



Orazul Energy Perú S.A. and Subsidiary

Unaudited Condensed Consolidated Interim Financial Statements

March 31, 2022

**(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 March 31, 2022, the condensed consolidated statements of profit or loss and other comprehensive income (loss), changes in equity and cash flows for the three-month period then ended, and notes to the condensed consolidated interim financial statements (the condensed consolidated interim financial statements). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at and for the three-month period ended March 31, 2022 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Lima, Peru

April 29, 2022

Countersigned by:

Caipo y Asociados

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

Orazul Energy Perú S.A. and Subsidiary

Unaudited Condensed Consolidated Interim Financial
Statements

March 31, 2022

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Orazul Energy Perú S.A. and Subsidiary

Unaudited Condensed Consolidated Statement of Financial Position

As at March 31, 2022 (Unaudited) and December 31, 2021

<i>In thousands of U.S. dollars</i>	<i>Note</i>	March 31, 2022	December 31, 2021
Assets			
Current assets			
Cash	4	32,782	20,849
Trade receivables	5	18,316	16,916
Other receivables		242	341
Income tax receivable	16	-	2,390
Account receivables from related parties	17	2	261
Inventories	6	1,507	1,335
Prepaid expenses		2,897	221
Total current assets		55,746	42,313
Non-current assets			
Intangible assets	8	495,881	496,019
Property, plant and equipment	7	203,430	206,685
Right-of-use assets	7	244	266
Deferred income tax assets		183,515	169,556
Other assets		73	96
Total non-current assets		883,143	872,622
Total assets		938,889	914,935

<i>In thousands of U.S. dollars</i>	<i>Note</i>	March 31, 2022	December 31, 2021
Liabilities			
Current liabilities			
Trade payables	9	4,513	6,540
Other payables	10	13,357	7,657
Income tax payable	16	4,611	-
Lease liabilities		162	148
Account payables to related parties	17	-	1
Total current liabilities		22,643	14,346
Non-current liabilities			
Debentures	11	358,895	358,715
Lease liabilities		112	148
Accounts payables to related parties	17	16,699	21,713
Asset retirement obligation	12	8,942	9,551
Other liabilities		419	374
Total non-current liabilities		385,067	390,501
Total liabilities		407,710	404,847
Equity			
Share capital	14	464,757	385,036
Additional capital		8,857	8,857
Other reserves		5,675	5,675
Legal reserves		31,363	30,799
Retained earnings		20,527	79,721
Total equity		531,179	510,088
Total liabilities and equity		938,889	914,935

The notes on pages 5 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

Orazul Energy Perú S.A. and Subsidiary

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the three-month period ended March 31, 2022 and 2021

<i>In thousands of U.S. dollars</i>	<i>Note</i>	Three-month period ended March 31	
		2022	2021 (*)
Revenue of energy	15	28,661	22,768
Cost of sales (excluding depreciation)		(4,196)	(4,322)
Depreciation	7	(2,782)	(3,360)
Gross profit		21,683	15,086
Administrative expenses		(1,181)	(885)
Other income		58	163
Other expenses		(3)	(31)
Operating profit		20,557	14,333
Finance income		19	46
Finance costs		(6,494)	(8,637)
Net foreign exchange difference		600	(1,343)
Finance cost, net		(5,875)	(9,934)
Profit before income tax		14,682	4,399
Income tax expense	16	6,409	(1,812)
Profit from continuing operations		21,091	2,587
Discontinued operation			
Profit from subsidiaries held for sale	3	-	1,743
Profit for the period		-	1,743
Attributable to			
Controlling shareholders		21,091	4,340
Non-controlling interest		-	(10)
Total comprehensive income for the period		21,091	4,330

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

The notes on pages 5 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

Orazul Energy Perú S.A. and Subsidiary

Unaudited Condensed Consolidated Statement of Changes in Equity
For the three-month period ended March 31, 2022 and 2021

	Attributable to owners of the Company						Total equity attributable to owners of the Company	Non-controlling interests	Total equity
	Number of shares (note 14)	Share capital (note 14)	Additional capital	Legal reserves	Retained earnings	Other reserves			
<i>In thousands of U.S. dollars</i>									
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	-	-	-	-	4,340	-	4,340	(10)	4,330
Total comprehensive income for the period	-	-	-	-	4,340	-	4,340	(10)	4,330
Capitalization of retained earnings	690,801,200	188,950	-	-	(188,950)	-	-	-	-
Total transactions with owners of the Company	690,801,200	188,950	-	-	(188,950)	-	-	-	-
Other reserves	-	-	-	1,049	(1,049)	-	-	-	-
Balance as of March 31, 2021	1,342,025,489	385,036	8,857	22,990	30,135	5,675	452,693	29	452,722
Balance as of January 1, 2022	1,342,025,489	385,036	8,857	30,799	79,721	5,675	510,088	-	510,088
Comprehensive income for the period									
Profit for the period	-	-	-	-	21,091	-	21,091	-	21,091
Total comprehensive income for the period	-	-	-	-	21,091	-	21,091	-	21,091
Capitalization of retained earnings	302,323,653	79,721	-	-	(79,721)	-	-	-	-
Total transactions with owners of the Company	302,323,653	79,721	-	-	(79,721)	-	-	-	-
Other reserves	-	-	-	564	(564)	-	-	-	-
Balance as of March 31, 2022	1,644,349,142	464,757	8,857	31,363	20,527	5,675	531,179	-	531,179

The notes on pages 5 to 22 are an integral part of these unaudited condensed consolidated interim financial statements.

Orazul Energy Perú S.A. and Subsidiary

Unaudited Condensed Consolidated Statement of Cash Flows
For the three-month period ended March 31, 2022 and 2021

		Three-month period ended	
		March 31	
<i>In thousands of U.S. dollars</i>	<i>Note</i>	2022	2021
Cash flows from operating activities			
Collections from electrical energy		33,687	43,049
Collections from hydrocarbons		-	1,977
Payment to suppliers		(15,892)	(15,478)
Payment of contributions and others		(57)	(525)
Payment to employees		(22)	(52)
Payment of royalties		-	(272)
Collection of interest		13	33
Cash generated from operating activities		17,729	28,732
Income tax paid		(364)	(3,432)
Net cash provided by operating activities		17,365	25,300
Cash flows from investing activities			
Acquisition of property, plant and equipment		(214)	(2,692)
Acquisition of intangibles		(517)	(1,995)
Net cash used in investing activities		(731)	(4,687)
Cash flows from financing activities			
Payment of lease liabilities		(26)	(113)
Payment of interest of a related entity loan	17.C	(5,015)	(1,000)
Payment of withholding tax derived from interest		-	(818)
Net cash used in financing activities		(5,041)	(1,931)
Net increase in cash		11,593	18,682
Cash January 1		20,849	153,445
Effects of variations on exchange difference on held cash		340	(1,144)
Cash as of March 31		32,782	170,983

The notes on pages 5 to 22 are an integral part of these unaudited 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 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 Orazul Energy Group S.A.C. (hereinafter "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 23, 2019, the general shareholders meeting of OEG approved the spin-off of its investment in Orazul Energy Hidrocarburos S.A. as initial contribution to a new holding company in the Group, Orazul Energy Group II S.A.C. (hereinafter "OEG II") which became effective on September 1, 2019. The objective was to create two independent entities within the Group to control the transmission and hydrocarbon business separately.

On August 24, 2020, the Company and Orazul Energía (UK) Holdings Ltd. sold its Transmission business in Peru, represented by 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. The closing of the sale agreement was subject to the approval of the Peruvian authorities.

On October 1, 2021, the Company signed a Stock Purchase Agreement with Nautilus Partners III Perú S.A.C., a special purpose vehicle of Nautilus Energy Partners LLC, to sell the gas to power business in Peru, represented by 100% ownership in OEG II, for a total consideration of US\$ 41,796 thousand. The sale included the Company's indirect ownership in the thermal power generation and hydrocarbon companies, Termoselva S.R.L. and Aguaytía Energy del Perú S.R.L. The total amount was paid on October 4, 2021. The sale was compliant with the requirements of the Company's notes indenture and all requirements for related party transactions. (Note 3)

The Group business main activity is the generation and commercialization of electrical energy. The Group has a total capacity of 376MW as follows:

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				

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

B. Subsidiary

As of March 31, 2022 and December 31, 2021, the subsidiary and the percentage of interest owned by the Company are detailed below:

	Direct equity interest	
	2022	2021
Orazul Soluciones S.A.C.	99.99	99.99

Orazul Soluciones S.A.C.

The Company owns 99.999% of Orazul Soluciones S.A.C., 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. As of December 31, 2021, there were no operations to record.

Changes in the Company's ownership interest in the subsidiary that do not result in the Group losing control over the subsidiary 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 subsidiary. Any difference between the amount by which the non-controlling interests were adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

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

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, 2021 (last annual financial statements). The condensed consolidated statement of financial position as of March 31, 2022 has been derived from the Group's last annual audited financial statements. These condensed consolidated interim financial statements do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS). However, selected explanatory notes have been included to explain events and transactions that are significant to an understanding of the changes in the financial position and the performance of the Group since the last annual financial statements.

These condensed consolidated interim financial statements were approved by the Group Management on April 19, 2022.

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.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

C. Measurement of fair values

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

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

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

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

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

Further information about the assumptions made in measuring fair values included in note 13 – Financial Instruments.

D. Reclassifications

During 2022, and with the purpose of making the financial information comparable with the balances of the financial statements as of March 31, 2022, and in accordance with corporate policies, the Company's Management made certain reclassifications in the presentation of the Statement of Cash Flows, comparative figures as of March 31, 2021. Management considers that the reclassifications made, do not imply changes in the decisions made based on them. The reclassified amounts and the affected cash flow activities are summarized as follows:

<i>In thousands of U.S. dollars</i>	Previously informed	Reclassification	Final balance
Cash flow from operating activities	24,482	818	25,300
Cash flow from financing activities	(1,113)	(818)	(1,931)

E. 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, 2021.

We have not identified new standards applicable since January 1, 2022.

3. Discontinued Operations and Assets Held for Sale

Orazul Energy Group II S.A.C.

In the first half of 2021, the Company received an indication of interest for the gas to power business in Peru, which included the thermal power generation and hydrocarbon business.

In line with its aspiration of generating value through portfolio optimization, on June 25, 2021, the Company announced its decision to initiate a sale process of its indirect interest in the thermal power generation and hydrocarbon businesses (Termoselva and Aguaytía).

On October 1, 2021, the Company signed a Stock Purchase Agreement with Nautilus Partners III Perú S.A.C., a special purpose vehicle of Nautilus Energy Partners LLC, to sell the gas to power business, for a total consideration of US\$ 41,796 thousand. The sale included the Company's indirect ownership in Termoselva and Aguaytía.

The total amount was paid on October 4, 2021. The sale was compliant with the requirements of the Company's notes indenture and all requirements for related party transactions. OEG II was classified as held for sale as of September 30, 2021.

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

As of March 31, 2021, the discontinued operations comprise the results of OEG II Subsidiary:

OEG II

	Three-month period ended March 31, 2021
<i>In thousands of U.S. dollars</i>	
Revenue	13,763
Cost of sales (excluding depreciation and amortization)	(5,620)
Depreciation and amortization	(3,158)
General, selling and administrative expenses	(521)
Finance cost, net	(546)
Profit before income tax and discontinued operations	3,918
Income tax expense	(2,175)
Profit from discontinued operations, net of tax	1,743

B. Cash flow from discontinued operation

	Three-month period ended March 31, 2021
<i>In thousands of U.S. dollars</i>	
For the period	
Opening balance	15,772
Collections from electrical energy and hydrocarbons	16,540
Payment to suppliers	(8,655)
Other payments	(3,275)
Net cash provided by operating activities	4,610
Acquisition of property, plant and equipment	(2,489)
Acquisition of intangibles	(927)
Net cash used (provided) in investing activities	(3,416)
Net cash used in financing activities	(74)
Net cash flow from discontinued operations	16,892

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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

On October 1, 2021, the effect of the disposal of the discontinued operations, fully paid in October 4, 2021, comprised the following:

<i>In thousands of U.S. dollars</i>	October 1, 2021
Cash	9,802
Trade receivables	6,934
Other receivables	2,154
Income tax receivables	2,698
Inventories	5,501
Intercompany receivables	436
Other assets	1,213
Property, plant and equipment, net (a)	10,766
Deferred tax assets	19,465
Assets held for sale	58,969
Operating leasing	531
Trade payables	2,971
Other payables	793
Income tax payable	20
Deferred income	-
Asset retirement obligation	12,858
Deferred tax liabilities	-
Liabilities held for sale	17,173
Net assets of disposal group held for sale	41,796
Consideration received, satisfied in cash	41,796
Transaction costs	(471)
Cash from discontinued operations	(9,802)
Net cash inflows	31,523

4. Cash

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2022	December 31, 2021
Checking accounts (a)	32,777	20,844
Petty cash	5	5
	32,782	20,849

- (a) The Group holds checking accounts in different financial entities. As of March 31, 2022, and December 31, 2021 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, 2021.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

5. Trade Receivables

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2022	December 31, 2021
Regulated customers	8,418	8,838
Non-regulated customers	8,170	5,626
COES (a)	1,917	2,627
Subtotal (b)	18,505	17,091
Less-allowance for doubtful accounts	(189)	(175)
	18,316	16,916

Trade receivables are denominated in U.S. dollars (non-regulated customers) and soles (COES and regulated customers). They have current maturity and do not generate interest, except in the case of payment delays. Balance of trade receivables as of March 31, 2022, corresponds mainly to 14 non-regulated, 9 regulated customers and 1 natural gasoline customer (8 non-regulated and 9 regulated customers as of December 31, 2021).

- (a) The Committee of Economic Operation of the National Interconnected System (COES) as the system operator acts as a clearing house and settles the payments for power generation companies.
- (b) As of March 31, 2022 and December 31, 2021, past due trade receivables (over 360 days) represent less than 2% of the total balance of trade receivables.
- (c) The aging of trade receivables is the following:

<i>In thousands of U.S. dollars</i>	March 31, 2022	December 31, 2021
Unexpired	15,933	16,619
Less than 30 days	2,227	191
31 to 90 days	41	2
181 to 360 days	12	28
More than 361 days	292	251
	18,505	17,091

6. Inventories

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2022	December 31, 2021
Supplies and spare parts	1,486	1,314
Fuel and lubricants	36	39
Fuel to sale	8	5
	1,530	1,358
Write off (a)	(23)	(23)
	1,507	1,335

- (a) The impairment of inventories was determined based on internal technical reports. Management believes that this estimate covers the obsolescence risk appropriately as of March 31, 2022 and December 31, 2021.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

7. Property, Plant and Equipment

Comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	March 31, 2022	December 31, 2021
Cost			
Beginning balance		561,305	682,631
Additions			
Asset retirement cost	12	(639)	220
Building and constructions		-	25
Machinery and equipment		12	370
Sundry equipment		59	415
Vehicles (d)		-	217
Work in process		160	1,446
Total additions		(408)	2,693
Transfers			
Building and constructions		-	467
Machinery and equipment		-	951
Furniture and fixtures		-	(138)
Sundry equipment		-	429
Work in progress		-	(1,709)
Total transfers		-	-
Disposals			
Vehicles		-	(473)
Sundry equipment		-	(225)
Total disposals		-	(698)
Discontinued operation			
Land		-	(178)
Building and constructions		-	(2,564)
Machinery and equipment		(8)	(117,700)
Asset retirement obligation		-	(917)
Vehicles		-	(902)
Furniture and fixtures		(18)	(12)
Sundry equipment		-	(346)
Work in progress		-	(702)
Total discontinued operation		(26)	(123,321)
Ending balance		560,871	561,305
Accumulated depreciation			
Beginning balance		(354,354)	(413,532)
Additions			
Building and constructions		(1,321)	(5,507)
Vehicles		(37)	(365)
Machinery and equipment		(1,345)	(10,538)
Asset retirement obligation		(43)	(282)
Sundry equipment		(118)	(674)
Furniture and fixtures		(2)	(19)
Total additions		(2,866)	(17,385)
Disposals			
Vehicles		-	422
Machinery and equipment		6	49
Sundry equipment		17	212
Total disposals		23	683

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<i>In thousands of U.S. dollars</i>	<i>Note</i>	March 31, 2022	December 31, 2021
Discontinued operation			
Building and constructions		-	1,483
Machinery and equipment		-	73,599
Asset retirement obligation		-	162
Vehicles		-	441
Furniture and fixtures		-	5
Sundry equipment		-	190
Total discontinued operation		-	75,880
Ending balance		(357,197)	(354,354)
Net cost at the beginning of the period		206,951	269,099
Net cost of the end of the period		203,674	206,951

- (a) Management considers that, as of March 31, 2022 and December 31, 2021, impairment is not required, other than the estimate previously recognized in the records for the impairment of property, plant and equipment.
- (b) Property, plant and equipment includes right-of-use assets for US\$ 244 thousand as of March 31, 2022 (US\$ 266 thousand as of December 31, 2021):

<i>In thousands of U.S. dollars</i>	<i>Note</i>	March 31, 2022	December 31, 2021
Cost			
Beginning balance		544	1,192
Additions			
Sundry equipment		17	-
Vehicles (e)		-	216
Total additions		17	216
Discontinued operations			
Vehicles		-	(864)
Total discontinued operations		-	(864)
Ending balance		561	544
Accumulated depreciation			
Beginning balance		(278)	(300)
Additions			
Vehicles		(35)	(337)
Sundry equipment		(4)	-
Total additions		(39)	(337)
Discontinued operations			
Vehicles		-	359
Total discontinued operations		-	359
Ending balance		(317)	(278)
Net cost at the beginning of the period		266	892
Net cost of the end of the period		244	266

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

- (c) Distribution of depreciation was as follows:

<i>In thousands of U.S. dollars</i>	Three-month period ended March 31	
	2022	2021
Cost of sale of electrical energy	2,782	3,360
Administrative and selling expenses	84	101
Discontinued operation	-	916
	2,866	4,377

- (d) As of March 31, 2022, and December 31, 2021, 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.
- (f) As of March 31, 2022, and December 31, 2021, in Management's opinion, there were no impairment indicators on the value of property, plant and equipment.
- (g) As of March 31, 2022 and December 31, 2021, the Company do not have guarantees related to the acquisition of property, plant and equipment.

8. Intangible Assets and Goodwill

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2022	December 31, 2021
Goodwill (a)	399,427	399,427
Electric concessions (b)	79,954	79,954
Other rights (c)	15,908	15,848
Software	592	790
	495,881	496,019

- (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\$ 364,908 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\$ 34,519 thousand.
- (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 December 31, 2021 and 2020, Management is not required to establish reserves for the possible impairment of its intangible assets with an indefinite life.
- (c) Other rights correspond to the agreements signed between the Company 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 10).

Management analysis indicated there were no impairment indicators on the value of the intangibles as of March 31, 2022 (no impairment indicators as of December 31, 2021).

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9. Trade Payables

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2022	December 31, 2021
Energy purchases and transmission tolls	3,536	4,420
Others purchases	977	2,120
	4,513	6,540

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

10. Other Payables

Comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	March 31, 2022	December 31, 2021
Interest payables-debentures		8,626	3,518
Option agreements	8(c)	2,035	2,166
Value-Added Tax		899	1,162
Other taxes		665	355
Rural electricity contribution		219	160
Various accruals and other account payables		913	293
Labor liability		-	3
		13,357	7,657

11. Debentures

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2022	December 31, 2021
Orazul Energy Perú 2027 notes (a)	363,198	363,198
Transaction costs	(4,303)	(4,483)
	358,895	358,715

- (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 are rated BB by Fitch Ratings and BB- by Standard & Poor's. Notes interests are payable biannually with final maturity in April 2027 with a coupon rate of 5.625%.

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

The Transmission Tender Offer constituted an Asset Sale Offer pursuant to the requirements of the indenture governing the Notes, 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.

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On August 12, 2021, the Company announced the final tender results for its Transmission Tender Offer. The Company informed that a total of US\$ 362,521 thousand aggregate principal amount of the Notes was validly tendered. Since the aggregate principal amount of the Notes validly tendered resulted in an aggregate purchase price that exceeded the Maximum Tender Amount of US\$ 150,400 thousand, the Company accepted for purchase US\$ 145,314 thousand aggregate principal amount of the Notes, using a proration factor of approximately 40.1%.

The Total Consideration for the Notes validly tendered and accepted pursuant to the Transmission Tender Offer was \$ 1,035 per \$ 1,000 principal amount of Notes. In addition to the Total Consideration, holders received accrued and unpaid interest on all Notes tendered and accepted for payment in the Transmission Tender Offer from the last interest payment date up to, but not including August 13, 2021 (the "Settlement Date").

After the Transmission Tender Offer was completed, our Notes amounted to US\$ 404,686 thousand.

On October 29, 2021, the Company announced the commencement of a cash tender offer (the "Gas-to-Power Tender Offer") for up to an amount of its outstanding Senior Notes that would not result in the aggregate purchase price exceeding US\$ 41,799 thousand (the "Maximum Gas to Power Tender Amount").

The Gas-to-Power Tender Offer constitutes an asset sale offer pursuant to the requirements of the indenture governing the Notes, in connection with the Company's sale in October 2021 of its indirect ownership in the thermal power generation and hydrocarbon businesses, Termoselva and Aguaytía.

On November 30, 2021, the Company announced the final tender results for its Gas-to-Power Tender Offer. A total of US\$ 180,282 thousand aggregate principal amount of the Notes was validly tendered. Since the aggregate principal amount of the Notes validly tendered resulted in an aggregate purchase price that exceeded the Maximum Gas to Power Tender Amount of US\$ 41,799 thousand, the Company accepted for purchase US\$ 41,488 thousand aggregate principal amount of the Notes, using a proration factor of approximately 23%.

The total consideration for the Notes validly tendered and accepted pursuant to the Gas-to-Power Tender Offer was US\$ 1,007.5 per US\$ 1,000 principal amount of Notes. In addition to the Total Consideration, holders received accrued and unpaid interest on all Notes tendered and accepted for payment from the last interest payment date up to, but not including, December 1, 2021, together with additional amounts thereon.

After the Gas-to-Power Tender Offer was completed, our Notes amount to US\$ 363,198 thousand.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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	Fair value		Carrying amount	
				2022	2021	2022	2021
Debentures							
OEP 2027 notes	5.625%	US\$	April -2027	363.198	363.198	358.895	358.715

The table below presents the payment schedule of the non-current portion of the long-term debt as of March 31, 2021:

<i>In thousands of U.S. dollars</i>	
2027 and thereafter	358,895
	358,895

B. Financial obligations and covenants

The conditions of the notes as of March 31, 2022 are the same disclosed in the annual consolidated financial statements of the Company as of December 31, 2021.

12. Asset Retirement Obligation

Comprises the following:

<i>In thousands of U.S. dollars</i>	Note	March 31, 2022	December 31, 2021
Balance as of January 1		9,551	22,141
Additions	7	(639)	83
Unwind of discount		30	185
Liabilities held for sale		-	(12,858)
Balance as of December 31		8,942	9,551

The provision for decommissioning liabilities corresponds to electrical energy 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. The future value, considering inflation amounts to US\$ 18,300 thousand and has been discounted using an annual risk-free rate 1.87% (1.258% as of December 31, 2021).

Orazul Energy Perú S.A. and Subsidiary

Notes to the Condensed Consolidated Interim Financial Statements

13. 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
In thousands of U.S. dollars				
As of March 31, 2022				
Financial assets not measured at fair value				
Cash	32,782	-	-	32,782
Trade receivables	18,316	-	-	18,316
Receivables from related parties	2	-	-	2
Other receivables (*)	240	-	-	240
Financial liabilities not measured at fair value				
Trade payable	-	(4,513)	-	(4,513)
Other payable (*)	-	(11,793)	-	(11,793)
Intercompany payables	-	-	(16,699)	(16,699)
Debentures	-	-	(358,895)	(358,895)
Lease liabilities	-	(162)	(112)	(274)
	51,340	(16,468)	(375,706)	(340,834)
As of December 31, 2021				
Financial assets not measured at fair value				
Cash	20,849	-	-	20,849
Trade receivables	16,916	-	-	16,916
Other receivables (*)	341	-	-	341
Intercompany receivables	261	-	-	261
Financial liabilities not measured at fair value				
Trade payable	-	(6,540)	-	(6,540)
Other payable (*)	-	(6,137)	-	(6,137)
Intercompany payables	-	(1)	(21,713)	(21,714)
Debentures	-	-	(358,715)	(358,715)
Lease liabilities	-	(148)	(148)	(296)
	38,367	(12,826)	(380,576)	(355,035)
				(353,210)

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

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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

The following table shows the valuation techniques used in the determination of fair values of financial instruments – Level 2 as at March 31, 2022 and December 31, 2021:

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

14. Equity**Share capital**

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2022	December 31, 2021
Orazul Energia (UK) Holdings Ltd.	464,703	384,982
Others	54	54
	464,757	385,036

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.

On March 2, 2022, the Company capitalized the retained earnings of the 2021 period for US\$ 79,721 thousand and issued additional shares for 302,323,653 with a nominal value of S/ 1.00 per share.

As of March 31, 2022, issued capital stock is represented by 1,644,349,142 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.	1,644,016,886	99.99
Others	332,256	0.01
	1,644,349,142	100.00

As of December 31, 2021, issued capital stock is represented by 1,342,025,489 common shares with a nominal 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

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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.

There were no dividends declared and paid as of March 31, 2022 and December 31, 2021.

15. Revenue

Comprises the following:

<i>In thousands of U.S. dollars</i>	Three-month period ended March 31	
	2022	2021
Energy sales regulated	10,891	10,300
Energy sales non-regulated	6,537	4,488
Energy sales spot	5,394	2,029
Capacity sales regulated	3,179	3,034
Capacity sales non-regulated	1,858	1,556
Capacity sales spot	573	1,251
Other revenues	229	110
	28,661	22,768

The estimated revenue pending of invoicing for the three-month period ended March 31, 2022, amounts to US\$ 12,394 thousand (US\$ 10,700 thousand for the three-month period ended March 31, 2021).

16. 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.

The estimated average effective annual tax rate used for the three-month period ended March 31, 2022 is 43.65% (47.9% for the three-month period ended March 31, 2021). The change in the effective tax rate for the three-month period ended March 31, 2022 correspond mainly to the impact of exchange difference in local currency.

As of March 31, 2022 and 2021, the income tax expense shown in the income statement is composed as follows:

<i>In thousands of U.S. dollars</i>	Three-month period ended March 31	
	2022	2021
Current tax	(7,550)	-
Deferred tax	13,959	(1,812)
	6,409	(1,812)

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As of March 31, 2022 and December 31, 2021, the Group have balances for credits and debits with the tax administration as follow:

<i>In thousands of U.S. dollars</i>	March 31, 2022	December 31, 2021
Income tax receivable	-	2,390
Income tax payable	4,611	-

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

The Company's main shareholder is Orazul Energia (UK) Holdings Ltd, which belongs to a pool of investment funds (Delaware and Cayman exempted limited partnerships) managed by I Squared Capital Advisors (US) LLC, the ultimate parent of the group.

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

As of March 31, 2022, there are no loans to Directors (no loans to Directors as of December 31, 2021).

ii. Key management compensation

As of March 31, 2022, there are no compensation to key management personnel (no compensation to key management as of March 31, 2021).

iii. Transactions with key management personnel

During the three-month period ended March 31, 2022, there were no transactions between the Company and key management, other than those in (ii) (no transactions between the Company and key management during the three-month period ended March 31, 2021, other than those in (ii)).

C. Other related entities transactions

In 2022 and 2021, 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 value	
		Three-month period ended March 31	
	Transaction type	2022	2021
Kallpa Generación S.A. (a)	Management service and O&M	(1,978)	(3,551)
Samay I S.A.	COES	(501)	(641)
Kallpa Generación S.A.	COES	969	271
Termoselva S.R.L.	COES	374	-
Termoselva S.R.L.	Capacity Purchase	(5)	-
Compañía Bolivariana de Energía Eléctrica		9	-
Orazul Energía Partners LLC (b)	Fair value	(1)	(1)
		(1,133)	(3,922)

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		Outstanding balances	
		March 31, 2022	December 31, 2021
<i>In thousands of U.S. dollars</i>			
Transaction type			
Account receivables			
Kallpa Generación S.A.	COES	343	575
Termoselva S.R.L.	COES	106	118
Samay I S.A.	COES	3	1
Trade accounts receivable		452	694
Kallpa Generación S.A.	Management service and O&M	-	258
Samay I S.A.	Other services	-	3
Orazul Energy Hidrocarburos S.A.	Dividends	1	-
Compañía Boliviana de Energía Eléctrica			
Cobee-Surcusal	Services	1	-
Accounts receivable from related parties		2	261
Account payables			
Samay I S.A.	COES	(165)	(166)
Kallpa Generación S.A.	COES	(91)	(43)
Termoselva S.R.L.	COES	(7)	(1)
Trade accounts payable		(263)	(210)
Orazul Energía Partners LLC (a)	Loan	(16,699)	(21,713)
Orazul Energy Hidrocarburos	Dividends	-	(1)
Account payables to related parties		(16,699)	(21,714)
		(16,508)	(20,969)

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 Energia (UK) Holdings Ltd. On the same date, Orazul Energia (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.

In January 2019, Orazul Energy Partners LLC modified the subordinated loan rate from 6% to 0%, without modifying the terms of maturity and payment. As a result of this change, the liability was reduced, and equity increased by US\$ 9,132 thousand net of a deferred tax of US\$ 2,694 thousand, generating a net effect of US\$ 6,438 thousand.

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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. In total in 2020, the Company paid 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. (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 and March 2022, the Company paid US\$ 1,000 thousand and US\$ 5,015 thousands respectively corresponding to the balance of interest accrued until December 2018. The balance for the interest accrued amounts to US\$ 16,699 thousand.

18. Contingencies

As of March 31, 2022, the main contingencies of the Company are described as follow:

(a) Labor claims

The Company is involved in certain 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 December 2021. The Company recorded a provision equivalent to US\$ 397 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\$ 700 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, issuing determination and fine resolutions for US\$ 216 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 through the Tax Court Resolution N° 08513-3-2019 in September 2019. In November 2019, the Company decided to pay the amount of US\$ 428 thousand (US\$ 285 thousand as ITAN and US\$ 143 thousand as fine, included interests). In December 2019, the Company filed the corresponding judicial action.

On January 28, 2022, the First Instance of the Judicial Court issued Resolution N° 8 whereby the claim filed by Orazul is declared well founded and, consequently, the Tax Court Resolution N° 08513-3-2019 null and void. In this way, the Court has recognized that the higher value of the assets as a result of their reorganization and revaluation, should not be part of the 2013 ITAN tax base, as Orazul pointed out throughout of the judicial process. On February 8, 2022, SUNAT and the Tax Court appealed before the Superior Court. To date, the case is still pending to a final judgment. In the opinion of Management and legal advisors, there are legal and factual arguments that lead to consider that is not more likely than not to be successful.

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 March 31, 2022, that have not been provisioned or disclosed in the consolidated financial statements.

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 March 31, 2022, that have not been provisioned or disclosed in the consolidated financial statements.

19. Subsequent Event

Subsequent to March 31, 2021, there have been no events that may have an effect on the consolidated condensed interim financial statements of the Company.