



Orazul Energy Perú S.A. and Subsidiary

Unaudited Condensed Consolidated Interim Financial Statements

September 30, 2023

**(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.

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Orazul Energy Perú S.A. and Subsidiary as at September 30, 2023, the condensed consolidated statements of profit or loss and other comprehensive income (loss), for the nine and three-month periods then ended as at September 30, 2023, the condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and notes to 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, 2023, are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Lima, Peru

October 31, 2023

Countersigned by:

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

EMMERICH, CORDOVA & ASOCIADOS

Orazul Energy Perú S.A. and Subsidiary

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Orazul Energy Perú S.A. and Subsidiary

Unaudited Condensed Consolidated Statement of Financial Position

As at September 30, 2023 and December 31, 2022

<i>In thousands of U.S. dollars</i>		September 30, December 31,	
	Note	2023	2022
Assets			
Current assets			
Cash	3	41,769	16,779
Trade receivables	4	17,069	16,443
Account receivables from related parties	16	1,115	909
Other receivables		468	122
Inventories	5	1,969	1,781
Prepaid expenses		1,927	686
Total current assets		64,317	36,720
Non-current assets			
Intangible assets	7	494,724	495,447
Property, plant, and equipment	6	573,765	592,886
Right of use assets	6	32	139
Deferred income tax assets		55,190	53,473
Total non-current assets		1,123,711	1,141,945
Total assets		1,188,028	1,178,665

<i>In thousands of U.S. dollars</i>		September 30, December 31,	
	Note	2023	2022
Liabilities			
Current liabilities			
Trade payables	8	14,258	8,331
Other payables	9	9,735	5,749
Income tax payable	9	192	7,959
Account payables to related parties	16	-	394
Lease liabilities		36	152
Total current liabilities		24,221	22,585
Non-current liabilities			
Debentures	10	360,034	359,452
Asset retirement obligation	11	3,487	4,003
Other liabilities		269	337
Total non-current liabilities		363,790	363,792
Total liabilities		388,011	386,377
Equity			
Share capital	12	477,477	464,757
Additional capital		279,424	-
Legal reserves		34,577	33,653
Revaluation reserve		-	281,113
Retained earnings		8,539	12,765
Total equity		800,017	792,288
Total liabilities and equity		1,188,028	1,178,665

The notes on pages 5 to 18 are an integral part of these condensed consolidated interim financial statements.

Orazul Energy Perú S.A. and Subsidiary

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Loss)

For the nine-month and three-month periods ended September 30, 2023, and 2022

<i>In thousands of U.S. dollars</i>	<i>Note</i>	Nine-month period ended September 30		Three-month period ended September 30	
		2023	2022	2023	2022
Revenue of energy	13	83,566	81,502	20,941	24,702
Cost of sales		(32,560)	(18,458)	(19,424)	(8,981)
Depreciation	6.C	(18,528)	(8,369)	(6,187)	(2,803)
Gross profit (loss)		32,478	54,675	(4,670)	12,918
Administrative expenses		(3,426)	(4,341)	(861)	(1,618)
Other income		459	219	86	36
Other expenses		(118)	(19)	-	(14)
Operating profit (loss)		29,393	50,534	(5,445)	11,322
Finance income		1,039	103	552	62
Finance costs		(16,806)	(20,651)	(5,608)	(8,582)
Net foreign exchange difference		119	173	(126)	(292)
Net finance cost		(15,648)	(20,375)	(5,182)	(8,812)
Profit (Loss) before income tax		13,745	30,159	(10,627)	2,510
Income tax expense	14	(4,327)	(11,528)	(4,962)	(9,847)
Profit (Loss) for the period		9,418	18,631	(15,589)	(7,337)
Other comprehensive income or loss Items that will not be reclassified to profit or loss					
Capitalization of revaluation reserve		(281,113)	-	-	-
Other comprehensive loss for the period, net of tax		(281,113)	-	-	-
Total comprehensive (loss) income for the period		(271,695)	18,631	(15,589)	(7,337)

The notes on pages 5 to 18 are an integral part of these condensed consolidated interim financial statements.

Orazul Energy Perú S.A. and Subsidiary

Unaudited Condensed Consolidated Statement of Changes in Equity

For the nine-month period ended September 30, 2023, and 2022

	Attributable to owners of the Company						Total equity
	Share capital (note 12)	Additional capital (note 12)	Legal reserves (note 12)	Retained earnings (note 12)	Revaluation reserve (note 12)	Other reserves	
<i>In thousands of U.S. dollars</i>							
Balance as of January 1, 2022	385,036	8,857	30,799	79,721	-	5,675	510,088
Comprehensive income for the period							
Profit for the period	-	-	-	18,631	-	-	18,631
Total comprehensive income for the period	-	-	-	18,631	-	-	18,631
Capitalization of retained earnings	79,721	-	-	(79,721)	-	-	-
Dividend paid	-	-	-	(15,501)	-	-	(15,501)
Legal reserve	-	-	1,860	(1,860)	-	-	-
Total transactions with owners of the Company	79,721	-	1,860	(97,082)	-	-	(15,501)
Balance as of September 30, 2022	464,757	8,857	32,659	1,270	-	5,675	513,218
Balance as of January 1, 2023	464,757	-	33,653	12,765	281,113	-	792,288
Comprehensive income for the period							
Profit for the period	-	-	-	9,418	-	-	9,418
Other comprehensive income							
Capitalization of revaluation reserve	-	-	-	-	(281,113)	-	(281,113)
Total comprehensive income for the period	-	-	-	9,418	(281,113)	-	(271,695)
Transactions with owners of the Company							
Capitalization of retained earnings	12,720	-	-	(12,720)	-	-	-
Capitalization of revaluation reserve	-	281,113	-	-	-	-	281,113
Remeasurement asset retirement obligation	-	(1,689)	-	-	-	-	(1,689)
Legal reserve	-	-	924	(924)	-	-	-
Total transactions with owners of the Company	12,720	279,424	924	(13,644)	-	-	279,424
Balance as of September 30, 2023	477,477	279,424	34,577	8,539	-	-	800,017

The notes on pages 5 to 18 are an integral part of these condensed consolidated interim financial statements.

Orazul Energy Perú S.A. and Subsidiary

Unaudited Condensed Consolidated Statement of Cash Flows

For the nine-month period ended September 30, 2023, and 2022

<i>In thousands of U.S. dollars</i>	<i>Note</i>	Nine-month period ended September 30	
		2023	2022
Cash flows from operating activities			
Collections from clients		107,494	100,453
Collection of interest		1,026	81
Payment to suppliers		(55,450)	(41,913)
Payment of employees		(152)	(79)
Cash generated from operating activities		52,918	58,542
Income tax recovered		-	1,148
Income tax paid		(13,354)	(1,262)
Net cash provided by operating activities		39,564	58,428
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		18	-
Acquisition of property, plant and equipment		(3,853)	(1,850)
Acquisition of intangibles		-	(1,784)
Net cash used in investing activities		(3,835)	(3,634)
Cash flows from financing activities			
Interest paid		(10,215)	(10,215)
Payment of withholding tax derived from interest		(520)	(4,298)
Payment of lease liabilities		(118)	(130)
Dividends paid, net of tax		-	(14,723)
Payment to related entities		-	(21,717)
Net cash used in financing activities		(10,853)	(51,083)
Net increase in cash		24,876	3,711
Cash as of January 1		16,779	20,849
Effects of variations on exchange difference on held cash		114	161
Cash at 30 September		41,769	24,721

The notes on pages 5 to 18 are an integral part of these condensed consolidated interim financial statements.

Orazul Energy Perú S.A. and Subsidiary

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

1. Background and Business Activity

A. Corporate information

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

The Company business activity is the generation and commercialization of electrical energy. The Company has a total hydropower installed capacity of 376 MW, as detailed below:

Plant	Company	Source used to operate power station	Capacity (MW)	Location
Cañón del Pato	Orazul Energy Peru	Hydropower	266	Huallanca, Ancash
Carhuaquero	Orazul Energy Peru	Hydropower	110	LLacma, Cajamarca
			376	

The Company could be affected by seasonal patterns and weather variations including hydrological conditions throughout the year. Therefore, the operating margin could vary by month during the year. Additionally, weather variations, including hydrological conditions, could also have an impact on generation output. Nevertheless, hydropower facilities are located in 2 different basins, which diversifies hydrology risk.

B. Subsidiary

As of September 30, 2023, and December 31, 2022, the Company has 99.99% direct equity interest in its subsidiary Kondu S.A.C. (hereinafter, "Kondu" or "Subsidiary").

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

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

2. 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 audited consolidated financial statements as at and for the year ended December 31, 2022. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended December 31, 2022. These condensed consolidated interim financial statements do not include all of the information required for a full annual consolidated financial statement prepared in accordance with International Financial Reporting Standards.

These condensed consolidated interim financial statements were approved by the Management on October 20, 2023.

B. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at December 31, 2022.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

C. 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 the Group's accounting policies and the reported amounts of assets and liabilities, income, and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by Management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2022, except for the changes in the cash flow projections for asset retirement obligation explained in note 11.

D. 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.

Measurement of revaluation of property, plant, and equipment

i. Fair value hierarchy

The fair value of property, plant, and equipment was determined by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement for all of the property, plant and equipment has been categorized as a Level 2 fair value based on the inputs to the valuation technique used.

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ii. Valuation techniques and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value as well as the significant unobservable inputs used.

Type	Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Revalued property plants	Market comparison (appraisal): The fair value is estimated considering the current or recent quoted prices for identical assets considering their characteristics (location, condition, etc.)	Not applicable	Not applicable
Debentures	Discounted cash flows using current market interest rates.	Not applicable	Not applicable

3. Cash

Comprises the following:

<i>In thousands of U.S. dollars</i>	September 30, 2023	December 31, 2022
Checking accounts (a)	41,764	16,774
Petty cash	5	5
	41,769	16,779

- (a) The Group holds checking accounts in foreign and local currency at different financial entities. The Group checking accounts are available and mainly earn interest at market rates ranging from 0.07% to 8% in soles and from 0.15% to 5.15% in U.S dollars as at September 30, 2023 (from 0.15% to 1.00% in soles and from 0.07% to 0.90% in U.S dollar as at December 31, 2022).

The credit quality that safeguards the Group's bank deposits have the same evaluations as compared to December 31, 2022.

4. Trade Receivables

Comprises the following:

<i>In thousands of U.S. dollars</i>	September 30, 2023	December 31, 2022
Regulated customers	10,338	8,746
Non-regulated customers	6,221	6,989
COES (a)	526	723
Others	168	168
Subtotal (b)	17,253	16,626
Impairment loss allowance (c)	(184)	(183)
	17,069	16,443

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Trade receivables are denominated in U.S. dollars (non-regulated customers) and soles (COES and regulated customers). They have current maturity and do not generate interest, except in the case of payment delays. Trade receivables as of September 30, 2023, correspond mainly to 12 non-regulated and 7 regulated customers (13 non-regulated and 9 regulated customers as of December 31, 2022).

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.

- (a) As of September 30, 2023, this amount includes US\$ 529 thousand for related parties (US\$ 174 thousand as of December 31, 2022) (note 16).
- (b) The aging of trade receivables is the following:

<i>In thousands of U.S. dollars</i>	September 30, 2023	December 31, 2022
Unexpired	16,628	16,369
Less than 30 days	108	23
31 to 180 days	14	22
181 to 360 days	319	1
More than 360 days	184	211
	17,253	16,626

- (c) As of September 30, 2023, and December 31, 2022, past due trade receivables (over 360 days) represent less than 1.3% of the total balance of trade receivables.

5. Inventories

Comprises the following:

<i>In thousands of U.S. dollars</i>	September 30, 2023	December 31, 2022
Mechanical and electrical spare parts (a)	1,320	1,178
Other supplies	567	562
Fuel and lubricants	82	64
Subtotal	1,969	1,804
Write off (b)	-	(23)
	1,969	1,781

- (a) Correspond mainly to items used in programmed maintenance for the hydropower plants, Carhuaquero and Cañon del Pato, enabling appropriate operations until major maintenances.
- (b) As of September 30, 2023, the previous write-off of inventories was destroyed, according to requirements of the Peruvian law.

In accordance with Management's opinion, it is not necessary to recognize any impairment on inventories as of September 30, 2023.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

6. Property, Plant, and Equipment

Comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	September 30, 2023	December 31, 2022
Cost			
Beginning balance		959,489	561,305
Additions			
Work in process (f)		1,909	4,741
Building and constructions		350	-
Machinery and equipment		298	719
Sundry equipment		183	253
Spare parts		138	-
Land		14	-
Vehicles		(3)	17
Furniture and fixture		1	21
Land – revaluation (e)		-	597
Building and constructions – revaluation (e)		-	214,619
Machinery and equipment – revaluation (e)		-	183,526
Total additions		2,890	404,493
Asset Retirement Obligation - remeasurement			
Asset retirement cost		(3,019)	(5,669)
Total other		(3,019)	(5,669)
Transfers			
Building and constructions		418	1,995
Vehicles		384	-
Machinery and equipment		260	673
Work in process		(810)	(2,987)
Spare parts		(194)	-
Sundry equipment		(58)	324
Total transfers		-	5
Disposals			
Sundry equipment		(133)	(36)
Vehicles		(106)	(526)
Furniture and fixture		(5)	-
Machinery and equipment		-	(83)
Total disposals		(244)	(645)
Ending balance		959,116	959,489

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

<i>In thousands of U.S. dollars</i>	<i>Note</i>	September 30, 2023	December 31, 2022
Accumulated depreciation			
Beginning balance		(366,464)	(354,354)
Additions			
Machinery and equipment		(11,488)	(6,239)
Building and constructions		(7,104)	(5,687)
Sundry equipment		(349)	(450)
Vehicles		(101)	(137)
Asset retirement obligation		(48)	(174)
Furniture and fixtures		(6)	(7)
Total additions		(19,096)	(12,694)
Disposals			
Sundry equipment		132	35
Vehicles		106	482
Furniture and fixture		3	-
Machinery and equipment		-	67
Total disposals		241	584
Transfers			
Sundry equipment		384	-
Spare parts		3	-
Vehicles		(384)	-
Machinery and equipment		(3)	-
Total transfers		-	-
Ending balance		(385,319)	(366,464)
Net cost at the beginning of the period		593,025	206,951
Net cost of the end of the period		573,797	593,025

- (a) As of September 30, 2023, and December 31, 2022, 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

- (b) Property, plant, and equipment includes right-of-use assets as follows:

<i>In thousands of U.S. dollars</i>	September 30, 2023	December 31, 2022
Cost		
Beginning balance	571	554
Additions		
Sundry equipment	8	17
Total additions	8	17
Other		
Vehicles	(9)	-
Total other	(9)	-
Retirement		
Sundry equipment	(24)	-
Total retirement	(24)	-
Ending balance	546	571
Accumulated depreciation		
Beginning balance	(432)	(288)
Additions		
Vehicles	(98)	(127)
Sundry equipment	(8)	(17)
Total additions	(106)	(144)
Retirement		
Sundry equipment	24	-
Total retirement	24	-
Ending balance	(514)	(432)
Net cost at the beginning of the period	139	266
Net cost at the end of the period	32	139

- (c) Distribution of depreciation was as follows:

	Nine-month period ended September 30		Three-month period ended September 30	
<i>In thousands of U.S. dollars</i>	2023	2022	2023	2022
Depreciation	18,528	8,369	6,187	2,803
Administrative expenses	568	251	190	85
	19,096	8,620	6,377	2,888

- (d) As of September 30, 2023, and December 31, 2022, 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) On November 30, 2022, the main assets of Carhuaquero and Cañón del Pato Plants, including plant and equipment, buildings, and other constructions were revalued by an external independent appraiser, increasing their book value in US\$ 398,742 thousand (note 12.C).
- (f) As of September 30, 2023, the main work-in-progress additions correspond to control panel installation and solar project in Carhuaquero plant and major maintenance in Cañón del Pato plant. (Civil works and major maintenance in Cañón del Pato plant, fire system, solar project and minor projects as of December 31, 2022).

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

- (g) As of September 30, 2023, and December 31, 2022, the Company does not have guarantees related to the acquisition of property, plant, and equipment.

7. Intangible Assets and Goodwill

Comprises the following:

<i>In thousands of U.S. dollars</i>	September 30, 2023	December 31, 2022
Goodwill (a)	399,427	399,427
Electric concessions (b)	79,954	79,954
Other rights (c)	15,343	16,066
	494,724	495,447

- (a) The goodwill corresponds to (i) the excess of the net fair value of assets and liabilities identified during the acquisition of the Peruvian operating business on December 20, 2016.
- (b) The electric concessions correspond to intangible assets identified at the acquisition date on December 20, 2016. The useful life of electric concessions is indefinite. As of September 30, 2023, and December 31, 2022, Management is not required to establish reserves for the possible impairment of its intangible assets with an indefinite life.
- (c) Option agreements signed between the Company and distribution companies, by which distribution companies grant an option to sign addenda to the original public tender of certain PPAs, extending the contract term, modifying the contracted capacity and associated energy, and maintaining the current fixed prices within framework of the Supreme Decree 022-2018 EM. As of September 30, 2023, the Company executed all option agreements signed with distribution companies.

Management analysis indicated there were no impairment indicators on the value of the intangibles as of September 30, 2023, and December 31, 2022.

8. Trade Payables

Comprises the following:

<i>In thousands of U.S. dollars</i>	September 30, 2023	December 31, 2022
Energy purchases and transmission tolls (a)	12,679	4,723
Capital expenditures (b)	634	1,633
Other purchases	945	1,975
	14,258	8,331

- (a) Trade payables include transmission tolls paid for the use of principal transmission lines in the Peruvian interconnected electricity system. Most of these costs are pass-through to the Group's customers. As of September 30, 2023, this amount includes US\$ 7 thousand payables to related parties (US\$ 353 thousand as of December 31, 2022) (note 16).
- (b) Corresponds mainly to the purchase of spare parts, supplies and services related to the investments made by the Company.

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

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

9. Other Payables and Income Tax Payables

Comprises the following:

<i>In thousands of U.S. dollars</i>	September 30, 2023	December 31, 2022
Interest payables (a)	8,626	3,518
Rural electricity contribution, FISE, FOSE	551	492
Other taxes	483	254
Payroll	43	24
Other	32	26
Withholding tax on dividends	-	602
Value-Added Tax	-	833
	9,735	5,749
Income tax payable		
Income tax estimate	5,375	10,987
Advance payments	(5,183)	(3,028)
	192	7,959
	9,927	13,708

- (a) Corresponds to the interest from the 2027 Notes settled semi-annually throughout the year (note 10).

10. Debentures

The terms and conditions of debentures are as follows:

<i>In thousands of U.S. dollars</i>	Nominal annual interest rate	Currency	Maturity	Face value		Carrying amount	
				2023	2022	2023	2022
Debentures							
OEP 2027 notes	5.625%	US\$	April -2027	363,198	363,198	360,034	359,452

The carrying amounts as of September 30, 2023, and December 31, 2022, comprise the following:

<i>In thousands of U.S. dollars</i>	September 30, 2023	December 31, 2022
Orazul Energy Perú 2027 (a)	363,198	363,198
Transaction costs	(3,164)	(3,746)
	360,034	359,452

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

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

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

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

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

11. Asset Retirement Obligation

Comprises the following:

<i>In thousands of U.S. dollars</i>	September 30, 2023	December 31, 2022
Balance as of January 1	4,003	9,551
Decrease	(624)	(5,669)
Unwind of discount	108	121
	3,487	4,003

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

As of September 30, 2023, the provision has been reduced due to changes in estimated future costs and current market rates. The future value has been discounted using an annual risk-free rate ranging 6.47% as of September 30, 2023 (3.77% as of December 31, 2022).

12. Equity**A. Share capital**

As of September 30, 2023, and December 31, 2022, the share capital is represented by 1,691,081,984 and 1,644,249,142, respectively common shares with a nominal value of one sol each, duly authorized, issued and paid as follows:

		Number of shares	
		September 30, 2023	December 31, 2022
Shareholders	%		
Orazul Energia (UK) Holdings Ltd.	99.99	1,690,843,115	1,644,016,886
Others	0.01	238,869	232,256
	100.00	1,691,081,984	1,644,249,142

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

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

B. 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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C. Revaluation reserves and additional capital

Correspond to the US\$ 398,742 thousand revaluation of plant and equipment, buildings, and other constructions (note 6.E) net of US\$ 117,629 thousand deferred income tax, executed on November 30, 2022. During the nine-month period ended September 30, 2023, the total amount was capitalized into additional capital.

D. Dividends

No dividends were distributed during the nine-month period ended September 30, 2023. US\$ 15,501 thousand dividends were distributed during nine-month period ended September 30, 2022.

13. Revenue

Comprises the following:

<i>In thousands of U.S. dollars</i>	Nine-month period ended September 30		Three-month period ended September 30	
	2023	2022	2023	2022
Energy sales regulated	33,158	35,572	10,769	12,839
Energy sales non-regulated	20,636	19,918	6,307	6,764
Energy sales spot	12,238	8,497	(1,888)	(626)
Capacity sales regulated	7,835	9,558	2,501	3,275
Capacity sales non-regulated	5,635	5,519	1,779	1,760
Capacity sales spot	2,966	1,822	1,160	555
Other revenues	1,098	616	313	135
	83,566	81,502	20,941	24,702

The estimated revenue pending of invoicing for the nine-month period ended September 30, 2023, amounts to US\$ 6,944 thousand (US\$ 7,648 thousand for the nine-month period ended September 30, 2022). According to Management's evaluation, there would not be a significant variation between the amounts invoiced and those estimated.

14. Tax Issues

Income tax from the years 2018 to 2022 is subject to review by the tax authorities. As of September 30, 2023, the Company is being audited by the Peruvian Tax Administration through an integral Income Tax Audit related to the year 2020. Any amount exceeding the provisions made to cover the tax obligations will be charged to the results of the year in which those are finally determined. In the opinion of the Company's Management, as a result of an eventual assessment, no significant liabilities affecting the financial statements will arise as of September 30, 2023, and December 31, 2022.

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

The effective tax rate for the nine-month period ended September 30, 2023, was 31.48% income (38.22% income for the nine-month period ended September 30, 2022). The change in the effective tax rate for the nine-month period ended September 30, 2023, correspond mainly to the impact of exchange difference in local currency.

As of September 30, 2023, and 2022, the income tax expense shown in the income statement is composed as follows:

<i>In thousands of U.S. dollars</i>	Nine-month period ended September 30		Three-month period ended September 30	
	2023	2022	2023	2022
Current tax	(5,337)	(7,296)	2,685	(52)
Deferred tax	1,010	(4,232)	(7,647)	(9,795)
	(4,327)	(11,528)	(4,962)	(9,847)

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Notes to the Condensed Consolidated Interim Financial Statements

15. Financial Instruments
A. Carrying amounts and fair values

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

	Carrying amount				Fair value
	Current		Non-current		
	Amortized cost	Other financial liabilities	Other financial liabilities	Total	Level 2
<i>In thousands of U.S. dollars</i>					
As of September 30, 2023					
Financial assets not measured at fair value					
Cash	41,769	-	-	41,769	-
Trade receivables	17,069	-	-	17,069	-
Accounts receivable from related parties	1,115	-	-	1,115	-
Other receivables (*)	164	-	-	164	-
Financial liabilities not measured at fair value					
Trade payable	-	(14,258)	-	(14,258)	-
Other payable (*)	-	(8,658)	-	(8,658)	-
Debentures	-	-	(360,034)	(360,034)	(330,111)
Lease liabilities	-	(36)	-	(36)	-
	60,117	(22,952)	(360,034)	(322,869)	(330,111)
As of December 31, 2022					
Financial assets not measured at fair value					
Cash	16,779	-	-	16,779	-
Trade receivables	16,443	-	-	16,443	-
Other receivables (*)	122	-	-	122	-
Intercompany receivables	909	-	-	909	-
Financial liabilities not measured at fair value					
Trade payable	-	(8,331)	-	(8,331)	-
Other payable (*)	-	(3,544)	-	(3,544)	-
Intercompany payables	-	(394)	-	(394)	-
Debentures	-	-	(359,452)	(359,452)	(326,806)
Lease liabilities	-	(152)	-	(152)	-
	34,253	(12,421)	(359,452)	(337,620)	(326,806)

(*) 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 September 30, 2023, and December 31, 2022:

Financial instruments not measured at fair value.

Type	Valuation techniques	Key unobservable data	Interrelationship between key unobservable inputs and fair value
Debentures	Discounted cash flows using current market interest rate	Not applicable	Not applicable

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

There are no changes in the parent and ultimate parent companies during the nine-month period ended on September 30, 2023, compared to December 31, 2022.

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

As of September 30, 2023, and December 31, 2022, there are no loans to Directors.

ii. Key management compensation

As of September 30, 2023, and December 31, 2022, there is no compensation to key management personnel.

iii. Transactions with key management personnel

During the nine-month period ended September 30, 2023, and 2022, there were no transactions between the Company and key management.

C. Other related entities transactions

In 2023 and 2022, the Group performed the following significant transactions with related parties, during the normal course of operations.

<i>In thousands of U.S. dollars</i>	Transaction type	Transaction value		Outstanding balances	
		September 30, 2023	September 30, 2022	September 30, 2023	December 31, 2022
Kallpa Generación S.A. (a)	Management services and O&M	(5,686)	(5,889)	1,115	721
Kallpa Generación S.A.	Other - reimbursement	-	(331)	-	(394)
Compañía Boliviana de Energía Eléctrica					
Cobee-Sucursal	Support services	2	9	-	188
Orazul Energía Partners LLC.	Interest	-	(2)	-	-
		(5,684)	(6,213)	1,115	515

- (a) The Group and Kallpa Generación S.A. entered into a Management Service and Operation and Maintenance Agreements (O&M), which can be renewed under the express consent of the parties each period.

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

		Transaction value		Outstanding balances	
<i>In thousands of U.S. dollars</i>	Transaction type	September 30, 2023	September 30, 2022	September 30, 2023	December 31, 2022
Sales					
Kallpa Generación S.A.	COES	2,034	2,776	361	116
Kallpa Generación S.A.	Others	743	294	168	50
Termoselva S.R.L. (*)	COES	355	673	-	8
Samay I S.A. (*)	COES	7	8	-	-
Costs					
Samay I S.A. (*)	COES	(184)	(1,470)	-	(340)
Kallpa Generación S.A.	COES	(168)	(413)	(7)	(12)
Termoselva S.R.L. (*)	Capacity Purchase and COES	(70)	(39)	-	(1)
		2,717	1,829	522	(179)

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

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

17. Contingencies

As of September 30, 2023, the main changes in contingencies since the most recent annual financial statements are as follows:

Labor Claims

The Company decreased the provision related to labor claims from US\$ 337 thousand as of December 31, 2022, to US\$ 269 thousand as of September 30, 2023.

Additionally, the estimate for labor claims that are not more likely than not that the Company will pay, decreased from US\$ 538 thousand as of December 31, 2022, to US\$ 537 thousand as of September 30, 2023.

In the opinion of Management and the legal advisors of the Company, there are no significant contingencies that could affect the consolidated financial statements as of September 30, 2023, and December 31, 2022, that have not been provisioned or disclosed in these condensed consolidated interim financial statements.

18. Subsequent Event**Temporary Tax on Net Assets – ITAN refund**

On October 11, 2023, Orazul was notified with Judicial Resolution N° 17 which orders the Tax Administration (SUNAT) to refund 2013 ITAN within a period of 30 business days, under threat of a fine. This period would end on November 22, 2023.