

Orazul Energy Perú S.A. and Subsidiary

Unaudited Condensed Consolidated Interim Financial Statements

March 31, 2024

**(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, 2024, the condensed consolidated statements of profit or loss and other comprehensive income, for the three-month period then ended as at March 31, 2024, the condensed consolidated statements of changes in equity and cash flows for the three-month period then ended, and notes to the condensed consolidated interim financial statements. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at and for the three-month period ended March 31, 2024 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Lima, Peru

April 30, 2024

Countersigned by:

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

EMMERICH, CORDOVA & ASOCIADOS

Orazul Energy Perú S.A. and Subsidiary

Unaudited Condensed Consolidated Interim Financial Statements

March 31, 2024

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Orazul Energy Perú S.A. and Subsidiary

Unaudited Condensed Consolidated Statement of Financial Position

As at March 31, 2024 and December 31, 2023

<i>In thousands of U.S. dollars</i>	<i>Note</i>	March 31, 2024	December 31, 2023
Assets			
Current assets			
Cash	3	56,063	36,043
Trade receivables	4	18,650	21,466
Inventories	5	2,225	2,217
Other assets	7	1,882	1,882
Prepaid expenses		520	953
Other receivables		417	241
Income tax receivable		40	37
Total current assets		79,797	62,839
Non-current assets			
Property, plant, and equipment	6	569,097	575,181
Right of use assets	6	602	643
Intangible and other assets	7	492,189	492,647
Deferred income tax assets		73,531	74,248
Total non-current assets		1,135,419	1,142,719
Total assets		1,215,216	1,205,558

<i>In thousands of U.S. dollars</i>	<i>Note</i>	March 31, 2024	December 31, 2023
Liabilities			
Current liabilities			
Trade payables	8	5,321	9,623
Other payables	9	11,067	4,977
Lease liabilities from operating contracts		169	168
Account payables to related parties	16	605	1,305
Income tax payable	9	1,584	991
Total current liabilities		18,746	17,064
Non-current liabilities			
Debentures	10	360,456	360,234
Lease liabilities from operating contracts		441	480
Other liabilities		346	346
Asset retirement obligation	11	4,497	4,770
Total non-current liabilities		365,740	365,830
Total liabilities		384,486	382,894
Equity			
Share capital	12	477,477	477,477
Additional capital		278,810	278,547
Legal reserves		37,735	36,957
Retained earnings		36,708	29,683
Total equity		830,730	822,664
Total liabilities and equity		1,215,216	1,205,558

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, 2024, and 2023

		Three-month period ended March 31	
<i>In thousands of U.S. dollars</i>	Note	2024	2023
Revenues	13	30,755	30,743
Cost of sales		(6,231)	(5,801)
Depreciation	6.C	(6,227)	(6,165)
Gross profit		18,297	18,777
Administrative expenses		(1,347)	(1,276)
Other income		40	295
Other expenses		(3)	(63)
Operating profit		16,987	17,733
Finance income		547	149
Finance costs		(5,790)	(5,598)
Net foreign exchange difference		21	35
Finance cost, net		(5,222)	(5,414)
Profit before income tax		11,765	12,319
Income tax expenses	14	(3,962)	(2,911)
Profit for the period		7,803	9,408

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, 2024, and 2023

		Number of shares (note 12)	Share capital (note 12)	Additional capital (note 12)	Legal reserves (note 12)	Revaluation reserve	Retained earnings	Total equity
<i>In thousands of U.S. dollars</i>	<i>Note</i>							
Balance as of January 1, 2023		1,644,249,142	464,757	-	33,653	281,113	12,765	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 reserves		-	-	-	929	-	(929)	-
Total transactions with owners of the Company		-	-	-	929	-	(929)	-
Balance as of March 31, 2023		1,644,249,142	464,757	-	34,582	281,113	21,244	801,696
Balance as of January 1, 2024		1,691,081,984	477,477	278,547	36,957	-	29,683	822,664
Total comprehensive income for the period								
Profit for the period		-	-	-	-	-	7,803	7,803
Total comprehensive income for the period		-	-	-	-	-	7,803	7,803
Transactions with owners of the Company								
Remeasurement asset retirement obligation		-	-	263	-	-	-	263
Legal reserve	12.B	-	-	-	778	-	(778)	-
Total transactions with owners of the Company		-	-	263	778	-	(778)	263
Balance as of March 31, 2024		1,691,081,984	477,477	278,810	37,735	-	36,708	830,730

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, 2024, and 2023

		Three-month period ended	
		March 31	
<i>In thousands of U.S. dollars</i>	<i>Note</i>	2024	2023
Cash flows from operating activities			
Collections from customers		39,715	41,081
Collection of interest		547	150
Payment to suppliers		(14,693)	(15,731)
Payment to employees		(83)	(49)
Cash generated from operating activities		25,486	25,451
Income tax paid		(2,740)	(8,832)
Net cash from operating activities		22,746	16,619
Cash flows from investing activities			
Proceeds from the sale of property, plant, and equipment		-	17
Acquisition of property, plant, and equipment		(2,735)	(1,218)
Acquisition of intangibles		(58)	-
Net cash used in investing activities		(2,793)	(1,201)
Cash flows from financing activities			
Payment of lease liabilities from operating contracts		(46)	(40)
Net cash used in financing activities		(46)	(40)
Net increase in cash		19,907	15,378
Cash as of January 1		36,043	16,779
Effects of variations on exchange differences on cash held		113	86
Cash as of March 31	3	56,063	32,243

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, a company established in the United Kingdom, which owns 99.99% of the Company's share capital. The legal domicile of Orazul is Las Palmeras No. 435, 7th floor, San Isidro, Lima, Peru.

The Company's business activity is the generation and commercialization of electrical energy. The Company has a total capacity of 377, as detailed below:

Plant	Company	Source used to operate power station	Total Capacity (MW)	Location
Cañón del Pato	Orazul Energy Peru	Hydro	266	Huallanca, Ancash
Carhuaquero	Orazul Energy Peru	Hydro	110	LLacma, Cajamarca
Solar Carhuaquero (*)	Orazul Energy Peru	Solar	1	Llacma, Cajamarca
377				

(*) Solar power plant with Commercial Operation Date (COD) on February 14, 2024.

The Company could be affected by seasonal patterns throughout the year and therefore, the operating margin could vary by month during the year. Additionally, weather variations, including hydrological conditions, could also have an impact on generation output.

Nevertheless, the hydropower facilities are located in two different basins, which diversifies hydrology risk.

B. Subsidiary

As of March 31, 2024, and December 31, 2023, the Company has a 99.99% direct equity interest in its subsidiary Kondu S.A.C. (hereinafter, "Kondu" or "Subsidiary").

Kondu was incorporated on September 10, 2021, to carry out power generation, transmission, and commercialization activities and provide energy solutions services to customers in general.

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

2. Basis for the Preparation of Financial Statements

A. Basis of accounting

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34: *Interim Financial Reporting* and should be read in conjunction with the Group's last annual consolidated audited financial statements as at and for the year ended December 31, 2023. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in the financial position and performance of the Group since the last annual financial statements as at and for the year ended December 31, 2023. These condensed consolidated interim financial statements do not include all of the information required for a full annual set of financial statements prepared in accordance with IFRS.

These condensed consolidated interim financial statements were approved by the Group Management on April 16, 2024.

Orazul Energy Perú S.A. and Subsidiary

Notes to the Condensed Consolidated Interim Financial Statements

B. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at December 31, 2023.

C. Use of estimates and judgements

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by Management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2023.

D. Measurement of fair values

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

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

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

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

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

Further information about the assumptions made in measuring fair values included in note 15 – Financial Instruments.

Measurement of revaluation of property, plant, and equipment***i. Fair value hierarchy***

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

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

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Notes to the Condensed Consolidated Interim Financial Statements

ii. Valuation techniques and significant unobservable inputs

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

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

E. Reclassifications

To make comparable the information in the statements of Profit or Loss as of March 31, 2024, and 2023, certain reclassifications were made in the comparative figures as of March 31, 2023. Those reclassifications do not imply changes in the management's decisions made based on them. The reclassification impacts are summarized as follows:

<i>In thousands of U.S. dollars</i>	Previously informed March 31, 2023	Reclassification (a)	Final balance March 31, 2023
Statements of Profit or Loss and Other Comprehensive Income			
Revenues	30,984	(241)	30,743
Cost of sales	(6,042)	241	(5,801)

- (a) Amortization of payments made to distribution companies in connection with option agreements. These amortizations will reduce the revenue generated throughout the term of the energy supply contract.

3. Cash

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2024	December 31, 2023
Checking accounts (a)	56,058	36,038
Petty cash	5	5
	56,063	36,043

- (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 6.00 % in soles and from 0.15% to 5.27% in U.S dollars as at March 31, 2024 (from 0.07% to 6.70% in soles and from 0.15% to 5.30% in U.S dollars as at December 31, 2023).

The credit quality that safeguards the Group's bank deposits has the same evaluation as December 31, 2023.

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Notes to the Condensed Consolidated Interim Financial Statements

4. Trade Receivables

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2024	December 31, 2023
Regulated customers	8,177	11,037
Non-regulated customers	5,805	6,750
COES (a)	4,627	3,646
Others	229	221
Subtotal (b)	18,838	21,654
Impairment loss allowance	(188)	(188)
	18,650	21,466

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, 2024, correspond mainly to 10 non-regulated and 5 regulated customers (12 non-regulated and 7 regulated customers as of December 31, 2023).

- (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, 2024, this amount includes US\$ 257 thousand for related parties (US\$ 992 thousand as of December 31, 2023) (note 16.C).
- (c) The aging of trade receivables is the following:

<i>In thousands of U.S. dollars</i>	March 31, 2024	December 31, 2023
Unexpired	17,971	20,979
Less than 30 days	182	26
31 to 180 days	171	134
181 to 360 days	-	327
More than 360 days	514	188
	18,838	21,654

As of March 31, 2024, and December 31, 2023, past due trade receivables (over 360 days), represent less than 3% of the total balance of trade receivables. Those mainly correspond to trade receivables with non-regulated customers.

5. Inventories

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2024	December 31, 2023
Mechanical and electric spare parts (a)	1,454	1,489
Other supplies	699	651
Fuel and lubricants	72	77
Subtotal	2,225	2,217

- (a) Correspond mainly to items used in scheduled maintenances for the hydropower plants, Carhuaquero and Cañon del Pato, enabling appropriate operations until major maintenance.

In accordance with Management's opinion, it is not necessary to recognize any impairment in inventories as of March 31, 2024.

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Notes to the Condensed Consolidated Interim Financial Statements

6. Property, Plant and Equipment

Comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	March 31, 2024	December 31, 2023
Cost			
Beginning balance		967,334	959,489
Additions			
Work in process (a)		206	7,008
Sundry equipment		42	368
Spare parts		9	-
Furniture and fixture		2	3
Machinery and equipment		-	2,733
Land		-	14
Building and constructions		-	391
Vehicles		-	793
Total additions		259	11,310
Other			
Asset retirement cost	11	35	(3,019)
Vehicles		-	(16)
Total other		35	(3,035)
Transfers			
Machinery and equipment		871	997
Building and constructions		-	461
Vehicles		-	384
Work in process		(871)	(1,808)
Sundry equipment		-	(34)
Total transfers		-	-
Retirements			
Sundry equipment		(1,571)	(132)
Vehicles		(554)	(189)
Works in progress		-	(104)
Furniture and fixtures		-	(5)
Total retirements		(2,125)	(430)
Ending balance		965,503	967,334

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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, 2024	December 31, 2023
Accumulated depreciation			
Beginning balance		(391,510)	(366,464)
Additions			
Machinery and equipment		(3,894)	(15,248)
Building and constructions		(2,345)	(9,420)
Sundry equipment		(110)	(464)
Vehicles		(45)	(141)
Asset retirement obligation		(22)	(89)
Furniture and fixtures		(2)	(8)
Total additions		(6,418)	(25,370)
Transfers			
Vehicles		-	(384)
Sundry equipment		-	384
Total transfers		-	-
Retirements			
Furniture and fixture		1,570	3
Vehicles		554	189
Spare parts		-	132
Total retirements		2,124	324
Ending balance		(395,804)	(391,510)
Net cost at the beginning of the period		575,824	593,025
Net cost of the end of the period		569,699	575,824

- (a) As of March 31, 2024, the main work-in-progress additions correspond to firewall, injector and lubrication system in the Cañon del Pato plant for US\$ 123 thousand (anchor bolt installations in the Cañon del Pato plant for US\$ 2,588 thousand, Carhuaquero solar power plant for US\$ 661 thousand, lubrication system for US\$ 459 thousand and other minor projects for US\$ 2,989 thousand in Cañon del Pato plant as of December 31, 2023).
- (b) Property, plant, and equipment include US\$ 602 thousand right-of-use assets as follows:

<i>In thousands of U.S. dollars</i>	March 31, 2024	December 31, 2023
Cost		
Beginning balance	1,194	571
Additions		
Vehicles	-	656
Sundry equipment	-	8
Total additions	-	664
Other and retirements		
Vehicles	(539)	(16)
Sundry equipment	-	(25)
Total other and retirements	(539)	(41)
Ending balance	655	1,194
Accumulated depreciation		
Beginning balance	(551)	(432)
Additions		
Vehicles	(41)	(136)
Sundry equipment	-	(8)
Total additions	(41)	(144)

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Notes to the Condensed Consolidated Interim Financial Statements

<i>In thousands of U.S. dollars</i>	March 31, 2024	December 31, 2023
Other and retirements		
Sundry equipment	539	25
Total other and retirements	539	25
Ending balance	(53)	(551)
Net cost at the beginning of the period	643	139
Net cost of the end of the period	602	643

- (c) Distribution of depreciation was as follows:

	Three-month period ended March 31	
<i>In thousands of U.S. dollars</i>	2024	2023
Cost of sales	6,227	6,165
Administrative expenses	191	189
	6,418	6,354

- (d) As of March 31, 2024, and December 31, 2023, 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 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) As of March 31, 2024, and December 31, 2023, there were no impairment indicators on the value of property, plant and equipment.
- (f) As of March 31, 2024, and December 31, 2023, the Company does not have guarantees related to the acquisition of property, plant, and equipment.

7. Intangible, Goodwill and Other Assets

A. Intangible and Goodwill

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2024	December 31, 2023
Goodwill (a)	399,427	399,427
Electric concessions (b)	79,954	79,954
Software and other	58	46
	479,439	479,427

- (a) The goodwill corresponds to the excess of the net fair value of assets and liabilities identified during the acquisition of the Peruvian operating business on December 20, 2016.
- (b) The electricity concessions correspond to intangible assets identified at the acquisition date on December 20, 2016. The useful life of electricity concessions is indefinite. As of March 31, 2024, and December 31, 2023, Management is not required to establish reserves for the possible impairment of its intangible assets with an indefinite life.

Management analysis indicated there were no impairment indicators on the value of the intangibles as of March 31, 2024, and December 31, 2023.

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B. Other assets

<i>In thousands of U.S. dollars</i>	March 31, 2024	December 31, 2023
Opening balance	15,102	16,066
Amortization	(470)	(964)
	14,632	15,102
Portion		
Current portion	1,882	1,882
Non-current portion	12,750	13,220

Other assets correspond to payments made to distribution companies in connection with the option agreements signed, by which distribution companies granted 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 within the framework of the Supreme Decree 022-2018 EM. As of March 31, 2024, and December 31, 2023, the Company executed all option agreements signed with distribution companies.

These payments will be amortized over the extended contract term of the energy supply contract, reducing revenue generated throughout the extension period.

8. Trade Payables

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2024	December 31, 2023
Energy purchases and transmission tolls (a)	4,201	5,022
Capex expenditures (b)	714	3,249
Other purchases	406	1,352
	5,321	9,623

- (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, 2024, trade payables include US\$ 7 thousand payables to related parties (US\$ 70 thousand as of December 31, 2023) (note 16.C).
- (b) Corresponds mainly to the purchase of spare parts, supplies, and services related to major maintenances.

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

9. Other Payables and Income Tax Payable

Comprises the following:

<i>In thousands of U.S. dollars</i>	March 31, 2024	December 31, 2023
Other payables		
Interest payables (a)	8,626	3,518
Value-Added Tax	1,437	628
Rural electricity contribution and other Energy fund	502	591
Other taxes	455	193
Payroll and other	47	47
	11,067	4,977
Income tax payable	1,584	991
	12,651	5,968

- (a) Corresponds to senior unsecured notes OEP 2027, settled semi-annually throughout the year.

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	
				2024	2023	2024	2023
Debentures							
OEP 2027 notes	5.625%	US\$	April -2027	363.198	363.198	360.456	360.234

The carrying amounts as of March 31, 2024, and December 31, 2023, comprise the following:

<i>In thousands of U.S. dollars</i>	March 31, 2024	December 31, 2023
Orazul Energy Perú 2027 notes (a)	363,198	363,198
Transaction costs	(2,742)	(2,964)
	360,456	360,234

- (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 August 13, 2021, the cash tender offer related to the sale of the Company's indirect ownership in the transmission business, Etenorte S.R.L. and Eteselva S.R.L., 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 December 31, 2021, the cash tender offer related to the sale of the Company's indirect ownership in the thermal power generation and hydrocarbon businesses, Termoselva S.R.L. and Aguaytía Energy del Perú S.R.L., 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>	March 31, 2024	December 31, 2023
Balance as of January 1	4,770	4,003
(Decrease)/Increase	(339)	620
Unwind of discount	66	147
Balance as of December 31	4,497	4,770

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

As of March 31, 2024, the provision has been reduced due to changes in the current market rates. The future value has been discounted using an annual risk-free rate ranging 5.84% (5.63% as of December 31, 2023).

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Notes to the Condensed Consolidated Interim Financial Statements

12. Equity**A. Share capital**

As of March 31, 2024, and December 31, 2023, the share capital is represented by 1,691,081,984 common shares, with a nominal value of one sol each, duly authorized, issued, and paid as follows:

Shareholders	Number of shares	%
Orazul Energia (UK) Holdings Ltd.	1,690,843,115	99.99
Others	238,869	0.01
	1,691,081,984	100.00

B. Legal reserves

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.

C. Additional capital

Comprises the following:

	Three-month period ended March 31	
<i>In thousands of U.S. dollars</i>	2024	2023
Initial balance	278,547	-
Remeasurement asset retirement obligation	263	-
Final balance	278,810	-

13. Revenues

Comprises the following:

	Three-month period ended March 31	
<i>In thousands of U.S. dollars</i>	2024	2023
Energy sales spot	11,002	6,550
Energy sales regulated (a)	7,582	10,877
Energy sales non-regulated	6,872	7,308
Capacity sales spot	2,001	1,022
Capacity sales non-regulated	1,723	2,107
Capacity sales regulated	1,252	2,596
Other revenues	323	283
	30,755	30,743

- (a) Includes the amortization of option payments made to distribution companies in connection with option agreements. The amortization during the three-month period ended March 31, 2024, and 2023 was US\$ 470 thousand and US\$ 241, respectively (note 7.B).
- (b) As of March 31, 2024, there was estimated revenue pending to be invoiced for US\$ 9,745 thousand (US\$ 10,042 thousand as of December 31, 2023). According to Management's evaluation, there would not be a significant variation between the amounts invoiced and those estimated.

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14. Tax Issues

Income tax from the years 2019 to 2023 is subject to review by the tax authorities. As of March 31, 2024, 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, 2024, and December 31, 2023.

Under current tax legislation, corporate income tax for 2024 and 2023 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, 2024, was 33.68% (23.63% effective tax rate for the three-month period ended March 31, 2023). The change in the effective tax rate for the three-month period ended March 31, 2024, and 2023 corresponds mainly to the impact of exchange differences in local currency.

As of March 31, 2024, and 2023, 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	
	2024	2023
Current tax	(3,356)	(4,202)
Deferred tax	(606)	1,291
	(3,962)	(2,911)

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Notes to the Condensed Consolidated Interim Financial Statements

15. Financial Instruments
A. Carrying amounts and fair values

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

	Carrying amount				Fair value
	Current		Non-current	Total	Level 2
	Amortized cost	Other financial liabilities	Other financial liabilities		
<i>In thousands of U.S. dollars</i>					
As of March 31, 2024					
Financial assets not measured at fair value					
Cash	56,063	-	-	56,063	-
Trade receivables	18,650	-	-	18,650	-
Other receivables (*)	319	-	-	319	-
Financial liabilities not measured at fair value					
Trade payables	-	(5,321)	-	(5,321)	-
Other payables (*)	-	(8,626)	-	(8,626)	-
Accounts payables to related parties	-	(605)	-	(605)	-
Debentures	-	-	(360,456)	(360,456)	(343,222)
Lease liabilities from operating contracts	-	(169)	(441)	(610)	-
	75,032	(14,721)	(360,897)	(300,586)	(343,222)
As of December 31, 2023					
Financial assets not measured at fair value					
Cash	36,043	-	-	36,043	-
Trade receivables	21,466	-	-	21,466	-
Other receivables (*)	165	-	-	165	-
Financial liabilities not measured at fair value					
Trade payable	-	(9,623)	-	(9,623)	-
Other payables (*)	-	(3,521)	-	(3,521)	-
Accounts payables to related parties	-	(1,305)	-	(1,305)	-
Debentures	-	-	(360,234)	(360,234)	(341,878)
Lease liabilities from operating contracts	-	(168)	(480)	(648)	-
	57,674	(14,617)	(360,714)	(317,657)	(341,878)

(*) 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, 2024, and December 31, 2023:

Financial instruments not measured at fair value

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

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

There are no changes in the parent and ultimate parent companies as at March 31, 2024, in respect of December 31, 2023.

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

As of March 31, 2024, and December 31, 2023, there are no loans to Directors.

ii. Key management compensation

As of March 31, 2024, and 2023 there are no compensation to key management personnel.

iii. Transactions with key management personnel

During the three-month period ended March 31, 2024, and 2023, there were no transactions between the Company and key management.

C. Other related entities transactions

During the three-month period ended March 31, 2024, and 2023, 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		Outstanding balances	
		March 31, 2024	March 31, 2023	March 31, 2024	December 31, 2023
Kallpa Generación S.A. (a)	Management services and O&M				
	and Others	(2,231)	(2,088)	(605)	(1,305)
Kallpa Generación S.A.	Other	-	231	-	-
Compañía Boliviana de Energía Eléctrica					
Cobee-Sucursal (*)	Support services	-	2	-	-
		(2,231)	(1,855)	(605)	(1,305)

(*) On November 26, 2023, the Inkia Energy Group completed the sale of Compañía Boliviana de Energía Eléctrica Cobee-Sucursal. Therefore, Cobee is no longer a related party to the Group.

Orazul Energy Perú S.A. and Subsidiary

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

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

<i>In thousands of U.S. dollars</i>	Transaction type	Transaction value		Outstanding balances	
		March 31, 2024	March 31, 2023	March 31, 2024	December 31, 2023
Sales					
Kallpa Generación S.A.	COES	869	1,425	36	519
Kallpa Generación S.A.	Energy Purchase	-	-	-	405
Kallpa Generación S.A.	Others	309	-	221	68
Termoselva S.R.L. (**)	COES	-	355	-	-
Samay I S.A. (**)	COES	-	7	-	-
Costs					
Samay I S.A. (**)	COES	-	(184)	-	-
Kallpa Generación S.A.	COES	(20)	(87)	(7)	(70)
Termoselva S.R.L. (**)	Capacity Purchase and COES	-	(70)	-	-
		1,158	1,446	250	922

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

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

17. Contingencies

As of March 31, 2024, and December 31, 2023, the Company has the following contingencies:

Labor Claims

The Company maintains the provision related to labor claims in US\$ 346 thousand as of March 31, 2024, and December 31, 2023.

Additionally, the estimate for labor claims that are not more likely than not that the Company will pay, decreased from US\$ 549 thousand as of December 31, 2023, to US\$ 548 thousand as of March 31, 2024.

18. Subsequent Event

Subsequent to March 31, 2024, there have been no events that may affect the consolidated condensed interim financial statements of the Group.