



Orazul Energy Perú S.A. and Subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements

September 30, 2020

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

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

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Orazul Energy Perú S.A. and Subsidiaries as at September 30, 2020, the condensed consolidated statements of profit or loss and other comprehensive income for the nine and three-month periods ended as at September 30, 2020, the condensed statements of changes in equity and cash flows for the nine-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 nine and three-month periods ended September 30, 2020 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Lima, Peru

October 30, 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

September 30, 2020

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Orazul Energy Perú S.A. and Subsidiaries

Unaudited Condensed Consolidated Statement of Financial Position

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

<i>In thousands of U.S. dollars</i>	<i>Note</i>	September 30, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents	4	174,481	41,160
Trade receivables	5	25,391	17,523
Other receivables	6	3,380	2,447
Account receivables from related parties	19.C	-	204
Inventories	7	5,618	5,750
Prepaid expenses		800	172
Income tax receivables	18	2,494	3,924
Total current assets		212,164	71,180
Non-current assets			
Property, plant and equipment - energy generation	8		
Property, plant and equipment		272,546	316,556
Right-of-use assets		961	87
Gas investment	9	65,162	68,171
Intangible assets and goodwill	10	505,395	506,156
Deferred income tax assets		39,848	1,370
Prepaid expenses		415	605
Other receivables	6	390	455
Total non-current assets		884,717	893,400
Total assets		1,096,881	964,580

<i>In thousands of U.S. dollars</i>	<i>Note</i>	September 30, 2020	December 31, 2019
Liabilities			
Current liabilities			
Trade payables	11	9,114	8,719
Other payables	12	18,418	18,028
Lease liabilities		123	93
Account payables to related parties	19.C	-	6,307
Income tax payable	18	740	749
Total current liabilities		28,395	33,896
Non-current liabilities			
Debentures	13	542,106	541,384
Lease liabilities		896	-
Intercompany payables	19.C	46,979	82,942
Deferred income tax liabilities		10,642	89,055
Asset retirement obligation	14	20,884	17,224
Other liabilities		529	497
Total non-current liabilities		622,036	731,102
Total liabilities		650,431	764,998
Equity			
Share capital	16	196,086	196,086
Additional capital		8,857	8,857
Other reserves		6,006	6,438
Legal Reserves		20,668	-
Retained earnings		214,792	(11,844)
Equity attributable to owners of the Company		446,409	199,537
Non-controlling interests		41	45
Total equity		446,450	199,582
Total liabilities and equity		1,096,881	964,580

The notes on pages 5 to 26 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 nine-month and three-month periods ended September 30, 2020 and 2019

<i>In thousands of U.S. dollars</i>	<i>Note</i>	Nine-month periods ended September 30		Three-month periods ended September 30	
		2020	2019 (*)	2020	2019 (*)
Revenues of energy generation	17	92,707	94,474	30,869	28,922
Revenues of hydrocarbons	17	5,785	12,354	1,731	3,608
Costs of sales of energy generation		(22,646)	(22,269)	(9,321)	(8,279)
Costs of sales of hydrocarbons		(3,231)	(5,505)	(1,024)	(1,681)
Depreciation	8,9,10	(19,755)	(21,833)	(6,378)	(8,238)
Gross profit		52,860	57,221	15,877	14,332
Administrative expenses		(5,164)	(7,732)	(1,746)	(2,154)
Other income		708	1,757	179	143
Other expenses		(461)	(750)	(135)	(295)
Operating profit		47,943	50,496	14,175	12,026
Finance income		519	507	215	283
Finance costs		(28,784)	(31,245)	(9,493)	(10,803)
Net foreign exchange difference		(1,531)	(200)	(673)	(578)
Finance cost, net		(29,796)	(30,938)	(9,951)	(11,098)
Profit before income tax		18,147	19,558	4,224	928
Income tax expense	18	110,286	(8,080)	104,812	551
Profit from continuing operations		128,433	11,478	109,036	1,479
Discontinued operations					
Profit for the period from discontinued operations, net of tax	3.A	118,867	600	117,826	(102)
Profit for the period		247,300	12,078	226,862	1,377
Other comprehensive income for the period		-	-	-	-
Attributable to					
Controlling shareholders		247,304	12,076	226,862	1,377
Non-controlling interest		(4)	2	-	-
Total comprehensive income for the period		247,300	12,078	226,862	1,377

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

The notes on pages 5 to 26 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 nine-month periods ended September 30, 2020 and 2019

	Attributable to Owners of the Company						Total equity attributable to owners of the Company	Non-controlling Interests	Total equity
	Number of shares (note 19)	Share capital (note 19)	Additional Capital	Other reserves (note 19)	Retained earnings	Legal reserves			
<i>In thousands of U.S. dollars</i>									
Balance as of January 1, 2019	651,224,289	196,086	-	-	(29,500)	-	166,586	41	166,627
Comprehensive income for the period									
Profit for the period	-	-	-	-	12,076	-	12,076	2	12,078
Total comprehensive income for the period	-	-	-	-	12,076	-	12,076	2	12,078
Additional Capital	-	-	8,857	-	-	-	8,857	-	8,857
Other reserves	-	-	-	6,009	-	-	6,009	-	6,009
Total transactions with owners of the Company	-	-	8,857	6,009	-	-	14,866	-	14,866
Balance as of September 30, 2019	651,224,289	196,086	8,857	6,009	(17,424)	-	193,528	43	193,571
Balance as of January 1, 2020	651,224,289	196,086	8,857	6,438	(11,844)	-	199,537	45	199,582
Hedging reserves	-	-	-	(432)	-	-	(432)	-	(432)
Comprehensive income for the period									
Profit for the period	-	-	-	-	247,304	-	247,304	(4)	247,300
Total comprehensive income for the period	-	-	-	-	247,304	-	247,304	(4)	247,300
Legal reserves	-	-	-	-	(20,668)	20,668	-	-	-
Total transactions with owners of the Company	-	-	-	-	(20,668)	20,668	-	-	-
Balance as of September 30, 2020	651,224,289	196,086	8,857	6,006	214,792	20,668	446,409	41	446,450

The notes on pages 5 to 26 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 nine-month periods ended September 30, 2020 and 2019

<i>In thousands of U.S. dollars</i>	<i>Note</i>	Nine-month periods ended September 30	
		2020	2019
Cash flows from operating activities			
Collections of energy generation and transmission		103,088	118,665
Collections of hydrocarbons		6,758	14,205
Payment to suppliers		(55,584)	(31,977)
Payment of royalties		(2,633)	(9,721)
Payment to employees		(579)	(8,650)
Payment of contributions and others		(2,449)	(3,337)
Collections of interest		394	860
Cash generated from operating activities		48,995	80,045
Income tax paid		(4,251)	(1,880)
Net cash from operating activities		44,744	78,165
Cash flows from investing activities			
Investment sale, net	3.D	155,925	-
Acquisition of property, plant, and equipment		(4,189)	(5,426)
Acquisition of intangibles		(5,745)	(7,745)
Net cash from (used in) investing activities		145,991	(13,171)
Cash flows from financing activities			
Payment to related entities		(39,000)	(20,000)
Interests paid		(15,469)	(15,469)
Payment of lease liabilities from operating contracts		(299)	(674)
Net cash used in financing activities		(54,768)	(36,143)
Net increase in cash and cash equivalents		135,967	28,851
Cash and cash equivalents as of January 1		39,533	50,014
Effects exchange rate fluctuations on cash held		(1,019)	(58)
Cash and cash equivalents as of September 30		174,481	78,807

The notes on pages 5 to 26 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" or "the Group") is a subsidiary of Orazul Energía (UK) Holdings Ltd. which owns 99.99% of voting shares which are representative of its issued capital stock. The Company legal domicile is Calle Las Palmeras 435, San Isidro, Lima, Peru.

The Company was incorporated on October 10, 2016 in Peru. On 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.

On August 24, 2020, the Company and Orazul Energía (UK) Holdings Ltd. sold its 100% ownership of OEG, owner of 99.99% of the shares of Etenorte S.R.L. and Eteselva S.R.L., to Interconexión Eléctrica - ISA Peru, for US\$ 158,463 thousand. The transaction price is subject to normal closing pricing adjustments within 60 days from the closing date (see notes 3 and 21).

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

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

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

A. The Subsidiaries

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

	Direct equity interest	
	2020	2019
Holding		
OEG II	99.99	99.99
OEG	-	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 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
OEG subsidiaries		
Holdings		
Orazul Energy Transmisión S.A.	-	99.98
Operational		
Etenorte S.R.L.	-	99.98
Eteselva S.R.L.	-	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 its investment in Orazul Energy Hidrocarburos S.A. for a total of US\$ 108,574 (in thousands). This effective date was on September 1, 2019.

On August 24, 2020, the Company and Orazul Energía (UK) Holdings Ltd. sold its 100% ownership of OEG to Interconexión Eléctrica - ISA Peru, for US\$ 158,463 thousand. The transaction price is subject to normal closing pricing adjustments within 60 days from the closing date (see notes 3 and 21).

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.

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

Aguaytía owns a natural gas field located in the central rainforest of Perú (concession Block 31-C), from which obtains dry natural gas and natural gas liquids; those gas liquids are then processed at the Fractioning Plant which produces liquefied petroleum gas (LPG) and natural gasoline. Dry natural gas is used by its subsidiary, Termoselva S.R.L., for the generation of electrical energy. Natural gasoline is sold to Perenco Peru Petroleum Limited Sucursal del Perú ("Perenco"). LPG is sold to wholesalers and distributors, which perform their activities in the central rainforest and highlands of the country.

On July 1, 2020, Aguaytía and Petroleos del Perú S.A. (hereinafter, "Petroperú") signed an addendum of the License contract for the exploitation of Hydrocarbons – Block 31C. Among other topics, it was stated that once completed (a) and (b), the Contract Extension would be granted for 10 additional years, until March 2034.

- a. Perform an exploration program including the reprocessing of old seismic data, with an investment of US\$ 0.7m. To be executed at least before July 2022.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

- b. Perform 150 km of 2D seismic or 95km2 of 3D seismic for a total investment of US\$ 7.5 million. To be executed at least before July 2023.
- c. Additionally, the following commitments:
- Supply up to 2 million ft3 /day of natural gas for the gas massification of Ucayali.
 - Environmental protection: Aguaytía will be responsible for the preparation and execution of the abandonment plan according applicable regulations.
 - If it is determined that exploration and development opportunities are feasible technically and economically, according the Company's standard and returns expectations, the Company is committed to drill an exploratory well.

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

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

Amounts of the financial statements of the Subsidiaries

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

<i>In thousands of U.S. dollars</i>	September 30, 2020	December 31, 2019
Subsidiaries		
Aguaytía del Perú S.R.L.		
Total assets	138,432	144,446
Total liabilities	(16,729)	(19,257)
Equity	121,703	125,189
Profit for the period	6,512	15,210
Termoselva S.R.L.		
Total assets	70,364	72,986
Total liabilities	(7,941)	(9,222)
Equity	62,423	63,764
Profit for the period	5,657	12,681
Orazul Energy Hidrocarburos S.A.		
Total assets	121,787	119,961
Total liabilities	(901)	-
Equity	120,886	119,961
Profit for the period	9,924	22,451
Orazul Energy Group II S.A.		
Total assets	109,496	117,571
Total liabilities	(41)	-
Equity	109,455	117,571
Profit from the period	18	(8,997)
Eteselva S.R.L.		
Total assets	-	32,966
Total liabilities	-	(235)
Equity	-	32,731
Profit for the period	-	2,222

Orazul Energy Perú S.A. and Subsidiaries

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

<i>In thousands of U.S. dollars</i>	September 30, 2020	December 31, 2019
Etenorte S.R.L.		
Total assets	-	10,329
Total liabilities	-	(1,100)
Equity	-	9,229
Profit for the period	-	3,068
Orazul Energy Transmisión S.A.		
Total assets	-	95,353
Total liabilities	-	-
Equity	-	95,353
Loss for the period	-	4,560
Orazul Energy Group S.A.C.		
Total assets	-	95,250
Total liabilities	-	(14,576)
Equity	-	80,674
Profit (Loss) for the period	-	16,900

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:

- Implementation 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.
- Ensure the mechanisms are implemented to communicate timely and effectively all instructions to be followed during this emergency.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

- Home-office for employees and directives wherever activities allow it and curfews and mobility restrictions apply.
- Mechanisms to secure adequate and safe transport of personnel and supplies to and from operating facilities, minimizing use of public transport.
- Periodic health-monitoring systems wherever employees are operating.
- All contingency procedures are being shared with contractors performing essential tasks, ensuring their adequate compliance.
- The Company ensures full compliance with legal measures being adopted by the Peruvian Government.
- The Company is taking extraordinary measures to limit, mitigate the contracting of the virus. Adapting best practices from large public service and medical organizations.

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

Debt Management

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

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

Liquidity

During this period, the Company is managing its cash in a conservative manner and has been taking several measures to protect liquidity and to maintain continuity of business, as well as to be prepared for any unplanned disruptions. Over the next months, the Company will continue monitoring closely the evolution of cash flow and to be extremely cautious with its liquidity.

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

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

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

2. Basis for the Preparation of Financial Statements

A. Basis of accounting

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

Orazul Energy Perú S.A. and Subsidiaries

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

These condensed consolidated interim financial statements were approved by the Group Management on October 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.

D. Change in significant accounting policies

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

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

New currently effective requirements

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

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

New IFRS	Date of mandatory application
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 condensed consolidated interim financial 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 August 24, 2020, Orazul Energy Peru S.A. ("OEP") sold its 100% ownership of OEG to Interconexión Eléctrica - ISA Peru for US\$ 158,463 thousand total consideration.

On March 10, 2020, OEP and Orazul Energía (UK) Holdings LTD had signed a purchase agreement with Interconexión Eléctrica - ISA Peru, to sell its 100% ownership in Orazul Energy Group S.A.C. ("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 closing of the sale agreement was subject to the approval from Peruvian authorities.

On August 11, 2020, INDECOPI, the Peruvian antitrust authority, approved the acquisition by Interconexión Eléctrica - ISA Peru without any conditions.

The transaction price is subject to normal closing pricing adjustments within 60 days from the closing date (note 21).

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

OEG consolidated 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.

A. Results of discontinued operation

	Eight-month period ended August 24, 2020	Nine-month period ended September 30, 2019
<i>In thousands of U.S. dollars</i>		
Revenues from transmission	5,919	6,313
Costs of sales of transmission	(616)	(392)
Depreciation	(978)	(4,374)
Administrative expenses	(238)	(93)
Other income	409	550
Other expenses	(351)	(371)
Finance cost, net	(136)	128
Income tax	(2,071)	(1,161)
Profit from the period	1,938	600

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	Eight-month period ended August 24, 2020	Nine-month period ended September 30, 2019
<i>In thousands of U.S. dollars</i>		
Consideration received	158,463	-
Cost of discontinued operations	(38,646)	-
Transaction costs	(2,888)	-
Profit from discontinued operations	118,867	-

As of August 24, 2020 and September 2019, part of the revenues from the transmission services came from sales made to Company and Termoselva for US\$ 2,016 and US\$ 2,999, respectively.

B. Other comprehensive loss from discontinued operations

There are no cumulative income or expenses included in OCI relating to the disposal group.

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

As of September 30, 2020, the net cash proceeds from OEG sale are as follows:

	Eight-month period ended August 24, 2020	Nine-month period ended September 30, 2019
<i>In thousands of U.S. dollars</i>	2020	2019
For the period		
Net cash provided by operating activities	5,832	2,658
Net cash used in investing activities (*)	155,508	(263)
Cash as of January 1	1,628	11,548
Cash for disposed of	(7,043)	-
Net cash flow from discontinued operations	155,925	13,943

(*) Includes the proceeds from OEG Sale in the amount of US\$ 158,463 thousand.

D. Effect of disposal on the financial position of the OEG consolidated

	August 24, 2020
<i>In thousands of U.S. dollars</i>	
Cash	7,043
Trade receivables	817
Other receivables	31
Inventories	407
Other assets	233
Income tax asset	207
Property, plant, and equipment, net	34,315
Deferred income tax assets	133
Assets held for sale	43,186
Trade payables	86
Other payables	116
Income tax payables	713
Deferred income	177
Deferred income tax liabilities	3,448
Liabilities held for sale	4,540

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4. Cash and Cash Equivalents

Comprises the following:

<i>In thousands of U.S. dollars</i>	September 30, 2020	December 31, 2019
Petty cash	8	9
Checking accounts (a)	174,473	41,151
	174,481	41,160

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

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

5. Trade Receivables

Comprises the following:

<i>In thousands of U.S. dollars</i>	September 30, 2020	December 31, 2019
Regulated customers	17,454	11,599
Non-regulated customers	6,145	2,081
COES (a)	1,670	3,488
Other	19,417	19,674
Subtotal (b)	44,686	36,842
Less-allowance for doubtful accounts (c)	(19,295)	(19,319)
	25,391	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 September 30, 2020, correspond to 6 non-regulated, 4 regulated customers and 2 hydrocarbon customers (4 non-regulated, 10 regulated clients and 2 hydrocarbon customers as of December 31, 2019).

- (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>	September 30, 2020	December 31, 2019
Unexpired	19,728	16,507
Less than 30 days (c)	4,662	927
31 to 90 days	857	2
91 to 180 days	94	87
181 to 360 days	50	-
More than 360 days (d)	19,295	19,319
	44,686	36,842

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- (c) The increase in past due trade receivables less than 30 days is related to one regulated customer (distribution company). Management expects these receivables will be cancelled in the short term, consistent with the rest of the distribution companies in Peru.
- (d) The main amount for receivables of more than 360 days corresponds to the non-collectability of the invoices issued to Maple Gas, a former Aguaytia's customer for natural gasoline sales.

6. Other Receivables

Comprises the following:

<i>In thousands of U.S. dollars</i>	September 30, 2020	December 31, 2019
Current portion		
Guarantee deposits (a)	1,291	1,291
Work for taxes mechanism	1,635	774
Fund for the stabilization of fuel prices	-	69
Other receivables	454	313
	3,380	2,447
Non-current portion		
Credit on temporary taxes on net assets – ITAN	390	442
Other receivables	-	13
	390	455
	3,770	2,902

- (a) In 2019, the Company granted a guarantee deposit in favor of a legal advisor in the 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>	September 30, 2020	December 31, 2019
Supplies and spare parts	5,867	6,089
Fuel to sale	44	87
Fuel and lubricants	44	204
	5,955	6,380
Impairment (a)	(337)	(630)
	5,618	5,750

In accordance with Management's opinion, it is not necessary any impairment on inventories as of September 30, 2020 and December 31, 2019.

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8. Property, Plant and Equipment

Comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	September 30, 2020	December 31, 2019
Cost			
Beginning balance		839,713	831,346
Additions			
Asset retirement cost	14	2,913	6,386
Vehicles (a)		1,166	-
Work in process		528	3,339
Total additions		4,607	9,725
Disposals			
Lands		(40)	-
Building and constructions		(2,204)	-
Vehicles		(27)	(1,252)
Machinery and equipment		(143,653)	(79)
Sundry equipment		(4,536)	(15)
Furniture and fixtures		(353)	(12)
Work in progress		(185)	-
Total disposals		(150,998)	(1,358)
Transfers			
Building and constructions		297	382
Machinery and equipment		-	6,176
Furniture and fixtures		-	10
Sundry equipment		-	199
Work in progress		(297)	(6,767)
Total transfers		-	-
Ending balance		693,323	839,713
Accumulated depreciation			
Beginning balance		(522,527)	(497,988)
Additions			
Building and constructions		(4,129)	(6,547)
Vehicles		(330)	(111)
Machinery and equipment		(7,358)	(17,557)
Asset retirement obligation		(133)	(98)
Sundry equipment		(792)	(1,420)
Furniture		(15)	(33)
Total additions		(12,757)	(25,766)
Disposals			
Building and constructions		565	-
Vehicles		27	1,121
Machinery and equipment		110,158	79
Sundry equipment		3,963	15
Furniture and fixtures		330	12
Total disposals		115,043	1,227
Ending balance		(420,241)	(522,527)
Net cost at the beginning of the period		317,186	333,358
Net cost of the end of the period		273,082	317,186
Impairment		(543)	(543)
Transfers		7	-
Total Impairment (b)		(536)	(543)
Net cost of the end of the period		272,546	316,643

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- (a) Correspond to a 4-year contract with a renting company for an operational leasing for the Group's vehicles signed in January 2020.
- (b) Accumulated impairment loss as of September 30, 2020 and December 31, 2019, mainly corresponds to the impairment of thermoelectric power plants for US\$ 536 thousand and US\$ 543 thousand, respectively, since their carrying amounts exceeded their recoverable values. Management considers that, as of September 30, 2020, impairment is not required, other than the estimate previously recognized in the records for the impairment of property, plant and equipment.
- (c) Distribution of depreciation was as follows:

	Nine-month periods ended September 30		Three-month periods ended September 30	
<i>In thousands of U.S. dollars</i>	2020	2019	2020	2019
Cost of sale of electrical energy	12,449	13,199	4,090	4,659
Administrative and selling expenses	309	1,173	102	154
Total	12,758	14,372	4,192	4,813

- (d) As at September 30, 2020 and December 31, 2019, the Company has insured all plants' assets for property damage under its Property Damage Business Interruption (PDBI) policy. In Management's opinion, this insurance policy is consistent with the international industry practice and the risk of possible losses for claims considered in the insurance policies is reasonable, taking into consideration the Company's types of assets.
- (e) As at September 30, 2020 and December 31, 2019, the Company do not have guarantees related to the acquisition of property, plant and equipment.

9. Gas Investments

<i>In thousands of U.S. dollars</i>	<i>Note</i>	September 30, 2020	December 31, 2019
Cost			
Beginning balance		171,704	157,929
Additions			
Asset retirement cost	14	474	10,261
Work in progress (b)		3,148	3,833
Total additions		3,622	14,094
Transfers			
Gas and fractionation plant		1,412	6,641
Sundry equipment		-	1,974
Work in progress		(1,412)	(8,615)
Total transfers		-	-
Disposals			
Gas and fractionation plant		-	(82)
Vehicles		-	(9)
Furniture and fixtures		(102)	(167)
Sundry equipment		-	(61)
Total disposals		(102)	(319)
Ending balance		175,224	171,704

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<i>In thousands of U.S. dollars</i>	<i>Note</i>	September 30, 2020	December 31, 2019
Accumulated depreciation			
Beginning balance		(103,533)	(93,182)
Additions			
Gas and fractionation plant		(5,897)	(10,003)
Vehicles		(15)	(20)
Furniture and fixtures		(12)	(18)
Sundry equipment		(96)	(148)
Asset retirement obligation		(597)	(474)
Total additions		(6,617)	(10,663)
Disposals			
Gas and fractionation plant		-	81
Vehicles		-	7
Furniture and fixtures		88	167
Sundry equipment		-	57
Total disposals		88	312
Ending balance		(110,062)	(103,533)
Net cost at the beginning of the period		68,171	64,747
Net cost of the end of the period		65,162	68,171

- (a) Distribution of depreciation was as follows:

	Nine-month periods ended September 30		Three-month periods ended September 30	
<i>In thousands of U.S. dollars</i>	2020	2019	2020	2019
Cost of sale of electrical energy	6,617	7,945	2,059	3,351

- (b) Management considers that, as of September 30, 2020, impairment is not required, other than the estimate previously recognized in the records for the impairment of property, plant and equipment.

10. Intangible Assets and Goodwill

Comprises the following:

<i>In thousands of U.S. dollars</i>	September 30, 2020	December 31, 2019
Goodwill (a)	395,456	395,456
Electric and hydrocarbon concessions (b)	90,168	90,857
Other rights (c)	18,391	18,365
Software	1,380	1,478
	505,395	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 September 30, 2020, Management estimates are not required to establish reserves for the possible impairment of its intangible assets with an indefinite life.

Amortization of hydrocarbon concessions was as follows:

	Nine-month periods ended		Three-month periods ended	
	September 30		September 30	
<i>In thousands of U.S. dollars</i>	2020	2019	2020	2019
Cost of sale of electrical energy	689	689	229	228

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

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

11. Trade Payables

Comprises the following:

<i>In thousands of U.S. dollars</i>	September 30, 2020	December 31, 2019
Energy purchases and transmission tolls	7,130	4,409
Royalties	74	194
Others	1,910	4,116
	9,114	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>	September 30, 2020	December 31, 2019
Interest payables-debentures		13,320	5,500
Option agreements	10(c)	2,444	8,741
Value-added tax		1,476	581
Other taxes		1,002	2,517
Rural electricity contribution		9	87
Various accruals and other accounts payables		167	602
		18,418	18,028

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13. Debentures

Comprises the following:

<i>In thousands of U.S. dollars</i>	September 30, 2020	December 31, 2019
International bonds		
Proceeds from issuance of Orazul Energy Perú 2027 notes (a)	550,000	550,000
Transaction costs	(7,894)	(8,616)
	542,106	541,384

- (a) In April 25, 2017, the Company (originally Orazul Energy Egenor S. en C. por A., later merged into the Company on August 16, 2017) issued under Rule 144A/Reg. S, US\$ 550,000 thousand. The notes have "BB" rating, assigned by the international risk-rating agencies Fitch Ratings and Standard & Poor's. Notes interests are payable biannually with final maturity in April 2027 and 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 interest rate	Currency	Maturity	Face value		Carrying amount	
				2020	2019	2020	2019
Debentures							
OEP notes 2027	5.625%	US\$	April -2027	550,000	550,000	542,106	541,384

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

<i>In thousands of U.S. dollars</i>	
2024 and thereafter	542,106
	542,106

B. Financial obligations and covenants

The conditions of the notes as of September 30, 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	2020	2019
Balance as of January 1, 2020		17,224	172
Additions	8,9	3,387	16,647
Unwind of discount		273	452
Payments		-	(47)
Balance as of September 30, 2020		20,884	17,224

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

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15. Financial Instruments
A. Carrying amounts and fair values

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

	Carrying amount			Fair value
	Current		Non-current	
	Financial assets at amortized cost	Other financial liabilities	Other financial liabilities	Total
				Level 2
In thousands of U.S. dollars				
As of September 30, 2020				
Financial assets not measured at fair value				
Cash and cash equivalents	174,481	-	-	174,481
Trade receivables	25,391	-	-	25,391
Other receivables (*)	3,380	-	-	3,380
Financial liabilities not measured at fair value				
Trade payables	-	(9,114)	-	(9,114)
Other payables (*)	-	(15,770)	-	(15,770)
Intercompany payables	-	-	(46,979)	(46,979)
Debentures	-	-	(542,106)	(542,106)
Lease liabilities	-	(123)	(896)	(1,019)
	203,252	(25,007)	(589,981)	(411,736)
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 payables	-	(8,719)	-	(8,719)
Other payables (*)	-	(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)
				(568,425)
				(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 September 30, 2020 and December 31, 2019:

Financial instruments not measured at fair value

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

16. Equity**Share capital**

Comprises the following:

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

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

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

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

17. Revenues

Comprises the following:

	Nine-month periods ended September 30		Three-month periods ended September 30	
<i>In thousands of U.S. dollars</i>	2020	2019	2020	2019
Sale of electrical energy				
Sale of energy and capacity				
Energy	65,026	61,020	22,577	19,935
Capacity	21,618	20,034	7,461	5,935
COES (regulated clients)				
Energy	2,419	4,922	(20)	77
Capacity	3,042	7,261	906	2,410
Other	602	1,237	(55)	564
	92,707	94,474	30,869	28,921

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	Nine-month periods ended September 30		Three-month periods ended September 30	
<i>In thousands of U.S. dollars</i>	2020	2019	2020	2019
Sale of hydrocarbons				
Natural gasoline	3,791	8,436	1,195	2,725
LPG	1,994	3,918	536	883
	5,785	12,354	1,731	3,608
	98,492	106,828	32,600	32,529

The estimated revenues pending of invoicing for the nine-month period ended September 30, 2020 amounts to US\$ 13,570 thousand (US\$ 13,126 thousand for the nine-month period ended September 30, 2019).

18. Tax Issues

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

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

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

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

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

	September 30, 2020	December 31, 2019
<i>In thousands of U.S. dollars</i>		
Income tax receivables	2,494	3,924
Income tax payables	740	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.

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

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

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

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

ii. Key management compensation

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

iii. Transactions with key management personnel

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

C. Other related entities transactions

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

<i>In thousands of U.S. dollars</i>	Transaction type	Transaction value		Outstanding balances	
		2020	2019	2020	2019
Orazul Energia Partners LLC (a)	Loan	(2,424)	(3,965)	(46,979)	(82,942)
Kallpa Generación S.A. (b)	Management Services and O&M	-	-	-	(6,307)
		(8,926)	(4,475)	-	113
Samay I S.A.	COES	(1,665)	(1,363)	-	-
Kallpa Generación S.A.	COES	2,903	5,604	-	-
Orazul Energía (España) Holding S.L.	Loan	-	-	-	-
Orazul Energy Group BV - Netherlands	Loan	-	(1)	-	-
Compañía Boliviana de Energía Eléctrica Cobee-Sucursal	Services	40	386	-	91
		(10,072)	3,814	(46,979)	(89,045)

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

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

<i>In thousands of U.S. dollars</i>	Transaction type	Transaction value		Outstanding balances	
		2020	2019	2020	2019
Kallpa Generación S.A. (b)	Management Services and O&M	(247)	-	-	-
		-	-	-	-
Samay I S.A.	COES	2	4	-	-
Kallpa Generación S.A.	COES	795	793	1	-
		550	797	1	-

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

On July 4, 2017, Orazul Energía Partners LLC assigned a portion of the subordinated loan in the amount of US\$ 127,950 thousand to Orazul 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, 2019, the updated interest was US\$ 22,652 thousand.

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

In June 2020 and September 2020, the Company amortized US\$ 19,000 thousand and US\$ 20,000 thousand respectively. As a result of this payment, the fair value of the 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 September 30, 2020, the main contingencies of the Company are described as follows:

A. Orazul Energy Perú

(a) Labor claims

Orazul Energy del Perú S.A. ("Orazul") is involved in several labor claims, mostly related to vacations, job reinstatement, compensation for damages (including moral damages) and profit sharing, for which, after being evaluated individually, as of September 30, 2020, Orazul recorded a provision equivalent to US\$ 525 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\$ 817 thousand for labor claims that are not more likely than not that Orazul will pay.

(b) Temporary Tax on Net Assets

Temporary tax on net assets return from 2013 was reviewed by the Tax Administration in 2014, which issued determination and fine resolutions for US\$ 239 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\$ 398 thousand (US\$ 265 thousand as ITAN and US\$ 133 thousand as fine). In December 2019, the Company filed the corresponding judicial action which is currently ongoing.

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

Orazul Energy Perú S.A. and Subsidiaries

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(c) Penalty withholding tax

Fine imposed by the Tax Administration during the Tax Audit of the fiscal year 2000, because the Company did not pay withholding taxes, despite the fact it did not pay for the service either. The Company filed an appeal before the Supreme Judicial Court in March 2018. On October 5, 2020, the Company was notified with the sentence of the Supreme Court of Justice by which it declared the appeal filed by the Company founded. On the other hand, the sentence indicates that the case should be returned to the Superior Court instance in order to rule on the calculation of the fines, which would formally start a new process. 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\$ 309 thousand.

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

B. Termoselva

(a) Income Tax 2011

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

Up to this date, the Tax Administration has not pronounced on the petition of the Tax Court. The updated contingency is US\$ 892 thousand.

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

(b) Advanced Payments 2012

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

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

In September 2015, Termoselva filed its complaint before the Tax Administration which was declared as groundless. In March 2016, the Company appeal before the Tax Court, who resolved revoke the resolution appealed, ordering the Tax Administration to be subject to the ruling of the Tax Court regarding the 2011 Income Tax, and based on this, to issue a new pronouncement.

The updated contingency is US\$ 165 thousand.

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

C. Aguaytía

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

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

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

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

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

21. Subsequent Events

On August 24, 2020, the Company (the "Seller") sold its 100% ownership of OEG to ISA Peru (the "Buyer") for US\$ 158,463 thousand total consideration (note 3). Related to the Purchase and Sale Agreement, dated March 10, 2020, there was a 60-day period for Buyer to provide any adjustment calculation over the total consideration to Seller. On October 20, 2020, the amount calculated by Buyer payable by the Sellers to Buyer amounted to US\$209 thousand. This amount was agreed by Seller and was cancelled in October 30, 2020.