CELSE - Centrais Elétricas de Sergipe S.A.
(pre-operating company)

Financial statements
December 31, 2016 and 2015
(Convenience translation into English from the Original Previously Issued in Portuguese)

KPDS 183814

Contents

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Independent auditors' report on the financial statements

To Management and Shareholders of
CELSE - Centrais Elétricas de Sergipe S.A. (Pre-operating company)
Aracaju - SE

Opinion
We have examined the financial statements of CELSE - Centrais Elétricas de Sergipe S.A. (“Company”) (Pre-operating company), comprising the balance sheets as of December 31, 2016 and 2015 and the respective statements of income, comprehensive income and changes in shareholders' equity, and cash flows for the year ended December 31, 2016 and for the period from September 25 to December 31, 2015 as well as the corresponding notes, comprising the significant accounting policies and other clarifying information.

In our opinion, the aforementioned financial statements fairly present, in all material respects, the financial position of CELSE - Centrais Elétricas de Sergipe S.A. as of December 31, 2016 and 2015, the performance of its operations and its cash flows for the year ended December 31, 2016 and period from September 25 to December 31, 2015, in accordance with the accounting practices adopted in Brazil.

Basis for opinion
Our audit was conducted in accordance with Brazilian and international standards on auditing. Our responsibilities, in compliance with such standards, are described in the following section, titled “Auditor’s Responsibilities for the Auditing of Financial Statements.” We are independent in relation to the Company, according to the relevant ethical principles established in the Accountants’ Professional Code of Ethics and the professional standards issued by the Federal Accounting Council, and we comply with the other ethical responsibilities according to these standards. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the financial statements
The Management is responsible for the preparation and adequate presentation of the financial statements in accordance with the accounting practices adopted in Brazil, and the internal controls it deemed necessary to enable the preparation of financial statements free of material misstatements, regardless of whether caused by fraud or error.

In the preparation of financial statements, Management is responsible for assessing the ability of the Company to continue as a going concern, disclosing, where applicable, the matters relating to its going concern and the use of this basis of accounting in preparing the financial statements, unless Management intends to wind-up the Company or ceases its operations, or has no realistic alternative to avoid the closure of operations.

Auditor's responsibilities for the auditing of the financial statements
Our objectives are to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatements, regardless of whether any such misstatement is caused by fraud or error, and issue an audit report containing our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that the audit conducted pursuant to Brazilian and international auditing standards will always detect any existing material misstatements. Misstatements may be due to fraud or error and are considered material when, individually or taken as a whole, can influence, within a reasonable perspective, the economic decisions of users taken based on these financial statements.

As part of the audit conducted in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain our professional skepticism throughout the audit. In addition:

- We identify and assess the risks of material misstatement in the financial statements (regardless of whether any such misstatement is caused by fraud or error), we plan and perform audit procedures in response to such risks, and we obtain audit evidence that is appropriate and sufficient to underpin our opinion. The risk of not detecting material misstatement resulting from fraud is higher than that arising from error, once the fraud may involve the act of dodging the internal controls, collusion, falsification, omission or false intentional representations.

- We obtain an understanding of the internal controls relevant to the audit to design audit procedures suitable to the circumstances, but not with the aim of expressing an opinion on the effectiveness of the Company's internal controls.

- We evaluated the adequacy of the accounting policies used and the reasonableness of the accounting estimates and the respective disclosures made by the Management.

- We reach a conclusion as to the suitability of Management's use of the accounting basis for going concern and, based on the audit evidence obtained, as to whether there is a material uncertainty regarding events or conditions that could raise a significant doubt regarding the Company's capacity for going concern. If we conclude that there is material uncertainty, we will call attention in our audit report to the respective disclosures in the financial statements or include any change in our opinion, if the disclosures are inappropriate. Our conclusions are based on the audit evidences obtained until the date of our report. However, future events or conditions may cause the Company not to continue as going concern.

- We assess the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the corresponding transactions and events in a manner that is consistent with the objective of proper reporting.

- We report to those responsible for governance regarding, among other aspects, the planned scope, the audit timing, and the significant audit findings, including the possible any significant deficiencies in internal controls that we identify during our works.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Recife, March 30, 2017

KPMG Auditores Independentes
CRC PE-000904/F-7
Original report in Portuguese signed by
Adriana Rodrigues Pereira da Silva
Accountant CRC PE-017400/O-8

CELSE - Centrais Elétricas de Sergipe S.A. (Pre-operating company)

Balance sheets at December 31, 2016 and 2015

(In thousands of reais)

	Note	2016	2015		Note	2016	2015
Assets				**Liabilities**			
Current assets				**Current liabilities**			
Cash and cash equivalents	4	10,729	-	Suppliers	8	14,708	-
Recoverable taxes	5	129	-	Related parties	11	100	-
Prepaid expenses	6	4,758	-	Taxes and social contributions		186	-
Other credits		613	-	Other accounts payable		264	-
Total current		**16,229**	**-**	**Total current**		**15,258**	**-**
Non-current assets				**Shareholders' equity**			
Other credits		40	-	Capital	9	200,001	-
Prepaid expenses	6	14,438	-	Accumulated loss		(5,799)	-
Deferred income tax and social contribution	5	2,987	-				
Property, plant and equipment	7	175,671	-	**Total shareholders' equity**		**194,202**	**-**
Intangible assets		95	-				
Total non-current		**193,231**	**-**				
Total assets		**209,460**	**-**	**Total liabilities and shareholders' equity**		**209,460**	**-**

See the accompanying notes to the financial statements

CELSE - Centrais Elétricas de Sergipe S.A. (pre-operating company)

Statements of income

Year ended December 31, 2016
and period from September 25 to December 31, 2015

(In thousands of reais)

	Note	2016	2015
Preoperating expenses			
General and administrative expenses	12	(9,312)	-
Loss before net financial income and taxes		**(9,312)**	-
Financial income		570	-
Financial expenses		(44)	-
Net financial income	13	**526**	-
Loss before taxes		**(8,786)**	-
Deferred income tax and social contribution	5	2,987	-
Loss for the year		**(5,799)**	-
Basic and diluted loss per thousand shares		**(0.03)**	-
Number of shares (in thousand)		**200,001**	-

See the accompanying notes to the financial statements

CELSE - Centrais Elétricas de Sergipe S.A. (pre-operating company)

Statements of comprehensive income

Year ended December 31, 2016
and period from September 25 to December 31, 2015

(In thousands of reais)

	2016	2015
Loss for the year	(5,799)	-
Other comprehensive income	-	-
Total comprehensive income for the year	**(5,799)**	**-**

See the accompanying notes to the financial statements

CELSE - Centrais Elétricas de Sergipe S.A. (pre-operating company)

Statements of changes in shareholders' equity

Year ended December 31, 2016
and period from September 25 to December 31, 2015

(In thousands of reais)

	Note	Capital	Accumulated loss	Total shareholders' equity
Company’s establishment on September 25, 2015.		-	-	-
Balances at December 31, 2015		**-**	**-**	**-**
Capital increase	9	200,001	-	**200,001**
Loss for the year		-	(5,799)	**(5,799)**
Balances at December 31, 2016		**200,001**	**(5,799)**	**194,202**

See the accompanying notes to the financial statements

CELSE - Centrais Elétricas de Sergipe S.A. (pre-operating company)

Statements of cash flow

Year ended December 31, 2016
and period from September 25 to December 31, 2015

(In thousands of reais)

	2016	2015
Cash flow from operating activities		
Loss for the year	(5,799)	-
Adjustments due to:		
Depreciation	21	-
Deferred income tax and social contribution	(2,987)	-
	(8,765)	-
Equity variations		
(Increase) decrease in current and non-current assets		
Increase in recoverable taxes	(129)	-
Increase in prepaid expenses and other credits	(19,849)	-
(Increase) decrease in current and non-current liabilities		
Increase in suppliers	14,808	-
Increase in income tax and social contribution	186	-
Increase in other accounts payable	264	-
Cash invested in operating activities	**(13,485)**	**-**
Cash flow from investment activities		
Additions to intangible assets	(95)	-
Additions to property, plant and equipment	(175,692)	-
Net cash used in investment activities	**(175,787)**	**-**
Cash flow from financing activities		
Paid-up capital	200,001	-
Net cash generated in financing activities	**200,001**	**-**
Increase in cash and cash equivalents	**10,729**	**-**
Cash and cash equivalents at January 1	-	-
Cash and cash equivalents at December 31	**10,729**	**-**

See the accompanying notes to the financial statements

Notes to the financial statements

(In thousands of Reais, unless otherwise indicated)

1 Operations

CELSE - Centrais Elétricas de Sergipe S.A. (CELSE or Company) is a privately-held company, domiciled in Brazil, established on September 25, 2015. The address of the office, current headquarters of the company, is Rua Valdemar Dantas,100, Aracaju, Sergipe.

CELSE has the following business purpose: (i) the generation and trading of electricity through the implementation and exploitation of the thermal power plant UTE Porto de Sergipe I; (ii) the implementation of thermoelectric power generation units, using combustible natural gas, to be operated by the company, by associated companies or by third parties; (iii) the production and trading of steam, hot water, chilled water/cooling (thermal energy) and electric power through thermal generation, distributed generation, cogeneration or any other process or technology, from any energy sources; (iv) the import, export, vaporization and trading in the domestic market of Liquefied Natural Gas and Natural Gas; and (v) interest in other companies as a unitholder or shareholder.

CELSE is responsible for the implementation and exploitation of UTE Porto de Sergipe I, a natural gas-fired thermal power plant currently under construction in the municipality of Barra dos Coqueiros, Sergipe. UTE Porto de Sergipe I will have a total installed capacity of 1,516 MW.

UTE Porto de Sergipe I was the winning bidder in the A-5/2015 power auction held on April 30, 2015 by the Brazilian Electricity Regulatory Agency (ANEEL). As a result of the victory in the auction, Regulated Power Purchase Agreements (CCEAR in Portuguese) with a validity period of 25 years were signed with 26 electricity distributors.

In October 2016, CELSE signed a lump-sum turnkey EPC agreement (Engineering, Procurement and Construction) with General Electric Switzerland GmbH, General Electric International, Inc., Alstom Energia Térmica e Indústria Ltda. and Grid Solutions Transmissão de Energia Ltda., jointly referring to as GE, in the total amount of R$ 2,957,450 (amount converted at dollar and euro rates of December 31, 2016).

The plant construction works began in November 2016; therefore, on December 31, 2016, CELSE is in the pre-operating stage. The plant's commercial activities will start on January 1, 2020. To date, the company is in compliance with the construction schedule of the project.

Licenses and authorizations

On April 15, 2016, UTE Porto de Sergipe I obtained Preliminary Permit no. 11-3-2016 for the preparation and development of the detailed engineering design of the plant from the State Administration of the Environment - ADEMA. This license is valid until April 15, 2019.

On August 4, 2016, UTE Porto de Sergipe I obtained Environmental Permit no. 78/2016 to carry out geotechnical drilling for installation of the plant from the State Administration of the Environment - ADEMA.

On November 29, 2016, UTE Porto de Sergipe I obtained Environmental Permit no. 115/2016 for the execution of earthmoving services from the State Administration of the Environment - ADEMA.

On December 21, 2016, the fulfilment of conditions for the Preliminary Permit required to obtain the Installation License of the plant was filed at ADEMA.

On January 4, 2017, UTE Porto de Sergipe I obtained Environmental Permit no. 2/2017 for the construction of the building site from the State Administration of the Environment- ADEMA.

On March 16, 2017, UTE Porto de Sergipe I obtained Environmental Permit no. 36/2017 for the execution of staking services from the State Administration of the Environment- ADEMA.

2 Preparation basis

a. Statement of conformity regarding the Accounting Pronouncement Committee (CPC) standards

The financial statements include were prepared in accordance with accounting practices adopted in Brazil (BR GAAP).

According to CPC 26 (R1) - Presentation of Financial Statements, the company must, when disclosing comparative information, submit at least two balance sheets and two of each of the other financial statements, as well as the respective notes. Considering that the balances presented in these financial statements are expressed in thousands of Brazilian Reais, the comparative balances at December 31, 2015 are zero. The effects on the financial statements at December 31, 2015, with amounts expressed in units of Brazilian Reais, are as follows:

Balance sheet	**2015**
Current assets	
Cash and cash equivalents	100
Shareholders' equity	
Capital (Note 9)	100

Statement of cash flows	**2015**
Income (loss) for the period	-
Cash flow from operating activities	-
Cash flow from investment activities	-
Cash flow from financing activities	-
Paid-up capital	100
Cash and cash equivalents on December 31, 2015	100

The issue of these financial statements was authorized by the Executive Board on March 28, 2017. Once the financial statements have been issued, only the shareholders have the power to change them.

Details on the Company's accounting policies are shown in Note 3.

All relevant information specific to the financial statements, and only such information, is being evidenced, and corresponds to the information used by company Management.

b. Measuring basis

The financial statements were prepared based on the historical cost. These financial statements contain no components that have recognition and measurement at fair value as a requirement.

c. Functional and presentation currency

These financial statements are being presented in Brazilian Real, functional currency of the Company. The financial information was rounded to thousands of Reais, unless otherwise indicated.

d. Use of estimates and judgments

The preparation of these financial statements, Management used judgments, estimates and adopted assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on a continuous basis and when applicable, recognized on a prospective basis.

Uncertainties on assumptions and estimates

Information on uncertainties related to assumptions and estimates with a significant risk of resulting in some adjustment in the year ending December 31, 2017 are included in Note 5.1 - Deferred Taxes, due to the assumption of availability of future taxable income for the use of tax credit recorded on December 31, 2016.

3 Significant accounting policies

In preparing these financial statements, the company applied the accounting policies detailed below:

a. Foreign currency

Foreign currency transactions are translated into the functional currency of the Company (Real) at the exchange rates on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currency were translated into functional currency at the foreign exchange rate prevailing at the balance sheet closing. Non-monetary assets and liabilities acquired or contracted in foreign currency are converted based on the exchange rates of the transaction dates. Exchange differences arising from the conversion are charged to income, except when capitalized as construction in progress.

b. Financial assets and liabilities

Non-derivative financial assets

Recognition and derecognition
The Company recognizes the deposits initially at the date that originated them. All other assets are initially recognized on the date of the negotiation on which the Company becomes one of the parties of the contractual provisions of the instrument.

The Company ceases to recognize a financial asset when the contractual rights to the cash flows of the asset expire, or when they transfer the rights to reception of the contractual cash flows on a financial asset in a transaction in which essentially all the risks and benefits of ownership of the financial asset are transferred.

When applicable, financial assets and liabilities are offset and the net value reported in the balance sheet only when the Company has a legally enforceable right to set off and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Measurement
Cash equivalents are maintained for the purpose of meeting short-term cash commitments. Comprised by cash balances and interest earning bank deposits with the original maturity of three months or less as from the contracting date.

Non-derivative financial liabilities

Recognition and derecognition
The Company recognizes financial liabilities initially on the negotiation date on which the Company becomes a party to the contractual provisions of the instrument. The Company writes off a financial liability when its contractual obligations are discharged or cancelled or expired.

Measurement
The Company has the following non-derivative financial liabilities: suppliers and other accounts payable. Such financial liabilities are initially recognized at fair value plus any transaction costs directly assignable. After their initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

c. Capital

Common shares are classified as shareholders' equity. Each common share entitles holders to one vote on Shareholders' Meetings. The company has not issued preferred shares or other type of membership share convertible into common shares.

d. Property, plant and equipment

Recorded at acquisition, formation or construction cost, net of accumulated depreciation and impairment losses, if applicable. The cost includes expenditures that are directly attributable to the acquisition of assets. The cost of assets built by third-parties hired by the Company itself and includes materials and direct labor, as well as any other costs attributable to bringing the assets to the location and condition required for them to operate in the manner intended by Management.

Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, as this method is that more closely reflects the pattern of consumption of future economic benefits embodied in the asset. The rates that reflect the useful lives of the assets are shown in note 7.

The useful lives of fixed assets under construction will be determined as construction is completed and start-up is defined.

e. Provisions

When applicable, a provision is set up when the Company has a legal or constructive obligation as a result of a past event, which can be reliably estimated, and it is probable that an outflow of funds will be required to settle the obligation.

Provisions are calculated by discounting the expected future cash flows at a pre-tax rate which reflects the current market evaluations as to the value of the cash over time and the specific risks of the liability.

f. Deferred income and social contribution taxes

A deferred income and social contribution tax asset is recognized in relation to Company's tax loss, to the extent that it is probable that future taxable income will be available. Deferred income and social contribution tax assets are reviewed at each balance sheet date and reduced when their realization is no longer probable.

g. New standards and interpretations

The company does not expect new standards or changes in standards and interpretations related to its business and applying to years starting after January 1, 2017 to have a potentially relevant effect on the company's financial statements.

4 Cash and cash equivalents

	2016
Cash and cash bank deposits	110
Interest earning bank deposits	10,619
	10,729

Balances of cash and cash equivalents are maintained for the purpose of meeting short-term cash commitments. The interest earning bank deposits have an immediate liquidity, low credit risk and remuneration equivalent to 95% of the Interbank Deposit Certificate (CDI).

5 Recoverable and deferred taxes

	2016
IRRF (Withholding income tax) on yield from financial investments	129
Deferred income tax and social contribution on tax loss and negative basis	2,987
	3,116
Current	129
Non-current	2,987

Deferred income tax and social contribution

The Company, based on their expectations of generating future taxable income, determined by a technical study approved by Management, recognized tax credits on income tax loss and negative basis of social contribution for 2016.

The expected recoverability of tax credit was based on the projections of future taxable income, taking into consideration business and financial assumptions at the end of the year. Accordingly, these estimates may differ from the effective taxable income in the future due to the inherent uncertainties involving these estimates.

Balance of deferred tax assets at the beginning of the year 2016	-
Accumulated loss in the end of the year	8,786
Combined income and social contribution tax rates	34%
Formed deferred tax assets	2,987
Balance of deferred tax assets in the end of 2016	**2,987**

6 Prepaid expenses

Relating to premiums paid on the following insurance policies:

	2016
Construction/Erection All Risks - CEAR (a)	10,731
Performance bond (b)	8,355
Other	110
	19,196
Current	4,758
Non-current	14,438

(a) Contracted to cover the civil construction works, installation and assembly services required to implement UTE Porto de Sergipe I, effective until September 30, 2021.

(b) Contracted to compliance with the obligations undertaken in the Ministry of Mine and Energy Order - MME No. 530, of November 23, 2015, which authorized the company to set up as an Independent Power Producer, through the implementation and exploitation of UTE Porto de Sergipe I, effective until June 29, 2020.

7 Property, plant and equipment

a. Breakdown

	Annual depreciation rates (%)	2016 Cost	Accumulated depreciation	Total
Machinery and equipment	3.33-10	12	-	12
Buildings	4-10	9	-	9
Furniture and fixtures	10	895	(21)	8,724
Land	-	4,409	-	4,409
Constructions in progress	-	170,367	-	170,367
		175,671	**(21)**	**175,671**

b. Changes

	Land	Machinery and equipment	Buildings	Furniture and fixtures	Total under operation	Construction in progress	Total
Balances at December 31, 2015	-	-	-	-	-	-	-
Acquisition	4,409	12	9	895	5,325	170,367	175,692
Depreciation	-	-	-	(21)	(21)	-	(21)
Balances at December 31, 2016	**4,409**	**12**	**9**	**874**	**5,304**	170,367	**175,671**

Land
Refers to the purchase value of the area where the thermal power plant UTE Porto de Sergipe I is located.

Constructions in progress
As mentioned above, the company signed a lump-sum turnkey EPC agreement with GE for the construction of the plant. The amounts recorded in Construction in progress are mainly related to the prepayments made to GE for the purchase of equipment to build the plant, secured by bank guarantees. The company also classifies expenses incurred with environmental licensing and studies and development projects as construction in progress. The balances are recorded as construction in progress and will be transferred to fixed assets in use after the plant’s go-live date.

Depreciation
Expenses with depreciation in the amount of R$ 21 relating to furniture and fixtures were allocated to results for the year 2016.

8 Suppliers

	2016
Swiss Re Corporate (a)	10,836
Black & Veatch International (b)	2,995
Mattos Filho Advogados	509
AIG Seguros	137
Other	331
	14,808

(a) Related to Construction/Erection All Risks insurance policy (see note 6).

(b) Related to Owner´s Engineering services, which include the monitoring of costs and of compliance with the schedule of the EPC agreement signed with GE, as well as the technical review of the design of the equipment to be provided.

9 Shareholders' equity

Capital

CELSE's capital corresponds to R$ 200,001 at December 31, 2016 (R$ 100.00 - one hundred Reais at December 31, 2015), consisting of 200,001,000 nominative common shares with no par value (1,000 shares at December 31, 2015), distributed as follows:

	2016		2015	
	Shares	**%**	**Shares**	**%**
Ebrasil Energia Ltda.	100,000,500	50%	510	51%
GGPower Participações S.A.	100,000,500	50%	-	-
Dionon Lustosa Cantareli Júnior	-	-	490	49%
	200,001,000	**100%**	**1,000**	**100%**

In April 2016, the shareholder Dionon Lustosa Cantareli Júnior transferred all his shares to GGPower Participações S.A. On the same date, Ebrasil Energia Ltda. also transferred 10 of its shares to GGPower Participações S.A.

Capital increase

There was a capital subscription in the amount of R$ 1 (one thousand Reais) in the year 2015, with capital in the amount of R$ 100.00 (one hundred Reais), paid in by the shareholders Dionon Lustosa Cantareli Júnior and Ebrasil Energia Ltda., and authorized at the Company's Establishment Extraordinary Shareholder´s Meeting, held on September 25, 2015.

There were capital subscriptions in the amount of R$ 200,000 in the year 2016, with capital in the amount of R$ 200,001 paid in by the shareholders Ebrasil Energia Ltda. and GGPower Participações S.A., authorized at the Extraordinary Shareholder´s Meetings held on April 5 and September 26, 2016.

These financial statements are being presented in thousands of Reais; therefore, the capital formation balances were not submitted for comparative purposes.

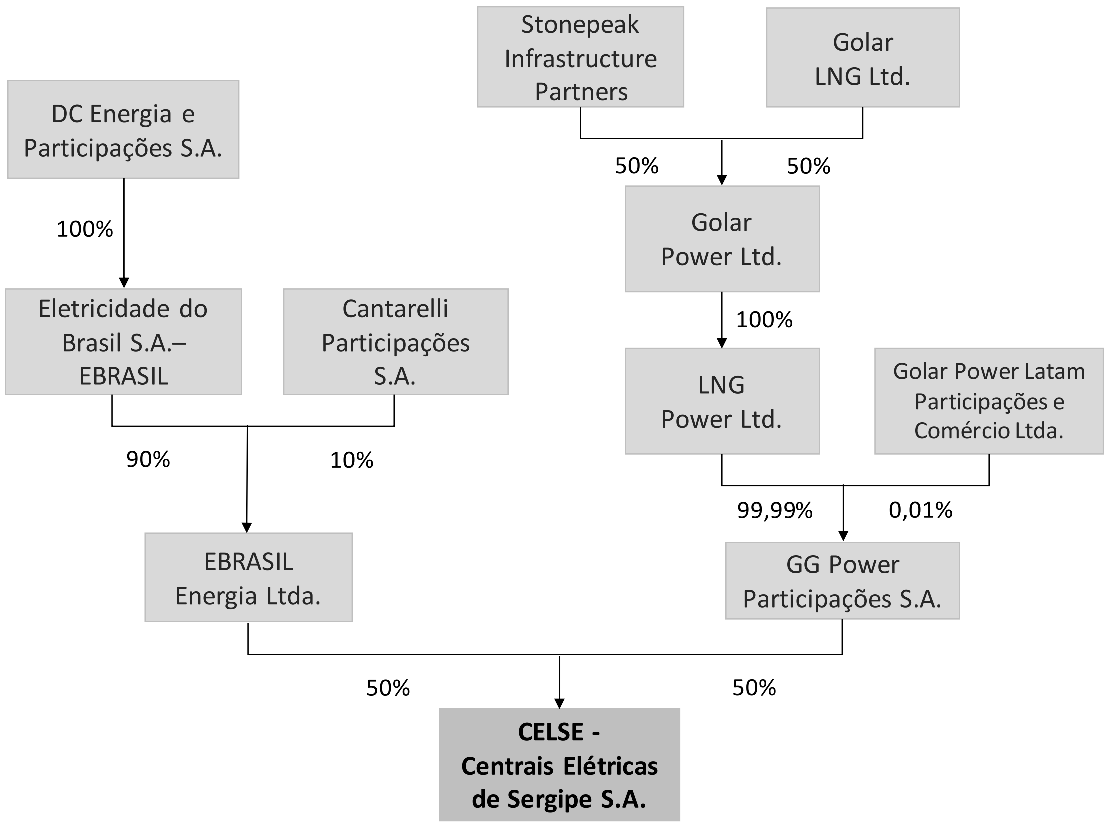
10 Provision for contingencies

CELSE is in the pre-operating stage and, based on the report of its legal advisors, Management is not aware of any lawsuits, civil, labor or tax proceedings against the company. Consequently, no provision for contingencies was recorded or disclosed in these financial statements.

11 Related parties

a. Parent companies

The company's control is shared by the companies Ebrasil Energia Ltda. and GGPower Participações S.A., which, in turn, have DC Energia e Participações S.A., Golar LNG Ltd. and Stonepeak Infrastructure Partners as ultimate parent companies:



b. Related party balances

	2016
Centrais Elétricas de Pernambuco S.A. - EPESA (i)	100
	100

(i) Relates to an agreement with the associated company for the provision of administrative services (BackOffice).

c. Other related party transactions

The logistics solution for the supply of gas to UTE Porto de Sergipe I will take place via the chartering of a Floating Storage Regasification Unit (FSRU) from the indirect parent company Golar Power Ltd. The FSRU is currently being built and, in the coming years, a service agreement will be formalized with the terms and conditions of this business relationship between the parties.

d. Remuneration of key personnel

The officers, which have the decision power and the Company's operations control, are elected by the Board of Directors and considered key Management personnel in accordance with the Company's by-laws.

On December 31, 2016 and 2015, the company does not maintain private pension and retirement plans or other post-employment benefits.

12 General and administrative expenses

	2016
Insurance	(3,489)
Services	(3,187)
Personnel	(2,326)
Lease and rental	(196)
Other	(114)
	(9,312)

13 Net financial income

	2016
Financial income	
Interest on financial investments	570
	570
Financial expenses	
PIS and COFINS on financial income	(26)
Tax on Financial Transactions (IOF)	(11)
Other	(8)
	(45)
Net financial income	**525**

14 Financial instruments

The company reviews the main financial instrument assets and liabilities, as well as the criteria for their valuation, evaluation, classification and related risks.

Company´s Management did not identify any significant difference between market values and those presented in the financial statements at December 31, 2016 and 2015. The company does not have derivative financial instruments or any other risk assets and it does not make speculative investments.

15 Risk management

Company´s Management manages risk exposure in its operations with financial instruments through operating strategies and internal controls.

The Board of Directors is responsible for the establishment and the supervision of the management structure of risks associated with the company's business. This management is carried out through risk mapping, definition of owners, action plans, formal internal policies, approval matrices and an integrated management system.

Liquidity risk - payment capacity

The Company monitors its liquidity level considering the cash flows expected against the available amount of cash and cash equivalents. Liquidity risk management implies the maintenance of enough cash and securities and the ability to settle commitments undertaken.

To cover the construction of the plant, CELSE is planning to obtain funds from commercial banks, guaranteed by an Export Credit Agency - ECA, and from multilateral development banks. Until this financing is obtained, commitments undertaken by the company will be paid using capital contributions received from the shareholders.

16 Insurance coverage

CELSE adopts the policy of contracting insurance coverage for assets subject to risks for amounts considered sufficient to cover eventual claims.

At December 31, 2016, the insurance coverage in force was as follows:

Risks	**Amount insured**
Construction/Erection All Risks - CEAR	4,670,335
Performance bond	164,275
Civil liability - Civil works	129,848
Civil liability - Directors and Officers	50,000
Property damage - administrative offices	1,450

17 Commitments

In addition to the EPC - Engineering, Procurement and Construction agreement signed with GE, already mentioned in note 1, in November 2016 CELSE also signed an agreement for the supply of gas with Ocean LNG, a joint venture formed by Qatar Petroleum and ExxonMobil. The contractually negotiated supply will be for a term of up to 25 years, starting from January 2020, when the contractual obligation to deliver power under the CCEAR signed in the context of the A-5/2015 auction will occur.

In December 2016, CELSE signed a service agreement with GE Power Services for the operation and maintenance of the plant (O&M) for a term of up to 25 years, starting from January 2020, the plant’s commercial startup date.