shareholders two times for an aggregate amount of US$381.3 million, attributable to net profit generated by Ocensa for the last quarter of 2016 and the period between January 1, 2017 and June 30, 2017. In 2018, dividends were declared and paid by Ocensa to all its shareholders two times for an aggregate amount of US$604.5 million, attributable to net profit generated for the period between July 1, 2017 and June 30, 2018. In 2019, dividends were declared and paid by Ocensa to all its shareholders two times for an aggregate amount of US$756.5 million, attributable to net profit generated for the period between July 1, 2018 and June 30, 2019. We received our pro rata share of all these dividends distributions at the declared times and recognized them as net sales. For the three months ended March 31, 2020 and 2019, and the years ended December 31, 2019, 2018 and 2017, we had net sales of US$91.3 million, US$79.5 million, US$169.7 million, US$135.4 million and US$85.2 million, respectively. The operating costs to maintain our structure are minimal. As such, we reported operating income of US$91.3 million, US$79.1 million, US$168.9 million, US$134.4 million and US$84.7 million for the three months ended March 31, 2020 and 2019 and the years ended December 31, 2019, 2018 and 2017, respectively.

It is important to highlight that in 2017 Ocensa declared and paid the equivalent of nine months of net profit, while in 2018 and 2019, it declared and paid the equivalent of 12 months. Consequently, in 2017, the amount AI Candelaria recorded in net sales was representative of only nine months of net profit instead of 12 months.

On June 18, 2020, Ocensa declared dividends of US$245 million, attributable to net profit generated during the period between January 1, 2020 and March 31, 2020. AI Candelaria will effectively receive US$54.8 million, corresponding to our 22.352% stake, the substantial majority of which we have received and the remainder of which we expect to receive in August 2020.

In the past three years, Ocensa has declared dividends representing 100% of the net profit generated and has not declared the funding of any applicable reserves.

Tag Along Rights

Subject to certain conditions stipulated in the Shareholders' Agreement, we are entitled to tag along rights in the event a current shareholder or a third party acquires a controlling interest in Ocensa's capital stock.

Term

In accordance with its terms, the Shareholders' Agreement is valid and binding until the registration of Ocensa's shares on the Colombian National Registry for Securities and Issuers and the listing of Ocensa's shares on the Colombian stock exchange in connection with an initial public offering.

Moreover, if as a result of a transfer of Ocensa's shares by any of its shareholders, Ocensa ceases to have a majority shareholder, its then existing shareholders must renegotiate the Shareholders' Agreement to ensure its functionality under the new ownership structure.

For additional information regarding the provisions of the Shareholders' Agreement governing Ocensa's crude oil transport operations, see "Business—Material Agreements—Shareholders' Agreement."

Ocensa

Ocensa is a crude oil transportation company incorporated on December 14, 1994 to design, build, operate and manage a crude oil pipeline transportation system. Ocensa owns and operates the Ocensa Pipeline, the largest crude oil pipeline in Colombia, covering 836 km underground and 12 km underwater. The Ocensa Pipeline, Ocensa's primary asset, was completed and became operational in 1998 and has a current capacity of 745 kbpd at the largest segment of the pipeline (Segment II), reflecting the completion of Project Potencia 135 in 2016. In 2019 and for the three-month period ended March 31, 2020, the Ocensa Pipeline transported approximately 66% and 64%, respectively, of Colombia's total production of crude oil, diluents and condensates, and exported through the TLU-2, approximately 57% and 59%, respectively, of Colombia's national production of crude oil, diluents, condensates and total crude oil for exports (excluding crude oil used to produce intermediate fuel oil and minor exports from third-party ports). The Ocensa Pipeline transports crude oil ranging from light crude oil and intermediate blends to heavy crudes, on behalf of crude oil producers, from Colombia's most prolific basins, including the Llanos basin and the Arauca basin, which in 2019 accounted for 69% and 6%, respectively, of Colombia's national production of crude oil, to the Port of Coveñas, Colombia's primary public crude oil export facility.

In 2019, Ocensa's revenue and net profit totaled US$1,556 million and US$812 million, respectively, compared to US$1,401 million and US$670 million in 2018 and US$1,325 million and US$553 million in 2017, respectively, while its EBITDA totaled US$1,348 million in 2019, compared to US$1,166 million in 2018 and US$1,079 million in 2017. For the three-month period ended March 31, 2020, Ocensa's revenue and net profit totaled US$363 million and US$245 million, respectively, compared to US$367 million and US$225 million for the three-month period ended March 31, 2019, respectively, while its EBITDA totaled US$321 million for the three-month period ended March 31, 2020, compared to US$357 million for the three-month period ended March 31, 2019.

Ocensa's majority shareholder, with 72.648% of its equity, is Cenit, a wholly-owned subsidiary of Ecopetrol, the Colombian national oil and gas company and Colombia's largest producer of crude oil and gas. Ecopetrol has accounted for approximately 58% of Colombia's total crude oil production, on average, over the past five years according to the ANH and the Colombian Petroleum Association ("ACP"). Of its remaining equity, 22.352% is beneficially held by AI Candelaria, while 5.000% is beneficially held by Darby Colpatria Capital, a private equity investment vehicle of Franklin Templeton, through a shareholding trust.

Competitive Strengths

Ocensa is well-positioned as a leading pipeline transporter of crude oil in Colombia and believes its main competitive strengths include:

Resilient business model with significant and predictable cash flow

Pipeline tariffs are calculated in accordance with regulations promulgated by the MME that allow Ocensa to negotiate the tariffs with its customers and that provide for subsequent annual adjustments for inflation. If these negotiations fail, independent experts will establish the tariff and annual tariff adjustment pursuant to a formula set forth in the applicable regulations. These tariffs are intended to remunerate pipeline owners at an adequate rate of return on the investments made in the pipeline system, including improvements and expansions to the pipeline, and reflect the opportunity cost of capital as well as the operating costs associated with the pipeline, allowing for additional returns to pipeline operators for any such improvements and expansions. The Petroleum Code, which governs existing tariff regulations in Colombia, has been in place for over 65 years, and Ocensa believes that it provides a transparent and stable mechanism to remunerate oil transportations investments in the country. Currently, tariffs are revised every four years (adjusted annually for macroeconomic changes, based on a weighted average between the U.S. Producer Price Index and the Colombian Consumer Price Index), providing Ocensa with predictable time horizons in which tariffs are fixed. Current tariffs are expected to be valid through 2023. In addition, pursuant to regulations currently in effect, tariff rates for the transport of crude oil along segments of a pipeline resulting from expansion projects may be established by commercial agreement between the parties, and these tariffs will be applicable to all shippers that utilize the additional transportation capacity resulting from the expansion. Moreover, given that tariffs are determined independent of commodity prices, the Ocensa Pipeline has no direct commodity price exposure. See "Risk Factors—Risks Relating to Ocensa's Business and Industry—Ocensa is subject to changes in tariffs established in accordance with the regulations of the MME and to higher rates for the transportation of crude oil from Vasconia to Coveñas (Segment III)."

Ocensa has been able to generate significant levels of operating cash flow, as evidenced by measures such as its net profit of US$812 million, US$670 million and US$553 million and EBITDA of US$1,348 million, US$1,166 million and US$1,079 million, in each case, in 2019, 2018 and 2017, respectively. At the same time, Ocensa's operating costs (fixed and variable costs, including administrative expenses, and operations and project expenses) were US$366 million, US$337 million and US$300 million in 2019, 2018 and 2017, respectively. These factors have contributed to Ocensa's favorable net margins of 52%, 48% and 42% and EBITDA margins of 87%, 83% and 81%, in each case, in 2019, 2018 and 2017, respectively. Ocensa's net profit for the three-month periods ended March 31, 2020 and 2019 was US$245 million and US$225 million, respectively. Ocensa's EBITDA for the three-month periods ended March 31, 2020 and 2019 was US$321 million and US$357 million, respectively, while its operating costs (fixed and variable costs, including administrative expenses and operations and project expenses) were US$69 million and US$80 million, respectively. The reduction in EBITDA in the first quarter of 2020 compared to the same quarter in the prior year was primarily due to the arbitral award that Equion and Santiago paid Ocensa in 2019. Ocensa expects that its medium to long term performance will continue to reflect strong cash flow generation, low operating costs and high margins that allows Ocensa to self-fund a substantial portion of its capital expenditures and provide it with resources for the repayment of financings. Ocensa expects to continue using its cash flow generation capacity to fund its future capital expenditures without resorting to significant use of leverage.

Favorable market dynamics resulting from strong demand, expensive transportation alternatives and limited competition due to significant barriers to entry

Colombia has become an active crude oil and gas market in Latin America, with the Colombian government having initiated several policies to encourage foreign investment in the Colombian crude oil and gas industry. According to the 2019 BP Statistical Report, Colombia is the third largest crude oil producer in South and Central America and the fifth largest holder of proven crude oil reserves, with such crude oil reserves having increased from 1,358 million bbl in 2007 to 2,041 million bbl in 2019, while crude oil production increased from 531 kbpd in 2007 to 886 kbpd in 2019. Because of this growth, the continuous interruptions in the operation of the OBC-CLC pipeline system, and the poor state of ground transportation infrastructure, there has been an increase in the demand for crude oil transportation service through the Ocensa Pipeline. However, given the COVID-19 pandemic and the decrease in the price of crude oil, crude oil production decreased from 892 kbpd for the three-month period ended March 31, 2019 to 873 kbpd for the three-month period ended March 31, 2020. Since the recent Brent price low of US$19.33 per barrel on April 21, 2020, the price of crude oil has been increasing and Ocensa would expect crude oil production to follow that trend but cannot offer any assurance with respect thereto. For example, Ecopetrol, which represented 77% of Ocensa's transported volume in 2019, recently announced an upward revision of its investment program for 2020, indicating that it will be similar to levels executed in 2019. In addition, it reaffirmed its cash flow breakeven price guidance of US$26 per barrel Brent. Likewise, Geopark Limited, an important E&P operator in the Llanos basin, recently announced that it has reopened 70% to 80% of temporarily shut-in wells and that it planned to resume its drilling campaign during the second half of 2020 in its Llanos-34 block. It also announced an upward revision in its production guidance for 2020 as well as an increase in its capital expenditures program for the year.

As the owner of the largest crude oil pipeline in Colombia, Ocensa benefits from limited competition from other pipelines and from other crude oil transportation alternatives. There are currently only six major crude oil pipelines in Colombia and Ocensa believes that its strategic position is evidenced by its estimates that, in 2019 and for the three-month period ended March 31, 2020, the Ocensa Pipeline transported approximately 66% and 64%, respectively, of Colombia's total production of crude oil, diluents and condensates, and 57% and 59%, respectively, of the total exports of crude oil cargo from Colombia was exported by Ocensa through the TLU-2. Moreover, the primary initiatives of competitor pipelines, such as the OBC pipeline, are not expected to increase transportation capacity in the near term.

Significant barriers to entry exist for the development of new competitor pipelines, which are subject to strict government and environmental licensing that may require several years to obtain. These projects are also subject to construction risks, right of way permits and cost overruns, with the cost of building pipeline infrastructure having increased in recent years.

Ocensa faces competition primarily from other pipelines systems (OBC pipeline and Caño Limon Coveñas pipeline), trucking and river barge transportation. However, all of these present different operational issues, such as non-programmed interruptions, state of infrastructure, vulnerability to weather changes and fleet availability, that Ocensa believes decrease their level of reliability and increase shippers' preference for Ocensa. As a result of these limitations, Ocensa believes that pipeline transportation will continue to be the preferred transportation method for Colombian crude oil and gas companies. As a result of these market dynamics, for the last three years, Ocensa has operated at near-full to full capacity and Ocensa believes that each of these favorable market dynamics will continue to drive its leading market positioning and support its revenue and cash flow growth over the near to medium-term.

Strategically located, high-quality assets

Measuring approximately 836 km underground and 12 km underwater, the Ocensa Pipeline is strategically located to benefit from the projected increased activity in the Colombian crude oil and gas industry. The Ocensa Pipeline currently transports crude oil from two of Colombia's most prolific basins, including the Llanos basin and the Arauca Basin, which collectively in 2019 and for the three-month period ended March 31, 2020 accounted for 75% and 76%, respectively, of Colombia's national production of crude oil to the Port of Coveñas, Colombia's primary crude oil export facility. Ocensa believes that because current oil and gas exploration in Colombia is concentrated in the Llanos and Middle Magdalena Valley basins, transportation systems running from these basins to export terminals, such as the Ocensa Pipeline, will become even more strategic to Colombian crude oil and gas companies. The Ocensa Pipeline is also strategically located near other important crude oil infrastructure, including the two largest refineries in Colombia, the Cartagena refinery and the Barrancabermeja refinery, which Ocensa believes will continue to drive demand for the Ocensa Pipeline. Moreover, the Ocensa Pipeline is mostly underground, which provides safety to the transported crude oil and makes the Ocensa Pipeline less vulnerable to accidents and attacks.

In addition, Ocensa's asset base is comprised of modern, high-quality stations and equipment. Ocensa's high-quality assets include state-of-the-art storage, pumping and pressure reducing stations, high capacity storage tanks and loading tanker vessels with individual upload capacities of up to 2 million barrels. Ocensa believes that the quality of its asset base provides it with distinct advantages over its competitors. For example, the Ocensa Pipeline is currently capable of handling crude oil of different qualities, ranging from light crude oil and mixtures to heavy crudes, allowing Ocensa to meet the evolving transportation demand of crude oil producers in Colombia. As Ocensa continues to invest in the Ocensa Pipeline, it believes that the quality of its assets will continue to provide it with a competitive advantage.

Experienced management team

Members of Ocensa's senior management team have many years of experience in the Colombian crude oil and gas industry in their respective areas of expertise, with a strong focus on financial performance and operational efficiency, and they are committed to attaining solid and sustainable financial results in a socially and environmentally responsible manner. Ocensa's management practices are also focused on its relationships with stakeholders (including its shareholders and current and prospective customers) so as to leverage its competitive position. Ocensa believes that the specialized experience of its professionals and their in-depth knowledge of its company and its stakeholders contribute significantly to its cost-effective and efficient operations. Ocensa's track record of growth with robust results over the last three years reflects the effectiveness of its management team, management systems and organizational culture.

Strong sponsorship from Ocensa's controlling shareholders

Ocensa has committed controlling shareholders that include the leading Colombian crude oil and gas company, Ecopetrol, which owns 72.648% of its equity capital through Cenit, its wholly-owned subsidiary. Ecopetrol accounted for approximately 62% of Colombia's total crude oil production in 2019. Ocensa believes that the support of Ecopetrol gives it a competitive advantage, due to its market position within, and knowledge of, the Colombian crude oil and gas industry (including industry developments and trends) and its continuing support and long-term vision for growth in the Colombian crude oil pipeline transportation.

The strength of Ocensa's operations and its business model have also attracted the investment interest of notable private equity firms, including I Squared and Grupo Romero. We expect to work closely with Cenit and Ocensa's management team to support the continued growth of Ocensa's business. See "—Corporate Structure."

Ocensa believes that its shareholders' commitment to both the Colombian crude oil industry and its success as an independent infrastructure company will provide unique future opportunities to expand its operations in Colombia through organic investments and partnership opportunities.

Proactive response to the current oil crisis

In response to the current oil crisis, where there has been (x) a supply imbalance due to a lack of agreement on production cuts between the Organization of the Petroleum Exporting Countries ("OPEC") and Russia, among others, and (y) a demand imbalance due to the COVID-19 pandemic, Ocensa released a series of measures designed to relieve the impact of the crude oil price drop on producers seeking to limit the impact of the current crisis on their production and therefore the level of usage of the pipeline. These initial measures were published in April 2020 and initially included (i) a set of differential volume discount ranges for transportation through the different segments of the Ocensa Pipeline and (ii) a temporary payment agreement that would allow the shipper to defer the payment of US$1.00/bbl of their agreed tariff for two months or for up to six months (through a fixed principal amortization) with an additional interest charge. Although these initial measures were ultimately not adopted, Ocensa released a second set of measures such that the volume discounts were removed and the temporary payment agreements were modified to instead permit private shippers to defer up to 50% of their agreed tariff payment, for any given month, for an initial period of six months subject to an interest charge, followed by a six-month period of principal payment installments subject to an interest charge. Ocensa is also evaluating temporary changes on its current transportation agreements on a case-by-case basis, including approving temporary downward adjustments to the contracted volume of certain of its customers, with subsequent upward adjustments to reach the average contracted volume again. These efforts demonstrate Ocensa's ability to create proactive solutions to address the impact of unprecedented events. Moreover, as a response to decreased oil production volumes from its clients, Ocensa embarked in an initiative to identify and execute a series of operational efficiency programs, including cancellation of discretionary expenses, which have resulted in significant cost savings. See "—Recent Developments—Global Oil Prices and COVID-19" for further information.

Business Strategy

Ocensa intends to focus on achieving steady and sustained growth, keeping its costs competitive and building on its competitive strengths in order to maintain and improve its market share. The principal components of Ocensa's strategy are to:

Capture additional growth opportunities

Ocensa intends to focus on achieving further integration of the transportation system in Colombia and offering tailor-made solutions to crude oil producers in the country. Ocensa expects to focus on investments to increase the flexibility of the system in order to transport crude oil and blends of crude oil with different quality specifications, such as heavy and extra heavy crude oil or high sulfur crude oil. This flexibility should enable shippers to use less diluent and therefore save on logistical costs. In addition, Ocensa believes this increased flexibility will enable it to attract new volume into the Ocensa Pipeline. Due to these and other factors, Ocensa believes it is especially well-positioned to act as a consolidator of the midstream sector in Colombia, building an integrated platform that maximizes investor returns.

Enhance Ocensa's profitability and margins through gains in operational efficiency

Ocensa intends to continue to focus on increasing its operational efficiency in order to enhance its profitability and profit margins. Ocensa is focused on further improving the efficiency and sustainability of its operations by investing further in advanced pipeline transportation technologies and enhancing the capacity of its facilities in order to reduce per unit transportation costs. For example, Ocensa implemented Project PROTON, an integrated transportation platform aimed at further optimizing the pipeline planning process and implementing cost reduction opportunities in areas such as DRAs and energy use, as well as by streamlining tasks that are currently performed manually. In order to achieve increased operational efficiency, Ocensa plans to focus on three pillars:

- *Consolidate Ocensa's organizational development model to focus on efficiency and competitiveness*. Ocensa believes that it will further maintain its track record of improving cost efficiency through disciplined cost management policies and by leveraging its know-how and technical expertise. Ocensa will seek to consolidate standards of efficiency, safety and reliability throughout its organization, including continuous investment in the optimization of its operating processes by establishing challenging performance goals for its personnel.

- *Develop an asset repositioning program.* Ocensa intends to formulate and implement an asset repositioning program based upon technology designed to improve the maintenance, reliability and availability of its assets as well as foster environmental responsibility.

- *Strengthen Ocensa's corporate governance to ensure operational excellence in the management of its projects.* Ocensa intends to reinforce and monitor the proper execution of its corporate governance principles (and foster compliance among its employees) in order to help eliminate management bottlenecks and inefficiencies that might hinder the successful completion of its projects.

Continue to identify and enter into new strategic partnerships

In order to increase Ocensa's pipeline operations (either through expansion projects or through strategic acquisitions) while reducing its financial and operational risk, Ocensa intends to continue identifying and entering into relationships with new strategic partners within the Colombian crude oil and gas industry, including other pipelines owners and/or operators, private equity investors as well as upstream/downstream crude oil and gas companies. Currently, Ocensa is part of strategic partnerships with other pipeline operators, such as Oleoducto de Colombia, OBC and ODL, which allow it to continue to optimize its operations. Ocensa intends to continue to partner with well-established companies of domestic and international repute, including its controlling shareholders and potential customers, with which it may form joint ventures in order to allow it to gain market share and continue to take advantage of the market opportunities in Colombia.

Continue Ocensa's focus on health, safety, environmental awareness and social responsibility.

Ocensa intends to continue to improve its health, safety environmental awareness and social responsibility initiatives, which it believes to be essential to the sustainability of its operations. In particular, Ocensa will continue to promote a culture of prevention and emphasize continuous improvement risk management policies in order to:

- Ensure the health and safety of all employees associated with the operation of the Ocensa Pipeline and its surrounding communities, including through accident prevention programs and the strengthening of each of Ocensa's worksites through worksite diagnostics;

- Create policies, through Ocensa's "CARE" strategy, that focus on key stakeholder groups, such as its employees, the surrounding communities, its customers and government institutions, to address health, safety, environmental awareness and social responsibility concerns; and

- Promote environmental initiatives, including those directed towards:

  - soil protection and basins (geotechnical protection programs as well as erosion and landslide prevention, due to the heavy rains that affect the area surrounding the Ocensa Pipeline),

  - the reduction of emissions,

  - waste management,

  - water preservation and

  - biodiversity.

See "Business—Health, Safety and Environmental Responsibilities—Environmental Matters—CARE" for additional information about Ocensa's "CARE" strategy.

Recent Developments

Entity Conversion

On June 30, 2020, the shareholders' meeting of the Company approved the conversion into a public limited liability company (*sociedad anónima*) from a private limited liability company (*sociedad limitada*) and conforming changes to the Company's by-laws. Such transformation was formalized by means of a transformation deed granted to the Company on July 13, 2020 before the Notary Public of Madrid, Mrs. Rocío Rodríguez Martín, with the number 982 of her public records (the "Transformation Deed"). The Transformation Deed has been registered with the Commercial Registry of Madrid. Transformation does not imply any change in terms of liability but provides the Company more operational flexibility.

Global Oil Prices and COVID-19

The disagreement on production cuts between OPEC and Russia since the beginning of March 2020, followed by the decision of Saudi Arabia to reduce its sale oil prices and increase its production to gain market share, negatively impacted the international reference prices for crude oil in 2020 to date. Furthermore, as a result of the COVID-19 pandemic and measures put in place to slow its spread, including the imposition of quarantines and medical screenings, travel restrictions and the suspension of many economic activities, Ocensa has seen and expects to continue to see substantial uncertainty in macroeconomic conditions with regards to lower prices and demand for crude oil, gas and related products. These recent global developments have resulted in a significant drop in the Brent crude oil price, with Brent crude reaching a low of US$19.33 per barrel on April 21, 2020. This drop has affected exploration and production ("E&P"), companies, such as Ocensa's main customer, Ecopetrol, that operate in the areas Ocensa serves. In particular, many of them have had to cut production in order to protect the cash flow and profitability of their operations. Recent statistics published by the MME showed that national crude oil production in Colombia decreased by 7% from January 2020 to May 2020 compared to the same period in 2019 and by 8.8% for the first half of 2020 compared to the same period in 2019. Since the recent low Brent crude oil price in April 2020, the price of crude oil has been increasing and Ocensa would expect crude oil production to follow that trend but cannot offer any assurance with respect thereto. For example, Ecopetrol, which represented 77% of Ocensa's transported volume in 2019, recently announced an upward revision of its investment program for 2020, indicating that it will be similar to levels executed in 2019. In addition, it reaffirmed its cash flow breakeven price guidance of US$26 per barrel Brent. Likewise, Geopark Limited, an important E&P operator in the Llanos basin, recently announced that it has reopened 70% to 80% of temporarily shut-in wells and that it planned to resume its drilling campaign during the second half of 2020 in its Llanos-34 block. It also announced an upward revision in its production guidance for 2020 as well as an increase in its capital expenditures program for the year.

To address the potential impact on the level of usage of the pipeline resulting from the decreased production by Ocensa's customers due to the decrease in the price of oil and reduced economic activity related to COVID-19, Ocensa implemented a series of measures designed to relieve some of the financial pressures on its customers. These initial measures were published in April and initially included (i) a set of differential volume discount ranges for transportation through the different segments of the Ocensa Pipeline and (ii) a temporary payment agreement that would allow the shipper to defer the payment of US$1.00/bbl of their agreed tariff for two months or for up to six months (through a fixed principal amortization) with an additional interest charge. Although these initial measures were ultimately not adopted, Ocensa released a second set of measures such that the volume discounts were removed and the temporary payment agreements were modified to instead permit private shippers to defer up to 50% of their agreed tariff payment, for any given month, for an initial period of six months subject to an interest charge, followed by a six-month period of principal payment installments subject to an interest charge. Ocensa is also evaluating temporary changes on its current transportation agreements on a case-by-case basis, including by approving temporary downward adjustments to the contracted volume of certain of its customers, with subsequent upward adjustments to reach the average contracted volume again. These efforts demonstrate Ocensa's ability to create proactive solutions to address the impact of unprecedented events.

In addition, Ocensa has taken multiple health and security measures to safeguard the Ocensa Pipeline's continuous operation during the COVID-19 pandemic. For example, Ocensa has postponed all non-critical work on its infrastructure. Ocensa has also implemented rigorous health and security protocols in each of its 10 stations in an effort to protect the health of its employees and contractors, such as promoting telecommuting arrangements, encouraging social distancing and performing temperature checks. Furthermore, Ocensa maintains active communication with governors and mayors of the municipalities and areas in which it operates, which has allowed it to respond rapidly and implement adequate health and security measures to keep its employees safe while keeping its infrastructure fully operational. As of August 2, 2020, eight of Ocensa's employees have tested positive for COVID-19, three of whom have recovered and five of whom are asymptomatic.

In terms of the financial effect of these recent developments on Ocensa, as its customers' businesses depend substantially on international prices for crude oil, while Ocensa's results of operations were in line with its expectations for the months of January and February 2020, the sharp decrease in oil prices in March 2020 resulted in a slight decrease in volumes transported through the Ocensa Pipeline. This volume decrease had an immaterial negative impact on Ocensa's results of operations for the first quarter of 2020 in comparison to the first quarter of 2019. More specifically, even though Ocensa recorded a decrease in its revenue and EBITDA from US$367 million and US$357 million, respectively, during the three-month period ended March 31, 2019, to US$363 million and US$321 million in revenue and EBITDA, respectively, during the three-month period ended March 31, 2020, most of this decrease was unrelated to the oil price decrease and the COVID-19 pandemic. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of Ocensa—Results of Operations—Three Months Ended March 31, 2020 compared to Three Months Ended March 31, 2019." Ocensa expects that its revenue, net profit, and EBITDA will be significantly negatively impacted in the second quarter of 2020 as the volumes transported through the Ocensa Pipeline continued to decrease and oil prices continued to drop. In the second quarter of 2020, average volumes received by the Ocensa Pipeline decreased by 18.77% compared to the same period in 2019. The decrease is largely explained by higher volumes reversed from OBC's flow into the Ocensa Pipeline during the second quarter of 2019. Recent statistics published by the MME showed that the national crude oil production in Colombia decreased by 7% from January 2020 to May 2020 compared to the same period in 2019 and by 8.8% for the first half of 2020 compared to the same period in 2019. Lower volumes received by the Ocensa Pipeline in the second quarter of 2020 were partially offset by Ocensa's operational efficiency programs.

At this time, Ocensa cannot forecast the duration of the effects of COVID-19 on its business. In addition, while the price of crude oil has been increasing since the recent Brent price of US$19.33 per barrel on April 21, 2020 and Ocensa would expect crude oil production to follow that trend, it cannot offer any assurance as to when the international price for crude oil will fully stabilize. Ocensa's future business results and financial condition will be impacted by the extent and duration of these conditions and the effectiveness of responsive actions that it and others take, including (i) its actions described above and any pressure exerted by the oil and gas industry to modify the current tariff setting methodology in the future, (ii) in respect of oil supply, continuing cooperation between OPEC member countries, and (iii) in respect of COVID-19, new information that may emerge concerning the severity and duration of the outbreak, the pace of vaccine development, and the actions by national and international government authorities to contain the outbreak or treat its impact, among other things.

Ocensa Senior Notes Offering

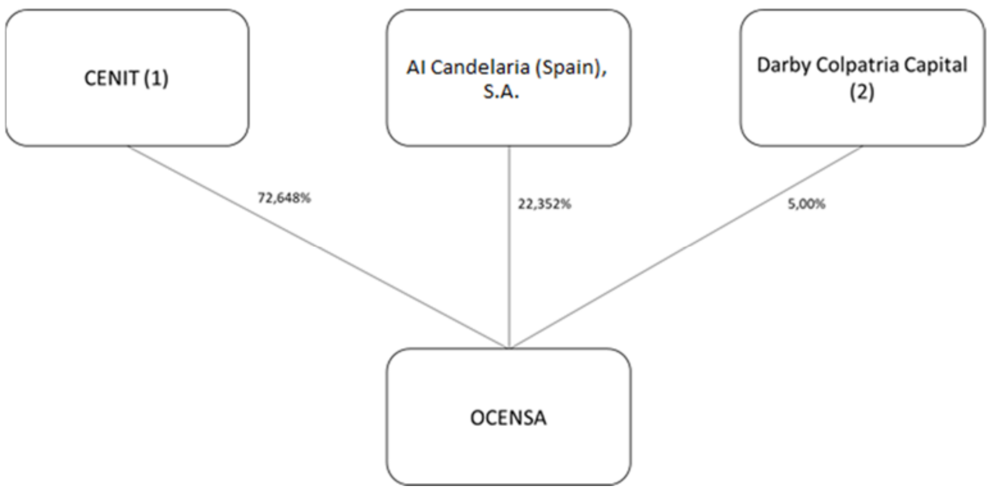
On July 14, 2020, Ocensa completed an offering of $500 million in aggregate principal amount of its 4.000% Notes due 2027. The net proceeds from the offering will be used for the repayment of the US$500 million Ocensa has outstanding on its 4.000% notes due 2021 on or before maturity.

Dividend Payment

On June 18, 2020, Ocensa's board of directors approved a proposal for the payment of a dividend in the aggregate amount of US$245 million based on its results of operations for the three-month period ended March 31, 2020. This proposal was discussed and approved at a shareholders' meeting in July 2020, with the majority of the dividend paid in July 2020 and the remainder expected to be paid in August 2020.

Corporate Structure

The chart below depicts a summary of our ownership structure and holdings in Ocensa.



(1) A wholly-owned subsidiary of Ecopetrol.
(2) Shares held indirectly pursuant to a shareholding trust.

Our Shareholders

I Squared Capital

I Squared Capital is an independent global infrastructure investment manager with over US$14 billion in assets under management as of March 31, 2020. I Squared has extensive experience and expertise in developing and operating energy businesses and provides managerial experience and technical support. I Squared invests in energy, utilities, telecommunication, transportation and social infrastructure sectors across North America, Europe, and select high growth economies in Latin America and Asia.

Grupo Romero

Grupo Romero is one of the main Peruvian corporate conglomerates with a controlling stake in a diverse range of companies with a strong presence in the Andean Region in various industries including financial services, consumer goods, fuel retail, infrastructure, logistics, agribusiness, real estate and fishing, among others.

THE OFFERING

The following is a brief summary of some of the terms of this offering. The terms and conditions described below are subject to important limitations and exceptions. For a more complete description of the terms of the Notes and the related security documents, see "Description of the Notes" in this offering memorandum.

Issuer	AI Candelaria (Spain), S.A.
New Securities Offered	US$50,000,000 aggregate principal amount of 7.500% Senior Secured Notes due 2028 are being offered as an additional issuance under the Indenture pursuant to which we previously issued the Existing Notes. The New Notes will be treated as a single series with the Existing Notes and will have the same terms as the Existing Notes, other than the date of issue and their initial price to the public. The New Notes and the Existing Notes will vote as one class on all matters under the Indenture governing the Notes.
Interest...	The New Notes will bear interest at a fixed rate of 7.500% per annum, payable semi-annually in arrears on June 15 and December 15 of each year, or, if such date is not a business day, the next succeeding business day (each, a "Payment Date"), commencing on December 15, 2020. Interest on the Notes is calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the New Notes will accrue from June 15, 2020.
CUSIP Numbers	On the issue date of the New Notes, the New Notes offered hereby will have the same CUSIP numbers as the Existing Notes, except for the New Notes sold pursuant to Regulation S which will, on the 40th day following the issue date of the New Notes offered hereby, have the same CUSIP numbers. On the 40th day following the issue date of the New Notes offered hereby, the CUSIP numbers for the Regulation S New Notes offered hereby will be merged with the CUSIP numbers for the Existing Notes in accordance with DTC's applicable procedures. After the CUSIP numbers for the Regulation S New Notes offered hereby are merged with the CUSIP numbers for the Existing Notes, we expect that such New Notes will be fungible with the Existing Notes.
Principal Amortizations.........................	The principal amount of the Notes will be payable as pro rata pass-through distributions in consecutive equal semi-annual installments commencing on December 15, 2022 and on each Payment Date thereafter up to the last Payment Date before final maturity. The final installment of the principal will, in any event, equal the then outstanding aggregate principal balance of the Notes and will be payable together with the accrued and unpaid interest thereon and any other amounts then owing by us under the Notes.
Final Maturity Date	December 15, 2028.
Use of Proceeds.....................................	The net proceeds of this offering are estimated to be US$52.9 million, after deducting the initial purchasers' discount and estimated expenses payable by us. We intend to use the net proceeds from this offering to (i) fund the amount required in the Debt Service Reserve Account in connection with the aggregate principal amount of the New Notes, (ii) pay fees and expenses relating to the issuance of the New Notes and

(iii) pay a dividend to LIC and ECH, affiliates of I Squared and Grupo Romero, respectively. See "Use of Proceeds" and "Description of the Notes–Debt Service Reserve."

Ranking .... The Notes are senior secured obligations of the Issuer and rank:

- *pari passu* amongst themselves and equal in right of payment with all of our other present and future obligations that are not subordinated to the Notes;
- senior in right of payment to all our existing and future obligations that are subordinated to the Notes;
- senior in right of payment to all our existing and future unsecured indebtedness to the extent of the value of the collateral;
- effectively subordinated to obligations preferred by statute or operation of law; and
- structurally subordinated to all of Ocensa's existing and future indebtedness and other liabilities, including trade payables.

As of March 31, 2020, on an as adjusted basis to give effect to this offering of New Notes and the application of proceeds as described in "Use of Proceeds," we would have had outstanding US$750,000,000 million of senior indebtedness, comprising the Notes, all of which is secured.

Security.. The Notes are secured by a perfected first-priority lien on (i) the Ocensa Pledged Shares pursuant to a share pledge agreement, as amended, and to be further amended on the issue date of the New Notes to provide that the New Notes will share in the Ocensa Pledged Shares (the "Share Pledge Agreement") and (ii) the Debt Service Reserve Account pursuant to a deposit account control agreement (the "Deposit Account Control Agreement") as further described under "Description of the Notes—Debt Service Reserve." The Ocensa Pledged Shares represent 22.352% of Ocensa's outstanding capital stock as of the date of this offering memorandum.

To the extent that the Indenture permits us to incur additional debt (including Additional Notes), such additional debt may share in the collateral. We can also incur additional debt secured by collateral that will not secure the Notes.

The Share Pledge Agreement is governed by Colombian law and the Deposit Account Control Agreement is governed by New York law.

Debt Service Reserve Account.............. We have established a separate U.S. dollar-denominated account (the "Debt Service Reserve Account") in the United States, which account is pledged to the U.S. Collateral Agent for the benefit of itself, the Trustee and the holders. On the issue date of the New Notes, the amount contained in the Debt Service Reserve Account shall equal the product of (i) an amount sufficient to provide for the payment in full of interest and principal, if any, due on the Notes (including the New Notes) on the next succeeding scheduled Payment Date and (ii) 1.25. See "Description of the Notes—Debt Service Reserve."

Optional Prepayment............................. We may prepay some or all of the Notes before September 15, 2028 (three (3) months prior to the maturity date of the Notes) at a

	prepayment price of 100% of the principal amount, plus accrued and unpaid interest, if any, to but not including the prepayment date, plus a "make whole" premium. On or after September 15, 2028 (three (3) months prior to the maturity date of the Notes), we may prepay some or all of the Notes at a prepayment price of 100% of the principal amount, plus accrued and unpaid interest, if any, to but not including the prepayment date. Each payment of principal through the applicable procedures of DTC will be a pro rata pass-through distribution of principal.
Change of Control Event	If we experience a defined change of control event, we are required to offer to repurchase the Notes at a price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to but not including the date of purchase. See "Description of the Notes—Change of Control."
Mandatory Offer to Repurchase Following Certain Asset Sales..............	If we sell certain assets, then under certain circumstances we must offer to repurchase the Notes at par, plus accrued and unpaid interest to but not including the date of purchase as described under "Description of the Notes—Covenants—Asset Sales." If we sell any Ocensa Pledged Shares or cause any Ocensa Pledged Shares to be sold, then we will prepay a portion of the Notes with the proceeds of such asset sale at a prepayment price of 101% of the principal amount, plus accrued and unpaid interest, if any, to but not including the prepayment date. We will only have the right to sell Ocensa Pledged Shares so long as after giving effect to such sale we continue to hold at least 10% of the issued and outstanding shares of Ocensa (calculated based off of the number of shares of Ocensa issued and outstanding on October 25, 2018), so that we will continue to maintain our effective veto right on changes to Ocensa's dividend policy.
Certain Covenants	The Indenture contains certain covenants that restrict our ability, with certain exceptions, to: • incur, assume or permit to exist additional indebtedness (including guarantees thereof); • pay dividends or certain other distributions on our capital stock or repurchase our capital stock or prepay subordinated indebtedness; • incur liens on assets; • make certain investments or other restricted payments; • engage in certain lines of business; • engage in transactions with affiliates; and • sell certain assets or merge or consolidate with or into other companies. These covenants are subject to important exceptions and qualifications. See "Description of the Notes—Covenants."

Withholding Taxes; Tax Prepayment....................................	All payments of principal, prepayment amount and interest in respect of the Notes will be made without withholding or deduction for any Taxes or other governmental charges imposed by Spain and any political subdivision or governmental authority of Spain having the power to tax or any other jurisdiction in which the Issuer is doing business or from or through which payment is made or deemed made by or on behalf of the Issuer (including the jurisdiction of any paying agent for the Notes or any political subdivision thereof or therein), unless such withholding or deduction is required by law. In that event, subject to certain exceptions, we will pay such additional amounts (the "Additional Amounts") as are necessary to ensure that the holders of the Notes receive the same amounts as they would have received without such withholding or deduction. See "Description of the Notes—Payment of Additional Amounts."

If certain changes in the law of any relevant taxing jurisdiction become effective, or the Spanish Tax Authorities consider that Singapore market (SGX-ST) is not an organized market under Law 10/2014, that would impose withholding taxes or other deductions on the payments on the Notes, and as a result we become obligated to pay Additional Amounts as described above, we may prepay the Notes in whole, but not in part, at any time, at a prepayment price equal to 100% of their principal amount, plus accrued and unpaid interest, if any, from the end of the most recent interest period to but not including the prepayment date and all Additional Amounts, if any, then due. See "Description of the Notes—Optional Prepayment for Changes in Taxes."

Under Royal Decree 1065/2007 and Spanish Law 10/2014 of 26 June, on organization, supervision and solvency of credit institutions)"Law 10/2014"(, each as amended, income obtained in respect of the Notes will not be subject to withholding tax in Spain, provided certain requirements are met, including that the Paying Agent provides us, in a timely manner, with a duly executed and completed statement providing details relating to the Notes (the "Payment Statement"(. See "Taxation—Spanish Tax Considerations—Disclosure of information in connection with the Notes."

The Payment Statement shall contain certain details relating to the Notes, including the relevant payment date, the total amount of income to be paid on such payment date and a breakdown of the total amount of income corresponding to Notes held through each clearing agency located outside Spain, which, in the case of the Notes, shall be DTC.

The Indenture in respect of the Notes provides for the timely provision by the Paying Agent of a duly executed and completed Payment Statement in connection with each payment of income under the Notes, and will set forth certain procedures agreed by us and the Paying Agent which aim to facilitate such process, along with a form of the Payment Statement to be used by the Paying Agent. See "Taxation—Spanish Tax Considerations—Disclosure of information in connection with the Notes."

If a payment of income in respect of the Notes is not exempt from Spanish withholding tax, including due to any failure by the Paying Agent to deliver a duly executed and completed Payment Statement,

	such payment will be made net of Spanish withholding tax, currently at the rate of 19%. If this were to occur due to any failure by the Paying Agent to deliver a duly executed and completed Payment Statement, affected beneficial owners will receive a refund of the amount withheld, with no need for action on their part, if the Paying Agent submits a duly executed and completed Payment Statement to us no later than the 10th calendar day of the month immediately following the relevant payment date. In addition, beneficial owners may apply directly to the Spanish tax authorities for any refund to which they may be entitled pursuant to the Direct Refund from Spanish Tax Authorities Procedures described in "Taxation—Spanish Tax Considerations—Procedures for direct refund from the Spanish tax authorities." **We will not pay Additional Amounts in respect of any such withholding tax**.
Listing..	The Existing Notes are currently listed on the SGX-ST and we have received approval-in-principle to increase the principal amount of the Notes listed on the SGX-ST to include the New Notes. Listing is expected to occur within 30 days after delivery of the New Notes. The Issuer shall use commercially reasonable efforts to obtain and maintain listing of the Notes on a regulated market, multilateral trading facility or another organized market as those terms are referred in First Additional Provision of Law 10/2014 of 26 June, 2014 on the regulation, supervision and solvency of credit institutions (*Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*).
Trustee, Registrar, U.S. Collateral Agent and Transfer Agent	Wilmington Trust, National Association.
Paying Agent	The Bank of New York Mellon, London Branch.
Colombian Collateral Agent..................	TMF Group New York LLC, which has appointed its affiliate, TMF Colombia Ltda, to act as sub-agent in accordance with the Indenture (together with the U.S. Collateral Agent, the "Collateral Agents").
Transfer Restrictions	The New Notes have not been and will not be registered under the Securities Act or the securities laws of any state in the United States and are subject to certain restrictions on transfer and resale. See "Transfer Restrictions." Any sale or transfer in violation of such transfer restrictions will be of no force and effect. In addition, all U.S. persons who hold the New Notes or interests therein must be Qualified Purchasers. Each purchaser in making its purchase of the New Notes will be deemed to make the representations, warranties and agreements set forth in "Transfer Restrictions—Representations of Purchasers." To enforce the restrictions on transfers of the Notes and interests therein, we may demand that any Noteholder or holder of an interest therein who is not (i) a qualified institutional buyer and a Qualified Purchaser or (ii) a non-U.S. person (within the meaning of the Investment Company Act and Regulation S) sell to a holder that meets such criteria, and if the Noteholder or interest therein does not comply with such demand, we may sell such holder's Note or interest therein on such terms as we may choose.

Governing Law	The Indenture, the Notes and the Deposit Account Control Agreement are governed by the laws of the State of New York. The Share Pledge Agreement is governed by Colombian law.
Clearance and Settlement	The New Notes will be issued in book-entry form through the facilities of DTC for the accounts of its participants, including Euroclear and Clearstream, and will trade in DTC's Same-Day Funds Settlement System. The New Notes will be represented by Global Notes registered in the name of a nominee of DTC. Owners of beneficial interests in Notes held in book-entry form will not be entitled to receive physical delivery of certificated Notes except in certain limited circumstances. For a description of certain factors relating to clearance and settlement, see "Description of the Notes– Book-Entry System; Delivery and Form; Certificated Notes."
Form and Denomination	The New Notes will be issued in fully registered form without interest coupons attached and will be issued in denominations of US$250,000 and integral multiples of US$1,000 in excess thereof.
Risk Factors	You should carefully consider the risk factors discussed under the caption "Risk Factors" and the other information contained in this offering memorandum.

SUMMARY FINANCIAL INFORMATION OF AI CANDELARIA

The following tables present our summary historical financial data as of and for the years ended December 31, 2019, 2018 and 2017, which were derived from our audited financial statements, and as of and for the three months ended March 31, 2020 and 2019, which were derived from our unaudited financial statements, in each case, prepared in accordance with Spanish GAAP. The selected financial data should be read in conjunction with "Presentation of Financial and Other Information," "Selected Financial and Other Information of AI Candelaria," "Management's Discussion and Analysis of Financial Condition and Results of Operations of AI Candelaria" and our financial statements and notes thereto, included elsewhere in this offering memorandum.

	For the three months ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017[1]
	(unaudited)				
	(in millions of U.S. dollars)				
Income Statement					
Net sales	$ 91.3	$ 79.5	$ 169.7	$135.4	$85.2
Operating income (loss)	91.3	79.1	168.9	134.4	84.7
Income before taxes	76.8	65.8	114.5	123.5	98.4
Exchange gain (loss)	(1.2)	(0.8)	(0.6)	(1.8)	3.0
Financial income (loss)	(14.5)	(13.2)	(54.3)	(10.9)	13.7
Income for the year	$ 76.8	$ 65.8	$ 114.5	$123.5	$98.0

(1) In 2017, Ocensa declared and paid the equivalent of nine months of net profit, while in 2018 and 2019, it declared and paid the equivalent of 12 months. Consequently, in 2017, the amount AI Candelaria recorded in net sales was representative of only nine months of net profit instead of 12 months.

	As of March 31,	As of December 31,		
	2020	2019	2018	2017
	(unaudited)			
	(in millions of U.S. dollars)			
Balance Sheet				
Total current assets	$ 107.1	$ 90.7	$ 94.0	$ 61.4
Non-current assets	1,068.7	1,068.7	1,068.7	1,068.7
Total assets	1,175.8	1,159.4	1,162.7	1,130.1
Total current liabilities	15.3	2.2	9.0	0.2
Non-current liabilities	694.4	694.2	642.0	—
Total equity	466.1	463.0	511.6	1,129.9
Total liabilities and equity	1,175.8	1,159.4	1,162.7	1,130.1
Other Items				
Net dividends received[1]	$ 91.3	$ 168.9	$134.4	$84.7

(1) Net dividends received is defined as dividends received minus unconsolidated administrative and selling expenses, calculated on an unconsolidated basis in accordance with Spanish GAAP, and is equivalent to the calculation for Operating income (loss).

SUMMARY FINANCIAL INFORMATION OF OCENSA

The following tables present Ocensa's summary historical financial data as of and for the years ended December 31, 2019, 2018 and 2017, which were derived from Ocensa's audited financial statements, and as of and for the three months ended March 31, 2020 and 2019, which were derived from Ocensa's unaudited financial statements, in each case, prepared in accordance with NCIF. The selected financial data should be read in conjunction with "Presentation of Financial and Other Information," "Selected Financial and Other Information of Ocensa," "Management's Discussion and Analysis of Financial Condition and Results of Operations of Ocensa" and Ocensa's financial statements and notes thereto, included elsewhere in this offering memorandum.

	As of and for the three months ended March 31,		As of and for the year ended December 31,		
	2020	2019	2019	2018	2017
	(unaudited)				
	(in millions of U.S. dollars)				
Statement of Income and Comprehensive Income					
Revenues from ordinary activities	$363.0	$366.6	$1,556.4	$1,400.7	$1,324.8
Gross profit	302.9	295.6	1,229.8	1,104.1	1,064.1
Operating profit	294.4	329.0	1,231.6	1,061.1	982.5
Profit before income taxes	319.2	345.1	1,225.5	1,052.4	950.3
Income tax expense	(74.3)	(119.7)	(413.6)	(382.6)	(397.6)
Net profit for the period	$244.9	$225.4	812.0	669.8	552.6
(Loss) gain from hedges of cash flow, net of taxes	(41.2)	5.3	14.4	(16.6)	11.9
Gain (loss) from exchange difference in translation	11.0	(1.3)	2.8	9.1	(0.1)
Total net comprehensive income of the period	$214.7	$229.4	$ 829.2	$ 662.3	$ 564.4
Statements of Financial Position					
Current assets	$414.5	$633.1	$633.1	$436.6	$465.9
Non-current assets	1,526.4	1,555.5	1,555.5	1,579.2	1,613.7
Total assets	1,940.8	2,188.6	2,188.6	2,015.8	2,079.6
Current liabilities	347.6	315.4	315.4	229.3	337.5
Non-current liabilities	525.2	611.3	611.3	594.5	606.9
Total liabilities	872.8	926.7	926.7	823.8	944.4
Total equity	1,068.1	1,261.9	1,261.9	1,192.0	1,135.2
Total liabilities and equity	1,940.8	2,188.6	2,188.6	2,015.8	2,079.6
Other Items (audited)					
Amortization and Depreciation	27.0	28.0	116.0	105.0	96.0
Net margin(1)	67%	61%	52%	48%	42%
Other Items (unaudited)					
Operating margin(2)	81%	90%	79%	76%	74%
EBITDA (3)	321	357	1,348	1,166	1,079
EBITDA margin (4)	88%	97%	87%	83%	81%
Outstanding debt/EBITDA ratio (5)	0.39X	0.37X	0.37X	0.43X	0.46X
Volume transported (in kbpd)	617	646	664	637	581
Total transportation cash cost (6)	69	80	366	337	300
Number of employees	288	278	288	275	286

(1) Net margin is calculated as net profit divided by revenue, expressed as a percentage.

(2) Operating margin is calculated as operating profit divided by revenue, expressed as a percentage.

(3) EBITDA is calculated as net profit plus depreciation and amortization, income tax and financial (income) expenses, net. EBITDA is not a measure of financial performance according to NCIF or generally accepted accounting practices adopted in Colombia or the United States and should not be considered in isolation or as an alternative to net profit, as an indicator of operating performance, or to operating cash flows as an indicator of liquidity. EBITDA does not have a standardized definition and the EBITDA definition presented herein may not be consistent with EBITDA used by other companies. EBITDA has certain limitations as a measure of Ocensa's profitability in that it does not consider certain of Ocensa's recurring costs that may have a significant impact on its net profit, including net financial expenses, taxes, depreciation, amortization and depletion. See "Presentation of Financial and Other Information—EBITDA." For a reconciliation of Ocensa's net profit to EBITDA, see "Selected Financial and Other Information of Ocensa."

(4) EBITDA margin is calculated as EBITDA divided by revenue, expressed as a percentage.

(5) Outstanding debt/EBITDA ratio is calculated as outstanding debt for the period divided by EBITDA for the period, except for EBITDA for the three months ended March 31, 2020 and 2019 for which it is presented on an annualized basis. Annualized EBITDA for each of the three-month periods ended March 31, 2020 and 2019 is derived by multiplying the total EBITDA for the respective three month period by four. Ocensa's computations of annualized EBITDA may not be representative of its actual annual results. For a reconciliation of Ocensa's net profit to EBITDA, see "Selected Financial and Other Information of Ocensa."

(6) Total transportation cash cost is equivalent to Ocensa's operational and administrative expenses for the period, comprising its maintenance and repairs, services, depreciation, personnel, leases, fees, amortization and other expenses.

RISK FACTORS

You should carefully consider the risks and uncertainties described below and the other information in this offering memorandum before making an investment in the New Notes. The risks described below are not the only ones facing us or investments in Colombia in general. Our and Ocensa's businesses, financial condition or results of operations could be materially adversely affected by any of these risks. There are a number of factors, including those described below, which may adversely affect our ability to make payments on the Notes. Additional risks not presently known to us or that we currently deem immaterial may also impair our or Ocensa's business operations.

This offering memorandum also contains forward-looking statements that involve risks and uncertainties. Our and Ocensa's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this offering memorandum. See "Cautionary Disclosure Regarding Forward-Looking Information."

Risks Relating to Our Business

We are a holding company and, as a result, we are dependent on cash dividends from Ocensa to fund all of our operations and expenses, including interest payments.

We are a holding company whose principal corporate purpose is investing in and managing equity securities of non-Spanish entities. Consequently, we do not have any income from operations or expect to generate income from operations in the future. As a result, our ability to service our debt obligations, including our obligations under the Notes, substantially depends upon the cash flow and payment of funds to us in the form of cash dividends from Ocensa. Although we have established the Debt Service Reserve Account, the amount on deposit in the Debt Service Reserve Account is only equal to the product of (i) the amount required to pay in full the next succeeding payment of interest and principal, if any, and (ii) 1.25.

Our interest in Ocensa is our only relevant asset and source of income.

As of the date of this offering memorandum, we own 1,153,139 shares, or 22.352%, of Ocensa's capital stock. This interest in Ocensa represents substantially all of our assets from which we derive substantially all of our income. Our ability to meet our financial obligations, including making interest and principal payments on the Notes, depends entirely on the receipt of cash dividends from Ocensa and/or our ability to sell Ocensa shares. Therefore, dividends from Ocensa may not be sufficient to service the Notes and our other financial obligations.

A downgrade in our credit rating could increase our cost of capital and limit access to capital.

Rating agencies evaluate AI Candelaria, and their ratings of our long-term and short-term debt are based on a number of factors. This includes their perception of our financial strength as well as other factors not entirely within our control, including among others conditions affecting Ocensa, the crude oil pipeline industry generally, and the state of the Colombian and/or Spanish economy generally. We cannot guarantee that one or more of our credit ratings will not be downgraded. Our borrowing costs and ability to raise funds may be impacted by downgrades in our credit ratings.

Spanish tax legislation may limit the deductibility for Spanish corporate income tax purposes of the financial expenses incurred on our indebtedness. This could negatively affect our financial position and reduce our available cash flows.

Under Spanish CIT rules, net financial expenses incurred by CIT taxpayers exceeding 30% of their operating profit (including dividend income from qualifying subsidiaries) for the relevant tax year are not deductible; provided that net financial expenses up to €1 million are deductible. However, net financial expenses not deducted in a given tax year may be carried forward and used in the following years subject to the same general limitation. For these purposes, "net financial expenses" are defined as the difference between the financial expenses (generally, the expenses derived from financings granted to the CIT payer such as interest expenses) and the income derived from financing to third parties (typically, interest income) in a given tax year, excluding non-deductible financial expenses or financial expenses derived from qualified financial instruments (i.e., intra-group profit participating loans).

In addition, a specific limitation applies to the deductibility of intra-group financial expenses incurred to acquire interests in the share capital in other group companies or to make contributions to the capital or equity of other group companies. These financial expenses are not deductible for Spanish CIT purposes unless evidence exists of valid economic reasons for implementing such intra-group transactions.

Finally, the deductibility of financial expenses derived from indebtedness incurred to carry out intra-group transactions, including dividend distributions, have been scrutinized and, in some specific cases, challenged by the Spanish tax authorities, and occasionally those challenges have been upheld in Spanish courts.

The impact of the above rules and interpretations on our ability to deduct financing expenses incurred in our current and future indebtedness could increase our tax burden and, thus, have a negative effect on our financial condition and operating results, and reduce our cash flow available to service debts or invest in our business or for other purposes.

Although we believe that our tax policy is in material compliance with applicable tax laws and regulations, financial expenses are an area of particular scrutiny by the Spanish tax authorities and we may be subject to a reassessment requiring us to reduce or cancel such tax credits. Any change in our ability to use such tax credits could materially affect our business, results of operations, financial condition, cash flows and prospects.

It is important to highlight that from a Spanish CIT perspective, the dividends received from Ocensa should be exempt from taxation in Spain according to the participation exemption governed under article 21 of Spanish CIT Law and the application of the Spanish holding company regime (*Entidad de Tenencia de Valores Extranjeros*) under articles 107 and 108 of Spanish CIT Law. Considering that the main source of our income should be dividends exempted from Spanish CIT taxation, application of the above yearly interest deductibility limitation of net financial expenses exceeding 30% of operating profits per Spanish CIT Law, should not imply any increase in effective taxes paid by us and be available for carryforward.

Changes in taxes and other assessments may adversely affect us.

The legislatures and tax authorities in the tax jurisdictions in which we operate regularly enact reforms to the tax and other assessment regimes to which we and our customers are subject. Such reforms include changes in tax rates and, occasionally, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. The tax authorities may have a different interpretation of the legislation than the one applied by us. In particular, any change in the Spanish participation exemption regime or in the special regime applicable to “Spanish holding companies” (*entidades de tenencia de valores extranjeros*) or in the interpretation of the foreign exchange tax treatment applied by us may affect the tax status and position of the Company in Spain. Changes to tax treaties ratified by Spain and Colombia may also occur. The effects of these changes and any other changes that result from enactment of additional tax reforms cannot be quantified and there can be no assurance that any such reforms would not have an adverse effect upon our business, results of operations, financial condition, cash flows and prospects.

A change of control of Ocensa could impact our ability to influence its operations.

We own 1,153,139 shares, or 22.352%, of Ocensa’s capital stock and, pursuant to the Shareholders’ Agreement, we may nominate, and effectively control the appointment of, two board members using the electoral quotient (*cuociente electoral*) system, and we have effective veto rights over critical decisions relating to Ocensa’s operations and financial condition and on changes to Ocensa’s existing dividend policy. We will maintain this effective veto right so long as our ownership does not fall below 10% of Ocensa’s capital stock. For further detail on our rights under the Shareholders’ Agreement and our control and veto rights, see “Principal Shareholders—Shareholders’ Agreement.” Although the terms of the Indenture governing the Notes limit our ability to reduce our ownership interest in Ocensa, our interests in Ocensa may not be maintained in the future as a consequence of a sale of our ownership interest. Any decrease in our control of Ocensa could adversely impact our ability to influence Ocensa's policies and operations, with the exception of Ocensa's dividend policy, given that we are restricted by the terms of the Indenture governing the Notes from reducing our ownership stake in Ocensa below 10%. A change in Ocensa's financial condition and business could adversely impact our ability to satisfy our obligations under the Notes.

I Squared and Grupo Romero may seek to sell their ownership of us, or the Ocensa shares they hold through us.

We are controlled by I Squared, through its private fund ISQ, and Grupo Romero. As private equity firms, I Squared and Grupo Romero are in the business of making investments in companies, and ultimately selling those investments. As a result, I Squared and Grupo Romero may seek to sell their ownership of us, or of the Ocensa shares they hold through us, which may trigger a Change of Control under the Notes, or a mandatory prepayment of a portion of the Notes. See "Description of the Notes—Change of Control" and "Description of the Notes—Covenants—Asset Sales."

Risks Relating to Ocensa's Business and Industry

Ocensa's results of operations are dependent upon the ability of Colombian crude oil companies to find, acquire or gain access to crude oil reserves (pursuant to valid concession agreements or otherwise), extract the crude oil and consequently transport additional volumes of crude oil.

As a transporter of crude oil for Colombian crude oil producers under both "ship or pay" and "ship and pay" agreements, Ocensa's results of operations are dependent on the ability of crude oil producers to find, acquire or gain access to additional crude oil reserves (pursuant to valid concession agreements or otherwise) and subsequently transport additional volumes of crude oil. There can be no assurance that Colombian crude oil producers will be successful in the exploration, appraisal, development and commercial production of crude oil, or that they will obtain the same level of success as previously achieved.

In particular, it is not possible for Colombian crude oil producers to predict in advance of drilling and testing whether any particular prospect will definitely contain crude oil, or, if it does contain crude oil, it will be in sufficient quantities or quality to recover drilling or completion costs or to be economically viable. Regardless of the quantities in which any crude oil is found in prospects, construction costs of infrastructure, including crude oil pipelines or floating production systems, as applicable, and transportation costs may prevent the prospects from being economically viable. Colombian crude oil producers may terminate their drilling programs for a prospect if data, information, studies and previous reports indicate that the possible development of resources is not commercially viable and, therefore, does not merit further investment.

If the prospects of Colombian crude oil producers do not prove to be successful, Ocensa may experience a decrease in the volume of crude oil it transports through the Ocensa Pipeline, and its business, financial condition and results of operations would be materially adversely affected.

The business of Ocensa's customers, which consists of Colombian crude oil producers, depends substantially on international prices for crude oil which are volatile.

Crude oil prices have traditionally fluctuated as a result of a variety of factors including, among others, the competition within the international oil industry, long-term changes in the demand for crude oil (as further explained below), the economic policies in the United States, China and the European Union, regulatory changes, changes in global supply, inventory levels, changes in the cost of capital, adverse or favorable economic conditions, global financial crises, substitute sources of energy, development of new technologies, global and regional economic and political developments in OPEC, the willingness and ability of OPEC and its members to set production levels, local and global demand and supply for crude oil, refined products and natural gas, trading activity in crude oil and natural gas, which thereby affects their respective margins, derivative financial instruments related to crude oil and gas, weather conditions, natural events or disasters, and terrorism and global conflict.

Beginning on March 6, 2020, OPEC and Russia ceased their cooperation in respect of crude oil prices and policies, leading to an oversupply in the market, which caused crude oil prices to fall sharply, by approximately 70% reaching a low of US$19.33 per barrel on April 21, 2020. While a deal to cut production was implemented by OPEC and its allies on May 1, 2020, and oil prices have slowly been recovering, any further material or continued decline in the price of the crude oil Ocensa's customers produce would materially adversely affect their business, results of operations and financial condition. Consequently, Ocensa's customers may decrease the volume of crude oil they produce and subsequently transport through the Ocensa Pipeline, which may adversely affect Ocensa's business, results of operations and financial condition given that it transports crude oil pursuant to certain of its transportation agreements under a "ship and pay" module based on existing capacity. See "—The majority of Ocensa's transportation agreements are based upon the "ship and pay" module, which does not require that shippers transport a minimum volume of crude oil through the Ocensa Pipeline."

Ocensa may be unable to successfully complete its operational projects.

Ocensa intends to continue to develop the operations of the Ocensa Pipeline and the Port of Coveñas through operational projects, which it believes are critical to its success in maintaining its market position. The development schedules of its operational projects are subject to delays and cost overruns, which may prevent Ocensa from achieving its pipeline operational goals. Moreover, the costs to implement certain pipeline operational projects may fluctuate and costs associated with engineering, labor and construction depend on a number of factors that can be difficult to predict or measure at the initial stage of a project. Ocensa cannot guarantee that construction and operations schedules will evolve as planned without significant delays or cost overruns. Any such delays may increase the cost of a project and require additional capital, and there is no guarantee that additional capital will be available to Ocensa in a timely manner and on acceptable terms, if at all.

Ocensa's projects can be adversely affected by one or more factors generally associated with large-scale projects, including:

- shortages of equipment, materials and labor;
- fluctuations in the prices of construction materials, particularly steel; delays in the delivery of equipment and materials;
- labor disputes;
- political events;
- blockades and embargoes;
- litigation;
- adverse weather conditions;
- unanticipated cost increases;
- natural disasters;
- pandemics;
- accidents;
- unanticipated engineering complications;
- environmental or geological problems;

- sabotage, terrorist attacks and criminal activities; and
- other unforeseen events.

Any of the abovementioned or unforeseen factors may delay Ocensa's projects or result in cost overruns, and, therefore Ocensa may be unable to meet with its pipeline expansion targets, which may have a material adverse effect on Ocensa's business, financial condition and results of operations.

Ocensa is vulnerable to the development of a viable market alternative to the transportation of crude oil through pipelines.

Currently, the transportation of crude oil through pipelines is the most efficient and reliable transportation method in Colombia, with transportation by trucking and barge the only other available alternatives. If trucking transportation or barge transportation or other pipelines become more efficient or reliable, or if other efficient and economical transportation methods are developed in Colombia, Ocensa may face increased competition as customers transport their crude oil through these alternative methods or competitors' pipelines, which may materially adversely affect Ocensa's business, results of operations and financial condition.

The majority of Ocensa's transportation agreements are based upon the "ship and pay" module, which does not require that shippers transport a minimum volume of crude oil through the Ocensa Pipeline.

As of the date of this offering memorandum, "ship and pay" transportation agreements represent approximately 603 kbpd of Ocensa's current transportation capacity with "ship or pay" transportation agreements accounting for 145 kbpd (capacity at 300 cSt and at 30°C / 23°API).

Pursuant to Ocensa's current "ship and pay" agreements with initial shippers, which expire in 2093, shippers are not required to ship a specified volume of crude oil. Ocensa, on the other hand, is required to make available to each shipper a specified contracted capacity irrespective of whether a shipper transports a volume of crude oil that is lower than the shipper's contracted capacity. To the extent that shippers with "ship and pay" contracts transport less crude oil than their contracted capacity, and provided that Ocensa complies with certain requirements, Ocensa may make this capacity available to other shippers without entering into long-term contracts. If the prospects of Colombian crude oil producers do not prove to be successful, Ocensa may experience a decrease in both the volume of crude oil from shippers with contracted "ship and pay" capacity and may not be able to sell such unused capacity to other shippers, and its business, financial condition and results of operations may be materially adversely affected.

Ocensa is exposed to the credit risks of its customers, and any material nonpayment or nonperformance by its customers could adversely affect its cash flow and results of operations.

Ocensa's customers may experience financial problems that could have a significant negative effect on their creditworthiness. Severe financial problems encountered by Ocensa's customers could limit Ocensa's ability to collect amounts owed to it, or to enforce the performance of obligations owed to it under contractual arrangements such as "reserved capacity" agreements though which winning bidders are required to prepay certain amounts due in order to reserve their transportation capacity. In addition, many of Ocensa's customers finance their activities through their cash flows from operations, the incurrence of debt or the issuance of equity.

The combination of declining cash flows as a result of declines in commodity prices, a reduction in borrowing bases under reserve-based credit facilities and the lack of availability of debt or equity financing may result in a significant reduction of Ocensa's customers' liquidity and limit their ability to make payments or perform on their obligations to Ocensa.

Furthermore, some of Ocensa's customers may be highly leveraged and subject to their own operating expenses. Therefore, the risk Ocensa faces in doing business with these customers may increase. Financial problems experienced by Ocensa's customers could result in the impairment of its assets, a decrease in its operating cash flows and may also reduce or curtail Ocensa's customers' future use of its products and services, which may have an adverse effect on its revenues.

A significant portion of Ocensa's transportation volume, and consequently revenue, is concentrated among certain customers.

In 2019, Ocensa's five largest customers by shipping volume accounted for approximately 93.9% of the volume of crude oil it transported along the Ocensa Pipeline, with Ecopetrol accounting for approximately 77.2% by itself. Consequently, these customers accounted for a significant portion of Ocensa's revenue. If a number of these customers were to shift their transportation of crude oil to one of Ocensa's competitors, for any reason or no reason, and Ocensa was unable to replace these customers with customers requiring similar transportation volumes, its business, results of operations and financial condition would be materially adversely affected.

Ocensa has entered and may continue to enter into certain significant transactions with affiliates or other related parties, which transactions may result in conflicts of interest.

Ocensa has entered and may continue to enter into significant transactions with companies controlled by Ecopetrol and affiliates of Cenit, including in respect of the transportation of crude oil produced by Ecopetrol. See "Business—Material Agreements," "Principal Shareholders—Shareholders' Agreement" and "Related Party Transactions" for additional information about Ocensa's related-party transactions.

Any such transactions may not be on terms as favorable as those Ocensa could have obtained or may be able to obtain with unaffiliated third parties. While Ocensa believes such transactions have been and will be negotiated on an arm's length basis, there can be no assurance that such transactions could not give rise to conflicts of interest that could adversely affect Ocensa's financial condition and results of operations.

Adverse conditions in the financial or credit markets, or Ocensa's inability to obtain adequate financing, may impair its capacity to operate its business and implement its strategy.

The implementation of Ocensa's strategy, particularly in relation to any pipeline expansion opportunities, will require additional investment and will result in increased capital requirements, which may not be accompanied by an equivalent growth in our revenues.

Additionally, there may be an increase in Ocensa's operating costs and administrative expenses, due to, among other things:

- expenses related to expansion;
- an increased cost of equipment;
- increased competition, requiring that Ocensa obtains additional funding; and
- an increased variable cost per barrel.

Ocensa intends to utilize bank financings, cash generated by its business and issuance of securities in the capital markets to meet its funding needs and there can be no assurance that such funding will be available or available to Ocensa on favorable terms, which are dependent upon factors outside of its control, including, but not limited to, Colombia's credit rating as well as economic and political downturns. Moreover, this funding, if available, may result in higher interest and amortization expenses, higher leverage and lower profits available to fund Ocensa's strategy, including its expansion and continued investment in infrastructure projects. In addition, higher leverage may limit its ability to absorb competitive pressures and leave it more vulnerable to economic difficulties. If Ocensa is unable to generate or obtain sufficient additional capital in the future, it may be forced to reduce or delay its capital expenditures, sell assets or restructure its indebtedness, which could materially adversely affect its business, results of operations and financial condition. If Ocensa is unable to obtain additional capital in the future to complete its expansion projects, its future cash flow may be severely hampered, which could materially adversely affect its business, results of operation and financial condition.

Moreover, any increase in the uncertainty regarding the ability of Ecopetrol, Ocensa's indirect controlling shareholder, to finance its investments may materially adversely impact investors' perceptions of Ocensa's ability to finance its investments and, consequently, its ability to obtain additional financing.

In addition, pursuant to applicable regulations, the Ministry of Finance and Public Credit must authorize all indebtedness of governmental entities and companies in which the government holds a controlling interest, including Ocensa. Consequently, Ocensa must obtain government authorization prior to entering into any financing arrangements. As such, its ability to obtain financing to fund its operations or expansion projects is subject to Colombian governmental policies and the Colombian government's ability to timely approve any such financing. Ocensa cannot guarantee that such authorizations would be granted in a timely fashion or at all, and any failure to obtain government authorization to obtain financing may materially adversely affect its business, results of operations and financial condition.

A new financial crisis (such as what is currently occurring as a result of the COVID-19 pandemic), volatility in prices in the oil and gas sector (as currently being experienced with the significant drop of the price of Brent crude in 2020 year to date), the spread in protectionist policies in or commercial disagreements among the United States, China and Europe, lack of consensus among OPEC members, the political uncertainty in the region, the discovery of corruption by governments and private companies in emerging markets and further geopolitical disruptions in the Middle East, which could involve developed countries and worsen risk perception with respect to the emerging markets could make it more difficult for Ocensa to access international and local capital markets to finance its operations and potentially refinance its debt maturities on terms acceptable to it. These conditions, along with significant write-offs in the financial services sector and the re-pricing of credit risk, can make it difficult for Ocensa to obtain funding for its capital needs on favorable terms. Access to credit and capital markets is also dependent on Ocensa's credit ratings, which are mainly determined by its financial and operational strength, oil and gas market conditions and the support that could be provided by the Colombian government.

Ocensa may be unable to capture new business opportunities that arise in connection with the discovery of new crude oil wells or production fields distant from the Ocensa Pipeline.

In an effort to identify new crude oil reserves, Colombian crude oil producers are currently exploring various fields throughout Colombia, including fields that are not proximate to the Ocensa Pipeline. To the extent major crude oil discoveries are made in fields that are not proximate to the Ocensa Pipeline and Ocensa is unable to expand the Ocensa Pipeline into these fields or develop new pipeline systems to accommodate any new discoveries, it would be unable to capture the additional opportunities provided by these discoveries.

Ocensa is subject to changes in tariffs established in accordance with the regulations of the MME and to higher rates for the transportation of crude oil from Vasconia to Coveñas (Segment III).

Ocensa primarily derives its revenue from tariffs charged to crude oil producers for the transport of crude oil through its pipeline. These tariffs are established through negotiations with Ocensa's customers in compliance with rules and procedures established by the MME. If Ocensa is unable to reach an agreement with its customers, the tariff will be set by a panel of three experts and finally established by the MME. The established tariffs are then subject to an annual inflation adjustment and to mandatory revision every four years, which may increase or decrease the tariffs Ocensa charges shippers. In the event (1) the MME modifies the methodology pursuant to which Ocensa's tariffs are regulated and any such modification reduces the tariffs Ocensa charges or (2) the MME decreases the tariff adjustment rate, Ocensa's business, results of operations and financial condition may be materially adversely affected. In addition, Ocensa may face disagreement with certain of its customers as part of the tariff-setting process for a variety of reasons, including anti-competitive concerns.

In addition, Ocensa's tariffs for the transportation of crude oil from Vasconia to Coveñas are US$1.537 higher than those charged by its competitor, Oleoducto de Colombia, which has the same route as Ocensa from Vasconia to Coveñas. These higher tariffs may discourage Ocensa's customers who are not obligated to ship a specified volume through the Ocensa Pipeline under the "ship and pay" contract module or may encourage them to turn to competitors. A resulting decrease in volume would thereby materially adversely affect Ocensa's business, results of operations and financial condition.

Moreover, recently the ACP, as representative of most of the private E&P companies with operations in Colombia, led a public debate regarding the impact of the crude oil pipeline transportation tariffs on E&P companies' operations and production, the reputation of Colombia as an investment destination for oil and gas companies and Colombia's relative competitiveness compared to its peers in the region. According to notes of the debate published by the ACP, E&P companies believe the current tariffs are a non-manageable cost that may represent up to 45% of a producer's total costs of operations, which may pressure these companies to lower production and renegotiate transport tariffs given low oil prices as well as the effects of the COVID-19 pandemic. As a result, in March 2020 the MME issued a draft resolution for public comment, which aimed to temporarily modify the current tariff setting methodology to provide for an alternative mechanism through which emergency tariffs may be set or modified to address unforeseeable economic deviations from the underlying assumptions in the current methodology. However, such resolution was not implemented and the tariff methodology remains unchanged. Additionally, Ocensa participated as an interested party in the action for annulment of the tariff setting regulation before the Council of State. Although Ocensa believes that the current tariff regulatory regime fairly compensates transporters for investments in pipeline infrastructure and related projects, to the extent that MME modifies the current tariff regime in a manner that reduces development and maintenance incentives for transporters, Ocensa's business, results of operations and financial condition may be materially and adversely affected.

In June and July 2019, Ocensa received an administrative visit from the Superintendence of Industry and Commerce ("SIC"), the Colombian competition authority, during which the SIC requested and obtained information regarding tariff negotiations from Ocensa in the course of what was described by the SIC as a preliminary investigation process. Ocensa has not received notice as to the initiation of a formal proceeding or investigation from the SIC in connection with such a visit, and it has not received formal information as to the reasons for the abovementioned preliminary investigation process. In the event that the SIC initiates a formal investigation against Ocensa, and that it is found responsible for anticompetitive behaviors in the context of the tariff process, Ocensa may be subject to fines of up to 100,000 times the monthly legal minimum wage.

Furthermore, in June 2020, the MME launched a request for proposal for a consulting process to carry out a study with the purpose of reviewing, adjusting, and updating the tariff setting methodology. As part of the request proposal, the chosen firm will be required to prepare a document proposing improvements to the existing methodology. In the event that the MME materially modifies the methodologies pursuant to the results of the chosen consultant's study, and that these changes are implemented, Ocensa's business, results of operations and financial condition may be materially adversely affected.

Ocensa's concession agreements may not be renewed or may be terminated prior to their respective maturity dates.

Ocensa owns and operates the Ocensa Pipeline and operates the Port of Coveñas pursuant to concession agreements executed with the Colombian government. Pursuant to the Pipeline Concession, Ocensa may operate the Ocensa Pipeline through March 2046, subject to renewal for an additional 20-year term thereafter. However, the Pipeline Concession may be terminated prior to its termination date and the Colombian government through the MME, may exercise its right to purchase the assets comprising the Ocensa Pipeline at any time from March 2026 onwards. There can be no assurance that the Pipeline Concession will not be terminated prior to its termination date, that the Colombian government will not exercise its right to purchase the Ocensa Pipeline assets or that any consideration Ocensa receives will sufficiently compensate Ocensa for the loss of these assets upon any such exercise. In accordance with Law 388 of 1997 and Decree 2150 of 1995, any compensation Ocensa would receive would be calculated by the Geographic Institute Agustín Codazzi (*Instituto Geográfico Agustín Codazzi*) or specialized entities authorized by the Real Estate Pricing Authority (*Lonja de Propiedad Raiz*) pursuant to an established formula and reviewed in accordance with Decree 1420 of 1998 in order to determine the fair value of these assets. Moreover, there can be no guarantee that Ocensa will be able to timely and efficiently identify substitute pipeline opportunities, if at all, or that these opportunities will provide similar returns in an adequate timeframe.

In addition, pursuant to its terms, the Port Concession will expire in 2036, subject to renewal upon mutual agreement of the parties for an additional 20 years. In the event the Port Concession is not renewed, the assets that comprise the port (currently held and operated by Ocensa) will revert to the Colombian government with no further compensation due to Ocensa. Given the strategic importance of the Port of Coveñas to Ocensa's pipeline operations, particularly with respect to exports of crude oil, the non-renewal of the Port Concession may materially adversely affect its business, results of operations and financial condition if Ocensa is unable to find an alternative on a timely basis, if at all.

Ocensa has one primary supplier of DRAs.

Ocensa utilizes DRAs (which in 2019 and for the three-month period ended March 31, 2020 represented 8% and 5% of its total costs, respectively) in connection with the operation of the Ocensa Pipeline. DRAs are additives in pipelines that increase pipeline capacity by reducing turbulence and therefore allowing the crude oil to flow more efficiently through the pipeline system. As of the date of this offering memorandum, Ocensa currently obtains DRAs from one primary supplier. In the event this supplier is unable fulfill Ocensa's DRA supply requirements, for any reason or for no reason, Ocensa may be required to obtain DRAs from another supplier and there can be no guarantee that it will be able to do so at a reasonable cost and in a timely fashion. Any failure to obtain DRAs for its pipeline operations may materially adversely affect its business.

Ocensa's operations are subject to certain operational risks that, if materialized, may result in the disruption or shutdown of its operation activities, as well as in damages to the environment and to third parties.

Transporting crude oil involves specific operating risks, some of which are beyond Ocensa's control. Ocensa's operations may be curtailed, delayed or cancelled due to adverse or abnormal weather conditions, natural disasters, equipment failures or accidents, crude oil spills or leaks, shortages or delays in the availability or in the delivery of equipment, delays or cancellation of environmental licenses or other government authorizations, fires, explosions, blow-outs, surface cratering, pipeline failures, theft and damage to Ocensa's transportation infrastructure, sabotage, terrorist attacks and criminal activities.

The occurrence of any of these operating risks could result in substantial losses or slowdowns to Ocensa's operations, including injury to its employees, destruction of property, equipment and infrastructure, clean-up responsibilities, third-party liability claims, government investigations and imposition of fines, withdrawal of environmental licenses and other government permits, suspension or shutdown of Ocensa's activities and loss of revenue.

The occurrence of any of these risks along the Ocensa Pipeline may materially and adversely affect Ocensa's business, results of operations and financial condition.

Market trends in the composition of crude oil may render the Ocensa Pipeline less competitive.

The composition of market crude oil may change in response to evolving market standards and customer preferences. While the Ocensa Pipeline is currently capable of handling crude oil of different qualities, ranging from light crude oil and intermediate blends to extra heavy crudes, market standards for the composition of crude oil may evolve to ultra-heavy crude oil, which Ocensa's pipeline cannot at present transport. In addition, the transport of higher quantities of heavy crude oil in relation to light or intermediate crude oils reduces the effective capacity of the Ocensa Pipeline, resulting in a lower volume of crude oil transported. If Ocensa is unable to modify the Ocensa Pipeline system to accommodate any such changes in the composition of market crude oil as a result of technological or financing limitations or otherwise, or the percentage of heavy crude oil to light/intermediate crude oils transported via the Ocensa Pipeline reduces its effective capacity, its customers may elect to transport crude oil through Ocensa's competitors, and consequently, Ocensa's business, results of operations and financial condition may be materially adversely affected.

Ocensa is exposed to equipment and transportation risks that could interrupt its operations and result in substantial liability.

Ocensa is subject to equipment and transportation risks that are common among oil and gas companies. For example, Ocensa encounters:

- equipment risk—*i.e.*, risk related to the adequacy and condition of the facilities, including equipment becoming obsolete; and

- transportation risk—*i.e.*, risk related to the condition of Ocensa's pipeline, shipping of its crude oil products and vulnerability of other modes of transportation.

In particular, Ocensa's business is subject to the risk of:

- pipeline explosions;

- oil spills and leaks; and

- unexpected geological formations or pressures.

The occurrence of any these events could result in:

- personal injury or loss of life;

- substantial disruption to Ocensa's operations;

- significant environmental damage resulting in remediation costs and expenses, claims, sanctions or fines;

- other significant damage to Ocensa's property or the property of others; or

- a material adverse effect on Ocensa's results of operations and financial condition.

In accordance with customary industry practice, Ocensa has purchased insurance policies covering certain risks. However, given the nature of its operations and inherent risks, these policies do not cover all potential liabilities that may result from these risks. Ocensa cannot guarantee that it will continue to be able to obtain insurance policies at commercially reasonable prices and acceptable terms.

Ocensa may incur losses and spend time and money defending pending lawsuits and arbitrations.

Ocensa may incur losses and spend time and money defending pending litigation and administrative proceedings. Ocensa is currently a party to numerous legal proceedings relating to civil, administrative, environmental, labor and tax claims filed against it. These claims involve substantial amounts of money and other remedies. Ocensa has established provisions for all amounts in dispute that represent a probable loss in the view of its legal advisors and in relation to those disputes that are covered by laws, administrative decrees, decrees or court rulings that have proven to be unfavorable. As of March 31, 2020, Ocensa has established provisions of US$3.75 million for legal claims, US$2.66 million for administrative actions in which Ocensa is a plaintiff and US$1.09 million for a civil proceeding in which Ocensa is a defendant.

In the event that claims involving a material amount were to be decided against Ocensa, or in the event that the losses estimated turn out to be significantly higher that the provisions made, the aggregate cost of unfavorable decisions could have a material adverse effect on Ocensa's financial condition and results of operations. In addition, Ocensa's management may be required to direct its time and attention to defending these claims, which could preclude them from focusing on its core business. Depending on the outcome, certain litigation could result in restrictions in Ocensa's operations and have a material adverse effect on its business.

Ocensa is subject to extensive environmental regulations in Colombia and are under an obligation to comply with international environmental standards.

Ocensa's operations are subject to extensive national, regional and local environmental regulations in Colombia. These regulations establish, among other things, quality standards for hydrocarbon transportation, remedies for soil, water pollution and the general storage, handling, transportation and treatment of hydrocarbons in Colombia. Both the Ministry of the Environment and Sustainable Development (*Ministerio de Ambiente y Desarrollo Sostenible*) and the National Authority of Environmental Licenses (*Autoridad Nacional de Licencias Ambientales*, or the "ANLA"), routinely monitor and inspect Ocensa's facilities and may decide to open investigations that may result in fines, restrictions on its operations or other sanctions in connection with potential non-compliance with environmental laws, licenses, permits, authorizations and requirements made by competent environmental authorities.

Ocensa is also subject to regional environmental regulations issued by the Regional Autonomous Corporations (*Corporaciones Autónomas Regionales*), which oversees compliance with each region's environmental regulations. If Ocensa fails to comply with any of these national or regional environmental regulations, it could be subject to administrative and criminal penalties, including warnings, fines and closure orders of its facilities.

Environmental compliance has become more stringent in Colombia in recent years and, as a result, Ocensa has allocated a greater percentage of its capital expenditures for compliance with these laws and regulations. If environmental laws continue to impose additional costs and expenses on Ocensa, and as new laws and regulations relating to climate change become applicable to it, Ocensa may need to reduce its investments in strategic projects in order to allocate funds to environmental compliance. Ocensa is exposed to delays in administrative proceedings to obtain or modify environmental licenses before the ANLA, which can lead to cost overruns or to changes in Ocensa's investment plans. These additional costs may have a negative impact on the profitability of the projects Ocensa intends to undertake or may make them economically unattractive, in turn materially adversely affecting Ocensa's business, results of operations and financial condition.

Potential legislative and regulatory actions addressing climate change could significantly impact Ocensa's industry and Ocensa, causing increased costs and reduced demand for oil and natural gas.

The 2015 United Nations Climate Change Conference adopted by consensus the Paris Agreement (which entered into force on November 4, 2016). The agreement deals with greenhouse gas ("GHG") emission reduction measures and targets limiting global temperature increases. It will require countries to review and "represent a progression" in their intended nationally determined contributions, which set emissions reduction goals every five years, beginning in 2020. International treaties together with increased public awareness related to climate change may result in increased regulation to reduce or mitigate GHG emissions.

Colombia ratified the Paris Agreement through Law 1844 of 2017, which has been in effect since July 14, 2017. Colombia has made substantial efforts to establish a regulatory framework that leads to reductions of greenhouse emissions, which include the creation of an inter-institutional coordination system for decision making on mitigation and adaptation to climate change (National Climate Change System (SISCLIMA)), the adoption of a national policy on climate change and the establishment of a carbon tax of U.S.$5.00 for each ton CO2 emitted as a result of the combustion of natural gas, liquefied petroleum gas, coal, kerosene and jet fuel, diesel oil (ACPM), and fuel oil. Furthermore, through Law 1931 of 2018 Colombia enacted its Emission Trading Scheme ("ETS"), according to which the Ministry of Environment and Sustainable Development (*Ministerio de Ambiente y*

Desarrollo Sostenible) must regulate permits and goals that must be accomplished by certain industries to comply with the national policy for climate change, the sustainable development goals and the Paris Agreement.

Compliance with legal and regulatory changes relating to climate change, including those resulting from the implementation of international treaties, may in the future result in declining demand for Ocensa's services in the long-term. In addition, increased regulation of GHG may create greater incentives for use of alternative energy sources, rather than crude oil. Any long-term material adverse effect on the oil industry could adversely affect the financial and operational aspects of Ocensa's business, which it cannot predict with certainty at this time.

Ocensa's operations are subject to social unrest and security risk disturbances.

While in recent years Ocensa's transportation system has not experienced a material attack and security conditions along its route have improved significantly as the military and police authorities have prioritized the protection of its assets, its activities are subject to vandalism that may disrupt, inconvenience or suspend its operations for an indefinite period of time. For example, in October 2015, Ocensa suffered an attack which generated a minor dent to its pipeline, without affecting the integrity of the pipeline, the continuity of its operations or causing environmental damage. Similarly, most recently in March 2019, an attempt to steal crude oil through the installation of an illicit valve was rapidly identified and remedied.

In addition, Ocensa's activities are subject to social unrest, including protests from the communities surrounding its operations with respect to future projects or operations that may partially interrupt or disrupt access to Ocensa's remote facilities. While this type of social unrest has decreased in recent years as a result an open dialogue with communities and local authorities, increased social and environmental awareness and the productive promotion of the Voluntary Principles on Security and Human Rights, Ocensa cannot guarantee that any such improvement will be long-lasting or that any deterioration will not interfere with its operations.

Finally, Ocensa may extend the Ocensa Pipeline into areas classified by the Colombian government as indigenous reserves (*resguardos*) and Afro-Colombian lands (*territorios colectivos*). Ocensa may not be able to begin such potential expansions until it complete a consultation process with affected minority groups that inhabit these lands. Generally these consultations take between four and six months, but may be significantly delayed if Ocensa cannot reach an agreement with the local communities. If Ocensa's activities endanger the conservation and preservation of these cultural minorities or their identities or beliefs, Ocensa may not be able to expand its pipeline into these regions, which may materially adversely affect its business, results of operations or financial condition.

Ocensa's operations are subject to health and safety risks relating to its workforce and local communities.

Certain of Ocensa's operations are located in remote regions of Colombia and are subject to health and safety risks that could affect its workforce. Under Colombian law and industrial safety regulations, Ocensa is required to implement health and safety practices that minimize risks and health issues faced by its workforce. Failure to comply with health and safety regulations may lead to investigations by health officials that could result in lawsuits or fines.

Ocensa may be required to incur additional costs and expenses to allocate funds to industrial safety and health compliance under Colombian law and industrial safety regulations. Additionally, if any operational incident occurs that affects local communities in nearby areas, Ocensa will need to incur additional costs and expenses in order to return affected areas to normality. These additional costs may have a negative impact on the profitability of the projects Ocensa may decide to undertake.

Natural disasters could disrupt Ocensa's business and impact its results of operations and financial condition.

Ocensa is exposed to natural disasters in Colombia, such as earthquakes, volcanic eruptions, tornadoes, tropical storms, floodings, mudslides and hurricanes. In the event of a natural disaster, Ocensa's disaster recovery plans may prove to be ineffective, which could have a material adverse impact on its ability to conduct its businesses, particularly if such an occurrence affects computer-based data processing, transmission, storage and retrieval systems or destroys customer or other data. In addition, if a significant number of Ocensa's employees and senior managers were unavailable because of a natural disaster, Ocensa's ability to conduct its businesses could be compromised. Natural disasters or similar events could also result in substantial volatility in Ocensa's results of operations for any fiscal quarter or year.

Recent global developments in oil supply as well as the COVID-19 pandemic have negatively impacted, and may continue to negatively impact, Ocensa's business.

The disagreement on production cuts between the OPEC and Russia since the beginning of March 2020, followed by the decision of Saudi Arabia to reduce its sale oil prices and increase its production to gain market share, have negatively impacted the international reference prices for crude oil in 2020 to date. Furthermore, as a result of the COVID-19 pandemic and measures put in place to slow its spread, including the imposition of quarantines and medical screenings, travel restrictions and the suspension of many economic activities, Ocensa has seen and expects to continue to see substantial uncertainty in macroeconomic conditions with regards to lower prices and demand for crude oil, gas and related products. These recent global developments have resulted in a significant drop in Brent crude prices, with Brent crude reaching a low of US$19.33 per barrel on April 21, 2020. While a deal to cut production was implemented by OPEC and its allies on May 1, 2020, the situation has resulted in a significant downturn in the industry and continued volatility in oil prices.

As Ocensa's customers' businesses depend substantially on international prices for crude oil, while Ocensa's results of operations were in line with its expectations for the months of January and February 2020, the sharp decrease in oil prices in March 2020 resulted in a slight decrease in volumes transported through the Ocensa Pipeline. This volume decrease had an immaterial negative impact on its results of operations for the first quarter of 2020 in comparison to the first quarter of 2019. More specifically, even though Ocensa recorded a decrease in its revenue and EBITDA from US$367 million and US$357 million, respectively, during the three-month period ended March 31, 2019, to US$363 million and US$321 million in revenue and EBITDA, respectively, during the three-month period ended March 31, 2020, most of this decrease was unrelated to the oil price decrease and the COVID-19 pandemic. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of Ocensa—Results of Operations—Three Months Ended March 31, 2020 compared to Three Months Ended March 31, 2019." Ocensa expects that its revenue, net profit, and EBITDA will be significantly negatively impacted in the second quarter of 2020 as the volumes transported through the Ocensa Pipeline continued to decrease and oil prices continued to drop. In the second quarter of 2020, average volumes received by the Ocensa Pipeline decreased by 18.77% compared to the same period in 2019. The decrease is largely explained by higher volumes reversed from OBC's flow into the Ocensa Pipeline during the second quarter of 2019. Recent statistics published by the MME showed that the national crude oil production in Colombia decreased by 7% from January 2020 to May 2020 compared to the same period in 2019 and by 8.8% for the first half of 2020 compared to the same period in 2019. Lower volumes received by the Ocensa Pipeline in the second quarter of 2020 were partially offset by Ocensa's operational efficiency programs. See "Summary—Recent Developments—Global Oil Prices and COVID-19."

At this time, Ocensa cannot forecast the duration of the effects of COVID-19 on its business. In addition, while the price of crude oil has been increasing since the recent Brent price of US$19.33 per barrel on April 21, 2020 and Ocensa would expect crude oil production to follow that trend, it cannot offer any assurance as to when the international price for crude oil will fully stabilize. Ocensa's future business results and financial condition will be impacted by the extent and duration of these conditions and the effectiveness of responsive actions that Ocensa and others take, including (i) its actions described above and any pressure exerted by the oil and gas industry to modify the current tariff setting methodology in the future, (ii) in respect of oil supply, continuing cooperation between OPEC member countries, and (iii) in respect of COVID-19, new information that may emerge concerning the severity and duration of the outbreak, the pace of vaccine development, and the actions by national and international government authorities to contain the outbreak or treat its impact, among other things.

In addition, with respect to the COVID-19 pandemic, with the purpose of addressing the health and economic impacts caused by COVID-19, the Colombian government issued Decree 417 of 2020, and later Decree 637 of 2020 declaring an Economic, Social and Ecologic Emergency in Colombia. These declarations authorized the Colombian President, with the signature of all its Ministers, to enact decrees with force of law aimed at addressing and mitigating the negative impacts of the crisis. Some of the measures include (i) mandatory shelter in place orders;

(ii) border closure for all non-citizens and non-residents; (iii) closure of all schools and universities; (iv) incentivizing working from home and a mandatory work from home order for 80% of government employees; (v) suspension of increases in utility tariffs; and (vi) reduction in the prices of gasoline, among others. See "—Risks Relating to Colombia's Political and Regional Environment—The worldwide economic effects of the outbreak and economic shutdown caused by the COVID-19 pandemic is adversely affecting Colombia's economy, and the impact could be material." The COVID-19 pandemic has contributed to and coincided with sharply lower demand for oil and as a result a lower and more volatile price of oil and gas. This combination of factors has negatively affected the Colombian economy and the financial position of Ecopetrol, Ocensa's main customer, and, accordingly, the efficacy of the measures taken by the Colombian government cannot yet be evaluated and may have an adverse impact on Ocensa's results and operations.

The insurance policies that Ocensa holds may be insufficient to cover any damage or losses it may incur.

Natural disasters, adverse weather conditions, human error, pandemics and other events may result in, among other consequences, damage to Ocensa's properties, plant and equipment, interruptions to its business and pollution or environmental damage. Ocensa engages in crude oil transportation where design, construction or systems failures can result in substantial injury or damage to third parties or its customers.

There can be no assurance that Ocensa's insurance policies are or will be suitable and/or sufficient in all circumstances or against all risks. The occurrence of a significant loss that is not insured or indemnified, in full or in part, may have a material adverse effect on Ocensa's business, results of operations or financial condition. In addition, even when Ocensa purchases insurance for specified risks, its policies may have deductibles that it is required to pay prior to receiving any amounts for claims. Furthermore, there can be no guarantee that Ocensa will be able to purchase or renew insurance policies at commercial rates and on reasonable and acceptable terms in the future.

The loss of members of Ocensa's management or its inability to hire and retain qualified employees or properly train its personnel may negatively affect it.

Ocensa's ability to maintain its competitive position depends in large part on the experience of its management. There can be no assurance that Ocensa will be able to retain current members of its management and the loss of any member of its senior management or the inability to attract and retain experienced executives may materially adversely affect Ocensa's business, results of operation and financial condition.

Furthermore, as part of Ocensa's expansion strategy, it hires, trains and retains new professionals. Ocensa is subject to substantial competition in seeking to hire these professionals and there can be no assurance that Ocensa will be able to attract and train qualified professionals in sufficient numbers to provide its services and expand its business. Additionally, Ocensa may experience difficulties in retaining professionals if it is not able to maintain an attractive corporate culture and competitive levels of remuneration. Ocensa believes that the hiring, training and retention of skilled labor is a critical factor for business success and growth in the long-term and unsatisfactory implementation or failure of this strategy may materially adversely affect its business, results of operations or financial condition.

The loss of any member of Ocensa's senior management or the inability to attract and retain experienced professionals may materially adversely affect its business, results of operation and financial condition.

Ocensa's operations could be affected by conflicts with labor unions.

In the past, Ocensa has been affected by strikes and work stoppages promoted by its contractors' employees who are represented by industry labor unions. In addition, Ocensa has been recently advised that Ecopetrol, the operator of certain of its pumping stations, including the Porvenir, Miraflores, Vasconia, and Caucasia pumping stations, has had some disputes with its syndicated employees who work at Ocensa's Porvenir station. As of the date of this offering memorandum, these disputes have been solved with no evident or immediate effect on Ocensa's operations; Ocensa believes that it has sufficient contingency plans in case that they do. Nonetheless, Ocensa cannot guarantee that it will not experience labor unrest in the future. In the event relations with its industry's labor unions deteriorate, which could result in strikes, work stoppages or even sabotage, Ocensa's results of operations and financial condition could be negatively affected.

Ocensa's future performance depends on its ability to prevent information technology failures or cyber security attacks and the successful development and deployment of new technologies and the knowledge to apply and improve them.

Ocensa depends on the reliability and security of its information technology systems to conduct crude oil transportation activities, process and record financial and operating data, communicate with its employees and business partners, and for many other activities related to its business. Ocensa's information technology systems may fail or have other significant shortcomings due to operational system flaws or employee misuse, tampering or manipulation.

In addition, Ocensa may become the target of cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of proprietary and other information. A cyber-attack may involve a hacker, a virus, malware, phishing or other actions for the purposes of misappropriating assets or sensitive information, corrupting data or causing operational disruption. Unauthorized access to Ocensa's proprietary information could lead to data corruption or communication or operational disruptions. A cyber-attack directed at oil and gas distribution systems could damage those assets or the environment, delay or prevent delivery of production to markets and make it difficult or impossible to accurately account for transported products. As cyber-attackers become more sophisticated, Ocensa may be required to expend significant additional resources to continue to protect its business or remediate the damage from cyber-attacks. Furthermore, the continuing and evolving threat of cyber-attacks has resulted in increased regulatory focus on prevention. To the extent Ocensa faces increased regulatory requirements, it may be required to expend significant additional resources to meet such requirements. Any of these occurrences could disrupt Ocensa's business, result in potential liability or reputational damage or otherwise have an adverse effect on its financial results. Although Ocensa has not experienced any material losses relating to failure of its information technology systems or cyber incidents, there can be no assurance that it will not suffer such losses in the future.

Moreover, technology, knowledge and innovation are essential to Ocensa's business, especially for improvements in pipeline transportation systems. If Ocensa does not develop the right technology or does not obtain the expertise to operate new technology or to improve its processes, does not have access to, or deploy the knowledge necessary to apply and improve such technology effectively, its business, results of operations and financial condition may be materially adversely affected.

A downgrade in Ocensa's credit rating could increase its cost of capital and limit access to capital.

Rating agencies evaluate Ocensa, and their ratings of its long-term and short-term debt are based on a number of factors. This includes their perception of Ocensa's financial strength as well as other factors not entirely within Ocensa's control, including conditions affecting the crude oil pipeline industry generally, and the state of the Colombian economy generally. On April 1, 2020, Fitch Ratings downgraded Colombia's long-term foreign currency issuer default rating to BBB- from BBB with a negative outlook. Further, on April 3, 2020, as a consequence of the adjustment made to Colombia's sovereign rating, Fitch Ratings downgraded Ocensa's credit rating to BBB- from BBB with a negative outlook. Ocensa cannot offer any assurance that its credit rating will be maintained. An assigned rating may be raised or lowered depending, among other things, on the respective rating agency's assessment of Ocensa's financial strength. In addition, a further downgrade in the rating of the Republic of Colombia could also trigger a further downgrade on Ocensa's ratings as its rating is capped by the rating of the Republic of Colombia and the implicit support that can potentially be provided to us by the Republic of Colombia.

Ocensa is subject to currency fluctuations given that approximately 97% of its revenues are in U.S. dollars or are referenced to U.S. dollars.

In 2019 and for the three-month period ended March 31, 2020, approximately 97% and 99%, respectively, of Ocensa's sales were denominated in U.S. dollars. The impact of fluctuations in exchange rates, especially the Colombian peso/U.S. dollar rate, on Ocensa's operations has been and may continue to be material. The Colombian peso depreciated 8.91%, 0.84% and 24.04% on average against the U.S. dollar in 2018, 2019 and the three-month period ended March 31, 2020, respectively. In addition, a substantial share of Ocensa's liquid assets, 92% as of March 31, 2020, are held in U.S. dollars or indexed to foreign currencies, which may lose value if the Colombian peso appreciates against these currencies in 2020. Appreciation of the Colombian peso against the U.S. dollar adversely affects Ocensa's results of operations due to the fact that Ocensa's revenues are paid in U.S. dollars but its costs are generated in Colombian pesos. While in the ordinary course of business Ocensa enters into local hedging arrangements with local financial institutions to mitigate its exposure to exchange rate variations, there can be no assurance that these arrangements will offset sufficiently or at all any losses Ocensa may incur as a result of currency fluctuations.

The departure of the United Kingdom from the European Union could have an adverse effect on Ocensa's business and financial condition.

On June 23, 2016, the United Kingdom held a referendum in which voters approved an exit from the European Union, commonly referred to as "Brexit." On March 29, 2017, the United Kingdom submitted a formal notification of its intention to withdraw from the European Union. Brexit has created a significant volatility in the global financial markets but the eventual effects of the United Kingdom's departure from the European Union and on Ocensa's financial condition are uncertain at this time, as negotiations continue to determine the future terms of the United Kingdom's relationship with the European Union. On January 31, 2020, the United Kingdom formally withdrew from the European Union, beginning an 11-month transition period ending December 31, 2020 during which time the existing trading relationship will remain in effect pending negotiations. The effects of the United Kingdom's withdrawal from the European Union, will depend on agreements that the United Kingdom makes to retain access to the European Union markets on a more permanent basis.

Brexit is likely to adversely affect European and worldwide economic conditions and could contribute to greater instability in the global financial markets. These effects could have an adverse effect on Ocensa's business and financial condition.

Ocensa's policies and procedures may not be able to detect money laundering and other illegal or improper activities incompatible with its ethics and compliance standards fully or on a timely basis.

As Ocensa enters into contractual relationships with various local and foreign clients, suppliers and contractors, Ocensa is subject to the risk that its shareholders, managers, directors, employees, clients, suppliers, contractors, or any person having relations with them may misappropriate its assets, manipulate its assets or information, make improper payments or capital contributions or engage in money laundering, the financing of terrorism, or other illegal activities for such person's personal or business advantage.

Ocensa is required to comply with applicable anti-money laundering laws, anti-terrorism financing, international anti-bribery laws and other regulations in Colombia. If Ocensa does not comply with these laws, it may be subject to sanctions including the inability to contract with Colombian public entities, the unilateral termination of its long-term concession agreement and the risk of the concession agreement being declared void and null for violating rules of public order, among others. While Ocensa has adopted policies and procedures aimed at detecting and preventing money laundering and other illegal activities by terrorists, terrorist-related organizations and individuals, generally such policies and procedures may not completely eliminate instances where they may be used by other parties to engage in money laundering and other illegal or improper activities.

In addition, Ocensa's systems for identifying and monitoring these risks may not be effective to fully mitigate them in all situations. If Ocensa fails to fully comply with applicable laws and regulations, Colombian and other relevant governmental authorities have the power to impose fines and other penalties. In addition, any such acts may result in material financial losses or reputational harm to Ocensa.

Risks Relating to Colombia's Political and Regional Environment

A substantial portion of Ocensa's revenues are earned in Colombia and all of its assets are located in Colombia. Thus, it is highly dependent on economic and political conditions in Colombia and is subject to various risks associated with Colombia as well as to other emerging markets countries.

Ocensa is a mixed capital company (*sociedad de economía mixta*) organized under the laws of Colombia. All or a substantial portion of its assets, operations and customers are located in Colombia and, as with all assets and operations in an emerging market country, Ocensa's assets and operations are subject to political, economic and other uncertainties, including expropriation, nationalization, renegotiation or nullification of existing contracts, currency exchange restrictions and international monetary fluctuations. Ocensa's financial condition and operating results may be affected by the occurrence of any such events.

Colombia's fiscal deficit and growing public debt could adversely affect the current or future state of the Colombian economy. In addition, the U.S. dollar/Colombian peso exchange rate has shown some volatility in the last four years. Ocensa cannot guarantee that measures recently adopted by the Bank of the Republic of Colombia (*Banco de la República de Colombia*) (the "Colombian Central Bank"), will suffice to control this volatility.

Due to the recent financial and economic crises that have occurred in many countries around the world and which have affected emerging market economies, investors may view investments in emerging markets with heightened caution. As a result of such financial and economic crises, flows of investments into Colombia may be reduced. Crises in other countries may hamper investors' enthusiasm for securities of Colombian issuers, which may, in turn, adversely affect market prices for the Notes and make it difficult for Ocensa to access the international capital markets and finance its operations and capital expenditures.

In addition, securities issued by Colombian companies may be affected by economic and market conditions in other countries, including the United States, other Latin American and emerging market countries. Securities issued by Colombian issuers are also likely to be affected by economic and political conditions in Colombia and in neighboring countries, particularly Venezuela, Ecuador, Peru, Brazil and Panama. Although economic conditions in such Latin American and other emerging market countries may differ significantly from economic conditions in Colombia, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Colombian issuers, including the Notes. Events occurring in a market where Ocensa does not operate may cause international investors to have an increased risk perception of an entire region or class of investment, which could in turn negatively affect market prices and liquidity of securities issued by Ocensa.

Because of the characteristics of the Colombian crude oil pipeline industry (which require significant investments in operating assets) and Ocensa's financing needs, if access to the capital and credit markets is limited, it could face difficulties in completing its investment plans and refinancing its obligations. A deterioration of the Colombian economy could adversely affect Ocensa's financial condition and results of operations and impair its ability to make payments under the Notes.

The Colombian government and the Colombian Central Bank exercise significant influence on the Colombian economy. Political and economic conditions can have a direct impact on Ocensa's business.

The Colombian government and the Colombian Central Bank intervene in the country's economy and occasionally make significant changes in monetary, fiscal and regulatory policy. Ocensa's business, results of operations or financial condition may be adversely affected by changes in government policies, as well as by:

- fluctuations in exchange rates;
- inflation;

- instability of prices;
- changes in interest rates;
- fiscal policy;
- liquidity of domestic capital and lending markets;
- controls on capital flow;
- limits on foreign trade; and
- other political, diplomatic, social and economic developments, which may affect Colombia or the international markets, including COVID-19.

The Colombian Central Bank has in the past required that a certain percentage of indebtedness incurred (depending on the maturity of the indebtedness) be deposited in Colombian pesos or in foreign currency with the Colombian Central Bank in a non- interest-bearing account for a fixed period of time (*depósito por operaciones de endeudamiento externo*). Although currently the percentage to be deposited with the Colombian Central Bank is zero percent (0%) of the disbursements made under indebtedness, the Colombian Central Bank may increase this percentage at any time.

Measures by the Colombian government to maintain economic stability, such as the deposit requirements described above and also speculation regarding its future actions, can generate uncertainties in the Colombian economy and increase volatility in the domestic capital markets and exchange rate markets, which could have a material adverse effect on Ocensa's cash flows, financial condition and results of operations, and could impair its ability to make payments to its shareholders, including us.

Although the Colombian government has not imposed foreign exchange restrictions since 1990, Colombia's foreign currency markets have historically been extremely regulated. Colombian law permits the Colombian Central Bank to impose foreign exchange controls to regulate foreign investment and the proceeds thereof in the event that the foreign currency reserves of the Colombian Central Bank fall below a level equal to the value of three months of imports of goods and services into Colombia. The Colombian Central Bank may intervene by, among other actions, (1) imposing direct exchange controls that may limit Ocensa's ability to possess, utilize or remit foreign currency such as the U.S. dollar or (2) utilizing international reserves or borrowing from international institutions or other nations to obtain the currency required to intervene in the foreign exchange. As a result of the COVID-19 pandemic, the Colombian Central Bank has taken several measures to address liquidity, interest rates and exchange rate issues, including the reduction of the interest rate to 2.50% and increasing international reserves. An intervention that precludes Ocensa from possessing, utilizing or remitting U.S. dollars would impair its ability to make payments in U.S. dollars to its existing shareholders, in particular its foreign investors, including AI Candelaria.

There have been certain events in Colombia and abroad, which have resulted in political tensions between Colombia and some of its neighboring countries.

Diplomatic relations between Colombia and some of its neighboring countries, in particular Nicaragua (with respect to territorial waters), Ecuador and Venezuela, have been tense in the past. These political tensions were heightened by the Colombian government's allegations that neighboring countries are supporting the guerilla groups, as well as by claims made by Venezuela stating that the Colombian army has entered its territory while in pursuit of FARC members. Although relations with these countries have stabilized recently, there can be no assurance that similar allegations could not be made again that may result in new and heightened tensions with Colombia's neighbors, which have had in the past, and could have in the future, a negative impact on Colombia's economy and general security situation.

Beginning in 2017, Venezuela began to experience a severe political, economic and humanitarian crisis that has impacted the Andean Region as a whole, and Colombia in particular. According to the director of *Migración Colombia*, as of May 21, 2020, there are approximately 1,825,000 Venezuelans living in Colombia, some of whom have demonstrated a desire to return to Venezuela. Around 62,000 Venezuelans have already returned to Venezuela through a humanitarian return process led by the Colombian government with the cooperation of regional authorities, the Attorney General's Office and the Ombudsman's office.

In its report of June 2019, (the "2019 Report") the Fiscal Rule Advisory Council recommended that the government budget an additional deficit of 0.5% of GDP for 2019 in order to address the influx of Venezuelan migrants. During the first eight months of 2019, Colombia received $96 million in foreign aid to address the Venezuelan migrant crisis.

On January 23, 2019, the Colombian government recognized and expressed its full support to the President of the National Assembly, Juan Guaidó, who was designated by the Venezuelan National Assembly as interim president of the Bolivarian Republic of Venezuela. Additionally, the government ratified the decision to continue to strongly support the recovery of democracy in Venezuela. Colombia is a member of the Lima Group, a group of 14 western hemisphere nations that has recognized the Guaidó administration and is proposing efforts to reinstall democracy in Venezuela. A deterioration of the Colombian economy as a result of political tensions between Colombia and some of its neighboring countries could adversely affect Ocensa's financial condition and results of operations.

The worldwide economic effects of the outbreak and economic shutdown caused by the COVID-19 pandemic is adversely affecting Colombia's economy, and the impact could be material.

The outbreak of the COVID-19 pandemic is currently having an indeterminable adverse impact on the world economy. COVID-19 was reportedly first detected in Wuhan, Hubei Province, China, and first reported to the World Health Organization country office in China on December 31, 2019. On January 30, 2020, the World Health Organization declared COVID-19 a public health emergency of international concern and on March 11, 2020 declared the outbreak a pandemic. COVID-19 has begun to have numerous worldwide effects on general commercial activity. Many of Colombia's trading partners, such as China, the European Union, the United Kingdom and the United States, among others, have undertaken various public health measures to control the spread of COVID-19 including mandatory quarantines, forced economic shutdowns and travel restrictions, as well as economic measures to mitigate the impacts of such public health policies on their respective national economy. As of August 4, 2020, Colombia had 327,850 confirmed cases of COVID-19, 173,727 recovered cases and 11,017 deaths.

In recent months, the COVID-19 pandemic has spread globally, disrupting various markets and causing deep uncertainty regarding the economies exposed to the outbreak. Ocensa has been affected and will continue to be affected by the COVID-19 pandemic both directly and indirectly, through an impact on its customers, counterparties, employees and other stakeholders, as a result of, among others, public health measures, such as business closings and restrictions on travel and gatherings. The exact ramifications of the COVID-19 pandemic are highly uncertain and, as of the date of this offering memorandum, it is difficult to predict the spread or duration of the pandemic or its full effect on Ocensa and on the global and Colombia's economy.

While governments around the world have introduced various measures and stimulus to support the economies of their countries, the outbreak has had and will continue having a significant adverse effect on both supply and demand, making it challenging to effectively address the challenges with economic policies.

On March 17, 2020, the Colombian government, through Legislative Decree 417 of 2020, declared a 30-day state of national emergency in light of the health and economic crisis caused by the outbreak of COVID-19. On May 6, 2020, through Legislative Decree 637 of 2020, the government declared a state of emergency for an additional 30 days. The Colombian government is implementing various economic and public health measures to address the crisis, including (i) mandatory shelter in place orders; (ii) border closure for all non-citizens and non-residents; (iii) short term and low interest loans for all types of agricultural producers; (iv) payroll subsidies for companies and credit lines for different sectors of the economy; (v) closure of all schools and universities; (vi) incentivizing working from home and a mandatory work from home order for 80% of government employees; (vii) actions by the Banco de la Republica, including reductions of its interest rate by 1.75% in 2020, the provision of non-delivery forwards in the amount of up to US$1 billion and supplying liquidity auctions up to an additional Ps$23.5 trillion; (viii) suspension of increases in utility tariffs; (ix) reduction in the prices of gasoline; and (x) increased COVID-19 testing of up to 15,000 per day, among others. The efficacy of these measures cannot yet be evaluated, and their duration and effect remain uncertain.

If the economic and public health crisis caused by the COVID-19 outbreak continues and the Colombian government's measures are not effective, the economic performance of the country may suffer further than already anticipated, as a result of adverse effects on commerce, transportation and foreign investment, among other things, and thus may potentially adversely affect Colombia's ability to service its debt, including the bonds. The effects of the COVID-19 pandemic and the economic shutdown may also include an increase in unemployment, a reduction in household income, reduction in Colombian government revenues, increased governmental expenditures and a deterioration of Colombia's financial position. For example, during May 2020, the unemployment rate in Colombia rose to 21.2% as compared to 10.4% in May 2019, primarily as a result of the economic impact caused by the COVID-19 pandemic. Moreover, the COVID-19 pandemic has contributed and coincided with sharply lower demand for oil and its derivatives and as a result a lower and more volatile price of oil and gas, which has also negatively affected the Colombian economy. The Colombian government has projected Colombia's GDP to contract 5.5% and enter its first recession in over two decades.

Furthermore, the economies of all the countries where the business interests of Ocensa's main customer, Ecopetrol, are located are currently experiencing negative economic consequences from the COVID-19 pandemic including, a significant drop in worldwide stock prices, decreasing oil prices, rise in unemployment, decreasing interest rates, liquidity concerns and devalued currencies. According to the U.S. National Bureau of Economic Research's June 2020 report, U.S. economic activity peaked in February 2020 and the U.S. has now entered into a recessionary phase. There are concerns that other developed countries may also fall into a recession in the near term. Any such occurrences will negatively impact the Colombian economy and could have a material adverse effect on Ocensa's results of operations and business condition.

The COVID-19 pandemic, any second wave or resurgence and/or new pandemic may also have the effect of heightening the other risks described herein, such as those relating to economic, social and political developments in Colombia and its credit ratings. Consequently, the current COVID-19 pandemic and its potential impact on the global economy may require Colombia to enact additional changes to existing regulations or implement more stringent regulations, which may further adversely impact Colombia's economy.

Companies operating in Colombia, including Ocensa, are subject to the prevailing economic conditions and the investment climate in Colombia, which may be less stable than the prevailing economic conditions and investment climate in developed countries.

All of Ocensa's assets and operations are located in Colombia and all of the crude oil it transports is obtained from Colombian fields and it is delivered in Colombian ground. Accordingly, Ocensa's financial condition and results of operations depend to a significant extent on macroeconomic and political conditions prevailing from time to time in Colombia and on the rates of exchange between the Colombian peso and the U.S. dollar, with respect to certain operating and capital expenditure expenses.

In the past, economic growth in Colombia has been negatively affected by lower foreign direct investment, high inflation rates and the perception of political instability.

The investment and security climate in Colombia continues to be tied to the results and performance of the government's economic, security and social policies and the perception of such policies by foreign investors. In 2019, Colombia's annual GDP increased by 3.32%, including as a result of a 1.8% increase in mining exploitation (reflecting a decrease of 0.1% in crude oil, gas and minerals production). For 2020, prior to the COVID-19 pandemic, DANE estimated GDP growth at 3.62%. The IMF has updated GDP growth outlook for Latin America, estimating an economic contraction of 5.2% for the region and the Colombian government has projected Colombia's

GDP to contract 5.5% and enter its first recession in over two decades. For the three-month period ended March 31, 2020 Colombia reported a GDP growth of 1.1%, primarily due to a 6.8% increase in the agricultural sector, however, this trend is likely to reverse as Colombia continues to feel the economic effects of the COVID-19 pandemic. See "—The worldwide economic effects of the outbreak and economic shutdown caused by the COVID-19 pandemic is adversely affecting Colombia's economy, and the impact could be material."

If the perception of improved overall security in Colombia deteriorates, including as a result of the Colombian presidential elections in 2022 and the policies of the continuing or new administration, or if foreign direct investment declines, the Colombian economy may face a further downturn, which could negatively affect Ocensa's financial condition and results of operations.

Ocensa is subject to adverse developments in the global economy, which may constrain credit markets.

The downturn in the world's major economies over the past several years and the constraints in the credit markets have heightened, and could continue to heighten, a number of material risks to Ocensa's business, results of operations and financial condition, as well as its future prospects. Continued weakness in, and uncertainty about, global economic conditions, and in particular the economic conditions in the United States, could cause businesses to postpone spending in response to tighter credit, negative financial news or declines in income or asset values, which could have a material adverse effect on the demand for goods and international trade which, in turn, could adversely affect the demand for products related to crude oil and gas.

The economic problems that affected the banking system and financial markets and the recent uncertainty in global economic conditions resulted in a number of adverse effects including tightening in the credit markets, a low level of liquidity in many financial markets, extreme volatility in credit, equity, currency and fixed income markets, instability in the stock market and high unemployment.

New or higher taxes resulting from changes in tax regulations or the interpretation thereof in Colombia could adversely affect Ocensa's results of operations and financial condition.

New tax laws and regulations, and uncertainties with respect to future tax policies, pose risks to us. Between 2012 and 2019, the Colombian Congress passed six tax reform laws. The Colombian tax laws have imposed additional taxes in a variety of areas, such as taxes on financial transactions or dividend distributions to fund general budget appropriations to support, among others, Colombia's war against terrorism and post-conflict programs related to the peace negotiations with guerrilla forces. Changes in tax-related laws and regulations, and interpretations thereof, can affect tax burdens by increasing tax rates and fees, creating new taxes, limiting tax deductions, and eliminating tax-based incentives and non-taxed income. In addition, tax authorities or courts may interpret tax regulations differently than we do, which could result in tax litigation, associated costs and penalties.

On December 29, 2018, the Colombian Congress enacted a new tax reform (Law 1943) introducing substantial changes to the tax legal framework. These changes include taxation on dividends distributed to both residents and non-residents from profits generated from fiscal year 2017 onwards, a modified corporate income tax regime, new corporate and individual income tax rates, and changes to the Value Added Tax regime, among others. Although the Constitutional Court ruled that the 2018 tax reform is unconstitutional due to formal flaws in the process on enactment in the Congress, the Court permitted the law to stay in effect until January 1, 2020. Subsequently, the Colombian Congress approved a new tax reform law (Law 2010) on December 27, 2019, which reintroduced the entire text of the 2018 tax reform with some changes. These changes in tax treatment could have a material adverse effect on Ocensa's results of operations and financial condition.

Colombia has experienced several periods of violence and instability, and such instability could affect the economy and Ocensa.

Colombia has experienced periods of criminal violence over the past four decades, primarily due to the activities of guerilla groups and drug cartels. From time to time, guerrillas target crude oil and multi-purpose pipelines, including the Oleoducto Transandino and Caño Limón-Coveñas pipelines, and other related infrastructure.

On several occasions, guerilla attacks have resulted in unscheduled shut-downs of transportation systems in order to repair sections of pipelines that have been damaged and to undertake clean-up activities, as well as in deferral of production in certain fields. Guerrilla groups and other illegal armed groups also attacked natural gas transportation infrastructure. Although Ocensa does not have any interest in natural gas transportation assets, these attacks have affected those involved in the crude oil and gas industry. These activities, their possible escalation and the effects associated with them have had and may have, in the future, a negative impact on the Colombian economy or on Ocensa, which may affect Ocensa's customers, employees, assets or the environment, with resulting containment, clean-up and repair expenses. In the context of this complex security situation, allegations and court judgments have been levied against members of the Colombian Congress and on government officials for possible ties with illegal groups. This situation may have a negative impact on the credibility of the Colombian government, which could in turn have a negative impact on the Colombian economy or on Ocensa in the future.

The implementation of the peace agreements between the Colombian government and FARC may affect Colombia's security and Ocensa's operations.

In 2018, the Colombian government suspended the peace negotiations with the National Liberation Army after a series of rebel attacks. Therefore, despite the peace agreement between the Colombian government and FARC, a lasting decrease in violence or drug-related crime in Colombia or the successful integration of former guerrilla members into Colombian society, may not be achieved. Recently, a former FARC guerrilla leader was shown in a video along with other former guerrilla members questioning the peace agreement. The former guerrilla leader could embolden dissident fighters and drug traffickers and significantly destabilize regions of Colombia historically vulnerable to these groups. An escalation of violence or drug-related crime may have a negative impact on the Colombian economy and on Ocensa.

In addition, the peace agreement reached with the FARC may be modified by current or future governments, including President Duque's administration. Although the Colombian Congress has approved certain regulations implementing the final peace agreement, including laws governing the Special Peace Justice System (*Jurisdicción Especial para la Paz*), laws enacted by the Colombian Congress in this regard may differ from the provisions of the peace agreement. In light of the uncertainties surrounding the implementation of the peace agreement, there can be no assurance that criminal and terrorist acts by the FARC or other groups will not escalate in Colombia. The peace agreement signed with the FARC could result in the enactment of new laws and regulations with unpredictable impact on Ocensa's operations.

The implementation of the peace agreement with the FARC has required and may continue to require the enactment of new laws and regulations, which may impact Ocensa's activity in ways it cannot anticipate. The impact of such new legislation is still unknown, and further regulations may be required for such legislation to be implemented. New laws or regulations enacted in connection with the implementation of the peace agreement may impact Ocensa's activity and may have a negative effect on its financial condition and results of operations.

Furthermore, the scope of the rulings issued by the Special Peace Justice System's division on Recognition of Truth and Responsibility, including guidelines on proper sanctions and on works and activities with restorative-reparative content and their potential impact on Ocensa, are unknown. While in recent years Ocensa's transportation system has not experienced a material attack and security conditions along its route have improved significantly as the military and police authorities have prioritized the protection of its assets, there can be no assurance that continuing attempts to reduce or prevent guerilla activity will be successful or that guerilla activity will not disrupt Ocensa's operations in the future. There can also be no assurance that Ocensa can maintain the safety of its operations and personnel in Colombia or that violence will not affect its operations in the future.

The Colombian government could seize or expropriate Ocensa's assets under certain circumstances.

Pursuant to Article 58 of the Colombian constitution, the Colombian government may exercise its eminent domain powers in respect of Ocensa's assets in the event such action is required in order to protect public interests. According to Law 388 of 1997, eminent domain powers may be exercised through: (1) an ordinary expropriation proceeding (*expropiación ordinaria*), (2) an administrative expropriation (*expropiación administrativa*) or (3) an expropriation for war reasons (*expropiación en caso de guerra*). In all cases, Ocensa would be entitled to a fair indemnification for the expropriated assets. However, indemnification may be paid in some cases years after the asset is effectively expropriated, and the indemnification may be lower than the price for which the expropriated asset could be sold in a free market sale or the value of the asset as part of an ongoing business.

Allegations of corruption against the Colombian government, politicians and private industry could create economic and political uncertainty.

Allegations of corruption against the Colombian government, politicians and private industry could create economic and political uncertainty should the investigations triggered by these cases reach conclusions or result in further allegations or findings of illicit conduct committed by the accused parties. Furthermore, proven or alleged wrongdoings could have adverse effects on the political stability in Colombia and the Colombian economy. If Ocensa is found to be involved in any way in these activities, these adverse political and economic effects could result in a material adverse effect on Ocensa's business, including by depressing business volumes and/or negatively affecting its reputation.

Natural disasters in Colombia could disrupt Ocensa's business and impact its financial condition and results of operations.

Ocensa is exposed to natural disasters in Colombia, such as earthquakes, volcanic eruptions, tornadoes, tropical storms and hurricanes. In particular, Colombia is exposed to recurring flooding and mudslides as a result of heavy rains attributable to the La Niña and El Niño weather patterns. In the event of a natural disaster, Ocensa's disaster recovery plans may prove to be ineffective, which could have a material adverse effect on its ability to conduct its businesses, particularly if such an occurrence affects computer-based data processing, transmission, storage and retrieval systems or destroys customer or other data. In addition, if a significant number of its employees and senior managers were unavailable because of a natural disaster, its ability to conduct its business could be compromised. Natural disasters or similar events could also result in substantial volatility in its results of operations.

Risks Relating to the Notes

We will have to withhold Spanish withholding tax from any payment on the Notes unless certain requirements are met.

There are risks related to Spanish withholding tax, including in conjunction with the provision of certain documents from the Paying Agent. Under the regulations established by Royal Decree 1065/2007, as amended by Royal Decree 1145/2011, income obtained in respect of the Notes will not be subject to withholding tax in Spain provided certain requirements are met, including that the Paying Agent provides us, in a timely manner, with a duly executed and completed Payment Statement. See "Taxation—Spanish Tax Considerations—Disclosure of information in connection with the Notes."

The Indenture in respect of the Notes provides for the timely provision by the Paying Agent of a duly executed and completed Payment Statement in connection with each payment of income under the Notes, and sets forth certain procedures agreed by us and the Paying Agent which aim to facilitate such process, along with a form of the Payment Statement to be used by the Paying Agent. See "Taxation—Spanish Tax Considerations—Disclosure of information in connection with the Notes." However, these procedures may prove ineffective, and if so, we will make the relevant Spanish withholding tax (currently at the rate of 19%) from any income payment with respect to the Notes. Furthermore, changes in Spanish tax laws or regulations or in the administrative interpretation thereof may render these procedures inadequate or insufficient to allow payments of income under the Notes to be made free and clear of Spanish withholding tax. Prospective investors should note that none of the initial purchasers, the Trustee, the Paying Agent, Collateral Agents or us accept any responsibility relating to the procedures established for the timely provision by the Paying Agent of a duly executed and completed Payment Statement in connection with each payment of income under the Notes. Accordingly, none of the initial purchasers, the Trustee, the Paying Agent, Collateral Agents or us will be liable for any damage or loss suffered by any beneficial owner who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax (currently at the rate of 19%) because these procedures prove ineffective.

Moreover, we will not pay any Additional Amounts (as defined herein) with respect to any such withholding. See "Description of the Notes—Payment of Additional Amounts." If a payment of income in respect of the Notes is not exempt from Spanish withholding tax, including due to any failure by the Paying Agent to deliver a duly executed and completed Payment Statement, beneficial owners may have to apply directly to the Spanish tax authorities for any refund to which they may be entitled pursuant to the Direct Refund from Spanish Tax Authorities Procedures described in "Taxation—Spanish Tax Considerations—Procedures for direct refund from the Spanish tax authorities."

Notwithstanding the above, in the case of Notes held by Spanish tax resident individuals (and, under certain circumstances, by Spanish entities subject to CIT and deposited with a Spanish resident entity or with a permanent establishment within the Spanish territory acting as depositary or custodian), payments in respect of such Notes may be subject to withholding by such depositary or custodian (currently 19%).

We cannot assure you that the Singapore market is an organized market for purposes of Law 10/2014.

The exemption foreseen in Law 10/2014 for non-resident investors that do not obtain income through a permanent establishment in Spain (see "Taxation—"Spanish Tax Considerations") requires that the Notes be listed in an organized market. Although there is no clear precedent, we believe that the Singapore market will be considered an organized market for those purposes, and consequently, the aforementioned requirement will be met. If the tax authorities or courts take a view different from ours, income derived from the Notes (including interest and income from their transfer, prepayment or amortization) would be subject to the corresponding taxation in Spain (currently at a tax rate of 19%) depending on the tax residency of the Noteholders and the fulfilment of the corresponding formal obligations. Specific exemption or reduced rates may apply to Noteholders depending on their specific tax position. In such event, we will pay such Additional Amounts as are necessary to ensure that Noteholders receive the same amounts as they would have received without such withholding or deduction (subject to the limitations set out in "Description of the Notes—Payment of Additional Amounts").

The Notes are limited recourse obligations.

The Notes are solely the obligation of AI Candelaria and are not obligations of, or guaranteed by, Ocensa or any of its subsidiaries. The sole recourse of Noteholders upon the occurrence of an event of default is against AI Candelaria.

In addition, since our interests in Ocensa constitute all of our assets and source of income, a material adverse change in Colombia's political and macroeconomic environment, the oil and gas industry or the business or financial condition of Ocensa could adversely affect Ocensa's ability to pay dividends or make other cash distributions to its shareholders, including us, which, in turn, would adversely affect our ability to make payment on the Notes. If Ocensa fails to pay dividends or make cash distributions to its shareholders, we may not be able to make scheduled payments of interest and principal on the Notes or pay the principal amount of the Notes upon the occurrence of an event of default that results in acceleration.

The Volcker Rule treatment of the Notes may change or affect the ability of banking entities to purchase or retain the Notes.

Section 13 of the Bank Holding Company Act and regulations adopted by U.S. banking and markets regulators to implement the statute (colloquially known as the "Volcker Rule"), among other things, prohibits "banking entities" from engaging in certain proprietary trading activities (known as the proprietary trading provisions) and restricts banking entities from sponsorship or acquiring or retaining "ownership interests" in "covered funds" (known as the covered fund provisions). The definition of "covered fund" in the Volcker Rule includes (generally) any entity that would be an investment company under the Investment Company Act but for the exemption provided under Sections 3(c)(1) or 3(c)(7) thereunder. Because we will rely on Section 3(c)(7) of the Investment Company Act, we expect to be a "covered fund" within the meaning of the Volcker Rule. We do not expect, however, that the Notes would be viewed as "ownership interests," and thus the purchase or retention of the Notes by a banking entity should not trigger application of the covered fund provisions of the Volcker Rule.

However, the Volcker Rule and interpretations thereunder are still uncertain. Each investor in the Notes must make its own determination as to whether it is subject to the Volcker Rule, whether its investment in the Notes would be restricted or prohibited under the Volcker Rule, and the potential impact of the Volcker Rule on its investment and any liquidity required in connection therewith and on its portfolio generally. Investors in the Notes are responsible for analyzing their own regulatory position and none of the Issuer, the Trustee, the Paying Agent, the Collateral Agents, the initial purchasers nor any of their affiliates makes any representation to any prospective investor or purchaser of the Notes regarding the application of the Volcker Rule to the Issuer, or to such investor's investment in the offered securities on the closing date or at any time in the future.

The value of the Ocensa Pledged Shares or the amounts in the Debt Service Reserve Account may not be sufficient to satisfy our obligations in respect of the Notes.

The Notes are secured by a perfected first-priority lien on (i) the Ocensa Pledged Shares owned by us as of the date of the issuance of the Initial Notes and (ii) the amounts on deposit in the Debt Service Reserve Account.

The value of the Ocensa Pledged Shares will fluctuate from time to time depending on many factors, including Ocensa's results and financial condition, and extraordinary dividend payments or distributions to Ocensa's shareholders. Because Ocensa is not a party to the Indenture, the Share Pledge Agreement or the Deposit Account Control Agreement, Ocensa is not subject to any covenants or other restrictions on its ability to take any actions that may cause the value of the Ocensa Pledged Shares to decline, such as an extraordinary dividend payment resulting from the sale of a business. Furthermore, by its nature, some or all of the collateral may be illiquid and might have no readily ascertainable market value. Some of the collateral may have no significant independent value apart from the other pledged assets or could be impaired or fluctuate in the future as a result of changing economic and market conditions. Some of the collateral may not be readily saleable or, if saleable, there may be substantial delays in their liquidation or foreclosure. In addition, the Indenture provides only limited covenant protections with respect to the collateral and might not protect you against actions that we or Ocensa could take that could impair the value of the collateral.

Each of these factors could adversely affect the amount of any proceeds from the sale of the collateral in the event of foreclosure, liquidation, bankruptcy or similar proceeding. There can be no assurance that the value of the collateral will not decline over time or that the proceeds from the sale of the collateral in the event of a foreclosure or otherwise would be sufficient to satisfy our obligations in respect of the Notes.

Problems related to the creation or perfection of a security in the collateral may make it difficult to enforce your security interest on the collateral securing the Notes.

The security interest with respect to the Ocensa Pledged Shares is subject to practical problems generally associated with the realization of security interests in collateral. For example, problems related to the creation or perfection of the security interest on the Ocensa Pledged Shares may arise, and we cannot assure you that all parties will have taken all actions necessary to create properly perfected security interests, which may result in the loss of priority of the security interest in favor of holders of the Notes to which they would otherwise have been entitled or otherwise limit or restrict the ability of the holders of the Notes to foreclose.

The ability of holders of the Notes to realize upon the collateral will be subject to certain bankruptcy law limitations in the event of our bankruptcy.

Due to our domicile in Spain, Ocensa's domicile in Colombia and the jurisdictions governing the transaction documents, holders of the Notes should be aware of applicable bankruptcy laws in the United States, Spain or Colombia.

<u>United States:</u> Under applicable federal bankruptcy laws in the United States, upon the commencement of a bankruptcy case, an automatic stay goes into effect which, among other things, suspends the commencement or continuation of any action or proceeding against us that was or could have been commenced before the commencement of our bankruptcy case to recover a claim against us that arose before the commencement of our

bankruptcy case; any act to obtain possession of, or control over, our property or that of the bankruptcy estate; any act to create, perfect or enforce any lien against property of the bankruptcy estate; and any act to collect or recover a claim against the debtor that arose before the commencement of our bankruptcy case. Thus, upon the commencement of a bankruptcy case in the United States, secured creditors are prohibited from, among other things, exercising rights with respect to the collateral of a debtor, absent bankruptcy court approval. Moreover, applicable federal bankruptcy laws in the United States generally permit debtors to continue to use, sell or lease collateral in the ordinary course of its business even though the debtor is in default under the applicable debt instruments. Upon request from a secured creditor, the U.S. bankruptcy court will prohibit or condition such use, sale or lease of collateral as is necessary to provide "adequate protection" of the secured creditor's interest in the collateral. The meaning of the term "adequate protection" may vary according to the circumstances, but is intended generally to protect the value of the secured creditor's interest in the collateral at the commencement of the bankruptcy case and may include cash payments or the granting of additional security to protect against the diminution in the value of the collateral as a result of the debtor's use, sale or lease of the collateral during the pendency of the bankruptcy case. In view of the lack of a precise definition of the term "adequate protection" and the broad discretionary powers of a bankruptcy court, we cannot predict whether payments under the Notes would be made following commencement of and during a bankruptcy case, whether or when the Collateral Agents under the Indenture could foreclose upon or sell the collateral or whether or to what extent holders of the Notes would be compensated for any delay in payment or loss of value as a result of the use, sale or lease of their Collateral through the requirement of "adequate protection." A creditor may seek relief from the stay from the bankruptcy court to take any of the acts described above that would otherwise be prohibited by the automatic stay. U.S. bankruptcy courts have broad discretionary powers in determining whether to grant a creditor relief from the stay.

Spain: In the event of an insolvency of AI Candelaria, an insolvency proceeding may be initiated in Spain and governed by Spanish law. Under the Spanish Insolvency Act, detrimental acts that have been entered into by a debtor during the two preceding years to the insolvency declaration may be rescinded if considered detrimental to the debtors estate. Judges have considered detrimental payments made by an insolvent company prior to a declaration of insolvency, determining that in some situations a debtor could not be compelled to repay its obligations at the time of payment, because it was already unable to regularly pay debts as they came due. There is no need of proving actual or constructive fraud; it just must be proven that the transaction was detrimental to the estate. The consequence of the court resolution rescinding a prejudicial act is that the parties involved are required to return their reciprocal considerations with any accrued rents or interest and the guarantees and security interests are cancelled (concerning bilateral contracts, otherwise, the only party obliged to return is the non-insolvent one). Such claims are regarded as claims against the estate, except if there is bad faith of the relevant creditor, in which case its claims will be subordinated. Moreover, subject to the ordinary Spanish Civil Code (*Código Civil*) based actions, the insolvency administrator or any creditor may bring an action to rescind a contract or agreement provided that it is performed or entered into fraudulently and the creditor cannot obtain payment of the amounts owed in any other way. The statute of limitations of these actions is four years.

Notwithstanding the foregoing, pursuant to article 208 of the Spanish Insolvency Act, acts and transactions governed by laws other than Spanish law will not be subject to clawback actions if such act or transaction cannot be rescinded or challenged by any means and under any grounds whatsoever (i.e., not only in insolvency scenarios) under the relevant non-Spanish applicable laws. Procedurally, counterparties of the insolvent debtor can be sued, but the Spanish court should dismiss the clawback action on the merits if such counterparty proves (i) that the act or transaction at issue is subject to foreign law and (ii) that such act or transaction is unavoidable under the circumstances pursuant to such foreign law. See "Limitations on Validity and Enforceability of the Notes and the Security Interest—Spain—Hardening periods."

Additionally, the Collateral Agents' ability to foreclose on the collateral on your behalf may be subject to the consent of third parties, prior liens and practical problems associated with the realization of the Collateral Agents' security interest in the collateral. Moreover, the debtor or trustee in a bankruptcy case may seek to void an alleged security interest in collateral for the benefit of the bankruptcy estate. It may successfully do so if the security interest is not properly perfected or was perfected within a specified period of time (generally 120 days or longer, depending on the specific jurisdiction of incorporation of a subsidiary) prior to the initiation of such proceeding. In the case of Spain, security interest in collateral may be declared void if such collateral has been created within the

Spanish hardening period of two years and the act causes a detriment (*perjuicio patrimonial*) to the debtor's estate. See "Limitations on Validity and Enforceability of the Notes and the Security Interest—Spain—Hardening periods." Under such circumstances, a creditor may hold no security interest and be treated as holding a general unsecured claim in the bankruptcy case. It is impossible to predict what recovery (if any) would be available for such an unsecured claim if we became a debtor in a bankruptcy case.

Colombia: In the event that AI Candelaria is admitted to an insolvency proceeding in a jurisdiction other than Colombia, and such proceeding is recognized by a Colombian court as a foreign main insolvency pursuant to Law 1116, such recognition will imply an automatic stay regarding the enforcement of the security interests over assets located in Colombia, such as the shares over Ocensa. Moreover, even though the proceeding is not recognized as main foreign proceeding, the Colombian Insolvency Court has ample powers and authority to take all measures necessary to protect, guard and recover the assets of the debtor, including ordering a stay from enforcing security interests over assets located in Colombia and ordering a stay from collecting obligations accrued before the filing of the insolvency petition. Such actions could delay or affect the holders of the Notes from enforcing pledges on the collateral.

In the event of our bankruptcy, holders of the Notes may be deemed to have an unsecured claim to the extent that our obligations in respect of the Notes exceed the fair market value of the collateral securing the Notes.

In any bankruptcy proceeding, it is possible that the bankruptcy trustee, the debtor-in-possession or competing creditors will assert that the fair market value of the collateral with respect to the Notes on the date of the bankruptcy filing was less than the then-current principal amount of the Notes. Upon a finding by the bankruptcy court that the Notes are under-secured, the claims in the bankruptcy proceeding with respect to the Notes would be bifurcated between a secured claim and an unsecured claim, and the unsecured claim would not be entitled to the benefits of security in the collateral. In such event, the secured claims of the holders of the Notes would be limited to the value of the collateral. Other consequences of a finding that the Notes are under-secured would be, among other things, a lack of entitlement on the part of the Notes to receive post-petition interest on any unsecured portion of the claim and a lack of entitlement on the part of the unsecured portion of the claim to receive other "adequate protection" under the U.S. Bankruptcy Code. In addition, if any payments of post-petition interest had been made at the time of such a finding that the Notes are under-secured, those payments could be recharacterized by the bankruptcy court as a reduction of the principal amount of the secured claim with respect to the Notes.

Liability rules generally apply to the shareholders of a Colombian company in insolvency.

In the event the Colombian Collateral Agent forecloses on the Ocensa Pledged Shares and a holder of the Notes becomes the shareholder of a Colombian entity, and that entity becomes insolvent, such holder will assume the relevant consequences set forth by Colombian law.

Pursuant to article 61 of Law 1116 there is a rebuttable presumption of subsidiary liability pursuant to which the insolvency of the subsidiary is deemed to have been caused by the parent company, provided the impossibility of the subsidiary to comply with its obligations with its own assets. For purposes of rebutting this presumption, the parent or controlling shareholder of an insolvent company will be required to prove conclusively that the insolvency and liquidation of the subsidiary is due to circumstances beyond its control, and that such circumstances are not connected to any actions or omissions of the parent or controlling shareholder which knowingly triggered the economic destabilization of the subsidiary. Also, pursuant to article 82 of Law 1116, if the debtor's equity is reduced as a result of willful or negligent conduct attributable to the shareholders, directors, auditors or employees, these parties shall be liable for the payment of the outstanding debts of the corporation in liquidation. Nonetheless, shareholders that did not have knowledge about the action or omission, or who voted against it and did not take part in its implementation, will not be subject to this kind of liability.

Relevant insolvency laws in jurisdictions other than the United States may provide you with less protection than U.S. bankruptcy law.

AI Candelaria is organized under the laws of Spain and Ocensa is organized under the laws of Colombia. See "Enforcement of Civil Liabilities." In the event that AI Candelaria experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Any enforcement of the security or the collateral after bankruptcy or an insolvency event in such other jurisdictions will be subject to the insolvency laws and to the jurisdiction of the courts of the relevant entity's jurisdiction of organization or other jurisdictions. The insolvency and other laws of each of these jurisdictions may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfer, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights under the collateral in these jurisdictions and limit any amounts that you may receive.

There are circumstances other than repayment or discharge of the Notes under which the collateral securing the Notes will be released automatically, without your consent or the consent of the Trustee.

Under various circumstances, the collateral securing the Notes will be released automatically, including:

- with respect to any Ocensa Pledged Shares, upon the sale or other disposition (including by way of consolidation, amalgamation or merger) of the issuer of the shares or membership interests, as the case may be, constituting such Ocensa Pledged Shares (other than to AI Candelaria or a Restricted Subsidiary) otherwise permitted by the Indenture;

- upon payment in full of the principal of, accrued and unpaid interest, if any, and premium, if any, on, the Notes; and

- defeasance or discharge of the Indenture.

See "Description of the Notes—Release of Collateral."

Our substantial indebtedness under the Notes and other obligations could impair our financial flexibility, competitive position and financial condition and could prevent us from fulfilling our obligations under the Notes.

We have a substantial amount of indebtedness. As of March 31, 2020, after giving effect to the offering of the New Notes and the application of proceeds as described in "Use of Proceeds," we would have had total indebtedness of US$750.0 million, comprising the Existing Notes and the New Notes offered hereby. See "Capitalization." We may also be able to incur substantial additional indebtedness in the future pursuant to the terms of the Indenture, within certain limits. An inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance our obligations on commercially reasonable terms, could have a material adverse effect on our business, financial condition and results of operations.

Our substantial indebtedness under the Notes and other or future obligations could have other important consequences for investors in the Notes. For example, they:

- may make it more difficult for us to satisfy our obligations under the Notes;

- may limit our ability to obtain additional funding for acquisitions, investments and general corporate purposes, and adversely affect the terms on which such funding can be obtained;

- may require our management team to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness and other obligations, thereby reducing the funds available for other purposes;

- make us more vulnerable to economic downturns, industry conditions and catastrophic external events; and

- limit our ability to respond to business opportunities, to pursue strategic acquisitions and to withstand operating risks.

If new indebtedness is added to our current debt levels, the related risks that we now face could intensify. In the worst case, an actual or impending inability by us to pay debts as they become due and payable could result in our insolvency.

Despite restrictions in the Indenture, we may still be able to incur substantial additional indebtedness, including secured debt. This could further exacerbate the risks to our financial condition described above.

We may be able to incur a significant amount of additional indebtedness in the future, including additional secured indebtedness. Although covenants under the Indenture limit our ability and the ability of future restricted subsidiaries to incur additional indebtedness, these restrictions are subject to a number of qualifications and exceptions and, under certain circumstances, debt incurred in compliance with these restrictions could be substantial. In addition, the Indenture does not prohibit us from incurring obligations that do not constitute indebtedness as defined therein. See “Description of the Notes.” To the extent that we incur additional indebtedness or such other obligations, the risk associated with substantial additional indebtedness described above, including our possible inability to service our debt, will increase.

The Notes are our senior obligations, secured by a first lien on the collateral, and rank equally in right of payment to all of our existing and future senior debt (except those obligations preferred by operation of applicable law). Subject to the limitations contained in the Indenture governing the Notes, we are permitted to incur additional secured indebtedness. Certain types of this permitted indebtedness (including the issuance of “Additional Notes” as such term is defined in the Indenture) may rank equally in right of payment with the Notes and will share in the collateral that secures the Notes. Thus, the Noteholders will receive distributions from any foreclosure proceeds of our assets constituting collateral for the Notes on a *pro rata* basis with certain other existing and future senior secured creditors. This may reduce the benefits of the collateral to Noteholders and the ability of Noteholders to control certain actions taken with respect to the collateral. Furthermore, if new indebtedness or other liabilities are added to our debt levels, the related risks that we now have could intensify. We can also incur additional debt secured by collateral that will not secure the Notes.

The Indenture governing the Notes restricts our financial and operating flexibility.

The Indenture includes a number of restrictive covenants that limit, among other things, our ability to:

- incur or guarantee additional indebtedness;
- pay dividends or distributions on capital stock or repurchase capital stock;
- sell or transfer assets;
- create liens on assets;
- make investments;
- merge or consolidate with another company; and
- engage in a different business activity.

These covenants could limit our ability to plan for or react to market conditions or to meet our operational or capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some operations to maintain compliance.

In addition, our failure to comply with these covenants could result in a default under our debt agreements, which could permit the holders to accelerate our obligation to repay the debt and may be cross-defaulted to other debt, including the Notes. Our assets or cash flow may not be sufficient to fully repay borrowings under our outstanding debt agreements if accelerated upon an event of default, and there is no guarantee that we would able to repay, refinance or restructure the payments on those debt agreements.

The New Notes may not be freely transferred.

We have not registered, and will not register, the New Notes under the Securities Act or any other applicable securities laws. Rather, the offering of the New Notes will be made pursuant to exemptions from, and in transactions not subject to, the registration provisions of the Securities Act and from state securities laws that limit who may own the New Notes. In addition, the offering of the New Notes will be made pursuant to an exemption from the registration provisions of the Investment Company Act. Accordingly, the New Notes are subject to certain restrictions on resale and other transfer thereof. In particular, all U.S. persons who acquire the New Notes or interests therein must also be Qualified Purchasers.

To enforce the restrictions on transfers of the New Notes and interests therein, we may demand that any holder of New Notes or interests therein who is not (i) a Qualified Purchaser and a QIB or (ii) a non-U.S. person sell to a holder that meets such criteria, and if the Noteholder or interest therein does not comply with such demand, we may sell such holder's New Note or interest therein on such terms as we may choose. If a holder of New Notes or interests therein is forced to sell its Note or interest therein, or if we sell a Noteholder's Note or interest therein, the price such Noteholder may receive for the sale could be lower than the price you paid for the Note. See "Transfer Restrictions." Consequently, a Noteholder and an owner of beneficial interests in those New Notes must be able to bear the economic risk of their investment in the New Notes for the term of the Notes.

An active trading market may not be maintained for the Notes.

The Existing Notes are currently listed on the SGX-ST and we have received approval-in-principle to increase the principal amount of Notes listed on the SGX-ST to include the New Notes, but we cannot provide you with any assurances as to the future maintenance of a market for the Notes, continuation of this listing, the ability of holders of the Notes to sell their Notes, or the price at which such holders may be able to sell their Notes. Accordingly, we cannot assure you as to the maintenance or liquidity of any trading market for the Notes, which will depend on a number of factors, including:

- the number of holders of Notes;
- our operating performance and financial condition;
- the market for similar securities;
- the interest of securities dealers in making a market in the Notes; and
- prevailing interest rates.

The initial purchasers have advised us that they currently intend to make a market for the New Notes following the completion of the offering. However, the initial purchasers are not obligated to do so, and any market-making with respect to the Notes may be discontinued at any time without notice.

U.S. and Colombian securities laws impose certain restrictions on the resale of the New Notes.

The New Notes are being offered in reliance upon exemptions from registration under the Securities Act and applicable state securities laws. Thus, the New Notes have not been registered under the Securities Act or any state securities laws and, unless so registered, may not be offered, sold or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

The offering of the New Notes is not a public offering of securities in Colombia. Therefore, the Notes may not be offered, sold or otherwise transferred in Colombia, except under circumstances which do not constitute a public offering or distribution of securities under applicable Colombian laws and regulations.

Different disclosure requirements in Colombia and the United States may provide you with different or less information about us than you expect.

Securities disclosure requirements in Colombia differ from those applicable in the United States. The Notes will be exempt from registration with the Colombian Superintendence of Finance and Ocensa is not a registered issuer of securities in Colombia. Accordingly, the information about Ocensa available to you may not be the same as the information available to security holders of a company that is public in the United States. There may be less publicly available information about Ocensa than is regularly published about companies that are public in the United States and certain other jurisdictions. Neither Ocensa nor AI Candelaria is subject to the periodic reporting requirements of the Exchange Act or the Colombian securities regulations and, therefore, is not required to comply with the information disclosure requirements imposed by the Exchange Act or by Colombian securities regulations.

It may be difficult to enforce civil liabilities against us or our directors and executive officers.

The majority of our assets and those of our directors and executive officers, all of whom are non-residents of the United States, are located outside the United States. As a result, it may be difficult or impossible for investors to effect service of process within the United States on such persons with respect to matters arising under U.S. federal securities laws, or to enforce outside the United States judgments obtained against us or such persons in U.S. courts, including actions predicated upon the civil liability provisions of the U.S. federal securities laws. See "Enforcement of Civil Liabilities."

We may not be able to repurchase the Notes upon a change of control repurchase event.

Upon the occurrence of a change of control event as set forth in "Description of the Notes—Change of Control," we will be required to offer to repurchase all outstanding Notes at 101% of their principal amount plus accrued and unpaid interest, if any. The source of funds for any such purchase of the Notes will be our available cash or cash generated from other sources, including borrowings, sales of assets or sales of equity. We may not be able to repurchase the Notes upon a change of control repurchase event because we may not have sufficient financial resources to purchase all of the Notes that are tendered upon a change of control repurchase event. Our failure to repurchase the Notes upon a change of control event would cause a default under the Indenture governing the Notes. Any of our future debt agreements may contain similar provisions.

Our credit ratings may not reflect all risks of your investments in the New Notes.

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. The assigned ratings of our long-term and short-term debt may be raised or lowered depending, among other things,on the respective agency's assessment of Ocensa's financial strength. In addition, a further downgrade in the rating of Ocensa, Ecopetrol or the Republic of Colombia could also result in a downgrade on our ratings. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the Notes. These credit ratings may not reflect the potential impact of risks relating to structure or marketing of the Notes. Agency ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating.

We cannot assure you that the credit ratings for the Notes will not be lowered, suspended or withdrawn by the rating agencies.

The ratings of the Notes may change after issuance and we are under no obligation to maintain such rating. Such ratings are limited in scope, and do not address all material risks relating to an investment in the Notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of such ratings may be obtained from the rating agencies. There is no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant.

Any lowering, suspension or withdrawal of such ratings may have an adverse effect of the market price and marketability of the Notes.

You may not be able to influence our actions with respect to the Notes.

You may be unable to influence or otherwise control our actions with respect to the Notes, and, as a result, you may be unable to stop actions that are adverse to you. You may need the approval or consent of other persons to take or direct various actions relating to us. Further, the interests of such other persons may not coincide with your interests, making it more difficult (or impossible) for you to achieve your desired results in a situation requiring the consent or approval of other persons.

In addition, we and the Trustee may amend the Indenture without your consent in the circumstances described in this offering memorandum. Any of the foregoing could result in a delay or reduction in payments on the Notes.

The proposed financial transactions tax ("FTT") may have a negative effect on holders of the Notes.

On February 14, 2013, the European Commission published a proposal (the "Commission's proposal") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States"). Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Commercial Paper (including secondary' market transactions) in certain circumstances. The issuance and subscription of Commercial Paper should, however, be exempt. Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Commercial Paper where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

On June 17, 2016, the Economic and Financial Affairs Council (the "ECOFIN Council") discussed the issue regarding (i) the application of "issuance" and "residence" principles and the territorial scope for the FTT, (ii) the exemption from FTT and (iii) the scope of transactions in derivatives contracts. However, the ECOFIN Council decided that work would continue between the now ten participants (excluding Estonia) and therefore, as indicated in the June 2017 report, further work is still required.

On October 28, 2016, the Council of the European Union published document No. 13608/16 concerning the status of the FTT at that time, according to which a certain degree of progress in the FTT negotiations have been observed. However, further work at the Council and its preparatory bodies will be required before a final agreement can be reached among the participating Member States that respects the competences, rights and obligations of the Member States not participating in the FTT. The ECOFIN Council indicated on December 6, 2016 and on June 12, 2017, that the ten Participating Member States agreed to pursue the on-going work and discussions on the main features of the FTT. The June 2018 report reiterated that further work is still required before a final agreement can be reached.

Thus, the Commission's proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional European Union Member States may decide to participate.

The Spanish Government proposed draft legislation introducing the FTT. The original draft text forwarded by the Spanish Government and which is subject to relevant Parliamentary discussion and potential amendments, proposes taxation of the acquisition of shares in certain Spanish listed companies as well as the taxation of the acquisition of certain securities entitling to or convertible into such shares. The final scope of this draft legislation as well as its eventual approval should be carefully monitored to ascertain its potential effect, if any, on holders of the Notes.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

EXCHANGE RATES AND CONTROLS

Exchange Rates

The Federal Reserve Bank of New York does not report a noon-buying rate for Colombian pesos. The SFC calculates the representative market rate based on the weighted averages of the buy and sell foreign exchange rates negotiated on the previous day by certain financial institutions authorized to engage in foreign exchange transactions.

The following table sets forth the high, low, average and period-end exchange rate for Colombian pesos/U.S. dollar representative market rate for each of the last six months.

	Exchange Rates			
	High	**Low**	**Average**	**Period-End**
Year:				
February 2020	Ps$3,539.86	Ps$3,355.44	Ps$3,411.05	Ps$3,539.86
March 2020	Ps$4,153.91	Ps$3,455.56	Ps$3,877.05	Ps$4,064.81
April 2020	Ps$4,081.06	Ps$3,858.21	Ps$3,977.39	Ps$3.983.29
May 2020	Ps$3,990.10	Ps$3,718.82	Ps$3,858.19	Ps$3,718.82
June 2020	Ps$3,760.22	Ps$3,565.06	Ps$3,701.60	Ps$3,758.91
July 2020	Ps$3,756.28	Ps$3,611.61	Ps$3,657.87	Ps$3,739.49
August 2020 (through August 4, 2020)	Ps$3,768.39	Ps$3,733.08	Ps$3,741.91	Ps$3,768.39

Source: SFC for historical data, *Banco de la República,* or the Colombian Central Bank, and internal calculation for averages.

This offering memorandum contains conversions of certain Colombian peso amounts into U.S. dollars solely for the convenience of the reader. Unless otherwise indicated and other than information derived from our financial statements prepared in U.S. dollars in accordance with Colombian IFRS, such peso amounts have been converted at the rate of Ps$4,064.81 per US$1.00, which corresponds to the representative market exchange rate as of March 31, 2020, the last business day of the period reported in the unaudited financial statements. No representation is made that the Colombian peso amounts referred to in this offering memorandum could have been or could be converted into U.S. dollars at any particular rate or at all.

On August 4, 2020, the representative market rate was Ps$3,768.39 per US$1.00.

Exchange Controls

In 1990, the Colombian government initiated a policy of gradual currency liberalization. The general legal principles of Colombia's foreign exchange controls and international investments regulations were established by Law 9 of 1991. According to this law, the Ministry of Finance and Public Credit is in charge of regulating foreign investment while the board of directors of the Colombian Central Bank is in charge of regulating most of the transactions pertaining to the formal exchange market (including foreign investment). Pursuant to these powers, the Colombian Central Bank enacted External Resolution 1 of 2018 and Regulation DCIN-83 and the Ministry of Finance and Public Credit enacted Decree 1068 of 2015, as amended from time to time, which together with External Resolution 1 of 2018, we refer to as the "foreign investment statute."

The foreign investment statute establishes two types of markets for foreign currency exchange:

- the controlled foreign exchange market, or the FX market, which consists of all foreign exchange transactions which must be mandatorily conducted through foreign exchange intermediaries (i.e., commercial and mortgage banks, financial corporations, commercial finance companies, *Financiera de Desarrollo Nacional*, *Banco de Comercio Exterior*, financial cooperatives and local stock broker dealers) or compensation accounts (i.e., offshore bank accounts registered with the Colombian Central

Bank and subject to periodic reports before the Colombian authorities). Payments between Colombian residents and foreign residents in respect of foreign investments, imports, exports, foreign indebtedness, derivative transactions and guarantees in foreign currency, among others, must be conducted through the FX market.

- the free market, which consists of all other transactions that are not mandatorily traded on the FX market.

Colombian law allows the Colombian Central Bank to intervene in the foreign exchange market if the value of the Colombian peso is subject to significant volatility. The government and the Colombian Central Bank may also limit the remittance of dividends and the product of the liquidation of foreign investments on a temporary basis whenever the international reserves are below an amount equal to three months of imports.

In addition to its interventions in the foreign exchange market, the regulations of the Colombian Central Bank also established a deposit requirement on all foreign loans granted to Colombian residents, as an instrument to control the fluctuation of the peso against the U.S. dollar. To this end, the Colombian Central Bank has on some occasions required that a certain percentage of the debt incurred (depending on the maturity of the debt) be deposited in Colombian pesos or foreign currency with the Colombian Central Bank in a non-interest-bearing account for a fixed period of time. A debtor can prepay foreign loans or redeem the certificate given by the Colombian Central Bank evidencing the deposit, but said prepayment or redemption will imply a discount. The discount is reduced as the term for maturity is reduced. Currently, the deposit requirement is equal to zero (0%) of the disbursements made under the loan, so in practice, there is currently no deposit that has to be posted with the Colombian Central Bank by the debtor of loans in foreign currency.

Measures Adopted by the Colombian government to Minimize Fluctuations of the Colombian Peso against the U.S. Dollar

During 2007 and 2008, both the Ministry of Finance and Public Credit and the Colombian Central Bank adopted several measures aimed at controlling the fluctuation of the Colombian peso against the U.S. dollar. These measures included, among others:

- a 50% non-interest-bearing deposit requirement at the Colombian Central Bank, applicable to short-term portfolio investments in assets other than shares or convertible bonds or collective investment funds that only invest in shares or convertible bonds, for a period of six months. This restriction was eliminated in 2008;

- a six-month 40% non-interest-bearing deposit at the Colombian Central Bank applicable in connection with foreign loans, established by Resolution No. 2 of May 6, 2007;

- a six-month 40% non-interest-bearing deposit at the Colombian Central Bank applicable to corporate reorganization transactions, including mergers, acquisitions and spin-offs, if the successor thereof is a Colombian resident required to repay foreign indebtedness which would have otherwise been subject to the deposit requirement of Resolution No. 2 of May 6, 2007;

- exemptions to the 40% non-interest-bearing deposit requirement applicable to foreign investment in local private equity funds and American Depositary Receipt and Global Depositary Receipt programs of Colombian issuers;

- restrictions on the repatriation of foreign direct investments;

- increases to the reference rate; and

- non-interest-bearing deposits with the Colombian Central Bank applicable to the proceeds resulting from imports financings.

On October 8, 2008 and October 9, 2008, through Decree 3913 and Resolution 10, issued by the Colombian government and the Colombian Central Bank, respectively, the deposit requirement established by Resolution No. 2 of May 6, 2007 was set at 0% in connection with foreign portfolio investment and foreign indebtedness operations, including foreign loans, import financing and export financing. Additionally, on September 1, 2008 by means of Decree 3264, the Colombian government eliminated restrictions on the repatriation of foreign direct investments.

On March 3, 2010, the Colombian Central Bank resumed intervention in the foreign exchange market, accumulating international reserves through daily purchases of US$20.0 million in competitive auctions in response to indications of an exchange rate misalignment. From February 2015 to September 2018, the Colombian Central Bank did not increase its international reserves. On October 1, 2018, the Colombian Central Bank initiated a program to accumulate international reserves with an initial auction of up to US$400 million. This program was finalized in October 2019, when the Central Bank announced that the level of international reserves was adequate. As of May 2020, the Colombian Central Bank has accumulated US$56,361 million in international reserves.

USE OF PROCEEDS

The net proceeds of this offering are estimated to be US$52.9 million, after deducting the initial purchasers' discount and estimated expenses payable by us. We intend to use the net proceeds from this offering to (i) fund the amount required in the Debt Service Reserve Account in connection with the aggregate principal amount of the New Notes, (ii) pay fees and expenses relating to the issuance of the New Notes and (iii) pay a dividend to LIC and ECH, affiliates of I Squared and Grupo Romero, respectively.

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2020:

- on an actual basis; and
- on an as adjusted basis giving effect to the issuance of the New Notes offered hereby and the application of the proceeds therefrom, as described in "Use of Proceeds."

This table should be read in conjunction with, and is qualified in its entirety by reference to, "Presentation of Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations of AI Candelaria" and our financial statements and notes thereto included elsewhere in this offering memorandum.

	As of March 31, 2020 (in millions of U.S. Dollars)	
	Actual	**As adjusted**
Cash and short-term investments	$ 80.5[1]	$ 82.9[1]
Total debt[2]	700.0	750.0
Shareholder's equity	466.1	466.1
Total net capitalization	$ 1,166.1	$ 1,216.1

(1) Includes funds deposited into the Debt Service Reserve Account pledged to the U.S. Collateral Agent for the benefit of itself, the Trustee and the holders of the Notes.
(2) Excludes accrued interest.

SELECTED FINANCIAL AND OTHER INFORMATION OF AI CANDELARIA

The following tables present our selected historical financial data as of and for the years ended December 31, 2019, 2018 and 2017, which were derived from our audited financial statements, and as of and for the three months ended March 31, 2020 and 2019, which were derived from our unaudited financial statements, in each case, prepared in accordance with Spanish GAAP. The selected financial data should be read in conjunction with "Presentation of Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations of AI Candelaria" and our financial statements and notes thereto included elsewhere in this offering memorandum.

Income Statement

	For the three-month period ended March 31,		For the year ended December 31,		
	2020	**2019**	**2019**	**2018**	**2017**
	(unaudited)				
	(in millions of U.S. dollars)				
Net sales	$91.3	$79.5	$169.7	$135.4	$85.2
Other operating expenses	(0.0)	(0.5)	(0.9)	(0.9)	(0.5)
Outside services	(0.0)	(0.5)	(0.9)	(0.9)	(0.5)
Operating income (loss)	91.3	79.1	168.9	**134.4**	**84.7**
Investment expenses	(13.3)	(12.4)	(53.8)	**(9.1)**	**(0.0)**
For debts with third parties	(13.2)	(12.4)	(53.8)	(9.1)	(0.0)
Exchange gain (loss)	(1.2)	(0.8)	(0.6)	**(1.8)**	**3.0**
Impairment and income (loss) from disposal of financial instruments	—	—	—	—	**10.7**
Financial income (loss)	(14.5)	(13.2)	(54.3)	**(10.9)**	**13.7**
Income before taxes	76.8	65.8	114.5	**123.5**	**98.4**
Income for the year	76.8	65.8	114.5	**$123.5**	**$98.0**

Balance Sheet

	As of March 31,	As of December 31,		
	2020	**2019**	**2018**	**2017**
	(unaudited)			
	(in millions of U.S. dollars)			
Assets				
Cash and cash equivalents	**47.7**	**$2.9**	**$ 4.9**	**$ 20.4**
Cash in hand and at bank	**47.7**	**2.9**	4.9	20.4
Trade and other accounts receivable	**26.5**	**55.0**	**48.6**	**40.9**
Other accounts receivable	—	—	—	—
Current tax assets	**26.5**	**55.0**	48.6	40.9
Short-term Investments	**32.8**	**32.8**	**40.5**	—
Total current assets	**107.1**	**90.7**	**94.0**	**61.4**
Long-term financial investments	**1,068.7**	**1,068.7**	**1,068.7**	**1,068.7**
Equity instruments	**1,068.7**	**1,068.7**	1,068.7	1,068.7
Non-current assets	**1,068.7**	**1,068.7**	**1,068.7**	**1,068.7**
Total assets	**1,175.8**	**1,159.4**	**$1,162.7**	**$1,130.1**
Liabilities and Equity				
Trade accounts and other accounts payable	**0.0**	**0.0**	**0.1**	**0.2**
Sundry accounts payable	**0.0**	**0.0**	0.1	0.2

	As of March 31,	As of December 31,		
Current tax liabilities	—	—	0.1	—
Other tax payables	—	—	—	—
Short-term provisions	—	—	—	—
Short term debt	**15.3**	**2.2**	8.9	0.0
Financial liabilities	**15.3**	**2.2**	8.9	0.0
Total current liabilities	**15.3**	**2.2**	**9.0**	**0.2**
Long-term Debt	**694.4**	**694.2**	**642.0**	—
Total liabilities	**709.7**	**696.4**	**651.1**	**0.2**
Shareholder's equity	**466.1**	**463.0**	**511.5**	**1,129.9**
Capital	**82.5**	**82.5**	**82.5**	**82.5**
Authorized capital	**82.5**	**82.5**	82.5	82.5
Issue premium	—	—	—	**334.5**
Reserves	**119.2**	**119.2**	**116.6**	**116.6**
Legal and statutory	**16.5**	**16.5**	16.5	16.5
Income (negative income) from previous years	**114.6**	—	**(3.5)**	**(24.9)**
Other shareholder contributions	**206.8**	**206.8**	**256.3**	**599.8**
Income for the year	**76.8**	**114.5**	**123.5**	**98.0**
(Interim dividend)	**(133.7)**	**(60.0)**	**(63.9)**	**(76.5)**
Adjustments for changes in value	**0.0**	**0.0**	**0.0**	**0.0**
Other	**0.0**	**0.0**	0.0	0.0
Total equity	**466.1**	**463.0**	**511.5**	**1,129.9**
Total liabilities and equity	**1,175.8**	**1,159.4**	**$1,162.7**	**$1,130.1**

SELECTED FINANCIAL AND OTHER INFORMATION OF OCENSA

The following tables present Ocensa's selected consolidated historical financial data as of and for the years ended December 31, 2019, 2018, and 2017, which were derived from Ocensa's audited consolidated financial statements, and as of and for the three months ended March 31, 2020 and 2019, which were derived from Ocensa's unaudited financial statements, prepared in accordance with NCIF. The selected financial data should be read in conjunction with "Presentation of Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations of Ocensa" and Ocensa's consolidated financial statements and notes thereto, included elsewhere in this offering memorandum.

Statement of Income and Comprehensive Income

	For the three months ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	(unaudited)				
	(in millions of U.S. dollars)				
Continued operations					
Revenues from ordinary activities	$363.0	$366.6	$1,556.4	$1,400.6	$1,324.8
Cost of sales	(60.1)	(71.0)	(326.6)	(296.6)	(260.7)
Gross profit	302.9	295.6	1,229.8	1,104.1	1,064.1
Operations and project expenses	(3.1)	(3.2)	(16.3)	(16.8)	(15.7)
Administrative expenses	(5.6)	(5.8)	(23.6)	(23.7)	(23.7)
Other operating income (expenses), net	0.1	42.4	41.7	(2.5)	(42.2)
Operating profit	**294.4**	**329.0**	**1,231.6**	**1,061.1**	**982.5**
Financial income (costs), net	24.8	16.1	(6.1)	(8.7)	(32.3)
Profit before income tax	**319.2**	**345.1**	**1,225.5**	**1,052.4**	**950.3**
Income tax expense	(74.3)	(119.7)	(413.6)	(382.6)	(397.6)
Net profit of the income	**244.9**	**225.4**	**812.0**	**669.8**	**552.6**
(Loss) gain from hedges of cash flow, net of taxes	(41.2)	5.3	14.4	(16.6)	11.9
Gain (loss) from exchange difference in translation	11.0	(1.3)	2.8	9.1	(0.1)
Total net comprehensive income	**214.7**	**229.4**	**829.2**	**662.3**	**564.4**

Balance Sheet

	As of March 31,	As of December 31,		
	2020	2019	2018	2017
	(unaudited)			
	(in millions of U.S. dollars)			
Assets				
Cash and cash equivalents	$243.0	$441.1	$239.4	$236.4
Trade debtors and other accounts receivable, net	132.1	150.6	169.6	196.7
Inventories	35.3	38.2	24.4	—
Derivative financial instruments	—	—	—	8.5
Other assets	4.0	3.2	3.1	5.5
Non-current assets held for sale	—	—	—	18.8
Current assets	**414.5**	**633.1**	**436.6**	**465.9**
Trade debtors and other accounts receivable, net	2.1	2.7	3.3	4.2

Other non-financial assets	0.6	0.6	0.7	—
Property, plant and equipment, net	1,451.9	1,486.6	1,551.3	1,595.2
Intangibles, net	53.9	53.9	23.8	14.3
Rights-of-use	15.2	11.6	—	—
Deferred tax assets	2.7	—	—	—
Non-current assets	**1,526.4**	**1,555.5**	**1,579.2**	**1,613.7**
Total assets	**1,940.8**	**2,188.6**	**2,015.8**	**2,079.6**
Liabilities and Equity				
Debts and loans bearing interest	27.1	24.0	20.0	20.2
Trade accounts and other accounts payable	51.2	111.1	72.7	89.9
Tax liabilities	190.3	174.3	105.1	170.7
Derivative financial instruments	74.9	0.4	25.4	—
Other liabilities	2.4	3.6	4.8	6.7
Provisions and contingencies	1.6	2.1	1.4	50.0
Current liabilities	**347.6**	**315.4**	**229.3**	**337.5**
Debts and loans bearing interest	493.0	489.5	481.0	480.2
Trade accounts and other accounts payable	4.0	4.4	4.6	4.4
Other liabilities	0.8	0.9	3.4	7.7
Provisions and contingencies	25.8	50.0	43.8	31.3
Tax liabilities	1.6	1.6	0.9	0.9
Deferred tax liabilities	—	64.9	60.8	82.4
Non-current liabilities	**525.2**	**611.3**	**594.5**	**606.9**
Total liabilities	**872.8**	**926.7**	**823.8**	**944.4**
Subscribed and paid-in capital	81.7	81.7	81.7	81.7
Legal reserve	40.9	40.9	40.9	40.9
Accumulated profits	881.5	1,045.1	992.4	928.3
Other comprehensive income	64.0	94.2	77.0	84.4
Total equity	**1,068.1**	**1,261.9**	**1,192.0**	**1,135.2**
Total liabilities and equity	**$1,940.8**	**$2,188.6**	**$2,015.8**	**$2,079.6**

Other Items

	As of March 31,		**As of December 31,**		
	2020	**2019**	**2019**	**2018**	**2017**
	(unaudited)				
	(in millions of U.S. dollars, unless otherwise indicated)				
Financial and Other Data:					
Amortization and depreciation	27	28	116	105	96
Net margin (1)	67%	61%	52%	48%	42%
Unaudited					
Operating margin (2)	81%	90%	79%	76%	74%
EBITDA (3)	321	357	1,348	1,166	1,079
EBITDA margin (4)	88%	97%	87%	83%	81%
Outstanding debt/EBITDA ratio (5)	0.39	0.37	0.37	0.43	0.46
Volume transported (in kbpd)	617	646	664	637	581
Total transportation cash cost (6)	69	80	366	337	300
Number of employees	288	278	288	275	286

(1) Net margin is calculated as net profit divided by revenue, expressed as a percentage.

(2) Operating margin is calculated as operating profit divided by revenue, expressed as a percentage.

(3) EBITDA is calculated as net profit *plus* depreciation and amortization, income tax and financial (income) expenses, net. EBITDA is not a measure of financial performance according to IFRS or generally accepted accounting practices adopted in Colombia or the United States and should not be considered in isolation or as an alternative to net profit, as an indicator of operating performance, or to operating cash flows as an indicator of liquidity. EBITDA does not have a standardized definition and the EBITDA definition presented herein may not be consistent with EBITDA used by other companies. EBITDA has certain limitations as a measure of Ocensa's profitability in that it does not consider certain of

its recurring costs that may have a significant impact on its net profit, including net financial expenses, taxes, depreciation, amortization and depletion. See “Presentation of Financial and Other Information—EBITDA.”

Ocensa calculates EBITDA as follows:

	For the three-month period ended March 31,		For the year ended December 31,		
	2020	**2019**	**2019**	**2018**	**2017**
	(unaudited)				
			(in millions of U.S.$)		
Net profit	245	225	812	670	553
(+) Depreciation and amortization	27	28	116	105	97
(+) Income tax	74	120	414	382	398
(–/+) Financial (income) expenses, net	(25)	(16)	6	9	31
EBITDA	**321**	**357**	1,348	1,166	1,079

(4) EBITDA margin is calculated as EBITDA divided by revenue, expressed as a percentage.

(5) Outstanding debt/EBITDA ratio is calculated as outstanding debt for the period divided by EBITDA for the period, except for EBITDA for the three months ended March 31, 2020 and 2019 for which it is presented on an annualized basis. Annualized EBITDA for each of the three-month periods ended March 31, 2020 and 2019 is derived by multiplying the total EBITDA for the respective three month period by four. Ocensa’s computations of annualized EBITDA may not be representative of its actual annual results.

(6) Total transportation cash cost is equivalent to Ocensa’s operational and administrative expenses for the period, comprising Ocensa’s maintenance and repairs, services, depreciation, personnel, leases, fees, amortization and other expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF AI CANDELARIA

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements as of and for the years ended December 31, 2019, 2018 and 2017 and the related notes thereto and our unaudited financial statements as of and for the three months ended March 31, 2020 and 2019 and the related notes thereto, each included elsewhere in this offering memorandum, as well as with the information presented under "Presentation of Financial and Other Information" and "Selected Financial and Other Information of AI Candelaria," and the information regarding Ocensa and its financial statements and notes contained elsewhere in this offering memorandum.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in these estimates and forward-looking statements as a result of various factors, including, without limitation, those set forth in "Cautionary Disclosure Regarding Forward-Looking Information" and "Risk Factors."

Sources of Cash Flow

Our main sources of cash flows were dividends from Ocensa of US$91.3 million, US$169.7 million, US$135.4 million and US$85.2 million, in the three months ended March 31, 2020 and in the years ended December 31, 2019, 2018 and 2017, respectively. Our principal sources of cash flows have historically been Ocensa's dividends. In addition, in the year ended December 31, 2019, we issued US$50.0 million aggregate principal amount of 7.500% Senior Secured Bonds on the SGX-ST.

In the future, we could raise additional cash by selling our shares of Ocensa's capital stock; however, we have no intention to do so at this time.

Ocensa Dividend Policy

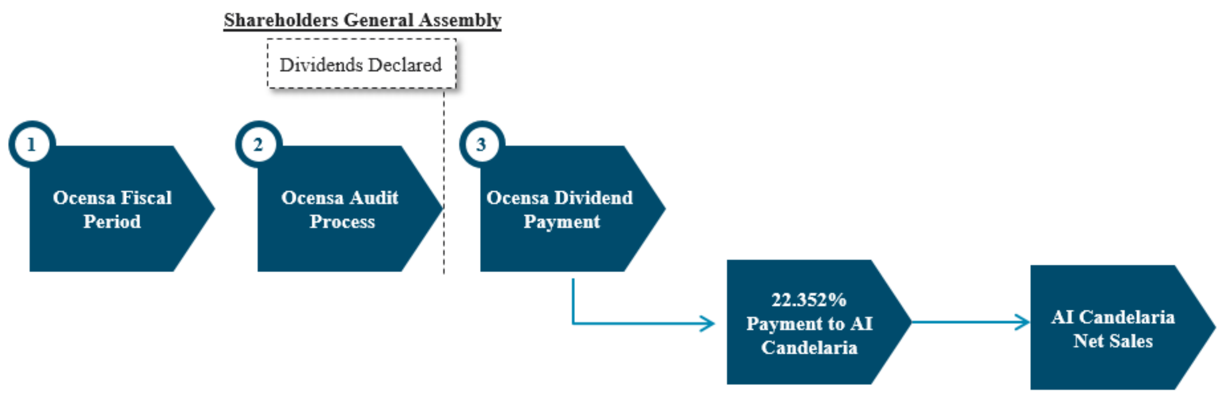
Pursuant to Ocensa's Shareholders' Agreement, Ocensa must prepare financial statements at June 30 and December 31 of each year and, if applicable, distribute as dividends to its shareholders 100% of net profit after funding any legal and applicable reserves, unless otherwise instructed unanimously by its shareholders at a shareholders' meeting. The following table sets forth certain information regarding Ocensa's payment of dividends. The table below reflects payment of dividends on 1,153,139 shares of Ocensa.

	As of and for the three months ended March 31,	**As of and for the year ended December 31,**		
	2020	**2019**	**2018**	**2017**
	(in thousands of U.S. dollars, except percentages)			
Dividends paid by Ocensa to its shareholders[(1)]	406,581	756,455	604,506	380,858
Attributable to net profit of Ocensa accumulated during:	**6 months from Jul 1, 2019 to Dec 31, 2019**	**12 months from July 1, 2018 to Jun 30, 2019**	**12 months from July 1, 2017 to June 30, 2018**	**9 months from Oct 1, 2016 to Jun 30, 2017**
Percentage of ownership interest in Ocensa of AI Candelaria at the date of dividend	22.352%	22.352%	22.352%	22.352%
Dividends received by AI Candelaria	91,302	169,719	135,359	85,232

(1) Amounts represent actual dividends paid, which differ from declared dividends due to applicable retentions given to shareholders other than AI Candelaria.

On June 18, 2020, Ocensa declared dividends of US$245 million, attributable to net profit generated during the period between January 1, 2020 and March 31, 2020. AI Candelaria will effectively receive US $54.8 million, corresponding to our 22.352% stake, the substantial majority of which we have received and the remainder of which we expect to receive in August 2020.

Dividend payments from Ocensa are subject to a time lag at the end of the fiscal period during which the net profit being distributed was accumulated in order for Ocensa to complete its audit process and declare dividends in a General Shareholders Assembly for payment to its shareholders. Once the declared dividends are paid to us, we recognize them as net sales. The following diagram sets forth an illustrative timeline regarding the dividend payment process.



Financing Activities

On May 9, 2019, AI Candelaria issued US$50.0 million aggregate principal amount of the Additional Notes on the SGX-ST. Proceeds were used to (i) fund the Debt Service Reserve Account, (ii) pay fees and expenses relating to the issuance of the Existing Notes and (iii) pay a dividend to affiliates of Advent.

The following table sets forth our current and non-current financial liabilities as of March 31, 2020 and December 31, 2019, 2018 and 2017.

	Financial Liabilities as of			
	March 31, 2020	**Dec. 31, 2019**	**Dec. 31, 2018**	**Dec. 31, 2017**
			(in thousands of US dollars)	
Current Financial Liabilities ...	US$15,313	US$2,188	US$8,939	US$0
Non-Current Financial Liabilities	US$694,398	US$694,243	US$642,088	—
Total	**US$709,711**	**US$696,431**	**US$651,027**	**US$ —**

Uses of Cash Flow

Our main uses of cash flows were US$73.7 million, US$170.3 million, US$791.0 million and US$149.7 million in the three months ended March 31, 2020, and in the years ended December 31, 2019, 2018 and 2017, respectively. Our primary uses of cash flows have historically been:

- the payment of operating expenses;
- the payment of tax advances to Spanish authorities;

- the funding of the Debt Service Reserve Account; and
- the payment of dividends.

Operating Expenses

In the ordinary course of business, our operating expenses are mainly related to the ownership, maintenance and operation of AI Candelaria.

In the three months ended March 31, 2020, and the years ended December 31, 2019, 2018 and 2017, we incurred operating expenses of US$0.0 million, US$0.9 million, US$0.9 million, and US$0.5 million, respectively.

Corporate Income Tax Payments on Account

Under the tax treaty entered into Spain and Colombia (the "Spain/Colombia tax treaty"), dividends paid by Ocensa to us from taxed profits are not subject to additional taxation in Colombia, such as the 10% tax on dividend distributions established in the 2016 Colombian Tax Reform, according to article 10 since we are the beneficial owner of the dividends distributed and we hold at least 20% of the share capital of Ocensa.

From a CIT perspective, the dividends received from Ocensa are exempt from taxation in Spain, according to the participation exemption governed under article 21 of the CIT Spanish legislation and the application of the Spanish holding company regime (*Entidad de Tenencia de Valores Extranjeros*) under articles 107 and 108 of Spanish CIT Law.

Corporate income tax payments on account ("CIT payments on account") are paid to the Spanish authorities three times a year, within the first twenty calendar days of April (the tax base for CIT purposes is generated between January and March), within the first twenty calendar days of October (the tax base for CIT purposes is generated between January and September, net of the payment in April), and within the first twenty calendar days of December (the tax base for CIT purposes is generated between January and November, net of the first two payments). A recent Constitutional Court decision has declared null certain legislation regarding CIT payments on account and, while not specifically addressing or resolving the matter, the decision could be read as potentially challenging the validity of certain calculation rules, thus this area could be subject to changes in the future. We annually submit a CIT self-assessment of the corresponding tax period in July of the subsequent year, in which the payments on account are deducted from the final tax debt. Spanish tax authorities have a six month period to effectively carry out the refund. If it takes longer than six months, then late payment interest is added. To date, we have not experienced any delays in payment from the Spanish tax authorities.

The following table sets forth our current tax asset balances as of March 31, 2020 and December 31, 2019, 2018 and 2017.

	Tax Assets as of			
	March 31, 2020	**Dec. 31, 2019**	**Dec. 31, 2018**	**Dec. 31, 2017**
	(in thousands of US dollars)			
Current Tax Assets	US$26,522	US$54,981	US$48,562	US$40,910
Total	**US$**26,522	**US$**54,981	**US$**48,562	**US$**40,910

Dividend Payments

In the three months ended March 31, 2020, and the years ended December 31, 2019, 2018 and 2017, we paid cash dividends to our shareholders of US$73.7 million, US$163.1 million, US$741.9 million, and US$111.7 million, respectively.

Cash and Cash Equivalents

Changes in cash and cash equivalents correspond to dividends paid in by Ocensa and dividends paid out by us to AI Lux and our operating costs. The following table sets forth our cash and cash equivalent balances as of March 31, 2020 and December 31, 2019, 2018 and 2017.

		Cash and cash equivalents as of		
	March 31, 2020	**Dec. 31, 2019**	**Dec. 31, 2018**	**Dec. 31, 2017**
			(in thousands of US dollars)	
Cash	US$47,711	US$2,895	US$4,862	US$20,441
Total	US$47,711	US$2,895	US$4,862	US$20,441

Current Financial Investments

On October 25, 2018, pursuant to the conditions set forth in the Indenture, we funded the Debt Service Reserve Account, which as of March 31, 2020 constitutes our only current financial investment. The following table outlines our current financial investments balances as of March 31, 2020 and December 31, 2019, 2018, and 2017.

		Current Financial Investments as of		
	March 31, 2020	**Dec. 31, 2019**	**Dec. 31, 2018**	**Dec. 31, 2017**
			(in thousands of US dollars)	
Other Financial Assets	US$ 32,820	US$32,813	US$40,514	US$ —
Total	US$ 32,820	**US$32,813**	**US$**40,514	**US$ —**

Investment Income

Every year, as part of our audit process we perform an impairment or revaluation test on our non-current assets. Considering our main non-current asset is our investment in Ocensa, we do an internal valuation exercise of our shares, based on different valuation methodologies commonly used for said purpose. Variations as a consequence of this exercise on the non-current assets are reflected in the income statement line of Investment Income.

The following table sets forth our non-current assets as of March 31, 2020 and December 31, 2019, 2018 and 2017.

		Non-Current Assets as of		
	March 31, 2020	**Dec. 31, 2019**	**Dec. 31, 2018**	**Dec. 31, 2017**
			(in thousands of US dollars)	
Equity Instruments ...	US$1,068,731	US$1,068,731	US$1,068,731	US$1,068,732
Total	US$1,068,731	US$1,068,731	US$1,068,731	US$1,068,732

In the three months ended March 31, 2020, and the years ended December 31, 2019, 2018 and 2017, we registered an income(loss) on Investment Income of US$0.0 million, US$0.0 million, US$0.0 million, and US$10.7 million, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF OCENSA

The following discussion and analysis of Ocensa's financial condition and results of operations should be read in conjunction with Ocensa's audited financial statements as of and for the years ended December 31, 2019, 2018 and 2017 and the related notes thereto and Ocensa's unaudited interim financial statements as of and for the three months ended March 31, 2020 and 2019 and the related notes thereto, each included elsewhere in this offering memorandum, as well as with the information presented under "*Presentation of Financial and Other Information*" *and* "*Selected Financial and Other Information of Ocensa.*"

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Ocensa's actual results may differ materially from those discussed in these estimates and forward-looking statements as a result of various factors, including, without limitation, those set forth in "*Cautionary Disclosure Regarding Forward-Looking Information*" *and* "*Risk Factors.*"

Overview

Ocensa is a crude oil transportation company incorporated on December 14, 1994 to design, build, operate and manage a crude oil pipeline transportation system. Ocensa owns and operates the Ocensa Pipeline, the largest crude oil pipeline in Colombia, covering 836 km underground and 12 km underwater. The Ocensa Pipeline, Ocensa's primary asset, was completed and became operational in 1998 and has a current capacity of 745 kbpd at the largest segment of the pipeline (Segment II), reflecting the completion of Project Potencia 135 in 2016. In 2019, and for the three-month period ended March 31, 2020, the Ocensa Pipeline transported approximately 66% and 64%, respectively, of Colombia's total production of crude oil, diluents and condensates, and exported through the TLU-2, approximately 57% and 59%, respectively, of Colombia's national production of crude oil, diluents, condensates and total crude oil for exports (excluding crude oil used to produce intermediate fuel oil and minor exports from third-party ports). The Ocensa Pipeline transports crude oil ranging from light crude oil and intermediate blends to heavy crudes, on behalf of crude oil producers, from Colombia's most prolific basins, including the Llanos basin and the Arauca basin, which in 2019 accounted for 69% and 6%, respectively, of Colombia's national production of crude oil, to the Port of Coveñas, Colombia's primary public crude oil export facility.

In 2019, Ocensa's revenue and net profit totaled US$1,556 million and US$812 million, respectively, compared to US$1,401 million and US$670 million in 2018 and US$1,325 million and US$553 million in 2017, respectively, while its EBITDA totaled US$1,348 million in 2019, compared to US$1,166 million in 2018 and US$1,079 million in 2017. For the three-month period ended March 31, 2020, Ocensa's revenue and net profit totaled US$363 million and US$245 million, respectively, compared to US$367 million and US$225 million for the three-month period ended March 31, 2019, respectively, while its EBITDA totaled US$321 million for the three-month period ended March 31, 2020, compared to US$357 million for the three-month period ended March 31, 2019.

Ocensa's majority shareholder, with 72.648% of its equity, is Cenit, a wholly-owned subsidiary of Ecopetrol, the Colombian national oil and gas company and Colombia's largest producer of crude oil and gas. Ecopetrol has accounted for approximately 58% of Colombia's total crude oil production, on average, over the past five years according to the ANH and ACP. Of its remaining equity, 22.352% is beneficially held by AI Candelaria, a joint venture held between I Squared Capital, through its private fund ISQ, and Grupo Romero, two global private equity firms, which acquired the shares on February 7, 2020 from Advent, while 5.000% is beneficially held by Darby Colpatria Capital, a private equity investment vehicle of Franklin Templeton, through a shareholding trust.

Financial Presentation and Accounting Policies

Presentation of Financial Statements

Ocensa's audited financial statements as of and for the years ended December 31, 2019, 2018 and 2017 have been prepared in accordance with NCIF and audited by Ernst & Young Audit S.A.S.

Critical Accounting Policies and Estimates

The preparation of Ocensa's financial statements requires its management to make judgments, estimates and assumptions to quantify some of the assets, liabilities, income, expenses and commitments recognized in the financial statements and their disclosures. These estimates have been made based on the best available information, on the facts analyzed, management experience and other factors. Uncertainty about assumptions and estimates could result in future material changes that affect the value of assets or liabilities. Changes to these estimates are recognized prospectively in the period in which the estimate is revised.

Summaries of Ocensa's significant accounting policies are included in Notes 2, 3 and 4 to its audited financial statements included elsewhere in this offering memorandum. Ocensa believes that the consistent application of these policies enables it to provide readers of its audited financial statements with more useful and reliable information about its operating results and financial condition.

Principal Factors Affecting Ocensa's Results of Operations

Ocensa's results of operations are primarily affected by the following factors:

Crude Oil Transportation Tariffs

Ocensa primarily derives its revenue from:

- Tariffs charged to crude oil shippers for the transport of crude oil through the Ocensa Pipeline, which Ocensa operates pursuant to a Pipeline; and

- Tariffs Ocensa charges for the transfer, storage and loading of crude oil export at the Port of Coveñas, pursuant to the Port Concession.

The tariffs charged for the transportation of crude oil through the Ocensa Pipeline are calculated based on the methodology established by the MME and are structured to remunerate the transporter at a determined rate of return, with additional returns permitted for improvements and expansions to pipelines. See "Industry and Regulatory Overview—Tariff Regulation." With respect to the Port of Coveñas, shippers pay a tariff at the point of shipment on firm land as well as an export tariff. Currently, tariffs are revised every four years (adjusted annually based on a weighted average between the US Producer Price Index and the Colombian Consumer Price Index), providing Ocensa with predictable time horizons in which tariffs are fixed. Current transportation tariffs are expected to be valid through 2023. However, recently through ACP, E&P companies have expressed concerns that the current tariffs are a non-manageable cost that may represent up to 45% of a producer's total costs of operations, which may pressure these companies to lower production and renegotiate transport tariffs given low oil prices as well as the effects of the COVID-19 pandemic. See "Risk Factors—Risks Relating to Ocensa's Business and Industry—Ocensa is subject to changes in tariffs established in accordance with the regulations of the MME and to higher rates for the transportation of crude oil from Vasconia to Coveñas (Segment III)." Pursuant to regulations currently in effect, tariff rates for the transport of crude oil along segments of a pipeline resulting from expansion projects, including Project Potencia 135, may be established, under certain circumstances, by commercial agreement between the parties and these tariffs will be applicable to all shippers that utilize the additional transportation capacity resulting from the expansion.

All other factors remaining constant, an increase or decrease by the MME in the tariffs Ocensa charges its customers would result in a related increase or decrease in its results of operations.

The following table sets forth the established tariffs for each segment of the Ocensa Pipeline and for the Port of Coveñas for the periods indicated:

	For the year ended December 31,		
	2019	**2018**	**2017**
		(in U.S.$/bbl)	
Segment 0	1.2728	0.5058	0.4923
Segment I	0.8092	0.5489	0.5387
Segment II	3.5584	3.4877	3.4185
Segment III	3.3907	3.0117	2.9533
Port of Coveñas	0.5086	0.5086	0.5086

(1) Source: BTO

Crude Oil Transportation Volumes

Ocensa's results of operations are directly impacted by the volume of crude oil Ocensa transports via the Ocensa Pipeline and that Ocensa transfers, stores and loads at the Port of Coveñas. Pursuant to Ocensa's Shareholders' Agreement and transportation agreements, each of Ocensa's initial shippers and their assignees has the right to transport a fixed volume of crude oil measured in number of barrels per day. In the event the aggregate contracted capacity of Ocensa's shippers is less than the effective capacity of the Ocensa Pipeline, Ocensa may offer and allocate the excess capacity among other customers and the initial shippers. In the case of third parties, these services are provided in accordance with Ocensa's transporter's manual and applicable regulations. For the three-month period ended March 31, 2020, Ocensa operated at 92% capacity as compared to 96% capacity for the three-month period ended March 31, 2019, as a result of the slowdown in crude oil production mainly due to the COVID-19 pandemic, which in turn slightly decreased volumes transported and resulted in market oversupply given the lack of agreement between Russia and OPEC on production levels and further depressed oil prices. From January to September 2019, despite Segment II operating at 89% capacity, Ocensa sold approximately 12 kbpd in excess capacity to third parties as a result of pipeline transportation efficiencies it obtained along Segments II and III of the Ocensa Pipeline. This excess capacity was the result of, among other things, the use of DRAs, which increase pipeline capacity by reducing turbulence, allowing crude oil to flow more efficiently through the pipeline system. In 2019, 2018 and 2017, Ocensa operated at 98%, 94% and 91% of its capacity, respectively. In the first and second quarters of 2020, Ocensa operated at 88% and 76% of its capacity, respectively. In the second quarter of 2020, average volumes received by the Ocensa Pipeline decreased by 18.77% compared to the same period in 2019.

In addition, pursuant to Colombian regulations, the Colombian government holds a preferential right to use up to 20% of the total crude oil pipeline capacity to transport the Colombian government's share of crude oil production, for which Ocensa receives compensation at the applicable tariff rate.

Under the "ship and pay" module and all other factors remaining constant, an increase or decrease in the volume of crude oil transported via the Ocensa Pipeline and transferred, stored and loaded at the Port of Coveñas would result in a related increase or decrease in Ocensa's results of operations.

The table below sets forth the aggregate capacity of the Ocensa Pipeline for the periods indicated:

	For the year ended December 31,								
	2019			2018			2017		
	Transported Capacity	*Effective Capacity(1)*	*% of Transported Capacity to Effective Capacity*	*Transported Capacity*	*Effective Capacity(1)*	*% of Transported Capacity to Effective Capacity*	*Transported Capacity*	*Effective Capacity(1)*	*% of Transported Capacity to Effective Capacity*
					(in kbpd)				
Segment 0	13.1	198.0	6.6	14.4	198.0	7.3	15.9	198.0	8.0
Segment I	346.0	674.3	51.3	366.8	674.7	54.4	308.4	639.6	48.2
Segment II	664.1	674.3	98.5	637.0	674.7	94.4	580.9	639.6	90.8
Segment III	398.1	489.0	81.4	380.1	490.8	77.4	341.9	444.3	77.0
Port of Coveñas	461.2	N/A	–	397.5	N/A	–	409.9	N/A	–

(1) Based on capacity for heavy crude oil transportation.

See "Business—Ocensa's Principal Assets and Operations—The Ocensa Pipeline."

Composition of Transported Crude Oil

The Ocensa Pipeline is currently capable of handling crude oil of different qualities, ranging from light crude oil and intermediate blends to heavy crude oil. The transport of higher quantities of heavy crude oil in relation to light or intermediate crude oils, however, reduces the effective capacity of the Ocensa Pipeline resulting, in a lower volume of crude oil transported via the Ocensa Pipeline and transferred, stored and loaded at the Port of Coveñas. The contracted capacity of our initial shippers assumes the crude oil transported through the Ocensa Pipeline is comprised of 80% heavy crude oil and 20% light or intermediate crude oil. In the event an increase in the quantity of heavy crude oil delivered or to be delivered through the Ocensa Pipeline reduces the effective capacity of the Ocensa Pipeline to below the aggregated contracted capacity of Ocensa's initial shippers, Ocensa has the right, for the duration of the reduction in effective capacity, to reduce, on a pro rata basis, the contracted capacity of its initial shippers that transport heavy crude oil above the 80% threshold.

To the extent the percentage of heavy crude oil to light/intermediate crude oils transported via the Ocensa Pipeline reduces effective capacity of the Ocensa Pipeline and consequently the volume of crude oil transported by Ocensa's customers, Ocensa's results of operations may be negatively affected.

The table below sets forth the average ratio of heavy crude oil to light/intermediate crude oils transported via the Ocensa Pipeline for the periods presented:

	For the three-month period ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
			(in kbpd)		
Heavy Crude Oil	386	364	369	341	347
Light/Intermediate Crude Oils	231	282	295	297	234

Ability to Obtain Additional Financing

The implementation of Ocensa's strategy will require additional investment and result in increased capital requirements. As with other companies in its industry, Ocensa requires a significant amount of capital to satisfy its capital expenditure requirements and remain competitive.

Additionally, Ocensa may experience an increase in its operating costs and administrative expenses, due to, among other things:

- expenses related to Ocensa's maintenance program,
- a labor shortage,
- increased cost of equipment, and
- Ocensa's growth, requiring that Ocensa obtain additional funding.

Ocensa intends to utilize bank financings, cash generated by Ocensa's operations and issuances of securities in the capital markets to meet these needs, but there can be no assurance that adequate funding will be available or available to us on favorable terms.

Colombian Macroeconomic Environment

As all of Ocensa's operations are in Colombia, Ocensa's results of operations and financial condition are also affected by Colombia's general economic conditions.

The following is a summary of key economic indicators for Colombia:

- From 2014 to 2019, Colombia experienced real GDP growth every period. Real GDP grew by 4.50% in 2014, 2.96% in 2015, 2.09% in 2016, 1.36% in 2017, 2.52% in 2018 and 3.32% in 2019. For the three-month period ended March 31, 2020, Colombia reported GDP growth of 1.1%. However, the COVID-19 pandemic has had a negative effect on Colombian GDP as further discussed below.
- Inflation, as measured by the change in the consumer price index, or CPI, was 3.66% in 2014, 6.77% in 2015, 5.75% in 2016, 4.09% in 2017, 3.18% in 2018 and 3.80% in 2019. The producer price index increased 6.33% in 2014, 5.48% in 2015, 2.16% in 2016, 3.27% in 2017, 2.31% in 2018 and 6.09% in 2019. As of April 2020, CPI was 3.51%.
- The Colombian Central Bank's interest rate (*tasa de intervención del Banco de la República*) as of the end of each year was 4.50% in 2014, 5.75% in 2015, 7.50% in 2016, 4.75% in 2017, 4.25% in 2018 and 4.25% in 2019. During 2020, the Colombian Central Bank has reduced this interest rate to a current rate of 2.50%.

The following table sets forth information regarding additional economic indicators for Colombia:

	For the year ended December 31,		
	2017	**2018**	**2019**
Population	49,291,609	48,843,240	50,374,478
Annual GDP at 2015 constant prices (billions of Ps$)	832,656	853,600	881,958
Annual real GDP growth	1.36%	2.52%	3.32%
Inflation	4.09%	3.18%	3.80%
Unemployment	9.2%	10.4%	10.2%
Total debt/GDP	46.4%	49.4%	50.2%
Central Government external debt (billions of Ps$)	142,552	164,090	169,508
% domestic debt	50%	51%	47%
Net international reserves (millions of U.S.$)	47,629	48,392	53,167
International reserves/Central Government external debt	33.41%	29.49%	31.37%
Central Government external debt/GDP	15.5%	16.6%	16.0%

Central Bank of Colombia's interest rate (tasa de intervención del Banco de la República)	4.75%	4.25%	4.25%

Sources: The DANE, the Colombian Central Bank, the Ministry of Finance and Public Credit.

As a consequence of the macroeconomic shock caused by the COVID-19 pandemic, the Colombian government, with the prior favorable opinion of the Fiscal Rule Advisory Council, determined to suspend the fiscal rule for 2020 and 2021. The estimated fiscal deficit for 2020 and 2021 is 8.2% and 5.1% of GDP, respectively. If the economic and public health crisis caused by the COVID-19 outbreak continues and the Colombian government's measures are not effective, the economic performance of the country may suffer further than already anticipated, as a result of adverse effects on commerce, transportation and foreign investment, among other things, and thus may potentially adversely affect Colombia's ability to service its debt. The effects of the COVID-19 pandemic and the economic shutdown may also include an increase in unemployment, a reduction in household income, reduction in governmental revenues, increased Colombian government expenditures and a deterioration of Colombia's financial position. For example, during May 2020, the unemployment rate in Colombia rose to 21.2% as compared to 10.4% in May 2019, primarily as a result of the economic impact caused by the COVID-19 pandemic. Moreover, the COVID-19 pandemic has contributed and coincided with sharply lower demand for oil and its derivatives and as a result a lower and more volatile price of oil and gas, which has also negatively affected the Colombian economy and the financial position of Ecopetrol, our main customer. The Colombian government has projected Colombia's GDP to contract 5.5% and enter its first recession in over two decades.

Colombia's long-term public external indebtedness is currently rated investment grade by S&P, Moody's and Fitch. On March 26, 2020, S&P released a negative outlook on Colombia's long-term foreign currency issuer default rating while maintaining its BBB- rating. Furthermore, on April 1, 2020, Fitch Ratings downgraded Colombia's long-term foreign currency issuer default rating to BBB- from BBB with a negative outlook. Moody's has maintained Colombia's investment grade rating with a stable outlook since May 23, 2019. Credit ratings are not a recommendation to buy, sell or hold securities and may be subject to downward revision, suspension or withdrawal at any time by the relevant rating agencies. Each rating should be evaluated independently of any other rating.

Impact of Global Oil Prices and COVID-19

The disagreement on production cuts between OPEC and Russia since the beginning of March 2020, followed by the decision of Saudi Arabia to reduce its sale oil prices and increase its production to gain market share, negatively impacted the international reference prices for crude oil in 2020 to date. Furthermore, as a result of the COVID-19 pandemic and measures put in place to slow its spread, including the imposition of quarantines and medical screenings, travel restrictions and the suspension of many economic activities, Ocensa has seen and expects to continue to see substantial uncertainty in macroeconomic conditions with regards to lower prices and demand for crude oil, gas and related products. These recent global developments have resulted in a significant drop in the Brent crude oil price, with Brent crude reaching a low of US$19.33 per barrel on April 21, 2020. This drop has affected E&P companies, such as Ocensa's main customer, Ecopetrol, that operate in the areas Ocensa serves. In particular, many of them have had to cut production in order to protect the cash flow and profitability of their operations. Recent statistics published by the MME showed that national crude oil production in Colombia decreased by 7% from January 2020 to May 2020 compared to the same period in 2019.

In terms of the financial effect of these recent developments on Ocensa, as its customers' businesses depend substantially on international prices for crude oil, while its results of operations were in line with its expectations for the months of January and February 2020, the sharp decrease in oil prices in March 2020 resulted in a slight decrease in volumes transported through the Ocensa Pipeline. This volume decrease had an immaterial negative impact on Ocensa's results of operations for the first quarter of 2020 in comparison to the first quarter of 2019. More specifically, even though Ocensa recorded a decrease in its revenue and EBITDA from US$367 million and US$357 million, respectively, during the three-month period ended March 31, 2019, to US$363 million and US$321 million in revenue and EBITDA, respectively, during the three-month period ended March 31, 2020, most of this decrease was unrelated to the oil price decrease and the COVID-19 pandemic. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of Ocensa—Results of Operations—

Three Months Ended March 31, 2020 compared to Three Months Ended March 31, 2019." Ocensa expects that its revenue, net profit, and EBITDA will be significantly negatively impacted in the second quarter of 2020 as the volumes transported through the Ocensa Pipeline continued to decrease and oil prices continue to drop. In the second quarter of 2020, average volumes received by the Ocensa Pipeline decreased by 18.77% compared to the same period in 2019. The decrease is largely explained by higher volumes reversed from OBC's flow into the Ocensa Pipeline during the second quarter of 2019. Recent statistics published by the MME showed that national crude oil production in Colombia decreased by 7% from January to May 2020 compared to the same period in 2019 and by 8.8% for the first half of 2020 compared to the same period in 2019. Lower volumes received by the Ocensa Pipeline in the second quarter of 2020 were partially offset by Ocensa's operational efficiency programs. See "Summary—Recent Developments."

Impact of Accounting Principles Applicable to Service Concession Arrangements

According to the IFRS Interpretations Committee ("IFRIC") as set forth in IFRIC 12, a service concession agreement is recognized under the intangible model asset when the operator acquires a right (license) to be charged to users, or for the purpose of its use of the public service.

In the intangible asset model, the value of the asset is reduced through amortization, not through reimbursements. This leads to the recognition of income in two different moments: the first time for the provision of construction services (in exchange for the intangible asset), and the second time, when payments are received for the use of these services. The intangible asset must be amortized during the period of the concession and through the straight line method. As such, the Port Concession is accounted for as an intangible asset taking into consideration that Ocensa does not have the right to receive a fixed remuneration which would guarantee an income stream during the term of the concession. What is paid for the variable component each year is recorded in the statement of income (expenses). The costs incurred in investment commitments are recorded as construction costs and, simultaneously, construction revenues are recognized in the statement of income. See Note 4.5 to Ocensa's audited financial statements.

Impact of Colombian Tax Reform

On October 22, 2019, the Colombian government presented to Congress a tax reform bill, the Economic Growth Law ("Law No. 2010") aimed at replacing the prior tax law (the "Financing Law"), which had been declared unconstitutional due to formal flaws in the process on enactment in the Congress. On December 27, 2019, the President of Colombia signed the bill into Law No. 2010, after it was approved by Congress. The law seeks to continue promoting economic development and creates the basis for reducing inequality gaps in the country. Law No. 2010 includes the same provisions as the Financing Law and in addition it includes four measures that seek to benefit the most vulnerable population: (i) a VAT refund to the 20% poorest in the population; (ii) a gradual reduction in health contributions, from 12% to 4%, by retirees who receive a minimum pension salary; (iii) incentives for companies to hire young people; and (iv) three non-VAT days per year in which certain sales will not be subject to this tax. In addition, Law No. 2010 reduced tax rates for Colombian companies to 32 % in 2020, 31% in 2021 and 30% in 2022 and thereafter. Moving forward, higher taxes could negatively affect Ocensa's results of operations and cash flow.

Impact of Non-Application of Certain Provisions of IAS 12 – Income Tax

The National Accounting Office (*Contaduría General de la Nación*) by means of the filed communication CGN No.20162000000781 of January 18, 2016, determined that Ocensa should not apply IAS 12 Income tax, paragraphs 38 to 45, stating that the deferred tax from the variations in the exchange rate resulting from comparing assets and liabilities in terms of its functional currency (U.S. dollar) to the tax bases in a different currency (Colombian pesos) should not be recognized in the financial statements. The effect of the non- application of paragraph 41 of IAS 12 in the deferred income tax is as a follows:

Period	Deferred Income Tax *(in thousands of U.S.$)*	Retained Earnings *(in thousands of U.S.$)*
2017	(12)	44
2018	2	46
2019	(12)	34
First quarter of 2020	53	87

Description of Principal Income Statement Line Items

The following is a brief description of the principal line items that comprise Ocensa's statement of operations:

Revenues from ordinary activities

Revenue from ordinary activities comprises primarily income Ocensa derives for services associated with the transportation of crude oil under various types of contracts, such as "ship and pay" and "ship or pay" contracts. The income generated is recognized when the control of the services is transferred to the client and there are no conditions in which there are effects on a variable price related to volumetric adjustments or other contractual conditions that prevent recognition of income.

"Ship or pay" operations are recorded as income irrespective of whether the crude oil is actually transported. "Ship and pay" operations are included as income in the period in which the transport activity is carried out. However, to the extent a "ship and pay" contract includes performance conditions, including any related to price adjustments, income is recognized when such conditions are fulfilled. See "Business—Material Agreements—Transportation Agreements."

In 2019, "ship and pay" contracts accounted for 80% of Ocensa's consolidated revenues and "ship or pay" contracts accounted for 20% of its consolidated revenue. For the three-month period ended March 31, 2020, "ship and pay" contracts accounted for 79% of Ocensa's consolidated revenues and "ship or pay" contracts accounted for 21% of its consolidated revenue. See Note 4.10 to Ocensa's audited financial statements.

Cost of Sales

Cost of sales comprise primarily the direct costs associated with revenue Ocensa derives from the transportation of crude oil along the Ocensa Pipeline, transfer, storage and loading of crude oil for export at the Port of Coveñas and other income related to services.

Other operating income (expenses), net

Other operating income (expenses), net, comprise primarily contractual indemnities, losses from retirement of assets and impairment losses.

Financial Costs, Net

Financial costs, net is the sum of financial expenses, net, exchange difference gain (loss), net and other financial income (expenses), in turn these line items mainly comprise:

- *Financial expenses, net* comprise sum of (i) financial costs and (ii) costs yields and interest, which primarily reflect interest payments made in connection with Ocensa's indebtedness.

- *Exchange difference gain (loss), net* comprises gains earned or losses in relation to Ocensa's foreign currency-denominated assets and liabilities incurred in connection with exchange rate variations between the U.S. dollar and the Colombian peso. See "—Qualitative and Quantitative Information About Market Risk—Exchange Rate Risk."

- *Other financial income (expenses), net* comprise the sum of (i) default interests, (ii) other financial income (expenses), (iii) financial expense rights of use and (iv) monetization, which primarily reflect income generated or expenses incurred in connection with activities unrelated to the transportation of crude oil, including the recovery of equipment and materials previously committed to projects, the establishment or reversal of provisions recorded in connection with probable liabilities and certain expenses incurred in connection with derivative instruments.

Income Tax Expense

Income tax expense comprises taxes paid to the Colombian government on the revenue Ocensa earns in a fiscal year. Ocensa is subject to tax on its income at statutory corporate income tax rate of 32% in 2020, 31% in 2021 and 30% from 2022 and thereafter.

Results of Operations

The following discussion of Ocensa's results of operations is based on Ocensa's audited financial statements prepared in accordance with Colombian IFRS and applicable law. In the following discussion, references to increases or decreases in any year are made by comparison with the corresponding prior year, except as the context otherwise indicates.

Three Months Ended March 31, 2020 compared to Three Months Ended March 31, 2019

The following table sets forth Ocensa's financial information for the three months ended March 31, 2020 and 2019.

	For the Three Months Ended March 31,		
	2020	**2019**	**% Change**
	(in millions of U.S.$, unless otherwise indicated)		
Income statement data:			
Revenue from ordinary activities	$363	$367	(1)%
Cost of sales	(60)	(71)	(15)%
Operations and project expenses	(3)	(3)	0%
Administrative expenses	(6)	(6)	0%
Other operating income (expense), net	0	42	N/A
Operating profit	**294**	**329**	**(11)%**
Financial costs, net (1):	**25**	**16**	56%
Financial expenses, net (2)	(2)	(3)	(33)%
Exchange difference gain (loss), net	28	(5)	N/A
Other financial (expenses) income, net (3)	(1)	24	N/A
Profit before income tax	**319**	**345**	**(8)%**
Income tax expense	(74)	(120)	(38)%
Net profit	**245**	**225**	**9%**

(1) Financial costs, net, is the sum of financial expenses, net, exchange difference gain (loss), net and other financial income (expenses), net. See Note 25 to Ocensa's unaudited financial statements.
(2) Financial expenses, net reflect the sum of (i) financial costs and (ii) costs yields and interest. See Note 25 to Ocensa's unaudited financial statements.
(3) Other financial income (expenses) reflects (i) default interests, (ii) other financial income (expenses), (iii) financial expense rights of use and (iv) monetization. See Note 25 to Ocensa's unaudited financial statements.

Revenue from ordinary activities

Revenue from ordinary activities decreased by 1% to US $363 million for the three months ended March 31, 2020 from US$367 million for three months ended March 31, 2019, primarily as a result of the net effect of:

- A decrease in the volume of oil Ocensa transported along the Ocensa Pipeline and transferred, stored and loaded at the Port of Coveñas, primarily resulting from a decrease in the volume received from the Caño Limón, which flows into the Ocensa Pipeline whenever the CLC is inoperative to avoiding shutdown of production in the Caño Limón field. This decrease in volume from CLC was mainly due to a decrease in attacks against the CLC in the three months ended March 31, 2020, which in turn resulted in less interruptions requiring rerouting to the Ocensa Pipeline. In addition, this decrease was partly attributable to a decrease in volumes transported by many of Ocensa's customers, particularly Ecopetrol, in the month of March 2020, driven primarily by the drop in the price of crude oil, which in turn was due to (i) oversupply given the disagreement on production cuts between OPEC and Russia and (ii) decrease in demand given the measures taken to control the COVID-19 pandemic. The table below sets forth the decrease in the average daily volume of crude oil transported along the Ocensa Pipeline and through the Port of Coveñas for the three months ended March 31, 2020 and 2019.

	For three months ended March 31,	
	2020	**2019**
	(in kbpd)	
Segment 0	10	14
Segment I	266	352
Segment II	617	646
Segment III	366	416
Port of Coveñas	420	480

- An increase of 10% in the applicable tariffs on all segments as a result of the tariff revision of June 2019 in accordance with the methodology established by the MME and the annual increase of P135 tariffs established in P135 agreements, which partially offset the volume decrease discussed above.

Cost of sales

Cost of sales decreased by 15% to US$60 million for the three months ended March 31, 2020 from US$71 million for the three months ended March 31, 2019, primarily as a result of (i) a decrease in volumes transported as described above, (ii) Ocensa's renegotiation of certain service contracts and (ii) adjustments in its maintenance strategy to focus on prevention, which reduced the number of failures and consequently decreased the higher costs of corrective measures.

Cost of sales as a percentage of revenue decreased to 17% for the three months ended March 31, 2020 from 19% for the three months ended March 31, 2019, principally driven by lower costs due to lower volumes transported, lower consumption costs for fuel oil and lower gas and DRA rates.

Operations and project expenses

Operations and project expenses remained stable at US$3 million in each of the three months ended March 31, 2020 and 2019, respectively.

Administrative expenses

Administrative expenses remained stable at US$6 million in each of the three months ended March 31, 2020 and 2019, primarily as a result of a revamping of Ocensa's information technology strategy to consolidate resources and eliminate redundant services and tools.

Other operating (income) expenses, net

Other operating income decreased to US$0.1 million for the three months ended March 31, 2020 from US$42 million for the three months ended March 31, 2019, primarily as a result of the US$51 million arbitral award that Equion and Santiago paid Ocensa in 2019, which was not present in 2020.

Operating profit

As a result of the foregoing, Ocensa's operating profit decreased by 11% to US$294 million for the three months ended March 31, 2020 from US$329 million for the three months ended March 31, 2019.

As a percentage of revenue, operating profit decreased to 81% for the three months ended March 31, 2020, from 90% for the three months ended March 31, 2019.

Financial expenses, net

Financial expenses, net decreased by 33% to US$2 million for the three months ended March 31, 2020 from US$3 million for the three months ended March 31, 2019, primarily as a result of a US$1 million increase in interest income from bank and time deposits. As a percentage of revenue, financial expenses, net decreased to 0.6% for the three months ended March 31, 2020, from 1% for the three months ended March 31, 2019.

Exchange difference gain (loss), net

Ocensa observed a reversal in its exchange difference results from a loss of US$5 million for the three months ended March 31, 2019 to a gain of US$28 million for the three months ended March 31, 2020, primarily as a result of a US$46 million gain attributable to the net effect of (x) Ocensa's Ps$897,914 million net liability position and (y) the depreciation of the Colombian peso against the U.S. dollar (to a rate of Ps$4,064.81 per US$1.00 as of March 31, 2020 from a rate of Ps$3,277.14 per US$1.00 as of December 31, 2019), partially offset by a US$18 million exchange difference loss on Ocensa's hedges given that it was out of the money as the contracted exchange rate was lower than the realized exchange rate.

Other financial income (expenses), net

Ocensa saw a reversal in other financial income (expenses), net to expenses of US$1 million for the three months ended March 31, 2020 compared to income of US$24 million for the three months ended March 31, 2019, primarily as a result of the US$24 million in default interest Ocensa received in the three months ended March 31, 2019 in connection with the $51 million arbitral award that Equion and Santiago paid Ocensa in 2019, which default interest income was not present in the three months ended March 31, 2020. As a percentage of revenue, other financial income (expenses), net decreased to 0% for the three months ended March 31, 2020, from 7% for the three months ended March 31, 2019.

Profit before income tax

As a result of the foregoing, profit before income tax decreased to US$319 million for the three months ended March 31, 2020, from US$344 million for the three months ended March 31, 2019.

Income tax expense

Ocensa's income tax expense decreased by 38% to US$74 million for the three months ended March 31, 2020 from US$120 million for the three months ended March 31, 2019, primarily as a result of (i) the 8% decrease in Ocensa's profit before income tax, (ii) the decrease in the income tax rate to 32% in 2020 from 33% in 2019, and (iii) the depreciation of the Colombian peso against the U.S. dollar.

As a percentage of revenue, income tax expense decreased to 20% for the three months ended March 31, 2020, from 33% for the three months ended March 31, 2019.

Net profit

As a result of the foregoing, net profit increased to US$245 million for the three months ended March 31, 2020, from US$225 million for the three months ended March 31, 2019.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

The following table sets forth Ocensa's financial information for the years ended December 31, 2019 and 2018.

	For the year ended December 31,		
	2019	**2018**	**% Change**
	(in millions of U.S.$, unless otherwise indicated)		
Income statement data:			
Revenue from ordinary activities	$1,556	$1,401	11%
Cost of sales	(326)	(296)	10%
Operations and project expenses	(16)	(17)	(6)%
Administrative expenses	(24)	(24)	0%
Other operating income (expense), net	42	(3)	N/A
Operating profit	**1,232**	1,061	**16%**
Financial costs, net (1):	**(6)**	(9)	**(33)%**
Financial expenses, net (2)	(13)	(16)	(19)%
Exchange difference gain (loss), net	(14)	9	N/A
Other financial income (expenses), net (3)	21	(2)	N/A
Profit before income tax	**1,226**	1,052	**17%**
Income tax expense	(414)	(382)	8%
Net profit	**812**	670	**21%**

(1) Financial costs, net, is the sum of financial expenses, exchange difference gain (loss), net and other financial income (expenses), net. See Note 26 to Ocensa's audited financial statements.
(2) Financial expenses, net reflect the sum of (i) financial costs and (ii) costs yields and interest. See Note 26 to Ocensa's audited financial statements.
(3) Other financial income (expenses) reflects (i) default interests, (ii) other financial incomes (expenses), (iii) financial expense rights of use and (iv) monetization. See Note 26 to Ocensa's audited financial statements.

Revenue from ordinary activities

Revenue from ordinary activities increased by 11% to US $1,556 million in 2019 from US$1,401 million in 2018, primarily as a result of:

- An increase of 4.2% in the volume of crude oil Ocensa transported along the Ocensa Pipeline and transferred, stored and loaded at the Port of Coveñas to 664 kbpd in 2019 from 637 kbpd in 2018, mainly due to increased volume resulting from our customers' operational decisions and increased volume from Caño Limón, which volumes are transported by the Ocensa Pipeline when transportation through the CLC is interrupted. The table below sets forth the increases in the average daily volume of crude oil transported along the Ocensa Pipeline and through the Port of Coveñas in 2019 and 2018:

For the year ended December 31,

	2019	2018
	(in kbpd)	
Segment 0	13	14
Segment I	346	367
Segment II	664	637
Segment III	398	380
Port of Coveñas	461	398

- An increase of 10% in the applicable tariffs on all segments as a result of the tariff revision of June 2019 in accordance with the methodology established by the MME and the annual increase of P135 tariffs established in P135 agreements.

- An increase of US$.1 million mainly attributable to services for loading crude oil for export at the Port of Coveñas.

- An increase of US$27 million in the recognition of revenue related to the accounting treatment for concessions, primarily as a result of an increase in the investment in off-shore facilities in the Coveñas terminal.

Cost of sales

Cost of sales increased by 10% to US$326 million in 2019 from US$296 million in the year ended December 31, 2018, primarily as a result of a 4.2% increase in the volume of crude oil transported, which resulted in increased use of energy when compared to 2018. Cost of sales as a percentage of revenue decreased to 21% in 2019, from 21% in 2018, principally driven by pipeline operation optimization strategies implemented in 2019.

Operations and project expenses

Operations and project expenses decreased by 6% to US$16 million in 2019, from US$17 million in 2018, primarily as a result of the implementation of operational optimization strategies which reduced costs and expenses due to (i) renegotiation of service contracts, including fixed rate agreements with Ecopetrol to operate stations and (ii) the postponement of certain non-essential preventive maintenance and hydraulic analysis.

Administrative expenses

Administrative expenses remained stable at US$24 million in each of 2019 and 2018.

Other operating income (expenses), net

Ocensa saw a reversal in other operating income (expenses), net from expenses of US$3 million in 2018 to income of US$42 million in 2019. This reversal primarily reflects the US$51 million arbitral award that Equion and Santiago paid to Ocensa, which was partially offset by the recognition of a US$9 million loss on retirement of certain assets.

Operating profit

As a result of the foregoing, Ocensa's operating profit increased by 16% to US$1,232 million in 2019, from US$1,061 million in 2018.

As a percentage of revenue, operating profit increased to 79.1% in 2019, from 75.8% in 2018.

Financial expense, net

Financial expense, net, decreased by 19% to US$13 million in 2019, from US$16 million in 2018. This net decrease mainly reflects a US$3 million increase in interest income from bank and time deposits, which was partially offset by the payment of US$20 million interest on bonds issued in 2014 in each of 2019 and 2018. As a percentage of revenue, financial expense, net decreased to 1% in 2019, from 1% in 2018.

Exchange difference gain (loss), net

Ocensa observed a reversal in its exchange difference results from a gain of US$9 million in 2018 to a loss of US$14 million in 2019. US$10 million of this loss is attributable to the net effect of (x) our Ps$842,729 million net liability position and (y) the depreciation of the Colombian peso against the U.S. dollar (to a rate of Ps$3,277.14 per US$1.00 as of December 31, 2019 from a rate of Ps$3,249.75 per US$1.00 as of December 31, 2018). The remaining US$4 million of this loss is attributable to exchange difference losses on Ocensa's hedges given that it was out of the money as the contracted exchange rate was lower than the realized exchange rate.

Other financial income (expenses), net

Ocensa saw a reversal in other financial income (expenses), net from expenses of US$2 million in 2018 to income of US$21 million in 2019. This reversal primarily reflects US$24 million in default interest on the US$51 million arbitral award that Equion and Santiago paid Ocensa in 2019, which was partially offset by the recognition of rights of use as a result of the implementation of IFRS 16 and monetization. As a percentage of revenue, other financial income (expenses), net was 1% in 2019 compared to 0% in 2018.

Profit before income tax

As a result of the foregoing, profit before income tax increased by 17% to US$1,226 million in 2019, from US$1,052 million in 2018.

Income tax expense

Ocensa's income tax expense increased by 8% to US$414 million in 2019 from US$382 million in 2018, primarily as a result of 17% increase in profit before income tax. This increase was partially offset by the decrease in the corporate income tax rate to 33% in 2019 from 37% in 2018.

As a percentage of revenue, income tax expense remained stable at 27% in each of 2019 and 2018.

Net profit

As a result of the foregoing, net profit increased by 21% to US$812 million in 2019, or 52% of revenue, compared to US$670 million in 2018, or 48% of revenue.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

The following table sets forth Ocensa's financial information for the years ended December 31, 2018 and 2017.

	For the year ended December 31,		
	2018	**2017**	**% Change**
	(in millions of U.S.$, unless otherwise indicated)		
Income statement data:			
Revenue from ordinary activities	**$1,401**	**$1,325**	**6%**
Cost of sales...	(296)	(261)	13%
Operations and project expenses	(17)	(16)	6%
Administrative expenses....................................	(24)	(24)	0%

Other operating income (expense), net	(3)	(42)	(93)%
Operating profit	**1,061**	**982**	**8%**
Financial costs, net (1)	**(9)**	**(31)**	**(71)%**
Financial expenses, net (2)	(16)	(18)	(11)%
Exchange difference gain (loss), net	9	(10)	(190)%
Other financial income (expenses), net (3)	(2)	(3)	(33)%
Profit before income tax	**1,052**	**951**	**11%**
Income tax expense	(382)	(398)	(4)%
Net profit	**670**	**553**	**21%**

(1) Financial costs net, is the sum of financial expenses, net exchange difference gain (loss), net and other financial income (expenses), net. See Note 26 to Ocensa's audited financial statements.
(2) Financial expenses, net reflect the sum of (i) financial costs and (ii) costs yields and interest. See Note 26 to Ocensa's audited financial statements.
(3) Other financial income (expenses) reflects (i) default interests, (ii) other financial incomes (expenses), (iii) financial expense rights of use and (iv) monetization. See Note 26 to Ocensa's audited financial statements

Revenue from ordinary activities

Revenue from ordinary activities increased by 6% to US$1,401 million in 2018 from US$1,325 million in 2017, primarily as a result of the net effect of:

- An increase in the volume of crude oil Ocensa transported along the Ocensa Pipeline and transferred, stored and loaded at the Port of Coveñas to 637 kbpd in 2018 from 581 kbpd in 2017, mainly due to increased volume resulting from its customers' higher oil production, customers' operational decisions and increased volume from Caño Limón, which is transported by the Ocensa Pipeline when transportation through the CLC is interrupted. The table below sets forth the increases in the average daily volume of crude oil transported along the Ocensa Pipeline and through the Port of Coveñas in 2018 and 2017:

	For the year ended December 31,	
	2018	**2017**
	(in kbpd)	
Segment 0	14	16
Segment I	367	308
Segment II	637	581
Segment III	380	342
Port of Coveñas	398	410

- An increase of 3% in the applicable tariffs to all segments in accordance with the methodology established by the MME and the annual increase of P135 tariffs established in P135 agreements.
- A decrease of US $4 million mainly attributable to a decrease in revenue for services for loading of crude oil for export at the Port of Coveñas.
- Recognition of US$6 million in revenue related to the accounting treatment for concessions

Cost of Sales

Cost of sales increased by 13% to US$296 million in the year ended December at 31, 2018 from US$261 million in the year ended at December 31, 2017, primarily as a result of an increase in the volume of crude oil transported, which resulted in an increase use of energy and costs for the startup of project P135 when compared to 2017. Cost of sales as a percentage of revenue increased to 21 % in 2018, from 20% in 2017.

Operations and project expenses

Operations and project expenses increased by 6% to US$17 million in 2018, from US$16 million in 2017, primarily as a result of the implementation of operational optimization strategies to reduce costs and expenses in connection with fee payments insurance, leases and maintenance services.

Operations and project expenses as a percentage of revenue decreased to 1% in 2018, from 1% in 2017.

Administrative expenses

Administrative expenses remained stable at US$24 million in each of 2018 and 2017.

Other operating income (expenses), net

Other operating income (expenses), net decreased by 93% to expenses of US$3 million in 2018 from US$42 million in 2017. This decrease in expenses was caused by the reversal of a provision recorded in 2017 to cover a probable loss in an arbitration initiated by Meta Petroleum and Frontera Energy, which was finally adjudicated on July 12, 2018.

Operating profit

As a result of the foregoing, Ocensa's operating profit increased by 8% to US$1,061 million in 2018, from US$982 million in 2017.

As a percentage of revenue, operating profit increased to 76% in 2018, from 74% in 2017.

Financial expenses, net

Financial expenses, net, decreased by 11% to expenses of US$16 million in 2018, from expenses of US$18 million in 2017. Although Ocensa paid US$20 million of interest in each of 2018 and 2017 in respect of its bonds issued in 2014, the decrease reflects the fact that Ocensa received US$4 million in bank interest in 2018 as compared to only US$2 million in 2017.

As a percentage of revenue, financial expenses, net decreased to 1.1% in 2018, from 1.5% in 2017.

Exchange difference gain (loss), net

Ocensa observed a reversal in its exchange difference results from a US$10 million loss in 2017 to a gain of US$9 million in 2018. This gain is primarily the result of a US$19 million exchange difference gain on its hedges given that it was in the money as the contracted exchange rate was higher than the realized exchange rate, partially offset by a US$10 million loss attributable to the net effect of (x) its Ps$570,484 million net liability position and (y) the depreciation of the Colombian peso against the U.S. dollar (to a rate of Ps$3,249.75 per US$1.00 as of December 31, 2018 from a rate of Ps$2,984 per US$1.00 as of December 31, 2017).

Other financial income (expenses), net

Other financial income (expenses), net decreased to an expense of US$2 million in 2018, from an expense of US$3 million in 2017, primarily as a result of recognition in 2017 of financial costs in connection with the Port Concession interest differential of employees according to IAS 19 – Employee Benefits and other financial expenses.

As a percentage of revenue, other financial income (expenses), net remained stable in each of 2018 and 2017.

Profit before income tax

As a result of the foregoing, profit before income tax increased by 11% to US$1,052 million in 2018, from US$951 million in 2017.

As a percentage of revenue, profit before income tax increased to 75% in 2019, from 72% in 2017.

Income tax expense

Ocensa's income tax expense decreased by 4% to US$382 million in 2018, from an income tax expense of US$398 million in 2017, primarily as a result of Law 1943 issued by the Colombian government pursuant to which the certain substantial tax aspects were modified resulting in an impact on deferred tax expense in 2018.

As a percentage of revenue, income tax expense decreased to 27% in 2018 from 30% in 2017.

Net profit

As a result of the foregoing, net profit increased by 21% to US$670 million in 2018, or 48% of revenue, compared to US$553 million in 2017, or 42% of revenue.

Liquidity and Capital Resources

Ocensa's principal cash requirements consist of the following:

- capital expenditures in connection with Ocensa's expansion projects;
- working capital requirements;
- dividend payments to Ocensa's shareholders; and
- tax payments.

Ocensa's principal sources of liquidity have traditionally consisted of the following:

- revenue Ocensa derives from the transportation of crude oil via the Ocensa Pipeline;
- revenue Ocensa derives from the transfer, storage and loading of crude oil at the Port of Coveñas; and
- proceeds from financings.

In 2019 and for the three-month period ended March 31, 2020, cash flow generated by operations was used primarily to pay dividends, income tax, trade accounts and other accounts payable and tax liabilities. As of March 31, 2020, Ocensa's consolidated cash and cash equivalents totaled US$243 million.

Cash Flows

The following table sets forth the elements of Ocensa's cash flows for the periods presented.

	For the three-month period ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	(unaudited)				
			(in millions of U.S.$)		

Cash flows provided by operating activities	221	302	1,067	733	682
Cash flows used in investing activities.....	(5)	(7)	(81)	(103)	(116)
Cash flows used in financing activities	(410)	(357)	(786)	(625)	(401)
(Decrease) increase in cash and cash equivalents...	(194)	(62)	**200**	**5**	**165**
Effect of the variation in exchange rates on cash and cash equivalents maintained in foreign currency	(4)	(1)	2	(2)	(1)
Cash and cash equivalents at the beginning of the period............................	441	239	239	236	72
Cash and cash equivalents at the end of the period	243	176	**441**	**239**	**236**

Cash flows provided by operating activities

Cash flows provided by operating activities decreased by US$81.0 million, or 27%, to US$221.0 million during the three-month period ended March 31, 2020 compared to US$302.0 million during the three-month period ended March 31, 2019. This decrease was mainly due to outflows of US$36 million for trade accounts and other accounts payable, US$21.0 million for tax liability, and the non-recurring US$75 million arbitral award (US$ 51 million in compensation and US$24 million in interest income) that Equion and Santiago paid Ocensa in 2019 that was not present in the three months ended March 31, 2020. In addition, Ocensa's cash flows from operating activities also decreased in part because of a decrease in cash payments from some of its customers and an equivalent increase in accounts receivables from such customers. See "Summary—Recent Developments."

Cash flows provided by operating activities increased by US$334 million, or 46%, to US$1,067 million in 2019 compared to US$733 million in 2018. This increase was mainly due to a (i) US$142 million increase in Ocensa's net operating profit in 2019 compared to 2018, primarily as a result of an increase in volumes transported and consequently in revenues, (ii) US$31 million increase in its accounts payable in 2019 compared to a US$13 million decrease in its accounts payable in 2018, primarily as a result of the purchase of inventories and CAPEX investments, including replacement of equipment and (iii) a US$115 million decrease in income tax paid primarily as a result of a decrease in the nominal rate of income tax to 33% in 2019 from 37% in 2018.

Cash flows provided by operating activities increased by US$51 million, or 7%, to US$733 million during the year ended December 31, 2018 compared to US$682 million during 2017. This increase was mainly due to a US$117 million increase in Ocensa's net profit in 2018 compared to 2017; partially offset by (i) a US$13 million decrease in accounts payable in 2018 compared to a US$0.2 million decrease in accounts payable in 2017, primarily as a result of the CAPEX investments Ocensa made in 2017, such as crude oil dilution in the Port of Coveñas, equipment replacement at El Porvenir, and maintaining 600cSt adequacy; (ii) a US$27 million decrease in accounts receivable in 2018 compared to a US$69 million increase in accounts receivable in 2017, primarily reflecting the final ruling of the arbitration process initiated by Meta Petroleum and Frontera Energy, which resulted in payments from customers in 2018 corresponding to the P135 tariff payments that had accumulated in 2017 during the pendency of the arbitral proceeding.

Cash flows used in investing activities

Cash flows used in investing activities decreased by US$2 million, or 29%, to US$5 million during the three-month period ended March 31, 2020 compared to US$7 million during the three-month period ended March 31, 2019. This decrease was mainly due to a US$2 million decrease in acquisitions of properties, plant and equipment to US$4 million in March 31, 2020 from US$6 million in March 31, 2019, given that in the first quarter of 2019 Ocensa made investments in the Port Concession and equipment replacement at El Porvenir, among others.

Cash flows used in investing activities decreased by US$22 million, or 21%, to US$81 million during the year ended December 31, 2019 compared to US$103 million in 2018. This decrease was mainly due to a US$46 million decrease in acquisitions of property, plant and equipment to US$48 million in 2019 from US$94 million in

2018 when Ocensa made significant investments in equipment replacement. This decrease was partially offset by a US$24 million increase in acquisitions of intangibles to US$33 million in 2019 from US$9 million in 2018, primarily as a result of the execution of the investment plan established with the National Infrastructure Agency in 2019 relating to the TLU-2 harbor concession agreement.

Cash flows used in investing activities decreased by US$13 million, or 11%, to US$103 million during the year ended December 31, 2018 compared to US$116 million in 2017. This decrease was mainly due to a US$18 million decrease in acquisitions of property, plant and equipment to US$94 million in 2018 from US$112 million in 2017, primarily as a result the implementation of projects such as DICOV and AD600 during 2017. This decrease was partially offset by a US$5 million increase in acquisitions of intangibles to US$9 million in 2018 from US$4 million in 2017, primarily as a result of the execution of the investment plan established with the National Infrastructure Agency in 2018 relating to TLU-2 harbor concession agreement.

Cash flows used in financing activities

Cash flows used in financing activities increased by US$53 million, or 15%, to US$410 million during the three-month period ended March 31, 2020 compared to US$357 million during the three-month period ended March 31, 2019. This increase was mainly due to an increase of US$52 million in dividends paid and US$1 million increase in payments of lease liabilities.

Cash flows used in financing activities increased by US$161 million, or 26% to US$786 million in 2019 from US$625 million in 2018. This increase was mainly due to: (i) an increase of US$152 million in dividends paid; and (ii) an increase of US$9 million in payment of obligations and interest for rights of use for lease contracts in accordance with IFRS 16 that became effective on January 1, 2019. In 2018, these payments were recognized as trade accounts and other accounts payable.

Cash flows used in financing activities increased by US$224 million, or 56% to US$625 million in 2018 from US$401 million in 2017. This increase was mainly due to an increase of US$224 million in dividends paid.

Contractual Obligations

Ocensa enters into various commitments and contractual obligations that may require future cash payments. The following table summarizes our contractual obligations as of March 31, 2020:

	Payments Due by Period				
Contractual Obligations	**Less than 1 Year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**	**Total**
			(in millions of U.S.$)		
Employee Benefit Plan	—	–	–	–	–
Contract Service Obligations	113.22	–	–	–	113.22
Operating Lease Obligations	7.12	3.83	1.95	0.34	13.24
Natural Gas Supply Agreements	4.58	–	–	–	4.58
Purchase Obligations	4.41	–	–	–	4.41
Energy Supply Agreements	0.7	–	–	–	0.7
Capital Expenditures	8.54	–	–	–	8.54
Build, Operate, Maintain and Transfer Contracts (BOMT)	1.18	–	–	–	1.18
Capital (Finance) Lease Obligations	–	–	–	–	–
Financial Sector Debt	–	–	–	–	–
Bonds	506.93	–	–	–	506.93
Total	**646.68**	**3.83**	**1.95**	0.34	**652.8**

Capital Expenditures

In the ordinary course of its business, Ocensa invests in the maintenance and improvement of the Ocensa Pipeline and the facilities at the Port of Coveñas through a variety of expansion projects. For a description of its current expansion projects, see "Business—Ocensa's Principal Assets and Operations—Expansion Projects." In 2019, 2018 and 2017, its capital expenditures totaled US$85.3 million, US$59.7 million and US$68.6 million, respectively. For the three-month periods ended March 31, 2020 and 2019, its capital expenditures totaled US$4.0 million and US$5.7 million, respectively.

Indebtedness

On May 7, 2014, Ocensa issued US$500 million of 4.00% notes due 2021 and on July 14, 2020 Ocensa issued $500 million of 4.000% Notes due 2027 in the international market. The indentures governing the terms of the notes require Ocensa to comply with certain negative covenants. As of July 14, 2020, Ocensa was in compliance with all restrictions and covenants related to its obligations under such indentures.

New Accounting Pronouncements

A summary of standards issued by the International Accounting Standards Board but not yet in full force and effect in Colombia is included in Note 6 to Ocensa's audited consolidated financial statements included elsewhere in this offering memorandum.

Off-Balance Sheet Arrangements

Off-balance sheet arrangements comprise transactions with third parties that do not impact Ocensa's results of operations, including contingent rights and responsibilities, differences between general ledger accounts and fiscal accounts, as well as fully depreciated properties, plant and equipment. As of March 31, 2020, Ocensa has no off-balance sheet assets or liabilities. See Notes 18 and 19 to Ocensa's audited financial statements and Note 19 to Ocensa's unaudited financial statements, included elsewhere in this offering memorandum.

Qualitative and Quantitative Information About Market Risk

The primary market risk to which Ocensa is exposed in the ordinary course of its operations derives from exchange rate risk.

For further information on risk management, see Notes 27 to Ocensa's audited consolidated financial statements contained elsewhere in this offering memorandum.

Exchange Rate Risk

Ocensa's exposure to exchange rate risk derives from assets and liabilities denominated in currencies other than the U.S. dollar, primarily the Colombian peso, which it records in its financial statements. Specifically, as of March 31, 2020, Ocensa's foreign currency-denominated assets comprised: (1) cash and cash equivalents and (2) amounts receivable relating to transport tax receivables, accounts receivable from employees and other accounts receivable in Colombian pesos. Ocensa's foreign currency-denominated liabilities, comprised: (1) income tax expenses and (2) amounts due to suppliers primarily relating to the purchase of goods and services and (3) amounts due as provisions, primarily relating to contingent liabilities and costs on the abandonment of property, plant and equipment. See Note 19.1 of Ocensa's audited financial statements.

As of March 31, 2020, Ocensa estimates a variation of 10% in the value of the U.S. dollar as compared to the Colombian peso, would result in variation to its foreign currency-denominated assets of US$3.53 million and its foreign currency-denominated liabilities of US$24.66 million. In the ordinary course of its business, Ocensa enters into local hedging arrangements with local financial institutions pursuant to master agreements currently in force in order to mitigate our exposure to exchange rate risk. However, there are no outstanding balances under these agreements as of the date of this offering memorandum.

INDUSTRY AND REGULATORY OVERVIEW

Colombian Crude Oil and Natural Gas Industry

Colombia has encouraged crude oil and gas exploration since the late 1800s and first recorded a commercial discovery in 1918. Exploration and production activity fluctuated along with economic and political conditions throughout the last century, but the country has remained open to private investment. The Colombian government has encouraged foreign participation in new exploration projects through the introduction of exploration and production contracts that meet international standards. Pursuant to these exploration and production contracts, 100% of new production flows to the producing company less the participation of the ANH in the event of actual production, subject to an initial 8% royalty and income taxes. In addition, the Colombian government also introduced technical evaluation agreements ("TEAs"), pursuant to which companies are afforded a right of first refusal to evaluate and select desirable exploration lands through work commitment proposals on those lands. Accordingly, these companies are provided low cost access to larger areas for preliminary evaluation prior to committing to broader exploration programs.

As a result of these developments, Colombia has become one of the most attractive crude oil and gas markets in Latin America. In recent years, the government has been working on addressing many of the issues that hindered foreign investment in its crude oil and gas industry. In 2003, the Colombian government restructured Ecopetrol in order to make it more competitive globally. Ecopetrol became a public stock-holding corporation, initially 100% owned by the state, while its regulatory functions were transferred to the newly-created ANH. These measures helped to modernize Colombia's hydrocarbon sector and increase the competitiveness of Ecopetrol.

In 2006, the Colombian Congress authorized Ecopetrol to issue up to 20% of its capital stock in Colombia, subject to the condition that the state would control at least 80% of the company's capital stock. On November 13, 2007, Ecopetrol placed 4,087,723,771 shares on the Colombian Stock Exchange, raising approximately Ps$5.7 trillion in proceeds.

In April 2013, Ecopetrol completed the transfer of its hydrocarbon transport and logistics assets to a wholly-owned subsidiary, Cenit, Ocensa's largest shareholder. The new transport and logistics business model is intended to meet the transportation needs of Colombia's producers, provide greater transparency by separating the roles of owner, planner, operator and shipper, ensure that the transport network is available for all the producers, foster participation of non-producer investors in the transport business, and further develop Colombia's crude oil and gas infrastructure and industry.

Crude oil prices peaked in 2014, with average prices for the year just below $100/bbl. Substantial supply growth by non-OPEC nations, mainly the United States, coupled with low consumption growth, driven by a slowdown of Chinese consumption, led to prices starting to drop in the fall of 2014. By the end of 2014, the price of crude oil had dropped to $57/bbl, down from $115/bbl form the beginning of the year.

The supply and demand imbalance continued in 2015, as OPEC nations, particularly Iraq and Saudi Arabia, increased output and the United States added 1 mmbpd of shale production. Consumption grew at a slower pace, driving down the overall price of crude oil to an average for the year of $53/bbl.

In 2016, low prices fueled demand and affected production. In particular, the United States and China suffered significant declines. The market moved broadly into a supply and demand balance in the second half of the year. However, inventories remained at elevated levels and prices continued to be depressed. OPEC, together with 10 non-OPEC producers, announced an agreement to cut output (1.8 mmbpd) to help reduce inventories to normal levels and boost prices.

Production in 2017 remained mostly stable; as OPEC countries confirmed their cuts, United States producers increased their output, offsetting OPEC's decline. Global demand rose and prices ended the year at $67/bbl.

In 2018, prices reached levels not seen in three years, above the $80/bbl mark. This recovery in oil prices was primarily supported by the production restraint agreement between OPEC and non-OPEC countries in force since early 2017 and the continued strong global oil demand growth estimated by the U.S. Energy Information Administration (EIA) at about 1.5 mm barrels per day during 2018. Additionally, production grew at a slower pace, as Iran and Venezuela, relevant producing countries in the global context, experienced internal crises that disrupted their production. This was exacerbated by civil unrest in Iraq, Libya and Nigeria, and Saudi Arabia's reluctance to broadcast a strong message on supply.

Through the start of 2020, oil price volatility seen in the markets was attributed to weaker oil demand growth, the US-China trade war uncertainty and OPEC's efforts to stabilize the world's oil supply. Oil prices remained at around the $60/bbl mark. Towards the end of the quarter, oil prices decreased to approximately the $22-27/bbl mark, explained mainly by the disagreement on production cuts between OPEC and Russia since the beginning of March 2020, followed by the decision of Saudi Arabia to reduce its sale oil prices and increase its production to gain market share.

Since early March 2020, the market has experienced a precipitous decline in oil prices in response to oil demand concerns due to the economic impacts of the COVID-19 pandemic and related supply disagreements between OPEC and Russia. While a deal to cut production was implemented by OPEC and its allies on May 1, 2020, the situation has resulted in a significant downturn in the industry and continued volatility in oil prices. Furthermore, as a result of the COVID-19 pandemic and measures put in place to slow its spread, including the imposition of quarantines and medical screenings, travel restrictions and the suspension of certain activities, we have seen and expect to continue to see substantial uncertainty in macro-economic conditions with regards to lower prices and demand for oil, gas and related products. In addition, the economies of all the countries where the business interests of Ocensa's main customer, Ecopetrol, are located are currently experiencing negative economic consequences from the COVID-19 pandemic including, a significant drop in worldwide stock prices, decreasing oil prices, rise in unemployment, decreasing interest rates, liquidity concerns and devalued currencies. According to the U.S. National Bureau of Economic Research, U.S. economic activity peaked in February 2020 and the U.S. has now entered into a recessionary phase. There are concerns that other developed countries may also fall into a recession in the near term. Any such occurrences will negatively impact the Colombian economy and could have a material adverse effect on Ocensa's results of operations and business condition.

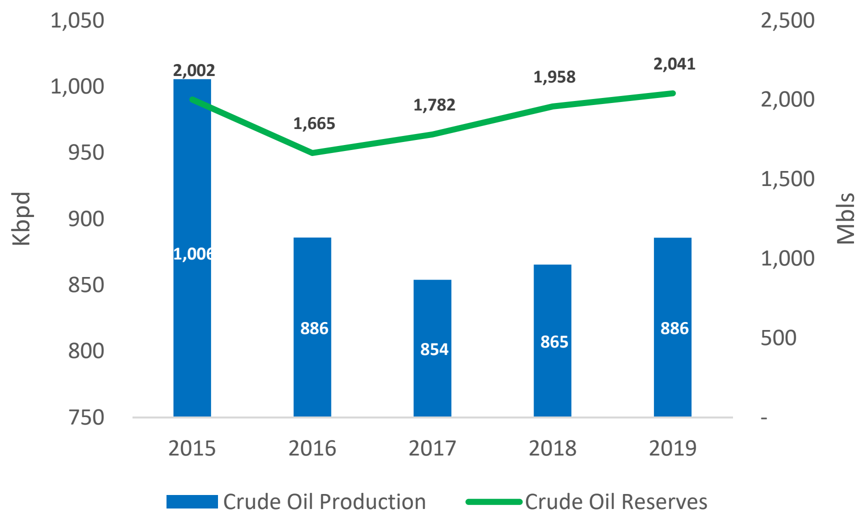
Other upstream sector initiatives implemented by the Colombian government to attract investment include allowing foreign crude oil companies to own a 100% interest in crude oil ventures and compete with Ecopetrol, establishing a lower, sliding-scale royalty rate on crude oil projects, and granting longer exploration licenses. These factors have combined to attract a significant volume of foreign direct investment to Colombia's crude oil and gas industry.

Colombia is a supplier of crude oil to the United States, and together with Venezuela and parts of Ecuador, shares the La Luna crude oil-source rock, which is one of the most prolific in the world.

Notable crude oil and gas companies with interests in Colombian resource basins include Ecopetrol, Frontera Energy, Occidental Petroleum Corporation, Repsol, S.A. ("Repsol"), Talisman Energy Inc., Compañía Española de Petróleos S.A.U., LUKOIL Overseas Holding Ltd., Perenco Oil and Gas Colombia LTDA ("Perenco"), Hocol Petroleum Ltd., VETRA Exploración y Producción Colombia S.A.S. ("Vetra"), Emerald Energy PLC Sucursal Colombia, Total, and Shell Corporation ("Shell"), Parex Resources Colombia Ltda ("Parex"), GeoPark Limited, among others.

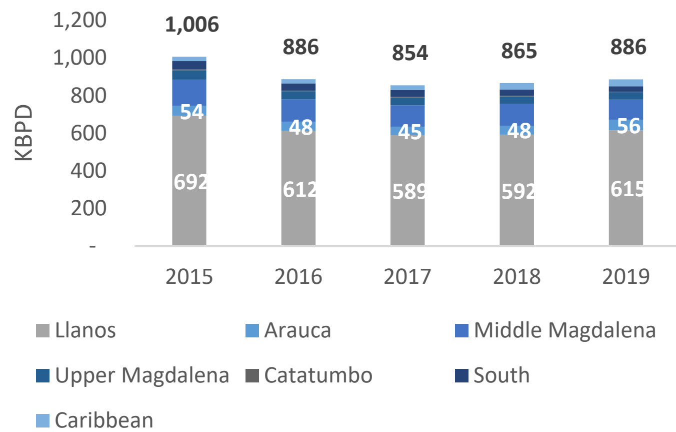
Reserves and Production of Crude Oil and Natural Gas

According to the 2019 BP Statistical Report, Colombia is the third largest crude oil producer in South and Central America and the fifth largest holder of proven crude oil reserves in South and Central America. According to the ANH, as of December 31, 2019, Colombia had 2,041 million bbl of proven crude oil reserves and crude oil production reached 886 kbpd. The chart below presents the evolution of Colombia's crude oil production and reserves for the periods indicated:



Source: ANH

In Colombia, Ecopetrol and its subsidiaries accounted for approximately 62% of total production in 2019. Since Ecopetrol's restructuring and the establishment of the ANH in 2003-2004, Colombia has witnessed a tremendous surge in E&P activity. Appealing fiscal terms and increased security helped encourage an influx of international companies and investment capital into the country. In 2015, oil production reached an all-time high. Due to the competitive corporate landscape, the cost for acquisitions and licenses has risen significantly.



Source: ANH

Since 2004, the ANH has been responsible for awarding new contracts. It is also responsible for signing TEAs, which allow companies to study an area and examine well logs, seismic activity and other data before committing to a full E&P contract. In 2004, the ANH signed 21 contracts, with 11 in the Llanos basin and all of Ecopetrol's unused acreage was relinquished to the ANH that year. A significant contract signed in 2004 was for the offshore Tayrona block, awarded to a consortium consisting of Petrobras, ExxonMobil and Ecopetrol.

During 2005, 33 E&P contracts were signed, marking the country's highest number since 2000. The largest of these was for the 16,142 square kilometer Caño Sur block, which was awarded to Ecopetrol and is located south of the heavy oil prone Apiay and Cubarral licenses. Ecopetrol signed a deal with Shell in 2007 for a joint exploration program on Caño Sur.

During 2006, another 33 E&P contracts were signed. Two offshore licenses, formerly part of the Tayrona block, were signed by BHP Billiton and represented the company's return to exploration in Colombia. The increased level of licensing activity continued in 2007 with 42 new contracts. The most high-profile awards were for acreage in the Caribbean. A total of nine out of 13 available blocks were awarded.

In 2008, several licensing processes were launched. The 2008 round awarded 22 out of 43 blocks, where the heavy oil area to the south of Villavicencio attracted the strongest interest. In July 2008, eight special TEAs covering areas with heavy oil potential were awarded. Bidding for these was restricted to companies considered large and expert enough to tackle the technical challenges associated with heavy oil developments. Winners included Ecopetrol, ExxonMobil, Shell and Pacific Rubiales (now Frontera Energy). In a final offering, the ANH awarded 50 out of the 102 blocks on offer. The round included mature acreage in the Putumayo basin, the upper and middle Magdalena basin and the Llanos and eastern Llanos foothills.

In 2010, the ANH held the Open Round Colombia 2010. A total of 228 blocks were offered covering three distinct rounds. Around 140 blocks were available as part of a mini-round, with the blocks small in size in mature areas with established production potential. The second play was for larger blocks in more prospective, newer basins. The third round was for 50 special TEAs covering large, frontier blocks, both on- and offshore. The mini-round was successful with 96 bids received. The licensing process was extended following issues arising as a result of restrictions on the award of adjacent blocks to the same bidder. Two disappointing aspects of the round were that Shell was the only major company to bid and that offshore areas with little previous exploration received minimal interest. In 2011, the ANH took a step back from licensing to focus on administering the blocks that had been awarded.

In 2012, the regulator held a round offering 115 blocks, 50 of which were awarded. These were a mixture of mature and prospective blocks, onshore and offshore, and covering nearly all basins. The blocks were grouped into three categories. Type I included mature, smaller onshore blocks. Of 33 blocks, 10 were awarded. Type II were blocks from producing basins, including some offshore blocks and some with unconventional potential. Of 34 blocks, 11 were awarded. Type III were blocks with limited geological information in higher risk areas, including mostly offshore and unconventional blocks. Of 48 blocks, 28 were awarded.

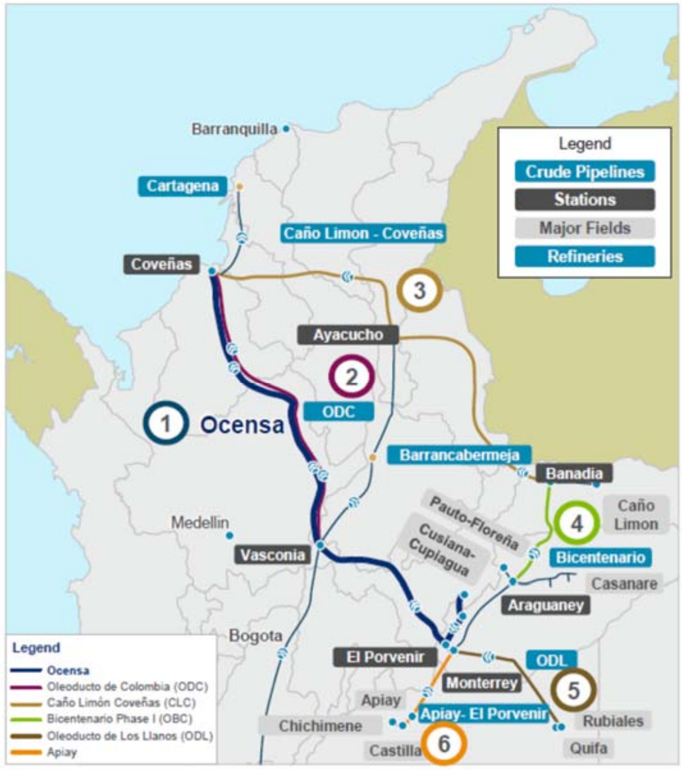
In 2014, a licensing round offered 95 blocks, 26 of which received bids. All 11 of the blocks with undeveloped fields received bids. Nine conventional onshore blocks, one unconventional block, and five unconventional blocks also received bids. The biggest success came offshore, which drew bids with large work commitments from companies such as Anadarko, Ecopetrol, ExxonMobil, Repsol, and Statoil (now Equinor). None of the exploration blocks in the Llanos basin received bids. Limited interest onshore stemmed from the belief that many blocks were recycled and not as geologically attractive as in past rounds. The big disappointment of the round was unconventional, where just one of the 19 blocks received bids.

Because exploration activities are concentrated in the Llanos basin, with significant exploration in the Middle Magdalena Valley basin as well, we believe that transportation systems running from the Llanos basin to export terminals, such as the Ocensa Pipeline, will become even more strategic to crude oil companies in Colombia.

After five years with no auctions, in February 2019, ANH launched an intensive agenda of bid rounds. During the course of 2019, 26 areas were awarded across the two-round cycles of the Permanent Offer (PPAA). Although concession contract terms were maintained similar to the 2014 round, the improved results reflect the current effort to extend Colombia's oil and gas reserves.

Infrastructure

The following map sets forth the current state of Colombia's crude oil infrastructure.



Source: Company information.

Crude Oil

Colombia has a well-developed crude oil infrastructure system, comprising over 8,000 km of pipelines for crude oil and its derivative products. The focus of this system is the transport of crude oil from the main producing basins (Llanos and the Magdalena), via a central hub at Vasconia in the interior, to Colombia's main crude oil export terminal at the Port of Coveñas on the Caribbean coast. The OBC connects the Llanos basin to the CLC where it is then carried to the coast, making the OBC-CLC route the only pipeline alternative to Ocensa to carry crude oil from the Llanos basin to the Port of Coveñas.

Transportation

Pipelines are the main method of transportation for crude oil in Colombia. Most of Colombia's pipelines are privately owned and were constructed by the country's main crude oil and gas producers to transport production from their largest crude oil fields. In 2019 and for the three-month period ended March 31, 2020, approximately 74% and 75%, respectively, of Ocensa's total transported volume corresponded to fields directly connected to its pipeline network. The main fields producing crude oil in Colombia are directly connected to the Ocensa Pipeline, such as Rubiales, Quifa, Chichimene, Castilla and Cusiana-Cupiagua. Ocensa's infrastructure facilities in the Port of Coveñas have a maximum estimated loading rate of 60,000 bph through the TLU-2.

Colombia has six major crude oil pipelines, three of which connect production fields to the export terminal at the Port of Coveñas:

Pipeline	Length	Capacity	Ownership
	(in km)	*(in bpd)*	
Ocensa	848	745,000	Ecopetrol/Cenit 72.648%; AI Candelaria (Spain), S.A. 22.352%; Darby Colpatria Capital 5.0%
Oleoducto Caño Limón-Coveñas	771	259,000	Ecopetrol/Cenit 100%

Oleoducto de Alto Magdalena.............	391	103,000	Ecopetrol/Hocol 95.8%; Others 4.2%
Oleoducto de Colombia........................	483	227,000	Ecopetrol/Hocol/Cenit 73%; Others 27%
Transandino	306	59,000	Ecopetrol/Cenit 100%
Oleoducto de los Llanos.......................	260	300,506	Ecopetrol/Cenit 65%; Others 35%

The OBC-CLC route is the only pipeline alternative to Ocensa to carry crude oil from the Llanos basin to the Port of Coveñas. The OBC currently has a transportation capacity of 240 kbpd and the CLC currently has a transportation capacity of 259 kbpd and are not expected to increase transportation capacity in the near term. In recent years, the OBC-CLC route has been out of service for long periods due to security issues as a result of its geographical location.

Colombian Crude Oil Transportation Regulatory Framework

Relevant Regulatory Entities and Other Relevant Organizations

Ministry of Mines and Energy (MME)

Decree 968 of 1940 created the MME, which is responsible for implementing the Colombian government's policies on: (1) the exploration, production, transportation, processing and distribution of minerals and hydrocarbons in Colombia; and (2) the development of the Colombian mining and energy sectors.

Mining and Energy Planning Unit

By Decree 2119 of 1992, the National Commission of Energy became the Mining and Energy Planning Unit, and this new entity was delegated the role of special administrative unit for the MME. The Mining and Energy Planning Unit is responsible for developing and updating the National Energy Plan and the National Electric Reference Expansion Plans. The Mining and Energy Planning Unit is also responsible for forecasting Colombia's overall energy requirements, planning and developing means to satisfy these energy requirements, and establishing programs to optimize energy use.

ANH

The Colombian hydrocarbons sector was restructured in 2003. The ANH was established by Decree 1760 of 2003 as a response to the energy crisis the country faced—Colombia was suffering from rapidly decreasing petroleum reserves, which could have eventually turned the country into a crude oil importer. This restructuring also focused on making Ecopetrol more competitive, separating its double role as a regulatory entity and a crude oil and gas company. Accordingly, the ANH assumed the administrative and regulatory role and responsibilities from Ecopetrol, thereby initiating the transformation of the Colombian crude oil and gas sector, making the industry an attractive prospect for domestic and foreign investors. The ANH is also responsible for creating and maintaining attractive conditions for private investments in the hydrocarbon sector and for designing, bidding rounds for exploration blocks. Any crude oil company selected by the ANH to explore a specific block must execute an exploration and production contract with the ANH. All royalty payments in connection with the production of hydrocarbons are made to the ANH in-kind unless the ANH grants a specific waiver to effectuate royalty payments in cash.

ANH's main goals are: (1) managing hydrocarbons in Colombia and assigning them for exploration and production through land tenure policies; (2) executing royalty policies; and (iii) performing the necessary actions to support national hydrocarbon demand.

ANLA

The ANLA is an administrative body created by Decree 3573 of 2011, and is responsible for the issuance of environmental licenses and permits and supervising the fulfillment of minimum environmental conservation standards as set forth by the applicable Colombian regulations. The ANLA's duties include conducting environmental investigations and supporting the development of environmental regulations.

ACP

The ACP is a non-governmental agency entity that brings together private crude oil companies in Colombia. Association members engage in the exploration, production, transportation and distribution of crude oil and natural gas derivatives. The ACP's main purpose is to represent and promote the common interest of the private hydrocarbon industry, enhancing such areas where the sector generates the most value and creating an optimal environment that allows investment and brings growth to the sector and country.

Transportation Regulations

Hydrocarbon transportation is deemed a public service in Colombia and is therefore subject to governmental supervision. Accordingly, the transportation and distribution of crude oil, natural gas and refined products must comply with the Petroleum Code (*Decreto 1056 de 1953 – Código de Petróleos*).

Transport systems, classified as crude oil pipelines and multipurpose pipelines, may be privately owned. The building, operation and maintenance of hydrocarbon transportation pipelines must comply with environmental, social, technical and economic requirements under national and international standards. Transportation networks must follow specific conditions regarding design and specifications while complying with the quality standards of the crude oil and gas industry.

The transportation of crude oil through pipelines is regulated in Colombia through the following laws:

- Petroleum Code, Chapter VIII, which establishes the general framework for the transportation of crude oil;
- Law 141 of 1994, as amended by Law 756 of 2002, which established the national royalties regime;
- Resolution 72145 of 2014 promulgated by the MME, which regulates crude oil transportation; and
- Resolution 72146 of 2014 promulgated by the MME, which establishes the methodology for the calculation of tariffs for the transportation of crude oil through pipelines.

It is anticipated that the MME will enact:

- new BTO regulations for the implementation of an information system for hydrocarbons transportation.

The principal matters governed by the Petroleum Code (Decree 1056 of 1953) and addressed in the MME Resolution 72145 of 2014 are:

- access to pipelines and pipeline connections;
- changes in the nominal capacity of pipelines;
- allocation processes for installed capacity;
- issues related to the measurement of the quality and quantity of crude oil; and
- issues related to transportation agreements.

This resolution also includes the minimum technical and commercial requirements with which the transporter's manual (a set of rules that the transporter outlines at the beginning of operations governing both the pipeline operator, or the transporter, and any company interested in securing transportation capacity, or the shipper) must comply.

Access to Pipelines and Connections

Public access pipelines, such as the Ocensa Pipeline, are defined as pipelines built and operated by a person or legal entity, public or private, for the purpose of publicly providing crude oil transportation services. The Colombian government has the preferential right to use up to 20% of the total capacity of any public access pipeline to transport its share of production. However, for both private and public access pipelines, the ANH must cover any tariff expenses to transport this production.

A shipper interested in securing transportation capacity through a given pipeline must send an application to the transporter, which will evaluate the request based on the pipeline's installed capacity. Once the application is accepted, the transporter may also allow its subscribers to build connections along the pipeline, with prior approval of the MME. Connections must fulfill technical requirements and may be located wherever sanctioned by the required licenses and permits. Connections may be refused due to reasons relating to safety or capacity, but any rejection must be justified.

A shipper must have previously entered into a transportation agreement with the relevant transporter, or accepted the relevant terms and conditions set forth in the transporter's manual, in order to present an application to that transporter. If no final agreement is reached regarding the amount of crude oil to be transported, the MME will act as a mediator between the shipper and the transporter.

Changes in Nominal Capacity

Changes in a private pipeline's nominal capacity are the sole responsibility of the transporter while changes to a public pipeline's nominal capacity must be authorized by MME. In either case, if any changes to the nominal capacity are made, the transporter must publish the date the additional capacity became available, the new tariff, and the technical and economic requirements (capital expenditures, maintenance expenses and new capacity, among other requirements), for the purpose of updating the tariff rate (see "—Tariff Regulation"). The new tariff shall apply only to the additional capacity.

With respect to private pipelines, the transporter is not obligated to finance extensions required in connection with changes in a pipeline's nominal capacity. If the transporter agrees to an extension by a third party, the parties may freely determine the financing conditions and investment parameters (see "—Tariff Regulation"). Conversely, all public pipelines are considered public transportation companies and are subject to the applicable regulations on transportation companies.

Allocation Process and Transportation Plan

An owner of capacity on a public access pipeline may request additional capacity if there is excess capacity after the initial allocation of capacity to capacity owners. Once the allocation process for capacity owners is concluded, third parties may request extra transportation capacity, if available. A transporter may accept or reject (upon justification) these requests. Pursuant to application regulations, a transporter is required to allocate excess capacity in order of the receipt of transportation requests from shippers, which shall have the right to transport the amount requested subject to the availability of capacity. Capacity will be allocated pro rata for requests received simultaneously. Once the allocation process is concluded, capacity owners may utilize any remaining capacity.

Before the month of November of each year, transporters must prepare a transportation plan ("TP") applicable for the following five calendar years after its publication. Under the TP, utilized as an input in allocation determinations, an estimate of the total capacity of the pipeline is prepared for the next five years.

Quality and Quantity of Crude Oil to Be Transported

The transporter must install the required equipment to meet the quantity and quality of the crude oil to be transported, according to international standards, such as those established by the American Petroleum Institute, the American Society of Mechanical Engineers or ASTM International. The transporter or shipper may require the presence of quality and quantity inspectors to verify the transporter's measurements.

The transporter must make public the minimum requirements of the quality of crude oil it deems acceptable, with which shippers must comply. The transporter may reject crude oil that, given its quality, may affect efficiency of operations. However, a transporter and shipper may agree to circumstances under which crude oil with lower quality could be accepted. As such, the transporter may reject crude oil that exhibits:

- high volumes of salt, water, pour point or sediments;
- high density, viscosity or water levels;
- high levels of temperature and steam pressure that could threaten the pipeline operations; or
- extreme levels of metal contaminants and sulfur that lower the quality of the mixture

In commingled pipeline systems, such as the Ocensa Pipeline, crude oil of varying quality and market value are transported simultaneously through the pipeline. As a result, some shippers will receive crude oil more valuable than the crude oil they delivered for transport along the pipeline, while other shippers will receive crude oil of lower value than the crude oil they delivered.

Accordingly, a "quality bank" was established in order to compensate, in volume, shippers for the degradation of the oil they receive in comparison with the crude oil they delivered by charging additional compensation, in volume, from those shippers that receive crude oil of higher value than the crude oil they delivered. If the crude oil received is of a lower quality than delivered, we must compensate the shipper by granting a higher volume capacity equivalent to the capacity of shippers that transport crude oil of such lower quality.

The transporter receives fair compensation for transportation services and accordingly is not affected by the fluctuations that normally occur in the quality and quantity of the transported crude oil. As transporter and operator of the Ocensa Pipeline, we provide services in respect of the quality bank, but receive no financial benefit from its operation.

Unidentified losses that do not exceed a tolerance range of 0.5% of the total transported volume must be assumed by the shippers. If losses exceed the tolerance range, Ocensa must cover the losses that are not the product of force majeure, quality of the product, or were caused by the shippers or a third party.

Transportation Agreements

The transportation agreement between shipper and transporter must contain, at a minimum, the entry and exit points of the segment in which the crude will be transported and comply with all required specifications set forth in the transporter's manual. The parties must inform the Ministry of Mines and Energy of the transportation agreement within five days of its execution.

Tariff Regulation

In Colombia, pipeline transportation tariffs are calculated based on methodology established by the MME set forth in Resolutions 72146 of 2014, as amended by Resolutions 72216 of 2014, 31325 of 2015, 31489 of 2015, 31565 of 2015, 31285 of 2016, 31123 of 2019 and 31132 of 2019. These resolutions provide for the calculation of crude oil transportation tariffs for public access pipelines and include a series of five sequential steps. These tariffs are set in U.S. dollars and are not adjusted by oil prices.

Each pipeline segment has its own tariff. For each pipeline segment, the transporter must present to the MME a projection of 8 years including all the variables that are used to calculate the tariff formula, including but not limited to expected fixed and variables costs, current asset base to be remunerated and future CAPEX program, and expected volumes.

The main tariff is:

$$T = \frac{K + CF + A}{Q} + CV$$

Where:

1. "K" represents the annual revenue for capital remuneration, based on an annuity to remunerate invested capital/asset base and future capital expenditures. During the initial recovery period (as established by the transporter), the formula remunerates 100% of the asset base at the regulatory weighted average cost of capital ("WACC"). The initial recovery period for the Ocensa Pipeline was set for 15 years, starting in 2011. After the initial recovery period, the asset base is reset at depreciated reposition cost.

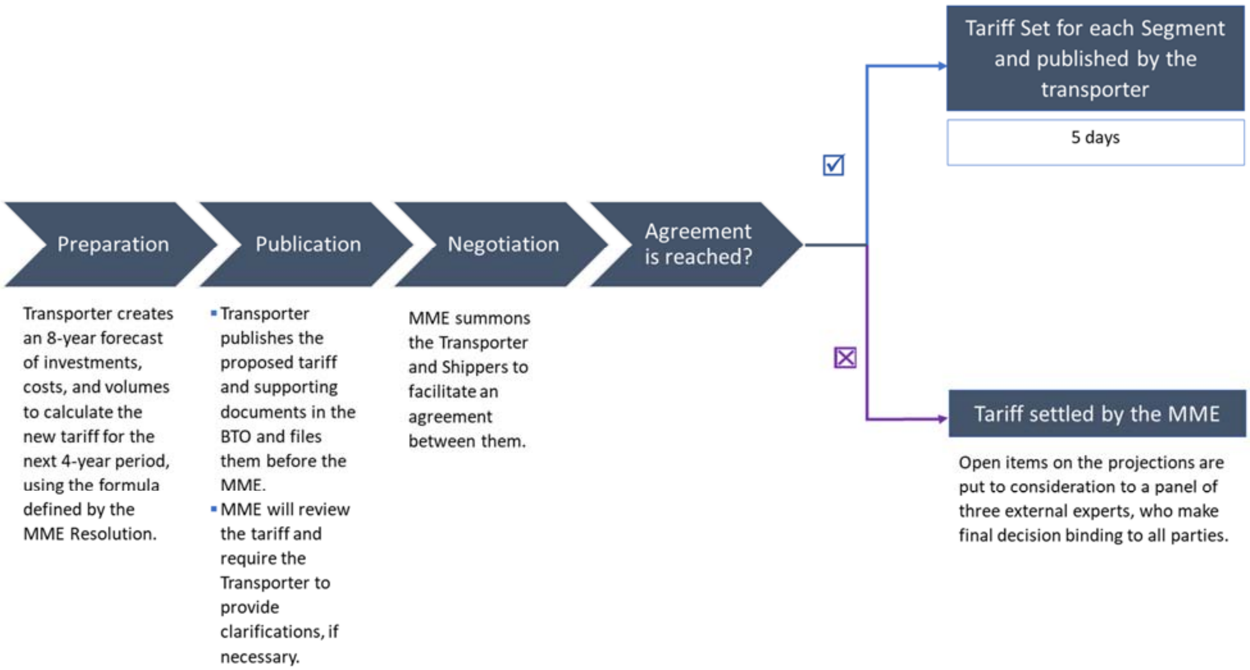
2. "CF" and "CV" represent the annual revenues for fixed and variable costs, at the regulatory WACC.

3. "Q" represents the annual equivalent volume to be transported, which converts to a per barrel basis the investments, costs and "A" factor to be remunerated using the projection of estimated volumes that will go through the applicable segment.

4. "A" represents the annual revenue (cost) for adjustment factor to compensate for deviations higher than +/- 10% of revenues due to differences between the forecast used to establish the tariff and the actual figures, once the 4-year period has passed. A-Factor is calculated at the end of the 4-year period, and if applicable is included as an adjustment to the tariff for the subsequent regulatory period.

The present value of all variables is discounted at a rate of return fixed by the MME. This rate is currently represented by a post-tax real WACC of 8.43% for the 2019-2023 period. The MME approves the maximum tariff to be charged. The current tariffs were reviewed and approved in June 2019 pursuant to the procedure established by the MME and they are expected to be valid until June 30, 2023. See "Risk Factors—Risks Relating to Ocensa's Business and Industry—Ocensa is subject to changes in tariffs established in accordance with the regulations of the MME and to higher rates for the transportation of crude oil from Vasconia to Coveñas (Segment III)."

The tariff setting process encompasses five steps illustrated below.



0. **Preparation:** The transporter engages in internal diligence process to structure a new tariff for the incoming tariff period. Diligence can include preliminary meetings with MME and regulatory advisors. Information must include documentation supporting the proposed tariff.
1. **Publication:** No later than the first business day of the quarter immediately prior to the start of the next tariff period, the tariff setting process must be started. First, the transporter publishes a base proposed tariff and support documentation and files them before the MME.
2. **Negotiation**: The MME summons the transporter and the shippers to a meeting to reach an agreement on the tariff between the parties, pursuant to the schedule set by the MME. The process begins with the negotiation between the MME and the transporters, and thereafter the MME will set the methodology to carry out the negotiations between transporters and shippers, which will include joint meetings between transporters, shippers and the MME. Direct negotiations between transporters and shippers can be developed prior to the commencement of the negotiation period and following the schedule set by the MME. The agreement may also include, besides the tariff amount: (i) the monetary conditions applicable to the time period in which the tariff will apply and (ii) annual tariff raises, among others.
3. **Agreement:** The negotiation stage ends when there is an agreement between the transporter and the shipper for the tariff of each segment. The new tariff (and any monetary conditions / tariff raises) must be formalized in writing and sent to the MME within five business days following the agreement. An agreement has been reached when the following two circumstances have occurred: (i) when the majority of remitters in privity of contract with the transporters who attend the meetings and approve the agreement for a given pipeline, as required by Resolution 31132, is reached; and (ii) when the average percentage of representation of those remitters approving the agreement for a given segment of the pipeline is higher than 50% for the period April 1, 2018 to March 31, 2019. The parties can agree to annual tariff increases.
4. **Tariff Settled by Experts:** If the parties do not reach an agreement the tariff will be set by a panel of three experts and finally established by the MME. The tariff will be revised at least every four years, unless the MME, the transporter or shippers request an earlier review, as defined in Res. 72146 of 2014. The tariff and monetary conditions must be published by the transporter in the BTO within five days after being set.

Other matters that are regulated by the MME include:

Access to Pipelines and Connections

Public access pipelines, such as the Ocensa Pipeline, are defined as pipelines built and operated by a person or legal entity, public or private, for the purpose of publicly providing crude oil transportation services. The Colombian government has a preferential right to use (paying the regulated tariff) up to 20% of total capacity of any public or private pipeline to ship its oil production. The ANH regulates tariff costs related to the Colombian government's transported oil.

Changes in Nominal Capacity

Changes in nominal capacity require prior authorization from the MME and will be made under the sole responsibility and as decided by the transporter. The transporter must make public the technical and economic requirements (e.g. CAPEX, maintenance expenses, and new capacity) to update the tariff.

Quality and Quantity of Oil to be Transported

The transporter will not be affected by fluctuations that normally occur in the quality and quantity of the crude oil transported. The transporter must make public the minimum requirements in the quality of oil that it considers acceptable for transportation in the pipeline.

Monetary Conditions

Monetary conditions are surcharges and discounts that the transporter can agree with shippers. Monetary conditions apply to the tariff fixed by the MME (for existing segments) or to tariffs agreed between the transporter and shippers and are based on: (i) the quality of the crude shipped (e.g., light, medium, heavy crude); (ii) variation in the contractual conditions; or (iii) other commercial matters (e.g., length of contract for expanded capacity). The monetary conditions can only be modified by mutual agreement of the parties.

New Segments and Expanded Capacity

In order to assist with viable expansion projects or construction of new segments, transporters and shippers may agree to different transport tariffs for new segments and for additional capacity. Differentiated tariffs between the transporter and shipper are to be maintained for only one period of ten years (after commencement of operations). After such period, the new segment / expanded capacity will be subject to the ordinary tariff setting process.

Additional details on the tariff regulation are contained in the Petroleum Code of 1953 as well as in the following MME resolutions and amendments:

- Resolution 72146 of 2014—regulates and sets the calculation of crude oil transportation tariffs for pipelines
- Law 141 of 1994, as amended by Law 756 of 2002 – establishes the national royalties regime
- Resolution 72216 of 2014, Resolution 31325 of 2015, Resolution 31489 of 2015, Resolution 31285 of 2016, Resolution 31123 of 2019 and Resolution 31132 of 2019—modify Resolution 72146 of 2014, introducing / modifying concepts such as tariff negotiation between shippers and transporter, Monetary Conditions, commercial discounts, and other tariff calculation details

Environmental Regulation – General Regulatory Framework

Under Colombian Law, particularly Law 99 of 1993, Decree 2811 of 1974 and Decree 1076 of 2015, in order to develop certain projects, works or activities companies are required to obtain environmental permits, authorizations, concessions and licenses prior to undertaking any activity that could negatively impact the environment, natural resources, human health or landscapes. As a result, certain companies, including crude oil companies, must obtain an environmental license prior to undertaking any activity for exploration, exploitation, transportation, handling and storage of hydrocarbons and construction of refineries, except for certain seismic exploration activities. To obtain an environmental license, companies must file an environmental impact assessment before the National Authority of Environmental Licenses (*Autoridad Nacional de Licencias Ambientales*). This environmental impact study must include, among other things, an environmental management plan, a study of natural resources required for the project or activity and proof of the mechanisms established to prevent, compensate, correct and mitigate the impact on the environment, natural resources, human health and/or landscapes.

The Ministry of Environment and Sustainable Development is the highest environmental authority in Colombia, as it establishes public policies regarding the environment and the use and exploitation of renewable natural resources. The National Authority of Environmental Licenses, is empowered to grant certain environmental authorizations and the environmental licenses that apply to projects which are listed in article 2.2.2.3.2.2 of Decree 1076 of 2015 and is also empowered to monitor and keep track of those projects, works, or activities subject to environmental licensing, to ensure that they are conducted in accordance with the environmental regulation.

At a regional level, the Regional Autonomous Corporations (*Corporaciones Autónomas Regionales)*, are the highest environmental authorities. These regional authorities are responsible for executing and overseeing all environmental policies, regulations and programs. They have the power to issue environmental authorizations for the use or natural resources and environmental licenses for projects listed in article 2.2.2.3.2.3 of Decree 1076 of 2015. In cities, municipalities, districts or metropolitan areas with a population of at least 1,000,000 inhabitants, the regional environmental authority is different from the Regional Autonomous Corporation, as they have Urban Environmental Authorities (*Autoridad Ambiental Urbana*), as in the case of Bogotá, Cali, Bucaramanga, Santa Marta, Barranquilla and Cartagena.

Colombian environmental law also regulates the use of natural resources, and all companies, including crude oil companies, must obtain environmental authorizations for specific activities or uses of renewable natural resources, including the use of large amounts of water for consumption, discharge of waste waters into the water sources including coastlines or rivers or into the soil, exploitation of forest reserves or production of atmospheric emissions. If the activities or projects require an environmental license, those permits will be included in the license. Pursuant to Article 43 of Colombian Law 99 of 1993, Articles 2.2.9.3.1.1. - 2.2.9.3.1.17 of the Decree 1076 of 2015 and its modifications (Decree 2099 of 2016, Decree 1120 of 2017, Decree 075 of 2017), companies that use natural water resources must assign 1% of their investments to the preservation, conservation, recovery and supervision of the natural water resources taken from the water basin that serves the project. If a company requires an environmental license for its operations but does not use natural water resources, it will not be subject to this obligation.

If a company fails to comply with Colombian environmental regulations, or permits or causes damages, the environmental authorities may initiate an environmental punitive proceeding against the company. In the event that the environmental authorities find that the company has breached its environmental obligations, or permits or has caused environmental damages, they may impose sanctions which can include:

- daily fines of up to an amount equivalent to 5,000 times the monthly legal minimum wage (equal to US$1,079,974 at an exchange rate of US$1 = Ps$4,064);
- closure (either provisional or definite) of establishment, buildings or services;
- cancellation of the environmental licenses, permits or authorizations;
- demolition of the building site;
- confiscation of the goods used in connection with the environmental violation;
- restitution of the wild fauna or flora; and

- community work.

BUSINESS

AI Candelaria

Company Organization

We are a holding company whose sole activity since our incorporation in September 2013 has been to invest in shares of Ocensa. As of the date of this offering memorandum, we own 1,153,139 shares or 22.352% of Ocensa's capital stock, which have been pledged to secure the obligations under the Notes. This interest in Ocensa represents all of our assets from which we derive our income. We do not hold shares of any other operating company; however, we may acquire shares of other operating companies in the future or purchase additional shares of Ocensa, but any such shares are not required to be pledged as additional collateral to secure our obligations under the Notes.

We are owned 50% by LIC, having its registered office at 20, rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Trade and Companies Register under number B241501, and controlled by I Squared, through its private fund ISQ, and 50% by ECH, having its registered office at 35 Great St. Helen's, London, EC3A 6AP, United Kingdom, registered with the Companies Register under number 1150415276, and controlled by Grupo Romero.

We enforce our rights as shareholders in accordance with the Shareholders' Agreement, which contains corporate governance provisions establishing the relationship among ourselves, other shareholders of Ocensa and Ocensa. Because we own 22.352% of Ocensa's capital stock, we may nominate, and effectively control, the appointment of, two board members using the electoral quotient (*cuociente electoral*) system, and we have effective veto rights on critical decisions that require qualified majorities relating to Ocensa's operations and financial condition and on changes to Ocensa's existing dividend policy. We will maintain this effective veto right so long as our ownership does not fall below 10% of Ocensa's capital stock. The Shareholders' Agreement regulates, among others, the following matters:

Qualified Majorities in Shareholders' Meetings

Pursuant to the Shareholders' Agreement, the following decisions must be approved by a majority of Ocensa's shareholders that (1) comprises Cenit (or any of its affiliates) and at least one additional shareholder, and (2) represents at least 90.1% of Ocensa's total outstanding shares. As a result of our 22.352% ownership of Ocensa, we have effective veto rights over the following decisions:

- approve that a particular issuance of shares, of any class, be offered and traded without being subject to preemptive rights;
- create or issue any shares other than common shares;
- approve the creation of temporary reserves (*reservas ocasionales)* for an amount equal to or higher than 10% of the net profits;
- approve any profit distribution other than 100% of available distributable earnings;
- declare the payment of dividends in the form of paid-in shares of any class of Ocensa, or in kind;
- approve amendments to Ocensa's by-laws seeking to: (1) modify Ocensa's corporate purpose; (2) modify Ocensa's dividends distribution policy; (3) include in Ocensa's by-laws the preferential rights in the negotiation of shares or establish any restriction to the free marketability of shares; (4) declare Ocensa's voluntary wind-up, merger, spin-off or dissolution; (5) modify the number of members composing the Board of Directors of Ocensa or any of the qualifying majorities to adopt decisions in

the shareholders' meeting or in the Board of Directors, as provided in the Shareholders' Agreement and the by-laws; or (6) modify any of the qualifying majorities set out in the Shareholders' Agreement;

- approve the listing of Ocensa's shares on a stock exchange and the corresponding initial public offering; and

- approve repurchasing any of Ocensa's outstanding shares.

Pursuant to the Shareholders' Agreement, the following decisions must be approved by a majority of shareholders that (1) comprises Cenit (or any of its affiliates) and at least one additional shareholder, and (2) represents at least 85% of Ocensa's total outstanding shares. As a result of our 22.352% ownership of Ocensa, we have effective veto rights over the following decisions:

- create reserves under Ocensa's corporate by-laws; and

- transfer or sell any of Ocensa's assets which are worth at least US$50 million.

Moreover, any issuance of shares representing Ocensa's capital stock must be approved by a majority of shareholders that (1) comprises Cenit (or any of its affiliates) and at least one additional shareholder, and (2) represents at least 80% of our total outstanding shares. As a result of our 22.352% ownership of Ocensa, we have effective veto rights over such decisions.

The following decisions must be approved by a majority of shareholders comprising the greater of (1) Cenit (or any of its affiliates) and at least one additional shareholder, or (2) more than 50% Ocensa's total outstanding shares:

- amend Ocensa's by-laws for purposes of changing the legal entity under which it was incorporated;

- transfer any of Ocensa's assets with a market price equal to or greater than US$25 million but less than US$50 million;

- approve any public offering of securities issued or secured by Ocensa other than the listing and initial public offering of Ocensa's shares on a stock exchange;

- approve the valuation of in-kind contributions to Ocensa;

- approve temporary reserves of an amount lower than 10% of net profits; and

- approve amendments to an agenda of a special shareholders' meeting.

Board of Directors

<u>Appointment and qualified majorities</u>

In accordance with the Shareholders' Agreement, Ocensa's board members are nominated and appointed in the following proportion: (1) Cenit may nominate three members of the board of directors, two of which must be independent members pursuant to criteria set forth in Article 44 of Law 964 of 2005; and (2) based on our 22.352% minority ownership, we may nominate, and effectively control the appointment of, two members total using the electoral quotient (*cuociente electoral*) system.

Pursuant to the Shareholders' Agreement, a qualified majority of at least four of Ocensa's five board members is required to:

- approve Ocensa's business plan and any amendments thereto;

- approve projects that involve amounts greater than US$100 million;

- approve Ocensa's corporate governance code and any amendments thereto;

- delegate any capacities of the board to any of its members or to any other person;

- approve the regulations for issuing and placing any of Ocensa's shares or other securities for a price lesser than the fair market value;

- approve transactions involving amounts higher than US$0.5 million to be carried out between Ocensa and any shareholder or any affiliate thereof (except for transactions related to services rendered by Ocensa and based on regulated tariffs);

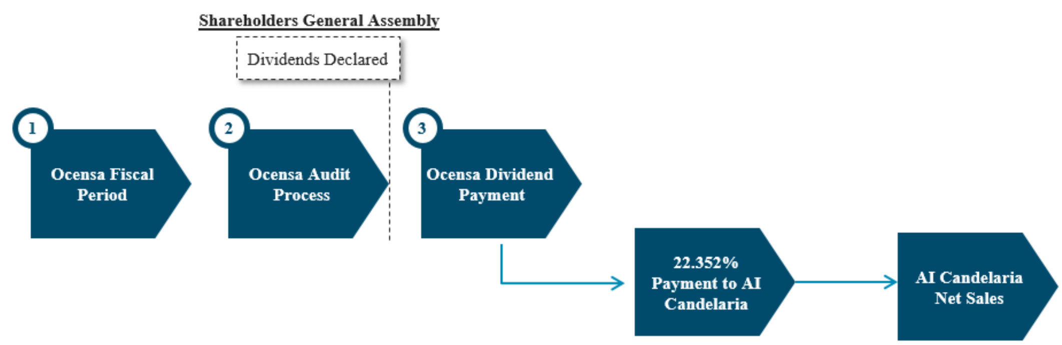
- approve any amendments to Ocensa's transporter's manual or to the regulations governing operating or technical conditions at its terminal at the Port of Coveñas; and

- approve Ocensa's involvement in new lines of business that are substantially different from its current activities and that are not contemplated in its current business plan.

Dividend Policy

Pursuant to the Shareholders' Agreement and Ocensa's by-laws, Ocensa must prepare financial statements at June 30 and December 31 of each year and, if applicable, distribute as dividends to its shareholders 100% of net profit that is available after funding any applicable reserves, unless otherwise instructed by its shareholders at a shareholders' meeting.

Our principal sources of cash flows have historically been Ocensa's dividends, which we register as net sales in our financial statements. Dividend payments from Ocensa are subject to a time lag with respect to the end of the fiscal period during which the net profit being distributed was accumulated in order for Ocensa to complete its audit process and declare dividends in a General Shareholders Assembly for payment to its shareholders. Once the declared dividends are paid to us, we recognize them as net sales. The following diagram sets forth an illustrative timeline regarding the dividend payment process.



In 2017, dividends were declared and paid by Ocensa to all its shareholders two times for an aggregate amount of US$381.3 million, attributable to net profit generated by Ocensa for the last quarter of 2016 and the period between January 1, 2017 and June 30, 2017. In 2018, dividends were declared and paid by Ocensa to all its shareholders two times for an aggregate amount of US$604.5 million, attributable to net profit generated for the period between July 1, 2017 and June 30, 2018. In 2019, dividends were declared and paid by Ocensa to all its shareholders two times for an aggregate amount of US$756.5 million, attributable to net profit generated for the period between July 1, 2018 and June 30, 2019. We received our pro rata share of all these dividends distributions at the declared times and recognized them as net sales. For the three months ended March 31, 2020 and 2019, and the years ended December 31, 2019, 2018 and 2017, we had net sales of US$91.3 million, US$79.5 million, US$169.7 million, US$135.4 million and US$85.2 million, respectively. The operating costs to maintain our structure are minimal. As such, we reported operating income of US$91.3 million, US$79.1 million, US$168.9 million, US$134.4 million and US$84.7 million for the three months ended March 31, 2020 and 2019 and the years ended December 31, 2019, 2018 and 2017, respectively.

It is important to highlight that in 2017 Ocensa declared and paid the equivalent of nine months of net profit, while in 2018 and 2019, it declared and paid the equivalent of 12 months. Consequently, in 2017, the amount AI Candelaria recorded in net sales was representative of only nine months of net profit instead of 12 months.

On June 18, 2020, Ocensa declared dividends of US$245 million, attributable to net profit generated during the period between January 1, 2020 and March 31, 2020. AI Candelaria will effectively receive US$54.8 million, corresponding to our 22.352% stake, the substantial majority of which we have received and the remainder of which we expect to receive in August 2020.

In the past three years, Ocensa has declared dividends representing 100% of the net profit generated and has not declared the funding of any applicable reserves.

Tag Along Rights

Subject to certain conditions stipulated in the Shareholders' Agreement, we are entitled to tag along rights in the event a current shareholder or a third party acquires a controlling interest in Ocensa's capital stock.

Term

In accordance with its terms, the Shareholders' Agreement is valid and binding until the registration of Ocensa's shares on the Colombian National Registry for Securities and Issuers and the listing of Ocensa's shares on the Colombian stock exchange in connection with an initial public offering.

Moreover, if as a result of a transfer of Ocensa's shares by any of its shareholders, Ocensa ceases to have a majority shareholder, its then existing shareholders must renegotiate the Shareholders' Agreement to ensure its functionality under the new ownership structure.

For additional information regarding the provisions of the Shareholders' Agreement governing Ocensa's crude oil transport operations, see "Business—Material Agreements—Shareholders' Agreement."

Ocensa - Overview

Ocensa is a crude oil transportation company incorporated on December 14, 1994 to design, build, operate and manage a crude oil pipeline transportation system. Ocensa owns and operates the Ocensa Pipeline, the largest crude oil pipeline in Colombia, covering 836 km underground and 12 km underwater. The Ocensa Pipeline, Ocensa's primary asset, was completed and became operational in 1998 and has a current capacity of 745 kbpd at the largest segment of the pipeline (Segment II), reflecting the completion of Project Potencia 135 in 2016. In 2019 and for the three-month period ended March 31, 2020, the Ocensa Pipeline transported approximately 66% and 64%, respectively, of Colombia's total production of crude oil, diluents and condensates, and exported through the TLU-2, approximately 57% and 59%, respectively, of Colombia's national production of crude oil, diluents, condensates and total crude oil for exports (excluding crude oil used to produce intermediate fuel oil and minor exports from third-party ports). The Ocensa Pipeline transports crude oil ranging from light crude oil and intermediate blends to heavy crudes, on behalf of crude oil producers, from Colombia's most prolific basins, including the Llanos basin and the Arauca basin, which in 2019 accounted for 69% and 6%, respectively, of

Colombia's national production of crude oil, to the Port of Coveñas, Colombia's primary public crude oil export facility.

In 2019, Ocensa's revenue and net profit totaled US$1,556 million and US$812 million, respectively, compared to US$1,401 million and US$670 million in 2018 and US$1,325 million and US$553 million in 2017, respectively, while its EBITDA totaled US$1,348 million in 2019, compared to US$1,166 million in 2018 and US$1,079 million in 2017. For the three-month period ended March 31, 2020, Ocensa's revenue and net profit totaled US$363 million and US$245 million, respectively, compared to US$367 million and US$225 million for the three-month period ended March 31, 2019, respectively, while its EBITDA totaled US$321 million for the three-month period ended March 31, 2020, compared to US$357 million for the three-month period ended March 31, 2019.

Ocensa's majority shareholder, with 72.648% of its equity, is Cenit, a wholly-owned subsidiary of Ecopetrol, the Colombian national oil and gas company and Colombia's largest producer of crude oil and gas. Ecopetrol has accounted for approximately 58% of Colombia's total crude oil production, on average, over the past five years according to the ANH and the ACP. Of its remaining equity, 22.352% is beneficially held by AI Candelaria, while 5.000% is beneficially held by Darby Colpatria Capital, a private equity investment vehicle of Franklin Templeton, through a shareholding trust.

Financial and Operational Data

The table below sets forth certain of Ocensa's financial and operational highlights for the periods indicated:

	As of and/or for the three-month period ended March 31,		**As of and/or for the year ended December 31,**		
	2020	**2019**	**2019**	**2018**	**2017**
	(in millions of U.S.$, unless otherwise indicated)				
Revenue	363	367	1,556	1,401	1,325
Net profit	245	225	812	670	553
Net margin (1)	67%	61%	52%	48%	42%
EBITDA (2)	321	357	1,348	1,166	1,079
EBITDA margin (3)	88%	97%	87%	83%	81%
Outstanding debt (4)	500	500	500	500	500
Outstanding debt/EBITDA ratio (5)	0.39	0.37	0.37	0.43	0.46
Volume transported (in kbpd)	617	646	664	637	581
Utilization (%)	92%	96%	98%	94%	91%
Total transportation cash cost (6)	69	80	366	337	300
Number of employees	288	278	288	275	286

(1) Net margin is calculated as net profit for the year divided by revenue for the period.

(2) EBITDA is calculated as net profit *plus* depreciation and amortization, income tax and financial (income) expenses, net. EBITDA is not a measure of financial performance according to IFRS or generally accepted accounting practices adopted in Colombia or the United States and should not be considered in isolation or as an alternative to net profit, as an indicator of operating performance, or to operating cash flows as an indicator of liquidity. EBITDA is not a standardized definition and the EBITDA definition presented herein might not be comparable to EBITDA used by other companies. EBITDA has certain limitations as a measure of Ocensa's profitability in that it does not consider certain of its recurring costs that may have a significant impact on its net profit, including net financial expenses, taxes, depreciation, amortization and depletion. See "Presentation of Financial and Other Information—EBITDA." For a reconciliation of our net profit to EBITDA, see "Selected Financial and Other Information of Ocensa."

(3) EBITDA margin consists of EBITDA for the period divided by revenue for the period.

(4) Outstanding debt is presented based on the nominal amount of debt, which corresponds to the US$500,000,000 Ocensa has outstanding on its 4.000% notes due 2021.

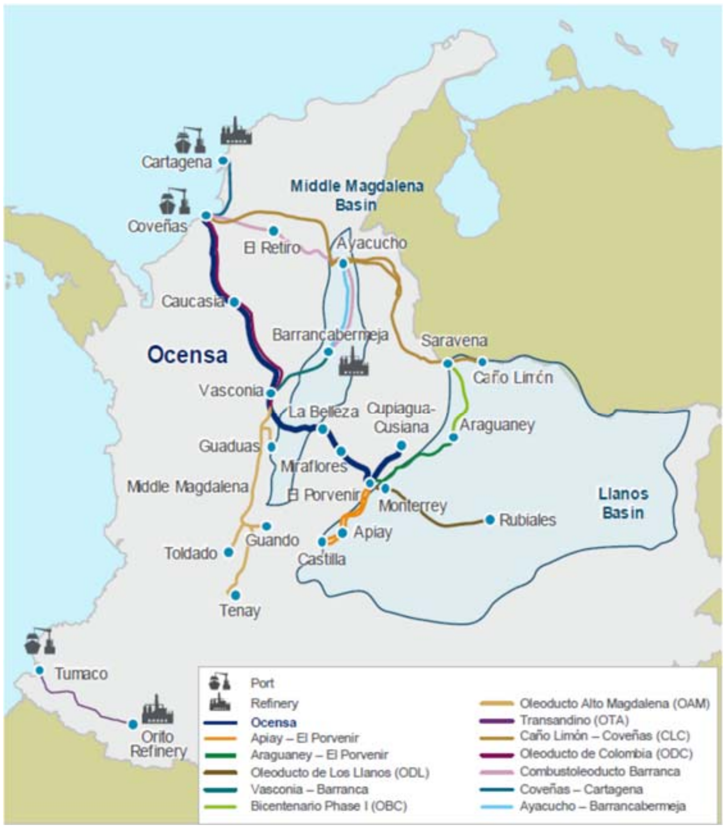
(5) Outstanding debt/EBITDA is calculated as outstanding debt for the period divided by EBITDA for the period, except for EBITDA for the three months ended March 31, 2020 and 2019 for which it is presented on an annualized basis. Annualized EBITDA for each of the three-month periods ended March 31, 2020 and 2019 is derived by multiplying the total EBITDA for each of three month period by four. Ocensa's computations of annualized EBITDA may not be representative of its actual annual results. For a reconciliation of Ocensa's net profit to EBITDA, see "Selected Financial and Other Information of Ocensa."

(6) Total transportation cash cost is equivalent to our operational and administrative expenses for the period, comprising our maintenance and repairs, services, depreciation, personnel, leases, fees, amortization and other expenses.

Ocensa's Primary Assets

Ocensa Pipeline

As illustrated in the graphic below, the Ocensa Pipeline is strategically located near other important crude oil infrastructure, including the two largest refineries in Colombia, the Cartagena refinery and the Barrancabermeja refinery:



Source: Company information.

The Ocensa Pipeline, which became operational in 1998, passes through 45 municipalities in six Colombian states (known in Colombia as *departamentos*), and comprises:

- 10 stations (for the storage, pumping, pressure reducing and boosting of crude oil,
- a base for coordination of maintenance activities in the city of Tunja,
- tanks for the storage of up to 4.3 million barrels of crude oil, and
- a control center located in the city of Bogotá.

The Ocensa Pipeline is located between two and four meters underground, reducing its exposure to potential attacks.

As set forth in the table below, the Ocensa Pipeline is divided into four segments and terminates in the Port of Coveñas.

Segment	Route	Length	Diameter	Transport Capacity	% of Total Revenue Derived from Segment in 2019(1)
		(in kilometers)	*(in inches)*	*(in kbpd)*	
Segment 0	Cupiagua – Cusiana	39	16	198,000	0.3%
Segment I	Cusiana – El Porvenir	33	30	745,000	5.4%
Segment II	El Porvenir - Vasconia	287	30 – 36	745,000	57.2%
Segment III	Vasconia – Port of Coveñas	477	30	550,000	30.4%
Port of Coveñas	Port of Coveñas	12	42	25 time slots per month to load tanker vessels	6.7%

Port of Coveñas

Ocensa's assets at the Port of Coveñas comprise both onshore facilities located within the port and offshore facilities located in the Gulf of Morrosquillo and provide Ocensa with storage, transfer and export capabilities. For the three-month periods ended March 31, 2019 and 2020, approximately 50% and 56%, respectively, of the liquid bulk cargo exported from Colombia was crude oil exported by Ocensa at the Port of Coveñas. The remainder of Colombian crude oil was exported mainly at the Ports of Cartagena, Pozos Colorados and Tumaco, according to proprietary information and information compiled from the ANH and the Superintendence of Ports and Transportation (*Superintendencia General de Puertos y Transporte*).

Republic of Colombia and Macroeconomic Environment

With a nominal gross domestic product, or GDP, of Ps$881.96 trillion in 2019, Colombia is the fourth largest economy in Latin America and, as the longest standing democracy in the region, has traditionally been one of the most stable economies in the region. Colombia achieved GDP growth rate of 3.3% in 2019, compared to 0.2% for Latin America and the Caribbean according to statistics by DANE and the United Nations. For 2020, prior to the COVID-19 pandemic, DANE estimated GDP growth at 3.62%. The IMF has updated GDP growth outlook for Latin America, estimating an economic contraction of 5.2% for the region, and the Colombian government has projected Colombia's GDP to contract 5.5% and enter its first recession in over two decades. For the three-month period ended March 31, 2020, Colombia reported a GDP growth of 1.1%, primarily due to a 6.8% increase in the agricultural sector, however, this trend is likely to reverse as Colombia continues to feel the economic effects of the COVID-19 pandemic. As a consequence of the macroeconomic shock caused by the COVID-19 pandemic, the Colombian government, with the prior favorable opinion of the Fiscal Rule Advisory Council, determined to suspend the fiscal rule for 2020 and 2021. The estimated fiscal deficit for 2020 and 2021 is 8.2% and 5.1% of GDP, respectively.

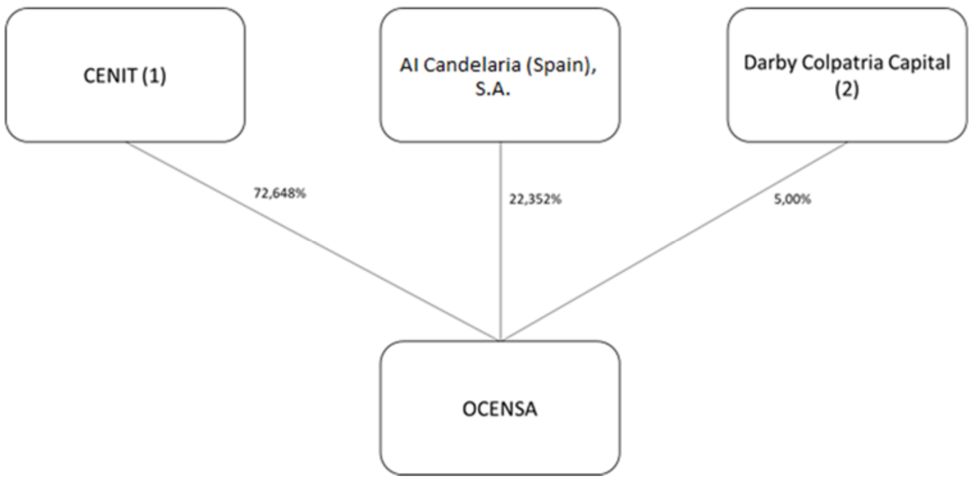
Colombia's long-term public external indebtedness is currently rated investment grade by S&P, Moody's and Fitch. However, on March 26, 2020, S&P released a negative outlook on Colombia's long-term foreign currency issuer default rating while maintaining its BBB- rating. Furthermore, on April 1, 2020, Fitch Ratings downgraded Colombia's long-term foreign currency issuer default rating to BBB- from BBB with a negative outlook. On the other hand, Moody's has maintained Colombia's investment grade rating with a stable outlook since May 23, 2019.

We believe that a tax-friendly environment and improved security have helped to encourage an influx of international companies and foreign investment in Colombia. In recent years, Colombia has experienced increased political and economic stability, which has resulted in significant increases in foreign direct investment in the country from US$2.1 billion in 2002 to an estimated US$14.5 billion in 2019, according to yearly foreign direct investment statistics published by the Colombian Central Bank.

With respect to its crude oil and gas industry, Colombia is the third largest crude oil producer in South and Central America and the fifth largest holder of proven crude oil reserves in South and Central America, according to 2019 BP Statistical Report. Since restructuring state-owned Ecopetrol and establishing the ANH in 2003-2004, Colombia has experienced increased exploration and production activity, with crude oil reserves having increased from 1,358 million bbl in 2007 to 2,041 million bbl in 2019 while crude oil production increased from 531 kbpd in 2007 to 886 kbpd in 2019. Crude oil production decreased to 873 kbpd for the three-month period ended March 31, 2020 compared to 892 kbpd for the three-month period ended March 31, 2019.

Corporate Structure

As of the date of this offering memorandum, Ocensa has no subsidiaries. The following diagram sets forth the equity interests of shareholders in Ocensa:



(1) A wholly-owned subsidiary of Ecopetrol.
(2) Shares held indirectly pursuant to a shareholding trust.

Ocensa's outstanding capital stock is fully subscribed and paid up, and it amounts to US$81.71 million as of March 31, 2020, represented by 5,159,000 shares with a par value of US$15.84 each. All of its outstanding shares are ordinary, nominative and confer upon their holders the same rights.

Corporate Governance

In support of Ocensa's strong relationship with its controlling shareholders, it has established a thorough corporate governance structure to guide major decision-making. Central to this corporate governance structure is its Shareholders' Agreement, pursuant to which Ocensa has five board members, two of them independent. Each of the board members has an alternate member. Ocensa's Shareholders' Agreement establishes significant decision-making approval processes, such as:

- Approval by a qualified majority of at least four board members of significant decisions, including:
  - Ocensa's business plan and any amendments to the plan,
  - projects valued at over US$100 million,

    - Ocensa's involvement in new business lines substantially different from those contained in its business plan, and

    - Ocensa's issuance and placement of shares or other securities below their respective fair market value.

- Shareholder approval thresholds for certain significant decisions, including an 80% shareholder support threshold to sell any of Ocensa's assets worth at least US$50 million.

For additional information regarding Ocensa's Shareholders' Agreement, see "Principal Shareholders—Shareholders' Agreement."

Ocensa has a corporate governance code, which applies to its management, employees, and shareholders. Its corporate governance code contains rules governing its board of directors and shareholders' meetings, composition of its board, compensation of executive officers, internal controls, risk management, committees of its board of directors, conflicts of interest and social responsibility, among other matters.

Brief History

In the early 1990s, crude oil deposits were discovered in the Cusiana and Cupiagua stations in the Llanos basin. At the time, Colombia had only the Oleoducto de Colombia and Oleoducto de los Llanos pipelines, owned by Ecopetrol, which could transport crude oil from these fields. The Oleoducto de Colombia, however, did not have sufficient capacity to meet the imminent increase in production from the Llanos basin following the discovery of the deposits.

In response to these developments, in December 1994, the owners of the producing fields (Ecopetrol, Triton Pipeline Colombia Inc., BP Colombia Pipelines Ltd. and Total Colombia Pipeline) as well as two Canadian companies with expertise in the transportation of hydrocarbons Enbridge Inc. ("Enbridge"), and TransCanada Corporation ("Transcanada"), through IPL Enterprises (Colombia) Inc. ("IPL Enterprises"), and TCPL International Investments Inc. ("TCPL International"), respectively, incorporated Ocensa in order to design, build, operate and manage a pipeline.

The Ocensa Pipeline was completed and became operational in 1998. By this time, production from the Cusiana and Cupiagua stations had reached production of nearly 500,000 bpd, three times the amount produced when Ocensa was incorporated in 1994.

By 2006, the Ocensa Pipeline had become an established transport system for crude oil of various types, successfully transporting heavy crude oil from the El Porvenir station to the Port of Coveñas. In 2008, the rise in crude oil prices increased production at the Castilla and Rubiales fields and Ocensa began transporting crude oil from these prolific fields to the Port of Coveñas.

In 2011, Ocensa completed Project 560, which expanded its transportation capacity to 560 kbpd in Segment II of the Ocensa Pipeline.

In 2013, Ocensa's shareholders shifted its operational structure from a cost center to a profit center.

In December 2013, AI Candelaria led by global private equity firm, Advent, acquired a 22.352% minority interest in Ocensa through the purchase of Ocensa's equity capital from its former shareholders Santiago, New Santiago, Total Colombia Pipeline and CEPCOLSA. Also in December 2013, Darby Colpatria Capital, a private equity investment vehicle of Franklin Templeton, announced its intention to acquire Inversiones Sol's 5% equity interest in Ocensa. The acquisition was completed on March 17, 2014.

In 2014, Ocensa completed Project Delta 35, which added 35 kbpd and 40 kbpd of capacity to Segments II and III of the Ocensa Pipeline, respectively, bringing the total capacity of each of these segments to 610 kbpd and 415 kbpd, respectively, and increased the reliability of the Ocensa Pipeline.

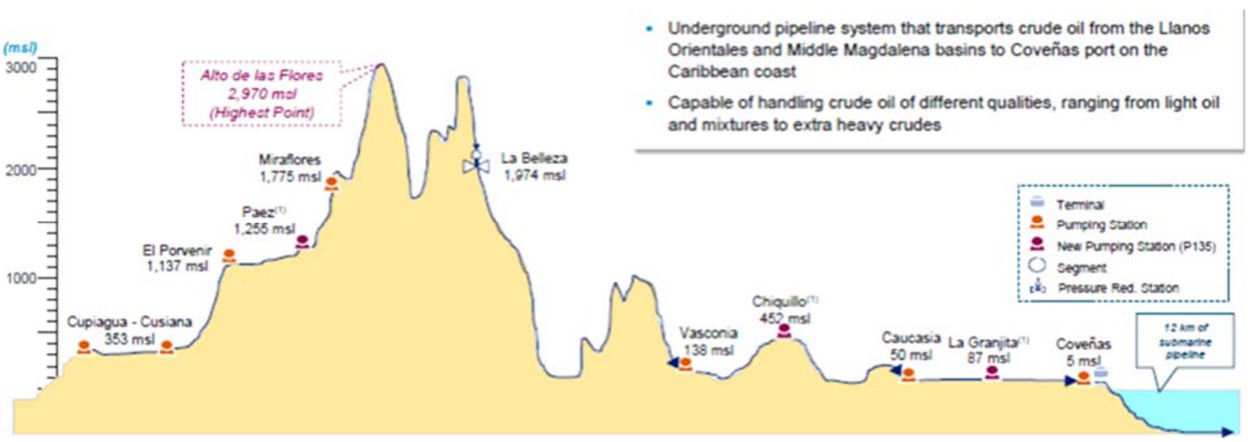
In December 2016, Ocensa completed Project Potencia 135, which added an additional three stations and 135 kbpd of capacity to Segments I, II and III of the Ocensa Pipeline beginning in July 2017.

On February 7, 2020, Advent sold its 22.352% minority interest (held through AI Candelaria's shares), to a joint venture formed by I Squared, through its private fund ISQ, and Grupo Romero.

Ocensa's Principal Assets and Operations

Ocensa divides its principal assets and operations into four segments: Segment 0 spans between the Cupiagua and Cusiana stations of the Ocensa Pipeline; Segment I spans between the Cusiana and El Porvenir stations of the Ocensa Pipeline; Segment II spans between the El Porvenir and Vasconia stations of the Ocensa Pipeline, passing through the municipalities of Miraflores and La Belleza; and Segment III spans between the Vasconia station of the Ocensa Pipeline and the Port of Coveñas, passing through municipality of Caucasia.

The Port of Coveñas comprises both Ocensa's onshore facilities at the port as well as offshore facilities located at the Caribbean Sea in the Gulf Morrosquillo. The following graphic illustrates the length, topography and facilities that comprise Ocensa's operations.



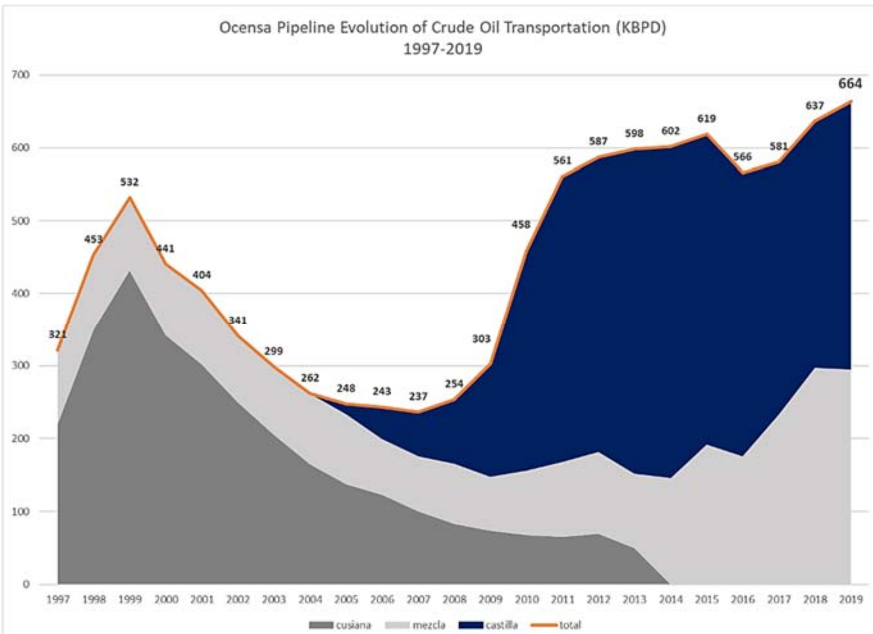
The following table sets forth the route, length, pipeline diameter, storage capacity and transport capacity of Ocensa's operational segments.

Segment	Route	Length	Diameter	Storage Capacity	Transport Capacity
		(in km)	*(in inches)*	*(in bbl)*	*(in bpd)*
Segment 0	Cupiagua – Cusiana	39	16	—	198
Segment I	Cusiana – El Porvenir	33	30	1,240	745
Segment II	El Porvenir – Vasconia	287	30 – 36	260	745
Segment III	Vasconia – Port of Coveñas	477	30	0	550
Port of Coveñas	Port of Coveñas	12	42	2,800	25 time slots per month to load vessels

The Ocensa Pipeline

Spanning approximately 836 km underground and 12 km underwater, the Ocensa Pipeline is the largest and, we believe, most strategic crude oil pipeline in Colombia. Fully operational since 1998, the Ocensa Pipeline transports crude oil from the Llanos Orientales basin to the Port of Coveñas on the Caribbean coast where it is exported via tanker vessels to various crude oil importing countries. The Ocensa Pipeline passes through 45 municipalities in six Colombian states, and is comprised of eight stations, a base for maintenance coordination in Tunja, tanks for operative storing of up to 4.0 million barrels of crude oil throughout the pipeline system and main and back-up control centers located in the city of Bogotá.

The Ocensa Pipeline was originally built to transport light crude oil from the Cusiana and Cupiagua stations, with an original capacity of 556 kbpd at Segment II. Due to a production decline in the Cusiana field and a recent production increase in the Llanos basin, the majority of the crude oil Ocensa currently transports is heavy crude. Ocensa is currently capable of handling crude oil of different grades, ranging from light crude oil and intermediate blends to heavy crudes, providing it a competitive advantage in meeting the needs of Colombian crude oil producers and their evolving transportation demands.



Note: Based on Segment II.

Moreover, Ocensa bases its transport capacity estimates on a conservative mix of heavy and light crude oil, and as a result, it has historically operated above its installed capacity. The following table presents the average daily and total annual amount of crude oil Ocensa transported for the periods indicated.

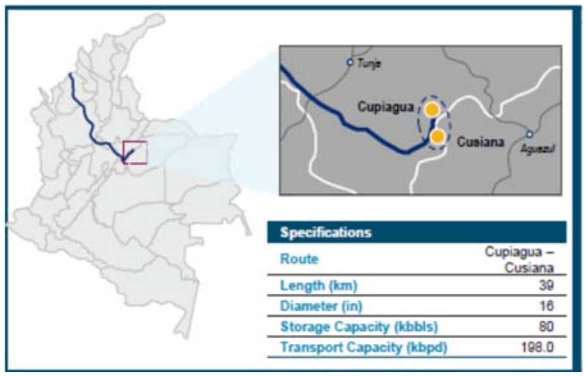
	For the three-month period ended March 31,				For the year ended December 31,					
Field and Type Transported	**2020**		**2019**		**2019**		**2018**		**2017**	
	(in mbpy)	*(in kbpd)*	*(in mbpy)*	*(in kbpd)*	*(in mbpy)*	*(in kbpd)*	*(in mbpy)*	*(in kbpd)*	*(in mbpy)*	*(in kbpd)*
Castilla (heavy crude)	141	386	133	364	135	369	124	341	127	347
Mezcla (intermediate crude)	75	203	79	217	86	237	90	247	82	225
Cusiana (light crude)	10	28	24	65	21	58	18	49	3	9
Total oil transported	226	617	236	646	**242**	**664**	**232**	**637**	**212**	**581**

As set forth in the table below, in 2019 and for the three-month period ended March 31, 2020, Ocensa transported to final destination (ports or refineries) approximately 50% and 44% of Colombia's total crude oil transported through Ocensa's pipeline, respectively, representing a significant increase from 2017, when it transported 41% of Colombia's total crude oil through its pipeline.

	For the three-month period ended March 31,		For the year ended December 31,		
	2020	2019	2017	2018	2019
			(in %)		
Transportation by Ocensa (Segment III)	44	50	41	46	48
Transportation by other pipelines	56	50	59	54	52

Segment 0

As shown in the map below, Segment 0 transports crude oil from the Cupiagua station to the Cusiana station, spanning a length of 39km with a diameter of approximately 16 inches.



Segment 0 has an installed transport capacity of 198.0 kbpd. In accordance with the methodology established by the MME, the current tariff for Segment 0 is US$1.2309/bbl.

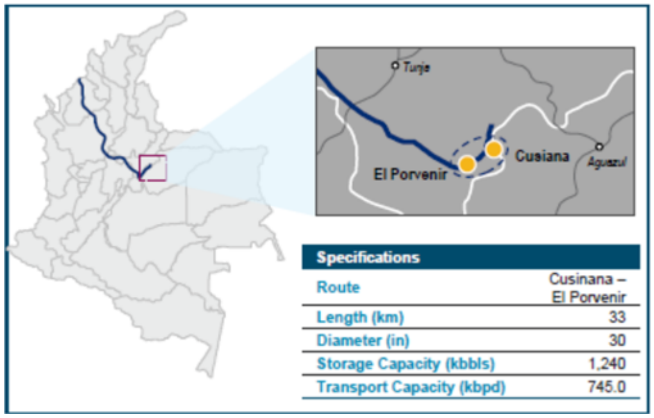
The table below sets forth Segment 0's contracted capacity pursuant to the terms of the corresponding transportation agreements Ocensa has entered into with these customers.

	As of March 31, 2020
	(in bpd)
Ecopetrol...	138,794
Repsol	19,210
Total..	10,296
Frontera Energy (1)..	9,900
Equion..	9,900
CEPSA	9,900
Total contracted capacity	198,000

(1) As assignee of Transporte & Marketing S.A.S's contracted capacity for a duration of ten years.

Segment I

As shown in the map below, Segment I transports crude oil from the Cusiana station to El Porvenir station and spans a length of 33km with a diameter of approximately 30 inches.



Segment I has an installed transport capacity of 745 kbpd. In accordance with the methodology established by the MME, the current tariff for Segment I is US$0.8103/bbl.

The table below sets forth Segment I's contracted capacity pursuant to the terms of the corresponding transportation agreements Ocensa has entered into with these customers.

	As of March 31, 2020
	(in bpd)
Ecopetrol (1) …………………………………………………………………………	510,203
Repsol ……………………………………………………………………...……	58,492
Total ……………………………………………………………………………	7,356
Frontera Energy (2)	60,150
Vitol……………..………………………………………………..	41,500
BP…………………..……………………………………………..	10,000
Equion…………………………………………………………….	30,151
CEPSA	30,150
Total contracted capacity	**748,002**

(1) Includes Hocol' contracted capacity.
(2) As assignee of Transporte & Marketing S.A.S's contracted capacity for a duration of ten years.

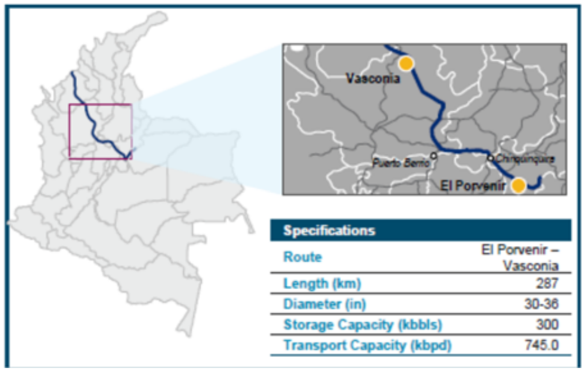
Crude oil transportation at Segment I has increased from 286,821 bpd in 2015 to 345,963 bpd in 2019, representing a CAGR of 4.80%.

	For the year ended December 31,					**CAGR 2015-2019**
	2015	**2016**	**2017**	**2018**	**2019**	
			(in bpd)			
Volume transported	286,821	261,818	308,441	366,795	345,963	4.80%

For the three-month period ended March 31, 2020, crude oil transported at Segment I was 265,789 bpd as compared to 352,232 bpd for the three-month period ended March 31, 2019, primarily due to market oversupply given the lack of a production agreement between Russia and OPEC and the COVID-19 pandemic.

Segment II

As shown in the map below, Segment II transports crude oil from the El Porvenir station to the Vasconia station and spans a length of 287km with a varying diameter that ranges from 30 to 36 inches.



Segment II currently has an installed transport capacity of 745 kbpd. In accordance with the methodology established by the MME, the current tariff for Segment II is US$3.5590/bbl.

The table below sets forth Segment II's contracted capacity, pursuant to the terms of the corresponding transportation agreements Ocensa has entered into with these customers.

	As of March 31, 2020
	(in bpd)
Ecopetrol (1)	510,203
Repsol	58,492
Total	7,356
Frontera Energy (2)	60,150
Vitol	41,500
BP	10,000
Equion	30,151
CEPSA	30,150
Total contracted capacity	**748,002**

(1) Includes Hocol's contracted capacity.
(2) As assignee of Transporte & Marketing S.A.S's contracted capacity for a duration of ten years.

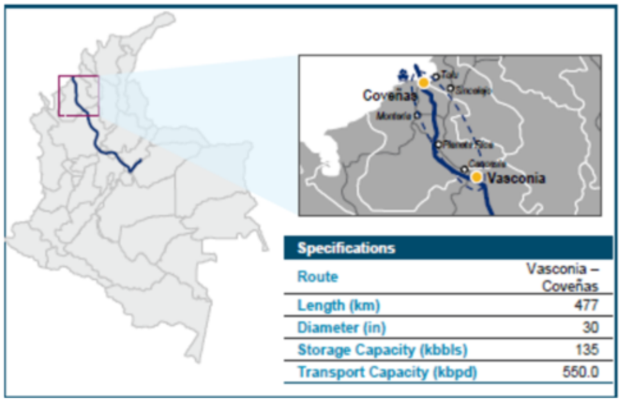
Following the completion of expansion projects, crude oil transportation at Segment II has increased from 617,988 bpd in 2015 to 664,088 bpd in 2019, representing a CAGR of 1.81%.

	For the year ended December 31,					**CAGR 2015-2019**
	2015	**2016**	**2017**	**2018**	**2019**	
			(in bpd)			
Volume transported	617,988	566,274	580,886	637,049	664,088	1.81%

For the three-month period ended March 31, 2020, crude oil transported at Segment II was 616,983 bpd as compared to 646,371 bpd for the three-month period ended March 31, 2019, primarily due to market oversupply given the lack of a production agreement between Russia and OPEC and the COVID-19 pandemic.

Segment III

As shown in the map below, Segment III transports crude oil from the Vasconia station to the Port of Coveñas, and spans a length of 477km with a diameter of approximately 30 inches.



Segment III currently has an installed transport capacity of 550 kbpd. In accordance with the methodology established by the MME, the current tariff for Segment III is US$3.3947/bbl.

The table below sets forth Segment III's contracted capacity, pursuant to the terms of the corresponding transportation agreements Ocensa has entered into with these customers.

	As of March 31, 2020
	(in bpd)
Ecopetrol (1)	372,807
Repsol	39,480
Total	7,164
Frontera Energy (2)	50,350
Vitol	31,500
BP	10,000
Equion	20,351
CEPSA	20,350
Total contracted capacity	**552,002**

(1) Includes Hocol's contracted capacity.
(2) As assignee of Transporte & Marketing S.A.S's contracted capacity for a duration of ten years.

Although oil transportation along Segment III experienced a decrease from 403,833 bpd in 2015, volumes have increased in the subsequent years from 349,817 in 2016 to 398,065 bpd in 2019. As a result of the initial decrease from 2015 to 2016, Segment III experienced a negative CAGR of 0.36%.

	For the year ended December 31,					**CAGR 2015-2019**
	2015	**2016**	**2017**	**2018**	**2019**	
			(in bpd)			
Volume transported	403,833	349,817	341,902	380,076	398,065	(0.36%)

For the three-month period ended March 31, 2020, crude oil transported at Segment III was 366,240 bpd as compared to 416,060 bpd for the three-month period ended March 31, 2019, primarily due to market oversupply given the lack of a production agreement between Russia and OPEC and the COVID-19 pandemic.

In connection with Project Potencia 135, and taking into consideration the capacity increases achieved under Project Delta 35, Ocensa added the following stations to Segment III, bringing the total capacity to 550,000 bpd.

- Chiquillo Station, with four 6,000 hp pumps and a 18MW diesel generation plant

- La Granjita, with three 6,000 hp pumps and a 13MW gas generation plant

Ocensa Pipeline Stations

The following stations along the Ocensa Pipeline store, pump and direct crude oil through the system:

- Cupiagua Station: a pumping station that transfers crude oil and water from the central processing facility, located at the Cupiagua field through the 16 inch Cupiagua-Cusiana pipeline to storage tanks at the Cusiana station.

- Cusiana Station: a pumping station that stores crude oil prior to pumping it to the El Porvenir station. This station relies on four principal pumping units in addition to four booster pumping units that can be utilized as operational requirements and conditions demand. The storage capacity and tank truck unloading capacity of this station are approximately 1,240,000 bbl and 88,000 bpd, respectively.

- El Porvenir Station: a pumping station that receives and stores various types of crude oil from various pipelines and sources prior to pumping the crude oil through Ocensa Pipeline according to sequences programmed into the pumping equipment. This station relies on eight principal pumping units in addition to four booster and five re-booster pumping units. This station has six storage tanks capable of holding approximately 260,000 bbl. In addition to serving as a point-of-origin for crude oil entering the Ocensa Pipeline, when the Cusiana station pumps crude oil, the El Porvenir station functions as a re-pumping station.

- Paez Station: a pumping station with four principal pumping units.

- Miraflores Station: an intermediate (booster) pumping station with eight principal pumping units. This station only has storage capacity for crude oil deriving from relief valves and drains. Between the Miraflores station and La Belleza station, the diameter of the pipeline increases from a diameter of 30 inches to a diameter 36 inches.

- La Belleza Station: a pressure reduction station designed to control and discharge pressure and crude oil flow in order to safely maintain the lower sections of the Ocensa Pipeline that run from the La Belleza station to the Vasconia station. This station has two control valves that can be used simultaneously based on operational requirements. The La Belleza station serves two important functions: (1) it prevents crude oil fumes from reaching stations upstream; and (2) it protects the downstream stretch of pipeline from La Belleza to Vasconia from abrupt changes in altitude, which directly impact the pressure this portion of pipeline can support.

- Vasconia Station: a pumping station situated at a critical intersection for crude oil from the Ocensa Pipeline and the other lines to which the Ocensa Pipeline is connected. This station is equipped to pump crude oil through the Ocensa Pipeline or redirect the flow of crude oil to stations in other parts of Colombia. In addition to receiving the flow of crude oil from the La Belleza station, the Vasconia station has the ability to perform the following operations: (1) pump crude oil downstream through the Ocensa Pipeline (relying on four principal pumping units); (2) direct crude oil to the Barrancabermeja Refinery using a high pressure gate; and (3) direct crude oil into the Oleoducto de Colombia pipeline using a high pressure gate. Because the flow of crude oil between the El Porvenir and Vasconia stations within Segment II is much greater than the existing flow between the Vasconia and Coveñas stations within Segment III, it is imperative that the Vasconia station receive a permanent flow of reduced pressure crude oil in order to guarantee optimal operation of the pipeline system within safe operating parameters.

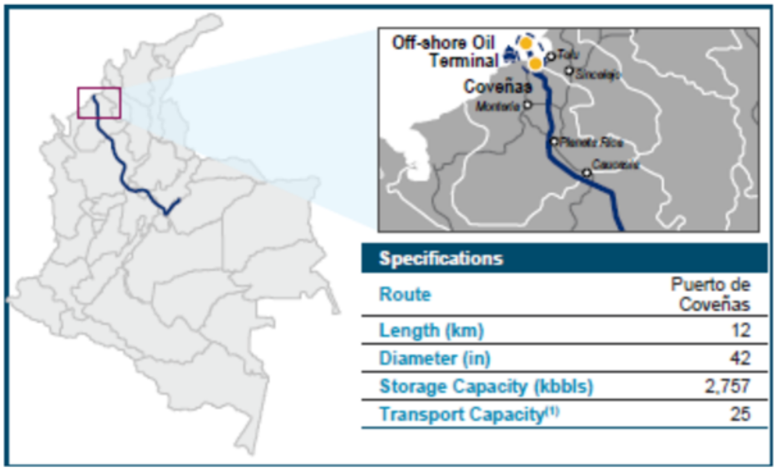
- Chiquillo Station: a pumping station with four principal pumping units.

- Caucasia Station: a booster station with four principal pumping units.

- Las Granjita Station: a booster station with three principal pumping units. This is the last pumping station on the Ocensa Pipeline before the Port of Coveñas.

The Port of Coveñas

As shown in the map below, Ocensa's operations at the Port of Coveñas comprise both onshore facilities located in the Port of Coveñas and offshore facilities located at the Caribbean Sea in the Gulf of Morrosquillo.



Ocensa's facilities at the Port of Coveñas have operational storage, transfer and export capabilities. Once crude has reached the Port of Coveñas, the crude oil is stored until it is exported or transferred. The total storage capacity at the Port of Coveñas is 2.8 million barrels and Ocensa may have access to other tanks owned by Cenit or Bicentenario for additional storage. This facility also executes and receives crude oil transfers to other facilities or storage tanks that Ocensa owns. Through the facilities of the Port of Coveñas, Ocensa is able to load tanker vessels with a loading capacity between 500,000 and 2,000,000 bbl.

Ocensa's offshore crude oil terminal is located 12 km off the Port of Coveñas and is situated in an area where weather conditions are relatively stable year round. The pipeline that connects the onshore facilities to the offshore crude oil terminal is 42 inches in diameter and has a maximum estimated loading rate of 38,000 bph for heavy crude oil and 43,000 bph for intermediate crude through the TLU-2. In 2019 and for the three-month period ended March 31, 2020, approximately 57% and 59% of the total exports of liquid bulk cargo from Colombia, respectively, was crude oil exported by Ocensa at the Port of Coveñas.

The tariff for the terminal at Coveñas is currently US$00.5086/barrel through 2022.

Throughput for Ocensa's Port of Coveñas operations has increased from 394,463 bpd in 2014 to 461,151 bpd in 2019, representing a CAGR of 3.17%.

	For the year ended December 31,						CAGR
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2014-2019**
			(in bpd)				
Volume transported	394,463	410,400	401,370	409,934	397,541	461,151	3.17%

For the three-month period ended March 31, 2020, throughput for Ocensa's Port of Coveñas was 419,775 bpd as compared to 480,307 bpd for the three-month period ended March 31, 2019, primarily due to market oversupply given the lack of a production agreement between Russia and OPEC and the COVID-19 pandemic.

Expansion Projects

In order to expand Ocensa's operations and benefit from both favorable tariff returns on capital expenditures on Ocensa's pipeline and from increased demand for crude oil transportation in Colombia, Ocensa continually seeks investment opportunities that meet its rigorous investment criteria to increase its current transport and operational storage capacity, providing significant upside potential for additional cash flow generation. Furthermore, Ocensa's short-term efforts will be focused on several projects that are intended to increase its operational efficiency, dependability and profitability as a whole.

Ocensa believes that its project approval and selection criteria processes are well-defined and enable it to (1) help to minimize execution time, and (2) optimize technical and economic efficiencies, utilizing drag reducing agents, minimizing capital expenditures and maximizing capacity.

In the past three years, Ocensa has successfully completed the following projects:

Project Potencia 135 (2016): Project Potencia 135 was an expansion project involving the addition of three new pumping stations (Paez, Chiquillo and La Granjita) and upgrades to existing pumping stations. In connection with Project Potencia 135, and taking into consideration the capacity increases achieved under Project Delta 35, Ocensa added 135 kbpd of additional capacity to Segments I, II and III, bringing the total capacity 745,000 bpd. Ocensa's total investment in Project Potencia 135 was US$554 million.

AD600 Heavy Crude Project (2016): The AD600 Heavy Crude Project was an infrastructure upgrade project to allow for the transport of heavier crude oil (300 cSt to 600 cSt). This project generated an important competitive advantage by allowing Ocensa to charge an incremental tariff of US$0.45/bbl on heavy crude (300 cSt viscosity or higher). This initiative generates savings of up to US$3/bbl for customers in dilution cost and logistics. Ocensa's total investment in the AD600 Heavy Crude Project was US$21.5 million.

OBC Reversion Project (2017): The OBC Reversion Project was a joint project to allow for the temporary reversal of OBC's flow into the Ocensa Pipeline whenever the CLC is inoperative, avoiding shutdown of production in the Caño Limón field, and generating additional volumes through the Ocensa Pipeline. This project generated 67 kbpd of additional volume in 2019, of which 30 kbpd came from the Caño Limón field. Ocensa's total investment in the OBC Reversion Project was US$20.4 million.

Other expansion opportunities

In addition, Ocensa's management is currently analyzing potential expansion projects in relation to:

Access: Ocensa's management is currently considering the implementation of new infrastructure solutions that will allow its trunk system to receive greater production volumes;

Midstream consolidation opportunities: Ocensa's management is currently considering different opportunities including joint pipeline operation, integration of port operations, sharing of best practices and operational solutions for crude oil companies in Colombia; and

Operating other pipeline infrastructure systems in Colombia: Ocensa's management is currently evaluating opportunities to operate other pipeline infrastructure systems in Colombia.

Material Agreements

The primary agreements governing Ocensa's pipeline transportation operations are:

- the Pipeline Concession and Port Concession agreements,
- the transportation agreements Ocensa enters into with each of its customers, including the initial shippers and
- Ocensa's Shareholders' Agreement.

Pipeline Concession

On February 23, 1996 Ocensa entered into the Pipeline Concession agreement with the Colombian government acting through the MME in order to plan, build, operate and maintain a public pipeline crossing certain municipalities and departments in Colombia, and for the provision of hydrocarbon transport services. The Pipeline Concession became effective on March 21, 1996, and was amended on December 26, 1997 in order to incorporate certain improvements to the technical description of the Ocensa Pipeline. This amendment became effective on April 16, 1998. The Pipeline Concession is valid for an initial duration of 50 years commencing on March 21, 1996 and subject to renewal for an additional term of 20 years. Upon termination of the Pipeline Concession, all assets and facilities under the agreement will revert to the MME.

The Pipeline Concession was granted to build and operate the Ocensa Pipeline from the municipality of Tauramena, located in the department of Casanare, to the municipality of Tolú, located in the department of Sucre (sections Cusiana – La Belleza and Vasconia – Coveñas). Additionally, the Pipeline Concession authorizes Ocensa to request that the Colombian government expropriate any real property, or impose easements or rights of ways, that are necessary to perform the activities granted in the concession agreement. Moreover, subject to obtaining any required environmental permits, Ocensa is entitled to build any ways, roads and telephone lines that are necessary in order to perform the activities described in the Pipeline Concession.

Pursuant to the Pipeline Concession, Ocensa is obligated to provide crude oil transportation services to its customers uniformly and equally, except that the Colombian government shall have the preferential right to transport 20% of the Ocensa Pipeline's daily capacity. The applicable tariffs are determined at all times pursuant to the procedures established by the MME for such purposes, which should be set per barrel for each segment in compliance with the Petroleum Code.

In accordance with the Pipeline Concession, the Colombian government holds a preferential right to purchase the Ocensa Pipeline pursuant to local regulations on the thirtieth anniversary of the Pipeline Concession or upon expiration of the term of the Pipeline Concession or any extension thereof.

Pursuant to the Pipeline Concession, Ocensa is obligated to disclose certain tax and performance information to the Colombian government. In the event of a breach by Ocensa of its obligations under the Pipeline Concession, Ocensa is subject to penalties of US$5,000.00 per case or breach administered by the Colombian government. In order to secure compliance with the terms of the Pipeline Concession and payment of any due amounts or penalties, Ocensa delivered a surety guarantee to the Colombian government in the aggregate amount of Ps$17,553,386.00.

Because the Colombian government did not grant exclusivity rights to Ocensa under the Pipeline Concession, competitor pipelines may be developed along the same routes as the Ocensa Pipeline.

Pursuant to the applicable regulation and the Pipeline Concession, Ocensa must contribute annually the equivalent of 400 times the monthly legal minimum wage to a scholarship trust held by the MME. In 2019, the monthly legal minimum wage was US$ 227.60, resulting in an annual aggregate contribution of US$101,175.63

In accordance with the Pipeline Concession, the Colombian government may terminate the Pipeline Concession prior to its termination date in the event:

- Ocensa does not provide the stipulated services in accordance with the Pipeline Concession;

- Ocensa does not transport hydrocarbons for more than 120 days in a calendar year, except in the event of force majeure, acts of God, acts by third parties or with the permission of the Colombian government;

- Ocensa assigns its rights under the agreement to a foreign government or entities that depend on a foreign government, or to any third parties without the express consent of the MME;

- Ocensa charges tariffs higher than those determined pursuant to the procedures established by the MME;

- Ocensa refuses to sell the Ocensa Pipeline to the Colombian government in accordance with its preferential right;

- Ocensa is declared insolvent;

- Ocensa does not submit any technical disputes to a resolution by experts, as provided in the local regulation;

- any of Ocensa's officers or delegates contributes to any payment for the release of an abducted Ocensa officer or employee, or in the event Ocensa pays any amount resulting from extortion; and

- any of the events included in article 82 of Law 104 from 1993, relating to certain acts or omissions in respect of organized crime organizations or guerrilla groups, including but not limited to, (1) undertaking, tolerating, failing to act in respect of or ceding unjustifiably to threats from organized crime or guerrilla groups, (2) receiving, delivering, investing, financing, transferring or retaining money or property derived from or directed to organized crime or guerrilla groups, (3) assisting or collaborating with organized crime or guerrilla groups in any way, (4) building, assigning, providing or transferring property to assist these groups to shelter people, or (5) omitting to report any offenses by these organized crime or guerrilla groups.

Ocensa may terminate the Pipeline Concession at any time upon three months prior notice.

Port Concession

On December 6, 1996, Ocensa entered into the Port Concession with the General Superintendence of Ports and Transportation (*Superintendencia General de Puertos y Transporte*) pursuant to which Ocensa was granted the right to build and operate a crude oil export facility at the coast of Coveñas. Subsequently, Decree 101 of 2000 transferred the functions regarding port concessions from the General Superintendence of Ports and Transportation to the Ministry of Transport (*Ministerio de Transporte*). By means of Decree 1800 of 2003, Decree 2053 of 2003 and Resolution 007549 of 2003, the Port Concession was assigned to the National Concessions Institute (*Instituto Nacional de Concesiones*), which was ultimately formalized through amendment No.1 to the Port Concession on April 28, 2004. By means of Decree 4165 of 2013, the National Concessions Institute changed its legal status into a special nature agency under the name of National Infrastructure Agency (*Agencia Nacional de Infraestructura*), which assumed all rights and obligations of the National Concessions Institute, therefore becoming the contracting agency of the Port Concession.

Through amendment No. 2 to the Port Concession on October 24 of 2011, the Port Concession was changed from a private service port to a public service port, therefore allowing the Port Concession to provide services to everyone willing to accept the tariffs and operation conditions of the Port Concession, pursuant to Article 5.15 of Law 1 of 1991.

On April 15, 2013 the Colombian government issued the Port Expansion Plan by means of CONPES 3744 (adopted through Decree 1099 in 2013). CONPES 3744 establishes a new methodology for calculating the consideration payable under port concession agreements. This methodology is applicable to (1) new port concession agreements granted after the enactment of Decree 1099 of 2013 or (2) port concession agreements executed prior to the enactment of the decree but that are subsequently and substantially amended. Pursuant to Article 17 of Law 1 of 1991, Ocensa requested an amendment to the Port Concession in August 23, 2012 in order to exclude 40 meters of oceanfront from the area granted under the Port Concession. In connection to Ocensa's request, on August 2, 2013, the National Infrastructure Agency informed Ocensa that the new methodology would be applicable to the Port Concession and requested certain financial information from Ocensa in order to determine the new consideration payable under the Port Concession.

Ocensa withdrew its request for an amendment to the Port Concession and entered into an arbitration against the National Infrastructure Agency disputing the National Infrastructure Agency's decision to recalculate the Port Concession consideration pursuant to the CONPES 3744 methodology and requiring Ocensa to pay the outstanding difference. This arbitration concluded in 2018, and the arbitration court concluded that Ocensa breached certain obligations relating to the calculation of the consideration under the CONPES 3744 methodology. Notwithstanding this decision, Ocensa was not ordered to make any payment as a result of the breach. Consequently, the National Infrastructure Agency could initiate an action claiming the payment of the sums resulting from Ocensa's declared breach regarding the calculation of the consideration. Currently, Ocensa is pursuing the annulment of the arbitral award.

Pursuant to the Port Concession, Ocensa undertook the obligation to comply with the tariffs regime established by the Superintendence of Ports and Transportation. Additionally, under amendment No. 4 to the Port Concession executed on December 14, 2018 (which was later clarified by means of amendment No. 5 to the Port Concession executed on September 24, 2019), Ocensa is required to pay to the Colombian government (i.e. National Roads Institute – *INVIAS* and the San Antero Municipality), on an annual basis, a consideration which is calculated under the methodology established in CONPES 3744 of 2013. The total amount of consideration to be paid (including the fixed component and the variable component of the consideration) throughout the term of the Port Concession is estimated to be US$15,418,928, which results in an average annual consideration of US$1,682,105. However, Ocensa is required to annually index, calculate, and pay the consideration before March of each year.

Ocensa's main obligations under the Port Concession are to: (1) duly operate and maintain the port facilities, (2) pay the consideration referred to above, (3) grant and maintain the guarantees established therein, (4) duly pay its employees, (5) allow the Superintendence of Ports and Transportation to perform surveillance tasks, (6) comply with any legal requirements that are applicable as established by any authority,(7) obtain all permits and authorizations required for the operation of the facilities, (8) undertake the Port Concession's social management in accordance with the applicable law and Annex 1 of amendment No. 3 of the Port Concession executed on December 5, 2016; (9) accredit the availability of the adjacent land to the Port Concession whenever and as required by the National Infrastructure Agency; (10) guarantee the availability of resources for the contracting of an external auditor (*Interventoria*) for the Port Concession through the National Infrastructure Agency; and (11) lawfully carry out its operations.

Any breach of Ocensa's obligations under the Port Concession may result in: (1) fines by the National Infrastructure Agency, which depend on the type of default, but which should not surpass 20% of the value of the contract (which, as of the date of amendment No. 4 to the Port Concession, was estimated to be US$15,418,928), which could be imposed pursuant to amendment No. 3 to the Port Concession; (2) interventions in the operation of the port facilities; or (3) early termination with a prohibition on entering into public contracts, as prescribed by local regulation.

The Port Concession is valid for an initial term of 20 years as of December 6, 1996. According to the Port Concession, it may be renewed for an additional term of 20 years, subject to (1) Ocensa's submission of a renewal request at least six months prior to the scheduled termination of the Port Concession, (2) the approval by the National Infrastructure Agency, (3) the further execution of the correspondent amendment to the Port Concession, and (4) the extension of the guarantees described below. Furthermore, pursuant to ruling C-068 of 2009 by the Colombian Constitutional Court, port concession contracts may only be extended once. Following both of the aforementioned considerations on the conditions for the extension of the Port Concession, the Port Concession was extended for 20 years through amendment No. 3 to the Port Concession and is now in force until December 6, 2036. Pursuant to Article

8 of Law 1 of 1991 and the Port Concession, once the term expires Ocensa has the obligation to revert to the National Infrastructure Agency not only the land received under concession, but all fixtures and real estate located on that land.

The Port Concession may be suspended in the event of force majeure for as long as two years, after which, if the force majeure events continue to affect the Port Concession, Ocensa may opt either for the termination of the Port Concession or to continue its performance.

The National Infrastructure Agency may terminate early the Port Concession with a prohibition on entering into public contracts (*caducidad*) any time upon the occurrence of any of the following events, among others:

- a default by Ocensa that materially and directly affects port operation under the Port Concession;

- the assignment of Ocensa's rights under the Port Concession without the National Infrastructure Agency's consent; or

- Ocensa's repeated default under the Port Concession such that the public interest is materially affected.

In the event the Port Concession is terminated by the National Infrastructure Agency following the occurrence of any of the foregoing events, Ocensa will be obligated to pay a penalty in an amount equal to 10% of the total consideration payable by it under the Port Concession.

Pursuant to amendment No. 3 to the Port Concession, Ocensa is required to grant and maintain throughout the performance of the Port Concession, the following guarantees:

In order to secure compliance with its obligations under the Port Concession, including the payment of fines and penalties, Ocensa is required to grant a performance guarantee to the National Infrastructure Agency in an amount equal to 3% of the amount of the investment plan approved pursuant to the Port Concession (which, as of amendment No. 4, is equal to US$56,739,467), but not exceeding 100 times the monthly legal minimum wage. This guarantee must be valid for the entire term of the Port Concession plus six additional months, and may be obtained and/or renewed periodically every five years.

In order to secure the timely and proper payment of salaries, social security items and any applicable indemnification of its personnel, Ocensa is required to grant a surety guarantee to the National Infrastructure Agency equal to 5% of the consideration (which, as of amendment No. 4 to the Port Concession, is estimated to be US$15,418,928). This guarantee must be valid for the complete term of the Port Concession plus three additional years and may be obtained and/or renewed periodically every five years.

Additionally, in order to ensure the quality of the maintenance services performed over the works in the public land and in the destination real estate, Ocensa is required to grant a surety guarantee to the National Infrastructure Agency equal to 5% of the value of the assets subject to reversion but in any case less than 100 times the legal minimum wage. This guarantee must be valid for two years after the execution of the reversion agreement.

In order to ensure the stability of the works built on public land, Ocensa is required to grant a surety guarantee to the National Infrastructure Agency equal to 5% of the value of the constructed work but in any case less than 100 times the legal minimum wage. This guarantee must be valid for five years following the termination of the corresponding work, which we shall notify to the National Infrastructure Agency for its verification.

Finally, in accordance with the Port Concession, Ocensa is required to maintain an insurance policy to indemnify the National Infrastructure Agency against any civil liabilities and torts resulting from damages caused by the operation of the port terminal. This insurance amount should be equivalent to 10% of the amount of the investment plan approved pursuant to the Port Concession according to amendment No. 4. This guarantee must be valid for the entire term of the Port Concession plus six additional months and may be obtained and/or renewed periodically every five years.

Transportation Agreements

<u>Agreements with initial shippers</u>

Ocensa has entered into transportation agreements with shippers of crude oil, including the initial shippers, which govern the crude oil transportation services it provides. Ocensa entered into transportation agreements with the initial shippers on March 31, 1995, as amended and restated on January 17, 2013, and these agreements terminate on December 31, 2093. Except for transportation capacity assigned to a particular initial shipper, the terms and conditions of each of the transportation agreements executed with an initial shipper are identical.

Pursuant to the terms of Ocensa's transportation agreements, an initial shipper must inform Ocensa of the daily average amount of crude oil to be transported during a calendar month two months in advance. The shipper must deliver the crude oil to a designated entry point and collect the crude oil at an identified exit point along the Ocensa Pipeline. Upon prior notice to Ocensa, the rights and obligations of an initial shipper under a transportation agreement may be extended to its affiliates up to the contracted capacity of the initial shipper, provided that the shipper and its affiliate are jointly responsible for the initial shipper's obligations under the transportation agreement. In addition, an initial shipper may temporarily or permanently assign its contracted capacity to a non-affiliated third party, provided that the assignee complies with the obligations set forth in the transportation agreement and due notice is provided to Ocensa.

To the extent an initial shipper does not fully utilize its contracted capacity in any given calendar month, Ocensa is permitted to allocate the remaining contracted capacity at its discretion for that calendar month.

Ocensa's transportation agreements with the initial shippers are based upon the "ship and pay" module, pursuant to which Ocensa is required to make available to each shipper a specified contracted capacity irrespective of whether the initial shipper transports a volume of crude oil that is lower than the initial shipper's contracted capacity. Tariffs under the transportation agreements are paid to Ocensa per each barrel received from a shipper. In the event any amounts owed to Ocensa become due and payable for over 60 days, in addition to applying a penalty interest rate on such amounts, Ocensa is entitled to sell the initial shipper's crude oil under market conditions, or, in the event Ocensa is unable to sell such crude oil, to cease receiving crude oil from the initial shipper for transportation until (1) Ocensa has received payment in full of any amounts owed, and (2) the initial shipper establishes an irrevocable surety guaranty for any payment the initial shipper may owe to Ocensa over the following six months. During the suspension of an initial shipper, Ocensa may choose to allocate such initial shipper's contracted capacity in its discretion. Ocensa may also suspend service to any initial shipper if it owes any amounts due and payable for over 90 days.

Transportation agreements may be terminated by an initial shipper prior to the contract term upon six months prior notice by the initial shipper.

Ocensa may terminate a transportation agreement upon notice to an initial shipper in the event:

- an initial shipper delivers less than 85% of the crude oil previously informed to Ocensa in a calendar month, for at least four months in a calendar year, affecting its capacity program and its ability to fulfill its obligations with other initial shippers;

- of a delay in payment of more than 60 days more than four times in a calendar year;

- (1) failure to pay any invoice for a term of over 180 days or (2) upon the suspension of shipments to an initial shipper for more than 90 days;

- failure of an assignee to maintain any applicable rating and other condition necessary for the assignment, and such failure occurs for more than 60 days; or

- upon a change of control of an initial shipper that results in an assignment of the transportation agreement, if the requirements for any such assignment under the transportation agreement are not satisfied within the 60 days following the change of control.

Pursuant to Ocensa's transportation agreements with the initial shippers, it may not enter into new transportation agreements that affect in any way the rights of the initial shippers without their prior consent. In addition, Ocensa may contract with third parties to sell any excess transportation capacity under its transportation agreements with the initial shippers, and its relationships with these third parties are governed by its transporter's manual.

Ocensa has executed, and anticipates that it will continue to execute, transportation contracts in connection with certain of its expansion projects based upon a "ship or pay" module.

"Ship or Pay" contracts

In 2014, Ocensa entered into "ship or pay" contracts with five shippers in connection with the capacity expansion achieved by the completion of Project Potencia 135 in December 2016 for a total of 135 kbpd, plus reserve capacity contracts of 10 kbpd for Segments I, II and III of the Ocensa Pipeline. "Ship or pay" contracts range from eight to ten years, and services under the "ship or pay" contracts are paid regardless of the effective use of the capacity or the segment by which the crude enters or exits the pipeline. The initial contractual tariff agreed upon by the parties was of US$8.3382/bbl for 2016 adjusted by (i) type of crude transported and (ii) length of each contract. This tariff is adjusted annually by a fixed rate of 2.57%, until the expiration of the contracts.

In April 2017, two shippers filed a request for an arbitration proceeding alleging the tariff mechanism above was illegal. As a result of the proceeding, on July 12, 2018, Ocensa entered into a settlement agreement, which resulted in amendments to the "ship or pay" agreements with the five shippers. The tariffs included in such amendments are detailed in the table below:

Tariff US$/bbl	2017	2018	2019	2020	2021	2022	2023
Segment I	0.48335	0.4958	0.5086	0.5216	0.5351	0.5488	0.563
Segment II	3.06728	3.1462	3.2272	3.3102	3.3954	3.4828	3.5725
Segment III	2.64987	2.7181	2.788	2.8598	2.9334	3.0089	3.0863
Total	**6.2005**	**6.3601**	**6.5238**	**6.6916**	**6.8639**	**7.0405**	**7.2218**

The table below sets forth the contracted capacity by shipper for the "ship or pay" contracts.

Shipper	**Capacity** *(in kbpd)*	**Contract Length** *(years)*
Ecopetrol	70.0	10.0
Frontera	30.0	8.0
Hocol	17.5	10.2
BP/Gunvor	10.0	3.2
Vitol	17.5	8.5
Total contracted capacity/ average contract duration	**145.0**	**9.4**

"Ship and Pay" contracts

Under "ship and pay" contracts, each shipper has transportation rights valid until 2093. Total contracted volumes amount to 198.0 kbpd, 603.0 kbpd, 603.2 kbpd and 407.0 kbpd for Segments 0, I, II and III of the Ocensa Pipeline, respectively, as illustrated below. Under "ship and pay" contracts, the shippers pay for the transportation services based on the actual capacity used on a monthly basis. The tariff for "ship and pay" contracts are set according to MME regulations.

Contracted Capacities *(in kbpd)*	**Segment** 0	I	II	III
Ecopetrol	138.8	422.7	422.7	285.3
Frontera	9.9	30.2	30.2	20.4
Repsol	19.2	58.5	58.5	39.5
CEPSA	9.9	30.2	30.2	20.4
Total	10.3	7.4	7.4	77.2
Vitol		24	24	14
Equion	9.9	30.2	30.2	20.4
Total contracted capacity	**198.0**	**603.2**	**603.2**	**407.2**

Shareholders' Agreement

On March 31, 1995, Ocensa entered into a shareholders' agreement, which was later terminated. A new shareholder's agreement was entered into on January 17, 2013 and subsequently amended on May 24, 2013. The Shareholders' Agreement will remain valid until the date Ocensa's shares are (1) registered in the Colombian National Registry for securities and issuers and (2) listed on the Colombian stock exchange in connection with an initial public offering. In addition to corporate governance matters, Ocensa's Shareholders' Agreement governs certain operational matters, including the contractual capacities of the initial shippers along the Ocensa Pipeline. For a discussion of certain corporate governance provisions under Ocensa's Shareholders' Agreement. See "Principal Shareholders – Shareholders' Agreement."

Other Material Agreements

Among other material agreements, Ocensa has entered into:

- a joint operation agreement with ODC and Cenit, since September 30, 1999 under which Ocensa is entitled to a certain percentage for the common operation of the TLU-3 for the purpose of loading oil tankers on demand at Coveñas Terminal. The current total annual amount corresponding to Ocensa for this joint operation agreement is US$3,609,523. Pursuant to its terms, this agreement continues until either party determines otherwise. Ocensa has continually exercised the renewal option.

- a lease agreement with Oleoducto Bicentenario, for tank storage capacity, dated January 24, 2014, pursuant to which Oleoducto Bicentenario will make available for lease (i) up to 500,000 barrels per month of nominal capacity storage tanks of Oleoducto Bicenetenario and (ii) up to 1,080,000 barrels after deduction of surplus of the Oleoducto Bicentenario in its tanks. Ocensa pays a fixed monthly amount of US$102,800 plus a variable amount per barrel. This agreement has a five-year term, which began on June 12, 2015. The current agreement will end on July 11, 2020 and it will not be renewed

- a maintenance agreement with Ismocol de Colombia SA. (Ismocol), dated October 24, 2019, pursuant to which Ismocol provides Ocensa with preventive and corrective mechanical maintenance, as well as service and care in emergencies. This agreement is valid for three years and may be renewed for an additional term of one year. The consideration paid by Ocensa pursuant to this agreement for the first three years is estimated to total Ps$95,638,209,154 plus the corresponding value added tax for services provided to Ocensa under the agreement.

- a maintenance agreement with Massy Energy Colombia SAS., (Massy Energy), dated April 01 2019, pursuant to which Massy Energy provides Ocensa integral maintenance of pipeline stations and power generation systems. This agreement is valid for three years and may be renewed for an additional term of two years. The consideration paid by Ocensa for the term of this agreement for the first three years is estimated to total Ps $89,849,171,925, plus the corresponding value added tax for services provided to Ocensa under the agreement.

- an agreement with UNIÓN TEMPORAL CTT - MARINOS, dated February 25, 2015, through which UNION TEMPORAL MARINOS provides Ocensa with maritime services to the offshore terminal and the contingency equipment operation. This contract was initially valid for five years commencing on March 1, 2015 and was extended for an additional six months until August 31, 2020. The amount paid by Ocensa during the term of this agreement is estimated to total US$ 23,307.61.

- an agreement with Gas Natural S.A. E.S.P. (now VANTI), dated October 27, 2015 for the delivery of gas to El Porvenir, Paez and Miraflores stations of the pipeline. Pursuant to this agreement, Ocensa is obligated to consume or pay 70% of the contracted 10865 MBTUD of gas. The term of the agreement is seven years beginning December 1, 2015.

- an agreement with ENEL-EMGESA S.A. E.S.P., dated December 23, 2019 for the delivery of energy in Vasconia, Caucasia and Coveñas stations of the pipeline. Pursuant to this agreement, Ocensa is obligated to pay for electricity consumption based on the monthly utilization made by the Vasconia, Caucasia and Coveñas stations of the pipeline, for a fee of 209.10 Ps$/kWh for the non-regulated components: Generation and Commercialization (G+C). The term of the agreement is three years beginning January 1, 2020 and will expire in December 31, 2022.

- an agreement with Industrias Inversiones y Servicios Delrio SAS (Delrio), dated August 16, 2019 for the supply and injection services of drag reducing agents for the crude oil transportation system. This agreement is valid for three years. The estimated amount to be paid by Ocensa under this agreement is US$25,957,574 before taxes.

- an agreement with Parex, dated September 20, 2019 for crude oil supply for operational and energy generation use.

- This agreement is valid for two years. The estimated amount to be paid by Ocensa under this agreement is US$48,545,565 before taxes.

- an agreement with Surtigas S.A E.S.P. since December 1, 2015 for gas delivery to the La Granjita station of the pipeline. This agreement is valid for a term of seven years. Pursuant to this agreement, Ocensa is obligated to consume 3000 MBTUD of gas. The estimated amount to be paid by Ocensa under this agreement is US$23,860,789.

- an Engineering, Procurement and Construction agreement with CONSORCIO MONOBUOY-CIS 2019, dated as of April 30, 2019, pursuant to which CONSORCIO MONOBUOY-CIS provides Ocensa engineering, procurement and construction services related to the replacement of the Monobuoy System in the Coveñas Terminal. This agreement is valid for 21.5 months and it is not renewable. The consideration paid by Ocensa pursuant to this agreement for the first three years is estimated to total US$22,489,694, plus the corresponding value added tax for services provided to Ocensa under the agreement.

Transporter's Manual

The administration and operation of the Ocensa Pipeline are subject to Ocensa's transporter's manual, which was established by Ocensa on January 14, 2011 and which is valid indefinitely beginning March 2011. Ocensa's transporter's manual governs commercial relationships among Ocensa, the initial shippers, other shippers and any third parties that use its service and transport crude oil through the Ocensa Pipeline but are not counterparty to a transportation agreement with it.

Ocensa's transporter's manual establishes (1) the procedures that must be followed in order for shippers to designate an amount of crude oil to be transported daily during the following second calendar month and (2) the guidelines pursuant to which Ocensa must allocate transportation capacity along the Ocensa Pipeline to shippers.

Pursuant to Ocensa's transporter's manual, Ocensa must prioritize its allocation of transportation capacity along the Ocensa Pipeline as follows:

1. the preferential right by the Colombian government to transport 20% of the Ocensa Pipeline's capacity;

2. shippers that are a party to a transportation agreement with respect to their respective contracted capacities;

3. shareholders for the transportation of crude oil in excess of their respective contracted capacities;

4. (a) shippers that are not Ocensa's shareholders for the transportation of crude oil in excess of their respective contracted capacities; (b) shippers that are not Ocensa's shareholders and do not have contracted capacities with Ocensa; and (c) third parties. Each of these categories of shippers must be given the same preference and will be selected on a "first come" basis; and

5. other shippers.

Ocensa's transporter's manual also details the manner in which crude oil must be delivered and collected by shippers and the penalties to be imposed in the event the agreed volume of crude oil is not actually delivered by shippers.

In accordance with the procedures set forth in Ocensa's transporter's manual and notwithstanding any guarantees provided separately to Ocensa, in the event a shipper fails to pay any amounts due to Ocensa, Ocensa may be entitled to (1) sell the crude oil delivered by the relevant shipper to it in an amount necessary to cover any such shortfall and (2) cease transporting crude oil on behalf of such shipper until Ocensa has received payment in full or the corresponding shortfall has been fully guaranteed.

In the event of inconsistencies between the provisions of Ocensa's transportation agreements and those of its transporter's manual, the provisions of Ocensa's transportation agreements typically prevail.

Health, Safety and Environmental Responsibilities

Since its incorporation, Ocensa has achieved high levels of health, safety and environment ("HSE") standards, having obtained Occupational Health and Safety Management System Certification, ("OHSAS 18001:07"), and Environmental Management System Certification ("ISO 14001:04"), since 2005. Moreover, Ocensa continuously audits and examines its operations in order to ensure that it effectively protects the health and safety of its employees and its contractors' employees and the integrity of the environment. Ocensa intends to continue to improve its corporate HSE policies by structuring and identifying processes and risks that impact control, improving emergency preparedness responses and applying OHSAS 18001:07 and ISO 14001:04 standards.

Health and Safety

The health and safety of Ocensa's employees and its contractors' employees is a key focus of Ocensa's operations. Ocensa promotes a culture of prevention and emphasizes continuous improvement in the process of risk management, seeking to preserve the integrity of its employees and its contractors' employees and of the communities located near its assets.

Each year, Ocensa consolidates management and intervention programs for accident prevention and diseases into an annual program that addresses occupational HSE. The annual program, based on compliance with national legislation, industry agreements and technical guidelines relating to prevention and protection, is intended to mitigate the principal risks and identified impacts of Ocensa's operations and to increase preparedness for emergencies, both by Ocensa's employees and third-party service providers.

Based on the results of Ocensa's annual evaluations, Ocensa develops diagnostic tools for each worksite and conducts outreach programs in order to generate information that it may analyze and to strengthen health and safety at the individual and corporate level. To maximize discourse and action on health and safety, Ocensa has formed:

(a) the Joint Committee on Occupational Health (*Comité Paritario de Salud Ocupacional*) ("COPASO"), registered with the Ministry of Social Protection;

(b) Monthly Strategic Revision of HSE Performance comprised of a wide array of company leaders and supervisors;

(c) Weekly Tactical Revision of HSE Implementation - with operation supervisors; and

(d) Improvement Circles – joint field revision with contractors.

Ocensa also developed training programs and manuals directed at its employees and contractors based on the "safe start" regime (developed by Dupont) in order to strengthen safety awareness. The regime is focused on recognizing and preventing behaviors that result in errors before they occur.

The table below sets forth certain HSE metrics for the periods indicated.

	For the three-month period ended March 31,		For the year ended December 31,		
	2020	**2019**	**2019**	**2018**	**2017**
HSE Metrics:					
Recordable injury frequency(1)	0.96	0.93	0.84	0.44	0.44
Absenteeism rate - general illness(2)	3.47	2.93	3.15	2.68	3.18
Rate of days lost(3)	1.11	1.25	1.63	1.71	2.22
Rate of Occupational disease rate(4)	0	0	0	0	0
Number of fatalities	0	0	0	0	0
Vehicular accidents	0	0	0	0	2
Number of onshore spills	0	0	0	1	0
Number of offshore spills	0	0	0	0	1
Number of Incidents resulting in damage greater than U.S.$5,000.00	0	0	0	0	0

(1) Corresponds to Recordable Injury Frequency ("RIF"), of Ocensa's contractors, given that the RIF of Ocensa's employees is 0. Calculated as total accidents divided by total hours worked multiplied by 200,000.
(2) Calculated as total absent days divided by total hours worked multiplied by 200,000.
(3) Includes days lost due to accidents of contractors. Calculated as total days lost divided by total hours worked multiplied by 200,000.
(4) Calculated as total cases of occupational diseases divided by total hours worked multiplied by 200,000.

Environmental Matters

One of Ocensa's objectives is to prevent and control the negative impacts of its operations on natural resources and the environment. In addition to its environmental license, which was granted in 1995 by the then Ministry of the Environment, and the acquisition of environmental licenses for each of its stations, Ocensa invests heavily in environmental initiatives. In 2017, Ocensa invested US$653,102 in environmental initiatives through its HSE department, a portion of which was directed towards soil protection and basins (geotechnical protection works, erosion and landslides prevention), due to the heavy rains that affected the area surrounding the Ocensa Pipeline. In

2018, Ocensa invested through its HSE department US$1,618,854 in environmental initiatives. In 2019, Ocensa invested through its HSE department US$1,863,994 in environmental initiatives. For the three month period ended March 31, 2020, Ocensa invested through its HSE department US$277,640 in environmental initiatives.

In Ocensa's environmental management plan, which was approved by the Ministry of Environment and Sustainable Development (*Ministerio de Ambiente y Desarrollo Sostenible*) through the resolution 952 dated August 31, 1995, as amended, Ocensa outlines the activities necessary to prevent, mitigate, correct and compensate for environmental impacts generated by a project over the course of its various stages. Ocensa's environmental protection efforts include:

- reducing emissions;
- managing waste;
- energy efficiency;
- water preservation;
- biodiversity; and
- spill prevention and remediation.

Reducing emissions

Ocensa has identified its main source of emissions as the operation of combustion engines that help move crude oil through the Ocensa Pipeline. Because its combustion engines operate on crude oil, emissions are primarily nitrogen oxides, sulfur oxides, carbon dioxides and particulate matter. These emissions, as well as the air quality of the surrounding areas, are measured annually to test the environmental impact of Ocensa's operations. Ocensa has historically reported emission levels well below annual and daily limits established by law.

	Year Ended December 31, 2019		
	Particulate Matter	**Nitrogen oxides**	**Sulfuric oxides**
Emissions by Station:		*(in $\mu g/m^3$)*	
Port of Coveñas(1)	34.08	<51.33	<18.31
Cusiana(1)	59.72	57.24	19.93
La Belleza(1)	42.53	64.02	18.27
Miraflores(1)	81.67	<57.37	<19.63
El Porvenir(1)	44.53	64.02	19.33
Annual daily average limit	100	60	250
Daily limit	300	150	50

(1) Data according to annual tests of air quality conducted in 2019.

Ocensa has created a number of initiatives to reduce emissions. Strict routines for engine maintenance optimize internal combustion, thereby reducing emissions from fuel combustion. For pumping station engines that consume crude oil, Ocensa is designing a clean development mechanism ("CDM") that aims to reduce the crude oil consumption of each motor by approximately 30% and replace this amount with natural gas. Ocensa also uses a videoconferencing system to minimize vehicular transport and implement strict practices to avoid the emission of refrigerant gases, which deplete the ozone.

Waste management

Ocensa complies with applicable national legislation and seeks optimal alternatives for the management and disposal of waste in order to prevent contamination of resources or compromise its employees' health. Ocensa takes particular care with hazardous wastes produced by its operations. Approximately 99% of this hazardous waste is disposed of through incineration, and the remaining 1% of this hazardous waste is sent to manufacturers for recycling or secure storage for later disposal.

Energy efficiency

Ocensa utilizes various strategies to maximize energy efficiency, such as solar technology and visual aids that remind employees to turn off the lights or shut down equipment that is not being used. The majority of Ocensa's energy use comes from its administrative centers, particularly in the city of Bogotá, where Ocensa established a new office with more natural light in order to reduce energy use.

	For the three-month period ended March 31,		**For the year ended December 31,**		
	2020	**2019**	**2019**	**2018**	**2017**
Energy Consumption by Facility:	*(in kilowatt hours)*				
Cusiana	68,804,261	92,296,469	361,651,158	365,148,811	364,256,326
El Porvenir	186,389,542	163,223,438	748,115,641	653,370,982	633,693,080
Páez	51,873,083	51,141,555	211,396,898	166,144,337	143,506,067
Miraflores	117,934,587	122,245,842	505,153,932	448,313,749	382,932,931
La Belleza	80,780	64,680	259,380	235,148	209,220
Vasconia	13,431,948	14,448,415	56,596,341	52,456,034	47,924,701
Chiquillo	27,668,813	30,866,892	112,957,891	77,038,789	45,764,698
Caucasia	32,108,642	42,140,320	121,073,246	111,174,820	116,870,857
La Granjita	40,818,372	40,032,760	160,426,629	134,370,116	96,786,783
Port of Coveñas	5,659,298	6,166,799	24,162,991	18,387,837	15,699,396
Total	544,769,326	562,627,170	2,301,794,107	2,026,640,623	1,847,644,059

Biodiversity

Although the Ocensa Pipeline does not significantly impact surrounding ecosystems because of its underground design, Ocensa promotes the development of biodiversity in the Ocensa Pipeline's area of influence through both mitigation and compensation. Mitigation seeks to restore the environment to its original conditions before the commencement of a project by fostering conservation and soil protection, thereby helping to prevent erosion and landslides. Compensation establishes protected areas with reforestation of land in the area of influence of the Ocensa Pipeline.

Spill prevention and remediation

Ocensa has mechanisms in place to prevent offshore and onshore spills. In the past three years, it has experienced one onshore spill (2018) and one offshore spill (2017). The offshore spill occurred on October 21, 2017 and resulted from a loss in containment of a floating hose at the Port of Coveñas. This incident resulted in the spillage of 13.5 bbls of crude oil. The aggregate clean-up costs associated with this spill totaled US$ 1,154,003 and was accounted for as an operating cost. The onshore spill occurred in limits between the municipalities of Otanche and Puerto Boyacá (Boyacá) (PK274) and resulted from a typical valve failure due to lube fitting. This incident resulted in the spillage of 1.06 bbls of crude oil. The aggregate clean-up costs associated with this spill totaled US$2,379,784 and was accounted for as an operating cost.

CARE

In 2015, Ocensa implemented the "CARE" strategy, an integrated, stakeholder-focused framework for the treatment of health safety, environmental awareness and social responsibility. Pursuant to the "CARE" strategy, policies with respect to each of six stakeholder groups are considered, including the following:

- Ocensa's People: Caring for the people associated with the business. Between 2017 and 2019 zero occupational diseases were reported and Ocensa decreased the rate of lost days by 27%. Recordable injury frequency (RIF) indicator also showed a sharp decrease of 63% compared with 2015 levels, staying below 1.0, in spite of an increase in 2019 compared with 2018.

- Ocensa's Community: Establishing trust-based relationships with communities in the pipeline's area of influence, with an emphasis on women's development. In 2019, Ocensa invested over US$2.65 million in partnership programs with communities, local authorities, and NGOs focused especially on its commitment to women's development programs.

- Ocensa's Environment: Developing projects to mitigate its environmental impact and adapt to climate change, including conservation, spill prevention and remediation strategies. Ocensa actively implements energy efficiency projects targeted to substantially decreasing noise and carbon dioxide emissions. During 2018 and 2019, Ocensa accumulated emission reductions for 65,000 tons of CO2.

- Ocensa's Allies: Adding value to customer services and capturing new business opportunities. Over the last three years, Ocensa has completed capacity expansion project Potencia 135, in addition to several integration and competiveness projects.

- Ocensa's Assets: Establishing policies and processes to protect its pipeline infrastructure, maintenance systems and reputation. Ocensa identifies new project opportunities and improvement initiatives, such as accident prevention initiatives, as well as caring and maintaining the knowledge and expertise of its personnel, and efficiently allocates capital to them.

- Institutions (governmental and regulatory authorities): Maintaining positive relationships with authorities and a high quality standard to ensure the continued availability of government authorization and contracts. In 2017, Ocensa established a Risk and Compliance department to manage its governance, risk and control functions in an integrated manner, including compliance with applicable regulations.

Employees

The table below sets forth the number of Ocensa's employees, Ocensa's turnover and Ocensa's turnover ratio as of the dates indicated:

	As of March 31, 2020	As of December 31, 2019	2018	2017
Number of Employees	288	288	275	286
Turnover	4	9	12	9
Turnover Ratio(1)	1.4%	3.1%	4.4%	3%

(1) Calculated as turnover divided by number of employees, expressed as a percentage.

Under the guidance of Ocensa's senior management and through its selection process, Ocensa has access to talented employees, having also established successful retention measures and implemented beneficial labor practices. As a result of these efforts, Ocensa's labor environment index was 76.3 in 2017 and 76.5 in 2018, as published by Great Place to Work in 2019.

Ocensa's Relationships with Labor Unions

As of the date of this offering memorandum, Ocensa has not entered into any collective bargaining agreements with its employees, and none of its employees are represented by unions.

However, Ocensa's labor relationships may be influenced by the Syndicated Labor Union of the Petroleum Industry (*Unión Sindical Obrera de la Industria del Petróleo*, or the "USO"). While this union originally represented only Ecopetrol's employees, it is currently an "industry union," as regulated under Colombian law, and represents employees of contractors that render services to oil and gas companies. In accordance with its terms, employees of contractors may be covered under and are beneficiaries of the collective bargaining agreement established between the USO and Ecopetrol, with the costs of any compliance with the collective bargaining agreement assumed by the contractor or direct employer.

The USO yields significant influence in Ocensa's industry's labor relationships and has been instrumental in the transformation of the collective legal framework for trade unions in Colombia.

Third-Party Service Providers

In the ordinary course of Ocensa's operations, it contracts third-party service providers, including related parties, to assist it in conducting its business. Material third-party service providers include:

- Parex Resources Colombia LTDA: Crude oil supplier for oil transport.

- Gas Natural SA. ESP: Power energy supply for the Coveñas, Vasconia and Caucasia terminals of the Pipeline.

- Ecopetrol: Lease agreement of TLU-3 at Terminal Coveñas for loading crude oil in ship storage oil.

- Massy Energy Colombia SAS: integral maintenance of OCENSA pipeline station and power generation system among others.

- Industrias Inversiones y Servicios Del Rio: The supply of drag reducing agents set for crude oil transportation system.

- Ismocol de Colombia SA.: Pipeline preventive, corrective and emergency maintenance services.

See also "—Material Agreements" and "Related Party Transactions."

Corporate social responsibility

Ocensa's infrastructure passes through 45 municipalities in six Colombian states. Ocensa has a significant number of stakeholders throughout the country and, as such, it is committed to the development of the municipalities and regions in which it operate. Aside from the environmental and social investments it make to comply with the Colombian regulatory framework, Ocensa has implemented programs that are in line with the United Nations Sustainable Development Goals.

Since 2015, Ocensa started the program "Mujer y Desarrollo" (*Women and Development).* With this program it promotes gender equality by empowering women in the areas it serve. The program has three prongs:

- **Women and education:** focused on empowering women by promoting access to higher education. As of December 31, 2019, 142 women in 22 municipalities have participated.

- **Women and family**: focused on strengthening women's relationships with their families and improving their quality of life. During 2018 and 2019, Ocensa partnered with 315 families, building capacity to lead family projects as well as improving their dwellings by either providing them with a new home or making improvements to reduce overcrowding in their existing home and as such enhance their quality of life.

- **Women and community**: focused on empowering women through leadership within the community or as business leaders. Ocensa seeks to strengthen women's role in public, economic and political matters as well as through promotions and increasing awareness of women's rights. During 2019, Ocensa promoted 500 women entrepreneurs and financed 300 projects involving jewelry, gastronomy, organic food, fish, fruits, honey, among others.

Through each of these prongs, Ocensa shows its commitment not only to the "*Gender equality,*" "*Quality education*" and "*Decent work and economic growth*" goals in the United Nations Sustainable Development Goals but also to Colombia's development. In Ocensa, all corporate responsibility investments are designed and implemented in alliance with a wide array of public institutions, NGOs and private companies.

Properties, plant and equipment

Ocensa's main assets consist of its crude oil transportation pipeline and its related terminals, stations and facilities, including facilities located at the Port of Coveñas. See "—Ocensa's Principal Assets and Operations" for a description of Ocensa's properties, plant and equipment.

As of March 31, 2020, the net book value of Ocensa's properties, plant and equipment totaled US$1,451 million, representing 75% of its assets.

Intellectual property

Ocensa's intellectual property rights portfolio includes trademarks which are used as strategic tools in the generation of new ways to produce and optimize its process and to protect its business activities. Ocensa aims to protect the value of its intellectual property by establishing its ownership rights through trademarks and other relevant conventions and agreements and by using legal and regulatory recourse in the event of infringement by a third party.

Insurance

Ocensa believes that it currently maintains customary insurance of the types and amounts that are generally consistent with industry practice in the geographic regions of Colombia in which it operates. Ocensa maintains insurance policies covering risks related to damage to property and persons, among others, but do not maintain business interruption insurance.

Ocensa identifies, evaluates, controls, when possible, and transfers the risks that affect people, assets and income related with its business. Ocensa implements a risk focus method to evaluate potential risks. Once a risk is identified and measured in terms of frequency and severity, Ocensa decides whether the risk should be transferred (either to an insurance company or to another party) or whether it should assume the risk in light of preventive measures available to it. It is a customary practice that local insurers transfer to foreign reinsurers a determined percentage of the risks insured through their respective policies, due to the high value of said insured risks.

Legal and Administrative Proceedings

Ocensa is party to various legal proceedings in the ordinary course of its business. Other than as disclosed in this offering memorandum, Ocensa is not currently involved in any litigation or arbitration proceedings, including any proceedings that are pending or threatened of which it is aware, that Ocensa believes will materially adversely affect it. Other legal proceedings that are pending against or involving Ocensa, including several tax proceedings before Colombian tax authorities and courts, are routine in nature to the conduct of its business. See "Risk Factors—Risks Relating to Ocensa's Business and Industry—Ocensa may incur losses and spend time and money defending pending lawsuits and arbitrations."

As of March 31, 2020, Ocensa was a party to 15 tax proceedings as plaintiff, three other administrative proceedings as plaintiff and 16 other administrative proceedings as defendant (which include nine constitutional actions for the protection of collective rights, or *acciones populares*). Ocensa was also a party to five civil proceedings as plaintiff and 13 as defendant before Colombian courts. Ocensa has established provisions of US$3.75 million for legal claims, US$2.66 million for administrative actions in which Ocensa is a plaintiff and, US$1.09 million for a civil proceeding in which Ocensa is a defendant. Ocensa also participates in two pending claims for the protection of fundamental constitutional rights (*acción de tutela*), in 87 proceedings regarding easement rights in which Ocensa was enjoined, two claims that are not considered to be legal proceedings (but could be in the future) in addition to certain administrative investigations.

As of March 31, 2020, Ocensa provisioned a total aggregate amount of US$3.75 million for legal claims, of which US$1.09 million was related to a civil claim initiated against Ocensa and US$2.66 million was related to two administrative claims initiated by Ocensa. As noted below, Ocensa is unable to determine the amount involved in certain of its legal proceedings given their nature and/or current stage.

The following is a summary of certain material legal proceedings brought against Ocensa as of the date of this offering memorandum.

Constitutional Action Proceedings

As indicated above, Ocensa is party to various constitutional actions for the protection of collective rights.

Ocensa is a defendant in a constitutional action initiated against Ocensa, Ecopetrol and Oleoducto de Colombia, by Alberto Jiménez. The plaintiff requests the protection of several collective rights allegedly violated by the defendants, specifically, the right to (1) security, (2) public health, (3) prevention of disasters, and (4) construction of buildings and facilities in compliance with applicable regulations. Pursuant to the complaint, the plaintiff requests that (1) the defendants be ordered to submit a proposal to the owners of these lands (located within a 250 meter radius of the limits of Caño Limón-Coveñas pipeline terminal) in order to acquire their land and (2) the relevant area be declared a danger zone in order to prevent its future habitation. A settlement hearing (*audiencia de pacto de cumplimiento*) is currently pending in this proceeding, which is currently in the initial stage prior to the gathering of evidence. Ocensa's outside counsel has advised that it is currently not possible to determine the probability of an adverse judgment to Ocensa, or the amount of the possible award. Given the nature of the action and its regulation under Colombian law, these types of claims are not subject to statutory limits and as such, a judge's discretion is not limited by law and the ruling may order the defendants to take any action that the judge finds pertinent to protect collective rights. Accordingly, Ocensa has not established a provision for this proceeding.

Ocensa is co-defendant with Ecopetrol in certain class actions initiated by Alvaro Berrio de Hoyos, John Jairo Rendón and others. The plaintiffs seek the recovery of alleged environmental and personal damages resulting from crude oil spills which occurred in July and August 2014. The amount of the claims calculated by the claimants is approximately US$3.6 billion.

Taking into account that most evidence in the case is still pending, the defendants' lawyer has assessed that the possibility that the Administrative Tribunal (i) recognizes the plaintiffs' claims as possible and (ii) orders the defendants to pay the full amount of the claims as remote. Therefore, Ocensa has not established a provision for these class actions.

Administrative proceedings

<u>Action for annulment of tariff regulation</u>

Ocensa is an intervener (*parte coadyuvante*) to the annulment action filed in 2019 against the pipelines' tariff regulations that have been in place since 2010 when issued by the MME. The plaintiffs claim that the MME has exceeded its statutory powers on setting the tariffs for pipelines beyond the limits established in the Colombian Petroleum Code. The plaintiffs also argue that the tariff regulations grant unreasonable profits to pipelines, as plaintiffs further argue that the methodology enables pipeline companies to gain excessive returns over initial investments.

Ocensa joined the MME to the litigation in defense of the regulation. The main arguments in support of the tariff regulations are that the Colombian Petroleum Code empowers the MME to review and regulate both the tariffs for pipelines, as well as the methodology to set such tariffs. Moreover, the regulation seeks to ensure that pipeline companies gain reasonable returns over the market value of investments. As such, on September 19, 2019, Ocensa filed its opposition to the plaintiff's request for provisional measures. On December 13, 2019, the Council of State denied the plaintiff's request for provisional measures. Afterwards, on December 18, 2019, the plaintiff filed an amendment to its action for annulment, which is currently under the review of the Council of State.

Proceedings against the Ministry of the Environment and Sustainable Development related to environmental matters

Ocensa is a plaintiff in two different proceedings before the administrative jurisdiction against the Colombian government acting through the Ministry of Environment and Sustainable Development, in which Ocensa seeks the annulment of certain resolutions issued by this regulatory agency. Ocensa is seeking that Resolutions 431 of 2009, 2913 and 4034 of 2011, by which the Ministry of Environment and Sustainable Development and the ANLA rejected some investments in benefit of the water basins located around the pipeline's area of influence, be declared void. In both proceedings, the first ruling favored the ANLA and, Ocensa appealed. The Council of State decision on the appeal is pending in both cases.

These resolutions pertain to Ocensa's obligation to contribute 1% of the capital invested for material projects along the Ocensa Pipeline (including expansions and improvements) in connection with which Ocensa uses water from natural sources in order to recover and preserve hydrographic basins.

Ocensa has consistently argued that it has complied with this obligation with respect to both of its environmental licenses. The Ministry of the Environment and Sustainable Development did not recognize Ocensa's compliance and issued the Resolutions. Ocensa is currently awaiting a determination of the court of second instance in these proceedings and has provisioned the estimated resources to comply with the obligation to contribute 1% of capital invested. On June 2018, Ocensa applied to a temporary regime granted by law and voluntarily submitted an investment plan to comply with the obligation to contribute 1% of the capital invested, and the ANLA approved it. According to the investment plan approved, Ocensa will comply with this obligation within the next 4 years.

As of March 31, 2020, Ocensa's aggregate provision totaled US$2.1 million.

Administrative inquiries initiated by the Superintendence of Ports and Transportation and Capitanía de Puerto de Coveñas

The Superintendence of Ports and Transportation and the Capitania de Puerto de Coveñas initiated ex officio investigations in connection with crude oil spills occurred on October 21, 2017, in the Gulf of Morrosquillo. The investigations will determine whether Ocensa is responsible for the spills and the alleged damages sought by members of the community. If the Captaincy and the Superintendence of Ports and Transportation find that Ocensa breached any applicable law for marine operation, it may impose sanctions on Ocensa. The investigations are in the evidentiary stage.

Environmental authorities may also initiate environmental sanction investigations in connection with the crude oil spills that occurred on July 20, 2014 and October 21, 2017. These investigations may entail the imposition of sanctions such as: (i) daily fines of up to 5,000 times the monthly legal minimum wage; (ii) suspension of related activities; and/or (iii) revocation or termination of environmental licenses, permits or authorizations.

Other environmental investigations

Ocensa is the subject of seven ongoing environmental investigations in which the relevant environmental authorities pursue to determine whether Ocensa breached applicable environmental regulations and, consequently, decide to impose sanctions, including fines. These environmental sanctions could range from the imposition of daily fines up to 5,000 times the monthly legal minimum wage, to the suspension of activities or the revocation or termination of environmental licenses, permits or authorizations held by Ocensa and required to operate its business. Additionally, in the event Ocensa is considered an environmental infringer, such designation will be listed in the Unique Environmental Infringers Registry-RUIA, which may cause reputational damage to Ocensa. These sanctions are applied without prejudice to the relevant civil, criminal or disciplinary actions.

Other legal proceedings

Actions for annulment and restoration of rights against the Colombian National Tax and Customs Administration (*Dirección de Impuestos y Aduanas Nacionales*) ("DIAN"), to be submitted *(Acción de nulidad y restablecimiento del derecho)*.

In April 2018, Ocensa received a special requirement (*requerimiento especial*) from the DIAN regarding the 2015 tax payment. Ocensa provided detailed information regarding the tax statement and payment. In January 2020, the DIAN resolved the requirement and rejected Ocensa's arguments related to import of heavy equipment and issued an official liquidation of taxes for 2015, ordering Ocensa to pay additional taxes and sanctions of US$1.8 million. Ocensa will initiate an action for annulment and restoration of rights against the 2015 DIAN official liquidation of taxes.

The DIAN has considered that Ocensa is responsible for a Special Contribution for Public Works Contracts and a stamp tax for the National University and it issued official liquidations for eight contracts executed by Ocensa. The amount of these official liquidations is approximately US$1.4 million. Ocensa is preparing an action for annulment against these DIAN official liquidations.

Action for annulment and restoration of rights (Acción de nulidad y restablecimiento del derecho) initiated by us against Superintendence of Ports and Transportation

Ocensa is seeking the reversal of an award from the Superintendence of Ports and Transportation regarding a payment of a surveillance contribution to be declared void and the reimbursement of the corresponding payments made in 2001. The amount of the claim is approximately US$ 0.7 million. The Council of State decision is pending.

Arbitration Proceedings

Currently, Ocensa is party to three arbitration proceedings related to contractual disputes, against Tecnitanques Ingenieros S.A.S., Frontera Energy Colombia Cor. Sucursal Colombia and, Frontera Energy Corporation. The estimated amount of the claims in each case is less than US$4 million.

Arbitration tribunal initiated by Ocensa against Equion Energía Limited and Santiago Oil Company

On February 18, 2019, the arbitration tribunal issued an award and declared that (i) Equion and Santiago were obliged to restore to Ocensa the line fill barrels, at US $93.17 per barrel, plus indexation and moratorium interest; (ii) Equion and Santiago in bad faith failed to comply with the transportation contracts by ignoring the existence of the negative balance and refusing to return it; and (iii) Equion and Santiago must pay Ocensa approximately US$76.1 million (US$50.7 million capital plus US$24.7 million interest and, court costs of US$0.6 million). On March 26, 2019, Ocensa received payment from Equion and Santiago and the income was recognized as of March 31, 2019.

After the arbitration and the payment, Equion and Santiago filed an extraordinary appeal for annulment of the arbitral award and, on May 9, 2019, Ocensa filed a response opposing this extraordinary request. The decision of the Council of State on the extraordinary appeal for annulment is currently pending.

MANAGEMENT

AI Candelaria

Board of Directors

We are managed by our Board of Directors, which, in accordance with the Company's by-laws, consists of a minimum of three directors and a maximum of twelve. The Board of Directors currently consists of six members elected by our shareholders. Our by-laws provide that members of our Board of Directors are elected for an indefinite period of time. There are regularly scheduled meetings of the Board of Directors on a quarterly basis. Meetings may be called by the Chairman or acting Chairman or by one third of the directors.

The following are the current members of our Board of Directors:

Director	Position	Age	Member of the Board of Directors Since
Chucri Hjeily	Director and Chairman	37	2020
Maurizio Arbulu Canepa	Director	29	2020
Manuel Enrique Romero Valdez	Director	29	2020
Maximiliano Graña	Director	37	2020
Global Taihem, S.L.U., represented by Guillermo Mata Cister	Director	34	2020
José Emilio Arango López de Letona	Director	39	2020
Miguel Liria Plañiol	Secretary non-Director	48	2017

Biographical Information

Chucri Hjeily. Mr. Hjeily has been a member of the Company's board of directors since 2020. He has over 13 years of experience in portfolio management in various industries including power generation, gas distribution, toll roads, among others. Mr. Hjeily currently serves as Managing Director of I Squared and previously served as Vice President of investments at Global Infrastructure Partners. Mr. Hjeily holds a bachelor's degree in Computer Science and Commerce from the University of Washington in Seattle and a master's degree in Business Administration from the Wharton School at the University of Pennsylvania.

Maurizio Arbulú Canepa. Mr. Arbulú has been a member of the Company's board of directors since 2020. He has over eight years of experience in investment banking. Mr. Arbulú currently serves as Senior Associate at I Squared and has previously worked at Credit Suisse, Nexus Group S.A and Citibank. Mr. Arbulú holds a bachelor's degree in Business Administration and Finance from Universidad del Pacifico (Peru) and a master's degree in Management and Organization from Toulouse Business School.

Manuel Enrique Romero Valdez. Mr. Romero has been a member of the Company's board of directors since 2020. He has over four years of experience in mergers and acquisitions and the oil and gas sector. Mr. Romero currently serves as Chief Financial Officer of Primax Colombia. Previously, he worked as Head of Mergers and Acquisitions at Grupo Romero. Mr. Romero holds a bachelor's degree in mechanical engineering, a bachelor's degree in Economics from the Massachusetts Institute of Technology, and a master's degree in Business Administration from Stanford's Graduate School of Business.

Maximiliano Graña. Mr. Graña has been a member of the Company's board of directors since 2020. He has over 12 years of experience in banking and mergers and acquisitions. Mr. Graña currently serves as Director, Head of Mergers and Acquisitions at Grupo Romero and previously worked as Vice President of investment banking at Credit Suisse. Mr. Graña holds a degree in Business Administration from the University of West Florida and a master's degree in Business Administration from NYU's Stern School of Business.

Guillermo Mata Cister. Mr. Mata has been a member of the Company's board of directors since 2020. He has over 10 years of experience in corporate restructuring and mergers and acquisitions. Mr. Mata is an associate at Latorre y Asociados Consultoría, S.L. ("Latorre y Asociados"). Prior to joining Latorre y Asociados, he worked at NR2 Abogados and DLA Piper, where he advised on backruptcy proceedings and mergers and acquisitions. Mr. Mata holds a dual degree in Law and Business Administration from Universidad Autónoma de Madrid, a master's degree in Corporate Law from Universidad Autónoma de Madrid and a master's degree in Insurance Law from Universidad Nacional de Educación a Distancia (UNED).

José Emilio Arango López de Letona. Mr. Arango has been a member of the Company's board of directors since 2020. Prior to joining the Company, he served as Vice President of I Squared within the investment team. He also served as Chairman of Grupo T-Solar and as a board member of several portfolio companies. Prior to I Squared, Mr. Arango worked at Isolux Corsán, a global company focused in the areas of concessions, energy, construction and industrial services, where he served as Corporate Development Director. Mr. Arango holds a bachelor's degree in Business Administration from San Pablo CEU University in Madrid and a master's degree in Business Administration from IE Business School in Madrid.

Miguel Liria Plañiol. Mr. Liria has been the Secretary non-member of the Company's board of directors since 2017. Mr. Liria is a managing partner of Liria & Veiga Abogados ("Liria & Veiga"), a law firm associated with Latorre y Asociados. Prior to joining Liria & Veiga, he worked at Uría & Menéndez Abogados ("Uría Menéndez") for ten years. Mr. Liria has first-hand experience in Latin American matters having lead Uría Menéndez's Santiago de Chile office between January 2002 and June 2005. His practice focuses on commercial and company law, mergers and acquisitions, construction projects, corporate restructuring and insolvency. Mr. Liria holds a bachelor's degree in Law from the Universidad Complutense de Madrid.

Ocensa

Ocensa is managed by a board of directors whose members are selected by its shareholders. Ocensa's executive officers are responsible for the day-to-day operation of its business.

Board of Directors

Ocensa is managed by a board of directors consisting of five members, each having one alternate. Ocensa's board of directors determines the guidelines and general policies of its business, including its long-term strategies. Ocensa's board of directors also nominates and designates its executive officers. The business address of the board of directors is the same as Ocensa's, Carrera 11, No. 84-09, 10th floor, Bogotá D.C., Colombia.

In accordance with Ocensa's Shareholders' Agreement, its shareholders nominate its board members in the following proportion: (1) Cenit may appoint three members of its board of directors, two of which must be independent members pursuant to criteria set forth in Article 44 of Law 964 of 2005; and (2) Ocensa's minority shareholders may nominate two members.

A qualified majority of at least four out of five board members is required to approve certain decisions, including but not limited to, Ocensa's business plan and any amendments thereto, projects involving amounts higher than US$100 million, transactions involving amounts higher than US$500,000 to be carried out between Ocensa and any shareholder or any affiliate thereof (except for transactions related to services rendered by Ocensa and based on regulated tariffs), Ocensa's involvement in new lines of business that are substantially different from its current activities and are not contained in its business plan and the issuance and placement of shares and other securities below fair market value.

The current members of Ocensa's board of directors were elected by its shareholders at various meetings held between 2014 and 2020 and will serve indefinitely until otherwise determined at a shareholders' meeting or upon resignation.

Name	Age	Position	Professional Experience

Hector Manosalva	58	Member	35
David Yanovich	50	Independent Member	20
Juan Guillermo Serna	65	Independent Member	38
Maximiliano Graña	37	Member	12
Chucri Hjeily	37	Member	13
Alternates:			
Ana Milena López	39	Alternate Member	15
Ernesto Fajardo Pinto	55	Alternate Independent Member	30
Mauricio Reina	57	Alternate Independent Member	34
Marco Aurelio Peschiera Fernández	48	Alternate Member	24
Maurizio Arbulú Canepa	29	Alternate Member	9

Biographical Information

The following is a summary of the business experience and education of the current members of Ocensa's board of directors.

Members

Hector Manosalva. Mr. Manosalva has been a member of Ocensa's board of directors, nominated by Cenit, since March 2019. He has over 35 years of experience in oil and gas. Mr. Manosalva currently serves as Chairman of Cenit, and has served in various positions at Ecopetrol including as Vice President of Exploration and Production and as Vice President of Development and Production. Mr. Manosalva holds a degree in Petroleum Engineering from Universidad de América (Colombia) and postgraduate studies in Finance and Executive Management.

David Yanovich. Mr. Yanovich has been an independent member of Ocensa's board of directors, nominated by Cenit, since March 4, 2015. He has over 20 years of experience in the power and energy sectors. Mr. Yanovich currently serves as President and Partner of Cerrito Capital S.A.S. and he currently serves on the board of directors of Celsia S.A., one of Colombia´s largest publicly traded utilities, and Unimed Pharmaceuticals, a Malta based pharmaceutical corporation with operations in Latin America. Previously, he served as Chief Executive Officer of Colgener and served on the board of directors of ODL, OBC and Credifamilia. He has also served as an investment banker at Corporación Financiera del Valle. Mr. Yanovich holds a degree in Industrial Engineering from the Universidad de los Andes and a master's degree in Economics from the London School of Economics.

Juan Guillermo Serna. Mr. Serna has been an independent member of Ocensa's board of directors, nominated by Cenit, since January 17, 2013. He has 35 years of professional experience holding various positions within the public and private sector. He currently serves on the board of directors of Avianca Holdings, Inversiones GLP and Plexa S.A. Notable positions previously held by Mr. Serna include President of Organización Terpel S.A., Director of the Colombian Financial Institution's Guarantee Fund (*Fondo de Garantías para las Instituciones Financieras*), member of the President of Colombia's Economic Committee, Vice President of Organización Corona S.A., Director of Colombia's Budgetary Office, Auditor for the Colombian Coffee Growers Federation and General Secretary of Colombian Securities and Exchange Commission. Mr. Serna holds bachelor's degrees in Business Administration and Economics, and a master's degree in Economics, each from the Universidad Nacional de Colombia.

Maximiliano Graña. Mr. Graña has been a member of Ocensa's board of directors, nominated by AI Candelaria, since February, 2020. He has over 12 years of experience in banking and mergers and acquisitions. Mr. Graña currently serves as Director, Head of Mergers and Acquisitions in the Grupo Romero Investment Office and previously worked as Vice President in investment banking at Credit Suisse. Mr. Graña holds a degree in Business

Administration from the University of West Florida and a master's degree in Business Administration from NYU's Stern School of Business.

Chucri Hjeily. Mr. Hjeily has been a member of Ocensa's board of directors, nominated by AI Candelaria, since February 2020. He has over 13 years of experience in portfolio management in various industries including power generation, gas distribution, toll roads, among others. Mr. Hjeily currently serves as Managing Director of I Squared and previously served as Vice President of investments at Global Infrastructure Partners. Mr. Hjeily holds a bachelor's degrees in Computer Science and Commerce from the University of Washington in Seattle and a master's degree in Business Administration from the Wharton School at the University of Pennsylvania.

Alternates

Ana Milena López. Ms. López has been an alternate member of Ocensa's board of directors for Héctor Manosalva, nominated by Cenit, since 2018. Ms. López has a wide experience in capital markets, has worked as Vice President of Emerging Markets at JP Morgan, as well as positions in the Colombian government in the Public Credit Department. Ms. López holds a degree in Economics from Harvard University and a master's degree in Finance from Columbia Business School.

Ernesto Fajardo Pinto. Mr. Fajardo has been an alternate independent member of Ocensa's board of directors for Juan Guillermo Serna Valencia, an independent member nominated by Cenit, since January 2013. He has over 30 years of experience and is currently the Chief Executive Officer of Alpina Productos Alimenticios S.A. He previously worked for Monsanto Company and he was the President of Inversiones Mundial S.A. from September 2009 until December 2012. Mr. Fajardo holds a bachelor's degree in Business Administration from Colegio Mayor de Nuestra Señora del Rosario and a master's degree in Business Administration from the Washington University in St. Louis.

Mauricio Reina. Mr. Reina has been an alternate independent member of Ocensa's board of directors for David Yanovich, nominated by Cenit, since 2014. Mr. Reina serves on the board of directors of Nutresa S.A. and has served as Vice Minister of Foreign Trade, Subdirector at Fedesarrollo, and is a recognized speaker in economics. Mr. Reina holds a bachelor's degree in Economics and a master's degree in Economics from Universidad de los Andes (Colombia) and a master's degree in International Relations from John Hopkins University.

Marco Aurelio Peschiera Fernández. Mr. Fernández has been an alternate member of Ocensa's board of directors for Maximiliano Graña, nominated by AI Candelaria, since February 2020. He has over 24 years of experience in investment portfolio management. Mr. Fernández currently serves as Chief Executive Officer at the Grupo Romero Investment Office and previously worked as Managing Director at The Carlyle Group. He is a member of the board of directors of Alicorp, Primax S.A. and Tramarsa – Maritime. Mr. Fernández holds a master's degree in Business Administration from The Wharton School at the University of Pennsylvania.

Maurizio Arbulú Canepa. Mr. Arbulú has been an alternate member of Ocensa's board of directors for Chucri Hjeily, nominated by AI Candelaria, since February 2020. He has over eight years of experience in investment banking. Mr. Arbulú currently serves as Senior Associate at I Squared Capital and has previously worked at Credit Suisse, Nexus Group S.A and Citibank. Mr. Arbulú holds a bachelor's degree in Business Administration and Finance from Universidad del Pacifico (Peru) and a master's degree in Management and Organization from Toulouse Business School.

Advisory Committees

Audit committee

The audit committee was created by Ocensa's board of directors on March 18, 2013 through the merger of its former financial committee and audit committee. The main duties of this committee are (1) to review Ocensa's financial situation and provide recommendations to the board of directors relating to the approval of budgets, financial statements, insurance programs and (2) to develop an annual audit plan to monitor Ocensa's compliance with its obligations under its contractual agreements (including covenants), internal procedures and any controls it has implemented to promote transparency. This committee also (1) monitors Ocensa's financial condition, investments, strategies for funding or financing projects, its risk policies and its hedging strategies, and (2) reviews and suggests approval of any significant change in Ocensa's accounting policies or any relevant tax matters.

The following table sets forth the current composition of our financial and audit committee:

Name	Age	Position	Professional Experience
David Yanovich	50	Member Board of Directors	20
Juan Guillermo Serna Valencia	65	Member Board of Directors	38
Maximiliano Graña	37	Member Board of Directors	12
Ana Milena López	39	Member Board of Directors	15
Maurizio Arbulú	29	Member Board of Directors	9

Compensation committee

This committee is responsible for drafting and providing recommendations to Ocensa's board of directors regarding its compensation policy, including salary increases and performance bonuses, pursuant to which it aims to provide competitive compensation within its industry and promote internal equality. This committee is also responsible for evaluating the performance of Ocensa's senior management and providing recommendations to its board of directors regarding the approval and appointment of qualified individuals. The Compensation Committee also monitors the results of, and any action plans implemented in connection with, the "*Great Place to Work*" employee survey.

The following table sets forth the current composition of Ocensa's compensations committee.

Name	Age	Position	Professional Experience
Hector Manosalva	58	Member	35
David Yanovich	50	Member	20
Juan Guillermo Serna Valencia	65	Member	38
Maximiliano Graña	37	Member	12
Chucri Hjeily	37	Member	13
Ana Milena López	39	Alternate Member	15
Ricardo Mauricio Reina	57	Alternate Member	34
Ernesto Fajardo Pinto	55	Alternate Member	30
Marco Aurelio Peschiera	48	Alternate Member	24
Maurizio Arbulú	29	Alternate Member	9

Executive Officers

Ocensa's executive officers are responsible for executing its guidelines and general policies, including its long-term strategies established by its board of directors, and for managing its day-to-day operations.

Ocensa's current executive officers were appointed on the dates below and will serve for an indefinite term.

Name	Age	Position	Professional Experience	Appointed on
Alexander Cadena	49	Chief Executive Officer	25+	March 2020
Leonardo Alcala	55	Audit Director	25+	January 2018
Luis Carlos Gaitan................	56	Compliance & Risk Director	25+	November 2018

Rosemery Carrillo	40	Chief Financial Officer	19	May 2016
Adriana Londoño.................	45	General Counsel	21	October 2017
Camilo Dominguez...............	43	Integral Responsibility Director ad hoc	16	
Maria Fernanda Tamayo.......	51	Human Resources Director	25+	September 2016
Hernán Bedoya	61	Operations Director	25+	November 2009
Carlos Vergara......................	54	Supply Chain Director ad hoc	25+	December 2019

Alexander Cadena. Mr. Cadena has been Ocensa's Chief Executive Officer since March 2020. He has over 25 years of experience in the oil and gas industry and a number of distinguished positions at different companies within Ecopetrol's Corporate Group. Mr. Cadena holds a bachelor's degree, cum laude, in Chemical Engineering and a master's degree in Business Administration from Universidad Externado de Colombia.

Leonardo Alcala. Mr. Alcala has been Ocensa's Audit Director since 2017. He has over 25 years of experience as an auditor. Mr. Alcala held a number of distinguished positions at Gran Tierra and Deloitte prior to joining Ocensa. He holds is a CPA from Universidad Católica de Venezuela and a master's degree in Business Administration from Australian Catholic University (ACU).

Luis Carlos Gaitan. Mr. Gaitan has been Ocensa's Compliance and Risk Director since November 2018. He has over 25 years of experience in industrial materials and hydrocarbons. Mr. Gaitan held a number of distinguished positions at General Motors prior to joining Ocensa in 2018. He holds a bachelor's degree in Economics from Universidad la Gran Colombia and postgraduate diploma in Finance Management from Universidad de la Salle.

Rosemery Carrillo. Ms. Carrillo has been Ocensa's Chief Financial Officer since May 2016. She has over 19 years of financial experience, having begun her career as a senior financial analyst at BP. She has broad industry experience, having held positions in Colombia, the United Kingdom and the United States. Ms. Carrillo holds a bachelor's degree in Industrial Engineering from the Universidad de los Andes and a master's degree in Business Administration from the Kellogg School of Management at Northwestern University.

Adriana Londoño. Ms. Londoño has been Ocensa's General Counsel since October 2017. She has over 21 years of experience in legal matters, having previously served as the General Counsel of Cenit from December 2012 to September 2017. Ms. Londoño has advised multinational and national companies in fields of commercial, corporate and environmental law, with an emphasis on contractual and regulatory matters. Ms. Londoño holds a law degree from the Colegio Mayor Nuestra Señora del Rosario, and a postgraduate certificate in Law and Management from Yale University.

Camilo Dominguez. Mr. Dominguez has been Ocensa's Integral Responsibility Director since 2019. He has over 16 years of experience. Mr. Dominguez held a number of distinguished positions at UNICEF, ICBF and Fundación Telefónica prior to joining Ocensa. He holds a bachelor's degree in Economics and Anthropology from the Universidad de los Andes and a master's degree in Public Policy and Administration from the London School of Economics and Political Science.

Maria Fernanda Tamayo. Ms. Tamayo has been Ocensa's Human Resources Director since September 2016. She has over 25 years of experience. Ms. Tamayo held a number of distinguished positions at Equion Energia, Emerald Energy and Vetra Exploracion y Producción prior to joining Ocensa. She holds a bachelor's degree in Social Work from Universidad de la Salle and pursued post graduate studies in Human Resources Management from Universidad Externado de Colombia.

Hernán Bedoya. Mr. Bedoya has been Ocensa's Transportation and Assets Director since November 2009. He has over 25 years of experience in the crude oil transportation industry with Ecopetrol, where Mr. Bedoya held several positions in the crude oil transportation value chain. Mr. Bedoya holds a degree in Industrial

Engineering from the Universidad de Antioquia, in Colombia, and postgraduate degrees in the crude oil and gas management field, including master's degree in Business Administration from the Universidad Sergio Arboleda.

Corporate Governance Code

On October 22, 2013, Ocensa's board of directors adopted its code of corporate governance, which is applicable to its management, employees, and shareholders. Ocensa's corporate governance code contains rules governing its board of directors and shareholders' meetings, composition of its board, compensation of executive officers, internal controls, risk management, committees of its board of directors, conflicts of interest and social responsibility, among other matters. The code of corporate governance was updated on May 19, 2020.

Compensation

In 2019, 2018 and 2017, the aggregate salary compensation paid to Ocensa's executive officers totaled US$1,804,744, US$ 2,350,436, and US$2,206,957, respectively, and the aggregate compensation paid to Ocensa's board of directors in 2019 totaled US$118,118, US$146,924 in 2018 and US$144,716 in 2017.

Pursuant to the general meeting of Ocensa's shareholders held on January 13, 2013, the compensation of its board of directors was established at four times the monthly legal minimum wage in Colombia (currently US$227.60) per meeting attended. As such, in accordance with Ocensa's operational budget for 2020, the aggregate compensation for its board of directors is anticipated to total US$153,935.

PRINCIPAL SHAREHOLDERS

AI Candelaria

The shares of AI Candelaria are owned 50% by LIC and controlled by I Squared, through its private fund ISQ, and 50% by ECH and controlled by Grupo Romero.

AI Candelaria Shareholders' Agreement

The shareholders agreement of AI Candelaria, as amended and restated as of April 13, 2020 (the "AI Candelaria Shareholders Agreement") contains corporate governance provisions establishing the relationship among AI Candelaria and its shareholders, including in respect of the following matters:

Board of Directors

In accordance with the AI Candelaria Shareholders Agreement, the board of directors of AI Candelaria consists of six members. LIC and ECH are each permitted to nominate and appoint three members to the board of directors of AI Candelaria, so long as each shareholder holds at least 45% of the equity securities of AI Candelaria. In the event that either shareholder ceases to own 45% of the equity securities of AI Candelaria, such shareholder will be required to cause one of the members of the board of directors appointed by such shareholder to resign, and the composition of the board of directors will automatically become five members. Furthermore, if either shareholder ceases to hold at least 10% of the equity securities of AI Candelaria, such shareholder must cause all of the members of the board of directors appointed by such shareholder to resign, and the other shareholder will have the right to appoint all five members to the board of directors.

Any matter to be voted on by the board of directors of AI Candelaria requires the approval of a majority of the directors. In the event that either LIC or ECH holds at least 20%, but less than 45%, of the equity securities of AI Candelaria, any Fundamental Matter (as defined below) also requires approval of the director nominated by such shareholder.

Appointment of Ocensa Directors

Pursuant to the Shareholders Agreement, each of LIC and ECH is entitled to nominate one principal and its respective personal alternate director to the board of directors of Ocensa (each, an "Ocensa Director") in accordance with the bylaws of Ocensa as long as each such shareholder holds at least 45% of the equity securities of AI Candelaria. In the event that either LIC or ECH ceases to hold at least 45% of the equity securities of AI Candelaria, AI Candelaria is required to cause the Ocensa Director who was appointed by such shareholder to resign from the board of directors of Ocensa and to replace such Ocensa Director with a nominee of the shareholder of AI Candelaria that continues to hold at least 45% of the equity securities of AI Candelaria.

Ocensa Matters

Pursuant to the Shareholders Agreement, any acts, expenditures, decisions and obligations to be made or incurred by Ocensa that require a vote of the shareholders of Ocensa or the board of directors of Ocensa (each, an "Ocensa Matter") are required to be referred to and considered by the board of directors of AI Candelaria.

As long as LIC and ECH each owns at least 45% of the equity securities of AI Candelaria, neither AI Candelaria (in its capacity as a shareholder of Ocensa) nor any Ocensa Director is permitted to cast a vote in respect of any Ocensa Matter unless and until the members of the board of directors of AI Candelaria have unanimously determined how AI Candelaria (in its capacity as a shareholder of Ocensa) or the Ocensa Directors, as applicable, should vote on such Ocensa Matter. In the event that the board of directors of AI Candelaria fails to unanimously determine how AI Candelaria (in its capacity as a shareholder of Ocensa) or the Ocensa Directors, as applicable, should vote on any Ocensa Matter, AI Candelaria (in its capacity as a shareholder of Ocensa) or the Ocensa Directors, as applicable, is required to vote against such Ocensa Matter.

Fundamental Matters

The following are referred to as "Fundamental Matters" in the Shareholders Agreement:

with respect to Ocensa:

- the approval of a dividend in contravention of the dividend policy of Ocensa; and
- the approval of a new project in excess of $100,000,000

with respect to AI Candelaria:

- any change to the organizational documents of AI Candelaria in contravention of the rights of the shareholders under the AI Candelaria Shareholders Agreement;
- any changes to the legal form of AI Candelaria;
- any recapitalization, stock split or reclassification of the capital stock of AI Candelaria;
- any redemption or repurchase of equity securities of AI Candelaria, other than on a pro rata basis, and any legally binding agreement to enter into any of the Fundamental Matters.

Shareholder Matters

Each shareholder of AI Candelaria is entitled to one vote for each share held by such shareholder on all matters required to be voted on, consented to, or determined or approved by the shareholders of AI Candelaria pursuant to applicable law. Except as provided under applicable law, all matters submitted to the vote of the shareholders of AI Candelaria will be approved by the affirmative vote of a majority of the shareholders present.

In the event that a matter submitted to a vote of the shareholders of AI Candelaria results in a deadlock at two successive meetings of the shareholders of AI Candelaria, such matter must be submitted to representatives appointed by each of LIC and ECH for resolution.

Ocensa Bonds

Each shareholder is prohibited from purchasing and/or holding any bonds of Ocensa or any bonds of AI Candelaria for so long as such shareholder holds equity securities of AI Candelaria. Additionally, neither shareholder is permitted to take any action with respect to its equity securities of AI Candelaria that would reasonably likely result in the occurrence of a "Change of Control Event" (as defined in the Indenture), a rating downgrade of the Notes or a "Default" or "Event of Default" under the Indenture.

Ocensa

The following table sets forth information concerning the ownership of Ocensa's capital stock as of March 31, 2020 by its controlling shareholders. Ocensa's controlling shareholders have the overall power to control Ocensa, including the power to establish its management policy.

	Common Shares	
Shareholders	**Number of Shares**	**% of Total**
Cenit(1)	3,747,910	72.648%
AI Candelaria(2)	1,153,140	22.352%

Darby Colpatria Capital (3)(4)	257,950	5.00%
Total	**5,159,000**	**100%**

(1) A wholly-owned subsidiary of Ecopetrol, the Colombian national crude oil and gas company and Colombia's largest producer of crude oil and gas.
(2) Shares held indirectly by ISQ and Grupo Romero.
(3) A private equity investment vehicle of Franklin Templeton.
(4) Shares held indirectly by Darby Colpatria Capital through a shareholding trust.

Ocensa Shareholders' Agreement

The Shareholders' Agreement contains corporate governance provisions establishing the relationship among Ocensa and its shareholders, including in respect of the following matters:

Qualified Majorities in Shareholders' Meetings

Pursuant to the Shareholders' Agreement, the following decisions must be approved by a majority of Ocensa's shareholders that (1) comprises Cenit (or any of its affiliates) and at least one additional shareholder, and (2) represents at least 90.1 % of our total outstanding shares:

- approve that a particular issuance of shares, of any class, be offered and traded without being subject to preemptive rights;
- create or issue any shares other than common shares;
- approve the creation of temporary reserves for an amount equal to or higher than 10% of the net profits;
- approve any profit distribution other than 100% of available distributable earnings;
- declare the payment of dividends in the form of paid-in shares of any class, or in kind;
- approve amendments to Ocensa's by-laws seeking to: (1) modify Ocensa's corporate purpose; (2) modify Ocensa's dividends distribution policy; (3) include in Ocensa's by-laws the preferential rights in the negotiation of shares or establish any restriction to the free marketability of shares; (4) declare Ocensa's voluntary wind-up, merger, spin-off or dissolution; (5) modify the number of members composing the board of directors of Ocensa or any of the qualifying majorities to adopt decisions in the shareholders' meeting or in the board of directors, as provided in the Shareholders' Agreement and the by-laws; or (6) modify any of the qualifying majorities set out in the Shareholders' Agreement;
- approve the listing Ocensa's shares on a stock exchange and the corresponding initial public offering; and
- approve repurchasing any of Ocensa's outstanding shares.

Pursuant to the Shareholders' Agreement, the following decisions must be approved by a majority of Ocensa's shareholders that (1) comprises Cenit (or any of its affiliates) and at least one additional shareholder, and (2) represents at least 85% of our total outstanding shares:

- create reserves under Ocensa's corporate by-laws; and
- transfer or sell any of Ocensa's assets which are worth at least US$50 million.

Moreover, any issuance of shares representing Ocensa's capital stock must be approved by a majority of Ocensa's shareholders that (1) comprises Cenit (or any of its affiliates) and at least one additional shareholder, and (2) represents at least 80% of our total outstanding shares.

The following decisions must be approved by a majority of shareholders comprising the greater of (1) Cenit (or any of its affiliates) and at least one additional shareholder, or (2) more than 50% Ocensa's total outstanding shares:

- amending Ocensa's by-laws for purposes of changing the legal entity under which it was incorporated;
- transfer any of Ocensa's assets with a market price equal to or greater than US$25 million but less than US$50 million;
- approve any public offering of securities issued or secured by Ocensa, other than the listing and initial public offering of Ocensa's shares on a stock exchange;
- approve the valuation of in-kind contributions to Ocensa;
- approve temporary reserves of an amount lower than 10% of net profits; and
- approve amendments to an agenda of a special shareholders' meeting.

Board of Directors

<u>Appointment and qualified majorities</u>

In accordance with the Shareholders' Agreement, Ocensa's shareholders nominate and appoint the board members in the following proportion: (1) Cenit may nominate three members of the board of directors, two of which must be independent members pursuant to criteria set forth in Article 44 of Law 964 of 2005; and (2) Ocensa's minority shareholders may together nominate two members total.

Pursuant to the Shareholders' Agreement a qualified majority of at least four of Ocensa's five board members is required to:

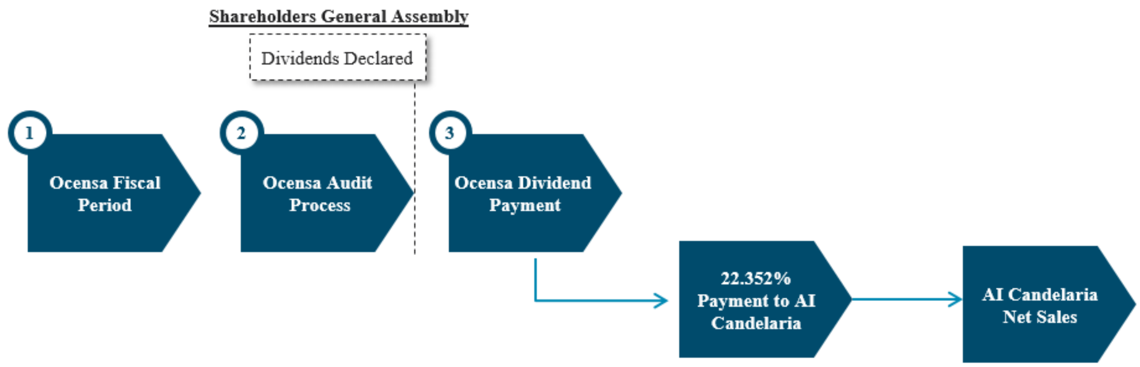
- approve Ocensa's business plan and any amendments thereto;
- approve projects that involve amounts greater than US$100 million;
- approve Ocensa's corporate governance code and any amendments thereto;
- delegate any capacities of the board to any of its members or to any other person;
- approve the regulation for issuing and placing any of Ocensa's shares or other securities for a price lower than the fair market value;
- approve transactions involving amounts higher than US$500 thousand to be carried out between Ocensa and any shareholder or any affiliate thereof (except for transactions related to services rendered by Ocensa and based on regulated tariffs);
- approve any amendments to Ocensa's transporter's manual or the regulations governing operating or technical conditions at its terminal at the Port of Coveñas; and

- approve Ocensa's involvement in new lines of business that are substantially different from its current activities and that are not contemplated in its current business plan.

Dividend Policy

Pursuant to the Shareholders' Agreement and Ocensa's by-laws, Ocensa must prepare financial statements at June 30 and December 31 of each year and, if applicable, distribute as dividends to its shareholders any liquid revenues that are available after funding any applicable reserves, unless otherwise instructed unanimously by its shareholders at a shareholders' meeting.

Dividend payments from Ocensa are subject to a time lag with respect to the end of the fiscal period during which the net profit being distributed was accumulated in order for Ocensa to complete its audit process and declare dividends in a General Shareholders Assembly for payment to its shareholders. Once the declared dividends are paid to us, we recognize them as net sales. The following diagram sets forth an illustrative timeline regarding the dividend payment process.



In 2017, dividends were declared and paid by Ocensa to all its shareholders two times for an aggregate amount of US$381.3 million, attributable to net profit generated by Ocensa for the last quarter of 2016 and the period between January 1, 2017 and June 30, 2017. In 2018, dividends were declared and paid by Ocensa to all its shareholders two times for an aggregate amount of US$604.5 million, attributable to net profit generated for the period between July 1, 2017 and June 30, 2018. In 2019, dividends were declared and paid by Ocensa to all its shareholders two times for an aggregate amount of US$756.5 million, attributable to net profit generated for the period between July 1, 2018 and June 30, 2019. We received our pro rata share of all these dividends distributions at the declared times and recognized them as net sales.

It is important to highlight that in 2017 Ocensa declared and paid the equivalent of nine months of net profit, while in 2018 and 2019, it declared and paid the equivalent of 12 months. Consequently, in 2017, the amount AI Candelaria recorded in net sales was representative of only nine months of net profit instead of 12 months.

On June 18, 2020, Ocensa declared dividends of US$245 million, attributable to net profit generated during the period between January 1, 2020 and March 31, 2020. AI Candelaria will effectively receive US$54.8 million, corresponding to our 22.352% stake, the substantial majority of which we have received and the remainder of which we expect to receive in August 2020.

In the past three years, Ocensa has declared dividends representing 100% of the net profit generated and has not declared the funding of applicable reserves.

Tag Along Rights

Subject to certain conditions stipulated in the Shareholders' Agreement, we are entitled to tag along rights in the event a current shareholder or a third party acquires a controlling interest in Ocensa's capital stock.

Term

In accordance with its terms, the Shareholders' Agreement is valid and binding until the registration of Ocensa's shares on the Colombian National Registry for Securities and Issuers and the listing of Ocensa's shares on the Colombian stock exchange in connection with an initial public offering.

Moreover, if as a result of a transfer of Ocensa's shares by any of its shareholders, Ocensa ceases to have a majority shareholder, its then existing shareholders must renegotiate the Shareholders' Agreement to ensure its functionality under the new ownership structure.

For additional information regarding the provisions of the Shareholders' Agreement governing Ocensa's crude oil transport operations, see "Business—Material Agreements—Shareholders' Agreement."

RELATED PARTY TRANSACTIONS

AI Candelaria

We distribute cash dividends to LIC and ECH, our sole shareholders, upon the execution of a decision by our shareholders at a shareholders' meeting. In the three months ended March 31, 2020 and the years ended December 31, 2019, 2018 and 2017, we paid cash dividends to our shareholders of US$73.7 million, US$163.1 million, US$741.9 million and US$111.7 million, respectively.

Ocensa

Ocensa enters into related-party transactions in the ordinary course of its business, including services agreements, supply agreements, non-disclosure agreements, lease agreements, transportation agreements, and construction, operation and maintenance agreements among others. Colombian law sets forth certain restrictions and limitations on transactions with certain related parties, including directors and senior management, as well as transactions with subsidiaries and affiliates. Specifically, the Colombian Commercial Code, as amended by Law 222 of 1995, establishes, among other requirements, that: (1) subsidiaries must carry out their activities independently and with administrative autonomy; (2) transactions between a parent company and its subsidiaries or affiliates must be of a real nature and may not differ considerably from standard market conditions, nor be detrimental to shareholders or third parties; (3) subsidiaries may not acquire any shares issued by their parent company; and (4) no transaction may be carried out between a parent company and its subsidiaries if a conflict of interest arises as a result of the transaction.

Ocensa believes that it has complied and is in compliance in all material respects with these requirements given that its transactions are carried out on an arms'-length basis and under terms and conditions equivalent to those that it would enter into with third parties.

Ocensa's principal transactions with related parties consist of:

- transportation agreements with Ecopetrol, see "Business—Material Agreements;"
- agreements for the assignment of transport from Ecopetrol to Hocol;
- unloading agreements with Ecopetrol, see "Business—Material Agreements;"
- shareholders' agreements, see "Business—Material Agreements;"
- a water transportation agreement with Ecopetrol and Equión, pursuant to which Ocensa transports the water delivered by Ecopetrol at Cupiagua and Ocensa delivers it to Equión at Cusiana;
- tank operation and maintenance agreement entered into with OBC;
- lease tanks agreement entered into with OBC;
- Cusiana facilities operation and maintenance entered into with ODL;
- dilution strategic alliance with ODL;
- collaboration agreement to regulate the maintenance of the shared right of way between Ocensa and Oleoducto de Colombia;
- tripartite collaboration agreement for maintenance of the shared right of way between Ocensa, Transportadora de Gas Internacional S.A. ESP and Cenit;

- collaboration agreement for security maintenance in terminal Coveñas entered into with Oleoducto de Colombia and Cenit;

- agreement entered into with Cenit for Ocensa's use of a portion of the dock at the Port of Coveñas' maritime terminal;

- Vasconia station interconnection agreement entered into with Cenit;

- TLU-3 collaboration agreement for the use of the tanker truck loading units at the Coveñas Terminal entered into with Ecopetrol, Cenit and Oleoducto de Colombia;

- gas supply agreements executed with Ecopetrol;

- collaboration agreement entered into with Ecopetrol, pursuant to which both Ocensa and Ecopetrol permit the other party to use certain equipment and facilities in order to facilitate their respective operations;

- operation and maintenance agreement with Ecopetrol, dated December 1999 for the Porvenir, Miraflores and Vasconia pumping stations;

- lease assets agreement at Caucasia, Vasconia and Coveñas stations entered into with Oleoducto de Colombia;

- indemnity agreement in connection with the operational incident on November 10, 2017 by Hocol due to the cleanliness of the Pipeline Ocelote-Palmeras (Reimbursable Expenses to Ocensa); and

- collaboration agreement entered into with Cenit for temporary assignment of workers between companies.

The table below sets forth Ocensa's revenue and costs derived from related-party transactions for the three-month periods ended March 31, 2020 and 2019 and for the years ended December 31, 2019, 2018 and 2017.

	For the three-month period ended March 31,		For the year ended December 31,		
	2020	**2019**	**2019**	**2018**	**2017**
Income Statement Data:			*(in millions of U.S.$)*		
Revenue (refunds):					
Ecopetrol S.A.	294.62	283.24	1,197.47	1,054.05	1,019.41
Cenit Transporte y Logística de Hidrocarburos S.A.S.	0.00	-	0.05	0.06	0.33
Hocol S.A.	7.90	6.17	28.76	10.85	0.06
Oleoducto de Colombia S.A.	0.00	-	0.06	0.10	0.08
Oleoducto de Los Llanos Orientales	0.91	1.14	4.50	4.48	3.60
Oleoducto Bicentenario de Colombia S.A.S.	0.26	0.31	1.26	1.27	1.24
Total revenue	**303.69**	**290.86**	**1,232.10**	**1,070.81**	**1,024.72**

Administrative and operating costs (1):					
Ecopetrol S.A.	2.01	2.79	7.70	9.15	9.46
Cenit Transporte y Logística de Hidrocarburos S.A.S.	0.21	0.14	0.60	0.53	0.43
Hocol S.A.	-	-	-	-	-
Oleoducto de Colombia S.A.	0.25	0.33	1.05	1.13	1.09
Oleoducto de Los Llanos Orientales	-	-	-	-	-
Oleoducto Bicentenario de Colombia S.A.S.	-	-	-	3,87	3,58
Total administrative and operating costs	**2.46**	**3.26**	**9.35**	**14.67**	**14.55**
Total	**301.24**	**287.60**	**1,222.**	**1,056.14**	**1,010.16**

(1) Administrative and operating costs are related to fees, technical assistance and administrative services provided to Ocensa by related parties as well as assets that Ocensa leases from related parties.

The table below sets forth the balances of Ocensa's accounts receivable and payable with related parties as of the dates indicated.

	As of March 31,		**As of December 31,**		
	2020	**2019**	**2019**	**2018**	**2017**
Balance Sheet Data:			***(in millions of U.S.$)***		
Receivables:					
Ecopetrol S.A.	102.89	123.18	123.50	134.36	145.58
Cenit Transporte y Logística de Hidrocarburos S.A.S.	0.16	0.03	0.14	0.16	0.97
Hocol S.A.	2.80	2.45	2.59	2.27	0.20
Oleoducto de Colombia S.A.	0.13	0.35	0.29	0.30	0.46
Oleoducto de Los Llanos Orientales	0.59	0.75	0.70	1.14	1.44
Oleoducto Bicentenario de Colombia S.A.S.	0.33	1.49	0.43	1.30	0.70
Total receivables	**106.90**	**128.25**	**127.65**	**139.53**	**149.35**
Accounts payable to suppliers (1):					
Ecopetrol S.A.	2.45	4.47	7.56	4.32	4.93
Cenit Transporte y Logística de Hidrocarburos S.A.S.	0.26	0.20	0.21	0.10	0.42
Oleoducto de Colombia S.A.	0.28	0.18	0.20	0.14	0.12

Oleoducto Bicentenario de Colombia S.A.S.	0.13	0.25	0.45	0.57	0.32
Hocol S.A.	-	-	-	-	0.07
Total accounts payable to suppliers	**3.11**	**5.10**	**8.42**	**5.13**	**5.86**

For additional information regarding Ocensa's related-party transactions, see Note 27 to its audited financial statements and Note 27 to its unaudited financial statements.

DESCRIPTION OF THE NOTES

We will issue the New Notes under an Indenture dated as of October 25, 2018, under which we initially issued US$650,000,000 aggregate principal amount of Initial Notes (as defined below) and an additional US$50,000,000 aggregate principal amount of 2019 Additional Notes (as defined below), among AI Candelaria Spain, Wilmington Trust, National Association, as Trustee (in such capacity, the "Trustee") and as U.S. collateral agent (in such capacity, the "U.S. Collateral Agent") and TMF Group New York LLC, which shall appoint its affiliate, TMF Colombia Ltda, to act as sub-agent in accordance with the Indenture (the "Colombian Collateral Agent"), as the same may be amended or supplemented from time to time and pursuant to a public deed of issuance (escritura de emisión) to be granted pursuant to Spanish law on or before the issue date of the New Notes. The Indenture will not be subject to the provisions of the Trust Indenture Act. Accordingly, the terms of the Notes include only those stated in the Indenture. To the extent article 411 of the Spanish Companies Act is applicable, the holders of the Notes, by purchasing the Notes, consent to (i) the distributions of the proceeds as described under "Use of Proceeds" and (ii) any permitted restricted payment under the Indenture.

The New Notes will constitute a further issuance of, and form a single series with, our outstanding 7.500% Senior Secured Notes due 2028 issued on October 25, 2018 in the principal amount of US$650,000,000 (the "Initial Notes") and our outstanding 7.500% Senior Secured Notes due 2028 issued on May 9, 2019 in the principal amount of US$50,000,000 (the "2019 Additional Notes"and, together with the Initial Notes, the "Existing Notes"). Provisions that apply equally to the Existing Notes and the New Notes may be described collectively as regarding the "Notes." The New Notes sold pursuant to Rule 144A under the Securities Act are expected to trade under the same CUSIP and ISIN numbers and have identical terms as the Existing Notes held in the Rule 144A global note from the Issue Date, other than their date of issue and their initial price to the public. The New Notes sold pursuant to Regulation S under the Securities Act are expected to have identical terms as the Existing Notes held in the Regulation S global note, other than their date of issue and their initial price to the public. Through the 40th day following delivery of the New Notes, New Notes sold pursuant to Regulation S under the Securities Act will have temporary CUSIP and ISIN numbers. Thereafter, such Notes will trade under the same CUSIP and ISIN numbers as the Existing Notes held in the Regulation S global note.

The following description is a summary of the material provisions of the Notes and the Indenture. This summary is not complete, and is subject to, and is qualified in its entirety by reference to, the provisions of the Indenture and the Notes. We urge you to read the Indenture and this offering memorandum. You can obtain from AI Candelaria Spain a copy of the Indenture upon request in the manner described under the section "Listing and General Information" of this offering memorandum.

In this "Description of the Notes", unless otherwise indicated, "AI Candelaria Spain", "we", "us" and "our" refer only to AI Candelaria (Spain), S.A., and not to any of our subsidiaries. "AI Candelaria Lux" refers only to AI Candelaria (Luxembourg) S.á r.l. and not to any of its subsidiaries. "Ocensa" refers only to Oleoducto Central S.A. and not to any of its subsidiaries.

We may issue an unlimited principal amount of additional notes having identical terms and conditions as the Notes (the "Additional Notes"). We will only be permitted to issue such Additional Notes if at the time of, and after giving pro forma effect to, such issuance, we are in compliance with the covenants contained in the Indenture and the maximum amount of debt securities that AI Candelaria Spain is allowed to issue according to Spanish law is not exceeded. Any additional Notes will be part of the same issue as the Notes we are offering and will vote on all matters with the holders of the Notes.

General

The Notes are our direct and unconditional senior obligations. The Notes are secured by a pledge of 100% of the Capital Stock of Ocensa owned directly by AI Candelaria Spain as of the Issue Date and a pledge over the amounts in the Debt Service Reserve Account. The Notes are senior secured obligations of AI Candelaria Spain and rank (i) *pari passu* among themselves and equal in right of payment with all of our other present and future obligations that are not subordinated to the Notes; (ii) senior in right of payment to all our existing and future obligations that are subordinated to the Notes; (iii) senior in right of payment to all our existing and future unsecured Indebtedness to the extent of the value of the Collateral; (iv) effectively subordinated to the obligations of AI Candelaria Spain preferred by statute or operation of law; and (v) are structurally subordinated to all of Ocensa's existing and future indebtedness and other liabilities, including trade payables. As of the issue date of the New Notes, we do not have any subsidiaries, but we could form them in the future. We expect to incur additional Indebtedness from time to time to the extent permitted by the Indenture. The Indenture does not limit the amount of Indebtedness or other obligations that may be incurred by Ocensa. The Notes are not obligations of, or guaranteed by, Ocensa or any of its subsidiaries and neither Ocensa nor any of its subsidiaries is subject to the covenants contained in the Indenture.

We may prepay the Notes in whole or in part as described below under "—Optional Prepayment." We may also prepay the Notes in whole, but not in part, in the event of specified changes affecting taxation of the Notes as described below under "—Optional Prepayment—Optional Prepayment for Changes in Taxes." The Notes are not entitled to the benefit of any sinking fund, but benefit from a debt service reserve as described below under "—Debt Service Reserve."

The New Notes will be issued only in fully registered form without coupons, and will be denominated and payable in U.S. dollars.

The New Notes sold initially (1) to certain "qualified institutional buyers" ("QIBs") (as defined in Rule 144A under the Securities Act) that are also "Qualified Purchasers" (as defined in Section 2(a)(51)(A)) of the Investment Company Act) and (2) outside the United States to non-U.S. persons (within the meaning of the Investment Company Act and Regulation S) in compliance with Regulation S under the Securities Act, will initially be represented by global Notes in book-entry form. Such New Notes will be issued with an original principal amount in minimum denominations of US$250,000 and integral multiples of US$1,000 in excess thereof. Holders of interests in global Notes will not be entitled to receive Notes in definitive certificated form registered in their names except in the limited circumstances described below. See "—Book-Entry System; Delivery and Form; Certificated Notes."

Principal and Interest

The New Notes are being issued in an aggregate principal amount of US$50,000,000, and will mature on December 15, 2028 and the aggregate principal balance of the Notes outstanding at such time, including the New Notes, will become due and payable. The Notes will bear interest at the rate per annum set forth on the front cover page of this offering memorandum (the "Initial Interest Rate") from June 15, 2020, or from the most recent date on which interest was payable and for which interest has been paid or provided. Interest on the Notes will be payable semi-annually on June 15 and December 15 of each year (each a "Payment Date"), commencing on December 15, 2020, to the person in whose name such Notes are registered at the close of business on the preceding June 1 or December 1. Interest on the Notes will be computed on the basis of a 360- day year of twelve 30-day months. The principal amount of the Notes will be payable (and in the case of payments to DTC, as a pro rata pass through distribution of principal) in consecutive semi-annual pro rata installments commencing on December 15, 2022 and on each Payment Date thereafter; provided that any partial prepayment of the principal amount of the Notes pursuant to "—Optional Prepayment," "Covenants—Asset Sales" or other repurchases of the Notes shall reduce the principal amount due on each succeeding Payment Date on a pro rata basis for the amount of principal paid in connection with any such prepayment or repurchase over the remaining Payment Dates. Notice of any such reduction, including an updated amortization schedule, shall be provided to the Holders and AI Candelaria Spain shall deliver an officer's certificate to the Trustee including such updated amortization schedule, which shall be conclusive and binding absent manifest error. The final installment of the principal will, in any event, equal the then outstanding aggregate principal balance of the Notes, including the New Notes, and will be payable together with the accrued and unpaid interest thereon and any other amounts then owing by AI Candelaria Spain under the Notes, including the New Notes.

Scheduled Payment Date	Percentage of Original Outstanding Principal Amount Payable	Amount Payable in US$ (including New Notes)
December 15, 2022..................................	5.83333%	$43,749,975.0
June 15, 2023..	5.83333%	$43,749,975.0
December 15, 2023..................................	5.83333%	$43,749,975.0
June 15, 2024..	5.83333%	$43,749,975.0
December 15, 2024.................................	5.83333%	$43,749,975.0
June 15, 2025..	5.83333%	$43,749,975.0
December 15, 2025.................................	5.83333%	$43,749,975.0
June 15, 2026..	5.83333%	$43,749,975.0
December 15, 2026.................................	5.83333%	$43,749,975.0
June 15, 2027...	5.83333%	$43,749,975.0
December 15, 2027..................................	5.83333%	$43,749,975.0
June 15, 2028..	5.83333%	$43,749,975.0
December 15, 2028.................................	Remaining Principal	$225,000,300.0

If any Payment Date, prepayment date or maturity date of any of the Notes falls on a day that is not a Business Day at any place of payment, then payment of principal, premium, if any, Additional Amounts, if any, and interest need not be made at such place of payment on such date but may be made on the next succeeding Business Day at such place of payment, and no interest will accrue on the amount so payable for the period from and after such Payment Date, prepayment date or maturity date, as the case may be.

The Trustee will initially act as registrar and transfer agent for the New Notes. The Bank of New York Mellon, London Branch will act as paying agent for the New Notes. The New Notes will originally be deposited with a clearing and settlement system located outside of Spain that is recognized by Spanish law or by the law of another Organisation for Economic Co-operation and Development country (in this case, The Depository Trust Company ("DTC")). Payments on global Notes will be made in immediately available funds to DTC as depositary, or its nominee. All other payments on the Notes will be made at the corporate trust office of the paying agent and registrar in the United States, unless we elect to make interest payments by check mailed to the registered holders at their registered addresses or wire instructions are provided by the registered Holders to the Trustee.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, AI Candelaria Spain will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or prepayment, in the event that a global note is exchanged for certificated notes. In addition, in the event that a global note is exchanged for certificated notes, an announcement of such exchange shall be made by or on behalf of AI Candelaria Spain through the SGX-ST and such announcement will include all material information with respect to the delivery of the certificated notes, including details of the paying agent in Singapore.

You will not have to pay a service charge to register the transfer or exchange of any Notes, but we may require that you pay a sum sufficient to cover any tax or other governmental charge.

Pledged Shares

Under the stock pledge agreement entered into by AI Candelaria Spain and the Colombian Collateral Agent on the Issue Date, as amended, and to be further amended on the issue date of the New Notes to provide that the New Notes will share in the Ocensa Pledged Shares (as defined below) (the "Share Pledge Agreement"), the obligations of AI Candelaria Spain under the Notes are secured by a first-priority security interest on all of the Ocensa Capital Stock owned by AI Candelaria Spain as of the Issue Date (the "Ocensa Pledged Shares").

The pledge of the Ocensa Pledged Shares will cover:

(i) the Ocensa Pledged Shares and all rights attached to the Ocensa Pledged Shares; and

(ii) any shares received by us in respect of the Ocensa Pledged Shares as a result of any splits, reverse splits, spin-offs and share dividends by Ocensa or any shares issued by any successor of Ocensa representing the equity interests of the Ocensa Pledged Shares in the capital stock of Ocensa in exchange for the extinguished Ocensa Pledged Shares as a result of any corporate transaction involving Ocensa.

In the event that we elect to issue any Additional Notes under the Indenture, such Additional Notes will equally and ratably share in the Ocensa Pledged Shares. In the event that AI Candelaria Spain acquires shares of Ocensa after the Issue Date (other than pursuant to clause (ii) above) or any other assets, such shares or other assets shall not constitute Collateral for the Notes.

The Share Pledge Agreement grants a perfected first priority lien under Colombian law in favor of the Colombian Collateral Agent with respect to the Ocensa Pledged Shares. The New Notes will share equally and ratably in the Ocensa Pledged Shares once the Share Pledge Agreement is amended on the issue date of the New Notes. The Share Pledge Agreement is recognized as a first priority lien enforceable vis-à-vis third parties and may be enforceable first in time, if any other lien is granted over the Ocensa Pledged Shares. As a result, remedies under the Share Pledge Agreement, including foreclosure on the Ocensa Pledged Shares, are subject to Colombian commercial and procedural law. In the event that AI Candelaria Spain incurs additional Indebtedness that is secured by the Collateral in accordance with the provisions of the Indenture, the Colombian Collateral Agent shall enter into an amendment to the Share Pledge Agreement in order to give effect to such Liens.

So long as no Event of Default shall have occurred and be continuing, and subject to the provisions of the Indenture and the Share Pledge Agreement, AI Candelaria Spain will retain the right to vote the Ocensa Pledged Shares and otherwise exercise all of its rights and privileges in respect of the Ocensa Pledged Shares, including the receipt of dividends and other distributions. After the occurrence of an Event of Default, the Colombian Collateral Agent shall be entitled to vote the Ocensa Pledged Shares, but only after providing 5 Business Days notice to AI Candelaria Spain of its intention to vote the Ocensa Pledged Shares. AI Candelaria Spain shall have no liability for any actions taken by the Colombian Collateral Agent with respect to the Ocensa Pledged Shares.

As of the date of this offering memorandum, AI Candelaria Spain owns approximately 22.352% of the outstanding Ocensa shares.

Certain Limitations on the Pledged Shares

The value of the Ocensa Pledged Shares in the event of liquidation will depend on many factors. In particular, the Ocensa Pledged Shares represent an equity interest in Ocensa, and only have value to the extent that the assets of Ocensa are worth in excess of the liabilities of Ocensa (and, in a bankruptcy or liquidation, will only receive value after payment upon all such liabilities, including all debt of Ocensa). Consequently, liquidating the Ocensa Pledged Shares may not produce proceeds in an amount sufficient to pay any amounts due on the Notes. See "Risk factors—

Risks Relating to the Notes—The value of the Ocensa Pledged Shares or the amounts in the Debt Service Reserve Account may not be sufficient to satisfy our obligations in respect of the Notes." In addition, enforcement of the Liens on the Ocensa Pledged Shares may be limited by applicable governmental requirements. The fair market value of the Ocensa Pledged Shares is subject to fluctuations based on factors that include, among others, prevailing interest rates, the ability to sell the Ocensa Pledged Shares in an orderly sale, general economic conditions, the availability of buyers and similar factors.

The amount to be received upon a sale of the Ocensa Pledged Shares would be dependent on numerous factors, including the actual fair market value of the Ocensa Pledged Shares at such time, the timing and the manner of the sale and the requirements and limitations of any applicable foreclosure proceedings. By its nature, the Ocensa Pledged Shares may be illiquid and may have no readily ascertainable market value. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, we cannot assure you that the proceeds from any sale or liquidation of the Ocensa Pledged Shares will be sufficient to pay AI Candelaria Spain's obligations under the Notes. Any claim for the difference between the amount, if any, realized by holders of the Notes from the sale of Ocensa Pledged Shares securing the Notes and the obligations under the Notes will rank equally in right of payment with all of AI Candelaria Spain's other unsecured senior debt and other unsubordinated obligations, including trade payables.

The ability of the holders to realize on the Ocensa Pledged Shares may be subject to certain bankruptcy law limitations in the event of a bankruptcy. See "—Certain bankruptcy limitations."

Further assurances

The Share Pledge Agreement and the Indenture provide that AI Candelaria Spain shall, at its sole expense, do all acts which may be reasonably necessary to confirm that the Colombian Collateral Agent holds, for the benefit of the Collateral Agents, the Trustee and the holders of the Notes, duly created, enforceable and perfected first-priority perfected Liens on the Ocensa Pledged Shares. AI Candelaria Spain shall, at its sole expense, execute, acknowledge and deliver such documents and instruments (including the filing of financing statements or amendments or continuations thereto) and take such other actions which may be necessary to assure, perfect, transfer and confirm the rights conveyed by the Share Pledge Agreement, to the extent permitted by applicable law.

Impairment of security interest

The Share Pledge Agreement provides that AI Candelaria Spain is not permitted to grant to any person, or permit any person to retain (other than the Colombian Collateral Agent), any security interest or Lien whatsoever on the Ocensa Pledged Shares other than as permitted by the Indenture, the Notes and the Share Pledge Agreement. AI Candelaria Spain will not enter into any agreement that requires the proceeds received from any sale of Ocensa Pledged Shares to be applied to repay, prepay, defease or otherwise acquire or retire any debt of any person, other than as permitted by the Indenture, the Notes and the Share Pledge Agreement.

Certain bankruptcy limitations

AI Candelaria Spain

As a general rule under Spanish law, the debtor in a voluntary insolvency retains its management powers, but is subject to the intervention (*intervención*) of the insolvency administrator (*administrador concursal*), who is appointed by the court. In the case of mandatory insolvency, as a general rule, the debtor's management will be replaced (*sustitución*) by the insolvency administrator. However, the court has the power to modify this general regime subject to the specific circumstances of the case. Actions carried out by the debtor that breach any required supervision of the insolvency authorities may be null and void.

Creditors holding securities *in rem* are subject to certain restrictions in order to initiate separate enforcement proceedings (or to continue with such proceedings, if they had already been commenced at the time the insolvency proceedings were opened), when the encumbered asset is deemed necessary for the continuation of the debtor's activity and until the earliest of (i) the approval of an agreement between the creditors and the debtor (*convenio concursal*) (the "Company Voluntary Agreement" or the "CVA") provided that its content does not affect the exercise of the enforcement right; (ii) a year has elapsed since the insolvency declaration without the debtor's liquidation being commenced; or (iii) the judge hearing the insolvency proceedings declaring that the asset is not necessary for the continuation of the debtor's activities in accordance with the Spanish Insolvency Act.

However, under the Spanish conflicts of law regulation, the effects of the insolvency over *in rem* rights in respect of property or rights of the debtor located in the territory of another State (namely, ability to enforce) will be exclusively governed by the law of that State. Considering that the Ocensa Pledged Shares are in Colombia and the Debt Service Reserve Account is in the United States, and provided that the pledge created over (i) the Ocensa Pledge Shares pursuant to the Share Pledge Agreement and (ii) the Debt Service Reserve Account pursuant to the Deposit Account Control Agreement qualify as *in rem* right, the effects of the insolvency of AI Candelaria Spain (governed by the Spanish Insolvency Act) over such Collateral will be governed by Colombian and New York law, respectively. In addition, under Spanish conflicts of laws regulation, a contract cannot be subject to the Spanish Insolvency Act clawback action if it is unavoidable under the law applicable to the contract (insolvency, civil, etc.). However, this is a defense to be put forward before the Spanish insolvency court and proving the relevant Colombian and New York law provisions.

In the context of a transfer of assets and the creation of liens over the assets by a Spanish company in circumstances where that company is insolvent (or becomes insolvent subsequently), there are two broad areas of particular concern:

- *Hardening periods.* Under Spanish Insolvency Act, there are no prior transactions that automatically become void as a result of initiation of the insolvency proceedings. The insolvency administrator may only challenge those transactions that could be deemed "detrimental" to the insolvent debtor's estate, provided that they have taken place within two years prior to the declaration of insolvency (in accordance with Article 71.6 of the Spanish Insolvency Act, transactions taking place earlier than two years before the insolvency declaration, are subject to the general regime of rescission set forth in the Spanish Civil Code described below). However, under the Spanish Insolvency Act acts of the debtors cannot be challenged and declared void if the beneficiary of such act evidences that such act is governed by the law of another State which does not permit its challenge.

- *Fraudulent Conveyance Laws*. Under Spanish law, the insolvency administrator (within the insolvency proceedings) and any creditor (whether within or outside the insolvency proceedings) may bring an action to rescind a contract or agreement (*acción rescisoria o pauliana*) against its debtor and the third party which is a party to such contract or agreement, provided the same is performed or entered into fraudulently and the creditor cannot obtain payment of the amounts owed in any other way. The reach back period is four years.

See "Risk Factors—Risks Relating to the Notes—The ability of holders of the notes to realize upon the collateral will be subject to certain bankruptcy law limitations in the event of our bankruptcy."

Ocensa

Colombia´s insolvency regime under Law 1116 of 2006 regulates the following insolvency proceedings: business reorganization, judicial liquidation and cross-border insolvency proceedings. Pursuant to such law, the Insolvency Regime has the purpose of protecting credit and recovering the business of the debtor as the main unit of economic development and source of employment by means of reorganization. In the liquidation proceeding, the purpose of such proceeding is to unwind the company and to orderly pay the debts according to the legal order of payment.

The Insolvency court has ample powers and authority to direct the process and to comply with its overall purpose. The Insolvency court may request or obtain the information necessary for an adequate direction of the insolvency proceedings, take all measures necessary to protect, guard and recover the assets of the debtor, including revocation of the acts and contracts executed in prejudice of creditors, removal and imposition of sanctions and fines to the managers of the debtor for failing to comply with the Insolvency court orders or their legal duties and obligations, and act as a conciliator during the proceedings.

In connection with the revocation of the acts or contracts mentioned above, the Colombian insolvency law (Law 1116 of 2006) establishes that, during the insolvency proceeding and within six (6) months following the date on which the rating and graduation of credits and voting rights are final, any of the creditors, the promoter or the liquidator or the Insolvency court may initiate a revocation action (*acción revocatoria o de simulación)* before the insolvency judge, against certain acts or business of the debtor when such have harmed any of the creditors or affected the priority of claims, and when the debtor's assets are insufficient to cover the total of the recognized credits.

The main debtor's acts that may be revoked are:

- The obligations and, in general, any act that implies transfer, provision, constitution or cancellation of liens, limitation or dismemberment of the property of the debtor, carried out in detriment of its net worth, or any lease that prevent the object of the process, during the eighteen (18) months prior to the start of the reorganization process, or the judicial liquidation process, when it does not appear that the purchaser, lessee or borrower, acted in good faith; and

- Any free act held within twenty-four (24) months prior to the start of the reorganization process or the judicial liquidation process.

Finally, and once the reorganization process is declared, according to article 17 of such law, the debtor will not be able to make arrangements upon their assets that are not included in the ordinary course of its business, nor constitute guarantees on the debtor's assets, nor make payments or arrangements related to its obligations, nor adopt statutory reforms unless the debtor has authorization by the Insolvency court to perform such operations.

Share Pledge Agreement

The Share Pledge Agreement is governed by Colombian law. Security interests created thereby will constitute a legal, valid, enforceable and perfected first-priority security interest in the Ocensa Pledged Shares in accordance with their terms and, in any action or proceeding relating to the Share Pledge Agreement.

Debt Service Reserve

On the Issue Date, we established a U.S. dollar-denominated account (the "Debt Service Reserve Account") in the United States and either:

(a) obtained a U.S. dollar denominated direct-pay letter of credit (the "Letter of Credit") in favor of the U.S. Collateral Agent from a U.S. bank or a U.S. branch of a bank (the "L/C Bank") that is rated A- or higher by S&P (or the equivalent rating by another rating agency), in an amount in U.S. dollars sufficient to provide for the payment in full of interest, principal (other than principal due on the final scheduled Payment Date), if any, and Additional Amounts, if any, due on the next succeeding scheduled Payment Date on the Notes; or

(b) deposited into the Debt Service Reserve Account cash in U.S. dollars (and/or U.S. dollar denominated Cash Equivalents) maturing on or before the next succeeding scheduled Payment Date) in an amount sufficient to provide for the payment in full of interest, principal (other than principal due on the final scheduled Payment Date), if any, and Additional Amounts, if any, due on the next succeeding scheduled Payment Date on the Notes, which account, cash and Cash Equivalents is pledged to the U.S. Collateral Agent for the benefit of the holders under a pledge and security agreement.

On the issue date of the New Notes, we shall deposit sufficient cash in U.S. dollars or U.S. dollar denominated cash equivalents into the Debt Service Reserve Account for the Debt Service Reserve (as defined below) to be Fully Funded (as defined below) (after giving effect to the issuance of the New Notes). On the issue date of the New Notes, and within five Business Days after each Payment Date thereafter, we shall deliver to the Trustee and U.S. Collateral Agent an officer's certificate certifying as to the amount in U.S. dollars required for the payment in full of interest, principal, if any, and Additional Amounts, if any, due on the next succeeding scheduled Payment Date on the Notes for the purpose of funding the Debt Service Reserve.

AI Candelaria Spain shall deliver to the U.S. Collateral Agent written investment instructions with respect to any amounts on deposit in the Debt Service Reserve Account. Any investments shall be limited to U.S. dollars and/or U.S. dollar Cash Equivalents. In the absence of such instruction, such funds shall remain uninvested and shall not accrue interest thereon.

The amount of funds available under the Letter of Credit and in the Debt Service Reserve Account constitutes the "Debt Service Reserve." The Debt Service Reserve will be deemed to be "Fully Funded" so long as cash in U.S. dollars (and/or U.S. dollar Cash Equivalents) on deposit in the Debt Service Reserve Account plus amounts available to draw under any Letter of Credit are in an amount equal to or greater than the product of (i) an amount sufficient to provide for the payment in full of the interest and principal, if any, and Additional Amounts, if any, required to be paid on the next succeeding scheduled Payment Date on the Notes and (ii) 1.25; provided that after the penultimate scheduled Payment Date and immediately prior to the final scheduled Payment Date, the Debt Service Reserve shall be deemed to be "Fully Funded" so long as, during such period, the cash or Cash Equivalents contained therein, or the amount provided under a Letter of Credit, is sufficient to pay the interest, including Additional Amounts, if any, but not any principal amounts, payable to the Holders of the Notes on the final scheduled Payment Date. Neither the Trustee nor the U.S. Collateral Agent shall have any responsibility to verify whether the Debt Service Reserve has been Fully Funded, and each shall be entitled to conclusively rely upon any Letter of Credit delivered to the U.S. Collateral Agent as meeting the requirements of the Indenture and Deposit Account Control Agreement. In the event that we elect to issue any Additional Notes under the Indenture and the Debt Service Reserve is required to be Fully Funded on the issue date of the Additional Notes, we will, on or before the issue date of such Additional Notes, either obtain a new Letter of Credit, or deposit into the Debt Service Reserve Account sufficient cash in U.S. dollars or U.S. Dollar denominated Cash Equivalents, in an amount sufficient to ensure the Debt Service Reserve will be Fully Funded with respect to all of the Notes, including the Additional Notes. In the event that we elect to issue any Additional Notes under the Indenture, such Additional Notes will equally and ratably share in the Debt Service Reserve. In the event that the Debt Service Reserve is not Fully Funded, AI Candelaria Spain shall provide prompt written notice to the Trustee, and the Trustee shall have no obligation to monitor compliance of the Debt Service Reserve Account.

Neither the Trustee nor the U.S. Collateral Agent will have any obligation to determine or verify if any Letter of Credit delivered by us satisfies the requirements of the Indenture.

At least ten Business Days prior to the expiration date of any Letter of Credit obtained pursuant to clause (a) above (which expiration date shall be notified by us to the Trustee and the U.S. Collateral Agent), we will either renew such Letter of Credit or obtain a new Letter of Credit meeting the requirements of clause (a) above or, if no such Letter of Credit can be obtained and the Debt Service Reserve is required to be Fully Funded at such time, we will deposit sufficient cash in U.S. dollars or U.S. dollar denominated Cash Equivalents in the Debt Service Reserve Account for the Debt Service Reserve to be Fully Funded following the expiration of the Letter of Credit. If we have not obtained a new Letter of Credit or deposited such cash or Cash Equivalents in the Debt Service Reserve Account by the day that is six Business Days prior to the expiration date of the Letter of Credit and the Debt Service Reserve is required to be Fully Funded on such date, then the U.S. Collateral Agent will, on the following Business Day, draw on the Letter of Credit in full and hold the cash received from such draw-down in the Debt Service Reserve Account for the benefit of the holders. Any Letter of Credit provided under the Indenture shall require the L/C Bank to deliver amounts drawn under the Letter of Credit within one Business Day following a draw request.

Under the terms of the deposit account control agreement between AI Candelaria Spain and the U.S. Collateral Agent (the "Deposit Account Control Agreement"), the U.S. Collateral Agent has a first priority interest in the account and in the cash and Cash Equivalents on deposit in the account for the benefit of the holders of Notes. No later than 10:00 a.m. on the day that is two Business Days prior to any Payment Date, we may either (1) deposit with the U.S. Collateral Agent, from funds otherwise available to us, cash sufficient to pay the interest and principal, if any, and Additional Amounts, if any, scheduled to be paid on such date or (2) direct the U.S. Collateral Agent (with a copy to the Trustee) to draw on the Letter of Credit or liquidate Cash Equivalents, if any, and release from the pledged account proceeds sufficient to pay the interest and principal, if any, scheduled to be paid on such date. If we fail to deposit such amounts or provide the necessary written instruction to the U.S. Collateral Agent by the day that is two Business Days prior to any Payment Date, the U.S. Collateral Agent shall withdraw from the Debt

Service Reserve Account and, if there are insufficient cash or Cash Equivalents, thereafter deliver a draw request to the L/C Bank under any Letter of Credit no later than one Business Day prior to the Payment Date in an amount sufficient to pay the interest and principal, if any, scheduled to be paid on such date and distribute such funds (to the extent received) to the Trustee no later than 12:00 p.m. noon on the Payment Date. The Debt Service Reserve must be Fully Funded on the day that is 60 days prior to a Payment Date; if the Debt Service Reserve is not Fully Funded on such date and we fail to cause the Debt Service Reserve to be Fully Funded within 30 days thereafter, we will notify the Trustee and the U.S. Collateral Agent of such occurrence, which will constitute an Event of Default under the Notes. See "—Events of Default." In addition, if at any time the Debt Service Reserve is not Fully Funded, we will be prohibited from (1) incurring any additional Indebtedness (as described below under "—Covenants—Limitation on Incurrence of Additional Indebtedness"), unless all or a portion of such additional Indebtedness is used to fully fund the Debt Service Reserve Account or (2) making any Restricted Payments (as defined below under "—Covenants—Restricted Payments").

Foreclosure on Collateral

If an Event of Default occurs under the Indenture, the Collateral Agents, on behalf of the holders and as instructed by the Trustee (acting in accordance with the instructions of a majority in principal amount of the Notes), in addition to any rights or remedies available to them under the Indenture, will be entitled to take actions to protect and enforce their respective rights in the Collateral, including, without limitation, the institution of foreclosure proceedings in accordance with the Security Documents and applicable law. See "Certain Bankruptcy Limitations."

The proceeds received from any foreclosure and subsequent sale of the Collateral will be delivered to the Trustee and applied as follows:

- first, to pay the expenses of such foreclosure and fees, expenses and other amounts then payable to the Trustee and the U.S. Collateral Agent under the Indenture and to each Collateral Agent (and to their respective legal counsels) under the applicable Security Documents;
- thereafter, to the Trustee to pay ratably the principal of and interest and Additional Amounts and premium, if any, on the Notes; and
- to the extent of the balance of such proceeds after application in accordance with the foregoing, to AI Candelaria Spain, its successors or assigns, or as a court of competent jurisdiction may otherwise direct.

The amounts realizable by the Colombian Collateral Agent in the event of a foreclosure and liquidation of the Ocensa Pledged Shares will depend upon market and economic conditions at such time, the requirements and limitations of the applicable foreclosure proceedings and the availability of buyers and other similar factors. Foreclosure may also require certain governmental approvals. See "Risk Factors–Risks Relating to the Notes–The value of the Ocensa Pledged Shares or the amounts in the Debt Service Reserve Account may not be sufficient to satisfy our obligations in respect of the Notes." The Colombian Collateral Agent will be required to execute a joinder to the Shareholders' Agreement upon foreclosure of the Ocensa Pledged Shares and the Share Pledge Agreement will contemplate the execution of such joinder by the Colombian Collateral Agent upon foreclosure.

Release of Collateral

The Indenture and the Security Documents provide that the Liens on the Collateral will automatically and without the need for any further action by the holders of the Notes, or any other person (unless otherwise provided for in the applicable Security Document) be released:

(1) with respect to any Ocensa Pledged Shares, upon the sale or other disposition (including by way of consolidation, amalgamation or merger) of such Ocensa Pledged Shares, as permitted under "—Covenants—Asset Sales";

(2) in whole, upon payment in full of the principal of, accrued and unpaid interest, Additional Amounts, if any, and premium, if any, on, the Notes;

(3) with respect to Liens on the Debt Service Reserve, upon the release, as permitted by the Indenture, from the Debt Service Reserve Account of proceeds sufficient to pay the interest or principal, if any, scheduled to be paid on a Payment Date;

(4) upon defeasance or discharge of the Indenture as set forth below under the caption "—Legal Defeasance and Covenant Defeasance"; or

(5) as described under the caption "Modification of the Indenture."

Upon our request and delivery of an officer's certificate and an opinion of counsel stating that such release is authorized or permitted by the Indenture and all conditions precedent under the related Security Documents and under the Indenture have been satisfied, the Collateral Agents shall execute and deliver such release documents, prepared by us, at our expense.

Intercreditor Agreement

The Indenture contains a form of Intercreditor Agreement to be entered into in the event that additional Pari Passu Obligations are Incurred by AI Candelaria Spain. The Colombian Collateral Agent and the Trustee, on behalf of the Holders of the Notes, and the representatives of the holders of any additional Pari Passu Obligations will enter into the Intercreditor Agreement upon the Incurrence of additional Pari Passu Obligations, which will be acknowledged by AI Candelaria Spain and which Intercreditor Agreement will set forth the relative rights and obligations of the holders of Pari Passu Obligations with respect to the Collateral that is permitted to be shared with other creditors pursuant to the terms of the Indenture (which does not include the Debt Service Reserve Account). For purposes of this section, "Collateral" shall not be deemed to include the Debt Service Reserve Account. By their purchase and acceptance of the Notes, the holders shall be deemed to have authorized and instructed any of the Trustee or the Colombian Collateral Agent to execute and deliver the Intercreditor Agreement.

The Intercreditor Agreement will be binding on the Holders of Notes with respect to the matters described below to the same extent as such provisions apply to the Colombian Collateral Agent and the Trustee. The Intercreditor Agreement provides that in the event of a conflict or inconsistency between the Intercreditor Agreement and any Security Documents, the Indenture or the Notes, the Intercreditor Agreement shall be controlling as between the holders of Pari Passu Obligations thereunder.

The Intercreditor Agreement may be entered into without the consent of any Holder of a Note. This summary of the Intercreditor Agreement also uses the following terms:

"Additional First Lien Collateral Agent" means the Authorized Representative for the series of Pari Passu Obligations that constitutes the largest outstanding principal amount of any then-outstanding series of Pari Passu Obligations; provided, that if there are two outstanding series of Pari Passu Obligations with equal outstanding principal amounts, the Series of Pari Passu Obligations with the earlier maturity shall be considered to have the larger outstanding principal amount for purposes of this definition.

"Applicable Authorized Representative" means, with respect to any Collateral, (i) until the earlier of the discharge of the Notes and the Indenture (the "Discharge of Notes") and the Non-Controlling Representative Enforcement Date, the Trustee and (ii) from and after the earlier of the Discharge of the Notes and the Non-Controlling Representative Enforcement Date, the Major Non-Controlling Authorized Representative.

"Authorized Representative" means, at any time, (i) in the case of the Notes, the Trustee, and (ii) in the case of any other series of Pari Passu Obligations that become subject to the Intercreditor Agreement, the collateral agent named as authorized representative for such series.

"Collateral Agent" means (a) in the case of the Notes, the Colombian Collateral Agent and (b) in the case of any other series of Pari Passu Obligations that become subject to the Intercreditor Agreement, the collateral agent for such series.

"Controlling Collateral Agent" means, with respect to any Collateral, (a) until the earlier of (i) the Discharge of Notes and (ii) the Non-Controlling Authorized Representative Enforcement Date with respect to such Collateral, the Colombian Collateral Agent and (b) from and after the earlier of (i) the Discharge of Notes and (ii) the Non-Controlling Authorized Representative Enforcement Date with respect to such Collateral, the Additional First Lien Collateral Agent (acting on the instructions of the Applicable Authorized Representative).

"Controlling Secured Parties" means, with respect to any Collateral, the secured parties with respect to the series of Pari Passu Obligations whose Authorized Representative is the Applicable Authorized Representative for such Collateral.

"Major Non-Controlling Authorized Representative" means, with respect to Collateral, the Authorized Representative of the series of Pari Passu Obligations (other than the Notes) that constitutes the largest outstanding principal amount of any then outstanding series of Pari Passu Obligations with respect to such Collateral.

"Non-Controlling Authorized Representative" means, at any time with respect to any Collateral, any Authorized Representative that is not the Applicable Authorized Representative at such time with respect to such Collateral.

"Non-Controlling Authorized Representative Enforcement Date" means, with respect to any Non-Controlling Authorized Representative, the date which is 180 days after the occurrence of both (i) an Event of Default (under and as defined in the instrument in respect of which such Non-Controlling Authorized Representative is the Authorized Representative) and (ii) each Collateral Agent's and each other Authorized Representative's receipt of written notice from such Non- Controlling Authorized Representative certifying that an Event of Default (under and as defined in the instrument in respect of which such Non-Controlling Authorized Representative is the Authorized Representative) has occurred and is continuing; provided that the Non-Controlling Representative Enforcement Date shall be stayed and shall not occur and shall be deemed not to have occurred (1) at any time that the Colombian Collateral Agent, the Applicable Authorized Representative or the then controlling Collateral Agent has commenced and is diligently pursuing an enforcement action with respect to all or a material portion of the Collateral or (2) as to AI Candelaria Spain, at any time AI Candelaria Spain is then a debtor under or with respect to (or otherwise subject to) any insolvency or liquidation proceeding.

"Pari Passu Agent" means (i) the Authorized Representative of any additional series of Pari Passu Obligations that becomes subject to the Intercreditor Agreement.

"Pari Passu Obligations" means (i) all Obligations owing pursuant to the Notes, the Security Documents and the Indenture and (ii) any Obligations with respect to which a Pari Passu Agent has become party to the Intercreditor Agreement on behalf of the holders of such Obligations

Role of the Controlling Collateral Agent

Pursuant to the Intercreditor Agreement, with respect to any Collateral: (i) the Controlling Collateral Agent has the sole right to act or refrain from acting with respect to the Collateral; (ii) the Controlling Collateral Agent is not under any duty to follow any instructions with respect to the Collateral from any other Pari Passu Agent or holders of Pari Passu Obligations other than the Controlling Secured Parties in accordance with the applicable underlying controlling agreements; and (iii) no Pari Passu Agent or holders of Pari Passu Obligations other than the Controlling Secured Parties may instruct the Controlling Collateral Agent to, and no Collateral Agent except the Controlling Collateral Agent shall, commence any judicial or non-judicial foreclosure proceedings with respect to, seek to have a trustee, receiver, liquidator or similar official appointed for or over, attempt any action to take possession of, exercise any right, remedy or power with respect to, or otherwise take any action to enforce its interests in or realize upon, or take any other action available to it in respect of, any Collateral.

Notwithstanding the equal priority of the Liens securing each series of Pari Passu Obligations on any Collateral, the Controlling Collateral Agent may deal with the Collateral as if the Controlling Collateral Agent had a senior and exclusive Lien on such Collateral. No Non-Controlling Authorized Representative or the holders of Pari Passu Obligations (other than the Controlling Secured Parties) may contest, protest or object to any foreclosure proceeding or action brought by the Controlling Collateral Agent or any Controlling Secured Party or any other exercise by the Controlling Collateral Agent, Applicable Authorized Representative or any Controlling Secured Party of any rights and remedies relating to the Collateral, in each case, performed in accordance with the terms of the Intercreditor Agreement.

Each Pari Passu Agent and Collateral Agent party to the Intercreditor Agreement will not (and waives any right to) contest or support any other person in contesting, in any proceeding (including any insolvency or liquidation proceeding), the perfection, priority, validity, attachment or enforceability of a Lien held by or on behalf of any of the secured parties with respect to any series of Pari Passu Obligations in all or any part of the Collateral subject to the Intercreditor Agreement.

In addition, each secured party with respect to any series of Pari Passu Obligations (i) will not take or cause to be taken any action the purpose or intent of which is, or could be, to interfere with, hinder or delay, in any manner, whether by judicial proceedings or otherwise, any sale, transfer or other disposition of the Collateral by the Controlling Collateral Agent, (ii) will not institute any suit or assert in any suit, bankruptcy, insolvency or other proceeding any claim against the Controlling Collateral Agent or any other secured party with respect to any series of Pari Passu Obligations seeking damages from or other relief by way of specific performance, instructions or otherwise with respect to any Collateral, (iii) will not seek, and waives any right to have any Collateral or any part thereof marshaled upon any foreclosure or other disposition of such Collateral and (iv) will not attempt, directly or indirectly, whether by judicial proceedings or otherwise, to challenge the enforceability of any provision of the Intercreditor Agreement.

Distribution of Enforcement Proceeds

If an Event of Default (under and as defined in an instrument governing any series of Pari Passu Obligations) has occurred and is continuing and the Controlling Collateral Agent or any holder of Pari Passu Obligations is taking action to enforce rights in respect of any Collateral, or any distribution is made in respect of any Collateral in any insolvency or liquidation proceeding of any grantor of Collateral or otherwise, or any holder of Pari Passu Obligations receives any payment pursuant to any intercreditor agreement (other than the Intercreditor Agreement) with respect to any Collateral, the proceeds of any sale, collection or other liquidation or disposition of any such Collateral received by the Controlling Collateral Agent or any holder of Pari Passu Obligations pursuant to any such intercreditor agreement or otherwise with respect to such Collateral and the proceeds of any such distribution, shall be applied as follows :

(i) first, to the payment in full in cash of all amounts owing to the Pari Passu Agents, the Collateral Agents and the Trustee of the Notes and the U.S. Collateral Agent (in their capacity as such) pursuant to the terms of the Intercreditor Agreement and any instrument pursuant to which a series of Pari Passu Obligations is incurred; and

(ii) second, subject to certain limited exceptions, to the payment in full of the Pari Passu Obligations of each series on a ratable basis in accordance with the terms of the applicable instrument pursuant to which such Pari Passu Obligations have been incurred; and

(iii) third, after the payment in full in cash of all Pari Passu Obligations secured by a lien on such Collateral, to the relevant grantor or its successor or assigns or to whomever may be lawfully entitled thereto or as a court of competent jurisdiction may direct.

Notwithstanding the foregoing, in the event of any determination by a court of competent jurisdiction with respect to the Pari Passu Obligations of any series that (i) any of the Pari Passu Obligations of such series are unenforceable under applicable law or are subordinated to any other obligations (other than another series of Pari

Passu Obligations), (ii) any of the Pari Passu Obligations of such series do not have an enforceable security interest in any of the Collateral securing any other series of Pari Passu Obligations and/or (iii) any intervening security interest exists securing any other obligations (other than any other series of Pari Passu Obligations) on a basis ranking prior to the security interest of such series of Pari Passu Obligations but junior to the security interest of any other series of Pari Passu Obligations (any such condition referred to in the foregoing with respect to any series of Pari Passu Obligations, an "Impairment" of such series of Pari Passu Obligations), the results of such Impairment shall be borne solely by the holders of such series of Pari Passu Obligations, and the rights of the holders of such series of Pari Passu Obligations (including, without limitation, the right to receive distributions in respect of such series of Pari Passu Obligations) set forth in the Intercreditor Agreement shall be modified to the extent necessary so that the effects of such Impairment are borne solely by the holders of such series of Pari Passu Obligations subject to such Impairment. Notwithstanding the foregoing, with respect to any Collateral for which a third party (other than a holder of Pari Passu Obligations) has a lien or security interest that is junior in priority to the security interest of any series of Pari Passu Obligations but senior (as determined by appropriate legal proceedings in the case of any dispute) to the security interest of the holder of any other series of Pari Passu Obligations (such third party, an "Intervening Creditor"), the value of any Collateral or proceeds which are allocated to such Intervening Creditor shall be deducted solely from the Collateral or proceeds to be distributed in respect of the series Pari Passu Obligations with respect to which such Impairment exists.

Turnover

If any holder of Pari Passu Obligations obtains possession of any Collateral or realizes any proceeds or payment in respect of any such Collateral, pursuant to any Security Document or by the exercise of any rights available to it under applicable law or in any insolvency or liquidation proceeding or through any other exercise of remedies (including pursuant to any intercreditor agreement), at any time prior to the discharge of the Pari Passu Obligations, then such party shall hold such Collateral, proceeds or payment in trust for the other holders of Pari Passu Obligations and promptly transfer such Collateral, proceeds or payment, as the case may be, to the Controlling Collateral Agent, to be distributed in accordance with the provisions described in "—Distribution of Enforcement Proceeds" above.

Automatic Release of Liens

If, at any time, the Controlling Collateral Agent forecloses upon or otherwise exercises remedies against any Collateral resulting in a sale or disposition thereof, then (whether or not any insolvency or liquidation proceeding is pending at the time) the Liens in favor of each other Collateral Agent for the benefit of the secured parties of the applicable series will automatically be released and discharged; provided that any proceeds of any Collateral realized therefrom shall be applied as described in "—Distribution of Enforcement Proceeds" above.

Payment of Additional Amounts

All payments under the Notes will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, penalties, duties, fines, assessments or other governmental charges (or interest on any of the foregoing) of whatsoever nature (collectively, "Taxes") imposed, levied, collected, withheld or assessed by, within or on behalf of Spain or any political subdivision or governmental authority thereof or therein having power to tax or any other jurisdiction in which AI Candelaria Spain is doing business or from or through which payment is made or deemed made by or on behalf of AI Candelaria Spain (including the jurisdiction of any paying agent for the Notes) or any political subdivision thereof or therein, unless such withholding or deduction is required by law or the interpretation or administration thereof. In such event, we will pay to each holder of a Note such additional amounts ("Additional Amounts") as may be necessary to ensure that the amounts received by the holder of such Note after such withholding or deduction, including withholding or deduction with respect to such Additional Amounts, equal the amounts of principal and interest and premium, if any, and Additional Amounts, if any, that would have been receivable in respect of such Note in the absence of such withholding or deduction. However, the obligation to pay Additional Amounts will not apply:

(a) to any Taxes that would have not been imposed:

(1) in the case where presentation of a Note is required for payment, but for the fact that the Note is presented more than 30 days after the later of (x) the date on which such payment first became due and (y) if the full amount payable has not been received in the place of payment by the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect will have been given to the holders by the Trustee, except to the extent that the holder of such Note would have been entitled to such Additional Amounts on presenting such Note for payment on the last day of such 30- day period; or

(2) but for the existence of any present or former connection between the holder (or between a fiduciary, settler, beneficiary, member or shareholder of the holder, if the holder is an estate, a trust, a partnership, a limited liability company or a corporation) or the beneficial owner and Spain (or any political subdivision or governmental authority thereof or therein), other than the mere ownership or holding of such Note or the receipt of principal, interest or other amounts in respect thereof;

(b) any Taxes deducted, withheld or imposed on, or with respect to, a Note to the extent AI Candelaria Spain has not received from the beneficial owner or holder such information, such as a certificate of tax residence or any other documentation for claim or filing for exemptions, as may be necessary to allow payments on such Note to be made free and clear of Spanish withholding tax including a duly executed and completed payment statement from the Paying Agent, as may be required in order to comply with the procedures set forth under Spanish Law 10/2014 of June 26, 2014, Royal Decree 1065/2007 of 27 July, as amended by Royal Decree 1145/2011, of 29 July and any implementing or substituting legislation or regulation thereof.;

(c) in respect of any estate, inheritance, gift, value added, sales, use, excise, transfer, personal property or similar taxes, duties, assessments or other governmental charges;

(d) in respect of any Taxes payable other than by withholding or deduction;

(e) to any withholding or deduction that is imposed pursuant to FATCA, any intergovernmental agreement between the United States and any other jurisdiction implementing FATCA, any law, regulation, guidance or interpretations enacted or issued in any jurisdiction with respect thereto, or any agreements entered into in connection with the implementation thereof;

(f) in respect of any payment to a holder that is a fiduciary or partnership or any person other than the sole beneficial owner of such payment or Note, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner of such payment or Note would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual holder of such Note; or

(g) to any combination of (a) through (f) above.

We will pay any present or future stamp, court or documentary taxes or any excise or property taxes, charges or similar levies which arise in any jurisdiction solely from the execution, delivery, enforcement or registration of the Notes or any other document or instrument relating thereto or the receipt of any payments with respect to the Notes, imposed by: (i) Spain; (ii) any jurisdiction where any paying agent is organized or otherwise considered by a taxing authority to be a resident for tax purposes, any jurisdiction from or through which payment is made or deemed made, or through which any paying agent makes a payment on the Notes, or any political organization or governmental authority thereof or therein having the power to tax in respect of any payments under the Notes; or (iii) any jurisdiction imposing such taxes, charges or similar levies as a result of, or as a requirement in connection with, the enforcement of the Notes or any other such document or instrument related to the Notes following the occurrence of any Event of Default with respect to the Notes. Any reference to principal, interest or premium shall be deemed to include Additional Amounts to the extent payable in respect thereof.

Optional Prepayment

Except as set forth below and except as provided under "—Covenants—Asset Sales," we will not be entitled to prepay Notes at our option.

Make-whole Prepayment

At any time prior to September 15, 2028 (three (3) months prior to the maturity date of the Notes), AI Candelaria Spain may prepay the Notes, in whole or in part, at its option, at any time or from time to time, upon giving notice as described under the heading "—Selection and Notice," at a prepayment price determined by AI Candelaria Spain equal to the greater of (1) 100% of the outstanding principal amount of the Notes to be prepaid, and (2) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes to be prepaid discounted to the date of prepayment on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus 50 basis points, in each case plus accrued and unpaid interest, if any, to, but not including, the date of prepayment, subject to the rights of holders of record at the close of business on the relevant record date to receive interest due on the relevant Payment Date falling prior to or on the prepayment date. The Trustee shall have no duty to calculate or verify the prepayment price. If the Notes are prepaid in part, the principal amount due on each Payment Date shall be reduced pro rata. In connection with such optional prepayment, the following defined terms shall apply:

"Average Life Date" means the date which follows the Date of Determination (as defined below) by a period equal to the Remaining Weighted Average Life Period (as defined below) of the Notes.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having an actual or interpolated maturity on the Average Life Date of the Notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes.

"Comparable Treasury Price" means, with respect to the Date of Determination, (1) the average (as calculated by AI Candelaria Spain) of four Reference Treasury Dealer Quotations for the prepayment date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if AI Candelaria Spain obtains fewer than four such Reference Treasury Dealer Quotations, the average (as calculated by AI Candelaria Spain) of all such quotations.

"Independent Investment Banker" means one of the Reference Treasury Dealers.

"Reference Treasury Dealer" means Citigroup Global Markets Inc. and Credit Suisse Securities (USA) LLC or their respective affiliates which are primary United States government securities dealers and not less than two other leading primary United States government securities dealers in New York City reasonably designated by AI Candelaria Spain; provided that if any of the foregoing cease to be a primary United States government securities dealer in New York City (a "Primary Treasury Dealer"), AI Candelaria Spain will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any prepayment date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at or about 3:30 p.m., New York City time, on the third Business Day preceding such prepayment date (the "Date of Determination").

"Remaining Weighted Average Life Period" means, on a given date with respect to the Notes, the number of days equal to the quotient obtained by dividing (a) the sum of the products obtained by multiplying (i) the amount of each then remaining installment of principal of the Notes by (ii) the number of days from and including the prepayment date to but excluding the scheduled payment date of such principal installment, by (b) the then outstanding principal amount of such Note.

"Treasury Rate" means, with respect to any Date of Determination, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Date of Determination.

At Par Prepayment

At any time on or after September 15, 2028 (three (3) months prior to the maturity date of the Notes), AI Candelaria Spain may prepay the Notes, in whole or in part, at its option, at a prepayment price equal to 100% of the outstanding principal amount of the Notes to be prepaid, plus accrued and unpaid interest on the principal amount to, but not including, the date of prepayment.

Optional Prepayment for Changes in Taxes

We may prepay the Notes at our option in whole, but not in part, at any time, at a prepayment price equal to 100% of their principal amount outstanding, plus Additional Amounts, if any, and any accrued and unpaid interest up to, but not including, the date of prepayment, if

(1) we certify to the Trustee (in the manner prescribed below) five Business Days prior to the giving of the notice of prepayment that as a result of a change in law, we have or will become obligated to pay Additional Amounts as a result of any generally applicable change in or amendment to the laws or regulations of Spain or any political subdivision or governmental authority thereof or therein having power to tax, or any generally applicable change in the application or official interpretation of such laws or regulations, which change or amendment occurs after the date of issuance of the Notes; and

(2) such obligation cannot be avoided by us taking reasonable measures available to us; *provided*, however, that the notice of prepayment will not be given earlier than 60 or later than 30 days before the earliest date on which we would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Before giving any notice of prepayment as described in the preceding paragraph, we will deliver an officer's certificate to the Trustee stating that we are entitled to effect such prepayment in accordance with the terms of the Indenture and setting forth in reasonable detail a statement of facts relating thereto. The statement will be accompanied by a written opinion of recognized independent counsel to the effect that we have or will become obligated to pay the Additional Amounts as a result of such change or amendment.

In the case of all global Notes held through DTC, any prepayment made on the Notes shall be paid as a pro rata pass through distribution of principal.

Change of Control

Unless the Notes have been called for prepayment in accordance with the Indenture, upon the occurrence of a Change of Control Event, you will have the right to require us to purchase all or a portion of your Notes (in integral multiples of US$1,000) pursuant to a Change of Control Offer at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but not including, the date of purchase (the "Change of Control Payment" and the date of such purchase, the "Change of Control Payment Date"), in accordance with the procedures set forth below. If the date of purchase is on a date that is after a record date and on or prior to the corresponding Payment Date, we will pay such interest to, but not including the Change of Control Payment Date, to the holder of record on the corresponding record date, which may or may not be the same person to whom we will pay the purchase price.

Unless the Notes have been called for prepayment in accordance with the Indenture, within 30 days following the consummation of any transaction constituting a Change of Control Event, we will send, by first-class mail, a notice to each holder with a copy to the Trustee (the "Change of Control Offer"). The notice of the Change of Control Offer will state, among other things:

(1) that a Change of Control Event has occurred and that such holder has the right to require us to purchase such holder's Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but not including, the date of purchase (subject to the right of holders of record on the relevant record date to receive interest on the relevant Payment Date);

(2) the circumstances and relevant facts regarding such Change of Control Event;

(3) the Change of Control Payment Date, which will be no earlier than 30 days nor later than 60 days from the date such notice is mailed, other than as may be required by law; and

(4) the instructions, as determined by us, consistent with the covenant described hereunder, that a holder of Notes must follow in order to have its Notes purchased.

On the Change of Control Payment Date, we will, to the extent lawful:

(1) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with a paying agent funds in an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered; and

(3) deliver or cause to be delivered to the Trustee for cancellation the Notes so accepted together with an officer's certificate stating the aggregate principal amount of Notes or portions thereof we are purchasing.

If only a portion of a Note is purchased pursuant to a Change of Control Offer, a new Note in a principal amount equal to the face amount thereof not purchased will be issued in the name of the holder of such Note upon cancellation of the original Note, or appropriate adjustments to the face amount and beneficial interests in a global Note will be made, as appropriate.

Subject to the limitations discussed below, we could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control Event under the Indenture, but that could increase the amount of our Indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings. In addition, future Indebtedness that we may incur may contain, restrictions on the occurrence of certain events that would constitute, or require the repurchase of such Indebtedness upon, a Change of Control Event. Moreover, the exercise by the holders of their right to require us to repurchase the Notes could cause a default under such Indebtedness, even if the Change of Control Event itself does not, due to the financial effect of such repurchase on us. Finally, our ability to pay cash to the holders of Notes following the occurrence of a Change of Control Event may be limited by our then existing financial resources.

We will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other applicable securities laws or regulations in connection with the repurchase of Notes in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the covenant described hereunder, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the covenant described hereunder by virtue of our compliance with such securities laws or regulations.

We will not be required to make a Change of Control Offer following a Change of Control Event if a third party makes a Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Selection and Notice

In the event we choose to prepay less than all of the Notes at any time, the Notes will be prepaid on a pro rata basis (and in the case of global Notes held through DTC, such prepayment shall be made as a pro rata pass through distribution of principal basis in accordance with the applicable procedures of DTC).

Notices of purchase or prepayment shall be sent by AI Candelaria Spain at least 10 but not more than 60 days before the date of purchase or prepayment date to each holder of record of Notes at such holder's registered address, except that prepayment notices may be sent more than 60 days prior to a prepayment date if the notice is issued in connection with a Change of Control Event, defeasance of the Notes or a satisfaction and discharge of the Indenture. If any Note is to be purchased or prepaid in part only, any notice of purchase or prepayment that relates to such Note shall state that the portion of the principal amount thereof shall be paid pro rata.

In the case of certificated Notes, we will issue a new Note in a principal amount equal to the unprepaid face amount of the Note that has been prepaid or tendered for purchase in the name of the holder upon cancellation of the prepaid or purchased Note. Prepaid principal becomes due on the date fixed for prepayment. On and after the prepayment date, interest ceases to accrue on Notes or portions thereof prepaid, unless we default in the delivery of the prepayment amount. Notice of any prepayment of Notes must be given prior to such prepayment, and any such prepayment or notice may, at our discretion, be subject to one or more conditions precedent, including, but not limited to, completion of an equity or other offering or other transaction or event. In addition, if such prepayment is subject to satisfaction of one or more conditions precedent, such notice shall describe each such condition and, if applicable, shall state that, in our discretion, the prepayment date may be delayed until such time (including more than 60 days after the date the notice of prepayment was mailed or delivered, including by electronic transmission) as any or all such conditions shall be satisfied (or waived by us in our sole discretion), or such prepayment may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the prepayment date, or by the prepayment date as so delayed. We will provide prompt written notice to the holders (with a copy to the Trustee) rescinding such prepayment in the event that any such condition precedent shall not have occurred (unless we waive any such condition), and such prepayment and notice of prepayment shall be rescinded and of no force or effect, or of such new prepayment date if the prepayment date is being delayed until the conditions precedent are being satisfied.

Covenants

We have agreed to restrictions on our activities for the benefit of holders of the Notes. The Indenture contains, among others, the covenants set forth below:

Restricted Payments

AI Candelaria Spain will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, take any of the following actions (each, a "Restricted Payment"):

(a) declare or pay any dividend or return of capital or make any distribution on or in respect of shares of Capital Stock of AI Candelaria Spain or the Capital Stock of any of its subsidiaries to holders of such Capital Stock, other than (1) dividends or distributions payable in Qualified Capital Stock of AI Candelaria Spain; (2) any dividends or distributions payable to AI Candelaria Spain or (3) any dividends or distributions to all holders of Capital Stock of a Restricted Subsidiary on a pro rata basis or on a basis that results in the receipt by AI Candelaria Spain or a Restricted Subsidiary of dividends or distributions of greater value than it would receive on a pro rata basis;

(b) purchase, prepay or otherwise acquire or retire for value any Capital Stock of AI Candelaria Spain (including as a consequence of the exercise by any of its shareholders (*socios*) the right provided for in Article 384 bis of the Spanish Companies Law) or the Capital Stock of any of its direct or indirect parent companies;

(c) make any principal payment on, purchase, defease, prepay, decrease or otherwise acquire or retire for value, prior to any scheduled final maturity, scheduled repayment or scheduled sinking fund payment, as the case may be, any Subordinated Indebtedness other than Indebtedness incurred pursuant to clause (3) of the definition of "Permitted Indebtedness"; or

(d) make any Investment (other than a Permitted Investment).

Notwithstanding the preceding, this covenant does not prohibit (each of the following, a "Permitted Payment"):

(1) if no Default or Event of Default will have occurred and be continuing, Restricted Payments so long as after giving effect to such Restricted Payment, the Debt Service Reserve is Fully Funded and no Default or Event of Default will occur immediately after and as a result of such Restricted Payment;

(2) the payment of any dividend within 60 days after the date of declaration of such dividend if the dividend would have been permitted on the date of declaration;

(3) if no Default or Event of Default will have occurred and be continuing, the voluntary prepayment, purchase, defeasance, prepayment or other acquisition or retirement for value of any Subordinated Indebtedness or Capital Stock solely in exchange for, or through the application of net cash proceeds of a substantially concurrent sale of Qualified Capital Stock of AI Candelaria Spain, other than to a Restricted Subsidiary;

(4) the defeasance, prepayment, repurchase or other acquisition of Subordinated Indebtedness of AI Candelaria Spain with the net cash proceeds from an incurrence of Refinancing Indebtedness permitted to be incurred pursuant to the covenant described in "—Limitation on Incurrence of Additional Indebtedness";

(5) any payment made out of the proceeds of the substantially concurrent sale of, or capital contribution in respect of, or made by exchange for, Capital Stock of AI Candelaria Spain (other than Disqualified Capital Stock and other than Capital Stock issued or sold to a subsidiary of AI Candelaria Spain);

(6) the payment or distribution to dissenting stockholders of any Restricted Subsidiary pursuant to applicable law, pursuant to or in connection with a consolidation, merger or transfer of assets that complies with "—Merger, Consolidation or Sale of Assets";

(7) any Restricted Payment used to fund the Transactions and the fees and expenses related thereto (including dividends to any direct or indirect parent company to permit payment by such parent of such amounts), in each case with respect to any Restricted Payment owed to an affiliate to the extent permitted by the covenant described under "—Limitation on Transactions with Affiliates;" and

(8) dividends, loans, advances or distributions to any Parent Entity in an amount not to exceed $2.0 million per calendar year used to fund any Parent Entity Expenses or any Taxes related thereto.

In determining whether any Restricted Payment is permitted by this covenant, AI Candelaria Spain and its Restricted Subsidiaries may allocate all or any portion of such Restricted Payment among the categories described in clauses (1) through (8) of the immediately preceding paragraph or among such categories and the types of Restricted Payments described in the first paragraph of this covenant (including categorization in whole or in part as one or more of the clauses contained in the definition of "Permitted Investments"); *provided* that, at the time of such allocation, all such Restricted Payments, or allocated portions thereof, would be permitted under the various provisions of this covenant and provided further that AI Candelaria Spain and its Restricted Subsidiaries may reclassify all or a portion of such Restricted Payment or Permitted Investment in any manner that complies with this covenant (based on circumstances existing at the time of such reclassification), and following such reclassification such Restricted Payment or Permitted Investment shall be treated as having been made pursuant to only the clause or clauses of this covenant to which such Restricted Payment or Permitted Investment has been reclassified.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value, as determined by AI Candelaria Spain in good faith, on the date the Restricted Payment is made, or at AI Candelaria Spain's election, the date a commitment is made to make such Restricted Payment, of the assets or securities proposed to be transferred or issued by AI Candelaria Spain or any Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment.

Limitation on Liens

AI Candelaria Spain will not, nor will AI Candelaria Spain cause or permit any Restricted Subsidiary to, Incur or suffer to exist any Lien upon the whole or any part of the property of AI Candelaria Spain or the property of such Restricted Subsidiary (including Capital Stock of the subsidiaries of AI Candelaria Spain), whether owned on the Issue Date or acquired thereafter, or any interest therein or any income or profits therefrom, to secure for the benefit of the holders of any existing or future Indebtedness of AI Candelaria Spain or any of its subsidiaries or affiliates (or to secure for the benefit of the holders thereof any guarantee or indemnity in respect thereof) without, in any such case, effectively providing that the Notes will be secured prior to or equally and ratably with such Indebtedness.

The foregoing restrictions will not apply to any of the following (each, a "Permitted Lien"):

(1) Liens in favor of AI Candelaria Spain or another Restricted Subsidiary that secure Indebtedness of a Restricted Subsidiary or AI Candelaria Spain;

(2) Liens over any property existing at the time of the acquisition of such property by AI Candelaria Spain or any of its Restricted Subsidiaries and not created in connection with such acquisition;

(3) Liens in existence on the Issue Date (including Liens on the Ocensa Pledged Shares prior to the date on which the Colombian Collateral Agent has a perfected first priority security interest on the Ocensa Pledged Shares for the benefit of the holders of the Notes);

(4) Liens for taxes, assessments, and governmental charges or claims that are not more than 30 days past due (including all relevant extensions), other than taxes, assessments, charges and claims that (i) are being contested in good faith in appropriate proceedings, (ii) in respect of which adequate reserves are being maintained and (iii) that failure to make such payment is not reasonably likely to have a Material Adverse Effect;

(5) Liens imposed by law on property of AI Candelaria Spain, arising in the ordinary course of business and securing payment of obligations that are not more than 30 days past due, other than obligations that are being contested in good faith in appropriate proceedings;

(6) Liens in favor of the Collateral Agents for the benefit of the Collateral Agents, the Trustee and the holders of the Notes over the Debt Service Reserve Account or the Ocensa Pledged Shares;

(7) Liens (i) that are contractual rights of set-off or netting relating to the establishment of depositary relations with banks not granted in connection with the issuance of Indebtedness, (ii) that are bankers' Liens and rights and remedies as to deposit accounts, (iii) granted to any bank with whom AI Candelaria Spain or any of its Restricted Subsidiaries maintains deposit accounts to the extent required by such bank's standard terms and conditions for such deposit accounts, and (iv) securing or arising by reason of any set-off or netting arrangement entered into in the ordinary course of commercial or trading activities;

(8) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Lien referred to in the foregoing clauses (1), (2) or (3), inclusive of any Indebtedness

secured thereby, *provided* that the principal amount of Indebtedness so secured thereby will not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal or replacement and that such extension, renewal or replacement Lien will be limited to all or part of the property which secured the Lien extended, renewed or replaced (plus improvements on or additions to such property);

(9) Liens with respect to the Ocensa Pledged Shares securing Indebtedness permitted to be incurred pursuant to the first paragraph of the covenant described in "—Limitation on Incurrence of Additional Indebtedness" subject to the entry by the relevant lender, the Trustee and the applicable Collateral Agent to an Intercreditor Agreement; and

(10) Liens on property (not constituting Collateral) securing Indebtedness permitted under the Indenture and Incurred by AI Candelaria Spain or any of its Restricted Subsidiaries after the Issue Date *provided, however,* that any Indebtedness secured by a Lien under this clause (10) may not also be secured by a Lien on the Collateral.

For purposes of determining compliance with this covenant, (x) except as provided above, a Lien need not be incurred solely by reference to one category of Permitted Liens described above but may be incurred under any combination of such categories (including in part under one such category and in part under any other such category) and (y) in the event that a Lien (or any portion thereof) meets the criteria of one or more of such categories of Permitted Liens, AI Candelaria Spain shall, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

Limitation on Incurrence of Additional Indebtedness

AI Candelaria Spain will not, directly or indirectly, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, Incur any Indebtedness other than Permitted Indebtedness, or permit any of its Restricted Subsidiaries to issue Preferred Stock, except that AI Candelaria Spain may Incur additional Indebtedness if at the time of and immediately after giving *pro forma* effect to the incurrence thereof and the application of the proceeds therefrom:

(1) a Default or an Event of Default will not have occurred or be continuing at the time of, or would not occur as a consequence of, such incurrence;

(2) AI Candelaria Spain's Debt Service Coverage Ratio is no less than 1.25 to 1.0;

(3) AI Candelaria Spain's Leverage Ratio is no greater than 5.0 to 1.0; and

(4) the Debt Service Reserve is Fully Funded (unless the proceeds of the additional Indebtedness incurred shall promptly be used to Fully Fund the Debt Service Reserve).

For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness incurred pursuant to and in compliance with this covenant, the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with GAAP.

"Permitted Indebtedness" means, without duplication, each of the following:

(1) Indebtedness in respect of the Notes originally issued on the Issue Date;

(2) other Indebtedness of AI Candelaria Spain outstanding on the Issue Date or pursuant to commitments existing on the Issue Date;

(3) intercompany Indebtedness or Preferred Stock among AI Candelaria Spain and any of its Restricted Subsidiaries; *provided*, that in the event that at any time any such Indebtedness ceases to be held by AI

Candelaria Spain or any Restricted Subsidiary, such Indebtedness will be deemed to be incurred and not permitted by this clause (3) at the time such event occurs;

(4) Indebtedness of AI Candelaria Spain or any Restricted Subsidiary arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds in the ordinary course of business; *provided*, that such Indebtedness is extinguished within five Business Days after AI Candelaria Spain or such Restricted Subsidiary receives notice thereof;

(5) Refinancing Indebtedness in respect of Indebtedness incurred pursuant to clause (1), (2), (5) or (6) of this definition of "Permitted Indebtedness";

(6) the guarantee by AI Candelaria Spain or a Restricted Subsidiary of Indebtedness of AI Candelaria Spain or a Restricted Subsidiary that was permitted to be incurred by such person under the terms of the Indenture;

(7) the incurrence by AI Candelaria Spain of any foreign exchange contract, currency swap agreement or other similar agreement or arrangement, which may include the use of derivatives, designed to protect AI Candelaria Spain against fluctuations in currency values that are incurred for the purpose of fixing or hedging exchange rate risk with respect to agreements or Indebtedness of AI Candelaria Spain, and not for speculation; *provided*, that such agreements do not increase the Indebtedness of AI Candelaria Spain outstanding at any time other than as a result of fluctuations in foreign currency exchange rates or by reason of fees, indemnities or compensation payable thereunder;

(8) the incurrence by AI Candelaria Spain of any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement designed to protect AI Candelaria Spain against fluctuations in interest rates that are incurred for the purpose of fixing or hedging interest rate risk with respect to agreements or Indebtedness of AI Candelaria Spain, and not for speculation; *provided*, that such agreements do not increase the Indebtedness of AI Candelaria Spain outstanding at any time other than as a result of fluctuations in interest rates or by reason of fees, indemnities or compensation payable thereunder;

(9) the incurrence of Indebtedness by AI Candelaria Spain to the extent the net proceeds thereof are promptly deposited to defease the Notes as described under "—Legal Defeasance and Covenant Defeasance";

(10) Indebtedness arising from agreements of AI Candelaria Spain or a Restricted Subsidiary providing for indemnification, adjustment of purchase price, earnouts or similar obligations, in each case, incurred or assumed in connection with an acquisition or disposition of any business, assets or a subsidiary, other than guarantees of Indebtedness incurred by any person acquiring all or any portion of such business, assets or a Subsidiary for the purpose of financing such acquisition and Indebtedness arising from guaranties, letters of credit, bank guaranties, surety bonds, performance bonds or similar instruments securing the performance of AI Candelaria Spain or any Restricted Subsidiary pursuant to any such agreement; and

(11) the incurrence by AI Candelaria Spain or any Restricted Subsidiary of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Refinancing Indebtedness incurred to refund, refinance or replace any Indebtedness incurred pursuant to this clause (11), not to exceed US$10.0 million.

For purposes of determining compliance with this covenant, in the event that an item of Indebtedness, or Preferred Stock (or any portion thereof) meets the criteria of more than one of the categories of Permitted Indebtedness or Preferred Stock described in clauses (1) through (11) above or is entitled to be incurred pursuant to the first paragraph of this covenant, AI Candelaria Spain, in its sole discretion, will classify or reclassify, or later divide, classify or reclassify, such item of Indebtedness or Preferred Stock (or any portion thereof) in any manner that complies with this covenant.

For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term debt, or first committed or first incurred (whichever yields the lower U.S. dollar equivalent), in the case of revolving credit debt; *provided* that if such Indebtedness is incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness (plus premium (including tender premiums), fees, defeasance costs, accrued interest and expenses including original issue discount, upfront fees or similar fees) does not exceed the principal amount of such Indebtedness being refinanced.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) Except as provided in paragraph (2) below, AI Candelaria Spain will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on or in respect of any Capital Stock of a Restricted Subsidiary owned by AI Candelaria Spain or any other Restricted Subsidiary,

(b) pay any Indebtedness or other obligation owed to AI Candelaria Spain or any other Restricted Subsidiary,

(c) make loans or advances to, or Guarantee any Indebtedness or other obligations of, or make any Investment in, AI Candelaria Spain or any other Restricted Subsidiary, or

(d) transfer any of its property or assets to AI Candelaria Spain or any Restricted Subsidiary.

(2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:

(a) existing on the Issue Date in the Indenture or any other agreements in effect on the Issue Date, and any amendments, modifications, restatements, extensions, renewals, replacements or refinancings of any of the foregoing; *provided* that the encumbrances and restrictions in the amendment, modification, restatement, extension, renewal, replacement or refinancing are, taken as a whole, in the good faith judgment of AI Candelaria Spain, no less favorable in any material respect to the holders of the Notes than the encumbrances or restrictions being amended, modified, restated, extended, renewed, replaced or refinanced;

(b) existing under or by reason of applicable law, rule, regulation or order;

(c) existing

(i) with respect to any person, or to the property or assets of any person, at the time the person is acquired by AI Candelaria Spain or any Restricted Subsidiary, or

(ii) with respect to any Unrestricted Subsidiary at the time it is Designated or is deemed to become a Restricted Subsidiary,

which encumbrances or restrictions (x) are not applicable to any other person or the property or assets of any other person and (y) were not put in place in anticipation of such event and any amendments, modifications, restatements, extensions, renewals, replacements or refinancings of any of the foregoing, *provided* that the encumbrances and restrictions in the amendment, modification, restatement, extension, renewal, replacement or refinancing are, taken as a whole, in the good faith judgment of AI Candelaria Spain, no less favorable in any material respect to the holders of the notes than the encumbrances or restrictions being amended, modified, restated, extended, renewed, replaced or refinanced;

(d) of the type described in clause (1)(d) arising or agreed to in the ordinary course of business (i) that restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license, conveyance or similar contract, including with respect to intellectual property, (ii) that restrict in a customary manner, pursuant to provisions in partnership agreements, limited liability company organizational governance documents, joint venture agreements, the transfer of ownership interests in, or assets of, such partnership, limited liability company, joint venture or similar person (in each case relating solely to the respective partnership, limited liability company, joint venture or similar person) or (iii) by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of, AI Candelaria Spain or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, the Restricted Subsidiary that is permitted by "Asset Sales;"

(f) contained in the terms governing any Indebtedness if (as determined in good faith by AI Candelaria Spain) (i) the encumbrances or restrictions are ordinary and customary for a financing of that type and (ii) the encumbrances or restrictions either (x) would not, at the time agreed to, be expected to materially adversely affect the ability of AI Candelaria Spain to make payments on the Notes or (y) in the case of any Refinancing Indebtedness, are, taken as a whole, no less favorable in any material respect to the holders of the Notes than those contained in the agreements governing the Indebtedness being refinanced; or

(g) required pursuant to the Indenture or the Notes.

Limitation on Transactions with Affiliates

AI Candelaria Spain will not, and will not permit any Restricted Subsidiaries to, directly or indirectly, enter into any transaction or series of related transactions (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) with, or for the benefit of, any of AI Candelaria Spain's or their respective affiliates (each such transaction, an "Affiliate Transaction"), involving aggregate payments or consideration in excess of US$0.5 million, unless:

(a) the terms of such Affiliate Transaction are no less favorable than those that could reasonably be expected to be obtained in a comparable transaction at such time on an arm's-length basis from a person that is not its affiliate as determined in good faith by AI Candelaria Spain;

(b) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value in excess of US$5.0 million, the terms of such Affiliate Transaction will be approved by a majority of the members of the board of directors or similar governing body of AI Candelaria Spain, the approval to be evidenced by a board resolution stating that the board of directors or similar governing body has determined that such transaction complies with the preceding provisions; and

(c) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value in excess of US$25.0 million, AI Candelaria Spain will, prior to the consummation thereof, obtain a favorable opinion as to the fairness of such Affiliate Transaction to AI Candelaria Spain and the relevant Restricted Subsidiary (if any) from a financial point of view from an independent financial advisor and provide the same to the Trustee.

The foregoing requirements will not apply to:

(1) transactions with or among AI Candelaria Spain and any Restricted Subsidiary, or between or among Restricted Subsidiaries;

(2) reasonable fees and compensation paid to, and any indemnity provided on behalf of, our officers, directors, employees, consultants or agents or those of any Restricted Subsidiary as determined in good faith by the board of directors or similar governing body of AI Candelaria Spain;

(3) any transactions undertaken pursuant to any contractual obligations or rights in existence on the Issue Date (as in effect on the Issue Date) or any renewal or amendment thereto after the Issue Date (so long as such renewal or amendment is not disadvantageous to the holders of the Notes in any material respect as determined in good faith by AI Candelaria Spain);

(4) compensation or employee benefit arrangements with any of the officers or directors of AI Candelaria Spain or those of any Restricted Subsidiary or any direct or indirect parent company of AI Candelaria Spain arising out of any employment contract entered into in the ordinary course of business;

(5) any Restricted Payments made in compliance with "—Restricted Payments," including any Permitted Payment, and any Permitted Investment; and

(6) the Transactions and the payment of all fees and expenses related to the Transactions.

Asset Sales

AI Candelaria Spain will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless AI Candelaria Spain or the applicable Restricted Subsidiary, as the case may be, receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets sold or otherwise disposed of (measured at the time of contractually agreeing to such Asset Sale). Of such consideration, 100% (or such lesser amount that would be required to prepay or offer to repurchase all Notes outstanding at the time of such Asset Sale) will be in the form of cash or Cash Equivalents (in either such case, the "net cash proceeds").

AI Candelaria Spain or any Restricted Subsidiary, as the case may be, may apply the net cash proceeds of any Asset Sale (unless the Asset Sale was of Collateral) within 365 days thereof to (i) repay any Indebtedness (other than Subordinated Indebtedness) of AI Candelaria Spain or any Restricted Subsidiary (and if the Indebtedness repaid is revolving credit indebtedness, to correspondingly reduce commitments with respect thereto), (ii) pay interest, principal, premium, if any, or Additional Amounts, if any, due and payable on the Notes, (iii) make an Investment in any one or more businesses, or (iv) any combination of the foregoing.

In the case of any Asset Sale of Collateral, AI Candelaria Spain shall apply the net cash proceeds within 365 days thereof to prepay a portion of the Notes, at a prepayment price equal to 101% of the outstanding principal amount of the Notes to be prepaid, plus accrued and unpaid interest, to, but not including, the date of prepayment (an "Asset Sale Prepayment"). AI Candelaria Spain shall give notice of such prepayment as described under the heading "—Selection and Notice." AI Candelaria Spain shall only have the right to sell Ocensa Pledged Shares (other than a disposition of all or substantially all of the assets of AI Candelaria Spain and its Restricted Subsidiaries in compliance with the covenant described under "Covenants—Merger, Consolidation or Sale of Assets") so long as after giving effect to such sale AI Candelaria Spain continues to hold at least 10% of the issued and outstanding shares of Ocensa (calculated based off of the number of shares of Ocensa issued and outstanding on the Issue Date) as certified in an officer's certificate of AI Candelaria Spain delivered to the Trustee. AI Candelaria Spain, at its option and on a pro rata basis, may also prepay any other Indebtedness that is (i) senior to or *pari passu* with the Notes, (ii) secured by the Collateral and (iii) contains similar provisions requiring AI Candelaria Spain to prepay such Indebtedness with the proceeds of Asset Sales of Collateral. Pursuant to any such Asset Sale Prepayment, AI Candelaria Spain will prepay the Notes and such other Indebtedness on a pro rata basis.

To the extent all or a portion of the net cash proceeds of any Asset Sale (other than an Asset Sale of Collateral) are not applied within the 365 days of the Asset Sale as described in the second preceding paragraph, AI Candelaria Spain will make an offer to purchase Notes (the "Asset Sale Offer") at a purchase price equal to 100% of the principal amount of the Notes to be purchased, in each case plus accrued and unpaid interest thereon, to, but not including, the date of purchase (the "Asset Sale Offer Amount"). At AI Candelaria Spain's option and on a pro rata basis, AI Candelaria Spain may also offer to purchase any other Indebtedness that is senior to or *pari passu* with the Notes that contains similar provisions requiring AI Candelaria Spain to offer to purchase such Indebtedness with the proceeds of Asset Sales (other than Asset Sales of Collateral). Pursuant to any such Asset Sale Offer, AI Candelaria Spain will offer to purchase, from all tendering holders of Notes and such other senior or *pari passu* Indebtedness on a pro rata basis between the other series of Indebtedness and the Notes, that principal amount (or accreted value in the case of Indebtedness issued with original issue discount) of Notes and other such Indebtedness to be purchased equal to the unapplied net cash proceeds. For the avoidance of doubt, AI Candelaria Spain may make an Asset Sale Offer in satisfaction of its obligations hereunder prior to the expiration of such 365 day period. The purchase of Notes pursuant to an Asset Sale Offer will occur not less than 20 Business Days following the date of that Asset Sale Offer, or any longer period as may be required by law, nor more than 45 days following the 365th day following the Asset Sale. AI Candelaria Spain may, however, defer an Asset Sale Offer until there is an aggregate amount of unapplied net cash proceeds from one or more Asset Sales equal to or in excess of US$25.0 million. At that time, the entire amount of unapplied net cash proceeds, and not just the amount in excess of US$25.0 million, will be applied as required pursuant to this covenant. Pending application in accordance with this covenant, any net cash proceeds will be held by AI Candelaria Spain as cash or Cash Equivalents.

We will commence an Asset Sale Offer by sending the notice required pursuant to the terms of the Indenture. The Asset Sale Offer will state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date the notice is sent, other than as may be required by law (the "Asset Sale Offer Payment Date"). Upon receiving notice of an Asset Sale Offer, Holders may elect to tender their Notes in whole or in part in integral multiples of U.S$1,000 in exchange for cash.

On the Asset Sale Offer Payment Date, AI Candelaria Spain will, to the extent lawful:

(1) accept for payment all Notes or portions thereof properly tendered pursuant to the Asset Sale Offer;

(2) deposit with a paying agent funds in an amount equal to the Asset Sale Offer Amount in respect of all Notes or portions thereof so tendered; and

(3) deliver or cause to be delivered for cancellation to the Trustee the Notes so accepted together with an officer's certificate stating the aggregate principal amount of Notes or portions thereof we are purchasing.

To the extent holders of Notes and holders of other Indebtedness that is senior to or *pari passu* with the Notes, if any, which are the subject of an Asset Sale Offer properly tender Notes or the other senior Indebtedness in an aggregate amount exceeding the amount of unapplied net cash proceeds, AI Candelaria Spain will purchase the Notes and any other senior Indebtedness, if applicable, on a pro rata basis between the other series of Indebtedness and the Notes (based on the amounts tendered). If only a portion of a certificated Note is purchased pursuant to an Asset Sale Offer, a new Note in a principal amount equal to unprepaid face amount thereof will be issued in the name of the holder of such Note upon cancellation of the original Note, or appropriate adjustments to the face amount and beneficial interests in a global Note will be made, as appropriate.

We will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other applicable securities laws or regulations in connection with the repurchase of Notes in connection with an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the covenant described hereunder, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the covenant described hereunder by virtue of our compliance with such securities laws or regulations.

Upon completion of an Asset Sale Offer, the amount of net cash proceeds will be reset at zero. Accordingly, to the extent that the aggregate amount of Notes and other Indebtedness tendered pursuant to an Asset Sale Offer is less than the aggregate amount of unapplied net cash proceeds, AI Candelaria Spain may use any remaining net cash proceeds for general corporate purposes of AI Candelaria Spain or any Restricted Subsidiary.

Merger, Consolidation or Sale of Assets

AI Candelaria Spain will not, in a single transaction or series of related transactions, consolidate or merge with or into any person (whether or not AI Candelaria Spain is the surviving person), or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any subsidiaries of AI Candelaria Spain to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the properties and assets of AI Candelaria Spain (determined on a consolidated basis for AI Candelaria Spain and its subsidiaries), to any person unless:

(a) either:

(1) AI Candelaria Spain will be the surviving or continuing corporation, or

(2) the person formed by such consolidation or into which AI Candelaria Spain is merged or the person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of AI Candelaria Spain and those of its Restricted Subsidiaries substantially as an entirety (the "Successor Company") (A) will be a corporation organized and validly existing under the laws of a Permitted Jurisdiction, and (B) expressly assumes, by supplemental indenture (in form and substance reasonably satisfactory to the Trustee), executed and delivered to the Trustee, the due and punctual payment of the principal of, premium, if any, and Additional Amounts, if any, and interest on all of the Notes and the performance and observance of every covenant of the Notes and the Indenture AI Candelaria Spain is required to perform or observe;

(b) immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including giving effect on a pro forma basis to any Indebtedness incurred or anticipated to be incurred in connection with or in respect of such transaction), (i) AI Candelaria Spain or such Successor Company, as the case may be, would be able to Incur at least US$1.00 of additional Indebtedness (other than Permitted Indebtedness) under paragraphs (2) and (3) of "—Limitation on Incurrence of Additional Indebtedness" or (ii) the Debt Service Coverage Ratio and the Leverage Ratio of AI Candelaria Spain or the Successor Company are no worse than the Debt Service Coverage Ratio and the Leverage Ratio of AI Candelaria Spain immediately prior to such transaction;

(c) immediately before and immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including, without limitation, giving effect on a pro forma basis to any Indebtedness incurred or anticipated to be incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default will have occurred or be continuing;

(d) AI Candelaria Spain or the Successor Company will have delivered to the Trustee an officer's certificate and opinion of counsel stating that the consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if required in connection with such transaction, the supplemental indenture, is authorized or permitted by the Indenture and that all covenants and conditions precedent in the Indenture relating to the transaction have been satisfied and, with respect to the opinion of counsel that the Indenture, the Notes and such supplemental indenture, if any, are our or such successor Company's legal, valid and binding obligations, enforceable against us or such successor Company in accordance with their terms;

(e) AI Candelaria Spain or the Successor Company will have taken all measures necessary and appropriate to ensure that the Liens created under the Share Pledge Agreement will have been immediately prior to the applicable event or transaction, and will continue to be following the applicable event or transaction, fully valid, perfected, and enforceable as to all Ocensa Pledged Shares and will have provided an opinion of counsel that the covenants and conditions precedent set forth in this clause (e) have been satisfied; and

(f) AI Candelaria Spain or the Successor Company will have taken all measures necessary and appropriate to ensure that the Liens created under the Deposit Account Control Agreement will have been immediately prior to the applicable event or transaction, and will continue to be following the applicable event or transaction, fully valid, perfected, and enforceable as to the Debt Service Reserve and will have provided an opinion of counsel that the covenants and conditions precedent set forth in this clause (f) have been satisfied.

The provisions of clauses (b), (c) and (d) above will not apply to:

(1) any transfer of the properties or assets of a Restricted Subsidiary to AI Candelaria Spain or to a wholly-owned Restricted Subsidiary;

(2) any merger of a Restricted Subsidiary into AI Candelaria Spain; and

(3) any Permitted Tax Restructuring involving AI Candelaria Spain or any Restricted Subsidiary;

so long as, in each case, the Indebtedness of AI Candelaria Spain and that of its Restricted Subsidiaries is not increased thereby.

Upon any consolidation, combination or merger or any transfer of all or substantially all of the properties and assets of AI Candelaria Spain and its Restricted Subsidiaries in accordance with this covenant, in which AI Candelaria Spain is not the continuing corporation, the Successor Company formed by such consolidation or into which AI Candelaria Spain is merged or to which such conveyance, lease or transfer is made will succeed to and be substituted for, and may exercise every right and power of, AI Candelaria Spain under the Indenture and the Notes with the same effect as if such Successor Company had been named as the original issuer of the Notes. For the avoidance of doubt, compliance with this covenant will not affect our obligation (including a Successor Company, if applicable) under "—Change of Control", if applicable.

When calculating the Debt Service Coverage Ratio and Leverage Ratio for purposes of this covenant, "EBITDA" of the Successor Company may, at the option of the Successor Company, be utilized in lieu of Net Dividends Received. From and after the date of the assumption of the Notes by a Successor Company pursuant to the provisions of this covenant, the Successor Company may use "EBITDA" instead of "Net Dividends Received" for all purposes of the Indenture.

Further Assurances

AI Candelaria Spain agrees that from time to time, at its own cost and expense, it will promptly prepare, execute and deliver, and will cause to be executed and delivered, all further instruments and documents as are necessary (or as the U.S. Collateral or Colombian Collateral Agent may reasonably request), as the case may be, including, without limitation, financing and continuation statements, and will take all further action and will cause all further action to be taken in order to preserve, perfect and protect the rights and Lien of the Collateral Agents in the Collateral and the interest of the holders of the Notes therein or to enable the Trustee and the Collateral Agents to exercise and enforce their respective rights and remedies under the Indenture and the Security Documents. Without limiting the foregoing, AI Candelaria Spain hereby authorizes the Trustee and the Collateral Agents, as the case may be, to file such financing or continuation statements, and amendments thereto, and authorizes them to take all such further action and execute all such further documents and instruments as may be necessary or desirable in order to create, preserve, perfect, and protect the rights and Lien of the Collateral Agents on the Collateral and the interest of the holders of the Notes therein, without the signature of AI Candelaria Spain to the extent permitted by applicable law; *provided*, *however*, that the Trustee and the Collateral Agents will not be obligated to take any such action except pursuant to written directions by the majority of the holders of the Notes as provided for in the Indenture, subject to their right to be indemnified or receive other security therefor.

Maintenance of Corporate Existence

AI Candelaria Spain will maintain in effect its corporate existence and all registrations necessary therefor. AI Candelaria Spain will take all actions necessary to maintain all rights, privileges, titles, franchises and the like necessary or desirable in the normal conduct of its businesses, activities and operations.

Limitation on Business Activities

AI Candelaria Spain will not, directly or indirectly, engage in any trade or business other than the ownership of capital stock of Ocensa and activities arising out of or relating thereto including foreign exchange hedging transactions and interest rate hedging transactions in connection with the Notes or other Indebtedness so long as, in either case, such hedging transactions are not entered into for speculative purposes, and ownership of the securities of other businesses engaging in storage, transportation and related services of hydrocarbons and/or their derivative products through pipeline and/or other transportation systems and/or storage facilities in Latin America. Solely with respect to a Successor Company that assumes the obligations of AI Candelaria Spain under the Notes as contemplated by the provisions described under "—Merger, Consolidation or Sale of Assets", such Successor Company may engage in Midstream Activities in addition to engaging in the business activities described above.

Limitation on Changes to Organizational Documents of Ocensa

AI Candelaria Spain shall not permit any modification, supplement or waiver to any provision of Ocensa's organizational documents or by-laws or to the Shareholders' Agreement, including any change to the dividend policy (however designated) of Ocensa or to the amount, frequency or timing of such dividends, except to the extent such modification, supplement or waiver would not be adverse in any material respect to the interests of the holders of the Notes taken as a whole, as determined by AI Candelaria Spain in good faith.

Limitation on Intermediate Holding Companies

From and after the date that the Colombian Collateral Agent has a perfected first priority security interest on the Ocensa Pledged Shares for the benefit of the holders of the Notes, AI Candelaria Spain (or any Successor Company that assumes the obligations of AI Candelaria Spain under the Notes as contemplated by the provisions described under "—Merger, Consolidation or Sale of Assets") shall directly hold the Ocensa Pledged Shares.

Limitation on Incurrence of Indebtedness of Restricted Subsidiaries

AI Candelaria Spain will not permit any Restricted Subsidiary that is formed or acquired after the Issue Date to incur Indebtedness or Guarantee the payment of any Indebtedness in an aggregate principal amount at any time outstanding of greater than US$5.0 million unless such Restricted Subsidiary within five (5) Business Days executes and delivers a supplemental indenture to the Indenture providing for a Guarantee of the Notes by such Restricted Subsidiary, except that, with respect to a Guarantee of Indebtedness of AI Candelaria Spain or any Restricted Subsidiary that has Guaranteed the Notes, if such Indebtedness is by its express terms subordinated in right of payment to the Notes or a Restricted Subsidiary's Guarantee of the Notes, any such Indebtedness or Guarantee with respect to such Indebtedness shall be subordinated in right of payment to such Guarantee of the Notes substantially to the same extent as such Indebtedness is subordinated to the Notes.

Any future Guarantee of the Notes by a Restricted Subsidiary shall provide by its terms that it shall be automatically and unconditionally released and discharged upon:

(i) (a) any sale, exchange or transfer (by merger or otherwise) of (I) the Capital Stock of such Restricted Subsidiary (including any sale, exchange or transfer), after which the applicable entity is no longer a Restricted Subsidiary or (II) all or substantially all of the assets of such Restricted Subsidiary, which sale, exchange or transfer is made in compliance with the applicable provisions of the Indenture,

(b) the release or discharge of the Indebtedness incurred by such Restricted Subsidiary or Guarantee by such Restricted Subsidiary, as the case may be, which resulted in the creation of such Guarantee of the Notes, except a discharge or release by or as a result of payment under such Indebtedness or Guarantee, as the case may be,

(c) the permitted designation of any Restricted Subsidiary that has Guaranteed the Notes as an Unrestricted Subsidiary, or

(d) exercise of the legal defeasance option or covenant defeasance option by the issuer as described under "—Legal Defeasance and Covenant Defeasance" or the issuer's obligations under the Indenture being discharged in accordance with the terms of the Indenture, and

(ii) such Restricted Subsidiary delivering to the Trustee and officer's certificate and an opinion of counsel, each stating that all conditions precedent provided for in the Indenture relating to such transaction have been complied with.

Periodic Reports

AI Candelaria Spain will furnish to the holders of the Notes and to prospective purchasers of Notes any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the Notes are not freely transferable under the Securities Act. In addition, so long as the Notes remain outstanding, AI Candelaria Spain will provide the holders with:

(1) annual audited financial statements of AI Candelaria Spain prepared in accordance with GAAP, including a report thereon by AI Candelaria Spain's certified independent auditors and a management's discussion and analysis of financial condition and results of operations, which financial statements will be provided no more than 90 days following the date of AI Candelaria Spain's receipt of the audited financial statements of Ocensa for the applicable fiscal year; and

(2) quarterly financial statements of AI Candelaria Spain prepared in accordance with GAAP, which may be unaudited, for the three-month periods ending March 31, June 30 and September 30 of each year, including a management's discussion and analysis of financial condition and results of operations, which financial statements will be provided no more than 60 days following the date of AI Candelaria Spain's receipt of the unaudited financial statements of Ocensa for the applicable fiscal quarter; *provided* that AI Candelaria Spain shall have no obligation to deliver unaudited financial statements or a corresponding management's discussion and analysis of financial condition and results of operations if it does not receive unaudited financial statements of Ocensa for the corresponding fiscal quarter, notice of which shall be provided to the holders of the Notes; *provided, further*, that if AI Candelaria Spain does not deliver its financial statements for either the three month period ending March 31 or June 30 (due solely to a failure by Ocensa to provide its financial statements for the relevant quarter to AI Candelaria Spain), it shall deliver its financial statements for the six-month period ending June 30, including a management's discussion and analysis of financial condition and results of operations, which financial statements will be provided no more than 60 days following the date of AI Candelaria's receipt of the financial statements of Ocensa for such period;

(3) any annual audited or quarterly financial statements of Ocensa received by AI Candelaria from Ocensa within 30 days of AI Candelaria Spain's receipt thereof;

provided that, in each case, all such reports shall be provided in English and *provided further* that AI Candelaria Spain will not be required pursuant to this paragraph to provide disclosure which is qualitatively more explicit or precise than that which is provided in this offering memorandum.

Delivery of reports to the Trustee is for information purposes only, and the Trustee's receipt thereof shall not constitute actual or constructive notice of any information contained therein, including our compliance with any covenants under the Indenture (as to which the Trustee is entitled to rely on officer's certificates). The Trustee shall have no responsibility to monitor the obligation of AI Candelaria Spain to deliver the foregoing financial reports

Reports to Trustee

AI Candelaria Spain will deliver to the Trustee:

(1) within 120 days after the end of each fiscal year a certificate stating that AI Candelaria Spain has fulfilled all of its obligations under the Indenture and each Security Document or, if there has been a Default, specifying the Default and its nature and status; and

(2) as soon as possible and in any event within 30 days after a responsible officer of AI Candelaria Spain becomes aware of the occurrence of a Default, an officers' certificate setting forth the details of the Default, and the action which AI Candelaria Spain proposes to take with respect thereto.

Notices

As long as Notes in global form are outstanding, notices to be given to holders will be given to the depositary, in accordance with its applicable procedures as in effect from time to time. If AI Candelaria Spain issues notes in certificated form, notices to be given to holders will be sent by mail to the respective addresses of the holders as they appear in the registrar's records, and will be deemed given when mailed. Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

Listing

The Existing Notes are currently listed on the SGX-ST and we have received approval-in-principle to increase the principal amount of the Notes listed on the SGX-ST to include the New Notes. The Existing Notes are, and the New Notes will be, traded on the SGX-ST in a minimum bond lot size of US$250,000. AI Candelaria Spain will use commercially reasonable efforts to maintain listing of the Notes on the SGX-ST before the first payment under the Notes is due; however, if the Notes are not yet listed, and AI Candelaria Spain cannot assure the holders of the Notes that the listing will be maintained, AI Candelaria Spain shall use commercially reasonable efforts to obtain and maintain listing of the Notes on a regulated market, multilateral trading facility or another organized market as those terms are referred to in First Additional Provision of Law 10/2014 of 26 June, 2014 on the regulation, supervision and solvency of credit institutions (Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito).

So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, AI Candelaria Spain shall appoint and maintain a paying agent in Singapore, where such notes may be presented or surrendered for payment or prepayment in the event that the global notes representing such Notes are exchanged for definitive notes. In addition, in the event that the global notes are exchanged for definitive notes, an announcement of such exchange will be made by, or on behalf of, AI Candelaria Spain through the SGX-ST. Such announcement will include all material information with respect to the delivery of the definitive notes, including details of the paying agent in Singapore.

Events of Default

Each of the following is an "Event of Default":

(1) a failure by AI Candelaria Spain to pay any principal of the Notes, when due and payable, whether at maturity, on a Payment Date, upon prepayment or otherwise, or a failure by AI Candelaria Spain to offer to purchase the Notes when required to do so pursuant to the terms of the Indenture or the Notes;

(2) a failure by AI Candelaria Spain for 30 days to pay interest or any Additional Amounts when due and payable on any Notes;

(3) if the Debt Service Reserve is not Fully Funded for a period of more than 30 consecutive days commencing on the day that is 60 days prior to a Payment Date;

(4) a failure by AI Candelaria Spain to perform or comply with any of the provisions described under "Covenants—Merger, Consolidation or Sale of Assets";

(5) a failure by AI Candelaria Spain to perform or observe any other term, covenant, warranty or obligation in the Notes, the Indenture or the Security Documents, not otherwise expressly included as an Event of Default in (1), (2), (3) or (4) above, and the continuance of such default for more than 30 days after written notice of such default has been given to AI Candelaria Spain by the Trustee or to AI Candelaria Spain and the Trustee by the holders of at least 25% in aggregate principal amount of the Notes then outstanding;

(6) a default under any Indebtedness of AI Candelaria Spain (other than the Notes), any Restricted Subsidiary or Ocensa or under any Indenture or other instrument under which such Indebtedness has been issued or by which it is governed and the expiration of any applicable grace period contained in such Indebtedness, which in the aggregate exceeds US$10.0 million (or the equivalent in other currencies), which default (A) results in the acceleration of the payment of such Indebtedness or (B) has not been cured or waived and constitutes the failure to make any payment of principal or interest on such Indebtedness when due, after the expiration of any applicable grace period and (C) in the case of Ocensa, results in a restriction on the ability of Ocensa to declare or make Restricted Payments that has had a material adverse effect on the ability of AI Candelaria Spain to perform its payment obligations under the Indenture or the Notes;

(7) a failure by AI Candelaria Spain or any of its subsidiaries to pay one or more final judgments against any of them which are not covered by adequate insurance by a solvent insurer of national or international reputation which has acknowledged its obligations in writing, aggregating US$10.0 million or more, which judgment(s) are not paid, discharged or stayed for a period of 60 days or more;

(8) (A) the Colombian Collateral Agent fails to have a perfected first-priority security interest in the Ocensa Pledged Shares that is registered with the Moveable Guarantees Registry on or after the day that is 90 days after the Issue Date, (B) the Deposit Account Control Agreement ceases, for any reason, to be in full force and effect, or any Lien created by the Deposit Account Control Agreement is invalidated or ceases to be enforceable and of the same effect and priority purported to be created thereby, or the existence, perfection, or priority of any Lien created by the Deposit Account Control Agreement is otherwise impaired for any reason or (C) on or after the day that is 90 days after the Issue Date, the Share Pledge Agreement ceases, for any reason, to be in full force and effect, or any Lien created by the Share Pledge Agreement is invalidated or ceases to be enforceable and of the same effect and priority purported to be created thereby, or the existence, perfection, or priority of any Lien created by the Share Pledge Agreement is otherwise impaired for any reason, in each case where the applicable cessation, invalidation or impairment, by itself or in combination with any and all other such cessations, invalidations or impairments, could reasonably be expected to have a Material Adverse Effect;

(9) AI Candelaria Spain or any of its subsidiaries asserts that any of the Security Documents has ceased or should cease to be in full force in effect, or that any Lien created by or purported to be created by the Security Documents is or should be invalid or unenforceable, or that any Lien created by or purported to be created by the Security Documents is not or should not be of the same effect and priority purported to be created thereby; and

(10) certain events of bankruptcy or insolvency with respect to AI Candelaria Spain, its Restricted Subsidiaries or Ocensa.

The Indenture provides that (a) if an Event of Default (other than an Event of Default described in clause (10) above will have occurred and be continuing with respect to the Notes, either the Trustee or the holders of not less than 25% of the aggregate principal amount of the Notes then outstanding may declare the principal of, and Additional Amounts, if any, and accrued and unpaid interest on all such outstanding Notes to be due and payable immediately by notice in writing to us (and to the Trustee if given by the holders) specifying the Event of Default and that it is a “notice of acceleration” and (b) if an Event of Default described in clause (10) above will have occurred, the principal of all such outstanding Notes and the interest accrued thereon, if any, will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder of such Notes. The Indenture provides that the Notes owned by us or any of our affiliates will be deemed not to be outstanding for, among other purposes, declaring the acceleration of the maturity of the Notes. Notwithstanding the occurrence of an Event of Default described in clause (10) above, nothing in the Indenture shall (A) prevent the commencement of a proceeding under Law 1116 of 2006 or the filing of a petition in Colombia to commence a proceeding under Law 1116 of 2006 with respect to Ocensa, whether voluntary or involuntary, (B) be construed to mean that the purpose of any such provision is to prevent or create obstacles to prevent, directly or indirectly, that proceedings be commenced in Colombia under Law 1116 of 2006 with respect to Ocensa, (C) prohibit Ocensa from negotiating or entering into a restructuring agreement under Law 1116 of 2006, or (D) impose any restrictions or prohibitions, or unfavorable effects (*efectos desfavorables*) upon Ocensa for the negotiation or execution of a restructuring agreement under Law 1116 of 2006.

Upon the satisfaction by us of certain conditions, the declaration described in clause (a) of the preceding paragraph may be rescinded by the holders of a majority of the total principal amount of the Notes then outstanding. No rescission will affect any subsequent Default or impair any rights relating thereto. Past Defaults, other than non-payment of principal, interest and compliance with certain covenants, may be waived by the holders of a majority of the total principal amount of the Notes outstanding.

The Trustee shall give to the holders of the Notes notice of all uncured Events of Default actually known to a responsible officer of it with respect to the Notes within 45 days after a responsible officer of the Trustee obtains such actual knowledge or receives written notice of such an Event of Default (unless such Event of Default will have been cured); *provided*, however, that, except in the case of an Event of Default resulting from a Default in the payment of principal, interest or Additional Amounts, the Trustee will be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interest of the holders of the Notes.

The Indenture provides that the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any holders of the Notes, unless such holders will have offered to the Trustee indemnity or security satisfactory to it. Subject to the provisions of the Indenture and applicable law, holders of a majority in aggregate principal amount of the then-outstanding Notes have the right to direct the time, method and place of conducting any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

No holder of Notes may institute any action under the Indenture unless:

(1) such holder gives the Trustee written notice of a continuing Event of Default with respect to the Notes;

(2) the holders of at least 25% of the total principal amount of the Notes then outstanding will have made written request to the Trustee to institute proceedings in respect of the Event of Default;

(3) such holder or holders will have offered the Trustee such indemnity or security as the Trustee may require;

(4) the Trustee will have failed to institute an action within 60 days after such offer of indemnity or security; and

(5) no inconsistent direction has been given to the Trustee during such 60-day period by the holders of a majority of the total principal amount of the Notes.

Such limitations, however, do not apply to any suit instituted by a holder of a Note for enforcement of payment of the principal or interest on the Notes on or after the respective due dates expressed in such Notes.

Modification of the Indenture

From time to time, we, the Trustee and the Collateral Agents, as applicable, may, without the consent of the holders of the Notes, amend, waive or supplement the Indenture, the Intercreditor Agreement, the Security Documents or the Notes for certain specified purposes, including among other things:

(1) evidencing our succession by another corporation, and the assumption by such party of our obligations;

(2) adding a Guarantee of the Notes, any covenants or Events of Default, or surrendering any of our rights or powers for the benefit of the holders of the Notes;

(3) curing any ambiguity, defect or inconsistency in the Indenture;

(4) providing for the appointment of a successor Trustee;

(5) making any other change to the Indenture which does not adversely affect the interests of any holder of the Notes in any material respect (as certified in an officer's certificate of AI Candelaria Spain to the Trustee); or

(7) to conform the text of the Indenture, the Notes or the Security Documents to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Security Documents (as evidenced in an officer's certificate of AI Candelaria Spain to the Trustee).

In addition, with certain exceptions, the Indenture, the Intercreditor Agreement, the Security Documents and the Notes may be modified by us, the Trustee and the Collateral Agents, as applicable, with the consent of the holders of a majority in aggregate principal amount of the Notes affected thereby then outstanding, but no such modification may be made without the consent of the holder of each outstanding Note affected by the modification which would:

(1) reduce the amount of Notes whose holders must consent to an amendment or waiver;

(2) reduce the rate of or change or have the effect of changing the time of payment of interest, including defaulted interest, principal and Additional Amounts, on any Notes;

(3) reduce the principal of or change or have the effect of changing the fixed maturity of any Notes, principal payment dates or change the date on which any Notes may be subject to prepayment, or reduce the prepayment prices therefor;

(4) make any Notes payable in money other than that stated in the Notes;

(5) make any change in provisions of the Indenture entitling each holder to receive payment of principal, premium (including Additional Amounts), if any, and interest on such Note on or after the due date thereof or to bring suit to enforce such payment;

(6) make any change in the provisions of the Indenture described under "Additional Amounts" that adversely affects the rights of any holder of the Notes;

(7) modify provisions relating to waiver of certain defaults, waiver of certain covenants and the provisions summarized in this paragraph, except to increase any such percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding Note affected by the modification; or

(8) make any change to any Lien granted pursuant to the Security Documents that would adversely affect the rights of the holders of the Notes.

The Indenture provides that the Notes owned by us or any of our affiliates will be deemed not to be outstanding for, among other purposes, consent to any such modification.

In connection with any amendment, supplement or waiver, the Trustee and the U.S. Collateral Agent (as applicable) shall be entitled to receive an officer's certificate and an opinion of counsel, each stating that all covenants and conditions precedent to such amendment, supplement or waiver have been satisfied, that such amendment, supplement or waiver is authorized or permitted by the Indenture, the Intercreditor Agreement and the Security Documents and, with respect to such opinion of counsel, that such amendment, supplement or waiver is our legal, valid and binding obligation, enforceable against us in accordance with its terms.

Legal Defeasance and Covenant Defeasance

We may, at our option, at any time upon the satisfaction of certain conditions described below, elect to be discharged from our obligations with respect to the Notes ("Legal Defeasance"). In general, following Legal Defeasance, we will be deemed to have paid and discharged the entire Indebtedness represented by the Notes and to have satisfied all of our obligations under the Notes, except for:

(1) the rights of holders of Notes to receive payments from the trust referred in clause (1) of the third paragraph of this section in respect of the principal of, and interest, premium, if any, and Additional Amounts, if any, on the Notes when such payments are due;

(2) certain provisions relating to ownership, registration and transfer of the Notes;

(3) the covenant relating to the maintenance of an office or agency in New York City;

(4) certain provisions relating to the rights, powers, trusts, duties, indemnities, protections and immunities of the Trustee and the U.S. Collateral Agent; and

(5) the Legal Defeasance provisions of the Indenture.

In addition, we may, at our option, at any time, upon the satisfaction of certain conditions described below, elect to be released with respect to the Notes from certain covenants that are described in the Indenture, including the covenants regarding Liens ("Covenant Defeasance"). Following such Covenant Defeasance, the occurrence of a breach or violation of any such covenant with respect to the Notes will not constitute a Default or an Event of Default with respect to the Notes, and certain other events (not including, among other things, nonpayment of other obligations or certain bankruptcy and insolvency events) described under "Events of Default" also will not constitute Events of Default with respect to the Notes.

In order to cause Legal Defeasance or Covenant Defeasance with respect to the Notes, we will be required to satisfy, among other conditions, the following:

(1) we will have irrevocably deposited with the Trustee, in trust for the benefit of the holders of the Notes, cash in U.S. dollars or non-callable U.S. government obligations, or a combination thereof, sufficient, without consideration of reinvestment in the written opinion of an internationally recognized firm of independent public accountants, to pay and discharge all outstanding principal and premium of, and all accrued and unpaid interest (including Additional Amounts, if any) due on the Notes, to but excluding the stated date for payment thereof or the applicable prepayment date, as the case may be;

(2) in the case of Legal Defeasance, we will have delivered to the Trustee an opinion of counsel in the United States reasonably acceptable to the Trustee stating that (a) we have received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the date of the Indenture there has been a change in the applicable U.S. federal income tax statutes or regulations, in either case to the effect that, and based thereon such opinion will confirm that, the beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to U.S. federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred;

(3) in the case of Covenant Defeasance, we will have delivered to the Trustee an opinion of counsel in the United States reasonably acceptable to the Trustee to the effect that the beneficial owners of the Notes will not recognize gain or loss for U.S. federal income tax purposes as a result of such deposit and Covenant Defeasance and will be subject to U.S. federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit and Covenant Defeasance had not occurred;

(4) no Default or Event of Default will have occurred and be continuing with respect to the Notes;

(5) the Trustee will have received an officer's certificate stating that such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture) to which we or any of our subsidiaries is a party or by which we or any of our subsidiaries is bound;

(6) the Trustee will have received an officer's certificate stating that the deposit was not made by us with the intent of preferring the holders of the Notes over any of our other creditors or any creditor of our subsidiaries or with the intent of defeating, hindering, delaying or defrauding any of our other creditors or creditors of others;

(7) we will have delivered to the Trustee an opinion of counsel to the effect that payments of amounts deposited in trust with the Trustee, as described above, will not be subject to future taxes, duties, fines, penalties, assessments or other governmental charges imposed, levied, collected, withheld or assessed by, within or on behalf of Spain or any political subdivision or governmental authority thereof or therein having power to tax, except to the extent that Additional Amounts in respect thereof will have been deposited in trust with the Trustee as described above; and

(8) we will have delivered an officer's certificate and opinion of counsel stating that all conditions precedent under the Indenture to such legal defeasance or covenant defeasance have been satisfied.

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer of the Notes and AI Candelaria Spain's obligation to indemnify the Trustee and U.S. Collateral Agent, as expressly provided for in the Indenture) as to all outstanding Notes when:

(1) either (a) all the Notes previously authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has previously been deposited in trust or segregated and held in trust by the Trustee for the holders of the Notes) have been delivered to the Trustee for cancellation; or (b) all Notes not previously delivered to the Trustee for cancellation have become due and payable by reason of the making of a notice of prepayment or otherwise, will become due and payable within one year or are to be selected for prepayment within one year for the giving of notice of prepayment by us and we have irrevocably deposited or caused to be deposited with the Trustee sufficient funds in U.S. dollars, without consideration of reinvestment to pay and discharge the entire Indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal of, Additional Amounts, if any, and interest on the Notes to, but not including, the date of maturity or early repurchase or prepayment in full, together with irrevocable instructions from us directing the Trustee to apply such funds to the payment;

(2) we have paid all other sums payable under the Indenture and the Notes by us; and

(3) we have delivered to the Trustee an officer's certificate and opinion of counsel stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been met.

The Trustee and Paying Agent

Wilmington Trust National Association is the Trustee under the Indenture and has been appointed by us as registrar in the United States with respect to the Notes. The address of the Trustee is 1100 North Market Street, Wilmington, Delaware 19890. The Bank of New York Mellon, London Branch has been appointed by us as the

Paying Agent in the United Kingdom with respect to the Notes. The address of the Paying Agent is One Canada Square, London, E14 5AL, United Kingdom.

Replacement of Trustee

The Trustee may resign at any time by so notifying the Company. The holders of a majority in aggregate principal amount of the Notes then outstanding may remove the Trustee by so notifying the Company and the Trustee in writing. The Company may remove the Trustee if:

- the Trustee is adjudged bankrupt or insolvent;
- a receiver or other public officer takes charge of the Trustee or its property; or
- the Trustee otherwise becomes incapable of acting.

If the Trustee resigns, is removed by the Company or by the holders of a majority in aggregate principal amount of the Notes then outstanding, or if a vacancy exists in the office of Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Company by a board resolution shall promptly appoint a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under the Indenture. The successor Trustee shall send a notice of its succession to holders of the Notes. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in the Indenture.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the holders of 10% in aggregate principal amount of the Notes then outstanding may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Governing Law

The Indenture provides that it and the Notes will be governed by, and be construed in accordance with, the laws of the State of New York without giving effect to applicable principles of conflict of laws. The due authorization and the status of the Notes will be governed by Spanish law. We have irrevocably consented to the non-exclusive jurisdiction of any court of the State of New York or any U.S. federal court sitting in the Borough of Manhattan, The City of New York, New York, United States, and any appellate court from any of these courts, and have waived any immunity from the jurisdiction of these courts over any suit, action or proceeding that may be brought in connection with the Indenture, the Notes and the Deposit Account Control Agreement.

We have appointed CT Corporation as our initial authorized agent upon which all writs, process and summonses may be served in any suit, action or proceeding brought in connection with the Indenture, the Deposit Account Control Agreement or the Notes against us in any such court and have agreed that such appointment will be irrevocable so long as any of the Notes remain outstanding or until the irrevocable appointment by us of a successor in The City of New York as our authorized agent for such purpose and the acceptance of such appointment by such successor.

Replacement of Notes

In case of mutilated, destroyed, lost or stolen Notes, application for replacement thereof may be made to the Trustee or us. Any such Note will be replaced by AI Candelaria Spain in compliance with such procedures, on such terms as to evidence and any security or indemnification as the Trustee or we may require and subject to any applicable law or regulation. All such costs as may be incurred in connection with the replacement of any Notes will be borne by the applicant. Mutilated Notes must be surrendered before new ones will be issued.

Definitions

"affiliate" means, with respect to any specified person, any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, "control", when used with respect to any specified person, means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Asset Acquisition" means:

(1) an Investment by AI Candelaria Spain or any Restricted Subsidiary in any other person pursuant to which such person will become a Restricted Subsidiary, or will be merged with or into AI Candelaria Spain or any Restricted Subsidiary;

(2) the acquisition by AI Candelaria Spain or any Restricted Subsidiary of the assets of any person (other than a Subsidiary of AI Candelaria Spain) which constitute all or substantially all of the assets of such person or comprises any division or line of business of such person or any other properties or assets of such person other than in the ordinary course of business; or

(3) any revocation with respect to an Unrestricted Subsidiary.

"Asset Sale" means any direct or indirect sale, disposition, issuance, conveyance, transfer, lease, assignment or other transfer (each, a "disposition") by AI Candelaria Spain or any Restricted Subsidiary of:

(a) any Capital Stock (other than Capital Stock of AI Candelaria Spain); or

(b) any property or assets (other than cash, Cash Equivalents or Capital Stock) of AI Candelaria Spain or any Restricted Subsidiary.

Notwithstanding the preceding, the following will not be deemed to be Asset Sales, *provided* no Collateral is being disposed:

(1) any disposition identified in clause (a) or (b) above if, immediately following such disposition, AI Candelaria Spain would be able to Incur at least US$1.00 of additional Indebtedness (other than Permitted Indebtedness) in compliance with the first paragraph of "—Covenants—Limitation on Incurrence of Additional Indebtedness"; *provided*, that any such disposition would not require AI Candelaria Spain to make a Change of Control Offer;

(2) any disposition identified in clause (a) or (b) above if, immediately following such disposition, AI Candelaria Spain's Debt Service Coverage Ratio is equal to or greater than immediately prior to such disposition and its Leverage Ratio is equal to or lesser than immediately prior to such disposition;

(3) the disposition of all or substantially all of the assets of AI Candelaria Spain and its Restricted Subsidiaries in compliance with the covenant described under "Covenants—Merger, Consolidation or Sale of Assets";

(4) a disposition to AI Candelaria Spain or a Restricted Subsidiary, including a person that is or will become a wholly-owned Restricted Subsidiary immediately after the disposition;

(5) any single transaction or series of related transactions that involves assets (other than Collateral) having a Fair Market Value of less than US$0.5 million; *provided*, that any such disposition would not require AI Candelaria Spain to make a Change of Control Offer;

(6) an issuance of Capital Stock by a Restricted Subsidiary to AI Candelaria Spain or to another Restricted Subsidiary;

(7) the sale or other disposition of Cash Equivalents on an arm's length basis; and

(8) the making of any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "Covenants—Restricted Payments" or the making of any Permitted Investment.

"Asset Sale Transaction" means any Asset Sale and, whether or not constituting an Asset Sale, (1) any sale or other disposition of Capital Stock and (2) any sale or other disposition of property or assets excluded from the definition of Asset Sale by clause (3) of that definition.

"Business Day" means any day other than a Saturday or Sunday, or a day on which commercial banking institutions in The City of New York and the place of payment are authorized or required by law, regulation or executive order to remain closed.

"Capital Stock" means:

(1) with respect to any person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, including each class of common stock and Preferred Stock of such person;

(2) with respect to any person that is not a corporation, any and all partnership or other equity or ownership interests of such person (including with respect to AI Candelaria Spain, the "*participaciones sociales*" in which its share capital is divided into); and

(3) any warrants, rights or options to purchase any of the instruments or interests referred to in clause (1) or (2) above.

"Capitalized Lease Obligations" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized and reflected as a liability on a balance sheet (excluding the footnotes thereto) prepared in accordance with GAAP.

"Cash Equivalents" means:

(1) marketable direct obligations issued by, or unconditionally guaranteed by, the government of the United States or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within six months from the date of acquisition thereof;

(2) marketable direct obligations issued by any political subdivision or public instrumentality of the United States maturing within six months from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from S&P or Moody's;

(3) commercial paper maturing no more than six months from the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 from S&P or at least P-1 from Moody's;

(4) certificates of deposit or bankers' acceptances maturing within six months from the date of acquisition thereof issued by any bank organized under the laws of the United States or any political subdivision thereof having at the date of acquisition thereof a rating of at least AA- from S&P and Aa3 from Moody's; or

(5) investments in money market funds which invest substantially all their assets in securities of the types described in clauses (1) through (4) above.

"Change of Control" means any of the following:

(a) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of AI Candelaria Spain to any person, other than a Permitted Holder;

(b) the Permitted Holders ceasing to hold, at any time, directly or indirectly, at least 50% of the Voting Stock of AI Candelaria Spain; or

(c) the adoption of a plan relating to the liquidation or dissolution of AI Candelaria Spain.

"Change of Control Event" means the occurrence of both a Change of Control and a Ratings Decline.

"Change of Control Offer" has the meaning set forth under "—Change of Control" above.

"Change of Control Payment" has the meaning set forth under "—Change of Control" above.

"Change of Control Payment Date" has the meaning set forth under "—Change of Control" above.

"Collateral" means (i) the Ocensa Pledged Shares, the Debt Service Reserve Account, the cash and Cash Equivalents on deposit in the Debt Service Reserve Account secured pursuant to the Deposit Account Control Agreement, any Letter of Credit and (ii) any proceeds of the foregoing until any proceeds are applied as described under "—Covenants—Asset Sales" or AI Candelaria has otherwise complied with its obligations with respect to such proceeds as described under "—Covenants—Asset Sales."

"Collateral Agents" means the U.S. Collateral Agent and the Colombian Collateral Agent and their permitted successors and assigns.

"Commodity Agreement" means any commodity or raw material futures contract, commodity or raw materials option, or any other agreement designed to protect against or manage exposure to fluctuations in commodity or raw materials prices.

"Consolidated Net Income" means, with respect to any person for any period, the aggregate net income (or loss) of such person and its Restricted Subsidiaries for such period determined on a consolidated basis in conformity with GAAP; *provided* that the following (without duplication) will be excluded in computing Consolidated Net Income:

(1) the net income (but not loss) of any person that is not a Restricted Subsidiary, except to the extent of the lesser of:

(x) the dividends or other distributions actually paid in cash to such person or any of its Restricted Subsidiaries (subject to clause (3) below) by such person during such period, and

(y) such person's pro rata share of such person's net income earned during such period;

(2) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income would not have been permitted for the relevant period by charter or by any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(3) any net after-tax gains or losses attributable to Asset Sales or the extinguishment of Indebtedness;

(4) any net after-tax extraordinary gains or losses; and

(5) the cumulative effect of a change in accounting principles.

In calculating the aggregate net income (or loss) of such person and its Restricted Subsidiaries on a consolidated basis, Unrestricted Subsidiaries will be treated as if accounted for under the equity method of accounting. The consolidation or merger of AI Candelaria Spain with or into a Successor Company, or the sale, assignment, transfer, lease, conveyance or other disposal of all or substantially all of the properties and assets of AI Candelaria Spain to a Successor Company would constitute an Asset Acquisition by such Successor Company.

"Credit Ratings" means the credit ratings published by the Rating Agencies.

"Currency Agreement" means, in respect of any person, any foreign exchange contract, currency swap agreement or other similar agreement as to which such person is a party designed to hedge foreign currency risk of such person.

"Debt Service" means, for any period, the sum of all amounts payable by AI Candelaria Spain during such period in respect of principal and interest pursuant to the terms and conditions of any Indebtedness outstanding during such period (which shall include the amount of all cash and non-cash dividend payments on any series of Disqualified Capital Stock or Preferred Stock of such person (other than dividends paid in Qualified Capital Stock and dividends that are not fixed, periodic dividends) paid, accrued or scheduled to be paid or accrued during such period).

"Debt Service Coverage Ratio" means, for any person as of any date of determination, the ratio of the aggregate amount of Net Dividends Received of such person for the four most recent full fiscal quarters for which financial statements are available ending prior to the date of such determination (the "Four Quarter Period") to projected Debt Service for such person for the next full year. For purposes of this definition, "Net Dividends Received" and "Debt Service" will be calculated after giving effect on a *pro forma* basis as determined in the good faith judgment of AI Candelaria Spain's Chief Financial Officer or other officer performing similar functions for the period of such calculation to any Asset Sale Transaction or Asset Acquisition by such person or any of its subsidiaries (Restricted Subsidiaries, in the case of AI Candelaria Spain), including any Asset Sale Transaction or Asset Acquisition giving rise to the need to make such determination occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to such date of determination, as if such Asset Sale Transaction or Asset Acquisition occurred on the first day of the Four Quarter Period.

Furthermore, in calculating "Debt Service" for purposes of determining the denominator (but not the numerator) of this "Debt Service Coverage Ratio,"

(a) interest on outstanding Indebtedness determined on a fluctuating basis as of the date of determination and which will continue to be so determined thereafter will be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness in effect on such date of determination, *provided* that any interest on Indebtedness determined on a fluctuating basis, to the extent such interest is covered by Hedging Obligations, will be deemed to accrue at the rate per annum resulting after giving effect to the operation of such agreements;

(b) if interest on any Indebtedness actually Incurred on such date of determination may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rates, then the interest rate in effect on such date of determination will be deemed to have been in effect during the yearly period;

(c) interest on a Capitalized Lease Obligation will be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of AI Candelaria Spain to be the rate of interest implicit in such Capital Lease Obligation in accordance with GAAP; and

(d) for purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis will be computed based upon the expected average daily balance of such Indebtedness during the yearly period.

"Debt Service Reserve" has the meaning set forth under "—Debt Service Reserve" above.

"Debt Service Reserve Account" has the meaning set forth under "—Debt Service Reserve" above.

"Deposit Account Control Agreement" has the meaning set forth under "—Debt Service Reserve" above.

"Default" means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

"Disqualified Capital Stock" means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof, in any case, on or prior to the day after the end of a period of six months and ten days following the final maturity date of the Notes.

"EBITDA" means, with respect to any person for any period, the sum of:

(1) Consolidated Net Income of such person, plus

(2) Financial Expenses of such person, to the extent deducted in calculating Consolidated Net Income, plus

(3) to the extent deducted in calculating Consolidated Net Income and as determined on a consolidated basis for such person and its Restricted Subsidiaries in conformity with GAAP:

(A) income taxes, other than income taxes or income tax adjustments (whether positive or negative) attributable to Asset Sales or extraordinary gains or losses;

(B) depreciation, amortization and all other non-cash items reducing Consolidated Net Income (not including non-cash charges in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income; and

(C) all non-recurring losses (and minus all non-recurring gains);

provided that, with respect to any Restricted Subsidiary, such items will be added only to the extent and in the same proportion that the relevant Restricted Subsidiary's net income was included in calculating Consolidated Net Income.

"Fair Market Value" means, with respect to (i) any asset or property, the price that could be negotiated on an arm's-length free market transaction, for cash, between a willing seller and a fully informed, willing and able buyer, neither of whom is under pressure or compulsion to complete the transaction (unless otherwise specified in the Indenture, Fair Market Value will be determined by the board of directors or similar governing body of AI Candelaria Spain in its sole discretion acting in good faith and will be documented in a resolution of such board of directors or similar governing body).

"Financial Expenses" means, for any person for any period, the sum, without duplication, calculated on an unconsolidated basis in accordance with GAAP of:

(1) Unconsolidated Interest Expense for such person for such period, *plus*

(2) the amount of all cash and non-cash dividend payments on any series of Disqualified Capital Stock or Preferred Stock of such person (other than dividends paid in Qualified Capital Stock and dividends that are not fixed, periodic dividends) paid, accrued or scheduled to be paid or accrued during such period.

"Financial Net Debt" means the aggregate amount of all Indebtedness of AI Candelaria Spain and the Restricted Subsidiaries (consolidating those entities only) determined in accordance with GAAP minus (i) the aggregate amount of all unrestricted cash and Cash Equivalents of AI Candelaria Spain and the Restricted Subsidiaries determined in accordance with GAAP and (ii) the amount of cash and Cash Equivalents on deposit in the Debt Service Reserve Account.

"Four Quarter Period" has the meaning set forth under "—Definitions—Debt Service Coverage Ratio" above.

"GAAP" means, with respect to any person, generally accepted accounting principles applied by such person.

"Governmental Authority" means any federal, state, municipal, national or other government, governmental department, commission, board, bureau, court, agency or instrumentality or political subdivision thereof or any entity or officer exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any government or any court (including any supra-national body exercising such powers or functions, such as the European Union or the European Central Bank), in each case whether associated with a state or locality of the U.S., the U.S., or a foreign government.

"Guarantee" means any obligation, contingent or otherwise, of any person directly or indirectly guaranteeing any Indebtedness of any other person:

(1) to purchase or pay, or advance or supply funds for the purchase or payment of, such Indebtedness of such other person, whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise, or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part,

provided, that "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. "Guarantee" used as a verb has a corresponding meaning.

"Hedging Obligations" means the obligations of any person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Agreement.

"Indebtedness" means with respect to any person, without duplication:

(1) the principal amount (or, if less, the accreted value) of all obligations of such person for borrowed money;

(2) the principal amount (or, if less, the accreted value) of all obligations of such person evidenced by bonds, debentures, notes or other similar instruments;

(3) all Capitalized Lease Obligations of such person;

(4) all obligations of such person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable and other accrued liabilities arising in the ordinary course of business that are not overdue by 30 days or more or are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted);

(5) all letters of credit, banker's acceptances or similar credit transactions, including reimbursement obligations in respect thereof;

(6) to the extent not otherwise included as Indebtedness under any other clause of this definition, guarantees and other contingent obligations of such person in respect of Indebtedness referred to in clauses (1) through (5) above and clauses (8) through (9) below;

(7) all Indebtedness of any other person of the type referred to in clauses (1) through (6) which is secured by any Lien on any property or asset of such person, the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value of such property or asset or the amount of the Indebtedness so secured;

(8) all obligations of such person under foreign exchange contracts, currency swap agreements, interest rate protection agreements (including, without limitation, interest rate swaps, caps, floors or collars) or other similar agreements or arrangements to the extent such contracts and agreements appear as a liability on the balance sheet of such person under GAAP, which may include the use of derivatives, designed to protect such person against fluctuations in interest rates or currency values; and

(9) all Disqualified Capital Stock issued by such person with the amount of Indebtedness represented by such Disqualified Capital Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any; *provided*, that if the Disqualified Capital Stock does not have a fixed repurchase price, such maximum fixed repurchase price will be calculated in accordance with the terms of the Disqualified Capital Stock as if the Disqualified Capital Stock were purchased on any date on which Indebtedness will be required to be determined pursuant to the Indenture.

"Intercreditor Agreement" means an intercreditor agreement in substantially the form to be attached to the Indenture, with any changes thereto that are not adverse to the holders of the Notes or the Trustee as determined by AI Candelaria Spain, in good faith, in an officer's certificate delivered to the Trustee.

"Interest Rate Agreement" of any person means any interest rate protection agreement (including, without limitation, interest rate swaps, caps, floors, collars, derivative instruments and similar agreements) and/or other types of hedging agreements designed to hedge interest rate risk of such person.

"Investment" means, with respect to any person, any:

(1) direct or indirect loan or other extension of credit (including, without limitation, a guarantee) to any other person;

(2) capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others) to any other person; or

(3) any purchase or acquisition by such person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by any other person.

For purposes of the "Restricted Payments" covenant, AI Candelaria Spain or its Restricted Subsidiaries will be deemed to have made an "Investment" in an Unrestricted Subsidiary at the time of its Designation (as defined below under the definition of "Unrestricted Subsidiary"), which will be valued at AI Candelaria Spain's portion (proportionate to the sum of AI Candelaria Spain's and its Restricted Subsidiaries' equity interest in such Unrestricted Subsidiary) of the Fair Market Value of the net assets of such Unrestricted Subsidiary at the time of its Designation. Any property transferred to or from an Unrestricted Subsidiary will be valued at its Fair Market Value at the time of such transfer.

If AI Candelaria Spain or any of its Restricted Subsidiaries sells or otherwise disposes of any common stock of a Restricted Subsidiary (including any issuance and sale of Capital Stock by a Restricted Subsidiary) such that, after giving effect to any such sale or disposition, such Restricted Subsidiary would cease to be a subsidiary of AI Candelaria Spain, AI Candelaria Spain will be deemed to have made an Investment on the date of any such sale or disposition equal to the sum of the Fair Market Value of the Capital Stock of such former Restricted Subsidiary held by AI Candelaria Spain or any Restricted Subsidiary immediately following such sale or other disposition and the amount of any Indebtedness of such former Restricted Subsidiary guaranteed by us or any Restricted Subsidiary or owed to us or any other Restricted Subsidiary immediately following such sale or other disposition.

"Investment Grade Rating" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P, or an equivalent rating by any other Rating Agency.

"Issue Date" means October 25, 2018.

"L/C Bank" has the meaning set forth under "—Debt Service Reserve" above.

"Letter of Credit" has the meaning set forth under "—Debt Service Reserve" above.

"Leverage Ratio" means as of any date of determination, the ratio of the aggregate amount of Financial Net Debt as of such date to Net Dividends Received for the Four Quarter Period.

For purposes of this definition, "Financial Net Debt" will be calculated after giving effect on a *pro forma* basis as determined in the good faith judgment of AI Candelaria Spain's Chief Financial Officer or other officer performing similar functions to:

(1) the Incurrence or repayment, redemption or prepayment of any Indebtedness of such person or any of its subsidiaries (Restricted Subsidiaries in the case of AI Candelaria Spain), and the application of the proceeds thereof, including the Incurrence of any Indebtedness, and the application of the proceeds thereof, giving rise to the need to make such determination, occurring since the date of the most recent balance sheet; and

(2) any Asset Sale Transaction or Asset Acquisition by such person or any of its subsidiaries (Restricted Subsidiaries, in the case of AI Candelaria Spain), including any Asset Sale Transaction or Asset Acquisition giving rise to the need to make such determination occurring since the date of the most recent balance sheet.

Furthermore, in calculating "Financial Net Debt" for purposes of determining the denominator (but not the numerator) of this "Leverage Ratio", for purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period.

For purposes of this definition, "Net Dividends Received" will be calculated after giving effect on a *pro forma* basis as determined in the good faith judgment of AI Candelaria Spain's Chief Financial Officer or other officer performing similar functions for the period of such calculation to any Asset Sale Transaction or Asset Acquisition by such person or any of its subsidiaries (Restricted Subsidiaries, in the case of AI Candelaria Spain), including any Asset Sale Transaction or Asset Acquisition giving rise to the need to make such determination occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to such date of determination, as if such Asset Sale Transaction or Asset Acquisition occurred on the first day of the Four Quarter Period.

"Lien" means any mortgage, pledge, lien, security interest, charge or other encumbrance (including any conditional sale or other title retention agreement or lease in the nature thereof other than a title retention agreement in connection with the purchase of goods in the ordinary course of business).

"Material Adverse Effect" means a material adverse effect on the validity or enforceability of the Security Documents, or the Liens granted under the Security Documents, or the rights or remedies of the Trustee, the Collateral Agents or holders of the Notes under the Security Documents.

"Moody's" means Moody's Investors Service, Inc. and its successors and assigns.

"net cash proceeds" has the meaning set forth under "—Covenants—Asset Sales" above.

"Net Dividends Received" means, for any person for any period, dividends received minus unconsolidated administrative and selling expenses, calculated on an unconsolidated basis in accordance with GAAP. For the avoidance of doubt, Net Dividends Received shall not be reduced by (i) any goodwill or other non-cash asset impairment charges, write-offs or writedowns and (ii) any applicable withholding taxes required by Spanish Governmental Authorities.

"Non-Recourse Debt" means Indebtedness (1) no default with respect to which (including any rights that the holders may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) any holder of other Indebtedness of AI Candelaria Spain or any Restricted Subsidiary to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and (2) as to which lenders have been notified in writing that they will not have any recourse to the stock (other than the stock of an Unrestricted Subsidiary pledged by AI Candelaria Spain to secure debt of such Unrestricted Subsidiary) or assets of AI Candelaria Spain or any Restricted Subsidiary.

"Obligations" means any principal, interest (including any interest accruing subsequent to the filing of a petition in bankruptcy, reorganization or similar proceeding at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable state, federal or foreign law), penalties, fees, expenses, indemnification, reimbursements (including reimbursement obligations with respect to letters of credit and banker's acceptances), damages and other liabilities, and guarantees of payment of such principal, interest, penalties, fees, expenses, indemnifications, reimbursements, damages and other liabilities, payable under the documentation governing any Indebtedness.

"Ocensa Pledged Shares" has the meaning set forth under "—Pledged Shares" above.

"Parent Entity" means any, direct or indirect, parent of AI Candelaria Spain.

"Parent Entity Expenses" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent Entity in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to the Notes, or any other Indebtedness of AI Candelaria Spain or any Restricted Subsidiary;

(2) customary indemnification obligations of any Parent Entity owing to directors, officers, employees or other persons under its articles, charter, by-laws, partnership agreement or other organizational documents or pursuant to written agreements with any such person to the extent relating to AI Candelaria Spain and its Subsidiaries;

(3) obligations of any Parent Entity in respect of director and officer insurance (including premiums therefor) to the extent relating to AI Candelaria Spain and its Subsidiaries; and

(4) (x) general corporate overhead expenses, including professional fees and expenses and (y) other operational expenses of any Parent Entity related to the ownership or operation of the business of AI Candelaria Spain or any of its Restricted Subsidiaries.

"Permitted Holders" means Advent International Corporation and any of its affiliates and funds managed by it or its affiliates.

"Permitted Investment" means, without duplication, each of the following:

(1) an Investment by AI Candelaria Spain or any Restricted Subsidiary in AI Candelaria Spain, a Restricted Subsidiary or a person that will, upon the making of such Investment, become a Restricted Subsidiary;

(2) an Investment by AI Candelaria Spain or any Restricted Subsidiary in another person if as a result of such Investment such other person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, AI Candelaria Spain or a Restricted Subsidiary;

(3) Cash Equivalents;

(4) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(5) stock, obligations or securities received in satisfaction of judgments;

(6) stock, obligations or securities received in satisfaction of any debts owing to AI Candelaria Spain or any Restricted Subsidiary, other than any stock, obligations or securities of any affiliate of AI Candelaria Spain;

(7) Investments which are made exclusively with Capital Stock of AI Candelaria Spain (other than Disqualified Capital Stock);

(8) any Investment by AI Candelaria Spain in Ocensa out of the proceeds of the sale of the Notes; and

(9) any Investment by AI Candelaria Spain or any Restricted Subsidiary so long as the Debt Service Reserve is Fully Funded.

"Permitted Jurisdiction" means Colombia, Spain, the United States (or any state thereof or the District of Colombia) and any jurisdiction where the sovereign debt of such jurisdiction is rated an investment grade rating by S&P, Moody's or Fitch or at least one nationally recognized statistical rating organization.

"Permitted Tax Restructuring" means any reorganizations and other activities related to tax planning and tax reorganization (as determined by AI Candelaria Spain in good faith) entered into prior to, on or after the Issue Date so long as such Permitted Tax Restructuring is not materially adverse to the beneficial owners of the Notes as determined by AI Candelaria Spain, in good faith, in an officer's certificate.

"person" means an individual, partnership, corporation, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision.

"Preferred Stock" of any person means any Capital Stock of such person that has preferential rights over any other Capital Stock of such person with respect to dividends, distributions or prepayments or upon liquidation.

"Qualified Capital Stock" means any Capital Stock that is not Disqualified Capital Stock and any warrants, rights or options to purchase or acquire Capital Stock that is not Disqualified Capital Stock that are not convertible into or exchangeable into Disqualified Capital Stock.

"Rating Agencies" means Moody's, S&P and Fitch.

"Ratings Decline" means the rating of the Notes is reduced by at least two Rating Agencies (or if only one Rating Agency is providing a rating for the Notes at the commencement of any Trigger Period, the rating of the Notes is reduced by one Rating Agency) at any time during the period commencing on the earlier of (a) the occurrence of a Change of Control or (b) public notice of the occurrence of a Change of Control or public notice of the intention by AI Candelaria Spain to effect a Change of Control, and ending 60 days thereafter (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for a possible downgrade by at least two of the Rating Agencies) (the "Trigger Period"). The Trustee shall have no duty to monitor the rating of the Notes.

Notwithstanding the foregoing, a Ratings Decline otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and thus shall not be deemed a Ratings Decline for purposes of the definition of Change of Control Event hereunder) if the two Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform AI Candelaria Spain that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Ratings Decline).

"Refinancing Indebtedness" means, with respect to any security or Indebtedness of AI Candelaria Spain or a Restricted Subsidiary, any refinancing, extension, renewal, refund, repayment, redemption, prepayment, defeasance or retirement of, or issuance of a security or Indebtedness in exchange or replacement for (a "Refinancing"), such security or Indebtedness in whole or in part, to the extent such Refinancing does not:

(1) result in an increase in the aggregate principal amount of the Indebtedness of such person as of the date of such proposed Refinancing (plus the amount of any accrued interest and premiums (including tender premiums)) and plus the amount of reasonable expenses incurred by such person in connection with such Refinancing); or

(2) create Indebtedness with (a) a Weighted Average Life to Maturity that is less than the Weighted Average Life to Maturity of the Indebtedness subject to Refinancing or (b) a final maturity earlier than the final maturity of the Indebtedness subject to Refinancing; *provided*, that (i) if such Indebtedness subject to Refinancing is Indebtedness of AI Candelaria Spain, then such Refinancing Indebtedness will be Indebtedness of AI Candelaria Spain, (ii) if such Indebtedness subject to Refinancing is Indebtedness of any Restricted Subsidiary, then such Refinancing Indebtedness will be Indebtedness of a Restricted Subsidiary and (iii) if such Indebtedness subject to Refinancing is Subordinated Indebtedness, then such Refinancing Indebtedness will be subordinate to the Notes at least to the same extent and in the same manner as the Indebtedness being Refinanced.

"Restricted Subsidiary" means any subsidiary of AI Candelaria Spain that, at the time of determination, is not an Unrestricted Subsidiary.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and its successors and assigns.

"SGX-ST" means the Singapore Exchange Securities Trading Limited and its successors and assigns.

"Share Pledge Agreement" has the meaning set forth under "—Pledged Shares" above.

"Shareholders' Agreement" means the shareholders' agreement of Ocensa dated as of January 17, 2013, giving effect to any amendments thereto that are not prohibited by the Indenture.

"Security Documents" means the Share Pledge Agreement and the Deposit Account Control Agreement.

"Spanish Civil Code" means Royal Decree of 24 July 1889 by virtue of which the Spanish Civil Code is published (*Real Decreto de 24 de julio de 1889 por el que se publica el Código Civil*).

"Spanish Companies Law" means the Ley de Sociedades de Capital, approved by Real Decreto Legislativo 1/2010, de 2 de julio.

"Spanish Insolvency Act" means the Spanish Law 22/2003, of July 9, on Insolvency Proceedings.

"Subordinated Indebtedness" means any Indebtedness that is expressly subordinated in right of payment to the Notes.

"subsidiary" means, with respect to any person, (i) any corporation, association or other business entity of which more than 50% of the outstanding voting stock is owned, directly or indirectly, by, or, in the case of a partnership, the sole general partner or the managing partner or the only general partners of which are, such person and one or more subsidiaries of such person (or a combination thereof) or (ii) any corporation, association or other business entity that is required to be consolidated with such person on its financial statements in accordance with GAAP. Notwithstanding the above, so long as AI Candelaria Spain and its affiliates do not own more than 50% of the outstanding voting stock of Ocensa, Ocensa will not be deemed to be a subsidiary of AI Candelaria Spain or its Restricted Subsidiaries even if it is consolidated on the balance sheet of AI Candelaria Spain.

"Transactions" means the payment of a dividend to AI Candelaria Lux from the net cash proceeds of the Notes issued on the Issue Date to (i) repay all Indebtedness outstanding under the Second Amended and Restated Credit Agreement among AI Candelaria Lux, AI Candelaria Spain, the lenders from time to time party thereto, the hedge providers from time to time party thereto and Citibank, N.A., as administrative agent and (ii) to pay a dividend to the holders of Capital Stock of AI Candelaria Lux.

"Unconsolidated Interest Expense" means, for any person for any period, the sum of, without duplication determined on an unconsolidated basis in accordance with GAAP:

(1) the aggregate of cash and non-cash interest expense of such person for such period determined on an unconsolidated basis in accordance with GAAP, including, without limitation (whether or not interest expense in accordance with GAAP):

(a) any amortization or accretion of debt discount or any interest paid on Indebtedness of such person in the form of additional Indebtedness, (but excluding any amortization of deferred financing and debt issuance costs),

(b) the net costs under Hedging Obligations (but excluding amortization of fees),

(c) commissions, discounts and other fees and charges Incurred in respect of letters of credit or bankers' acceptances, and

(d) any interest expense paid in respect of Indebtedness of another person that is Guaranteed by such person or secured by a Lien on the assets of such person; and

(2) the interest component of Capitalized Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such person during such period.

"Unrestricted Subsidiary" means (a) any subsidiary of an Unrestricted Subsidiary and (b) any future subsidiary of AI Candelaria Spain that is designated by the board of directors or similar governing body of AI Candelaria Spain as an Unrestricted Subsidiary pursuant to a board resolution (a "Designation"), but only to the extent that such subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) is not a party to any agreement, contract or understanding with AI Candelaria Spain or any Restricted Subsidiary unless the terms of any such agreement, contract or understanding complies with the "—Limitation on Transactions with Affiliates" covenant; and

(3) is a person with respect to which neither AI Candelaria Spain nor any Restricted Subsidiary has any direct or indirect obligation (A) to subscribe for additional Capital Stock or (B) to maintain or preserve such person's financial condition or to cause such person to achieve any specified levels of operating results.

Any such Designation will be evidenced to the Trustee by AI Candelaria Spain by filing with the Trustee a certified copy of the board resolution giving effect to such Designation and an officer's certificate certifying that such Designation complied with the foregoing conditions and was permitted by the covenant described under the caption "—Covenants—Restricted Payments." If, at any time, any Unrestricted Subsidiary which has been Designated as such pursuant to clause (c) above (or which is the subsidiary of such an Unrestricted Subsidiary) would fail to meet the foregoing requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness and any Liens of such subsidiary will be deemed to be incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness or such Liens are not permitted to be incurred as of such date, AI Candelaria Spain will be in default under the terms of the Indenture).

"Voting Stock" of any person as of any date means the Capital Stock of such person that is at the time entitled to vote in the election of the board of directors or similar governing body of such person.

"Weighted Average Life to Maturity" means, when applied to Indebtedness at any date, the number of years obtained by dividing:

(1) the then-outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness into

(2) the sum of the total of the products obtained by multiplying (a) the amount of each then-remaining installment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by (b) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

Book-Entry System; Delivery and Form; Certificated Notes

The New Notes are being offered and sold in connection with the initial offering thereof solely (1) to certain "qualified institutional buyers" ("QIBs") (as defined in Rule 144A under the Securities Act) that are also "Qualified Purchasers" (as defined in Section 2(a)(51)(A)) of the Investment Company Act) and (2) outside the United States to non-U.S. persons (within the meaning of the Investment Company Act and Regulation S) in compliance with Regulation S under the Securities Act. Following the initial offering of the New Notes, the New Notes may be resold as described under "Transfer Restrictions".

The Global Notes

Rule 144A Global Notes

Notes offered and sold to qualified institutional buyers pursuant to Rule 144A will initially be issued in the form of one or more registered Notes in global form, without interest coupons. The Rule 144A global Note will be deposited on the date of the closing of the sale of the Notes with, or on behalf of, DTC and registered in the name of Cede & Co., as nominee of DTC, and will remain in the custody of the Trustee pursuant to the FAST Balance Certificate Agreement between DTC and the Trustee. Interests in the Rule 144A global Note will be available for purchase only by qualified institutional buyers.

Regulation S Global Notes

Notes offered and sold in offshore transactions to non-U.S. persons in reliance on Regulation S under the Securities Act will initially be issued in the form of one or more registered Notes in global form, without interest coupons. The Regulation S global Note will be deposited upon issuance with, or on behalf of, a custodian for DTC in the manner described in the preceding paragraph for credit to the respective participant accounts of the purchasers, or to such other DTC accounts as they may direct, including indirectly, at Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") or Clearstream Banking, *société anonyme* ("Clearstream").

Investors may hold their interests in the Regulation S global Note indirectly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such systems. Investors may in certain circumstances also hold such interests through organizations other than Euroclear or Clearstream that are participants in the DTC system. Euroclear and Clearstream will hold such interests in the Regulation S global Note on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Such depositaries, in turn, will hold such interests in the Regulation S global Note in customers' securities accounts in the depositaries' names on the books of DTC.

Except as set forth below, the Rule 144A global Note and the Regulation S global Note, collectively referred to in this section as the "global Notes", may be transferred, in whole and not in part, solely to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the global Notes may not be exchanged for Notes in physical, certificated form (referred to as "certificated Notes") except in the limited circumstances described below.

The Notes will be subject to certain restrictions on transfer and will bear a restrictive legend as set forth under "Transfer Restrictions".

All interests in the global Notes, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems.

Exchanges Among the Global Notes

Transfers by an owner of a beneficial interest in the Regulation S global Note to a transferee who takes delivery of this interest through the Rule 144A global Note will be made only in accordance with applicable procedures and upon receipt by the Trustee of a written certification from the transferor of the beneficial interest in the form provided in the Indenture to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A and a Qualified Purchaser within the meaning of the Investment Company Act of 1940, in a transaction meeting the requirements of Rule 144A. Such written certification will no longer be required after the expiration of the restricted period.

Transfers by an owner of a beneficial interest in the Rule 144A global Note to a transferee who takes delivery of such interest through the Regulation S global Note will be made only upon receipt by the Trustee of a certification from the transferor in the form provided for in the Indenture to the effect that such transfer is being made in accordance with Regulation S under the Securities Act and that, if such transfer is being made prior to the expiration of the restricted period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Any beneficial interest in one of the global Notes that is transferred to a person who takes delivery in the form of an interest in another global Note will, upon transfer, cease to be an interest in such global Note and become an interest in the other global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other global Note for as long as it remains such an interest.

Certain Book-Entry Procedures for the Global Notes

The descriptions of the operations and procedures of DTC, Euroclear and Clearstream set forth below are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to change by them from time to time. Neither we, the Trustee nor the initial purchasers take any responsibility for these operations or procedures, and investors are urged to contact the relevant system or its participants directly to discuss these matters.

DTC has advised us that it is (i) a limited purpose trust company organized under the laws of the State of New York, (ii) a "banking organization" within the meaning of the New York Banking Law, (iii) a member of the Federal Reserve System, (iv) a "clearing corporation" within the meaning of the Uniform Commercial Code, as amended, and (v) a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitates the clearance and settlement of securities transactions between participants through electronic book-entry changes to the accounts of its participants, thereby eliminating the need for physical transfer and delivery of certificates. DTC's participants include securities brokers and dealers (including the initial purchasers), banks and trust companies, clearing corporations and certain other organizations. Indirect access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies, or indirect participants that clear through or maintain a custodial relationship with a participant, either directly or indirectly. Investors who are not participants may beneficially own securities held by or on behalf of DTC only through participants or indirect participants.

We expect that pursuant to procedures established by DTC (i) upon deposit of each global Note, DTC will credit the accounts of participants designated by the initial purchasers with an interest in the global Note and (ii) ownership of the Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the interests of participants) and the records of participants and the indirect participants (with respect to the interests of persons other than participants).

The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Accordingly, the ability to transfer interests in the Notes represented by a global Note to such persons may be limited. In addition, because DTC can act only on behalf of its participants, who in turn act on behalf of persons who hold interests through participants, the ability of a person having an interest in Notes represented by a global Note to pledge or transfer such interest to persons or entities that do not participate in DTC's system, or to otherwise take actions in respect of such interest, may be affected by the lack of a physical definitive security in respect of such interest.

So long as DTC or its nominee is the registered owner of a global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by the global Note for all purposes under the Indenture. Except as provided below, owners of beneficial interests in a global Note will not be entitled to have Notes represented by such global Note registered in their names, will not receive or be entitled to receive physical delivery of certificated Notes, and will not be considered the owners or holders thereof under the Indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the Trustee thereunder. Accordingly, each holder owning a beneficial interest in a global Note must rely on the procedures of DTC and, if such holder is not a participant or an indirect participant, on the procedures of the participant through which such holder owns its interest, to exercise any rights of a holder of Notes under the Indenture or such global Note. We understand that under existing industry practice, in the event that we request any action of holders of Notes, or a holder that is an owner of a beneficial interest in a global Note desires to take any action that DTC, as the holder of such global Note, is entitled to take, DTC would authorize the participants to take such action and the participants would authorize holders owning through such participants to take such action or would otherwise act upon the instruction of such holders. Neither we nor the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of Notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to such Notes.

Payments with respect to the principal of, Additional Amounts, if any, and interest on any Notes represented by a global Note registered in the name of DTC or its nominee on the applicable record date will be payable to the extent funded by AI Candelaria Spain by the Trustee to or at the direction of DTC or its nominee in its capacity as the registered holder of the global Note representing such Notes under the Indenture. Under the terms of the Indenture, we and the Trustee may treat the persons in whose names the Notes, including the global Notes, are registered as the owners thereof for the purpose of receiving payment thereon and for any and all other purposes whatsoever. Accordingly, neither we nor the Trustee has or will have any responsibility or liability for the payment of such amounts to owners of beneficial interests in a global Note (including principal, premium, Additional Amounts, if any, and interest). Payments by the participants and the indirect participants to the owners of beneficial interests in a global Note will be governed by standing instructions and customary industry practice and will be the responsibility of the participants or the indirect participants and DTC.

Transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes, cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary. However, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant global Notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a global Note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. Cash received in Euroclear or Clearstream as a result of sales of interest in a global security by or through a Euroclear or Clearstream participant to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the global Notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. Neither we nor the Trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Certificated Notes

Beneficial interests in any global Note may be exchanged for certificated Notes only in the event that (1) we notify the Trustee in writing that DTC is no longer willing or able to act as a depositary or DTC ceases to be registered as a "clearing agency" under the Exchange Act and a successor is not appointed within 90 days of such notice or cessation, (2) we, at our option, notify the Trustee in writing that we elect to cause the issuance of Notes in definitive form under the Indenture or (3) upon the occurrence of certain other events as provided in the Indenture. In such an event, certificated Notes will be issued upon surrender by DTC of the global Notes to each person that DTC identifies as the beneficial owner of the Notes represented by the global Notes. Upon any such issuance, the Trustee is required to register such certificated Notes in the name of such person or persons (or the nominee of any thereof) and cause the same to be delivered thereto. Neither we nor the Trustee will be liable for any delay by DTC or any participant or indirect participant in identifying the beneficial owners of the related Notes and each such person may conclusively rely on, and will be protected in relying on, instructions from DTC for all purposes (including with respect to the registration and delivery, and the respective principal amounts, of the Notes to be issued).

Payment of the principal at maturity of any certificated Note will be made, upon presentation and surrender of such Note at the corporate trust office of the Trustee in the United States.

Payments of interest on any certificated Note will be made solely in U.S. dollars to the person entitled thereto as such holder's name will appear on the securities register (the "Securities Register") maintained by the Registrar pursuant to the Indenture. AI Candelaria Spain and the Trustee may deem and treat the registered holder of any certificated Note as the absolute owner of that Note (notwithstanding any notice of ownership or other writing on that Note) for the purposes of receiving payment on that Note or on account of that Note and for all other purposes.

The registered holders of certificated Notes will present directly at the corporate trust office of the Trustee in United States or of any other transfer agent all requests for the registration of any transfer of such Notes, for the exchange of such Notes for one or more new certificated Notes in the like aggregate principal amount and in authorized denominations and for the replacement of such Notes in cases of mutilation, destruction, loss or theft. Every certificate representing certificated Notes presented or surrendered for registration of transfer or for exchange will be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Trustee, duly executed by the registered holder thereof or his attorney duly authorized in writing. The registration of any transfer of certificated Notes in the Securities Register is also subject to any reasonable requirements of AI Candelaria Spain and the Trustee. Except for the expenses of delivery other than by regular mail, no service charge will be made for any exchange or registration of transfer, but we may require payment of a sum sufficient to cover any stamp tax or other governmental charge payable in connection therewith. No registrations of transfers or exchanges of certificated Notes will be made of any such Notes that have been selected for prepayment.

The Indenture provides that certificated Notes will be issued to replace certificated Notes that have been mutilated, destroyed, stolen or lost upon payment of certain costs associated with such replacement and on certain terms as to evidence and indemnity or security satisfactory to the Trustee and AI Candelaria Spain. In the case of destroyed, stolen or lost certificated Notes, replacement certificated Notes will not be issued if either AI Candelaria Spain or the Trustee has notice that those Notes have been acquired by a bona fide purchaser. Mutilated certificated Notes must be surrendered before replacements will be issued. In the event any such mutilated, destroyed, stolen or lost certificated Note has become or is about to become due and payable, we may, in our discretion, instead of issuing a new certificated Note, pay or cause to be paid such Note.

All certificated Notes issued as a result of any partial or whole transfer, exchange or replacement of Notes will be delivered to the registered holder at the corporate trust office or branch office of the Trustee or at the office of any such other transfer agent as we may designate from time to time, or (at the risk of the registered holder) sent by mail to such address as is specified by the registered holder in its request for transfer, exchange or replacement.

Right to Demand Sales

To enforce the restrictions on transfers of interest in the Notes, the Indenture permits us to demand that the holder of a Note or an interest therein sell to a holder permitted under the Indenture their Note or any interest therein purchased by any person who is determined by us not to have been either (i) both a Qualified Purchaser and QIB at the time it acquired its Note or interest therein or (ii) a non-U.S. person as such term is defined in Regulation S at the time it acquired its Note or interest therein, and if such holder does not comply with such demand, we may sell such holder's Note or interest therein.

Unclaimed Payments

Subject to any applicable abandoned property law, the Trustee and the paying agent shall pay to us, upon written request, any money held by them for the payment of principal of or interest on the Notes that remains unclaimed for two years, and, thereafter, holders of the Notes entitled to such money must look to the us for payment as general creditors.

TAXATION

Spanish Tax Considerations

Payments made by the Issuer

The following is a general description of certain Spanish tax considerations. The information provided below does not purport to be a complete overview of tax law and practice currently applicable in the Kingdom of Spain and is subject to any changes in law and the interpretation and application thereof, which could be made with retroactive effect.

This taxation summary solely addresses the principal Spanish tax consequences of the acquisition, the ownership and disposal of Notes issued by the Issuer, an entity resident for tax purposes in Spain, after the date hereof held by a Noteholder. It does not consider every aspect of taxation that may be relevant to a particular Noteholder under special circumstances or who is subject to special treatment under applicable law or to the special tax regimes applicable in the Basque Country and Navarra (*Territorios Forales*), nor does it consider provisions passed by autonomous communities (*comunidades autónomas*) in Spain which may apply to investors for certain taxes. Where in this summary English terms and expressions are used to refer to Spanish concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Spanish concepts under Spanish tax laws. This summary assumes that each transaction with respect to the Notes is at arm's length.

Prospective investors should note that the appointment by an investor in the Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Prospective investors should consult their own tax advisors in relation to the tax consequences for them of any such appointment.

This overview is based on the law as in effect on the date of this offering memorandum and is subject to any change in law that may take effect after such date. Investors should consider the legislative changes which could occur in the future.

References in this section to Noteholders are to the beneficial owners of the Notes.

Any prospective Noteholder should consult its own tax advisors who can provide them with personalized advice based on their particular circumstances.

Introduction

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this document:

- of general application, (i) Additional Provision One of Law 10/2014, of 26 June, on supervision and solvency of credit entities ("Law 10/2014") and (ii) Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes, as amended by Royal Decree 1145/2011, of 29 July ("Royal Decree 1065/2007");

- for individuals resident for tax purposes in Spain which are subject to the Personal Income Tax ("PIT"), (i) Law 35/2006, of 28 November, on the PIT and on the Partial Amendment of the Corporate Income Tax Law, the Non-Residents Income Tax Law and the Net Wealth Tax Law, as amended by Law 26/2014, of 27 November ("PIT Law"), and (ii) Royal Decree 439/2007, of 30 March passing the PIT regulations, as amended by Royal Decree 633/2015, of 10 July, along with (iii) Law 19/1991, of 6 June, on Net Wealth Tax ("Net Wealth Tax Law"), along with (iv) Law 29/1987, of 18 December on the Inheritance and Gift Tax ("IGT Law");

- for legal entities resident for tax purposes in Spain which are subject to the CIT, (i) Law 27/2014, of 27 November governing the CIT (“CIT Law”), and (ii) Royal Decree 634/2015, of 10 July passing the CIT regulations (“CIT Regulation”); and

- for individuals and entities who are not resident for tax purposes in Spain which are subject to the Non-Resident Income Tax (“NRIT”), (i) Royal Legislative Decree 5/2004, of 5 March promulgating the NRIT, as amended, and (ii) Royal Decree 1776/2004, of 30 July promulgating the NRIT regulations, along with (iii) the Net Wealth Tax Law, along with (iv) the IGT Law.

Whatever the nature and residence of the Noteholder, the acquisition and transfer of Notes will be exempt from indirect taxes in Spain, i.e., exempt from Transfer Tax and Stamp Duty, and from Value Added Tax, as provided for in Article 314 of the Royal Legislative Decree 4/2015 of October 23 of the Securities Market (*Texto Refundido de la Ley del Mercado de Valores*) Royal Legislative Decree 1/1993, of 24 September and Law 37/1992, of 28 December, as applicable.

Individuals with Tax Residency in Spain

Personal Income Tax (*Impuesto sobre la Renta de las Personas Físicas*)

Spanish individuals with tax residency in Spain are subject to PIT on a worldwide basis. Accordingly, income obtained from the Notes will be taxed in Spain when obtained by individuals that are considered resident in Spain for tax purposes. The fact that a Spanish company pays interest or guarantee payments under or in respect of a Note will not lead an individual or entity being considered tax-resident in Spain.

Both interest payments periodically received and income derived from the transfer, prepayment, repayment or exchange of the Notes constitute a return on investment obtained from the transfer of a person’s own capital to third parties in accordance with the provisions of Section 25.2 of the PIT Law, and therefore must be included in the investor’s PIT savings taxable base and taxed at the then-applicable rate (currently, at a flat rate of 19% on the first €6,000, 21% for taxable income between €6,001 and €50,000, and 23% for taxable income exceeding €50,000).

No withholding on account of PIT will be imposed on interest as well as on income derived from the prepayment or repayment of the Notes by individual investors subject to PIT provided, among other requirements, that the Notes are listed on a regulated market, multilateral trading facility or other organized market and that procedures for the provision of information which are explained under section “—Disclosure of information in connection with the Notes” are met (including that the Paying Agent provides us, in a timely manner, with a duly executed and completed Payment Statement). See “—Disclosure of information in connection with the Notes.” Notwithstanding, withholding tax at the applicable rate may have to be deducted by other entities (such as depositaries or financial entities) on account of the PIT, provided that such entities are resident for tax purposes in Spain or act through a permanent establishment within the Spanish territory.

However, income derived from the transfer of the Notes may be subject, under certain circumstances, to a withholding on account of PIT at the rate of 19%.

In any event, the individual holder may credit withholding taxes on account of PIT against his or her final PIT liability for the relevant tax year.

To the extent possible, we will comply with the reporting obligations set out in the Spanish tax laws with respect to owners of the Notes who are individuals resident in Spain for tax purposes.

Net Wealth Tax (*Impuesto sobre el Patrimonio*)

As a general rule, Net Wealth Tax may be levied in Spain on resident individuals to the extent that their net wealth exceeds €700,000 on the last day of any year (please note that the Spanish Autonomous Community where the taxpayer is resident may determine a minimum exempt amount different from the abovementioned €700,000 threshold).

Spanish tax resident individuals whose net worth is above €700,000 and who hold Notes on the last day of any year would therefore be subject to Spanish Net Wealth Tax for such year at marginal rates varying between 0.2% and 2.5% of the average market value of the Notes during the last quarter of such year. Some reductions may be available pursuant to the applicable regional law.

Though for the years 2011 to 2020 the Spanish central government has repealed the 100% relief (*bonificación del 100%*) of this tax, the actual collection of this tax depends on the regulations of each autonomous community. Thus, Noteholders should consult their tax advisors according to the particulars of their situation.

In accordance with Article 3 of Royal Decree-Law 18/2019, of December 27, 2019, as from year 2021, a full exemption on Spanish Net Wealth Tax would apply (*bonificación del 100%*), and therefore from the year 2021, Spanish individual Holders would be released from formal and filing obligations in relation to this Spanish Wealth Tax, unless application of this full exemption is postponed or revoked again (as it occurred for tax periods 2011-2020).

Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to the Spanish Inheritance and Gift Tax in accordance with the applicable Spanish regional and State rules.

The applicable tax rates currently range between 0% and 81.6% for 2020 depending on relevant factors and the applicable regional tax rules. Thus, Noteholders should consult their tax advisors according to the particulars of their situation.

Legal Entities with Tax Residency in Spain

Corporate Income Tax (*Impuesto sobre Sociedades*)

Legal entities with tax residency in Spain are subject to CIT on a worldwide basis. Both interest periodically received and income deriving from the transfer, prepayment or repayment of the Notes constitute a return on investments for tax purposes obtained from the transfer to third parties of own capital and must be included in the profit and taxable income of legal entities with tax residency in Spain for CIT purposes in accordance with the CIT rules. The current general tax rate according to CIT Law is 25%. Certain CIT taxpayers may be subject to different CIT rates (for instance, banking institutions, which are taxable at a 30% rate). The fact that a Spanish company pays interest or guarantee payments under or in respect of a Note will not lead to an entity being considered tax resident in Spain.

No withholding on account of CIT will be imposed on interest, as well as on income derived from the prepayment or repayment of the Notes, paid by the Issuer to Spanish CIT Noteholders provided that, among other requirements, the Notes are listed on a regulated market, multilateral trading facility or other organized market and procedures for the provision of information which are explained under section "—Disclosure of information in connection with the Notes" are met (including that the Paying Agent provides us, in a timely manner, with a duly executed and completed Payment Statement). See "—Disclosure of information in connection with the Notes."

Notwithstanding, withholding tax at the applicable rate may be deducted by other entities (such as depositaries or financial entities) on account of the CIT, provided that such entities are resident for tax purposes in Spain or act through a permanent establishment within the Spanish territory, in particular as concerns any income obtained by the Spanish CIT Noteholders on the transfer of the Notes.

In any event, legal entities with tax residency in Spain may credit the withholding against their CIT liability for the relevant year.

To the extent possible, we will comply with the reporting obligations set out in the Spanish tax laws with respect to owners of the Notes who are entities resident in Spain for tax purposes.

Net Wealth Tax (*Impuesto sobre el Patrimonio*)

Legal entities resident in Spain for tax purposes are not subject to Net Wealth Tax.

Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Legal entities resident in Spain for tax purposes which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax and must declare the market value of the Notes in their taxable income for Spanish CIT purposes.

Individuals and Legal Entities with no Tax Residency in Spain

Non-Resident Income Tax (Impuesto sobre la Renta de no Residentes)

(a) With permanent establishment in Spain

Ownership of the Notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

If the Notes form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are, generally, the same as those previously set out for Spanish CIT taxpayers, without prejudice to the provisions set out by the eventual tax Treaty that could be of application. See "—Legal Entities with Tax Residency in Spain—Corporate Income Tax (Impuesto sobre Sociedades)."

To the extent possible, we will comply with the reporting obligations set out in the Spanish tax laws with respect to beneficial owners of the Notes who are individuals or legal entities not resident in Spain for tax purposes who act with respect to the Notes through a permanent establishment in Spain.

(b) With no permanent establishment in Spain

Both interest payments periodically received and income deriving from the transfer, prepayment or repayment of the Notes, obtained by individuals or legal entities who have no tax residency in Spain, being Non-Resident Income Tax taxpayers with no permanent establishment in Spain, are exempt from such Non-Resident Income Tax on the same terms laid down for income from public debt provided, among other requirements, that the Notes are listed on a regulated market, multilateral trading facility or other organized market and that the information procedures (including that the Paying Agent provides the Issuer, in a timely manner, with a duly executed and completed Payment Statement (in the form of an executed and complete Payment Statement attached to the Indenture) required under Article 44 of Royal Decree 1065/2007) are duly met. Please see "—Disclosure of information in connection with the Notes").

If the Paying Agent fails or for any reason is unable to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of income under or in respect of the Notes, the Issuer will withhold Spanish withholding tax at the then-applicable rate (currently 19%) on such payment. The Issuer will not pay additional amounts with respect to any such withholding tax to Noteholders in such event.

Noteholders that are not resident in Spain for tax purposes and entitled to exemption from NRIT, but the payment to whom was not exempt from Spanish withholding tax due to the failure by the Paying Agent to deliver a duly executed and completed payment statement in a timely manner, will receive a refund of the amount withheld, with no need for action on their part, if the Paying Agent provides us with a duly executed and completed payment statement no later than on the 10th calendar day of the month immediately following the relevant payment date. In addition, beneficial owners of income derived from the Notes may apply directly to the Spanish tax authorities for any refund to which they may be entitled pursuant to the Direct Refund from Spanish Tax Authorities Procedures set forth in "—Procedures for direct refund from the Spanish tax authorities."

Ownership of the Notes by investors who are not resident for tax purposes in Spain will not in itself render such investors resident for tax purposes in Spain. The Spanish CIT law, however, provides for certain rules whereby entities based in no-tax or tax haven jurisdictions pursuant to Spanish laws may be deemed to have their tax residency in Spain where such entities' main assets, directly or indirectly, are properties or rights located in Spain, or that can be exercised within the Spanish territory, or where their main activity is carried on in Spain (subject to certain exceptions).

Net Wealth Tax (*Impuesto sobre el Patrimonio*)

As a general rule, individuals who are not residents in Spain whose properties and rights are located in Spain, or can be exercised within the Spanish territory (such as the Notes), having a value for purposes of Net Wealth Tax exceeding €700,000, would be subject to Net Wealth Tax, at applicable rates ranging between 0.2% and 2.5%.

However, to the extent that income derived from the Notes is exempt from NRIT, individual Noteholders not resident in Spain for tax purposes who hold Notes on the last day of any calendar year will be exempt from Net Wealth Tax. Furthermore, Noteholders resident in a country with which Spain has entered into a double tax treaty with respect to Net Wealth Tax that provides for taxation only in the Noteholder's country of tax residence will be exempt from Spanish Net Wealth Tax.

Noteholders who are tax resident in a State of the European Union or of the European Economic Area ("EEA") may be entitled to apply the specific regulation of the autonomous community where their most valuable assets (i) are located (ii) can be exercised or (iii) must be fulfilled. Prospective investors should consult their tax advisors in that respect.

In accordance with Article 3 of Royal Decree-Law 18/2019, of December 27, 2019, as from year 2021, a full exemption on Spanish Net Wealth Tax would apply (*bonificación del 100%*), and therefore from the year 2021, Spanish individual Holders would be released from formal and filing obligations in relation to this Spanish Net Wealth Tax, unless the application of this full exemption is postponed or revoked again (as it occurred for tax periods 2011-2020).

Non-Spanish resident legal entities are not subject to Net Wealth Tax.

Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Individuals who do not have tax residency in Spain and who acquire ownership or other rights over the Notes by inheritance, gift or legacy will not be subject to Inheritance and Gift Tax in Spain if the country in which such individual resides has entered into a double tax treaty with Spain in relation to Inheritance and Gift Tax providing otherwise. In the absence of such treaty between the individual's country of residence and Spain, the individual will be subject to Inheritance and Gift tax in accordance with the applicable regional and state legislation (which will provide for rates ranging between 0% and 81.6%, depending on various factors).

Generally, non-Spanish tax resident individuals are subject to Spanish Inheritance and Gift Tax according to the rules set forth in the Spanish state legislation. However, if the deceased or the donee are resident in an E.U. or EEA Member State, the applicable rules will be those regional rules corresponding to the relevant autonomous community according to the law. As such, prospective investors should consult their tax advisors.

Likewise, in its Judgements from February 19, March 21 and March 22, 2018, the Spanish Supreme Court, based on the European right to the free movement of capital, has declared that the application of the regional rules corresponding to the relevant autonomous community according to the law should be extended in some circumstances to deceased heirs or donees who are residents outside of the E.U. or the EEA. Prospective investors are urged to consult their tax advisors as to the potential application of these benefits. The General Tax Directorate has confirmed this by means of its binding rulings V3151-18 and V3193-18. Likewise, the Central Economic Administrative Court has followed this criterion in Resolution 2652/2016, of September 16, 2019.

Non-resident legal entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to Inheritance and Gift Tax. They will be subject to NRIT (as described above). If the entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of the treaty will apply. In general, tax treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

Obligation to inform the Spanish tax authorities of the Ownership of the Notes

With effect as from January 1, 2013, Law 7/2012, of 29 October, as implemented by Royal Decree 1558/2012, of 15 November, introduced annual reporting obligations applicable to Spanish residents (i.e., individuals, legal entities and permanent establishments in Spain of non-resident entities) in relation to certain foreign assets or rights.

Consequently, if the Notes are deposited with or placed in the custody of a non-Spanish entity, Noteholders resident in Spain will be obligated, if certain thresholds are met as described below, to declare before the Spanish tax authorities, between January 1 and March 31 every year, the ownership of the Notes held on December 31 of the immediately preceding year (e.g., to declare between January 1, 2021 and March 31, 2021 the Notes held on December 31, 2020).

This obligation would only need to be complied with if certain thresholds are met: specifically, if the only rights/assets held abroad are the Notes, this obligation would only apply if the value of the Notes together with other qualifying assets held on December 31 exceeds €50,000 (with the corresponding valuation to be made in accordance with Wealth Tax rules). If this threshold is met, a declaration would only be required in subsequent years if the value of the Notes together with other qualifying assets increases by more than €20,000 as against the declaration made previously. Similarly, cancellation or extinguishment of the ownership of the Notes before 31 December should be declared if such ownership was reported in previous declarations.

Tax Rules for Notes not Listed on a Regulated Market, Multilateral Trading Facility or Other Organized Market

<u>Withholding on Account of PIT, NRIT and CIT</u>

If the Notes are not listed on a regulated market, multilateral trading facility or other organized market on any date on which income in respect of the Notes will be paid, payments of income to Noteholders in respect of the Notes will be subject to Spanish withholding tax at the then-applicable rate (currently 19%). Noteholders which are: (A) residents, being the beneficial owners of the proceeds, of a European Union Member State other than Spain and obtain such income either directly or through a permanent establishment located in another European Union Member State, provided that such Noteholders (i) do not obtain such income on the Notes through a permanent establishment in Spain and (ii) are not resident of, are not located in, nor obtain income through, a tax haven (as defined by Royal Decree 1080/1991 of July 5 as amended); or (B) residents for tax purposes in a country which has entered into a convention for the avoidance of double taxation with Spain which provides for an exemption from Spanish tax or a reduced withholding tax rate with respect to income payable to any Noteholder and which are effective beneficiaries of the income derived from the Notes, provided that such Noteholders are the actual beneficial owners of the Notes, may be entitled to an exemption from, or reduction of, such tax. Individuals and entities that may benefit from such exemptions or reduced tax rates should apply directly to the Spanish tax authorities for any refund to which they may be entitled pursuant to the "—Procedures for direct refund from the Spanish tax authorities."

Disclosure of information in connection with the Notes

As described under "—Individuals and Legal Entities with no Tax Residency in Spain," "—Legal Entities with Tax Residency in Spain—Corporate Income Tax (*Impuesto sobre Sociedades*)" and "—Individuals with Tax Residency in Spain—Personal Income Tax (*Impuesto sobre la Renta de las Personas Físicas*)," provided the conditions set forth in Law 10/2014 and Royal Decree 1065/2007 are met, income paid in respect of the Notes for the benefit of non-Spanish tax resident investors, or for the benefit of Spanish CIT or PIT taxpayers, will generally not be subject to Spanish withholding tax. For these purposes, "income" means interest paid on an interest payment date or the amount of the difference, if any, between the aggregate prepayment price paid upon the prepayment of the Notes of a series (or a portion thereof) and the aggregate principal amount of such.

In accordance with section 5 of Article 44 of Royal Decree 1065/2007 and provided that the Notes issued are initially registered for clearance and settlement in DTC, the Paying Agent designated by the Issuer would be obliged to provide the Issuer with a declaration (or payment statement) at the time of each relevant payment date, which should include the following information (in accordance with the form attached as Annex to Royal Decree 1065/2007):

- description of the Notes (and date of payment of the interest income derived from such Notes);
- total amount of interest derived from the Notes; and
- total amount of interest allocated to each non-Spanish clearing and settlement entity to which the Paying Agent shall make a payment (which in the case of the Notes, shall be DTC).

In particular, the Paying Agent must certify the information above about the Notes by means of a certificate, the form of which is attached to the Indenture.

In light of the above, the Issuer and the Paying Agent will have agreed in the Indenture, amongst other things, to implement certain procedures for the timely provision by the Paying Agent to the Issuer of a duly executed and completed declaration or Payment Statement in connection with each income payment under the Notes and set out certain procedures which aim to facilitate such process, along with a form of a Payment Statement to be used by the Paying Agent (in the form attached to the Indenture).

According to section 6 of Article 44 of Royal Decree 1065/2007, the relevant declaration (or payment statement) will have to be provided to the Issuer no later than the business day immediately preceding each Interest Payment Date. If this requirement is complied with, the Issuer will pay gross (without deduction of any withholding tax) all interest under the Notes to all Noteholders (irrespective of whether they are tax resident in Spain).

If the Paying Agent fails or for any reason is unable to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of income under the Notes, such payment will be made net of Spanish withholding tax, currently at the rate of 19%. If this were to occur, affected holders of the Notes will receive a refund of the amount withheld, with no need for action on their part, if the Paying Agent submits a duly executed and completed Payment Statement to the Issuer no later than the 10th calendar day of the month immediately following the relevant payment date. In addition, following the 20th calendar day of the month immediately following the relevant Interest Payment Date, holders of the Notes may apply directly to the Spanish tax authorities for any refund to which they may be entitled. See "—Procedures for direct refund from the Spanish tax authorities."

Prospective investors should note that none of the Issuer, the Collateral Agents, the Trustee, the Registrar, the Paying Agent, the Transfer Agent and the initial purchasers accept any responsibility relating to the procedures established for the timely provision by the Paying Agent of a duly executed and completed Payment Statement in connection with each payment of income under the Notes. Accordingly, none of them will be liable for any damage or loss suffered by any holder of the Notes who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because these procedures prove ineffective. Moreover, the Issuer will not pay any Additional Amounts with respect to any such withholding tax. The only remedy that holders of the Notes will have with respect to such Spanish withholding tax is to apply directly to the Spanish tax authorities for any refund to which they may be entitled. See "—Procedures for direct refund from the Spanish tax authorities."

In addition to the timely provision of a duly executed and completed Payment Statement, the Notes must be admitted to listing on a regulated market, on a multi-lateral trading facility or on any other organized market in order to allow payments on Notes to be made free and clear of Spanish withholding tax. We believe the Notes will comply with this requirement.

In the event that the current applicable procedures were to be modified, amended or supplemented by, amongst others, a Spanish law, regulation, interpretation or ruling of the Spanish tax authorities, the Issuer would inform the Noteholders of such information procedures and of their implications, as the Issuer may be required to apply withholding tax on interest payments under the Notes if the Noteholders were not to comply with such information procedures.

Procedures for direct refund from the Spanish tax authorities

Noteholders entitled to receive income payments in respect of the Notes free of any Spanish withholding taxes may claim amounts withheld from the Spanish Treasury no earlier than February 1 of the year immediately following the year in which the relevant payment was made.

Noteholders may claim the amount withheld from the Spanish Treasury from February 1 of the year following that in which the income was received, and within the first four years following the last day on which the Issuer may declare any amount so withheld to the Spanish Treasury (which is generally the 20th calendar day of the month immediately following the relevant payment date), by filing with the Spanish tax authorities (i) the relevant Spanish tax form (currently, Form 210), (ii) proof of ownership and (iii) a certificate of residency issued by the tax authorities of the country of tax residence of such Noteholders, amongst other documents.

Further details of the direct refund process may be found through the Spanish Tax Administration, at the webpage as of the date hereof at http://www.agenciatributaria.es. For further details, prospective Noteholders should consult their own tax advisors.

Certain United States Federal Income Tax Consequences

The following discussion is a summary of the material U.S. federal income tax consequences of acquiring, owning and disposing of the New Notes. Except where otherwise noted, this discussion applies only to beneficial owners of New Notes that purchase the New Notes pursuant to this offering and that hold the New Notes as “capital assets” for U.S. federal income tax purposes (generally, property held for investment). This discussion is limited to consequences relevant to a “U.S. Holder”. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), its legislative history, existing final, temporary and proposed U.S. Treasury regulations, administrative pronouncements by the U.S. Internal Revenue Service (the “IRS”), and judicial decisions, all as of the date hereof and all of which are subject to change (possibly on a retroactive basis) and to different interpretations.

This discussion does not purport to address all U.S. federal income tax consequences that may be relevant to a particular investor and you are urged to consult your own tax advisor regarding your specific tax situation. The discussion does not address the tax consequences that may be relevant to investors subject to special tax rules, including, for example:

- insurance companies;
- tax-exempt organizations;
- dealers in securities;
- traders in securities that elect the mark-to-market method of tax accounting with respect to their securities holdings;
- banks or other financial institutions;

- partnerships (or other entities treated as partnerships for U.S. federal income tax purposes) and partners therein;
- U.S. persons that hold the New Notes through foreign branches;
- U.S. persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- real estate investment trusts;
- regulated investment companies; or
- persons that hold the New Notes as part of a straddle, conversion or other integrated transaction.

Further, this discussion does not address the U.S. federal alternative minimum tax consequences of holding the New Notes, the unearned income Medicare contribution tax, the potential requirement for certain taxpayers to conform the timing of income acrruals with respect to the New Notes to their financial statements for the U.S. federal income tax purposes under Section 451(b) of the Code or U.S. federal taxes other than income taxes or the state, local and non-U.S. tax consequences of acquiring, owning and disposing of the New Notes. You should consult your tax advisers regarding the application of the U.S. federal tax laws to your particular situation, as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of a New Note that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or any other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) the trust has an election in effect under current U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the New Notes, the tax treatment of a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences of holding the New Notes.

Qualified Reopening

The New Notes should form, and we intend to treat them as, part of a "qualified reopening" of the Initial Notes for U.S. federal income tax purposes. Accordingly, the New Notes will have the same issue date, issue price and adjusted issue price as the Initial Notes. The Initial Notes had an issue price of 100% of their principal amount and an issue date of October 25, 2018.

Pre-Acquisition Accrued Interest

A portion of the price paid for a New Note will be allocable to interest that accrued prior to the date the New Note is purchased (the "pre-acquisition accrued interest"). On the first interest payment date with respect to a New Note, you might generally be entitled to treat a portion of the interest received in an amount equal to the pre-acquisition accrued interest as a return of the pre-acquisition accrued interest and not as a payment of interest on the New Note. Amounts treated as a return of pre-acquisition accrued interest would not be taxable when received. It is not clear in such instance whether to exclude the amount attributable to pre-acquisition accrued interest from your initial basis, or to reduce your basis by the amount of pre-acquisition accrued interest when it is received.

Amortizable Bond Premium

If you purchase a New Note for an amount that is greater than its principal amount (disregarding any amount paid in respect of pre-acquisition accrued interest), you will be considered to have purchased the New Note with amortizable bond premium. In general, the amortizable bond premium with respect to any New Note is the excess of your initial basis over the principal amount, and you may elect to amortize this bond premium, using a constant yield method, over the remaining term of the New Note. Because of the optional redemption feature of the New Notes, however, special rules apply that may reduce, eliminate or defer the amount of the bond premium that may be amortized. You generally may use the amortizable bond premium allocable to an accrual period to offset stated interest otherwise required to be included in income with respect to the New Note in that accrual period. If you do not elect to amortize the premium, that premium will remain part of your tax basis in the New Note. An election to amortize bond premium applies to all taxable debt obligations then owned or thereafter acquired and may be revoked only with the consent of the IRS.

Potential Contingent Payment Debt Instrument Treatment

In certain circumstances, the Issuer may be required to make payments on a New Note that would change the yield of the New Note. See "Description of the Notes—Change of Control," "Description of the Notes—Payment of Additional Amounts," and "Description of the Notes—Optional Prepayment." These obligations may implicate the provisions of Treasury regulations relating to contingent payment debt instruments ("CPDIs"). According to the applicable Treasury regulations, certain contingencies will not cause a debt instrument to be treated as a CPDI if such contingencies, as of the date of issuance, are "remote or incidental" or certain other circumstances apply. The Issuer believes and intends to take the position that the New Notes are not CPDIs. This determination, however, is not binding on the IRS and if the IRS were to challenge this determination successfully, a U.S. Holder could be required to accrue income on the New Notes that such U.S. Holder owns in excess of stated interest, and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of such New Notes before the resolution of the contingency. If the New Notes are not CPDIs but such contingent payments were required to be made, it would affect the amount and timing of the income that a U.S. Holder recognizes. U.S. Holders are urged to consult their own tax advisors regarding the potential application to the New Notes of the CPDI rules and other rules above and the consequences thereof. The remainder of this discussion assumes that the New Notes will not be treated as CPDIs.

Payments of Interest

If you are a U.S. Holder, interest (other than pre-acquisition accrued interest) paid to you on a New Note, including any amount withheld in respect of any taxes, will be includible in your gross income as ordinary interest income at the time such payments are received or accrued in accordance with your usual method of tax accounting for U.S. federal income tax purposes. If any Additional Amounts are paid on the New Notes to "gross up" the holder in respect of withholding or deduction for taxes (see "Description of the Notes—Payment of Additional Amounts"), such amounts will be includable in your income as ordinary interest income at the time such amount is received or accrued in accordance with your method of tax accounting.

Interest on the New Notes (including any Additional Amounts) will be treated as "passive category" foreign source income for U.S. federal income tax purposes for most U.S. Holders. Subject to generally applicable restrictions and conditions (including minimum holding period and at risk requirements), if any foreign income taxes are withheld on interest (including any Additional Amounts) payments on the New Notes, a U.S. Holder will be entitled to a foreign tax credit in respect of any such foreign income taxes. Alternatively, the U.S. Holder may deduct such taxes in computing taxable income for U.S. federal income tax purposes provided that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year.

The rules governing the foreign tax credit are complex. You are urged to consult your tax advisor regarding the availability of the foreign tax credit under your particular circumstances.

Sale, Exchange, Retirement or Other Taxable Disposition of New Notes

If you are a U.S. Holder, upon the sale, exchange or other taxable disposition (including a prepayment) of a New Note, you will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other taxable disposition (other than accrued but unpaid stated interest which will be taxable as ordinary income to the extent not previously included in gross income) and your adjusted tax basis in the New Note. Subject to the discussion above under "Pre-Acquisition Accrued Interest," your adjusted tax basis in a New Note generally will equal the cost of the New Note to you (reduced by the amount of any amortizable bond premium applied to reduce interest on the New Notes, as discussed above). Any such gain or loss will be capital gain or loss. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations under the Code.

Any gain or loss realized on the sale, exchange or other taxable disposition of a New Note generally will be treated as U.S. source gain or loss, as the case may be. As a result, if any such gain is subject to foreign income tax, U.S. Holders may not be able to credit such tax against their U.S. federal income tax liability under the U.S. foreign tax credit limitations of the Code, unless such income tax can be credited (subject to applicable limitations) against U.S. federal income tax due on other income treated as derived from foreign sources. Alternatively, the U.S. Holder may deduct such taxes in computing taxable income for U.S. federal income tax purposes, provided that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year.

U.S. Backup Withholding and Information Reporting

Backup withholding and information reporting requirements generally apply to payments of principal of, and interest on, a New Note and to proceeds of the sale or prepayment of a New Note, to U.S. Holders. Information reporting generally will apply to payments of principal of, and interest on, New Notes, and to proceeds from the sale or prepayment of, New Notes within the United States, or by a U.S. payor or U.S. middleman, to a U.S. Holder (other than an exempt recipient). Backup withholding will be required on payments made within the United States, or by a U.S. payor or U.S. middleman, on a New Note to a U.S. Holder, other than an exempt recipient, if the U.S. Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements.

Backup withholding is not an additional tax. You generally will be entitled to credit any amounts withheld under the backup withholding rules against your U.S. federal income tax liability or to receive a refund of the amounts withheld provided the required information is furnished to the IRS in a timely manner.

Foreign Financial Assets Reporting

Owners of "specified foreign financial assets" with an aggregate value in excess of US$50,000 on the last day of the taxable year, or US$75,000 at any time during the taxable year, generally will be required to file information reports with respect to such assets with their U.S. federal income tax returns. Depending on the holder's circumstances, higher threshold amounts may apply. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by certain financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in non-U.S. entities. The New Notes may be treated as specified foreign financial assets and U.S. Holders may be subject to this information reporting regime. Failure to file information reports may subject U.S. Holders to penalties. U.S. Holders should consult their own tax advisors regarding their obligation to file information reports with respect to the New Notes.

THIS SUMMARY DOES NOT CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP OF NEW NOTES. PROSPECTIVE PURCHASERS OF NEW NOTES SHOULD CONSULT THEIR OWN TAX ADVISERS CONCERNING THE CONSEQUENCES OF OWNING THE NEW NOTES.

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE NOTES AND THE SECURITY INTEREST

Set out below is a summary of certain limitations on the enforceability of the Notes and the security interests in the collateral in some of the jurisdictions in which collateral is being provided. It is a summary only, and bankruptcy or insolvency proceedings or similar events could be initiated in any of these jurisdictions. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply to a given situation and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes and the security interests in the collateral.

European Union

AI Candelaria is organized under the laws of Spain and hence under the laws of Member States of the European Union.

Pursuant to Regulation (EU) no. 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (which entered into force on June 26, 2017 and applies to insolvency proceedings opened on or after that date) replacing Regulation (EC) 1346/2000 of May 29, 2000, (the "E.U. Insolvency Regulation"), which applies within the European Union, other than Denmark, the courts of the Member State in which a company's "centre of main interests" (which according to Article 3(1) of the E.U. Insolvency Regulation is "the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties") is situated have jurisdiction to open the main insolvency proceeding. The determination of where a company has its "centre of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

Pursuant to Article 3(1) of the E.U. Insolvency Regulation the "centre of main interests" of a company is presumed to be in the Member State in which it has its registered office in the absence of proof to the contrary. This presumption only applies if the registered office has not been moved to another Member State within the 3-month period prior to the request for the opening of insolvency proceedings. Furthermore, preamble 30 of the E.U. Insolvency Regulation states that "it should be possible to rebut this presumption where the company's central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other Member State". Prior to June 26, 2017, the courts have taken into consideration a number of factors in determining the "centre of main interests" of a company, including in particular where board meetings are held, the location where the company conducts the majority of its business or has its head office and the location where the majority of the company's creditors are established. A company's "centre of main interests" may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition unless (as set forth above) the registered office has been moved within the 3-month period prior to the filing of the insolvency petition.

The E.U. Insolvency Regulation applies to insolvency proceedings which are collective insolvency proceedings of the types referred to in Annex A to the E.U. Insolvency Regulation that, with regards to Spain, includes inter alia, the insolvency proceedings (*concurso*), homologation proceedings (*homologación judicial de acuerdos de refinanciación*), extrajudicial payment proceedings (*acuerdos extrajudiciales de pago*), or anticipated arrangement proposals (*propuestas anticipadas de convenio*).

If the "centre of main interests" of a company is in one Member State (other than Denmark), under Article 3(2) of the E.U. Insolvency Regulation the courts of another Member State (other than Denmark) have jurisdiction to open territorial insolvency proceedings against that company only if such company has an "establishment" in the territory of such other Member State. An "establishment" is defined to mean a place of operations where the company carries out or has carried out in the 3-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. The effects of those insolvency proceedings opened in that other Member State are restricted to the assets of the company situated in such other Member State.

Where main proceedings in the Member State in which the company has its center of main interests have not yet been opened, territorial insolvency proceedings can be opened in another Member State where the company has an establishment only where either (a) insolvency proceedings cannot be opened in the Member State in which the company's center of main interests is situated under that Member State's law; or (b) the territorial insolvency proceedings are opened at the request of (i) a creditor whose claim arises from or is in connection with the operation of the establishment situated within the territory of the Member State where the opening of territorial proceedings is requested or (ii) a public authority which, under the law of the Member State within the territory where the establishment is situated, has the right to request the opening of insolvency proceedings. Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the *lex fori concursus*, i.e. the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the debtor.

The E.U. Insolvency Regulation has created a treatment of the group of companies experiencing difficulties by the commencement of group coordination proceedings and the appointment of an insolvency practitioner in order to facilitate the effective administration of the insolvency proceedings of our group's members. Under Article 61 of the EC Insolvency Regulation, group coordination proceedings may be requested before any court having jurisdiction over the insolvency proceedings of a member of the group, by an insolvency practitioner appointed in the insolvency proceedings opened in relation to a member of the group. In any event, participation in group proceedings and adherence to the coordinating insolvency practitioner's recommendations of a plan is voluntary.

In the event that the Issuer experiences financial difficulties, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations and the security of the Issuer.

The courts of all Member States (other than Denmark) must recognize the judgment of the court opening the main proceedings, which will be given the same effect in the other Member States so long as no secondary proceedings have been opened there. The insolvency practitioner appointed by a court in a Member State which has jurisdiction to open main proceedings (because the company's center of main interests is there) may exercise the powers conferred on him by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State) subject to certain limitations so long as no insolvency proceedings have been opened in that other Member State or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets.

Spain

Concept and petition for insolvency

The Issuer is incorporated under the laws of Spain. As a general rule, in the event of an insolvency of the Issuer, insolvency proceedings may be initiated in Spain and governed by Spanish law. The Spanish Act 22/2003 of July 9, 2003 on Insolvency Proceedings (the "Spanish Insolvency Act"), as further amended, regulates insolvency proceedings or, if applicable, as superseded by virtue of the Spanish Royal Legislative Decree 1/2020 of 5 May approving the Spanish Recast Insolvency Law, as amended from time to time (the "Spanish Recast Insolvency Law"). If applicable, references to specific sections of the Spanish Insolvency Act shall be understood to be made to the equivalent provisions of the Spanish Recast Insolvency Law.

The insolvency laws of Spain may differ from the laws of the United States, the United Kingdom or other jurisdictions to which you may be familiar. The following is a brief description of certain aspects of the insolvency laws of Spain.

In Spain, insolvency proceedings are only triggered upon debtor's current insolvency (*insolvencia actual*) or imminent insolvency (*insolvencia inminente*). Under the Spanish Insolvency Act, a debtor is insolvent when it becomes unable to regularly meet its obligations as they become due and payable or when it expects that it will shortly be unable to do so. A petition for insolvency may be initiated by the debtor ("Voluntary insolvency"), by any of its creditors (provided that it has not acquired the credit within the six months prior to the filing of the petition for insolvency, for *inter vivos* acts, on a singular basis and once the credit was mature) or by certain other interested third parties ("Necessary insolvency"). In any event, only the debtor is entitled to file a petition for insolvency on the basis of its imminent insolvency.

The Spanish Insolvency Act provides that insolvency proceedings conclude following either the court confirmation of a plan of reorganization (the "Plan"), or the liquidation of the estate. An insolvency proceeding can also conclude (i) at any moment when it is verified that there are insufficient assets to pay post insolvency debt, (ii) at any moment when it is verified that all of the credits have been paid, or the situation of insolvency does no longer exist, or (iii) when it is verified that all of the creditors have waived their credit rights.

Voluntary insolvency

Insolvency is considered voluntary (*concurso voluntario*) if filed by the debtor. The debtor must file a petition for insolvency within two months after it becomes aware, or should have become aware, of its state of insolvency. It is presumed that the debtor becomes aware of its insolvency, unless otherwise proved, if any of the circumstances that qualify as the basis for a petition for necessary insolvency occur. Failure to file a petition for insolvency within the statutory two-month period impedes the debtor to propose a pre-arranged plan of reorganization and directors might be held liable in the event of liquidation for the impaired claims accrued as from the onset of insolvency.

Yet, the general duty to file for insolvency within the referred two-month period does not apply if the debtor notifies the relevant court initiation of negotiations with its creditors (the so-called *Comunicación 5 bis*), to obtain support to reach a pre-arranged plan of reorganization (*propuesta de convenio anticipado*); an out-of-court workout (*acuerdo de refinanciación*) set out in Article 71 bis.1 or in the Fourth Additional Provision of the Spanish Insolvency Act; or an out-of-court repayment agreement (*acuerdo extrajudicial de pagos*) under Article 231 et seq of the Spanish Insolvency Act.

Effectively, by means of the 5 bis Communication (*Comunicación 5 bis*), on the top of those two months, the debtor gains an additional three-month period to achieve an agreement with its creditors regarding an out-of-court workout or a pre-arranged plan of reorganization, and one further month to file for insolvency, unless it has overcome insolvency. During this four-month period, creditors' petitions for necessary insolvency will not be accepted. Likewise, the 5 bis Communication (*Comunicación 5 bis*) prevents the commencement of court or out-of-court enforcement actions, and/or suspends (as applicable) existing enforcement actions, over assets or rights deemed necessary for the company's business operations (other than those arising from public law claims), until any of the following circumstances occur: (i) an out-of-court workout (*acuerdo de refinanciación*)) set out in Article 71 bis.1 of the Spanish Insolvency Act is formalised; (ii) a court order is issued (*providencia*) accepting for processing the court's confirmation (*homologación judicial*) of admission of the refinancing agreement set out in the Fourth Additional Provision of the Spanish Insolvency Act, (iii) an out-of-court repayment agreement under Article 231 et seq of the Spanish Insolvency Act is entered into, (iv) the necessary accessions for the admission of a pre-arranged plan of reorganization are obtained, or (v) the declaration of insolvency takes place. In addition, enforcement proceedings that have been brought by creditors holding financial claims (as defined in the Fourth Additional Provision of the Spanish Insolvency Act) shall be prohibited or suspended (as applicable) provided that it is evidenced that at least 51% of the creditors holding financial liabilities (by value) have supported the initiation of negotiations to enter into a refinancing agreement and have agreed to suspend or not initiate enforcement proceedings against the debtor while creditors holding financial liabilities are still negotiating. Nevertheless, secured creditors shall be entitled to bring enforcement proceedings against the corresponding secured assets although once the proceedings have been initiated they shall be immediately suspended. In any event, financial collateral and security interests over collateral located outside of Spain are not affected by the 5 bis Communication (*Comunicación 5 bis*) automatic stay.

Please note that, as a consequence of the COVID-19 pandemic, the Spanish government has passed the Royal Decree-Law 16/2020 which has stayed the duty to file for insolvency until December 31, 2020 (despite the duty having been stayed, note that the directors still have the right to file for insolvency upon current or imminent insolvency).

Necessary insolvency

Insolvency is considered necessary (*concurso necesario*) if filed by a creditor and, in certain cases, the insolvency mediator (*mediador concursal*). Under Article 2.4 of the Spanish Insolvency Act, a creditor can seek a debtor's declaration of insolvency if the creditor can prove it is not possible to attach any assets, or sufficient assets of the debtor, to pay the amount owed. A creditor may also apply for a declaration of insolvency if: (i) there is a generalized default on payments by the debtor; (ii) there is a seizure of assets affecting or comprising the generality of the debtor's assets; (iii) there is a misplacement, "fire sale" or ruinous liquidation of the debtor's assets; or (iv) there is a generalized default on certain tax, social security and employment obligations during the applicable statutory period (three months). Upon receipt of an insolvency petition by the entitled party, the court may issue interim measures to protect the assets of a debtor and may request a guarantee from the petitioning creditor asking for the adoption of such measures to cover damages caused by the preliminary protective measures.

The debtor may oppose the necessary insolvency petition, and will have to prove that it is not insolvent, unless the insolvency petition is based on the failure to seize sufficient assets of the debtor to pay the amounts owed, where the Court will hand down an order declaring the opening of the insolvency proceeding without hearing the debtor. The court will then summon the parties to a hearing, and will finally render a court ruling either dismissing the application filed by the creditor, or declaring insolvency.

Request of coordinated insolvency

The insolvency of a company forming part of a group of companies, including the parent company, does not automatically lead to the insolvency of the remaining companies of the group. As stated above, a company is insolvent when it cannot regularly meet its payment obligations as they fall due.

Notwithstanding the above, creditors may apply for a coordinated insolvency declaration of two or more of its debtors if either (a) the assets are commingled, or (b) they form part of the same group of companies. Therefore, the request for the coordinated insolvency of two or more legal entities may only be filed by a common creditor of the relevant companies and each of the affected companies must in fact be separately insolvent. Coordinated insolvency may also be requested by the companies themselves provided that they form part of the same group.

Any of the insolvent debtors, or the insolvency administrator, as the case may be, may apply for the procedural coordination of insolvency proceedings already declared under certain circumstances (and, in particular, if the insolvent debtors form part of the same group of companies). In addition, creditors may apply for the procedural coordination of the insolvency proceedings of two or more of its debtors already declared if either (a) the assets are commingled, or (b) they pertain to the same group of companies, provided that a petition has not been submitted by any of the insolvent debtors or by the insolvency administrator pursuant to Article 25 bis of the Spanish Insolvency Act.

Coordinated insolvency proceedings do not entail substantive consolidation. As a result, and as a general rule, a "group insolvency" does not lead to a commingling of the debtors' assets and creditors of such group. This means that the creditors of one company of the group will not have recourse against other companies of the same group (except where cross-guarantees exist, in which case such a financial claim shall be subordinated). The current system is basically a procedural one, aimed at making the insolvency proceedings as time and cost-efficient as possible. However, exceptionally, for the purpose of drafting the insolvency report, by the insolvency administrator only, assets and liabilities amongst the insolvent companies may be consolidated where the estates and liabilities are so commingled, in order to avert unjustified cost and delay.

Enforcement and termination in a pre-insolvency scenario

It is uncertain that the obligations under the Notes and/or the security interest will be enforced in accordance with their respective terms in every circumstance, such enforcement being subject to, *inter alia*, the nature of the remedies available in the Spanish Courts, the acceptance by such court of jurisdiction, the discretion of the courts, the power of such courts to stay proceedings, the provisions of the Spanish Law on Civil Procedure (*Ley 1/2000, de 7 de enero, de Enjuiciamento Civil*) regarding remedies and enforcement measures available under Spanish law, the provisions of the Spanish Insolvency Act and other principles of law of general application. In this regard:

- Spanish law does not expressly recognize a definition of the concept of an indemnity. Article 1,152 of the Spanish Civil Code (*Código Civil*) establishes that any penalty (*cláusula penal*) agreed by the parties in an agreement will substitute damages (*indemnización de daños*) and the payment of interest (*abono de intereses*) in an event of breach, unless otherwise agreed. Spanish Courts may modify the penalty agreed on an equitable basis if the debtor has partially or irregularly performed its obligations, unless the penalty (liquidated damages) was aimed at such partial performance (and the liquidated damages clause is not disproportionate under fairness standards). There is doubt as to the enforceability in Spain of punitive damages.

- Where obligations are to be performed in a jurisdiction outside Spain, they may not be enforceable in Spain to the extent that performance would be illegal under the laws of Spain.

- Spanish law precludes the validity and performance of contractual obligations to be left at the discretion of one of the contracting parties. Therefore, Spanish courts may refuse to uphold and enforce terms and conditions of an agreement giving discretionary authority to one of the contracting parties.

- Spanish law, as applied by the Spanish Supreme Court, precludes an agreement being terminated on the basis of a breach of obligations, undertakings or covenants that are merely ancillary or complementary to the main payment undertakings of the relevant agreement, and allows Spanish courts not to enforce any such termination. Under Spanish law, acts carried out in accordance with the terms of a legal provision whenever said acts seek a result which is forbidden by or contrary to law, shall be deemed to have been executed in circumvention of law (*fraude de ley*) and the provisions whose application was intended to be avoided shall apply.

- A Spanish Court may award damages if the specific performance of an obligation is deemed impracticable.

- A specific performance obligation may not automatically convert in a damages claim.

- A Spanish Court may modify the obligations deriving from contracts in the terms considered necessary in order to restore the balance between the obligations, if unexpected and exceptional circumstances, which were unforeseeable when the contracts were executed.

Certain effects of insolvency

For the debtor

As a general rule and subject to certain exceptions, the debtor in a voluntary insolvency retains its powers to manage and dispose of its business, but is subject to the supervision of the insolvency administrator ("*administración concursal*") appointed by the court. In the case of necessary insolvency, as a general rule and subject to certain exceptions, the debtor no longer has power over its assets, and management powers (including the power to dispose of assets) are conferred solely upon the insolvency administrator. However, the court has the power to modify this general regime subject to the specific circumstances of the case. In addition, upon the insolvency administrator request, the court has the power to swap the intervention regime for a suspension regime or vice versa

Actions carried out by the debtor in breach of any required supervision of the insolvency authorities may be declared null and void unless ratified by the insolvency administrators.

Subject to certain exceptions linked to the maintenance and conservation of the debtor's estate, the debtor shall not sell or create security over its rights and assets without the judge's authorization until the approval of the creditor's arrangement plan or the opening of the liquidation phase.

On contracts

Under Article 61 of the Spanish Insolvency Act, all clauses in contracts with reciprocal obligations that allow any party to terminate an agreement based solely on the other party's insolvency declaration (*ipso facto* clauses) are deemed as not included in the agreement and, therefore, unenforceable, except if expressly permitted by specific laws (*i.e*., agency laws or Royal Decree Law 5/2005, applicable to financial collateral, as defined therein).

Insolvency declaration does not impinge on the effectiveness of contracts with reciprocal obligations pending on performance by both the insolvent party and the counterparty (executory contracts), which remain in full force and effect, and the obligations of the insolvent debtor will be fulfilled against the insolvent estate (administrative expense – post-insolvency credit that are pre-deductible from the estate). However, upon post-petition breaches, the court can terminate any such contracts at the request of the non-breaching party of the agreement or declare the continuation of the executory contract based on the "insolvency proceeding´s best interest" (*mantenimiento del contrato en interés del concurso*), in which case the non-insolvent party's claim will be considered as a post-insolvency credit (pre-deductible from the estate).

On the other hand, the insolvency administrator (together with the insolvent debtor or by its sole discretion if debtor's powers to manage and dispose of its business have been conferred to the insolvency administrator, as provided above) may request the insolvency court to terminate (reject) the executory contract in the interest of the estate (*resolución del contrato en interés del concurso*). The termination of such contracts may result in the insolvent debtor having to return, and indemnify damages to its counterpart against the insolvency estate (*con cargo a la masa)*. In the event that debtor, the insolvency administrator and the counterparty agree on the termination and its effects, the insolvency court will approve the parties' agreement; otherwise, if the insolvency court upholds termination, it will also fix the damages claim to be received by the non-breaching party.

Additionally, insolvency declaration stays interest accrual, except (i) pursuant to recent case law from the Spanish Supreme Court, ordinary/legal interest secured with an in rem right (so long as included as a contingent claim in the proof of claims), in which case interest accrues up to the value of the security (9/10 of the collateral fair value minus senior claims) (*i.e.,* default interest are, in any event, stayed following the insolvency declaration) and (ii) any wage credits in favor of employees, which will accrue the legal interest set forth in the corresponding Law of the State Budget (*Ley de Presupuestos del Estado*).

On enforcement proceedings

As a general rule, insolvency stays enforcement actions.

The enforcement of any security over certain assets or rights that are deemed as necessary by the Court in charge of the insolvency proceeding to the continuation of the commercial or professional activity of the debtor, or to a business unit of the insolvent company (in rem securities) may not be commenced (and the procedures already initiated before insolvency declaration shall be suspended) until the earlier of: (i) approval of a creditors' composition agreement provided that such composition agreement does not affect such right; or (ii) one year has elapsed since the declaration of insolvency without liquidation proceedings beings initiated.

The stay will only be lifted when the insolvency court determines that the asset or rights is not considered necessary for the debtor to continue its professional or business activities, or when any of the aforementioned scenarios occur. When it comes to determining which assets or rights of the debtor are used for its professional or business activities, courts have generally embraced a broad interpretation and will likely include most of the debtor's assets and rights. Nevertheless, shares/quota shares held by an insolvent debtor in another company whose only activity is the holding of a material asset and servicing the financing provided in connection with the acquisition of that asset, are not considered to be an asset necessary for the debtor's business activity as long as the foreclosure of the relevant security interest that has been granted over such shares/quota shares does not bring about an early termination or amendment of the contractual relations permitting the economic exploitation of the relevant asset.

Finally, enforcement of the security will be subject to the provisions of Spanish Civil Procedure Law and Spanish Insolvency Act (where applicable) and this may entail delays in the enforcement.

Ranking of claims (priority rules)

Creditors are required to report their claims to the insolvency administrator within one month from the day following the official publication of the court order declaring insolvency, providing documentation to justify such claims. Based on the documentation provided by the creditors and documentation held by the debtor, the court administrator draws up a list of acknowledged creditors/claims and classifies them according to the categories established in the Spanish Insolvency Act.

Under the Spanish Insolvency Act, claims are classified in two groups:

- Post insolvency credits/Estate Claims (*créditos contra la masa*): Article 84 of the Spanish Insolvency Act sets out the so-called "estate claims," which are pre-deductible (when they become due and payable) claims from the estate (excluding those assets of the insolvent debtor subject to *in rem* security). Debt against the insolvency estate includes, among others, (i) certain amounts of the employee payroll, (ii) costs and expenses of the insolvency proceedings, (iii) debtor's liabilities under executory contracts and those deriving from damages claim obligations to return arising out of termination for breach, assumption or rejection of executory contracts, (iv) those that derive from the exercise of a clawback action within insolvency of bilateral contracts (except in cases of bad faith), (v) certain amounts arising from obligations created by law or tort liability of the insolvent debtor after insolvency declaration and until its conclusion, (vi) certain debts incurred by the debtor following insolvency declaration, (vii) in case of liquidation, the financing granted to the debtor under a plan of reorganization in accordance with Article 100.5 of the Spanish Insolvency Act, and (viii) 50% of the new funds lent under a refinancing arrangement entered into in compliance with the requirements set forth in Article 71.bis or the Fourth Additional Provision of the Spanish Insolvency Act. However, this benefit shall not apply to the new funds lent by the debtor or by related parties of the debtor resulting from a share capital increase, loans or acts with analogous purpose. These claims are preferred to all others except for proceeds from collateral subject to specially privileged claims. Estate claims are not subject to ranking or acknowledgement and, in principle, must be paid as and when they fall due.

- Insolvency Claims (*créditos concursales*): Insolvency claims are classified as follows:

  - Specially Privileged Claims (*créditos con privilegio especial*): Creditors benefiting from special privileges, representing security over certain assets (in rem securities) up to the amount of the value of their security calculated in accordance with the rules set out in Article 94.5 of the Spanish Insolvency Act, provided that such security is listed in the creditors' list. The part of the claim exceeding the value of their security will be classified according to the nature of the claim. These claims benefiting from special privileges may entail separate proceedings, though subject to certain restrictions derived from a waiting period that may last up to one year and certain additional limitations set forth in the Spanish Insolvency Act. As a general rule, privileged creditors are not subject to a creditor's arrangement plan, except if they give their express support by voting in favor of the plan and if certain majorities have been reached among privileged creditors (see "—Conclusion of insolvency"). In the event of liquidation, they are the first to collect payment against the assets on which they are secured up to the value of the security. However, the insolvency administrator has the option to halt any enforcement of the securities and pay these claims as administrative expenses under specific payment rules.

- Generally Privileged Claims (*créditos con privilegio general*): Creditors benefiting from a general privilege, including, among others, specific labor claims and specific claims brought by public entities or authorities and 50 per cent of the claims held by the creditor who filed for the insolvency of the debtor (provided that it is not a subordinated creditor). 50% of the new funds under a refinancing arrangement entered into in compliance with the requirements set forth in Article 71.bis or the Fourth Additional Provision of the Spanish Insolvency Act. As a general rule and except as set forth below (see "—Conclusion of insolvency—Settlement"), the holders of general privileges are not to be affected by the restructuring under a pre-arrangement plan unless they expressly support the agreement by voting in its favor or if certain majorities have been reached among privileged creditors. In the event of liquidation, they are the first to collect payment against assets other than those secured by a specially privileged claim after specially privileged creditors, in accordance with the ranking established under the Spanish Insolvency Act.

- Ordinary Claims (*créditos ordinarios*): Ordinary creditors (non-subordinated and non-privileged claims) are paid *pro rata* once the estate claims and both generally and specially privileged claims have been paid.

- Subordinated Claims (*créditos subordinados*): Subordinated creditors is a category of claims which includes, among others: credits communicated late (outside the specific one-month period mentioned above); credits which are contractually subordinated vis-à-vis all other credits of the debtor; credits relating to unpaid interest claims (including default interest), except for those credits secured with an in rem right up to the value of the security interest; fines; and claims of creditors which are "specially related parties" to the insolvent debtor.

  In the case of individuals, the following shall be deemed as "specially related parties": their relatives, legal entities controlled by the debtor or its relatives, the factual or legal administrators of such legal entities, any other legal entity forming part of the same group of companies and the legal entities in respect of which the people described in this paragraph are their factual and legal administrators.

  In the case of a legal entity, the following shall be deemed as "specially related parties": (i) shareholders with unlimited liability (in case such shareholders are natural persons it would include any special related party to these shareholders, as described herein); (ii) limited liability shareholders holding directly or indirectly 10% or more of the insolvent company's share capital (or 5% if the company is listed or has securities listed in a secondary official market) at the time the credit is generated; (iii) directors (either *de jure* or *de facto*), insolvency liquidators, shadow directors and those holding general powers of attorney from the insolvent company (including those people that have held these positions during the two years prior to the insolvency declaration); and (iv) companies pertaining to the same group as the debtor and their respective shareholders provided such shareholders meet the minimum shareholding requirements set forth in (ii) above. Furthermore, in the absence of evidence to the contrary, assignees or awardees of claims belonging to any of the persons mentioned in this paragraph are presumed to be persons specially related to the insolvent debtor as long as the acquisition has taken place within two years prior to the insolvency proceedings being declared open.

  Notwithstanding the above, creditors who have directly or indirectly capitalized their credit rights pursuant to a refinancing arrangement entered into in compliance with the requirements set forth in Article 71.bis or the Fourth Additional Provision of the Spanish Insolvency Act (and who have even been appointed as directors) shall not be considered as being in a special relationship with the debtor, in respect of credits against the debtor, as a result of the financing granted under such refinancing arrangement. Claims related to accrued and unpaid interest, unless and to the extent they are secured by an *in rem*, right are also subordinated.

Subordinated creditors are second-level creditors. They do not have voting rights but are subject to the plan terms once ordinary claims are satisfied pursuant to the terms of the plan. Thus, subordinated creditors have limited chances of collecting payment according to the ranking established in the Spanish Insolvency Act.

As an exception to the subordination regime, new money granted to the debtor pursuant to an out-of-court workout regulated under Article 71.bis or the Fourth Additional Provision of the Spanish Insolvency Act, which also contemplates a debt-for-equity swap executed before the granting of fresh money, shall not be classified as subordinated claim under Article 92.5 of the Spanish Insolvency Act provided that the requirements set out in paragraph 2 of Article 93.2.2 of the Spanish Insolvency Act are met. This is an incentive to promote fresh money and debt-for-equity swaps in order to remove insolvency out-of-court.

Moreover, as a consequence of the COVID-19 pandemic, the Royal Decree-law 16/2020 has enhanced the position of certain "specially related parties" in order to solve situations of lack of liquidity. Accordingly, in insolvency proceedings filed within two years following the declaration of the state of emergency (*i.e.*, 14 March 2020): (i) financing granted by specially related parties; or (ii) financing in which they have been subrogated as creditors because of due payment (*e.g.*, as a result of the enforcement of a personal guarantee, resulting in a claim of the guarantor *vis-à-vis* the debtor) would not be subordinated, but rather considered ordinary credit claims.

As a general rule, insolvency proceedings are not compatible with other enforcement proceedings which can have an effect on the estate (excluding enforcement proceedings with regard to financial collateral (as defined in RDL 5/2005)) or collateral located in an E.U. state other than Spain, or subject to local law, in a third state. When compatible, in order to protect the interests of the debtor and creditors, the Spanish Insolvency Act extends the jurisdiction of the court dealing with insolvency proceedings, which is then legally authorized to handle any enforcement proceedings or interim measures affecting the debtor's assets (whether based upon civil, labor, or administrative law).

No termination effect

The general principle of "no termination effect" is established such that all agreements remain effective at the time of the insolvency. Therefore, the declaration of insolvency does not impair the existence of the contracts entered into by the debtor, which would remain in force. Any contractual arrangements establishing the termination of a contract with mutual obligations and/or entitling the relevant creditor to terminate it in the event of the declaration of insolvency of the debtor will be unenforceable.

As a general rule, the declaration of insolvency does not alter the general contractual rules on termination, but under the Spanish Insolvency Act, the judge may decide to remedy an eventual default of the insolvent party by reinstating an agreement, with the effect that any outstanding amounts and further payments under the agreement will be post-insolvency claims. If the court deems it appropriate for the interests of the insolvent party, it is also entitled to terminate an agreement, with compensation for damages if it deems it is best for the insolvency proceeding. There are specific rules for employment agreements, mainly affecting collective dismissals, which are dealt with by the insolvency judge.

Hardening periods

There is no clawback by operation of law. Therefore, there are no prior transactions that automatically become void as a result of the initiation of insolvency proceedings, but instead the insolvency administrator (or creditors that have asked the insolvency administrator to do so in the absence of action by the insolvency administrator) must expressly challenge those transactions that are considered detrimental to the estate. Under the Spanish Insolvency Act, upon insolvency declaration, only transactions that could be deemed as having caused a detriment (*perjuicio patrimonial*) the insolvent debtor's estate during the two years prior to the date the insolvency is declared, may be challenged, even if there was no fraudulent intention. Moreover, subject to ordinary Spanish Civil

Code (*Código Civil*) based actions, the insolvency administrator or any creditor may bring an action to rescind a contract or agreement provided that the same is performed or entered into fraudulently and the creditor cannot obtain payment of the amounts owed in any other way. The clawback period for this action is four years.

The Spanish Insolvency Act does not define the meaning of detriment (*perjuicio patrimonial*). Detriment does not refer to the intention of the parties, but to the consequences of the transaction on the debtor's interest resulting in the damage to the insolvent debtor's estate or the prejudice to the equality of the treatment among creditors which drives insolvency proceedings (*pars condition creditorum*). There are several "irrebuttable presumptions" expressly set forth by the Spanish Insolvency Act (*i.e*., free disposals and prepayment or cancellation of the company's claims or obligations prior to them being due and where the due dates of the relevant claims or payment obligations fall after the date of declaration of insolvency, except if such obligations were secured by an *in rem* security, in which case such transactions are subject to a rebuttable presumption of "detriment" as set forth below). In addition to the above, the Spanish Insolvency Act sets forth certain actions which are deemed to cause a "detriment" to the insolvent estate, but which are "rebuttable presumptions" and therefore subject to being contested by the other party (*i.e*., disposals in favor of "specially related parties" (as described above), the provision of security in respect of previously existing obligations or in respect of new obligations replacing existing ones and the payment or other acts to terminate obligations being secured by an in rem security and which mature after the date of declaration of insolvency). Ordinary transactions carried out within the debtor's ordinary course of business cannot be rescinded, provided that they are carried out at arm's length.

Acts that have been entered into by debtors may be rescinded if carried out during the two years hardening period and considered detrimental for the debtors' estate. Judges have considered detrimental payments made by an insolvent company prior to a declaration of insolvency, determining that in some situations a debtor could not be compelled to repay its obligations at the time of payment, because it was already unable to regularly pay debts as they came due. There is no need of proving actual or constructive fraud; it just must be proven that the transaction was detrimental to the estate. The consequence of the court resolution rescinding a prejudicial act is that the parties involved are required to return their reciprocal consideration with any accrued rents or interest and the guarantees and security interests are cancelled (concerning bilateral contracts, otherwise, the only party obliged to return is the non-insolvent one). Such claims are generally regarded as claims against the estate unless in case of bad faith of the relevant creditor in which case its claims will be subordinated.

Notwithstanding the foregoing, pursuant to Article 208 of the Spanish Insolvency Act, acts and transactions governed by laws other than Spanish law will not be subject to claw back actions if such act or transaction cannot be rescinded or challenged by any means and under any grounds whatsoever (i.e., not only in insolvency scenarios) under the relevant non-Spanish applicable laws. Procedurally, lenders can be sued, but the Spanish court should dismiss the clawback action on the merits if lenders prove (i) that the act or transaction at issue is subject to foreign law and (ii) that such act or transaction is unavoidable under the circumstances pursuant to such foreign law.

Neither refinancing agreements regulated in Article 71 bis.1 and Fourth Additional Provision of the Spanish Insolvency Act, nor any transactions, acts and payments accomplished or any guarantees instituted in the performance of such refinancing agreements, will be subject to an action for rescission, provided that they comply with the requirements set out below in section "Cramdown effects of certain refinancing agreements".

In the case that such refinancing agreements are not subject to the procedure of judicial sanctioning therein described (homologación), they may still have certain (but not total) protection against clawback, if they are backed by at least 3/5 (60%) of the total claims of the insolvent debtor (calculated on an individual and on a consolidated basis but excluding intragroup claims). Among other requirements, the refinancing agreements must be founded on a viability plan reflecting that the insolvent debtor will be viable in the short and medium term and must comply with the rest of requirements explained below.

Conclusion of insolvency

Settlement

Once the debtor's assets and liabilities have been identified, the Spanish Insolvency Act encourages creditors to confirm a plan regarding payment of the insolvency debts. This plan may be proposed either by the debtor or by the creditors, and it shall set forth how, when and up to what amount creditors are to be paid. Once executed, this plan must be honored by the debtor and respected by the creditors.

The plan must contain proposals for write-offs and/or stays. Article 100 of Spanish Insolvency Act provides that it may also contain alternative or complementary proposals for all creditors or for certain classes of creditors (except for Public Law creditors), including conversion of debt into shares, into profit-sharing credits convertible bonds or subordinated debt, or any financial instrument different from the original debt. It may also include proposals for allocation of all assets or of certain assets to a specific person with a commitment from the acquirer to continue the activity and to pay off the debt as determined in the plan.

The proposals in the plan shall include a payment schedule.

In order for a plan to be approved by the creditors, the following majorities shall be met:

(a) In case the plan contains write-offs equal to or less than 50 per cent of the amount of the claims; to stays on the payment of principal, interest or any other outstanding amount, for a period not exceeding five years; or, in the case of creditors other than those related to the public administration or employment matters, the conversion of debt into profit participating loans over the same period, at least 50 per cent of the unsecured liabilities (ordinary credits) have voted in favor of such settlement or Plan. Notwithstanding the above, a simple majority will suffice when the plan consists of (i) full payment of ordinary or unsecured claims within a period not exceeding three years or (ii) immediate repayment of outstanding ordinary unsecured claims applying a write off of less than 20 per cent.

(b) In case the plan contains stays of between five and ten years; write-offs of more than 50 per cent of the amount of the claims and, in the case of creditors other than those related to the public administration or employment matters, the conversion of debt into profit participating loans over the same period and any other proposal under Article 100 of the Spanish Insolvency Act, 65 per cent of the unsecured liabilities (ordinary credits) should have voted for the plan.

The holders of subordinated credits and those creditors considered as especially related to the debtor are not entitled to vote.

Although in principle secured creditors will not be bound by the approved plan (unless they have expressly voted in its favor) the effects of an approved plan can be extended to secured and privileged creditors provided that the relevant plan has been approved by the following majorities of creditors within its category of creditors (labour creditors, Public Law creditors, financial creditors or others):

(a) In case the plan contains a write-off (or debt discharges) equal to or less than 50 per cent of the amount of the claims, stays for a period no longer than 5 years or conversion of debt into profit participating loans, also for a period no longer than 5 years, at least 60 per cent of privileged creditors have voted in favor; and

(b) In case the plan contains a write-off of more than 50 per cent of the claim; stays (for a period between 5 and 10 years), conversion of debt into profit participating loans also for a period between 5 and 10 years, and any other proposal under Article 100 of the Insolvency Act, at least 75 per cent of privileged creditors have voted in favor.

Cramdown effects of certain refinancing agreements

In order to seek protection against clawback actions, refinancing agreements (out-of-court workouts) may be judicially sanctioned (*homologado*) by the commercial court that will be competent to conduct an eventual insolvency proceeding of the debtor, upon request by the debtor or by any creditor having entered into such refinancing agreements, if (i) they entail a significant enlargement of debtor's credit or a change in the financial structure by either granting a longer term or replacing previous claims with new ones, provided that they meet a viability plan that allows the continuity of the debtor's business in the short and medium term; (ii) they have been subscribed by creditors holding financial liabilities representing, at least, 51% of the debtor's financial liabilities whether or not subject to financial supervision (excluding from the calculation of such thresholds public creditors, labor creditors and those of commercial transactions) at the date of the refinancing agreement; (iii) the debtor's auditor issues a certificate acknowledging that the required thresholds have been reached (in the case of a group a companies, certain courts have held that the majority refers both individually to each company and to the group as a whole, without the intercompany claims being taken into account); and (iv) the refinancing agreement and the documents substantiating performance of conditions (ii) to (iii) above are formalized in a public instrument. Such judicially sanctioned refinancing agreements may not be subject to a clawback action (save in case of fraud under general fraudulent conveyance actions).

As to the rules to calculate whether the required thresholds have been reached, all creditors holding an interest in a syndicated loan will be deemed to have adhered to the refinancing agreement if it is favorably voted upon by at least 75% of the liabilities represented by the loan, or a lower majority if so established in the syndicated loan agreement. Whether dissidents have standing to object to homologation and whether the crammed down content may fall beyond the statutory one is not clear among Spanish scholars or courts and therefore it is not possible yet to ascertain what its practical effects will be.

The following effects of homologated refinancing agreements may be imposed on (i) dissenting or non-participating unsecured financial creditors or (ii) on secured financial creditors to the extent of that part of their secured claim not covered by their security interest, as such security interest is to be valued in accordance with the rules set out in the Spanish Insolvency Act:

(a) If the judicially sanctioned refinancing agreement is supported by creditors representing at least 60% of the debtor's financial liabilities:

  i. stays of payments either of principal, interest or any other owed amount may be granted for up to five years; or

  ii. the debt converted into so-called profit participation loans (*préstamos participativos*) of duration up to 5 years.

  Further, these effects may be extended to the amount of secured claims of non-participating or dissenting financial creditors in the amount covered by their security interest (valued in accordance with the rules set out in the Fourth Additional Provision of the Spanish Insolvency Act), when the agreement has been entered into by financial creditors holding secured claims which represent at least 65% of the value of all secured claims of the debtor.

(b) If the homologated refinancing agreement is supported by creditors representing at least 75% of the debtor's aggregate financial liabilities:

  i. a deferral either of principal, interest or any other owed amount for a period of 5 or more years (but not more than 10 years);

  ii. haircuts (note that a cap has not been established);

  iii. capitalization of debt. Nevertheless, those creditors that have not supported such refinancing agreement (either because they did not sign the agreement or because they oppose it) may choose between (i) the debt for equity swap contemplated by the agreement; or (ii) a discharge of their claims equal to the nominal amount (including any share premium) of the shares/quota shares that would have corresponded to that creditor as a consequence of the relevant debt for equity swap (which works as the default option);

iv. conversion of debt into profit participation loans of up to 10 years, convertible obligations, subordinated loans, payment in kind facilities, or in any other financial instrument with a ranking, maturity and features different to the original debt; and

v. assignment of assets or rights as assignment in kind for total or partial payment of the debt (*datio pro soluto*).

Further, these effects may be extended to the amount of secured claims of non-participating or dissenting financial creditors in the amount covered by their security interest (valued in accordance with the rules set out in the Fourth Additional Provision of the Spanish Insolvency Act), when the agreement has been entered into by financial creditors holding secured claims which represent at least 80% of the value of all secured claims of the debtor.

Liquidation

Failure to obtain the approval of a creditor's arrangement plan or upon debtor's petition at any time leads to liquidation. The debtor must file for liquidation after a creditors arrangement proposal has been approved when it becomes aware of its renovated insolvency situation or its inability to comply with the plan. Liquidation triggers company dissolution and the insolvency administrator stepping into the directors' shoes. Liquidation is moreover an acceleration and cash conversion event.

The insolvency administrator must prepare a liquidation plan that must be approved by the court. The insolvency administrator is required to report quarterly on the liquidation and has one year to complete it. If the liquidation is not completed within one year, the court may appoint a different insolvency administrator.

Termination of the insolvency proceedings

Article 176.4 of the Spanish Insolvency Act also foresees the termination of the insolvency proceeding at any stage when it is proven that all credits have been paid, or that all creditors have been entirely satisfied by other means, or that the situation of insolvency (i.e. the impossibility to face payment obligations regularly) has been overcome.

Finally, it must be noted that Article 176 bis of the Spanish Insolvency Act foresees the termination of the insolvency proceeding at any time when assets are not enough to pay post insolvency debt, so long as no future clawback actions are envisaged, nor actions claiming liability to third parties, nor the assessment of the proceeding as guilty.

Fraudulent Conveyance Laws

Under Spanish law, in addition to insolvency clawback action, the insolvency administrator and any creditor may also bring an action to rescind a contract or agreement (*acción rescisoria pauliana*) against the debtor and the third party which is a party to such contract or agreement, provided that the same is performed or entered into fraudulently and the creditor cannot obtain payment of the amounts owed in any other way. Although case law is not entirely consistent, it is broadly accepted that the following requirements must be met in order for a creditor to bring such action:

- the debtor owes the creditor an amount under a valid contract and the fraudulent action took place after such debt was created;

- the debtor has carried out an act that is detrimental to the creditor and beneficial to the third party;

- such act was fraudulent;
- there is no other legal remedy available to the creditor to obtain compensation for the damages suffered; and
- debtor's insolvency, construed as the situation where there has been a relevant decrease in the debtor's estate making it impossible or more difficult to collect the claim.

The existence of fraud (which must be evidenced by the creditor) is one of the essential requirements under Spanish law for the action to rescind to succeed (as opposed to insolvency-specific clawback actions where the subjective component or fraud does not have to be proven). Pursuant to Article 1,297 of the Spanish Civil Code (*Código Civil*): (i) agreements by virtue of which the debtor transfers assets for no consideration, and (ii) transfers for consideration carried out by parties who have been held liable by a court (*sentencia condenatoria*) or whose assets have been subject to a writ of attachment (*mandamiento de embargo*) will be considered fraudulent. The presumption referred to in (i) above is a *iuris et de iure* presumption (*i.e.* it cannot be rebutted by evidence), unlike the presumption indicated in (ii) above, which is a *iuris tantum* presumption (*i.e.* it is a rebuttable presumption).

If the rescission action were to be upheld, the third party would be liable to return to the debtor the consideration received under the contract in order to satisfy the debt owed to the creditor. Following that, the creditor would need to carry out the actions necessary to obtain the amount owed by the debtor. If the consideration received by the third party under the contract cannot be returned to the debtor, the third party must indemnify the creditor for such damages.

Setoff

The Spanish Insolvency Act generally prohibits setoff of the credits and debts of the insolvent company once it has been declared insolvent, but such setoff where the requirements in order to operate were met before the declaration of insolvency can still apply. However, setoff may be exercised by a determined creditor vis-à-vis the insolvent company if the governing law of the reciprocal credit right of the insolvent company permits it under insolvency scenarios.

Applicable jurisdiction

Under both European and Spanish law, the applicable jurisdiction to conduct an insolvency proceeding is the one in which the insolvent party has its centre of main interest ("COMI"). This COMI is deemed to be where the insolvent party conducts the administration of its interests on a regular basis and which may be recognized as such by third parties (although under European Union and Spanish law there is a presumption that a debtor's COMI is located where its registered address is). Insolvency proceedings conducted by the court of the COMI are considered "the principal insolvency proceedings" and have universal reach affecting all the assets of the insolvent party worldwide. If the COMI is not in Spain, but the insolvent party has a permanent establishment in Spain, Spanish courts will only have jurisdiction over the assets located in Spain (the "territorial insolvency proceedings").

Please note that other jurisdictions outside the European Union do not require a COMI shift in order for a Spanish company to make a filing in those jurisdictions (similarly as the UK concerning schemes of arrangements). Yet, recognition of foreign insolvency proceedings not based on COMI or in a reasonable connection of an equivalent nature in Spain should not be possible and, in addition, any creditor could file for a non-main insolvency proceeding in Spain.

Limited history

Finally, please note that, although the current Spanish Insolvency Act came into effect in September 2004, it has been subject to several recent reforms and, as such, there is only a relatively limited history of its application by Spanish courts and with limited high court resolutions about it.

PLAN OF DISTRIBUTION

Citigroup Global Markets Inc. and Credit Suisse Securities (USA) LLC are acting as initial purchasers.

Subject to the terms and conditions stated in the purchase agreement, dated August 6, 2020, each initial purchaser named below has severally agreed to purchase, and we have agreed to sell to the initial purchasers, the principal amount of the New Notes set forth opposite such initial purchaser's name.

Initial Purchaser	Principal Amount of New Notes
Citigroup Global Markets Inc.	US$25,000,000
Credit Suisse Securities (USA) LLC	US$25,000,000
Total	**US$50,000,000**

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed to purchase all of the New Notes sold under the purchase agreement if any New Notes are purchased. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the initial purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the New Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the New Notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

The initial purchasers have advised us that they propose initially to offer the New Notes at the offering price set forth on the cover page of this offering memorandum and to certain dealers at that price less a selling concession. After the initial offering, the offering price, concession or any other term of the offering may be changed. The initial purchasers may offer and sell the New Notes through certain of their affiliates.

Notes Are Not Being Registered

The New Notes have not been registered under the Securities Act, or the securities law of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Each purchaser of the New Notes will be deemed to have made acknowledgements, representations and agreements as described under "Sales Outside of the United States." In connection with sales outside the United States, each of the initial purchasers has agreed that it will not offer, sell or deliver the New Notes to, or for the account of, U.S. persons (unless in reliance on Rule 144A) (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, and it will send to each dealer to whom it sells such New Notes during such period a confirmation or other notice setting forth the restrictions on offers and sales of the New Notes within the United States or to, or for the account or benefit of, U.S. persons. Resales of the New Notes are restricted as described below under "Sales Outside of the United States."

Further, until 40 days after the commencement of the offering, an offer or sale of the New Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

New Issue of Notes

The New Notes will constitute an issue of securities for which there may not be an established trading market. We have received approval-in-principle to increase the principal amount of the Notes listed on the SGX-ST to include the New Notes. We have been advised by the initial purchasers that they presently intend to make a market for the New Notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the Notes. If an active trading market for the Notes does not exist after this offering, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Settlement

We expect that delivery of the New Notes will be made to investors on or about August 11, 2020, which will be the third business day following the date of this offering memorandum (such settlement being referred to as "T+3"). Under Rule 15c6-1 under the U.S. Securities Exchange Act, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the New Notes prior to the delivery of the New Notes hereunder will be required, by virtue of the fact that the New Notes initially settle in T+3, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the New Notes who wish to trade the New Notes prior to their date of delivery hereunder should consult their advisors.

No Sales of Similar Securities

We have agreed that for a period of 60 days after the date of the purchase agreement, we will not, without the prior written consent of the initial purchasers, offer, sell, contract to sell, pledge, otherwise dispose of, or enter into any transaction which is designed to, or would reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by us or any of our affiliates or any person in privity with us or any of our affiliates), directly or indirectly, or announce the offering, of any debt securities issued or guaranteed by us (other than the New Notes).

Short Positions

In connection with the offering, the initial purchasers may purchase and sell the New Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of Notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing Notes in the open market. The initial purchasers may also impose a penalty bid. This occurs when a particular initial purchaser repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased Notes sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, purchases by the initial purchasers to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

Neither we nor the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor the initial purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

The initial purchasers are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The initial purchasers and their respective affiliates have in the past performed commercial banking, investment banking and advisory services for us from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. In addition, affiliates of some of the initial purchasers are lenders, and in some cases agents or managers for the lenders, under our credit facility. Certain of the initial purchasers or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. A typical such hedging strategy would include these initial purchasers or their affiliates hedging such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. The initial purchasers served as joint book-running managers in the offering of the Existing Notes, for which they received customary fees.

Sales Outside of the United States

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the New Notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the New Notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the New Notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

Notice to Prospective Investors in the European Economic Area and the United Kingdom

The Notes are not intended to be offered, sold or otherwise made available to and will not be offered, sold or otherwise made available to any retail investor in the EEA or in the United Kingdom. For these purposes:

(a) a retail investor means a person who is one (or more) of:

(i) a retail client as defined in point (11) of Article 4(1) of Directive (EU) 2014/65 (as amended, "MiFID II"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II;

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the United Kingdom, has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the United Kingdom may be unlawful under the PRIIPs Regulation.

Notice to Prospective Investors in the United Kingdom

Each of the initial purchasers:

(a) has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of any Note, which is the subject of the offering contemplated by this offering memorandum (the "Securities"), in circumstances in which Section 21 (1) of the Financial Services and Markets Act 2000 does not apply; and

(b) has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the securities in, from or otherwise involving the United Kingdom.

This document is for distribution only to persons who (i) are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

Notice to Prospective Investors in Switzerland

This document is not intended to constitute an offer or solicitation to purchase or invest in the Notes. The Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("FinSA") and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this document nor any other offering or marketing material relating to the New Notes constitutes a prospectus pursuant to the FinSA, and neither this document nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Notice to Prospective Investors in the Dubai International Financial Centre

This offering memorandum relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority, or the DFSA. This offering memorandum is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this offering memorandum nor taken steps to verify the information set forth herein and has no responsibility for this offering memorandum. The Notes to which this offering memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Notes offered should conduct their own due diligence on the Notes. If you do not understand the contents of this offering memorandum you should consult an authorized financial advisor.

Notice to Prospective Investors in Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Japan

The Notes offered in this offering memorandum have not been and will not be registered under the Financial Instruments and Exchange Law of Japan. The Notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (including any corporation or other entity organized under the laws of Japan), except (i) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

Notice to Prospective Investors in Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, or (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor, as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, securities or securities-based derivatives contracts (each as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 except: (1) to an institutional investor or to a relevant person, or any person pursuant to Section 275(1A) or Section 276(4)(i)(B) of the SFA; (2) where no consideration is or will be given for the transfer; (3) where the transfer is by operation of law; (4) as specified in Section 276(7) of the SFA; or (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

In connection with section 309B(1)(c) of the SFA, the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Notice to Prospective Investors in Canada

The Notes may be sold only to purchasers in the provinces of Alberta, British Columbia, Ontario and Quebec purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Mexico

The Notes have not been and will not be registered with the RNV maintained by the CNBV, and, therefore, may not be offered publicly in Mexico. The Notes may only be offered in Mexico pursuant to the exemptions to registration provided in article 8 of the Mexican Securities Market Law. We will notify the CNBV of the terms and conditions of this offering of the Notes outside of Mexico, for informational and statistical purposes only. The delivery to, and the receipt by, the CNBV of such notice does not constitute or imply a certification as to the investment quality of the Notes, our solvency, liquidity or credit quality or the accuracy or completeness of the information set forth in this offering memorandum. This offering memorandum is solely our responsibility and has not been reviewed or authorized by the CNBV. The acquisition of the Notes by investors, including Mexican investors, will be made under their own responsibility.

Notice to Prospective Investors in Chile

Pursuant to Law No. 18,045 of Chile (the securities market law of Chile) and Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the Superintendency of Securities and Insurance of Chile (*Superintendencia de Valores y Seguros de Chile*, or the SVS), the Notes may be privately offered in Chile to certain "qualified investors" identified as such by Rule No. 336 (which in turn are further described in Rule No. 216, dated June 12, 2008,of the SVS).

Rule No. 336 requires the following information to be provided to prospective investors in Chile:

1) Date of commencement of the offer: August 5, 2020. The offer of the Notes is subject to Rule No. 336, dated June 27, 2012, issued by the SVS;

2) The Notes and this offering memorandum are not registered with the Securities Registry (*Registro de Valores*) of the SVS, nor with the foreign securities registry (*Registro de Valores Extranjeros*) of the SVS and as such are not subject to the oversight of the SVS;

3) Since the Notes are not registered in Chile, there is no obligation by the Issuer to make publicly available information about the Notes in Chile;

4) The Notes shall not be subject to a public offering in Chile unless registered with the relevant Securities Registry of the SVS.

La oferta de los valores comienza el 5 de agosto de 2020 y está acogida a la Norma de Carácter General 336 de la Superintendencia de Valores y Seguros de Chile (la "SVS"). La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que los valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública a menos que sean inscritos en el registro de valores correspondiente.

Notice to Prospective Investors in France

Neither this offering memorandum nor any other offering material relating to the Notes described in this offering memorandum has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or of the competent authority of another member state of the EEA and notified to the *Autorité des Marchés Financiers*. The Notes have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this offering memorandum nor any other offering material relating to the Notes has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the Notes to the public in France.
- Such offers, sales and distributions will be made in France only:
- to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with, articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code Monétaire et Financier*;
- to investment services providers authorized to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French *Code Monétaire et Financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l'épargne*).

The Notes may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code Monétaire et Financier*.

Notice to Prospective Investors in Colombia

The Notes have not been and will not be registered in the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) maintained by the Colombian Superintendence of Finance, or the Colombian Stock Exchange (*Bolsa de Valores de Colombia*), and accordingly, may not be offered or sold publicly or otherwise be subject to brokerage activities in Colombia, except in circumstances which do not result in a public offering under Colombian law and in compliance with Part 4 of Decree 2555 of 2010.

Notice to Prospective Investors in Peru

The Notes and the information contained in this offering memorandum are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru. Peruvian securities laws and regulations on public offerings will not be applicable to this offering of the Notes and therefore, the disclosure obligations set forth therein will not be applicable to us or the sellers of the Notes before or after their acquisition by prospective investors. The Notes and the information contained in this offering memorandum have not been and will not be reviewed, confirmed, approved or in any way submitted to the SMV nor have they been registered under the Securities Market Law (*Ley del Mercado de Valores*) or any other Peruvian regulations. Accordingly, the Notes cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian regulations and complies with the provisions on private offerings set forth therein.

The Notes may be registered with the Foreign Investment and Derivatives Instruments Registry (*Registro de Instrumentos de Inversión y de Operaciones de Cobertura de Riesgo Extranjeros*) of the Peruvian Superintendency of Banks, Insurance and Private Pension Funds Administrators (*Superintendencia de Bancos, Seguros y Administradoras Privadas de Fondos de Pensiones*) in order to make the Notes eligible for investment by Peruvian Private Pension Funds Administrators.

The Notes may not be offered or sold in Peru except in compliance with the securities law thereof.

Notice to Prospective Investors in Spain

The Notes may not be offered or sold in Spain except in accordance with the requirements of the consolidated text of the Spanish Securities Market Act approved by Royal Legislative Decree 4/2015, of October 23 (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*) and Royal Decree 1310/2005, of November 4, on the listing of securities, public offers and applicable prospectus (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*), both as amended and restated, and supplemental rules enacted thereunder or in substitution thereof from time to time (the "*Spanish Securities Market Act*"). The Notes may not be sold, offered or distributed to persons in Spain, except in circumstances which do not constitute a public offer (*oferta pública*) of securities in Spain within the meaning of the Spanish Securities Market Act. None of the Notes, this offering or this offering memorandum and its contents have been approved or registered with the Spanish Securities and Exchange Commission (*Comisión Nacional del Mercado de Valores*), and therefore it is not intended for the public offering or sale of Notes in Spain.

TRANSFER RESTRICTIONS

Because of the following restrictions, investors are advised to consult their own legal counsel before making any offer, resale, pledge or other transfer of the New Notes.

We are not registered as an investment company under the Investment Company Act, and the Notes have not been registered under the Securities Act. Our Notes may not be offered or sold within the United States except:

- in compliance with the registration requirements of the Securities Act and all applicable securities laws of the states of the United States; or
- pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable securities laws of the states of the United States; and in each case
- in a transaction that is not prohibited by the Investment Company Act or that would not require our company to register under the Investment Company Act.

Accordingly, our Notes are being offered and sold only:

- inside the United States to QIBs that are also Qualified Purchasers in compliance with Rule 144A under the Securities Act; and
- outside the United States to non-U.S. persons (within the meaning of the Investment Company Act and Regulation S) in offshore transactions in reliance on Rule 903 of Regulation S.

Each purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells Notes or possesses or distributes this offering memorandum, any supplement thereto or any part thereof and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales. None of the Issuer, any initial purchaser, the Trustee or any of their respective agents or subsidiaries or affiliates shall have any responsibility therefor.

Investment Company Act

In reliance on Section 3(c)(7) of the Investment Company Act, the Issuer has not registered as an investment company pursuant to the Investment Company Act. To rely on Section 3(c)(7), the Issuer must have a "reasonable belief" that all purchasers of the Notes which are U.S. persons (including the initial purchasers and subsequent transferees) are Qualified Purchasers, at the time of their purchase of the related Notes. The Issuer will establish a reasonable belief for purposes of Section 3(c)(7) based upon the representations deemed made by the purchasers of the Notes as set forth under "Transfer Restrictions—Representations of Purchasers" and the covenants and undertakings of the Issuer referred to below.

Reminder Notices

Whenever the Issuer sends an annual report or other periodic report to the holders of the Notes, it will send a reminder notice (each, a "Reminder Notice") to the holders of the Notes. Each Reminder Notice will state that (1) each Noteholder (or holder of an interest in a Note) that is a U.S. person must be able to make the representations set forth below in paragraph (i) under "Transfer Restrictions—Representations of Purchasers" (the "3(c)(7) Representations"); (2) the Notes (or interests in the Notes) are transferable only to purchasers deemed to have made the 3(c)(7) Representations and satisfy the other transfer restrictions applicable to the Notes; and (3) if any Noteholder (or holder of an interest in a Note) that is a U.S. person is determined not to be a Qualified Purchaser, then the Issuer will have the right (exercisable in its sole discretion) to treat the transfer to such purchaser as null and void and require such purchaser to sell all of its Notes (and all interests therein) to a transferee designated by the

Issuer. The Issuer will send a copy of each annual or other periodic report (and each Reminder Notice) to DTC with a request that participants provide them to the beneficial owners of the Notes.

DTC Actions with Respect to the Notes

The Issuer will direct DTC to take the following steps in connection with the Book-Entry Notes:

(1) To include the "3c7" marker in the DTC 20-character security descriptor and the 48-character additional descriptor for the Book-Entry Notes in order to indicate that sales are limited to, with respect to U.S. persons, Qualified Purchasers.

(2) To cause (i) each physical DTC delivery order ticket delivered by DTC to purchasers of the Notes to contain the 20-character security descriptor and (ii) each DTC delivery order ticket delivered by DTC to purchasers of the Notes in electronic form to contain the "3c7" indicator and the related user manual for participants.

(3) To send on or prior to the Issuance Date an "Important Notice" to all DTC participants in connection with the Offering of the Notes. The "Important Notice" will be in substantially the form of an exhibit to the Indenture and will notify DTC's Participants that the Notes are Section 3(c)(7) securities. The Issuer may instruct DTC from time to time (but not more frequently than every six months) to reissue the Important Notice.

(4) The Issuer may from time to time request the Trustee (at the Issuer's expense) to make a request to DTC to deliver a list of all DTC participants holding an interest in the Notes.

Bloomberg Screens, Etc.

The Issuer will from time to time request all third-party vendors to include on screens maintained by such vendors appropriate legends regarding Rule 144A and Section 3(c)(7) restrictions on the global notes. The data provided by such third-party vendors may not always reflect such requests and may vary over time based on hardware and software limitations. Without limiting the foregoing, the initial purchasers will request that Bloomberg, L.P. include the following on each Bloomberg screen containing information about the Notes, on the bottom of the "Security Display" page describing the global notes: "ISS'D UNDER 144A/3C7. SEE OM-ONLY QIB/QP. NON-COMPLIANT PURCHASE MAY BE VOIDED/RESULT IN FORCED SALE."

CUSIPs

The Issuer will cause each "CUSIP" number obtained for a global note to have an attached "fixed field" that contains "3c7" and "144A" indicators.

Legends

The Issuer will not remove from any Note (including any global note) the legend set forth in "—Representations of Purchasers" at any time.

Representations of Purchasers

By its acquisition of the Notes, each purchaser of Notes who is a U.S. person within the meaning of the Investment Company Act and Regulation S under the Securities Act, including purchasers who are U.S. persons acquiring the Notes in offshore transactions, will be deemed to have acknowledged, represented, warranted and agreed as follows for themselves and for each account for which they invest:

(i) it is a QIB who is a Qualified Purchaser acting for its own account, or for the account of a QIB who is a Qualified Purchaser, and understands that such Notes will bear the legends set forth below and be represented by one or more global notes;

(ii) it (1)(a) was not formed, organized, reorganized, capitalized or recapitalized for the purpose of investing in the Issuer (except when each of its beneficial owners is a QIB who is a Qualified Purchaser), (b) is not (x) a partnership, (y) a common trust fund or (z) a pension, profit sharing or other retirement trust fund, employee plan or other plan, such as a 401(k) plan, in which the partners, beneficiaries or participants, as applicable, may designate the particular investments to be made, (c) if it would be an investment company but for the exception in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, its investment in the Notes does not exceed 40% of its total assets or committed capital and (d) did not specifically solicit additional capital or similar contributions from any person owning an equity or similar interest in it for the purpose of enabling it to acquire such Notes, in each case, except when each of its beneficial owners is a Qualified Purchaser, (2) has received the consent required to be a Qualified Purchaser from its beneficial owners if it is an excepted investment company formed before April 30, 1996, (3) is not a broker-dealer that owns and invests on a discretionary basis less than US$25,000,000 in securities of unaffiliated issuers, (4) will provide notice to any subsequent transferee of the transfer restrictions provided in the legends set forth below, (5) will hold and transfer such Notes in an amount of not less than US$250,000 for its own account or for each account for which it is acting and (6) will provide us from time to time with such information as we may reasonably request in order to ascertain compliance with this paragraph (ii);

(iii) it understands that such Notes were originally offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, such Notes have not been and will not be registered under the Securities Act or any state or foreign securities laws and, if in the future such beneficial owner decides to offer, sell, pledge or otherwise transfer its Notes or any interest therein, such Notes may be offered, sold, pledged or otherwise transferred only in accordance with the provisions of the Indenture or any amendments or supplements thereto;

(iv) it acknowledges that no representation has been made as to the availability of any exemption under the Securities Act, any securities law of any state of the United States or any other jurisdiction for resale of such Notes;

(v) it is not acquiring the Notes with a view towards any distribution thereof in a transaction that would violate the Securities Act or the securities laws of any state of the United States or any other applicable jurisdiction; *provided* that the disposition of its property and the property of any accounts for which such purchaser is acting as fiduciary will remain at all times within its control;

(vi) it acknowledges that we are not registered as an investment company under the Investment Company Act and that we are exempt from such registration by virtue of Section 3(c)(7) of the Investment Company Act;

(vii) it acknowledges that (a) it has received a copy of this offering memorandum and had access to financial and other information concerning us and the Notes or interests therein as it has deemed necessary in connection with its decision to acquire such Notes or interests therein, including an opportunity to ask questions of and receive information about us and (b) it (1) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in such Notes or interests therein, and (2) has the ability to bear the economic risks of its investment and can afford the complete loss of such investment;

(viii) it agrees that it will deliver to each person to whom it transfers such Notes or any interest therein notices of any restrictions on transfer of such Notes or interest;

(ix) it understands that any sale or transfer in violation of the foregoing transfer restrictions will be of no force and effect;

(x) it understands that the Indenture permits the Issuer to demand that any Noteholder who is determined at any time to have been a non-permitted holder at the time of acquisition of such Notes to sell such Notes to a person who is not a non-permitted holder, and if the holder does not comply with such demand, we may sell such holder's interest in such Notes in accordance with and pursuant to the terms of the Indenture;

(xi) it acknowledges that the Trustee and the Issuer may receive a list of participants holding positions in the Notes from one or more book-entry depositories;

(xii) if it acquired such Notes as a fiduciary or agent of one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgments, representations, warranties and agreements on behalf of each such investor account;

(xiii) either (i) it is not acquiring or holding such Note or interest therein with the assets of (A) an "employee benefit plan" (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) that is subject to ERISA, (B) a "plan" that is subject to Section 4975 of the Code, (C) any entity deemed under ERISA to hold "plan assets" of any of the foregoing by reason of an employee benefit plan's or plan's investment in such entity, or (D) a governmental plan, church plan or non-U.S. plan subject to applicable law that is similar in purpose or effect to the fiduciary responsibility or prohibited transaction provisions of ERISA or Section 4975 of the Code ("Similar Law"); or (ii) the acquisition and holding of such Note or interest therein will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law; and

(xiv) it acknowledges that we and the Trustee will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements and agrees that, if any of the acknowledgments, representations, warranties and agreements made or deemed to have been made by its acquisition of such Notes is no longer accurate, it shall promptly notify us and the Trustee.

Legend. In accordance with applicable law and so long as any Notes are outstanding, the Notes will each bear a legend substantially to the following effect set forth below:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND AI CANDELARIA (SPAIN), S.A. (THE "ISSUER") HAS NOT REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). NEITHER THIS NOTE NOR ANY INTEREST HEREIN MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACCEPTANCE OF THIS NOTE OR ANY INTEREST HEREIN, THE HOLDER OF THIS NOTE OR SUCH INTEREST: (1) REPRESENTS THAT IT HAS OBTAINED THIS NOTE OR SUCH INTEREST IN A TRANSACTION IN COMPLIANCE WITH THE SECURITIES ACT, THE INVESTMENT COMPANY ACT AND ALL OTHER APPLICABLE LAWS OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTIONS AND WITH THE RESTRICTIONS ON OFFER, SALE AND TRANSFER SET FORTH IN THE INDENTURE; (2) REPRESENTS, WARRANTS AND AGREES THAT (A) IT IS A "QUALIFIED PURCHASER" WITHIN THE MEANING OF SECTIONS 3(C)(7) AND 2(A)(51)(A) OF THE INVESTMENT COMPANY ACT ACQUIRING THIS NOTE OR AN INTEREST THEREIN FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHO IS A QUALIFIED PURCHASER, (B) (i) IT WAS NOT FORMED, ORGANIZED, REORGANIZED, CAPITALIZED OR RECAPITALIZED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH OF ITS BENEFICIAL OWNERS IS A QUALIFIED INSTITUTIONAL BUYER WHO IS A QUALIFIED PURCHASER), (ii) IT IS NOT (X) A PARTNERSHIP, (Y) A COMMON TRUST FUND OR (Z) A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND, EMPLOYEE PLAN OR OTHER PLAN, SUCH AS A 401(K) PLAN, IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, (iii) IF IT WOULD BE AN INVESTMENT COMPANY BUT FOR THE EXCEPTION IN SECTION 3(C)(1) OR SECTION 3(C)(7) OF THE INVESTMENT COMPANY ACT, ITS

INVESTMENT IN THE NOTES DOES NOT EXCEED 40% OF ITS TOTAL ASSETS OR COMMITTED CAPITAL, (iv) IT DID NOT SPECIFICALLY SOLICIT ADDITIONAL CAPITAL OR SIMILAR CONTRIBUTIONS FROM ANY PERSON OWNING AN EQUITY OR SIMILAR INTEREST IN IT FOR THE PURPOSE OF ENABLING IT TO ACQUIRE NOTES OR INTERESTS THEREIN, IN EACH CASE, EXCEPT WHEN EACH OF ITS BENEFICIAL OWNERS IS A QUALIFIED PURCHASER, (v) IT HAS RECEIVED THE CONSENT REQUIRED TO BE A QUALIFIED PURCHASER FROM ITS BENEFICIAL OWNERS IF IT IS AN EXCEPTED INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (vi) IT IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN $25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS, (vii) IT WILL PROVIDE NOTICE TO ANY SUBSEQUENT TRANSFEREE OF THE TRANSFER RESTRICTIONS PROVIDED IN THE INDENTURE AND THIS LEGEND, (viii) IT WILL HOLD AND TRANSFER NOTES IN AN AMOUNT OF NOT LESS THAN $250,000 FOR ITS OWN ACCOUNT OR FOR EACH ACCOUNT FOR WHICH IT IS ACTING AND (ix) IT WILL PROVIDE THE REGISTRAR, THE ISSUER AND THE TRUSTEE FROM TIME TO TIME WITH SUCH INFORMATION AS THEY OR ANY OF THEM MAY REASONABLY REQUEST IN ORDER TO ASCERTAIN COMPLIANCE WITH CLAUSE (1) ABOVE AND THIS CLAUSE (2) AND (C) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (D) IT IS A NON-US PERSON (WITHIN THE MEANING OF THE INVESTMENT COMPANY ACT AND REGULATION S) AND ACQUIRED THE NOTES OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN RELIANCE ON RULE 903 OF REGULATION S; (3) AGREES THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER (EACH, A “TRANSFER”) THIS NOTE EXCEPT TO A TRANSFEREE THAT MEETS THE REQUIREMENTS SET FORTH IN SUBCLAUSES (A), (B) AND (C) OR (D) OF CLAUSE (2) ABOVE; (4) AGREES THAT IT WILL FURNISH TO THE TRUSTEE, THE REGISTRAR AND THE ISSUER SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS THEY OR ANY OF THEM MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND THE REQUIREMENTS OF THE INVESTMENT COMPANY ACT; (5) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; AND (6) ACKNOWLEDGES THAT THE TRUSTEE AND THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN THE NOTES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES. IN CONNECTION WITH ANY TRANSFER OF THIS NOTE, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH BELOW ON THIS NOTE RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS NOTE TO THE REGISTRAR. THE INDENTURE CONTAINS A PROVISION REQUIRING THE REGISTRAR TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE OR INTEREST HEREIN IN VIOLATION OF THE FOREGOING RESTRICTIONS.

NEITHER THIS NOTE NOR ANY INTEREST HEREIN IS TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN AND IN THE INDENTURE. ANY SALE OR TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE TRUSTEE, THE REGISTRAR, THE ISSUER OR ANY INTERMEDIARY. EACH TRANSFEROR OF THIS NOTE OR ANY INTEREST HEREIN AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE TO THE TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER RESERVES THE RIGHT TO RESELL THIS NOTE OR ANY INTEREST HEREIN PREVIOUSLY TRANSFERRED TO NON-PERMITTED HOLDERS (AS DEFINED IN THE INDENTURE) IN ACCORDANCE WITH AND SUBJECT TO THE TERMS OF THE INDENTURE.

SUBJECT TO THE RECEIPT BY THE TRUSTEE OF AN OPINION OF COUNSEL THAT ANY SUCH AMENDMENT OR SUPPLEMENT WILL NOT CONSTITUTE A VIOLATION OF APPLICABLE LAW, THIS NOTE, THE INDENTURE AND ANY OTHER RELATED DOCUMENTATION INCLUDING THIS LEGEND MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS NOTE OR ANY INTEREST HEREIN TO REFLECT ANY CHANGE REQUIRED OR PERMITTED BY APPLICABLE LAW OR REGULATION (OR

THE INTERPRETATION THEREOF). EACH HOLDER OF THIS NOTE OR INTEREST HEREIN SHALL BE DEEMED, BY THE ACCEPTANCE OF THIS NOTE OR ANY INTEREST HEREIN, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

LEGAL MATTERS

Certain matters of Spanish law will be passed upon for us by White & Case, LLP, Madrid, and for the initial purchasers by Cuatrecasas Gonçalves Pereira, S.L.P. Certain matters of Colombian law will be passed upon for us by Brigard & Urrutia Abogados S.A.S., and for the initial purchasers by Gómez-Pinzón Abogados S.A.S. The validity of the Notes offered and sold pursuant to this offering and certain other matters will be passed upon for us by White & Case LLP, New York, and for the initial purchasers by Davis Polk & Wardwell LLP.

INDEPENDENT ACCOUNTANTS

The financial statements of AI Candelaria (Spain), S.A. as of and for each of years ended December 31, 2019, 2018 and 2017 included in this offering memorandum have been audited by Grant Thornton S.L.P. as stated in their reports appearing herein.

The financial statements of Oleoducto Central S.A. as of and for each of the years ended December 31, 2019, 2018 and 2017 included in this offering memorandum have been audited by Ernst & Young Audit S.A.S., independent registered public accounting firm, as stated in their reports appearing herein.

INDEX TO THE FINANCIAL STATEMENTS

AI Candelaria (Spain), S.A.

Oleoducto Central S.A.

A.I. Candelaria (Spain), S.L.

Special purpose financial statements at 31 March 2020

Includes limited review report on the special purpose financial statements

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LIMITED REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS

To the shareholders of A.I. CANDELARIA (SPAIN), S.A. by request of the Company's management

Introduction

We have undertaken a limited review of the attached special purpose financial statements (the "financial statements") of A.I. CANDELARIA (SPAIN), S.A., that comprise the balance sheet as of March 31 2020, the income statement, the statement of changes in equity, the statement of cash flows and accompanying notes, which correspond to the three-month period ended in the aforementioned date, all expressed in US Dollars. The Company's management is responsible for the elaboration of these special purpose financial statements in accordance with the financial information standards that are applicable to the entity (which is identified in note 2 of the accompanying notes) and, in particular, with the accounting principles therein. Our responsibility is to express a conclusion about these financial statements based upon our limited review.

The attached special purpose financial statements present the information and accompanying notes that the Company's management deems as sufficient when considering the purpose of such financial statements and accompanying notes. For this reason and considering the above-mentioned special purpose, the financial statements and accompanying notes attached do not present all the information otherwise required by the valid Spanish or international regulatory framework corresponding to the preparation of financial statements.

Scope of review

We have performed our limited review under the International Standard on Review Engagements (ISRE) 2410, "Review of Interim Financial Information Performed by The Independent Auditor of the Entity". A limited review of financial statements consists in questioning, primarily the personnel in charge of financial and accounting matters, and applying analytical and other review procedures. The following procedures have been performed:

- Reading and analytically reviewing the special purpose financial statements
- Holding interviews and conversations with the Company's management to revise the implementation of accounting principles in the preparation of the special purpose financial statements and concluding whether these are consistent with the accounting principles applied in the preparation of previous end-of-year financial statements for the Company
- Reviewing with the Company's management the existence of contingencies or legal disputes that could affect the special purpose financial statements and that have not been reflected therein
- Adequacy analysis for the impairment test realized by the Company's management in relation to the investment maintained in a related company as of March 31, 2020
- Reviewing the supporting documentation, firstly, relative to the revenues received in the concept of dividends received from the related company mentioned in the above paragraph, and secondly, related to the dividend payments to the shareholders throughout the three-month period ended March 31, 2020
- Reviewing banking reconciliations as of March 31, 2020
- Reviewing and reading the respective minutes from the Board and Shareholders' meetings from January 1, 2019 to the date of issuance of this report
- Reviewing through conversations with the Company's management any subsequent events
- Obtaining a representation letter from the Company's management in relation to the special purpose financial statements as of March 31, 2020

A limited review has a substantially less extensive scope than an audit process realized in accordance with the Spanish audit regulatory framework, and in consequence, does not allow us to obtain full certainty that all of the relevant matters that could have been identified in an audit process are accounted for. Consequently, we cannot express, and do not express and audit opinion regarding the attached special purpose financial statements.

Conclusion

As a result of our limited review of the attached special purpose financial statements, one that in no instance should be considered as an audit in accordance with the Spanish audit regulatory framework, we are not aware of any matter that would lead us to conclude that the attached special purpose financial statements do not present fairly the equity and financial position of the Company as of March 31, 2020, as well as the results of their operations and cash flows for the three-month period ended in the aforementioned date, in accordance with the financial information standards that are applicable to the entity and, in particular, with the accounting principles therein.

Other matters

This report has been prepared by request of the Board of Directors of A.I. Candelaria, S.A. in connection to a future debt issuance from the Company in the Singapore Exchange.

Grant Thornton, S.L.P.

Carlos Villabona De La Fuente
ROAC nº 12.720
July 31, 2020

A.I. Candelaria (Spain), S.L.

Balance Sheet
at 31 March 2020
(in US dollars)

	Note	Unaudited 31.03.2020	31.12.2019
ASSETS			
NON-CURRENT ASSETS		**1.068.731.264**	**1.068.731.264**
Long-term financial investments	**5**	**1.068.731.264**	**1.068.731.264**
Equity instruments		1.068.731.264	1.068.731.264
CURRENTS ASSETS		**107.053.893**	**90.688.729**
Trade accounts receivable and other accounts receivable	**6 y 11**	**26.522.147**	**54.981.113**
Current tax assets		26.522.147	54.981.113
Sundry accounts receivable		-	-
Short-term investments in group and associate companies	**5**	**32.820.395**	**32.812.500**
Other financial assets		32.820.395	32.812.500
Cash and cash equivalents		**47.711.351**	**2.895.116**
Cash in hand and at bank		47.711.351	2.895.116
TOTAL ASSETS		**1.175.785.157**	**1.159.419.993**

		No auditado 31.03.2020 (3 meses)	No auditado 31.03.2019 (3 meses)
EQUITY AND LIABILITIES			
EQUITY	**10**	**466.057.569**	**462.988.240**
Shareholder' equity		**466.050.955**	**462.981.626**
Capital		**82.493.841**	**82.493.841**
Authorized capital		82.493.841	82.493.841
Reserves		**119.178.291**	**119.178.291**
Legal and statutory		16.498.768	16.498.768
Other reserves		102.679.523	102.679.523
Income (loss) from previous years		**114.548.520**	**-**
Other shareholder contributions		**206.760.974**	**206.760.974**
Income for the year		**76.757.566**	**114.548.520**
(Interim dividend)		**(133.688.237)**	**(60.000.000)**
Adjustments for changes in value	**4.b**	**6.614**	**6.614**
Other		6.614	6.614
NON CURRENT LIABILITIES		**694.398.362**	**694.243.729**
Deferred tax liabilities		**-**	**-**
Long-term payables	**8**	**694.398.362**	**694.243.729**
Debentures and other marketable securities		694.398.362	694.243.729
CURRENT LIABILITIES		**15.329.226**	**2.188.024**
Short-term payables	**8**	**15.313.024**	**2.187.500**
Debentures and other marketable securities		15.313.024	2.187.500
Other financial liabilities		-	-
Trade accounts payable and other accounts payable	**9**	**16.202**	**524**
Sundry accounts payable		16.202	524
TOTAL EQUITY AND LIABILITIES		**1.175.785.157**	**1.159.419.993**

A.I. Candelaria (Spain), S.L.

Income Statement
corresponding to the year ended at
31 March 2020
(in US dollars)

		Unaudited	Unaudited
		31.03.2020	**31.03.2019**
		(3 months)	**(3 months)**
CONTINUING OPERATIONS			
Net sales	**12a**	**91.302.122**	**79.533.524**
Sales		91.302.122	79.533.524
Other operating expenses		**(32.099)**	**(470.504)**
Outside services	**12b**	(32.099)	(470.504)
Other results		-	-
OPERATING INCOME		**91.270.023**	**79.063.020**
Financial expenses	**12c**	**(13.271.737)**	**(12.406.239)**
Por deudas con terceros		(13.271.737)	(12.406.239)
Exchange gains (losses)		**(1.240.720)**	**(827.538)**
FINANCIAL INCOME (LOSS)		**(14.512.457)**	**(13.233.777)**
INCOME BEFORE TAXES		**76.757.566**	**65.829.243**
Corporation tax	**11**	-	-
INCOME FOR THE YEAR		**76.757.566**	**65.829.243**

A.I. Candelaria (Spain), S.L.

Statement of Changes in Equity
corresponding to the period ended at
31 March 2020
(in US dollars)

(A) STATEMENT OF RECOGNIZED INCOME AND EXPENSE

	Unaudited 31.03.2020 (3 months)	Unaudited 31.03.2019 (3 months)
Income Statement result	**76.757.566**	**65.829.243**
Income and expense directly recognized in equity:		
Other income/expense	-	-
Total income and expense directly recognized in equity	**-**	**-**
TOTAL RECOGNIZED INCOME AND EXPENSE	**76.757.566**	**65.829.243**

(B) STATEMENT OF COMPREHENSIVE CHANGES IN EQUITY

	Authorized capital	Issue premium	Reserves	Income (loss) from previous years	Other Shareholder contributions	Income for the year	(Interim dividend)	Adjustments for charges in value	Total
OPENING BALANCE 31.12.2018	**82.493.841**	**-**	**116.572.222**	**(3.450.534)**	**256.260.974**	**123.495.025**	**(63.865.543)**	**6.614**	**511.512.599**
Total recognized income and expense	-	-	-	-	-	65.829.243	-	-	65.829.243
Operations with partners or owners									
Distribution of dividends	-	-	-	-	-	-	(60.000.000)	-	(60.000.000)
Other changes in equity	-	-	123.495.025	-	-	(123.495.025)	-	-	-
CLOSING BALANCE 31.03.2019	**82.493.841**	**-**	**240.067.247**	**(3.450.534)**	**256.260.974**	**65.829.243**	**(123.865.543)**	**6.614**	**517.341.842**
OPENING BALANCE 31.12.2019	**82.493.841**	**-**	**119.178.291**	**-**	**206.760.974**	**114.548.520**	**(60.000.000)**	**6.614**	**462.988.240**
Total recognized income and expense	-	-	-	-	-	76.757.566	-	-	76.757.566
Operations with partners or owners									-
Distribution of dividends	-	-	-	-	-	-	(73.688.237)	-	(73.688.237)
Otras variaciones de patrimonio neto:	-	-	-	114.548.520	-	(114.548.520)	-	-	-
CLOSING BALANCE 31.03.2020	**82.493.841**	**-**	**119.178.291**	**114.548.520**	**206.760.974**	**76.757.566**	**(133.688.237)**	**6.614**	**466.057.569**

A.I. Candelaria (Spain), S.L.

Statement of Cash Flows
corresponding to the period ended at
31 March 2020
(in US dollars)

	Note	Unaudited 31.03.2020 (3 months)	Unaudited 31.03.2019 (3 months)
CASH FLOWS FROM OPERATING ACTIVITIES		**106.465.035**	**87.337.631**
Income for the year before taxes		**76.757.566**	**65.829.243**
Adjustments to income		**14.512.458**	**13.233.776**
Financial costs	**12c**	13.271.738	12.406.239
Exchange differences		1.240.720	827.537
Changes in working capital:		**7.783**	**(92.610)**
Trade receivables and other accounts receivable		(7.895)	(6.881)
Trade payables and other accounts payable		15.678	(85.729)
Other cash flows from operating activities:		**15.187.228**	**8.367.222**
Interest payments	**12c**	(13.271.738)	(12.406.239)
Corporation tax	**11**	28.458.966	20.773.461
CASH FLOWS FROM FINANCING ACTIVITIES		**(60.408.080)**	**(47.599.317)**
Proceeds from and payments for financial liability instruments:		**13.280.157**	**12.400.683**
Other payables		13.280.157	12.400.683
Payments for dividends and remuneration from other equity instruments	**3**	**(73.688.237)**	**(60.000.000)**
Dividends		(73.688.237)	(60.000.000)
Effect of exchange rate changes		**(1.240.720)**	**(827.537)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**44.816.235**	**38.910.777**
Cash or cash equivalents at start of year		2.895.116	4.861.826
Cash or cash equivalents at year-end		47.711.351	43.772.603

1. <u>Business activity</u>

A.I. Candelaria (Spain), S.L. ("the Company") was incorporated on 18 September 2013 under the name of Fairmont Invest, S.L., with registered office located at Calle Ayala 66, Madrid, and the Company subsequently adopted its current company name in Madrid, Calle Príncipe de Vergara 131. On 14 September 2017, the Company moved its registered office to Calle Pradillo 5, Madrid. Its current registered office is located at calle Ayala 34, Madrid.

In accordance with its Articles of Association, the Company's corporate purpose is the acquisition, holding, administration and management of securities representing the equity of non-resident entities, and the placement of the financial resources arising from these activities. The acquisition, holding, administration and management of securities representing the equity of non-resident entities, and the placement of financial resources arising from these activities. The exercise of management functions, membership on the Board, assistance, advisory, management and other services of a similar nature to the administration and management of securities will be carried out by means of the corresponding organisation of the appropriate material and human resources necessary for taking decisions in order to correctly manage the holdings. In general, the Company may also carry out any other lawful business activity that is required for, supplementary to or ancillary to the above-mentioned main activities.

In 2019, the Company and its direct parent, A.I. Candelaria (Luxembourg) S.à.r.l., were included in the A.I. Candelaria Group, the registered office of which is located in Luxembourg. On 7 February 2020, A.I. Candelaria (Luxembourg) S.à.r.l. sold all of its shares to Elystan Capital Holding Limited and ISQ Booster Acquisitions S.à.r.l., which then each owned 50% of the Company. The registered offices of these companies are located in the United Kingdom and Luxembourg, respectively. In 2019, the parent of the A.I. Candelaria Group did not prepare consolidated financial statements as it is exempt from this obligation under current Luxembourg regulations.

The Company's functional currency is the US dollar.

The Company is in the process of changing its legal form from a private limited liability company to a public corporation.

2. <u>Basis of presentation of the special purpose financial statements</u>

a) Fair presentation

The special purpose financial statements for the three-month period ended 31 March 2020, comprising the balance sheet, income statement, statement of changes in equity, statement of cash flows and accompanying Notes 1 to 16, have been prepared in relation to a future debt issue to be made in the Singapore securities market in order to present fairly the equity, financial position, results of operations and changes in equity for the three-month period ended 31 March 2020. As a result of the special purpose for which these financial statements are prepared, they do not include all the information required by current Spanish law for the preparation of the financial statements, although Spanish accounting regulations were basically followed. These special purpose financial statements are prepared in US dollars, which is the Company's functional currency.

b) Accounting principles

The special purpose financial statements were prepared in accordance with obligatory accounting principles. All accounting principles with a significant effect on the financial statements were applied.

c) Key issues in relation to the measurement and estimation of uncertainty

In preparing the accompanying special purpose financial statements, estimates were made by the Company's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The fair value of certain financial instruments (Note 4.a).

These estimates were made based on the best information available up until the date of preparation of these special purpose financial statements, as there was no event that could change these estimates. Any future event unknown at the date of preparation might make it necessary to change these estimates (upwards or downwards), which would be recognised prospectively as appropriate.

At the date of authorisation for issue of these special purpose financial statements, Spain, like many other countries, was in a critical situation as a result of the infection caused by the coronavirus (COVID-19), as detailed in Note 16. This situation has led to significant uncertainties and consequences; however, the directors present the interim financial statements based on the going-concern principle of accounting, under which it is presumed that the assets will be realised and the liabilities settled in the normal course of business, given that they expect that the impact of this situation will not prevent the Company from meeting its obligations and carrying out its own activity. In this regard, the Company's healthy financial and equity position at 31 March 2020 should be noted, and its main payment obligations will not come due until 2022.

d) Current and non-current classification

Items due to be settled within a maximum of one year from the date of these special purpose financial statements can be classified as current.

e) Comparative information

For comparison purposes, in addition to the figures at 31 March 2020 for each item in the balance sheet, income statement, statement of changes in equity and statement of cash flows, the figures at 31 December 2019 for the balance sheet, and the comparative figures as at 31 March 2019 for the income statement, statement of changes in equity and statement of cash flows are presented. The notes to the accompanying financial statements also include quantitative information from the previous year, except when an accounting standard specifically stipulates that it is not necessary.

f) Functional currency

The Spanish National Chart of Accounts establishes the functional currency to be the currency of the main economic environment in which the Company operates. International Financial Reporting Standard 21 also indicates other factors that may provide evidence of the functional currency, such as:

- The currency in which funds from financing activities are generated.
- The currency in which receipts from operating activities are usually retained.

The Company considered the US dollar to be its functional currency for the three-month period ended 31 March 2020, since the dollar is the currency of the main economic environment in which it operated.

To establish the US dollar as the functional currency for the three-month period ended 31 March 2020, the Company has taken into account the following criteria:

- The underlying assets representing 95% of the Company's total assets are denominated in US dollars.
- The Company is a foreign securities holding company and, therefore, its main objective is the growth and maximisation of the value of its investments in investees.
- The functional currency of the operating entity in which the Company invests is the US dollar.
- All of the funds received from its investee as dividends have been received only in US dollars (USD 91,302,122 for the three-month period ended 31 March 2020).

3. Distribution of profit

No profit will be distributed since the special purpose financial statements correspond to a partial reporting period for the three-month period ended 31 March 2020. During the three-month period ended 31 March 2020, interim dividends of USD 73,688,237 were paid out of profit for 2020.

4. Accounting policies and measurement bases

The principal accounting policies and measurement bases used in preparing the special purpose financial statements are as follows:

a) Financial instruments

a.1) Financial assets

The Company's financial assets are classified, for measurement purposes, into the following categories:

a.1.1) Loans and receivables

Loans and receivables relate to trade and non-trade receivables arising from the sale of goods, delivery of cash or provision of services, that have fixed or determinable payments and are not traded in an active market.

Loans and receivables are initially recognised at the fair value of the consideration paid, plus any directly attributable transaction costs. They are subsequently measured at amortised cost, and the interest income is recognised in profit or loss on the basis of the effective interest rate.

However, loans maturing within one year that are initially measured at their nominal value continue to be measured at this amount, unless they have become impaired.

Impairment losses on these assets are recognised based on the difference between their carrying amount and the present value at the reporting date of the future cash flows that they are expected to generate, discounted at the effective interest rate calculated upon initial recognition. These impairment losses are recognised in the income statement.

a.1.2) Other financial assets at fair value through profit or loss

This category includes the financial assets thus designated by the Company upon initial recognition, either because their designation as such eliminates or significantly reduces accounting mismatches, or because these assets form part of a group of financial assets whose performance is evaluated by Company management on a fair value basis, in accordance with an established and documented strategy.

They are initially recognised at the fair value of the consideration given. Directly attributable transaction costs are recognised in the income statement for the year. They are subsequently measured at fair value, with any changes in fair value being recognised directly in the income statement.

a.1.3) Equity investments in Group companies, associates and jointly controlled entities

Group companies are considered to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant influence. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other investors. These investments are initially measured at cost, which is equal to the fair value of the consideration given, plus any directly attributable transaction costs.

These investments are subsequently measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of any expected future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement, including any goodwill.

If the investee holds an interest in another company, the equity disclosed in the consolidated financial statements is taken into account. Changes in value due to impairment losses recognised and reversed are charged and credited, respectively, to the income statement.

Financial assets are derecognised when the rights on the cash flows from the related financial asset expire or have been transferred, and when substantially all the risks and rewards of ownership of the financial asset have been transferred.

However, the Group does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received, in transfers of financial assets in which substantially all the risks and rewards of ownership are retained, such as in the case of bill discounting.

Interest and dividends from financial assets accrued after the date of acquisition are recognised as income in the income statement. Interest is recognised using the effective interest method and dividends are recognised when the shareholders' right to receive them is declared.

For these purposes, unmatured accrued explicit interest as well as the dividends agreed upon by the competent body at the time of acquisition are independently recognised, by maturity, when the financial assets are initially recognised. Explicit interest is understood to be that obtained when applying the commercial interest rate of a financial instrument.

If the dividends distributed clearly originate from profit generated prior to the date of acquisition, as a result of the amounts distributed being greater than the profit generated by the investee since then, they are not recognised as income and the carrying amount of the investment is reduced.

a.2) Financial liabilities

A financial liability is recognised on the balance sheet when the Company becomes a party to the contract or legal transaction in accordance with the provisions thereof.

Accounts payable that have arisen from the purchase of goods or services in the normal course of the Company's business or through non-trade transactions are initially measured at the fair value of the consideration received, adjusted by the directly attributable transaction costs.

However, trade payables maturing within twelve months where there is no contractual interest rate are initially measured at face value, provided the effect of not discounting the cash flows is not material.

Accounts payable are subsequently measured at amortised cost using the effective interest method. In accordance with the foregoing, those that are initially measured at face value continue to be measured at this amount.

Liability derivative financial instruments are measured at fair value using the same methods as those described above for held-for-trading financial assets.

Financial liabilities are derecognised when the obligations giving rise to them cease to exist.

b) Income tax

The income tax expense or income is calculated by adding the current tax expense or income to the portion relating to the deferred tax expense or income. As the financial statements were prepared for a special purpose and relate to the three-month period ended 31 March 2020, the income tax expense was estimated based on the profit obtained for this period and the estimated income tax expense on the profit for the three-month period ended 31 March 2019 is presented for comparison purposes.

The current tax is the amount resulting after applying the tax rate to the taxable profit for the year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income corresponds to the recognition and settlement of deferred tax assets arising from deductible temporary differences, tax loss carryforwards from prior years and unused tax credits and other tax assets pending application and deferred tax liabilities arising from taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates expected to prevail when they are reversed.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss).
In accordance with the accounting principle of prudence, deferred tax assets are only recognised to the extent that it is considered probable that taxable profits will be obtained in the future. However, deferred tax assets relating to deductible temporary differences arising from the initial recognition of assets and liabilities in a transaction that affects neither taxable profit nor accounting profit and is not a business combination are not recognised.

Current and deferred tax income and expense are recognised in the income statement. However, current and deferred tax assets and liabilities relating to a transaction or event that is recognised directly in equity are recognised with a charge or credit to this heading.

The deferred tax assets and liabilities recognised are reassessed at each reporting date in order to ascertain whether they still exist, and the appropriate adjustments are made. Deferred tax assets recognised and those not previously recognised are reassessed. Any assets recognised that are not likely to be recovered are derecognised while any assets of this nature that have not been recognised previously are recognised to the extent that it is probable that they will be recovered against future taxable profit.

d) Provisions and contingencies

When preparing the special purpose financial statements, the Company’s directors made a distinction between:

d.1) Provisions

Credit balances covering present obligations arising from past events with regard to which it is probable that an outflow of resources embodying economic benefits that is uncertain as to its amount and/or timing will be required to settle the obligations.

d.2) Contingent liabilities

Possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Company’s control.

The special purpose financial statements include all provisions with regard to which it is considered more likely than not that the obligation will have to be settled, and they are measured at the present value of the best estimate available of the amount required to pay or transfer the obligation to a third party. Contingent liabilities are not recognised in the special purpose financial statements, but rather are disclosed in the accompanying notes.

Provisions are measured at the reporting date at the present value of the best possible estimate of the amount required to settle the obligation or to transfer it to a third party. Where discounting is used, adjustments made to provisions are recognised as interest cost on an accrual basis. For provisions maturing within twelve months from year-end or those for which the financial effect is not material, there is no discounting of any kind.

e) Related party transactions

Transactions between related parties, regardless of the level of relatedness, are accounted for in accordance with the general accounting rules. Consequently, the items subject of the transaction are initially recognised at fair value. If the price agreed upon in a transaction differs from its fair value, the difference is recognised on the basis of the economic substance of the transaction. These transactions are subsequently measured in accordance with the corresponding rules.

f) Revenue and expenses

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Revenue from sales is recognised when the significant risks and rewards of ownership of the goods sold have been transferred to the buyer, and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period, provided the outcome of the transaction can be estimated reliably.

The income obtained in the form of dividends is recognised under "Revenue" in the income statement.

g) Statement of cash flows

The following terms are used in the statement of cash flows, which was prepared using the indirect method, with the meanings specified:

- Operating activities: the revenue-producing activities of the Company and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

5. Non-current and current financial investments

The information on the Company's non-current financial instruments on the asset side of the balance sheet at 31 March 2020 and 31 December 2019 is as follows:

	2020		
Account	Beginning balance	Additions/(Disposals)	Ending balance
Equity instruments	1,068,731,264	-	1,068,731,264
	1,068,731,264	-	1,068,731,264

	2019		
Account	Beginning balance	Additions/(Disposals)	Ending balance
Equity instruments	1,068,731,264	-	1,068,731,264
	1,068,731,264	-	1,068,731,264

The detail of the information relating to investments in unlisted equity instruments at 31 March 2020 and 31 December 2019, with the amounts of the investee expressed in thousands of dollars, is as follows.

		% of ownership			Profit		
Name / Location / Line of business	Carrying amount of ownership interest	Direct	Share capital	Reserves and exchange differences	Operations	Net	Dividends received
Oleoducto Central, S.A. (*) Colombia Oil sector	1,068,731,264	22.352	81,714	741,511	319,200	244,859	91,302

		% of ownership			Profit		
Name / Location / Line of business	Carrying amount of ownership interest	Direct	Share capital	Reserves and exchange differences	Operations	Net	Dividends received
Oleoducto Central, S.A. (*) Colombia Oil sector	1,068,731,264	22.352	81,714	771,681	615,310	408,746	169,719

(*) Company audited by Ernst & Young S.A.S.

On 9 December 2013, the Company signed three agreements to purchase the shares of Oleoducto Central, S.A. On 19 December 2013, the transfer of 22.352% of the shares to A.I. Candelaria (Spain), S.L., which on this same day transferred the shares to Fideicomiso Acciones Ocensa, was registered in the share register of Oleoducto Central, S.A.

At least at the end of each reporting period, the Company tests its non-current financial investments to determine whether there are any indications of impairment and, if so, the related recoverable amount is estimated and the corresponding impairment losses recognised.

The business plans prepared to test for impairment are reviewed and ultimately approved by the Board of Directors. At the end of the three-month period ended 31 March 2020 and at the end of 2019, there were no indications of impairment that would have required a valuation adjustment to be made to the non-current financial investments.

The Company has provided these non-current financial investments as collateral for the debt issued in the Singapore securities market (Note 8).

Current financial assets held for trading relate to financial investments in a money market fund that invests in debt securities characterised by short maturities and minimal credit risk. These assets are recognised at their net asset value and are used to finance half-yearly debt payments (Note 8). They are deposited with a financial institution located in the United States and have been pledged as collateral for the debt.

6. Trade and other receivables

The detail of "Trade and other receivables" is as follows:

Description	31/03/2020	31/12/2019
Current tax assets (Note 11)	26,522,147	54,981,113
	26,522,147	54,981,113

There were no changes or balances in the allowance accounts representing the impairment losses arising in the three-month period ended 31 March 2020 or in 2019.

7. Information on the nature and level of risk of financial instruments

Qualitative information

The Company's financial risk management is centralised in Company management, which has established the mechanisms required to control exposure to interest rate and exchange rate fluctuations and to credit and liquidity risk. The main financial risks affecting the Company are as follows:

a) Credit risk:

In general, the Company holds its cash and cash equivalents at financial institutions with high credit ratings.

Also, it should be noted that the Company does not have a significant concentration of credit risk exposure to third parties outside the Group.

b) Liquidity risk:

For the purpose of ensuring liquidity and enabling it to meet all the payment obligations arising from its business activities, the Company has the cash and short- and long-term loans disclosed in its balance sheet.

c) Market risk (including interest rate, foreign currency and other price risks):

There is hardly any foreign currency risk, as almost all transactions are in US dollars.

Quantitative information

a) Credit risk:

At the end of the three-month period ended 31 March 2020, the Company did not have credit insurance to guarantee collection of accounts receivables.

b) Interest rate risk:

The Company accrues interest at an annual nominal rate of 7.5% on the non-current payables detailed in Note 8.

c) Foreign currency risk:

	31/03/2020	*2019*
Percentage of accounts receivable/payable in euros for which foreign currency hedges have not been arranged	*100*	*100*

8. Non-current and current payables

On 25 October 2018, the Company issued debt in the Singapore securities market for a value of USD 650,000,000 with final maturity on 15 December 2028. This debt accrues interest at an annual rate of 7.5%, payable half-yearly on 15 June and 15 December of each year until maturity (beginning on 15 June 2019). The first principal repayments of the debt are scheduled for 15 December 2022 and every six months from that date.

In addition, on 9 May 2019 the Company issued debt in the Singapore securities market for a value of USD 50,000,000 with final maturity on 15 December 2028. This debt accrues interest at an annual rate of 7.5%, payable half-yearly on 15 June and 15 December of each year until maturity.

Non-current payables are recognised discounted at the effective interest rate, except for the accrued interest payable on 15 June and 15 December 2020, which is recognised under short-term obligations. The effective interest rate on this debt is 7.59%.

The Company provided the financial investments detailed in Note 5 and its cash as collateral for the debt issued in the Singapore securities market. This debt also includes certain restrictions, such as the fact that the payment of dividends may not give rise to default and the debt service must be covered, both requirements of which were met in the three-month period ended 31 March 2020 and in 2019. Furthermore, there are additional restrictions on the debt such as not being able to incur new debt without express authorisation, assume additional guarantees or sell the assets provided as collateral, and not being able to make certain investments. The Company complied with all these requirements in the three-month period ended 31 March 2020 and in 2019.

Finance costs on this debt amounted to USD 13,271,738 and USD 12,406,240 in the three-month period ended 31 March 2020 and the three-month period ended 31 March 2019, respectively.

9. Trade and other payables

The detail of "Trade and other payables" for the three-month period ended 31 March 2020 is as follows:

Description	31/03/2020	31/12/2019
Sundry accounts payable	16,202	524

10. Equity and shareholders' equity

- Shareholders' equity

a) Share capital

At 31 March 2020, the Company's share capital amounted to USD 82,493,841 (EUR 60,000,000) and was represented by 60,000,000 fully subscribed and paid registered ordinary shares of EUR 1 par value each, all granting the same rights to their holders.

Elystan Capital Holding Limited and ISQ Booster Acquisitions S.à.r.l. each hold 50% of the share capital.

b) Legal reserve

Under the consolidated text of the Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At the end of the three-month period ended 31 March 2020, this reserve had reached the stipulated level.

c) Voluntary reserves

In accordance with current regulations, these balances are unrestricted, although there are contractual restrictions on the payment of dividends (see Note 8).

d) Other shareholder contributions

These include contributions made by shareholders.

- Form 720

  In compliance with Ministerial Order HAP/72/2013, of 30 January, approving form 720, the informative statement on assets and rights located abroad, the Company discloses that it has the following accounts opened at financial institutions located abroad:

Bank account number	*Credit institution*	*Country*
132228-002 – AI Candelaria Debt service reserve	*Wilmington Trust*	*United States*

11. Tax matters

The detail of tax receivables and tax payables at 31 March 2020 and 31 December 2019 is as follows:

Account	31/03/2020 Tax receivables/ (payables)	31/12/2019 Tax receivables/ (payables)
Current tax assets	26,522,147	54,981,113

The reconciliation of the revenue and expenses for the three-month periods ended 31 March 2020 and 31 March 2019 to the estimated taxable profit (tax loss) for income tax purposes is as follows:

	30/03/2020		
	Income statement		
	Increases	Decreases	Total
Profit before tax			76,757,566
Permanent differences	(88,122,168)	-	(88,122,168)
Temporary differences			
Arising in prior years	-	-	-
Tax loss			(11,364,602)
Gross tax payable			-
Tax withholdings and prepayments			-
Tax receivable			-

	31/03/2019		
	Income statement		
	Increases	Decreases	Total
Profit before tax	-	-	65,829,243
Permanent differences	(78,923,499)	-	(78,923,499)
Tax loss			(13,094,256)
Tax withholdings and prepayments			-
Tax settled			-

The permanent differences relate to the dividends received and recognised as income in the corresponding period since the Company is considered a foreign securities holding company, which, subject to certain requirements, allows it to benefit from a special tax regime that allows income from holdings in foreign entities to be tax exempt.

The income tax expense for the three-month period ended 31 March 2020 and the three-month period ended 31 March 2019 is zero since the Company incurred a tax loss and the tax assets arising therefrom were not capitalised.

In accordance with principle of prudence, certain deferred tax assets were not recognised in the accompanying balance sheet.

Under the current law, taxes cannot be considered to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year limitation period has elapsed. At the end of the three-month period ended 31 March 2020, the Company had all years since 2015 open for review of income tax and since 2016 for all other taxes applicable to it. The Company considers that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax law in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

However, the tax assets arising from tax loss carryforwards and tax credits may be reviewed for a period of 10 years from when they are incurred.

12. <u>Revenue and expenses</u>

a) Revenue

Revenue relates to the income from dividends distributed by the investee, classified under this heading on the basis of the Company's activity, as described in Note 1.

b) Other operating expenses

The detail is as follows:

Description	31/03/2020	31/03/2019
Independent professional services	29,609	469,535
Banking and similar services	2,490	969
	32,099	470,504

c) Finance costs

Finance costs amounted to USD 13,271,738 and USD 12,406,240 in 2020 (3 months) and 2019 (3 months), respectively, and related to interest on the debt issued in the Singapore securities market (Note 8).

13. Related party transactions

In 2020 (3 months), the following related party transactions were performed:

Company	Type of relationship
Miguel Liria Plañiol	Other related parties
Oleoducto Central, S.A.	Associate
A.I. Candelaria (Luxemborg) S.á.r.l.	Parent

The detail of the transactions with related parties in 2020 (3 months) and 2019 (3 months) is as follows:

	31/03/2020	31/03/2019
Dividends received from associates	91,302,122	79,533,524
Dividends distributed to the sole shareholder	(73,688,237)	(60,000,000)
Miguel Liria Plañiol (Revenue as director)	(8,640)	-

At 31 March 2020 and 31 December 2019, there were no balances with related parties.

In 2020 and 2019 the members of the Board of Directors did not earn any remuneration, were not granted any advances or loans, and the Company did not have any pension or life insurance obligations to the Board members.

The Company's Board members and any persons related thereto referred to in Article 231 of consolidated text of the Spanish Limited Liability Companies Law have not reported any direct or indirect conflicts of interest that they may have with the Company. They also declared that they do not hold positions or shareholdings in companies engaging in an activity that is identical, similar or complementary to the activity constituting the Company's corporate purpose.

14. Information on the environment

The Company does not have any property, plant and equipment aimed at minimising the environmental impact and protecting and improving the environment, nor has the Company received any grants or incurred any significant expenses during the year, the purpose of which was to protect or improve the environment. The Company has also not recognised any provisions to cover contingencies or charges for environmental measures, as it did not have any contingencies related to the protection and enhancement of the environment.

15. Other disclosures

The fees accrued by the Company's auditors in 2020 (3 months) and 2019 (12 months) amounted to USD 9,430 and USD 17,358, respectively. In addition, other services were provided in 2019 (12 months) in the amount of USD 54,308 and in 2020 (3 months) in the amount of USD 64,104.

16. Events after the reporting date

At the date of authorisation for issue of these special purpose financial statements, Spain, like many other countries, was in a critical situation as a result of the infection caused by the coronavirus (COVID-19). Since the first reported case of coronavirus COVID-19 in the city of Wuhan, China, in late December 2019, the outbreak rapidly spread to a large number of cities in China and then to many countries around the world, including Spain. This led the World Health Organisation to declare the outbreak of Coronavirus COVID-19 to be an international pandemic on 11 March 2020, which currently affects more than 150 countries.

The governments of most affected countries are taking restrictive measures to contain and mitigate the spread of this virus that will undoubtedly have a significant impact on the world economy and generate significant uncertainties with regard to the future performance of many businesses. In this regard, the Spanish government adopted Royal Decree 463/2020, of 14 March, declaring the state of emergency to manage the health crisis caused by COVID-19, which was extended until 20 June.

This situation has also led to significant uncertainties and consequences, not only in the economic and financial sphere for companies, but also in other areas such as commercial, labour and tax matters.

At the date of authorisation for issue of these special purpose financial statements, the directors assessed the events described and their impact on the Company and its operations. The Company depends mainly on the transactions of its investee detailed in Note 5, which mainly engages in the transport of crude oil, and maintains regulated tariffs that are reviewed every four years, with adjustments for inflation indexed to the United States.

At the beginning of 2020, the price of crude oil fell significantly based on expectations of a clear increase in production by the countries of the Organisation of Petroleum Exporting Countries (OPEC). There was also a significant reduction in the demand for crude oil as a result of the impact of COVID-19. This increase in production and drop in prices is expected to continue even after the market recovers from COVID-19, unless the OPEC slows down its production, which cannot be predicted at present.

Although there were no significant consequences for the Company at the date of authorisation for issue of the special purpose financial statements, significant events may take place in the future, some of which could affect the Company, without it being possible to date to estimate their nature and, where applicable, to make a reliable estimate of their effects. In any event, as a result of the current uncertainties regarding the duration of this crisis and its final effects at a national and international level, as well as the effect of the measures adopted to respond to the crisis, including the establishment of aid for certain sectors, the final impact on our results will depend on future developments that cannot be predicted at present and that could affect the valuation of the main assets held by the Company in investees, the volume of future income generated by these investments and, ultimately, the fulfilment of its obligations and its own activity.

AUTHORISATION FOR ISSUE OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS BY THE MANAGING BODY

In compliance with current legislation, the directors have authorised for issue the Company's special purpose financial statements (balance sheet, income statement, statement of changes in equity, statement of cash flows and notes to the accompanying financial statements) for the three-month period ended 31 March 2020.

The directors hereby affix their signatures to the aforementioned documents, signing this page attached to the notes to the accompanying financial statements, which comprise pages 1 to 18.

Madrid, 30 June 2020

Chucri Hjeily

Mauricio Arbulú Canepa

Maximiliano Graña

Manuel Enrique Romero Valdez

Guillermo Mata Cister
(en representación de Global Taihem, S.L.U.)

Jose Emilio Arango López de Letona

A.I. Candelaria (Spain), S.L.

Annual Accounts and Management Report for the Year 2019

The Annual Accounts Audit Report is included

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the shareholders of A.I. CANDELARIA SPAIN, S.L. (Sole-Shareholder Company)

Opinion

We have audited the financial statements of A.I. CANDELARIA SPAIN, S.L.U. ("the Company"), which comprise the balance sheet at 31 December 2019 and the related income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2019, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in note 2.a to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under these regulations are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to current audit regulations. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter paragraph

We draw attention to Note 17 to the accompanying financial statements, in which the directors explain that, although at the date of authorization for issue of the financial statements no significant consequences had arisen for the Company as a result of events occurring subsequent to 2019 year-end in connection with the COVID 19 pandemic, significant events could take place in the future without it being possible at present, due to the existing uncertainties, to reliably estimate the final impact that these events could have on the valuation of the Company's main assets, the volume of related income and, ultimately, the Company's future operations and activity. This matter did not cause us to change our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were considered to be the most significant risks of material misstatement in our audit of the financial statements of the current period. These risks were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

We have determined that the risk described below is the key audit matters considered in the audit to be communicated in our report.

<u>Recoverable amount of non-current instruments in Group companies and associates</u>

As described in Note 5 to the accompanying financial statements, the Company had non-current investments in Group companies and associates amounting to EUR 951 million at 31 December 2019. The Company tests its investments for impairment losses at least on an annual basis and estimates the recoverable amount at the reporting date for those entities where there are indications of impairment. Based on this estimate, as mentioned in Note 4.a.1.2, the corresponding valuation adjustments are made, where applicable, for the difference between the carrying amount of the investment and the recoverable amount, which is the higher of fair value less costs to sell and the present value of the future expected cash flows from the investment. The recoverable amount of these investments is determined by using valuation techniques that require judgment to be exercised by the directors and the use of assumptions and estimates. Due to the uncertainty and judgment associated with the aforementioned assumptions and estimates, as well as the significance of the carrying amount of the investments in Group companies and associates, we consider their valuation to be a key audit matter.

As part of our audit and in response to the risk mentioned, our audit procedures have included, among others:

- The assessment of the design and implementation of the relevant controls established by the Company in relation to the process of estimating the recoverable amount of the investments in Group companies and associates.

- The assessment of the criteria used by the Company in testing its investments in Group companies and associates for indications of impairment.

- The assessment of the reasonableness of the methodology and assumptions used by the Company in estimating the recoverable amount of the investments in Group companies and associates. In this regard, we compared the forecasts of estimated cash flows in previous years with the actual cash flows obtained by the investees. We also carried out a sensitivity analysis on the estimates of the recoverable amount in view of changes in relevant assumptions and judgments such as the discount rate, expected future growth rate and future cash flows.

- We evaluated whether the information disclosed in the financial statements complies with the requirements of the regulatory financial reporting framework applicable.

Other information: Directors' report

The other information comprises only the directors' report for 2019, the preparation of which is the responsibility of the Company's directors and that does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the directors' report, in accordance with the audit regulations in force, consists of evaluating and reporting on whether the directors' report is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements and excluding any information other than that obtained as evidence during the audit. Our responsibility also consists of evaluating and reporting on whether the content and presentation of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described in the paragraph above, the information in the directors' report is consistent with that contained in the financial statements for 2019 and its content and presentation are in conformity with the applicable regulations.

Directors' responsibility for the financial statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with the entity's directors, we determine those risks that were of most significance in the audit of the financial statements of the current period and are therefore the most significant assessed risks.

We describe these risks in our auditor's report unless law or regulation precludes public disclosure about the matter.

Grant Thornton, S.L.P. Sole-Shareholder Company (S0231)

[*Illegible signature*]

Carlos Villabona de la Fuente

ROAC No. 12720

26 May 2020

This report corresponds to the distinct mark

No. 20/20/01928

Membership fee €96.00

issued by the Institute of Chartered Accountants of Catalonia

A.I. Candelaria (Spain), S.L.

Balance Sheet

at 31 December 2019
(in Euros)

ASSETS	Note	31.12.2019	31.12.2018
NON-CURRENT ASSETS		**951,336,358**	**933,389,750**
Long-term financial investments	**5, 6**	951,336,358	933,389,750
Equity instruments		951,336,358	933,389,750
CURRENT ASSETS		**80,727,015**	**82,042,174**
Trade accounts receivable and other accounts receivable	**7**	**48,941,706**	**42,412,969**
Sundry accounts receivable	**6**	-	810
Current tax assets	**12**	48,941,706	35,383,068
Short-term financial investments	**5, 6**	**29,208,207**	**35,383,068**
Other financial assets		29,208,207	35,383,068
Cash and cash equivalents		**2,577,102**	**4,246,137**
Cash in hand and at bank		2,577,102	4,246,137
TOTAL ASSETS		**1,032,063,373**	**1,015,431,924**

EQUITY AND LIABILITIES	Note	31.12.2019	31.12.2018
EQUITY		**387,055,894**	**423,896,381**
Shareholder' equity	**11**	**311,829,841**	**355,377,839**
Capital		**60,000,000**	**60,000,000**
Authorized capital		60,000,000	60,000,000
Reserves		**106,249,295**	**108,771,547**
Legal and statutory		13,834,203	13,834,203
Other reserves		92,415,092	94,937,344
Income (loss) from previous years		**-**	**(2,502,021)**
Other shareholder contributions		**96,239,534**	**140,317,896**
Income for the year		**102,321,144**	**104,568,184**
(Interim dividend)		**(52,980,132)**	**(55,777,767)**
Adjustments for changes in value		**75,226,053**	**68,518,542**
Other		75,226,053	68,518,542
NON CURRENT LIABILITIES		**643,059,799**	**583,615,449**
Long-term payables	**6, 9**	**617,984,448**	**560,775,935**
Debentures and other marketable securities		617,984,448	560,775,935
Deferred tax liabilities	**12**	**25,075,351**	**22,839,514**
CURRENT LIABILITIES		**1,947,680**	**7,920,094**
Short-term payables		**1,947,214**	**7,806,944**
Debentures and other marketable securities	**6,9**	1,947,214	7,806,944
Other financial liabilities		-	1,267
Trade accounts payable and other accounts payable	**10**	**466**	**113,150**
Sundry accounts payable		466	113,150
TOTAL EQUITY AND LIABILITIES		**1,032,063,373**	**1,015,431,924**

A.I. Candelaria (Spain), S.L.

Income Statement
corresponding to the year ended at
31 December 2019
(in Euros)

	Note	2019	2018
CONTINUING OPERATIONS			
Net sales		**151,602,679**	**114,613,394**
Sales	**13ª**	151,602,679	114,613,394
Other operating expenses		**(765,292)**	**(803,049)**
Outside services	**13b**	(765,292)	(803.049)
Other income (loss)		**-**	**-**
OPERATING INCOME		**150,837,387**	**113,810,645**
Financial income		**40,508**	**3,477**
From marketable securities and other financial instruments		40,508	3,477
From third parties		40,508	3,477
Financial expenses		**(48,017,828)**	**(7,735,591)**
For debts with third parties	**13c**	(48,017,828)	(7,735,591)
Exchange gains (losses)		**(538,923)**	**(1,510,347)**
FINANCIAL INCOME (LOSS)		**(48,516,243)**	**(9,242,461)**
INCOME BEFORE TAXES		**102,321,144**	**104,568,184**
Corporation tax		**-**	**-**
INCOME FOR THE YEAR		**102,321,144**	**104,568,184**

A.I. CANDELARIA (SPAIN), S.L.

Statement of Changes in Equity
corresponding to the year ended at
31 December 2019
(in Euros)

(A) STATEMENT OF RECOGNIZED INCOME AND EXPENSE

	Note	31.12.2019	31.12.2018
Income Statement result	**3**	**102,321,144**	**104,568,184**
Income and expense directly recognized in equity:			
Other income/expense		-	-
Total income and expense directly recognized in equity		**-**	**-**
Total transfers to income statement			
TOTAL RECOGNIZED INCOME AND EXPENSE		**102.321.144**	**104.568.184**

(B) STATEMENT OF COMPREHENSIVE CHANGES IN EQUITY

	Note	Authorized capital	Issue premium	Reserves	Income (loss) from previous years	Other Shareholder contributions	Income for the year	(Interim dividend)	Adjustments for changes in value	Total
OPENING BALANCE YEAR 2018		**60,000,000**	**212,100,629**	**108,771,547**	**(18,088,018)**	**439,327,421**	**86,785,212**	**(63,815,052)**	**87,777,822**	**912,859,561**
Total recognized income and expense		-	-	-	-	-	104,568,184	-	-	104,568,184
Operations with partners or owners										
Distribution of dividends		-	(212,100,629)	-	-	(299,009,525)	-	(55,777,767)	-	566,887,921)
Other changes in equity		-	-	-	15,585,997	-	(86,785,212)	63,815,052	(19,259,280)	(26,643,443)
CLOSING BALANCE YEAR 2018		**60,000,000**	**-**	**108,771,547**	**(2,502,021)**	**140,317,896**	**104,568,184**	**(55,777,767)**	**68,518,542**	**423,896,381**
ADJUSTED OPENING BALANCE YEAR 2019		**60,000,000**	**-**	**108,771,547**	**(2,502,021)**	**140,317,896**	**104,568,184**	**(55,777,767)**	**68,518,542**	**423,896,381**
Total recognized income and expense	3	-	-	-	-	-	102,321,144	-	-	102,321,144
Operations with partners or owners										-
Distribution of dividends		-	-	(42,103,137)	-	(44,078,362)	-	(25,980,132)	-	(139,161,631)
Other changes in equity		-	-	39,580,885	2,502,021	-	104,568,184	55,777,7673	6,707,511	-
CLOSING BALANCE YEAR 2019		**60,000,000**	**-**	**106,249,295**	**-**	**96,239,534**	**102,321,144**	**(52,980,132)**	**75,226,053**	**387,055,894**

A.I. Candelaria (Spain), S.L.

Statement of Cash Flows
corresponding to the year ended at
31 December 2019
(in Euros)

	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		**80,507,875**	**20,277,137**
Income for the year before taxes		**102,321,144**	**104,568,184**
Adjustments to income:		**32,845,980**	**(68,201,681)**
Finance income		(40,508)	-
Finance costs		48,017,828	7,735,591
Exchange differences		538,923	-
Other income and expense		(15,710,771)	(75,937,272)
Changes in working capital:		**(111,874)**	**(52,853)**
Trade receivables and other accounts receivable		810	-
Trade payables and other accounts payable		(112,684)	(52,853)
Other cash flows from operating activities:		**(54,547,375)**	**(16,036,513)**
Interest payments		(48,017,828)	(7,735,591)
Interests received		40,508	-
Corporation tax		(6,529,547)	(8,300,922)
CASH FLOWS FROM INVESTMENT ACTIVITIES		**6,174,861**	**(35,383,068)**
Payments for investments:		**-**	**(35,383,068)**
Other financial assets			(35,383,068)
Proceeds from divestments		**6,174,861**	**-**
Other financial assets		6,174,861	-
CASH FLOWS FROM FINANCING ACTIVITIES		**(87,812,848)**	**797,669**
Proceeds from and payments for financial liability instruments:		**51,348,783**	**567,685,590**
Issue:			
Other payables		51,378,783	567,685,590
Payments for dividends and remuneration from other equity instruments		**(139,161,631)**	**(566,887,921)**
Dividends		(139,161,631)	(566,887,921)
Effect of exchange rate changes		**(538,923)**	**1,510,347**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(1,669,035)**	**(12,797,916)**
Cash or cash equivalents at start of year		4,246,137	17,044,053
Cash or cash equivalents at year-end		2,577,102	4,246,137

A.I. CANDELARIA (SPAIN), S.L.
Annual Report for the Year Ended at
31 December 2019

1. Activity

A.I. Candelaria (Spain), S.L. (hereinafter, the Company) was set up on 18 September 2013, under the corporate name of Fairmont Invest, S.L. with its registered office located in Madrid, at Calle Ayala, number 66, subsequently changing its name to the current one in Madrid, at Calle Príncipe de Vergara, number 131. On 14 September 2017, it changes its registered office to Calle Pradillo, number 5, Madrid.

In accordance with its Articles of Association, the Company has as its corporate purpose, the acquisition, administration and management of securities representing the shareholders' equity of companies not residing in Spanish territory, as well as the placement of the financial resources derived from said activities; the acquisition, administration and management of securities representing the shareholders' equity of companies residing in Spanish territory, as well as the placement of the financial resources derived from said activities. The exercise of the functions of administration, membership on the Board, assistance, advisory services, management and other services related to the activity of securities administration and management shall be carried out through the corresponding organization of the appropriate material and personal resources for the purpose of adopting decisions for the suitable management of the equity holdings. The Company may, likewise, carry out, in general, any other licit commercial activity which is prior or ancillary to the aforementioned principal activities.

In 2019, the Company and its direct parent, A.I. Candelaria (Luxembourg) S.à.r.l., were included in the A.I. Candelaria Group, the registered office of which is located in Luxembourg. On 7 February 2020, A.I. Candelaria (Luxembourg) S.à.r.l. sold all of its shares to Elystan Capital Holding Limited and ISQ Booster Acquisitions S.à.r.l., which then each owned 50% of the Company. The registered offices of these companies are located in England and Luxembourg, respectively. In 2019, the parent of the A.I. Candelaria Group did not prepare consolidated financial statements as it is exempt from this obligation under current Luxembourg regulations.

The Company's functional currency is the US dollar. The US dollar was established as the functional currency in accordance with the criteria detailed in Note 2.f to these financial statements. Note 18 to these financial statements also presents the balance sheet, income statement, statement of changes in equity and statement of cash flows in US dollars.

2. Bases for Presentation of the Annual Accounts

a) True and fair view

The annual accounts, comprised of the balance sheet, income statement, statement of changes in equity, statement of cash flows, and the annual report consisting of notes 1 to 18, have been prepared on the basis of the accounting records, with application having been made of the accounting regulations in force, specifically, the Spanish General Chart of Accounts, approved by Royal Decree 1514/07 of 16 November 2007, and the amendments thereof, approved by Royal Decree 1159/2010, of 17 September, and by Royal Decree 602/2016, of 2 December, in an aim to give a true and fair view of the net worth, financial situation, results, and the changes in equity taking place during said year.

Unless otherwise indicated, all figures contained in the annual report are in Euros.

The annual accounts prepared by the directors shall be put to the General Meeting of Equity Holders for approval, it being deemed that said accounts will be approved without any change whatsoever.

b) Accounting principles

The annual accounts have been prepared in accordance with the mandatory accounting principles. There is no accounting principle of significant effect which has not been applied.

c) Critical aspects regarding valuation and estimation of uncertainty

In preparing the attached annual accounts, the estimations made by the Company Directors have been used to value certain assets, liabilities, revenues, expenses and commitments recorded therein. Such estimations basically refer to:

- The fair value of certain financial instruments (note 4a).

These estimations have been made on the basis of the best available information at the date of preparation of these annual accounts, there being no circumstance which could lead to any change in said estimations. Any future event unknown at the date of preparation of these estimations could give rise to changes (either higher or lower), which, if applicable, shall be carried out prospectively.

At the date of authorization for issue of these financial statements, Spain, like many other countries, was in a critical situation as a result of the infection caused by the coronavirus (COVID-19), as detailed in Note 17. This situation has led to significant uncertainties and consequences; however, the directors present the financial statements based on the going-concern principle of accounting, under which it is presumed that the assets will be realized and the liabilities settled in the normal course of business, given that they expect that the impact of this situation will not prevent the Company from meeting its obligations and carrying out its own activity. In this regard, the Company's healthy financial and equity position at the end of 2019 should be noted, and its main payment obligations will not come due until 2022.

d) Classification of current and non-current items

For the classification of current items, the maximum term of one year as from the date of the present annual accounts has been taken into consideration.

e) Comparison of information

In accordance with commercial law, for the purposes of comparison each one of the items on the balance sheet, income statement, statement of changes in equity and statement of cash flows is presented with the figures for the year 2017 as well as those corresponding to the preceding year. The annual report also contains quantitative information on the preceding year, except in those cases in which an accounting regulation specifically states that this is not necessary.

f) Functional currency

The new General Chart of Accounts understands "Functional Currency" to be that of the primary economic environment in which the entity operates. International Financial Reporting Standard 21 likewise indicates other factors which may shed light on the Functional Currency, such as:

– The currency in which the funds from the financing activity are generated

– The currency in which the amounts collected from operating activities are held

In the year 2019, the Company considered the US dollar to be its functional currency, given that the dollar is the primary economic environment in which it operated.

In order to determine the dollar as the functional currency for the year 2019, the Company has taken into account the following criteria:

- The underlying assets accounting for 95% of the total assets of the Company are denominated in dollars
- The Company is a Foreign Securities Holding Company, and consequently its main objective is the growth and maximization of the value of its investments in subsidiary companies.
- The operating company which is a subsidiary of the Company has the dollar as its functional currency.
- The total funds received from its subsidiary as dividends were received exclusively in dollars (169,719,199 dollars).

Nevertheless, given the requirement to present the annual accounts in Euros, the Company has recognized the effect derived from the foreign currency exchange rate, as well as the effect of the translation of its functional currency into Euros. For this purpose, the differences from the translation to the presentation currency have been directly accounted for in equity, net of its corresponding tax effect.

g) Correction of errors

In preparing the accompanying financial statements, reclassifications were made corresponding to previous years that would have made it necessary to restate the amounts included in the financial statements for 2018, as detailed below:

	Assets	
	Non-current financial investments	Trade and other receivables
Balance presented in the financial statements at 31 December 2018	933,390,560	42,412,159
Adjustments due to correction of errors	(810)	810
Balance restated in the financial statements at 31 December 2018	933,389,750	42,412,969

3. Application of Income

The proposal for the application of income for the year 2019 which the Directors are submitting to the General Meeting of Equity Holders is the following:

Distribution base		
Income statement (profit)	102,321,144	
Application		
To dividends	52,980,132	
To voluntary reserves	49,341,012	
		102.321.144

On 26 June 2019, the shareholders at the Annual General Meeting approved the distribution of profit for 2018 in the amount of EUR 104,568,184, with EUR 2,502,021 allocated to offsetting prior years' losses, EUR 46,288,396 to reserves and EUR 55,777,767 to dividends.

On 25 March 2019, an interim dividend of EUR 52,980,132 was distributed out of profit for 2019.

Following is a table showing the existence of sufficient profit during the period to permit the distribution of the interim dividend paid, and the provisional accounting statement evidencing the existence of sufficient liquidity to be able to distribute the above-mentioned interim dividend:

Profit from 01/01/2019 to 25/03/2019	63,014,858
Net profit available	63,014,858
Less:	
Estimated income tax for the year	-
Maximum possible amount to be distributed	63,014,858
Amount distributed	52,980,132

Liquidity in cash before payment of the interim at 25/03/2019	91,768,663
Gross interim dividend	(52,980,132)
Proceeds projected over the next twelve months	163,663,225
Payments projected over the next twelve months	(46,887,302)
Cash balance projected at 25/03/2020	155,564,454

4. Recording and valuation standards

The principal recording and valuation standards used in preparing the annual accounts are the following:

a) Financial instruments

a.1) Financial assets

The financial assets of the Company are classified, for valuation purposes, into the following categories:

a.1.1) Loans and receivables

These correspond to loans for commercial or non-commercial transactions, having their origin in the sale of goods, deliveries of cash amounts, or provision of services, the collection amounts of which are determined or determinable, and do not trade in an active market.

They are initially recorded at the fair value of the consideration received plus any directly attributable transaction costs. They are subsequently valued at their amortized cost, with the accrued interest being recorded in terms of the effective interest rate.

Notwithstanding the above, loans having a maturity of not more than one year and valued initially at face value continue to be valued at said amount, unless they are impaired.

Valuation corrections for impairment are recorded in terms of the difference between their book value and the current value at year-end of the future cash flows which they are expected to generate, discounted at the effective interest rate calculated at the time of their initial recognition. These corrections are recognized in the income statement.

a.1.2) Other financial assets at fair value through profit or loss

This category includes the financial assets thus designated by the Company upon initial recognition, either because their designation as such eliminates or significantly reduces accounting mismatches, or because these assets form part of a group of financial assets whose performance is evaluated by Company management on a fair value basis, in accordance with an established and documented strategy.

They are initially recognized at the fair value of the consideration given. Directly attributable transaction costs are recognized in the income statement for the year. They are subsequently measured at fair value, with any changes in fair value being recognized directly in the income statement.

a.1.3) Investments in the equity of group, associate and multi-group companies

Group companies are deemed to be those related to the Company through a relationship of control, and associate companies those over which the Company holds significant influence. In addition, the multi-group category includes those companies over which, by virtue of an agreement, joint control is held with one or more partners. Said investments are initially valued at cost, which would be equivalent to the fair value of the consideration received plus any directly attributable transaction costs.

They are subsequently valued at cost, less, if applicable, the cumulative amount of the valuation corrections for impairment. Said corrections are calculated as the difference between their book value and the recoverable amount, understood as the greater of fair value less selling costs or the current value of the future cash flows expected from the investment. Unless the recoverable amount is shown to be otherwise, consideration is taken of the equity of the subsidiary, corrected by the unrealized capital gains existing at the valuation date, including goodwill, if any.

In the case where the subsidiary, in turn, has a subsidiary of its own, consideration is taken of the equity from the consolidated annual accounts. Changes in value owing to valuation corrections for impairment, and, if applicable, their reversal, are recorded in the income statement as expense or income, respectively.

Financial assets are retired when they expire or when the rights over the cash flows of the corresponding financial asset have been assigned, and the risks and rewards inherent to ownership have been substantially transferred.

On the contrary, financial assets are not retired, and a financial liability is recognized for an amount equal to the consideration received, in financial asset assignments in which the risks and rewards inherent to their ownership are substantially retained, such as the discount of commercial drafts.

Financial asset interest and dividends accrued subsequent to the time of acquisition are recognized as income in the income statement. Interest is recognized using the effective interest rate method, and dividends are recognized when the right of the equity holder to receive them is declared.

For these purposes, at the time the financial assets are initially valued, recording is made, taking into account the maturity, of the amount of explicit interest payable and not overdue at said time as well as of the amount of the dividends agreed to by the competent body at the time of acquisition. Explicit interest is understood to be that obtained from application of the commercial interest rate of the financial instrument.

Likewise, when the distributed dividends unequivocally come from income generated prior to the acquisition date because distribution was made of amounts higher than the income generated by the subsidiary since that time, they are not recognized as income, and decrease the book value of the instrument.

a.2) Financial liabilities

A financial liability is recognized on the balance sheet when the Company becomes an obligated party to the contract or legal business transaction in accordance with the provisions thereof.

Debits and items payable having their origin in the purchase of goods and services in the normal course of business of the company or for non-commercial transactions are initially valued at the fair value of the consideration received, adjusted by directly attributable transaction costs.

Notwithstanding the above, debits for commercial transactions having a maturity of not more than one year and which do not have a contractual interest rate are initially valued at face value, provided that the effect of not updating the cash flows is not significant.

Debits and payables are subsequently valued at their amortized cost, using the effective interest rate. Those which, as commented in the preceding paragraph, are initially valued at their face value continue to be valued at said amount.

Liability derivative financial instruments are valued at fair value, following the same criteria as those corresponding to the financial assets held for trading described in the paragraph above.

Financial liabilities are retired when the obligations giving rise to them have been extinguished.

b) Foreign currency transactions

b.l) Functional currency and presentation

The annual accounts are presented in Euros, in accordance with the provisions of section 34 of the Commercial Code. In 2019, the functional currency of the Company was the Euro, given that this is the currency of the economic environment in which the Company and its Group operate (See Note 2.f).

Translation of the Company annual accounts for the purpose of translation into Euros is as follows:

- Assets and liabilities are translated at the closing exchange rate
- Equity items, excluding income for the year, are translated at the historical exchange rate at the date of the transaction.
- In the case of income and expenses, the company has used an annual weighted rate since it considers that these have not changed significantly.
- The difference between the net amount of assets and liabilities and the equity items is recorded under the equity caption of “translation gains (losses)”, net of the tax effect, if applicable.

For the effects of translation into Euros in the presentation of amounts accounted for in US dollars, the exchange rates used have been the following:

Dollar/Euro exchange rates	2019	2018
Closing exchange rate	1.1234	1.145
Average exchange rate	1.1195	1.181

b.2) Foreign currency

Foreign currency transactions are converted at their initial valuation at the spot exchange rate in force at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are converted at the spot exchange rate in force at the balance sheet date. Any exchange gains or losses given rise to in this process, as well as those taking place at the time of settlement of said assets and liabilities, are recognized in income for the year in which they take place.

b.3) Monetary items

The conversion into functional currency of accounts payable and accounts receivable in foreign currency is carried out applying the exchange rate in effect at the time at which the corresponding transaction is carried out, and are valued at year-end in accordance with the exchange rate in force at said time.

Exchange gains and losses produced as a result of the year-end valuation of debits and credits in foreign currency are taken directly to the income statement.

c) Corporate income tax

The income or expense for corporate income tax is calculated by the sum of the current tax expense or current tax income plus the corresponding part of the deferred tax expense or deferred tax income.

The current tax is the amount resulting from the application of the tax rate to the taxable income for the year. Deductions and other tax benefits, excluding withholdings and prepayments, as well as the offset of tax losses from previous years and effectively applied in the year will give rise to a lower current tax amount.

Deferred tax expense or income corresponds, on its part, to the recognition and cancellation of the deferred tax assets for deductible temporary differences, for the right to offset tax losses in subsequent years, and for unused deductions and other tax benefits pending application, and deferred tax liabilities for taxable temporary differences.

Deferred tax assets and liabilities are valued in accordance with the tax rates expected at the time of their reversal.

Deferred tax liabilities are recognized for all taxable temporary differences, except those derived from the initial recognition of goodwill or of other assets and liabilities in a transaction which does not affect either the taxable income or the financial accounting income and is not a business combination.

In accordance with the principle of prudence, deferred tax assets are only recognized to the degree to which the obtainment of future gains which would permit their application is deemed likely. Notwithstanding this, no recognition is made of deferred tax assets corresponding to deductible temporary differences derived from the initial recognition of assets and liabilities in a transaction which does not affect either the taxable income or the financial accounting income and is not a business combination.

Current and deferred tax expense or income are recorded in the income statement. Nevertheless, current and deferred tax assets and liabilities related to a transaction or event directly recognized in an equity item are recognized to the debit or credit of said item.

At the end of each accounting period, a review is made of the deferred taxes recorded in order to verify that they remain in force, with the pertinent corrections thereof being made. Likewise, evaluation is made of the deferred tax assets recognized and of those not recorded before, retiring the recognized assets in the case where their recovery is no longer likely, or recording any assets of this type which had not been recognized before, to the degree to which their recovery with future tax benefits becomes likely.

d) Provisions and contingencies

When preparing the annual accounts, the Company Directors make a distinction between:

d.1) Provisions

Creditor balances which cover current obligations derived from past events, the cancellation of which is deemed likely to result in an outflow of resources but the amount and/or time of cancellation of which is indeterminate.

d.2) Contingent liabilities

Possible obligations arising as the consequence of past events, the future materialization of which is subject to the occurrence or not of one or more future events beyond the control of the Company.

The annual accounts record all the provisions with respect to which the need to attend to the obligation is considered more likely than not, and these are recorded at the current value of the best possible estimation of the amount required to cancel or transfer the obligation to a third party. Contingent liabilities are not recognized in the annual accounts, but are reported in the annual report.

Provisions are valued at year-end at the current value of the best possible estimation of the amount required to cancel or transfer the obligation to a third party, with the adjustments arising from the updating of said provisions being recorded as a financial expense as it becomes payable. In the case of provisions having a maturity of one year or less, in which the financial effect is not significant, no type of discount is made.

The compensation to be received from a third party on settlement of the obligation is not deducted from the amount payable, but rather is recognized as an asset, provided there are no doubts that the reimbursement will take place.

e) Related party transactions

Related party transactions, regardless of the degree of the relation, are recorded in accordance with the general regulations. Consequently, generally speaking, elements subject to transaction are recorded at the initial time at fair value. In the case where the price agreed in a transaction differs from fair value, the difference is recorded taking into account the economic reality of the transaction. The subsequent valuation is made as set out in the corresponding regulations.

f) Income and expense

Income and expense are recorded in terms of the accrual criterion, that is, at the time the real flow of goods and services which they represent is produced, regardless of the time at which the resulting monetary or financial flow derived from them takes place.

Said income is valued at the fair value of the consideration received, after deducting discounts and taxes.

Due to the entity's corporate purpose, dividends and interest on financial assets accrued after the date of acquisition are recognized as income in the income statement. Interest is recognized using the effective interest method and dividends are recognized when the shareholder's right to receive them is declared.

In addition, if the dividends distributed unequivocally originate from profits generated prior to the acquisition date because amounts exceeding the profits generated by the investee have been distributed since then, they are not recognized as income and reduce the carrying amount of the investment.

g) Statement of cash flows

The statement of cash flows has been prepared using the indirect method, with the following expressions being used in said statement with the meaning indicated below:

- Operating activities: activities constituting the ordinary income of the company, as well as other activities which cannot be termed as investing or financing activities.

- Investing activities: activities for the acquisition, disposal or transfer by other means of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities which produce changes in the size and composition of equity and of the liabilities which do not form part of the operating activities.

5. Long-term and short-term financial investments

The information on the long-term financial instruments on the asset side of the Company balance sheet is as follows:

	Year 2019		
Account	Opening Balance	Translation differences	Closing Balance
Equity instruments	933,389,750	17,976,608	951,336,358
	933,389,750	17,946,608	951,336,358

	Year 2018			
Account	Opening Balance	Retirements	Translation differences	Closing Balance
Equity instruments	891,129,985	(810)	42,260,575	933,389,750
	891,129,985	(810)	42,260,575	933,389,750

The breakdown of the information regarding investment in unlisted equity instruments at 31 December 2019 and 2018 is as follows:

At 31.12.19

Name/ Domicile/ Activity	Shareholding Book Value	Shareholding % Direct	Share Capital	Reserves and translation differences	Result Operating	Result Net	Dividends Received
Oleoducto Central S.A. (*) (**) Colombia Oil Sector	951,336,358	22.352%	71,365,939	326,610,196	1,098,566,324	725,284,502	151,602,679

At 31.12.17

Name/ Domicile/ Activity	Shareholding Book Value	Shareholding % Direct	Share Capital	Reserves and translation differences	Result Operating	Result Net	Dividends Received
Oleoducto Central, S.A. (*) (**) Colombia Oil Sector	933,389,750	22.352%	71,365,939	408,827,557	898,470,787	560,828,959	114,613,694

(*) Company audited by Ernst & Young, S.A.S.

On 9 December 2013, the Company signed three contracts for the purchase of shares in the Company Oleoducto Central S.A. On 19 December 2013, the shareholder register book of Oleoducto Central S.A. recorded the transfer of 22.352% of the shares to A.I. Candelaria (Spain), S.L., which, on that same day, transferred the shares to the trust Fideicomiso Acciones Ocensa.

At least at the end of each reporting period, the Company tests its non-current financial investments to determine whether there are any indications of impairment and, if so, the related recoverable amount is estimated and the corresponding impairment losses recognized.

The business plans prepared to test for impairment are reviewed and ultimately approved by the Board of Directors. In both 2019 and 2018, there were no indications of impairment that required valuation adjustments to be made to non-current financial investments.

The Company has provided these non-current financial investments as collateral for the debt issued in the Singapore securities market (Note 9).

6. Financial instruments

6.1 Financial assets

The carrying amount of each category of financial instruments established in the accounting standard for recognizing and measuring financial instruments is as follows:

	Non-current financial investments			
	Equity instruments		Total	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Categories:				
Investments in Group companies, jointly controlled entities and associates				
Measured at cost	951,336,358	933,389,750	951,336,358	933,389,750
	951,336,358	933,389,750	951,336,358	933,389,750

	Current financial investments			
	Loans, derivatives and other		Total	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Categories:				
Assets at fair value through profit or loss:				
Held for trading	29,208,207	35,383,068	29,208,207	35,383,068
Loans and receivables	-	810	-	810
	29,208,207	35,383,878	29,208,207	35,383,878

Non-current financial assets relate to the non-current investments in Group companies and associates detailed in Note 5.

Current financial assets held for trading relate to financial investments in a money market fund that invests in debt securities characterized by short maturities and minimal credit risk. These assets are recognized at their net asset value. These term investments are used to finance half-yearly debt payments, are deposited with a financial institution located in the United States and have been provided as collateral for the debt detailed in Note 9.

All financial investments have been provided as collateral for the debt detailed in Note 9

6.2. Financial liabilities

The carrying amount of each category of financial instruments established in the accounting standard for recognizing and measuring financial instruments is as follows:

	Accounts payable		Total	
	2019	2018	2019	2018
Non-current financial liabilities				
Debt and other fair value instruments	617,984,448	560,775,935	617,984,448	560,775,935
	617,984,448	560,775,935	617,984,448	560,775,935
Current financial liabilities				
Debt and other fair value instruments	1,947,214	7,805,677	1,947,214	7,805,677
Derivatives and other	-	1,267	-	1,267
	1,947,214	7,806,944	1,947,214	7,806,944

6.2.1. Classification by maturity

The detail, by maturity, of the various non-current and current financial liabilities with fixed or determinable maturity at the end of 2019 is as follows:

	2020	2021	2022	2023	Other	Total
Financial liabilities:						
Debt securities	1,947,214	-	36,347,970	72,695,941	508,940,537	619,931,662
	1,947,214	-	36,347,970	72,695,941	508,940,537	619,931,662

The detail, by maturity, of the various non-current and current financial liabilities with fixed or determinable maturity at the end of 2018 is as follows:

	2019	2020	2021	2022	Other	Total
Financial liabilities:						
Debt securities	7,805,677	-	-	33,114,974	527,660,961	568,581,612
	7,805,677	-	-	33,114,974	527,660,961	568,581,612

7. Trade accounts receivable and other accounts receivable

The balance sheet heading of "Trade accounts receivable and other accounts receivable" is as follows:

Item	31.12.2019	31.12.2018
Other accounts receivable	-	810
Current tax assets (see note 12)	48,941,706	42,412,159
	48,941,706	42,412,969

There were no changes or balances in the allowance accounts representing the impairment losses arising in 2019 and 2018.

8. Information on the Nature and Risk Level of the Financial Instruments

Qualitative information

Management of the Company financial risks is centralized in Management, which has established the mechanisms required to control exposure to changes in interest rates and exchange rates, as well as credit and liquidity risks. The principal financial risks having an impact on the Company are indicated below:

a) Credit risk:

In general, terms, the Company holds its cash and cash equivalents in financial institutions having a high credit rating.

In addition, it must be pointed out that there is not a significant concentration of credit risk with third parties outside of the group.

b) Liquidity risk:

In an aim to ensure liquidity and be able to meet all payment commitments derived from its activity, the Company has the cash and short-term loans to Group companies as shown on its balance sheet.

c) Market risk (including interest rate, exchange rate, and other price risks)

There is hardly any exchange risk, given that practically all transactions are in US dollars. As described in note 9, the debt accrues a fixed annual interest at 7.5%.

Quantitative information

a) Credit risk:

At year-end 2019, the Company did not have any credit insurance to guarantee the collection of its accounts receivable.

b) Interest rate risk:

The Company accrues nominal annual interest at 7.5% from the long-term debt detailed in note 9.

c) Exchange rate risk:

	2019	*2018*
Percentage of accounts receivable/payable in Euros for which no exchange insurance has been taken out	*100%*	*100%*

9. Long-term and short-term payables

On 25 October 2018, the Company issued debt in the Singapore Stock Exchange in the amount of 650,000,000 dollars maturing on 15 December 2028. That debt accrues an annual interest of 7.5%, payable semi-annually on the 15th June and the 15th December of each year until maturity (beginning on 15th June 2019). The first principal repayments of the debt are scheduled for 15 December 2022 and every six months from that date.

In addition, on 9 May 2019 the Company issued debt on the Singapore securities market for a value of USD 50,000,000 (EUR 44,542,900) with final maturity on 15 December 2028. This debt also accrues interest at an annual rate of 7.5%, payable half-yearly on 15 June and 15 December of each year until maturity.

Non-current payables are recognized discounted at the effective interest rate, except for the accrued interest payable on 15 June and 15 December of the following year, which is recognized under short-term obligations. The effective interest rate on this debt was 7.59%.

The Company provided the financial investments detailed in Note 5 and the cash as collateral for the debt issued in the Singapore securities market. This debt also includes certain restrictions, such as the fact that the payment of dividends may not give rise to default and the debt service must be covered, both requirements of which were met in 2019. Furthermore, there are additional restrictions on the debt such as not being able to incur new debt, assume additional guarantees or sell the assets provided as collateral, or not being able to make certain investments. The Company complied with these restrictions in 2019 or 2018.

The finance costs of this debt amounted to EUR 48,017,828 and EUR 7,735,591 in 2019 and 2018, respectively.

10. Trade accounts payable and other accounts payable

The heading of 'Trade accounts payable and other accounts payable' broken down at 31 December 2019 and 2018 is the following:

Item	31.12.2019	31.12.2018
Sundry accounts payable	466	133,150

For the purposes set out in additional provision second of Law 31/2014, of 3 December, amending the Capital Companies Act, and pursuant to the Resolution of 29 February 2016 of the Spanish Accounting and Auditing Institute, a breakdown is presented below of the average period of payment to suppliers, ratio of paid transactions, ratio of transactions pending payment, total payments made and total payments pending:

	2019	2018
	Days	Days
Average period of payment to suppliers	12	12
Ratio of transactions paid	12	12
Ratio of transactions pending payment	-	16

	2019	2018
	Amount	Amount
Total payments made	2,117,125	4,633,698
Total payments pending	466	106,718

11. Equity and Shareholders' Equity

- Shareholders' Equity

a) Equity capital

At year-end 2019 the Company equity capital amounted to EUR 60,000,000, represented by 60,000,000 ordinary nominative equity participations each having a par value of EUR 1, being fully subscribed and paid up, granting the same rights to the holders thereof.

The following companies hold an interest equal to or greater than 10% at the date of authorization for issue of these financial statements:

	Shareholding %
Elystan Capital Holding Limited	50%
ISQ Booster Acquisitions S.à.r.l.	50%
	100%

b) Legal reserve

In accordance with the Revised Text of the Capital Companies Act, an amount equal to 10% of income for the year is required to be allocated to the legal reserve until it reaches at least 20% of the share capital. The legal reserve may be used to increase the capital by that part of its balance which exceeds the 10% of the already increased capital. Except for the aforementioned purpose, and provided that it does not exceed 20% of the share capital, this reserve may only be used to offset losses, this provided that there are not any other sufficient reserves available for said purpose.

At year-end 2019, this reserve was fully constituted.

a) Other shareholder contributions

On 10 May 2019, the sole shareholder decided to distribute EUR 44,078,362 (USD 49,500,000) of the balance recognized under "Shareholders' equity" to the Company.

b) Voluntary reserves

In accordance with current regulations, these balances are unrestricted, although there are contractual restrictions on the payment of dividends (see Note 9).

12. Tax situation

The breakdown of the accounts related to taxes in the years 2019 and 2018 is as follows:

	31.12.2019		31.12.2018	
	Debtor balances	Creditor balances	Debtor balances	Creditor balances
Account	Current	Non current	Current	Non current
Current tax assets	48,941,706	--	42,412,159	-
Deferred tax liabilities	-	(25.075,351)	-	(22,839,514)
Total	48,941,706	(25.075,351)	42,412,159	(22,839,514)

Reconciliation of net income and expenses for the year and the Corporation Tax taxable base (taxable income) is the following:

	2019		
	Income statement		
	Increases	Decreases	Total
Income before taxes	-	-	102,231,144
Permanent differences	-	(151,602,679)	(151,602,679)
Taxable base (taxable income)			(49,281,535)
Withholdings and prepayments			24,207,874
Net recoverable amount			(24,207,874)

	2018		
	Income statement		
	Increases	Decreases	Total
Income before taxes	-	-	104,568,184
Permanent differences	-	(114,613,694)	(114,613,694)
Taxable base (taxable income)			(10,045,51)
Withholdings and prepayments			24,733,832
Net recoverable amount			(24,733,832)

The permanent differences relate to the dividends received and recognized as income in the corresponding period since the Company is considered a foreign securities holding company, which, subject to certain requirements, allows it to benefit from a special tax regime that allows income from holdings in foreign entities to be tax exempt.

The income tax expense for 2019 and 2018 is zero since the Company incurred a tax loss and the tax assets arising therefrom were not capitalized.

In accordance with principle of prudence, certain deferred tax assets were not recognized in the accompanying balance sheet. These unrecognized deferred tax assets relate solely to the tax charge arising from the tax losses for 2018 and 2019.

Deferred tax liabilities relate to the tax impact of the translation differences described in Note 4.b.1.

As stipulated by the laws in force, taxes may not be considered as definitively settled until the returns filed have been audited by the tax authorities, or until the four-year statute of limitations has expired. At year-end 2018, the Company has subject to audit the Corporation Tax returns for the years 2015 and following years, and for the year 2016 and the following years for all other taxes applicable to it. It is considered that the aforementioned taxes have been adequately settled; consequently, even in the case where certain discrepancies were to arise in the interpretation of the regulations in force, should this come to pass, it would not significantly affect the attached annual accounts.

Nevertheless, the tax credits resulting from Negative Taxable Income and from deductions could be subject to review during a term of 10 years as from the date on which they are generated.

13. Income and Expense

a) Net sales

Net sales correspond to the income from the dividends distributed by the subsidiary, classified in this heading on the basis of Company activity, described in note 1.

b) Other operating expenses

These are broken down as follows:

Item	2019	2018
Independent professional services	714,122	671,536
Banking services and the like	4,274	20,377
Other services	46,896	111,136
	765,292	803,049

a) Finance costs

Finance costs amounted to USD 48,017,828 and USD 7,735,591 in 2019 and 2018, respectively, and related to interest on the debt issued in the Singapore securities market (Note 9).

14. Transactions with Related Parties

During the year 2019, transactions have been carried out with the following related parties:

Company	Type of relation
A.I. Candelaria (Luxembourg) S.á r.l.	Parent company
Oleoducto Central, S.A.	Associate
Miguel Liria Plañiol	Other related party

Transactions with related parties are broken down for the years 2019 and 2018 as follows:

	2019	2018
Dividends distributed to the Sole Equity Holder	139,161,631	566,887,921
Dividends received from associates	151,602,679	114,613,694
Revenue from Latorre & Asociados Consultoría, S.L. as a representative of Miguel Liria Plañiol as director	11,107	11,175

At 31 December 2019 and 31 December 2018, there were no balances with related parties except for the EUR 810 receivable mentioned in Note 2.g.

Except as detailed in the table above, during the years 2018 and 2017, the members of the Board of Directors did not receive any remuneration whatsoever, nor are there any advances or loans granted to the Board members; likewise, there are no pension commitments or life insurance premium payments with respect to the Board members.

The members of the Board of Directors of the Company and the persons related thereto as referred to in article 231 of the Revised Text of the Capital Companies Act, have not communicated any situations of direct or indirect conflict which they could have with the interests of the Company. Moreover, they state that they do not hold offices or have a stake in companies having the same, similar or ancillary type of activity as that which constitutes the corporate purpose of the Company.

15. Environmental Information

The Company does not have any tangible fixed assets allocated to minimizing the environmental impact and likewise to protecting and improving the environment, nor has it received during the year any subsidies or incurred any significant expenses for the purpose of protecting and improving the environment. Likewise, the Company has not set up any provision to cover environmental contingencies and expenses, given that it considers that there are no contingencies related to environmental protection and improvement.

16. Other Information

The fees payable to the Company auditors in the years 2019 and 2018 amounted to EUR 15,500 and EUR 7,500 respectively. Likewise, other services have been provided in the year 2019 and 2018 in the amount of EUR 48,495 and EUR 37,495 respectively.

The Company did not have any employees in 2019 or 2018.

17. Subsequent Events

At the date of authorization for issue of these financial statements, Spain, like many other countries, was in a critical situation as a result of the infection caused by the coronavirus (COVID-19). Since the first reported case of coronavirus COVID-19 in the city of Wuhan, China, in late December 2019, the outbreak rapidly spread to a large number of cities in China and then to many countries around the world, including Spain. This led the World Health Organization to declare the outbreak of Coronavirus COVID-19 to be an international pandemic on 11 March 2020, which currently affects more than 150 countries.

The governments of most affected countries are taking restrictive measures to contain and mitigate the spread of this virus that will undoubtedly have a significant impact on the world economy and generate significant uncertainties with regard to the future performance of many businesses. In this regard, the Spanish government adopted Royal Decree 463/2020, of 14 March, declaring the state of emergency to manage the health crisis caused by COVID-19. In accordance with the aforementioned Decree, the state of emergency was initially expected to last 15 days, however, an extension of this period was not ruled out, as indicated by forecasts at the time, although it was not possible to give an exact estimate of this potential extension.

This situation has also led to significant uncertainties and consequences, not only in the economic and financial sphere for companies, but also in other areas such as commercial, labor and tax matters.

In accordance with the regulatory financial reporting framework applicable to the Company, and in relation to the financial statements for the year ended 31 December 2019, the consequences of COVID-19 are considered to be a subsequent event that does not require an adjustment to the financial statements for 2019 since they do not disclose circumstances that existed at year-end, however, they will be disclosed in the notes to the financial statements on the basis of their significance.

At the date of authorization for issue of these financial statements, the directors assessed the events described and their impact on the Company and its operations. The Company depends mainly on the transactions of its investee detailed in Note 5, which mainly engages in the transport of crude oil, and maintains regulated tariffs that are reviewed every four years, with adjustments for inflation indexed to the United States.

At the beginning of 2020, the price of crude oil fell significantly based on expectations of a clear increase in production by the countries of the Organization of Petroleum Exporting Countries (OPEC). There was also a significant reduction in the demand for crude oil as a result of the impact of COVID-19. This increase in production and drop in prices is expected to continue even after the market recovers from COVID-19, unless the OPEC slows down its production, which cannot be predicted at present.

Although there were no significant consequences for the Company at the date of authorization for issue of the financial statements, significant events may take place in the future, some of which could affect the Company, without it being possible to date to estimate their nature and, where applicable, to make a reliable estimate of their effects. In any event, as a result of the current uncertainties regarding the duration of this crisis and its final effects at a national and international level, as well as the effect of the measures adopted to respond to the crisis, including the establishment of aid for certain sectors, the final impact on our results will depend on future developments that cannot be predicted at present and that could affect the valuation of the main assets held by the Company in investees, the volume of future income generated by these investments and, ultimately, the fulfillment of its obligations and its own activity.

18. Financial statements in the functional currency

The financial statements (balance sheet, income statement, statement of changes in equity and statement of cash flows) are presented in US dollars, which is the Company's functional currency as detailed in Note 2.f:

A.I. CANDELARIA (SPAIN), S.L.
Annual Report for the Year Ended at
31 December 2019

Balance Sheet

at 31 December 2019
(in US dollars)

ASSETS	31.12.2019	31.12.2018
NON-CURRENT ASSETS	**1,068,731,264**	**1,068,731,264**
Long-term financial investments	**1,068,731,264**	**1,068,731,264**
Equity instruments	1,068,731,264	1,068,731,264
CURRENT ASSETS	**90,688,729**	**93,938,288**
Trade accounts receivable and other accounts receivable	**54,981,113**	**48,562,849**
Sundry accounts receivable	-	927
Current tax assets	54,981,113	48,561,922
Short-term financial investments	**32,812,500**	**40,513,613**
Other financial assets	32,812,500	40,513,613
Cash and cash equivalents	**2,895,116**	**4,861,826**
Cash in hand and at bank	2,895,116	4,861,826
TOTAL ASSETS	**1,159,419,993**	**1,162,669,552**

EQUITY AND LIABILITIES	31.12.2019	31.12.2018
EQUITY	**462,988,240**	**511,512,599**
Shareholder' equity	**462,981,626**	**511,505,985**
Capital	**82,493,841**	**82,493,841**
Authorized capital	82,493,841	82,493,841
Reserves	**119,178,291**	**116,572,222**
Legal and statutory	16,498,768	16,498,768
Other reserves	102,679,523	100,073,454
Income (loss) from previous years	**-**	**(3,450,534)**
(Negative Income (loss) from previous years)	-	(3,450,534)
Other shareholder contributions	**206,760,974**	**256,260,974**
Income for the year	**114,548,520**	**123,495,025**
(Interim dividend)	**(60,000,000)**	**(63,865,543)**
Adjustments for changes in value	**6,614**	**6,614**
Other	6,614	6,614
NON CURRENT LIABILITIES	**694,243,729**	**642,088,446**
Long-term payables	**694,243,729**	**642,088,446**
Debentures and other marketable securities	694,243,729	642,088,446
CURRENT LIABILITIES	**2,188,024**	**9,068,507**
Short-term payables	**2,187,500**	**8,938,951**
Debentures and other marketable securities	2,187,500	8,937,500
Other financial liabilities	-	1,451
Trade accounts payable and other accounts payable	**524**	**129,556**
Sundry accounts payable	524	129,556
TOTAL EQUITY AND LIABILITIES	**1,159,419,993**	**1,162,669,552**

A.I. CANDELARIA (SPAIN), S.L.
Annual Report for the Year Ended at
31 December 2019

Income Statement
corresponding to the year ended at
31 December 2019
(in US dollars)

	2019	2018
CONTINUING OPERATIONS		
Net sales	**169.719.199**	**135.358.773**
Sales	169.719.199	135.358.773
Other operating expenses	**(856.745)**	**(948.401)**
Outside services	(856.745)	(948.401)
OPERATING INCOME	**168.862.454**	**134.410.372**
Financial income	**45.349**	**4.107**
From marketable securities and other financial instruments	45.349	4.107
From third parties	45.349	4.107
Financial expenses	**(53.755.959)**	**(9.135.733)**
For debts with third parties	(53.755.959)	(9.135.733)
Exchange gains (losses)	**(603.324)**	**(1.783.721)**
FINANCIAL INCOME (LOSS)	**(54.313.934)**	**(10.915.347)**
INCOME BEFORE TAXES	**114.548.520**	**123.495.025**
Corporation tax	**-**	**-**
INCOME FOR THE YEAR	**114.548.520**	**123.495.025**

A.I. CANDELARIA (SPAIN), S.L.
Annual Report for the Year Ended at
31 December 2019

Statement of Changes in Equity
corresponding to the year ended at
31 December 2019
(in US dollars)

(A) STATEMENT OF RECOGNIZED INCOME AND EXPENSE

	2019	2018
Income Statement result	114,548,520	123,495,025
Income and expense directly recognized in equity:		
For asset and liability valuation		
Other income/expense	-	-
Total income and expense directly recognized in equity	**-**	**-**
TOTAL RECOGNIZED INCOME AND EXPENSE	**114,548,520**	**12,495,025**

(B) STATEMENT OF COMPREHENSIVE CHANGES IN EQUITY

	Authorized capital	Issue premium	Reserves	Income (loss) from previous years	Other Shareholder contributions	Income for the year	(Interim dividend)	Adjustments for changes in value	Total
ADJUSTED OPENING BALANCE YEAR 2018	**82,493,841**	**334,460,228**	**116,572,222**	**(24,945,166)**	**599,800,746**	**98,028,024**	**(76,533,392)**	**6,614**	**1,129,883,117**
Total recognized income and expense	-	-	-	-	-	123,495,025	0	0	12,495,025
Operations with partners or owners									
Distribution of dividends	-	(334,460,228)	-	-	(343,539,772)	-	(63,865,543)	-	(741,865,543)
Other changes in equity	-	-	-	21,494,632	-	(98,028,024)	76,533,392	-	-
CLOSING BALANCE YEAR 2018	**82,493,841**	**-**	**116,572,222**	**(3,450,534)**	**256,260,974**	**123,495,025**	**(63,865,543)**	**6,614**	**511,512,599**
ADJUSTED OPENING BALANCE YEAR 2019	**82,493,841**	**-**	**116,572,222**	**(3,450,534)**	**256,260,974**	**123,495,025**	**(63,865,543)**	**6,614**	**511,512,599**
Total recognized income and expense	-	-	-	-	-	114,548,520	-	-	114,548,520
Distribution of dividends	-	-	(53,572,879)	-	(49,500,000)	-	(60,000,000)	-	(163,072,879)
Other changes in equity	-	-	56,178,948	3,450,534	-	(123,495,025)	63,865,543	-	-
Other changes in equity	-	-	-	-	-	(123,495,025)	-	-	(123495,025)
CLOSING BALANCE YEAR 2019	**82,493,841**	**-**	**119,178,291**	**-**	**206,760,974**	**114,548,520**	**(60,000,000)**	**6,614**	**462,988,240**

A.I. CANDELARIA (SPAIN), S.L.
Annual Report for the Year Ended at
31 December 2019

Statement of Cash Flows
corresponding to the year ended at
31 December 2019
(in US dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES	**108.604.548**	**117.556.897**
Income for the year before taxes	**114.548.520**	**123.495.025**
Adjustments to income::	**54.313.934**	**10.915.347**
Financial income	(45.349)	(4.107)
Financial costs	53.755.959	9.135.733
Exchange differences	603.324	1.783.721
Changes in working capital:	**(128.105)**	**(69.533)**
Trade receivables and other accounts receivable	927	-
Trade payables and other accounts payable	(129.032)	(69.533)
Other cash flows from operating activities:	**(60.129.801)**	**(16.783.942)**
Interest payments	(53.755.959)	(9.135.733)
Interests received	45.349	4.107
Corporation tax	(6.419.191)	(7.652.316)
CASH FLOWS FROM INVESTMENT ACTIVITIES	**7.701.113**	**(40.513.613)**
Payments for investments:	**-**	**(40.513.613)**
Other financial assets		(40.513.613)
Proceeds from divestments	**7.701.113**	**-**
Other financial assets	7.701.113	-
CASH FLOWS FROM FINANCING ACTIVITIES	**(117.669.047)**	**(90.838.670)**
Proceeds from and payments for financial liability instruments:	**45.403.832**	**651.026.873**
Other payables	50.000.000	651.026.873
Other	(4.596.168)	-
Payments for dividends and remuneration from other equity instruments	**(163.072.879)**	**(741.865.543)**
Dividends	(163.072.879)	(741.865.543)
Effect of exchange rate changes	**(603.324)**	**(1.783.721)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**(1.966.710)**	**(15.579.107)**
Cash or cash equivalents at start of year	4.861.826	20.440.933
Cash or cash equivalents at year-end	2.895.116	4.861.826

PREPARATION OF THE ANNUAL ACCOUNTS BY THE BOARD OF DIRECTORS

In compliance with the laws in force, the Directors have prepared the annual accounts of the Company (balance sheet, income statement, statement of changes in equity and annual report) corresponding to the year ended at 31 December 2019.

Likewise, they declare that the aforesaid documents contain their handwritten signatures, which were affixed to the present sheet of paper annexed to the Annual Report, which is written on pages numbered from 1 to 26.

Madrid, 16 March 2020

[Illegible signature]	[Illegible signature]
Mr. Chucri Hjeily	Mr. Maurizio Arbulú Canepa
[Illegible signature]	[Illegible signature]
Mr. Maximiliano Graña	Mr. Manuel Enrique Romero Valdez

A.I. CANDELARIA (SPAIN), S.L.

MANAGEMENT REPORT FOR THE YEAR ENDED AT 31 DECEMBER 2018

1. Company Business Performance

Net sales correspond entirely to the income from the dividends distributed by the subsidiary.

2. Events subsequent to the reporting date and outlook

At the date of authorization for issue of these financial statements, Spain, like many other countries, was in a critical situation as a result of the infection caused by the coronavirus (COVID-19). Since the first reported case of coronavirus COVID-19 in the city of Wuhan, China, in late December 2019, the outbreak rapidly spread to a large number of cities in China and then to many countries around the world, including Spain. This led the World Health Organization to declare the outbreak of Coronavirus COVID-19 to be an international pandemic on 11 March 2020, which currently affects more than 150 countries.

The governments of most affected countries are taking restrictive measures to contain and mitigate the spread of this virus that will undoubtedly have a significant impact on the world economy and generate significant uncertainties with regard to the future performance of many businesses. In this regard, the Spanish government adopted Royal Decree 463/2020, of 14 March, declaring the state of emergency to manage the health crisis caused by COVID-19. In accordance with the aforementioned Decree, the state of emergency was initially expected to last 15 days, however, an extension of this period was not ruled out, as indicated by forecasts at the time, although it was not possible to give an exact estimate of this potential extension..

This situation has also led to significant uncertainties and consequences, not only in the economic and financial sphere for companies, but also in other areas such as commercial, labor and tax matters.

In accordance with the regulatory financial reporting framework applicable to the Company, and in relation to the financial statements for the year ended 31 December 2019, the consequences of COVID-19 are considered to be a subsequent event that does not require an adjustment to the financial statements for 2019 since they do not disclose circumstances that existed at year-end, however, they will be disclosed in the notes to the financial statements on the basis of their significance.

At the date of authorization for issue of these financial statements, the directors assessed the events described and their impact on the Company and its operations. The Company depends mainly on the transactions of its investee detailed in Note 5, which mainly engages in the transport of crude oil, and maintains regulated tariffs that are reviewed every four years, with adjustments for inflation indexed to the United States.

At the beginning of 2020, the price of crude oil fell significantly based on expectations of a clear increase in production by the countries of the Organization of Petroleum Exporting Countries (OPEC). There was also a significant reduction in the demand for crude oil as a result of the impact of COVID-19. This increase in production and drop in prices is expected to continue even after the market recovers from COVID-19, unless the OPEC slows down its production, which cannot be predicted at present.

Although there were no significant consequences for the Company at the date of authorization for issue of the financial statements, significant events may take place in the future, some of which could affect the Company, without it being possible to date to estimate their nature and, where applicable, to make a reliable estimate of their effects. In any event, as a result of the current uncertainties regarding the duration of this crisis and its final effects at a national and international level, as well as the effect of the measures adopted to respond to the crisis, including the establishment of aid for certain sectors, the final impact on our results will depend on future developments that cannot be predicted at present and that could affect the valuation of the main assets held by the Company in investees, the volume of future income generated by these investments and, ultimately, the fulfillment of its obligations and its own activity.

3. Outlook for the Company

The revenue forecast for 2020 will depend largely on the development of the subsequent event mentioned in point 2 of this directors' report and its potential impact on the investee.

4. Research and Development Expenses

No investment was made in research and development.

5. Transactions with Treasury Stock

During the year 2019, no treasury stock transactions were carried out.

6. Main risks and uncertainties facing the Company

No significant risks or uncertainties were detected except for the subsequent event mentioned in point 2 of this directors' report and its potential impact on the investee.

7. Use of Financial Instruments

During 2019, no use was made of financial instruments, except as detailed in the attached annual report.

PREPARATION OF THE MANAGEMENT REPORT BY THE BOARD OF DIRECTORS

In compliance with the laws in force, the Directors of A.I. CANDELARIA (SPAIN), S.L. have prepared the Management Report corresponding to the year ended at 31 December 2019.

Likewise, they declare that the aforesaid document contains their handwritten signatures, which were affixed to the present sheet of paper annexed to said document, which is written on pages number 1 and 2.

Madrid, 16 March 2020

[Illegible signature]	[Illegible signature]
Mr. Chucri Hjeily	Mr. Maurizio Arbulú Canepa
[Illegible signature]	[Illegible signature]
Mr. Maximiliano Graña	Mr. Manuel Enrique Romero Valdez

A.I. CANDELARIA (SPAIN), S.L.

Annual Accounts and Management Report for the Year 2018

The Annual Accounts Audit Report is included

Grant Thornton
Initialled for identification purposes only

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INDEPENDENT AUDITOR’S REPORT ON THE ANNUAL ACCOUNTS

To the Sole Shareholder of A.I. CANDELARIA SPAIN, S.L. (Sole Shareholder Company)

Opinion

We have audited the annual accounts of A.I. CANDELARIA SPAIN, S.L.U. (the Company) which comprise the balance sheet at 31 December 2018, the profit and loss account, the statement of changes in net equity, the statement of cash flows and the notes to the annual accounts for the year ended on that date.

In our opinion, the accompanying annual accounts present, in all material aspects, a true and fair view of the net equity and the financial position of the Company at 31 December 2018, and of the results of its operations and its cash flows for the year ended on that date, in accordance with the applicable framework of financial reporting standards (which is identified in note 2 to the annual accounts) and, in particular, in compliance with the accounting principles and criteria contained in that framework.

Basis for our opinion

We have carried out our audit in accordance with the current Spanish standards for auditing accounts. Based on those standards, our responsibilities are set out below in the section *Auditor´s responsibilities for the audit of the annual accounts* of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the annual accounts in Spain, as required by the regulations governing the auditing of annual accounts. In this regard, we have not provided any services different to the audit of the annual accounts and no situations or circumstances have arisen that, based on said regulations, might have affected the required independence in such a way that it could have been compromised.

We believe that the audit evidence we have obtained provides a sufficient and appropriate basis for our audit opinion.

Most relevant aspects of the audit

The most relevant aspects of the audit are those that, in our professional judgement, were considered as the most significant risks of material misstatement in our audit of the annual accounts of the current period. These risks were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

We have determined that the risk described below is the most significant considered in the audit that should be stated in our report.

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Recoverable amount of investments in Group companies

As described in note 5 to the annual accounts, the Company holds the amount of 1.069 million USD as long-term group investments in Group companies as of December 31, 2018. The Company annually evaluates the existence of indications of impairment of investments in Group companies and estimates the recoverable value at the closing date of those entities for which there are indications of impairment. Based on this estimate, as mentioned in note 4.a.1.2), the corresponding valuation adjustments are made for the difference between their book value and the recoverable amount, understood as the greater amount between their fair value less the selling costs and the present value of the future cash flows expected from the investment. Unless there is better evidence of the recoverable amount, the net equity of the investee is taken into consideration, adjusted for the unrealized capital gains existing on the valuation date, including goodwill, if any. We consider that the most significant risk identified corresponds to the estimation of said recoverable value.

As part of our audit and in response to the mentioned risk, our audit procedures have included, among others, the following:

- The evaluation of the design and implementation of the relevant controls established by the Company in relation to the process for estimating the recoverable value of the investments in Group companies.

- The evaluation of the criteria used by the Company in the identification of the indicators of impairment of shares in Group companies.

- The evaluation of the reasonableness of the methodology and assumptions used by the Company in estimating the recoverable value of investments in Group companies.

Other information: Report of the Directors

The other information relates exclusively to the Report of the Directors for 2018. The directors of the Company are responsible for preparing this report, which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the Report of the Directors. In accordance with the regulations governing the auditing of accounts, our responsibility regarding the Report of the Directors includes evaluating and reporting on the consistency of the Report of the Directors with the annual accounts, based on the knowledge of the entity obtained during our audit of those accounts, excluding any information different to that obtained as evidence during our audit. Furthermore, our responsibility includes evaluating and reporting on whether the content and presentation of the Report of the Directors meet the requirements of the applicable regulations. If, because of our work, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described in the preceding paragraph, the information reflected in the Report of the Directors is consistent with that of the 2018 annual accounts, and, the content and presentation meet the requirements of the applicable regulations.

Responsibility of the directors concerning the annual accounts

The directors are responsible for drawing up the attached annual accounts, so that they show a true and fair view of the net equity, the financial position and the results of the Company, in accordance with the framework of financial reporting standards applicable to the entity in Spain and for such internal control that they consider necessary to enable the preparation of annual accounts that are free from material misstatements, whether due to fraud or error.

When drawing up the annual accounts, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis, unless the directors intend to liquidate the Company or to cease its operations, or whether there is no other realistic alternative.

Auditor´s responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the current Spanish regulations for auditing accounts will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these annual accounts.

As part of an audit in accordance with current Spanish regulations for auditing accounts, we exercise our professional judgement and we maintain an attitude of professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, due to fraud or error, design and perform audit procedures to respond to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may imply collusion, forgery, deliberate omissions, intentionally incorrect representations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to this in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the directors of the entity concerning, among other matters, the planned scope and timing of the audit and the significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

From the matters communicated to the directors of the entity, we determine those matters that were most significance in the audit of the annual accounts of the current period and are, therefore, the key audit matters.

We describe these matters in our auditor's report unless law or regulations prohibit public disclosure of the matter.

Grant Thornton, S.L.P. Sociedad Unipersonal (S0231)

Carlos Villabona de la Fuente

ROAC nº 12720

April 11, 2019

A.I. Candelaria (Spain), S.L.

Balance Sheet
at 31 December 2018
(in US dollars)

ASSETS	Note	31.12.2018	31.12.2017
NON-CURRENT ASSETS		1,068,732,191	1,068,732,191
Long-term financial investments	5	1,068,732,191	1,068,732,191
Equity instruments		1,068,732,191	1,068,732,191
CURRENT ASSETS		93,937,361	61,350,539
Trade accounts receivable and other accounts receivable	6	48,561,922	40,909,606
Current tax assets	11	48,561,922	40,909,606
Short-term financial investments	5	40,513,613	-
Other financial assets		40,513,613	-
Cash and cash equivalents		4,861,826	20,440,933
Cash in hand and at bank		4,861,826	20,440,933
TOTAL ASSETS		1,162,669,552	1,130,082,730

EQUITY AND LIABILITIES	Note	31.12.2018	31.12.2017
EQUITY	10	511,512,599	1,129,883,117
Shareholder' equity		511,505,985	1,129,876,503
Capital		82,493,841	82,493,841
Authorized capital		82,493,841	82,493,841
Issue premium		-	334,460,228
Reserves		116,572,222	116,572,222
Legal and statutory		16,498,768	16,498,768
Other reserves		100,073,454	100,073,454
Income (loss) from previous years		(3,450,534)	(24,945,166)
(Negative Income (loss) from previous years)		(3,450,534)	(24,945,166)
Other shareholder contributions		256,260,974	599,800,746
Income for the year		123,495,025	98,028,024
(Interim dividend)		(63,865,543)	(76,533,392)
Adjustments for changes in value		6,614	6,614
Other		6,614	6,614
NON CURRENT LIABILITIES		642,088,446	-
Long-term payables	8	642,088,446	-
Debentures and other marketable securities		642,088,446	-
CURRENT LIABILITIES		9,068,507	199,613
		8,938,951	524
Short-term payables			
Debentures and other marketable securities	8	8,937,500	-
Other financial liabilities		1,451	524
Trade accounts payable and other accounts payable	9	129,556	199,089
Sundry accounts payable	11	129,556	199,089
TOTAL EQUITY AND LIABILITIES		1,162,669,552	1,130,082,730

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A.I. Candelaria (Spain), S.L.

Income Statement
corresponding to the year ended at
31 December 2018
(in US dollars)

	Note	2018	2017
CONTINUING OPERATIONS			
Net sales	12a	**135,358,773**	**85,231,930**
Sales		135,358,773	85,231,930
Other operating expenses	12b	**(948,401)**	**(456,464)**
Outside services		(948,401)	(456,464)
Other income (loss)		-	**(81,406)**
OPERATING INCOME		**134,410,372**	**84,694,060**
Financial income		**4,107**	-
From marketable securities and other financial instruments		4,107	-
From third parties		4,107	-
Financial expenses		**(9,135,733)**	**(209)**
For debts with third parties		(9,135,733)	(209)
Exchange gains (losses)		**(1,783,721)**	**3,014,726**
Impairment and income (loss) from disposal of financial instruments	5	-	**10,732,191**
Impairment and losses		-	10,732,191
FINANCIAL INCOME (LOSS)		**(10,915,347)**	**13,746,708**
INCOME BEFORE TAXES		**123,495,025**	**98,440,768**
Corporation tax		-	**(412,744)**
INCOME FOR THE YEAR		**123,495,025**	**98,028,024**

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A.I. Candelaria (Spain), S.L.

Statement of Changes in Equity corresponding to the year ended at 31 December 2018 (in US dollars)

(A) STATEMENT OF RECOGNIZED INCOME AND EXPENSE

	Note	2018	2017
Income Statement result	3	123,495,025	98,028,024
Income and expense directly recognized in equity:			
For asset and liability valuation			
Other income/expense		-	(16)
Total income and expense directly recognized in equity		-	(16)
TOTAL RECOGNIZED INCOME AND EXPENSE		123,495,025	98,028,008

(B) STATEMENT OF COMPREHENSIVE CHANGES IN EQUITY

	Note	Authorized capital	Issue premium	Reserves	Income (loss) from previous years	Other Shareholder contributions	Income for the year	(Interim dividend)	Adjustments for changes in value	Total
ADJUSTED OPENING BALANCE YEAR 2017		82,493,841	334,460,228	16,498,768	(24,945,166)	599,800,746	135,263,454	-	6,630	1,143,578,501
Total recognized income and expense	3	-	-	-	-	-	98,028,024	-	(16)	98,028,008
Operations with partners or owners										
Distribution of dividends		-	-	-	-	-	(35,190,000)	(76,533,392)	-	(111,723,392)
Other changes in equity		-	-	100,073,454	-	-	(100,073,454)	-	-	-
CLOSING BALANCE YEAR 2017		82,493,841	334,460,228	116,572,222	(24,945,166)	599,800,746	98,028,024	(76,533,392)	6,614	1,129,883,117
ADJUSTED OPENING BALANCE YEAR 2017		82,493,841	334,460,228	116,572,222	(24,945,166)	599,800,746	98,028,024	(76,533,392)	6,614	1,129,883,117
Total recognized income and expense	3	-	-	-	-	-	123,495,025	-	-	123,495,025
Operations with partners or owners										
Distribution of dividends		-	(334,460,228)	-	-	(343,539,772)	-	(63,865,543)	-	(741,865,543)
Other changes in equity		-	-	-	21,494,632	-	(98,028,024)	76,533,392	-	-
CLOSING BALANCE YEAR 2017		82,493,841	-	116,572,222	(3,450,534)	256,260,974	123,495,025	(63,865,543)	6,614	511,512,599

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A.I. Candelaria (Spain), S.L.

Statement of Cash Flows
corresponding to the year ended at
31 December 2018
(in US dollars)

	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		**115,016,328**	**53,129,572**
Income for the year before taxes		**123,495,025**	**98,440,768**
Adjustments to income::		**8,378,885**	**7,987,990**
Valuation corrections for impairment		-	(10,732,191)
Changes in provisions		-	(270,718)
Financial expenses		9,135,733	209
Other income and expense		(756,848)	3,014,710
Changes in working capital:		**(69,533)**	**186,926**
Trade receivables and other accounts receivable		-	10,982
Trade payables and other accounts payable		(69,533)	175,944
Other cash flows from operating activities:		**(16,788,049)**	**(37,510,132)**
Interest payments		(9,135,733)	(209)
Corporation tax		(7,652,316)	(37,509,923)
CASH FLOWS FROM INVESTMENT ACTIVITIES		**(40,513,613)**	-
Payments for investments:		**(40,513,613)**	-
Other financial assets		(40,513,613)	-
CASH FLOWS FROM FINANCING ACTIVITIES		**(91,865,543)**	**(111,722,868)**
Proceeds from and payments for financial liability instruments:		**65.000.000**	**524**
Issue:			
Other payables		65.000.000	524
Repayment and amortization of:			
Other		-	-
Payments for dividends and remuneration from other equity instruments		**(741,865,543)**	**(111,723,392)**
Dividends		(741,865,543)	(111,723,392)
Effect of exchange rate changes		**1,783,721**	**(3,014,726)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(15,579,107)**	**(61,608,022)**
Cash or cash equivalents at start of year		20,440,933	82,048,955
Cash or cash equivalents at year-end		4,861,826	20,440,933

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1. Activity

A.I. Candelaria (Spain), S.L. (hereinafter, the Company) was set up on 18 September 2013, under the corporate name of Fairmont Invest, S.L. with its registered office located in Madrid, at Calle Ayala, number 66, subsequently changing its name to the current one in Madrid, at Calle Príncipe de Vergara, number 131. On 14 September 2017, it changes its registered office to Calle Pradillo, number 5, Madrid.

In accordance with its Articles of Association, the Company has as its corporate purpose, the acquisition, administration and management of securities representing the shareholders' equity of companies not residing in Spanish territory, as well as the placement of the financial resources derived from said activities; the acquisition, administration and management of securities representing the shareholders' equity of companies residing in Spanish territory, as well as the placement of the financial resources derived from said activities. The exercise of the functions of administration, membership on the Board, assistance, advisory services, management and other services related to the activity of securities administration and management shall be carried out through the corresponding organization of the appropriate material and personal resources for the purpose of adopting decisions for the suitable management of the equity holdings. The Company may, likewise, carry out, in general, any other licit commercial activity which is prior or ancillary to the aforementioned principal activities.

The Company and its direct parent, A.I. Candelaria (Luxembourg) S.à.r.l., form part of the A.I. Candelaria Group, whose registered office is in Luxembourg. The parent of the A.I. Candelaria Group has not filed consolidated annual accounts given that it is dispensed from this obligation in accordance with applicable law.

The functional currency of the Company is the dollar. The financial statements in euros (balance sheet, income statement, and statement of changes in equity) are annexed to these annual accounts.

2. Bases for Presentation of the Annual Accounts

a) True and fair view

The annual accounts, comprised of the balance sheet, income statement, statement of changes in equity, statement of cash flows, and the annual report consisting of notes 1 to 16, have been prepared on the basis of the accounting records, with application having been made of the accounting regulations in force, specifically, the Spanish General Chart of Accounts, approved by Royal Decree 1514/07 of 16 November 2007, and the amendments thereof, approved by Royal Decree 1159/2010, of 17 September, and by Royal Decree 602/2016, of 2 December, in an aim to give a true and fair view of the net worth, financial situation, results, and the changes in equity taking place during said year.

Unless otherwise indicated, all figures contained in the annual report are in US dollars.

The annual accounts prepared by the directors shall be put to the General Meeting of Equity Holders for approval, it being deemed that said accounts will be approved without any change whatsoever.

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b) Accounting principles

The annual accounts have been prepared in accordance with the mandatory accounting principles. There is no accounting principle of significant effect which has not been applied.

c) Critical aspects regarding valuation and estimation of uncertainty

In preparing the attached annual accounts, the estimations made by the Company Directors have been used to value certain assets, liabilities, revenues, expenses and commitments recorded therein. Such estimations basically refer to:

- The fair value of certain financial instruments (note 4a).

These estimations have been made on the basis of the best available information at the date of preparation of these annual accounts, there being no circumstance which could lead to any change in said estimations. Any future event unknown at the date of preparation of these estimations could give rise to changes (either higher or lower), which, if applicable, shall be carried out prospectively.

d) Classification of current and non-current items

For the classification of current items, the maximum term of one year as from the date of the present annual accounts has been taken into consideration.

e) Correction of errors

In preparing the attached annual accounts, no errors from previous years have been detected that should be corrected.

f) Comparison of information

In accordance with commercial law, for the purposes of comparison each one of the items on the balance sheet, income statement, statement of changes in equity and statement of cash flows is presented with the figures for the year 2017 as well as those corresponding to the preceding year. The annual report also contains quantitative information on the preceding year, except in those cases in which an accounting regulation specifically states that this is not necessary.

g) Functional currency

The new General Chart of Accounts (NPGC) understands "Functional Currency" to be that of the primary economic environment in which the entity operates. International Financial Reporting Standard 21 likewise indicates other factors which may shed light on the Functional Currency, such as:

- The currency in which the funds from the financing activity are generated

- The currency in which the amounts collected from operating activities are held

In the year 2018 the Company considered the US dollar to be its functional
that the dollar is the primary economic environment in which it operated.

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In order to determine the dollar as the functional currency for the year 2018, the Company has taken into account the following criteria:

- The underlying assets accounting for 99% of the total assets of the Company are denominated in dollars.
- The Company is a Foreign Securities Holding Company, and consequently its main objective is the growth and maximization of the value of its investments in subsidiary companies.
- The operating company which is a subsidiary of the Company has the dollar as its functional currency.
- The total funds received from its subsidiary as dividends were received exclusively in dollars (135,358,773 dollars).

Nevertheless, given the requirement to present the annual accounts in euros, the Company has recognized the effect derived from the foreign currency exchange rate, as well as the effect of the translation of its functional currency into euros. For this purpose, the differences from the translation to the presentation currency have been directly accounted for in equity. Transactions in a currency other than the functional currency are recorded in accordance with the policies established in note 4.b.

3. Application of Income

The proposal for the application of income for the year 2018 which the Directors are submitting to the General Meeting of Equity Holders is the following:

Distribution base	
Income statement (profit)	123,495,025
Application	
To dividends	63,865,543
To dividend for the year	3,450,534
To voluntary reserves	123,495,025

On 29 June 2018, the General Meeting of Equity Holders approved the distribution of income for the year 2018, in the amount of 123,520,796 dollars, with the amount of 21,494,632 dollars to voluntary reserves; and 76,533,392 dollars to dividends.

On 22 October 2018, the Board of Directors resolved to distribute to the sole equity holder of the Company a dividend charged to issue premium, in the amount of 334,460,228 dollars and in the amount of 330,539,772 dollars, charged to other shareholder contributions.

Likewise, on 7 November 2018, the sole Equity Holder distributed in favor of the sole equity holder of the Company a dividend of additional 13,000,000 dollars charged to other shareholder contributions

On 28 December 2018, an interim dividend was also distributed, charged tc 2018, in the amount of 63,865,543 euros.

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Due to the fact that the date of distribution of the interim dividend practically coincides with that of the financial year-end, it is not included a table showing the existence of sufficient income during said year which would permit the distribution of an interim dividend.

4. Recording and valuation standards

The principal recording and valuation standards used in preparing the annual accounts are the following:

a) Financial instruments

a.1) Financial assets

The financial assets of the Company are classified, for valuation purposes, into the following categories:

a.1.1) Loans and receivables

These correspond to loans for commercial or non-commercial transactions, having their origin in the sale of goods, deliveries of cash amounts, or provision of services, the collection amounts of which are determined or determinable, and do not trade in an active market.

They are initially recorded at the fair value of the consideration received plus any directly attributable transaction costs. They are subsequently valued at their amortized cost, with the accrued interest being recorded in terms of the effective interest rate.

Notwithstanding the above, loans having a maturity of not more than one year and valued initially at face value continue to be valued at said amount, unless they are impaired.

Valuation corrections for impairment are recorded in terms of the difference between their book value and the current value at year-end of the future cash flows which they are expected to generate, discounted at the effective interest rate calculated at the time of their initial recognition. These corrections are recognized in the income statement.

a.1.2) Investments in the equity of group, associate and multi-group companies

Group companies are deemed to be those related to the Company through a relationship of control, and associate companies those over which the Company holds significant influence. In addition, the multi-group category includes those companies over which, by virtue of an agreement, joint control is held with one or more partners. Said investments are initially valued at cost, which would be equivalent to the fair value of the consideration received plus any directly attributable transaction costs.

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They are subsequently valued at cost, less, if applicable, the cumulative amount of the valuation corrections for impairment. Said corrections are calculated as the difference between their book value and the recoverable amount, understood as the greater of fair value less selling costs or the current value of the future cash flows expected from the investment. Unless the recoverable amount is shown to be otherwise, consideration is taken of the equity of the subsidiary, corrected by the unrealized capital gains existing at the valuation date, including goodwill, if any.

In the case where the subsidiary, in turn, has a subsidiary of its own, consideration is taken of the equity from the consolidated annual accounts. Changes in value owing to valuation corrections for impairment, and, if applicable, their reversal, are recorded in the income statement as expense or income, respectively.

Financial assets are retired when they expire or when the rights over the cash flows of the corresponding financial asset have been assigned, and the risks and rewards inherent to ownership have been substantially transferred.

On the contrary, financial assets are not retired, and a financial liability is recognized for an amount equal to the consideration received, in financial asset assignments in which the risks and rewards inherent to their ownership are substantially retained, such as the discount of commercial drafts.

Financial asset interest and dividends accrued subsequent to the time of acquisition are recognized as income in the income statement. Interest is recognized using the effective interest rate method, and dividends are recognized when the right of the equity holder to receive them is declared.

For these purposes, at the time the financial assets are initially valued, recording is made, taking into account the maturity, of the amount of explicit interest payable and not overdue at said time as well as of the amount of the dividends agreed to by the competent body at the time of acquisition. Explicit interest is understood to be that obtained from application of the commercial interest rate of the financial instrument.

Likewise, when the distributed dividends unequivocally come from income generated prior to the acquisition date because distribution was made of amounts higher than the income generated by the subsidiary since that time, they are not recognized as income, and decrease the book value of the instrument.

a.2) Financial liabilities

A financial liability is recognized on the balance sheet when the Company becomes an obligated party to the contract or legal business transaction in accordance with the provisions thereof.

Debits and items payable having their origin in the purchase of goods and services in the normal course of business of the company or for non-commercial transactions are initially valued at the fair value of the consideration received, adjusted by directly attributable transaction costs.

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Notwithstanding the above, debits for commercial transactions having a maturity of not more than one year and which do not have a contractual interest rate are initially valued at face value, provided that the effect of not updating the cash flows is not significant.

Debits and payables are subsequently valued at their amortized cost, using the effective interest rate. Those which, as commented in the preceding paragraph, are initially valued at their face value continue to be valued at said amount.

Liability derivative financial instruments are valued at fair value, following the same criteria as those corresponding to the financial assets held for trading described in the paragraph above.

Financial liabilities are retired when the obligations giving rise to them have been extinguished.

b) Foreign currency transactions

b.1) Functional currency and presentation

The annual accounts are presented in euros, in accordance with the provisions of section 34 of the Commercial Code. In 2018, the functional currency of the Company was the euro, given that this is the currency of the economic environment in which the Company and its Group operate (See Note 2.g).

Translation of the Company annual accounts for the purpose of translation into euros is as follows:

- Assets and liabilities are translated at the closing exchange rate
- Equity items, excluding income for the year, are translated at the historical exchange rate at the date of the transaction.
- In the case of income and expenses, the company has used an annual weighted rate since it considers that these have not changed significantly.
- The difference between the net amount of assets and liabilities and the equity items is recorded under the equity caption of "translation gains (losses)", net of the tax effect, if applicable.

For the effects of translation into euros in the presentation of amounts accounted for in US dollars, the exchange rates used have been the following:

Dollar/euro exchange rates	2018	2017
Closing exchange rate	1.145	1.1993
Average exchange rate	1.181	1.1297

b.2) Foreign currency

Foreign currency transactions are converted at their initial valuation a rate in force at the date of the transaction.

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Monetary assets and liabilities denominated in foreign currency are converted at the spot exchange rate in force at the balance sheet date. Any exchange gains or losses given rise to in this process, as well as those taking place at the time of settlement of said assets and liabilities, are recognized in income for the year in which they take place.

b.3) Monetary items

The conversion into functional currency of accounts payable and accounts receivable in foreign currency is carried out applying the exchange rate in effect at the time at which the corresponding transaction is carried out, and are valued at year-end in accordance with the exchange rate in force at said time.

Exchange gains and losses produced as a result of the year-end valuation of debits and credits in foreign currency are taken directly to the income statement.

c) Corporate income tax

The income or expense for corporate income tax is calculated by the sum of the current tax expense or current tax income plus the corresponding part of the deferred tax expense or deferred tax income.

The current tax is the amount resulting from the application of the tax rate to the taxable income for the year. Deductions and other tax benefits, excluding withholdings and prepayments, as well as the offset of tax losses from previous years and effectively applied in the year will give rise to a lower current tax amount.

Deferred tax expense or income corresponds, on its part, to the recognition and cancellation of the deferred tax assets for deductible temporary differences, for the right to offset tax losses in subsequent years, and for unused deductions and other tax benefits pending application, and deferred tax liabilities for taxable temporary differences.

Deferred tax assets and liabilities are valued in accordance with the tax rates expected at the time of their reversal.

Deferred tax liabilities are recognized for all taxable temporary differences, except those derived from the initial recognition of goodwill or of other assets and liabilities in a transaction which does not affect either the taxable income or the financial accounting income and is not a business combination.

In accordance with the principle of prudence, deferred tax assets are only recognized to the degree to which the obtainment of future gains which would permit their application is deemed likely. Notwithstanding this, no recognition is made of deferred tax assets corresponding to deductible temporary differences derived from the initial recognition of assets and liabilities in a transaction which does not affect either the taxable income or the financial accounting income and is not a business combination.

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Current and deferred tax expense or income are recorded in the income statement. Nevertheless, current and deferred tax assets and liabilities related to a transaction or event directly recognized in an equity item are recognized to the debit or credit of said item.

At the end of each accounting period, a review is made of the deferred taxes recorded in order to verify that they remain in force, with the pertinent corrections thereof being made. Likewise, evaluation is made of the deferred tax assets recognized and of those not recorded before, retiring the recognized assets in the case where their recovery is no longer likely, or recording any assets of this type which had not been recognized before, to the degree to which their recovery with future tax benefits becomes likely.

d) Provisions and contingencies

When preparing the annual accounts, the Company Directors make a distinction between:

d.1) Provisions

Creditor balances which cover current obligations derived from past events, the cancellation of which is deemed likely to result in an outflow of resources but the amount and/or time of cancellation of which is indeterminate.

d.2) Contingent liabilities

Possible obligations arising as the consequence of past events, the future materialization of which is subject to the occurrence or not of one or more future events beyond the control of the Company.

The annual accounts record all the provisions with respect to which the need to attend to the obligation is considered more likely than not, and these are recorded at the current value of the best possible estimation of the amount required to cancel or transfer the obligation to a third party. Contingent liabilities are not recognized in the annual accounts, but are reported in the annual report.

Provisions are valued at year-end at the current value of the best possible estimation of the amount required to cancel or transfer the obligation to a third party, with the adjustments arising from the updating of said provisions being recorded as a financial expense as it becomes payable. In the case of provisions having a maturity of one year or less, in which the financial effect is not significant, no type of discount is made.

e) Related party transactions

Related party transactions, regardless of the degree of the relation, are recorded in accordance with the general regulations. Consequently, generally speaking, elements subject to transaction are recorded at the initial time at fair value. In the case where the price agreed in a transaction differs from fair value, the difference is recorded taking into account the economic reality of the transaction. The subsequent valuation is made as set out in the corresponding regulations.

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f) Income and expense

These are recorded in terms of the accrual criterion; that is, at the time the real flow of goods and services which they represent is produced, regardless of the time at which the resulting monetary or financial flow derived from them takes place. Said income is valued at the fair value of the consideration received, after deducting discounts and taxes.

Income from sales is recognized at the time of transfer of the significant risks and rewards inherent to the ownership of the good which is sold, and when the Company no longer holds current management over the good or retains effective control over it.

Income from the provision of services is recognized taking into consideration the degree of realization of the service provision at the balance sheet date, provided that the transaction is able to be reliably estimated.

g) Statement of cash flows

The statement of cash flows has been prepared using the indirect method, with the following expressions being used in said statement with the meaning indicated below:

- Operating activities: activities constituting the ordinary income of the company, as well as other activities which cannot be termed as investing or financing activities.

- Investing activities: activities for the acquisition, disposal or transfer by other means of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities which produce changes in the size and composition of equity and of the liabilities which do not form part of the operating activities.

5. Long-term and short-term financial investments

The information on the long-term financial instruments on the asset side of the Company balance sheet is as follows:

	Year 2018		
Account	Opening Balance	Retirements	Closing Balance
Equity instrument	1,068,732,191	-	1,068,732,191
	1,068,732,191	-	1,068,732,191

	Year 2017		
Account	Opening Balance	Additions	Closing Balance
Equity instrument	1,068,732,191	-	1,068,732,191
Provisions	(10,732,191)	10,732,191	-
	1,058,000,000	10,732,191	1,068,732,191

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The breakdown of the information regarding investment in unlisted equity instruments at 31 December 2018 and 2017 is as follows:

At 31.12.18

Name/ Domicile/ Activity	Shareholding Book Value	Shareholding % Direct	Share Capital	Reserves and translation differences	Result Operating	Result Net	Dividends Received
Oleoducto Central S.A. (*)(**) Colombia Oil Sector	1,068,732,191	22,352%	81,714,000	1,110,259,000	1,061,094,000	662,339,000	135,358,773

At 31.12.17

Name/ Domicile/ Activity	Shareholding Book Value	Shareholding % Direct	Share Capital	Reserves and translation differences	Result Operating	Result Net	Dividends Received
Oleoducto Central S.A. (*)(**) Colombia Oil Sector	1,068,732,191	22.352%	44,226,100	813,172,338	507,519,219	267,171,602	85,231,930

(*) Company audited by Ernst & Young, S.A.S.
On 9 December 2013, the Company signed 3 contracts for the purchase of shares in the Company Oleoducto Central S.A. On 19 December 2013, the shareholder register book of Oleoducto Central S.A. recorded the transfer of 22.352% of the shares to A.I. Candelaria (Spain), S.L., which, on that same day, transferred the shares to the trust Fideicomiso Acciones Ocensa.

Short-term financial investments correspond to the balance of an account held in a financial institution based in the United States of America provided as security to guarantee the debt detailed in note 8.

6. Trade accounts receivable and other accounts receivable

The balance sheet heading of "Trade accounts receivable and other accounts receivable" is as follows:

Item	31.12.2018	31.12.2017
Other accounts receivable		
Current tax assets (see note 11)	48,561,922	40,909,606
	48,561,922	40,909,606

7. Information on the Nature and Risk Level of the Financial Instruments

Qualitative information

Management of the Company financial risks is centralized in Management, wl the mechanisms required to control exposure to changes in interest rates and exc as credit and liquidity risks. The principal financial risks having an impact o indicated below:

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a) Credit risk:

In general terms, the Company holds its cash and cash equivalents in financial institutions having a high credit rating.

In addition, it must be pointed out that there is not a significant concentration of credit risk with third parties outside of the group.

b) Liquidity risk:

In an aim to ensure liquidity and be able to meet all payment commitments derived from its activity, the Company has the cash and short-term loans to Group companies as shown on its balance sheet.

c) Market risk (including interest rate, exchange rate, and other price risks)

There is hardly any exchange risk, given that practically all transactions are in US dollars.

Quantitative information

a) Credit risk:

At year-end 2018, the Company did not have any credit insurance to guarantee the collection of its accounts receivable.

b) Interest rate risk:

The Company accrues nominal annual interest at 7.5% from the long-term debt detailed in note 8.

c) Exchange rate risk:

	2018	*2017*
Percentage of accounts receivable/payable in euros for which no exchange insurance has been taken out	*100%*	*100%*

1. Long-term and short-term payables

On 25 October 2018, the Company issued debt in the Singapore Stock Exchange in the amount of 650,000,000 dollars maturing on 15 December 2028. That debt accrues an annual interest of 7.5%, payable semi-annually on the 15th June and the 15th December of each year until maturity (beginning on 15th June 2019).

The debt is recorded at long-term and discounted at the effective interest rate except for the accrued interest payable on 15 June 2019, which is recorded as short-term liabilities.

Likewise, the Company has provided the financial investments described in [illegible] entity's liquid assets to secure the debt issued at the Singapore Stock Exchange

9. Trade accounts payable and other accounts payable

The heading of 'Trade accounts payable and other accounts payable' broken down at 31 December 2018 and 2017 is the following:

Item	31.12.2018	31.12.2017
Sundry accounts payable	129,556	199,089

For the purposes set out in additional provision second of Law 31/2014, of 3 December, amending the Capital Companies Act, and pursuant to the Resolution of 29 February 2016 of the Spanish Accounting and Auditing Institute, a breakdown is presented below of the average period of payment to suppliers, ratio of paid transactions, ratio of transactions pending payment, total payments made and total payments pending:

	2018	2017
	Days	Days
Average period of payment to suppliers	12	35
Ratio of transactions paid	12	25
Ratio of transactions pending payment	16	50
	2018	2017
	Amount	Amount
Total payments made	5,305,585	334,781
Total payments pending	126,034	198,321
	5,431,618	533,102

10. Equity and Shareholders' Equity

Shareholders' Equity

a) Equity capital

At year-end 2018 the Company equity capital amounted to 82,493,841 dollars, represented by 60,000,000 ordinary nominative equity participations each having a par value of 1.37489 dollars, being fully subscribed and paid up, granting the same rights to the holders thereof.

b) Legal reserve

In accordance with the Revised Text of the Capital Companies Act, an amount equal to 10% of income for the year is required to be allocated to the legal reserve until it reaches at least 20% of the share capital. The legal reserve may be used to increase the capital by that part of its balance which exceeds the 10% of the already increased capital. Except for the aforementioned purpose, and provided that it does not exceed 20% of th reserve may only be used to offset losses, this provided that there are not reserves available for said purpose.

At year-end 2018, this reserve was fully constituted.

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c) Issue premium and voluntary reserves

These balances are freely disposable, except for the amount of the cumulative losses.

11. Tax situation

The breakdown of the accounts related to taxes in the years 2018 and 2017 is as follows:

	31.12.2018	31.12.2017
	Debtor balances	Debtor balances
Account	Current	Current
Current tax assets	48,561,922	40,909,606
Total	48,561,922	40,909,606

Reconciliation of net income and expenses for the year and the Corporation Tax taxable base (taxable income) is the following:

	2018		
	Income statement		
	Increases	Decreases	Total
Income before taxes	-	-	123,495,025
Permanent differences	-	(135,358,773)	(135,358,773)
Taxable base (taxable income)			(11,863,748)
Total tax liability			(2,965,937)
Withholdings and prepayments			28,313,700
Net recoverable amount			(28,313,700)

	2017		
	Income statement		
	Increases	Decreases	Total
Income before taxes			98,440,768
Permanent differences	81,406	(95,964,121)	(95,882,715)
Offset of negative taxable	-		(907,078)
Taxable base (taxable income)			1,650,975
Total tax liability			412,744
Withholdings and prepayments			21,614,361
Net recoverable amount			(21,201,617)

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As stipulated by the laws in force, taxes may not be considered as definitively settled until the returns filed have been audited by the tax authorities, or until the four-year statute of limitations has expired. At year-end 2018, the Company has subject to audit the Corporation Tax returns for the years 2014 and following years, and for the year 2015 and the following years for all other taxes applicable to it. It is considered that the aforementioned taxes have been adequately settled; consequently, even in the case where certain discrepancies were to arise in the interpretation of the regulations in force, should this come to pass, it would not significantly affect the attached annual accounts.

Nevertheless, the tax credits resulting from Negative Taxable Income and from deductions could be subject to review during a term of 10 years as from the date on which they are generated.

12. Income and Expense

a) Net sales

Net sales correspond to the income from the dividends distributed by the subsidiary, classified in this heading on the basis of Company activity, described in note 1.

b) Other operating expenses

These are broken down as follows:

Item	2018	2017
Independent professional services	793,084	292,980
Banking services and the like	24,065	22,639
Other services	131,252	140,845
	948,401	456,464

13. Transactions with Related Parties

During the year 2018, transactions have been carried out with the following related parties:

Company	Type of relation
A.I. Candelaria (Luxembourg) S.á.r.l.	Parent company

Transactions with related parties are broken down for the years 2018 and 2017 as follows:

	2017	2017
Dividends distributed to the Sole Equity Holder	741,865,543	111,723,392

At 31 December 2018 and 31 December 2017 there are no balances with relat

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During the years 2018 and 2017, the members of the Board of Directors did not receive any remuneration whatsoever, nor are there any advances or loans granted to the Board members; likewise, there are no pension commitments or life insurance premium payments with respect to the Board members.

The members of the Board of Directors of the Company and the persons related thereto as referred to in article 231 of the Revised Text of the Capital Companies Act, have not communicated any situations of direct or indirect conflict which they could have with the interests of the Company. Moreover, they state that they do not hold offices or have a stake in companies having the same, similar or ancillary type of activity as that which constitutes the corporate purpose of the Company.

14. Environmental Information

The Company does not have any tangible fixed assets allocated to minimizing the environmental impact and likewise to protecting and improving the environment, nor has it received during the year any subsidies or incurred any significant expenses for the purpose of protecting and improving the environment. Likewise, the Company has not set up any provision to cover environmental contingencies and expenses, given that it considers that there are no contingencies related to environmental protection and improvement.

15. Other Information

The fees payable to the Company auditors in the years 2018 and 2017 amounted to 8,585 dollars and 8,096 dollars respectively. Likewise, other services have been provided in the year 2018 in the amount of 42,922 dollars.

16. Subsequent Events

From year-end until the date of preparation of the present Annual Accounts, there have been no circumstances or extraordinary events that affect data included in the present Annual Accounts.

PREPARATION OF THE ANNUAL ACCOUNTS BY THE BOARD OF DIRECTORS

In compliance with the laws in force, the Directors have prepared the annual accounts of the Company (balance sheet, income statement, statement of changes in equity and annual report) corresponding to the year ended at 31 December 2018.

Likewise, they declare that the aforesaid documents contain their handwritten signatures, which were affixed to the present sheet of paper annexed to the Annual Report, which is written on pages numbered from 1 to 17.

Madrid, 29 March 2019

Myriam Odette Deltenre

Antonio Santiago Pérez

Miguel Liria Plañiol

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A.I. CANDELARIA (SPAIN), S.L.

MANAGEMENT REPORT FOR THE YEAR ENDED AT
31 DECEMBER 2018

1. **Company Business Performance**

Net sales correspond entirely to the income from the dividends distributed by the subsidiary.

2. **Events Subsequent to Year-End and Future Outlook**

From the close of the year until the date of preparation of the present Annual Accounts, no circumstances or extraordinary events have taken place which would affect the information stated in the present annual accounts.

3. **Company Outlook**

The sales forecast for the year 2019 will tend to be stable with respect to the year 2018.

4. **Research and Development Expenses**

No investment was made in research and development.

5. **Transactions with Treasury Stock**

During the year 2018, no treasury stock transactions were carried out.

6. **Principal Contingencies and Uncertainties Faced by the Company**

No significant contingencies or uncertainties have been detected.

7. **Use of Financial Instruments**

During 2018, no use was made of financial instruments, except as detailed in the attached annual report.

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PREPARATION OF THE MANAGEMENT REPORT BY THE BOARD OF DIRECTORS

In compliance with the laws in force, the Directors of A.I. CANDELARIA (SPAIN), S.L. have prepared the Management Report corresponding to the year ended at 31 December 2018.

Likewise, they declare that the aforesaid document contains their handwritten signatures, which were affixed to the present sheet of paper annexed to said document, which is written on page number 1.

Madrid, 29 March 2019

Myriam Odette Deltenre

Antonio Santiago Pérez

Miguel Liria Plañiol

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ANNEX

A.I. Candelaria (Spain), S.L.

Balance Sheet
at 31 December 2018
(in euros)

ASSETS	31.12.2018	31.12.2017
NON-CURRENT ASSETS	933,390,560	891,129,985
Long-term financial investments	933,390,560	891,129,985
Equity instruments	933,390,560	891,129,985
CURRENT ASSETS	82,041,364	51,155,290
Trade accounts receivable and other accounts receivable	42,412,159	34,111,237
Short-term financial investments	35,383,068	-
Other financial assets	35,383,068	-
Cash and cash equivalents	4,246,137	17,044,053
Cash in hand and at bank	4,246,137	17,044,053
TOTAL ASSETS	1,015,431,924	942,285,275

EQUITY AND LIABILITIES	31,12,2018	31,12,2017
EQUITY	423,896,381	912,859,561
Shareholder's equity	355,377,839	825,081,739
Capital	60,000,000	60,000,000
Authorized capital	60,000,000	60,000,000
Issue premium	-	212,100,629
Reserves	108,771,547	108,771,547
Legal and statutory	13,834,203	13,834,203
Other reserves	94,937,344	94,937,344
Income (loss) from previous years	(2,502,021)	(18,088,018)
Other shareholder contributions	140,317,896	439,327,421
Income for the year	104,568,184	86,785,212
(Interim dividend)	(55,777,767)	(63,815,052)
Adjustments for changes in value	68,518,542	87,777,822
Other	68,518,542	87,777,822
NON CURRENT LIABILITIES	583,615,449	29,259,274
Long-term payables	560,775,935	-
Debentures and other marketable securities	560,775,935	-
Deferred tax liabilities	22,839,514	29,259,274
CURRENT LIABILITIES	7,920,094	166,440
Short-term payables	7,806,944	437
Debentures and other marketable securities	7,805,677	-
Other financial liabilities	1,267	437
Trade accounts payable and other accounts payable	113,150	166,003
Sundry accounts payable	113,150	166,003
TOTAL EQUITY AND LIABILITIES	1,015,431,924	942,285,275

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ANNEX

A.I. Candelaria (Spain), S.L.

Income statement
corresponding to the period ended at
31 December 2018
(in euros)

	31.12.2018	31.12.2017
CONTINUING OPERATIONS		
Net sales	**114,613,694**	**75,446,516**
Sales	114,613,694	75,446,516
Other operating expenses	**(803,049)**	**(392,346)**
Outside services	(803,049)	(392,346)
Other income (loss)	-	**(72,060)**
OPERATING INCOME (LOSS)	**113,810,645**	**74,982,110**
Financial income	**3,477**	-
From marketable securities and other financial instruments	3,477	-
From third parties	3,477	-
Financial expenses	**(7,735,591)**	**(185)**
For debts with third parties	(7,735,591)	(185)
Exchange gains (losses)	**(1,510,347)**	**2,668,608**
Impairment and income (loss) from disposal of financial instruments	-	**9,500,036**
Impairment and losses	-	9,500,036
FINANCIAL INCOME (LOSS)	**(9,242,461)**	**12,168,459**
INCOME BEFORE TAXES	**104,568,184**	**87,150,569**
Corporation tax	-	**(365,357)**
INCOME FOR THE YEAR	**104,568,184**	**86,785,212**

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ANNEX

A.I. Candelaria (Spain), S.L.

Statement of Changes in Equity
corresponding to the period ended at
31 December 2018
(in euros)

A) STATEMENT OF RECOGNIZED INCOME AND EXPENSE

	31.12.2018	31.12.2017
Income Statement result	104,568,184	86,785,212
Income and expense directly recognized in equity:		
Other income/expense	-	-
Total income and expense directly recognized in equity	-	-
Total transfers to the income statement	-	-
TOTAL RECOGNIZED INCOME AND EXPENSE	104,568,184	86,785,212

B) STATEMENT OF COMPREHENSIVE CHANGES IN EQUITY

	Authorized capital	Issue premium	Reserves	Income (loss) from previous years	Other Shareholder contributions	Income for the year	(Interim dividend)	Adjustments for changes in value	Total
OPENING BALANCE YEAR 2017	60,000,000	212,100,629	13,834,203	(18,088,018)	439,327,421	122,263,283	-	255,448,643	1,084,886,161
Total recognized income and expense	-	-	-	-	-	86,785,212	-	-	86,785,212
Operations with partners or owners:									
Distribution of dividends	-	-	-	-	-	(33,383,929)	(63,815,052)	-	(97,198,981)
Other changes in equity:	-	-	-	-	-	-	-	-	-
CLOSING BALANCE YEAR 2017	-	-	94,937,344	-	-	(88,879,354)	-	(167,670,821)	(161,612,831)
ADJUSTED OPENING BALANCE YEAR 2018	60,000,000	212,100,629	108,771,547	(18,088,018)	439,327,421	86,785,212	(63,815,052)	87,777,822	912,859,561
Total recognized income and expense	-	-	-	-	-	104,568,184	-	-	104,568,184
Operations with partners or owners:									-
Distribution of dividends	-	(212,100,629)	-	-	(299,009,525)	-	(55,777,767)	-	(566,887,921)
Other changes in equity:	-	-	-	15,585,997	-	(86,785,212)	63,815,052	(19,259,280)	(26,643,443)
CLOSING BALANCE YEAR 2018	60,000,000	-	108,771,547	(2,502,021)	140,317,896	104,568,184	(55,777,767)	68,518,542	423,896,381

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A.I. Candelaria (Spain), S.L.

Statement of Cash Flows
corresponding to the period ended at
31 December 2018
(in euros)

	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		**20,277,137**	**39,073,281**
Income for the year before taxes		**104,568,184**	**86,785,212**
Adjustments to income::		**(68,201,681)**	**(9,756,674)**
Valuation corrections for impairment		-	(9,500,036)
Changes in provisions		-	(256,823)
Financial expenses		7,735,591	185
Other income and expense		(75,937,272)	-
Changes in working capital:		**(52,853)**	**154,463**
Trade receivables and other accounts receivable		-	10,418
Trade payables and other accounts payable		(52,853)	144,045
Other cash flows from operating activities:		**(16,036,513)**	**(38,109,720)**
Interest payments		(7,735,591)	(185)
Corporation tax		(8,300,922)	(38,109,535)
CASH FLOWS FROM INVESTMENT ACTIVITIES		**(35,383,068)**	-
Payments for investments:		**(35,383,068)**	-
Other financial assets		(35,383,068)	-
CASH FLOWS FROM FINANCING ACTIVITIES		**797,669**	**(97,198,544)**
Proceeds from and payments for financial liability instruments:		**567,685,590**	**437**
Issue:			
Other payables		567,685,590	437
Payments for dividends and remuneration from other equity instruments		**(566,887,921)**	**(97,198,981)**
Dividends		(566,887,921)	(97,198,981)
Effect of exchange rate changes		**1,510,347**	**(2,668,608)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(12,797,916)**	**(60,793,871)**
Cash or cash equivalents at start of year		17,044,053	77,837,924
Cash or cash equivalents at year-end		4,246,137	17,044,053

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Oleoducto Central S.A.

Condensed interim financial statements
(Unaudited)

Periods of three months ended March 31, 2020 and 2019

Building a better working world

Report on review of Interim Condensed Financial Statements

To the Shareholders' Meeting of:
Oleoducto Central S.A.

Introduction

I have reviewed the accompanying interim condensed financial statements of Oleoducto Central S.A. as of March 31, 2020 which comprise the condensed interim statement of financial position as of March 31, 2020 and the related condensed interim statements of income and comprehensive income, changes in shareholders' equity and cash flows for the three-month periods ended March 31, 2020 and 2019 ended and a summary of the most important accounting policies and explanatory notes.

Management is responsible for the preparation and presentation of this condensed interim financial statements in accordance with the accounting and financial information standards accepted in Colombia included in International Accounting Standard 34 (Interim financial information) and the statements of the National Accounting Office (Contaduría General de la Nación) for Government entities. My responsibility is to express a conclusion on this interim condensed financial statements based on my review.

Scope of Review

I conducted my review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" adopted in Colombia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing adopted in Colombia and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with the accounting and financial information standards accepted in Colombia included in international accounting standard 34 (Interim financial information)and the statements of the National Accounting Office (Contaduría General de la Nación).

Daniel Alejandro Tortorella
Independent Auditor
Professional Card 232998-T
Designated by Ernst & Young Audit S.A.S. TR-530

Bogotá, Colombia
June 22, 2020

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Oleoducto Central S.A.

Condensed Interim Statements of Financial Position

(In thousands of US dollars)

	Notes	March 31, 2020	December 31, 2019
		(Unaudited)	
Assets			
Current assets			
Cash and cash equivalents	6	**US$ 243,024**	US$ 441,076
Trade debtors and other accounts receivable, net	7	**132,148**	150,570
Inventories	8	**35,264**	38,228
Other non-financial assets	9	**4,035**	3,176
		414,471	633,050
Non-current assets			
Trade debtors and other accounts receivable, net	7	**2,092**	2,697
Other non-financial assets	9	**582**	620
Property, plant and equipment, net	10	**1,451,865**	1,486,615
Intangibles, net	11	**53,917**	53,944
Rights-of-use	12	**15,231**	11,642
Deferred tax assets	15	**2,685**	-
		1,526,372	1,555,518
Total assets		**US$ 1,940,843**	US$ 2,188,568
Liabilities and equity			
Current liabilities			
Debts and loans bearing interest	13	**US$ 27,116**	US$ 23,953
Trade accounts and other accounts payable	14	**51,220**	111,084
Tax liabilities	15	**190,287**	174,282
Derivative financial instruments	16	**74,940**	411
Other liabilities	17	**2,398**	3,568
Provisions and contingencies	18	**1,630**	2,135
		347,591	315,433
Non-current liabilities			
Debts and loans bearing interest	13	**493,045**	489,519
Trade accounts and other accounts payable	14	**3,996**	4,400
Tax liabilities	15	**1,576**	1,557
Deferred tax liabilities	15	**–**	64,879
Other liabilities	17	**755**	904
Provisions and contingencies	18	**25,796**	50,005
		525,168	611,264
Total liabilities		**872,759**	926,697
Equity	19		
Subscribed and paid-in capital		**81,714**	81,714
Legal reserve		**40,858**	40,858
Accumulated profits		**881,471**	1,045,088
Other comprehensive income		**64,041**	94,211
Total equity		**1,068,084**	1,261,871
Total liabilities and equity		**US$ 1,940,843**	US$ 2,188,568

See accompanying notes.

Oleoducto Central S.A.

Condensed Interim Statements of Income and Comprehensive Income

(In thousands of US dollars, except net profit per share, expressed in dollars)

	Notes	Three-month period ended March 31 2020 (Unaudited)		2019 (Unaudited)	
Revenues from ordinary activities	20	**US$**	**362,954**	US$	366,579
Cost of sales	21		**(60,101)**		(70,960)
Gross profit			**302,853**		295,619
Operations and project expenses	22		**(3,071)**		(3,233)
Administrative expenses	23		**(5,553)**		(5,824)
Other operating income, net	24		**143**		42,395
Operating profit			**294,372**		328,957
Financial (costs) income, net	25		**24,828**		16,114
Profit before income tax			**319,200**		345,071
Income tax expense	15		**(74,341)**		(119,713)
Net profit of the period			**244,859**		225,358
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss (net of tax)					
Net gain (loss) for cash flow hedges			**(41,164)**		5,323
Items that will not be reclassified to profit or loss					
Effect on currency translation			**10,994**		(1,264)
Other comprehensive income			**(30,170)**		4,059
Total net comprehensive income for the period			**214,689**		229,417
Net profit of the period per share		**US$**	**47.46**	US$	43.68

See accompanying notes.

Oleoducto Central S.A.

Condensed Interim Statements of Changes in Shareholders' Equity

(In thousands of US dollars)

		Subscribed and Paid-in Capital		Legal Reserve		Other Comprehensive Income		Accumulated Profits		Total Equity
At December 31, 2018	US$	81,714	US$	40,858	US$	76,966	US$	992,435	US$	1,191,973
Distribution of dividends		–		–		–		(355,823)		(355,823)
Net profit of the period		–		–		–		225,358		225,358
Other comprehensive income										
Net gain from cash flow hedges, net of tax		–		–		5,323		–		5,323
Effect on currency translation		–		–		(1,264)		–		(1,264)
At March 31, 2019 (Unaudited)	US$	81,714	US$	40,858	US$	81,025	US$	861,970	US$	1,065,567
At December 31, 2019	US$	81,714	US$	40,858	US$	94,211	US$	1,045,088	US$	1,261,871
Distribution of dividends		**–**		**–**		**–**		**(408,476)**		**(408,476)**
Net profit of the period		**–**		**–**		**–**		**244,859**		**244,859**
Other comprehensive income										
Net loss from cash flow hedges, net of tax		**–**		**–**		**(41,164)**		**–**		**(41,164)**
Effect on currency translation		**–**		**–**		**10,994**		**–**		**10,994**
At March 31, 2020 (Unaudited)	**US$**	**81,714**	**US$**	**40,858**	**US$**	**64,041**	**US$**	**881,471**	**US$**	**1,068,084**

See accompanying notes.

Oleoducto Central S.A.

Condensed interim Statements of Cash Flows
(In thousands of US dollars)

	Three-month period ended March 31	
	2020	2019
	(Unaudited)	
Operating activities		
Net profit of the period	**US$ 244,859**	US$ 225,358
Adjustments to reconcile net profit of the period with net cash flows provided from operating activities:		
Depreciation of property, plant and equipment	**23,182**	25,456
Consumption of materials and spare parts	**423**	1,884
Impairment accounts receivable	**25**	–
Loss on disposal of property, plant and equipment	**1**	8,866
Amortization of intangible assets	**1,056**	528
Amortization Rights-of-use	**2,503**	1,689
Additions provision and contingencies	**539**	–
Deferred taxes, net	**(37,377)**	4,872
Income tax expense	**111,718**	114,841
Financial income	**(3,224)**	(26,925)
Financial costs	**5,834**	5,836
Loss from exchange difference	**(27,589)**	4,848
Changes in operating assets and liabilities		
Decrease of trade debtors and other accounts receivable	**15,997**	8,530
(Increase) of other assets	**(1,019)**	(2,369)
Decrease inventories	**2,928**	4,966
(Decrease) of trade accounts and other accounts payable	**(55,569)**	(19,895)
(Decrease) increase tax liabilities	**(12,596)**	8,352
Increase (decrease) derivative financial instruments, net	**14,172**	(3,800)
(Decrease) of Provisions and contingencies	**(778)**	–
(Decrease) of revenues received in advance	**(1,241)**	(1,031)
Interest received	**3,224**	26,925
Income tax paid	**(66,515)**	(87,193)
Cash provided from operating activities	**220,553**	301,738
Investing activities		
Acquisition of property, plant and equipment	**(3,666)**	(5,693)
Acquisition of intangibles	**(1,029)**	(1,365)
Cash used in investing activities	**(4,695)**	(7,058)
Cash used in financing activities		
Payments of liabilities from financial leasing	**(3,298)**	(2,558)
Dividends paid	**(406,581)**	(354,489)
Cash used in financing activities	**(409,879)**	(357,047)
Net decrease of cash and cash equivalents	**(194,021)**	(62,367)
Effect of the variation in exchange rates on cash and cash equivalents maintained in foreign currency	**(4,031)**	(1,003)
Cash and cash equivalents at the beginning of the period	**441,076**	239,422
Cash and cash equivalents at the end of the period	**US$ 243,024**	US$ 176,052

See accompanying notes.

Oleoducto Central S. A.

Notes to Condensed Interim Financial Statements

Periods of three months ended March 31, 2020 and 2019
(All amounts are expressed in thousands of dollars, except foreign currency amounts, exchange rates and the par value of the share).

1. Reporting Entity

Oleoducto Central S.A. (hereinafter Ocensa or the Company) is a mixed economy company incorporated under the laws of Colombia, by means of public deed No. 4747 dated December 14, 1994 of Notary 38 of the Circle of Bogotá D.C, with a term of office until December 31, 2093 and whose corporate purpose includes designing, constructing, operating, managing, commercially exploiting and owning an oil transportation system (pipeline) for public use and related facilities, without any limitation, whose starting point is located at the Cusiana and Cupiagua stations, department of Casanare, and whose final point is located at the Coveñas port of embarkation located in the jurisdiction of the municipalities of San Antero, department of Córdoba and Coveñas, department of Sucre; as well as to design, build, operate and manage ports or maritime oil terminals and to provide, directly or indirectly, services related to port operations, especially storage, land and maritime handling, transportation and loading of crude oil and to provide other services related to the activity of transporting crude oil by pipeline.

The pipeline consists of nine pumping or booster stations, a pressure reducing station, a marine terminal, 836 kilometers of pipeline on land and 12 kilometers at sea, two bases for the coordination of maintenance activities and a control center. To carry out the transport operation, there is a communication system that allows total control of the operation through instruments located along the pipeline and in the stations. This allows for the control of the availability of the crude oil, its location and the verification of the commitments in crude oil transportation. The address of the main office of Oleoducto Central S.A., is Bogotá - Colombia. Ecopetrol is the parent company and exercises control over the Company through Cenit Transporte y Logística de Hidrocarburos S.A.S.

2. Basis of Preparation and Presentation

2.1. Statement of Compliance and Authorization of the Financial Statements

The financial information contained in this report has been prepared in accordance with "IAS 34- Interim financial reporting". These financial statements do not include all information and disclosures required in the annual financial statements and therefore should be read in conjunction with the annual financial statements and notes, issued as at December 31, 2019.

The condensed interim financial statements are unaudited and in the management opinion, include all necessary adjustments for a fair presentation of the results of each period.

Ocensa prepares its financial statement accordance with the Accounting and Financial Information Standards Accepted in Colombia (NCIF, as its acronym in Spanish), based on International Financial Reporting Standards (IFRS), together with their interpretations, conceptual reference framework, conclusion bases and application guidelines authorized and issued by the International Accounting Standards Board (IASB) as established by decree 2615 of December 17, 2014, decree 2420 of December

14, 2015, amended by decree 2496 of December 23, 2015; and decree 2131 of 2016, 2170 of 2017 and 2483 of 2018; and other legal provisions applicable to entities supervised and/or controlled by the National Accounting Office (Contaduría General de la Nación) that may differ in certain aspects from those established by other Goverment control bodies.

2.1. Statement of Compliance and Authorization of the Financial Statements (continued)

The financial information presented herein has been prepared in accordance with the accounting policies expected to be used in the preparation of the financial statements as at December 31, 2019, which do not differ significantly from those used in the previous year.

These financial statements were approved by the Company's Management on Jun 18, 2020.

2.2. Basis of Measurement

The Company's financial statements have been prepared based on the historical cost, except for the accompanying financial assets and liabilities at fair value with changes in results and/or changes in other comprehensive income, that are valued at their fair value at each period closing, as explained in the accounting policies included hereinafter.

In general, the historical cost is based on the fair value of the valuable consideration granted in lieu of assets and services. Fair value is the price that would be received upon selling an asset or paid upon transferring a liability in an ordered transaction between market participants at the measurement date. Upon estimating the fair value, the Company uses the assumptions that market participants would use upon setting the price of the asset or liability in present market conditions, including assumptions on the risk.

2.3. Functional and Presentation Currency

Items included in these financial statements are initially valued in the functional currency which is the U.S. dollar, that is the currency of the main economic environment the Company operates in and in addition the one in which it regularly generates and uses cash. The presentation currency is the U.S. dollar.

2.4. Foreign Currency

Upon preparing the financial statements, transactions in a currency other than the Company's functional currency are recorded using current exchange rates on the dates operations take place. At the end of each period, monetary items in foreign currency are translated at current exchange rates in force on that date and variations arising in the translation are recognized in the net financial result, except those resulting from hedging instruments of cash flows, which are recognized in other comprehensive income, within equity. When the hedged items affect results, exchange differences accumulated in equity are reclassified to the statement of profits and losses as part of the operation result.

Non-monetary items recorded at fair value, denominated in foreign currency, are translated at the exchange rate in force on the date the fair value was determined.

Profits and losses from exchange differences related to loans, and cash and cash equivalents are presented in the income statement account in line entitled "Financial income or financial expense." Remaining losses and gains from exchange differences are presented as exchange difference.

2.5. Classification of Assets and Liabilities as Current and non-Current

The Company presents assets and liabilities in the statement of financial position based on its current or non-current classification. An asset is current when:

2.5. Classification of Assets and Liabilities as Current and non-Current (continued)

- It is estimated that it will be cancelled, or the expectation is that it will be sold or consumed in the normal operating cycle of the business.
- It is mainly maintained for purposes of being negotiated.
- The expectation is that it will be realized within twelve months following the reporting date; or,
- It is cash or cash equivalent unless it is restricted to be exchanged or used to pay a liability for at least twelve months from the reporting date.

All other liabilities are classified as non-current.

A liability is current when:

- It is estimated that it will be settled in the normal operating cycle of the business.
- It is maintained mainly in order to be negotiated.
- It is expected that it will be cancelled within the twelve months subsequent to the reporting date; or,
- There is no unconditional right to defer the payment of the liability for a least twelve months subsequent to the reporting date.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.6. Accounting Period

According to its bylaws, the Company prepares statutory financial statements for six-month periods ending June 30 and December 31 of each year. The condensed interim financial statements as of March 31, 2020 and for the three-month periods ended March 31, 2020 and 2019 are special purpose and have been prepared solely to support the intended bonds issuance by the Company in the international capital markets. As a result, these financial statements may not be suitable for other purposes.

3. Judgments, Estimates, and Significant Accounting Assumptions

The Company’s preparation of the financial statements requires that the Company's Management make judgments, estimates and assumptions to quantify some of the assets, liabilities, income, expenses and commitments recognized in the financial statements and their disclosures. These estimates have been made based on the best available information on the facts analyzed, management experience and other factors. Uncertainty about assumptions and estimates could result in future material changes that affect the value of assets or liabilities. Changes to these estimates are recognized prospectively in the period in which the estimate is revised.

In the course of 2020, there have been no changes in the significant accounting estimates and judgments used in the preparation of the financial statements as at December 31, 2019.

4. Accounting Policies

The Company's main accounting policies are described in the accounting policies section of the financial statements as of December 31, 2019 and have been applied consistently for the period comprising these condensed interim financial statements, except for the adoption of new standards effective as of January 1, 2020, these new standards have no impact on the company's financial statements**.**

The interim financial statements do not include all the information and disclosures required in the annuals, and therefore should be read in conjunction with the separate financial statements December 31, 2019.

5. New Standards and Regulatory Changes

5.1. New Standards Adopted by the Company, Effective as of January 1, 2020

- Amendments to IFRS 3 - Definition of a business: to help companies determine if a set of activities and acquired assets are considered a business or not. The minimum requirements to determine if it is a business are clarified, the evaluation of whether market participants are capable of replacing any missing element is eliminated, an orientation is included to help companies evaluate if an acquired process is substantive, they are restricted the definitions of a business and products; and an optional fair value concentration test is introduced. New illustrative examples are provided in conjunction with these amendments.

  These changes should be applied to transactions that are business combinations or asset acquisitions, for which the acquisition date is January 1, 2020 or later. Consequently, the Company do not have to review transactions that occurred in prior periods.

- Amendments to IAS 1 and IAS 8 - Definition of material: The new definition establishes that, "Information is material if its omission or distortion is expected to influence the decisions that the main users of the financial statements make". The amendments clarify that the materiality will depend on the nature and / or the magnitude of the information. A company will need to assess whether the information, either individually or in combination with another, is material in the context of the financial statements.

  The amendments explain that the information is hidden if it is communicated in a way that has an effect similar to that of omitting or misinforming. Material information may, for example, be hidden if it is dispersed in the financial statements with respect to a material element, transaction or other event, or it is disclosed in ambiguous or unclear language. Material information can also be hidden if elements, transactions or other events are improperly added, or, conversely, if similar elements are incorrectly disaggregated.

- Amendments to IFRS 9 and IAS 39 - Interest rate benchmark reform: A number of exemptions are provided that apply to all hedging relationships directly affected by changes in benchmark interest rate indices. A hedging relationship is affected if the change in the indices creates uncertainty about the timing and / or amount of cash flows of the hedged item or the hedging instrument. These amendments have no impact on the company's financial statements since it currently has no interest rate hedging.

5.1. New standards Adopted by the Company, Effective as of January 1, 2020 (continued)

The revised conceptual framework for financial reporting: The IASB issued the revised Conceptual Framework in March 2018. It establishes a comprehensive set of concepts for financial reporting, setting standards, guidance for preparers in policy definition consistent accountants and assisting others to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities, and clarifies some important concepts.

Changes to the conceptual framework may affect the application of IFRS in situations where a standard does not apply to a particular transaction or event. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after January 1, 2020.

Amendments to IAS 28 - Long-term investments in associates and joint ventures: clarify that an entity should apply IFRS 9 Financial Instruments to long-term investments in associates or joint ventures to which the equity method does not apply.

5.2. New Standards Issued by the IASB that Will Enter into Force in Future Periods

Ocensa is constantly monitoring changes in local accounting regulations in order to assess the possible impacts that the new standards issued by the international organization may generate in their adoption in Colombia.

6. Cash and Cash Equivalents

	March 31, 2020 (Unaudited)	December 31, 2019
Banks	**US$ 191,386**	US$ 87,667
Term deposit certificates	**50,000**	350,919
Trusts	**1,584**	2,474
National tax refund securities (TIDIS)	**43**	3
Cash	**11**	13
	US$ 243,024	US$ 441,076

The fair value of cash and cash equivalents approximates their carrying value due to their short-term nature (less than three months) and their high liquidity. As of March 31, 2020, cash has a restriction due to the embargo of the municipality of San Antero as follows US$57.09 (As of December 31, 2019, US$70.79) in the account of Banco de Bogotá.

7. Trade Debtors and Other Accounts Receivable, net

	March 31, 2020 (Unaudited)		December 31, 2019	
Related parties (*Note 27.1*)	**US$**	**106,890**	US$	127,644
Trade accounts receivable		**15,131**		11,425
Transport tax receivable		**5,608**		7,016
Others debtors		**4,742**		4,722
Accounts receivable from employees (1)		**1,869**		2,460
	US$	**134,240**	US$	153,267
Trade debtors and other accounts receivable- current	**US$**	**132,148**	US$	150,570
Trade debtors and other accounts receivable- non-current	**US$**	**2,092**	US$	2,697

(1) The Company granted the administration, handling and control of loans to employees to Fiduciaria Alianza S.A., which manages the detail by employee of those loans and their respective conditions. Loans to employees are considered financial assets and are recognized at their fair value.

	March 31, 2020 (Unaudited)		December 31, 2019	
Impairment of receivables				
At the beginning of the period	**US$**	**198**	US$	199
Impairment losses(recovery) recognized in profit or loss		**25**		7
Write-offs		**(29)**		–
Difference in currency exchange		**(36)**		(8)
At the end of the period	**US$**	**158**	US$	198

The carrying value of trade and other accounts receivable approximates their fair value.

8. Inventories, net

	March 31, 2020 (Unaudited)		December 31, 2019	
Fuels and petrochemicals	**US$**	**22,901**	US$	26,039
Materials for service provision		**12,363**		12,189
	US$	**35,264**	US$	38,228

The accumulated impairment was US$598 as of December 31, 2019 and March 31,2020.

9. Other non- Financial Assets

	March 31, 2020 (Unaudited)		December 31, 2019	
Prepaid expenses	**US$**	**3,502**	US$	2,736
Supplier advances (1)		**533**		440
	US$	**4,035**	US$	3,176

Oleoducto Central S. A.

Notes to Financial Statements

9. Other non- Financial Assets (continued)

	March 31, 2020 (Unaudited)		December 31, 2019	
Prepaid expenses non-current	**US$**	**582**	US$	620
	US$	**4,61**	US$	3,796

(1) Includes prepaid to suppliers as part of the acquisition of goods and services.

10.Property, Plant and Equipment, Net

		Plant and Equipment		Pipeline		Work in Progress (1)		Buildings		Land		Other (2)		Total
Acquisition cost														
At December 31, 2019	US$	622,778	US$	1,689,549	US$	43,177	US$	76,917	US$	21,362	US$	25,011	US$	2,478,794
Additions		–		–		1,176		–		–		2,490		3,666
Capitalization		648		3,811		(4,554)		95		–		–		–
Consumption of materials and spare parts		–		–		–		–		–		(423)		(423)
Sales and retirements		–		(1)		–		–		–		–		(1)
Update of the abandonment cost rate		–		(14,838)		–		–		–		–		(14,838)
Transfers (3)		198		(323)		(68)		–		–		221		28
At March 31, 2020 (Unaudited)	US$	623,624	US$	1,678,198	US$	39,731	US$	77,012	US$	21,362	US$	27,299	US$	2,467,226
Depreciation and impairment provision														
At December 31, 2019	US$	(106,722)	US$	(866,849)	US$	–	US$	(14,580)	US$	–	US$	(4,028)	US$	(992,179)
Charge for period depreciation		**(7,494)**		**(14,844)**		**–**		**(738)**		**–**		**(106)**		**(23,182)**
Transfers (3)		**(3)**		**3**		**–**		**–**		**–**		**–**		**–**
At March 31, 2020 (Unaudited)	**US$**	**(114,219)**	**US$**	**(881,690)**	**US$**	**–**	**US$**	**(15,318)**	**US$**	**–**	**US$**	**(4,134)**	**US$**	**(1,015,361)**
Net carrying value														
At December 31, 2019	US$	516,056	US$	822,700	US$	43,177	US$	62,337	US$	21,362	US$	20,983	US$	1,486,615
At March 31, 2020 (Unaudited)	**US$**	**509,405**	**US$**	**796,508**	**US$**	**39,731**	**US$**	**61,694**	**US$**	**21,362**	**US$**	**23,165**	**US$**	**1,451,865**

10. Property, Plant and Equipment, Net (continued)

(1) Construction Work-in-Progress

The balance as of March 31, 2020, includes main investments made in the projects, such as Replacement of Equipment El Porvenir, Lazos Mov, minor equipment changes, SCADA III. Major maintenance and excavations. Adaptation and Measurement of Vibrations in the unloading Unloading platform, Cusiana VFD Project, Optimization of the unloading platform, Maintenance Control Center, and other minor projects, these projects were also in progress as of December 31, 2019.

In the first quarter of 2020, we performed capitalizations on the following projects: SIPRA, AD600, major maintenance on the BPC42040 engine in Caucasia, major maintenance on the 5200 Miraflores tank engine, excavation and work over relief, and upgrade of the control room controllers.

Additionally, some projects and maintenance are in the process of being completed and are expected to be completed during the second quarter of 2020.

(2) Others

Includes spare parts, office equipment, computers and telecommunications equipment, shipping, and river equipment. There are no commitments and/or restrictions on acquisitions of property, plant, and equipment.

(3) Transfers

The net transfer to property, plant, and equipment as of March 31, 2020, amounted to US$ 28 from inventory.

Impairment

As of March 31, 2020, the Company evaluated whether there are impairment indicators at the cash-generating unit level by conducting a qualitative analysis, which verified external variables such as the legal, economic, technological, market environment and internal variables such as useful life, obsolescence and/or physical impairment, as well as changes in current contracts. See note 28 for further disclosure on the potential impacts of the COVID 19 pandemic.

The aggregation of assets, to identify CGUs, is consistent with respect to the previous period.

11. Intangibles, Net

	Licenses and Software		Service Concession Agreement		Agreement Gas Transmission		Total	
Acquisition cost								
At December 31, 2019	US$	12,339	US$	93,276	US$	5,610	US$	111,225
Additions		**16**		**1,013**		**–**		**1,029**
Transfers		**342**		**(342)**		**–**		**–**
At March 31, 2020 (Unaudited)	**US$**	**12,697**	**US$**	**93,947**	**US$**	**5,610**	**US$**	**112,254**

11. Intangibles, Net (continued)

		Licenses and Software		Service Concession Agreement		Agreement Gas Transmission		Total
Amortization								
At December 31, 2019	US$	(9,384)	US$	(47,362)	US$	(535)	US$	(57,281)
Charge for period amortization		**(290)**		**(696)**		**(70)**		**(1,056)**
At March 31, 2020 (Unaudited)	**US$**	**(9,674)**	**US$**	**(48,058)**	**US$**	**(605)**	**US$**	**(58,337)**
Net carrying value								
At December 31, 2019	US$	2,955	US$	45,914	US$	5,075	US$	53,944
At March 31, 2020 (Unaudited)	**US$**	**3,023**	**US$**	**45,889**	**US$**	**5,005**	**US$**	**53,917**

Service Concession Agreement

On March 31, 2020, the value of the fixed portion of the compensation climb up to US$5,322 for the 16.68 years, which was discounted at a risk-free rate of 0.0% in U.S. dollars, taken from the U.S. Treasury, which was recognized as an intangible asset and a financial liability. The intangible will be amortized on a straight-line basis over the term of the concession (20 years), and the liability will be restated annually by interest, and the installments paid will be amortized. The balance of the financial liability as of March 31, 2020, was US$4,468 and US$6,044 as of December 31, 2019.

12. Rights-of-Use

		Land		Constructions and Buildings		Machinery and Equipment		Vehicles		Total
At December 31, 2019	US$	331	US$	4,903	US$	6,217	US$	8,951	US$	20,402
Additions		**–**		**–**		**1,570**		**2,058**		**3,628**
Remeasurements (1)		**24**		**54**		**674**		**1,712**		**2,464**
At March 31, 2020 (Unaudited)	**US$**	**355**	**US$**	**4,957**	**US$**	**8,461**	**US$**	**12,721**	**US$**	**26,494**

		Land		Constructions and Buildings		Machinery and Equipment		Vehicles		Total
Amortization										
At December 31, 2019	US$	(14)	US$	(827)	US$	(2,679)	US$	(5,240)	US$	(8,760)
Charge for period amortization		**(3)**		**(207)**		**(855)**		**(1,438)**		**(2,503)**
At March 31, 2020 (Unaudited)	**US$**	**(17)**	**US$**	**(1,034)**	**US$**	**(3,534)**	**US$**	**(6,678)**	**US$**	**(11,263)**
Net amount in books										
At December 31, 2019	US$	317	US$	4,076	US$	3,538	US$	3,711	US$	11,642
At March 31, 2020 (Unaudited)	**US$**	**338**	**US$**	**3,923**	**US$**	**4,927**	**US$**	**6,043**	**US$**	**15,231**

(1) Corresponds to the update of the consumer price index and / or extensions of contracts.

13. Debts and Loans Bearing Interest

Composition of Loans	March 31, 2020 (Unaudited)		December 31, 2019	
Short-term loans				
Interest payable for external public credit	**US$**	**20,000**	US$	20,000
Rights-of-use		**7,116**		3,953
	US$	**27,116**	US$	23,953
Long-term loans				
External Public Credit Bonds	**US$**	**486,932**	US$	481,723
Rights-of-use		**6,113**		7,796
		493,045		489,519
	US$	**520,161**	US$	513,472

Long-Term External Public Credit Bonds

By means of Resolution 1369 of April 29, 2014, the Ministry of Finance and Public Credit authorized the Company to subscribe, issue and place External Public Debt Bonds, under Rule 144 A / S Registration of the United States of America Securities Act, in international capital markets for up to five hundred million dollars of the United States of America (US$500,000,000) in order to finance the needs of investment of future expansion projects (Potency 135 and Warming).

The characteristics, term and conditions are as follows:

- Redemption term: 7 years, with a maturity date until May 7, 2021
- Issue price: 99.367%
- Amortization: Upon maturity
- Yield at maturity: 4.105%
- Denomination currency: Denominated in dollars of the United States of America (US$)
- Interest rate: Fixed, in accordance with market conditions prevailing on the bonds placement date, thus complying with the maximum limits for the external indebtedness interest rates defined by the Central Bank.
- Denominations US$200,000 and integral multiples of US$1,000
- Listed in: Luxembourg Stock Exchange

The variation of this obligation for both periods corresponds to the recognition in the statement of interest results by the effective interest rate method, and includes the exchange difference generated by the conversion of the debt from functional currency to presentation currency.

Below is the fair value of bonds (Unaudited figures):

	March 31, 2020 (Unaudited)		December 31, 2019	
Fair Value	**US$**	**485,775**	US$	510,105

13. Debts and Loans Bearing Interest (continued)

Long-Term External Public Credit Bonds (continued)

Loans are recorded in the financial statements at their amortized cost, which corresponds to the present value of cash flows, discounted at the effective interest rate.

For the measurement at fair value bonds were valued using as source the Bloomberg methodology. Bloomberg.

Article 28 of External Resolution No. 8 of 2000 of the Board of Directors of the Central Bank establishes that interest rates of foreign currency credits, including securities placed in international markets, should reflect market conditions and may not exceed the maximum rate applicable generally indicated by the Central Bank.

Payment dates of interest will be May 7 and November 7 of each year, starting on November 7, 2014.

Issue date: May 7, 2014; T+5, gross value: US$496,835,000; rate: 4.000%, determined on a 30/360-day basis.

Loans Maturity Profile

The loans maturity profile is described below:

	Up to 1 Year		1 – 5 Years		> 5 Years		Total	
At March 31, 2020 (Unaudited)								
External Public Credit Bonds	**US$**	**20,000**	**US$**	**486,932**	**US$**	**–**	**US$**	**506,932**
Rights-of-use		**7,116**		**5,778**		**335**		**13,229**
	US$	**27,116**	**US$**	**492,710**	**US$**	**335**	**US$**	**520,161**

14. Trade Accounts and Other Accounts Payable

	March 31, 2020 (Unaudited)		December 31, 2019	
Suppliers and accounts payable (1)	**US$**	**45,571**	US$	100,379
Withholding tax		**4,984**		3,803
Related parties (*Note 27.1*)		**3,109**		8,424
Withholdings and payroll contributions		**767**		1,650
Employees fringe benefits		**702**		910
Industry and commerce tax withholdings		**83**		318
	US$	**55,216**	US$	115,484
Trade accounts and other accounts payable, short term	**US$**	**51,220**	US$	111,084
Trade accounts and other accounts payable, long term	**US$**	**3,996**	US$	4,400

(1) The accounting value of trade accounts and other accounts payable is close to its fair value due to its short-term nature.

15. Tax Liabilities (Assets)

Below is the detail of the current taxes:

		March 31, 2020 (Unaudited)		December 31, 2019
Income tax balance, net	**US$**	**178,851**	US$	167,117
Other taxes (*)		**11,436**		7,165
	US$	**190,287**	US$	174,282

(*) Corresponds to Sales Tax, Industry and Trade and Transportation Tax.

Below is the detail of the Current tax and/or (credit balance):

		March 31, 2020 (Unaudited)		December 31, 2019
Provision for income tax (1)	**US$**	**100,149**	US$	408,374
Income tax 2019 (2)		**84,706**		–
Less:				
Income tax advance		**–**		209,891
Withholding tax balance in favor		**5,992**		30,701
ICA discount paid		**12**		70
VAT discount paid		**–**		595
Liabilities payable for income tax	**US$**	**178,851**	US$	167,117

(1) The difference between the provision for income tax and surtax and the provision for income tax of the year is recorded in the exchange difference gain (loss), net.

(2) The income tax for the taxable year 2019 is payable in 3 installments (In February, April and June 2020). As of March 31, 2020, the Company has a income tax payable corresponding to the balance as of December 31, less the amount paid in February. This balance will be canceled in accordance with the Decree 520 of April 6, 2020.

Income Tax Expense

The main elements of income tax expense for the three-month period ended March 31, 2020 and 2019, are as follows:

		March 31, 2020		March 31, 2019
		(Unaudited)		
Income tax				
Provision for income tax of the period (1)	**US$**	**111,689**	US$	114,841
ICA tax discount paid		**(14)**		–
Hedges		**43**		–
		111,718		114,841
Deferred tax				
Deferred income tax		**(37,377)**		4,872
Total income tax expense	**US$**	**74,341**	US$	119,713

15. Tax Liabilities (Assets) (continued)

Reconciliation of the Effective Tax Rate

The main elements of income tax expense for the three-month period ended March 31, 2020 and 2019, are as follows:

	Period from March 31, 2020		March 31, 2019	
	(Unaudited)			
	Values	Rates	Values	Rates
Accounting profit before tax	**US$319,200**	**–**	US$ 345,071	–
Income tax applying the Company's local tax rate	**102,144**	**32.00%**	113,873	33.00%
Non-deductible expenses (1)	**310**	**0.10%**	1,707	0.49%
Non-taxable revenues	**(2)**	**–**	(2)	–%
Conversion adjustments – dollar functional currency (2)	**(29,320)**	**(9.19%)**	3,505	1.02 %
Differential in rate – deferred tax	**1,180**	**0.37%**	630	0.18%
ICA tax discount	**(14)**	**–**	–	–
Hedges	**43**	**0.01%**	–	–
Tax profit before tax	**US$ 74,341**	**23.29%**	US$ 119,713	34.69%

1) Mainly composed of movements in portfolio allowances, inventory allowances, and asset write-offs.
2) In accordance with the concept CGN No.20162000000781 of 18 January 2016, of the General Accounts of the Nation and in application of the deferred tax recognition methodology, the conversion adjustment arising on monetary assets and liabilities generates a lower deferred tax expense and consequently a decrease in the effective tax rate. Therefore, the decrease in the conversion adjustment is due to the larger devaluation in the period January to March 2020, compared to the period January to March 2019.

Deferred Income Tax

Below is the detail of deferred tax assets and liabilities is the following:

	March 31, 2020		December 31, 2019	
	(Unaudited)			
Assets				
Accounts payable	**US$**	**41,829**	US$	13,616
Hedges		**23,860**		132
Provisions		**8,297**		15,161
Intangibles		**1,255**		878
Accounts receivable		**630**		1,281
Deferred tax asset	**US$**	**75,871**	US$	31,068
Liabilities				
Property, plant and equipment	**US$**	**(73,186)**	US$	(95,947)
Deferred tax liability		**(73,186)**		(95,947)
Net deferred tax	**US$**	**2,685**	US$	(64,879)

15. Tax Liabilities (Assets) (continued)

Deferred Income Tax (continued)

The net movement of deferred taxes during the period is the following:

	March 31, 2020 (Unaudited)		December 31, 2019	
Initial balance	**US$**	**(64,879)**	US$	(60,772)
Credit to statement of income (1)		**37,377**		150
Debit to other comprehensive income (2)		**19,193**		(7,077)
Translation adjustment		**10,994**		2,820
Ending balance	**US$**	**2,685**	US$	(64,879)

(1) The increase in this item is due to the effect of the adjustment in conversion of monetary assets and liabilities that generates the high devaluation of the peso against the dollar, resulting in a lower deferred tax expense.
(2) This variation is mainly due to the increase in the expected loss and/or decrease in the expected profit from hedging operations, which is due to a greater devaluation compared to the period of comparison. In addition, new coverage contracts have been concluded that are recognized in the Other Comprehensive Income. This results in a higher tax deferred asset with a balancing entry in the Other Comprehensive Income.

The net deferred income tax asset/liability recognized in other comprehensive income for the year ended March 31, 2020, is as follows.

	March 31, 2020		December 31, 2019	
Deferred asset – Hedge	**US$**	**19,193**	US$	(7,077)

The income and supplementary tax returns that are open for review by the Tax Authorities are as follows:

Term	Statement	Date of Submission
2015	Income Tax	Apr-21-2016
2016	Income Tax	Apr-24-2017
2016	CREE (i)	Apr-24-2017
2017	Income Tax	Apr-19-2018
2018	Income Tax	Apr-22-2019

Of the previous statements, the Tax Authority carried out an auditing process for the period 2015. From the process of reviewing the income tax and supplementary tax returns, no comments and/or adjustments are expected from the Tax Authorities that imply a higher tax payment.

The Firmness of Income Tax and Complementary Tax Returns

Prior to the issuance of Law 1819 of 2016, Article 714 of the Colombian Tax Code established the terms of firmness in 2 years. (General firmness: from the date of the period to declare, Late submission: from the date of submission, and Balance in favor: after the date of presentation of the request for refund or compensation).

15. Tax Liabilities (Assets) (continued)

The Firmness of Income Tax and Complementary Tax Returns (continued)

As of 2017 and with the entry into force of Law 1819 of 2016, the general term of firmness of the tax returns is 3 years from the date of its expiration or from the date of its presentation, when these have been presented extemporaneously. The term of firmness is 6 years when there are transfer pricing obligations.

For those statements in which balances are presented in favor, the term of firmness is 3 years, from the date of presentation of the request for refund or compensation.

For those tax returns where tax losses are offset, the firmness corresponds to the same period that the taxpayer has to offset it, that is, 12 years. This term extends from the date of compensation for 3 more years concerning the declaration in which the loss was liquidated.

From 2019 and with the entry into force of Law 1943 of 2018, the extension of the firmness of 3 additional years for compensation of tax losses is eliminated.

For the Company, the 2016 income tax return may be reviewed by the tax authority within 6 years from the date of filing, considering that for this period, Ocensa was subject to transfer pricing rules. Also, tax returns for the years 2017 and 2018 may be reviewed within the 3-year general firmness period. In the case that this occurs, as reported by the Administration, no significant differences are expected that would imply the modification of the liquidated tax, nor the imposition of sanctions that would lead to the recognition of contingencies in the financial statements.

On the other hand, the income tax return for the year 2015 is in the process of being discussed with the tax administration.

15.1. Other Taxes

		March 31, 2020 (Unaudited)		December 31, 2019
Transport tax (1)	**US$**	**11,371**	US$	7,084
Sales tax – VAT payable		**27**		67
Industry and commerce tax		**38**		14
Other taxes short term		**11,436**		7,165
Sales tax - VAT “Plan Vallejo”		**1,576**		1,557
Other taxes long term	**US$**	**1,576**	US$	1,557

(1) Transportation Tax

The related transportation tax represents the actual and estimated volumes of crude oil transported during the period in question plus the value of the payment pending cancellation to municipalities that, by order of the National Planning Department, order us to pay, the balance is classified as follows:

15.1. Other Taxes (continued)

		March 31, 2020 (Unaudited)		December 31, 2019
Estimated transport tax (1)	**US$**	**11,326**	US$	7,029
Accounts payable		**45**		55
	US$	**11,371**	US$	7,084

(1) The transportation tax presents an increase in March 2020 compared to the closing of December 2019, since the tax of 4°Q 2019 and 1°Q 2020 is pending payment in March.

15.2. Other Aspects

In accordance with Law 2010/2019 (Tax Reform) the tax provisions applicable in Colombia for the taxable year 2020 are the following:

Tax Rate:

- The income tax rate for the taxable year 2020 and the following:

Year	Standard Rate*	Rate Applicable to Financial Institutions**
2020	32%	36%
2021	31%	34%
2022 and subsequent	30%	33%

* The rate applied to domestic companies, permanent establishments, and foreign entities.
** Rate applied to financial institutions with taxable income equal to or greater than 120,000 UVT, as provided for in paragraph 7 included in Article 240 of the Colombian Tax Code.

- For the years 2019 and 2020, the applicable rate for purposes of calculating the income tax under the presumptive income system will be 1.5% and 0.5%, respectively, of the taxpayer's net worth from the immediately previous year. From 2021 the applicable rate will be 0%.

Normalization Tax

The normalization tax is extended for the year 2020, complementary to income tax and equity tax, in charge of income taxpayers who have omitted assets or non-existent liabilities. The applicable rate for this taxable period is 15%, and the independent tax return must be filed until September 25, 2020, which does not allow for correction or untimely filing, as in 2019, the applicable rate may be reduced to 50% when the taxpayer normalizes assets abroad and invests them intending to remain in the country.

15.2. Other Aspects (continued)

Sales Tax

In terms of sales tax, those elements (services or raw materials) on which the free zone user has already paid VAT were excluded from the base for determining VAT on imports of goods from the free zone. Article 491 of the Colombian Tax Code is revived, which expressly prohibits the possibility of taking as a deductible tax the VAT paid on the acquisition of fixed assets. Three days a year of VAT exemption are established for certain products, with limits depending on the units acquired.

Dividend Tax

The fee is 10% for resident citizens, illiquid estates, non-resident individuals and legal entities and permanent establishments. The rate applicable to national companies is 7.5% rate.

Tax on Equity

Law 1943 of 2018 created, beginning in 2019, the new equity tax, payable by individuals and illiquid successions with or without residence in the country and foreign companies and corporations that do not declare income in Colombia, and that own assets in Colombia, other than shares, accounts receivable, and portfolio investments. Neither shall they be subject to net equity tax foreign companies or local companies that do not file income tax returns and that subscribe financial leasing contracts with entities resident in Colombia. The generating fact was the possession on January 1, 2019, of a liquid patrimony equal to more than $5,000 million of pesos.

For the taxable years 2020 and 2021, the equity tax is maintained, for resident natural persons and non-resident natural and legal entities.

Audit Benefit

Law 1943 of 2018 established that taxpayers who, during the 2019 tax year, in their private income tax and supplementary tax liquidation, increase their net income tax by at least 30%, concerning the net income tax of the immediately preceding year, shall make their tax return firm within six (6) months from the date of its submission, if no notification has been made of the notice to correct or special requirement or emplacement notice or provisional liquidation, and provided that the tax return is submitted promptly and payment is made within the stipulated deadlines.

However, if the increase in the net income tax is at least 20%, in relation to the net income tax of the immediately preceding year, the return will become final within twelve (12) months from the filing of the tax return, if no notification has been made of the notice to correct or special requirement or emplacement notice or provisional liquidation, and provided that the tax return is submitted on time and payment is made within the stipulated deadlines.

The above benefit does not apply to: (i) taxpayers who enjoy tax benefits due to their location in a determined geographical area; (ii) when it is demonstrated that declared withholdings at source are non-existent; (iii) when the net income tax is less than 71 UVT (2020 is equivalent to $2.528.097). The term provided for in this rule does not extend to withholding tax returns or sales tax, which shall be regulated by the general rules.

16. Derivative Financial Instruments

	March 31, 2020		December 31, 2019	
	(Unaudited)			
Hedge Contracts	**US$**	**74,940**	US$	411

Correspond to the valuation of financial instruments deriving from Oleoducto Central S.A., whose purpose is to mitigate the volatility of the exchange rate on the cash flow required for Company's operations. The balances correspond to their fair value classified in the second level of hierarchy, calculated based on observable entries by using the methodology of forward points.

Taking into account that the Company's functional currency is the US dollar, any transaction in a currency other than the US dollar represents an exposure to the exchange rate risk for Company's performance. In order to mitigate the impact on cash flows that could be generated as a result of variations in rates of Colombian peso versus the US dollar, the management evaluates the exposure to this risk for the twelve (12) months moved forward subsequently and makes the decision to contract hedge instruments for the cash flow in pesos, within the framework established by the financial risk management policy.

The Company covers mainly the following risks:

- Up to 50% of its operating expenses. The main headings of operating expenses the Company is hedging are those related to personnel, leases, fees and services, insurance, maintenance and repairs, variable costs, which are denominated in Colombian pesos.

- Up to 100% of its tax payments. Tax headings being covered correspond to income tax and related taxes, and surcharge.

Forward hedge instruments being used allow setting the sales price in US dollars, which will offset the effect of devaluation or revaluation arising up to the time the Company monetizes resources necessary to cover its monthly or specific obligations on operating expenses and tax payments, which are payable in Colombian pesos. The nominal value of forward operations is US$447,602 (December 31, 2019 US$377,858). Taking into account that the Company seeks to minimize the exchange exposure for the twelve (12) future months, cash flows are expected to be made and payments of months from April 2020, to March, 2021 are expected to be covered.

The change in the net position of the hedges opened in the indicated periods, is due to the differences between the agreed rate in the hedges and the projected forward rate for the valuation of the derivative, so as of March 31st, 2020, the average value of the covered rate is US$3,420.15 / peso, being below the average projected forward rate, which is US$4,096.41. As of December 31st, 2019, the average value of the covered rate is US$3,304.44 / peso, being below the average projected forward rate, which is US$3,304.22.

The result of the amount recorded in "Other Comprehensive Income" – OCI at the reporting period cut-off amounts to US$58,773 net of tax US$40,087 at December 31, 2019 it amounts to (US$1,584) and net of taxes at that date of (US$1,077).

17. Other Liabilities

	March 31, 2020 (Unaudited)		December 31, 2019	
Revenues received in advance, short term	**US$**	**2,398**	US$	3,568
Revenues received in advance, long term		**755**		904
	US$	**3,153**	US$	4,472

Corresponds to the advance payment upon the capacity reserve of the pipeline, the recoveries of the ship or pay contract of P135 of the revenue received for indemnities and other advances received which are detailed below:

	March 31, 2020 (Unaudited)		December 31, 2019	
Gunvor Colombia CI S.A.S.	**US$**	**1,209**	US$	1,209
BP Products North América (1)		**1,084**		2,167
Vitol (2)		**397**		401
Others (3)		**183**		353
AIG Seguros Colombia S.A.		**140**		171
Chubb de Colombia Cía. de Seguros		**140**		171
	US$	**3,153**	US$	4,472

(1) It ceded the capacity reserve contract to BP Latin America LLC, Colombia branch. The variation is due to the amortization of the advance given in 2014 related to the capacity reserve, this amortization ends in june 2020.
(2) The variation is due to the amortization of volumes paid in the SoP mode.
(3) Corresponds to the decrease in port services.

18. Provisions and Contingencies

	Abandonment Costs (18.1)		Environmental Provisions (18.2)		Others (18.3)		Total	
At December 31, 2019	US$	47,370	US$	2,635	US$	2,135	US$	52,140
Additions		**–**		**–**		**539**		**539**
Uses		**–**		**–**		**(778)**		**(778)**
Financial cost *(Note 25)*		**360**		**–**		**–**		**360**
Update abandonment rate		**(14,838)**		**–**		**–**		**(14,838)**
Exchange difference		**(9,220)**		**(511)**		**(266)**		**(9,997)**
At March 31, 2020 (Unaudited)	**US$**	**23,672**	**US$**	**2,124**	**US$**	**1,630**	**US$**	**27,426**

Currents (18.3)		
At December 31, 2019	US$	2,135
At March 31, 2020 (Unaudited)	**US$**	**1,630**
Not currents (18.1 and 18.2)		
At December 31, 2019	US$	50,005
At March 31, 2020 (Unaudited)	**US$**	**25,796**

18.1. Abandonment Costs and Dismantling of Assets

The estimated liability for abandonment costs corresponds to the future obligation of the Company to restore the environmental conditions in a similar manner to those existing before the initiation of the projects or activities. Since these are long-term obligations, this liability is estimated by projecting the expected future cash flows and discounting at present value with a rate referenced to the financial obligations of the parent company, Ecopetrol S.A.

The actual discount rate reported by the parent company had no significant variation; it passed from 3.38% (December 2019 update) to US$5.33% (March 2020)

During the first quarter of 2020, a financial cost of US$ 360 was recorded, in the first quarter of 2019 it was US$387.

18.2. Environmental Provisions

Principally refers to obligations of environmental compensation for the use, exploitation or affectation of natural resources within the framework of environmental authorizations and the obligatory investment of not less than 1% for the use of water taken directly from natural sources by the terms of Law 99 of 1993, a paragraph of Article 43, concerning project P-135.

On December 22, 2016, the Ministry of the Environment and Sustainable Development issued Decree 2099, which reforms the Unique Regulatory Decree of the environment and sustainable development sector, Decree 1076 of 2015, regarding the forced investment of not less than 1% for the use of water taken directly from natural sources, and Decree 1120 of 29 June 2017, which amends points 3 and 4 of Article 2.2.9.3.1.17 of Decree 1076 of 2015.

On May 25, 2019, the Congress of the Republic enacted Law 1955 of 2019 (a rule of the National Development Plan 2018-2022), in which, through its article 321, it updated the value of the investment to no less than 1%, of projects under the jurisdiction of the National Environmental Licensing Authority - ANLA.

Currently, the Company has approved the investment plan of not less than 1% for file LAM318, within which is P-135 and for file LAM1226 (Interfield), by the following resolutions:

1. LAM318: Resolutions 00834 and Resolution 00294 of March 5, 2019 (the latter resolved the appeal for reversal submitted by the Company).

2. LAM1226: Resolutions 620 of 30 April 2018 and 00311 of 7 March 2019 (the latter resolved the appeal for reversal submitted by the Company).

Finally, the Company availed itself of Article 321 of Law 1955 of 2019 by filing Nos. 2019136051.-1-000 (LAM0318) and 2019136049-1-000 (LAM1226), dated September 10, 2019, are currently being evaluated by the ANLA. Ocensa advanced the contracting process to launch the execution of the investment in 2020 in the Banco of habitat of Meta managed by terraces and signed with the Autonomous Equity.

The value of the provision as of March 31, 2020, is US$2,124.

18.3. Other Provisions

Tecnitanques Ingenieros S.A.S. submitted an arbitration claim against Ocensa, in which it seeks a declaration that Ocensa must pay US$2,949, for the conclusion of the contract for the provision of services number 3802174 "For the engineering, procurement management, construction, and assembly, for the increase of crude oil storage capacity, at the Coveñas de Ocensa Terminal". Ocensa replied to the complaint on 16 December 2019, objecting to the claims and demanding the taking of evidence. On April 22, 2020, a conciliation session was held as part of the arbitration process, which ended without the possibility of reaching an agreement. The value provided by the administration of the contract as of March 31, 2020 is US$1,094

In 2017 Ocensa submitted a claim for nullity and reinstatement against the administrative acts issued by the Municipality of Puerto Boyacá in which it liquidated the tax on public lighting paid by the Company, corresponding to the period from October 2011 to December 2015. On 25 February 2020, the Boyaca Administrative Court handed down the first instance judgment rejecting Ocensa's claims. The Company appealed against the decision and requested to submit additional evidence. The value of the Company's provision as of 31 March 2020 is US$ 536.

18.4. Contingent Assets

The following is a detail of the contingency assets, whose entry of economic benefits to the Company is probable, but not practically certain:

- The Company submitted an action for nullity and reinstatement against the decision of the Port Authority to deny the request to return the excess in the payment of the surveillance charge paid in the year 2001. Ocensa calculated the amount of the refund at US$859 and considers that it proceeds under of Resolution 0457 of 2001 issued by the same Superintendence authority.

At the moment, it is pending that the sentence of the first instance is pronounced.

19. Equity

19.1. Subscribed and Paid-in Capital

Authorized capital is of 5,793,456 shares at a par value of COP$30,104.5434483 each; subscribed and paid 5,159,000, and subscribed and paid in capital being US$81,714.

For the first quarter of 2020, profit per share was US$47.46 (for the first quarter of 2019 it is US$43.68), that is taken from the net profit of the year of continued operations over the number of shares.

19.2. Equity Reserves

	March 31, 2020 (Unaudited)		December 31, 2019	
Legal reserve	**US$**	**7,736**	US$	7,736
Legal reserve 10% non-taxed		**33,122**		33,122
	US$	**40,858**	US$	40,858

19.2. Equity Reserves (continued)

Legal Reserve

The Colombian Code of Commerce establishes that it is mandatory to appropriate 10% of its net annual profits as a legal reserve until the balance thereof is equivalent to 50% of subscribed capital. This reserve may be used to offset losses or distribute them in the event of Company's liquidation.

19.3. Payment of Dividends

Below is the detail of distributed dividends:

	Decreed		Paid out (1)	
March 9, 2020 – profits from July 1 to December 31, 2019	**US$**	**408,476**	**US$**	**406,581**
March 12, 2019 – profits from July 1 to December 31, 2018	US$	355,823	US$	354,489

(1) Corresponds to the declared value less the taxes withheld.

19.4. Other Comprehensive Income

Includes the effects of the effective portion of cash flow hedging instruments, recognizing the effective portion of other integral results. The change in the fair value of the hedging instrument, which has been recognized in other integral results, will be reclassified to results when the hedged item affects results.

The Company seeks, through this hedging policy, to stabilize cash flows and mitigate the economic effects that may arise from fluctuations in market variables, in other words, the peso/dollar exchange rate.

The Company, established as a policy for recognition in other comprehensive income, evaluates the effectiveness of the hedge by reviewing that the hedged values do not exceed the exposure.

The methodology used to measure the effectiveness of the hedge is under the Value at Risk (VaR) methodology using the operating cash flow as an indicator.

This measurement is carried out by the use of Monte Carlo simulations, but other commonly accepted methodologies may be considered, which should allow

(1) Present the potential variations in the exchange rate pesos/dollars (COP/US$).
(2) Measure the impact of these movements on the Company's cash flow.
(3) Measure the impact of these movements on the Company's EBITDA (and/or net income if appropriate).

The specific model for measuring risk and its critical variables, as well as its amounts, will be evaluated monthly within the Audit and Financial Committee. When the hedge is no longer effective, hedge accounting shall cease.

Additionally, in other comprehensive income, a conversion adjustment is generated as a result of the application of the methodology for the calculation and recognition of deferred tax; which is calculated in pesos but recorded in dollars under the provisions issued by the General Accounting Office.

19.4. Other Comprehensive Income (continued)

	March 31, 2020 (Unaudited)		December 31, 2019	
Cash hedges (1)	**US$**	**(58,773)**	US$	1,584
Deferred tax		**18,686**		(507)
Deferred tax translation adjustment		**104,128**		93,134
	US$	**64,041**	US$	94,211

1) This variation is mainly due to the increase in the expected loss and/or decrease in the expected profit from hedging operations, which is due to a greater devaluation compared to the period of comparison. In addition, new coverage contracts have been concluded that are recognized in the Other Comprehensive Income.

20. Revenues from Ordinary Activities

	Three-month period ended March 31			
	2020		2019	
	(Unaudited)			
Hydrocarbons transportation service (1)	**US$**	**355,045**	US$	356,115
Other revenues (2)		**5,840**		7,595
Unloading service (3)		**2,069**		2,869
	US$	**362,954**	US$	366,579

(1) Refers to the shipping of oil from Cupiagua, to the exportation by the TLU-2 at the Coveñas terminal; the transportation service is billed for the barrels transported in each section of the pipeline at the rate set by the Ministry of Mines and Energy for each one and, for the Coveñas terminal the rate authorized by the Superintendency of Ports and Transportation. The average barrels of oil transported were 646,628 bpd for the first quarter of 20219 and 616,983 bpd for the first quarter of 2020. The reduced volumes represent the lower receipts for operational management by customers and for reduced days of reversal and non-operation of the Oleoducto Bicentenario due to the Caño Limón pipeline attack. Furthermore, since January 1, 2020, the Ship or pay transport contract increase was applied by the terms of Resolution 31 577 of August 2, 2018, of the Ministry of Mines and Energy.

(2) Refers to port services, dilution service, administrative and maintenance services. As of March 31, 2020, it includes US$903 (December 31, 2019, US$29,035) of revenues generated from construction services related to the port concession contract with ANI – National Infrastructure Authority.

(3) It refers to the unloading of oil or diluent in the unloading facilities located in the Cusiana station. The average barrels of oil unloaded were 57,134 bpd for the second half of 2019 and 46,509 bpd for the first quarter of 2020. The lower volumes are due to lower operational receipts from customers.

20. Revenues from Ordinary Activities (continued)

Customer Concentration

Revenues generated as a result of crude transportation activities are obtained by the following clients:

	Three-month period ended March 31			
	2020		**2019**	
	(Unaudited)			
Ecopetrol S.A.	**US$**	**294,624**	US$	283,235
Others minors		**43,797**		47,668
Frontera Energy Colombia Corp.		**24,533**		35,676
	US$	**362,954**	US$	366,579

The percentage of participation of related parties corresponds to approximately 83.67% for the first quarter of 2020 and 79.34% for the first quarter of 2019.

21. Cost of Sales

	Three-month period ended March 31			
	2020		**2019**	
Variable costs	**(Unaudited)**			
Gas	**US$**	**6,901**	US$	6,788
Fuels and lubricants		**6,051**		7,357
Friction reducer (1)		**3,433**		7,980
Electric power		**1,854**		2,328
	US$	**18,239**	US$	24,453
Fixed costs				
Depreciation (*Note 10*)	**US$**	**23,098**	US$	25,134
Operation and maintenance (2)		**12,716**		16,426
Amortization rights-of-use (*Note 12*)		**2,291**		1,483
Labor costs		**1,570**		1,826
Materials		**856**		930
Amortization concession (*Note 11*)		**696**		423
Taxes		**565**		220
Amortization gas transportation agreement (*Note 11)*		**70**		65
		41,862		46,507
	US$	**60,101**	US$	70,960

(1) The lower cost is the result of three aspects: the first is due to friction reducing particle efficiency (DRA), since after testing in conjunction with the business group and the contractor was found a more efficient and better performing molecule, generating less consumption in gallons, secondly, the contract was renegotiated, obtaining a lower rate and lastly and lastly, during the first quarter of 2020, 617 kbpd lower volumes were transported compared to the 646 kbpd transported during the first quarter of 2019.

(2) Includes short term and variable rental expenses.

22. Operations and Projects Expenses

	Three-month period ended March 31			
	2020		2019	
	(Unaudited)			
Fees and services	**US$**	**1,155**	US$	1,439
Insurance		**759**		703
Maintenance		**620**		613
Miscellaneous		**459**		399
Leases		**78**		79
	US$	**3,071**	US$	3,233

23. Administrative Expenses

	Three-month period ended March 31			
	2020		2019	
	(Unaudited)			
Labor expenses	**US$**	**4,406**	US$	4,668
Taxes		**561**		588
Amortization (*Note 11*)		**290**		40
Amortization rights-of-use (*Note 12*)		**212**		206
Depreciation (*Note 10*)		**84**		322
	US$	**5,553**	US$	5,824

24. Other Operating Income, net

	Three-month period ended March 31			
	2020		2019	
	(Unaudited)			
Others	**US$**	**89**	US$	473
Others arbitral award *(1)*		**–**		50,788
Compensation for claims		**80**		–
(Impairment) Recovery of accounts receivable		**(25)**		–
Loss on retirement of assets (*Note 10*)		**(1)**		(8,866)
	US$	**143**	US$	42,395

(1) Concerning the proceeding of the arbitration tribunal convened by Ocensa against Equion Energía Limited and Santiago Oil Company, in relation to negative balances that such companies record in the volumetric balances, on February 18, 2019 the Tribunal issued the arbitration award in which it declared, among others, that (i) Equion and Santiago are obliged to return to Ocensa the full line, (ii) Equion and Santiago breached in bad faith the transportation contracts by not knowing of the existence of the negative balance and refusing to return it and (iii) Equion and Santiago must pay Ocensa US$76,166 (US$50,788 principal plus US$24,769 interest and legal costs of US$609 by March 29, 2019. On March 26, 2019 Ocensa received payment from Equion and Santiago and recognized income as of March 31, 2019.

24. Other Operating Income, net (continued)

After the termination of the arbitration process and the receipt of payment by the defendants, on March 28, 2019 Equion and Santiago filed an extraordinary appeal for annulment against the arbitration award and on May 9, 2019 Ocensa filed a brief opposing the prosperity of this extraordinary appeal. The decision of the Council of State is currently pending against this extraordinary appeal. The probability of success of the annulment appeals is less than 50%. Additionally, on July 31, 2019 Equion and Santiago filed an action for protection against the arbitration award issued on February 18, 2019, alleging the violation of due process. Ocensa opposed the prosperity of the action of tutela and on August 30, 2019 the Council of State resolved to declare the action of tutela inadmissible. On September 3, 2019 Equion and Santiago filed a challenge against the ruling and on October 18, 2019 the Council of State decided to confirm the first instance decision.

25. Financial Result, Net

	Three-month period ended March 31			
	2020		2019	
	(Unaudited)			
Exchange difference gain, net	**US$**	**27,589**	US$	(4,848)
Monetization		**120**		(35)
Costs interest, net		**(1,978)**		(2,846)
Default interests (Note 24, numeral 1)		**–**		24,769
Financial expense abandonment		**(360)**		(387)
Financial expense rights of use		**(266)**		(249)
Financial Costs		**(43)**		(67)
Other financial expenses		**(234)**		(223)
	US$	**24,828**	US$	16,114

26. Risk Management

Because of its financial structure, the Company is directly exposed to exchange, interest rate credit and liquidity risks as shown below:

26.1. Exchange Rate Risk

Exchange rate risk management is based on the principle that the peso/dollar exchange rate experiences highly volatile and unpredictable changes. In this respect, the objective of the hedging strategies defined by the Company is to mitigate movements in these variables through the use of derivative instruments acquired in the financial markets.

Exchange rate risk refers to the economic effects resulting from fluctuations in the exchange rates to which the Company is exposed.

In the case of Oleoducto Central S.A., most of the revenues for services rendered are accounted for and collected in U.S. dollars while, as a Company operating in Colombia, some of its expenses and all of its tax obligations are paid in Colombian pesos. Therefore, the Company's cash flows are exposed to fluctuations in the Colombian peso/US dollar exchange rate.

26.1. Exchange Rate Risk (continued)

For this purpose, Ocensa carries out hedging operations through the contracting of derivative instruments, mainly forwards, whose purpose is to mitigate the effects of the movement in the peso/dollar exchange rate in relation to the budget for expenses in pesos and tax obligations with a timeframe of no more than one year.

With the cut-off date of March 31, the nominal value of the current exchange rate hedge portfolio was US$447,602

This represents an increase of 18.46% of the portfolio's nominal value with relation to the value as of December 31, 2019, which was US$377,858; this change is mainly explained by the coverage of taxes payable in the years 2020 and 2021.

The exchange rate of the Colombian peso/US dollar was devaluated by 24.035% from January 1 to March 31, 2020, resulting in an exchange rate of 4,064.81 per US$1 regarding to the rate registered to December 31, 2019, of 3,277.14 per US$1.

The following is the effect that a variation of 1% and 5% in the exchange rate of Colombian pesos vs. United States dollar, related to the exposure of financial assets and liabilities in foreign currency as of March 31, 2020.

Scenario/ Variation in the TRM	Effect on Results Before Taxes (+/–) March 31, 2020		March 31, 2019	
	(Unaudited)			
1%	**US$**	**2,187**	US$	$1,193
5%	**US$**	**10,519**	US$	5,739

For the calculation of the effect on results before taxes, the rate of the March 31, 2020, equivalent to $4,064.81 per US$1.

The sensitivity analysis only includes monetary assets and liabilities in foreign currency at the close date, as shown below, in COP$ million:

	Three-Month period Ended March 31 (Unaudited) 2020		2019	
Cash and cash equivalents	**COP$**	**94,013**	COP$	321,026
Trade debtors and other accounts receivable, net		**56,427**		44,969
Other assets		**14**		2,404
Active position		**150,454**		368,399

26.1. Exchange Rate Risk (continued)

	Three-Month period Ended March 31 (Unaudited)	
	2020	**2019**
Tax liabilities	**(773,527)**	(454,997)
Trade accounts and other accounts payable	**(129,403)**	(122,760)
Provisions	**(111,483)**	(148,159)
Debt and loans bearing interest	**(32,690)**	(23,812)
Others payables	**(1,265)**	(1,263)
Passive position	**(1,048,368)**	(750,991)
Net passive position	**COP$ (897,914)**	COP$ (382,592)

26.2 Credit Risk

Credit risk is the risk that the Company acquires as a result of unfulfillment with the obligations of clients, financial institutions with which investments are made or counterparties with which instruments are contracted derivatives.

Oleoducto Central S.A. constantly monitors the credit ratings issued by risk rating companies for financial institutions with which investments are made or derivative instruments are traded, in order to ensure that these companies meet the minimum rating defined by the Company.

For the portfolio that is considered impaired, an individual analysis is carried out that allows to see the situation of each client and thus define the provisions to that place. The Company carries out the administrative and legal actions necessary to recover the due accounts receivable, as well as the recognition of interest of clients that do not comply with the payment policies.

26.3. Liquidity Risk

The National Planning Department, as evidenced in its official letter number SC-20134380757471 of October 15, 2013, issued a favorable opinion for the Company to enter into public credit operations upon the international issue of a bond in United States dollars for up to US$1,000,000, with 100% of possibility to reopen the rest of the amount in order to finance Capex needs of new projects.

Based on this favorable opinion, by means of Resolution number 4254 of December 12, 2013, the Ministry of Finance and Public Credit authorized the Company to negotiate the issue and placement of bonds in the international capital market for up to one thousand million United States dollars (US$1,000,000) in order to finance investment needs of future expansion projects.

By means of Resolution 1369 of April 29, 2014, the Ministry of Finance and Public Credit authorized the Company to subscribe, issue and place External Public Debt Bonds, under Rule 144 A / S Registration of the United States of America Securities Act, in international capital markets for up to US$500,000 in order to finance the needs of investment of future expansion projects (Potency 135 and Warming). This provides the Company with the possibility to reopen the rest of the amount, given that Company's financing needs require them and that capital market conditions are favorable.

26.3. Liquidity Risk (continued)

The liquidity risk is managed as of the application of the Merton Miller and Daniel Orr model, which is an induction model of random generation for daily changes in the cash balance, in order to establish the minimum cash levels required to take care of the organization liquidity requirements, including its debt service commitments.

The main purpose of the internal procedures is to guarantee enough liquidity levels to comply with the Company's financial commitments within its timetable of maturities, as well as the main instruments for their measurement and follow-up. Such instruments are: Weekly report of the treasury command bulletin board, monthly cash flow, and analysis of the annual mobile average of the cash flow foresight.

The Company has a policy to manage liquidity surpluses. Such policy provides criteria, guidelines and directives for the efficient and safe administration of liquidity surpluses, and establishes limits of exposure per counterparty. At present, the counterparty limit of risk exposure is limited to the higher of the following parameters: A maximum amount of US$150 million by the counterparty, or if the cash balance falls below such amount, it should be divided at least into three counterparties that meet the minimum rating permitted.

In the event issuer and issue limits established herein are exceeded, the portfolio administrator will have 45 calendar days to take the measures necessary to adjust to such limits.

The credit quality of issuers, assets and counterparties of operations are as follows:

Minimum permitted rating:

Foreign Financial Entities

Rating Entity	Short-Term Rating	Long-Term Rating
Standard & Poor's	A-1	A+
Moody's Investors Service	P-1	A1
Fitch Ratings	F-1	A+

Local Financial Entities

Rating Entity	Short-Term Rating	Long-Term Rating
Fitch Ratings	F1+	AAA
BRC Investor Services	BRC 1+	AAA

As of 2018, with the development of the Ocensa Counterparty Risk procedure, a set of rules and periodic reviews were established for customers and people who have a business relationship with the company. The document aims to define and describe the counterparty risk assessment guidelines applied in the Company.

It refers specifically to the activities that Ocensa will carry out for the risk management of counterparty risk controls carried out on the company's clients, in order to minimize, mitigate, and manage the uncertainty generated by possible breaches of payment obligations emanated from contracts that generate income. The aspects analyzed include portfolio analysis, review of restrictive lists, risk ratings, financial analysis and collects the multiple controls that exist in the Transporter's Manual and the provisions established in the pre-contractual stage. The document includes the inclusion of those who are interested in contracting with Ocensa and is input for the processes of the risk and accounting areas.

26.4. Interest Rate Risk

Oleoducto Central S.A. issued a bond in the international market at a notional amount of US$500 million in 2014. A defined fixed interest rate of 4% was used in such issue; therefore, there is no risk of interest rate.

26.5. Capital Management

The main objective of the Company's capital management is to ensure a financial structure that optimizes the cost of capital, maximizes the yield of its shareholders, and allow access to financial markets at a competitive cost in order to cover its financing needs.

Below is the indebtedness ratio of periods reported:

	March 31, 2020 (Unaudited)		December 31 2019	
Cash and cash equivalents *(Note 6)*	**US$**	**243,024**	US$	441,076
Loans *(Note 13)*		**520,161**		513,472
Net financial debt	**US$**	**277,137**	US$	72,396
Equity *(Note 20)*	**US$**	**1,068,084**	US$	1,261,871
Leverage (1)		**20.60%**		5.43%

(1) Net Financial Debt / (Net Financial Debt + Equity)

27. Related Parties

The main transactions between related parties during the periods indicated are detailed below:

	Period from January 1 to March 31, 2020 (Unaudited)						
	Transport Revenues Hydrocarbons	**Unloading Services Revenue**	**Revenue Service Dilution**	**Revenue of administrative Services**	**Revenues for services Operation and Maintenance**	**Purchase of Products and Services**	**Total**
Ecopetrol S.A.	**US$ 293,557**	**US$ 1,049**	**US$ –**	**US$ –**	**US$ 18**	**US$ (2,006)**	**US$ 292,618**
Cenit Transporte y Logística de Hidrocarburos S.A.S.	**–**	**–**	**–**	**3**	**–**	**(208)**	**(205)**
Hocol S.A	**7,895**	**–**	**–**	**–**	**–**	**–**	**7,895**
Oleoducto de Colombia S.A.	**–**	**–**	**–**	**4**	**–**	**(247)**	**(243)**
Oleoducto de Los Llanos Orientales	**–**	**–**	**833**	**–**	**76**	**–**	**909**
Oleoducto Bicentenario de Colombia S.A.S.	**–**	**–**	**–**	**2**	**262**	**–**	**264**
	US$ 301,452	**US$ 1,049**	**US$ 833**	**US$ 9**	**US$ 356**	**US$ (2,461)**	**US$ 301,238**

	Period from January 1 to March 31, 2019(Unaudited)						
	Transport Revenues Hydrocarbons	**Unloading Services revenue**	**Revenue Service Dilution**	**Revenue of administrative Services**	**Revenues for services Operation and Maintenance**	**Purchase of Products and Services**	**Total**
Ecopetrol S.A.	US$ 282,301	US$ 833	US$ –	US$ –	US$ 101	US$ (2,788)	US$ 280,447
Cenit Transporte y Logística de Hidrocarburos S.A.S.	–	–	–	–	–	(138)	(138)
Hocol S.A.	6,168	–	–	–	–	–	6,168
Oleoducto de Colombia S.A.	–	–	–	–	–	(330)	(330)
Oleoducto de Los Llanos Orientales	–	–	1,072	–	65	–	1,137
Oleoducto Bicentenario de Colombia S.A.S.	–	–	–	–	311	–	311
	US$ 288,469	US$ 833	US$ 1,072	US$ -	US$ 477	US$ (3,256)	US$ 287,595

27.Related Parties (continued)

The most representative balances with related entities at March 31, 2020, and December 31, 2019 are included in accounts receivable and accounts payable, as follows:

	March 31, 2020 (Unaudited)		December 31, 2019	
Accounts receivable				
Ecopetrol S.A.	**US$**	**102,885**	US$	123,499
Oleoducto de Los Llanos Orientales S.A.		**591**		698
Cenit Transporte y Logística de Hidrocarburos S.A.S.		**159**		140
Oleoducto Bicentenario de Colombia S.A.S.		**325**		426
Oleoducto de Colombia S.A.		**127**		292
Hocol S.A.		**2,803**		2,589
	US$	**106,890**	US$	127,644
Accounts payable				
Ecopetrol S.A.	**US$**	**2,450**	US$	7,564
Cenit Transporte y Logística de Hidrocarburos S.A.S.		**257**		209
Oleoducto Bicentenario de Colombia S.A.S.		**125**		448
Oleoducto de Colombia S.A.		**277**		203
	US$	**3,109**	US$	8,424

Outstanding amounts are not guaranteed and will be settled in cash. No guarantees have been granted or received. No expense has been recognized in the current period or in prior periods concerning uncollectable or bad debts related to amounts due by related parties.

Trade purchases and sales transactions of goods and services, concerning the development of the Company's corporate purpose, with related parties are made under general market prices and conditions.

28. Subsequent Events

There have been no subsequent events affecting the figures in the financial statements as of March 31, 2020.

As of today, due to the conjuncture of the COVID-19 it has not generated any impacts on the Financial Statements as of March 31, 2020. However, as a result of the COVID-19 pandemic and measures put in place to slow its spread, including the imposition of quarantines and medical screenings, travel restrictions and the suspension of many economic activities, we expect to continue a substantial uncertainty in macroeconomic conditions regarding crude prices, crude oil production, and demand of related products.

The principal effect has been in a significant drop in the Brent crude oil price, with Brent crude reaching a low of US$22.70/bbl on March 31, 2020. This drop has affected exploration and production ("E&P"), companies, such as our main customer, Ecopetrol, that operate in the areas we serve. Many of them, including Ecopetrol, have had to cut production in order to protect the cash flow and profitability of their operations. Likewise, the companies believe the current tariffs are a non-manageable cost that may represent up to 45% of a producer's total costs of operations, which may pressure these companies to lower production and renegotiate transport tariffs given low oil prices as well as the effects of the COVID-19 pandemic.

28. Subsequent Events (continued)

In response to the situation, Ocensa is working on the following actions:

- Efficiency plan which focuses on savings in expenses and on capital investments
- The volume discounts were removed, and the temporary payment agreements were modified to instead permit shippers to defer up to the 50% of their agreed tariff payment for an initial period of six months. This six-month deferral consists of a grace period, following which period customers' tariff deferral may be extended for up to an additional four months, subject to an interest charge. We are also evaluating temporary changes on our current transportation agreements on a case-by-case basis, including by approving temporary downward adjustments to the contracted volume of certain of our customers.

At this time, we cannot forecast the duration of the effects of COVID-19 on our business. In addition, while the price of crude oil has been increasing since the recent Brent price of U.S.$22.70 per barrel on March 31, 2020 and we would expect crude oil production to follow that trend, The future business results and expectations will be affected by the extent and duration of these conditions and the effectiveness of responsive actions taken.

Furthermore, the Company will be monitoring the impairment indicators of long-term assets, performing quantitative analyses when it is necessary to do so.

FINANCIAL STATEMENTS

Oleoducto Central S.A.

Years ended December 31, 2019 and 2018
with Independent Auditor's Report

Independent Auditor's Report

To the Shareholders of:
Oleoducto Central S.A.

Opinion

I have audited the attached financial statements of Oleoducto Central S.A., which include the financial statement of financial position as of December 31st, 2019 and the corresponding statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the summary of significant accounting policies and other explanatory notes.

In my opinion, the attached financial statements, taken from the accounting records, reasonably present, in all important aspects, the financial position of the Company as of December 31st, 2019, its results of operations and cash flows for the year then ended, in accordance with Accounting and Financial Reporting Standards accepted in Colombia and the statements of the National Accounting Office (Contaduría General de la Nación) for Government entities.

Basis of Opinion

I have conducted my audit in accordance with International Standards on Auditing adopted in Colombia. My responsibilities in complying with these standards are described in the Auditor's Responsibilities in the Audit of Financial Statements section of this report. I am independent of the Company, in accordance with the Code of Ethics Manual for accounting professionals and the ethical requirements relevant to my audit of financial statements in Colombia, and have complied with all other applicable ethical responsibilities. I consider that the audit evidence obtained is sufficient and appropriate to substantiate my opinion.

Management´s Responsibilities and of those Responsible for the Governance of the Entity for the Preparation of Financial Statements

Management is responsible for the proper preparation and correct presentation of the financial statements in accordance with Accounting and Financial Reporting Standards accepted in Colombia ; for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; for the selection and application of appropriate accounting policies; and for establishing accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, management is responsible for evaluating the ability of the Company to continue as a going concern, disclosing, as appropriate, matters that could impact the use of the going concern basis of accounting, unless management intends to liquidate the Company or cease its operations, or has no other realistic alternative to doing so.
The entity's government officials are responsible for overseeing the Company's financial reporting process.

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Auditor's Responsibilities in Auditing Financial Statements

My goal is to obtain reasonable assurance as to whether the financial statements taken as a whole are free from material misstatements, either due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with International Standards on Auditing adopted in Colombia will always detect a material misstatement where it exists. Misstatements may arise due to fraud or error and are considered material if, either individually or in aggregate, they could be reasonably expected to influence the economic decisions that users make based on the financial statements.

As part of an audit in accordance with the International Standards on Auditing adopted in Colombia, I must exercise my professional judgment and maintain my professional skepticism throughout the audit, in addition to:

- Identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, design and execute audit procedures that respond to those risks and obtain audit evidence that is sufficient and appropriate for substantiating my opinion. The risk of not detecting a material misstatement due to fraud is more significant than that resulting from an error, as fraud may involve collusion, forgery, intentional omissions, false statements, or override of the internal control system.
- Obtain an understanding of the internal control relevant to the preparation of the company´s financial statements, and to design audit procedures that are appropriate in the circumstances.
- Evaluate the accounting policies used, the reasonableness of the accounting estimates, and the respective disclosures made by Management.
- Conclude on whether it is appropriate for Management to use the going concern basis of accounting base and, based on the audit evidence obtained, whether there is material uncertainty related to events or conditions that may generate significant doubts about the Company's ability to continue as a going concern. If I conclude that there is significant uncertainty, I must draw attention in the auditor's report on the related disclosures included in the financial statements, or, if such disclosures are inappropriate, change my opinion. The auditor's findings are based on the audit evidence obtained to date from my report; however, subsequent events or conditions may cause an entity to be unable to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves reasonable presentation

I communicated to those charged with governance of the entity, among other matters, the planned scope and timing of the audit, the significant findings as well as any significant deficiencies in the internal control identified during the audit.

Other Issues

The financial statements under Accounting and Financial Reporting Standards accepted in Colombia of Oleoducto Central S.A. as of December 31th, 2018, which are part of the comparative information on the attached financial statements, were audited by me in accordance with International Standards on Auditing adopted in Colombia, on which I expressed an unqualified opinion on June 22, 2020.

Daniel Alejandro Tortorella
Independent Auditor
Professional Card 232998-T
Designated by Ernst & Young Audit S.A.S. TR-530

Bogotá, Colombia
June 22, 2020

Oleoducto Central S.A.

Statements of Financial Position

	Notes	December 31, 2019		December 31, 2018	
		(In thousands of US dollars)			
Assets					
Current assets					
Cash and cash equivalents	7	**US$**	**441,076**	US$	239,422
Trade debtors and other accounts receivable, net	8		**150,570**		169,637
Inventories	9		**38,228**		24,443
Other assets	10		**3,176**		3,089
			633,050		436,591
Non-current assets					
Trade debtors and other accounts receivable, net	8		**2,697**		3,321
Other non-financial assets	10		**620**		743
Property, plant and equipment, net	11		**1,486,615**		1,551,334
Intangibles, net	12		**53,944**		23,770
Rights-of-use	13		**11,642**		–
			1,555,518		1,579,168
Total assets		**US$**	**2,188,568**	US$	2,015,759
Liabilities and equity					
Current liabilities					
Debts and loans bearing interest	14	**US$**	**23,953**	US$	20,000
Trade accounts and other accounts payable	15		**111,084**		72,686
Tax current	16		**174,282**		105,080
Derivative financial instruments	17		**411**		25,403
Other liabilities	18		**3,568**		4,751
Provisions and contingencies	19		**2,135**		1,368
			315,433		229,288
Non-current liabilities					
Debts and loans bearing interest	14		**489,519**		480,979
Trade accounts and other accounts payable	15		**4,400**		4,621
Tax liabilities	16		**1,557**		923
Deferred tax liabilities	16		**64,879**		60,772
Other liabilities	18		**904**		3,376
Provisions and contingencies	19		**50,005**		43,827
			611,264		594,498
Total liabilities		**US$**	**926,697**	US$	823,786
Equity	20				
Subscribed and paid-in capital		**US$**	**81,714**	US$	81,714
Legal reserve			**40,858**		40,858
Accumulated profits			**1,045,088**		992,435
Other comprehensive income			**94,211**		76,966
Total equity			**1,261,871**		1,191,973
Total liabilities and equity		**US$**	**2,188,568**	US$	2,015,759

See accompanying notes.

Oleoducto Central S.A.

Statement of Income and Comprehensive Income

	Notes	December 31, 2019	December 31, 2018
		(In thousands of US dollars, except net profit per share)	
Continued operations			
Revenues from ordinary activities	21	**US$ 1,556,413**	US$ 1,400,660
Cost of sales	22	**(326,568)**	(296,597)
Gross profit		**1,229,845**	1,104,063
Operations and project expenses	23	**(16,302)**	(16,796)
Administrative expenses	24	**(23,584)**	(23,673)
Other operating income (expenses), net	25	**41,683**	(2,500)
Operating profit		**1,231,642**	1,061,094
Financial costs, net	26	**(6,097)**	(8,709)
Profit before income tax		**1,225,545**	1,052,385
Income tax expense	16	**(413,589)**	(382,633)
Net profit of the year		**US$ 811,956**	US$ 669,752
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss (net of tax)			
Gain (Loss) from hedges of cash flow, net of taxes		**US$ 14,425**	US$ (16,550)
Items that will not be reclassified to profit or loss Effect on currency translation			
Gain from exchange difference in translation		**2,820**	9,137
		17,245	(7,413)
Total net comprehensive income of the year		**US$ 829,201**	US$ 662,339
Net profit of the period per share		**US$ 157.39**	US$ 129.82

See accompanying notes.

Oleoducto Central S.A.

Statements of Changes in Shareholders' Equity

	Subscribed and Paid-in Capital	Legal Reserve	Other Comprehensive Income	Accumulated Profits	Total Equity
At December 31, 2017	US$ 81,714	US$ 40,858	US$ 84,379	US$ 928,263	US$ 1,135,214
Distribution of dividends	–	–	–	(605,580)	(605,580)
Net profit of the year	–	–	–	669,752	669,752
Other comprehensive income					
Net loss from hedges of cash flow, net of taxes	–	–	(16,550)	–	(16,550)
Net gain from exchange difference in translation	–	–	9,137	–	9,137
At December 31, 2018	81,714	40,858	76,966	992,435	1,191,973
Distribution of dividends	**–**	**–**	**–**	**(759,303)**	**(759,303)**
Net profit of the year	**–**	**–**	**–**	**811,956**	**811,956**
Other comprehensive income					
Net loss from hedges of cash flow, net of taxes	**–**	**–**	**14,425**	**–**	**14,425**
Net gain from exchange difference in translation	**–**	**–**	**2,820**	**–**	**2,820**
At December 31, 2019	**US$ 81,714**	**US$ 40,858**	**US$ 94,211**	**US$ 1,045,088**	**US$ 1,261,871**

See accompanying notes.

Oleoducto Central S.A.

Statements of Cash Flows

	December 31, 2019		December 31, 2018	
	(In thousands of US dollars)			
Operating activities				
Net profit of the year	**US$**	**811,956**	US$	669,752
Adjustments to reconcile net profit of the year with net cash flows provided from operating activities:				
Depreciation of property, plant and equipment		**102,661**		103,633
Consumption of materials and spare parts		**4,645**		38,608
Impairment accounts receivable		**7**		–
Loss on disposal of property, plant and equipment		**11,875**		1,606
Loss on sale of non-current assets held for sale		**–**		139
Amortization of intangible assets		**4,217**		1,140
Amortization Rights-of-use		**8,760**		–
Additions (recovery) provision and contingencies		**778**		(47,090)
Deferred taxes, net		**(150)**		(4,052)
Income tax expense		**413,739**		386,685
Financial income		**(32,540)**		(4,841)
Financial costs		**23,272**		22,454
Loss (Gain) from exchange difference		**14,319**		(8,926)
Changes in operating assets and liabilities				
Decrease of trade debtors and other accounts receivable		**19,545**		26,948
Decrease of other assets		**111**		1,588
(Increase) inventories		**(14,264)**		(1,633)
Increase (decrease) of trade accounts and other accounts payable		**30,714**		(13,232)
(Decrease) increase tax liabilities		**(9,307)**		16,006
(Decrease) increase derivative financial instruments, net		**(3,489)**		8,933
Decrease of income received in advance		**(3,650)**		(6,265)
Interest received		**32,540**		4,841
Income tax paid		**(349,088)**		(463,666)
Cash provided from operating activities		**1,066,651**		732,628
Investing activities				
Acquisition of property, plant and equipment		**(48,319)**		(94,219)
Acquisition of intangibles		**(32,704)**		(9,207)
Proceeds from sale of assets held for sale		**–**		374
Cash used in investing activities		**(81,023)**		(103,052)
Cash used in financing activities				
Payments of liabilities from financial leasing		**(7,868)**		(83)
Interest paid		**(21,735)**		(20,000)
Dividends paid		**(756,455)**		(604,506)
Cash used in financing activities		**(786,058)**		(624,589)
Net Increase of cash and cash equivalents		**199,570**		4,987
Effect of the variation in exchange rates on cash and cash equivalents maintained in foreign currency		**2,084**		(1,921)
Cash and cash equivalents at the beginning of the period		**239,422**		236,356
Cash and cash equivalents at end the year	**US$**	**441,076**	US$	239,422

See accompanying notes.

Oleoducto Central S.A.

Notes to Financial Statements

For the years ended December 31, 2019 and 2018
(All amounts are expressed in thousands of dollars, except foreign currency amounts, exchange rates and the par value of the share).

1. Corporate Information

Oleoducto Central S.A. (hereinafter Ocensa or the Company) is a mixed economy company incorporated under the laws of Colombia, by means of public deed No. 4747 dated December 14, 1994 of Notary 38 of the Circle of Bogotá D.C, with a term of office until December 31, 2093 and whose corporate purpose includes designing, constructing, operating, managing, commercially exploiting and owning an oil transportation system (pipeline) for public use and related facilities, without any limitation, whose starting point is located at the Cusiana and Cupiagua stations, department of Casanare, and whose final point is located at the Coveñas port of embarkation located in the jurisdiction of the municipalities of San Antero, department of Córdoba and Coveñas, department of Sucre; as well as to design, build, operate and manage ports or maritime oil terminals and to provide, directly or indirectly, services related to port operations, especially storage, land and maritime handling, transportation and loading of crude oil and to provide other services related to the activity of transporting crude oil by pipeline.

The pipeline consists of nine pumping or booster stations, a pressure reducing station, a marine terminal, 836 kilometers of pipeline on land and 12 kilometers at sea, two bases for the coordination of maintenance activities and a control center. To carry out the transport operation, there is a communication system that allows total control of the operation through instruments located along the pipeline and in the stations. This allows for the control of the availability of the crude oil, its location and the verification of the commitments in crude oil transportation. The address of the main office of Oleoducto Central S.A., is Bogotá - Colombia. Ecopetrol is the parent company and exercises control over the Company through Cenit Transporte y Logística de Hidrocarburos S.A.S.

2. Basis of Preparation and presentation.

2.1. Statement of Compliance and Authorization of the Financial Statements

The Company’s financial statements have been prepared in accordance with the Accounting and Financial Information Standards Accepted in Colombia (NCIF), based on International Financial Reporting Standards (IFRS), together with their interpretations, conceptual reference framework, conclusion bases and application guidelines authorized and issued by the International Accounting Standards Board (IASB) as established by decree 2615 of December 17, 2014, decree 2420 of December 14, 2015, amended by decree 2496 of December 23, 2015; and decree 2131 of 2016, 2170 of 2017 and 2483 of 2018; and other legal provisions applicable to entities supervised and/or controlled by the Superintendence of Corporations, and by the National Accounting Office (Contaduría General de la Nación) that may differ in certain aspects from those established by other State control bodies.

The accounting policies described in Note 4 have been consistently applied.

The Financial Statements as of December 31, 2018, were prepared by Management and were approved by the Company's directors on June 18, 2020

2.2. Basis of Measurement

The Company's financial statements have been prepared based on the historical cost, except for the accompanying financial assets and liabilities at fair value with changes in results and/or changes in other comprehensive income, that are valued at their fair value at each period closing, as explained in the accounting policies included hereinafter.

In general, the historical cost is based on the fair value of the valuable consideration granted in lieu of assets and services. Fair value is the price that would be received upon selling an asset or paid upon transferring a liability in an ordered transaction between market participants at the measurement date. Upon estimating the fair value, the Company uses the assumptions that market participants would use upon setting the price of the asset or liability in present market conditions, including assumptions on the risk.

2.3. Functional and Presentation Currency

Items included in these financial statements are initially valued in the functional currency which is the U.S. dollar, that is the currency of the main the Company operates in and in addition the one in which it regularly generates and uses cash. The presentation currency is the U.S. dollar.

2.4. Foreign Currency

Upon preparing the financial statements, transactions in a currency other than the Company's functional currency are recorded using current exchange rates on the dates operations take place. At the end of each period, monetary items in foreign currency are translated at current exchange rates in force on that date and variations arising in the translation are recognized in the net financial result, except those resulting from hedging instruments of cash flows, which are recognized in other comprehensive income, within equity. When the hedged items affect results, exchange differences accumulated in equity are reclassified to the statement of profits and losses as part of the operation result.

Non-monetary items recorded at fair value, denominated in foreign currency, are translated at the exchange rate in force on the date the fair value was determined.

Profits and losses from exchange differences related to loans, and cash and cash equivalents are presented in the income statement account in line entitled "Financial income or financial expense." Remaining losses and gains from exchange differences are presented as exchange difference.

2.5. Classification of Assets and Liabilities as Current and non-Current

The Company presents assets and liabilities in the statement of financial position based on its current or non-current classification. An asset is current when:

- It is estimated that it will be cancelled or the expectation is that it will be sold or consumed in the normal operating cycle of the business.
- It is mainly maintained for purposes of being negotiated.
- The expectation is that it will be realized within twelve months following the reporting date; or,

2.5. Classification of Assets and Liabilities as Current and Non-Current (continued)

- It is cash or cash equivalent unless it is restricted to be exchanged or used to pay a liability for at least twelve months from the reporting date.

All other liabilities are classified as non-current.

A liability is current when:

- It is estimated that it will be settled in the normal operating cycle of the business.
- It is maintained mainly in order to be negotiated.
- It is expected that it will be cancelled within the twelve months subsequent to the reporting date; or,
- There is no unconditional right to defer the payment of the liability for a least twelve months subsequent to the reporting date.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.6. Accounting Period

According to its bylaws, the Company prepares statutory financial statements for six-month periods ending June 30 and December 31 of each year. The financial statements as of and for the years ended December 31, 2019 and are special purpose and have been prepared solely to support the intended bonds issuance by the Company in the international capital markets. As a result, these financial statements may not be suitable for other purposes.

2.7. Net Profit per Share

The profit per share stated in approximated vs dollars' equivalents, is calculated upon dividing the net profit of the period attributable to shareholders by using the weighted average of outstanding ordinary shares during the period. There were no transactions with ordinary shares from the date of the period being reported to the issue date of these financial statements.

3. Judgments, Estimates, and Significant Accounting Assumptions

The Company's preparation of the financial statements requires that the Company's Management make judgments, estimates and assumptions to quantify some of the assets, liabilities, income, expenses and commitments recognized in the financial statements and their disclosures. These estimates have been made based on the best available information on the facts analyzed, management experience and other factors. Uncertainty about assumptions and estimates could result in future material changes that affect the value of assets or liabilities. Changes to these estimates are recognized prospectively in the period in which the estimate is revised.

In the process of applying accounting policies, Management has made the following judgments and estimates, which have had the most significant effect on the amounts recognized in the financial statements:

3.1. Impairment (Recovery) of Long-Lived Assets

At the end of each period being reported, the Company evaluates the carrying values of its long-lived assets (tangible and intangible assets) to determine if an indication exists that these amounts have suffered any impairment loss. In such case, the recoverable amount of the asset is calculated to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company calculates the recoverable amount of a cash generator unit the asset belongs to. When a reasonable and consistent distribution base is identified, common assets are also assigned to the individual cash generator units, or distributed to the smallest group of cash generator units for which a reasonable and consistent distribution base may be identified.

The recoverable amount is the higher between the fair value less costs of disposal and the value in use. Upon estimating the value in use, future estimated cash flows are discounted from the current value by using a discount rate before taxes which reflects the current market valuations in respect to the temporary value of money and the specific risks of the asset for which the estimates of future cash flows have not been adjusted.

If the calculated recoverable amount of an asset (or cash generating unit) is lower than its carrying value, the carrying value of the asset (or cash generating unit) is reduced to its recoverable amount. Impairment loses are recognized immediately in the statement of income, except if the asset is recorded at a revalued amount, in which case, the impairment loss should be considered as a decrease in the revaluation.

When a loss from impairment is subsequently reversed, the carrying value (or cash generating unit) increases to the reviewed estimated value of its recoverable amount, so that the increased carrying value does not exceed the carrying value that had been calculated if the impairment value had not been recognized for such asset (or cash generating unit) in prior years. The reversal of a loss from impairment is recognized automatically in the statement of income.

3.2. Abandonment of Pipelines, Equipment and Other Facilities

In accordance with environmental and oil regulations, the Company must recognize costs on the abandonment of its property, plant and equipment, which include abandonment of the pipeline, dismantling of facilities and environmental recovery of affected areas.

A provision that covers dismantling costs and service retirement has been recognized in relation with the pipeline system. Dismantling costs and service retirement are accrued for the present value of expected costs to cancel the obligation, using future estimated cash flows, and are recognized as an integral part of the cost of such asset in particular. These cash flows are discounted at a current market rate before taxes, which reflects the specific risks of the liability. The discount amount is recorded as expense as incurred and is recognized in the statement of income as financial costs. Estimated future costs of dismantling and service retirement are reviewed annually, and adjusted as appropriate. Changes in estimated future costs or in the discount rate applied are added to or subtracted from the related asset cost.

The estimate of costs for abandonment and dismantling of these facilities are recorded in the functional currency of the Company at the time of the assets installation. The estimated obligation set up for abandonment and dismantling is subject to review at each period closing and adjusted to reflect the best estimate, due to technological changes and political, economic, environmental matters, as well as changes of security and of relations with stakeholders.

3.2. Abandonment of Pipelines, Equipment and Other Facilities (continued)

The calculations of these estimates are complex and involve significant judgments by the management, as the internal projections of costs future inflation and discount rates. The Company considers that abandonment costs are reasonable, based on the experience and market conditions; however, significant variations in external factors used for the calculation of the estimate could significantly impact the financial statements.

3.2.1. Litigation

The Company is subject to claims through regulatory and arbitration procedures, tax liquidations and other claims that arise during the ordinary course of businesses. The management and legal counsel evaluate these situations based on their nature, the probability that they materialize and the amounts involved to decide on the amounts recognized and/or disclosed in the financial statements. This analysis, which could require considerable judgments, includes legal processes filed against the Company and claims not yet initiated.

A provision is recognized when the company has a present obligation as a result of a past event, it is probable that an outflow of resources incorporating economic benefits to settle the obligation and a reliable estimate of the amount of such obligation can be made.

3.2.2. Income Tax

Significant judgments are required for the determination of income tax estimates and to assess the recoverability of deferred tax assets, which are based on the ability to generate sufficient fiscal results during periods in which such deferred taxes could be used or deducted.

Deferred tax liabilities are recorded in accordance with estimates of net assets that will not be deductible for tax purposes in the future.

To the extent that future cash flows and taxable income differ significantly from estimates, the Company's ability to use deferred tax assets recorded could be affected.

Additionally, changes in the tax regulations could limit the Company’s capacity to obtain tax deductions in future years, as well as the recognition of new liabilities as a result of challenges by the audit of the tax inspection entity. The tax positions adopted suppose the careful evaluation by Management, and are reviewed and adjusted in response to circumstance such as expiry of the application of the legislation, close of tax audits, additional disclosures caused by any legal topic or any decision of the Court on a tax matter in particular. The Company creates provisions based on the estimate of the possibility of a negative decision that could arise from a tax audit. The amount of these provisions depends upon factors such as previous experience in tax audits and different interpretations of tax regulations by taxpayer entities and of the tax audit. The actual results could differ from the estimates.

3.2.3. Hedge Accounting

The identification of hedging relations between protected objectives and hedging instruments (derivative financial instruments and/or not derivative) involve critical judgments on the effective existence of the hedging relationship and the effectiveness thereof.

3.2.3. Hedge Accounting (continued)

The Company continuously evaluate the alignment between the hedging relationships identified and the objects and strategy of its risks' management policy.

3.2.4. Useful Life of Property, Plant and Equipment

The Company determines estimated useful lives and depreciation charges corresponding to property, plant and equipment. This estimate considers the economic life of the pipeline and the limitations of its operation over time. This estimate could change, among other reasons, due to new oil discoveries, changes in the environmental legislation or in the contracts signed with the Company's shippers. Management periodically reviews useful lives and depreciation charges.

4. Accounting Policies

The following are significant accounting policies applied by the Company in the preparation of its financial statements consistently for all periods presented, unless otherwise indicated.

4.1. Financial Instruments

The classification of a financial instrument depends upon the nature and purpose whereby the financial asset or liability is acquired and is determined at the time of the initial recognition.

All regular purchases or sales of financial assets are recognized and written off at the transaction date. Regular purchases or sales are all those purchases or sales of financial assets requiring the delivery of assets within the time framework established by a regulation or in accordance with the market.

Financial assets and liabilities are initially valued at their fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets at fair value with changes in the statement of income) are added or reduced from the fair value of the financial assets and liabilities, as required, in the initial recognition. Transaction costs directly attributable to the acquisition of financial assets and liabilities at their fair value with changes in the statement of income are recognized immediately in results.

Financial assets at fair value with changes in income and with changes in other comprehensive income will be recorded subsequently at their fair value.

Fair Value

Reasonable value is the price that is expected to be received when selling an asset or would be paid to transfer a liability in an orderly transaction between market participants at the valuation date. The reasonable value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place on the main market of the asset or liability or in the absence of a main market in the most profitable market for the asset or liability.

The hierarchy of the fair value is based on the information level available in the market, which includes liquidity security, availability of exchange prices or indicators generated from market operations (rates, curves, volatilities and other valuation variables required).

4.1. Financial Instruments (continued)

Fair Value (continued)

- Level 1:

  (Non-adjusted) quotation prices of active markets for identical assets and liabilities. For the Company, Level 1 includes tradable securities actively transacted.

- Level 2:

  Entries other than Level 1 which are observable, either directly or indirectly. For the Company, entries of Level 2 include prices of similar assets, prices obtained through quotations of stock exchange brokers, and prices that may be substantially corroborated with other observable data with the same term of the contract.

- Level 3:

  Valuation techniques for which the lowest level input that is significant to the fair value measurement is not observable. The Company does not use level 3 inputs for its recurring measurements of financial assets and liabilities. The Company may use the Level 3 inputs to calculate the recoverable amount of certain non-financial assets in order to perform impairment tests Level 3.

Amortized Cost and Effective Interest Rate Method

The amortized cost value is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

The effective interest rate method is used to calculate the amortized cost of a financial instrument and the distribution of financial income throughout the relevant period. The effective interest rate is the discount rate which exactly matches estimated cash flows receivable or payable (including all commissions, transaction costs and other premiums or discounts that are included in calculating the effective interest rate) during the expected life of the financial instrument (or when necessary, within a shorter period) with the net carrying value in the initial recognition.

Impairment Financial Assets

Ocensa recognizes the value of the expected credit losses during the active lifetime according to the simplified approach. Asset credit losses are recognized before an instrument pass to be in default. To determine the risk, reasonable and sustainable information is used that refers to the historical behavior and the variables that indicate that there is risk in the future.

For financial assets measured at amortized cost, the amount of impairment loss is the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of the financial asset.

4.1. Financial Instruments (continued)

Derecognition of Financial Assets

Ocensa derecognizes financial assets when assess whether the rights to the cash flows have expired, assess whether the rights to receive the cash flows have been transferred to another party, assess whether an obligation has been assumed to pay the cash flows from the asset to another party; and a) assess whether the entity has transferred substantially all the risks and rewards of ownership to another party or b) If substantially all the risks and rewards of ownership have not been transferred to another party, assess whether control has been retained.

When the Company does not transfer or retain substantially all the risks and benefits of the asset or transfer control of the asset, the Company continues to recognize the transferred asset, to the extent of its continuing participation, and also recognizes the associated liability.

4.1.1. Cash and Cash Equivalents

Cash and cash equivalents consist of financial investments and special deposits maturing within ninety (90) days as of their acquisition date and with a low level of risk in changes of their value.

4.1.2. Financial Assets

The classification of investments in financial assets depends on the purpose of their acquisition; these are classified into the following categories:

a) Financial Assets at Fair Value with Changes in Results

They are financial assets at fair value through profit or loss, assets acquired mainly to sell in the short term. Financial assets at fair value through profit or loss are recognized at their fair value, the profit or gains arising from the measurement are recognized in profit or loss results of the period.

b) Financial Assets at Fair value with Changes in the other comprehensive Income

They are cash flow hedging instruments. These instruments are recognized by their fair value, and unrealized losses or gains are recognized to other comprehensive income.

At the time of settlement, the accumulated adjustments account for the valuation in other comprehensive income are reclassified to retained earnings

c) Assets at Amortized Cost

They are financial assets with fixed or calculable payments, which are not quoted on an active market and classified as current assets; except for maturities over twelve months from the date of the statement of financial position, which are classified as non-current assets.

They are assets held for the collection of contractual cash flows where these cash flows represent only payments of principal and interest. The carrying amount of these assets is adjusted by any estimate of expected credit loss recognized. Interest income from these financial assets is included in "interest and similar income" using the effective interest rate method.

4.1.2. Financial Assets (continued)

They include loans and accounts receivable, commercial accounts and other accounts receivable which are measured initially at their fair value and subsequently at their amortized cost, using the effective interest method.

Employee loans are initially received at the present value of future cash flows, discounted at a market rate for a similar loan, if the interest rate of the loan is lower than the market interest rate, the fair value will be lower than the amount of the loan. This initial difference is recognized as employee benefits

4.1.3. Financial Liabilities

Financial liabilities correspond to financing sources secured by the Company through bank credits and bond issues, accounts payable to suppliers and creditors. The Company determines the classification of its financial liabilities in the initial recognition to be measured under the amortized cost method or fair value.

Bank credits and bond issues are initially recognized at their fair value, net of transaction costs incurred. The difference between the amount received and its main value is recognized in the period result during the amortization time of the financial obligation by using the effective interest rate method.

Financial obligations are classified as current liabilities unless the Company has an unconditional right to defer their liquidation during at least twelve months after the date of the statement of financial position.

Accounts payable to suppliers and creditors are short-term financial liabilities recorded at their par value, as they do not differ significantly from their fair value.

A financial liability shall remove when the obligation specified in the contract is discharged, cancelled or expires. When a financial liability present an exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability extinguished or transferred and the consideration paid, shall be recognized in profit or loss.

4.1.4. Derivative Financial Instruments

Derivative financial instruments are initially recognized at their fair value on the date the contract is entered into and are permanently re-measured at their far value.

If derivative financial instruments do not qualify to be recognized through the hedge accounting treatment, they are recorded at their fair value through the statement of income. Any change in the fair value of these derivatives is recognized immediately in the statement of income in financial costs.

If designated for hedge, the method to recognize the profit or loss resulting from changes in the fair values of derivatives depends upon the nature of the risk and the item hedged.

4.1.4. Derivative Financial Instruments (continued)

The Company designates certain derivatives as:

(a) Hedges of fair value of recognized assets or liabilities (fair value hedge)

(b) Hedges of a particular risk associated with a recognized asset or liability or of a transaction expected as highly probable (hedge of cash flows)

At the initiation of the hedging, the Company documents the relationship between hedging instruments and the items hedged, as well as its objectives and risks management strategy that back its hedging transactions. The Company documents its evaluation, both at the initiation of the hedge and periodically, of whether the derivatives used in hedge transactions are highly effective to compensate the changes in the fair values or in the cash flows of the hedged items.

The total of the fair value of derivatives used as hedge is classified as non-current asset or liability when the maturity of the hedged item exceeds 12 months, and is classified as current asset or liability when the maturity of the hedged item is lower than 12 months. Derivatives not used for hedge or which are held to be negotiated, are classified as current assets or liabilities.

(a) Hedges of Fair Value

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of income, and the gain or loss of the hedged item attributable to the hedged risk adjust the carrying value of the hedged item and are recognized in the year results. The gain or loss related with the effective portion of the derivatives is recognized in the statement of income as “financial expenses”, as well as the ineffective portion that is also recognized in the statement of income but as financial costs.

If the hedge no longer complies with the criteria to be recognized through the accounting treatment of hedges, the adjustment in the carrying value of the hedged item, is amortized in results using the effective interest method, in the remaining period through its maturity.

(b) Hedges of Cash Flows

The effective portion of changes in the fair value of derivatives that are designated and qualify as hedges of cash flows is recognized in equity. The gain or loss related with the ineffective portion is recognized immediately in the statement of income in the same line in which the hedged element is recognized.

Amounts accumulated in net equity are recycled to the statement of income in the periods the hedged item affects them. However, when the expected hedged transaction results in the recognition of a non-financial asset, gains or losses previously recognized in equity are transferred from equity and included as part of the initial cost of the asset. Amounts capitalized are finally recognized in cost of sales when products are sold, if considered inventories, or in depreciation, when classified as property, plant and equipment.

When a hedge instrument expires or is sold, or when it no longer meets the criteria to be recognized through the accounting hedge treatment, any accumulated gain or loss in equity at that date remains in equity and is recognized when the projected transaction affects the statement of income.

4.1.4. Derivative Financial Instruments (continued)

When it is expected that a projected transaction will not occur, the gain or loss accumulated in equity is immediately transferred to the statement of income as financial costs.

4.2. Inventories

The inventories correspond to supplies (fuel, chemicals, etc.), materials, spare parts and consumption elements which are used in the maintenance and operation for the provision of the transport service of crude.

Inventories are valued using the weighted average method. Their cost includes the costs directly related to the acquisition and those incurred to give them their current condition and location. Inventories of consumables (spare parts and supplies) are recognized as inventory and then registered to the expense, or capitalized in the property, plant and equipment in projects insofar such items are consumed.

Inventories that are for sale and that due to their conditions cannot be used in the operation, are valued at the lowest between the cost and the net realizable value.

4.3. Related Parties

Related parties are considered those where one party has the ability to control the other or is controlled, has joint control, is under common control, exerts significant influence on the participant, or is a member of the key workforce management . Ocensa has considered as related parties, its parent company Ecopetrol S.A., the Companies that are under the common control of its parent (CENIT Transporte y Logistica de Hidrocarburos S.A.S, Oleoducto de Colombia S.A., Oleoducto de los Llanos Orientales S.A., Oleoducto Bicentenario de Colombia S.A.S., among other); and key management managers.

4.4. Property, Plant and Equipment

Recognition and Measurement

Property, plant and equipment are presented at cost, including the abandonment or dismantling cost, less accumulated depreciation and accumulated impairment losses.

All costs directly attributable to the location of the asset in the place and conditions necessary to be able to operate in the way foreseen by the Company are considered capitalizable. Such costs are mainly at: a) Their acquisition price, including importation tariffs and non-recoverable indirect taxes, b) costs of benefits to employees, deriving mainly from construction or acquisition, c) all costs directly attributable to the location of the asset in the place and conditions necessary to be able to operate in the way foreseen by the management, d) interest costs of loans attributable to the acquisition or construction of assets, and e) initial estimation of dismantling and abandonment.

The crude oil that is necessary to place the pipeline under operating conditions is treated as part of the cost of the pipeline.

4.4. Property, Plant and Equipment (continued)

Recognition and Measurement (continued)

Major spare parts and permanent maintenance equipment, which the Company expects to use for more than one period, are recognized as properties, plant, and equipment and will be recognized as an expense when they are consumed or as a higher value of another asset if applicable.

Any gain or loss on retirement of any element of property, plant and equipment is recognized in results of the respective period.

Subsequent Disbursements

Correspond to all disbursements made on existing assets in order to increase or extend expected initial useful life, increase productivity or productive efficiency, allow a significant reduction of operating costs, or replace a part or component of an asset considered critical for the operation are considered additions or improvements.

Expenses of repairs, conservation or maintenance of ordinary nature are charged to period results which they are produced in. However, disbursements associated with overhaul are capitalized.

Depreciation

Property, plant and equipment are depreciated by following the linear method during the estimated useful life. Technical useful lives are revised annually considering reasons such as: Additions or improvements (upon replacement of parts or critical components for asset operation), technological advances, obsolescence or other factors. The effect of these changes are recognized as a change in accounting estimate from the date of change. Depreciation of assets starts when they are under conditions of use. The useful life is determined under foreseen asset use criteria, its expected physical wear and tear, technical or commercial obsolescence, and legal limits or restrictions of asset use.

The estimated useful lives range between the following ranks:

Ducts, networks and lines	10 – 59 years
Buildings	19 – 55 years
Transportation equipment	7 – 46 years
Fluvial equipment	5 – 20 years
Others	4 – 22 years

Land is recorded independently from buildings or facilities and has an indefinite life; therefore, it is not subject to depreciation.

Depreciation methods, residual values and useful lives are reviewed annually and adjusted if required. Leasehold improvements are depreciated at the lower of the lease term and the useful life of the improvement.

4.5. Intangibles Assets

Intangible assets acquired separately are recorded at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis in accordance with their estimated useful lives.

Intangible assets with finite useful lives are amortized throughout their economic useful lives and are reviewed to determine if they had any value impairment, to the extent that an indication exists that the intangible asset could have suffered such impairment.

The period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each period closing on which it is reported. Changes in the expected useful life or in the expected consumption pattern of the asset are recorded when the amortization method or term is changed, as appropriate, and are prospectively treated as changes in accounting estimates. The amortization expense of intangible assets with finite useful lives is recognized in the statement of income as expenses resulting consistent with the function of the intangible assets.

According to IFRIC 12, a concession agreement is recognized under the intangible model asset when the operator acquires a right (license) to be charged to users, or for the purpose of its use of the public service. Cash should not be necessarily received since the amounts are conditioned to the level of use of the service by users. Revenues and costs related with the operating phase are recorded in accordance with IFRS 15 Revenues from Ordinary Activities from Contracts with Clients.

In the intangible assets model, the value of the asset is reduced through amortization, not through reimbursements. This leads to the recognition of income in two different moments: the first time for the provision of construction services (in exchange for the intangible asset), and the second time, when payments are received for the use of these services. The intangible asset must be accounted for according to what is established in IAS 38 Intangible Assets. This asset must be amortized during the period of the concession and through the straight line method. The port concession will be recognized as an intangible asset taking into account that the Company does not have the right to receive a fixed remuneration from the nation or from its clients, which guarantees an income during the term of the concession.

The accounting treatment applied to the recognition of the fixed consideration in the concession agreements comprises the reference value equivalent to the net present value of the installments, and is recognized as an intangible concession right charged to a liability.

The intangible will be amortized in straight-line over 20 years, and as a financial liability that will be updated annually for interests and the quotas paid are amortized.

What is paid for the variable component each year is recorded in the statement of income (expenses).

The costs incurred in investment commitments are recorded as construction costs and, simultaneously, revenues are recognizing in the statement of income.

4.6. Impairment of Long-Lived Assets

In order to assess the recoverability of of long-lived assets (tangible and intangible assets), Ocensa carrying value is compared to the value recoverable thereof at least on the period closing date or earlier in the event of identifying indications of asset impairment.

To analyze the impairment, assets are grouped in cash generating units (CGU), provided that such assets individually considered do not generate any cash flows which, to a great extent, are independent from those generated by other assets or CGU. Grouping assets in various CGU implies professional judgment and taking into consideration, among other parameters, business Segments.

The Company has one single cash generating unit (CGU), corresponding to the crude oil transport system.

The recoverable value is the higher of the fair value less costs of disposal and the value in use. Wherever the recoverable amount of an asset (or a CGU) is less than its net accounting value, the carrying value thereof (or the CGU's) is reduced to its recoverable value recognizing a value impairment loss in the period results.

The value in use is estimated as the aggregate of future discounted cash flows adjusted to the forecasted risk. Estimations of future cash flows used to assess the asset impairment are based on the forecasted prices of basic products, offer and demand, and product margins.

Upon recording of a loss from impairment, the future amortization expense is estimated based on the adjusted recoverable value.

Impairment losses may be reversed only wherever the reversal is related to a change in estimations used after recognition of the loss from impairment. Such reversals shall not exceed the carrying value of depreciation or amortization net assets that would have been estimated if the impairment had never been recognized, nor the recoverable value at the date of the impairment evaluation.

4.7. Provisions and Contingent Liabilities

Provisions are recognized wherever the Company has an actual obligation (whether legal or implicit) resulting from a past event and there is probability that outflows will be required to settle the obligation and the value thereof may be accurately measured.
The amount recognized as provision is the best estimation of the outflows required to settle an actual obligation at the end of the reporting period, taking relevant risks and uncertainties into consideration.

Contingent liabilities are not recognized but are subject to disclosure in the explanatory notes wherever there is probability that outflows will be required, including those whose value cannot be estimated.

The Company has as a policy not disclosing in detail information related with disputes with related parties concerning situations involving provisions, contingent liabilities, and contingent assets, insofar as that information seriously damages the Company’s position. In these cases, the Company provides information of a generic nature and explains the reasons that have led to make this decision.

4.7.1. Asset Retirement Obligation

Liabilities associated with the retirement of assets are recognized wherever the Company has obligations, whether legal or constructive, related to the retirement of ducts, properties and equipment. Such obligations shall be recognized by applying the discounted cash flows technique and taking the useful life of the relevant asset into consideration.

Should accurately estimating the provision during the period in which the obligation arises is impossible, then the provision shall be recognized at the moment where there are enough elements to make the best estimate.

The carrying value of the provision is revised and adjusted on an annual basis considering changes in the variables used to estimate it. The financial cost of re-measurement of such liabilities is recognized during the period as a financial expense.

4.8. Employees' Benefits

Oleoducto Central S.A. records short-term benefits, such as salary, vacations, bonuses and others, on the earned basis.

4.8.1. Benefits from Termination of Labor Contracts

Compensations for indemnity, in favor of the Company's employees, in accordance with applicable legal provisions, are demandable in case of termination without just cause.

The payment is based on proportions applied on the average base of salaries earned. Ocensa records the payments made against expenses.

4.9. Income Tax

Income tax expense is composed of income tax payable for the current period (including, when applicable, income and supplementary income and surcharge) and the effect of deferred tax in each period.

Current and deferred taxes will be recognized in profits or losses, except when they relate with items in other comprehensive income or directly in equity, in which case the current or deferred tax is also recognized in the other comprehensive income or directly in equity, respectively.

4.9.1. Current Tax

The Company determines the provision for income tax, based on the higher value between taxable income or presumptive income (the minimum estimated profitability amount foreseen by law to quantify and compute income tax). Taxable income differs from the income reported in the statement of comprehensive income due to taxable revenue or deductible expense items in different tax and accounting periods, special tax deductions, tax losses and recorded items that, according to tax regulations applicable in each jurisdiction, are deemed non-taxable or non-deductible.

4.9.1. Current Tax (continued)

The current tax is calculated by using tax rates enacted or substantially approved at the end of the period being reported. The current tax is shown net, after deducting advances paid and tax withholdings in favor.

4.9.2. Deferred Taxes

The deferred tax is recognized by using the liability method, based on temporary differences between the tax basis and the carrying value of assets and liabilities included in the financial statements. The deferred tax liability is recognized for all temporary tax differences. The deferred tax asset is recognized for all deductible temporary differences and tax losses pending amortization, provided there is probability that the Company will have future tax income against which such deductible temporary differences may be deducted.

The National Accounting Office (Contaduría General de la Nación) through communication CGN No.20162000000781 of January18, 2016, determined that the Company should not apply IAS 12 Income tax, paragraphs 38 to 45, stating that the deferred tax from the variations in the exchange rate resulting from comparing assets and liabilities in terms of its functional currency (U.S. dollar) to the tax bases in a different currency (Colombian pesos) should not be recognized in the financial statements.

The effect of the non- application of paragraph 41 of IAS 12 in the deferred income tax amounts is (US$11,779) for the statement of income for the year ended December 31, 2019 and US$33,996 for the statement of financial position as of December 31, 2019 (December 31, 2018: US$2,067 and US$45,775 respectively).

Deferred tax assets and liabilities are measured using the tax rates expected to be applied in the period in which the asset is realized or the liability is paid, in accordance with the current tax standards in each period. The carrying value of a deferred tax asset, is subject to review at the end of each reporting period and then reduced, provided that there is probability that the Company will not have enough future taxable income that allows recovering the asset, totally or partially.

Deferred taxes are not recognized if they arise from the initial recognition of an asset or a liability in a transaction (except in a business combination) that at the transaction date neither affects accounting income or the accounting profit or tax gain.

4.9.3. Other Taxes

The Company recognizes in the period’s result costs and expenses of taxes other than the income tax, such as, the wealth tax, which is determined based on the tax equity; the industry and commerce tax which applied on the revenues obtained in municipalities upon the development of trade, industrial and service activities. Taxes are calculated with the current regulations.

4.10. Recognition of Revenue from Contracts with Customers

The Company recognizes revenues from contracts with customers based on a five-step model established in IFRS 15:

4.10. Recognition of revenue from Contracts with Customers (continued)

- Step 1. Identification of contracts with customers: A contract is defined as an agreement between two or more parties, which creates rights and obligations required, and establishes criteria that must be met for each contract. Contracts can be written, verbal or implicit through the customary business practices of a company.
- Step 2. Identification of performance obligations in the contract: A performance obligation is a promise in a contract with a client for the transfer of a good or service to the latter.
- Step 3. Determination of the price of the transaction: The price of the transaction is the amount of the payment to which the Company expects to be entitled in exchange for the transfer of the goods or services promised to a client, without taking into account the amounts received on behalf of third parties.
- Step 4. Distribute the transaction price among the performance obligations of the contract: In a contract that has more than one performance obligation, the Company distributes the price of the transaction among the performance obligations that represent the amount of the consideration to which the Company expects to have the right, in exchange for fulfilling each performance obligation.
- Step 5. Recognition of income when (or as) the Company fulfills a performance obligation.

The Company fulfills a performance obligation and recognizes revenue over time, if one of the following criteria is met:

a) The performance of the Company does not create an asset with an alternative use for the Company, and the Company has an enforceable right to payment for the performance completed to date.
b) The Company's performance creates or improves an asset that the client controls as it is created or improved.
c) The client at the same time receives and consumes the benefits that result from the performance of the Company as it works.

For performance obligations where none of the indicated conditions is met, the revenue is recognized at the moment in which the performance obligation is fulfilled.

When the Company fulfills a performance obligation by delivering the promised goods or services, it creates a contract asset for the amount of the consideration obtained with the performance. When the amount of the consideration received by a client exceeds the amount of the recognized revenue, this generates a contract liability.

The revenue is measured based on the consideration specified in the contract with the customer, and excludes the amounts received on behalf of third parties. The Company recognizes income when it transfers control over a good or service to a customer.

The Company evaluates its income plans based on specific criteria to determine if it acts as principal or agent.

Revenue is recognized to the extent that the economic benefits are likely to flow to the Company and if it is possible to reliably measure revenues and costs, if any.

4.10. Recognition of revenue from Contracts with Customers (continued)

The business of Ocensa is based mainly on a source of income, which includes the services associated with the transportation of crude oil from various types of contracts such as "ship and pay" and "ship or pay". The generated income is recognized when the control of the services is transferred to the client at a value that reflects the consideration that Ocensa expects to receive in exchange for such products and services.

Revenues from transportation services are recognized to the extent which service is provided to the customer and there are no conditions in which there are effects on a variable price related to volumetric adjustments or other contractual conditions that prevent recognition of income.

"Ship or pay" operations are recorded as income independently of the fact that all the crude is actually transported. "Ship and pay" operations are caused as income in the period in which the transport activity is carried out. In the contracts that have compensation term, the income is understood to be realized when the conditions established in each of them are met.

"Ship or Pay" contracts: some firm fixed quantities contracts of service that a customer will pay, even if the customer does not receive or use them. The quantities of products or services that a customer chooses not to take or use in the specified delivery period are called "deficient quantities."

- Prohibited recovery period: if a customer can not compensate for deficient amounts in future periods, the Group fulfills its performance obligations and recognizes the revenues for the quantities or services contractually specified as the period of service expires.
- Permitted recovery period: some Ship or Pay agreements contain poor recovery periods that allow customers to purchase the product or service in a future period and offset the specified contractual amounts of the product or service for which they paid but did not receive in a previous period.

If the client can compensate for deficient amounts in future periods, Ocensa has performance obligations to deliver those volumes at the customer's request (subject to contractual and capacity restrictions) . If the client is expected to recover all the deficiencies to which he is entitled contractually, any charge received related to the temporary deficiencies that will be offset in a future period will be deferred and the entity will recognize that amount as income when any of the following situations occurs:

a) The client exercises his right or,
b) The possibility that the client exercises his right to the volumes or services of deficiency is remote.

In the other cases, the income is recognized at the moment in which it has accrued and the true, probable and quantifiable right to demand its payment is born, product of having complied with the obligations with customers.

Interest income on arrears in the collection of the portfolio is recognized in accordance with the principles of prudence and realization.

Financial income is recognized in the income statement, in the period that is generated.

4.10. Recognition of Income from Contracts With Customers (continued)

Variable Considerations

When complying with the obligations established in the contracts with customers, via the provision of the service, there may be variable components of the transaction price. In these cases, Ocensa makes the best estimate of the transaction price that reflects the services transferred to customers.

Regarding the clauses of the contracts signed with clients and Ocensa, variable considerations associated with reimbursement rights, rebates or discounts that require an estimate and that generate a material impact on the Financial Statements are not contemplated.

Significant Financial Component

Generally, compliance with performance obligations and payments received from clients are executed in the short term, so there are no operations that contain a significant financial component that requires some adjustment of the consideration at its present value.

The book value recorded as trade accounts receivable corresponds to the value of the transaction and is recognized as the services are rendered.

Ocensa does not maintain significant agreements with non-operating partners in which it assumes the role of agent.

4.11. Costs and Expenses

Costs and expenses are individually presented by function and detailing, in the relevant notes, the composition of cost of sales and expenses related to administration, operation, projects and other expenses.

4.12. Financial Expense

Financial income and expenses mainly include: a) interest costs on loans and financing, except those that are capitalized as part of the cost of the asset, b) valuation of gains and losses on financial instruments measured at fair value through profit and loss, c) exchange differences on financial assets and liabilities, d) expenses for financial restatement of long-term liabilities (abandonment costs).

4.13. Cash Flows

The statement of cash flows informs the generation of cash by categories (operation, investment and financing) during a given period. Classification of cash flows according to the aforementioned activities provides information that enables users to assess the impact on the Company's financial position, as well as on the final amount of its cash and other cash equivalents.

Under accounting and financial information standards, the Company may report its cash flows from operations by using one of the following methods:

4.13. Cash Flows (continued)

- Direct method: consists of presenting separately the main categories of collections and payments in gross terms.

- Indirect method: starts presenting the gain or loss in net terms, an amount which is later corrected by the effects of non-monetary transactions, for all type of deferred payment items and accruals (revenue) which are the cause for collections and payments in the past or in the future, as well as loss or gain items associated with cash flows of operations classified as of investment or financing.

The Company presents its statements of cash flows under the indirect method.

The main categories include:

- **Operating Activities**

  Are the disbursements that result in recognition of an asset in the statement of financial position, such as payments, revenue from the acquisition of property, plant and equipment, intangible assets and other long-term assets, cash advances and loans to third parties or collections (other than transactions entered by financial entities).

- **Investing Activities**

Are the disbursements that result in recognition of an asset in the statement of financial position, such as payments, revenue from the acquisition of property, plant and equipment, intangible assets and other long-term assets, cash advances and loans to third parties or collections (other than transactions entered by financial entities)..

- **Financing Activities**

Are activities that result in changes in the size and composition of company-owned funds and monies borrowed, such as inflows from the issue of shares, payments to shareholders or reimbursements of the funds taken as loans.

Cash Flows in Foreign Currency

Cash flows from transactions in foreign currency will be translated into the functional currency by applying the amount in foreign currency at the exchange rate between both currencies prevailing on the date each relevant cash flow took place.

5. Information on Operation Segments

All Company's assets are located in Colombia and are focused on a single segment which is crude oil transportation. For administration purposes, Management supervises operating results based on the crude transportation operation, where its main assets are represented by the pipeline, this being the basis for decision making concerning the assignment of resources and evaluates its financial yields. There are no operating segments that should be aggregated to form part of that previously reported.

6. New Standards and Regulatory Changes

New regulation, Modifications and Understanding Incorporated into the Accepted Accounting Framework in Colombia whose Application Must be Evaluated Starting from January 1, 2019 or that Can be Applied in Advance

Legislative Decree 2170 of December 2017 introduced to the regulatory technical framework for financial information a new standard issued by the International Accounting Standards Board (IASB), to implement it beyond January 1st 2019, although its implementation could be implemented in advance.

The impact assessment of this new standard in accordance with the Company's analyses is described below.

IFRS 16 "Leases"

This Standard issued in January 2016 sets out the principles for the recognition, measurement, presentation and disclosure of leases, the new standard replaces IAS 17 Leases, IFRS 4 "Determination of whether an agreement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluation of the Essence of Transactions Adopting the Legal Form of a Lease".

The standard presents a control model for the identification of leases and their processing in the financial statements for lessees, differentiate an asset identified as the object of the lease and the services corresponding to the service contract as such, the Company could recognize more assets and liabilities, derived mainly from the rental of construction equipment and offices. At the lessees level the main changes lie in eliminating the differentiation of financial and operating leases, instead a single lease model is recognized in which all leases are recognized in the statement of financial position as a right-of-use asset and a lease liability, with the exception of leases in which the underlying asset is low-value and short-term leases. In addition, interest expense of the liability and depreciation expense of the recognized asset must be recognized in the audit statement separately.

Lessees must make remeasure of the liability on certain occasions (e.g., a change in lease period, changes in future lease flows). This liability´s remeasure will generally be recorded as an adjustment to the right of use of the asset. The new Standard brings no major changes in recognition, measurement and disclosure for lessor.

For the lessor are still classified as financial and operational leases. The standard will be effective for annual periods beginning on or after January 1, 2019 with limited possibilities for early implementation

The Company evaluated the potential impacts on its financial statements, the most significant impact being the recognition of assets and liabilities from its operating leases, especially for land, buildings, machinery, equipment and fleet and transportation equipment. In addition, the nature of the expenses corresponding to operating leases as lessee changed under IFRS 16, from expenses for leases to charges for depreciation of the rights of use of the asset and financial expenses in the liabilities for leases.

6. New Standards and Regulatory Changes (continued)

Transition to IFRS 16

The Company applies IFRS 16 as of January 1, 2019, using the modified retrospective approach, recognizing an asset for right of use on the date of initial application for leases previously classified as an operating lease IAS 17, which shall be equal to the value of the lease liability.

The Company has decided to use the exemptions permitted by the lease standard for contracts in which the execution period is less than twelve (12) months and contracts in which the underlying asset is considered low value. The Company has assessed the estimated impact of the initial application of IFRS 16 on its financial results as of January 1, 2019, as described below.

The Company recognized new assets and liabilities derived from its operating leases mainly for the following types of assets:

- Land
- Constructions and buildings
- Machinery and Equipment
- Fleet and transportation equipment

For the land, the expiration was defined as the shorter of the contract term and the useful life of the pipeline.

The Company has recognized operating lease expense on a straight-line basis over the term of the lease. The nature of the expenses related to the above-mentioned leases will change, since an amortization charge will be recognized for the right-of-use assets and the financial expense for the lease liabilities.

Reconciliation of financial liabilities

Minimum operating leasing payments at December 31, 2018	US$	36,546
Recognition of exemptions		
Short term		(734)
Low value		(102)
Incremental discount rate of debit at January 1,2019		(10,805)
Financial liabilities recognized by the application of IFRS 16 at January 1, 2019		**24,905**
Movement from January to December 2019		(13,156)
Financial lease obligations at December 31, 2019	**US$**	**11,749**

IFRIC 23 - Uncertainty over Income Tax Treatments

The interpretation deals with accounting for income tax when the tax treatments involve uncertainty that affects the application of IAS 12. This interpretation does not apply to taxes or encumbrance that are outside the scope of IAS 12, nor does it include the treatment of related interest and penalties that may arise. The interpretation deals explicitly with the following:

6. New Standards and Regulatory Changes (continued)

IFRIC 23 - Uncertainty over Income Tax Treatments (continued)

- If an entity has to consider tax uncertainties separately
- The assumptions an entity must make about whether the tax authorities will review the fiscal treatment
- How an entity should determine the final result, tax basis, losses to be compensated, tax deductions, and tax rates.
- How an entity should consider changes in facts and circumstances.

An entity must determine whether it considers each tax uncertainty separately or in conjunction with one or more other tax uncertainties. The approach that best estimates the resolution of the uncertainty should be followed. The interpretation is included in the Updated Compilatory Technical Annex 1 - 2019 of Decree 2270 of 2019 and is effective for fiscal years beginning on or after January 1, 2020, allowing for early and comprehensive application, certain exemptions are allowed in the transition. The Company will apply the interpretation from its effective date. The Company does not expect to affect its financial statements. Also, the Company may need to implement processes and procedures to obtain the information necessary to apply the interpretation correctly.

Annual Improvements 2018 (Issued October 2018)

The improvements were introduced into the Colombian accounting framework through Decree 2270 of 2019, and include:

Amendments to IFRS 3: Definition of a Business

The amendments to the definition of a business in IFRS 3 - Business Combinations help an entity determine if an acquired set of activities and assets is a business or not. They clarify the minimum requirements of a business, eliminate the assessment of whether market participants can replace missing elements, add guidance to help entities assess whether a process is acquired is substantive, reduce the definitions of a business and products, and introduce an optional test of reasonable concentration of value. Further illustrative examples are provided along with the amendments.

Since the amendments apply prospectively to transactions or events occurring on or after the date of the first application, the Company will not be affected by these amendments on the transition date.

Amendments to IAS 1 and IAS 8: Definition of Material or Relative Importance

The amendments align the definition of "Material" within IAS 1 - Presentation of Financial Statements, and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors and clarify certain aspects of the definition. The new definition states that *"Information is material or has relative significance if its omission, misstatement or overshadowing could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make based on the financial statements, which provide financial information about the specific reporting entity".*

Modifications to the definition of material or materiality are not expected to have a significant impact on the Company's financial statements.

7. Cash and Cash Equivalents

	December 31, 2019		December 31, 2018	
Term deposit certificates	**US$**	**350,919**	US$	170,205
Banks		**87,667**		64,698
Trusts		**2,474**		4,463
Cash		**13**		14
National tax refund securities (TIDIS)		**3**		42
	US$	**441,076**	US$	239,422

The fair value of cash and cash equivalents approximates their carrying value due to their short-term nature (less than three months) and their high liquidity. As of December 31,2019, cash has a restriction due to the embargo of the municipality of San Antero as follows: US$70.79 in the account of Banco de Bogotá. At December 31, 2018 Cash and cash equivalents have no restrictions or liens limiting their disposition.

8. Trade Debtors and Other Accounts Receivable

	December 31, 2019		December 31, 2018	
Related parties (*Note 28.1*)	**US$**	**127,644**	US$	139,534
Trade accounts receivable		**11,425**		23,872
Transport tax receivable		**7,016**		4,373
Accounts receivable from employees (1)		**2,460**		2,971
Others debtors		**4,722**		2,208
	US$	**153,267**	US$	172,958
Trade debtors and other short term accounts receivable		**150,570**		169,637
Trade debtors and other long term accounts receivable	**US$**	**2,697**	US$	3,321

(1) The Company granted the administration, handling and control of loans to employees to Fiduciaria Alianza S.A., which manages the detail by employee of those loans and their respective conditions. Loans to employees are considered financial assets and are recognized at their fair value.

Impairment for Receivables	December 31, 2019		December 31, 2018	
At the beginning of the year	**US$**	**199**	US$	217
Impairment losses recognized in profit or loss		**7**		–
Difference in currency exchange		**(8)**		(18)
At the end of the year	**US$**	**198**	US$	199

The carrying value of trade and other accounts receivable approximates their fair value

9. Inventories

	December 31, 2019		December 31, 2018	
Materials for service provision	**US$**	**12,189**	US$	12,752
Fuels and petrochemicals (1)		**26,039**		11,691
	US$	**38,228**	US$	24,443

The accumulated impairment as of December 31, 2019 was US$598 and US$295 in December 31,2018.

(1) The variation is mainly due to the fact that purchases of crude oil were made to manage a safety stock to guarantee the normal operation of the pipeline.

10. Other Non- Financial Assets

	December 31, 2019		December 31, 2018	
Prepaid expenses	**US$**	**2,736**	US$	2,365
Supplier advances (1)		**440**		724
	US$	**3,176**	US$	3,089
Prepaid expenses non-current	**US$**	**620**	US$	743

(1) Includes prepaid to suppliers as part of the acquisition of goods and services.

11. Property, Plant and Equipment, Net

	Plant and Equipment	Pipeline	Work in Progress (1)	Buildings	Land	Other (2)	Total
At December 31, 2017	US$ 544,844	US$ 1,705,824	US$ 69,010	US$ 76,451	US$ 21,362	US$ 38,743	US$ 2,456,234
Additions	294	140	45,886	12	–	47,887	94,219
Capitalization	23,130	26,229	(49,320)	–	–	(39)	–
Consumption of materials and spare parts	–	–	–	–	–	(38,608)	(38,608)
Sales and retirements	(2,575)	(36,297)	–	–	–	(3,432)	(42,304)
Update of the Abandonment Cost Rate	–	–	–	–	–	11,254	11,254
Transfers (3)	17,673	577	(1,067)	–	–	(23,539)	(6,356)
At December 31, 2018	583,366	1,696,473	64,509	76,463	21,362	32,266	2,474,439
Additions	**72**	**2,879**	**43,460**	**–**	**–**	**1,908**	**48,319**
Capitalization	**40,152**	**22,339**	**(62,980)**	**489**	**–**	**–**	**–**
Consumption of materials and spare parts	**(58)**	**(2,736)**	**(177)**	**–**	**–**	**(1,674)**	**(4,645)**
Sales and retirements	**(3,887)**	**(31,071)**	**(1,286)**	**(47)**	**–**	**(7,409)**	**(43,700)**
Update of the Abandonment Cost Rate	**–**	**7,374**	**–**	**–**	**–**	**–**	**7,374**
Transfers (3)	**3,133**	**(5,709)**	**(349)**	**12**	**–**	**(80)**	**(2,993)**
At December 31, 2019	**US$ 622,778**	**US$ 1,689,549**	**US$ 43,177**	**US$ 76,917**	**US$ 21,362**	**US$ 25,011**	**US$ 2,478,794**
Depreciation and impairment provision							
At December 31, 2017	US$ (57,411)	US$ (781,286)	US$ –	US$ (9,839)	US$ –	US$ (12,473)	US$ (861,009)
Charge for period depreciation	(25,385)	(74,619)	–	(2,282)	–	(1,347)	(103,633)
Sales and retirements	1,534	35,960	–	–	–	3,204	40,698
Transfers (3)	7	31	–	–	–	801	839
At December 31, 2018	(81,255)	(819,914)	–	(12,121)	–	(9,815)	(923,105)
Charge for period depreciation	**(30,892)**	**(68,450)**	**–**	**(2,469)**	**–**	**(850)**	**(102,661)**
Sales and retirements	**3,691**	**20,801**	**–**	**8**	**–**	**7,325**	**31,825**
Transfers (3)	**1,734**	**714**	**–**	**2**	**–**	**(688)**	**1,762**
At December 31, 2019	**US$ (106,722)**	**US$ (866,849)**	**US$ –**	**US$ (14,580)**	**US$ –**	**US$ (4,028)**	**US$ (992,179)**
Net carrying value							
At December 31, 2018	US$ 502,111	US$ 876,559	US$ 64,509	US$ 64,342	US$ 21,362	US$ 22,451	US$ 1,551,334
At December 31, 2019	**US$ 516,056**	**US$ 822,700**	**US$ 43,177**	**US$ 62,337**	**US$ 21,362**	**US$ 20,983**	**US$ 1,486,615**

11.Property, Plant and Equipment, Net (continued)

(1) Work in Progress

The balance at December 31, 2019 includes mainly investments made in projects, such as Replacement of Equipment El Porvenir, Lazos Mov, Minor Equipment Changes, SCADA. Sipra II, Adaptation and Measurement of Vibrations in the Discharge, VFD Cusiana Project, Discharge Optimization, Scada, Maintenance Control Center, and other minor projects, as at December 31, 2018 these projects were also in progress.

During the year of 2019, the projects were capitalized. Replacement of Equipment, Firefighting System, Arcus Flex. Cusiana Spillway and capitalized maintenance investments executed during the years 2017, 2018 and 2019, the capitalized investments corresponded to the optimization of the system. There are projects in progress with early entries that are in operation and which are estimated to be completed during the year of 2020.

(2) Other

Includes spare materials, office equipment, computer and telecommunications equipment, transportation equipment and river equipment. There are no commitments and/or restrictions on the acquisition of property, plant and equipment.

(3) Transfers

Net transfers from property, plant and equipment at year 2019 amount to (US$1,231) and are detailed below: To inventory US$479 and intangibles for (US$1,687); from capitalized environmental provisions to Property, plant and equipment US$464 and from trade accounts payable to (US$487).

Net transfers from property, plant and equipment at year 2018 amount to (US$5,517) and are detailed below: To assets held for sale US$18,270, inventory (US$22,808) and intangibles for (US$1,439) and from capitalized environmental provisions to Property, plant and equipment US$460.

Impairment

As at December 31, 2019 and 2018, the Company evaluated if there were indications of impairment in the cash generator unit by means of a qualitative analysis, where external variables were verified such as the legal, technological and market environment, and of internal variables such as the useful life, obsolescence and/or physical impairment, as well as changes in current contracts; concluding that at the time of the analysis, no impairment evidences exist of the cash generator unit. See note 29 for further disclosure on the potential impacts of the COVID 19 pandemic.

12. Intangibles, Net

	Licenses and Software		Service Concession Agreement		Agreement Gas Transmission		Total	
Acquisition cost								
At December 31, 2017	US$	15,806	US$	50,957	US$	4,561	US$	71,324
Additions		495		8,712		–		9,207
Retirements		(88)		–		–		(88)
Transfers		235		564		640		1,439
At December 31, 2018		16,448		60,233		5,201		81,882
Additions		**794**		**31,910**		**–**		**32,704**
Retirements		**(5,048)**		**–**		**–**		**(5,048)**
Transfers		**145**		**1,133**		**409**		**1,687**
At December 31, 2019	**US$**	**12,339**	**US$**	**93,276**	**US$**	**5,610**	**US$**	**111,225**

12. Intangibles, Net (continued)

	Licenses and Software		Service Concession Agreement		Agreement Gas Transmission		Total	
Amortization								
At December 31, 2017	US$	(13,214)	US$	(43,846)	US$	–	US$	(57,060)
Charge for period amortization		(158)		(722)		(260)		(1,140)
Sales and retirements		88		–		–		88
At December 31, 2018		(13,284)		(44,568)		(260)		(58,112)
Charge for period amortization		**(1,148)**		**(2,794)**		**(275)**		**(4,217)**
Sales and retirements		**5,048**		**–**		**–**		**5,048**
At December 31, 2019	**US$**	**(9,384)**	**US$**	**(47,362)**	**US$**	**(535)**	**US$**	**(57,281)**
Net carrying value								
At December 31, 2018	US$	3,164	US$	15,665	US$	4,941	US$	23,770
At December 31, 2019	**US$**	**2,955**	**US$**	**45,914**	**US$**	**5,075**	**US$**	**53,944**

Service Concession Agreement

Port Concession Agreement No. 016 of December 6, 1996, whose purpose is to grant a port concession for the construction and operation of off-shore facilities of a new oil terminal of Coveñas intended to load exportation crude, was initially intended to render a private service.

On October 24, 2011, Addendum No. 2 is signed whereby the class of service is changed from private port to public port intended for the handling of exportation crude.

Addendum number 03 was signed on December 5, 2016, where the obligations regime is adjusted, the concession term is extended for 20 more years and the value of the valuable consideration and of investments is changed based on the investments plan delivered by the Company and approved by the Agencia Nacional de Infraestructura, a total investment of US$104 million at the net present value equivalent to US$56 million (discounted at a rate of 12%, included in the contract signed by the parties).

Addendum number 04 was signed on December 4, 2018, where the investment plan is adjusted extending for two years the replacement of the Monoboya, transferring the operation start-up to 2021, concentrating the investment between 2019 – 2020. This change does not modify the type of heading formulated in the initial plan. The economic impact is transferred to the change of hoses, which increased by approximately US$5 million based on the technical analysis.

With these changes the nominal value of the investment passes from US$104.9 million to US$108.5 million, maintaining the net present value equivalent to US$56 million (discounted at a rate of 12%, included in the contract signed by the parties).

As at December 31, 2019 the fixed portion of the valuable compensation was recorded which amounts to US$6,044 for the 17,5 years, which was discounted at a risk free rate of 1.18% in dollars, a rate taken from de Treasury Department, which was recognized as an intangible asset and a financial liability.

12. Intangibles, Net (continued)

Service Concession Agreement (continued)

The intangible will be amortized using the straight-line method over 20 years and the liability will be updated annually for interests and the installments paid are amortized, and at December 31, 2018 corresponds to the sum of US$5,597

13. Rights-of-Use

	Land		Constructions and Buildings		Machinery and Equipment		Fleet and Transportation Equipment		Total	
At December 31, 2018	US$	–	US$	–	US$	–	US$	–	US$	–
Transfers		**331**		**4,903**		**6,217**		**8,951**		**20,402**
At December 31, 2019	**US$**	**331**	**US$**	**4,903**	**US$**	**6,217**	**US$**	**8,951**	**US$**	**20,402**
Amortization										
At December 31, 2018	US$	–	US$	–	US$	–	US$	–	US$	–
Charge for period amortization		**(14)**		**(827)**		**(2,679)**		**(5,240)**		**(8,760)**
At December 31, 2019	**US$**	**(14)**	**US$**	**(827)**	**US$**	**(2,679)**	**US$**	**(5,240)**	**US$**	**(8,760)**
Net amount in books										
At December 31, 2018	US$	–	US$	–	US$	–	US$	–	US$	–
At December 31, 2019	**US$**	**317**	**US$**	**4,076**	**US$**	**3,538**	**US$**	**3,711**	**US$**	**11,642**

14. Debts and Loans Bearing Interest

Composition of Loans

Loans are recorded at their amortized cost, which corresponds to the present value of cash flows, discounted at effective interest rate.

	December 31, 2019		December 31, 2018	
Short-term loans				
Interest payable for external public credit	**US$**	**20,000**	US$	20,000
Rights-of-use		**3,953**		–
	US$	**23,953**	US$	20,000
Long-term loans				
External Public Credit Bonds	**US$**	**481,723**	US$	480,979
Rights-of-use		**7,796**		–
	US$	**489,519**	US$	480,979
	US$	**513,472**	US$	500,979

14. Debts and Loans Bearing Interest (continued)

Long-Term External Public Credit Bonds

By means of Resolution 1369 of April 29, 2014, the Ministry of Finance and Public Credit authorized the Company to subscribe, issue and place External Public Debt Bonds, under Rule 144 A / S Registration of the United States of America Securities Act, in international capital markets for up to five hundred million dollars of the United States of America (US$500,000,000) in order to finance the needs of investment of future expansion projects (Potency 135 and Warming).

The characteristics, term and conditions are as follows:

- Redemption term: 7 years, with a maturity date until May 7, 2021
- Issue price: 99.367%
- Amortization: Upon maturity
- Yield at maturity: 4.105%
- Denomination currency: Denominated in dollars of the United States of America (US$)
- Interest rate: Fixed, in accordance with market conditions prevailing on the bonds placement date, thus complying with the maximum limits for the external indebtedness interest rates defined by the Central Bank.
- Denominations US$200,000 and integral multiples of US$1,000
- Listed in: Luxembourg Stock Exchange

The variation of this obligation for both periods corresponds to the recognition in the statement of interest results by the effective interest rate method, and also includes the exchange difference generated by the conversion of the debt from functional currency to presentation currency.

Below is the fair value of bonds (Unaudited):

	December 31, 2019	**December 31, 2018**
Fair Value	**US$ 510,105**	US$ 493,070

Loans are recorded in the financial statements at their amortized cost, which corresponds to the present value of cash flows, discounted at the effective interest rate.

For the measurement at fair value bonds were valued using as source the Bloomberg methodology. Bloomberg.

Article 28 of External Resolution No. 8 of 2000 of the Board of Directors of the Central Bank establishes that interest rates of foreign currency credits, including securities placed in international markets, should reflect market conditions and may not exceed the maximum rate applicable generally indicated by the Central Bank.

Payment dates of interest will be May 7 and November 7 of each year, starting on November 7, 2014.

Issue date: May 7, 2014; T+5, gross value: US$496,835,000; rate: 4.000%, determined on a 30/360-day basis.

14. Debts and Loans Bearing Interest (continued)

Loans Maturity Profile

The loans maturity profile is described below:

	Up to 1 year		1 – 5 years		> 5 years		Total	
At December 31, 2019								
External Public Credit Bonds	**US$**	**20,000**	**US$**	**481,723**	**US$**	**–**	**US$**	**501,723**
Rights-of-use		**3,953**		**7,473**		**323**		**11,749**
	US$	**23,953**	**US$**	**489,196**	**US$**	**323**	**US$**	**513,472**
At December 31, 2018								
External Public Credit Bonds	US$	20,000	US$	480,979	US$	–	US$	500,979
Rights-of-use		–		–		–		–
	US$	20,000	US$	480,979	US$	–	US$	500,979

15. Trade Accounts and Other Accounts Payable

	December 31, 2019		December 31, 2018	
Suppliers and accounts payable (1)	**US$**	**100,379**	US$	66,491
Related parties (*Note 28.1*)		**8,424**		5,127
Withholding tax		**3,803**		3,703
Withholdings and payroll contributions		**1,650**		979
Employees fringe benefits		**910**		811
Industry and commerce tax withholdings		**318**		196
	US$	**115,484**	US$	77,307
Trade accounts and other accounts payable, short term	**US$**	**111,084**	US$	72,686
Trade accounts and other accounts payable, long term	**US$**	**4,400**	US$	4,621

(1) The accounting value of trade accounts and other accounts payable is close to its fair value due to its short term nature.

16. Current Tax Liabilities

Below is the detail of the current taxes:	December 31, 2019		December 31, 2018	
Income tax	**US$**	**167,117**	US$	100,571
Other taxes (1)		**7,165**		4,509
	US$	**174,282**	US$	105,080

(1) Corresponds to Sales Tax, Industry and Trade and Transportation Tax.

Below is the detail of the Current tax:

16. Current Tax Liabilities (continued)

	December 31, 2019		December 31, 2018	
Provision for income tax (2)	**US$**	**408,374**	US$	314,725
Provision for surtax (2)		**–**		38,174
Less:				
Income tax advance		**209,891**		187,377
Surtax advance		**–**		39,707
Withholding tax balance in favor		**30,701**		23,518
Heavy machinery creditable VAT		**–**		1,726
ICA discount paid		**70**		–
VAT discount paid		**595**		–
Income tax	**US$**	**167,117**	US$	100,571

Income Tax Expense

The main elements of income tax expense for the year 2019 and 2018, respectively, are as follows:

	December 31, 2019		December 31, 2018	
Current tax				
Provision for income tax of the year (2)	**US$**	**405,282**	US$	343,885
Provision of surtax		**–**		41,637
Adjustment of prior periods' income tax expense and surtax		**654**		(287)
ICA tax discount paid		**(71)**		–
Hedges (1)		**7,874**		1,450
		413,739		386,685
Deferred tax				
Deferred income tax		**(150)**		(4,052)
Total income tax expense	**US$**	**413,589**	US$	382,633

(1) Corresponds to the effect of the derivative instruments that cover the payment of income tax, which affect the result in year.
(2) The difference between the provision for income tax and surtax and the provision for income tax of the year is recorded in the exchange difference gain (loss), net.

Reconciliation of the Effective Tax Rate

The reconciliation of the effective tax rate for year 2019 and 2018, respectively, is as follows:

	Period of Twelve Months Ended			
	December 31, 2019		December 31, 2018	
	Values	Rates	Values	Rates
Accounting profit before tax	**US$ 1,225,545**		US$ 1,052,385	
Income tax applying the Company's local tax rate	**404,430**	**33.00 %**	389,383	37.00 %
Non-deductible expenses	**2,329**	**0.19 %**	1,323	0.13 %

16. Current Tax Liabilities (continued)

Reconciliation of the Effective Tax Rate (continued)

	Period of Twelve Months Ended			
	December 31, 2019		December 31, 2018	
	Values	**Rates**	**Values**	**Rates**
Difference between taxable base of income and Surtax	**–**	**–**	(11)	0.00 %
CREE taxes	**–**	**–**	(2,693)	(0.26 %)
Conversion adjustments – dollar functional Currency	**(1,502)**	**(0.12 %)**	(6,036)	(0.57 %)
Differential in rate – deferred tax	**(198)**	**(0.02 %)**	(287)	(0.03 %)
Prior years income tax expense	**654**	**0.05 %**	–	–
ICA tax discount	**(71)**	**(0.01 %)**	–	–
Hedges	**7,947**	**0.66 %**	954	0.09 %
Tax profit before tax	**US$ 413,589**	**33.75 %**	US$ 382,633	36.36 %

Deferred Income Tax

Below is the detail of deferred tax assets and liabilities is the following:

	December 31, 2019	December 31, 2018
Assets		
Accounts payable	**US$ 13,616**	US$ 12,991
Provisions	**15,161**	13,060
Accounts receivable	**1,281**	–
Intangibles	**878**	22
Hedges	**132**	8,383
Deferred tax asset	**US$ 31,068**	US$ 34,456
Liabilities		
Property, plant and equipment	**US$ (95,947)**	US$ (94,286)
Other assets	**–**	(942)
Deferred tax liability	**(95,947)**	(95,228)
Net deferred tax	**US$ (64,879)**	US$ (60,772)

The net movement of deferred taxes during the period is the following:

	December 31, 2019	December 31, 2018
Initial balance	**US$ (60,772)**	US$ (82,413)
Credit to statement of income	**150**	4,052
Debit to other comprehensive income	**(7,077)**	8,452
Translation adjustment	**2,820**	9,137
Ending balance	**US$ (64,879)**	US$ (60,772)

16. Current Tax Liabilities (continued)

Deferred Income Tax (continued)

The net deferred income tax asset/liability recognized in other comprehensive income for the year 2019 and 2018, is as follows.

	December 31, 2019		December 31, 2018	
Deferred asset – Hedge	**US$**	**(7,077)**	US$	8,452

The income and supplementary tax returns that are open for review by the Tax Authorities are as follows:

Term	Statement	Date of Submission
2015	Income Tax	Apr-21-2016
2016	Income Tax	Apr-24-2017
2016	CREE	Apr-24-2017
2017	Income Tax	Apr-19-2018
2018	Income Tax	Apr-22-2019

Of the previous statements, the Tax Authority carried out an auditing process for the period 2015.

From the process of reviewing the income tax and supplementary tax returns, no comments and/or adjustments are expected from the Tax Authorities that imply a higher tax payment.

The Firmness of Income Tax and Complementary Tax Returns

Prior to the issuance of Law 1819 of 2016, Article 714 of the Colombian Tax Code established the terms of firmness in 2 years. (General firmness: from the date of the period to declare, Late submission: from the date of submission, and Balance in favor: after the date of presentation of the request for refund or compensation).

As of 2017 and with the entry into force of Law 1819 of 2016, the general term of firmness of the tax returns is 3 years from the date of its expiration or from the date of its presentation, when these have been presented extemporaneously. The term of firmness is 6 years when there are transfer pricing obligations.

For those statements in which balances are presented in favor, the term of firmness is 3 years, from the date of presentation of the request for refund or compensation.

For those tax returns where tax losses are offset, the firmness corresponds to the same period that the taxpayer has to offset it, that is, 12 years. This term extends from the date of compensation for 3 more years concerning the declaration in which the loss was liquidated.

From 2019 and with the entry into force of Law 1943 of 2018, the extension of the firmness of 3 additional years for compensation of tax losses is eliminated.

16. Current Tax Liabilities (continued)

The Firmness of Income Tax and Complementary Tax Returns (continued)

For the Company, the 2016 income tax return may be reviewed by the tax authority within 6 years from the date of filing, considering that for this period, Ocensa was subject to transfer pricing rules. Also, tax returns for the years 2017 and 2018 may be reviewed within the 3-year general firmness period. In the case that this occurs, as reported by the Administration, no significant differences are expected that would imply the modification of the liquidated tax, nor the imposition of sanctions that would lead to the recognition of contingencies in the financial statements.

On the other hand, the income tax return for the year 2015 is in the process of being discussed with the tax administration.

16.1. Other Taxes

	December 31, 2019		December 31, 2018	
Transport tax	**US$**	**7,084**	US$	4,441
Sales tax – VAT payable		**67**		53
Industry and commerce tax		**14**		15
Other taxes short term		**7,165**		4,509
Sales tax - VAT “Plan Vallejo”		**1,557**		923
Other taxes long term	**US$**	**1,557**	US$	923

Transportation Tax

The related transportation tax represents the actual and estimated volumes of crude oil transported during the period in question plus the value of the payment pending cancellation to municipalities that, by order of the National Planning Department, order us to pay, the balance is classified as follows:**16.1.**

	December 31, 2019		December 31, 2018	
Estimated transport tax	**US$**	**7,029**	US$	4,373
Accounts payable		**55**		68
	US$	**7,084**	US$	4,441

16.2. Other Aspects

Law 1819 of December 29, 2016, established that accounting and financial reporting standards accepted in Colombia (NCIF) would only have tax effects when tax laws expressly refer to them or when they do not regulate the matter. In any case, the tax law may expressly provide for a different treatment in accordance with Article 4 of Law 1314 of 2009.

16.2. Other Aspects (continued)

Dividend Tax

On profits generated from 2017 onwards, it applies the dividend tax to foreign companies and entities.

The rate of this tax for dividends distributed to foreign companies and entities until 2018 was 5% (which is collected through the withholding at source mechanism) in the event that the dividends come from profits that were not subject to taxation at the society level. Otherwise, that is, the profits have not been subject to taxation at the level of the society, the dividend will be subject to income tax at a rate of 35%. In this scenario, the 5% dividend tax applies to the amount of the taxed distribution, once it has been reduced by the income tax at the 35% rate.

Law 1943 of 2018 established that as of January 1, 2019, dividends and participations paid or credited to accounts from distributions made among Colombian companies are subject to a withholding tax at the source of dividend tax at a rate of 7.5%. On the other hand, if the profits from which the dividends were distributed were not subject to taxation at the level of the company, such dividends are taxed with the income tax applicable in the distribution period (the year 2019 applicable rate 33%). In this case, the 7.5% withholding tax will be applied to the value of the dividend once it has been reduced by the income tax (33% for the year 2019).

The 7.5% withholding rate will be caused only on the first distribution of dividends among Colombian companies and may be credited against the dividend tax once it is payable by the local resident shareholder or the foreign investor.

Tax on Equity

Law 1943 of 2018 created, beginning in 2019, the new equity tax, payable by individuals and illiquid successions with or without residence in the country and foreign companies and corporations that do not declare income in Colombia, and that own assets in Colombia, other than shares, accounts receivable, and portfolio investments. Neither shall they be subject to net equity tax foreign companies or local companies that do not file income tax returns and that subscribe financial leasing contracts with entities resident in Colombia. The generating fact was the possession on January 1, 2019, of a liquid patrimony equal to more than $5,000 million of pesos.

Presumptive Rent

Until the 2019 taxable year, the liquid rent of the taxpayer cannot be less than 1.5% of his liquid equity, on the last day of the immediately preceding taxable year.

Audit Benefit

Law 1943 of 2018 established that taxpayers who, during the 2019 tax year, in their private income tax and supplementary tax liquidation, increase their net income tax by at least 30%, concerning the net income tax of the immediately preceding year, shall make their tax return firm within six (6) months from the date of its submission, if no notification has been made of the notice to correct or special requirement or emplacement notice or provisional liquidation, and provided that the tax return is submitted promptly and payment is made within the stipulated deadlines.

16.2. Other Aspects (continued)

Audit Benefit (continued)

However, if the increase in the net income tax is at least 20%, in relation to the net income tax of the immediately preceding year, the return will become final within twelve (12) months from the filing of the tax return, if no notification has been made of the notice to correct or special requirement or emplacement notice or provisional liquidation, and provided that the tax return is submitted on time and payment is made within the stipulated deadlines.

The above benefit does not apply to: (i) taxpayers who enjoy tax benefits due to their location in a determined geographical area; (ii) when it is demonstrated that declared withholdings at source are non-existent; (iii) when the net income tax is less than 71 UVT (2019 is equivalent to $2.433.170). The term provided for in this rule does not extend to withholding tax returns or sales tax, which shall be regulated by the general rules.

Tax Reform

Income Tax

In 2019, the National Government issued Law 2010 in accordance with the objectives which on this matter was promoted by Law 1943 of 2018, however, presents the following modifications:

The income tax rate for the taxable year 2020 and the following:

Year	Standard Rate*	Rate Applicable to Financial Institutions**
2020	32%	36%
2021	31%	34%
2022 and subsequent	30%	33%

* The rate applied to domestic companies, permanent establishments, and foreign entities.

** Rate applied to financial institutions with taxable income equal to or greater than 120,000 UVT, as provided for in paragraph 7 included in Article 240 of the Colombian Tax Code.

On the other hand, it reduces for the year 2020, the applicable rate for purposes of calculating income tax under the presumptive tax system which will be 0.5% of the net worth of the taxpayer of the immediately preceding year. As of 2021, the applicable rate will be 0%.

Dividend Taxes

The fee is reduced from 15% to 10% for resident citizens, illiquid estates. Likewise, the rate is increased from 7.5% to 10% for non-resident individuals and legal entities and permanent establishments. The rate applicable to national companies is maintained at the 7.5% rate

Tax on Equity

For the taxable years 2020 and 2021, the equity tax is maintained, for resident natural persons and non-resident natural and legal entities.

16.2. Other Aspects (continued)

Normalization Tax

The normalization tax is extended for the year 2020, complementary to income tax and equity tax, in charge of income taxpayers who have omitted assets or non-existent liabilities. The applicable rate for *t*his taxable period is 15%, and the independent tax return must be filed until September 25, 2020, which does not allow for correction or untimely filing, as in 2019, the applicable rate may be reduced to 50% when the taxpayer normalizes assets abroad and invests them intending to remain in the country.

Sales Tax

In terms of sales tax, those elements (services or raw materials) on which the free zone user has already paid VAT were excluded from the base for determining VAT on imports of goods from the free zone. Article 491 of the Colombian Tax Code is revived, which expressly prohibits the possibility of taking as a deductible tax the VAT paid on the acquisition of fixed assets. Three days a year of VAT exemption are established for certain products, with limits depending on the units acquired.

Tax Procedure

The audit benefit applicable to the taxable year 2019 is extended for the taxable years 2020 and 2021.

Reduction to five years of the firmness term applicable to tax returns where tax losses are offset or generated and compared with the years required to comply with the transfer pricing system.

The term for voluntarily correcting tax returns in which the credit balance is decreased or the value to be paid is increased is extended to three years.

17. Derivative Financial Instruments

	December 31, 2019	**December 31, 2018**
Forward Contracts	**US$ 411**	US$ 25,403

Correspond to the valuation of financial instruments deriving from Oleoducto Central S.A., whose purpose is to mitigate the volatility of the exchange rate on the cash flow required for Company's operations. The balances correspond to their fair value classified in the second level of hierarchy, calculated based on observable entries by using the methodology of forward points.

Taking into account that the Company's functional currency is the US dollar, any transaction in a currency other than the US dollar represents an exposure to the exchange rate risk for Company's performance. In order to mitigate the impact on cash flows that could be generated as a result of variations in rates of Colombian peso versus the US dollar, the management evaluates the exposure to this risk for the twelve (12) months moved forward subsequently and makes the decision to contract hedge instruments for the cash flow in pesos, within the framework established by the financial risk management policy.

17. Derivative Financial Instruments (continued)

The use of three derivative instruments is established in such policy: Forwards, collars and options. At present, the Company has only entered into hedge operations by means of forward instruments under the non-delivery basis.

The Company covers mainly the following risks:

- Up to 50% of its operating expenses. The main headings of operating expenses the Company is hedging are those related to personnel, leases, fees and services, insurance, maintenance and repairs, variable costs, which are denominated in Colombian pesos.

- Up to 100% of its operating expenses. Tax headings being covered correspond to income tax and related taxes, and surcharge.

Forward hedge instruments being used allow setting the sales price in US dollars, which will offset the effect of devaluation or revaluation arising up to the time the Company monetizes resources necessary to cover its monthly or specific obligations on operating expenses and tax payments, which are payable in Colombian pesos.

The nominal value of forward operations is US$377,858 (December 31, 2018 US$332,437). Taking into account that the Company seeks to minimize the exchange exposure for the twelve (12) future months, cash flows are expected to be made and payments of months from January to December, 2020 are expected to be covered.

The change in the net position of the hedges opened in the indicated periods, is due to the differences between the agreed rate in the hedges and the projected forward rate for the valuation of the derivative, so as of December 31st, 2019, the average value of the covered rate is US$3,304.44 / peso, being below the average projected forward rate, which is US$3,304.22. As of December 31th,2018 the average value of the covered rate is US$3,073.59 / peso, being below the average projected forward rate, which is US$3,274.25.

The variation and/or compensation of the hedging operations carried out for the payment of taxes are recorded as a lesser and/or greater value of the covered expense than in the period in which the hedged item is recognized in the income statement and the following periods until it is realized, the variation is recorded in the exchange rate item; the variation of the expense coverage operations (Opex) will be recorded in the state of integral result as long as they are effective; once it is liquidated the result of the compensation will be recorded as a lesser and/or greater value of the amount of the covered expense.

To evaluate the effectiveness of the coverage achieved with the above instruments, the qualitative method of the Critical Elements will be used. Thus, the hedging instruments used are compared with hypothetical derivatives that have a direct economic relationship with the hedged items in all their critical elements (amount, underlying, maturity, etc.). Since the hedged items correspond to the sale of US$ in exchange for COP by the Company, the hypothetical derivatives to be used in this case consist of acquiring non-delivery forward contracts with a hypothetical risk-free entity to sell US$ in exchange for COP for the amounts and rates.

The value recorded in "Other Comprehensive Income" – OCI at December 31,2019 amounts to (US$1,584) (net of tax (US$1,077) and at December 31, 2018 it amounts to US$19,918 and net of taxes at that date of US$13,347.

18. Other Liabilities

	December 31, 2019		December 31, 2018	
Revenues received in advance, short term	**US$**	**3,568**	US$	4,751
Revenues received in advance, long term		**904**		3,376
	US$	**4,472**	US$	8,127

Corresponds to the advance payment upon the capacity reserve of the pipeline, the recoveries of the ship or pay contract of P135 of the revenue received for indemnities and other advances received which are detailed below:

	December 31, 2019		December 31, 2018	
BP Products North América (1)	**US$**	**2,167**	US$	6,514
Gunvor Colombia CI S.A.S.		**1,209**		1,208
Vitol		**401**		–
AIG Seguros Colombia S.A.		**171**		173
Chubb de Colombia Cía. de Seguros		**171**		173
Others (2)		**353**		59
	US$	**4,472**	US$	8,127

(1) Transferred the capacity reservation agreement to BP Latin America LLC, Colombia branch.

(2) Corresponds to the decrease in port services are left with a balance in the deferred income corresponding to P 135.

19. Provisions and Contingencies

	Abandonment Costs(19.1)		Litigations (19.2)		Environmental Contingencies (19.3)		Others (19.4)		Total	
At December 31, 2017	US$	28,267	US$	2,604	US$	398	US$	50,011	US$	81,280
Transfers		–		569		–		209		778
Recovery		–		–		–		(50,011)		(50,011)
Additions		–		1,762		7		1,159		2,928
Financial cost *(Nota 26)*		1,674		–		–		–		1,674
Update Abandonment Rate		11,254		–		–		–		11,254
Translation adjustment		(2,453)		(222)		(33)		–		(2,708)
At December 31, 2018		38,742		4,713		372		1,368		45,195
Transfers		–		**(4,738)**		**2,266**		–		**(2,472)**
Additions		–		–		–		**778**		**778**
Financial cost *(Nota 26)*		**1,536**		–		–		–		**1,536**
Update Abandonment Rate		**7,374**		–		–		–		**7,374**
Translation adjustment		**(282)**		**25**		**(3)**		**(11)**		**(271)**
At December 31, 2019	**US$**	**47,370**	**US$**	**–**	**US$**	**2,635**	**US$**	**2,135**	**US$**	**52,140**

19. Provisions and contingencies (continued)

Currents (19.4)		
At December 31, 2018	**US$**	**1,368**
At December 31, 2019	**US$**	**2,135**
Not currents (19,1 al 19,3)		
At December 31, 2018	**US$**	**43,827**
At December 31, 2019	**US$**	**50,005**

19.1. Abandonment Costs and Dismantling of Assets

The estimated liability for abandonment costs corresponds to the future obligation of the Company to restore the environmental conditions in a similar manner to those existing before the initiation of the projects or activities. Since these are long-term obligations, this liability is estimated by projecting the expected future cash flows and discounting at present value with a rate referenced to the financial obligations of the parent, Ecopetrol S.A

The discount rate used in the obligation estimation at December 31, 2019 was of 3.38% (December 2018 - 3.88%).

19.2. Litigation

In the year 2019 and 2018, Ocensa has been involved in various minor legal procedures related to the ordinary course of its operations, and that involve: 1) claims for contractual obligations; 2) claims for alleged environmental damage; 3) claims for compensation for damage to property and communities; 4) claims related to tax obligations; and 5) various civil lawsuits.

The Company considers that adequate provisions have been made in those cases where it is considered that a contingent liability exists that is probable or certain, for the amount considered necessary to meet the related risks. Likewise, the Company considers that these matters will be resolved without significantly affecting the business, its financial situation, or its results of operation.

In addition, in respect of certain ongoing legal proceedings at times, Ocensa may determine and disclose reasonable estimates of the expected loss or range of possible loss, as well as disclose any provision created for such loss; however, for a limited number of ongoing legal proceedings, the Company may not be in a position to make a better estimate of the expected loss or the range of possible loss or may be in a position to do so, but it is believed that disclosing such information on a case-by-case basis would seriously prejudice the Company's position in ongoing legal proceedings or any related settlement negotiations. Due to the above, in these cases, the Company discloses qualitative information regarding the nature and characteristics of the contingency, not including the estimated loss or range of possible loss.

Pretension

Below is a detail of the leading litigation recognized in the statement of financial position, which could generate an outflow of resources:

19.2. Litigation (continued)

Pretension (continued)

- Environmental compensation obligations 1%:

  Nullity of Resolution 431 of 2009 by which the Department of Environment, Housing, and Territorial Development - MAVDT modified the Resolution 952 of 1995 (environmental license of the oil pipeline), including the obligation of 1%. The Council admitted the appeal against the first instance sentence of State on 15 October 2014. On 29 September 2017, the company registered a pleading for the conclusion of the second instance.

  Nullity of judicial orders 2913 and 4034 of 2011 by which the Department of Environment, Housing, and Territorial Development MAVDT, rejected some construction works, activities, and projects executed for the benefit of the basins of the pipeline's area of influence. Ocensa filed an appeal against the partially favorable ruling of the first instance proffered on January 23, 2015, which was admitted on March 5, 2015, by the Council of State.

  The Company adopted Article 321 of Law 1955 of 2019; on September 10, 2019, therefore, it was transferred US$ 2,266 to environmental provisions as of December 31, 2019.

- Payment claim of presumed damages caused by the attack to the Cupiagaua-Cusiana-Coveñas pipeline by the National Liberation Army in Vereda Fraguas, Machuca Township, Municipal Jurisdiction of Segovia Antioquia; its accrued value as at December 31, 2018 amounts to US $2,896, sum that corresponds to the value of the judgment of cassation uttered by the Supreme Court of Justice on December 18, 2018.

  It was transferred US$ 2,935 to trade accounts and other accounts payables as of December 31, 2019 and paid on February, 2020.

19.3. Environmental Provisions

It mainly corresponds to environmental compensation obligations for the use, exploitation or affectation of natural resources within the framework of environmental authorizations and the forced investment of not less than 1% for the use of water taken directly from natural sources by the established in Law 99 of 1993 paragraph of article 43, concerning project P-135.

On 22 December 2016, the Department of the Environment and Sustainable Development issued Decree 2099, which modifies the Unique Regulatory Decree of the environment and sustainable development sector, Decree 1076 of 2015, about the forced investment of not less than 1% for the use of water taken directly from natural sources, and Decree 1120 of 29 June 2017, which modifies numerals 3 and 4 of article 2.2.9.3.1.17 of Decree 1076 of 2015.

On 25 May 2019, the Congress of the Republic enacted Law 1955 of 2019 (regulation of the National Development Plan 2018-2022), in which through its article 321 it updated the value of the investment of not less than 1%, of the projects under the jurisdiction of the National Environmental Licensing Authority - ANLA.

19.3. Environmental Provisions (continued)

Currently, the Company has approved the investment plan of not less than 1% for file LAM318, within which is P-135 and for file LAM1226 (Interfield), through the following resolutions:

1. LAM318: Resolutions 00834 and Resolution 00294 of March 5, 2019 (the last one resolved the appeal for reversal submitted by the Company).
2. LAM1226: Resolutions 620 of April 30, 2018, and 00311 of March 7, 2019 (the latter resolved the appeal for reversal presented by the Company).

Finally, the Company availed itself of Article 321 of Law 1955 of 2019 by filing numbers 2019136051.-1-000 (LAM0318) and 2019136049-1-000 (LAM1226), dated September 10, 2019, which are currently being evaluated by the ANLA.

Ocensa advanced the contracting process to start the execution of the investment in 2020 in the Banco de Hábitat of the Meta Administered by Terrazos and signed with the Autonomous Patrimony.
The value of the provision as of December 31 is US$2,635.

19.4. Other Provisions

Tecnitanques Ingenieros S.A.S. submitted an arbitration claim against Ocensa, seeking a declaration that Ocensa must pay US$3,862 corresponding to the termination of service provision contract number 3802174 "For engineering, procurement management, construction, and assembly, for the increase of crude oil storage capacity at the Coveñas Terminal of Ocensa". Ocensa answered the complaint on December 16, 2019, opposing the claims and requesting the taking of evidence. On January 14, 2020, Tecnitanques submitted an amendment to its initial claim and is pending the Court's admission and transfer of its claim to Ocensa.

19.5. Contingent Liabilities

The Company has contingent liabilities that are not recorded in the Statement of Financial Position since its probability of occurrence is considered to be eventual.

These contingencies are derived mainly from legal proceedings related to labor claims against the Company's contractors and claims for damages caused during the construction of the pipeline.

19.6. Contingent Assets

The following is a detail of the contingency assets, whose entry of economic benefits to the Company is probable, but not practically certain:

The Company submitted an action for nullity and reinstatement against the decision of the Port Authority to deny the request to return the excess in the payment of the surveillance charge paid in the year 2001. Ocensa calculated the amount of the refund at US$859 and considers that it proceeds under of Resolution 0457 of 2001 issued by the same Superintendence authority.

At the moment, it is pending that the sentence of the first instance is pronounced.

20. Equity

20.1. Subscribed and Paid-in Capital

Authorized capital is of 5,793,456 shares at a par value of COP$30,104.5434483 each; subscribed and paid 5,159,000, and subscribed and paid in capital being US$81,714.

For 2019, the gain per share was US$157.39 (2018 amounts to US$129.82), which is taken from the net profit of the year from continued operations on the number of shares, because there were distributions of dividends during the period, so this value represents the profit of the year, but not necessarily the value to be distributed, given the dividends decreed during the year.

20.2. Equity Reserves

	December 31, 2019		December 31, 2018	
Legal reserve	**US$**	**7,736**	US$	7,736
Legal reserve 10% non-taxed		**33,122**		33,122
	US$	**40,858**	US$	40,858

Legal Reserve

The Colombian Code of Commerce establishes that it is mandatory to appropriate 10% of its net annual profits as a legal reserve until the balance thereof is equivalent to 50% of subscribed capital. This reserve may be used to offset losses or distribute them in the event of Company's liquidation.

20.3. Payment of Dividends

Below is the detail of distributed dividends:

	Decreed		Paid out (1)	
March 12, 2018 – profits from July 1 to December 31, 2017	US$	291,651	US$	291,134
September 13, 2018 – profits from January 1 to June 30, 2018		313,929		313,372
	US$	605,580	US$	604,506
March 12, 2019 – profits from July 1 to December 31, 2018	US$	355,823	US$	354,489
September 18, 2019 – profits from January 1 to June 30, 2019		403,480		401,966
	US$	**759,303**	**US$**	**756,455**

(1) Corresponds to the declared value less the taxes withheld.

20.4. Other Comprehensive Income

Includes the effects of the effective portion of cash flow hedging instruments, recognizing the effective portion of other integral results. The change in the fair value of the hedging instrument, which has been recognized in other integral results, will be reclassified to results when the hedged item affects results.

20.4. Other Comprehensive Income (continued)

The Company seeks, through this hedging policy, to stabilize cash flows and mitigate the economic effects that may arise from fluctuations in market variables, in other words, the peso/dollar exchange rate. The Company, established as a policy for recognition in other comprehensive income, evaluates the effectiveness of the hedge by reviewing that the hedged values do not exceed the exposure.

The methodology used to measure the effectiveness of the hedge is under the Value at Risk (VaR) methodology using the operating cash flow as an indicator.

This measurement is carried out by the use of Monte Carlo simulations, but other commonly accepted methodologies may be considered, which should allow

(1) Present the potential variations in the exchange rate pesos/dollars (COP/US$).
(2) Measure the impact of these movements on the Company's cash flow.
(3) Measure the impact of these movements on the Company's EBITDA (and/or net income if appropriate).

The specific model for measuring risk and its critical variables, as well as its amounts, will be evaluated monthly within the Audit and Financial Committee. When the hedge is no longer effective, hedge accounting shall cease. Additionally, in other comprehensive income, a conversion adjustment is generated as a result of the application of the methodology for the calculation and recognition of deferred tax; which is calculated in pesos but recorded in dollars under the provisions issued by the General Accounting Office.

	December 31, 2019		December 31, 2018	
Cash hedges	**US$**	**1,584**	US$	(19,918)
Deferred tax		**(507)**		6,571
Deferred tax translation adjustment		**93,134**		90,313
	US$	**94,211**	US$	76,966

21. Revenues from Ordinary Activities

	Period of twelve months ended			
	December 31, 2019		December 31, 2018	
Hydrocarbons transportation service (1)	**US$**	**1,493,024**	US$	1,365,046
Other revenues (2)		**54,418**		25,373
Unloading service (3)		**8,971**		10,241
	US$	**1,556,413**	US$	1,400,660

(1) Oil transport from Cupiagua, until the exportation by TLU–2 at the Coveñas terminal; the transportation service is billed by the barrels transported at each section of the pipeline at the rate set by the Ministry of Mines and Energy for each one and for the Coveñas terminal, the authorized tariff set by the Superintendence of Ports and Transport. The barrels the average crude transported were 664 KBPD for the 2019 and of 637 KBPD for the 2018.

21. Revenues from Ordinary Activities (continued)

(2) It corresponds to port services, dilution service, administrative and maintenance services. The increase for the year 2019 is due to revenues derived from construction services related to the port concession contract made with the ANI - National Infrastructure Agency for US $ 32,782 in to year 2019 and US$ 5,963 in to year 2018

(3) It corresponds to the discharge of oil or diluent in the unloading facilities located at the Cusiana station. This service is billed for the barrels nominated by the clients at the contract rate.

Customer Concentration

Revenues generated as a result of crude transportation activities are obtained by the following clients:

	Period of twelve months ended December 31, 2019	December 31, 2018
Ecopetrol S.A.	**US$ 1,197,467**	US$ 1,054,049
Others minors	**238,564**	218,499
Frontera Energy Colombia Corp.	**120,382**	128,112
	US$ 1,556,413	US$ 1,400,660

The percentage of participation of related parties corresponds to approximately 79.2% in 2019 and 75.7% for 2018.

22. Cost of Sales

	Period of twelve months ended December 31, 2019	December 31, 2018
Variable costs		
Friction reducer	**US$ 30,094**	US$ 27,276
Gas	**29,159**	25,852
Fuels and lubricants	**25,770**	31,049
Electric power	**9,021**	7,665
	US$ 94,044	US$ 91,842
Fixed costs		
Operation and maintenance (1)	**US$ 107,022**	US$ 88,444
Depreciation (*Note 11*)	**101,892**	102,019
Amortization rights-of-use (*Note 13*)	**7,925**	–
Labor costs	**6,794**	6,791
Materials	**5,574**	6,262
Amortization concession (*Note 12*)	**2,794**	722
Amortization gas transportation agreement (*Note 12*)	**275**	260
Taxes	**248**	257
	232,524	204,755
	US$ 326,568	US$ 296,597

(1) Includes short term and variable rental expenses.

23. Operation and Projects Expenses

	Period of twelve months ended December 31, 2019		December 31, 2018	
Fees and services	**US$**	**10,240**	US$	10,741
Insurance		**2,867**		1,535
Miscellaneous		**1,743**		1,926
Maintenance		**1,237**		1,236
Leases		**215**		1,358
	US$	**16,302**	US$	16,796

24. Administration Expenses

	Period of twelve months ended December 31, 2019		December 31, 2018	
Labor expenses	**US$**	**18,028**	US$	18,509
Taxes		**2,804**		3,392
Amortization (*Note 12*)		**1,148**		158
Amortization rights-of-use (*Note 13*)		**835**		–
Depreciation (*Note 11*)		**769**		1,614
	US$	**23,584**	US$	23,673

25. Other Operating (Expense) Income, Net

	Period of twelve months ended December 31, 2019		December 31, 2018	
Others arbitral award *(1)*	**US$**	**50,788**	US$	–
Others		**2,777**		2,166
Operative provisions *(Note 19.4 -19.2)*		**–**		(2,921)
Loss on sale of assets held for sale		**–**		(139)
Allowance accounts receivable		**(7)**		–
Loss on retirement of assets (*Note 11*)		**(11,875)**		(1,606)
	US$	**41,683**	US$	(2,500)

1) Concerning the proceeding of the arbitration tribunal convened by Ocensa against Equion Energía Limited and Santiago Oil Company, in relation to negative balances that such companies record in the volumetric balances, on February 18, 2019 the Tribunal issued the arbitration award in which it declared, among others, that (i) Equion and Santiago are obliged to return to Ocensa the full line, (ii) Equion and Santiago breached in bad faith the transportation contracts by not knowing of the existence of the negative balance and refusing to return it and (iii) Equion and Santiago must pay Ocensa US$76,166 (US$50,788 principal plus US$24,769 interest and legal costs of US$609 by March 29, 2019). On March 26, 2019 Ocensa received payment from Equion and Santiago and recognized income as of March 31, 2019.

25. Other Operating (Expense) Income, Net (continued)

After the termination of the arbitration process and the receipt of payment by the defendants, on March 28, 2019 Equion and Santiago filed an extraordinary appeal for annulment against the arbitration award and on May 9, 2019 Ocensa filed a brief opposing the prosperity of this extraordinary appeal. The decision of the Council of State is currently pending against this extraordinary appeal. The probability of success of the annulment appeals is less than 50%. Additionally, on July 31, 2019 Equion and Santiago filed an action for protection against the arbitration award issued on February 18, 2019, alleging the violation of due process. Ocensa opposed the prosperity of the action of tutela and on August 30, 2019 the Council of State resolved to declare the action of tutela inadmissible. On September 3, 2019 Equion and Santiago filed a challenge against the ruling and on October 18, 2019 the Council of State decided to confirm the first instance decision.

26. Financial Result, Net

	Period of twelve months ended			
	December 31, 2019		December 31, 2018	
Default interests (Note 25, numeral 1)	**US$**	**24,769**	US$	–
Financial costs		**(270)**		(429)
Other financial incomes (expenses)		**(868)**		(414)
Financial expense rights of use		**(990)**		–
Financial expense abandonment (Note 19.1)		**(1,536)**		(1,674)
Monetization		**(646)**		83
Costs yields and interest, net		**(12,237)**		(15,201)
Exchange difference gain (loss), net		**(14,319)**		8,926
	US$	**(6,097)**	US$	(8,709)

27. Risk Management

Because of its financial structure, the Company is directly exposed to exchange, interest rate credit and liquidity risks as shown below:

27.1. Exchange Rate Risk

Foreign exchange risk management is at the principle that the peso/dollar exchange rate undergoes highly volatile and unpredictable changes. In this sense, the objective of the hedging strategies defined by the Company is to mitigate movements in these variables by using derivative instruments acquired in financial markets.

Exchange rate risk refers to the economic effects resulting from fluctuations in exchange rates to which the Company is exposed.

In the case of Oleoducto Central S.A., most of the income from services provided is settled and collected in US dollars, while, as a Company operating in Colombia, some of its expenses and all of its tax obligations are they pay in Colombian pesos. For this reason, the Company's cash flows are exposed to fluctuations in the Colombian pesos/U.S. dollar exchange rate.

27.1. Exchange Rate Risk (continued)

For this purpose, Ocensa uses hedging operations by contracting derivative instruments, mainly forwards, whose purpose is to mitigate the movement effects of the peso/dollar exchange rate are incurred against the budget of expenditure in pesos and of tax obligations with a horizon of not more than one year.

At the December 31, 2019, cutoff, the notional of the current hedge portfolio of exchange rate was of US$377,858 (at December 31, 2018 – US$332,437)

This represents an increase of 13.66% of the notional/hypothetical of the portfolio which amount at December 31, 2018 was of US$332,437; such change is explained mainly by the hedge of 2020 of tax flows.

The Colombian peso/United States dollar exchange rate was devalued 0,84% from December 31, 2019, reflecting an exchange rate of COP3,277.14 per US$1 in respect to the rate recorded at December 31, 2018, of COP3,249.75 per US$1

Below is the effect that a 1% and 5% variation would have in the exchange rate of Colombian pesos vs. US dollars, related to the exposure of financial assets and liabilities in foreign currency at December 31, 2019 and 2018

Scenario/ Variation in the TRM	**Effect on Results Before Taxes (+/–)**			
	December 31, 2019		**December 31, 2018**	
1%	**US$**	**2,546**	US$	1,738
5%	**US$**	**12,246**	US$	8,360

For the calculation of the effect on results before taxes, the rate of the December 31, 2019, equivalent to COP$3,277.14 per US$1, (December 31, 2018, COP$3,249.75 per US$1).

The sensitivity analysis only includes monetary assets and liabilities in foreign currency at the close date, as shown below, in COP million:

	December 31, 2019		**December 31, 2018**	
Trade accounts receivable and other accounts receivable, net	**COP$**	**56,114**	COP$	42,994
Cash and cash equivalents		**54,352**		39,944
Other assets		**–**		2,351
Active position		**110,466**		85,289
Provisions		**(168,321)**		(146,870)
Trade accounts and other accounts payable		**(189,307)**		(166,166)
Tax liabilities		**(571,148)**		(341,474)
Debt and loans bearing interest		**(22,949)**		–
Deferred revenues		**(1,499)**		(1,263)
Passive position		**(953,224)**		(655,773)
Net passive position	**COP$**	**(842,758)**	COP$	(570,484)

27.2 Credit Risk

Credit risk is the risk that the Company acquires as a result of unfulfillment with the obligations of clients, financial institutions with which investments are made or counterparties with which instruments are contracted derivatives.

Oleoducto Central S.A. constantly monitors the credit ratings issued by risk rating companies for financial institutions with which investments are made or derivative instruments are traded, in order to ensure that these companies meet the minimum rating defined by the Company.

For the portfolio that is considered impaired, an individual analysis is carried out that allows to see the situation of each client and thus define the provisions to that place. The Company carries out the administrative and legal actions necessary to recover the due accounts receivable, as well as the recognition of interest of clients that do not comply with the payment policies.

27.3. Liquidity Risk

The National Planning Department, as evidenced in its official letter number SC-20134380757471 of October 15, 2013, issued a favorable opinion for the Company to enter into public credit operations upon the international issue of a bond in United States dollars for up to US$1,000,000, with 100% of possibility to reopen the rest of the amount in order to finance Capex needs of new projects.

Based on this favorable opinion, by means of Resolution number 4254 of December 12, 2013, the Ministry of Finance and Public Credit authorized the Company to negotiate the issue and placement of bonds in the international capital market for up to one thousand million United States dollars (US$1,000,000) in order to finance investment needs of future expansion projects.

By means of Resolution 1369 of April 29, 2014, the Ministry of Finance and Public Credit authorized the Company to subscribe, issue and place External Public Debt Bonds, under Rule 144 A / S Registration of the United States of America Securities Act, in international capital markets for up to US$500,000 in order to finance the needs of investment of future expansion projects (Potency 135 and Warming). This provides the Company with the possibility to reopen the rest of the amount, given that Company’s financing needs require them and that capital market conditions are favorable.

The liquidity risk is managed as of the application of the Merton Miller and Daniel Orr model, which is an induction model of random generation for daily changes in the cash balance, in order to establish the minimum cash levels required to take care of the organization liquidity requirements, including its debt service commitments.

The main purpose of the internal procedures is to guarantee enough liquidity levels to comply with the Company’s financial commitments within its timetable of maturities, as well as the main instruments for their measurement and follow-up. Such instruments are: Weekly report of the treasury command bulletin board, monthly cash flow, and analysis of the annual mobile average of the cash flow foresight.

The Company has a policy to manage liquidity surpluses. Such policy provides criteria, guidelines and directives for the efficient and safe administration of liquidity surpluses, and establishes limits of exposure per counterparty. At present, the counterparty limit of risk exposure is limited to the higher of the following parameters: A maximum amount of US$150 million by the counterparty, or if the cash balance falls below such amount, it should be divided at least into three counterparties that meet the minimum rating

27.3. Liquidity Risk (continued)

permitted. In the event issuer and issue limits established herein are exceeded, the portfolio administrator will have 45 calendar days to take the measures necessary to adjust to such limits.

The credit quality of issuers, assets and counterparties of operations are as follows:

Minimum permitted rating:

Foreign Financial Entities

Rating Entity	Short-Term Rating	Long-Term Rating
Standard & Poor's	A-1	A+
Moody's Investors Service	P-1	A1
Fitch Ratings	F-1	A+

Local Financial Entities

Rating Entity	Short-Term Rating	Long-Term Rating
Fitch Ratings	F1+	AAA
BRC Investor Services	BRC 1+	AAA

As of 2018, with the development of the Ocensa Counterparty Risk procedure, a set of rules and periodic reviews were established for customers and people who have a business relationship with the company. The document aims to define and describe the counterparty risk assessment guidelines applied in the Company.

It refers specifically to the activities that Ocensa will carry out for the risk management of counterparty risk controls carried out on the company's clients, in order to minimize, mitigate, and manage the uncertainty generated by possible breaches of payment obligations emanated from contracts that generate income. The aspects analyzed include portfolio analysis, review of restrictive lists, risk ratings, financial analysis and collects the multiple controls that exist in the Transporter's Manual and the provisions established in the pre-contractual stage. The document includes the inclusion of those who are interested in contracting with Ocensa and is input for the processes of the risk and accounting areas.

27.4 Interest Rate Risk

Oleoducto Central S.A. issued a bond in the international market at a notional amount of US$500 million in 2014. A defined fixed interest rate of 4% was used in such issue; therefore, there is no risk of interest rate.

27.5 Capital Management

The main objective of the Company's capital management is to ensure a financial structure that optimizes the cost of capital, maximizes the yield of its shareholders, and allow access to financial markets at a competitive cost in order to cover its financing needs.

Below is the indebtedness ratio of periods reported:

27.5 Capital Management (continued)

		December 31, 2019		December 31, 2018
Cash and cash equivalents *(Note 7)*	**US$**	**441,076**	US$	239,422
Loans *(Note 15)*		**(513,472)**		(500,979)
Net financial debt	**US$**	**(72,396)**	US$	(261,557)
Equity	**US$**	**1,261,871**	US$	1,191,973
		5.43%		17.99%

(1) Net Financial Debt / (Net Financial Debt + Equity)

28. Related Parties

The main transactions between related parties during the periods indicated are detailed below:

	Period of twelve months ended at December 31, 2019						
	Transport revenues Hydrocarbons	**Unloading Services Revenue**	**Revenue Service Dilution**	**Revenue of administrative Services**	**Revenues for services Operation and Maintenance**	**Purchase of Products and Services**	**Total**
Ecopetrol S.A.	**US$ 1,194,944**	**US$ 2,523**	**US$ -**	**US$ -**	**US$ -**	**US$ (7,700)**	**US$ 1,189,767**
Cenit Transporte y Logística de Hidrocarburos S.A.S.	–	–	–	**46**	**1**	**(597)**	**(550)**
Hocol S.A.	**28,729**	–	–	–	**29**	–	**28,758**
Oleoducto de Colombia S.A.	–	–	–	**61**	–	**(1,054)**	**(993)**
Oleoducto de Los Llanos Orientales	–	–	**4,226**	–	**278**	–	**4,504**
Oleoducto Bicentenario de Colombia S.A.S. (1)	–	–	–	**122**	**1,137**	–	**1,259**
	US$ 1,223,673	**US$ 2,523**	**US$ 4,226**	**US$ 229**	**US$ 1,445**	**US$ (9,351)**	**US$ 1,222,745**

	Period of twelve months ended at December 31,2018						
	Transport revenues Hydrocarbons	**Unloading Services Revenue**	**Revenue Service Dilution**	**Revenue of Administrative Services**	**Revenues for services Operation and Maintenance**	**Purchase of Products and Services**	**Total**
Ecopetrol S.A.	US$ 1,048,934	US$ 3,544	US$ 1,571	US$ –	US$ –	US$ (9,145)	US$ 1,044,904
Cenit Transporte y Logística de Hidrocarburos S.A.S.	–	–	–	64	–	(527)	(463)
Hocol S.A.	10,847	-	-	-	-	-	10,847
Oleoducto de Colombia S.A.	–	–	–	40	59	(1,128)	(1,029)
Oleoducto de Los Llanos Orientales	–	–	4,142	22	317	–	4,481
Oleoducto Bicentenario de Colombia S.A.S.	–	–	–	32	1,235	(3,868)	(2,601)
	US$ 1,059,781	US$ 3,544	US$ 5,713	US$ 158	US$ 1,611	US$ (14,668)	US$ 1,056,139

(1) During 2019, expenses were incurred for the rental of the storage tank, which was recognized as IFRS 16.

28. Related Parties (continued)

The most representative balances with related entities at December 31, 2019 and 2018 are included in accounts receivable and accounts payable, as follows:

		December 31, 2019		December 31, 2018
Accounts receivable				
Ecopetrol S.A.	**US$**	**123,499**	US$	134,364
Hocol S.A.		**2,589**		2,267
Oleoducto de Los Llanos Orientales S.A.		**698**		1,143
Oleoducto Bicentenario de Colombia S.A.S.		**426**		1,302
Oleoducto de Colombia S.A.		**292**		300
Cenit Transporte y Logística de Hidrocarburos S.A.S.		**140**		158
	US$	**127,644**	US$	139,534
Accounts payable				
Ecopetrol S.A.	**US$**	**7,564**	US$	4,318
Oleoducto Bicentenario de Colombia S.A.S.		**448**		571
Cenit Transporte y Logística de Hidrocarburos S.A.S.		**209**		96
Oleoducto de Colombia S.A.		**203**		142
	US$	**8,424**	US$	5,127

Outstanding amounts are not guaranteed and will be settled in cash. No guarantees have been granted or received. No expense has been recognized in the current period or in prior periods concerning uncollectable or bad debts related to amounts due by related parties.

Trade purchases and sales transactions of goods and services, concerning the development of the Company's corporate purpose, with related parties are made under general market prices and conditions.

28.1. Compensation to Directors

Directors' fees for attendance to the meetings of the Board of Directors and/or the Audit Committee amount to approximately to 2019 to US$118 and to US$146 to 2018.

The total compensation paid to directors, executive officials and top directors for salary and other compensations during the 2019 amounted to US$1,805 (2018 for US$2,350).

29. Subsequent Events

There have been no subsequent events affecting the figures in the financial statements as of December 31, 2019.

At the beginning of February 2020, a change in the company's shareholding composition took place. AI Candelaria Luxembourg SARL one-share participation was changed to ISQ Booster Acquisitions SARL.

As of today, due to the conjuncture of the COVID-19 it has not generated any impacts on the Financial Statements as of December 31, 2019. However, as a result of the COVID-19 pandemic and measures put in place to slow its spread, including the imposition of quarantines and medical screenings, travel restrictions and the suspension of many economic activities, we expect to continue a substantial uncertainty in macroeconomic conditions regarding crude prices, crude oil production, and demand of related products.

29. Subsequent Events (continued)

The principal effect has been in a significant drop in the Brent crude oil price, with Brent crude reaching a low of US$22.70/bbl on March 31, 2020. This drop has affected exploration and production ("E&P"), companies, such as our main customer, Ecopetrol, that operate in the areas we serve. Many of them, including Ecopetrol, have had to cut production in order to protect the cash flow and profitability of their operations. Likewise, the companies believe the current tariffs are a non-manageable cost that may represent up to 45% of a producer's total costs of operations, which may pressure these companies to lower production and renegotiate transport tariffs given low oil prices as well as the effects of the COVID-19 pandemic.

In response to the situation, Ocensa is working on the following actions:

• Efficiency plan which focuses on savings in expenses and on capital investments
• The volume discounts were removed, and the temporary payment agreements were modified to instead permit shippers to defer up to the 50% of their agreed tariff payment for an initial period of six months. This six-month deferral consists of a grace period, following which period customers' tariff deferral may be extended for up to an additional four months, subject to an interest charge. We are also evaluating temporary changes on our current transportation agreements on a case-by-case basis, including by approving temporary downward adjustments to the contracted volume of certain of our customers.

At this time, we cannot forecast the duration of the effects of COVID-19 on our business. In addition, while the price of crude oil has been increasing since the recent Brent price of U.S.$22.70 per barrel on March 31, 2020 and we would expect crude oil production to follow that trend, The future business results and expectations will be affected by the extent and duration of these conditions and the effectiveness of responsive actions taken.

Furthermore, the Company will be monitoring the impairment indicators of long-term assets, performing quantitative analyses when it is necessary to do so.

FINANCIAL STATEMENTS

Oleoducto Central S.A.

Periods ended December 31, 2018 and 2017
with Independent Auditor’s Report

Building a better
working world

Independent Auditor's Report

To the Shareholders of:
Oleoducto Central S.A.

Opinion

I have audited the attached financial statements of Oleoducto Central S.A., which include the financial statement of financial position as of December 31st, 2018 and the corresponding statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the summary of significant accounting policies and other explanatory notes.

In my opinion, the attached financial statements, taken from the accounting records, reasonably present, in all important aspects, the financial position of the Company as of December 31st, 2018, its results of operations and cash flows for the year then ended, in accordance with Accounting and Financial Reporting Standards accepted in Colombia and the statements of the National Accounting Office (Contaduría General de la Nación) for Government entities.

Basis of Opinion

I have conducted my audit in accordance with International Standards on Auditing adopted in Colombia. My responsibilities in complying with these standards are described in the Auditor's Responsibilities in the Audit of Financial Statements section of this report. I am independent of the Company, in accordance with the Code of Ethics Manual for accounting professionals and the ethical requirements relevant to my audit of financial statements in Colombia and have complied with all other applicable ethical responsibilities. I consider that the audit evidence obtained is sufficient and appropriate to substantiate my opinion.

Management´s Responsibilities and of those Responsible for the Governance of the Entity for the Preparation of Financial Statements

Management is responsible for the proper preparation and correct presentation of the financial statements in accordance with Accounting and Financial Reporting Standards accepted in Colombia ; for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; for the selection and application of appropriate accounting policies; and for establishing accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, management is responsible for evaluating the ability of the Company to continue as a going concern, disclosing, as appropriate, matters that could impact the use of the going concern basis of accounting, unless management intends to liquidate the Company or cease its operations, or has no other realistic alternative to doing so.

The entity's government officials are responsible for overseeing the Company's financial reporting process.

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Building a better working world

Auditor's Responsibilities in Auditing Financial Statements

My goal is to obtain reasonable assurance as to whether the financial statements taken as a whole are free from material errors, either by fraud or error, and to issue a report that includes my opinion. Reasonable security is a high level of assurance but does not guarantee that an audit conducted in accordance with International Audit Standards accepted in Colombia will always detect a material impropriety where it exists. Inaccuracies may arise due to fraud or error and are considered materials if, individually or cumulatively, they could be expected to reasonably influence the economic decisions that users make based on the financial statements.

As part of an audit in accordance with the International Audit Standards accepted in Colombia, I must exercise my professional judgment and maintain my professional skepticism throughout the audit, in addition to:

- Identify and assess the risks of material inadequacy in financial statements, whether for fraud or error, design and execute audit procedures that respond to those risks and obtain audit evidence that is sufficient and appropriate for substantiating my opinion. The risk of not detecting a material impropriety due to fraud is more significant than that resulting from an error, as fraud may involve collusion, forgery, intentional omissions, false statements, or overstepping the internal control system.
- Obtain an understanding of the internal control relevant to the audit, to design audit procedures that are appropriate in the circumstances.
- Evaluate the accounting policies used, the reasonableness of the accounting estimates, and the respective disclosures made by the Administration.
- Conclude on whether it is appropriate for Management to use the ongoing business accounting base and, based on the audit evidence obtained, whether there is material uncertainty related to events or conditions that may generate significant doubts about the Company's ability to continue as a business underway. If I conclude that there is significant uncertainty, I must draw attention in the auditor's report on related disclosures, included in the financial statements, or, if such disclosures are inappropriate, change my opinion. The auditor's findings are based on the audit evidence obtained to date from my report; however, subsequent events or conditions may cause an entity to be unable to continue as a business going.
- Evaluate the overall presentation, structure, content of financial statements, including disclosures, and whether financial statements represent underlying transactions and events in a manner that achieves reasonable presentation

I communicated to the heads of the government of the entity, among other matters, the planned scope and timing of the audit, the significant findings of the audit, as well as any significant deficiencies in the internal control identified during the audit.

Other Issues

The financial statements under Accounting and Financial Reporting Standards accepted in Colombia of Oleoducto Central S.A. as of December 31th, 2017, which are part of the comparative information on the attached financial statements, were audited by me in accordance with International Standards on Auditing adopted in Colombia, on which I expressed an unqualified opinion on May 16, 2018.

Daniel Alejandro Tortorella
Independent Auditor
Professional Card 232998-T
Designated by Ernst & Young Audit S.A.S. TR-530

Bogotá, Colombia
June 22, 2020

Oleoducto Central S.A.

Statements of Financial Position

	Notes	December 31, 2018		December 31, 2017	
		(In thousands of US dollars)			
Assets					
Current assets					
Cash and cash equivalents	7	**US$**	**239,422**	US$	236,356
Trade debtors and other accounts receivable, net	8		**169,637**		196,664
Inventories	9		**24,443**		–
Derivative financial instruments	10		**–**		8,533
Other assets	11		**3,089**		5,489
Non-current assets held for sale	12		**–**		18,783
		US$	**436,591**		465,825
Non-current assets					
Trade debtors and other accounts receivable, net	8		**3,321**		4,196
Other non - financial assets	11		**743**		–
Property, plant and equipment, net	13		**1,551,334**		1,595,225
Intangibles, net	14		**23,770**		14,264
			1,579,168		1,613,685
Total assets		**US$**	**2,015,759**	US$	2,079,510
Liabilities and equity					
Current liabilities					
Debts and loans bearing interest	15	**US$**	**20,000**	US$	20,200
Trade accounts and other accounts payable	16		**72,686**		89,819
Tax liabilities	17		**105,080**		170,684
Derivative financial instruments	10		**25,403**		–
Other liabilities	18		**4,751**		6,707
Provisions and contingencies	19		**1,368**		50,011
			229,288		337,421
Non-current liabilities					
Debts and loans bearing interest	15		**480,979**		480,199
Trade accounts and other accounts payable	16		**4,621**		4,389
Tax liabilities	17		**923**		883
Deferred tax liabilities	17		**60,772**		82,413
Other liabilities	18		**3,376**		7,722
Provisions and contingencies	19		**43,827**		31,269
			594,498		606,875
Total liabilities			**823,786**		944,296
Equity	20				
Subscribed and paid-in capital			**81,714**		81,714
Legal reserve			**40,858**		40,858
Accumulated profits			**992,435**		928,263
Other comprehensive income			**76,966**		84,379
Total equity			**1,191,973**		1,135,214
Total liabilities and equity		**US$**	**2,015,759**	US$	2,079,510

See accompanying notes.

Oleoducto Central S.A.

Statement of Income and Comprehensive Income

	Notes	December 31, 2018	December 31, 2017
		(In thousands of US dollars, except net profit per share)	
Continued operations			
Revenues from ordinary activities	21	**US$ 1,400,660**	US$ 1,324,793
Cost of sales	22	**(296,597)**	(260,675)
Gross profit		**1,104,063**	1,064,118
Operations and project expenses	23	**(16,796)**	(15,705)
Administrative expenses	24	**(23,673)**	(23,711)
Other operating expenses, net	25	**(2,500)**	(42,168)
Operating profit		**1,061,094**	982,534
Financial costs, net	26	**(8,709)**	(32,263)
Profit before income tax		**1,052,385**	950,271
Income tax expense	17	**(382,633)**	(397,636)
Net profit of the year		**US$ 669,752**	US$ 552,635
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss (net of tax)			
Net (loss) gain from hedges of cash flow, net of taxes		**(16,550)**	11,938
Items that will not be reclassified to profit or loss effect on currency translation			
Gain (loss) from exchange difference in translation		**9,137**	(149)
		(7,413)	11,789
Total net comprehensive income of the year		**US$ 662,339**	US$ 564,424
Net profit of the period per share		**US$ 129,82**	US$ 107,12

See accompanying notes.

Oleoducto Central S.A.

Statements of Changes in Shareholders' Equity

	Subscribed and Paid-in Capital	Legal Reserve	Accumulated Profits	Other Comprehensive Income	Total Equity
At December 31, 2016	US$ 81,714	US$ 40,858	US$ 756,949	US$ 72,590	US$ 952,111
Distribution of dividends	–	–	(381,321)	–	(381,321)
Net profit of the year	–	–	552,635	–	552,635
Other comprehensive income					
Net gain from hedges of cash flow, net of taxes	–	–	–	11,938	11,938
Net loss from exchange difference in translation	–	–	–	(149)	(149)
At December 31, 2017	**81,714**	**40,858**	**928,263**	**84,379**	**1,135,214**
Distribution of dividends	–	–	**(605,580)**	–	**(605,580)**
Net profit of the year	–	–	**669,752**	–	**669,752**
Other comprehensive income					
Net loss from hedges of cash flow, net of taxes	–	–	–	**(16,550)**	**(16,550)**
Net gain from exchange difference in translation	–	–	–	**9,137**	**9,137**
At December 31, 2018	**$ 81,714**	**$ 40,858**	**$ 992,435**	**$ 76,966**	**$ 1,191,973**

See accompanying notes.

Oleoducto Central S.A.

Statements of Cash Flows

	December 31, 2018		December 31, 2017	
	(In thousands of US dollars)			
Operating activities				
Net profit of the year	**US$**	**669,752**	US$	552,635
Adjustments to reconcile net profit of the period with net cash flows provided from operating activities:				
Depreciation of property, plant and equipment		**103,633**		95,154
Consumption of materials and spare parts		**38,608**		52,413
Impairment of property, plant and equipment		**–**		1,947
Impairment of non-current assets available for sale		**–**		1,580
Loss on disposal of property, plant and equipment		**1,606**		5,539
Impairment of Accounts Receivable		**–**		215
Loss on sale of non-current assets held for sale		**139**		791
Amortization of intangible assets		**1,140**		817
Additions (recovery) provision and contingencies, net		**(47,090)**		50,003
Deferred taxes		**(4,052)**		(35,654)
Income tax expense		**386,685**		433,290
Financial income		**(4,841)**		(2,605)
Financial costs		**22,454**		22,598
(Gain) loss from exchange difference		**(8,926)**		10,483
Changes in operating assets and liabilities				
Decrease (increase) of trade debtors and other accounts receivable		**26,948**		(68,927)
Decrease of other assets		**1,588**		221
Increase inventories		**(1,633)**		–
(Decrease) of trade accounts and other accounts payable		**(13,232)**		(241)
Increase (decrease) tax liabilities		**16,006**		(18,539)
Increase derivative financial instruments, net		**8,933**		26,664
Decrease of income received in advance		**(6,265)**		(911)
Interest received		**4,841**		2,605
Income tax paid		**(463,666)**		(448,449)
Cash provided from operating activities		**732,628**		681,629
Investing activities				
Acquisition of property, plant and equipment		**(94,219)**		(111,629)
Acquisition of intangibles		**(9,207)**		(4,720)
Proceeds from sale of assets held for sale		**374**		742
Cash used in investing activities		**(103,052)**		(115,607)
Cash used in financing activities				
Payments of liabilities from financial leasing		**(83)**		(70)
Interest paid		**(20,000)**		(20,000)
Dividends paid		**(604,506)**		(380,858)
Cash used in financing activities		**(624,589)**		(400,928)
Net Increase of cash and cash equivalents		**4,987**		165,094
Effect of the variation in exchange rates on cash and cash equivalents maintained in foreign currency		**(1,921)**		(575)
Cash and cash equivalents at the beginning of the period		**236,356**		71,837
Cash and cash equivalents at the end of the year	**US$**	**239,422**	US$	236,356

See accompanying notes.

Oleoducto Central S.A.

Notes to Financial Statements

For the periods ended December 31, 2018 and 2017
(All amounts are expressed in thousands of dollars, except foreign currency amounts, exchange rates and the par value of the share)

1. Corporate Information

Oleoducto Central S.A. (hereinafter Ocensa or the Company) is a mixed economy company incorporated under the laws of Colombia, by means of public deed No. 4747 dated December 14, 1994 of Notary 38 of the Circle of Bogotá D.C, with a term of office until December 31, 2093 and whose corporate purpose includes designing, constructing, operating, managing, commercially exploiting and owning an oil transportation system (pipeline) for public use and related facilities, without any limitation, whose starting point is located at the Cusiana and Cupiagua stations, department of Casanare, and whose final point is located at the Coveñas port of embarkation located in the jurisdiction of the municipalities of San Antero, department of Córdoba and Coveñas, department of Sucre; as well as to design, build, operate and manage ports or maritime oil terminals and to provide, directly or indirectly, services related to port operations, especially storage, land and maritime handling, transportation and loading of crude oil and to provide other services related to the activity of transporting crude oil by pipeline.

The pipeline consists of nine pumping or booster stations, a pressure reducing station, a marine terminal, 836 kilometers of pipeline on land and 12 kilometers at sea, two bases for the coordination of maintenance activities and a control center. To carry out the transport operation, there is a communication system that allows total control of the operation through instruments located along the pipeline and in the stations. This allows for the control of the availability of the crude oil, its location and the verification of the commitments in crude oil transportation. The address of the main office of Oleoducto Central S.A., is Bogotá - Colombia. Ecopetrol is the parent company and exercises control over the Company through Cenit Transporte y Logística de Hidrocarburos S.A.S.

2. Basis of Preparation and Presentation

2.1. Statement of Compliance and Authorization of the Financial Statements

The Company’s financial statements have been prepared in accordance with the Accounting and Financial Information Standards Accepted in Colombia (NCIF), based on International Financial Reporting Standards (IFRS), together with their interpretations, conceptual reference framework, conclusion bases and application guidelines authorized and issued by the International Accounting Standards Board (IASB) as established by decree 2615 of December 17, 2014, decree 2420 of December 14, 2015, amended by decree 2496 of December 23, 2015; and decree 2131 of 2016, 2170 of 2017 and 2483 of 2018; and other legal provisions applicable to entities supervised and/or controlled by the Superintendence of Corporations, and by the National Accounting Office (Contaduría General de la Nación) that may differ in certain aspects from those established by other State control bodies.

The accounting policies described in Note 4 have been consistently applied.

The Financial Statements as of and for the year ended December 31, 2018, were prepared by Management and were approved by the Company's directors on June 18, 2020 .

2.2. Basis of Measurement

The Company’s financial statements have been prepared based on the historical cost, except for the accompanying financial assets and liabilities at fair value with changes in results and/or changes in other comprehensive income, that are valued at their fair value at each period closing, as explained in the accounting policies included hereinafter.

2.2. Basis of Measurement (continued)

In general, the historical cost is based on the fair value of the valuable consideration granted in lieu of assets and services. Fair value is the price that would be received upon selling an asset or paid upon transferring a liability in an ordered transaction between market participants at the measurement date. Upon estimating the fair value, the Company uses the assumptions that market participants would use upon setting the price of the asset or liability in present market conditions, including assumptions on the risk.

2.3. Functional and Presentation Currency

Items included in these financial statements are initially valued in the functional currency which is the U.S. dollar, that is the currency of the main the Company operates in and in addition the one in which it regularly generates and uses cash. The presentation currency is the U.S. dollar.

2.4. Foreign Currency

Upon preparing the financial statements, transactions in a currency other than the Company's functional currency are recorded using current exchange rates on the dates operations take place. At the end of each period, monetary items in foreign currency are translated at current exchange rates in force on that date and variations arising in the translation are recognized in the net financial result, except those resulting from hedging instruments of cash flows, which are recognized in other comprehensive income, within equity. When the hedged items affect results, exchange differences accumulated in equity are reclassified to the statement of profits and losses as part of the operation result.

Non-monetary items recorded at fair value, denominated in foreign currency, are translated at the exchange rate in force on the date the fair value was determined.

Profits and losses from exchange differences related to loans, and cash and cash equivalents are presented in the income statement account in line entitled "Financial income or financial expense." Remaining losses and gains from exchange differences are presented as exchange difference.

2.5. Classification of Assets and Liabilities as Current and non-Current

The Company presents assets and liabilities in the statement of financial position based on its current or non-current classification. An asset is current when:

- It is estimated that it will be cancelled, or the expectation is that it will be sold or consumed in the normal operating cycle of the business.
- It is mainly maintained for purposes of being negotiated.
- The expectation is that it will be realized within twelve months following the reporting date; or,
- It is cash or cash equivalent unless it is restricted to be exchanged or used to pay a liability for at least twelve months from the reporting date.

All other liabilities are classified as non-current.

A liability is current when:

2.5. Classification of Assets and Liabilities as Current and non-Current (continued)

- It is estimated that it will be settled in the normal operating cycle of the business.
- It is maintained mainly in order to be negotiated.
- It is expected that it will be cancelled within the twelve months subsequent to the reporting date; or,
- There is no unconditional right to defer the payment of the liability for a least twelve months subsequent to the reporting date.

All other liabilities are classified as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.6. Accounting Period

According to its bylaws, the Company prepares statutory financial statements for six-month periods ending June 30 and December 31 of each year. The financial statements as of and for the years ended December 31, 2018 and 2017 are special purpose and have been prepared solely to support the intended bonds issuance by the Company in the international capital markets. As a result, these financial statements may not be suitable for other purposes.

2.7. Net Profit per Share

The profit per share stated in approximated vs dollars' equivalents, is calculated upon dividing the net profit of the period attributable to shareholders by using the weighted average of outstanding ordinary shares during the period. There were no transactions with ordinary shares from the date of the period being reported to the issue date of these financial statements.

3. Judgments, Estimates, and Significant Accounting Assumptions

The Company's preparation of the financial statements requires that the Company's Management make judgments, estimates and assumptions to quantify some of the assets, liabilities, income, expenses and commitments recognized in the financial statements and their disclosures. These estimates have been made based on the best available information on the facts analyzed, management experience and other factors. Uncertainty about assumptions and estimates could result in future material changes that affect the value of assets or liabilities. Changes to these estimates are recognized prospectively in the period in which the estimate is revised.

These estimates have been made based on the best available information on the facts analyzed, management experience and other factors. Uncertainty about assumptions and estimates could result in future material changes that affect the value of assets or liabilities. Changes to these estimates are recognized prospectively in the period in which the estimate is revised. In the process of applying accounting policies, Management has made the following judgments and estimates, which have had the most significant effect on the amounts recognized in the financial statements:

3.1. Impairment (Recovery) of Long-Lived Assets

At the end of each period being reported, the Company evaluates the carrying values of its long-lived assets (tangible and intangible assets) to determine if an indication exists that these amounts have suffered any impairment loss. In such case, the recoverable amount of the asset is calculated to determine the extent of the impairment loss (if any).

3.1. Impairment (Recovery) of Long-Lived Assets (continued)

When it is not possible to estimate the recoverable amount of an individual asset, the Company calculates the recoverable amount of a cash generator unit the asset belongs to. When a reasonable and consistent distribution base is identified, common assets are also assigned to the individual cash generator units or distributed to the smallest group of cash generator units for which a reasonable and consistent distribution base may be identified.

The recoverable amount is the higher between the fair value less costs of disposal and the value in use. Upon estimating the value in use, future estimated cash flows are discounted from the current value by using a discount rate before taxes which reflects the current market valuations in respect to the temporary value of money and the specific risks of the asset for which the estimates of future cash flows have not been adjusted.

If the calculated recoverable amount of an asset (or cash generating unit) is lower than its carrying value, the carrying value of the asset (or cash generating unit) is reduced to its recoverable amount. Impairment loses are recognized immediately in the statement of income, except if the asset is recorded at a revalued amount, in which case, the impairment loss should be considered as a decrease in the revaluation.

When a loss from impairment is subsequently reversed, the carrying value (or cash generating unit) increases to the reviewed estimated value of its recoverable amount, so that the increased carrying value does not exceed the carrying value that had been calculated if the impairment value had not been recognized for such asset (or cash generating unit) in prior years. The reversal of a loss from impairment is recognized automatically in the statement of income.

3.2. Abandonment of Pipelines, Equipment and Other Facilities

In accordance with environmental and oil regulations, the Company must recognize costs on the abandonment of its property, plant and equipment, which include abandonment of the pipeline, dismantling of facilities and environmental recovery of affected areas. A provision that covers dismantling costs and service retirement has been recognized in relation with the pipeline system. Dismantling costs and service retirement are accrued for the present value of expected costs to cancel the obligation, using future estimated cash flows, and are recognized as an integral part of the cost of such asset in particular. These cash flows are discounted at a current market rate before taxes, which reflects the specific risks of the liability. The discount amount is recorded as expense as incurred and is recognized in the statement of income as financial costs. Estimated future costs of dismantling and service retirement are reviewed annually, and adjusted as appropriate. Changes in estimated future costs or in the discount rate applied are added to or subtracted from the related asset cost. The estimate of costs for abandonment and dismantling of these facilities are recorded in the functional currency of the Company at the time of the asset's installation. The estimated obligation set up for abandonment and dismantling is subject to review at each period closing and adjusted to reflect the best estimate, due to technological changes and political, economic, environmental matters, as well as changes of security and of relations with stakeholders.

The calculations of these estimates are complex and involve significant judgments by the management, as the internal projections of costs future inflation and discount rates.

3.2. Abandonment of Pipelines, Equipment and Other Facilities (continued)

The Company considers that abandonment costs are reasonable, based on the experience and market conditions; however, significant variations in external factors used for the calculation of the estimate could significantly impact the financial statements.

3.2.1. Litigation

The Company is subject to claims through regulatory and arbitration procedures, tax liquidations and other claims that arise during the ordinary course of businesses. The management and legal counsel evaluate these situations based on their nature, the probability that they materialize and the amounts involved to decide on the amounts recognized and/or disclosed in the financial statements. This analysis, which could require considerable judgments, includes legal processes filed against the Company and claims not yet initiated. A provision is recognized when the company has a present obligation as a result of a past event, it is probable that an outflow of resources incorporating economic benefits to settle the obligation and a reliable estimate of the amount of such obligation can be made.

3.2.2. Income Tax

Significant judgments are required for the determination of income tax estimates and to assess the recoverability of deferred tax assets, which are based on the ability to generate sufficient fiscal results during periods in which such deferred taxes could be used or deducted. Deferred tax liabilities are recorded in accordance with estimates of net assets that will not be deductible for tax purposes in the future.To the extent that future cash flows and taxable income differ significantly from estimates, the Company's ability to use deferred tax assets recorded could be affected.

Additionally, changes in the tax regulations could limit the Company’s capacity to obtain tax deductions in future years, as well as the recognition of new liabilities as a result of challenges by the audit of the tax inspection entity. The tax positions adopted suppose the careful evaluation by Management, and are reviewed and adjusted in response to circumstance such as expiry of the application of the legislation, close of tax audits, additional disclosures caused by any legal topic or any decision of the Court on a tax matter in particular. The Company creates provisions based on the estimate of the possibility of a negative decision that could arise from a tax audit. The amount of these provisions depends upon factors such as previous experience in tax audits and different interpretations of tax regulations by taxpayer entities and of the tax audit. The actual results could differ from the estimates.

3.2.3. Hedge Accounting

The identification of hedging relations between protected objectives and hedging instruments (derivative financial instruments and/or not derivative) involve critical judgments on the effective existence of the hedging relationship and the effectiveness thereof. The Company continuously evaluate the alignment between the hedging relationships identified and the objects and strategy of its risks’ management policy.

3.2.4. Useful Life of Property, Plant and Equipment

The Company determines estimated useful lives and depreciation charges corresponding to property, plant and equipment. This estimate considers the economic life of the pipeline and the limitations of its operation over time. This estimate could change, among other reasons, due to new oil discoveries, changes in the environmental legislation or in the contracts signed with the Company’s shippers. Management periodically reviews useful lives and depreciation charges.

4. Accounting Policies

The following are significant accounting policies applied by the Company in the preparation of its financial statements consistently for all periods presented, unless otherwise indicated.

4.1. Financial Instruments

The classification of a financial instrument depends upon the nature and purpose whereby the financial asset or liability is acquired and is determined at the time of the initial recognition.

All regular purchases or sales of financial assets are recognized and written off at the transaction date. Regular purchases or sales are all those purchases or sales of financial assets requiring the delivery of assets within the time framework established by a regulation or in accordance with the market.

Financial assets and liabilities are initially valued at their fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets at fair value with changes in the statement of income) are added or reduced from the fair value of the financial assets and liabilities, as required, in the initial recognition. Transaction costs directly attributable to the acquisition of financial assets and liabilities at their fair value with changes in the statement of income are recognized immediately in results.

Financial assets at fair value with changes in income and with changes in other comprehensive income will be recorded subsequently at their fair value.

Fair Value

Reasonable value is the price that is expected to be received when selling an asset or would be paid to transfer a liability in an orderly transaction between market participants at the valuation date. The

reasonable value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place on the main market of the asset or liability or in the absence of a main market in the most profitable market for the asset or liability.

The hierarchy of the fair value is based on the information level available in the market, which includes liquidity security, availability of exchange prices or indicators generated from market operations (rates, curves, volatilities and other valuation variables required).

- Level 1:

  (Non-adjusted) quotation prices of active markets for identical assets and liabilities. For the Company, Level 1 includes tradable securities actively transacted.

- Level 2:

  Entries other than Level 1 which are observable, either directly or indirectly. For the Company, entries of Level 2 include prices of similar assets, prices obtained through quotations of stock exchange brokers, and prices that may be substantially corroborated with other observable data with the same term of the contract.

4.1. Financial Instruments (continued)

Fair Value (continued)

- Level 3:

  Valuation techniques for which the lowest level input that is significant to the fair value measurement is not observable. The Company does not use level 3 inputs for its recurring measurements of financial assets and liabilities. The Company may use the Level 3 inputs to calculate the recoverable amount of certain non-financial assets in order to perform impairment tests Level 3.

Amortized Cost and Effective Interest Rate Method

The amortized cost value is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

The effective interest rate method is used to calculate the amortized cost of a financial instrument and the distribution of financial income throughout the relevant period. The effective interest rate is the discount rate which exactly matches estimated cash flows receivable or payable (including all commissions, transaction costs and other premiums or discounts that are included in calculating the effective interest rate) during the expected life of the financial instrument (or when necessary, within a shorter period) with the net carrying value in the initial recognition.

Impairment of Financial Assets

Ocensa recognizes the value of the expected credit losses during the active lifetime according to the simplified approach. Asset credit losses are recognized before an instrument pass to be in default. To determine the risk, reasonable and sustainable information is used that refers to the historical behavior and the variables that indicate that there is risk in the future.

For financial assets measured at amortized cost, the amount of impairment loss is the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of the financial asset.

Derecognition of Financial Assets

Ocensa derecognizes financial assets when assess whether the rights to the cash flows have expired, assess whether the rights to receive the cash flows have been transferred to another party, assess whether an obligation has been assumed to pay the cash flows from the asset to another party; and a) assess whether the entity has transferred substantially all the risks and rewards of ownership to another party or b) If substantially all the risks and rewards of ownership have not been transferred to another party, assess whether control has been retained.

When the Company does not transfer or retain substantially all the risks and benefits of the asset or transfer control of the asset, the Company continues to recognize the transferred asset, to the extent of its continuing participation, and also recognizes the associated liability.

4.1.1. Cash and Cash Equivalents

Cash and cash equivalents consist of financial investments and special deposits maturing within ninety (90) days as of their acquisition date and with a low level of risk in changes of their value.

4.1.2. Financial Assets

The classification of investments in financial assets depends on the purpose of their acquisition; these are classified into the following categories:

a) Financial Assets at Fair Value with Changes in Results.

They are financial assets at fair value through profit or loss, assets acquired mainly to sell in the short term. Financial assets at fair value through profit or loss are recognized at their fair value, the profit or gains arising from the measurement are recognized in profit or loss results of the period.

b) Financial assets at fair value with changes in the other comprehensive income.

They are cash flow hedging instruments. These instruments are recognized by their fair value, and unrealized losses or gains are recognized to other comprehensive income.

At the time of settlement, the accumulated adjustments account for the valuation in other comprehensive income are reclassified to retained earnings.

c) Assets at amortized cost

They are financial assets with fixed or calculable payments, which are not quoted on an active market and classified as current assets; except for maturities over twelve months from the date of the statement of financial position, which are classified as non-current assets.

They are assets held for the collection of contractual cash flows where these cash flows represent only payments of principal and interest. The carrying amount of these assets is adjusted by any estimate of expected credit loss recognized. Interest income from these financial assets is included in "interest and similar income" using the effective interest rate method.

They include loans and accounts receivable, commercial accounts and other accounts receivable which are measured initially at their fair value and subsequently at their amortized cost, using the effective interest method.

4.1.3. Financial Liabilities

Financial liabilities correspond to financing sources secured by the Company through bank credits and bond issues, accounts payable to suppliers and creditors. The Company determines the classification of its financial liabilities in the initial recognition to be measured under the amortized cost method or fair value.

4.1.3. Financial Liabilities (continued)

Bank credits and bond issues are initially recognized at their fair value, net of transaction costs incurred. The difference between the amount received and its main value is recognized in the period result during the amortization time of the financial obligation by using the effective interest rate method.

Financial obligations are classified as current liabilities unless the Company has an unconditional right to defer their liquidation during at least twelve months after the date of the statement of financial position.

Accounts payable to suppliers and creditors are short-term financial liabilities recorded at their par value, as they do not differ significantly from their fair value.

A financial liability shall removed when the obligation specified in the contract is discharged, cancelled or expires. When a financial liability present an exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability extinguished or transferred and the consideration paid, shall be recognized in profit or loss.

4.1.4. Derivative Financial Instruments

Derivative financial instruments are initially recognized at their fair value on the date the contract is entered into and are permanently re-measured at their far value.

If derivative financial instruments do not qualify to be recognized through the hedge accounting treatment, they are recorded at their fair value through the statement of income. Any change in the fair value of these derivatives is recognized immediately in the statement of income in financial costs. If designated for hedge, the method to recognize the profit or loss resulting from changes in the fair values of derivatives depends upon the nature of the risk and the item hedged.

The Company designates certain derivatives as:

a) Hedges of fair value of recognized assets or liabilities (fair value hedge).

b) Hedges of a particular risk associated with a recognized asset or liability or of a transaction expected as highly probable (hedge of cash flows).

At the initiation of the hedging, the Company documents the relationship between hedging instruments and the items hedged, as well as its objectives and risks management strategy that back its hedging transactions. The Company documents its evaluation, both at the initiation of the hedge and periodically, of whether the derivatives used in hedge transactions are highly effective to compensate the changes in the fair values or in the cash flows of the hedged items.

The total of the fair value of derivatives used as hedge is classified as non-current asset or liability when the maturity of the hedged item exceeds 12 months, and is classified as current asset or liability when the maturity of the hedged item is lower than 12 months. Derivatives not used for hedge or which are held to be negotiated, are classified as current assets or liabilities.

4.1.4. Derivative Financial Instruments (continued)

a) Hedges of fair value

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of income, and the gain or loss of the hedged item attributable to the hedged risk adjust the carrying value of the hedged item and are recognized in the year results. The gain or loss related with the effective portion of the derivatives is recognized in the statement of income as "financial expenses", as well as the ineffective portion that is also recognized in the statement of income but as financial costs.

If the hedge no longer complies with the criteria to be recognized through the accounting treatment of hedges, the adjustment in the carrying value of the hedged item, is amortized in results using the effective interest method, in the remaining period through its maturity.

b) Hedges of cash flows

The effective portion of changes in the fair value of derivatives that are designated and qualify as hedges of cash flows is recognized in equity. The gain or loss related with the ineffective portion is recognized immediately in the statement of income in the same line in which the hedged element is recognized.

Amounts accumulated in net equity are recycled to the statement of income in the periods the hedged item affects them. However, when the expected hedged transaction results in the recognition of a non-financial asset, gains or losses previously recognized in equity are transferred from equity and included as part of the initial cost of the asset. Amounts capitalized are finally recognized in cost of sales when products are sold, if considered inventories, or in depreciation, when classified as property, plant and equipment.

When a hedge instrument expires or is sold, or when it no longer meets the criteria to be recognized through the accounting hedge treatment, any accumulated gain or loss in equity at that date remains in equity and is recognized when the projected transaction affects the statement of income. When it is expected that a projected transaction will not occur, the gain or loss accumulated in equity is immediately transferred to the statement of income as financial costs.

4.2. Inventories

The inventories correspond to supplies (fuel, chemicals, etc.), materials, spare parts and consumption elements which are used in the maintenance and operation for the provision of the transport service of crude.

Inventories are valued using the weighted average method. Their cost includes the costs directly related to the acquisition and those incurred to give them their current condition and location. Inventories of consumables (spare parts and supplies) are recognized as inventory and then registered to the expense, or capitalized in the property, plant and equipment in projects insofar such items are consumed.

Inventories that are for sale and that due to their conditions cannot be used in the operation, are stated at the lower of cost and net realizable value.

4.3. Related Parties

Related parties are considered those where one party has the ability to control the other or is controlled, has joint control, is under common control, exerts significant influence on the participant, or is a member of the key workforce management. Ocensa has considered as related parties, its parent company Ecopetrol S.A., the Companies that are under the common control of its parent (CENIT, Oleoducto de Colombia S.A. ODC, Oleoducto de los Llanos Orientales ODL, Oleoducto Bicentenario de Colombia S.A.S., entre otras,); and key management managers.

4.4. Property, Plant and Equipment

Recognition and Measurement

Property, plant and equipment are presented at cost, including the abandonment or dismantling cost, less accumulated depreciation and accumulated impairment losses.

All costs directly attributable to the location of the asset in the place and conditions necessary to be able to operate in the way foreseen by the Company are considered capitalizable. Such costs are mainly at: a) Their acquisition price, including importation tariffs and non-recoverable indirect taxes, b) costs of benefits to employees, deriving mainly from construction or acquisition, c) all costs directly attributable to the location of the asset in the place and conditions necessary to be able to operate in the way foreseen by the management, d) interest costs of loans attributable to the acquisition or construction of assets, and e) initial estimation of dismantling and abandonment.

The crude oil that is necessary to place the pipeline under operating conditions is treated as part of the cost of the pipeline.

Significant spare part pieces and permanent maintenance equipment the Company expects to use during more than one period are recognized as property, plant and equipment, and will be recognized as expense when consumed.

Any gain or loss on retirement of any element of property, plant and equipment is recognized in results of the respective period.

Subsequent Disbursements

Correspond to all disbursements made on existing assets in order to increase or extend expected initial useful life, increase productivity or productive efficiency, allow a significant reduction of operating costs, or replace a part or component of an asset considered critical for the operation are considered additions or improvements.

Expenses of repairs, conservation or maintenance of ordinary nature are charged to period results which they are produced in. However, disbursements associated with overhaul are capitalized.

Depreciation

Property, plant and equipment are depreciated by following the linear method during the estimated useful life. Technical useful lives are revised annually considering reasons such as: Additions or improvements (upon replacement of parts or critical components for asset operation), technological advances, obsolescence or other factors. The effect of these changes are recognized as a change in accounting estimate from the date of change. Depreciation of assets starts when they are under conditions of use.

4.4. Property, Plant and Equipment (continued)

Depreciation (continued)

The useful life is determined under foreseen asset use criteria, its expected physical wear and tear, technical or commercial obsolescence, and legal limits or restrictions of asset use.

The estimated useful lives range between the following ranks:

Ducts, networks and lines	10 – 59 years
Buildings	19 – 55 years
Transportation equipment	7 – 46 years
Fluvial equipment	5 – 20 years
Others	4– 22 years

Land is recorded independently from buildings or facilities and has an indefinite life; therefore, it is not subject to depreciation.

Depreciation methods, residual values and useful lives are reviewed annually and adjusted if required. Leasehold improvements are depreciated at the lower of the lease term and the useful life of the improvement.

4.5. Intangibles Assets

Intangible assets acquired separately are recorded at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis in accordance with their estimated useful lives.

Intangible assets with finite useful lives are amortized throughout their economic useful lives and are reviewed to determine if they had any value impairment, to the extent that an indication exists that the intangible asset could have suffered such impairment.

The period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each period closing on which it is reported. Changes in the expected useful life or in the expected consumption pattern of the asset are recorded when the amortization method or term is changed, as appropriate, and are prospectively treated as changes in accounting estimates. The amortization expense of intangible assets with finite useful lives is recognized in the statement of income as expenses resulting consistent with the function of the intangible assets.

According to IFRIC 12, a concession agreement is recognized under the intangible model asset when the operator acquires a right (license) to be charged to users, or for the purpose of its use of the public service. Cash should not be necessarily received since the amounts are conditioned to the level of use of the service by users. Revenues and costs related with the operating phase are recorded in accordance with IFRS 15 Revenues from Ordinary Activities from Contracts with Clients.

In the intangible assets model, the value of the asset is reduced through amortization, not through reimbursements. This leads to the recognition of income in two different moments: the first time for the provision of construction services (in exchange for the intangible asset), and the second time, when payments are received for the use of these services.

4.5. Intangibles Assets (continued)

The intangible asset must be accounted for according to what is established in IAS 38 Intangible Assets. This asset must be amortized during the period of the concession and through the straight line method. The port concession will be recognized as an intangible asset taking into account that the Company does not have the right to receive a fixed remuneration from the nation or from its clients, which guarantees an income during the term of the concession.

The accounting treatment applied to the recognition of the fixed consideration in the concession agreements comprises the reference value equivalent to the net present value of the installments, and is recognized as an intangible concession right charged to a liability.

The intangible will be amortized in straight-line over 20 years, and as a financial liability that will be updated annually for interests and the quotas paid are amortized.

What is paid for the variable component each year is recorded in the statement of income (expenses).

In connection with the investment, the costs incurred in investment commitments are recorded as construction costs and, simultaneously, revenues are recognizing in the statement of income.

4.6. Leases

Leases are classified as financial when all risks and benefits inherent to the property are substantially transferred to the lessee under lease terms. All other leases are classified as operative.

Assets maintained under financial leases when the Company is the lessee, are recognized in the statement of financial position, by the lower between the fair value of the asset and the present value of the lease minimum payments.

The liability corresponding to the lessor is included in the statement of financial position as a financial leasing liability.

These assets are depreciated over the useful life of the asset. When there is no reasonable certainty that the Company will obtain the property of the asset at the end of the contract, the assets leased are depreciated by the lower period, between the estimated useful life of the asset and the term of the lease.

Lease payments are distributed between financial expenses and reductions of leasing obligations in order to reach a constant interest rate on the remaining balance of the liability. Financial expenses are charged directly to results.

Payments of operating leasing are charged to results by using the straight-line method during the corresponding lease term, provided that other systematic prorating base results more representative to appropriately reflect the pattern of lease benefits for the user. Contingent rents are recognized as expenses in the periods they are incurred.

4.7. Impairment of Long-Lived Assets

In order to assess the recoverability of of long-lived assets (tangible and intangible assets), Ocensa carrying value is compared to the value recoverable thereof at least on the period closing date or earlier in the event of identifying indications of asset impairment.

To analyze the impairment, assets are grouped in cash generating units (CGU), provided that such assets individually considered do not generate any cash flows which, to a great extent, are independent from those generated by other assets or CGU. Grouping assets in various CGU implies professional judgment and taking into consideration, among other parameters, business segments.

The Company has one single cash generating unit (CGU), corresponding to the crude oil transport system.

The recoverable value is the higher of the fair value less costs of disposal and the value in use. Wherever the recoverable amount of an asset (or a CGU) is less than its net accounting value, the carrying value thereof (or the CGU's) is reduced to its recoverable value recognizing a value impairment loss in the period results.

The value in use is estimated as the aggregate of future discounted cash flows adjusted to the forecasted risk. Estimations of future cash flows used to assess the asset impairment are based on the forecasted prices of basic products, offer and demand, and product margins. Upon recording of a loss from impairment, the future amortization expense is estimated based on the adjusted recoverable value.

Impairment losses may be reversed only wherever the reversal is related to a change in estimations used after recognition of the loss from impairment. Such reversals shall not exceed the carrying value of depreciation or amortization net assets that would have been estimated if the impairment had never been recognized, nor the recoverable value at the date of the impairment evaluation.

Provisions and Contingent Liabilities

Provisions are recognized wherever the Company has an actual obligation (whether legal or implicit) resulting from a past event and there is probability that outflows will be required to settle the obligation and the value thereof may be accurately measured.

The amount recognized as provision is the best estimation of the outflows required to settle an actual obligation at the end of the reporting period, taking relevant risks and uncertainties into consideration.

Contingent liabilities are not recognized but are subject to disclosure in the explanatory notes wherever there is probability that outflows will be required, including those whose value cannot be estimated.

The Company has as a policy not disclosing in detail information related with disputes with related parties concerning situations involving provisions, contingent liabilities, and contingent assets, insofar as that information seriously damages the Company’s position. In these cases, the Company provides information of a generic nature and explains the reasons that have led to make this decision.

4.8.1. Asset Retirement Obligation

Liabilities associated with the retirement of assets are recognized wherever the Company has obligations, whether legal or constructive, related to the retirement of ducts, properties and equipment. Such obligations shall be recognized by applying the discounted cash flows technique and taking the useful life of the relevant asset into consideration.

Should accurately estimating the provision during the period in which the obligation arises is impossible, then the provision shall be recognized at the moment where there are enough elements to make the best estimate.

The carrying value of the provision is revised and adjusted on an annual basis considering changes in the variables used to estimate it. The financial cost of re-measurement of such liabilities is recognized during the period as a financial expense.

4.9. Employees' Benefits

Oleoducto Central S.A. records short-term benefits, such as salary, vacations, bonuses and others, on the earned basis.

4.9.1. Benefits from Termination of Labor Contracts

Compensations for indemnity, in favor of the Company's employees, in accordance with applicable legal provisions, are demandable in case of termination without just cause. The payment is based on proportions applied on the average base of salaries earned. Oleoducto Central S.A. records the payments made against expenses.

4.10. Income Tax

The income tax expense is comprised by the income tax payable for the current period includes, as applicable, income tax and income tax and the effect of deferred tax in each period. Current and deferred taxes will be recognized in profits or losses, except when they relate with items in other comprehensive income or directly in equity, in which case the current or deferred tax is also recognized in the other comprehensive income or directly in equity, respectively.

4.10.1. Current Tax

The Company determines the provision for income tax, based on the higher value between taxable income or presumptive income (the minimum estimated profitability amount foreseen by law to quantify and compute income tax). Taxable income differs from the income reported in the statement of comprehensive income due to taxable revenue or deductible expense items in different tax and accounting periods, special tax deductions, tax losses and recorded items that, according to tax regulations applicable in each jurisdiction, are deemed non-taxable or non-deductible.

The current tax is calculated by using tax rates enacted or substantially approved at the end of the period being reported. The current tax is shown net, after deducting advances paid and tax withholdings in favor

4.10.2. Deferred Taxes

The deferred tax is recognized by using the liability method, based on temporary differences between the tax basis and the carrying value of assets and liabilities included in the financial statements. The deferred tax liability is recognized for all temporary tax differences. The deferred tax asset is recognized for all deductible temporary differences and tax losses pending amortization, provided there is probability that the Company will have future tax income against which such deductible temporary differences may be deducted.

The National Accounting Office (Contaduría General de la Nación) through communication CGN No.20162000000781 of January18, 2016, determined that the Company should not apply IAS 12 Income tax, paragraphs 38 to 45, stating that the deferred tax from the variations in the exchange rate resulting from comparing assets and liabilities in terms of its functional currency (U.S. dollar) to the tax bases in a different currency (Colombian pesos) should not be recognized in the financial statements.

The effect of the non- application of paragraph 41 of IAS 12 in the deferred income tax amounts is US$2,067 for the statement of income for the year ended December 31, 2018 and US$45,775 for the statement of financial position as of December 31, 2018 (December 31, 2017: US$11,697 and US$43,708 respectively).

Deferred tax assets and liabilities are measured using the tax rates expected to be applied in the period in which the asset is realized or the liability is paid, in accordance with the current tax standards in each period. The carrying value of a deferred tax asset, is subject to review at the end of each reporting period and then reduced, provided that there is probability that the Company will not have enough future taxable income that allows recovering the asset, totally or partially.

Deferred taxes are not recognized if they arise from the initial recognition of an asset or a liability in a transaction (except in a business combination) that at the transaction date neither affects accounting income or the accounting profit or tax gain.

Other Taxes

The Company recognizes in the period’s result costs and expenses of taxes other than the income tax, such as, the wealth tax, which is determined based on the tax equity; the industry and commerce tax which applied on the revenues obtained in municipalities upon the development of trade, industrial and service activities. Taxes are calculated with the current regulations.

The Company recognizes revenues from contracts with customers based on a five-step model established in IFRS 15:

- Step 1. Identification of contracts with customers: A contract is defined as an agreement between two or more parties, which creates rights and obligations required, and establishes criteria that must be met for each contract. Contracts can be written, verbal or implicit through the customary business practices of a company.
- Step 2. Identification of performance obligations in the contract: A performance obligation is a promise in a contract with a client for the transfer of a good or service to the latter.

- Step 3. Determination of the price of the transaction: The price of the transaction is the amount of the payment to which the Company expects to be entitled in exchange for the transfer of the goods or services promised to a client, without taking into account the amounts received on behalf of third parties.
- Step 4. Distribute the transaction price among the performance obligations of the contract: In a contract that has more than one performance obligation, the Company distributes the price of the transaction among the performance obligations that represent the amount of the consideration to which the Company expects to have the right, in exchange for fulfilling each performance obligation.
- Step 5. Recognition of income when (or as) the Company fulfills a performance obligation.

The Company fulfills a performance obligation and recognizes income over time, if one of the following criteria is met:

a) The performance of the Company does not create an asset with an alternative use for the Company, and the Company has an enforceable right to payment for the performance completed to date.
b) The Company's performance creates or improves an asset that the client controls as it is created or improved.
c) The client at the same time receives and consumes the benefits that result from the performance of the Company as it works.

For performance obligations where none of the indicated conditions is met, the income is recognized at the moment in which the performance obligation is fulfilled.

When the Company fulfills a performance obligation by delivering the promised goods or services, it creates a contract asset for the amount of the consideration obtained with the performance. When the amount of the consideration received by a client exceeds the amount of the recognized income, this generates a contract liability.

The revenue is measured based on the consideration specified in the contract with the customer, and excludes the amounts received on behalf of third parties. The Company recognizes income when it transfers control over a good or service to a customer.

The Company evaluates its income plans based on specific criteria to determine if it acts as principal or agent.

Revenue is recognized to the extent that the economic benefits are likely to flow to the Company and if it is possible to reliably measure revenues and costs, if any.

The business of Ocensa is based mainly on a source of income, which includes the services associated with the transportation of crude oil from various types of contracts such as "ship and pay" and "ship or pay". The generated income is recognized when the control of the services is transferred to the client at a value that reflects the consideration that Ocensa expects to receive in exchange for such products and services.

4.11. Recognition of Revenue from Contracts with Customers (continued)

Revenues from transportation services are recognized to the extent which service is provided to the customer and there are no conditions in which there are effects on a variable price related to volumetric adjustments or other contractual conditions that prevent recognition of income.

"Ship or pay" operations are recorded as income independently of the fact that all the crude is actually transported. "Ship and pay" operations are caused as income in the period in which the transport activity is carried out. In the contracts that have compensation term, the income is understood to be realized when the conditions established in each of them are met.

"Ship or Pay" contracts: some firm fixed quantities contracts of service that a customer will pay, even if the customer does not receive or use them. The quantities of products or services that a customer chooses not to take or use in the specified delivery period are called "deficient quantities."

- Prohibited recovery period: if a customer can not compensate for deficient amounts in future periods, the Group fulfills its performance obligations and recognizes the revenues for the quantities or services contractually specified as the period of service expires.
- Permitted recovery period : some Ship or Pay agreements contain poor recovery periods that allow customers to purchase the product or service in a future period and offset the specified contractual amounts of the product or service for which they paid but did not receive in a previous period.

If the client can compensate for deficient amounts in future periods, Ocensa has performance obligations to deliver those volumes at the customer's request (subject to contractual and capacity restrictions) . If the client is expected to recover all the deficiencies to which he is entitled contractually, any charge received related to the temporary deficiencies that will be offset in a future period will be deferred and the entity will recognize that amount as income when any of the following situations occurs:

a) The client exercises his right or
b) The possibility that the client exercises his right to the volumes or services of deficiency is remote.

In the other cases, the income is recognized at the moment in which it has accrued and the true, probable and quantifiable right to demand its payment is born, product of having complied with the obligations with customers. Interest income on arrears in the collection of the portfolio is recognized in accordance with the principles of prudence and realization.

Financial income is recognized in the income statement, in the period that is generated.

Variable Considerations

When complying with the obligations established in the contracts with customers, via the provision of the service, there may be variable components of the transaction price. In these cases, Ocensa makes the best estimate of the transaction price that reflects the services transferred to customers.

Regarding the clauses of the contracts signed with clients and Ocensa, variable considerations associated with reimbursement rights, rebates or discounts that require an estimate and that generate a material impact on the Financial Statements are not contemplated.

4.11. Recognition of Revenue from Contracts with Customers (continued)

Significant Financial Component

Generally, compliance with performance obligations and payments received from clients are executed in the short term, so there are no operations that contain a significant financial component that requires some adjustment of the consideration at its present value.

The book value recorded as trade accounts receivable corresponds to the value of the transaction and is recognized as the services are rendered.

Ocensa does not maintain significant agreements with non-operating partners in which it assumes the role of agent.

4.12. Costs and Expenses

Costs and expenses are individually presented by function and detailing, in the relevant notes, the composition of cost of sales and expenses related to administration, operation, projects and other expenses.

4.13. Financial Income (Expenses)

Financial income and expenses include mainly: a) interest costs of loans and financing, except those which are capitalized as a part of the asset cost, b) valuation of profits and losses of financial instruments measured at fair value with changes in results, c) exchange differences of financial assets and liabilities, d) financial update expenses of long term liabilities (abandonment costs).

4.14. Cash Flows

The statement of cash flows informs the generation of cash by categories (operation, investment and financing) during a given period. Classification of cash flows according to the aforementioned activities provides information that enables users to assess the impact on the Company's financial position, as well as on the final amount of its cash and other cash equivalents.

Under accounting and financial information standards, the Company may report its cash flows from operations by using one of the following methods:

- Direct method: consists of presenting separately the main categories of collections and payments in gross terms.
- Indirect method: starts presenting the gain or loss in net terms, an amount which is later corrected by the effects of non-monetary transactions, for all type of deferred payment items and accruals (revenue) which are the cause for collections and payments in the past or in the future, as well as loss or gain items associated with cash flows of operations classified as of investment or financing.

The Company presents its statements of cash flows under the indirect method.

The main categories include:

4.14. Cash Flows (continued)

- **Operating Activities**

Are the activities that make the most significant source of Ocensa's operating revenue, such as collections from the provision of services, payments to suppliers for the provision of goods and services, payments to employees, income tax payments, in other words, all transactions that represent the most important source of revenue from ordinary activities performed by the Company.

- **Investing Activities**

Are the disbursements that result in recognition of an asset in the statement of financial position, such as payments, revenue from the acquisition of property, plant and equipment, intangible assets and other long-term assets, cash advances and loans to third parties or collections (other than transactions entered by financial entities).

- **Financing Activities**

Are activities that result in changes in the size and composition of company-owned funds and monies borrowed, such as inflows from the issue of shares, payments to shareholders or reimbursements of the funds taken as loans.

Cash Flows in Foreign Currency

Cash flows from transactions in foreign currency will be translated into the functional currency by applying the amount in foreign currency at the exchange rate between both currencies prevailing on the date each relevant cash flow took place.

5. Information on Operation Segments

All Company’s assets are located in Colombia and are focused on a single segment which is crude oil transportation. For administration purposes, Management supervises operating results based on the crude transportation operation, where its main assets are represented by the pipeline, this being the basis for decision making concerning the assignment of resources and evaluates its financial yields. There are no operating segments that should be aggregated to form part of that previously reported.

Ocensa adopted for the first time the following amendments to the IFRS issued by the IASB, applicable for the period covered by this report:

6. New Standards and Regulatory Changes

IFRS 9 "Financial Instruments" replaced IAS 39 "Financial Instruments: Recognition and Measurement" and becomes effective for annual periods beginning on or after January 1, 2018. IFRS 9 includes: 1) Classification and measurement of assets and financial liabilities, 2) Impairment of financial assets and 3) Hedge accounting. Ocensa implemented this standard from its effective date.

6. New Standards and Regulatory Changes (continued)

Ocensa did not present significant changes in terms of measurement, classification or impairment with respect to the hedge accounting model. Ocensa determined as an accounting policy, to continue with the requirements established by IAS 39 for existing operations.

IFRS 15 "Income from ordinary activities from contracts with customers" provides a single model for accounting for the income derived from contracts with customers, focusing on the identification and fulfillment of performance obligations. IFRS 15 replaces IAS 18 "Revenue" and was effective for annual periods beginning on or after January 1, 2018. Under the new standard, income is recognized when performance obligations are met and there are no indicative situations that the price or variable consideration that compose it are not measurable or realizable. Likewise, the recognition of income is observed when the client obtains control of the goods or services promised in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. The standard also contains presentation and disclosure requirements that are more detailed than those defined by IAS 18, which represents an increase in the volume of disclosures required in the financial statements.

Ocensa implemented this standard from January 1, 2018, using the modified retrospective method, which allowed adjusting the calculated impacts within the equity, at the date of initial application, without requiring adjusting the comparative years. Its adoption did not have a material effect on the amounts recognized in the statement of financial position and in the statements of comprehensive income and results, changes in equity and cash flows in previous periods; however, it required the implementation of new internal controls, changes in accounting procedures and policies to allow documentation on the adoption of the standard and its future application.

New Standards, Modifications and Interpretations Incorporated into the Accepted Accounting Framework in Colombia whose Application must be Evaluated as of January 1, 2019 or that may be Applied in Anticipation

Decree 2170 of December 2017 introduced a new standard issued by the International Accounting Standards Board (IASB) to the regulatory framework for financial information, to be applied as of January 1, 2019. although its application could be carried out in advance. The evaluation of the impact of this new standard in accordance with the analyzes carried out by the Company is described below.

IFRS 16 "Leases"

This Standard issued in January 2016 establishes the principles for the recognition, measurement, presentation and disclosures of leases, the new standard replaces IAS 17 Leases, IFRIC 4 "Determination of whether an agreement contains a lease", the SIC-15 "Operating Leases - Incentives" and SIC -27 "Evaluation of the essence of the Transactions that Adopt the Legal Form of a Lease. The standard presents a control model for the identification of leases and their treatment in the financial statements for lessees, separating an asset identified as the object of the lease and the services corresponding to the service contract as such, the Company could recognize more assets and liabilities, mainly derived from the rental of construction equipment and offices. As for the lessee, the main changes lie in the elimination of the differentiation of financial and operating leases, instead a single lease model is recognized in which all the leases are recognized in the statement of financial position as an asset of right of use and a lease liability, with the exception of leases in which the underlying asset is of low value and short-term leases. Additionally, the interest expense of the liability and the depreciation expense of the recognized asset must be recognized separately in the income statement.

6. New Standards and Regulatory Changes (continued)

IFRS 16 "Leases" (continued)

The lessees must make reclassifications of the liability on certain occasions (e.g. a change in the lease period, changes in the future lease flows). These reclassifications of the liability will generally be recorded as an adjustment to the right of use of the asset. The new Standard does not bring major changes in recognition, measurement and disclosure for landlords. For the lessor, leases continue to be classified as financial and operating leases. The standard will be effective for annual periods beginning on or after January 1, 2019 with limited possibilities for early implementation. The Company does not expect to adopt the mentioned norm in advance, it is evaluating the potential impacts that the mentioned norm will generate.

The Company has begun a potential assessment of the impacts on its financial statements, so far the most significant impact identified is the recognition of assets and liabilities of its operating lease agreements, especially properties used in the operation of offices, vessels used in the operation of the port in Coveñas, use of helicopters in the operation and the right to use a gas pipeline. In addition, the nature of the expenses corresponding to operating lease contracts as a lessee will change with IFRS 16, from lease expenses to charges for depreciation of rights to use the asset and financial expenses in lease liabilities.

Transition to IFRS 16

The Company will apply IFRS 16 as of January 1, 2019, using the modified retrospective approach, recognizing an asset for right of use at the date of initial application for the leases previously classified as an operating lease under IAS 17, which will be equal to the value of the lease liability.

The Company has decided to use the exemptions allowed by the leasing standard for contracts in which the execution period is less than twelve (12) months and the contracts in which the underlying asset is considered to be of low value. The Company has evaluated the estimated impact that the initial application of IFRS 16 will have on its consolidated financial results as of January 1, 2019, as follows: the final impacts of adoption may vary, since the new accounting policies and estimates are subject to change until the Company presents its first financial statements in 2019.

The Company will recognize new assets and liabilities derived from its operating leases mainly for the following types of assets:

- Property
- Ships
- Machinery and equipment
- Helicopters
- Vehicles
- Land

In the case of lands, the expiration date will be defined over the lower between the term of the contract and the useful life of the pipeline.

6. New Standards and Regulatory Changes (continued)

Rights of use in Association Contracts

The Company has recognized operating lease expenses in a straight line over the term of the lease. The nature of the expenses related to the aforementioned leases will change, since a depreciation charge will be recognized for the right-of-use assets and the financial expense of the lease liabilities.

Based on the currently available information, Ocensa estimates that it will recognize assets for right of use in the amount of US$24,905 as of January 1, 2019, whose counterpart will be the lease liabilities. The final results may differ due to possible changes in accounting policies and estimates.

Reconciliation of financial liabilities

Minimum operating leasing payments at December 31, 2018	US$	36,546
Recognition of exemptions		
Short term		(734)
Low value		(102)
Incremental discount rate of debt at January 1, 2019		(10,805)
Financial liabilities recognized by the application of IFRS 16 at January 1, 2019		**24,905**
Financial lease obligations at December 31, 2018		**–**
Financial lease obligations at January 1, 2019	**US$**	**24,905**

7. Cash and Cash Equivalents

	December 31, 2018		**December 31, 2017**	
Term deposit certificates	**US$**	**170,205**	US$	70,093
Banks		**64,698**		157,522
Trusts		**4,463**		8,641
National tax refund securities (TIDIS)		**42**		90
Cash		**14**		10
	US$	**239,422**	US$	236,356

The fair value of cash and its equivalents is approximated to its carrying value due to its short-term nature (less than three months) and it’s highly liquidity. At December 31, 2018 and 2017 Cash and cash equivalents have no restrictions or liens limiting their disposition.

8. Trade Debtors and Other Accounts Receivable

	December 31, 2018		**December 31, 2017**	
Related parties (*Note 28*)	**US$**	**139,534**	US$	149,349
Trade accounts receivable		**23,872**		38,773
Transport tax receivable		**4,373**		6,141
Accounts receivable from employees (1)		**2,971**		5,435
Others debtors		**2,208**		1,162
	US$	**172,958**	US$	200,860

8. Trade Debtors and Other Accounts Receivable (continued)

	December 31, 2018		December 31, 2017	
Trade debtors and other short term accounts receivable		**169,637**		196,664
Trade debtors and other long term accounts receivable	**US$**	**3,321**	US$	4,196

(1) The Company granted the administration, handling and control of loans to employees to Fiduciaria Alianza S.A., which manages the detail by employee of those loans and their respective conditions. Loans to employees are considered financial assets and are recognized at their fair value.

	December 31, 2018		December 31, 2017	
Impairment for Receivables				
At the beginning of the year	**US$**	**217**	US$	–
Impairment losses recognized in profit or loss		**–**		215
Difference in currency exchange		**(18)**		2
At the end of the year	**US$**	**199**	US$	217

9. Inventories

	December 31, 2018		December 31, 2017	
Fuels and petrochemicals	**US$**	**11,691**	US$	–
Materials for service provision		**12,752**		–
	US$	**24,443**	US$	–

As of December 31, 2018, purchases of fuels and petrochemicals were made to ensure the operation of the pipeline in accordance with the contractual conditions established.

Ocensa was analyzing materials and supplies in relation to their use in the Company's operation. This analysis was completed during the second semester of 2018 and the pertinent transfers were made.

10. Derivative Financial Instruments

	December 31, 2018		December 31, 2017	
Hedge Contracts	**US$**	**(25,403)**	US$	8,533

Other financial assets / liabilities correspond to the valuation of financial instruments deriving from Oleoducto Central S.A., whose purpose is to mitigate the volatility of the exchange rate on the cash flow required for Company's operations. The balances correspond to their fair value classified in the second level of hierarchy, calculated based on observable entries by using the methodology of forward points.

10. Derivative Financial Instruments (continued)

Taking into account that the Company's functional currency is the US dollar, any transaction in a currency other than the US dollar represents an exposure to the exchange rate risk for Company's performance. In order to mitigate the impact on cash flows that could be generated as a result of variations in rates of Colombian peso versus the US dollar, the management evaluates the exposure to this risk for the twelve (12) months moved forward subsequently and makes the decision to contract hedge instruments for the cash flow in pesos, within the framework established by the financial risk management policy.

The use of three derivative instruments is established in such policy: Forwards, collars and options. At present, the Company has only entered into hedge operations by means of forward instruments under the non-delivery basis.

The Company covers mainly the following risks:

- Up to 50% of its operating expenses. The main headings of operating expenses the Company is hedging are those related to personnel, leases, fees and services, insurance, maintenance and repairs, variable costs, which are denominated in Colombian pesos.

- Up to 100% of its operating expenses. Tax headings being covered correspond to income tax and related taxes, and surcharge.

Forward hedge instruments being used allow setting the sales price in US dollars, which will offset the effect of devaluation or revaluation arising up to the time the Company monetizes resources necessary to cover its monthly or specific obligations on operating expenses and tax payments, which are payable in Colombian pesos.

The nominal value of forward operations is US$332,437 (December 31, 2017 US$324,687). Taking into account that the Company seeks to minimize the exchange exposure for the twelve (12) future months, cash flows are expected to be made and payments of months from January to December, 2019 are expected to be covered.

The change in the net position of the hedges opened in the indicated periods, is due to the differences between the agreed rate in the hedges and the projected forward rate for the valuation of the derivative, so as of December 31st, 2018, the average value of the covered rate is US$3,073.59 / peso, being below the average projected forward rate, which is US$3,274.25. As of December 31th,2017, the average value of the covered rate is US $ 3,086.89 / peso, above below the average projected forward rate, which is US $ 3,019.82.

The variation and/or compensation of the hedging operations carried out for the payment of taxes are recorded as a lesser and/or greater value of the covered expense than in the period in which the hedged item is recognized in the income statement and the following periods until it is realized, the variation is recorded in the exchange rate item; the variation of the expense coverage operations (Opex) will be recorded in the state of integral result as long as they are effective; once it is liquidated the result of the compensation will be recorded as a lesser and/or greater value of the amount of the covered expense.

10. Derivative Financial Instruments (continued)

To evaluate the effectiveness of the coverage achieved with the above instruments, the qualitative method of the Critical Elements will be used. Thus, the hedging instruments used are compared with hypothetical derivatives that have a direct economic relationship with the hedged items in all their critical elements (amount, underlying, maturity, etc.). Since the hedged items correspond to the sale of US$ in exchange for COP by the Company, the hypothetical derivatives to be used in this case consist of acquiring non-delivery forward contracts with a hypothetical risk-free entity to sell US$ in exchange for COP for the amounts and rates.

The value recorded in "Other Comprehensive Income" – OCI at December 31, 2018 amounts to US$19,918 (net of tax (US$13,347) and at December 31, 2017 it amounts to (US$5,084) and net of taxes at that date of (US$3,203).

11. Other Non- Financial Assets

	December 31, 2018		December 31, 2017	
Prepaid expenses	**US$**	**2,365**	US$	2,482
Supplier advances		**724**		3,007
	US$	**3,089**	US$	5,489
Prepaid expenses non-current	**US$**	**743**	US$	–
	US$	**743**	US$	–

12. Assets Held for Sale

	December 31, 2018		December 31, 2017	
Initial balance	**US$**	**18,783**	US$	21,896
Impairment		**–**		(1,580)
Sales		**(513)**		(1,533)
Transfer		**(18,270)**		–
Ending balance	**US$**	**–**	US$	18,783

At December 31,2016 the Company classified assets held for sale, corresponding mainly to assets of property, plant and equipment acquired within the investment process of the "P-135" project. The Board of Directors authorized the initiation of the optimization process of costs incurred and to do so, the sale process of these assets was approved by means of minute N° 249 on July 22, 2016.

As of December 31, 2017, the Company carried out an analysis of the fair value of these assets, which determined that their book value does not exceed fair value, except for certain items that require recognition of the fair value adjustment of the market, which was recognized in the financial statements for US$1,580.

12. Assets Held for Sale (continued)

During the initial period of implementation of sales plan, circumstances arise that were previously considered unlikely due to market conditions in which a decline is evident in oil prices discouraging investments in the hydrocarbon sector, which Ocensa fixed its market arise potential and as a result, assets classified as held for sale were not sold at the end of the period 2017. The Company undertook the necessary actions to respond to changing circumstances and achieve the sell of these assets at a reasonable price, given the change market conditions, for it has established plans intensions crash where potential buyers were obtained. Given the above and considering the aspects set out in IFRS 5, Annex B, the Company decided to continue at year end categorizing such as a group held for sale.

During the first half of 2018, the company decided to continue with the shock plan to make the sales of those assets, achieving sales amounting to US$513. As at June 30, 2018 the company assessed the sale plans and validated that despite the intentions of potential clients, there are no firm agreements to execute in the next months, so we proceed with the reclassification as assets at the lower value in books before it was classified as held for sale for US$18,270.

13. Property, Plant and Equipment, Net

	Plant and Equipment	Ducts, Networks and Lines	Constructions in Progress (1)	Buildings	Land	Other (2)	Total
At December 31, 2016	US$ 431,309	US$ 1,667,892	US$ 175,958	US$ 76,348	US$ 21,362	US$ 33,034	US$ 2,405,903
Additions	1,898	13,645	40,650	–	–	55,436	111,629
Capitalization	109,006	36,187	(145,820)	103	–	524	–
Consumption of materials and spare parts	–	–	3	–	–	(52,416)	(52,413)
Sales and retirements	(39)	(5,632)	–	–	–	(700)	(6,371)
Update of the Abandonment Cost Rate	–	–	–	–	–	4,461	4,461
Transfers (3)	2,670	(6,268)	(1,781)	–	–	(1,596)	(6,975)
At December 31, 2017	544,844	1,705,824	69,010	76,451	21,362	38,743	2,456,234
Additions	**294**	**140**	**45,886**	**12**	**–**	**47,887**	**94,219**
Capitalization	**23,130**	**26,229**	**(49,320)**	**–**	**–**	**(39)**	**–**
Consumption of materials and spare parts	**–**	**–**	**–**	**–**	**–**	**(38,608)**	**(38,608)**
Sales and retirements	**(2,575)**	**(36,297)**	**–**	**–**	**–**	**(3,432)**	**(42,304)**
Update of the Abandonment Cost Rate	**–**	**–**	**–**	**–**	**–**	**11,254**	**11,254**
Transfers (3)	**17,673**	**577**	**(1,067)**	**–**	**–**	**(23,539)**	**(6,356)**
At December 31, 2018	**US$ 583,366**	**US$ 1,696,473**	**US$ 64,509**	**US$ 76,463**	**US$ 21,362**	**US$ 32,266**	**US$ 2,474,439**
Depreciation and impairment provision							
At December 31, 2016	US$ (32,489)	US$ (713,589)	US$ –	US$ (7,557)	US$ –	US$ (11,105)	US$ (764,740)
Charge for period depreciation	(23,602)	(67,767)	–	(2,282)	–	(1,503)	(95,154)
Impairment value (4)	(1,384)	–	–	–	–	(563)	(1,947)
Sales and retirements	64	70	–	–	–	698	832
At December 31, 2017	(57,411)	(781,286)	–	(9,839)	–	(12,473)	(861,009)
Charge for period depreciation	**(25,385)**	**(74,619)**	**–**	**(2,282)**	**–**	**(1,347)**	**(103,633)**
Sales and retirements	**1,534**	**35,960**	**–**	**–**	**–**	**3,204**	**40,698**
Transfers (3)	**7**	**31**	**–**	**–**	**–**	**801**	**839**
At December 31, 2018	**US$ (81,255)**	**US$(819,914)**	**US$ –**	**US$ (12,121)**	**US$ –**	**US$ (9,815)**	**US$ (923,105)**
Net carrying value							
At December 31, 2017	**US$ 487,433**	**US$ 924,538**	**US$ 69,010**	**US$ 66,612**	**US$ 21,362**	**US$ 26,270**	**US$ 1,595,225.**
At December 31, 2018	**US$ 502,111**	**US$ 876,559**	**US$ 64,509**	**US$ 64,342**	**US$ 21,362**	**US$ 22,451**	**US$ 1,551,334.**

13. Property, Plant and Equipment, Net (continued)

(1) Constructions in Progress

The balance as at December 31, 2018 includes mainly investments made in the projects such as Replacement of Equipment El Porvenir, update of Motores Coveñas, VFD Cusiana Project, Optimization of wharf, Lazos Movimientos Cusiana Adcus +, Scada, Maintenance Control Center, crude oil line Chiquillo and other smaller projects; as at December 31, 2017 these projects were also in progress.

Capitalizations were made of the projects Dilution Coveñas, AD600, Connection Araguaney Cusiana, Optimization of storage Cusiana, Capitalization Sipra, Adecuación W, Adcus 2K and maintenance of capitalizable investments executed during 2016, 2017 and 2018 were also made during the second half of 2018. Capitalizable investments corresponded to the optimization of the system. There are projects in progress with early entries that are in operation and on which it is expected to complete the final phases in 2019.

(2) Other

This heading includes material's spare parts, abandonment cost of the pipeline system, office, computers and telecommunication, transportation and fluvial equipment. There are no commitments and/or restrictions of acquisitions of property, plant and equipment.

(3) Transfers

Net transfers from property, plant and equipment at year 2018 amount to (US$5,517) and are detailed below

- Transfers From assets held for sale to PP&E amounts to US$18,270
- Transfer from PP&E to intangibles at December 31, 2018 amounts to US$(1.439)
- From PP&E to inventories for US$(22,808)
- From provisions to PP&E during the second half for US$460

Net transfers from property, plant and equipment at year 2017 amount to (US$6,975) and are detailed below

- Transfer from PP&E to intangibles at December 31, 2017 amounts to US$(7.384)
- From provisions to PP&E during the second half for US$409

(4) Impairment value

This impairment does not correspond to the long-term assets associated with the cash-generating unit, but to the impairment generated in specific assets for Project P 135.

Impairment

As at December 31, 2018 and 2017, the Company evaluated if there were indications of impairment in the cash generator unit by means of a qualitative analysis, where external variables were verified such as the legal, technological and market environment, and of internal variables such as the useful life, obsolescence and/or physical impairment, as well as changes in current contracts; concluding that at the time of the analysis, no impairment evidences exist of the cash generator unit. See note 30 for further disclosure on the potential impacts of the COVID 19 pandemic.

14. Intangibles, Net

	Licenses and Software		Service Concession Agreement		Agreement Gas Transmission		Total	
Acquisition cost								
At December 31, 2016	US$	15,600	US$	43,620	US$	–	US$	59,220
Additions		206		4,514		–		4,720
Transfers		–		2,823		4,561		7,384
At December 31, 2017		15,806		50,957		4,561		71,324
Additions		**495**		**8,712**		**–**		**9,207**
Retirements		**(88)**		**–**		**–**		**(88)**
Transfers		**235**		**564**		**640**		**1,439**
At December 31, 2018	**US$**	**16,448**	**US$**	**60,233**	**US$**	**5,201**	**US$**	**81,882**
At December 31, 2016	US$	(12,623)	US$	(43,620)	US$	–	US$	(56,243)
Charge for period amortization		(591)		(226)		–		(817)
At December 31, 2017		(13,214)		(43,846)		–		(57,060)
Charge for period amortization		**(158)**		**(722)**		**(260)**		**(1,140)**
Sales and retirements		**88**		**–**		**–**		**88**
At December 31, 2018	**US$**	**(13,284)**	**US$**	**(44,568)**	**US$**	**(260)**	**US$**	**(58,112)**
Net carrying value								
At December 31, 2017	**US$**	**2,592**	**US$**	**7,111**	**US$**	**4,561**	**US$**	**14,264**
At December 31, 2018	**US$**	**3,164**	**US$**	**15,665**	**US$**	**4,941**	**US$**	**23,770**

Service Concession Agreement

Port Concession Agreement No. 016 of December 6, 1996, whose purpose is to grant a port concession for the construction and operation of off-shore facilities of a new oil terminal of Coveñas intended to load exportation crude, was initially intended to render a private service.

On October 24, 2011, Addendum No. 2 is signed whereby the class of service is changed from private port to public port intended for the handling of exportation crude. The payments were made in accordance with Addendum No. 02.

Addendum number 03 was signed on December 5, 2016, where the obligations regime is adjusted, the concession term is extended for 20 more years and the value of the valuable consideration and of investments is changed based on the investments plan delivered by the Company and approved by the Agencia Nacional de Infraestructura, a total investment of US$104 million at the net present value equivalent to US$56 million (discounted at a rate of 12%, included in the contract signed by the parties).

Addendum number 04 was signed on December 4, 2018, where the investment plan is adjusted extending for two years the replacement of the Monoboya, transferring the operation start-up to 2021, concentrating the investment between 2019 – 2020. This change does not modify the type of heading formulated in the initial plan. The economic impact is transferred to the change of hoses, which increased by approximately US$5 million based on the technical analysis.

14. Intangibles, Net (continued)

With these changes the nominal value of the investment passes from US$104.9 million to US$108.5 million, maintaining the net present value equivalent to US$56 million (discounted at a rate of 12%, included in the contract signed by the parties).

As at December 31, 2018 the fixed portion of the valuable compensation was recorded which amounts to US$5,597 for the 18,5 years, which was discounted at a risk free rate of 1.18% in dollars, a rate taken from de Treasury Department, which was recognized as an intangible asset and a financial liability. The intangible will be amortized using the straight-line method over 20 years and the liability will be updated annually for interests and the installments paid are amortized, and at December 31, 2017 corresponds to the sum of US$5,486.

15. Debts and Loans Bearing Interest

Composition of Loans

Loans are recorded at their amortized cost, which corresponds to the present value of cash flows, discounted at effective interest rate.

	December 31, 2018		December 31, 2017	
Short-term loans				
Interest payable for external public credit	**US$**	**20,000**	US$	20,000
Financial leasing		**–**		200
	US$	**20,000**	US$	20,200
Long-term loans				
External Public Credit Bonds	**US$**	**480,979**	US$	480,199
	US$	**480,979**	US$	480,199
	US$	**500,979**	US$	500,399

Long-Term External Public Credit Bonds

By means of Resolution 1369 of April 29, 2014, the Ministry of Finance and Public Credit authorized the Company to subscribe, issue and place External Public Debt Bonds, under Rule 144 A / S Registration of the United States of America Securities Act, in international capital markets for up to five hundred million dollars of the United States of America (US$500,000,000) in order to finance the needs of investment of future expansion projects (Potency 135 and Warming).

The characteristics, term and conditions are as follows:

- Redemption term: 7 years, with a maturity date until May 7, 2021
- Issue price: 99.367%
- Amortization: Upon maturity
- Yield at maturity: 4.105%

15. Debts and Loans Bearing Interest (continued)

Long-Term External Public Credit Bonds (continued)

- Denomination currency: Denominated in dollars of the United States of America (US$)
- Interest rate: Fixed, in accordance with market conditions prevailing on the bonds placement date, thus complying with the maximum limits for the external indebtedness interest rates defined by the Central Bank.
- Denominations US$200,000 and integral multiples of US$1,000
- Listed in: Luxembourg Stock Exchange

The variation of this obligation of the period from July to December 2018 corresponds to the recognition in the statement of income of the bond issue costs and includes the exchange difference generated by the conversion of the debt from functional currency to presentation currency.

Below is the fair value of bonds (Unaudited):

	December 31, 2018		December 31, 2017	
Fair Value	**US$**	**493,070**	US$	514,075

Loans are recorded in the financial statements at their amortized cost, which corresponds to the present value of cash flows, discounted at the effective interest rate. For the measurement at fair value bonds were valued using as source the Bloomberg methodology. Bloomberg.

Article 28 of External Resolution No. 8 of 2000 of the Board of Directors of the Central Bank establishes that interest rates of foreign currency credits, including securities placed in international markets, should reflect market conditions and may not exceed the maximum rate applicable generally indicated by the Central Bank.

Payment dates of interest will be May 7 and November 7 of each year, starting on November 7, 2014

Computation date: May 7, 2014; T+5, gross value: US$496,835,000; rate: 4.000%, determined on a 30/360-day basis.

Loans Maturity Profile

The loans maturity profile is described below:

	Up to 1 year		1 – 5 years		Total	
At December 31, 2018						
External Public Credit Bonds	**US$**	**20,000**	**US$**	**480,979**	**US$**	**500,979**
Lease obligations		**–**		**–**		**–**
	US$	**20,000**	**US$**	**480,979**	**US$**	**500,979**
At December 31, 2017						
External Public Credit Bonds	US$	20,000	US$	480,199	US$	500,199
Lease obligations		200		–		200
	US$	20,200	US$	480,199	US$	500,399

16. Trade Accounts and Other Accounts Payable

		December 31, 2018		December 31, 2017
Suppliers and accounts payable (1)	**US$**	**66,491**	US$	82,990
Related parties (*Note 28*)		**5,127**		5,790
Withholding tax		**3,703**		3,220
Employees fringe benefits		**811**		953
Withholdings and payroll contributions		**979**		1098
Industry and commerce tax withholdings		**196**		157
	US$	**77,307**	US$	94,208
Trade accounts and other accounts payable, short term	**US$**	**72,686**	US$	89,819
Trade accounts and other accounts payable, long term	**US$**	**4,621**	US$	4,389

(1) The accounting value of trade accounts and other accounts payable is close to its fair value due to its short term nature.

17. Tax Liabilities

Below is the detail of the current taxes:

		December 31, 2018		December 31, 2017
Income tax	**US$**	**100,571**	US$	162,459
Other taxes		**4,509**		8,225
	US$	**105,080**	US$	170,684

17.1. Income Tax

Below is the detail of the Current tax and/or (credit balance)

		December 31, 2018		December 31, 2017
Provision for income tax (1)	**US$**	**314,725**	US$	367,289
Provision for surtax (1)		**38,174**		64,800
Less:				
Income tax advance		**187,377**		178,366
Surtax advance		**39,707**		61,687
Withholding tax balance in favor		**23,518**		29,408
Heavy machinery creditable VAT		**1,726**		169
Liabilities (recoverable balance) payable for income tax	**US$**	**100,571**	US$	162,459

17.1. Income Tax (continued)

Income tax expense

The following is a detail of the tax on income and complementary, and income tax and surcharge income recognized in the result for the period:

	January 1 to December 31, 2018	January 1 to December 31, 2017
Current tax		
Provision for income tax of the year (1)	**US$ 343,885**	US$ 371,605
Provision of surtax (1)	**41,637**	65,561
Adjustment of prior periods' income tax expense and surtax	**(287)**	(135)
Hedges	**1,450**	(3,741)
	386,685	433,290
Deferred tax		
Deferred income tax	**(4,052)**	(35,654)
Total income tax expense	**US$ 382,633**	US$ 397,636

(1) The difference between the provision for income tax and surtax and the provision for income tax of the year is recorded in the exchange difference gain (loss), net.

Reconciliation of the Effective Tax Rate

The Company's income tax differs from the theoretical amount that would have been obtained by using the tax rate applicable to profit before tax.

Below is a detail of the reconciliation between the accounting profit before taxes and net taxable income, which was the basis to determine the expense on concept of income tax, and surtax:

	Period from			
	January 1 to December 31, 2018		January 1 to December 31, 2017	
	Values	Rates	Values	Rates
Accounting profit before tax	**US$ 1,052,385**		US$ 950,271	
Income tax applying the Company's local tax rate	**389,383**	**37.00%**	380,108	40.00%
Non-taxable revenues	**–**		(606)	(0.06)%
Non-deductible expenses	**1,323**	**0.13%**	4,933	0.52%
Difference between taxable base of income and Surtax	**(11)**	**0.00%**	–	0.00%
CREE taxes	**(2,693)**	**(0.26)%**	(16)	0.00%
Conversion adjustment-income expense	**–**		6	0.00%
Conversion adjustments – dollar functional Currency	**(6,036)**	**(0.57)%**	13,630	1.43%
Differential in rate – deferred tax	**(287)**	**(0.03)%**	3,380	0.36%
Prior years income tax expense	**–**	**0.00%**	(58)	(0.01)%
Hedges	**954**	**0.09%**	(3,741)	(0.39)%
Tax profit before tax	**US$ 382,633**	**36.36%**	US$ 397,636	41.85%

17.1. Income Tax (continued)

Deferred Income Tax

The net movement of deferred taxes during the period is the following:

	December 31, 2018	December 31, 2017
Initial balance	**US$ (82,413)**	US$ (110,214)
Debit to statement of income	**4,052**	35,654
Debit to other comprehensive income (1)	**8,452**	(7,704)
Translation adjustment	**9,137**	(149)
Ending balance	**US$ (60,772)**	US$ (82,413)

(1) Variations in deferred tax balances were recorded in result accounts of the period except for the following items which were recorded in other comprehensive income, as follows:

Hedging	December 31, 2018	December 31, 2017
Deferred asset (liability) – Financial assets (liabilities)	**US$ 8,452**	US$ (7,704)

Below is the detail of deferred tax assets and liabilities is the following:

	December 31, 2018	December 31, 2017
Assets		
Provisions	**US$ 13,060**	US$ 28,676
Accounts payable	**12,991**	–
Intangibles	**22**	175
Hedges	**8,383**	–
Other assets	**–**	491
Deferred tax asset	**US$ 34,456**	US$ 29,342

	December 31, 2018	December 31, 2017
Liabilities		
Property, plant and equipment (1)	**US$ 94,286**	US$ 106,866
Other assets	**942**	3,294
Other liabilities	**–**	1,595
Deferred tax liability	**95,228**	111,755
Net deferred tax	**US$ (60,772)**	US$ (82,413)

(1) For tax purposes, the property, plant and equipment account has a specific useful life. Under accounting and financial information standards accepted in Colombia, the useful life is determined by a technical analysis. This difference results in a different depreciation basis for IFRS and tax purposes.

Assets from deferred tax assets pending offsetting are recognized to the extent that the realization of the respective tax benefit is probable through future tax benefits.

17.2. Other Taxes

	December 31, 2018		December 31, 2017	
Transport tax	**US$**	**4,441**	US$	8,117
Sales tax – VAT payable		**53**		93
Industry and commerce tax		**15**		15
Other taxes short term		**4,509**		8,225
Sales tax - VAT "Plan Vallejo"		**923**		883
Other taxes long term	**US$**	**923**	US$	883

The related transport tax corresponds to the volumes of actual and estimated crude that have been transported in the stated period, plus the amount pending payment to the municipal jurisdictions which upon disposition of the National Planning Department is who orders the payment. The balance is classified as follows:

	December 31, 2018		December 31, 2017	
Estimated transport tax	**US$**	**4,373**	US$	8,052
Accounts payable		**68**		65
	US$	**4,441**	US$	8,117

17.3. Other Aspects

Tax Reform

In 2018, the National Government issued Law 1943, with which certain substantial aspects were modified. The general rate of income tax applicable to national companies, permanent establishments and foreign entities will be: 2019 - 33%, 2020 - 32%, 2021 - 31%, and following 2022 - 30%.

On the other hand, for the years 2019 and 2020, the applicable rate for purposes of calculating the income tax under the presumptive income system will be 1.5% of the taxpayer's net worth of the immediately preceding year. As of the year 2021, the applicable rate will be 0%.

The sub capitalization rule contained in article 118-1 of the E.T. was modified. Consequently, as of 2019, the sub capitalization rule will only be applicable with respect to interest generated in the acquisition of debts contracted, directly or indirectly, with national or foreign economic related parties. Likewise, the capital - debt ratio was modified to 2: 1 (previously it was 3: 1), which means that not only interest generated on occasion of debts acquired with related parties may be deducted when the average total amount of such debts does not exceed two (2) times the liquid assets of the taxpayer determined on December 31 of the immediately preceding taxable year.

17.3. Other Aspects (continued)

Tax on Dividends

As of January 1, 2019, dividends and participations paid or credited to an account from distributions made among Colombian companies will be subject to withholding tax at the rate of 7.5%. On the other hand, if

the profits from which the dividends are distributed were not subject to taxation at the company level, such dividends are taxed with the income tax applicable in the distribution period (for the year 2019 the rate it will be 33%). In this case, the withholding of 7.5% will apply to the value of the dividend once it has decreased with the income tax (33% for the year 2019).

The withholding rate of 7.5% will be incurred only in the first distribution of dividends among Colombian companies and may be credited against the dividend tax as soon as these are paid by the natural resident shareholder or the investor resident abroad.

It should be noted that the 7.5% withholding does not apply to: (i) Colombian Holding Companies, including decentralized entities; and (ii) entities that are part of a duly registered business group, in accordance with commercial regulations.

Property Tax and Standardization

On the occasion of this Law, a new property tax was created for the years 2019, 2020 and 2021, by natural persons and illiquid successions with residence or without residence in the country, and by foreign companies and entities not reporting income in Colombia and who own assets in Colombia other than shares, accounts receivable, and portfolio investments. Neither will foreign companies or entities that do not declare the income tax and that sign financial leasing contracts with entities resident in Colombia be taxpayers.

A Taxation Normalization Tax was created for the year 2019, as a complementary tax to the income tax and the property tax, in charge of the taxpayers of the income tax who have omitted assets or nonexistent liabilities. This tax will be settled and paid in an independent declaration that will be presented on September 25, 2019, which does not allow correction or extemporaneous presentation. The rate for Taxation Normalization Tax is 13% but it can be reduced by 50% when the taxpayer normalizes assets abroad and invests them with a vocation for permanence in the country.

Sales Tax

Regarding Sales Tax, the list of goods and services excluded from VAT established in Articles 424, 426 and 476 of the Tax Statute was modified. Article 437 of the Tax Statute was added, in relation to guidelines on the fulfillment of formal duties on VAT by service providers from abroad and it was indicated that VAT withholding may be up to 50% of the value of the tax, subject to regulation by the National Government. The VAT rate remains at 19%. (Art. 424, Art. 426, Art. 476 Tax Statute).

17.3. Other Aspects (continued)

Tax Procedure

Regarding the procedure, there are modifications: (i) withholding statements that despite being ineffective will be enforceable tittle, (ii) electronic notification of administrative acts; and (iii) payment of glosses in the statement of objections in order to avoid late interest and use the currencies plus two points; (iv) elimination of extension of the firmness to three (3) additional years for compensation of fiscal losses.

Likewise, an audit benefit was included for the taxable years 2019 and 2020. Under this benefit, the private liquidation of income tax and complementary taxes payers who increase their net income tax by at least a minimum percentage of 30%, in relation to the net income tax of the immediately preceding year, shall be final within six (6) months following the date of presentation if no notice to correct, or special requirement, or special location, or provisional liquidation has been given, and provided that the income tax return is presented in a timely manner and the payment is made within the established deadlines.

However, if the increase in the net income tax is at least 20% in relation to the net income tax of the immediately preceding year, the declaration will be final within twelve (12) months following the presentation of the declaration; if no notice to correct, or special requirement, or special location, or provisional settlement has been notified and the income tax return is presented in a timely manner and the payment is made within the established deadlines.

The above benefit does not apply to: (i) taxpayers who enjoy tax benefits because of their location in a specific geographical area; (ii) when it is shown that withholding taxes declared are non-existent; (iii) when the net income tax is less than 71 UVTs (COP$2,433,170). The term provided in this standard does not extend to withholding tax returns or sales tax, which will be governed by the general rules.

18. Other Liabilities

	December 31, 2018		December 31, 2017	
Revenues received in advance, short term	**US$**	**4,751**	US$	6,707
Revenues received in advance, long term		**3,376**		7,722
	US$	**8,127**	US$	14,429

Corresponds to the advance payment upon the capacity reserve of the pipeline, the recoveries of the ship or pay contract of P135 of the revenue received for indemnities and other advances received which are detailed below:

	December 31, 2018		December 31, 2017	
BP Products North América	**US$**	**6,514**	US$	10,860
Gunvor Colombia CI S.A.S.		**1,208**		2,398
Perenco Colombia Limited		**–**		631
Others		**405**		540
	US$	**8,127**	US$	14,429

19. Provisions and Contingencies

	Abandonment Costs (19.1)		Litigations (19.2)		Environmental Contingencies (19.3)		Others (Note 19.4)		Total	
At December 31, 2016	US$	21,959	US$	2,597	US$	–	US$	–	US$	24,556
Additions		–		(8)		–		50,011		50,003
Update abandonment rate		4,461		–		–		–		4,461
Transfers		–		–		409		–		409
Financial cost (*Note 26*)		1,752		–		–		–		1,752
Difference in currency exchange		95		15		(11)		–		99
At December 31, 2017	US$	28,267	US$	2,604	US$	398	US$	50,011	US$	81,280
Update Abandonment Rate		**11,254**		**–**		**–**				**11,254**
Uses								**(50,011)**		**(50,011)**
Additions		**–**		**1,762**		**–**		**1,159**		**2,921**
Transfers		**–**		**569**		**7**		**209**		**785**
Financial cost (*Note 26*)		**1,674**		**–**		**–**		**–**		**1,674**
Difference in currency exchange		**(2,453)**		**(222)**		**(33)**		**–**		**(2,708)**
At December 31, 2018	**US$**	**38,742**	**US$**	**4,713**	**US$**	**372**	**US$**	**1,368**	**US$**	**45,195**

Currents (19.4)		
At December 31, 2017	$	50,011
At December 31, 2018	**$**	**1,368**
Not currents (19,1 al 19,3)		
At December 31, 2017	$	31,269
At December 31, 2018	**$**	**43,827**

19.1. Abandonment Costs and Dismantlement of Assets

The estimated liability for abandonment costs corresponds to the future obligation of the Company to restore the environmental conditions in a similar manner to those existing before the initiation of the projects or activities. Since these are long-term obligations, this liability is estimated by projecting the expected future cash flows and discounting at present value with a rate referenced to the financial obligations of the parent, Ecopetrol S.A. The business group changed the methodology of the rate calculation passing from a nominal calculation to an actual calculation.

The discount rate used in the obligation estimation at December 31, 2018 was of (3.88%), (December 2017 nominal discount rate 7,4%), as at December 31, 2018 obligation for dismantling amounts to US$38,742, at December 31, 2017 to US$28,267.The slight increase in the rate is due to the increases in the interest rate made by the FED, which generate systematic impacts on the market, and affect the rates of the debt bonds of the head office.

19.2. Litigation

As at December 31, 2018, Ocensa participates in several legal processes of low materiality related with the normal course of operations, and that involve: 1) contractual obligations' lawsuits; 2) lawsuits for supposed environmental damages; 3) indemnity lawsuits for damages to real estate and communities; 4) tax obligations' claims; and 5) various civil claims.

19.2. Litigation (continued)

The Company believes that appropriate provisions have been made in those cases where it is considered that there is a probable contingent or true obligation, for the amount estimated necessary to face the related risks. Likewise, the Company believes that these matters will be resolved without significantly affecting the business, its financial position or its results of operations.

Additionally, concerning certain legal procedures in progress, Ocensa sometimes may determine and disclose reasonable estimates of the expected loss or of the rank of possible loss, as well as, disclose any provision created for such loss. However, for a limited number of legal procedures in process, the Company could not be in the possibility of making a better estimate of the expected loss or of the possible loss rank, or could be in the possibility but it is considered that disclosing such information on a basis of case-by-case would seriously damage the Company's position in the legal procedures in process or in any related liquidation negotiation. Therefore, in these cases, the Company discloses qualitative information in respect of the nature and characteristics of the contingency, without including the loss estimate or the rank of the possible loss.

Claims

Detailed below are the main litigations recognized in the statement of financial position and that could generate an outflow of resources:

- Payment claim of presumed damages caused by the attack to the Cupiagaua-Cusiana-Coveñas pipeline by the National Liberation Army in Vereda Fraguas, Machuca Township, Municipal Jurisdiction of Segovia Antioquia; its accrued value as at December 31, 2018 amounts to US $2,896, sum that corresponds to the value of the judgment of cassation uttered by the Supreme Court of Justice on December 18, 2018. Ocensa filed an annulment incident and a request for clarification and complementation of the judgment on January 22, 2019.Annulment of Resolution 431 of 2009 hereby the Ministry of the environment, housing and Territorial Development (hereinafter, MAVDT) amended Resolution 952 (pipeline environmental license), including the obligation of 1%. The appeal against the first instance sentence was admitted by the Council of State on October 15, 2014. On September 29, 2017 the Company filed second-instance conclusion allegations.

- Nullity of writs 155 and 1981 of 2010 whereby MAVDT rejected the Additional Investment Plan executed for the benefit of hydrographic basins of the pipeline influence area in the Cupiagua-Cusiana (Interfiled) section. On January 16, 2015, the Company filed with the Council of State the second instance conclusion pleadings against the first-instance sentence.

Annulment of Proceedings 2913 and 4034 of 2011 whereby MAVDT rejected certain works, activities and projects executed for the benefit of the basis of the pipeline influence area. Ocensa filed an appeal against the sentence partially favorable of the first instance issued on January 23, 2015, which was admitted by the Council of State on March 5, 2015. The value accrued as at December 31, 2018 amounts to US$1,817.

19.3. Environmental Contingencies

This heading corresponds mainly to environmental compensation obligations for the use or affectation of natural resources in the framework of environmental authorizations and the forced investment of no less than 1% for the use of water taken directly from natural sources as established by the Law 99 of 1993, paragraph 43, related with project P-135.

19.3. Environmental Contingencies (continued)

On December 22, 2016, the Ministry of Environment and Sustainable Development issued the Decree 2099 whereby it amends the Single Regulatory Decree of the environment and sustainable development sector, Decree 1076 of 2015 related with the forced investment of no less than 1% for the water taken directly from natural sources, and Decree 1120 of June 29, 2017 which amended numerals 3 and 4 of article 2.2.9.3.1.17 of Decree 1076 of 2015.

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The Company has currently approved the investment plan of no less than 1% for the record 318 within which is P-135. This approval was made by means of Resolution 00834 of June 5, 2018, and record 1226 of Interfiled, by means of resolution 620 of April 30, 2018 in respect of which the remedy of appeal was filed.

19.4. Others

As of December 31, 2017, Ocensa had a recognized provision to cover a probable loss for the results that could derive from the arbitration process initiated by Meta Petroleum and Petrominerales (today Frontera Energy Colombian Corp., Colombia Branch). This arbitration process ended on July 12, 2018 as a result of the approval by the Arbitral Tribunal of the conciliatory agreement reached by the parties, by virtue of which the standard transportation rate and monetary conditions of the transportation contracts signed on July 29 of 2014 were revised in support of the expanded capacity resulting from Project P135, and extending its effects from July 1, 2017 (Effective date of transportation contracts). On the same date, July 12, 2018, the parties subscribed the corresponding amendment to the current transportation contracts, reflecting the modifications contained in the approved conciliatory agreement.

Likewise, a transaction agreement and the respective amendment to the transport contracts were signed with those senders of Project P135 who accepted the binding offer extended by Ocensa in response to the principles of Resolution No.72146 of 2014, in equal or equivalent terms to those contained in the conciliatory agreement and amendments with Frontera. In relation to the arbitration process convened by Vitol Colombia C.I. SAS, the parties requested by mutual agreement to the Arbitral Tribunal to cease its functions as a result of the settlement agreement reached on July 23, 2018. This request was accepted by the Court at the hearing of August 8, 2018, ending the arbitration process.

The undersigned settlement and transaction agreements established the senders' obligation to cease their ongoing administrative or judicial actions and to refrain from promoting new claims in the future.

As a result, Ocensa reconciled and adjusted the accounts receivable and payable that were held between the parties and the credit notes were issued to reflect the balances in favor of the senders. This recognition in the financial statements generated a movement of the provision and its corresponding effect on other operating income of US$50,011, in addition to the decrease in income from ordinary activities as of December 31th, 2018 because of the issued credit notes.

19.5. Contingent Liabilities

The Company has unrecorded contingent liabilities in the Statement of Financial Position upon considering that their probability of occurrence is eventual. Those contingencies derive mainly from legal processes related with labor claims to the Company's contractors, lawsuits for the repair of damages caused during the Pipeline construction.

19.5. Contingent Liabilities (continued)

On June 2016, Massy Energy Colombia S.A.S. called an arbitration court to resolve the differences that arose with the Company regarding the liquidation of Contract No. 3801903 which purpose was engineering, purchases and construction of changes to pumping systems of the pipeline, in the Delta 35 project. Claims amount to US$$3,996 and comprise higher amounts of the contract. Although the parties arrived at a preliminary conciliation agreement, the Controller's Office and the Court did not approve it and the process continued. Currently, it is in the practice of tests stage.

19.6. Contingent Assets

Below is a detail of contingent assets, which entry of economic benefits to the Company is probable, but not practically certain.

The Company seeks the payment of the difference between the Cusiana crude value purchased by Ocensa from Equion Energía Limited and Santiago Oil Company to conform the pipeline filling line between 1996 and 1997, and the quality of the oil currently found in the Pipeline. The various claims of the lawsuit are addressed to the restitution of that negative balance under different approaches which vary both in their nature (in kind or money), as their reference price (price at September 2014 or the award date). The Company considers that the contingent asset that would arise from this process would correspond to the difference between the value pretended in the lawsuit and the value of the crude currently found inside the pipeline.

The Company filed a nullity action and reestablishment against the decision of the Superintendence of Ports of denying the request of returning the excess in the payment of the oversight rate paid in 2001. Ocensa calculated the amount of the devolution at COP$2,816 million and considers that it applies in accordance with the Resolution 0457 of 2001 issued by the same Superintendence.

20. Equity

20.1. Subscribed and Paid-in Capital

Authorized capital is of 5,793,456 shares at a par value of COP$30,104.5434483 each; subscribed and paid-in 5,159,000, and subscribed and paid in capital being US$81,714.

For 2018, the gain per share was US$129.82 (2017 amounts to 107.12), which is taken from the net profit of the year from continued operations on the number of shares, because there were distributions of dividends during the period, so this value represents the profit of the year, but not necessarily the value to be distributed, given the dividends decreed during the year

20.2. Equity Reserves

	December 31, 2018		December 31, 2017	
Legal reserve	**US$**	**7,736**	US$	7,736
Legal reserve 10% non-taxed		**33,122**		33,122
	US$	**40,858**	US$	40,858

20.2. Equity Reserves (continued)

Legal Reserve

The Colombian Code of Commerce establishes that it is mandatory to appropriate 10% of its net annual profits as a legal reserve until the balance thereof is equivalent to 50% of subscribed capital. This reserve may be used to offset losses or distribute them in the event of Company's liquidation.

20.3. Payment of Dividends

Below is the detail of distributed dividends:

		Decreed		paid out (1)
March 10, 2017 – profits from October 1 to December 31, 2016	US$	120,337	US$	120,337
September 7, 2017 – profits from January a to June 30, 2017		260,984		260,521
	US$	381,321	US$	380,858
March 12, 2018 – profits from July 1 to December 31, 2017	US$	291,651	US$	291,134
September 13, 2018 – profits from January 1 to June 30, 2018		**313,929**		**313,372**
	US$	**605,580**	**US$**	**604,506**

(1) Corresponds to the declared value less the taxes withheld.

20.4. Other Comprehensive Income

Includes the effects of the effective portion of cash flow hedging instruments, recognizing the effective portion of other integral results. The change in the fair value of the hedging instrument, which has been recognized in other integral results, will be reclassified to results when the hedged item affects results.

The Company seeks, through this hedging policy, to stabilize cash flows and mitigate the economic effects that may arise from fluctuations in market variables, in other words, the peso/dollar exchange rate. The Company, established as a policy for recognition in other comprehensive income, evaluates the effectiveness of the hedge by reviewing that the hedged values do not exceed the exposure.

The methodology used to measure the effectiveness of the hedge is under the Value at Risk (VaR) methodology using the operating cash flow as an indicator.

This measurement is carried out by the use of Monte Carlo simulations, but other commonly accepted methodologies may be considered, which should allow:

(1) Present the potential variations in the exchange rate pesos/dollars (COP/US$).
(2) Measure the impact of these movements on the Company's cash flow.
(3) Measure the impact of these movements on the Company's EBITDA (and/or net income if appropriate)..

20.4. Other Comprehensive Income (continued)

The specific model to measure risks and their critical variables, as well as their amounts, will be evaluated monthly at the Audit and Financial Committee. When the hedge is no longer effective, the hedge accounting will cease.

Additionally, in the other comprehensive income there is an adjustment in conversion generated by the application of the methodology for the calculation and recognition of the deferred tax; which is calculated in pesos but registered in dollars.

	December 31, 2018	December 31, 2017
Cash hedges	**US$ (19,918)**	US$ 5,084
Deferred tax	**6,571**	(1,881)
Deferred tax translation adjustment	**90,313**	81,176
	US$ 76,966	US$ 84,379

21. Revenues from Ordinary Activities

	Period from January 1 to December 31, 2018	January 1 to December 31, 2017
Hydrocarbons transportation service (1)	**US$ 1,365,046**	US$ 1,292,149
Other revenues (2)	**25,373**	21,192
Unloading service (3)	**10,241**	11,452
	US$ 1,400,660	US$ 1,324,793

(1) Oil transport from Cupiagua, until the exportation by TLU–2 at the Coveñas terminal; the transportation service is billed by the barrels transported at each section of the pipeline at the rate set by the Ministry of Mines and Energy for each one and for the Coveñas terminal, the authorized tariff set by the Superintendence of Ports and Transport. The barrels the average crude transported were 637 KBPD for the 2018 and of 581 KBPD for the 2017.

(2) It corresponds to port services, dilution service, administrative and maintenance services. The increase for the year 2018 is due to revenues derived from construction services related to the port concession contract made with the ANI - National Infrastructure Agency for US $ 5,963 which in 2017 were not presented.

(3) It corresponds to the discharge of oil or diluent in the unloading facilities located at the Cusiana station. This service is billed for the barrels nominated by the clients at the contract rate. The decrease in unloading service revenues for the year 2018 compared to the year 2017 year was produced by the approval of new monetary conditions from July 2018, passing from a rate in the first half of 0.50 US$ / BL to 0.45 US$ / Bl.

Revenues generated as a result of crude transportation activities are obtained by the following clients:

21. Revenues from Ordinary Activities (continued)

	Period from December 31, 2018	December 31, 2017
Ecopetrol S.A.	**US$ 1,054,049**	US$ 1,019,329
Frontera Energy Colombia Corp.	**128,112**	125,705
Others minors	**218,499**	179,759
	US$ 1,400,660	US$ 1,324,793

The percentage of participation of related parties corresponds to approximately 76.45% in 2018 and 77.35% for 2017.

22. Cost of Sales

	Period from December 31, 2018	December 31, 2017
Variable costs		
Fuels and lubricants	**US$ 31,049**	US$ 22,460
Friction reducer	**27,276**	16,790
Gas	**25,852**	25,530
Electric power	**7,665**	6,908
	US$ 91,842	US$ 71,688
Fixed costs		
Depreciation (*Note 13*)	**US$ 102,019**	US$ 93,247
Operation and maintenance (1)	**88,444**	80,670
Labor costs	**6,791**	5,700
Materials	**6,262**	8,886
Amortization concession (*Note 14*)	**722**	226
Amortization gas transportation agreement (*Note 14*)	**260**	–
Taxes	**257**	258
	US$ 204,755	US$ 188,987
	US$ 296,597	US$ 260,675

(1) The variation corresponds to recognition of expenditures of the port concession and emergencies presented during the second semester.

23. Operation and Projects Expenses

	Period from December 31, 2018	December 31, 2017
Fees and services (1)	**US$ 10,741**	US$ 8,960
Miscellaneous	**1,926**	2,143

23. Operation and Projects Expenses (continued)

	Period from			
	December 31, 2018		December 31, 2017	
Insurance		**1,535**		1,693
Leases		**1,358**		1,388
Maintenance		**1,236**		1,521
	US$	**16,796**	US$	15,705

(1) The increase corresponds mainly to the recognition of legal fees as a result of the completion of proceedings in arbitration courts.

24. Administration Expenses

	Period from			
	December 31, 2018		December 31, 2017	
Labor expenses	**US$**	**18,509**	US$	16,323
Taxes		**3,392**		4,890
Depreciation (*Note 13*)		**1,614**		1,907
Amortization (*Note 14*)		**158**		591
	US$	**23,673**	US$	23,711

25. Other Operating (Expense) Income, Net

	Period from			
	December 31, 2018		December 31, 2017	
Operative provisions (*Note 19.4-19.2*)	**US$**	**(2,921)**	US$	(50,011)
Indemnities due to contracts (1)		**–**		15,763
Loss on retirement of assets		**(1,606)**		(5,539)
Impairment for receivables (*Note 8*)		**–**		(215)
Impairment losses (*Note 12 and 13*)		**–**		(3,527)
Loss on sale of assets held for sale		**(139)**		(791)
Others		**2,166**		2,152
	US$	**(2,500)**	US$	(42,168)

(1) Indemnity received from the contract signed with Total E&P Colombie Colombia Branch, for the payment of the negative balance of the filling line corresponding to 442,330 Bls of a volume of 3,057,642 barrels.

26. Financial Result, Net

	Period from			
	December 31, 2018		December 31, 2017	
Costs yields and interest, net	**US$**	**(15,201)**	US$	(18,088)
Financial expense abandonment (Nota 19)		**(1,674)**		(1,752)
Financial costs		**(429)**		(402)
Monetization		**83**		679
Other financial incomes (expenses)		**(414)**		(2,217)
Exchange difference gain (loss), net		**8,926**		(10,483)
	US$	**(8,709)**	US$	(32,263)

27. Risk Management

Because of its financial structure, the Company is directly exposed to exchange, interest rate credit and liquidity risks as shown below:

27.1. Exchange Rate Risk

Foreign exchange risk management is at the principle that the peso/dollar exchange rate undergoes highly volatile and unpredictable changes. In this sense, the objective of the hedging strategies defined by the Company is to mitigate movements in these variables by using derivative instruments acquired in financial markets.

Exchange rate risk refers to the economic effects resulting from fluctuations in exchange rates to which the Company is exposed.

In the case of Oleoducto Central S.A., most of the income from services provided is settled and collected in US dollars, while, as a Company operating in Colombia, some of its expenses and all of its tax obligations are they pay in Colombian pesos. For this reason, the Company's cash flows are exposed to fluctuations in the Colombian pesos/U.S. dollar exchange rate.

For this purpose, Ocensa uses hedging operations by contracting derivative instruments, mainly forwards, whose purpose is to mitigate the movement effects of the peso/dollar exchange rate are incurred against the budget of expenditure in pesos and of tax obligations with a horizon of not more than one year.

At the December 31, 2018, cutoff, the notional of the current hedge portfolio of exchange rate was of US$332,437.(at December 31, 2017 – US$ 324,687)

This represents an decrease of 2.38% of the notional/hypothetical of the portfolio which amount at December 31, 2017 was of US$324,687; such change is explained mainly by the hedge of 2019 of tax flows.

The Colombian peso/United States dollar exchange rate was revalued 8,91% from December 31, 2018, reflecting an exchange rate of COP3,249.75 per US$1 in respect to the rate recorded at December 31, 2017, of COP2,984.00 per US$1.

27.1. Exchange Rate Risk (continued)

Below is the effect that a 1% and 5% variation would have in the exchange rate of Colombian pesos vs. US dollars, related to the exposure of financial assets and liabilities in foreign currency at December 31, 2018 and 2017.

Scenario/ Variation in the TRM	Effect on Results Before Taxes (+/–)			
	December 31, 2018		December 31, 2017	
1%	**US$**	**1,738**	US$	2,154
5%	**US$**	**8,360**	US$	10,361

For the calculation of the effect on results before taxes, the rate of the December 31, 2018, equivalent to COP$3,249.75 per US$1. (December 31, 2017, COP$2,984.00 per US$1)

The sensitivity analysis only includes monetary assets and liabilities in foreign currency at the close date, as shown below, in COP million:

	December 31, 2018		December 31, 2017	
Cash and cash equivalents	**COP$**	**39,944**	COP$	41,451
Trade accounts receivable and other accounts receivable		**42,994**		52,199
Other assets		**2,351**		4,800
Active position		**85,289**		98,450
Debt and loans bearing interest		**–**		(592)
Trade accounts and other accounts payable		**(166,166)**		(161,844)
Tax liabilities		**(341,474)**		(509,321)
Provisions		**(146,870)**		(93,308)
Deferred revenues		**(1,263)**		(1,382)
Passive position		**(655,773)**		(766,447)
Net passive position	**COP$**	**(570,484)**	COP$	(667,997)

27.2. Credit Risk

Credit risk is the risk that the Company acquires as a result of unfulfillment with the obligations of clients, financial institutions with which investments are made or counterparties with which instruments are contracted derivatives.

Oleoducto Central S.A. constantly monitors the credit ratings issued by risk rating companies for financial institutions with which investments are made or derivative instruments are traded, in order to ensure that these companies meet the minimum rating defined by the Company.

27.2. Credit Risk (continued)

For the portfolio that is considered impaired, an individual analysis is carried out that allows to see the situation of each client and thus define the provisions to that place. The Company carries out the administrative and legal actions necessary to recover the due accounts receivable, as well as the recognition of interest of clients that do not comply with the payment policies.

27.3. Liquidity Risk

The National Planning Department, as evidenced in its official letter number SC-20134380757471 of October 15, 2013, issued a favorable opinion for the Company to enter into public credit operations upon the international issue of a bond in United States dollars for up to US$1,000,000, with 100% of possibility to reopen the rest of the amount in order to finance Capex needs of new projects.

Based on this favorable opinion, by means of Resolution number 4254 of December 12, 2013, the Ministry of Finance and Public Credit authorized the Company to negotiate the issue and placement of bonds in the international capital market for up to one thousand million United States dollars (US$1,000,000) in order to finance investment needs of future expansion projects.

By means of Resolution 1369 of April 29, 2014, the Ministry of Finance and Public Credit authorized the Company to subscribe, issue and place External Public Debt Bonds, under Rule 144 A / S Registration of the United States of America Securities Act, in international capital markets for up to US$500,000 in order to finance the needs of investment of future expansion projects (Potency 135 and Warming). This provides the Company with the possibility to reopen the rest of the amount, given that Company’s financing needs require them and that capital market conditions are favorable.

The liquidity risk is managed as of the application of the Merton Miller and Daniel Orr model, which is an induction model of random generation for daily changes in the cash balance, in order to establish the minimum cash levels required to take care of the organization liquidity requirements, including its debt service commitments.

The main purpose of the internal procedures is to guarantee enough liquidity levels to comply with the Company’s financial commitments within its timetable of maturities, as well as the main instruments for their measurement and follow-up. Such instruments are: Weekly report of the treasury command bulletin board, monthly cash flow, and analysis of the annual mobile average of the cash flow foresight.

The Company has a policy to manage liquidity surpluses. Such policy provides criteria, guidelines and directives for the efficient and safe administration of liquidity surpluses, and establishes limits of exposure per counterparty. At present, the counterparty limit of risk exposure is limited to the higher of the following parameters: A maximum amount of US$150 million by the counterparty, or if the cash balance falls below such amount, it should be divided at least into three counterparties that meet the minimum rating permitted. In the event issuer and issue limits established herein are exceeded, the portfolio administrator will have 45 calendar days to take the measures necessary to adjust to such limits.

The credit quality of issuers, assets and counterparties of operations are as follows:

Minimum permitted rating:

27.3. Liquidity Risk (continued)

Foreign Financial Entities

Rating Entity	Short-Term Rating	Long-Term Rating
Standard & Poor's	A-1	A+
Moody's Investors Service	P-1	A1
Fitch Ratings	F-1	A+

Local Financial Entities

Rating Entity	Short-Term Rating	Long-Term Rating
Fitch Ratings	F1+	AAA
BRC Investor Services	BRC 1+	AAA

The Company has a surplus liquidity management policy which provides criteria and guidelines for the efficient and safe administration of surplus liquidity, and establishes exposure limits by counterparty. Currently, the counterparty risk exposure limit will be limited to the greater of the following parameters, a maximum amount of US$ 150 million per counterparty, or if the cash balance is below this amount, it should be divided at least into three counterparts that meet the minimum qualification allowed. In the event that the issuer and issuance limits here established are exceeded, the portfolio manager has 45 calendar days to carry out the necessary measures to comply with said limits.

The credit quality of issuers, assets and counterparties of operations are as follows:

27.4. Interest Rate Risk

Oleoducto Central S.A. issued a bond in the international market at a notional amount of US$500 million in 2014. A defined fixed interest rate of 4% was used in such issue; therefore, there is no risk of interest rate.

27.5. Capital Management

The main objective of the Company's capital management is to ensure a financial structure that optimizes the cost of capital, maximizes the yield of its shareholders, and allow access to financial markets at a competitive cost in order to cover its financing needs.

Below is the indebtedness ratio of periods reported:

		December 31, 2018		**December 31, 2017**
Cash and cash equivalents *(Note 7)*	**US$**	**239,422**	US$	236,356
Loans *(Note 15)*		**(500,979)**		(500,399)
Net financial debt	**US$**	**(261,557)**	US$	(264,043)

27.5. Capital Management (continued)

	December 31, 2018		December 31, 2017	
Equity	**US$**	**1,191,973**	US$	1,135,214
Leverage (1)		**17,99%**		18,87%

(1) Net Financial Debt / (Net Financial Debt + Equity)

28. Related Parties

The main transactions between related parties during the periods indicated are detailed below:

	2018						
	Hydrocarbon Transportation	Unloading Service	Dilution Service	Administrative Services	Operation and Maintenance Services	Purchase of Products and Services	Total
Ecopetrol S.A.	**US$1,048,934**	**US$ 3,544**	**US$ 1,571**	**US$ –**	**US$ –**	**US$ (9,145)**	**US$1,044,904**
Cenit Transporte y Logística de Hidrocarburos S.A.S.	**–**	**–**	**–**	**64**	**–**	**(527)**	**(463)**
Hocol S.A.	**10,847**	–	–	–	–	–	**10,847**
Oleoducto de Colombia S.A.	**–**	**–**	**–**	**40**	**59**	**(1,128)**	**(1,029)**
Oleoducto de Los Llanos Orientales	**–**	**–**	**4,142**	**22**	**317**	**–**	**4,481**
Oleoducto Bicentenario de Colombia S.A.S.	**–**	**–**	**–**	**32**	**1,235**	**(3,868)**	**(2,601)**
	US$1,059,781	**US$ 3,544**	**US$ 5,713**	**US$ 158**	**US$ 1,611**	**US$ (14,668)**	**US$1,056,139**

	2017						
	Hydrocarbon Transportation	Unloading Service	Dilution Service	Administrative Services	Operation and Maintenance Services	Purchase of Products and Services	Total
Ecopetrol S.A.	US$1,015,994	US$ 2,466	US$ 949	US$ –	US$ –	US$ (9,457)	US$1,009,952
Cenit Transporte y Logística de Hidrocarburos S.A.S.	–	–	–	330	–	(431)	(101)
Hocol S.A.	58	–	–	–	–	–	58
Oleoducto de Colombia S.A.	–	–	–	76	–	(1,086)	(1,010)
Oleoducto de Los Llanos Orientales	–	–	3,273	–	330	–	3,603
Oleoducto Bicentenario de Colombia S.A.S.	–	–	–	–	1,241	(3,580)	(2,339)
	US$1,016,052	US$ 2,466	US$ 4,222	US$ 406	US$ 1,571	US$ (14,554)	US$1,010,163

28. Related Parties (continued)

The most representative balances with related entities at December 31, 2018 and 2017, are included in accounts receivable and accounts payable, as follows:

		December 31, 2018		December 31, 2017
Accounts receivable				
Ecopetrol S.A.	**US$**	**134,364**	US$	145,578
Hocol S.A.		**2,267**		203
Oleoducto Bicentenario de Colombia S.A.S.		**1,302**		698
Oleoducto de Los Llanos Orientales S.A.		**1,143**		1,443
Oleoducto de Colombia S.A.		**300**		455
Cenit Transporte y Logística de Hidrocarburos S.A.S.		**158**		972
	US$	**139,534**	US$	149,349
Accounts payable				
Ecopetrol S.A.	**US$**	**4,318**	US$	4,927
Oleoducto Bicentenario de Colombia S.A.S.		**571**		321
Oleoducto de Colombia S.A.		**142**		120
Cenit Transporte y Logística de Hidrocarburos S.A.S.		**96**		422
	US$	**5,127**	US$	5,790

Outstanding amounts are not guaranteed and will be settled in cash. No guarantees have been granted or received. No expense has been recognized in the current period or in prior periods concerning uncollectable or bad debts related to amounts due by related parties.

Trade purchases and sales transactions of goods and services, concerning the development of the Company's corporate purpose, with related parties are made under general market prices and conditions.

29. Compensation to Directors

Directors' fees for attendance to the meetings of the Board of Directors and/or the Audit Committee amount to approximately to 2018 to US$146 and to US$146 to 2017.

The total compensation paid to directors, executive officials and top directors for salary and other compensations during the 2018 amounted to US$2,350 (2017 for US$2,207).

30. Subsequent Events

There have been no subsequent events affecting the figures in the financial statements as of December 31, 2018.

The arbitration tribunal convened by Ocensa against Equion Energía Limited and Santiago Oil Company, in relation to negative balances that such companies record in the volumetric balances, on February 18, 2019 the Tribunal issued the arbitration award in which it declared, among others, that (i) Equion and Santiago are obliged to return to Ocensa the full line, (ii) Equion and Santiago breached in bad faith the transportation contracts by not knowing of the existence of the negative balance and refusing to return it and (iii) Equion and Santiago must pay Ocensa US$76,166 (US$50,788 principal plus US$24,769 interest and legal costs of US$609 by March 29, 2019). On March 26, 2019 Ocensa received payment from Equion and Santiago and recognized income as of March 31, 2019.

30. Subsequent Events (continued)

At the beginning of February 2020, a change in the company's shareholding composition took place. AI Candelaria Luxembourg SARL one-share participation was changed to ISQ Booster Acquisitions SARL.

As of today, due to the conjuncture of the COVID-19 it has not generated any impacts on the Financial Statements as of December 31, 2018. However, as a result of the COVID-19 pandemic and measures put in place to slow its spread, including the imposition of quarantines and medical screenings, travel restrictions and the suspension of many economic activities, we expect to continue a substantial uncertainty in macroeconomic conditions regarding crude prices, crude oil production, and demand of related products.

The principal effect has been in a significant drop in the Brent crude oil price, with Brent crude reaching a low of US$22.70/bbl on March 31, 2020. This drop has affected exploration and production (“E&P”), companies, such as our main customer, Ecopetrol, that operate in the areas we serve. Many of them, including Ecopetrol, have had to cut production in order to protect the cash flow and profitability of their operations. Likewise, the companies believe the current tariffs are a non-manageable cost that may represent up to 45% of a producer’s total costs of operations, which may pressure these companies to lower production and renegotiate transport tariffs given low oil prices as well as the effects of the COVID-19 pandemic.

In response to the situation, Ocensa is working on the following actions:

- Efficiency plan which focuses on savings in expenses and on capital investments
- The volume discounts were removed, and the temporary payment agreements were modified to instead permit shippers to defer up to the 50% of their agreed tariff payment for an initial period of six months.

This six-month deferral consists of a grace period, following which period customers’ tariff deferral may be extended for up to an additional four months, subject to an interest charge. We are also evaluating temporary changes on our current transportation agreements on a case-by-case basis, including by approving temporary downward adjustments to the contracted volume of certain of our customers.

At this time, we cannot forecast the duration of the effects of COVID-19 on our business. In addition, while the price of crude oil has been increasing since the recent Brent price of U.S.$22.70 per barrel on March 31, 2020 and we would expect crude oil production to follow that trend, The future business results and expectations will be affected by the extent and duration of these conditions and the effectiveness of responsive actions taken.

Furthermore, the Company will be monitoring the impairment indicators of long-term assets, performing quantitative analyses when it is necessary to do so.

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