



ORAZUL ENERGY PERU S.A. AND SUBSIDIARY

US\$ 380,000,000 – 6.250% Senior Notes due 2032

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

December 31, 2025 and 2024



ORAZUL ENERGY PERU

About the Company

We are a Peruvian company focused on the electric power generation. We own and operate two run-of-river hydroelectric power plants, Cañón del Pato (CDP) and the Carhuaquero Complex; and one solar power plant, Carhuaquero Solar, to generate and sell non-carbon, efficient and reliable electricity to regulated customers (distribution companies) and non-regulated customers under short-term and long-term PPAs, as well as in the spot market among high quality off-takers with 75%¹ of our total revenues from investment grade customers. As of December 31, 2025, the weighted average remaining life of our PPAs was approximately 5.4 years with a successful contracting history. We have committed to sell, on average, approximately 65% of our firm energy (in MWh) from 2026 to 2029, which is consistent with what we believe is our optimal contracting level. This structural contracting mix provides flexibility to accommodate potential volatility in hydroelectric generation.

Our generation is considered base load in the Peruvian system, prioritized within the dispatch order. Our hydroelectric power plants, located in different hydrological basins, have an aggregate generation capacity of 376 MW: (i) the CDP hydroelectric generation plant, which utilizes the Santa River ecological water flow in Huallanca comprises six generation units with an aggregate generation capacity of 266 MW; and (ii) the Carhuaquero Complex hydroelectric generation plants, which utilize the Chancay River ecological water flow in Cajamarca consists of three power plants, five generation units and a dam with an aggregate generation capacity of 110 MW. The CODs of the CDP hydroelectric plant were granted in 1958, 1967, 1981 and 1999, while the CODs of the Carhuaquero Complex were granted in 1991, 2008 and 2009.

Our 1 MW generation capacity solar power plant, Carhuaquero Solar, is located within the Carhuaquero Complex in Cajamarca and achieved COD in 2024. It is operated by our subsidiary, Kondu S.A. ("Kondu").

We incorporated our subsidiary Kondu to create value for customers by integrating tailored energy solutions with competitive electricity pricing, with a focus on maximizing cost savings, reducing carbon emissions, and enhancing supply security. Its primary target is the middle market segment. Kondu's service portfolio includes electricity supply, self-consumption solutions, demand management, sustainable mobility strategies, strategic and technical support for achieving energy efficiency goals, and technical assistance related to electrical infrastructure.

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

Management has extensive experience in the power generation business. Our executive officers have an average of approximately 23 years of experience in the power generation industry and have previously held senior positions in leading power generation companies, financial institutions, and the Peruvian government. Our management team provides in-depth market knowledge and power industry experience, with considerable experience in the Peruvian energy industry and government regulators. We believe that this overall level of experience allows our management team to lead the Company in the effective operation and maintenance of our facilities.

¹ For the year ended December 2025, measured by at least one investment grade rating granted by either S&P, Fitch or Moody's (or their local representatives) for the local customer or the implied rating based on sponsor' support; weighted by customer revenues expressed in US\$.



Shareholder Purchase and Sale Agreement

On February 8, 2026, our shareholders Nautilus Inkia Holdings SCS, together with Nautilus Energy Partners LLC, Orazul Energia (UK) Holdings Ltd and Orazul Energia Partners LLC (all affiliate entities of I Squared Capital Advisors (US) LLC ("ISQ")), as sellers, entered into a Purchase and Sale Agreement ("PSA") with certain affiliate entities of Canada Pension Plan Investment Board ("CPPIB") and of ISQ, as buyers (the "CPPIB Buyer" and the "ISQ Buyer", respectively).

Pursuant to the PSA, and subject to customary closing conditions and applicable governmental approvals, the CPPIB Buyer and the ISQ Buyer and/or one or more of their respective permitted assignees will jointly acquire (i) 100% of shares in Inkia Américas S.A.C., including its direct ownership in subsidiaries Kallpa Generacion S.A. and Hidro Chilia S.A.C., and (ii) approximately 99.9999% shares of Orazul, including direct ownership in its subsidiary Kondu.

CPPIB Investments has been investing in Latin America since 2006 and has a disciplined approach to investing across asset classes in the region. ISQ has a long-standing presence in Latin American infrastructure, with deep operating experience across energy, utilities and transportation.



Our Notes

2032 Notes

On September 17, 2025, Orazul issued senior unsecured notes for an aggregate principal amount of US\$380 million in the international capital markets under rule 144A Regulation S (the “2032 Notes”). These notes accrue interest at a rate of 6.250% payable semi-annually, have final maturity in September 2032 and are rated Ba2 by Moody's and BB by Fitch.

The proceeds from the new issuance were used to fund (i) the repayment in full of our 2027 notes, (ii) the prepayment of a certain short-term borrowing incurred to finance capital expenditures and other operating expenses and (iii) general corporate purposes.

We proactively refinanced our Orazul 2027 notes well ahead of maturity through a highly successful transaction, which was significantly oversubscribed, reaching US\$2.3 billion or 6x.



Gas Pipeline Disruption and Impact on Peru's Power Generation

On March 1, 2026, a gas leak followed by a deflagration occurred in the pipeline operated by Transportadora de Gas del Perú ("TGP"), at kilometer 43 in the Megantoni district, Cusco. This pipeline transports natural gas from the Camisea gas field to Lima city gate. The incident led to the suspension of natural gas transport, resulting in the Peruvian government to declare a 14-day state of emergency, prioritizing supply for residential and essential services.

As a result, only the gas remaining in the pipeline, approximately 70 million cubic feet per day, was available compared to the typical demand of 600 - 900 million cubic feet typically consumed daily. This limited supply was allocated primarily to households and critical services such as public transportation. The Ministry of Energy and Mines and the Prime Minister's office convened urgent meetings with gas producers (Pluspetrol and the Camisea consortium) and activated national emergency protocols to coordinate the response.

The incident also led to the temporary shutdown of all thermal power plants dependent on Camisea gas. These included: Kallpa and Las Flores combined-cycle plants (1,233 MW), Fenix Power in Chilca (574 MW), Termochilca's Santo Domingo de los Olleros units (319 MW), Orygen's Ventanilla and Santa Rosa units (893 MW) and Engie's Chila 1 and Chilca Plus units (930 MW).

To maintain continuity of electricity service, the grid operator, COES, dispatched all available diesel-fired plants and activated cold reserve plants located in southern Peru to compensate for the temporary loss of gas-fired generation capacity. These measures ensured that no blackouts occurred during this period.

Gas transportation service was restored on Friday, March 13, 2026, allowing all thermal units to gradually resume their operations without further complications and stabilizing the system thereafter.

In the short term, the gas outage led to a sharp increase in spot electricity prices, which spiked from a range of approximately US\$30–35/MWh to levels above US\$300–450/MWh. As a mitigating factor, the incident coincided with the rainy season, allowing hydroelectric plants to operate at full capacity. This strong hydrological contribution significantly reduced the shortfall in thermal generation and played a key role in maintaining uninterrupted electricity supply.

Orazul, with a generation matrix composed of 100% renewable resources, was not affected by the gas supply interruption. Instead, the Company was able to sell all of its additional generation during the rainy season at higher spot prices with a positive financial impact of approximately US\$10-15 million².

² The information presented reflects preliminary estimates of the impact on gross margin, based on information and assumptions as of the date of this report. It does not constitute a forecast or commitment and may change as additional information becomes available.



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

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

For the years ended December 31, 2025 and 2024

	Year ended December 31		% Change
<i>In millions of U.S. dollars</i>	2025	2024	
Revenues	111	104	7%
Cost of sales (excluding depreciation and amortization)	(27)	(27)	0%
Depreciation	(27)	(26)	4%
Administrative expenses	(5)	(6)	-17%
Other income, net	-	2	-100%
Operating profit	52	47	11%
Finance income	2	3	-33%
Finance costs	(26)	(23)	13%
Net foreign exchange difference	2	-	-
Net finance costs	(22)	(20)	10%
Profit before income tax	30	27	11%
Income tax income (expense)	5	(65)	-108%
Profit (loss) for the period	35	(38)	192%

*2024 figures consider certain reclassifications

Results of Operations

The Company's net profit for the year ended December 31, 2025, amounted to US\$35 million compared to US\$38 million net loss in 2024. The Company's results are explained by the following:

Revenues

Revenues increased by US\$7 million, or 7%, to US\$111 million in 2025, from US\$104 million in 2024, mainly explained by an increase in net energy and capacity sales in the spot market due to a 23% increase in net energy sold in the spot market to 937 GWh in 2025 from 763 GWh in 2024 as a result of (i) lower energy volume sold under PPAs, and (ii) a 2% increase in our generation to 2,104 GWh in 2025 from 2,063 GWh in 2024; partially offset by a 3% decrease in the average spot price to US\$28/MWh in 2025 compared to US\$29/MWh in 2024.

Energy and capacity sales under PPAs remain unchanged due to the net effect of an 11% increase in the average PPA energy prices to US\$50/MWh in 2025 compared to US\$45/MWh in 2024, explained by the indexation of certain PPAs and new PPAs with higher energy prices; offset by a 10% decrease in energy volumes sold under PPAs to 1,167 GWh in 2025 from 1,300 GWh in 2024, explained by the end of certain PPAs.



Cost of sales (excluding depreciation and amortization)

Cost of sales (excluding depreciation and amortization) amounted to US\$27 million in 2025, unchanged from 2024.

Depreciation

Depreciation increased by US\$1 million, or 4%, to US\$27 million in 2025 from US\$26 million in 2024, primarily due to the addition of property, plant, and equipment.

Administrative expenses

Administrative expenses decreased by US\$1 million, or 17%, to US\$5 million in 2025 from US\$6 million in 2024, primarily due to a decrease in third-party services, among others.

Other income, net

Other income, net decreased by US\$2 million, or 100%, to nil in 2025 from US\$2 million in 2024, primarily due to a gain in 2024 on the sale of certain minor assets; among others.

Net finance costs

Net finance costs increased by US\$2 million, or 10%, to US\$22 million in 2025 from US\$20 in 2024 mainly explained by (i) US\$2 million increase in interest expense primarily related to the 2032 Notes; (ii) US\$1 million increase in finance costs related to the transaction costs in connection with the tender of the 2027 notes, and (iii) US\$1 million decrease in interest income paid on our cash balances; partially offset by US\$2 million increase in foreign exchange gains in 2025 due to an 11% revaluation of the Peruvian sol against the U.S. dollar.

Income tax income (expense)

Income tax amounted to US\$5 million income in 2025, compared to US\$65 million expense in 2024. The effective income tax rate in 2025 was 17% (-241% in 2024). During 2025, changes in the effective tax rate correspond mainly to the re-expression of the tax losses carry forward due to exchange rate variations explained by an 11% revaluation of the Peruvian sol against the U.S. dollar. During 2024, the change in the effective tax rate corresponds primarily to a US\$55 million one-time adjustment in the deferred tax determination in connection with the 2020 tax audit conducted by the Peruvian tax authority, which resulted in a US\$185 million reduction in the tax loss carryforward. This adjustment did not involve any cash payment. Without the impact of the 2020 tax assessment on the deferred income in 2024, the effective tax rate would have been 30%.



Liquidity and Capital Resources

Our principal cash requirements consist of the following:

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

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

As of December 31, 2025, our cash in hand amounted to US\$24 million.

Cash Flows

	Year ended December 31,		% Change
<i>In millions of U.S. dollars</i>	2025	2024	
Cash from operating activities	79	72	10%
Income tax paid	(9)	(8)	13%
Net cash from operating activities	70	64	9%
Net cash used in investing activities	(9)	(8)	13%
Net cash used in financing activities	(64)	(66)	-3%
Net decrease in cash	(3)	(10)	-70%
Cash and cash equivalent as of January 1	26	36	-28%
Effects of variations on exchange difference on held cash	1	-	0%
Cash at December 31	24	26	-8%

Cash Flows from Operating Activities

Our primary source of operating funds is the cash flow generated from our operations. The net cash from operating activities increased by US\$6 million, or 9%, to US\$70 million in 2025 from US\$64 million in 2024.

The increase was driven by:

- US\$22 million increase in collections from customers related to higher sales, added to 2024 outstanding balances collected during the first quarter of 2025.

This effect was partially offset by:

- US\$15 million increase in payments to suppliers due to (i) US\$5 million from 2024 outstanding balances paid during the first quarter of 2025; (ii) US\$3 million of higher VAT payment; among others.
- US\$1 million increase in income tax advance payments driven by the 2024 tax return.



Cash Flows used in Investing Activities

Net cash flows used in our investing activities increased by US\$1 million, or 13%, to US\$9 million in 2025 from US\$8 million in 2024.

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

Cash Flows Used in Financing Activities

Net cash flows from financing activities decreased by US\$2 million, or 3%, to US\$64 million in 2025 from US\$66 million in 2024.

In 2025, cash used in financing activities was mainly for (i) US\$363 million repayment in full of the 2027 notes; (ii) US\$56 million in dividends to shareholders; (iii) US\$19 million in interest service; (iv) US\$4 million of transaction costs related to the issuance of the 2032 Notes; among others; partially offset by cash provided by the issuance of the 2032 Notes for US\$379 million (US\$380 million, net of discount).

In 2024, cash used in financing activities was mainly for (i) US\$45 million in distributions to shareholders; and (ii) US\$21 million of interest service.



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

	Three months ended December 31		% Change
<i>In millions of U.S. dollars</i>	2025	2024	
Revenues	30	26	15%
Cost of sales (excluding depreciation and amortization)	(9)	(9)	0%
Depreciation	(7)	(7)	0%
Administrative expenses	(2)	(2)	0%
Other income, net	-	1	-100%
Operating profit	12	9	33%
Finance income	-	1	-100%
Finance costs	(7)	(6)	17%
Net foreign exchange difference	-	-	-
Net finance costs	(7)	(5)	40%
Profit before income tax	5	4	25%
Income tax income (expense)	3	(3)	-200%
Profit for the period	8	1	-700%

*2024 figures consider certain reclassifications.

Results of Operations

The Company's net profit for the three-month period ended December 31, 2025, amounted to US\$8 million compared to US\$1 million during the same period in 2024. The Company's results are explained by the following:

Revenues

Revenues increased by US\$4 million, or 15%, to US\$30 million during the fourth quarter of 2025, from US\$26 million during the same period in 2024, mainly explained by an increase in net energy and capacity sales in the spot market due to a 153% increase in net energy sold in the spot market to 238 GWh during the fourth quarter of 2025 from 94 GWh during the same period in 2024 as a result of (i) lower energy volume sold under PPAs, and (ii) a 23% increase in our generation to 559 GWh during the fourth quarter of 2025 from 454 GWh during the same period in 2024. In addition, a 7% increase in the average spot price to US\$29/MWh during the fourth quarter of 2025 compared to US\$27/MWh during the same period in 2024.

Energy and capacity sales under PPAs remain unchanged due to the net effect of a 7% increase in the average PPA energy prices to US\$49/MWh during the fourth quarter of 2025 compared to US\$46/MWh during the same period in 2024, explained by the indexation of certain PPAs and new PPAs with higher energy prices; offset by an 11% decrease in energy volumes sold under PPAs to 321 GWh during the fourth quarter of 2025 from 360 GWh during the same period in 2024, explained by the end of certain PPAs.

Cost of sales (excluding depreciation and amortization)

Cost of sales (excluding depreciation and amortization) amounted to US\$9 million during the fourth quarter of 2025, unchanged from the same period in 2024.

**Depreciation**

Depreciation amounted to US\$7 million during the fourth quarter of 2025, unchanged from the same period in 2024.

Administrative expenses

Administrative expenses amounted to US\$2 million during the fourth quarter of 2025, unchanged from the same period in 2024.

Net finance costs

Net finance costs increased by US\$2 million, or 40%, to US\$7 million during the fourth quarter of 2025 from US\$5 million during the same period in 2024, primarily explained by US\$1 million increase in interest expense related to the 2032 Notes, among others.

Income tax income (expense)

Income tax amounted to US\$3 million income during the fourth quarter of 2025, compared to US\$3 million expense during the same period in 2024. The effective income tax rate during the fourth quarter of 2025 was 60% (-75% during the fourth quarter of 2024). Changes in the effective tax rate correspond mainly to the revaluation of the Peruvian sol against the U.S. dollar between 2025 and 2024.



Appendixes

EBITDA reconciliation

	Year ended December 31,		Three months ended December 31,	
<i>In millions of U.S. dollars</i>	2025	2024	2025	2024
Operating profit	52	47	12	9
Depreciation	27	26	7	7
Total EBITDA	US\$79	US\$73	US\$19	US\$16

Material Indebtedness

<i>In millions of U.S. dollars</i>	Outstanding Principal Amount as of Dec-25	Interest Rate	Final Maturity	Amortization
Long-term debt:				
2032 Notes	375	6.250%	Set-32	Principal due at maturity with semi-annual interest payments.
Total	US\$375			

Note: values net of transaction costs

