



Orazul Energy Perú S.A. and Subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements

March 31, 2020

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



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

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Orazul Energy Perú S.A. and Subsidiaries as at March 31, 2020, the condensed consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and notes to the condensed consolidated interim financial statements (the condensed consolidated interim financial statements). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at and for the three-month period ended March 31, 2020 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Lima, Peru

May 12, 2020

Countersigned by:

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



Orazul Energy Perú S.A. and Subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements

March 31, 2020

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Orazul Energy Perú S.A. and Subsidiaries

Unaudited Condensed Consolidated Statement of Financial Position

As at March 31, 2020 (Unaudited) and December 31, 2019

<i>In thousands of U.S. dollars</i>	<i>Note</i>	March 31, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents	4	45,646	41,160
Trade receivables	5	20,477	17,523
Other receivables	6	2,570	2,447
Account receivables from related parties	19.c	-	204
Inventories	7	5,232	5,750
Prepaid expenses		1,487	172
Income tax receivables	18	3,524	3,924
Assets held for sale	3	40,702	-
Total current assets		119,638	71,180
Non-current assets			
Property, plant and equipment - energy generation			
Property, plant and equipment	8	278,681	316,556
Right-of-use assets	8	1,104	87
Gas investments	9	68,627	68,171
Intangible assets and goodwill	10	505,903	506,156
Deferred income tax assets		375	1,370
Prepaid expenses		498	605
Other receivables	6	402	455
Total non-current assets		855,590	893,400
Total assets		975,228	964,580

<i>In thousands of U.S. dollars</i>	<i>Note</i>	March 31, 2020	December 31, 2019
Liabilities			
Current liabilities			
Trade payables	11	8,081	8,719
Other payables	12	22,593	18,028
Lease liabilities		1,192	93
Account payables to related parties	19.c	-	6,307
Income tax payable	18	904	749
Liabilities of subsidiaries held for sale	3	5,180	-
Total current liabilities		37,950	33,896
Non-current liabilities			
Debentures	13	541,621	541,384
Intercompany payables	19.c	83,827	82,942
Deferred income tax liabilities		80,966	89,055
Asset retirement obligation	14	18,687	17,224
Other liabilities		580	497
Total non-current liabilities		725,681	731,102
Total liabilities		763,631	764,998
Equity			
Share capital	16	196,086	196,086
Additional capital		8,857	8,857
Other reserves		6,438	6,438
Retained earnings		176	(11,844)
Equity attributable to owners of the Company		211,557	199,537
Non-controlling interests		40	45
Total equity		211,597	199,582
Total liabilities and equity		975,228	964,580

The notes on pages 5 to 25 are an integral part of these unaudited condensed consolidated interim financial statements.

Orazul Energy Perú S.A. and Subsidiaries

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the three-month periods ended March 31, 2020 and 2019

		Three-month periods ended March 31	
<i>In thousands of U.S. dollars</i>	<i>Note</i>	2020	2019 (*)
Revenue of energy generation and	17	33,494	32,807
Revenue of hydrocarbons	17	2,187	4,279
Cost of sales of energy generation		(6,548)	(6,590)
Cost of sales of hydrocarbons		(1,340)	(1,925)
Depreciation	8, 9, 10	(6,740)	(7,072)
Gross profit		21,053	21,499
Administrative expenses		(1,728)	(2,761)
Other income		274	1,037
Other expenses		(213)	(202)
Operating profit		19,386	19,573
Finance income		182	86
Finance costs		(9,784)	(9,702)
Net foreign exchange difference		(316)	255
Finance cost, net		(9,918)	(9,361)
Profit before income tax		9,468	10,212
Income tax expense	18	2,374	(6,119)
Profit from continuing operations		11,842	4,093
Discontinued operations			
Profit for the period from discontinued operations, net of tax	3	173	238
Profit for the period		12,015	4,331
Other comprehensive income for the period, net of tax		-	-
Attributable to			
Controlling shareholders		12,020	4,332
Non-controlling interest		(5)	(1)
Total comprehensive income for the period		12,015	4,331

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

The notes on pages 5 to 25 are an integral part of these unaudited condensed consolidated interim financial statements.

Orazul Energy Perú S.A. and Subsidiaries

Unaudited Condensed Consolidated Statement of Changes in Equity
For the three-month periods ended March 31, 2020 and 2019

		Attributable to owners of the Company								
		Number of shares (note 16)	Share capital (note 16)	Additional capital	Retained earnings	Other reserves (note 19)	Total equity attributable to owners of the Company	Non- controlling interests	Total equity	
In thousands of U.S. dollars		Note								
Balance as of January 1, 2019			651,224,289	196,086	-	(29,500)	-	166,586	41	166,627
Comprehensive income for the period										
Profit for the period			-	-	-	4,332	-	4,332	(1)	4,331
Other comprehensive income			-	-	-	-	-	-	-	-
Total comprehensive income for the period			-	-	-	4,332	-	4,332	(1)	4,331
Other reserves			-	-	-	-	33,957	33,957	-	33,957
Total transactions with owners of the Company			-	-	-	-	33,957	33,957	-	33,957
Balance as of March 31, 2019			651,224,289	196,086	-	(25,168)	33,957	204,875	40	204,915
Balance as of January 1, 2020			651,224,689	196,086	8,857	(11,844)	6,438	199,537	45	199,582
Comprehensive income for the period										
Profit for the period			-	-	-	12,020	-	12,020	(5)	12,015
Total comprehensive income for the period			-	-	-	12,020	-	12,020	(5)	12,015
Balance as of March 31, 2020			651,224,289	196,086	8,857	176	6,438	211,557	40	211,597

The notes on pages 5 to 25 are an integral part of these unaudited condensed consolidated interim financial statements.

Orazul Energy Perú S.A. and Subsidiaries

Unaudited Condensed Consolidated Statement of Cash Flows
For the three-month periods ended March 31, 2020 and 2019

<i>In thousands of U.S. dollars</i>	<i>Note</i>	Three-month periods ended	
		March 31	
		2020	2019
Cash flows from operating activities			
Collections of energy generation and transmission		38,136	38,079
Collections of hydrocarbons		2,667	3,577
Payment to suppliers		(22,981)	(14,390)
Payment of royalties		(1,436)	(2,638)
Payment to employees		(562)	(2,442)
Payment of contributions and others		(1,193)	(169)
Cash generated from operating activities		14,631	22,017
Income tax paid		(2,163)	(1,219)
Net cash provided by operating activities		12,468	20,798
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	30
Acquisition of property, plant, and equipment		(2,472)	(1,531)
Acquisition of intangibles		(1,830)	(3,751)
Net cash used in investing activities		(4,302)	(5,252)
Cash flows from financing activities			
Payment of lease liabilities		(29)	(117)
Net cash used in financing activities		(29)	(117)
Net increase in cash and cash equivalents		8,137	15,429
Cash and cash equivalents as of January 1		41,160	50,014
Effects of variations on exchange difference on held cash		(151)	108
Cash and cash equivalents as of March 31		49,146	65,551
Included in cash and cash equivalents per Statement of Financial Position March 31	4	45,646	52,497
Included as assets of held for sale	3	3,500	13,054

The notes on pages 5 to 25 are an integral part of these unaudited condensed consolidated interim financial statements.

Orazul Energy Perú S.A. and Subsidiaries

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

1. Background and Business Activity

Orazul Energy Perú S.A. (hereinafter, "the Company") is a subsidiary of Orazul Energia (UK) Holdings Ltd. which owns 99.99% of voting shares which are representative of its issued capital stock.

During 2018, the Company's legal domicile was Calle Dionisio Derteano 144, 19th floor, San Isidro, Lima, Peru. At the beginning of 2019, the Company changed its legal address to Calle Las Palmeras 435, San Isidro, Lima, Peru, where its administrative offices are located.

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

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

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

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

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

Plant	Company	Source used to operate power station		Capacity (MW)	Location
Central Térmica Aguaytía	Termoselva	Natural gas		176	Aguaytía, Ucayali
Cañón del Pato	Orazul Energy Peru	Hydropower		266	Huallanca, Ancash
Carhuaquero	Orazul Energy Peru	Hydropower		110	LLacma, Cajamarca
				568	

A. The Subsidiaries

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

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

Orazul Energy Perú S.A. and Subsidiaries

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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

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

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

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

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

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

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

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

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

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

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

This subsidiary provides power transmission in accordance with Peruvian regulation, through the concession of certain transmission lines in northern Peru. The Company is its main client, representing approximately 57% of its operating income (60% in 2019).

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

Aguaytía owns a natural gas field located in the central rainforest of Perú (Block 31-C), from which obtains dry natural gas and liquid natural gas; those liquid gas are then processed at the Fractioning Plant which produces liquefied petroleum gas (LPG) and natural gasoline. Dry natural gas is used by its subsidiary, Termoselva S.R.L., for the generation of electrical energy. Natural gasoline was sold to Maple Gas Corporation del Peru S.R.L. (hereinafter, "Maple") until July 14, 2017. After the contract was terminated, Aguaytía signed a contract with Petroleos del Perú S.A. (hereinafter, "Petroperu") and Perenco Peru Petroleum Limited Sucursal del Peru to sell natural gasoline. LPG is sold to wholesalers and distributors, which perform their activities in the central rainforest and highlands of the country.

Orazul Energy Perú S.A. and Subsidiaries

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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

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

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

This subsidiary provides power transmission, in accordance with Peruvian regulation, through the concession of certain transmission lines in eastern Peru. Termoselva is one of its main clients, representing approximately 28% of its operating income (29% in 2019).

Amounts of the financial statements of the Subsidiaries

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

<i>In thousands of U.S. dollars</i>	March 31, 2020	December 31, 2019
Subsidiaries		
Etenorte S.R.L.		
Total assets	10,914	10,329
Total liabilities	(1,155)	(1,100)
Equity	9,759	9,229
Profit from the period	530	3,068
Aguaytía del Perú S.R.L.		
Total assets	145,618	144,446
Total liabilities	(16,792)	(19,257)
Equity	128,826	125,189
Profit from the period	3,637	15,210
Termoselva S.R.L.		
Total assets	75,735	72,986
Total liabilities	(8,783)	(9,222)
Equity	66,952	63,764
Profit from the period	3,187	12,681
Eteselva S.R.L.		
Total assets	34,294	32,966
Total liabilities	(1,382)	(235)
Equity	32,912	32,731
Profit from the period	180	2,222
Orazul Energy Group S.A.C.		
Total assets	95,482	95,250
Total liabilities	(14,624)	(14,576)
Equity	80,858	80,674
Profit from the period	185	16,900
Orazul Energy Group II S.A.		
Total assets	117,571	117,571
Total liabilities	-	-
Equity	117,571	117,571
Profit from the period	-	(8,997)

Orazul Energy Perú S.A. and Subsidiaries

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

<i>In thousands of U.S. dollars</i>	March 31, 2020	December 31, 2019
Orazul Energy Hidrocarburos S.A.		
Total assets	119,931	119,961
Total liabilities	(8,998)	-
Equity	110,933	119,961
Profit from the period	(29)	22,451
Orazul Energy Transmisión S.A.		
Total assets	95,353	95,353
Total liabilities	(2)	-
Equity	95,351	95,353
Profit from the period	(4)	4,560

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

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

B. COVID-19 impact

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

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

Operational

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

- Development of personnel rotation plans in line with applicable travel restrictions and labor law.
- Securing supply of all necessary equipment and supplies to allow the work of operating teams in our plants.
- Implementation of mechanisms to communicate timely and effectively all instructions to be followed during this emergency
- Implementation of home-office for employees and directives wherever activities allow it and curfews and mobility restrictions apply.
- Implementation of mechanisms to secure adequate and safe transport of personnel and supplies to and from operating facilities, minimizing use of public transport.

Orazul Energy Perú S.A. and Subsidiaries

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

- Implementation of periodic health-monitoring systems wherever employees are operating.
- All of contingency procedures are being shared with contractors performing essential tasks, ensuring their adequate compliance.
- The Group ensures full compliance with legal measures being adopted by the Peruvian Government.
- The Group is taking extraordinary measures to limit, mitigate the contracting of the virus. Adapting best practices from large public service and medical organizations.

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

Debt Management

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

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

Liquidity

The Group is extremely cautious with its liquidity. Since March, it has been taking several measures to protect liquidity. Measures that are mostly implemented.

All cash on hand, other than the necessary for local weekly working capital, to be maintained in US bank accounts. Maintain bear minimum in local market. As scheduled payments become due, the company will transfer funds to local bank accounts. Other than current local payments, all new receipts of funds, are to be converted to US dollars and transferred to a US account.

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

During this period, the Group is managing its cash in a conservative manner in order to maintain continuity of business, and as well as to be prepared for any unplanned disruptions. It maintains one year or greater of debt service cash in hand. Over the next six months, it is going to monitoring closely the evolution of cash flow. Several lessons learned in the past financial disruptions and the 2008 events are opportune to apply, such as the drawing of the lines of credit (note 3). Another key lesson is to be proactive and attentive to the evolution of the market by keeping a close and systematic communication with all financial stakeholders. The following weeks will be challenging, but the Company will strive to continue to provide electrical service to all its customers while maintaining safe its employees and service personnel.

The Group will periodically inform the evolution of the operations, debt management and liquidity as matters progress.

2. Basis for the Preparation of Financial Statements

A. Basis of accounting

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

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

B. Use of estimates and judgements

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

C. Measurement of fair values

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

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

Orazul Energy Perú S.A. and Subsidiaries

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

D. Changes in significant accounting policies

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

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

New currently effective requirements

New IFRS	Date of mandatory application
Amendments to References to Conceptual Framework in IFRS Standards.	Annual periods beginning on or after January 1, 2020.
Definition of Business (Amendments to IFRS 3).	Annual periods beginning on or after January 1, 2020.
Definition of Material (Amendments to IAS 1 and IAS 8).	Annual periods beginning on or after January 1, 2020.

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

Forthcoming requirements

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

3. Discontinued Operations and Assets Held for Sale

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

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

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

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

Orazul Energy Perú S.A. and Subsidiaries

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

A. Results of discontinued operation

<i>In thousands of U.S. dollars</i>	Three-month periods ended March 31	
	2020	2019
Revenues of transmission services	2,128	1,971
Costs of sales of transmission services	(207)	(131)
Depreciation	(978)	(1,449)
Administrative expenses	(99)	(85)
Other incomes	145	180
Other expenses	(124)	(124)
Finance cost, net	(43)	51
Income tax	(649)	(175)
Profit from discontinued operations	173	238

As of March 31, 2020 and 2019, sales were made to Orazul and Termoselva for US \$ 859 and US\$ 1,160.

B. Cash flow from discontinued operation

<i>In thousands of U.S. dollars</i>	Three-month periods ended March 31	
	2020	2019
For the period		
Net cash provided by operating activities	2,027	1,672
Net cash used in investing activities	(155)	(166)
Cash as of January 1	1,628	11,548
Net cash flow from discontinued operations	3,500	13,054

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

<i>In thousands of U.S. dollars</i>	March 31, 2020
Cash	3,500
Trade receivables	767
Other receivables	554
Inventories	419
Other assets	493
Income tax asset	213
Property, plant, and equipment	34,174
Deferred income tax assets	582
Assets held for sale	40,702
Trade payables	764
Other payables	103
Income tax payable	373
Deferred income	398
Deferred income tax liabilities	3,542
Liabilities held for sale	5,180

Orazul Energy Perú S.A. and Subsidiaries

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

4. Cash and Cash Equivalents

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2020	December 31, 2019
Petty cash	8	9
Checking accounts (a)	45,638	41,151
	45,646	41,160

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

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

5. Trade Receivables

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2020	December 31, 2019
Non-regulated customers	3,008	2,081
Regulated customers	15,556	11,599
COES (a)	1,851	3,488
Other	19,370	19,674
Subtotal (b)	39,785	36,842
Less-allowance for doubtful accounts (c)	(19,308)	(19,319)
	20,477	17,523

Trade receivables are denominated in U.S. dollars (non-regulated customers) and soles (COES and regulated customers). They have current maturity and do not generate interest, except in the case of payment delays. Balance of trade receivables as of March 31, 2020, correspond to 4 non-regulated, 6 regulated customers and 4 hydrocarbon customers (4 non-regulated, 10 regulated clients and 2 hydrocarbon customers as of December 31, 2019).

The average credit period granted to customers of the Group ranges between 7 and 60 days. Once the terms indicated above expire, overdue balances accrue interests. The interest rate is determined by the annual average of the lending and borrowing rates of the foreign and local currency. As of March 31, 2020, the annual average interest rates for the Group are 8.17% and 4.12% for local and foreign currency, respectively (8.39% and 4.33% as of December 31, 2019 for local and foreign currency, respectively).

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

<i>In thousands of U.S. dollars</i>	March 31, 2020	December 31, 2019
Unexpired	17,405	16,507
Less than 30 days	2,364	927
31 to 90 days	459	2
181 to 360 days	249	87
More than 361 days (b)	19,308	19,319
	39,785	36,842

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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 March 31, 2020 and December 31, 2019.

- (c) The main amount for receivables of more than 361 days corresponds to the non-collectability of the invoices issued to Maple for natural gasoline sales.

6. Other Receivables

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2020	December 31, 2019
Current portion		
Guarantee deposits (a)	1,291	1,291
Work for taxes mechanism	956	774
Value-Added Tax	108	-
Fund for the stabilization of fuel prices	8	69
Other receivables	207	313
	2,570	2,447
Non-current portion		
Credit on temporary taxes on net assets – ITAN	402	442
Other receivables	-	13
	402	455
	2,972	2,902

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

7. Inventories

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2020	December 31, 2019
Supplies and spare parts	5,657	6,089
Fuel to sale	102	87
Fuel and lubricants	79	204
	5,838	6,380
Impairment (a)	(606)	(630)
	5,232	5,750

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

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

8. Property, Plant and Equipment

Comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	March 31, 2020	December 31, 2019
Cost			
Beginning balance		839,713	831,346
Additions			
Asset retirement cost	14	1,067	6,386
Vehicles (d)		1,112	-
Work in process		187	3,339
Total additions		2,366	9,725
Transfers			
Lands		(40)	-
Building and constructions		(2,204)	382
Machinery and equipment		(142,960)	6,176
Furniture and fixtures		(58)	10
Sundry equipment		(3,263)	199
Work in progress		(184)	(6,767)
Total transfers	3	(148,709)	-
Disposals			
Vehicles		-	(1,252)
Machinery and equipment		-	(79)
Sundry equipment		-	(15)
Furniture and fixtures		-	(12)
Total disposals		-	(1,358)
Ending balance		693,370	839,713
Accumulated depreciation			
Beginning balance		(522,527)	(497,988)
Additions			
Building and constructions		(1,392)	(6,547)
Vehicles		(108)	(111)
Machinery and equipment		(2,535)	(17,557)
Asset retirement obligation		(39)	(98)
Sundry equipment		(253)	(1,420)
Furniture		(5)	(33)
Total additions		(4,332)	(25,766)
Transfer and Disposals			
Building and constructions		565	-
Vehicles		-	1,121
Machinery and equipment		110,495	79
Sundry equipment		2,692	15
Furniture and fixtures		58	12
Total disposals		113,810	1,227
Ending balance		(413,049)	(522,527)
Net cost at the beginning of the period		317,186	333,358
Net cost of the end of the period		280,321	317,186
Impairment		(543)	(543)
Transfers		7	-
Impairment		(536)	(543)
Net cost of the end of the period		279,785	316,643

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- (a) Accumulated impairment loss as of March 31, 2020 and December 31, 2019, mainly corresponds to the impairment of thermoelectric power plants for US\$ 543 thousand, since their carrying amounts exceeded their recoverable values. Management considers that, as of March 31, 2020, impairment is not required, other than the estimate previously recognized in the records for the impairment of property, plant and equipment.
- (b) Distribution of depreciation was as follows:

<i>In thousands of U.S. dollars</i>	Three-month periods ended March 31	
	2020	2019
Cost of sale of electrical energy	4,226	6,090
Administrative and selling expenses	106	707
	4,332	6,797

- (c) As of March 31, 2020, and December 31, 2019, the Company has insured all plants' assets for property damage under its Property Damage Business Interruption (PDBI) policy. In Management's opinion, this insurance policy is consistent with the international industry practice and the risk of possible losses for claims considered in the insurance policies is reasonable, taking into consideration the Company's types of assets.
- (d) In January 2020, the Company signed a 4-year contract with a renting company for an operational leasing for its vehicles.
- (e) As of March 31, 2020, and December 31, 2019, in Management's opinion, there were no impairment indicators on the value of property, plant and equipment.
- (f) As of March 31, 2020 and December 31, 2019, the Company do not have guarantees related to the acquisition of property, plant and equipment.

9. Gas Investments

Comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	March 31, 2020	December 31, 2019
Cost			
Beginning balance		171,704	157,929
Additions			
Asset retirement cost	14	285	10,261
Work in progress (b)		2,455	3,833
Total additions		2,740	14,094
Transfers			
Gas and fractionation plant		-	6,641
Sundry equipment		-	1,974
Work in progress		-	(8,615)
Total transfers		-	-
Disposals			
Gas and fractionation plant		-	(82)
Vehicles		-	(9)
Furniture and fixtures		-	(167)
Sundry equipment		-	(61)
Total disposals		-	(319)
Ending balance		174,444	171,704

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<i>In thousands of U.S. dollars</i>	<i>Note</i>	March 31, 2020	December 31, 2019
Accumulated depreciation			
Beginning balance		(103,533)	(93,182)
Additions			
Gas and fractionation plant		(2,049)	(10,003)
Vehicles		(5)	(20)
Furniture and fixtures		(4)	(18)
Sundry equipment		(35)	(148)
Asset retirement obligation		(191)	(474)
Total additions		(2,284)	(10,663)
Disposals			
Gas and fractionation plant		-	81
Vehicles		-	7
Furniture and fixtures		-	167
Sundry equipment		-	57
Total disposals		-	312
Ending balance		(105,817)	(103,533)
Net cost at the beginning of the period		68,171	64,747
Net cost of the end of the period		68,627	68,171

- (a) Distribution of depreciation was as follows:

	Three-month periods ended March 31	
<i>In thousands of U.S. dollars</i>	2020	2019
Cost of sale of electrical energy	2,284	2,201

- (b) As of March 31, 2020, work in progress is mainly related to an upgrade of the moto-compressor system, coiled tubing service, the major maintenance of a generator and other minor projects.
- (c) As of March 31, 2020, and December 31, 2019, in Management's opinion, there were no impairment indicators on the value of gas investments.
- (d) As of March 31, 2020 and December 31, 2019, the Company do not have guarantees related to the acquisition of gas investments.

10. Intangible Assets and Goodwill

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2020	December 31, 2019
Goodwill (a)	395,456	395,456
Electric and hydrocarbon concessions (b)	90,627	90,857
Other rights (c)	18,365	18,365
Software	1,455	1,478
	505,903	506,156

- (a) The goodwill corresponds to (i) the excess of the net fair value of assets and liabilities identified during the acquisition of the Peruvian operating business on December 20, 2016 for US\$ 344,924 thousand, net of the deferred income tax liabilities arising from intangible assets acquired; and (ii) the adjustment of fair value of fixed assets for US\$ 50,532 thousand.

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- (b) The electric and hydrocarbon concessions correspond to intangible assets identified at the acquisition date on December 20, 2016. The useful life of electric concessions is indefinite, and a remaining useful life of 14 years has been determined for hydrocarbon concession. As of March 31, 2020, Management estimates are not required to establish reserves for the possible impairment of its intangible assets with an indefinite life.

Amortization of hydrocarbon concessions was as follows:

<i>In thousands of U.S. dollars</i>	Three-month periods ended March 31	
	2020	2019
Cost of sale of electrical energy	230	230

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

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

11. Trade Payables

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2020	December 31, 2019
Energy purchases and transmission tolls	4,832	4,409
Royalties	57	194
Others purchases	3,192	4,116
	8,081	8,719

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

12. Other Payables

Comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	March 31, 2020	December 31, 2019
Interest payables-debentures		13,321	5,500
Option agreements	10(c)	6,616	8,741
Value-Added Tax		1,442	581
Other taxes		1,074	2,517
Rural electricity contribution		111	87
Various accruals and other accounts payables		29	602
		22,593	18,028

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

13. Debentures

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2020	December 31, 2019
International bonds		
Notes Orazul Energy Perú 2027 (a)	550,000	550,000
Transaction costs	(8,379)	(8,616)
	541,621	541,384

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

A. Terms and debt repayment schedule

The terms and conditions are as follows:

<i>In thousands of U.S. dollars</i>	Nominal annual		Maturity	Face value		Carrying amount	
	interest rate	Currency		2020	2019	2020	2019
Debentures							
Notes OEP 2027	5.625%	US\$	April -2027	550,000	550,000	541,621	541,384

The table below presents the payment schedule of the non-current portion of the long-term debt as of March 31, 2020:

<i>In thousands of U.S. dollars</i>	
2024 and thereafter	541,621
	541,621

B. Financial obligations and covenants

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

14. Asset Retirement Obligation

Comprises the following:

<i>In thousands of U.S. dollars</i>	Note	2019	2018
Balance as of January 1, 2018		17,224	172
Additions	8 and 9	1,353	16,647
Unwind of discount		116	452
Payments		(6)	(47)
Balance as of December 31, 2019		18,687	17,224

The provision for decommissioning liabilities corresponds to Aguaytia plant, electrical energy hydroelectric power plants Cañon del Pato and Carhuaquero (Orazul) and thermoelectric power plant in Ucayali (Termoselva), has been determined taking into consideration all costs necessary to dismantle and rehabilitate the land where the station is currently located.

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Notes to the Condensed Consolidated Interim Financial Statements

15. Financial Instruments
A. Carrying amounts and fair values

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

	Carrying amount			Fair value
	Current		Non-current	
	Amortized cost	Other financial liabilities	Other financial liabilities	Total
				Level 2
<i>In thousands of U.S. dollars</i>				
As of March 31, 2020				
Financial assets not measured at fair value				
Cash and cash equivalents	45,646	-	-	45,646
Trade receivables	20,477	-	-	20,477
Other receivables (*)	2,453	-	-	2,453
Financial liabilities not measured at fair value				
Trade payable	-	(8,081)	-	(8,081)
Other payable (*)	-	(19,965)	-	(19,965)
Intercompany payables	-	-	(83,827)	(83,827)
Debentures	-	-	(541,621)	(541,621)
Lease liabilities	-	(1,192)	-	(1,192)
	68,576	(29,238)	(625,448)	(586,110)
As of December 31, 2019				
Financial assets not measured at fair value				
Cash and cash equivalents	41,160	-	-	41,160
Trade receivables	17,523	-	-	17,523
Other receivables (*)	2,391	-	-	2,391
Intercompany receivables	204	-	-	204
Financial liabilities not measured at fair value				
Trade payable	-	(8,719)	-	(8,719)
Other payable (*)	-	(14,303)	-	(14,303)
Intercompany payables	(6,307)	-	(82,942)	(89,249)
Debentures	-	-	(541,384)	(541,384)
Lease liabilities	-	(93)	-	(93)
	54,971	(23,115)	(624,326)	(592,470)
				(565,813)

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

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

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

Financial instruments not measured at fair value

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

16. Equity**Share capital**

Comprises the following:

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

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

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

There were no dividends declared and paid as of March 31, 2020 and December 31, 2019.

17. Revenue

Comprises the following:

	Three-month periods ended March 31	
<i>In thousands of U.S. dollars</i>	2020	2019
Sale of electrical energy		
Sale of energy and capacity		
Energy	22,880	20,202
Capacity	7,627	7,491
COES (regulated clients)		
Energy	1,504	2,460
Capacity	1,054	2,383
Other	429	271
	33,494	32,807

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<i>In thousands of U.S. dollars</i>	Three-month periods ended March 31	
	2020	2019
Sale of hydrocarbons		
Natural gasoline	1,436	2,795
LPG	751	1,484
	2,187	4,279
	35,681	37,086

The estimated revenues pending of invoicing for the three-month period ended March 31, 2020 amounts to US\$ 13,900 thousand (US\$ 13,652 thousand for the three-month period ended March 31, 2019).

18. Tax Issues

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

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

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

The estimated average effective annual tax rate used for the three-month period ended March 31, 2020 is -25% (59% for the three-month period ended March 31, 2019). The change in the effective tax rate for the three-month period ended March 31, 2020 correspond mainly to the impact of exchange difference in local currency.

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

<i>In thousands of U.S. dollars</i>	March 31, 2020	December 31, 2019
Income tax receivables	3,524	3,924
Income tax payable	904	749

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

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

19. Related Party Transactions

A. Parent companies and ultimate parent Company

The Company's main shareholder is Orazul Energia (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 March 31, 2020, there are no loans to directors (no loans to directors as of December 31, 2019).

ii. Key management compensation

As of March 31, 2020, there are no compensation to key management personnel (no compensation to key management as of March 31, 2020).

iii. Transactions with key management personnel

During the three-month period ended March 31, 2020 there were no transactions between the Company and key management, other than those in (ii) (no transactions between the Company and key management during the three-month period ended March 31, 2019 other than those in (iii)).

C. Other related entities transactions

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

<i>In thousands of U.S. dollars</i>	Transaction type	Transaction value		Outstanding balances	
		2020	2019	2020	2019
Orazul Energia Partners LLC (a)	Loan	(885)	(1,178)	(83,827)	(82,942)
Kallpa Generación S.A. (b)	Management			-	(6,307)
	Services	(2,940)	(771)	-	113
Samay I S.A.	COES	(456)	(376)	-	-
Kallpa Generación S.A.	COES	940	1,611	-	-
Orazul Energia (España) Holding S.L.	Loan	-	(14)	-	-
Orazul Energy Group BV - Netherlands	Loan	-	(1)	-	-
Compañía Boliviana de Energía Eléctrica Cobee-Sucursal	Services	-	230	-	91
		(3,341)	(499)	(83,827)	(89,045)

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

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

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

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In January 2019, Orazul Energy Partners LLC modified the subordinated loan rate from 6% to 0%, without modifying the terms of maturity and payment. As a result of this change, the liability was reduced, and equity increased by US\$ 8,524 thousand net of a deferred tax of US\$ 2,515 thousand, generating a net effect of US\$ 6,009 thousand.

In July, September, October and December 2019, the Company paid US\$ 20,000 thousand, US\$ 885 thousand, US\$ 10,000 thousand and US\$ 33,000 thousand, respectively. As a result of these payments, the fair value loan was adjusted.

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

20. Contingencies

As of March 31, 2020, the main contingencies of the Company are described as follow:

A. Orazul Energy Perú

i. Labor claims

Orazul Energy del Perú S.A. ("Orazul") is involved in several labor claims, mostly related to vacations, job reinstatement, compensation for damages (including moral damages) and profit sharing, for which, after being evaluated individually, as of March 31, 2020 Orazul recorded a provision equivalent to US\$ 579 thousand for labor claims considered probable of losing.

On the other hand, in the opinion of Orazul's management and its external legal advisors, it has been estimated that Orazul could have to pay up to an equivalent amount of US\$ 1,203 thousand for labor claims that are not more likely than not that Orazul will pay.

ii. Temporary Tax on Net Assets

Temporary tax on net assets return from 2013 was reviewed by the Tax Administration in 2014, which issued determination and fine resolutions for US\$ 249 thousand plus interests in May 2015. In July 2015, the Company filed a claim against the Tax Administration; and in April 2016, the Tax Administration declared the claim filed by the Company as groundless. In May 2016, the Company filed an appeal before the Tax Court, which has been resolved against Orazul on September 2019. In November 2019, the Company decided to pay the amount of US\$ 426 thousand (US\$ 284 as ITAN and US\$ 142 as fine). In December 2019, the Company filed the corresponding judicial action which is currently ongoing.

iii. Penalty withholding tax

Fine imposed by the Tax Administration during the Tax Audit of the fiscal year 2000, due the Company did not pay withholding taxes, despite the fact it did not pay for the service either. The Company filed a judicial action in March 2018. In January 2019, the Judicial Court ruled in favor of the Company. It is pending that the Supreme Court schedule the meeting in order that both parties file its positions. In parallel, in May 2018 the Company filed a judicial constitutional action that basically will verse on the non-application of moratorium and capitalized interest and the ones generated outside the time-limit established by Law to solve the administrative stage considering the reasonable time violation and the damage to the property right, which was declared denied. In February 2019, the Company filed a constitutional grievance before the Constitutional Court, which has not been resolved to date. The updated contingency is US\$ 317 thousand.

B. Termoselva

i. Income Tax 2011

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

Up to this date, the Tax Administration has not pronounced on the petition of the Tax Court. The updated contingency is US\$ 927 thousand.

ii. Advanced Payments 2012

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

The mentioned resolutions were issued because of referential omissions in the prepayments of the periods March to December 2012, considering the observations contained in Resolutions of the corporate income tax 2011, although it is being questioned by an appeal followed in the Judicial Court. The updated contingency is US\$ 173 thousand.

C. Aguaytía

i. Judicial challenge filed against the OSINERGMIN

On April 9, 2012, Aguaytía initiated a court proceeding seeking judicial review of the Resolution No. 175-2011-OS/TASTEM-S2 issued by the OSINERGMIN, which determined the administrative responsibility of Aguaytía for having infringed the regulatory framework related to the implementation of the Supervisory Control and Data Acquisition System ("SCADA") and to pay a fine of US\$ 7,156 thousand plus interests.

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

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

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

21. Subsequent Event

Subsequent to March 31, 2020 there have been no events that may have an effect on the consolidated condensed interim financial statements of the Company.