



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

March 31, 2025 and 2024

ORAZUL ENERGY PERU S.A. AND SUBSIDIARY

US\$ 363,198,000 – 5.625% Senior Notes due 2027



ORAZUL ENERGY PERU

About the Company

We are a Peruvian company focused on the electric power sector. We own and operate two hydroelectric power plants with a combined capacity of 376 MW, and a 1 MW solar plant, all located in northern Peru. Our 377 MW are diversified in (i) 2 run-of-river hydroelectric power plants in different hydrological basins: Cañón del Pato with 266 MW in the Santa River and Carhuaquero with 110 MW in the Chancay River; with a total of 11 turbines and (ii) our 1 MW solar plant built in 2023 which is located next to the Carhuaquero hydro power plant. The commercial operation date of our solar plant was granted on February 14, 2024.

We incorporated our subsidiary Kondu S.A., to conduct power generation, transmission, and commercialization activities as well as provide energy solutions services to our customers.

We generate and sell non-carbon, efficient and reliable electricity to regulated and non-regulated customers under power purchase agreements (“PPAs”) and to the spot market. As of March 31, 2025, approximately 58% of our firm energy for 2025 is contracted under PPAs among high quality off-takers with 83%¹ of our total revenues from investment grade customers, and our average remaining PPA term is 4.9 years².

Orazul Energy Peru (“Orazul”) is indirectly owned by certain funds managed by I Squared Capital Advisors (US) LLC and co-investors (collectively, the “Sponsor”). On December 31, 2017, the Sponsor, through Nautilus Inkia Holdings LLC, acquired substantially all the Latin American and Caribbean business held by Inkia Energy Limited, an international company focused on the electric power sector. On April 30, 2018, the Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual, INDECOPI, the Peruvian antitrust authority, approved the acquisition by the Sponsor. Since then, Orazul’s related parties include Kallpa Generación S.A. (“Kallpa”). Since January 1, 2019, as part of a strategy to optimize operations and maximize benefits from having the same shareholders, Kallpa and Orazul integrated and streamlined their management teams, implementing a single management organization, with no legal mergers between the companies.

Management has extensive experience in the power generation business. Our executive officers have an average of approximately 22 years of experience in the power generation industry and have previously held senior positions in leading power generation companies, financial institutions, and the Peruvian government. Our management team provides in-depth market knowledge and power industry experience, with considerable experience in the Peruvian energy industry and government regulators. We believe that this overall level of experience allows our management team to lead the Company in the effective operation and maintenance of our facilities.

¹ For the last twelve months as of March 2025, measured by at least one investment grade rating granted by either S&P, Fitch or Moody’s (or their local representatives) for the local customer or the implied rating based on sponsor’ support; weighted by customer revenues expressed in US\$.

² Weighted by contracted energy of each PPA.



Our Notes

On April 25, 2017, Orazul issued senior unsecured notes for an aggregate principal amount of US\$550 million in the international capital markets under Rule 144A and Regulation S of the Securities Market Law of the United States of America (the “Notes”). These Notes accrue interest at a rate of 5.625% payable semi-annually and have final maturity in April 2027. The proceeds from this issuance were used to: (i) prepay the outstanding senior debt incurred in connection with our acquisition under a US\$450 million senior secured loan facility, and (ii) prepay US\$35 million and US\$40 million, in aggregate outstanding principal amount of local corporate bonds. The Notes are currently rated BB by Fitch Ratings and BB- by Standard & Poor’s.

After the sale of the transmission business in 2020 and the gas to power business in 2021 and consequent cash tender offers, our Notes amount to US\$363 million.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated interim financial statements as of March 31, 2025, and 2024.

For the three-month period ended March 31, 2025 and 2024

	Three months ended		%
	March 31		Change
<i>In millions of U.S. dollars</i>	2025	2024	
Revenues	33	31	6%
Cost of sales (excluding depreciation and amortization)	(6)	(7)	-14%
Depreciation	(7)	(6)	17%
Administrative expenses	(1)	(1)	0%
Other income, net	-	-	-
Operating profit	19	17	12%
Finance income	-	1	-
Finance costs	(6)	(6)	0%
Net foreign exchange difference	1	-	-
Net finance costs	(5)	(5)	0%
Profit before income tax	14	12	17%
Income tax expense	(1)	(4)	-75%
Profit for the period	13	8	63%

Results of Operations

The Company's net profit for the three-month period ended March 31, 2025, amounted to US\$13 million compared to US\$8 million net profit during the same period in 2024. The Company's results are explained by the following:

Revenues

Revenues increased by US\$2 million, or 6%, to US\$33 million during the first quarter of 2025, from US\$31 million during the same period in 2024, mainly explained by a US\$2 million increase in net energy and capacity sales in the spot market due to a 5% increase in net energy sold in the spot market to 387 GWh during the first quarter of 2025 from 367 GWh during the same period in 2024 as a result of lower energy sales under PPAs.

Energy and capacity sales under PPAs remain unchanged due to the net effect of a 16% increase in the average PPA energy prices to US\$51/MWh during the first quarter of 2025 compared to US\$44/MWh during the same period in 2024, explained by the indexation of certain PPAs and new PPAs with higher energy prices; offset by a 13% decrease in energy volumes sold under PPAs to 284 GWh during the first quarter of 2025 from 326 GWh during the same period in 2024, explained by the end of certain PPAs.

**Cost of sales (excluding depreciation and amortization)**

Cost of sales (excluding depreciation and amortization) decreased by US\$1 million, or 14%, to US\$6 million during the first quarter of 2025, from US\$6 million during the same period in 2024 mainly explained by lower transmission costs related to a decrease in our sales under PPAs.

Depreciation

Depreciation increased by US\$1 million, or 17%, to US\$7 million during the first quarter of 2025, from US\$6 million during the same period in 2024 due to the addition of property, plant, and equipment.

Administrative expenses

Administrative expenses amounted to US\$1 million during the first quarter of 2025, unchanged from the same period in 2024.

Net finance costs

Net finance costs amounted to US\$5 million during the first quarter of 2025, unchanged from the same period in 2024.

Income tax expense

Income tax expense decreased by US\$3 million, or 75%, to US\$1 million during the first quarter of 2025, from US\$4 million during the same period in 2024. The effective income tax rate during the first quarter of 2025 was 7% (33% in 2024). Changes in the effective tax rate correspond mainly to the re-expression of the tax losses carry forward due to exchange rate variations explained by a 2.5% revaluation of the Peruvian sol against the U.S. dollar during the first quarter of 2025 compared to a 0.2% devaluation of the Peruvian sol against the U.S. dollar during the same period in 2024.



Liquidity and Capital Resources

Our principal cash requirements consist of the following:

- Working capital requirements;
- Capital expenditures related to maintenance projects;
- Debt and interest service, and
- Distributions to our shareholders.

Our principal source of liquidity has traditionally consisted of cash flow from operating activities.

As of March 31, 2025, our cash in hand amounted to US\$45 million.

Cash Flows

	Three months ended March 31,		% Change
<i>In millions of U.S. dollars</i>	2025	2024	
Cash from operating activities	24	26	-8%
Income tax paid	(3)	(3)	0%
Net cash from operating activities	21	23	-9%
Net cash used in investing activities	(2)	(3)	-33%
Net cash used in financing activities	-	-	0%
Net increase in cash	19	20	-5%
Cash and cash equivalent as of January 1	26	36	-28%
Cash at March 31	45	56	-20%

Cash Flows from Operating Activities

Our primary source of operating funds is the cash flow generated from our operations. The net cash from operating activities decreased by US\$2 million, or 9%, to US\$21 million during the first quarter of 2025 from US\$23 million during the same period in 2024.

The decrease was driven by US\$7 million increase in payments to suppliers primarily related to 2024 outstanding balance paid during the first quarter of 2025; partially offset by US\$5 million increase in collections from customers related to higher sales to the spot market, added to 2024 outstanding balances collected during the first quarter of 2025.

Cash Flows used in Investing Activities

Net cash flows used in our investing activities decreased by US\$1 million, or 33%, to US\$2 million during the first quarter of 2025 from US\$3 million during the same period in 2024.

During the first quarter of 2025 and 2024, cash used in investing activities was for payments related to the acquisition of property, plant, and equipment.



Appendixes

EBITDA reconciliation

<i>In millions of U.S. dollars</i>	Three months ended March 31,	
	2025	2024
Operating profit	19	17
Depreciation	7	7
Total EBITDA	US\$26	US\$24

As of March 31, 2025, last twelve months (LTM) EBITDA increased by US\$7 million, or 10%, to US\$74 million, compared to US\$67 million LTM EBITDA as of March 2024.

Material Indebtedness

<i>In millions of U.S. dollars</i>	Outstanding Principal Amount as of Mar 31, 2025	Interest Rate	Final Maturity	Amortization
Long-term debt:				
Unsecured: 5.625% Notes due 2027	360	5.625%	April 2027	Principal due at maturity with semi-annual interest payments.
Total	US\$360			

Note: values net of transaction costs

