



Orazul Energy Perú S.A. and Subsidiary

Unaudited Condensed Consolidated Interim Financial Statements

March 31, 2023

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

**KPMG en Perú**

Torre KPMG. Av. Javier Prado Este 444, Piso 27
San Isidro. Lima 27, Perú

Teléfono

Fax

Internet

51 (1) 611 3000

51 (1) 421 6943

www.kpmg.com/pe

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, 2023, 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, 2023 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Lima, Peru

April 28, 2023

Countersigned by:

Caipo y Asociados

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

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 March 31, 2023 and December 31, 2022

<i>In thousands of U.S. dollars</i>	<i>Note</i>	March 31, 2023	December 31, 2022
Assets			
Current assets			
Cash	3	32,243	16,779
Trade receivables	4	13,559	16,443
Account receivables from related parties	16	2	909
Other receivables		584	122
Inventories	5	1,732	1,781
Prepaid expenses		517	686
Total current assets		48,637	36,720
Non-current assets			
Intangible assets	7	495,206	495,447
Property, plant, and equipment	6	587,180	592,886
Right of use assets	6	102	139
Deferred income tax assets		54,765	53,473
Total non-current assets		1,137,253	1,141,945
Total assets		1,185,890	1,178,665

<i>In thousands of U.S. dollars</i>	<i>Note</i>	March 31, 2023	December 31, 2022
Liabilities			
Current liabilities			
Trade payables	8	4,836	8,331
Other payables	9	11,276	5,749
Account payables to related parties	16	-	394
Lease liabilities		112	152
Income tax payable	15	3,840	7,959
Total current liabilities		20,064	22,585
Non-current liabilities			
Debentures	10	359,643	359,452
Asset retirement obligation	11	4,206	4,003
Other liabilities		281	337
Total non-current liabilities		364,130	363,792
Total liabilities		384,194	386,377
Equity			
Share capital	13	464,757	464,757
Legal reserves		34,582	33,653
Revaluation reserve		281,113	281,113
Retained earnings		21,244	12,765
Total equity		801,696	792,288
Total liabilities and equity		1,185,890	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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the three-month period ended March 31, 2023, and 2022

<i>In thousands of U.S. dollars</i>	<i>Note</i>	Three-month period ended March 31	
		2023	2022
Revenue of energy	14	30,984	28,661
Cost of sales		(6,042)	(4,196)
Depreciation	6.C	(6,165)	(2,782)
Gross profit		18,777	21,683
Administrative expenses		(1,276)	(1,181)
Other income		295	58
Other expenses		(63)	(3)
Operating profit		17,733	20,557
Finance income		149	19
Finance costs		(5,598)	(6,494)
Net foreign exchange difference		35	600
Finance cost, net		(5,414)	(5,875)
Profit before income tax		12,319	14,682
Income tax	15	(2,911)	6,409
Profit for the period		9,408	21,091

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

Condensed Consolidated Statement of Changes in Equity
For the three-month period ended March 31, 2023, and 2022

		Attributable to owners of the Company							Total equity
		Number of shares (note 13)	Share capital (note 13)	Additional capital (note 13)	Legal reserves (note 13)	Retained earnings	Other reserves	Revaluation reserve (note 13)	
	Note								
Balance as of January 1, 2022		1,342,025,489	385,036	8,857	30,799	79,721	5,675	-	510,088
Comprehensive income for the period									
Profit for the period		-	-	-	-	21,091	-	-	21,091
Total comprehensive income for the period		-	-	-	-	21,091	-	-	21,091
Capitalization of retained earnings	13	302,223,653	79,721	-	-	(79,721)	-	-	-
Total transactions with owners of the Company		302,223,653	79,721	-	-	(79,721)	-	-	-
Legal reserve		-	-	-	564	(564)	-	-	-
Balance as of March 31, 2022		1,644,249,142	464,757	8,857	31,363	20,527	5,675	-	531,179
Balance as of January 1, 2023		1,644,249,142	464,757	-	33,653	12,765	-	281,113	792,288
Comprehensive income for the period									
Profit for the period		-	-	-	-	9,408	-	-	9,408
Total comprehensive income for the period		-	-	-	-	9,408	-	-	9,408
Legal reserve		-	-	-	929	(929)	-	-	-
Balance as of March 31, 2023		1,644,249,142	464,757	-	34,582	21,244	-	281,113	801,696

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
Condensed Consolidated Statement of Cash Flows
For the three-month period ended March 31, 2023, and 2022

		Three-month period ended	
		March 31	
<i>In thousands of U.S. dollars</i>	<i>Note</i>	2023	2022
Cash flows from operating activities			
Collections from electrical energy		41,081	33,687
Payment to suppliers		(15,731)	(15,892)
Payment of contributions and others		(7)	(57)
Payment to employees		(42)	(22)
Collection of interest		150	13
Cash generated from operating activities		25,451	17,729
Income tax paid		(8,832)	(364)
Net cash from operating activities		16,619	17,365
Cash flows from investing activities			
Proceeds from the sale of property, plant, and equipment		17	-
Acquisition of property, plant, and equipment		(1,218)	(214)
Acquisition of intangibles		-	(517)
Net cash used in investing activities		(1,201)	(731)
Cash flows from financing activities			
Payment of lease liabilities		(40)	(26)
Payment of interest on a related entity loan		-	(5,015)
Net cash used in financing activities		(40)	(5,041)
Net increase in cash		15,378	11,593
Cash January 1		16,779	20,849
Effects of variations on exchange differences on cash held		86	340
Cash as of March 31		32,243	32,782

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 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. which owns 99.99% of voting shares which are representative of its issued capital stock.

The Company business main activity is the generation and commercialization of electrical energy. The Company has a total hydropower capacity of 376 MW 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	

B. Subsidiary

As of March 31, 2023, and December 31, 2022, the subsidiary and the percentage of interest owned by the Company are detailed below:

	Direct equity interest	
	2023	2022
Kondu S.A.C.	99.99	99.99

Kondu S.A.C.

The Company owns 99.99 % of Kondu S.A.C. (before "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.

These consolidated financial statements comprise the Company and its Subsidiary in Peru (hereinafter, "the Group").

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, 2022 (last annual financial statements). The condensed consolidated statement of financial position as of March 31, 2023 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 20, 2023.

B. Use of estimates and judgements

The preparation of these condensed consolidated interim financial statements requires Management to make judgments, estimates and assumptions that affect the application of Group's accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

C. Measurement of fair values

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

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

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

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

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

Further information about the assumptions made in measuring fair values included in note 12 – Financial Instruments.

D. Changes in significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the financial statements as at and for the year ended December 31, 2022.

We have not identified new standards applicable since January 1, 2023.

Orazul Energy Perú S.A. and Subsidiary

Notes to the Condensed Consolidated Interim Financial Statements

3. Cash

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2023	December 31, 2022
Checking accounts (a)	32,238	16,774
Petty cash	5	5
	32,243	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 6.25% in soles and from 0.15% to 4.35% in U.S dollar as at March 31, 2023 (from 0.1% to 0.15% 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 evaluation as compared to December 31, 2022.

4. Trade Receivables

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2023	December 31, 2022
Regulated customers	5,245	8,746
Non-regulated customers	6,557	6,989
COES (a)	1,543	723
Others	399	168
Subtotal	13,744	16,626
Impairment loss allowance (d)	(185)	(183)
	13,559	16,443

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 March 31, 2023, corresponds mainly to 12 non-regulated and 7 regulated customers (13 non-regulated and 9 regulated customers as of December 31, 2022).

- (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, 2023, this amount includes US\$ 424 thousand for related parties (US\$ 174 thousand as of December 31, 2022) (note 16).
- (c) As of March 31, 2023, and December 31, 2022, past due trade receivables (over 360 days) represent less than 1.35% and 1.27%, of the total balance of trade receivables, respectively.

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Notes to the Condensed Consolidated Interim Financial Statements

- (d) The aging of trade receivables is the following:

<i>In thousands of U.S. dollars</i>	March 31, 2023	December 31, 2022
Unexpired	13,145	16,369
Less than 30 days	414	23
31 to 180 days	-	22
181 to 360 days	-	1
More than 360 days	185	211
	13,744	16,626

5. Inventories

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2023	December 31, 2022
Supplies and spare parts (a)	1,739	1,740
Fuel and lubricants	59	64
Subtotal	1,798	1,804
Write off (b)	(66)	(23)
	1,732	1,781

- (a) Mechanical spare parts correspond mainly to items used in programmed maintenance for the hydropower plants, Carhuaquero and Cañon del Pato, for enabling appropriate operations until major maintenances.
- (b) The write-off of inventories was determined based on internal technical reports. Management believes that this estimate covers the obsolescence risk appropriately as of March 31, 2023, and December 31, 2022.

6. Property, Plant and Equipment

Comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	March 31, 2023	December 31, 2022
Cost			
Beginning balance		959,489	561,305
Additions			
Work in process (f)		252	4,741
Machinery and equipment		164	719
Sundry equipment		40	253
Land – revaluation (e)	13	-	597
Building and constructions – revaluation (e)	13	-	214,619
Machinery and equipment – revaluation (e)	13	-	183,526
Vehicles		-	17
Furniture and fixture		-	21
Total additions		456	404,493
Other			
Asset retirement cost	11	166	(5,669)
Vehicles		(9)	-
Total other		157	(5,669)

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Notes to the Condensed Consolidated Interim Financial Statements

<i>In thousands of U.S. dollars</i>	<i>Note</i>	March 31, 2023	December 31, 2022
Transfers			
Building and constructions		355	1,995
Sundry equipment		201	324
Work in process		(556)	(2,987)
Machinery and equipment		-	673
Total transfers		-	5
Disposals			
Sundry equipment		(105)	(36)
Vehicles		(99)	(526)
Furniture and fixture		(5)	-
Machinery and equipment		-	(83)
Total disposals		(209)	(645)
Ending balance		959,893	959,489
Accumulated depreciation			
Beginning balance		(366,464)	(354,354)
Additions			
Machinery and equipment		(3,825)	(6,239)
Building and constructions		(2,361)	(5,687)
Sundry equipment		(113)	(450)
Vehicles		(34)	(137)
Asset retirement obligation		(19)	(174)
Furniture and fixtures		(2)	(7)
Total additions		(6,354)	(12,694)
Disposals			
Sundry equipment		105	35
Vehicles		99	482
Furniture and fixture		3	-
Machinery and equipment		-	67
Total disposals		207	584
Ending balance		(372,611)	(366,464)
Net cost at the beginning of the period		593,025	206,951
Net cost of the end of the period		587,282	593,025

- (a) Management considers that, as of March 31, 2023, and December 31, 2022, 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\$ 102 thousand as of March 31, 2023 (US\$ 139 thousand as of December 31, 2022):

<i>In thousands of U.S. dollars</i>	March 31, 2023	December 31, 2022
Cost		
Beginning balance	571	554
Additions		
Sundry equipment	8	17
Total additions	8	17
Other		
Vehicles	(9)	-
Total Other	(9)	-
Ending balance	570	571

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Notes to the Condensed Consolidated Interim Financial Statements

<i>In thousands of U.S. dollars</i>	March 31, 2023	December 31, 2022
Accumulated depreciation		
Beginning balance	(432)	(288)
Additions		
Vehicles	(32)	(127)
Sundry equipment	(4)	(17)
Total additions	(36)	(144)
Ending balance	(468)	(432)
Net cost at the beginning of the period	139	266
Net cost of the end of the period	102	139

- (c) Distribution of depreciation was as follows:

	Three-month period ended March 31	
<i>In thousands of U.S. dollars</i>	2023	2022
Cost of sales	6,165	2,782
Administrative expenses	189	84
	6,354	2,866

- (d) As of March 31, 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 value in US\$ 398,742 thousand (note 13).
- (f) As of March 31, 2023 the main work in progress addition is related to the solar project in Carhuaquero for US\$ 101 thousand, floor cofferdams for US\$ 63 thousand, Injector maintenance for US\$ 53 thousand and other minor projects for US\$ 36 thousand (Civil works in Cañón del Pato plant for US\$ 921 thousand, major maintenance in Cañón del Pato plant for US\$ 839 thousand, system fire for US\$ 453 thousand, solar project for US\$ 329 thousand and other minor projects for US\$ 2,199 as of December 31, 2022).
- (g) As of March 31, 2023, and December 31, 2022, in Management's opinion, there were no impairment indicators on the value of property, plant, and equipment.
- (h) As of March 31, 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>	March 31, 2023	December 31, 2022
Goodwill (a)	399,427	399,427
Electric concessions (b)	79,954	79,954
Other rights (c)	15,825	16,066
	495,206	495,447

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- (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 March 31, 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) Agreements signed between the Company with regulated costumers, by which regulated costumers 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 with framework of the Supreme Decree 022-2018 EM. As of March 31, 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 March 31, 2023, and December 31, 2022,

8. Trade Payables

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2023	December 31, 2022
Energy purchases and transmission tolls (a)	3,547	4,723
Capital expenditures (b)	590	936
Other purchases	699	2,672
	4,836	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 March 31, 2023, this amount includes US\$ 12 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.

9. Other Payables

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2023	December 31, 2022
Interest payables (a)	8,626	3,518
Value-Added Tax	1,484	833
Rural electricity contribution, FISE, FOSE	638	492
Other taxes	489	254
Labor liabilities	39	24
Dividends tax	-	602
Various accruals and other accounts payables	-	26
	11,276	5,749

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

Orazul Energy Perú S.A. and Subsidiary

Notes to the Condensed Consolidated Interim Financial Statements

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	359,643	359,452

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

<i>In thousands of U.S. dollars</i>	March 31, 2023	December 31, 2022
Orazul Energy Perú 2027 notes (a)	363,198	363,198
Transaction costs	(3,555)	(3,746)
	359,643	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.

On October 29, 2021, the Company announced the commencement of a cash tender offer in connection with the sale in October 2021 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>	Note	March 31, 2023	December 31, 2022
Balance as of January 1		4,003	9,551
Additions / (Decrease)	6	166	(5,669)
Unwind of discount		37	121
		4,206	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. The future value, considering inflation amounts to US\$ 18,300 thousand and has been discounted using an annual risk-free rate 3.45% (3.77% as of December 31, 2022).

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Notes to the Condensed Consolidated Interim Financial Statements

12. 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	Total	Level 2
	Amortized cost	Other financial liabilities	Other financial liabilities		
<i>In thousands of U.S. dollars</i>					
As of March 31, 2023					
Financial assets not measured at fair value					
Cash	32,243	-	-	32,243	-
Trade receivables	13,559	-	-	13,559	-
Other receivables (*)	562	-	-	562	-
Account receivables from related parties	2	-	-	2	-
Financial liabilities not measured at fair value					
Trade payable	-	(4,836)	-	(4,836)	-
Other payable (*)	-	(8,626)	-	(8,626)	-
Debentures	-	-	(359,643)	(359,643)	(323,951)
Lease liabilities	-	(112)	-	(112)	-
	46,366	(13,574)	(359,643)	(326,851)	(323,951)
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 payables	-	(8,331)	-	(8,331)	-
Other payables (*)	-	(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 at March 31, 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
Loans from banks, debentures and others	Discounted cash flows using current market interest rate	Not applicable	Not applicable

13. Equity**Share capital**

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2023	December 31, 2022
Orazul Energia (UK) Holdings Ltd.	464,703	464,703
Others	54	54
	464,757	464,757

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, 2023, and December 31, 2022, the issued capital stock is represented by 1,644,249,142 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	232,256	0.01
	1,644,249,142	100.00

Legal reserve

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

Revaluation reserves

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.

Dividends

No dividends were distributed during the three-month period ended March 31, 2023, and 2022.

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14. Revenue

Comprises the following:

<i>In thousands of U.S. dollars</i>	Three-month period ended March 31	
	2023	2022
Energy sales regulated	11,118	10,891
Energy sales non-regulated	7,308	6,537
Energy sales spot	6,550	5,394
Capacity sales regulated	2,596	3,179
Capacity sales non-regulated	2,107	1,858
Capacity sales spot	1,022	573
Other revenues	283	229
	30,984	28,661

The estimated revenue pending of invoicing for the three-month period ended March 31, 2023, amounts to US\$ 9,110 thousand (US\$ 9,103 thousand for the three-month period ended March 31, 2022).

15. Tax Issues

Income tax from the years 2018 to 2022 are subject to review by the tax authorities. As of March 31, 2023, the Company is being audited by the Peruvian Tax Administration through an integral Income Tax Audit related to the year 2020. Management expects, as a result of an eventual assessment, that no significant liabilities affecting the financial statements will arise as of March 31, 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 three-month period ended March 31, 2023, was 23.63% positive (43.65% negative effective tax rate for the three-month period ended March 31, 2022). The change in the effective tax rate for the three-month period ended March 31 corresponds mainly to the impact of exchange differences in local currency.

As of March 31, 2023, and 2022, 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	
	2023	2022
Current tax	(4,202)	(7,550)
Deferred tax	1,291	13,959
	(2,911)	6,409

As of March 31, 2023, and December 31, 2022, the Group has income tax payables of US\$ 3,840 thousand and US\$ 7,959 thousand, respectively.

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

There are no changes in the parent and ultimate parent companies during the three-month period ended March 31, 2023, in respect with December 31, 2022.

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

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

ii. Key management compensation

As of March 31, 2023, and 2022 there are no compensation to key management personnel.

iii. Transactions with key management personnel

During the three-month period ended March 31, 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 value	
		Three-month period	
		ended March 31	
	Transaction type	2023	2022
Sales			
Kallpa Generación S.A.	COES	1,425	1,202
Samay I S.A.	COES	7	6
Termoselva S.R.L.	COES	355	378
Costs			
Samay I S.A.	COES	(184)	(507)
Kallpa Generación S.A.	COES	(87)	(233)
Termoselva S.R.L.	Capacity Purchase and COES	(70)	(9)
Other income			
Kallpa Generación S.A.	Others	231	-
Compañía Boliviana de Energía Eléctrica S.A.	Other services	2	9
Other expenses			
Kallpa Generación S.A. (a)	Management service and O&M	(2,088)	(1,978)
Finance income and borrowing costs			
Orazul Energía Partners LLC	Fair value	-	(1)
		(409)	(1,133)

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<i>In thousands of U.S. dollars</i>			Outstanding balances	
			March 31, 2023	December 31, 2022
Account receivables				
Kallpa Generación S.A.	Energy, capacity and transmission		424	116
Termoselva S.R.L.	Energy, capacity and transmission		-	8
Kallpa Generación S.A.	Others		-	50
Trade accounts receivable			424	174
Kallpa Generación S.A.	Management service and O&M	4	-	721
Compañía Boliviana de Energía Eléctrica S.A.	Services		2	188
Accounts receivable from related parties			2	909
Account payables				
Samay I S.A.	Energy, capacity and transmission		-	(340)
Kallpa Generación S.A.	Energy, capacity and transmission		(12)	(12)
Termoselva S.R.L.	Energy, capacity and transmission		-	(1)
Trade accounts payable			(12)	(353)
Kallpa Generación S.A.	Management service and O&M	8	-	(394)
Account payables to related parties			-	(394)
			414	336

On January 13 and March 6, 2023, the Inkia Energy Group completed the sale of its ownership in Samay I S.A. and OEG II S.A (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., 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.

- (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 period.

17. Contingencies

As of March 31, 2023, the main contingencies of the Company are described as follow:

- (a) The Company is involved in several labor claims, mostly related to vacations, compensation for damages (including moral damages) and profit sharing, for which, after being evaluated individually, as of March 31, 2023, the Company recorded a provision equivalent to US\$ 281 thousand, for labor claims considered probable of losing (US\$ 337 thousand as of December 31, 2022).

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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\$ 635 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\$ 228 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 was 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. The Judicial Court held a hearing on July 15, 2021 and in the same date the Company submitted an additional document in order to reinforce the arguments exposed in the claim.

In January 2022, the First Instance of the Judicial Court issued its Resolution whereby the claim filed by Orazul was declared founded and, consequently, the Tax Court Resolution N° 08513-3-2019 null and void. In this way, the Court 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 Judicial Court. On April 27, 2022, the Superior Judicial Court confirmed the judgment that declared founded the lawsuit filed by Orazul. In May 2022, the Tax Administration, and the Tax Court, filed their appeals before the Supreme Judicial Court. On November 28, 2022, the Supreme Court scheduled the Hearing for July 13, 2023.

In the opinion of Management and legal advisors, there are legal and factual arguments that lead to consider that the case 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, 2023, and December 31, 2022, that have not been provisioned or disclosed in these consolidated financial statements.

18. Subsequent Event

Subsequent to March 31, 2023, there have been no events that may have an effect on the consolidated condensed interim financial statements of the Company.