



ORAZUL ENERGY PERU S.A. AND SUBSIDIARY

US\$ 363,198,000 – 5.625% Senior Notes due 2027

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

June 30, 2025 and 2024



ORAZUL ENERGY PERU

About the Company

We are a Peruvian company focused on the electric power sector. We own and operate two hydroelectric power plants with a combined capacity of 376 MW, and a 1 MW solar plant, all located in northern Peru. Our 377 MW are diversified in (i) 2 run-of-river hydroelectric power plants in different hydrological basins: Cañón del Pato with 266 MW in the Santa River and Carhuaquero Complex with an aggregate 110 MW in the Chancay River; reaching a total of 11 turbines and (ii) our 1 MW solar plant built in 2023 which is located next to the Carhuaquero hydro power plant. The commercial operation date of our solar plant was granted on February 14, 2024.

We incorporated our subsidiary Kondu S.A., to create value for customers by integrating tailored energy solutions with competitive electricity pricing, with a focus on maximizing cost savings, reducing carbon emissions, and enhancing supply security. Its primary target is the retail segment. Kondu's service portfolio includes electricity supply, self-consumption solutions, demand management, sustainable mobility strategies, strategic and technical support for achieving energy efficiency goals, and technical assistance related to electrical infrastructure.

We generate and sell non-carbon, efficient and reliable electricity to regulated and non-regulated customers under power purchase agreements ("PPAs") and to the spot market. As of June 30, 2025, approximately 59% of our firm energy for 2025 is contracted under PPAs among high quality off-takers with 78%¹ of our total revenues from investment grade customers, and our average remaining PPA term is 5.5 years².

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

Management has extensive experience in the power generation business. Our executive officers have an average of approximately 22 years of experience in the power generation industry and have previously held senior positions in leading power generation companies, financial institutions, and the Peruvian government. Our management team provides in-depth market knowledge and power industry experience, with considerable experience in the Peruvian energy industry and government regulators. We believe that this overall level of experience allows our management team to lead the Company in the effective operation and maintenance of our facilities.

¹ For the last twelve months as of June 2025, measured by at least one investment grade rating granted by either S&P, Fitch or Moody's (or their local representatives) for the local customer or the implied rating based on sponsor' support; weighted by customer revenues expressed in US\$.

² Weighted by contracted energy of each PPA.



Our Notes

On April 25, 2017, Orazul issued senior unsecured notes for an aggregate principal amount of US\$550 million in the international capital markets under Rule 144A and Regulation S of the Securities Market Law of the United States of America (the “Notes”). These Notes accrue interest at a rate of 5.625% payable semi-annually and have final maturity in April 2027. The proceeds from this issuance were used to: (i) prepay the outstanding senior debt incurred in connection with our acquisition under a US\$450 million senior secured loan facility, and (ii) prepay US\$35 million and US\$40 million, in aggregate outstanding principal amount of local corporate bonds. The Notes are currently rated BB by Fitch Ratings and Ba2 by Moody’s.

After the sale of the transmission business in 2020 and the gas to power business in 2021 and consequent cash tender offers, our Notes amount to US\$363 million.



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

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated interim financial statements as of June 30, 2025, and 2024.

For the six-month period ended June 30, 2025 and 2024

<i>In millions of U.S. dollars</i>	Six months ended		% Change
	June 30		
	2025	2024	
Revenues	62	59	5%
Cost of sales (excluding depreciation and amortization)	(12)	(12)	0%
Depreciation	(14)	(13)	8%
Administrative expenses	(2)	(2)	0%
Other income, net	-	1	-100%
Operating profit	34	33	3%
Finance income	1	1	0%
Finance costs	(11)	(11)	0%
Net foreign exchange difference	1	(1)	200%
Net finance costs	(9)	(11)	-18%
Profit before income tax	25	22	14%
Income tax expense	(1)	(12)	-92%
Profit for the period	24	10	140%

*2024 figures consider certain reclassifications, in addition to minor rounding adjustments.

Results of Operations

The Company's net profit for the six-month period ended June 30, 2025, amounted to US\$25 million compared to US\$10 million during the same period in 2024. The Company's results are explained by the following:

Revenues

Revenues increased by US\$3 million, or 5%, to US\$62 million during the first six months of 2025, from US\$59 million during the same period in 2024, mainly explained by (i) US\$2 million increase in net energy and capacity sales in the spot market due to a 6% increase in net energy sold in the spot market to 725 GWh during the first six months of 2025 from 687 GWh during the same period in 2024 as a result of lower energy volume sold under PPAs, partially offset by a 7% decrease in the average spot price to US\$27/MWh during the first six months of 2025 compared to US\$29/MWh during the same period in 2024; and (ii) US\$1 million increase in energy sales under PPAs due to a 13% increase in the average PPA energy prices to US\$51/MWh during the first six months of 2025 compared to US\$45/MWh during the same period in 2024, explained by the indexation of certain PPAs and new PPAs with higher energy prices; partially offset by an 8% decrease in energy volumes sold under PPAs to 568 GWh during the first six months of 2025 from 619 GWh during the same period in 2024, explained by the end of certain PPAs.

**Cost of sales (excluding depreciation and amortization)**

Cost of sales (excluding depreciation and amortization) amounted to US\$12 million during the first six months of 2025, unchanged from the same period in 2024.

Depreciation

Depreciation increased by US\$1 million, to US\$14 million during the first six months of 2025 from US\$13 million during the same period in 2024, primarily due to the addition of property, plant, and equipment.

Administrative expenses

Administrative expenses amounted to US\$2 million during the first six months of 2025, unchanged from the same period in 2024.

Other income, net

Other income, net decreased by US\$1 million, to nil during the first six months of 2025 from US\$1 million during the same period in 2024, primarily due to a gain on the sale of certain minor assets recognized during the second quarter of 2024.

Net finance costs

Net finance costs decreased by US\$2 million, or 18%, to US\$9 million during the first six months of 2025 from US\$11 million during the same period in 2024, explained by an increase in foreign exchange gains during the first six months of 2025 due to a 5.9% revaluation of the Peruvian sol against the U.S. dollar compared to a 3.3% devaluation of the Peruvian sol against the U.S. dollar during the same period in 2024.

Income tax expense

Income tax expense decreased by US\$11 million, or 92%, to US\$1 million during the first six months of 2025, from US\$12 million during the same period in 2024. The effective income tax rate during the first six months of 2025 was 4% (55% in 2024). Changes in the effective tax rate correspond mainly to the re-expression of the tax losses carry forward due to exchange rate variations explained by a 5.9% revaluation of the Peruvian sol against the U.S. dollar during the first six months of 2025 compared to a 3.3% devaluation of the Peruvian sol against the U.S. dollar during the same period in 2024.



Liquidity and Capital Resources

Our principal cash requirements consist of the following:

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

Our principal source of liquidity has traditionally consisted of cash flow from operating activities.

As of June 30, 2025, our cash in hand amounted to US\$58 million.

Cash Flows

	Six months ended June 30,		% Change
<i>In millions of U.S. dollars</i>	2025	2024	
Cash from operating activities	45	47	-4%
Income tax paid	(5)	(5)	0%
Net cash from operating activities	40	42	-5%
Net cash used in investing activities	(3)	(3)	0%
Net cash used in financing activities	(6)	(11)	-45%
Net increase in cash	31	28	11%
Cash and cash equivalent as of January 1	26	36	-28%
Effects of variations on exchange difference on held cash	1	-	0%
Cash at June 30	58	64	-9%

Cash Flows from Operating Activities

Our primary source of operating funds is the cash flow generated from our operations. The net cash from operating activities decreased by US\$2 million, or 5%, to US\$40 million during the first six months of 2025 from US\$42 million during the same period in 2024.

The decrease was driven by a US\$12 million increase in payments to suppliers due to (i) US\$5 million from 2024 outstanding balances paid during the first quarter of 2025; (ii) US\$4 million of higher VAT payment, and (iii) US\$3 million related to the 2025 insurance cost paid in June 2025 compared to 2024 insurance cost paid in October 2024. These effects were partially offset by US\$10 million increase in collections from customers related to higher sales, added to 2024 outstanding balances collected during the first quarter of 2025.

Cash Flows used in Investing Activities

Net cash flows used in our investing activities amounted to US\$3 million during the first six months of 2025, unchanged from the same period in 2024.

During the first six months of 2025 and 2024, cash used in investing activities was for payments related to the acquisition of property, plant, and equipment.



Cash Flows Used in Financing Activities

Net cash flows used in financing activities decreased by US\$5 million, or 45%, to US\$6 million during the first six months of 2025 from US\$11 million during the same period in 2024

During the first six months of 2025, cash used in financing activities was mainly for (i) US\$11 million interest service related to the 2027 Notes and its respective withholding tax; partially offset by (ii) US\$5 million provided by short-term borrowings to finance capital expenditures and working capital requirements.

During the first six months of 2024, cash used in financing activities was mainly for interest service related to the Notes and its respective withholding tax.



For the three-month period ended June 30, 2025 and 2024

<i>In millions of U.S. dollars</i>	Three months ended		%
	June 30		Change
	2025	2024	
Revenues	29	28	4%
Cost of sales (excluding depreciation and amortization)	(6)	(5)	20%
Depreciation	(7)	(7)	0%
Administrative expenses	(1)	(1)	0%
Other income, net	-	1	-100%
Operating profit	15	16	-6%
Finance income	1	-	-
Finance costs	(5)	(5)	0%
Net foreign exchange difference	-	(1)	100%
Net finance costs	(4)	(6)	-33%
Profit before income tax	11	10	10%
Income tax expense	-	(8)	-100%
Profit for the period	11	2	450%

*2024 figures consider certain reclassifications, in addition to minor rounding adjustments.

Results of Operations

The Company's net profit for the three-month period ended June 30, 2025, amounted to US\$12 million compared to US\$2 million during the same period in 2024. The Company's results are explained by the following:

Revenues

Revenues increased by US\$1 million, or 4%, to US\$29 million during the second quarter of 2025, from US\$28 million during the same period in 2024, mainly explained by an increase in energy sales under PPAs due to an 11% increase in the average PPA energy prices to US\$51/MWh during the second quarter of 2025 compared to US\$46/MWh during the same period in 2024, explained by the indexation of certain PPAs and new PPAs with higher energy prices; partially offset by a 3% decrease in energy volumes sold under PPAs to 284 GWh during the second quarter of 2025 from 293 GWh during the same period in 2024, explained by the end of certain PPAs.

Cost of sales (excluding depreciation and amortization)

Cost of sales (excluding depreciation and amortization) increased by US\$1 million, or 20%, to US\$6 million during the second quarter of 2025, from US\$5 million during the same period in 2024 mainly explained by higher secondary transmission costs related to an increase in our hydro generation to 622 GWh during the second quarter of 2025 from 613 GWh during the same period in 2024, added to an increase in the regulated tariff for secondary transmission services since May 2025.

Depreciation

Depreciation amounted to US\$7 million during the second quarter of 2025, unchanged from the same period in 2024.



Administrative expenses

Administrative expenses amounted to US\$1 million during the second quarter of 2025, unchanged from the same period in 2024.

Other income, net

Other income, net decreased by US\$1 million, to nil during the second quarter of 2025 from US\$1 million during the same period in 2024, primarily due to a gain on the sale of certain minor assets recognized during the second quarter of 2024.

Net finance costs

Net finance costs decreased by US\$2 million, or 33%, to US\$4 million during the second quarter of 2025 from US\$6 million during the same period in 2024, primarily explained by US\$1 million increase in net foreign exchange gains during the second quarter of 2025 due to a 3.5% revaluation of the Peruvian sol against the U.S. dollar compared to a 3.1% devaluation of the Peruvian sol against the U.S. dollar during the same period in 2024; among others.

Income tax expense

Income tax expense decreased by US\$8 million, or 100%, to nil during the second quarter of 2025, from US\$8 million during the same period in 2024. The effective income tax rate during the second quarter of 2025 was 0% (80% in 2024). Changes in the effective tax rate correspond mainly to the re-expression of the tax losses carry forward due to exchange rate variations explained by a 3.5% revaluation of the Peruvian sol against the U.S. dollar during the second quarter of 2025 compared to a 3.1% devaluation of the Peruvian sol against the U.S. dollar during the same period in 2024.



Appendixes

EBITDA reconciliation

	Six months ended June 30,		Three months ended June 30,	
<i>In millions of U.S. dollars</i>	2025	2024	2025	2024
Operating profit	34	33	15	16
Depreciation	14	13	7	7
Total EBITDA	US\$48	US\$46	US\$22	US\$23

As of June 30, 2025, last twelve months (LTM) EBITDA increased by US\$9 million, or 14%, to US\$75 million, compared to US\$66 million LTM EBITDA as of June 2024.

Material Indebtedness

<i>In millions of U.S. dollars</i>	Outstanding Principal Amount as of June 30, 2025	Interest Rate	Final Maturity	Amortization
Unsecured short-term debt:				
Short-term loan	5	4.13%	June 2026	Payment of principal and interest due at maturity
Unsecured long-term debt:				
5.625% Notes due 2027	361	5.63%	April 2027	Principal due at maturity with semi-annual interest payments.
Total	US\$366			

Note: values net of transaction costs

