

Orazul Energy Perú S.A. and Subsidiary

Consolidated Financial Statements

December 31, 2023, and 2022

(Including Independent Auditors' Report)



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of Orazul Energy Perú S.A. and Subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) approved for application in Peru by the Dean's Council of the Peruvian Professional Associations of Public Accountants. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants of the (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Peru, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as issued by the IASB and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Group, cease operations, or has no realistic alternative but to do so.

Those charged with governance is responsible for overseeing the Group's financial reporting process.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs approved for application in Peru will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs approved for application in Peru, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's internal ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including as any significant deficiencies in internal control that we identify during our audit.

Lima, Perú

March 1, 2024

Countersigned by:

A handwritten signature in black ink, appearing to be 'Oscar Mere C.', written over a horizontal line.

Oscar Mere C. (Partner)
Peruvian Public Accountant
Registration N° 39990

EMMERICH, CORDOVA & ASOCIADOS

Orazul Energy Perú S.A. and Subsidiary

Consolidated Financial Statements

December 31, 2023, and 2022

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Orazul Energy Perú S.A. and Subsidiary
Consolidated Statements of Financial Position
As of December 31, 2023, and 2022

<i>In thousands of U.S. dollars</i>	<i>Note</i>	2023	2022
Assets			
Current assets			
Cash	5	36,043	16,779
Trade receivables	6	21,466	16,443
Account receivables from related parties	24.C	-	909
Inventories	7	2,217	1,781
Prepaid expenses		953	686
Other assets	9	1,882	-
Other receivables		241	122
Income tax receivable		37	-
Total current assets		62,839	36,720
Non-current assets			
Property, plant, and equipment	8	575,181	592,886
Right of use assets	8	643	139
Intangible and other assets	9	492,647	495,447
Deferred income tax assets	14	74,248	53,473
Total non-current assets		1,142,719	1,141,945
Total assets		1,205,558	1,178,665

<i>In thousands of U.S. dollars</i>	<i>Note</i>	2023	2022
Liabilities			
Current liabilities			
Trade payables	10	9,623	8,331
Other payables	11	4,977	5,749
Lease liabilities from operating contracts	12	168	152
Account payables to related parties	24.C	1,305	394
Income tax payable	11	991	7,959
Total current liabilities		17,064	22,585
Non-current liabilities			
Debentures	13	360,234	359,452
Lease liabilities from operating contracts	12	480	-
Other liabilities		346	337
Asset retirement obligation	15	4,770	4,003
Total non-current liabilities		365,830	363,792
Total liabilities		382,894	386,377
Equity			
Share capital	16	477,477	464,757
Additional capital		278,547	-
Legal reserves		36,957	33,653
Revaluation reserve		-	281,113
Retained earnings		29,683	12,765
Total equity		822,664	792,288
Total liabilities and equity		1,205,558	1,178,665

The notes on pages 5 to 60 are an integral part of these consolidated financial statements.

Orazul Energy Perú S.A. and Subsidiary

Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the years ended December 31, 2023, and 2022

<i>In thousands of U.S. dollars</i>	<i>Note</i>	2023	2022
Revenues	17	114,444	107,252
Costs of sales	18	(42,594)	(26,394)
Depreciation	8(g)	(24,616)	(12,368)
Gross profit		47,234	68,490
Administrative expenses	18	(6,041)	(5,458)
Other income	19	1,117	693
Other expenses		(217)	(146)
Operating profit		42,093	63,579
Finance income	20.A	1,701	171
Finance costs	20.B	(22,436)	(26,334)
Net foreign exchange difference	23.D.iii	573	612
Net finance costs		(20,162)	(25,551)
Profit before income tax		21,931	38,028
Income tax (benefit) expense	14	11,011	(9,441)
Profit for the period		32,942	28,587
Other comprehensive income			
Items that will not be classified to profit or loss			
Capitalization of revaluation reserve		(281,113)	-
Revaluation of property, plant and equipment, net		-	281,113
Other comprehensive income for the period, net of tax		(281,113)	281,113
Total comprehensive (loss) income for the period		(248,171)	309,700

The notes on pages 5 to 60 are an integral part of these consolidated financial statements.

Orazul Energy Perú S.A. and Subsidiary
Consolidated Statements of Changes in Equity
For the years ended December 31, 2023, and 2022

		Share capital (note 16)	Additional capital (note 16)	Legal reserves (note 16)	Other reserves	Revaluation reserve (note 16)	Retained earnings	Total equity
<i>In thousands of U.S. dollars</i>								
Balance as of January 1, 2022		385,036	8,857	30,799	5,675	-	79,721	510,088
Comprehensive income for the period								
Profit for the period		-	-	-	-	-	28,587	28,587
Other comprehensive income								
Revaluation reserve		-	-	-	-	281,113	-	281,113
Total comprehensive income for the period		-	-	-	-	281,113	28,587	309,700
Transactions with owners of the Company								
Capital	16.A	79,721	-	-	-	-	(79,721)	-
Capitalization of other reserves		-	-	-	(5,675)	-	5,675	-
Legal reserve	16.B	-	-	2,854	-	-	(2,854)	-
Dividends paid	16.E	-	(8,857)	-	-	-	(18,643)	(27,500)
Total transactions with owners of the Company		79,721	(8,857)	2,854	(5,675)	-	(95,543)	(27,500)
Balance as of December 31, 2022		464,757	-	33,653	-	281,113	12,765	792,288
Balance as of January 1, 2023		464,757	-	33,653	-	281,113	12,765	792,288
Total comprehensive income for the period								
Profit for the period		-	-	-	-	-	32,942	32,942
Other comprehensive income								
Capitalization of revaluation reserve		-	-	-	-	(281,113)	-	(281,113)
Total comprehensive income for the period		-	-	-	-	(281,113)	32,942	(248,171)
Transactions with owners of the Company								
Capitalization of retained earnings	16.A	12,720	-	-	-	-	(12,720)	-
Capitalization of other reserves	16.C	-	281,113	-	-	-	-	281,113
Remeasurement asset retirement obligation	16.D	-	(2,566)	-	-	-	-	(2,566)
Legal reserve	16.B	-	-	3,304	-	-	(3,304)	-
Total transactions with owners of the Company		12,720	278,547	3,304	-	-	(16,024)	278,547
Balance as of December 31, 2023		477,477	278,547	36,957	-	-	29,683	822,664

The notes on pages 5 to 60 are an integral part of these consolidated financial statements.

Orazul Energy Perú S.A. and Subsidiary
Consolidated Statements of Cash Flows
For the years ended December 31, 2023, and 2022

<i>In thousands of U.S. dollars</i>	<i>Note</i>	2023	2022
Cash flows from operating activities			
Collections from customers		140,304	130,361
Collections of interest		1,424	107
Payment to suppliers		(76,877)	(54,551)
Payment of options agreements		-	(2,675)
Payment to employees		(202)	(127)
Cash generated from operating activities		64,649	73,115
Income tax recovered		595	1,148
Income tax paid		(15,783)	(1,706)
Net cash provided by operating activities		49,461	72,557
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		166	23
Acquisition of property, plant, and equipment		(8,881)	(3,777)
Net cash used in investing activities		(8,715)	(3,754)
Cash flows from financing activities			
Interests paid	13	(20,430)	(20,430)
Payment of withholding tax derived from interest		(1,047)	(955)
Payment of lease liabilities	12	(158)	(173)
Dividends paid, net of tax		-	(26,122)
Payment of interest and taxes on shareholder loan	24.C(b)	-	(25,613)
Net cash used in financing activities		(21,635)	(73,293)
Net increase (decrease) in cash		19,111	(4,490)
Cash as of January 1		16,779	20,849
Effects of variations in exchange differences on held cash		153	420
Cash as of December 31	5	36,043	16,779

The notes on pages 5 to 60 are an integral part of these consolidated financial statements.

1. Background and Business Activity

A. Corporate information

Orazul Energy Perú S.A. (hereinafter, "the Company," "OEP" or "Orazul") is a subsidiary of Orazul Energia (UK) Holdings Ltd, a company established in the United Kingdom, which owns 99.99% of the Company's share capital. The legal domicile of Orazul is Las Palmeras No. 435, 7th floor, San Isidro, Lima, Peru.

The Company business activity is the generation and commercialization of electrical energy. The Company has a total installed capacity of 377, as detailed below:

Plant	Company	Source used to operate power station	Capacity (MW)	Location
Cañón del Pato	Orazul Energy Peru	Hydro	266	Huallanca, Ancash
Carhuaquero	Orazul Energy Peru	Hydro	110	LLacma, Cajamarca
Solar Carhuaquero (*)	Orazul Energy Peru	Solar	1	Llacma, Cajamarca
377				

(*) Solar power plant with Commercial Operation Date (COD) on February 14, 2024 (note 26).

The Company could be affected by seasonal patterns throughout the year and therefore, the operating margin could vary by month during the year.

Additionally, weather variations, including hydrological conditions, could also have an impact on generation output. Nevertheless, the hydropower facilities are located in two different basins, which diversifies hydrology risk.

B. Subsidiary

As of December 31, 2023, and December 31, 2022, the Company has 99.99% direct equity interest in its subsidiary Kondu S.A.C. (hereinafter, "Kondu" or "Subsidiary").

Kondu (former "Orazul Soluciones S.A.C."), was incorporated on September 10, 2021, with the purpose of carrying out power generation, transmission, and commercialization activities as well as providing energy solutions services to customers in general.

The Company and its Subsidiary operate in Peru (collectively hereinafter, "the Group").

2. Operations Regulation and Legal Standards Affecting the Electric Sector

The Group is within the scope of various rules governing its activities. Failure to comply with these rules may result in the imposition of sanctions on the Group affecting it both financially and operationally. The Group's Management, through its commercial and legal management, monitors and assesses compliance with regulations and claims filed.

Main regulations affecting the Group's activities are:

A. Electricity Concessions Law

In Peru, the electricity sector is regulated under the Electricity Concessions Law, Decree Law 25844, enacted on November 19, 1992; its regulation, Executive Order 009-93-EM, enacted on February 25, 1993; and its supplementary standards and amendments, one among them being Law 28832, the Law to Guarantee the Efficient Development of Electricity Generation.

Orazul Energy Perú S.A. and Subsidiary

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

According to the Law of Electricity Concessions, the National Interconnected System (Sistema Interconectado Nacional – SEIN, for its Spanish acronym) is divided into three main segments: power generation, transmission and distribution.

In addition, according to the Law to Guarantee the Efficient Development of Electricity Generation, the operations of the power generation plants and transmission systems are subject to the provisions of the Committee of Economic Operation of the National Interconnected System (Comité de Operación Económica del Sistema Interconectado Nacional - COES-SINAC; for its Spanish acronym). The COES-SINAC coordinates their operation at minimum cost, guaranteeing the security of the supply of electricity and the best use of energy resources, and planning the development of the SEIN and the administration of the short-term market. The COES-SINAC establishes the values of the capacity and energy transfers between the generators.

B. Law to Guarantee the Efficient Development of Electricity Generation

In July 2006, the Peruvian Government issued Law 28832, the Law to Guarantee the Efficient Development of Electricity Generation, with one of its main objectives to: (1) maintain the economic principles used in Law 25844 and add new measures to facilitate competition in the wholesale market; (2) reduce government intervention in establishing power generation tariffs; (3) allow power generation tariffs for regulated power consumers to reflect a competitive market, facilitating the construction of new generation plants when required; and (4) ensure a sufficient supply of power by reducing the power system's exposure to the risks of high prices and rationing inherent to situations of undersupply of natural gas or transportation congestion.

One of the main changes introduced by the Law is in the mechanism of tender offers for the electricity distribution companies to enter into power supply contracts with power generation companies to supply the public electricity service. This rule established a mechanism that promotes investments in new power generation capacity through long-term contracting at fixed prices with distribution companies.

C. Environmental preservation regulations

According to the Law of Electricity Concessions (Decree Law 25844) and the General Environmental Law (Law 28611), the Government designs and applies the policies and standards necessary for the adequate conservation of the environment and of the nation's cultural heritage. Additionally, it ensures the rational use of natural resources in the development of activities relating to the generation, transmission, and distribution of electricity and hydrocarbon activities. In this sense, the Ministry of Energy and Mines approved the Regulation of Environmental Protection in Electricity Activities (Executive Order 14-2019-EM).

D. Technical Standards

Technical Quality Standards of Electricity Services

Executive Order 020-97-EM approved the Technical Quality Standard of the Electricity Services (Norma Técnica de Calidad de los Servicios Eléctricos – NTCSE, for its Spanish acronym), which established the minimum quality levels of the electricity services and those related to the power generation, transmission, and distribution subject to the regulation of prices, applicable to power supply subject to a free price regime, in all that both counterparties have not stated within their agreement.

The NTCSE uses measurement and tolerance procedures to establish quality standards for the electricity service and public lighting service, assigning the responsibility for its supervision to OSINERGMIN and ordering its compliance by the electricity companies, as well as the customers of the sector. Likewise, it regulates the application of penalties and compensations in cases of non-compliance to parameters established by the NTCSE. The Law 28832 grants COES-SINAC authority to assign responsibilities in case of breach of the NTCSE, as well as calculate the corresponding compensations.

Technical standard for the coordination of the real time operation of the interconnected systems

Official Document "Resolución Directoral" 025-2008-EM/DGE, dated August 8, 2008, modified sub-section 7.1.3 of the "Technical Standard for the Coordination of the Real Time Operation of the Interconnected Systems", which basically establishes that the rationing of electricity will be carried out by prioritizing the electricity supply for the public electricity service.

Technical standard for the real time exchange of information for the operation of the national interconnected electrical system

Official Document "Resolución Directoral" 243-2013-EM/DGE, dated November 27, 2013, approved the Technical Standard for the Real Time Exchange of Information for the Operation of the National Interconnected Electrical System, which established the technical responsibilities and the procedures related to the operation of the ICCP Network of the SEIN (RIS) for the real time exchange of information between the Control Center of the COES and the Control Centers of the members of the SEIN.

E. Anti-monopoly and Anti-oligopoly Law

The Anti-monopoly and Anti-oligopoly Law in the Electricity Sector, Law 26876, was issued in November 1997, which establishes that vertical integration over 5% or horizontal integration over 15% that occur in companies that develop activities of generation, transmission, and distribution of electricity, will be subject to a prior authorization procedure to avoid concentrations that could affect competition in the electricity market.

Resolution 012-99/INDECOPI/CLC established conditions in defense of free competition and transparency in the sector. In Management's opinion, this standard does not affect the Group's operations. As mentioned in Note 1, I Squared Capital Advisors (US) LLC is required to obtain authorization from Indecopi, the Peruvian antitrust authority, before acquiring control over certain Peruvian entities in the acquisition, including the Company.

In November 2019, Emergency Decree 013-2019 was issued and established the general regime of prior control of business concentration operations. Subsequently, this Decree was replaced by Law 31112. This law replaces Law 26876 (Electricity sector).

F. Emergency Decree Assuring Continuity in the Provision of Electricity Services

Due to short-term constraints in the gas supply and power transmission systems, which were generating distorting price signals in the spot market, the Government of Peru issued Emergency Decree 049-2008, dated December 17, 2008, extended by Emergency Decree 079-2010, Law 30115 and Law 30513. Pursuant to this decree, COES is required to simulate energy spot prices without accounting for limitations due to shortage in supply and transportation of natural gas and for limitations on the transmission system. The latter scheme caps spot prices at a maximum amount per megawatt hour. Power generation companies with units that are called to dispatch and have a variable cost higher than the spot price determined pursuant to the referenced emergency decree are compensated for the difference in their cost by transmission surcharges imposed on all end consumers of the SEIN (i.e., regulated and non-regulated customers) and collected by distribution companies.

Additionally, such decree regulates the allocation to power generators of mandatory energy supplies without a contract. Such mandatory supplies are allocated to power generators based on their annual efficient firm energy less their energy sales per contract. The allocation of mandatory supplies without a contract will not generate economic losses to power generators since the demand shall pay an additional fee for the energy of these mandatory supplies when their supplying costs exceed Busbar tariffs.

Emergency decrees are legislative statutes that are exceptionally issued by the Executive branch of the Government of Peru, which can only be issued on circumstances and in areas specified in the Peruvian Constitution and are effective for a limited time. The aforementioned government decree was in force until October 1, 2017.

From October to the end of 2017, the COES had to calculate the Short-term Marginal Costs using the same models used to elaborate the daily operational program, with some adjustments. In addition, the COES had to reallocate the congestion charges paid by the generators.

Afterwards, the Supreme Decree N° 033-2017-EM established that the Regulation of the Wholesale Electricity Market, approved by Supreme Decree N° 026-2016-EM and the resolutions issued by OSINERGMIN regarding the Wholesale Electricity Market that approve, modify or repeal Technical Procedures of COES were effective from January 1, 2018.

G. Standard "Rates and compensations for secondary transmission systems (STS) and complementary transmission systems (CTS)"

OSINERGMIN through Resolution N° 164-2016 OS/CD, dated June 30, 2016, approved the new standard "Procedure for allocation of Responsibility Payment of STS and CTS".

Under the previous methodology, only the "Relevant Power Generators" have assumed payment of STS and CTS; however, the new Resolution eliminates this concept and therefore all power generators would pay even transmission facilities that do not use.

Notwithstanding the above, the Resolution establishes a transitional period from May 2017 to April 2021 to reduce the impact of this measure established.

H. Single Distribution Rate, Supreme Decree 082-2009-EM

Supreme Decree 082-2009-EM, modified by Article 4° of Supreme Decree 048-2008-EM, introduced a mechanism to apply the Single Distribution Rate of Natural Gas applicable to power generators located in the concession area of the natural gas supplier of Lima and Callao. It establishes compensation mechanism for natural gas concessionaires through a single rate instead of individual distribution rates.

I. Resolution that sets busbar prices applicable to the period from May 1, 2023 to April 30, 2024

Published on Apr 15, 2023, by means of Resolution OSINERGMIN N° 056-2023-OS/CD, thereby establishing Busbar prices and their corresponding Nodal Electricity Factors and associated Power Loss Factors, which are effective from May 1, 2023 to April 30, 2024.

J. Value of the Applicable Discount Factor (FDA)

It established the value of the Applicable Discount Factor (FDA); such a factor is applicable to the natural gas transport rate. The Resolution 076-2023-OS/CD establishes the FDA applicable from May 1, 2023 to April 30, 2024.

K. Wholesale electricity market

Supreme Decree N° 026-2016-EM dated July 2, 2016: New regulation of the wholesale electricity market (MME, for its Spanish acronym). COES administrates the MME and it includes the Short-Term Market (MCP, for its Spanish acronym), ancillary services and other collateral payments necessary for the operation of the Peruvian Interconnected System (SEIN).

Participants authorized to sell in the MCP are the power generators members of the COES through the dispatch of their respective power plants (dispatch decided by the COES based on a marginal cost merit order).

Participants authorized to buy in the MCP are:

- Power Generators to supply their respective PPAs;
- Power Distributors to meet the demand of its non-regulated users (free customers), up to 10% of the maximum demand recorded by the total non-regulated users in the last 12 months; and
- Large Users, to meet up to 10% of its maximum demand in the last 12 months,
- The above percentage may be modified by Supreme Decree.

The participants must have guarantees or a top credit rating to ensure the payment of all of their obligations in the MME, according to the respective procedure. This measure does not apply to the generators, except that they fail the payment of their obligations in the power and energy transfers in the COES.

The Supreme Decree N° 033-2017-EM established that the Regulation of the Wholesale Electricity Market, approved by Supreme Decree N° 026-2016-EM, be effective as of January 1, 2018. The Resolution N° 209-2017-OS/CD postponed the presentation of guarantees or credit ratings up to March 26, 2018, to be able to participate in the MME, from April 1, 2018.

L. Supreme Decree that modifies provisions applicable to the programming and coordination of the operations of the National Interconnected Electric System

The Supreme Decree N° 040-2017-EM modifies, among others, the article 96 of the Regulations of the Electricity Concessions Law:

- The COES may issue provisions for the operation in cases of exceptional situations, which include temporary configurations of equipment and installations in the system, as well as programming and operating in real time with new reference values for voltage and frequency, which exceed the tolerances normal and the normal load limits of equipment and facilities; and, eventually, stop allocating rotating reserve for frequency regulation, to procure timely supply to users and minimize the effects of such exceptional situation.
- The information of the generation units corresponding to some Operating Inflexibilities of those units, will be delivered with the respective technical support to COES and OSINERGMIN, the latter being able to arrange the corresponding supervision and/or control actions. If the Generator does not send the information indicated above, or if OSINERGMIN determines its inconsistency, these Operating Inflexibilities will be communicated by OSINERGMIN to COES. In the cases deemed relevant by OSINERGMIN, it may request to COES its opinion supported to the values proposed by the Generator.

M. Procedure for the Supervision of the Parameters of the Operating Inflexibilities of the Generation Units of the SEIN

Resolution N° 161-2019-OS/CD OSINERGMIN. In a period not exceeding sixty (60) calendar days of its entry into force, the Generators must send to OSINERGMIN the information referring to the parameters of the Minimum Time of Operation (TMO in Spanish), Minimum Time between Starts (TMA in Spanish) and Start Time (TA in Spanish), adding the corresponding Technical Support Report (IST in Spanish), as indicated in the approved procedure.

The procedure establishes that in case the generators do not present the information within the established time frame or if OSINERGMIN considers that the information presented is inconsistent with the guidelines contained in the approved standard, this entity will communicate to COES the parameters of operational inflexibilities that should be considered.

The operational inflexibility parameters that the standard establishes as referential are those applicable to the US electrical system provided by the Federal Energy Regulatory Commission (FERC), which do not conform to the reality of the machines that operate in the electrical sector, either to the system of recognition of costs that would imply complying with said technical regime:

Technology	TMA (hours)	TMO (hours)	TA (hours)
Diesel	0.6	1	0.1
Open cycle	1.25	2	0.25
Combined cycle	3.5	4	0.5
Biomass	8	4	10
Steam power station	8	8	10

Also, Through Resolution 030-2021-OS / CD, OSINERGMIN approved the new COES Technical Procedure N° 04, on "Tests for the Determination of the Minimum Power of the Generation Units of the SEIN".

N. Water LAW, Law N° 29338 and its regulation by Supreme Decree N° 001-2010-AG, Dated March 23, 2010

The purpose of this Law is to regulate the use and integrated management of water, the performance of the Government and individuals in such management, as well as the assets associated with it.

O. Modification the Technical Standard for the Coordination of Real-Time Operation of Interconnected Systems

The Directorial Resolution N° 0136-2018-MEM/DGE establishes that once the Rationing Mechanism is activated (as established by Executive Order 017-2018-EM), for purposes of the operation, the COES will apply the efficiency criterion that allows the maximum use of natural gas. Within the electricity sector, the gas allocation will be pro rata of the Daily Contract Quantity or the Maximum Daily Amount of your gas supply contracts, whichever is greater.

Additionally, numeral 5.4.10 of the Technical Standard for the Coordination of the Real-time Operation of Interconnected Systems was modified, to establish when the Rationing Mechanism referred to in Supreme Decree N° 017-2018-EM is activated. When and the daily volume of gas available for electricity generation is insufficient for the economic dispatch without restriction of gas supply, the COES will apply in the programming of the operation and/or in real time the efficiency criterion that allows the best use of natural gas to generate electricity. Thus, the operation of the SEIN is carried out at the minimum cost preserving the security of the system, reallocating the gas that would have corresponded to each generator having considered a pro-rata distribution of the amount of gas available for the priority level corresponding to Electric Generators, based on the Contractual Daily Quantity or the Maximum Daily Quantity, of their gas supply contracts, whichever is greater.

Finally, if required, the COES can consider in the programming of the operation and/or in real time, the changing the fuel from the dual units to liquid fuel.

P. Regulation of Legislative Decree N° 1221

Approved by Supreme Decree N° 018-2016-EM: this regulation established some amendments to: (i) the Regulation of the electricity concessions law and (ii) to the Regulation of the Non-regulated Users in electricity market:

- i. In the case of use of water resources, the definitive concession request must include the study of the project feasibility level with an analysis of its optimal exploitation. The petitioner of a definitive power generation concession must prove that the requested area corresponds to the minimum required for power generation capacity provided in the application and does not affect the normal development of projects with definitive concessions granted through a Feasibility Study.

- ii. It establishes that Users whose maximum annual demand of each supply point is equal to or less than 200 kW, have the status of Regulated User, and if it is greater than 200 kW to 2500 kW, are entitled to choose between the status of Regulated User or Non-Regulated User.

It adds that the Regulated Users whose maximum monthly demand (from several supply points) exceeds 2500 kW, will maintain that status for a period of one (1) year from the month in which exceeded that ceiling, unless otherwise agreed between the parties. In the case of users whose maximum annual demand of each supply point is greater than 2500 kW have the status of non-regulated users, except as indicated previously.

Q. Through Resolutions 216, 217, and 218-2018-OS/CD the OSINERGMIN issued the prior authorization for the modification of the long-term supply contracts signed by Luz del Sur, Hidrandina, and Enel Distribución with the generators in the framework of Law 28832

Supreme Decree N° 022-2018-EM ("DS 022") modifies Article 18 of the Tender Regulation for the Supply of Electricity, establishing the modification of supply contracts that result from bids within the framework of Law 28832, by agreement of parties and exceptionally. DS 022 also establishes a transitory procedure for the evaluation of the addenda to contracts resulting from bids, applicable until December 31, 2018.

Within the framework of the provisions of supreme decree 022-2018-EM Orazul subscribed option agreements for the right to execute addendums to the PPAs with Luz del Sur, Hidrandina, and Enel Distribución. In this sense, for example, Orazul and Luz del Sur signed option agreements that give Orazul the right to extend the term of the PPAs (for a minimum of 7 years) in case the option is exercised. For such option Orazul had to pay the value of the option through monthly payments.

R. Incorporation of the third paragraph to article 122 of the Electricity Concessions Law

Legislative Decree 1451, within the framework of the strengthening of national, regional and local government entities, incorporated a third paragraph to article 122 of the Electricity Concessions Law, to submit to the Ministry of Energy and Mines the evaluation of definitive concessions or authorizations of generation that are processed in cases of vertical integration that do not qualify as acts of concentration according to the rule of the matter.

In practice, some distribution companies are expanding their investments through different companies linked to them to carry out the generation activity, without this qualifying as an "act of concentration" that must be previously evaluated by INDECOPI to have the respective authorization (because this assumption focuses on mergers and acquisitions between companies that develop different activity in the electricity market).

These situations, occasioned by those distribution companies also violates the prohibition established in article 122 of the Electricity Concessions Law, which expressly states that the generation, transmission and distribution activities cannot be carried out by the same owner or by anyone who directly or indirectly exercises control over it.

S. OSINERGMIN approved the modification of the PR-26 of the COES to determinate Firm Power to the generation plants with renewable energy resources

Resolution N° 144-2019-OS/CD OSINERGMIN. Since September 1, 2019, the Firm Power of the generation plants that use wind, solar or tidal technology will be determined considering the production of energy in the Peak Hours of the System defined by the Ministry of Energy and Mines (5:00 p.m. to 11:00 p.m.), according to the following formula:

$$PF_i = \frac{\sum_1^h EG}{h}$$

Where:

PF_i = Firm Power to the generation plant with renewable energy resources.

EG = Production of active energy of the RER Power Plant during the System Peak Hours of the last 36 months (evaluation period). If this series is not available, it will be necessary to consider the period from the date of Commercial Operation Start-up of the plant until the month of evaluation of the PF_i.

h = Total number of Peak Hours of the System corresponding to the evaluation period of the EG.

T. OSINERGMIN approved modification of the Procedure “Conditions for the application of electricity generation and transmission rates”

The purpose of this standard is to establish the conditions for the application of generation and transmission prices for electrical energy supplies linked to:

- (a) Electricity sales from Generator to Distributor, destined to the Public Electricity Service, which are made through the contracts referred to in subparagraph a) of section 3.2 of article 3 of Law N° 28832 (contracts without biddings).
- (b) The tariff options for Regulated Users defined according to Article 1 of Law N° 28832 located in high and regular tension connected to the transmission system.
- (c) The application of the tolls of the Transmission Systems.

U. Regulation of inspection and sanction of energy and mining activities of OSINERGMIN

Resolution N° 208-2020-OS-CD approves the "Regulation of Inspection and Sanctioning of energy and mining activities overviewed by OSINERGMIN", which will start the day following publication in the official newspaper El Peruano of the Methodological Guide for the Calculation of the Base Fine, referred to in numeral 26.3 of article 26. As of the effective date of this Regulation, the Regulation that was approved by Board Resolution N° 040-2017-OS/CD will be replaced.

Resolution N° 120-2021-OS-CD approves the “the Methodological Guide for the Calculation of the Base Fine”.

V. Complementary measures for the electricity sector during the national emergency period

Emergency Decree 035-2020 establishes that the electricity service receipts, issued in the month of March or that include consumption made during the national emergency period, may be divided up to 24 months. This benefit will be applicable only to residential users of the electricity service with consumption of up to 100 kWh per month; and residential users of non-conventional rural electrical systems supplied by autonomous photovoltaic power. To the amount to be fractioned, it is not applicable interests, fees or any other similar concept.

The Decree established that during the national emergency period and up to sixty (60) calendar days after its completion, any breach to the Technical Standard of Quality of Electrical Services approved by Supreme Decree N° 020- 97-EM and to the Technical Standard of Quality of Rural Electrical Services approved by Directorial Resolution N° 016-2008-EM / DGE, will not generate any sanctions or compensations, as a consequence of the sanitary measures and lockdown established by the Peruvian government to control COVID-19.

In addition, reporting obligations and delivery of physical information by the electricity companies and COES to MINEM and OSINERGMIN are suspended. In this sense, all information must be sent virtually to these entities.

W. OSINERGMIN approved the Procedure for the Inspection of Contracts and Authorizations of the Electricity Subsector and Concession Contracts in Natural Gas activities

Resolution 166-2020-OS/CD approves the Procedure for the Inspection of Contracts and Authorizations of the Electricity Subsector and Concession Contracts in Natural Gas activities.

The supervision of compliance with the obligations contained in the Concession Contracts, Authorizations and Investment Commitment Contracts, carried out by OSINERGMIN, is developed through information requirements and field inspections without having specific guidelines that guide the inspection procedure. This creates difficulty in the exercise of the supervisory power and lack of predictability in the activities in the electricity and natural gas subsector.

The purpose of this Procedure is to establish clear parameters for the supervision of the obligations contained in the Concession Contracts, Authorizations and Investment Commitment Contracts in the Electricity Subsector, as well as in the Concession Contracts of activities Natural Gas and within OSINERGMIN's competence.

The inspection will include: (i) Construction; (ii) Partial and / or Commercial Commissioning; and (iii) Operation, Exploitation of Concession Assets and Maintenance. OSINERGMIN will be in charge of supervising, within the scope of its competence, compliance of the obligations contained in the Contracts and / or Authorizations in accordance with the provisions of the Procedure, without limitation to supervise other aspects.

X. Value of the Fortuitous Unavailability Rate of the peak unit and the Target Firm Reserve Margin of the National Interconnected Electric System is set

Through Resolution 199-2020-OS / CD, the value of 4.18% is set as the Fortuitous Unavailability Rate of the peak unit from May 1, 2021 to April 30, 2025 is set at 4.18%.

Also, the value of 21.41% is set as the Target Firm Reserve Margin of the National Interconnected Electric System (SEIN) from May 1, 2021 to April 30, 2025.

Y. Value of the Reserve Margin of the National Interconnected Electric System is set

The Reserve Margin of the National Interconnected Electric System (SEIN) from May 1, 2021 to April 30, 2025 is set as follow:

Period	Reserve Margin
May 2021- Apr 2022	37.4%
May 2022- Apr 2023	35.0%
May 2023- Apr 2024	33.9%
May 2024- Apr 2025	32.3%

Z. The Rotating Reserve Margin for the Primary Regulation of Frequency of the National Interconnected Electric System is set for the flood period and low water period of the year 2022 and 2023

Through Resolution 237-2021-OS / CD, the Rotating Reserve Margin for the Primary Regulation of Frequency of the National Interconnected Electric System is set at 2.8% for the flood period in the months of January to May and December 2022; and for the dry season in the months of June to November 2022. Through Resolution 209-2022-OS / CD The Rotating Reserve Margin for the Primary Frequency Regulation of the National Interconnected Electric System is approved at 1.9% for the flood period from January to May and December 2023; and 2.3% for the low water period from June to November 2023.

AA. OSINERGMIN's "Methodological Guide for Calculating the Base Fine" is approved

Through Resolution N° 120-2021-OS/CD, OSINERGMIN approves the Methodological Guide for the Calculation of the Base Fine, which aims to provide greater predictability in relation to the criteria and components to be considered by OSINERGMIN for the determination of the base fine, as part of the fine penalty grading process to be imposed on by the audited agents.

The Guide is mandatory for the investigating authority, the sanctioning authority and the OSINERGMIN review authority, in the exercise of their respective functions.

BB. OSINERGMIN approved the modification of Technical Procedure 20 of the COES "Entry, Modification and Removal of Facilities in the SEIN"

Through Resolution 083-2021-OS/CD, it is provided to substitute numerals from 1 to 16 of the COES Technical Procedure N° 20 approved by Resolution N° 035-2020-OS/CD, and to incorporate numeral 17 in accordance with the content in Annex A of the published resolution.

In addition, Annexes 2 to 7 are replaced by Annexes 2 to 5, in accordance with the content of Annex B of the published resolution.

It is specified that Annex 1 of the Technical Procedure of COES N° 20 approved by Resolution N° 035-2013-OS/CD, remains valid.

Likewise, the processes for obtaining Certificates of Conformity of EPO, EO, Start of Commercial Operation, Integration of Transmission Facilities in the SEIN, Conclusion of Commercial Operation and Retirement of Facilities of the SEIN, as well as for the approval of the Connection of Installations to the SEIN initiated before the entry into force of the modification of this procedure, will be governed, until its conclusion, by the provisions contemplated in the Technical Procedure of COES N° 20 approved by Resolution N° 035-2013-OS/CD. Exceptions from the application of this provision are those processes related to projects that are outside the scope of this procedure or that do not comply with the requirements established in its scope, as well as processes that are no longer contemplated in the approved Technical Procedure.

CC. OSINERGMIN modifies COES Technical Procedure N° 07 "Determination of Short-Term Marginal Costs" (PR-07)

By Resolution N° 244-2021-OS/CD OSINERGMIN modifies COES Technical Procedure N° 07 "Determination of Short-Term Marginal Costs" (PR-07) approved by Resolution N° 179-2017-OS/CD and modified by Resolution N° 091-2019-OS/CD, in accordance with the provisions of the Annex to this resolution. On July 1, 2022 is established as the effective date of the modifications to the PR-07.

Likewise, until June 30, 2022, the COES must carry out the implementation and/or adaptation, realization of the tests and validations corresponding to the modifications established in the Annex of the approved resolution.

EE. OSINERGMIN approves the request to modify the Supply Contracts signed by Enel Distribución Perú S.A.A. with Kallpa Generación S.A., Orazul Energy Perú S.A. and Termoselva S.R.L.

Through Resolution 077-2021-OS/CD approves the modification of the Supply Contracts signed by Enel Distribución Perú S.A.A with the generating companies Kallpa Generación S.A., Orazul Energy Perú S.A. as a result of the Long Term Supply Bidding process: ED-01-2009-LP, ED-02-2009-LP, LDS-01-2011-LP-I and ED-01-2012-LP; LDS-01-2010-LP; and LDS-01-2010-LP; respectively, regarding the variable contracted power from the date of subscription of the respective addendum (after approval) until December 31, 2021.

FF. Ministry of the Environment declares the Climate Emergency of National Interest

Through Supreme Decree N° 003-2022-MINEM, the country's climatic emergency is declared as national interest, with the purpose of executing a series of actions and measures to (i) limiting the increase in temperature, (ii) reducing climatic risks, (iii) achieve "carbon neutrality", (iv) stabilize greenhouse gas emission concentrations, among other global objectives. In this sense, the Supreme Decree established the following relevant provisions for the energy sector:

- The Ministry of Energy and Mines ("MINEM" in Spanish), in coordination with the Ministry of the Environment, will guarantee the use of non-conventional renewable energy resources ("RER") in the electricity generation matrix. It is expected to progressively increase the new requirements with RER, with a projection of reaching 20% of its participation by 2030.
- MINEM must prioritize the execution of the following measures:
 1. Promote programs and policies on the efficient use of energy in the public, productive, services, residential and transportation sectors.
 2. Implement programs to change polluting fuels (wood, manure, coal, among others) for other clean energy sources for domestic use.
 3. Design promotion programs for the development of technologies, use and production of green hydrogen.
 4. Propose, within the scope of the "Multisectoral Commission for the Reform of the Electricity Subsector", with the participation of the Ministry of the Environment, the regulatory framework for increasing the use of RER in the electricity generation matrix, as well as other measures that promote the use of renewable energies.
- The Ministry of Transport and Communications must design promotion mechanisms for electromobility with emphasis on urban transport.

GG. Supervisory Agency for Investment in Energy and Mining - OSINERGMIN modifies COES Technical Procedure N° 22 "Rotating Reserve for Secondary Frequency Regulation" (PR-22)

The modification of PR-22 incorporates the formula that allows calculating the real Opportunity Cost incurred by the machines for providing Secondary Frequency Regulation service. In this way, the hydroelectric machines that offer this service downstream during the flood season will be adequately compensated.

The modification of PR-22 will become effective on June 21, 2022.

HH. OSINERGMIN approves the "Procedure for the Control of Compliance with the Technical Standard for the Exchange of Real Time Information for the Operation of the National Interconnected Electric System"

The Procedure has the following objectives:

- Establish the methodology for supervising compliance with the Technical Standard for the Exchange of Real-Time Information for the Real-Time Information Exchange for the Operation of the National Interconnected National Interconnected Electric System (NTIITR).
- Establish the criteria and procedures to evaluate the compliance of the adequacy of the Control Centers of the ICCP Network Control Centers of the Members of the SEIN's ICCP Network of the SEIN (RIS), in relation to the requirements of the Objective Stage of the of the NTIITR, and evaluate the fulfillment of the minimum quality requirements and conditions for the exchange of information in real time between the COES and the Control Centers of the Members of the SEIN.

The procedure establishes the conducts considered as non-compliances, which will be sanctioned according to the Scale of Fines and Sanctions to be approved by OSINERGMIN.

II. Peruvian Government establishes seven (7) hours as the Regulation Hours to be applied for the calculation of the firm power of hydroelectric power plants

The Regulation Hours are set at seven (7) hours according to the provisions of literal d) of article 110 of the Regulation of the Law of Electricity Concessions, approved by Supreme Decree N° 009-93-EM, for the period from May 1, 2022 to April 30, 2026.

JJ. Supervisory Agency for Investment in Energy and Mining (OSINERGMIN) approves COES Technical Procedure N° 34 "Determination of the Variable Maintenance Cost of Thermoelectric Generation Units" (PR-34)

The purpose of PR-34 is to establish the criteria, methodology and process to be followed by the Integrating Generators to determine the Variable Maintenance Cost (CVM) of the thermoelectric Generation Units in each of its Operation Modes, for its approval by COES.

The PR-34 establishes the obligation of the Generators to submit an economic technical report that supports the CVM of its thermoelectric Generation Units for each of its Operation Modes. The report must be updated every two (02) years or when the indicated conditions occur.

KK. Congress of the Republic approves to bring forward the amendment to Law 27510, Law that creates the Electric Social Compensation Fund

The modification of Law 27510 is brought forward to November 2022, with which the Fondo de Compensación Social Eléctrica (FOSE) will cover the subsidy to residential users of the public electricity service whose monthly consumption is less than or equal to 140 kWh/month (previously it was up to 100 kWh/month).

LL. Supervisory Agency for Investment in Energy and Mining (OSINERGMIN) approves COES Technical Procedure N° 02 "Conditions for Participation in the Wholesale Electricity Market" (PR-02)

The purpose of PR-02 is to establish the requirements, procedures and obligations that Members must comply to participate in the Wholesale Electricity Market (WEM).

The modifications of PR 02 (with respect to its previous version), are related to the following:

- Requirements to be a participant of the WME.
- Treatment of remote disconnection in case of unauthorized withdrawals.
- Authorization process to participate in the WME.
- Causes for suspension and exclusion.

As a result of the modifications to PR 02, modifications to PR 10 and PR 20 on "Liquidation of Valuation of Active Energy Transfers and Valuation of Complementary Services and Operative Inflexibilities" and "Entry, Modification and Withdrawal of Facilities in the SEIN", respectively, are provided.

Finally, COES has published for comments the proposed modifications to PR 46 "Guarantees and Constitution of Trusts for the Wholesale Electricity Market" and PR 47 "Daily Valuations in the Wholesale Electricity Market", to align them with the changes approved to PR 02. The Company is evaluating these proposals for comments, if appropriate.

MM. Supervisory Agency for Investment in Energy and Mining (OSINERGMIN) modifies COES Technical Procedure N° 13 "Calculation of Firm Energy, annual verification of the coverage of the Committed Energy and monthly balance of the committed power" (PR-13).

By OSINERGMIN Resolution 210-2023-OS/CD, OSINERGMIN modifies the PR-13. However, this modification has not corrected important observations that we consider in the PR-13:

- PR-13 establishes two stages of verification of generators' energy commitments per year.
- PR-13 establishes the determination of a factor (load factor) for the projection carried out in the initial stage, but the way in which it is regulated has the effect of inflating "the supposedly committed energy for the year under evaluation, causing the generator to have to present a greater firm energy support."
- In the second stage this factor is also applied, and this is also a mistake, because in this stage already has the real data (not projected) of how much firm energy was had in the year and how much energy was committed to customers, so in this final evaluation no factor should be applied.

NN. Agency for Environmental Assessment and Enforcement (OEFA) approves the "Sole Ordered Text of the Procedure for Collection and Control of the Regulation Contribution"

The purpose of this rule is to regulate the procedure for the collection and control of the Regulatory Contribution that corresponds to the OEFA. The rule is applicable to the subjects of the energy (electricity and hydrocarbons subsectors) and mining sectors that are obliged to comply with the obligations derived from the Regulation Contribution.

Likewise, through Supreme Decree N° 157-2022-PCM, provisions were approved regarding the OEFA's Regulation Contribution, to be paid by the companies and entities of the energy sector for the period 2023 - 2025, as follows:

Aliquot of the Contribution for regulation of	Current	Previous
	(2023-2025)	(2020-2022)
Companies and entities of the electricity sub-sector	2023: 0.46%	2020: 0.51%
	2024: 0.43%	2021: 0.49%
	2025: 0.41%	2022: 0.47%

3. Material Accounting Policies

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, unless otherwise stated.

In addition, the Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of “material”, rather than “significant”, accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in note 3 in certain instances (note 3.T for further information).

A. Basis of accounting

i. Compliance with IFRS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements comply with IFRS as issued by International Accounting Standards Board (IASB).

The consolidated financial statements as of December 31, 2023, have been authorized for issuance by the Management of the Company on February 12, 2024. These consolidated financial statements are to be submitted for consideration to the Obligatory General Shareholder’s Meeting that will be held according to the term legally established. In Management’s opinion, the General Shareholders’ Meeting will approve the accompanying consolidated financial statements without modifications. The consolidated financial statements as of December 31, 2022, were approved by the Management of the Company on February 9, 2023.

ii. Historical cost basis

The consolidated financial statements have been prepared on the historical cost basis, except the following assets and liabilities measured at present value: provision for asset retirement obligation (note 3.P).

B. Accounting pronouncement

i. New accounting pronouncements

The application of the following standards, interpretations and amendments to IFRS is mandatory for the first time for annual periods beginning on or after January 1, 2023:

Effective date	New standards or amendments
1 January 2023	IFRS 17 Insurance Contracts
	Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
	Definition of Accounting Estimates – Amendments to IAS 8
	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
23 May 2023	International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12

The Group has not early adopted the new or amended standards in preparing these financial statements.

ii. New accounting pronouncements issued but not yet adopted

A number of new standards are effective for annual periods beginning after January 1, 2023 and earlier application is permitted; however, the Group has not adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the consolidated financial statements:

Effective date	New standards or amendments
1 January 2024	Non-current Liabilities with Covenants - Amendments to IAS 1
	Classification of Liabilities as Current or Non-current - Amendments to IAS 1
	Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 17
1 January 2025	Lack of Exchangeability - Amendments to IAS 21
Available for optional adoption/effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28

iii. Sustainability policy pronouncements but not yet in adopted

The following pronouncements issued are applicable for the preparation of sustainability reports. The Company intends to adopt the pronouncements on their respective dates of application and not in advance.

Effective date	New IFRS for Sustainability
1 January 2024	IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
	IFRS S2 Climate – related Disclosures

C. Basis of consolidation

i. Business combinations

The Company account for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Company. In determining whether a particular set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set can produce outputs.

The Company has an option to apply a concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase gain is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured, and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

ii. Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

iii. Non-Controlling Interest (NCI)

NCI are measured at their proportionate share of the acquiree identifiable net assets at the acquisition date.

Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iv. Loss of Control

When the Company loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

v. Reorganizations under Common Control Transactions

Common control transactions that involve the setup of a new group company and the combination of entities under common control are recorded using the book values of the parent company.

vi. Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

D. Foreign currency translation

i. Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in U.S. Dollars, which is the Group functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

ii. Transactions and balances

Transactions in foreign currencies are translated to the functional currency of the Group at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are generally recognized in profit and loss.

E. Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognize revenue when they transfer control over a product or service to a customer, net of value-added-tax, rebates and discounts.

The revenue recognition model applied to contracts with customers considers a transaction analysis based on five steps to determine whether, how much and when revenue is recognized:

1. Identify the contract with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Identify the contract with a customer and performance obligations in the Contract

Revenues from the generation business are recorded based upon energy output delivered and capacity provided at rates specified pursuant to our Power Purchase Agreements (PPAs), or at marginal costs determined on the spot market, if the sales are made on the spot market.

Determine the transaction price and allocation to the performance obligations

Performance obligation in the generation business are the sale of electrical energy and the sale of capacity.

Revenues and costs related to main and secondary toll services are recognized net since the Company merely pay for the use of the transmission lines, but there is no separate performance obligation.

The Revenue from generation business is determined substantially by long-term, U.S. dollar-linked PPAs. PPAs are usually entered into at prices that are equivalent to, or higher than, the prevailing spot market rates, the majority of which are indexed to the underlying fuel cost of the related long-term supply agreements. Under the terms of the majority of our PPAs, the power purchaser is contractually obligated to purchase its energy requirements, and sometimes capacity and/or ancillary services, from the power generator based upon a base price (denominated either in U.S. Dollars or in the local currency) that is generally adjusted for a combination of some of the following: (1) fluctuations in exchange rates, (2) the U.S. inflation index, (3) a local inflation index, (4) fluctuations in the cost of operating fuel, (5) supply costs of natural gas, and (6) transmission costs. PPAs include provisions that change the contractual unitary energy prices in the case of an interruption of the supply or transportation of natural gas using a methodology based on spot prices during on the dates in which the interruption event occurred.

Many of the prices in our PPAs differentiate between peak and off-peak periods.

The Company has concluded that the variable considerations in the revenue of the generation businesses do not need to be estimated and included in the transaction price when determining the revenue due to the contracts contain fixed prices for each kWh of energy supplied and capacity.

Recognition of revenue

The following table provides information about the nature and timing of the satisfaction of performance obligation in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Type of product/ service	Nature, timing of satisfaction of performance obligations, significant payments terms	Revenue recognition
Sale of electricity and sales of capacity	The Company considers, based on all relevant facts and circumstances, that the obligation to deliver energy and capacity is viewed as services that are transferred consecutively over the contract term, which are simultaneously provided and consumed. That means, that the customer immediately consumes each unit of energy (kWh) and capacity. Management evaluates the impact of the measures of progress over time. The purpose of measuring progress toward satisfaction of a performance obligation is to recognize revenue is a pattern that reflects the transfer of control of the promised good or services to the customer. Based on the contract terms, the amount that will be billed is based on the units of energy transferred to the customers. Invoices are usually collected within 30 days.	Revenue is recognized over time as the electricity and the capacity are provided.

F. Finance income and finance costs

Finance income and finance costs of the Group are recognized on an accrual basis and include the following:

- Interest income.
- Interest expense.
- Foreign currency gain or losses on financial assets and financial liabilities.
- Reclassification of the net earnings previously recognized in other comprehensive income.
- Non-recoverable VAT related to financial obligations.
- Interest income or expense is recognized using the effective interest method.

G. Income tax

Income tax expense comprises current, deferred tax and uncertain income tax provisions. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount to be paid or received that reflects uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date, current Tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

ii. Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries and associates to the extent that the Group can control the timing of the reversal of the temporary differences and it is not probable that they will reverse in the foreseeable future; and,
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profit improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

The Group regularly reviews its deferred tax assets for recoverability, taking into consideration all available evidence, both positive and negative, including historical pre-tax and taxable income, projected future pre-tax and taxable income and the expected timing of the reversals of existing temporary differences. In arriving at these judgments, the weight given to the potential effect of all positive and negative evidence is commensurate with the extent to which it can be objectively verified.

The Group believes its tax positions are in compliance with applicable tax laws and regulations. Tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The Group believes that its liabilities for unrecognized tax benefits, including related interest, are adequate in relation to the potential for additional tax assessments. There is a risk, however, that the amounts ultimately paid upon resolution of audits could be materially different from the amounts previously included in our income tax expense and, therefore, could have a material impact on our tax provision, net income and cash flows.

iii. Uncertain income tax provision

A provision for uncertain income tax positions, including additional income tax payable or income tax receivable are recognized by the Group when they analyze an Uncertain Tax Treatment (UTT). If the Group concludes that it is probable that the tax authority will accept an UTT that has been taken or is expected to be taken on a tax return, it should determine its accounting for income taxes consistently with that tax treatment. If the Group concludes that it is not probable that the treatment will be accepted, it should reflect the effect of the uncertainty in its income tax accounting in the period in which that determination is made as an additional income tax liability.

The Group measures the impact of the uncertainty using the method that best predicts the resolution of the uncertainty; either “the most likely amount method” or “the expected value method”.

In selecting the most appropriate method, the Group uses the “most likely method” in those cases where there are binary outcomes and the concentration in one value is greater than 75%. If the outcomes are binary and the concentration in one value is 75% or less, the Group uses the “expected value method”.

Assets and liabilities balances related to uncertain income tax provisions must be included in the assets and liabilities balances from current and deferred income tax; therefore, those balances are not presented as provisions nor in other lines of the Group statement of financial position as other receivable or other payables.

H. Inventories

Inventories consist of fuel, spare parts, materials and supplies and are valued at the lower of cost or net realizable value. Cost is determined by using the average cost method.

I. Trade receivables

Trade receivables are amounts due from customers for the energy and capacity in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

J. Property, plant and equipment

i. Recognition and measurement

Property, plant and equipment includes electrical energy hydroelectric power plants Cañón del Pato and Carhuaquero (Orazul). These items are measured at historical cost less accumulated depreciation and accumulated impairment losses, except for buildings, machinery and equipment, which are measured at revalued cost based on appraisals performed by an independent appraiser.

The Company has adopted the revaluation model for its buildings, machinery and equipment on the basis of appraisals made by independent experts. The appraisals are carried out regularly enough to ensure that the fair value of the revalued assets does not differ materially from their book value.

If the book value of buildings, machinery and equipment increases as a result of a revaluation, this increase will be recognized in other comprehensive income under the heading of revaluation surplus.

The revaluation surplus included in equity may be transferred directly to retained earnings, when the asset is derecognized. This could involve the full transfer of the revaluation surplus when the entity disposes of the asset. Transfers from the revaluation surplus account to retained earnings will not go through profit or loss for the period. The amount of losses due to impairment of the fair value of revalued assets is known directly in other comprehensive income in the period in which such losses occurred. Historical cost includes expenditure that is directly attributable to the acquisition of the items:

- The cost of materials and direct labor;
- Any other costs directly attributable to bringing the assets to a working condition for their intended use;
- Capitalized borrowing costs.
- When the Company has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- For those cases, which activity occurs in hyperinflationary economies, the historical cost is adjusted by inflation in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss resulting from the disposal of an item of property, plant and equipment is recognized in profit or loss.

ii. Subsequent costs

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group, and its cost can be measured reliably.

Disbursements for maintenance and repairs are recognized as expenses in the period when incurred.

Work in progress is presented at cost. The cost of these assets in process includes professional fees and other costs. Those assets are subsequently reclassified to their category of property, plant and equipment once the construction or acquisition process is complete, and they are ready for their intended use.

iii. Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values, using the straight-line method over its estimated useful lives and is generally recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant, and equipment are as follows:

	Years
Buildings and other constructions	4 – 70
Machinery, equipment and transmission lines	4 – 30
Vehicles	5 – 15
Furniture and fixtures	7 – 16
Sundry equipment	3 – 20

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriated.

K. Intangible assets

i. Recognition and measurement

Goodwill	Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment; and any impairment loss is allocated to the carrying amount of the equity investee as a whole.
Research and development	Expenditure on research activities is recognized in profit or loss as incurred. Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.
Concession	The electricity concessions correspond to intangible assets identified at the acquisition date on December 20, 2016. The useful life of electric concessions is indefinite.
Other intangible assets	Other intangible assets, including licenses and software licenses which is acquired by the Company and has finite useful lives, are measured at cost less accumulated amortization and any accumulated impairment losses.

ii. Subsequent cost

Subsequent cost is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including cost on internally generated goodwill is expensed as incurred.

iii. Amortization

Amortization is calculated to write-off the cost of intangible assets using the straight-line method over their useful lives and is generally recognized in profit or loss.

Amortization methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

L. Financial instruments

i. Recognition and initial measurement

The Group initially recognize trade receivables issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes as party to the contractual provisions of the instrument.

A financial asset (unless is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets are classified as measured at: amortized cost, fair value through profit and loss (FVTPL) and fair value through other comprehensive income (FVOCI). Classification is driven by the Successor business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if: a) it is held within a business model whose objective is to hold assets to collect contractual cash flows, and b) the contractual term give rise on specified dates to cash flows that are solely payments of principal and interest.

All financial assets not classified as measured at amortized cost are measured at FVTPL. This includes all derivative financial assets.

Financial liabilities are classified as FVTPL (derivatives) and other financial liabilities. Financial liabilities classified as other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

iii. Derecognition

Financial assets

The Group derecognize a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfer nor retain substantially all of the risks and rewards of ownership and it does not retain control over the financial asset.

Financial liabilities

The Group derecognize a financial liability when its contractual obligations are discharged, cancelled or expire. The Group also derecognize a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On de-recognition a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognized in profit or loss.

iv. Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

M. Share capital - Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognized as a deduction from equity. Income tax relating to transactions costs of an equity transaction is accounted for in accordance with IAS 12.

N. Impairment

i. Non-derivative Financial Assets

The Group shall recognize a loss allowance for expected credit losses (ECL) on a financial asset subsequently measured at amortized cost or fair value through other comprehensive income, a contract asset or a loan commitment and a financial guarantee contract to which the impairment requirements apply.

The Group measure the loss allowance for a financial instrument, at each reporting date, at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group historical experience and informed credit assessment including forward-looking information.

In the generation business, the Group assume that has no significant credit risk due to collections are made within 30 days.

The Group considers a financial asset to be in a default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or,
- The financial asset is more than 90 days past due.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the entity expects to receive).

Lifetime ECLs are the ECL that results from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ELC are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that financial asset is credit-impaired includes

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- The disappearance of an active market for a security because of financial difficulties; or,
- Observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

Presentation of allowances for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities to comply with the Group procedures for recovery of amounts due.

ii. Non-financial assets

At each reporting date, the Group review the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment or whenever impairment indicators exist.

The recoverable amount of an asset or cash generating unit (hereinafter, "CGU") is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an assessment is performed at each reporting date for any indications that these losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

O. Energy purchase

Costs from energy purchases either acquired in the spot market or from contracts with suppliers are recorded on an accrual basis according to the energy actually received. Purchases of electric energy, including those which have not yet been billed as of the reporting date, are recorded based on estimates of the energy supplied at the prices prevailing in the spot market or agreed-upon in the respective purchase agreements, as the case may be.

P. Asset retirement obligation (ARO)

Provision is made for closedown, restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the financial period when the related environmental disturbance occurs, based on the estimated future costs using information available at the statement of financial position date. At the time of establishing the provision, a corresponding asset is capitalized where it gives rise to a future benefit and depreciated over future production.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Changes in the measurement that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, shall be accounted following:

Cost model

The changes in the liability shall be added to, or deducted from, the cost of the related asset in the current period.

Revaluation model

If the related asset is measured using the revaluation model: changes in the liability alter the revaluation surplus or deficit previously recognized on that asset.

Q. Provisions

A provision is recognized if it is a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

R. Leases

At inception contract, the Company assess whether a contract is or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use an identified asset for a period of time in exchange of consideration.

As a Lessee

At commencement or on modification of a contract that contain a lease component, the Company allocates the consideration in the contract to each lease component based on its relative stand-alone prices. However, for the lease of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right of use asset and lease liability at the lease commencement date. The right of use assets initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made t or before the commencement date, plus any initial direct cost incurred and an estimate co costs to dismantle and remove the underlying asset or to restore the underlying asset or the site in which it is located, less any lease incentive received.

The right of use is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right of use asset reflects that the Company will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those property and equipment. In addition, the right of use -asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company incremental borrowing rate.

The Company determined its incremental borrowing rate obtaining interest rate from various external financing sources and makes certain adjustment to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in substance fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index rate as the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company estimate of the amount expected to be payable under a residual value guarantee, if the Company change its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or it is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Company presents right of use assets and lease liabilities in separate lines in the statement of financial position.

Short term leases and leases of low value assets

The Company has elected not to recognize right of use assets and lease liabilities for lease of low value assets and short-term leases, including IT equipment. The Company recognizes the lease payment associated with these leases as an expense on straight line over the lease term.

S. Operating segments, geographic and revenue information

Operating segments are defined as business activities which generate revenue and expenses and whose operating results are regularly reviewed by the chief operating decision maker ("CODM") of the Company to make decisions about the allocation of resources to the segments and to evaluate its performance.

Management has determined that the senior management team is the CODM. The CODM receives and reviews information about operating results and assesses performance on a total Company basis only. Consequently, management has determined the Company has no operating segments as that term is defined in IFRS.

All of the Company's revenue is derived from customers that are geographically located in Peru. Also, all non-current assets of the Company are located in Peru.

During 2023 and 2022, customers that represent more than 60% of the Company's total revenues were:

<i>In thousands of U.S. dollars</i>	2023	2022
Enel Distribución S.A.A.	30,990	29,309
Luz del Sur S.A.	26,026	19,678
Minera Chinalco Perú S.A.	13,082	14,277
Hidrandina S.A.	5,735	11,192

Revenues by type and services are disclosed in note 17.

T. Material accounting policy information

The Group also adopted *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* from 1 January 2023. Although the amendments did not results in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of “material”, rather than “significant”, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updated to the information disclosed in note 3 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

4. Use of Judgments and Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires Management to make judgments and estimates that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recorded prospectively.

i. Judgments

Information about judgments in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 6: Expected credit losses of trade receivables;
- Notes 8 and 10: Useful life of the property, plant and equipment and intangible assets;
- Note 14: Utilization of tax losses.

ii. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties on December 31, 2023, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included as following notes:

- Note 17: revenue recognition: estimate of expected returns;
- Note 14: recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilized;
- Note 9: impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts, including the recoverability of development costs;
- Note 25: recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

Measurement of fair values

A number of the Group accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Board of Directors.

When measuring the fair value of an asset or a liability, the Group uses observable market 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 fall into different levels of the 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 entire measurement.

The Group recognizes transfers between levels of their 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 is included in note 23 – financial instruments.

5. Cash

Comprises the following:

<i>In thousands of U.S. dollars</i>	2023	2022
Checking accounts	36,038	16,774
Petty cash	5	5
	36,043	16,779

- (a) The Group holds checking accounts in foreign and local currency at different financial entities. The Group checking accounts are available and mainly earn interest at market rates ranging from 0.07% to 6.70% in soles and from 0.15% to 5.30% in U.S dollars as of December 31, 2023 (from 0.15% to 1.00% in soles and from 0.07% to 0.90% in U.S dollar as of December 31, 2022).

Credit ranking

According to Apoyo & Asociados S.A.C. (for local financial entities) and Standard & Poor's (for foreign financial entity), the credit quality that safeguard the Group bank deposits was evaluate as follows:

	2023	2022
Banco del Crédito del Perú S.A.	A+	A+
Scotiabank Perú S.A.A.	A+	A+
Bank of America	A+	A+

6. Trade Receivables

Comprises the following:

<i>In thousands of U.S. dollars</i>	December 31, 2023	December 31, 2022
Regulated customers	11,037	8,746
Non-Regulated customers	6,750	6,989
COES (a)	3,646	723
Others	221	168
Subtotal (c)	21,654	16,626
Impairment loss allowance (d)	(188)	(183)
	21,466	16,443

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. Trade receivables as of December 31, 2023, corresponds to 12 non-regulated, 7 regulated customers (13 non-regulated, 9 regulated customers as of December 31, 2022).

- (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) As of December 31, 2023, and 2022, trade receivables comprise accounts receivables with related parties of US\$ 992 thousand and US\$ 174 thousand, respectively (note 25.C).
- (c) The aging of trade receivables is as follows:

<i>In thousands of U.S. dollars</i>	2023	2022
Unexpired	20,979	16,369
Less than 30 days	26	23
31 to 180 days	134	22
181 to 360 days	327	1
More than 360 days	188	211
	21,654	16,626

The aging of account receivables and the status of customers are constantly monitored to ensure the appropriateness of the estimate in the consolidated financial statements. As a result, Management considers that the impairment estimate of accounts receivables covers sufficiently the risk of loss of doubtful accounts as of December 31, 2023, and 2022.

As of December 31, 2023, and 2022, past due trade receivables (over 360 days), represent less than 1.3% of the total balance of trade receivables. Those mainly correspond to trade receivables with non-regulated customers.

- (d) The movement of the expected credit loss estimate is as follows:

<i>In thousands of U.S. dollars</i>	2023	2022
Opening balance	183	175
Exchange difference	5	8
	188	183

7. Inventories

Comprises the following:

<i>In thousands of U.S. dollars</i>	2023	2022
Mechanical and electric spare parts (a)	1,489	1,178
Other Supplies	651	562
Fuel and lubricants	77	64
	2,217	1,804
Impairment (b)	-	(23)
	2,217	1,781

(a) Correspond mainly to items used in programmed maintenance for the hydropower plants, Carhuaquero and Cañon del Pato, enabling appropriate operations until major maintenances.

(b) The impairment of inventories was determined based on internal technical reports.

In accordance with Management's opinion, it is not necessary to recognize any impairment on inventories as of December 31, 2023.

8. Property, Plant and Equipment

Comprises the following:

<i>In thousands of U.S. dollars</i>	Land	Buildings and other constructions	Machinery and equipment	Asset retirement obligation	Vehicles	Furniture and fixtures	Sundry equipment	Works in progress (a)	Total
Cost									
Balance as of January 1, 2022	8,605	343,160	181,228	9,272	2,435	345	15,692	568	561,305
Additions (c)	-	-	719	-	17	21	253	4,741	5,751
Other	-	-	-	(5,669)	-	-	-	-	(5,669)
Revaluation (b)	597	214,619	183,526	-	-	-	-	-	398,742
Retirements	-	-	(83)	-	(526)	-	(36)	-	(645)
Transfers	-	1,995	673	-	-	-	324	(2,987)	5
As of December 31, 2022	9,202	559,774	366,063	3,603	1,926	366	16,233	2,322	959,489
Balance as of January 1, 2023	9,202	559,774	366,063	3,603	1,926	366	16,233	2,322	959,489
Additions (c)	14	391	2,733	-	793	3	368	7,008	11,310
Other	-	-	-	(3,019)	(16)	-	-	-	(3,035)
Retirements	-	-	-	-	(189)	(5)	(132)	(104)	(430)
Transfers	-	461	997	-	384	-	(34)	(1,808)	-
As of December 31, 2023	9,216	560,626	369,793	584	2,898	364	16,435	7,418	967,334
Accumulated depreciation									
Balance as of January 1, 2022	-	(199,082)	(138,820)	(429)	(2,084)	(291)	(13,648)	-	(354,354)
Depreciation (g)	-	(5,687)	(6,239)	(174)	(137)	(7)	(450)	-	(12,694)
Retirements	-	-	67	-	482	-	35	-	584
As of December 31, 2022	-	(204,769)	(144,992)	(603)	(1,739)	(298)	(14,063)	-	(366,464)
Balance as of January 1, 2023	-	(204,769)	(144,992)	(603)	(1,739)	(298)	(14,063)	-	(366,464)
Depreciation (g)	-	(9,420)	(15,248)	(89)	(141)	(8)	(464)	-	(25,370)
Transfers	-	-	-	-	(384)	-	384	-	-
Retirements	-	-	-	-	189	3	132	-	324
As of December 31, 2023	-	(214,189)	(160,240)	(692)	(2,075)	(303)	(14,011)	-	(391,510)
Carrying amount									
As of December 31, 2022	9,202	355,005	221,071	3,000	187	68	2,170	2,322	593,025
As of December 31, 2023	9,216	346,437	209,553	(108)	823	61	2,424	7,418	575,824

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- (a) As of December 31, 2023, and December 31, 2022, the Company has insured all plants' assets for property damage under its Property Damage and 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.
- (b) On November 30, 2022, the main assets of Carhuaquero and Cañón del Pato hydropower plants, including plant and equipment, buildings, and other constructions were revalued by an external independent appraiser, increasing their book value in US\$ 398,742 thousand (note 16.C).
- (c) As of December 31, 2023, the main work-in progress additions correspond to anchor bolt installations in Cañón del Pato plant for US\$ 2,588 thousand, Carhuaquero solar power plant for US\$ 661 thousand, lubrication system for US\$ 459 thousand and other minor projects for US\$ 2,989 thousand in Cañón del Pato plant (in 2022 corresponded to civil works for US\$ 921 thousand, major maintenance for US\$ 839 thousand and fire system for US\$ 453 thousand in Cañón del Pato plant).
- (d) As of December 31, 2023, and 2022, in Management's opinion, there were no impairment indicators on the value of property, plant, and equipment.
- (e) Property, plant, and equipment include US\$ 643 thousand right-of-use assets as of December 31, 2023 (US\$ 139 thousand as of December 31, 2022):

<i>In thousands of U.S. dollars</i>	Vehicles	Sandy equipment	Total
Cost			
Balance as of January 1, 2022	554	-	554
Addition	-	17	17
Balance as of December 31, 2022	554	17	571
Balance as of January 1, 2023	554	17	571
Addition (f)	656	8	664
Retirements	-	(25)	(25)
Others	(16)	-	(16)
Balance as of December 31, 2023	1,194	-	1,194
Accumulated depreciation			
Balance as of January 1, 2022	(288)	-	(288)
Depreciation	(127)	(17)	(144)
Balance as of December 31, 2022	(415)	(17)	(432)
Balance as of January 1, 2023	(415)	(17)	(432)
Depreciation	(136)	(8)	(144)
Retirements	-	25	25
Balance as of December 31, 2023	(551)	-	(551)
Carrying amount			
As of December 31, 2022	139	-	139
As of December 31, 2023	643	-	643

- (f) Correspond to 4-year contract with a renting company for an operational leasing for the Group's vehicles signed in December.

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- (g) Distribution of depreciation was as follows:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	2023	2022
Costs of sales		24,616	12,368
Administrative expenses	18	754	326
		25,370	12,694

- (h) As of December 31, 2023, and 2022, the Company does not have guarantees related to the acquisition of property, plant and equipment.

9. Intangible, Goodwill and Other Assets

Comprises the following:

A. Intangible and Goodwill

The balance reconciliation is as follows:

<i>In thousands of U.S. dollars</i>	Goodwill (a)	Electricity Concession (b)	Software	Total
Cost				
Balance as of January 1, 2022	399,427	79,954	1,785	481,166
Balance as of December 31, 2022	399,427	79,954	1,785	481,166
Balance as of January 1, 2023	399,427	79,954	1,785	481,166
Additions	-	-	46	46
Disposals	-	-	(1,785)	(1,785)
Balance as of December 31, 2023	399,427	79,954	46	479,427
Accumulated amortization				
Balance as of January 1, 2022	-	-	(995)	(995)
Amortization (note 18)	-	-	(790)	(790)
Balance as of December 31, 2022	-	-	(1,785)	(1,785)
Balance as of January 1, 2023	-	-	(1,785)	(1,785)
Disposals	-	-	1,785	1,785
Balance as of December 31, 2023	-	-	-	-
Carrying amount				
As of December 31, 2022	399,427	79,954	-	479,381
As of December 31, 2023	399,427	79,954	46	479,427

- (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.
- (b) The electricity concessions correspond to intangible assets identified at the acquisition date on December 20, 2016. The useful life of electricity concessions is indefinite. As of December 31, 2023, and 2022, Management is not required to establish reserves for the possible impairment of its intangible assets with an indefinite life.

Management analysis indicated there were no impairment indicators on the value of the intangibles as of December 31, 2023, and 2022.

B. Other assets

<i>In thousands of U.S. dollars</i>	<i>Note</i>	2023	2022
Opening balance		16,066	15,848
Additions		-	218
Amortization	17	(964)	-
		15,102	16,066
Portion			
Current portion		1,882	-
Non-current portion		13,220	16,066

Other assets correspond to payments made to distribution companies in connection with the option agreements signed, by which distribution companies granted an option to sign addendums to the original public tender of certain PPAs, extending the contract term, modifying the contracted capacity and associated energy, and maintaining the current fixed prices within framework of the Supreme Decree 022-2018 EM. As of December 31, 2023, and 2022 the Company executed all option agreements signed with distribution companies.

These payments will be amortized over the extended contract term of the energy supply contract, reducing revenue generated throughout the extension period.

10. Trade Payables

Comprises the following:

<i>In thousands of U.S. dollars</i>	2023	2022
Energy purchases and transmission tolls (a)	5,022	4,723
Capex expenditures (b)	3,249	936
Other purchases	1,352	2,672
	9,623	8,331

- (a) These trade payables include transmission tolls paid for the use of principal transmission lines in the Peruvian interconnected electricity system. Most of these costs are pass-through to the Group's customers. As of December 31, 2023, this amount includes US\$ 70 thousand payables to related parties (US\$ 353 thousand as of December 31, 2022) (note 24.C).
- (b) Corresponds mainly to the purchase of spare parts, supplies and services related to major maintenance.

Trade account payables are mainly denominated in U.S. dollars, have current maturities, do not accrue interest expenses, and do not have specific guarantees.

11. Other Payables and Income Tax Payable

Comprises the following:

<i>In thousands of U.S. dollars</i>	2023	2022
Interest payables (a)	3,518	3,518
Value-Added Tax	628	833
Rural electricity contribution and other Energy fund	591	492
Other taxes	193	254
Payroll	44	24
Withholding tax on dividends	-	602
Other	3	26
	4,977	5,749
Income tax payable		
Income tax estimate	8,728	10,987
Advance payments	(7,737)	(3,028)
Income tax, net	991	7,959
	5,968	13,708

(a) Corresponds to senior unsecured notes OEP 2027, settled semi-annually throughout the year.

12. Lease Liabilities from Operating Contracts

Comprises the following:

<i>In thousands of U.S. dollars</i>	Note	2023	2022
Balance as of January 1		152	296
Additions (a)	8.E	664	17
Payments		(158)	(173)
Interest expense – Lease liabilities		6	12
Others		(16)	-
Balance as of December 31		648	152

(a) The Company leases vehicles. As of December 31, 2023, and 2022, the Company has made payments amounting to US\$ 158 thousand and US\$ 173 thousand, respectively. Those amounts are presented in the cash flow from financing activities in the Financial Statement of Cash Flows.

13. Debentures

A. Terms and debt repayment schedule

The terms and conditions of debentures are as follows:

<i>In thousands of U.S. dollars</i>	Nominal annual interest rate	Currency	Maturity	Fair value		Carrying amount	
				2023	2022	2023	2022
OEP 2027 Notes	5.625%	US\$	April 2027	363,198	363,198	360,234	359,452

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The carrying amounts as of December 31, 2023, and December 31, 2022, comprise the following:

<i>In thousands of U.S. dollars</i>	2023	2022
Orazul Energy Perú 2027 notes (a)	363,198	363,198
Transaction costs	(2,964)	(3,746)
	360,234	359,452

- (a) On April 25, 2017, the Company (originally Orazul Energy Egenor S. en C. por A., later merged into the Company, on August 16, 2017) issued senior unsecured notes for an aggregate principal amount of US\$ 550,000 thousand in the international capital market, under Rule 144A Regulation S. The Notes are rated BB by Fitch Ratings and BB-by Standard & Poor's and accrue interest biannually payable in April and October of each year at a nominal rate of 5.625%.

On June 25, 2021, the Company announced the commencement of a cash tender offer in connection with the Company's sale in August 2020 of its indirect ownership in the transmission business companies, Etenorte S.R.L. and Eteselva S.R.L.

On August 13, 2021, the tender was completed for US\$ 150,400 thousand, which included the purchase of US\$ 145,314 thousand aggregate principal amount of these notes. As a result of this tender, OEP 2027 notes amounted to US\$ 404,686 thousand.

On October 29, 2021, the Company announced the commencement of a cash tender offer in connection with the sale of its indirect ownership in the thermal power generation and hydrocarbon businesses, Termoselva and Aguaytía.

On December 31, 2021, the tender was completed for US\$ 41,799 thousand which included the purchase of US\$ 41,488 thousand aggregate principal amount of these notes. As a result of this tender, OEP 2027 notes amounted to US\$ 363,198 thousand.

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B. Reconciliation of movements of liabilities to cash flows from financing activities

The reconciliation of movements of liabilities to cash flows arising from financing activities, as follows:

	Liabilities			Equity					
	Debtures	Lease liabilities from operating contracts	Total liabilities	Share capital	Additional capital	Legal reserves	Revaluation reserve	Retained earnings	Total
<i>In thousands of U.S. dollars</i>	(note 13)	(note 12)							
Balance as of January 1, 2023	359,452	152	359,604	464,757	-	33,653	281,113	12,765	1,151,892
Interest paid and withholding tax	(21,477)	-	(21,477)	-	-	-	-	-	(21,477)
Payment operating contracts	-	(158)	(158)	-	-	-	-	-	(158)
Net cash used financing activities	(21,477)	(158)	(21,635)	-	-	-	-	-	(21,635)
Interest expenses and withholding tax	21,477	-	21,477	-	-	-	-	-	21,477
Change in transaction cost	782	-	782	-	-	-	-	-	782
Profit for the period	-	-	-	-	-	-	-	32,942	32,942
Others	-	654	654	-	-	-	-	-	654
Legal reserves	-	-	-	-	-	3,304	-	(3,304)	-
Capitalization	-	-	-	12,720	281,113	-	(281,113)	(12,720)	-
Adjustment asset retirement obligation	-	-	-	-	(2,566)	-	-	-	(2,566)
Balance as of December 31, 2023	360,234	648	360,882	477,477	278,547	36,957	-	29,683	1,183,546

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	Liabilities				Equity						
		Lease liabilities from operating contracts	Account payables to related parties	Total liabilities	Share capital	Additional capital	Legal reserves	Other reserves	Revaluation reserve	Retained earnings	Total
<i>In thousands of U.S. dollars</i>	(note 13)	(note 12)	(note 24.C)								
Balance as of January 1, 2022	358,715	296	21,713	380,724	385,036	8,857	30,799	5,675	-	79,721	890,812
Dividends paid, net tax	-	-	-	-	-	(8,414)	-	-	-	(17,708)	(26,122)
Payment of interest and taxes on shareholder loan	-	-	(25,613)	(25,613)	-	-	-	-	-	-	(25,613)
Interest paid and withholding tax	(21,385)	-	-	(21,385)	-	-	-	-	-	-	(21,385)
Payment of lease liabilities	-	(173)	-	(173)	-	-	-	-	-	-	(173)
Net cash used financing activities	(21,385)	(173)	(25,613)	(47,171)	-	(8,414)	-	-	-	(17,708)	(73,293)
Revaluation	-	-	-	-	-	-	-	-	281,113	-	281,113
Profit for the period	-	-	-	-	-	-	-	-	-	28,587	28,587
Interest expenses, VAT and withholding tax	21,385	12	3,896	25,293	-	-	-	-	-	-	25,293
Transaction cost	737	-	-	737	-	-	-	-	-	-	737
Legal reserves	-	-	-	-	-	-	2,854	-	-	(2,854)	-
Capitalization	-	-	-	-	79,721	-	-	(5,675)	-	(74,046)	-
Others	-	17	4	21	-	(443)	-	-	-	(935)	(1,357)
Balance as of December 31, 2022	359,452	152	-	359,604	464,757	-	33,653	-	281,113	12,765	1,151,892

14. Current and Deferred Income Tax

The recorded components of deferred income tax assets and liabilities are as follows:

<i>In thousands of U.S. dollars</i>	Additions/recoveries			Final balance
	Opening balance	Profit or loss (P&L)	Equity	
2023				
Deferred income tax assets				
Tax losses carryforward	248,763	(1,494)	-	247,269
	248,763	(1,494)	-	247,269
Deferred income tax liabilities				
Property, plant and equipment	(72,994)	1,739	-	(71,255)
Property, plant and equipment (revaluation)	(117,190)	5,226	1,014	(110,950)
Financial cost	(1,105)	231	-	(874)
Provisions	(4,001)	13,999	60	10,058
	(195,290)	21,195	1,074	(173,021)
Net effect	53,473	19,701	1,074	74,248

<i>In thousands of U.S. dollars</i>	Additions/recoveries			Final balance
	Opening Balance	Profit or loss (P&L)	Equity	
2022				
Deferred income tax assets				
Tax losses carryforward	248,146	617	-	248,763
Fair value loan	(1)	1	-	-
	248,145	618	-	248,763
Deferred income tax liabilities				
Property, plant and equipment	(75,677)	2,683	-	(72,994)
Property, plant and equipment (revaluation)	-	439	(117,629)	(117,190)
Financial cost	(1,322)	217	-	(1,105)
Provisions	(1,590)	(2,411)	-	(4,001)
	(78,589)	928	(117,629)	(195,290)
Net effect	169,556	1,546	(117,629)	53,473

Income tax shown in the statement of profit or loss the years ended 2023, and 2022 is composed as follows:

<i>In thousands of U.S. dollars</i>	2023	2022
Current tax	(8,690)	(10,987)
Deferred tax	19,701	1,546
	11,011	(9,441)

The table below presents the reconciliation of the effective income tax rate as for the years ended December 31, 2023, and 2022 to the tax rate:

<i>In thousands of U.S. dollars</i>	2023		2022	
Profit before income tax	21,931	100.00%	38,028	100.00%
Theoretical expense	6,470	29.50%	11,218	29.50%
Effect of non-taxable income and non-deductible expenses	66	0.30%	5,345	14.06%
Exchange difference taxable base	(4,345)	(19.81%)	(6,915)	(18.17%)
Recognition of previously unrecognized deductible temporary differences - Sub-capitalization	(12,742)	(58.10%)	-	-
Other differences	(460)	(2.09%)	(207)	(0.54%)
Income tax expenses	(11,011)	(50.21%)	9,441	24.83%

15. Asset Retirement Obligation

Comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	2023	2022
Balance as of January 1		4,003	9,551
Additions /(Decrease)		620	(5,669)
Unwind of discount	20	147	121
Balance as of December 31		4,770	4,003

The provision for decommissioning liabilities corresponding to the hydroelectric power plants Cañon del Pato and Carhuaquero. It has been determined considering all necessary cost to dismantle and rehabilitate the land where the station is currently located.

As of December 2023, the provision has been increased due to changes in estimated future costs and current market rates. The future value has been discounted using an annual risk-free rate ranging 5.63% as of December 31, 2023 (3.77% as of December 31, 2022).

16. Equity

A. Share capital

As of December 31, 2023, and 2022, the share capital is represented by 1,691,081,984 and 1,644,249,142 common shares, respectively, with a nominal value of one sol each, duly authorized, issued, and paid as follows:

Shareholders	%	Number of shares	
		December 31, 2023	December 31, 2022
Orazul Energia (UK) Holdings Ltd.	99.99	1,690,843,115	1,644,016,886
Others	0.01	238,869	232,256
	100.00	1,691,081,984	1,644,249,142

On June 1, 2023, the Company capitalized US\$ 12,720 thousand of the accumulated retained earnings as of December 31, 2022, issuing as a result 46,832,842 additional shares with a nominal value of one Peruvian sol each.

On March 2, 2022, the Company capitalized US\$ 79,721 thousand of the accumulated retained earnings as of December 31, 2021, issuing as a result 302,223,653 additional shares with a nominal value of one Peruvian sol each.

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B. Legal reserves

According to the Companies Act, the Company is required to allocate at least 10% of its annual net income to a legal reserve after deducting accumulated losses. This allocation is required until the reserve equals 20% of paid-in capital. In the absence of non-distributed earnings or freely available reserves, the legal reserve must be applied to offset but it must be replaced with the earnings of the subsequent years. This reserve can also be capitalized but its subsequent replenishment is equally mandatory.

C. Revaluation reserves

Correspond to the US\$ 398,742 thousand revaluation of plant and equipment, buildings, and other constructions net of US\$ 117,629 thousand deferred income tax, executed on November 30, 2022 (note 8(b)). During the year ended December 31, 2023, the total amount was capitalized into additional capital (note 17.D).

D. Additional capital

Comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	2023	2022
Initial balance		-	8,857
Capitalization of revaluation reserve	16.C	281,113	-
Dividends in cash	16.E	-	(8,857)
Remeasurement asset retirement obligation		(2,566)	-
Final balance		278,547	-

E. Dividends

No dividends were distributed during 2023.

During 2022, US\$ 27,500 thousand dividends were declared and paid in cash. Out of this total, US\$ 18,643 thousand was distributed from retained earnings and US\$ 8,857 thousand from additional capital.

17. Revenues

Comprises the following:

<i>In thousands of U.S. dollars</i>	December 2023	December 2022
Energy sales regulated	46,581	50,089
Energy sales non-regulated	28,614	26,908
Energy sales -spot	16,243	6,311
Capacity sales regulated	10,510	13,104
Capacity sales non-regulated (a)	7,211	7,547
Capacity sales spot	3,962	2,469
Other revenues	1,323	824
	114,444	107,252

- (a) Includes the amortization of option payments made to distribution companies in connection with option agreements. The amortization for the year ended December 31, 2023, was US\$ 964 thousand (There was no amortization during 2022) (note 9.B).
- (b) During 2023, the Company sold 1,588 GWH (1,691 GWH during 2022).
- (c) As of December 31, 2023, there was estimated revenues pending to be invoiced for US\$ 10,042 thousand (US\$ 10,338 thousand as of December 31, 2022). According to Management's evaluation, there would not be a significant variation between the amounts invoiced and those estimated.

18. Expenses by Nature

Comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	Cost of sales		Administrative expenses		Total	
		2023	2022	2023	2022	2023	2022
Purchase of energy		18,869	6,933	-	-	18,869	6,933
Intercompany services		6,633	5,129	3,364	2,256	9,997	7,385
Purchase of power		3,587	2,748	-	-	3,587	2,748
Insurance		3,030	2,291	-	-	3,030	2,291
Main and secondary transmission toll		2,971	2,477	-	-	2,971	2,477
Taxes other than income tax		1,823	1,662	21	10	1,844	1,672
Contributions		1,807	1,646	-	-	1,807	1,646
Maintenance		1,343	1,129	-	-	1,343	1,129
Third party services		1,234	827	943	884	2,177	1,711
Consumption of various supplies		786	720	-	-	786	720
Others		481	790	748	1,072	1,229	1,862
Employee benefits		30	42	211	120	241	162
Depreciation	8	-	-	754	326	754	326
Amortization	9	-	-	-	790	-	790
		42,594	26,394	6,041	5,458	48,635	31,852

19. Other Income

Comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	2023	2022
Other non-operating income		696	495
Tax recovery		382	-
Net profit for the sale of fixed assets		37	1
Intercompany services	24.C	2	197
		1,117	693

20. Finance Income and Cost

A. Finance income

Comprises the following:

<i>In thousands of U.S. dollars</i>	2023	2022
Interest on checking accounts	1,441	107
Interest related to income tax recovery	213	-
Others	47	64
	1,701	171

B. Finance cost

Comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	2023	2022
Interest expenses on debentures		20,430	20,430
Withholding tax on interest		1,019	1,009
Transaction cost amortization		782	737
Unwind of discount on provision for decommissioning	15	147	121
Other financial costs		52	127
Interest on lease liabilities under operating contracts	12	6	12
Non recoverable VAT on shareholder loan	24.C(b)	-	3,896
Interest expenses - related parties	24.C	-	2
		22,436	26,334

21. Tax Issues

- A. Income tax from the years 2019 to 2022 and the return that will be submitted for 2023 are subject to review by the tax authorities. As of December 31, 2023, the Company is being audited by the Peruvian Tax Administration (SUNAT) through: (i) An integral Income Tax Audit related to the year 2020 and (ii) A partial Income Tax Audit related to the year 2021.

Any amount exceeding the provisions made to cover the tax obligations will be charged to the results of the year in which those are finally determined. In the opinion of the Company's Management, as a result of an eventual assessment, no significant liabilities affecting the financial statements will arise as of December 31, 2023, and 2022.

- B. Under current tax legislation, corporate income tax for 2023, and 2022 is calculated based on the net taxable profit at a rate of 29.5%.

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.

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- C. 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). The Company has determined that the losses will be offset under system (B).
- D. Temporary Tax on Net Assets is applicable to third category recipients subject to the general income tax regime. Since 2009, the tax rate of 0.4% is applicable to the amount of net assets exceeding S/ 1 million. The paid amount can be used as credit against the payments in advance related with the general income tax regime or against the regularization payment of income tax of the corresponding taxable period. As of December 31, 2022, the Company has US\$ 961 thousand as ITAN receivable.
- E. Transactions between related parties and those entered with parties domiciled in tax havens are subject to transfer pricing rules. The existence of the transactions between related parties determines the application of specific valuation methods, which are established in the Income Tax law.
- New formal obligations have been approved
 - Informative tax return – Local report
 - Informative tax return – Master report
 - Informative tax return – Country by country report

The Benefit Requirement Test must be done when a domiciled entity receives a service rendered by any of its related parties. Such Test is considered complied when the rendered service provides economic or commercial value to the recipient of the service, improving or maintaining its commercial position, which occurs if independent parties have satisfied the need for the service. The providers' cost structure must be proved. If the domiciled entity complies successfully with the Benefit Requirement Test, then the deduction of the cost or expense incurred for the services rendered would be accepted. Low value services must not exceed the margin of 5%.

- F. Tax amendments of greater relevance in force since January 1, 2019:
- i. New legal concept of accrual Legislative Decree N° 1425 introduced the definition of a legal accrual for purposes of Income Tax, establishing that income in the case of:
- a) transfer of goods occurs when: i) occurs the change of control (according to IFRS 15); or ii) occurs the transfer of the risk to the acquirer (Risk Theory established in the Civil Code), whichever occurs first; and b) in the case of service provision, the degree of completion of the service has been established.
- The new legal concept of accrual is applicable to lessees for purposes of establishing the tax treatment of the expense associated with the lease agreements regulated by IFRS 16 (i.e. operating leases for fiscal purposes).
- It should be noted that the concept subject matter of comment will not be applicable for those entities that earn income or expenses for Income Tax according to provisions of a tax nature that establish a special regime (sector) of accrual.
- ii. Sub-capitalization (Thin Cap Rule)
- Starting January 1, 2021, the financial expenses will be deductible up to the limit of 30% of the tax EBITDA (Net Income - Compensation of Losses + Net Interest + Depreciation + Amortization) of the previous year. There are some exceptions to the application of this limitation in the case of banks, taxpayers with incomes not exceeding 2,500 UITs, infrastructure, public services, etc.

- iii. Deduction of expenses or costs incurred in transactions with non-domiciled parties
Legislative Decree 1369 ° requires that costs and / or expenses (including outbound interest) incurred with non-domiciled counterparts must have been paid effectively to be deducted in the year in which they were incurred. If not, its impact on the determination of net income will be deferred to the year in which the opportunity in which the corresponding withholding will be applied is actually paid. This rule eliminated the obligation to pay the amount equivalent to the withholding on the amount recorded as cost and / or expense.
- iv. Rule XVI (General Anti-Avoidance Rule)
According to the Legislative Decree N° 1422 - Rule XVI (General Anti-Avoidance Rule) establishes the obligation of the Board of Directors to approve, ratify or modify the acts, situations and economic relations to be carried out within the framework of fiscal planning.
- v. Final beneficiaries
The Legislative Decree 1372 requires legal entities in Peru to file an information return with the Peruvian tax authorities that identifies their "final beneficiaries".

22. Commitments

Electricity Supply Contracts

As of December 31, 2023, the Company has 14 contracts with non-regulated customers where the off-peak capacity agreed is 159 MW (13 contracts with non-regulated customers where the off-peak capacity agreed is 217 MW as of December 31, 2022). These contracts have maturities between the years 2024 and 2027.

Additionally, the Company has 7 contracts with distribution companies for 126 MW, effective as of December 31, 2023, with maturities between the years 2025 and 2032.

23. Financial Instruments - Fair Value and Risk Management

A. Capital Management

The Group policy is to maintain an adequate capital base to maintain investors, creditors and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to ordinary Shareholders.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group monitors capital using a ratio of 'adjusted net debt' to 'equity'. For this purpose, adjusted net debt is defined as main part of total loans and financial obligations. Net debt is calculated as total liabilities (as shown in the statement of financial position) less cash. The Group adjusted net debt to equity ratio as of December 31, 2023, and 2022, was as follows:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	2023	2022
Total liabilities		382,894	386,377
Less: Cash	5	(36,043)	(16,779)
Total adjusted net debts (A)		346,851	369,598
Total equity (B)		822,664	792,288
Gearing ratio (A/B)		0.42	0.47

B. 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. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount				Fair value
	Current		Non-current	Total	Level 2
	Amortized cost	Other financial liabilities	Other financial liabilities		
<i>In thousands of U.S. dollars</i>					
As of December 31, 2023					
Financial assets not measured at fair value					
Cash	36,043	-	-	36,043	-
Trade receivables	21,466	-	-	21,466	-
Other receivables (*)	165	-	-	165	-
Financial liabilities not measured at fair value					
Trade payable	-	(9,623)	-	(9,623)	-
Other payable (*)	-	(3,521)	-	(3,521)	-
Accounts payables to related parties	-	(1,305)	-	(1,305)	-
Debentures	-	-	(360,234)	(360,234)	(341,878)
Lease liabilities from operating contracts	-	(168)	(480)	(648)	-
	57,674	(14,617)	(360,714)	(317,657)	(341,878)

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

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	Carrying amount				Fair value
	Current		Non-current	Total	Level 2
	Amortized cost	Other financial liabilities	Other financial liabilities		
<i>In thousands of U.S. dollars</i>					
As of December 31, 2022					
Financial assets not measured at fair value					
Cash	16,779	-	-	16,779	-
Trade receivables	16,443	-	-	16,443	-
Other receivables (*)	122	-	-	122	-
Accounts receivables to related parties	909	-	-	909	-
Financial liabilities not measured at fair value					
Trade payables	-	(8,331)	-	(8,331)	-
Other payables (*)	-	(3,544)	-	(3,544)	-
Accounts payables to related parties	-	(394)	-	(394)	-
Debentures	-	-	(359,452)	(359,452)	(326,806)
Lease liabilities from operating contracts	-	(152)	-	(152)	-
	34,253	(12,421)	(359,452)	(337,620)	(326,806)

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

C. 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 of December 31, 2023, and 2022:

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

D. Financial risk management

The Group exposure to the following risks related to the use of financial instruments:

- Credit risk (C.i.)
- Liquidity risk (C.ii.); and
- Market risk (C.iii.)

Risk management structure

The Board of Directors of the Group is responsible for establishment and supervising the risk management structure. Management is responsible for the development and monitoring of risk management policies of the Group. Also, it regularly informs the Board of Directors about its activities.

The Group risk management policies are established to identify and analyze Group risks, set appropriate risk limits and controls, and monitor risks and compliance with limits. Risk policies and management systems are regularly reviewed to reflect the changes in market conditions and the Group activities.

The Group, through its management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group is exposed to the following risks related to the use of financial instruments:

i. Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of financial assets represents the maximum credit exposure.

The Group financial assets potentially exposed to significant credit risk concentrations are mainly checking accounts and accounts receivable presented in the statement of financial position.

As of December 31, 2023, and 2022, the maximum exposure to credit risk for the Group financial assets was the following:

<i>In thousands of U.S. dollars</i>	Carrying amount	
	2023	2022
Cash (a)	36,043	16,779
Trade receivables (b)	21,466	16,443
Other receivables	165	122
Account receivables from related parties	-	909
	57,674	34,253

- (a) The Group holds checking accounts at different local and foreign financial entities which have an "A" and "A+" credit rating (note 5). As of December 31, 2023, and 2022, the Group maintains guarantees with local financial entities such as Banco de Crédito del Perú and Scotiabank Perú. It does not include statutory liabilities and advances.
- (b) The Group has a regulated customers with good standing and prestigious in the local and foreign markets. For non-regulated customers, the credit risk is evaluated before signing the contract for power supply and throughout its effective term.

Expected credit loss assessment for corporate customers

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited consolidated financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies.

The Group has classified its electricity business customers according to homogeneous risk characteristics that represent the ability to pay for each customer segment for the appropriate amounts. This segmentation has been made based on three portfolios:

Portfolio 1: COES

Portfolio 2: Regulated customers

Portfolio 3: Non-regulated (free) customers

Credit risk is the risk of financial loss faced by the Group if a customer does not meet its contractual obligations. The Group's management states that the credit risk for its electricity business customers is low. The factors leading to this conclusion on the part of the Group are as follows:

- The Company is part of a market that has regulated customers: The Ministry of Energy and Mines (MEM) and the Supervisory Agency for Investment in Energy and Mining (OSINERGMIN) are the two key entities responsible for the implementation of the regulatory framework and compliance with the regulations of the Peruvian energy sector. These entities focus on mitigating market deficiencies by seeking to minimize regulatory failures and excessive distortions.
- Sales are supported by contracts that stipulate penalty clauses for non-compliance. The clauses contemplate compensatory and default interest, service cut-off, contract termination and monetary penalties for early termination of future economic flows.

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- Customer portfolio quality: The Group contemplates customer credit evaluation procedures prior to signing contracts, to mitigate future economic risks. Additionally, after the second month of delay, the Company may restrict the supply of electricity to its customers. Given the type of customers that the Company has: (i) free customers, who are industrial, mining companies and need the energy to operate their plants; and (ii) regulated customers, electricity distribution companies, use the energy for sale and thereby generate income. They cannot afford to be sanctioned or blocked from the energy supply; therefore, the history of past dues is low.
- Finally, COES can impose penalties for those companies that do not comply with their payment obligations.

ii. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

As of December 31, 2023, and 2022, the Group has a positive working capital. The principal sources of liquidity have traditionally consisted of cash flows from operating activities. The Group does not have funds designated for, or subject to, permanent reinvestment.

The Group needs for liquidity generally consist of capital expenditures related to working capital requirements (e.g., maintenance costs that extend the useful life of our generation units).

Liquidity is controlled by the balancing of the maturities of assets and liabilities, keeping a proper number of financing sources, and obtaining credit lines that enable the normal development of its activities. The Group has an appropriate level of resources and continues financing lines with banking entities. Moreover, the Group believes that its cash generated by operations will be adequate to meet all capital expenditure requirements related to ongoing maintenance and environmental improvements and all working capital needs in the ordinary course of our business in the near term. Consequently, in Management's opinion, there is no significant liquidity risk as of December 31, 2023, and 2022.

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The Group's financial liabilities are classified based on their maturity, considering their maturity from the date of the statement of financial position until contractual maturity. The disclosed amounts correspond to the contractual undiscounted cash flows and include contractual interest payments and exclude the impact of netting agreements:

		Contractual cash flows						
<i>In thousands of U.S. dollars</i>	<i>Note</i>	Carrying amount	Total	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
2023								
Non-derivative financial liabilities								
Debentures	13	360,234	444,918	20,430	20,430	20,430	383,628	-
Trade payables	10	9,623	9,623	9,623	-	-	-	-
Other payables (*)	11	3,521	3,521	3,521	-	-	-	-
Account payables to related parties	24.C	1,305	1,305	1,305	-	-	-	-
Lease liabilities from operating contracts	12	648	714	185	185	185	159	-
		375,331	460,081	35,064	20,615	20,615	383,787	-
2022								
Non-derivative financial liabilities								
Debentures	13	359,452	451,614	20,430	20,430	20,430	20,430	369,894
Trade payables	10	8,331	8,331	8,331	-	-	-	-
Other payables (*)	11	3,544	3,544	3,544	-	-	-	-
Account payables to related parties	24.C	394	394	394	-	-	-	-
Lease liabilities from operating contracts	12	152	156	156	-	-	-	-
		371,873	464,039	32,855	20,430	20,430	20,430	369,894

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

iii. Market risk

Currency risk

As of December 31, 2023, and 2022, the Group has a portion of assets and liabilities stated in soles; therefore, its exposure to fluctuations in exchange rate is not significant.

As of December 31, 2023, the weighted average market exchange rates used were US\$ 0.2693 per S/ 1.00 for sell rate and US\$ 0.2699 per S/ 1.00 for offer rate (US\$ 0.2618 per S/ 1.00 for sell rate and US\$ 0.2626 per S/ 1.00 for offer rate as of December 31, 2022).

Balances in thousands of soles (S/) as of December 31 are summarized as follows:

<i>In thousands of soles</i>	2023	2022
Asset		
Cash	15,618	20,373
Trade receivables	28,629	12,635
Other receivables	169	-
	44,416	33,008
Liabilities		
Trade payables	(13,668)	(7,379)
	(13,668)	(7,379)
Net asset position	30,748	25,629

In 2023, net foreign exchange gain amounts US\$ 573 thousand (net foreign exchange gain of US\$ 612 thousand in 2022).

As of December 31, 2023, if the U.S. dollar had been revalued/devalued in relation to the Peruvian sol – with all its variables remaining constant – the profit before tax would have increased/decreased in thousands of U.S. dollars as shown in the following table:

Period	Increase/decrease in Soles/ US\$ exchange rate	Effects in profit before tax
2023		
Revaluation	5%	(396)
Devaluation	(5%)	437
2022		
Revaluation	5%	(321)
Devaluation	(5%)	355

Management considers that the foreign exchange risk will not originate a significant unfavorable impact on the profit or loss of the Group; therefore, its policy is to assume the risk of any fluctuation in the foreign exchange rates of the sol with the results of its operations. Management does not consider it necessary to cover the Group for currency risk with derivative financial instruments.

Interest rate risk

The Group exposure to this risk is due to the change in the interest rate, due to its borrowings. The Group mitigates this risk by maintaining its borrowings at fixed interest rates.

Interest rate exposures for financial assets and liabilities are as follows:

<i>In thousands of U.S. dollars</i>	Fixed rate	Weighted average interest rate (%)
2023		
Financial liabilities:		
Interest-bearing loans	363,198	5.625%
2022		
Financial liabilities:		
Interest-bearing loans	363,198	5.625%

24. Related Party Transactions

A. Parent Company 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 December 31, 2023, and 2022 there are no loans to directors.

ii. Key management personnel compensation

As of December 31, 2023, and 2022, there are no compensation to key management personnel.

iii. Transactions with key management personnel

During the year ended December 31, 2023, and 2022, there were no transactions between the Group and Key Management, other than those in (ii).

C. Other related parties transactions

In 2023, and 2022, 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	
		December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Kallpa Generación S.A. (a)	Management services and O&M and Others	(9,997)	(7,385)	(1,305)	(394)
Kallpa Generación S.A.	Other	14	(321)	-	-
Compañía Boliviana de Energía Eléctrica Cobee-Sucursal (*)	Support services	2	197	-	188
Orazul Energía Partners LLC. (b)	Interest	-	(2)	-	-
		(9,981)	(7,511)	(1,305)	515

(*) On November 26, 2023, the Inkia Energy Group completed the sale of Compañía Boliviana de Energía Eléctrica Cobee-Sucursal.

- (a) The Group and Kallpa Generación S.A. entered into a Management Service and Operation and Maintenance Agreements (O&M), which can be renewed under the express consent of the parties each period.
- (b) During 2022 the Company paid of US\$ 21,717 thousand related to interests accrued on shareholder loan and also US\$ 3,896 thousand of non-recoverable VAT that Company recorded as finance cost (note 20.B).

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A summary of the transactions between the Group and the other related parties due to the sale of energy and power during the period follows:

		Transaction value		Outstanding balances	
		December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
<i>In thousands of U.S. dollars</i>					
	Transaction type				
Sales					
Kallpa Generación S.A.	COES	2,502	3,100	519	116
Kallpa Generación S.A.	Energy Purchase	797	-	405	-
Kallpa Generación S.A.	Others	976	519	68	50
Termoselva S.R.L. (**)	COES	355	696	-	8
Samay I S.A. (**)	COES	7	8	-	-
Costs					
Samay I S.A. (**)	COES	(184)	(2,173)	-	(340)
Kallpa Generación S.A.	COES	(304)	(496)	(70)	(12)
Termoselva S.R.L. (**)	Capacity Purchase and COES	(70)	(49)	-	(1)
		4,079	1,605	922	(179)

(**) On February 3 and March 6, 2023, the Inkia Energy Group completed the sale of its controlling interest in Samay I S.A. and OEG II S.A.C. (indirect owner of, Termoselva S.R.L. and Aguaytia Energy del Perú S.R.L.), respectively. As a result of these transactions, Samay I S.A., OEG II S.A.C., Orazul Energy Hidrocarburos S.A., Termoselva S.R.L. and Aguaytia Energy del Perú S.R.L. are no longer related parties of the Company.

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

25. Contingencies

As of December 31, 2023, and 2022, the Company has the following contingencies:

Labor Claims

The Company increased the provision related to labor claims from US\$ 337 thousand as of December 31, 2022, to US\$ 346 thousand as of December 31, 2023.

Additionally, the estimate for labor claims that are not more likely than not that the Company will pay, increased from US\$ 538 thousand as of December 31, 2022, to US\$ 549 thousand as of December 31, 2023.

Tax Claims

Temporary tax on net assets return from 2013 was reviewed by the Tax Administration in 2014, issuing determination and fine resolutions for US\$ 237 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 in September 2019. In November 2019, the Company decided to pay the amount of US\$ 428 thousand (US\$ 285 thousand as ITAN and US\$ 143 thousand as fine, included interests). In December 2019, the Company filed the corresponding judicial action.

In January 2022, the First Instance of the Judicial Court issued its Resolution whereby the claim filed by Orazul was declared founded and, consequently, the Tax Court Resolution null and void. In this way, the Judicial Court recognized that the higher value of the assets as a result of their reorganization and revaluation, should not be part of the 2013 ITAN tax base, as Orazul pointed out throughout of the judicial process. In February 2022, SUNAT and the Tax Court appealed before the Superior Judicial Court. In April 2022, this Judicial Court confirmed the judgment that declared founded the lawsuit filed by Orazul.

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In May 2022, the Tax Administration, and the Tax Court, filed their appeals before the Supreme Judicial Court, which were declared unfounded in July 2023. The Supreme Court ordered SUNAT to refund the amount paid by Orazul related to the “difference in the cost of fixed assets not considered in the tax base (revaluation - financial effect)”.

In November 2023, OEP collected the total amount of S/ 1,930 thousand including interest (US\$ 516 thousand). With this payment the Tax Administration has complied with the Supreme Court order.

26. Subsequent Events

The Carhuaquero solar power plant started commercial operations on February 14, 2024.