



LUZ DEL SUR

Llevamos más que luz

Lima, September 22nd, 2026

Dear sirs,

We hereby inform you that, on September 21st, 2026, Fitch Ratings issued a credit rating opinion report in which it reaffirmed the credit rating of Luz del Sur S.A.A. at "BBB+" and maintained the "BBB+" rating assigned to the international issuance of the "6.750% Senior Notes due 2032."



RATING ACTION COMMENTARY

Fitch Affirms Luz del Sur's 'BBB+' IDRs; Outlook Stable

Mon 21 Sep, 2026 - 5:40 PM ET

Fitch Ratings - São Paulo - 21 Sep 2026: Fitch Ratings has affirmed Luz del Sur S.A.'s (LdS) 'BBB+' Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) and the 'BBB+' rating of its senior unsecured notes due 2032. The Outlook Rating is Stable.

The ratings reflect LdS's low business risk as an efficient electricity distributor in Lima (Peru: BBB/Stable) and its strong capital structure to support greenfield and expansion investments. The ratings also factor in LdS's proven market access to refinance material short-term debt and fund negative free cash flows.

LdS's credit profile benefits from linkage to parent China Yangtze Power Co., Ltd. (CYPC, A/Stable), with a one-notch uplift from LdS's standalone profile (bbb). Fitch views CYPC's operational incentives to support LdS as moderate and expects the parent to provide funds, if needed, to ensure LdS's EBITDA leverage does not consistently exceed 3.5x.

KEY RATING DRIVERS

Efficient Operation: LdS operates an efficient electricity distribution concession in a high-density area, serving a high-income consumer base. The robust grid supports high margins and profitability, while subtransmission assets add to cash flow predictability. Fitch expects operating costs, energy losses and service-quality indicators to remain within regulatory benchmarks after the upcoming 2026 tariff review.

The tariff review is expected to increase the disco EBITDA to PEN1.3 billion in 2026 (+12% from 2025). This amount corresponds to 70% of revenue earned to cover manageable costs, at the top of the range for Fitch-rated issuers in Latam. LdS benefits from high market growth, estimated at 2.0% on average in 2026-2028 and provides above-average service quality, which minimizes penalties. The concession's perpetuity is also credit positive.

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Growing Asset Base: Fitch assumes LdS will start the construction of a large hydro plant in 2027 and considers the company's track record mitigates execution risks. The increasing diversification, supported by a sound capital structure, is expected to benefit the credit profile over the long term. Gencos' contribution to consolidated EBITDA is expected to grow to about 22% by 2028, from 17% expected for 2026-2027. The disco's operating efficiency and Peru's favorable regulatory environment mitigate the risk from cash flows concentrated in a single distribution concession. LdS's second hydro project will add roughly 200 aMW (+87%) to the portfolio by 2032.

Negative FCFs: High dividends and rising capex, particularly from 2028, could pressure LdS's FCF to negative PEN120 million in 2026, and around negative PEN290 million in 2027-2028. Consolidated EBITDA is estimated at PEN1.6 billion in 2026, and around PEN1.8 billion in 2027-2028. Annual capex is expected to reach around PEN660 million in 2026-2027, and PEN990 million in 2028-2030, with the new plant representing 30% of total capex through 2030.

Comfortable Leverage: Fitch expects LdS to modestly reduce leverage in 2026 and 2027 following the increase in 2023-2025, which was largely driven by acquisitions. Greenfield investments may lead to a small increase in leverage from 2028, although this is not expected to pressure the company's financial profile. EBITDA gross and net leverage are expected to gradually decline to about 2.9x and 2.7x, respectively, by 2027, from 3.3x and 2.9x in 2025, assuming a 50% dividend payout. EBITDA is expected to provide comfortable interest coverage of around 6x over 2026-2028, while projected debt balance modestly grows towards PEN5.0 billion by 2027, from PEN4.8 billion in 2025.

Support from CYPC: LdS's IDRs receive a one-notch uplift from CYPC's moderate, if-needed operational support, reflecting the entities' high integration. CYPC group executives hold all eight seats on LdS's board and strongly influence the subsidiary's operational and financial decisions. Fitch expects the parent to provide dividend flexibility during the expansion of the generation business to ensure that LdS's gross EBITDA leverage does not consistently exceed 3.5x. Legal incentives are considered low because there is no debt guarantees from the parent or effective cross-default clauses. Strategic incentives are low due to LdS's limited financial contribution to CYPC.

Exposure to Price Volatility: Fitch estimates that about 30% of the gencos' effective generation will be sold in the spot market in 2026-2027. By 2028, the portfolio may become over contracted, as new PPAs start. Fitch expects LdS to address this exposure in advance through long-term energy purchases.

Stable Regulatory Environment: LdS benefits from a robust regulatory framework that guarantees a 12% returns on investments in the distribution business. The company serves around one-third of Peru's electricity consumption and has a track record of predictable tariff adjustments under different political environments.

PEER ANALYSIS

LdS has the same standalone credit profile as Consorcio Transmantaro S.A.'s (CTM; BBB/Stable) and Gas Natural de Lima y Callao S.A.'s (Calidda; BBB/Stable). Its IDRs are one notch higher due to the credit linkage with CYPC. The three companies operate in Peru. LdS and CTM are among the largest electricity distribution and transmission companies, respectively, while Calidda is the country's largest gas distributor.

CTM generates more predictable cash flows from transmission assets but is more leveraged than LdS. CTM's gross and net leverage is expected to average around 4.1x and 3.9x, respectively over 2026-2028, (LdS: 3.1x and 2.8x, respectively). Both companies operate with high margins and profitability.

Like LdS, Calidda benefits from stable demand and cash flows, but its leverage ratios are also higher than LdS. Its average gross and net leverage ratios over 2026-2028 are estimated at 3.5x and 3.4x. LdS' capital structure is expected to remain stronger over the forecast period, despite initiating a capex cycle in generation from 2027, while Calidda has reduced capex intensity. Calidda's concession ends in 2033, but Fitch expects an early renewal for an additional 10 years.

FITCH'S KEY RATING-CASE ASSUMPTIONS

Distribution:

- Market growth of around 2.8% in 2026-2028;
- Regulated tariffs of close to PEN410 per megawatt-hour (MWh) in 2026-2027;
- Gross margin of close to 43% after nonmanageable costs and manageable EBITDA margin of around 70% (EBITDA relative to gross profit).

Generation:

- Annual effective generation of 183 aMW;

--Contracted sales equivalent to 70% of the expected generation in 2026-2027, increasing to 130% in 2028;

--Contracted sales prices of around PEN280/MWh in 2026-2027, compared with spot prices close to PEN100/MWh.

Consolidated:

--Average cost of debt of close to 6%;

--Annual investments of PEN625 million in 2026 and around PEN990 million in 2027-2029;

--Annual dividends of around PEN430 million in 2026-2028, with a 50% payout;

--CYPC's commitment to provide support to LdS if its standalone credit profile deteriorates, through dividend flexibility or capital injection.

CORPORATE RATING TOOL INPUTS AND SCORES

Fitch scored the issuer as follows, using our Corporate Rating Tool (CRT) to produce the Standalone Credit Profile (SCP):

Business and financial profile factors (assessment, relative importance): management ('bbb', Lower), sector characteristics ('bbb', Higher), market and competitive positioning ('bbb', Moderate), diversification and asset quality ('bbb-', Moderate), company operational characteristics ('bbb-', Moderate), profitability ('bbb-', Moderate), financial structure ('bbb+', Moderate), and financial flexibility ('bb+', Moderate).

The quantitative financial subfactors are based on standard CRT financial period parameters: 20% weight for the latest historical year 2025, 40% for the forecast year 2026 and 40% for the forecast year 2027.

The governance assessment of 'good' has no impact.

The operating environment assessment of 'bbb-' has no impact.

The SCP is 'bbb'.

To derive the Long-Term IDR:

Application of Fitch's Parent Subsidiary Linkage Rating Criteria results in a(n) bottom up +1 approach.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Inability to extend the debt amortization schedule;
- EBITDA leverage consistently above 3.5x or EBITDA net leverage consistently above 3.0x;
- Deterioration of Peru's economic or regulatory environment;
- Weakening of CYPC's operational incentives to support LdS or failure to provide support if the subsidiary's standalone credit profile deteriorates.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Greater asset diversification;
- Strengthening of CYPC's overall incentives to support LdS.

LIQUIDITY AND DEBT STRUCTURE

LdS has broad access to local capital and banking markets to refinance relevant short-term debt maturities and fund the projected negative FCFs. Fitch also considers that LdS can rely on dividend flexibility, if necessary. The company's stable cash flows, proven financial access and the expectation of parent support, if needed, mitigate liquidity pressures.

At June 2026, the group held PEN583 million in cash and PEN342 million available under a committed revolving facility. The total liquidity of PEN925 million was below the total amount of debt maturities through the 2H26 (PEN1.1 bi). Fitch expects LdS will refinance PEN1.5 billion during 2026. The PEN4.8 billion debt was mainly composed of bank loans and commercial papers (38%), international bonds (29%), local bonds (22%) and secured bonds (13%).

ISSUER PROFILE

LdS operates one of the largest electricity distribution companies in Peru. The company is listed on Lima Stock Exchange and is indirectly controlled by CYPC.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

[Click here](#) to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

CLIMATE VULNERABILITY SIGNALS

The results of our Climate.VS screener do not indicate an elevated risk for Luz del Sur.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit

<https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ↕	RATING TYPE ↕	RATING ↕	RATING ACTION ↕	PRIOR ↕
Luz del Sur S.A.A.	LT IDR	BBB+ Rating Outlook Stable	Affirmed	BBB+ Rating Outlook Stable
	LC LT IDR	BBB+ Rating Outlook Stable	Affirmed	BBB+ Rating Outlook Stable
senior unsecured	LT	BBB+	Affirmed	BBB+

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[Parent and Subsidiary Linkage Rating Criteria \(pub. 27 Jun 2025\)](#)

[Corporate Rating Criteria \(pub. 09 Jan 2026\) \(including rating assumption sensitivity\)](#)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(pub. 09 Jan 2026\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 ([1](#))

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

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Luz del Sur S.A.A.

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade

scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see [Best- and Worst-Case Measures](#) under the Rating Performance page on Fitch's website.

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