



Orazul Energy Perú S.A. and Subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements

June 30, 2021

**(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 of June 30, 2021, the condensed consolidated statements of profit or loss and other comprehensive income for the six and three-month periods ended as at June 30, 2021, the condensed consolidated statements of changes in equity and cash flows for the six-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 six and three-month periods ended June 30, 2021 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Lima, Peru

July 27, 2021

Countersigned by:

Caipo y Asociados

Ronald J. Villalobos (Partner)
Peruvian Public Accountant
Registration N° 60262

Orazul Energy Perú S.A. and Subsidiaries

Unaudited Condensed Consolidated Interim Financial
Statements

June 30, 2021

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Orazul Energy Perú S.A. and Subsidiaries

Unaudited Condensed Consolidated Statement of Financial Position

As of June 30, 2021 (Unaudited) and December 31, 2020

<i>In thousands of U.S. dollars</i>	<i>Note</i>	June 30, 2021	December 31, 2020
Assets			
Current assets			
Cash	4	166,064	153,445
Trade receivables	5	19,985	24,642
Other receivables	6	2,897	2,811
Income tax receivable	7	3,246	2,315
Account receivables from related parties	21	1	419
Inventories	8	6,531	5,629
Prepaid expenses		3,312	312
Total current assets		202,036	189,573
Non-current assets			
Property, plant and equipment - energy Generation	9		
Property, plant and equipment		259,769	268,254
Right-of-use assets		906	892
Gas investments	10	63,461	64,397
Intangible assets and goodwill	11	512,023	512,747
Deferred income tax assets		35,022	38,112
Other receivables	6	359	388
Prepaid expenses		293	375
Total non-current assets		871,833	885,165
Total assets		1,073,869	1,074,738

<i>In thousands of U.S. dollars</i>	<i>Note</i>	June 30, 2021	December 31, 2020
Liabilities			
Current liabilities			
Trade payables	12	5,631	9,095
Other payables	13	11,944	16,417
Income tax payable	7	317	1,585
Lease liabilities	14	426	312
Account payables to related parties	21	2	766
Total current liabilities		18,320	28,175
Non-current liabilities			
Debentures	15	542,867	542,396
Lease liabilities	14	539	634
Account payables to related parties	21	21,712	22,710
Deferred income tax liabilities		10,160	9,794
Asset retirement obligation	16	22,071	22,141
Other liabilities		466	496
Total non-current liabilities		597,815	598,171
Total liabilities		616,135	626,346
Equity			
Share capital	18	385,036	196,086
Additional capital		8,857	8,857
Other reserves		5,675	5,675
Legal reserves		23,316	21,941
Retained earnings		34,821	215,794
Equity attributable to owners of the Company		457,705	448,353
Non-controlling interest		29	39
Total equity		457,734	448,392
Total liabilities and equity		1,073,869	1,074,738

The notes on pages 5 to 28 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 six-month and three-month periods ended June 30, 2021 and 2020

<i>In thousands of U.S. dollars</i>	<i>Note</i>	Six-month period ended June 30		Three-month period ended June 30	
		2021	2020	2021	2020
Revenue of energy	19	66,211	61,838	32,052	28,344
Revenue of hydrocarbons	19	3,347	4,054	975	1,867
Cost of sales		(19,581)	(15,532)	(9,639)	(7,644)
Depreciation	9, 10, 11	(13,846)	(13,377)	(7,328)	(6,637)
Gross profit		36,131	36,983	16,060	15,930
Administrative expenses		(3,230)	(3,418)	(1,824)	(1,690)
Other income		774	529	601	255
Other expenses		(120)	(326)	(77)	(113)
Operating profit		33,555	33,768	14,760	14,382
Finance income		116	304	44	122
Finance costs		(17,065)	(19,291)	(8,394)	(9,507)
Net foreign exchange difference		(1,248)	(858)	633	(542)
Finance cost, net		(18,197)	(19,845)	(7,717)	(9,927)
Profit before income tax		15,358	13,923	7,043	4,455
Income tax expense (benefit)	20	(6,016)	5,474	(2,029)	3,100
Profit from continuing operations		9,342	19,397	5,014	7,555
Discontinued operations					
Profit for the period from discontinued operations, net of tax	3	-	1,041	-	868
Profit for the period		9,342	20,438	5,014	8,423
Other comprehensive income for the period, net of tax		-	-	-	-
Attributable to					
Controlling shareholders		9,352	20,442	5,024	8,422
Non-controlling interest		(10)	(4)	(10)	1
Total comprehensive income for the period		9,342	20,438	5,014	8,423

The notes on pages 5 to 28 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 six-month period ended June 30, 2021 and 2020

	Attributable to owners of the Company								
	Number of shares (note 18)	Share capital (note 18)	Additional capital	Legal reserves	Retained earnings	Other reserves	Total equity attributable to owners of the Company	Non- controlling interests	Total equity
<i>In thousands of U.S. dollars</i>									
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	-	-	-	-	20,442	-	20,442	(4)	20,438
Total comprehensive income for the period	-	-	-	-	20,442	-	20,442	(4)	20,438
Other reserves	-	-	-	-	-	(229)	(229)	-	(229)
Balance as of June 30, 2020	651,224,289	196,086	8,857	-	8,598	6,209	219,750	41	219,791
Balance as of January 1, 2021	651,224,289	196,086	8,857	21,941	215,794	5,675	448,353	39	448,392
Comprehensive income for the period									
Profit for the period	-	-	-	-	9,352	-	9,352	(10)	9,342
Total comprehensive income for the period	-	-	-	-	9,352	-	9,352	(10)	9,342
Capitalization of retained earnings	-	188,950	-	-	(188,950)	-	-	-	-
Total transactions with owners of the Company	-	188,950	-	-	(188,950)	-	-	-	-
Other reserves	-	-	-	1,375	(1,375)	-	-	-	-
Balance as of June 30, 2021	651,224,289	385,036	8,857	23,316	34,821	5,675	457,705	29	457,734

The notes on pages 5 to 28 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 six-month period ended June 30, 2021 and 2020

<i>In thousands of U.S. dollars</i>	<i>Note</i>	Six-month period ended June 30	
		2021	2020
Cash flows from operating activities			
Collections of energy and transmission		82,282	72,183
Collections of hydrocarbons		3,872	4,403
Collection of interest		60	352
Payment to suppliers		(37,695)	(34,906)
Payment of royalties		(2,611)	(2,008)
Payment of contributions and others		(516)	(1,910)
Cash generated from operating activities		45,392	38,114
Income tax paid		(5,025)	(3,680)
Net cash provided by operating activities		40,367	34,434
Cash flows from investing activities			
Acquisition of property, plant and equipment		(3,902)	(3,960)
Acquisition of intangibles		(3,911)	(3,806)
Net cash used in investing activities		(7,813)	(7,766)
Cash flows from financing activities			
Payment to related entities	21.C	(1,000)	(19,000)
Interest paid		(15,469)	(15,469)
Payment of lease liabilities	14	(224)	(158)
Other		(1,597)	(2,864)
Net cash used in financing activities		(18,290)	(37,491)
Net increase in cash and cash equivalents		14,265	(10,881)
Cash and cash equivalents as of January 1		153,445	41,160
Effects of variations on exchange difference on held cash		(1,646)	(339)
Cash and cash equivalents as of June 30		166,064	29,940
Included in cash and cash equivalents per Statement of Financial Position June 30		-	24,269
Included as assets of held for sale	3	-	5,671

The notes on pages 5 to 28 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 "Orazul") is a subsidiary of Orazul Energía (UK) Holdings Ltd. which owns 99.99% of voting shares which are representative of its issued capital stock.

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 in OEG, owner of 99.99% of the shares of Etenorte S.R.L. and Eteselva S.R.L., to Interconexión Eléctrica - ISA Peru. The total consideration after working capital adjustments amounted to US\$ 158,254 thousand. (See note 3).

In recent months of 2021, the Inkia Group (Nautilus Energy Holdings LLC) through Orazul Energy Peru S.A. received an indication of interest for the thermal power generation and hydrocarbon businesses in Peru.

In recent months of 2021, the Inkia Group (Nautilus Energy Holdings LLC) through the Company received an indication of interest for the thermal power generation and hydrocarbon businesses in Peru.

In that context, in line with its aspiration of generating value through portfolio optimization, the Inkia Group has decided to initiate a sale process of the thermal power generation and hydrocarbon businesses in Peru. The sale process contemplates selling 100% of OEG II, including its indirect interest in its subsidiaries, Aguaytía Energy del Perú S.R.L. and Termoselva S.R.L.

The sale of these companies is not expected to have any impact on the normal operation of the hydro power business.

The closing of a potential sale process is expected to take up to 6 months. There is no assurance that the sale of OEG II will take place.

The businesses in Peru are related to hydro and thermal power generation, 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	192	Aguaytía, Ucayali
Cañón del Pato	Orazul Energy Peru	Hydropower	266	Huallanca, Ancash
Carhuaquero	Orazul Energy Peru	Hydropower	110	LLacma, Cajamarca
			568	

Orazul Energy Perú S.A. and Subsidiaries

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

A. The Subsidiaries

As of June 30, 2021 and December 31, 2020, the subsidiary and the percentage of interest owned by the Company are detailed below:

	Direct equity interest (Percentage)	
	2021	2020
Holding		
OEG II	99.99	99.99

In addition, OEG II have the following subsidiaries:

	Indirect equity interest (Percentage)	
	2021	2020
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 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. Gas liquids are 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.

Aguaytía's License Contract extension

On July 1, 2020, Aguaytía and Perupetro S.A. (hereinafter, "Perupetro") 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) detailed below, the Contract Extension would be granted for ten (10) additional years, until March 2034:

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

Orazul Energy Perú S.A. and Subsidiaries

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(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 to applicable regulation.
- If it is determined that exploration and development opportunities are feasible technically and economically, according to the Company's standards 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 June 30, 2021 and December 31, 2020, prepared under International Financial Reporting Standards (IFRS), before elimination for consolidation purposes, are presented below:

<i>In thousands of U.S. dollars</i>	June 30, 2021	December 31, 2020
Subsidiaries		
Aguaytía del Perú S.R.L.		
Total assets	133,605	138,020
Total liabilities	(16,605)	(17,364)
Equity	117,000	120,656
Profit for the period	3,199	8,967
Termoselva S.R.L.		
Total assets	69,280	78,099
Total liabilities	(8,475)	(12,543)
Equity	60,805	65,556
Profit for the period	4,011	10,433
Orazul Energy Hidrocarburos S.A.		
Total assets	109,060	112,720
Total liabilities	(935)	(912)
Equity	108,125	111,808
Profit for the period	6,768	13,421
Orazul Energy Group II S.A.		
Total assets	105,862	109,503
Total liabilities	(28)	(43)
Equity	105,834	109,460
Profit for the period	6,763	12,559

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.

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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

In March 2020, the World Health Organization declared the spread of the coronavirus or COVID-19 as a global pandemic. In response, the Peruvian government ordered certain measures to contain pandemic leading to partial lockdowns of economic activities with restriction of the mobility of people and the suspension of work activities, among others. The Group's operations required to remain open for business at the highest level to provide the vital electrical service for the country. Therefore, in general, the pandemic had not significant effects on the Group's financial position, financial performance, and cash flows as of and for the year 2020 and the first half of the year 2021.

As of June 30, 2021, the Group's Management has maintained measures adopted since 2020 related to security, continuity of operations and financial risk management, such as:

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.
- Secure 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.
- 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 Group is also 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

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

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

Liquidity

During this period, the Group 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 Group will continue monitoring closely the evolution of cash flow and to be extremely cautious with its liquidity.

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.

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

Finally, the Group 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, 2020 (last annual financial statements). The condensed consolidated statement of financial position as of June 30, 2021 has been derived from the Group's last annual audited consolidated 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 July 27, 2021.

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).

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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 17 – Financial Instruments.

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, 2020.

We have not identified new standards applicable since January 1, 2021.

3. Discontinued Operations and Assets Held for Sale

On March 10, 2020, Orazul Energy Peru S.A. and Orazul Energía (UK) Holdings LTD signed a purchase agreement with Interconexión Eléctrica - ISA Peru, to sell its 100% ownership in Orazul Energy Group S.A.C. ("OEG"). OEG was a subsidiary of the Company, 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.

On August 24, 2020, the Company sold its 100% ownership of OEG to Interconexión Eléctrica - ISA Peru for US\$ 158,254 thousand total consideration after working capital adjustments.

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

OEG was not previously classified as held-for-sale or as discontinued operation. The comparative audited 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

	Six-month period ended	Three-month period ended
<i>In thousands of U.S. dollars</i>	June 30, 2020	June 30, 2020
Revenues of transmission services	4,327	2,199
Costs of sales of transmission services	(383)	(176)
Depreciation	(978)	-
Administrative expenses	(184)	(85)
Other incomes	289	144
Other expenses	(247)	(123)
Finance cost, net	(115)	(72)
Income tax	(1,668)	(1,019)
Profit from discontinued operations	1,041	868

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As of June 30, 2020, sales were made to Orazul and Termoselva for US\$ 1,639.

B. Cash flow from discontinued operation

<i>In thousands of U.S. dollars</i>	Six-month period ended June 30, 2020
Net cash provided by operating activities	4,376
Net cash used in investing activities	(333)
Cash as of January 1	1,628
Net cash flow from discontinued operations	5,671

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

<i>In thousands of U.S. dollars</i>	June 30, 2020
Cash	5,670
Trade receivables	788
Other receivables	582
Inventories	419
Other assets	347
Income tax asset	208
Property, plant, and equipment	34,176
Deferred income tax assets	157
Assets held for sale	42,347
Trade payables	543
Other payables	123
Income tax payable	586
Deferred income	265
Deferred income tax liabilities	3,463
Liabilities held for sale	4,980
Net assets of disposal group	37,367
Consideration received, satisfied in cash	155,367
Cash disposed from discontinued operations	(7,043)
Net cash inflows	148,324

4. Cash

Comprises the following:

<i>In thousands of U.S. dollars</i>	June 30, 2021	December 31, 2020
Checking accounts (a)	166,057	153,437
Petty cash	7	8
	166,064	153,445

- (a) The Group holds checking accounts in different financial entities. As of June 30, 2021, and December 31, 2020 the balance of this account includes mainly current account deposit in foreign and local currency.

The credit quality that safeguards the Group's bank deposits have the same evaluation as compared to December 31, 2020.

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5. Trade Receivables

Comprises the following:

<i>In thousands of U.S. dollars</i>	June 30, 2021	December 31, 2020
Non-regulated customers	4,371	6,804
Regulated customers	14,669	15,681
COES (a)	1,414	2,207
Other	18,808	19,243
Subtotal (b)	39,262	43,935
Less-allowance for doubtful accounts (c)	(19,277)	(19,293)
	19,985	24,642

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 June 30, 2021, corresponds mainly to 6 non-regulated, 6 regulated customers and 1 natural gasoline customer (6 non-regulated, 5 regulated customers and 1 natural gasoline customer as of December 31, 2020).

The average credit period granted to customers of the Group ranges between 7 and 30 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 June 30, 2021, the annual average interest rates for the Group are 6.05% and 3.21% for local and foreign currency, respectively (7.23% and 3.58% as of December 31, 2020 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. As of June 30, 2021, this amount includes US\$ 380 thousand for related parties (US\$ 532 thousand as of December 31, 2020) (note 17).
- (b) As of June 30, 2021 and December 31, 2020, past due trade receivables (over 360 days) mainly correspond to the non-collectability of the invoices issued to Maple Gas Corporation del Perú, a former customer of natural gasoline (note 6(a)). Natural gasoline was sold to Maple Gas Corporation until July 14, 2017. Currently, Natural Gasoline is sold to Perenco Peru Petroleum Limited Sucursal del Perú ("Perenco") without any non-collectability issues.
- (c) The aging of trade receivables is the following:

<i>In thousands of U.S. dollars</i>	June 30, 2021	December 31, 2020
Unexpired	18,456	19,288
Less than 30 days	586	1,723
31 to 90 days	232	2,153
91 to 180 days	45	-
181 to 360 days	666	1,478
More than 361 days (b)	19,277	19,293
	39,262	43,935

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 June 30, 2021 and December 31, 2020.

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6. Other Receivables

Comprises the following:

<i>In thousands of U.S. dollars</i>	June 30, 2021	December 31, 2020
Current portion		
Guarantee deposits (a)	1,291	1,291
Work for taxes mechanisms	1,400	1,291
Other receivables	206	229
	2,897	2,811
Non-current portion		
Credit on temporary taxes on net assets – ITAN	359	388
	359	388
	3,256	3,199

- (a) In 2019, the subsidiary Aguaytia, granted a guarantee deposit in favor of legal adviser in U.S. in connection to the recovery procedure to Maple Gas Corporation del Peru S.R.L. This guarantee deposit will be used to satisfy any liability or claims, expense, cost, damage and legal expenses that may be incurred during the recovery process, it is renewed annually by evaluation of the Management and can be recovered within the terms established in the contract in case it is not decided to continue with the collection process.

7. Income Tax Receivable and Payable

Comprises the following:

<i>In thousands of U.S. dollars</i>	June 30, 2021	December 31, 2020
Income tax receivable	3,246	2,315
Income tax payable	317	1,585

It corresponds to the current income tax, which will be consumed or paid during the year 2021.

8. Inventories

Comprises the following:

<i>In thousands of U.S. dollars</i>	June 30, 2021	December 31, 2020
Supplies and spare parts	5,932	5,802
Fuel to sale	245	71
Fuel and lubricants	17	93
	6,531	5,966
Impairment (a)	(337)	(337)
	6,531	5,629

- (a) The impairment of inventories was determined based on internal technical reports. Management believes that this estimate covers the obsolescence risk appropriately as of June 30, 2021 and December 31, 2020.

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9. Property, Plant and Equipment

Comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	June 30, 2021	December 31, 2020
Cost			
Beginning balance		682,630	844,302
Additions			
Asset retirement cost	16	(148)	3,521
Building and constructions		21	4
Machinery and equipment		45	20
Sundry equipment		231	30
Vehicles (d)		217	1,197
Furniture and fixture		5	-
Work in process		567	1,160
Total additions		938	5,932
Transfers			
Building and constructions		125	287
Machinery and equipment		(1,555)	1,631
Vehicles		-	(60)
Furniture and fixtures		(138)	(1)
Spare parts		1,714	77
Sundry equipment		18	573
Work in progress		(164)	(2,507)
Total transfers		-	-
Disposals			
Building and constructions		-	(10,600)
Vehicles		-	(426)
Machinery and equipment		(49)	(4,526)
Sundry equipment		-	(2,721)
Furniture and fixtures		-	(230)
Total disposals		(49)	(18,503)
Discontinued operation			
Building and constructions		-	(2,244)
Machinery and equipment		-	(142,952)
Sundry equipment		-	(3,322)
Work in progress		-	(583)
Total discontinued operation		-	(149,101)
Ending balance		683,519	682,630
Accumulated depreciation			
Beginning balance		(413,484)	(527,069)
Additions			
Building and constructions		(2,766)	(5,611)
Vehicles		(216)	(186)
Machinery and equipment		(5,891)	(11,446)
Asset retirement obligation		(120)	(149)
Spare parts		(18)	-
Sundry equipment		(395)	(1,005)
Furniture and fixtures		(3)	(13)
Total additions		(9,409)	(18,410)

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<i>In thousands of U.S. dollars</i>	<i>Note</i>	June 30, 2021	December 31, 2020
Disposals			
Building and constructions		-	9,979
Vehicles		-	344
Machinery and equipment		49	4,152
Sundry equipment		-	2,308
Furniture and fixtures		-	424
Total disposals		49	17,207
Transfers			
Machinery and equipment		983	-
Furniture and fixtures		128	-
Spare parts		(1,108)	-
Sundry equipment		(3)	-
Total transfers		-	-
Discontinued operation			
Building and constructions		-	580
Machinery and equipment		-	111,426
Sundry equipment		-	2,782
Total discontinued operation		-	114,788
Ending balance		(422,844)	(413,484)
Net cost at the beginning of the period		269,146	317,233
Net cost of the end of the period		260,675	269,146
Impairment		-	(543)
Retirements		-	543
Impairment		-	-
Net cost of the end of the period		260,675	269,146

- (a) Management considers that, as of June 30, 2021 and December 31, 2020, impairment is not required, other than the estimate previously recognized in the records for the impairment of property, plant and equipment.

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- (b) Property, plant and equipment includes right-of-use assets for US\$ 906 thousand as of June 30, 2021 (US\$ 892 thousand as of December 31, 2020):

<i>In thousands of U.S. dollars</i>	<i>Note</i>	June 30, 2021	December 31, 2020
Cost			
Beginning balance		1,192	3,460
Additions			
Vehicles (e)	14	217	1,197
Total additions		1,409	4,657
Retirements			
Buildings and other constructions		-	(3,036)
Vehicles		-	(302)
Sandy equipment		-	(127)
Total retirements		-	(3,465)
Ending balance		1,409	1,192
Accumulated depreciation			
Beginning balance		(300)	(3,373)
Additions			
Vehicles		(203)	(387)
Total additions		(503)	(3,750)
Retirements			
Buildings and other constructions		-	3,036
Vehicles		-	297
Sandy equipment		-	127
Total retirements		-	3,460
Ending balance		(503)	(300)
Net cost at the beginning of the period		892	87
Net cost of the end of the period		906	892

- (c) Distribution of depreciation was as follows:

	Six-month period ended June 30		Three-month period ended June 30	
<i>In thousands of U.S. dollars</i>	2021	2020	2021	2020
Cost of sale	9,205	8,359	4,959	4,133
Administrative expenses	204	207	73	101
	9,409	8,566	5,032	4,234

- (d) As of June 30, 2021 and December 31, 2020, 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) In January 2021, the Company signed a 2-years contract with a Company for an operational leasing for renting of a barge. In January 2020, the Company signed a 4-year contract with a renting company for an operational leasing for its vehicles.
- (f) As of June 30, 2021 and December 31, 2020, in Management's opinion, there were no impairment indicators on the value of property, plant and equipment.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

- (g) As of June 30, 2021 and December 31, 2020, the Company do not have guarantees related to the acquisition of property, plant and equipment.

10. Gas Investments

Comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	June 30, 2021	December 31, 2020
Cost			
Beginning balance		176,478	171,692
Additions			
Gas and fractionation plant		33	-
Asset retirement cost	16	(25)	1,057
Vehicles		-	82
Furniture and fixture		18	-
Sundry equipment		48	80
Work in progress (b)		3,170	3,669
Total additions		3,244	4,888
Transfers			
Gas and fractionation plant		(5)	2,275
Vehicles		-	(8)
Spare parts		291	-
Furniture and fixture		-	18
Sundry equipment		-	263
Work in progress		(286)	(2,548)
Total transfers		-	-
Disposals			
Furniture and fixtures		-	(45)
Sundry equipment		-	(57)
Total disposals		-	(102)
Ending balance		179,722	176,478
Accumulated depreciation			
Beginning balance		(112,081)	(103,568)
Additions			
Gas and fractionation plant		(3,563)	(7,602)
Vehicles		(14)	(13)
Spare parts		(1)	-
Furniture and fixtures		(8)	(25)
Sundry equipment		(130)	(153)
Asset retirement obligation		(464)	(809)
Total additions		(4,180)	(8,602)
Disposals			
Furniture and fixtures		-	34
Sundry equipment		-	55
Total disposals		-	89
Transfers and others			
Gas and fractionation plant		189	-
Asset retirement obligation		(189)	-
Total transfers and others		-	-
Ending balance		(116,261)	(112,081)
Net cost at the beginning of the period		64,397	68,124
Net cost of the end of the period		63,461	64,397

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- (a) Distribution of depreciation was as follows:

	Six-month period ended June 30		Three-month period ended June 30	
<i>In thousands of U.S. dollars</i>	2021	2020	2021	2020
Cost of sale	4,180	4,558	2,168	2,274

- (b) As of June 30, 2021, work in progress mainly includes wells services for US\$ 1,984 thousand and detection system for US\$ 638 thousand, new Turboexpander US\$ 119 thousand, new prefabricated modules US\$ 122 thousand and studies related to the concession extension of US\$ 224 thousand (As of December 31, 2020 work in progress mainly includes major maintenance of generator for US\$ 216 thousand, major maintenance of moto compressor for US\$ 1,752 thousand, well services in AG6 for US\$ 160 thousand, corrosion control system for US\$ 175 thousand, buildings for US\$ 126 thousand and other projects for US\$ 73 thousand).
- (c) As of June 30, 2021 and December 31, 2020, in Management's opinion, there were no impairment indicators on the value of gas investments.
- (d) As of June 30, 2021 and December 31, 2020, the Company do not have guarantees related to the acquisition of gas investments.

11. Intangible Assets and Goodwill

Comprises the following:

<i>In thousands of U.S. dollars</i>	June 30, 2021	December 31, 2020
Goodwill (a)	395,456	395,456
Electric and hydrocarbon concessions (b)	89,475	89,936
Other rights (c)	25,878	25,964
Software	1,214	1,391
	512,023	512,747

- (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.
- (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 10 years has been determined for hydrocarbon concession. As of June 30, 2021, and December 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:

	Six-month period ended June 30		Three-month period ended June 30	
<i>In thousands of U.S. dollars</i>	2021	2020	2021	2020
Cost of sale	461	460	201	230

- (c) Other rights correspond to the agreements signed between Orazul and 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 13).

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Management analysis indicated there were no impairment indicators on the value of the intangibles as of June 30, 2021 (no impairment indicators as of December 31, 2020).

12. Trade Payables

Comprises the following:

<i>In thousands of U.S. dollars</i>	June 30, 2021	December 31, 2020
Energy purchases and transmission tolls	3,776	4,301
Others purchases	1,855	4,794
	5,631	9,095

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

13. Other Payables

Comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	June 30, 2021	December 31, 2020
Interest payables-debentures		5,328	5,328
Option agreements	11(c)	4,316	8,529
Value-Added Tax		1,165	1,048
Other taxes		900	1,133
Rural electricity contribution		202	283
Various accruals and other account payables		33	96
		11,944	16,417

14. Lease Liabilities

Comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	June 30, 2021	December 31, 2020
Opening balance		946	93
Additions (a)	9(e)	217	1,197
Payments		(224)	(392)
Unwind of discount		26	48
		965	946

(a) In December 2020, correspond to a 4-year contract with a renting company for an operational leasing for the Group's vehicles signed in January 2020.

(b) The lease liability is distributed as follows:

<i>In thousands of U.S. dollars</i>	June 30, 2021	December 31, 2020
Current portion		
Lease liabilities	426	312
Subtotal	426	312
Non-current portion		
Lease liabilities	539	634
Subtotal	539	634
Total	965	946

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15. Debentures

Comprises the following:

<i>In thousands of U.S. dollars</i>	June 30, 2021	December 31, 2020
Senior notes		
Proceeds from issuance of Orazul Energy Perú 2027 notes (a)	550,000	550,000
Transaction costs	(7,133)	(7,604)
	542,867	542,396

- (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%.
- (b) On June 25, 2021, the Company announced the commencement of a cash tender offer (the "Tender Offer") for up to an amount of its outstanding Senior Notes that would not result in the aggregate purchase price exceeding \$150,400 thousand (the Maximum Tender Amount).

The Total Consideration per \$1,000 principal amount of Notes payable to holders who validly tender their Notes on or prior to July 9, 2021 (the Early Tender Date) will be equal to a clearing price to be determined on July 26, 2021 (the Expiration Date) pursuant to a modified Dutch auction procedure. Each holder that tenders Notes in the tender offer will specify a bid price, within the range of \$1,000 to \$1,020 which represents the minimum consideration such holder is willing to receive for those Notes. The Total Consideration payable under the tender offer, and the bid price specified by holders of Notes electing to participate, includes an Early Tender Payment of \$50.00 for each \$1,000 principal amount of Notes.

The Tender Offer is subject to certain customary conditions, but is not contingent upon the tender of any minimum principal amount of Notes. Subject to applicable law, the Company may amend, modify, or terminate the Tender Offer at any time in its sole discretion.

The Tender Offer constitutes an asset sale offer pursuant to the requirements of the indenture governing the Notes, in connection with Company's sale in August 2020 of its indirect ownership in the transmission business companies, Etenorte S.R.L. and Eteselva S.R.L.

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	
				2021	2020	2021	2020
Debentures							
Orazul 2027 Notes	5.625%	US\$	April -2027	550,000	550,000	542,867	542,396

The table below presents the payment schedule of the non-current portion of the long-term debt as of June 30, 2021:

<i>In thousands of U.S. dollars</i>	
2024 and thereafter	550,000
	550,000

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B. Financial obligations and covenants

The conditions of the notes as of June 30, 2021 are the same disclosed in the annual consolidated financial statements of the Company as of December 31, 2020.

16. Asset Retirement Obligation

Comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	June 30, 2021	December 31, 2020
Balance as of January 1		22,141	17,224
Additions	9,10	(173)	4,578
Unwind of discount		103	342
Other		-	(3)
Ending balance		22,071	22,141

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 considering all costs necessary to dismantle and rehabilitate the land where the station is currently located. The future value, considering inflation amounts to US\$ 32,368 thousand and has been discounted using an annual risk-free rate ranging from 0.36% to 1.37%.

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Notes to the Condensed Consolidated Interim Financial Statements

17. 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 June 30, 2021				
Financial assets not measured at fair value				
Cash and cash equivalents	166,064	-	-	166,064
Trade receivables	19,985	-	-	19,985
Other receivables (*)	1,497	-	-	1,497
Financial liabilities not measured at fair value				
Trade payable	-	(5,631)	-	(5,631)
Other payable (*)	-	(9,677)	-	(9,677)
Intercompany payables	-	(2)	(21,712)	(21,714)
Debentures	-	-	(542,867)	(542,867)
Lease liabilities	-	(426)	(539)	(965)
	187,546	(15,736)	(565,118)	(393,308)
As of December 31, 2020				
Financial assets not measured at fair value				
Cash and cash equivalents	153,445	-	-	153,445
Trade receivables	24,642	-	-	24,642
Other receivables (*)	1,520	-	-	1,520
Intercompany receivables	419	-	-	419
Financial liabilities not measured at fair value				
Trade payable	-	(9,095)	-	(9,095)
Other payable (*)	-	(13,953)	-	(13,953)
Intercompany payables	-	(766)	(22,710)	(23,476)
Debentures	-	-	(542,396)	(542,396)
Lease liabilities	-	(312)	(634)	(946)
	180,026	(24,126)	(565,740)	(409,840)
				(579,568)

(*) 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 of June 30, 2021, and December 31, 2020:

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

18. Equity**Share capital**

Comprises the following:

<i>In thousands of U.S. dollars</i>	June 30, 2021	December 31, 2020
Orazul Energia (UK) Holdings Ltd.	384,982	196,066
Others	54	20
	385,036	196,086

On February 24, 2021, the Company capitalized the retained earnings of the 2020 period for US\$ 188,950 thousand and issued additional shares for 690,801,200 with a nominal value of S/ 1.00 per share.

As of June 30, 2021, issued capital stock is represented by 1,342,025,489 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.	1,341,835,923	99.99
Others	189,566	0.01
	1,342,025,489	100.00

As of December 31, 2020, 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

Legal reserve

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

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There were no dividends declared and paid as of June 30, 2021 and December 31, 2020.

19. Revenue

Comprises the following:

	Six-month period ended June 30		Three-month period ended June 30	
<i>In thousands of U.S. dollars</i>	2021	2020	2021	2020
Sale of electrical energy				
Sale of energy and capacity				
Energy	43,255	42,449	20,953	19,569
Capacity	14,620	14,157	7,339	6,530
COES (regulated clients)				
Energy	4,433	2,439	2,101	935
Capacity	3,172	2,136	1,409	1,082
Other	731	657	250	228
	66,211	61,838	32,052	28,344
Sale of hydrocarbons				
Natural gasoline	2,529	2,596	698	1,160
LPG	818	1,458	277	707
	3,347	4,054	975	1,867
	69,558	65,892	33,027	30,211

The estimated revenue pending of invoicing for the six-month period ended June 30, 2021, amounts to US\$13,422 thousand (US\$11,912 thousand for the six-month period ended June 30, 2020).

20. 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 six-month period ended June 30, 2021 is 39.17% (39.32% for the six-month period ended June 30, 2020.). The change in the effective tax rate for the six-month period ended June 30, 2021 correspond mainly to the impact of exchange difference in local currency.

As of June 30, 2021 and December 31, 2020, the Group have balances for credits and debits with the tax administration as follow:

	June 30, 2021	December 31, 2020
<i>In thousands of U.S. dollars</i>		
Income tax receivable	3,246	2,315
Income tax payable	317	1,585

21. 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 June 30, 2021, there are no loans to directors (no loans to directors as of December 31, 2020).

ii. Key management compensation

As of June 30, 2021, there are no compensation to key management personnel (no compensation to key management as of June 30, 2020).

iii. Transactions with key management personnel

During the six-month period ended June 30, 2021, 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 six-month period ended June 30, 2020, other than those in (ii)).

C. Other related entities transactions

In 2021 and 2020, the Group performed the following significant transactions with related parties, during the normal course of operations

		Transaction value	
		Six-month period ended June 30	
<i>In thousands of U.S. dollars</i>	Transaction type	2021	2020
Kallpa Generación S.A. (a)	Management service and O&M	(6,823)	(2,940)
Samay I S.A.	COES	(1,195)	(456)
Kallpa Generación S.A.	COES	1,147	940
Orazul Energía Partners LLC (b)	Fair value	-	(885)
		(6,871)	(3,341)

		Outstanding balances	
		June 30, 2021	December 31, 2020
<i>In thousands of U.S. dollars</i>	Transaction type		
Account receivables			
Kallpa Generación S.A.	COES	379	532
Samay I S.A.	COES	1	-
Kallpa Generación S.A.	Management service and O&M	-	360
Eléctrica Cobee-Sucursal	Services	1	59
		381	951
Account payables			
Kallpa Generación S.A.	COES	(15)	(55)
Samay I S.A.	COES	(163)	(275)
Kallpa Generación S.A.	Management service and O&M	-	(766)
		(178)	(1,096)
Other payables			
Orazul Energía Partners LLC (b)	Loan	(21,712)	(22,710)
Orazul Energia (UK) Holdings Ltd.	Dividends	(2)	-
		(21,714)	(22,710)
		(21,511)	(22,855)

Orazul Energy Perú S.A. and Subsidiaries

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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

- (a) The Group and Kallpa Generación S.A. entered into a Management Service and Operational Service Agreement, which can be renewed under the express consent of the parties each year.
- (b) 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 accrued 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 Energía (UK) Holdings Ltd. On the same date, Orazul Energía (UK) Holdings Ltd. approved the capitalization of such debt and increased the capital stock issued of the Company. As of December 31, 2018, the updated interest was US\$ 22,652 thousand.

On 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\$ 9,132 thousand net of a deferred tax of US\$ 2,694 thousand, generating a net effect of US\$ 6,438 thousand. In 2020, the Company paid a total of US\$ 64,000 thousand that generated an increase in equity of US\$ 1,082 thousand, net of deferred tax of US\$ 319, generating a net effect of US\$ 763 thousand.

As mentioned, in May, September, November and December 2020, the Company paid US\$ 19,000 thousand, US\$ 20,000 thousand, US\$ 20,000 thousand and US\$ 5,000 thousand respectively. As a result of these payments, the fair value loan was adjusted (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 of the loan was adjusted.

In February 2021, the Company paid US\$ 1,000 thousand corresponding to the balance of interest accrued until December 2018. The balance for the interest accrued amounts to US\$ 21,652 thousand.

22. Contingencies

As of June 30, 2021, the main contingencies of the Company are described as follow:

Orazul Energy Perú

(a) Labor claims

The Company 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 June 30, 2021, The Company recorded a provision equivalent to US\$ 424 thousand for labor claims considered probable of losing.

In Management's opinion, based on its external legal advisors, it has been estimated that the Company could have to pay up to an equivalent amount of US\$ 1,102 thousand for labor claims that are not more likely than not that the Company will pay.

(b) Temporary Tax on Net Assets

Temporary tax on net assets returns from 2013 was reviewed by the Tax Administration in 2014, which issued determination and fine resolutions for US\$ 223 thousand plus interests in May 2015. In July 2015, the Company filed a claim against the Tax Administration; and in April 2016, the Tax Administration declared the claim filed by the Company as groundless. In May 2016, the Company filed an appeal before the Tax Court, which has been resolved against Orazul in September 2019. In November 2019, the Company decided to pay the amount of US\$ 428 thousand (US\$ 285 as ITAN and US\$ 143 thousand as fine, including interests). In December 2019, the Company filed the corresponding judicial action. The Judicial Court held a hearing on July 15, 2021. The case is currently ongoing.

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

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 they 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 these payments as a Company's decision. During 2014 and 2015, Termoselva presented its corresponding claim and appeal. In July 2019, the Tax Court resolved to accept the deductibility of the payments made to 28 Termoselva workers. In November 2019, the Company decided to file an appeal with the Judiciary which is currently ongoing.

As of this date, the Tax Administration has not pronounced on the petition of the Tax Court. The updated contingency is US\$ 870 thousand.

In the opinion of Management and our legal advisors, there are legal and factual arguments 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 in 2012.

The mentioned resolutions were issued because of referential omissions in the prepayments from March to December 2012, considering the observations contained in resolutions of the corporate income tax 2011, although its 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 appealed before the Tax Court, who resolved revoke the rejected resolution, 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 resolution.

The updated contingency is US\$ 161 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.

Aguaytía

(a) 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 on July 31, 2017 OSINERGMIN filed an extraordinary appeal which is currently under revision by the Supreme Court.

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.

23. Subsequent Events

On July 12, 2021, the Company announced the extension of the early tender period of its previously announced cash tender offer for its 5.625% Senior Notes due 2027 (Note 15(b)) through the Expiration Date (July 26, 2021).

On July 26, 2021, the Company announced the extension of the Expiration Date of its previously announced cash tender offer to July 30, 2021, unless further extended or terminated.