



Orazul Energy Perú S.A. and Subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements

June 30, 2020

**(Including Independent Auditors' Report on Review of
Condensed Consolidated Interim Financial Statements)**

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Shareholders and Board of Directors Orazul Energy Perú S.A. and Subsidiaries

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Orazul Energy Perú S.A and Subsidiaries as at June 30, 2020, the condensed consolidated statements of profit or loss and other comprehensive income for the six and three-month periods ended as at June 30, 2020, the condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and notes to the condensed consolidated interim financial statements (the condensed consolidated interim financial statements). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed consolidated interim financial statements 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 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at and for the six and three-month periods ended June 30, 2020 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Lima, Peru

July 27, 2020

Countersigned by:

Juan José Córdova (Partner)
Peruvian Certified Public Accountant
Registration Number 01 - 18869

Orazul Energy Perú S.A and Subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements

June 30, 2020

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Orazul Energy Perú S.A. and Subsidiaries

Unaudited Condensed Consolidated Statement of Financial Position

As at June 30, 2020 (Unaudited) and December 31, 2019

<i>In thousands of U.S. dollars</i>	<i>Note</i>	June 30, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents	4	24,269	41,160
Trade receivables	5	22,806	17,523
Other receivables	6	2,558	2,447
Account receivables from related parties	19.C	35	204
Inventories	7	5,413	5,750
Prepaid expenses		1,252	172
Income tax receivables	18	2,785	3,924
Assets of subsidiaries held for sale	3	42,347	-
Total current assets		101,465	71,180
Non-current assets			
Property, plant and equipment - energy generation	8		
Property, plant and equipment		275,436	316,556
Right-of-use assets		1,056	87
Gas investments	9	66,688	68,171
Intangible assets and goodwill	10	505,656	506,156
Deferred income tax assets		-	1,370
Prepaid expenses		457	605
Other receivables	6	399	455
Total non-current assets		849,692	893,400
Total assets		951,157	964,580

<i>In thousands of U.S. dollars</i>	<i>Note</i>	June 30, 2020	December 31, 2019
Liabilities			
Current liabilities			
Trade payables	11	6,802	8,719
Other payables	12	12,028	18,028
Lease liabilities		211	93
Account payables to related parties	19.C	965	6,307
Income tax payable	18	866	749
Liabilities of subsidiaries held for sale	3	4,980	-
Total current liabilities		25,852	33,896
Non-current liabilities			
Debentures	13	541,862	541,384
Lease liabilities		896	-
Intercompany payables	19.C	66,053	82,942
Deferred income tax liabilities		76,514	89,055
Asset retirement obligation	14	19,634	17,224
Other liabilities		555	497
Total non-current liabilities		705,514	731,102
Total liabilities		731,366	764,998
Equity			
Share capital	16	196,086	196,086
Additional capital		8,857	8,857
Other reserves		6,209	6,438
Retained earnings		8,598	(11,844)
Equity attributable to owners of the Company		219,750	199,537
Non-controlling interests		41	45
Total equity		219,791	199,582
Total liabilities and equity		951,157	964,580

The notes on pages 5 to 27 are an integral part of these unaudited condensed consolidated interim financial statements.

Orazul Energy Perú S.A. and Subsidiaries

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six-month and three-month periods ended June 30, 2020 and 2019

<i>In thousands of U.S. dollars</i>	<i>Note</i>	Six-month periods ended June 30		Three-month periods ended June 30	
		2020	2019 (*)	2020	2019 (*)
Revenues of energy generation and transmission	17	61,838	65,552	28,344	32,745
Revenues of hydrocarbons	17	4,054	8,746	1,867	4,467
Costs of sales of energy generation and transmission		(13,325)	(13,990)	(6,777)	(7,400)
Costs of sales of hydrocarbons		(2,207)	(3,824)	(867)	(1,899)
Depreciation	8,9,10	(13,377)	(13,595)	(6,637)	(6,523)
Gross profit		36,983	42,889	15,930	21,390
Administrative expenses		(3,418)	(5,578)	(1,690)	(2,817)
Other income		529	1,614	255	577
Other expenses		(326)	(455)	(113)	(252)
Operating profit		33,768	38,470	14,382	18,898
Finance income		304	224	122	138
Finance costs		(19,291)	(20,442)	(9,507)	(10,740)
Net foreign exchange difference		(858)	378	(542)	123
Finance cost, net		(19,845)	(19,840)	(9,927)	(10,479)
Profit before income tax		13,923	18,630	4,455	8,419
Income tax expense	18	5,474	(8,631)	3,100	(2,512)
Profit from continuing operations		19,397	9,999	7,555	5,907
Discontinued operations					
Profit for the period from discontinued operations, net of tax		1,041	702	868	464
Profit for the period		20,438	10,701	8,423	6,371
Other comprehensive income for the period		-	-	-	-
Attributable to					
Controlling shareholders		20,442	10,699	8,422	6,368
Non-controlling interest		(4)	2	1	3
Total comprehensive income for the period		20,438	10,701	8,423	6,37

(*) Comparative information has been re-presented due to a discontinued operation (note 3).

The notes on pages 5 to 27 are an integral part of these unaudited condensed consolidated interim financial statements.

Orazul Energy Perú S.A. and Subsidiaries

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six-month periods ended June 30, 2020 and 2019

	Attributable to Owners of the Company						Non-controlling Interests	Total equity
	Number of shares (note 19)	Share capital (note 19)	Additional capital	Retained earnings	Other reserves (note 19)	Total equity attributable to owners of the Company		
<i>In thousands of U.S. dollars</i>								
Balance as of January 1, 2019	651,224,289	196,086	-	(29,500)	-	166,586	41	166,627
Comprehensive income for the period								
Profit for the period	-	-	-	10,699	-	10,699	2	10,701
Total comprehensive income for the period	-	-	-	10,699	-	10,699	2	10,701
Other reserves	-	-	-	-	33,609	33,609	-	33,609
Total transactions with owners of the Company	-	-	-	-	33,609	33,609	-	33,609
Balance as of June 30, 2019	651,224,289	196,086	-	(18,801)	33,609	210,894	43	210,937
Balance as of January 1, 2020	651,224,289	196,086	8,857	(11,844)	6,438	199,537	45	199,582
Comprehensive income for the period								
Profit for the period	-	-	-	20,442	-	20,442	(4)	20,438
Total comprehensive income for the period	-	-	-	20,442	-	20,442	(4)	20,438
Other reserves	-	-	-	-	(229)	(229)	-	(229)
Total transactions with owners of the Company	-	-	-	-	(229)	(229)	-	(229)
Balance as of June 30, 2020	651,224,289	196,086	8,857	8,598	6,209	219,750	41	219,791

The notes on pages 5 to 27 are an integral part of these unaudited condensed consolidated interim financial statements.

Orazul Energy Perú S.A. and Subsidiaries

Unaudited Condensed Consolidated Statement of Cash Flows
For the six-month periods ended June 30, 2020 and 2019

	Six-month periods ended June 30	
<i>In thousands of U.S. dollars</i>	2020	2019 (*)
Cash flows from operating activities		
Collections of energy generation and transmission	72,183	71,632
Collections of hydrocarbons	4,403	9,611
Payment to suppliers	(34,906)	(23,986)
Payment of royalties	(2,008)	(5,331)
Payment to employees	(570)	(6,750)
Payment of contributions and others	(4,262)	(2,501)
Collections of interest	352	505
Cash generated from operating activities	35,192	43,180
Income tax paid	(3,680)	(2,320)
Net cash provided by operating activities	31,512	40,860
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	30
Acquisition of property, plant, and equipment	(3,960)	(2,770)
Acquisition of intangibles	(3,806)	(5,830)
Net cash used in investing activities	(7,766)	(8,570)
Cash flows from financing activities		
Payment to related entities	(19,000)	-
Interests paid	(15,469)	(15,469)
Payment of lease liabilities from operating contracts	(158)	(303)
Net cash used in financing activities	(34,627)	(15,772)
Net increase in cash and cash equivalents	(10,881)	16,518
Cash and cash equivalents as of January 1	41,160	50,014
Effects of variations on exchange difference on held cash	(339)	(47)
Cash and cash equivalents as of June 30	29,940	66,485
Included in cash and cash equivalents per Statement of Financial Position June 30, 2020	24,269	51,261
Included as assets of held for sale	5,671	15,224

(*) Comparative information has been re-presented due to a discontinued operation (note 3).

The notes on pages 5 to 27 are an integral part of these unaudited condensed consolidated interim financial statements.

Orazul Energy Perú S.A. and Subsidiaries

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

1. Background and Business Activity

Orazul Energy Perú S.A. (hereinafter, "the Company") is a subsidiary of Orazul Energía (UK) Holdings Ltd. which owns 99.99% of voting shares which are representative of its issued capital stock. The Company legal domicile is Calle Las Palmeras 435, San Isidro, Lima, Peru.

The Company was incorporated in October 10, 2016 in Peru. In December 20, 2016, the Company acquired 87.23% of Orazul Energy Group S.A.C. (former legal name was Duke Energy International Group SARL, (hereinafter, "OEG")) from Duke Energy Corporation, which owned a group of companies in Peru, Chile, Guatemala and El Salvador.

As part of a reorganization plan within the Group, the Company executed the following transactions:

- In August 2, 2017, the Company acquired an additional 12.76% of OEG from Orazul Energía (España) Holding S.L. (which previously acquired the interest of Duke Energy Corporation in 2016) for the total amount of US\$ 126,000 thousand, increasing its ownership to 99.99%.
- In August 16, 2017, the Company merged by absorption with Orazul Energy Egenor S. en C. por A., which was one of its main subsidiaries in Peru.
- During 2017 and 2018, the Group executed its plan to sell the operating businesses located in Central America (Guatemala and El Salvador) and Chile, respectively.

The businesses in Peru are related to hydropower and thermal power generation, energy transmission, natural gas production and processing assets through diverse companies (subsidiaries). These condensed consolidated financial statements comprise the Company and its subsidiaries in Peru (hereinafter, "the Group").

The Group business main activity is the generation and commercialization of electrical energy. It has a total capacity of 568MW as follows:

Source used to operate power				
Plant	Company	station	Capacity (MW)	Location
Central Térmica Aguaytia	Termoselva	Natural gas	192	Aguaytia, Ucayali
Cañón del Pato	Orazul Energy Peru	Hydropower	266	Huallanca, Ancash
Carhuaquero	Orazul Energy Peru	Hydropower	110	LLama, Cajamarca
			568	

A. The Subsidiaries

As of June 30, 2020 and December 31, 2019, the subsidiaries and the percentages of interest owned by the Company are detailed below:

	Direct equity interest	
	2020	2019
Holding		
OEG	99.99	99.99
OEG II	99.99	99.99

Orazul Energy Perú S.A. and Subsidiaries

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

In addition, OEG and OEG II have the following subsidiaries:

<i>Percentage</i>	Direct equity interest	
	2020	2019
OEG subsidiaries		
Holdings		
Orazul Energy Transmisión S.A.	99.98	99.98
Operational		
Etenorte S.R.L.	99.98	99.98
Eteselva S.R.L.	99.98	99.98
OEG II subsidiaries		
Holdings		
Orazul Energy Hidrocarburos S.A.	99.98	99.98
Operational		
Aguaytía Energy del Perú S.R.L.	99.98	99.98
Termoselva S.R.L.	99.98	99.98

Orazul Energy Group S.A.C. (hereinafter, "OEG")

OEG is engaged in (directly or through or in association with third parties) investing in and holding securities, including, but not limited to, shares representing the capital of other companies. On August 23, 2019, OEG transfers in favor of Orazul Energy Group II S.A.C. an equity block equivalent to his investment in Orazul Energy Hidrocarburos S.A. for a total of US\$ 108,574 (in thousands). This effective date was on September 1, 2019.

Orazul Energy Transmisión S.A. (hereinafter, "OET")

OET is engaged in (directly or through or in association with third parties) investing in and holding securities, including, but not limited to, shares representing the capital of other companies.

Etenorte S.R.L. (hereinafter, "Etenorte")

This subsidiary provides power transmission in accordance with Peruvian regulation, through the concession of certain transmission lines in northern Peru. The Company is its main client, which represents approximately 53% of its operating income (60% in 2019).

Eteselva S.R.L. (hereinafter, "Eteselva")

This subsidiary provides power transmission, in accordance with Peruvian regulation, through the concession of certain transmission lines in eastern Peru. Termoselva is one of its main client, representing approximately 25% of its operating income (29% in 2019).

Orazul Energy Group II S.A.C. (hereinafter, "OEG II")

OEG II is engaged in (directly or through or in association with third parties) investing in and holding securities, including, but not limited to, shares representing the capital of other companies.

Orazul Energy Hidrocarburos S.A. (hereinafter, "OEH")

OEH is engaged in (directly or through or in association with third parties) investing in and holding securities, including, but not limited to, shares representing the capital of other companies.

Orazul Energy Perú S.A. and Subsidiaries

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Aguaytía Energy del Peru S.R.L. (hereinafter, "Aguaytía")

Aguaytía owns a natural gas field located in the central rainforest of Perú (concession Block 31-C), from which obtains dry natural gas and natural gas liquids; those gas liquids are then processed at the Fractioning Plant which produces liquefied petroleum gas (LPG) and natural gasoline. Dry natural gas is used by its subsidiary, Termoselva S.R.L., for the generation of electrical energy. Natural gasoline are sold to Perenco Peru Petroleum Limited Sucursal del Perú ("Perenco"). Until July 2017, natural gasoline was sold to Maple Gas Corporation del Peru S.R.L. (hereinafter "Maple"). After the contract was terminated, Aguaytía signed a contract with Petroleos del Perú S.A. (which ended November 2019) and Perenco to sell natural gasoline (50% each). LPG is sold to wholesalers and distributors, which perform their activities in the central rainforest and highlands of the country.

On June 10, 2020, the Peruvian government, through the supreme decree DS014-2020-EM, approved the following:

- The extension of the concession of Block 31-C for an additional period of 10 years since March 2024;
- The commitment of the execution of an additional exploratory program, and;
- The appointment of Orazul Energy Peru S.A. as corporate guarantor in the contract.

Termoselva S.R.L. (hereinafter, "Termoselva")

This subsidiary main activity is power generation and commercialization. Termoselva operates its thermoelectric power plant in Ucayali exclusively with dry natural gas provided by Aguaytía and sell power to regulated and free customers in the Peruvian territory that are part of the National Interconnected Electrical System (SEIN, for its acronym in Spanish) in which Termoselva participates.

Amounts of the financial statements of the Subsidiaries

Summary of the financial statements of the Subsidiaries as of June 30, 2020 and December 31, 2019, prepared under International Financial Reporting Standards (IFRS), before elimination for consolidation purposes, are presented below:

<i>In thousands of U.S. dollars</i>	June 30, 2020	December 31, 2019
Subsidiaries		
Etenorte S.R.L.		
Total assets	11,640	10,329
Total liabilities	(1,092)	(1,100)
Equity	10,548	9,229
Profit for the period	1,321	3,068
Aguaytía del Perú S.R.L.		
Total assets	137,116	144,446
Total liabilities	(16,834)	(19,257)
Equity	120,282	125,189
Profit for the period	5,093	15,210
Termoselva S.R.L.		
Total assets	69,118	72,986
Total liabilities	(8,031)	(9,222)
Equity	61,087	63,764
Profit for the period	4,324	12,681

Orazul Energy Perú S.A. and Subsidiaries

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

<i>In thousands of U.S. dollars</i>	June 30, 2020	December 31, 2019
Eteselva S.R.L.		
Total assets	34,411	32,966
Total liabilities	(1,208)	(235)
Equity	33,203	32,731
Profit for the period	475	2,222
Orazul Energy Group S.A.C.		
Total assets	95,234	95,250
Total liabilities	(14,732)	(14,576)
Equity	80,502	80,674
Profit (Loss) for the period	(171)	16,900
Orazul Energy Group II S.A.		
Total assets	109,510	117,571
Total liabilities	(41)	-
Equity	109,469	117,571
Profit from the period	-	(8,997)
Orazul Energy Hidrocarburos S.A.		
Total assets	121,810	119,961
Total liabilities	(901)	-
Equity	120,909	119,961
Profit for the period	9,948	22,451
Orazul Energy Transmisión S.A.		
Total assets	95,357	95,353
Total liabilities	(7)	-
Equity	95,350	95,353
Loss for the period	(6)	4,560

Changes in the Company's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries were recorded as equity transactions. The carrying amounts of the Company's interests and non-controlling interests were adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests were adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to such subsidiary are accounted for as if the Company had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as fair value on initial recognition for subsequent accounting, when applicable, and cost on initial recognition of an investment in an associate or a joint venture.

B. COVID-19 impact

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

Orazul Energy Perú S.A. and Subsidiaries

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

The Group has adopted several measures to ensure the safety and wellbeing of our employees, whilst guaranteeing the continuity of our operations, power service and financial liquidity:

Operational

The Group developed contingency plans to face this emergency and ensures its full implementation. Such plans include:

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

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

Debt Management

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

The Group is current on each debt instrument and meets all its financial obligations; and expects to maintain current and in compliance throughout the existing turmoil.

Liquidity

During this period, the Company is managing its cash in a conservative manner and has been taking several measures to protect liquidity and to maintain continuity of business, as well as to be prepared for any unplanned disruptions. Currently, it maintains one year or greater of debt service cash in hand. Over the next six months, it is going to continue monitoring closely the evolution of cash flow and to be extremely cautious with their liquidity.

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

The Company will continue to be proactive and attentive to the evolution of the market by keeping a close and systematic communication with all financial stakeholders. The Company will periodically inform the evolution of the operations, debt management and liquidity as matters progress.

Finally, the Company will continue to provide electrical service to all its customers while maintaining safe its employees and service personnel.

2. Basis for the Preparation of Financial Statements

A. Basis of accounting

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the Group's last annual financial statements as at and for the year ended December 31, 2019 (last annual financial statements). The condensed consolidated statement of financial position as of June 30, 2020 has been derived from the Group's last annual audited financial statements. These condensed consolidated interim financial statements do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS). However, selected explanatory notes have been included to explain events and transactions that are significant to an understanding of the changes in the financial position and the performance of the Group since the last annual financial statements.

These condensed consolidated interim financial statements were approved by the Group Management on July 20, 2020.

B. Use of estimates and judgements

The preparation of these condensed consolidated interim financial statements requires Management to make judgments, estimates and assumptions that affect the application of Group's accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

C. Measurement of fair values

Some of the Group's accounting policies and disclosures require the measurement of fair value of financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of their fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values included in note 15 – Financial Instruments.

Orazul Energy Perú S.A. and Subsidiaries

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

D. Change in significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the financial statements as and for the year ending December 31, 2019.

A number of new standards and amendments to standards are effective for annual periods beginning on or after January 1, 2020 and earlier application is permitted; however, the Group's Management has not early adopted the following new or amended standards in preparing these condensed interim financial statements. In management's opinion, there is no impact on their adoption.

New currently effective requirements

New IFRS	Date of mandatory application
Amendments to References to Conceptual Framework in IFRS Standards.	Annual periods beginning on or after January 1, 2020.
Definition of Material (Amendments to IAS 1 and IAS 8).	Annual periods beginning on or after January 1, 2020.

The Group considered that the application of the following amended standards and interpretations, would not have a material impact on reported amounts and disclosures of these consolidated statements.

Forthcoming requirements

New IFRS	Date of mandatory application
IFRS 17: Insurance contracts.	Annual periods beginning on or after January 1, 2021.

3. Discontinued Operations and Assets Held for Sale

On March 10, 2020, OEP and Orazul Energía (UK) Holdings LTD signed a purchase agreement with Interconexión Eléctrica - ISA Peru, part of the ISA group, to sell its 100% ownership of OEG. OEG is a subsidiary of OEP, domiciled in Peru and the owner of 99.99% of the shares of Etenorte S.R.L. and Eteselva S.R.L. The sale of these companies has no impact in the normal operation of OEP's hydro and thermal power generation and hydrocarbon businesses in Peru.

The amount of the sale is expected to be north of US\$140 million and subject to the normal closing price adjustments. The closing of the sale agreement is subject to the approval from Peruvian authorities. The transaction is expected to close no later than year-end 2020.

OEG has been classified as held-for-sale since March 1, 2020, as the 10-day result was not considered material for consolidated purposes.

OEG was not previously classified as held-for-sale or as discontinued operation. The comparative condensed consolidated statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

Orazul Energy Perú S.A. and Subsidiaries

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

A. Results of discontinued operation

	Six-month periods ended June 30		Three-month periods ended June 30	
	2020	2019	2020	2019
<i>In thousands of U.S. dollars</i>				
Revenues of transmission services	4,327	4,147	2,199	2,176
Costs of sales of transmission services	(383)	(324)	(176)	(193)
Depreciation	(978)	(2,908)	-	(1,459)
Administrative expenses	(184)	(57)	(85)	28
Other incomes	289	371	144	191
Other expenses	(247)	(248)	(123)	(124)
Finance cost, net	(115)	155	(72)	104
Income tax	(1,668)	(434)	(1,019)	(259)
Profit from discontinued operations	1,041	702	868	464

As of June 30, 2020 and 2019, revenue of transmission services were made to Orazul and Termoselva for US \$ 1,639 and US \$ 2,108.

B. Cash flow from discontinued operation

	Six-month periods ended June 30	
	2020	2019
<i>In thousands of U.S. dollars</i>		
For the period		
Net cash provided by operating activities	4,376	3,868
Net cash used in investing activities	(333)	(192)
Cash as of January 1	1,628	11,548
Net cash flow from discontinued operations	5,671	15,224

C. Effect of disposal on the financial position of the Group

	June 30, 2020
<i>In thousands of U.S. dollars</i>	
Cash	5,670
Trade receivables	788
Other receivables	582
Inventories	419
Other assets	347
Income tax asset	208
Property, plant, and equipment	34,176
Deferred income tax assets	157
Assets held for sale	42,347
Trade payables	543
Other payables	123
Income tax payable	586
Deferred income	265
Deferred income tax liabilities	3,463
Liabilities held for sale	4,980

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4. Cash and Cash Equivalents

Comprises the following:

<i>In thousands of U.S. dollars</i>	June 30, 2020	December 31, 2019
Checking accounts (a)	24,261	41,151
Petty cash	8	9
	24,269	41,160

- (a) The Company holds checking accounts in different financial entities. As of June 30, 2020 and December 31, 2019, the balance of this account includes mainly current account deposit in foreign and local currency.

The credit quality that safeguards the Company's bank deposits has the same evaluation as compared to December 31, 2019.

5. Trade Receivables

Comprises the following:

<i>In thousands of U.S. dollars</i>	June 30, 2020	December 31, 2019
Regulated customers	17,076	11,599
Non-regulated customers	3,684	2,081
COES (a)	1,621	3,488
Other	19,726	19,674
Subtotal (b)	42,107	36,842
Less-allowance for doubtful accounts (c)	(19,301)	(19,319)
	22,806	17,523

Trade receivables are denominated in U.S. dollars (non-regulated customers) and soles (COES and regulated customers). They have current maturity and do not generate interest, except in the case of payment delays. Balance of trade receivables as of June 30, 2020, correspond to 5 non-regulated, 5 regulated and 4 hydrocarbon customers (4 non-regulated, 10 regulated and 2 hydrocarbon customers as of December 31, 2019).

The average credit period granted to customers range between 7 and 30 days. Overdue balances accrue interests. As of June 30, 2020, the annual average interest rates for the Group are 7.73% and 3.84% for local and foreign currency, respectively (8.39% and 4.33% as of December 31, 2019 for local and foreign currency, respectively).

- (a) The Committee of Economic Operation of the National Interconnected System (COES) as the system operator, acts as a clearing house and settles the payments for power generation companies.
- (b) The aging of trade receivables is the following:

<i>In thousands of U.S. dollars</i>	June 30, 2020	December 31, 2019
Unexpired	15,116	16,507
Less than 30 days	2,401	927
31 to 90 days (c)	3,074	2
91 to 180 days (c)	2,087	87
181 to 360 days	128	-
More than 361 days (d)	19,301	19,319
	42,107	36,842

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- (c) The increase in past due trade receivables from 31 to 180 days is related to one regulated customer (distribution company) and its aging is less than 120 days. This regulated customer has made monthly partial payments for the past 4 bills to the Company and its subsidiary Termoselva. Management expects these receivables will be cancelled in the short term, consistent with the rest of the distribution companies in Peru.
- (d) The main amount for receivables of more than 361 days corresponds to the non-collectability of the invoices issued to Maple Gas for natural gasoline sales.

6. Other Receivables

Comprises the following:

<i>In thousands of U.S. dollars</i>	June 30, 2020	December 31, 2019
Current portion		
Guarantee deposits (a)	1,291	1,291
Work for taxes mechanism	1,031	774
Fund for the stabilization of fuel prices	-	69
Other receivables	236	313
	2,558	2,447
Non-current portion		
Credit on temporary taxes on net assets – ITAN	399	442
Other receivables	-	13
	399	455
	2,957	2,902

- (a) In 2019, the Company granted a guarantee deposit in favor of legal adviser in U.S. due to the recovery procedure to Maple Gas Corporation del Peru S.R.L.

7. Inventories

Comprises the following:

<i>In thousands of U.S. dollars</i>	June 30, 2020	December 31, 2019
Supplies and spare parts	5,900	6,089
Fuel to sale	43	87
Fuel and lubricants	76	204
	6,019	6,380
Impairment (a)	(606)	(630)
	5,413	5,750

The impairment of inventories was determined based on internal technical reports. Management believes that this estimate covers the obsolescence risk appropriately as of June 30, 2020 and December 31, 2019.

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8. Property, Plant and Equipment

Comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	June 30, 2020	December 31, 2019
Cost			
Beginning balance		839,713	831,346
Additions			
Asset retirement cost	14	1,839	6,386
Vehicles (b)		1,166	-
Work in process		368	3,339
Total additions		3,373	9,725
Transfers			
Building and constructions		297	382
Machinery and equipment		-	6,176
Furniture and fixtures		-	10
Sundry equipment		-	199
Work in progress		(297)	(6,767)
Total transfers	3	-	-
Disposals			
Lands		(40)	-
Building and constructions		(2,204)	-
Vehicles		-	(1,252)
Machinery and equipment		(143,645)	(79)
Sundry equipment		(4,514)	(15)
Furniture and fixtures		(65)	(12)
Works in progress		(185)	-
Total disposals		(150,653)	(1,358)
Ending balance		692,433	839,713
Accumulated depreciation			
Beginning balance		(522,527)	(497,988)
Additions			
Building and constructions		(2,765)	(6,547)
Vehicles		(223)	(111)
Machinery and equipment		(4,989)	(17,557)
Asset retirement obligation		(84)	(98)
Sundry equipment		(495)	(1,420)
Furniture		(10)	(33)
Total additions		(8,566)	(25,766)
Disposals			
Building and constructions		565	-
Vehicles		-	1,121
Machinery and equipment		111,122	79
Sundry equipment		3,943	15
Furniture and fixtures		65	12
Total disposals		115,695	1,227
Ending balance		(415,398)	(522,527)
Net cost at the beginning of the period		317,186	333,358
Net cost of the end of the period		277,035	317,186
Impairment		(543)	(543)
Net cost of the end of the period		276,492	316,643

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- (a) Accumulated impairment loss as of June 30, 2020 and December 31, 2019, mainly corresponds to the impairment of thermoelectric power plants for US\$ 543 thousand, since their carrying amounts exceeded their recoverable values. Management considers that, as of June 30, 2020, impairment is not required, other than the estimate previously recognized in the records for the impairment of property, plant and equipment.
- (b) Correspond to a 4-year contract with a renting company for an operational leasing for the Group's vehicles signed in January 2020.
- (c) Distribution of depreciation was as follows:

<i>In thousands of U.S. dollars</i>	Six-month periods ended June 30	
	2020	2019
Cost of sale of electrical energy	8,359	8,540
Administrative and selling expenses	207	1,019
	8,566	9,559

- (d) As of June 30, 2020 and December 31, 2019, the Company has insured all plants' assets for property damage under its Property Damage Business Interruption (PDBI) policy. In Management's opinion, this insurance policy is consistent with the international industry practice and the risk of possible losses for claims considered in the insurance policies is reasonable, taking into consideration the Company's types of assets.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

9. Gas Investments

<i>In thousands of U.S. dollars</i>	<i>Note</i>	June 30, 2020	December 31, 2019
Cost			
Beginning balance		171,704	157,929
Additions			
Asset retirement cost	14	357	10,261
Work in progress (b)		2,718	3,833
Total additions		3,075	14,094
Transfers			
Gas and fractionation plant		1,412	6,641
Sundry equipment			1,974
Work in progress		(1,412)	(8,615)
Total transfers		-	-
Disposals			
Gas and fractionation plant		-	(82)
Vehicles		-	(9)
Furniture and fixtures		-	(167)
Sundry equipment		-	(61)
Total disposals		-	(319)
Ending balance		174,779	171,704
Accumulated depreciation			
Beginning balance		(103,533)	(93,182)
Additions			
Gas and fractionation plant		(4,079)	(10,003)
Vehicles		(10)	(20)
Furniture and fixtures		(9)	(18)
Sundry equipment		(67)	(148)
Asset retirement obligation		(393)	(474)
Total additions		(4,558)	(10,663)
Disposals			
Gas and fractionation plant		-	81
Vehicles		-	7
Furniture and fixtures		-	167
Sundry equipment		-	57
Total disposals		-	312
Ending balance		(108,091)	(103,533)
Net cost at the beginning of the period		68,171	64,747
Net cost of the end of the period		66,688	68,171

(a) Distribution of depreciation was as follows:

	Six-month periods ended June 30	
<i>In thousands of U.S. dollars</i>	2020	2019
Cost of sale of electrical energy	4,558	4,594

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

10. Intangible Assets and Goodwill

Comprises the following:

<i>In thousands of U.S. dollars</i>	June 30, 2020	December 31, 2019
Goodwill (a)	395,456	395,456
Electric and hydrocarbon concessions (b)	90,398	90,857
Other rights (c)	18,390	18,365
Software	1,412	1,478
	505,656	506,156

- (a) The goodwill corresponds to (i) the excess of the net fair value of assets and liabilities identified during the acquisition of the Peruvian operating business on December 20, 2016 for US\$ 344,924 thousand, net of the deferred income tax liabilities arising from intangible assets acquired; and (ii) the adjustment of fair value of fixed assets for US\$ 50,532 thousand.
- (b) The electric and hydrocarbon concessions correspond to intangible assets identified at the acquisition date on December 20, 2016. The useful life of electric concessions is indefinite and a remaining useful life of 14 years has been determined for hydrocarbon concession. As of June 30, 2020, Management estimates are not required to establish reserves for the possible impairment of its intangible assets with an indefinite life.

Amortization of hydrocarbon concessions was as follows:

	Six-month periods ended June 30	
<i>In thousands of U.S. dollars</i>	2020	2019
Cost of sale of electrical energy	460	461

- (c) Other rights correspond to the agreements signed between the Company and its subsidiary Termoselva with regulated costumers, by which regulated costumers grant an option to sign addendums to the original public tender PPAs, extending the contract term, modifying the contracted capacity and associated energy and maintaining the current fixed prices with framework of the Supreme Decree 022-2018 EM (note 12).

Management analysis indicated there were no impairment indicators on the value of the intangibles as of June 30, 2020 (no impairment indicators as of December 31, 2019).

11. Trade Payables

Comprises the following:

<i>In thousands of U.S. dollars</i>	June 30, 2020	December 31, 2019
Energy purchases and transmission tolls	4,949	4,409
Royalties	85	194
Other purchases	1,768	4,116
	6,802	8,719

Trade accounts payable are mainly denominated in U.S. dollars, have current maturities, do not accrue interests and do not have specific guarantees.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

12. Other Payables

Comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	June 30, 2020	December 31, 2019
Interest payables-debentures		5,414	5,500
Option agreements	10(c)	4,392	8,741
Value-Added Tax		1,188	581
Other taxes		922	2,517
Rural electricity contribution		103	87
Various accruals and other accounts payables		9	602
		12,028	18,028

13. Debentures

Comprises the following:

<i>In thousands of U.S. dollars</i>	June 30, 2020	December 31, 2019
International bonds		
Proceeds from issuance of Orazul Energy Perú 2027 notes (a)	550,000	550,000
Transaction costs	(8,138)	(8,616)
	541,862	541,384

- (a) In April 25, 2017, the Company (originally Orazul Energy Egenor S. en C. por A., later merged into the Company on August 16, 2017) issued under Rule 144A/Reg. S, US\$ 550,000 thousand. The notes have "BB" rating, assigned by the international risk-rating agencies Fitch Ratings and Standard & Poor's. Notes interests are payable biannually with final maturity is in April 2027 with a coupon rate of 5.625%.

A. Terms and debt repayment schedule

The terms and conditions are as follows:

In thousands of U.S. dollars	Nominal annual			Face value		Carrying amount	
	interest rate	Currency	Maturity	2020	2019	2020	2019
Debentures							
OEP notes 2027	5.625%	US\$	April-2027	550,000	550,000	541,862	541,384

The table below presents the payment schedule of the non-current portion of the long-term debt as of June 30, 2020:

<i>In thousands of U.S. dollars</i>	
2024 and thereafter	541,862
	541,862

B. Financial obligations and covenants

The conditions of the notes as of June 30, 2020 are the same disclosed in the annual financial statements of the Company as of December 31, 2019.

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14. Asset Retirement Obligation

Comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	2020	2019
Balance as of January 1, 2020		17,224	172
Additions	<i>8 and 9</i>	2,196	16,647
Unwind of discount		214	452
Payments		-	(47)
Balance as of June 30		19,634	17,224

The provision for decommissioning liabilities corresponds to Aguaytia gas fields, hydroelectric power plants Cañon del Pato and Carhuaquero (OEP) and thermoelectric power plant in Ucayali (Termoselva). Provision has been determined considering all costs necessary to dismantle and rehabilitate the land where the facilities are currently located.

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15. Financial Instruments
A. Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

	Carrying amount			Fair value
	Current		Non-current	
	Amortized cost	Other financial liabilities	Other financial liabilities	Total
				Level 2
In thousands of U.S. dollars				
As of June 30, 2020				
Financial assets not measured at fair value				
Cash and cash equivalents	24,269	-	-	24,269
Trade receivables	22,806	-	-	22,806
Intercompany payables	35	-	-	35
Other receivables (*)	2,558	-	-	2,558
Financial liabilities not measured at fair value				
Trade payable	-	(6,802)	-	(6,802)
Other payable (*)	-	(9,918)	-	(9,918)
Intercompany payables	-	(965)	(66,053)	(67,018)
Debentures	-	-	(541,862)	(541,862)
Lease liabilities	-	(211)	(896)	(1,107)
	49,668	(17,896)	(608,811)	(577,039)
As of December 31, 2019				
Financial assets not measured at fair value				
Cash and cash equivalents	41,160	-	-	41,160
Trade receivables	17,523	-	-	17,523
Other receivables (*)	2,391	-	-	2,391
Intercompany receivables	204	-	-	204
Financial liabilities not measured at fair value				
Trade payable	-	(8,719)	-	(8,719)
Other payable (*)	-	(14,303)	-	(14,303)
Intercompany payables	(6,307)	-	(82,942)	(89,249)
Debentures	-	-	(541,384)	(541,384)
Lease liabilities	-	(93)	-	(93)
	54,971	(23,115)	(624,326)	(592,470)

(*) It does not include tax assets, tax liabilities, employee benefits and advances.

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B. Fair value measurements**Valuation techniques and significant unobservable inputs**

The following table shows the valuation techniques used in the determination of fair values of financial instruments – Level 2 as at June 30, 2020 and December 31, 2019:

Financial instruments not measured at fair value

Type	Valuation techniques	Key unobservable data	Interrelationship between key unobservable inputs and fair value
Loans from banks, debentures and others	Discounted cash flows using current market interest rate	Not applicable	Not applicable

16. Equity**Share capital**

Comprises the following:

<i>In thousands of U.S. dollars</i>	June 30, 2020	December 31, 2019
Orazul Energia (UK) Holdings Ltd.	196,066	196,066
Others	20	20
	196,086	196,086

As of June 30, 2020, and December 31, 2019, issued capital stock is represented by 651,224,289 common shares with a face value of S/ 1.00 per share, duly authorized, issued and paid.

Shareholders	Number of shares	%
Orazul Energia (UK) Holdings Ltd.	651,132,301	99.99
Others	91,988	0.01
	651,224,289	100.00

There were no dividends declared or paid as of June 30, 2020 and December 31, 2019.

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17. Revenues

Comprises the following:

	Six-month periods ended June 30		Three-month periods ended June 30	
<i>In thousands of U.S. dollars</i>	2020	2019	2020	2019
Sale of electrical energy				
Sale of energy and capacity				
Energy	42,449	41,085	19,569	20,980
Capacity	14,157	14,099	6,530	6,515
COES (regulated clients)				
Energy	2,439	4,845	935	2,397
Capacity	2,136	4,851	1,082	2,448
Other	657	672	228	405
	61,838	65,552	28,344	32,745
Sale of hydrocarbons				
Natural gasoline	2,596	5,711	1,160	2,916
LPG	1,458	3,035	707	1,551
	4,054	8,746	1,867	4,467
	65,892	74,298	30,211	37,212

The estimated revenues pending of invoicing for the six-month period ended June 30, 2020 amounts to US\$ 11,912 thousand (US\$ 13,345 thousand for the six-month period ended June 30, 2019).

18. Tax Issues

The income tax rate for legal entities domiciled in Peru shall be determined by applying the rate of 29.5% on their net income.

Legal entities domiciled in Peru are subject to an additional rate of 5% on any amount that may be considered as indirect income provision, including amounts charged to expenses and unreported income; that is, expenses which may have benefited shareholders, interest holders, among others; other expenses not related to the business; expenses of shareholders, interest holders, among others, which are assumed by the legal entity.

The subsidiary Aguaytía due to its Legal Stability Agreement, has an income tax rate of 30%.

The estimated average effective annual tax rate used for the six-month period ended June 30, 2020 is 39.32% (46.33% for the six-month period ended June 30, 2019). The change in the effective tax rate for the six-month period ended June 30, 2020 correspond mainly to the impact of exchange rate in local currency.

As of June 30, 2020 and December 31, 2019, the Group have balance for debit and credits with the tax administration as follow:

	June 30, 2020	December 31, 2019
<i>In thousands of U.S. dollars</i>		
Income tax receivables	2,785	3,924
Income tax payable	866	749

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According to the Income Tax Peruvian legislation, tax losses may be offset according to either of the following systems: (A) against net income generated within the following four fiscal years after the year in which the loss was incurred (any losses that are not offset within such period may not be carried forward to any future year); or (B) against 50% of the net income generated in the following fiscal years after the year in which the loss was generated (under this system, there is no time limit for carrying the losses forward).

On March 24, 2020, OEP amended its Income Tax Return 2018, changing its tax loss carryforward system from System A to System B.

19. Related Party Transactions**A. Parent companies and ultimate parent Company**

The Company's main shareholder is Orazul Energía (UK) Holdings Ltd, which belongs to the group of subsidiaries owned by ISQ Global Infrastructure Fund I & II (Delaware and Cayman exempted limited partnership), ultimate parent of the group.

B. Transactions with key management**i. Loans to directors**

As of June 30, 2020, there are no loans to directors (no loans to directors as of December 31, 2019).

ii. Key management compensation

As of June 30, 2020, there are no compensation to key management personnel (no compensation to key management as of June 30, 2020).

iii. Transactions with key management personnel

During the six-month period ended June 30, 2020 there were no transactions between the Company and key management, other than those in (ii) (no transactions between the Company and key management during the six-month period ended June 30, 2019 other than those in (ii)).

C. Other related entities transactions

In 2020 and 2019, the Group performed the following significant transactions with related parties during the normal course of operations:

<i>In thousands of U.S. dollars</i>	Transaction type	Transaction value		Outstanding balances	
		2020	2019	2020	2019
Orazul Energia Partners LLC (a)	Loan	(1,786)	(2,373)	(66,053)	(82,942)
Kallpa Generación S.A. (b)	Management Services			(965)	(6,307)
	and O&M	(5,865)	(1,656)	-	-
Samay I S.A.	COES	(1,036)	(902)	-	-
Kallpa Generación S.A.	COES	2,336	4,067	-	113
Orazul Energia (España) Holding S.L.	Loan	-	(50)	-	-
Orazul Energy Group BV - Netherlands	Loan	-	(1)	-	-
Compañía Boliviana de Energía Eléctrica Cobee-Sucursal	Services	35	380	35	91
		(6,316)	(535)	(66,983)	(89,045)

The outstanding balances with related parties have current maturity and do not accrue interest. None of these balances are guaranteed.

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A summary of the transactions between the discontinued operations and the other related parties during the period follows:

<i>In thousands of U.S. dollars</i>	Transaction type	Transaction value		Outstanding balances	
		2020	2019	2020	2019
Kallpa Generación S.A. (b)	Management			-	-
	Services and O&M	(192)	-	-	-
Samay I S.A.	COES	2	2	-	-
Kallpa Generación S.A.	COES	526	421	1	-
		336	423	1	-

- (a) On December 20, 2016, Orazul Energía Partners LLC, granted a subordinated loan in favor of the Company for an aggregate amount of US\$255,950 thousand to fund the acquisition of Orazul Energy Group Shares. The loan accrues annual interest rate of 6% until final maturity on December 20, 2026.

On July 4, 2017, Orazul Energía Partners LLC assigned a portion of the subordinated loan in the amount of US\$ 127,950 thousand to Orazul Energía (UK) Holdings Ltd. On the same date, Orazul Energía (UK) Holdings Ltd. approved the capitalization of said debt and increased the capital stock issued of the Company. As of December 31, 2018, the updated interest was US\$ 22,652 thousand.

In January 2019, Orazul Energy Partners LLC modified the subordinated loan rate from 6% to 0%, without modifying the terms of maturity and payment. As a result of this change, the liability was reduced and equity increased by US\$ 47,673 thousand net of a deferred tax of US\$ 14,063 thousand, generating a net effect of US\$ 6,009 thousand.

In July, September, October and December 2019, the Company paid US\$ 20,000 thousand, US\$ 885 thousand, US\$ 10,000 thousand and US\$ 33,000 thousand, respectively.

In June 2020, the Company amortized US\$ 19,000 thousand. As a result of this payment, the fair value loan was adjusted.

- (b) In 2019, the Group and Kallpa Generacion S.A. entered into an agreement for management and other services, which can be renewed under the express consent of the parties each year.

20. Contingencies

As of June 30, 2020, the main contingencies of the Company are described as follows:

A. Orazul Energy Perú**(a) Labor claims**

Orazul Energy del Perú S.A. ("Orazul") is involved in several labor claims, mostly related to vacations, job reinstatement, compensation for damages (including moral damages) and profit sharing, for which, after being evaluated individually, as of June 30, 2020, Orazul recorded a provision equivalent to US\$ 572 thousand for labor claims considered probable of losing.

On the other hand, in the opinion of Orazul's management and its external legal advisors, it has been estimated that Orazul could have to pay up to an equivalent amount of US\$ 1,169 thousand for labor claims that are not more likely than not that Orazul will pay.

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(b) Temporary Tax on Net Assets

Temporary tax on net assets return from 2013 was reviewed by the Tax Administration in 2014, which issued determination and fine resolutions for US\$ 243 thousand plus interests in May 2015. In July 2015, the Company filed a claim against the Tax Administration; and in April 2016, the Tax Administration declared the claim filed by the Company as groundless. In May 2016, the Company filed an appeal before the Tax Court, which has been resolved against Orazul on September 2019. In November 2019, the Company decided to pay the amount of US\$ 405 thousand (US\$ 270 as ITAN and US\$ 135 as fine). In December 2019, the Company filed the corresponding judicial action which is currently ongoing.

In the opinion of Management and our legal advisors, there are legal and factual arguments that lead us to consider that is not more likely than not to be successful.

(c) Penalty withholding tax

Fine imposed by the Tax Administration during the Tax Audit of the fiscal year 2000, because the Company did not pay withholding taxes, despite the fact it did not pay for the service either. The Company filed an appeal before the Supreme Judicial Court in March 2018. It is pending that the Supreme Court schedule the meeting in order that both parties file its positions. In parallel, in May 2018 the Company filed a judicial constitutional action that basically will verse on the non- application of moratorium and capitalized interest and the ones generated outside the time limit established by Law to solve the administrative stage considering the reasonable time violation and the damage to the property right, which was declared denied. In February 2019, the Company filed a constitutional grievance before the Constitutional Court, which has not been resolved to date. The updated contingency is US\$ 311 thousand.

In the opinion of Management and our legal advisors, there are legal and factual arguments that lead us to consider that is not more likely than not that Orazul will pay.

B. Termoselva

(a) Income Tax 2011

In April 2014, as a result of the tax audit 2011, the Tax Administration issued its determination and fine resolutions, because it did not consider as a deductible expense for corporate income tax purposes, the payments made by the company based on an extrajudicial agreement in favor of 88 Aguaytia Group workers, considering this payment as a company's liberality. During 2014 and 2015, the Company presented its corresponding claim and appeal. In July 2019, the Tax Court resolved accept the deductibility of the payment made to 28 Termoselva workers. In November 2019, the Company decided to file an appeal with the Judiciary which is currently ongoing

Up to this date, the Tax Administration has not pronounced on the petition of the Tax Court. The updated contingency is US\$ 890 thousand.

In the opinion of Management and our legal advisors, there are legal and factual arguments that lead us to consider that is not more likely than not that Termoselva will pay.

(b) Advanced Payments 2012

In August 2015, Termoselva was notified of different resolutions related to the corporate income tax prepayments 2012.

The mentioned resolutions were issued because of referential omissions in the prepayments of the periods March to December 2012, considering the observations contained in Resolutions of the corporate income tax 2011, although it is being questioned by an appeal followed in the Judicial Court. The Tax Court ordered the Tax Administration to be subject to the resolution of the 2011 Income Tax process. The updated contingency is US\$ 159 thousand.

In the opinion of Management and our legal advisors, there are legal and factual arguments that lead us to consider that is not more likely than not that Termoselva will pay.

C. Aguaytía

(a) *Judicial challenge filed against the Organismo Supervisor de la Inversión en Energía y Minas*

On April 9, 2012, Aguaytía Energy del Perú S.R.L. ("Aguaytía") initiated a court proceeding seeking judicial review of the Resolution No. 175-2011-OS/TASTEM-S2 issued by the Supervisory Organism of Investment in Energy and Mines ("OSINERGMIN", by its Spanish acronym), which determined the administrative responsibility of Aguaytía for having infringed the regulatory framework related to the implementation of the Supervisory Control And Data Acquisition System ("SCADA") and to pay a fine of US\$ 7,156 thousands plus interests.

On July 14, 2016 the claim was dismissed because, in opinion of the judge, Aguaytía did not prove that the SCADA system had been installed. This decision was appealed on July 21, 2016 arguing that the decision: i) affected our due process right of defense; (ii) diverted from the criteria previously established by other judicial entity; (iii) was based on facts not invoked or proven by the parties; and (iv) was not duly motivated in violation of Aguaytía's right of due process.

On July 21, 2017 the first instance decision was revoked and reformed and on July 31, 2017 OSINERGMIN filed an extraordinary appeal (recurso de casación) which is currently under revision by the Supreme Court. On January 17, 2018, the Supreme Court admitted the extraordinary appeal filed by OSINERGMIN. Currently, the hearing is pending.

In the opinion of Aguaytía's management and its external legal advisors, it is not more likely than not that Aguaytía will pay the fine.

21. Subsequent Events

Aguaytía's License Contract extension

Addenda for the extension of the License contract for the exploitation of Hydrocarbons – Block 31C was signed and is effective since July 1, 2020.

Among other topics, it is stated that once completed (a) and (b), the Contract Extension is granted for 10 additional years (since March 2024 until March 2034):

- (a) Perform an additional exploration program that includes reprocessing of old seismic data, with an estimated investment of US\$ 0.7m, to be executed at least before July 2022.
- (b) Perform 150 km of 2D seismic or 95km² of 3D seismic for a total estimated investment of US\$7.5 million, to be executed at least before July 2023.

If after such works it is determined that exploration and development opportunities are feasible technically and economically, according the Company's standard and returns expectations, the Company is committed to drill an exploratory well.

Additionally, the addenda include the following commitments:

- Supply up to 2 million ft³ /day of natural gas for the gas massification of Ucayali.
- Environmental protection: Aguaytía will be responsible for the preparation and execution of the abandonment plan according applicable regulations.