Consolidated Financial Statements

INVERSIONES LATIN AMERICA POWER LTDA
AND SUBSIDIARIES

Santiago, Chile
As at 31 de diciembre de 2021 y 2020

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Independent Auditor's Report

To the Partners
Inversiones Latin America Power Ltda.

We have audited the accompanying consolidated financial statements of Inversiones Latin America Power Ltda. and subsidiaries, which comprise the consolidated statements of financial position as at 31 December 2021 and 2020, and the corresponding consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with International Financial Reporting Standards; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Generally Accepted Auditing Standards in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material Misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Inversiones Latin America Power Ltda. and subsidiaries as at 31 December 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Wojciech Kupiec
EY Audit SpA

Santiago,
March 10, 2022

INVERSIONES LATIN AMERICA POWER LTDA.

Consolidated Financial Statements
as at 31 December 2021 and 2020

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INVERSIONES LATIN AMERICA POWER LTDA.

Consolidated Statements of Financial Position as at 31 December 2021 and 2020

Thousands of US Dollars (ThUS$)	Note	31 December	
		2021	2020
Assets			
Current assets			
Cash and cash equivalents	6	18,140	7,363
Trade and other current receivables	12	7,176	10,565
Accounts receivable from related entities	15	1,457	3,836
Inventory	9	113	63
Total current assets		26,886	21,827
Non-current assets			
Trade and other receivables, non-current	12	16,083	11,742
Intangible assets other than goodwill	8	483	491
Property, plant and equipment	7.a	374,042	395,264
Deferred tax assets	18.a	41,779	36,098
Total non-current assets		432,387	443,595
Total assets		459,273	465,422
Equity and liabilities			
Current liabilities			
Other current financial liabilities	14	18,243	16,404
Trade and other payables	13	18,793	10,288
Accounts payable to related entities	15	6,531	4,902
Lease liabilities	10	381	362
Total current liabilities		43,948	31,956
Non-current liabilities			
Other non-current financial liabilities	14	383,680	378,811
Provisions	16	54,249	52,885
Lease liabilities	10	11,271	11,652
Total non-current liabilities		449,200	443,348
Total liabilities		493,148	475,304
Equity			
Paid-in capital	19.a	89,801	89,801
Retained earnings (accumulated losses)		(99,683)	(90,094)
Result for the year		(23,993)	(9,589)
Equity attributable to the owners of the Parent		(33,875)	(9,882)
Non-controlling interests		-	-
Total equity		(33,875)	(9,882)
Total equity and liabilities		459,273	465,422

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements

Consolidated Statements of Comprehensive Income for the years ended 31 December 2021 and 2020

Thousands of US Dollars (ThUS$) Presented by function	Note	31 December	
		2021	2020
Profit or loss			
Revenue	20	68,227	72,887
Cost of sales	21	(63,545)	(55,477)
Gross profit		4,682	17,410
Administrative expenses	22	(2,182)	(1,937)
Operating profit		2,500	15,473
Finance income		2	16
Finance expenses	23	(31,370)	(26,178)
Foreign exchange gains (losses), net		(806)	(82)
Loss before taxes		(29,674)	(10,771)
Income tax benefit	18.b	5,681	1,182
Loss for the year		(23,993)	(9,589)
Attributable to:			
Owners of the Parent		(23,993)	(9,589)
Non-controlling interests		-	-
Other comprehensive income (loss)			-
Total comprehensive loss for the year, net of tax		(23,993)	(9,589)
Attributable to:			
Owners of the Parent		(23,993)	(9,589)
Non-controlling interests			-

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements

Consolidated Statements of Changes in Equity for the years ended 31 December 2021 and 2020

Thousands of US dollars (ThUS$)	Paid-in capital	Retained earnings (accumulated losses)	Result for the year	Total equity
Opening balance 01-01-2021	89,801	(90,094)	(9,589)	(9,882)
Changes in equity				
Comprehensive Income				
Loss for the year	-	-	(23,993)	(23,993)
Appropriation of results	-	(9,589)	9,589	-
Total changes in equity	-	(9,589)	(14,404)	(23,993)
Closing balance 31-12-2021	89,801	(99,683)	(23,993)	(33,875)

Thousands of US dollars (ThUS$)	Paid-in capital	Retained earnings (accumulated losses)	Result for the year	Total equity
Opening balance 01-01-2020	93,001	(70,964)	(19,130)	2,907
Changes in equity				
Comprehensive Income				
Loss for the year	-	-	(9,589)	(9,589)
Appropriation of results	-	(19,130)	19,130	-
Capital reduction	(3,200)	-	-	(3,200)
Total changes in equity	(3,200)	(19,130)	9,541	(12,789)
Closing balance 31-12-2020	89,801	(90,094)	(9,589)	(9,882)

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements

Consolidated Statements of Cash Flows for the years ended 31 December 2021 and 2020

Thousands of US Dollars (ThUS$) Indirect method is applied	Dic 2021	Dic 2020
Cash flows from operating activities		
Loss before taxes	(29,674)	(10,771)
Adjustments to reconcile profit/loss to net cash flow:		
Depreciation	21,517	21,383
Exchange rate differences	806	82
Finance expenses	31,370	26,178
Changes in assets and liabilities:		
Inventory	(50)	(63)
Trade and other account receivables	(952)	(9,226)
Other current assets	-	19
Trade payables and other current liabilities	7,461	(1,517)
Other non-financial assets and liabilities	28	(19)
Accounts receivable from and payable to related entities	4,008	(14)
Interest paid	(15,547)	(22,234)
Withholding tax on interest paid	(440)	(899)
Net cash flows from operating activities	18,527	2,919
Cash flows from investment activities		
Acquisition of property, plant, equipment and intangibles	(315)	(74)
Net cash flows used in investment activities	(315)	(74)
Cash flows from financing activities		
Reduction of capital	-	(3,200)
Payment of principal portion of lease liabilities	(362)	(343)
Bond refinancing expenses	(16,012)	-
Increase (decrease) in borrowings, net	8,939	(10,367)
Net cash flows used in financing activities	(7,435)	(13,910)
Effect of changes in exchange rates on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	10,777	(11,065)
Opening balance of cash and cash equivalents	7,363	18,428
Closing balance of cash and cash equivalents	18,140	7,363

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements

1. Reporting entity

Inversiones Latin America Power Ltda. (hereinafter "ILAP" or the "Company" and together with its subsidiaries, the "Group), is a limited liability company incorporated by public deed dated 14 June 2013, under Notarial Record No. 10077-2013 whose business purpose is: a) making investments in all kinds of assets, whether movable or immovable, tangible or intangible, including the acquisition of shares or rights in partnerships, debentures, bonds, commercial papers, and all kinds of securities, and investment instruments, as well as the administration of said investments and its returns; and b) in general, any other investment activity.

Inversiones Latin America Power Ltda. is part of Latin América Power Group ("LAP Group") and is directly controlled by Latin América Power S.A., which is a closely-held corporation domiciled in Chile. Latin America Power S.A. is controlled by Latin America Power Holding B.V., a company funded on 20 February 2012 and domiciled in the Netherlands, which is the ultimate parent of the LAP Group.

2. Significant accounting policies

2.1 Basis of preparation

a) Statement of compliance and basis of presentation

These consolidated financial statements include the consolidated statements of financial position as of 31 December 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for years then ended. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) and fairly present the financial position of the Company as of 31 December 2021 and 2020 and the results of its operations and its cash flows for years then ended.

Note 2.2 describes main accounting policies adopted in the preparation of these consolidated financial statements. These policies have been defined based on IFRS in effect as of 31 December 2021, and have been consistently applied in all periods presented in these consolidated financial statements.

As of 31 December 2021, the Group presents a negative working capital of ThUS$ 17,062, mainly caused by lower than expected results due to a high volatility in the spot market prices in the national electricity system, which was generated by an historical intense drought, a poor planning for natural gas supplies, scheduled maintenance of certain dams, coal and GNL power plants and the forced outage of diesel power plants, coupled with an accelerated decarbonization program. This instability was accompanied by a low level of wind resources in the Group's wind farms, especially during the months of July and August, which implied an important level of energy purchases at high prices in the spot market, in order to comply with the energy committed in the PPA contracts. Management expects the Company to generate sufficient cash flows from its normal business operation as spot market prices are reaching normal levels during 2022, considering also higher GNL availability, strategic maintenance planning according to the market situation and the onset of the rainy season during the second quarter of the year. Those cash inflows are expected to be sufficient to meet the Group's financial obligations when they become due during 2022. Additionally, the Company expects to count on the financial support of the LAP Group if necessary. These consolidated financial statements were prepared on the going concern basis.

The financial statements are presented in thousands of US dollars ("ThUS$"), unless otherwise stated. US dollar is functional currency of the Company and its subsidiaries.

These consolidated financial statements have been approved and authorized by Management for issuance on 10 March 2022.

b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis.

c) Basis of consolidation

The ILAP Group considers that it controls an investee when is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if it has all the following: (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect its returns.

In the case of the Group, the power over its subsidiaries is derived from the possession of practically total of the voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The following subsidiaries are included in these consolidated financial statements:

Country of incorporation	Entity	Participation	Status
Chile	Norvind S.A. (Norvind)	99,99%	Operating
Chile	San Juan S.A. ("San Juan")	99.999998%	Operating

San Juan S.A. operates Parque Eólico San Juan (184.80 MW of installed capacity), located in the province of Coquimbo, IV Region, Chile, since March 2017.

Norvind S.A. operates Parque Eólico Totoral (46 MW of installed capacity), located in Canela, Coquimbo Region, since January 2010.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.2 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except as otherwise stated, and have been applied consistently by all entities consolidated within the Group.

a) New IFRS pronouncements in effect since January 1, 2020

The Company applied certain standards, interpretations and amendments for the first time, which are effective for annual periods beginning on or after January 1, 2021.

The standards, interpretations and amendments to IFRS that went into effect as of the date of the financial statements, as well as their nature and impact, are detailed below.

	Amendments	**Date of mandatory application**
IFRS 9, IAS 39, IFRS 7, IFRS 4 e IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021
IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	April 1, 2021

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - *Interest Rate Benchmark Reform – Phase 2*

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. With publication of the phase two amendments, the IASB has completed its work in response to IBOR reform.

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments are mandatory, with earlier application permitted. Hedging relationships must be reinstated if the hedging relationship was discontinued solely due to changes required by IBOR reform and it would not have been discontinued if the phase two amendments had been applied at that time. While application is retrospective, an entity is not required to restate prior periods.

These amendments had no impact on the consolidated financial statements of the Group.

IFRS 16 - *Covid-19-Related Rent Concessions beyond 30 June 2021*

In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the Covid-19 pandemic.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

Lessees will apply the amendment retrospectively, recognizing the cumulative effect of initially applying it as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which they first apply the amendment. In the reporting period in which a lessee first applies the 2021 amendment, the lessee will not be required to disclose the information required by paragraph 28(f) of IAS 8.

In accordance with paragraph 2 of IFRS 16, a lessee is required to apply the relief consistently to eligible contracts with similar characteristics and in similar circumstances, irrespective of whether the contract became eligible for the practical expedient before or after the amendment.

This amendment had no impact on the consolidated financial statements of the Group.

b) Foreign currency

Transactions in a foreign currency (currency different from the functional currency) are converted into the functional currency of the Company at the dates of the transactions (the main non-dollar currency used by the Company is the Chilean peso). Losses and profits resulting from the settlement of balances related to these transactions and from conversion, at the closing rate, of monetary assets and liabilities denominated in a foreign currency and existing at the reporting date, are recognized in the income statement within the "Exchange differences" heading.

The exchange rates of the Chilean peso (CLP) as of December 31st, 2021 and 2020 are as follows:

Date	Currency	Exchange Rate
December 31st, 2021	USD 1	CLP 844.69
December 31st, 2020	USD 1	CLP 710.95

c) Business combinations, goodwill and acquisition of non-controlling interests

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

d) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

e) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Company´s non-derivative financial instruments comprise mainly trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

(i) Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI, and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

For purposes of subsequent measurement, financial assets are generally classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

The Company has currently only instruments classified to the categories of financial assets at amortized cost and minor financial assets at fair value through profit or loss. All derivative instruments are designated hedging instruments in hedge relationships and are accounted in accordance with the policy applicable for hedge accounting described further in this Note.

<u>Financial assets at amortized cost (debt instruments)</u>

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (“EIR”) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company’s financial assets at amortized cost includes mainly trade and other receivables, including those due from related parties.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group’s consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company generally considers a financial asset in default when contractual payments are 12 months past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, trade payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings and trade payables

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

f) Property, plant and equipment

Land, construction in progress, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Property, plant and equipment	Years
Towers and Control Rooms	25
Wind turbines	20
Technical facilities	20
Decommissioning Cost	30

Land is not depreciated.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement or profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (Note 3) and provisions (Note 16) for further information about the recognized decommissioning provision.

g) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

h) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash generating unit’s (“CGU”) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. The models that the Group uses are based on the discounted cash flows methodology. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Each of the CGU’s recoverable amounts which are subject to impairment test periodically, are estimated through the fair value less costs of disposal according to IFRS 13 *Fair Value measurement* and compared with the recoverable amount of the respective CGU. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group’s CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period equal to estimated useful lives of the respective assets (power plants).

Impairment losses of continuing operations are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

i) Provisions

A provision is recognized, as a result of a past event, if ILAP Group has a present (legal or constructive) obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. When the effect of the time value of money is significant, the amount of the provision is the present value of expenses expected to be incurred to pay the obligation.

If the ILAP Group has an evidence that a provision can be reimbursed, e.g. those cases covered by an insurance policy, the reimbursement is recognized separately as an asset only when it is effectively probable that reimbursement will be received.

Every six months, the legal department of the Company meets its legal counsel and analyzes the potential liabilities or claims that may be received by the Company. If it is determined that the probability of an adverse outcome is more than 50%, a provision is recognized and measured based on the best available estimate.

j) Revenue and expense recognition

<u>Revenue</u>

Revenue is earned from the production and sale of energy (electricity) and capacity from the Group's generation plants. Revenue is recognized upon the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the Group is expected to be entitled in exchange for those goods or services. Revenue is recorded net of any taxes assessed on and collected from customers.

The Company provides the service of energy and capacity supply to unregulated (free) and regulated customers. The revenues are recognized based on the physical delivery of energy and capacity. The services are satisfied over time as the client receives simultaneously and consumes the benefits provided by the Company. Consequently, the Company recognizes the revenue for these service contracts grouped over time instead of at a point of time.

Revenue from sales to regulated customers (distribution companies) and free customers (usually industrial clients) are recorded on the basis of physical delivery of energy and capacity, in accordance with long-term power purchase agreements ("PPAs"). Revenues from energy and capacity sales on the spot market are recorded on the basis of physical delivery, to other generating companies, at the marginal cost of energy and capacity. The spot market by respective laws is organized through Dispatch Centers (CEN) where the surpluses and deficits of energy and capacity are settled. Energy and capacity surpluses are recorded as revenues and deficits are recorded as cost of sales within the consolidated statement of profit or loss.

Revenue from generation contracts is recognized using an output method, as energy and capacity delivered best depicts the transfer of goods or services to the customer. Capacity, which is a stand-ready obligation to deliver energy when required by the customer, is measured based on the availability of the generation plants.

k) Finance income and finance costs

Finance income comprises interest income on funds invested, and fair value gains on financial assets at fair value through profit or loss. Interest income is recognized in profit or loss at amortized cost using the effective interest method. Finance cost comprise interest expense on borrowings, impairment losses recognized on financial assets (other than trade receivables) and reclassifications of amounts previously recognized in other comprehensive income.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

l) Income taxes

<u>Current income tax</u>

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

Uncertain tax positions

In determining the amount of current and deferred taxes ILAP Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. ILAP Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessments of various factors, including interpretations of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period when such a determination is made.

m) Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is presented as current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

n) Fair value measurement

The Group measures financial instruments such as derivatives, at fair value at each balance sheet date. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions (Note 8.c)
- Quantitative disclosures of fair value measurement hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classesh of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

o) Leases

Under IFRS 16 *Leases*, the Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In the periods covered by these financial statements the Group has no contracts in which it acts as a lessor.

Acting as a lessee, the Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets,

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section i) Impairment of non-financial assets above.

The right-of-use assets are presented in the statement of financial position within Property, plant and equipment (see Note 7).

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately in the statement of financial position as Lease liabilities (see Note 10).

3. Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The most important estimates used are:

- Impairment of non-current assets, including goodwill: Management determines, at each accounting close, whether there are indicators of impairment, and if so, whether non-current assets are impaired. The goodwill impairment test is performed every year irrespectively if the impairment indicators are present. The impairment test requires an estimation of the value in use or fair value less costs of disposal of assets or cash generating units. Both methods require management to estimate the expected future cash flows from assets or CGUs and determine an appropriate discount rate to calculate the present value of these cash flows.

- Deferred tax assets: Deferred tax assets are recognized in respect of unused tax losses to the extent it is probable that taxable profit is available against which the Company can utilize the benefits therefrom. The Group develops projections of future taxable profits to assess such probability and also considers tax planning opportunities that the Company would take in order to create or increase taxable income in a particular period before the expiry of a tax loss or tax credit carryforward.

4. New and amended standards and interpretations

The standards and interpretations, and improvements and amendments to IFRS that have been issued, but have not yet come into effect as of the date of these financial statements, are detailed below. The Company has not applied these standards in advance:

	Standards and Interpretations	Date of Mandatory Application
IFRS 17	Insurance Contracts	January 1, 2023

IFRS 17 *Insurance Contracts*

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts*. IFRS 17 applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

In December 2021, the IASB amended IFRS 17 to add a transition option for a "classification overlay" to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17.

If an entity elects to apply the classification overlay, it can only do so for comparative periods to which it applies IFRS 17 (i.e., from transition date to the date of initial application of IFRS 17).

IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 *Financial Instruments* on or before the date it first applies IFRS 17.

	Amendments	Date of Mandatory Application
IFRS 3	Reference to the Conceptual Framework	January 1, 2022
IAS 16	IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract	January 1, 2022
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
IAS 8	Definition of Accounting Estimates	January 1, 2023
IAS 1	Disclosure of Accounting Policies	January 1, 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
IFRS 10 e IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

IFRS 3 *Reference to the Conceptual Framework*

In May 2020, the IASB issued *Amendments to IFRS 3 Business Combinations* - *Reference to t*he *Conceptual Framework*. The amendments are intended to replace a reference to a previous version of the IASB's *Conceptual Framework* (the 1989 *Framework*) with a reference to the current version issued in March 2018 (the *Conceptual Framework*) without significantly changing its requirements.

The amendments will be effective for annual periods beginning on or after 1 January 2022, and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the *Amendments to References to the Conceptual Framework in IFRS Standards* (March 2018).

The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the *Conceptual Framework* in use.

IAS 16 *Property, Plant and Equipment: Proceeds before Intended Use*

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendments will be effective for annual periods beginning on or after 1 January 2022 and must be applied retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

IAS 37 - *Onerous Contracts – Costs of Fulfilling a Contract*

In May 2020, the IASB issued amendments to IAS 37 *Provisions*, *Contingent Liabilities and Contingent Assets* to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments will be effective for annual periods beginning on or after 1 January 2022 and must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

The amendments are intended to provide clarity and help ensure consistent application of the standard. Entities that previously applied the incremental cost approach will see provisions increase to reflect the inclusion of costs related directly to contract activities, whilst entities that previously recognized contract loss provisions using the guidance from the former standard, IAS 11 *Construction Contracts*, will be required to exclude the allocation of indirect overheads from their provisions.

IAS 1 - *Classification of Liabilities as Current or Non-current*

In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 *Presentation of Financial Statements* to specify the requirements for classifying liabilities as current or non-current.
The amendments will be effective for annual periods beginning on or after 1 January 2023. Entities need to carefully consider whether there are any aspects of the amendments that suggest that terms of their existing loan agreements should be renegotiated. In this context, it is important to highlight that the amendments must be applied retrospectively.

IAS 8 - *Definition of Accounting Estimates*

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors.

The amendments will be effective for annual periods beginning on or after 1 January 2023.

IAS 1 *Presentation of Financial Statements - Disclosure of Accounting Policies*

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies And
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them.

The amendments will be effective for annual periods beginning on or after 1 January 2023, Earlier application of the amendments to IAS 1 is permitted as long as this fact is disclosed.

IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g., if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the Board expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss.

The amendments will be effective for annual periods beginning on or after 1 January 2023

IFRS 10 – IAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

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The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application is permitted and must be disclosed.

5. Regulation and Operation of the Power System

The electric sector in Chile is regulated by the General Electricity Services Act contained in DFL No. 1 of 1982 of the Ministry of Mining, whose consolidated and coordinated text was set by DFL No. 4 of 2006 of the Ministry of Economy ("Electricity Act") and its corresponding Regulations, contained in DS No. 327 of 1998. Three government entities have the responsibility for the implementation and enforcement of the Electricity Act: the National Energy Commission (“CNE”, for its acronym in Spanish for Comisión Nacional de Energía), which has the authority to propose regulated tariffs (node prices) and to develop indicative plans for the construction of new generating units; the Superintendence of Electricity and Fuels (“SEC”, for its acronym in Spanish for Superintendencia de Electricidad y Combustibles), which supervises and monitors compliance with laws, regulations and technical standards for the generation, transmission and distribution of electricity, liquid fuels and gas; and finally, the Ministry of Energy, created in 2009, which is responsible for proposing and conducting public policies on energy matters and brings under his authority the SEC, the CNE and the Chilean Nuclear Energy Commission (CChEN, for its acronym in Spanish for Comisión Chilena de Energía Nuclear) strengthening coordination and facilitating a comprehensive view of the sector. The Act also features an Agency for Energy Efficiency and the Renewable Energy Center. The act also establishes an Expert Panel whose main function is to solve discrepancies that occur between actors in the electric market: electricity companies, system operator, regulator, etc.

From a physical standpoint, the Chilean electric sector is divided into three electric systems: the SEN (“SEN” for its acronym in Spanish for Sistema Eléctrico Nacional), and two isolated small systems: Aysén and Magallanes. The SEN, main electrical system, extends longitudinally for 3,100 km and as of December 2021 has a net installed capacity of 27,983 MW.

The organization of Chilean electric industry mainly distinguishes three activities, which are: generation, transmission and distribution, which operate in an interconnected and coordinated manner, and whose main objective is to provide electrical energy to the market at minimum cost and preserving standards of quality and safety of service required by electrical regulations. Due to its characteristics, transmission and distribution activities are natural monopolies, reason why these are segments regulated as such by electrical regulation, requiring open access to networks and definition of regulated tariffs.

According to the Electricity Act, companies involved in generation and transmission in an interconnected power system must centrally coordinate their operations through an operating entity, the National Electric Coordinator (CEN for its acronym in Spanish for Coordinador Eléctrico Nacional) in order to operate the system at minimum cost while preserving service security. For this, the CEN plans and performs the operation of the system, including the calculation of hourly marginal cost, price at which energy transfers made between generators in the CEN are valued (spot market).

Therefore, each company's generation decision is subject to CEN's operating schedule. Each company, in turn, can freely decide its contracting. Any surplus or deficit between its sales to customers and its production is sold or bought from other generators at spot market price.

A generating company can agree supply contracts with final customers and sales contracts with generators. Customers are distinguished into two categories:

a) **Regulated clients**

Correspond to those small and medium industries, residential and commercial consumers whose connected capacity is less than or equal to 500 kW, and which are located in the concession area of a distribution company. In this case the distribution company acts as buyer to the generating company. Customers with consumptions between 500 kW and 5,000 kW may opt between the regulated or unregulated pricing mechanism. Until 2009, the price of energy transfer between generators and distribution companies to supply regulated customers had a maximum value called the node price, which is regulated by the Ministry of Energy. Node prices are determined every six months (April and October), according to a report issued by the CNE, based on projections of marginal costs of the system expected for the following 48 months. From 2010, and as the validity term of agreements at node price is expiring, this transfer price between generation and distribution companies is replaced by the result of tenders conducted in a regulated process, with a maximum price set by the authority every six months.

b) **Non-regulated clients**

Corresponds to that portion of the demand that has a connected capacity of more than 2,000 kW, mainly industrial and mining clients. These consumers may freely negotiate their prices of power supply with generators and/or distributors. Customers with capacity between 500 and 5,000 kW, as noted in the previous section, have the option to contract energy at prices that can be agreed with their suppliers or remain subject to regulated prices, for a minimum period of four years in each regime.

c) **Short-term market or Spot market**

Corresponds to energy and power transactions between generating companies, resulting from the coordination made by the CEN in order to achieve the economic operation of the system, and the excess (deficit) of its production regarding its commercial commitments is transferred through sales (purchases) to other generators coordinated by the CEN. In the case of energy, transfers are valued at marginal cost and in the case of power (capacity or "power"), at the corresponding node price, according to the price set semi-annually by the authority. The capacity payable to each generator depends on a calculation made centrally by the CEN annually, thus obtaining the firm capacity of each plant, a value that depends on the generation in the 52 hours of maximum demand during the year.

Since 2010, with the enactment of Law 20,018, which changed the regulatory framework for the electricity sector, distribution companies must ensure an uninterrupted supply for its total demand projected to three years, for which long-term public tender processes shall be conducted.

In renewable energy matters, Law 20,257 was enacted in April 2008, introducing amendments to the Electricity Law with respect to the generation of electricity from Non-Conventional Renewable Energy sources (ERNC, for its acronym in Spanish). The main aspect of this Act is that it forces generators to ensure that -at least- 5% of its energy sold to customers comes from these renewable sources, between 2010 and 2014, progressively increasing in 0.5% from year 2015 until 2024, when a 10% will be achieved. The CEN, with information on actual operation and contracts reported by generating companies, conducts annual balances to verify compliance with this Act.

In October 2013, Development Incentive Act of ERNC was amended, increasing the level of requirement to generators with contracts executed after July 1st, 2013, so that the percentage to be supplied with this kind of technologies progressively reaches a 20% by 2025. This requirement is not imposed on agreements executed prior to that date, to which shall apply the mandates established in Law 20,257 of 2008. Additionally, if the regulator foresees that the encouraged development due to market signals is an insufficient incentive to comply with percentages intended by this act, an obligation for the Ministry of Energy was introduced, to conduct Public Tenders in order to award 12-year power purchase agreements to ERNC projects.

6. Cash and cash equivalents

As of 31 December 2021 and 2020, the composition of cash and cash equivalents is as follows:

ThUS$	December	
	2021	2020
Bank balances	18,140	7,363
TOTAL	18,140	7,363

Bank balances consists of current accounts. There are no restrictions to these balances.

The breakdown by currency of cash and cash equivalents is detailed as follows:

ThUS$	December		
	USD	CLP	Total
31 December 2021	14,984	3,156	18,140
31 December 2020	3,383	3,980	7,363

7. Property, plant and equipment

a) **Movements**

The movements during 2021 and 2020 are as follows:

2021	ThUS$			
	Beginning balance	Additions	Adjustments /Transfers	Ending balance
Cost				
Land	10,705	-	-	10,705
Right-of-use assets (*)	12,684	-	-	12,684
Infrastructure	42,744	-	-	42,744
Machinery and Equipment	364,798	-	-	364,798
Civil Works	45,860	-	14	45,874
Other Equipment	2,013	178	(2)	2,189
Furniture and Fittings	168	-	13	181
Decommissioning costs	48,994	-	-	48,994
Work in progress	701	210	(125)	786
Total Cost	528,667	388	(100)	528,955
Accumulated Depreciation				
Infrastructure	(12,118)	(1,829)	-	(13,947)
Right-of-use assets (*)	(1,176)	(587)	-	(1,763)
Machinery and Equipment	(104,405)	(14,957)	-	(119,362)
Civil Works	(8,647)	(2,012)	-	(10,659)
Other Equipment	(884)	(116)	-	(1,000)
Furniture and Fittings	(160)	(5)	-	(165)
Decommissioning costs	(6,013)	(2,004)	-	(8,017)
Total Accumulated Depreciation	(133,403)	(21,510)	-	(154,913)
Net Carrying Amount	395,264	(21,122)	(100)	374,042

(*) Includes right-of-use of a land recognized under IFRS 16.

2020	ThUS$			
	Beginning balance	Additions	Adjustments /Transfers	Ending balance
Cost				
Land	10,705	-	-	10,705
Right-of-use assets (*)	12,684	-	-	12,684
Infrastructure	42,744	-	-	42,744
Machinery and Equipment	364,773	25	-	364,798
Civil Works	45,860	-	-	45,860
Other Equipment	1,998	15	-	2,013
Furniture and Fittings	168	-	-	168
Decommissioning costs	48,994	-	-	48,994
Work in progress	859	34	(192)	701
Total Cost	528,785	74	(192)	528,667
Accumulated Depreciation				
Infrastructure	(10,289)	(1,829)	-	(12,118)
Right-of-use assets (*)	(588)	(588)	-	(1,176)
Machinery and Equipment	(89,615)	(14,790)	-	(104,405)
Civil Works	(6,635)	(2,012)	-	(8,647)
Other Equipment	(737)	(147)	-	(884)
Furniture and Fittings	(155)	(5)	-	(160)
Decommissioning costs	(4,009)	(2,004)	-	(6,013)
Total Accumulated Depreciation	(112,028)	(21,375)	-	(133,403)
Net Carrying Amount	416,757	(21,301)	(192)	395,264

b) **Other Matters**

In management's opinion, insurance policies taken are in accordance with the standards used by other companies in the industry and adequately cover potential losses for catastrophic events that may affect the assets owned by the Group.

As of 31 December 2021 and 2020, assets pertaining to Parque Eólico Totoral owned by Norvind S.A. and Parque Eólico San Juan owned by San Juan S.A. are pledged in order to secure the loan received by ILAP (see Note 14).

Borrowing costs: During 2021 and 2020 the Group did not capitalize any borrowing costs. Borrowing costs incurred and capitalized in prior years are included in the initial cost of machinery and equipment. Each entity in charge of constructing the power plant took its own debt, so all the borrowing costs were specific and, as a consequence, 100% of such borrowing costs were capitalized during respective construction periods.

8. Intangible assets

The composition and movements in intangible assets other than goodwill during 2021 and 2020 are as follows:

2021	Th$USD			
	Balances as of 01-01-2021	Additions	Adjustments/ Transfers	Balances as of 31-12-2021
Cost				
Project development costs	82	-	-	82
Easements	449	-	-	449
Total Cost	531	-	-	531
Accumulated Amortization				
Project development costs	(40)	(8)	-	(48)
Total Accumulated Amortization	(40)	(8)	-	(48)
Net Carrying Amount	491	(8)	-	483

2020	Th$USD			
	Balances as of 01-01-2020	Additions	Adjustments/ Transfers	Balances as of 31-12-2020
Cost				
Project development costs	82	-	-	82
Easements	449	-	-	449
Total Cost	531	-	-	531
Accumulated Amortization				
Project development costs	(32)	(8)	-	(40)
Total Accumulated Amortization	(32)	(8)	-	(40)
Net Carrying Amount	499	(8)	-	491

9. Inventory

This balance comprises the following:

Inventory	2021	2020
Spare Parts	113	63
Total	113	63

10. Leases

The Group has a lease contracts for the use of a land on which San Juan's wind farm is located for a period of twenty years.

The carrying amounts of right-of-use assets recognized and the movements during the year 2021 are presented in the Note 7.

Set out below are the carrying amounts of lease liabilities from leases classified before adoption of IFRS 16 as operating leases and the movements during the period:

Lease Liabilities	2021	2020
At 1 January	12,014	12,357
Accretion of interest	643	662
Amortization	(1,005)	(1,005)
Total	11,652	12,014
Current	381	362
Non Current	11,271	11,652

The following are the amounts recognized in profit or loss in relation to those lease contracts:

Lease	2021	2020
Depreciation expense of right-of-use assets	(587)	(588)
Interest expense on lease liabilities	(643)	(662)
Variable lease payments	(1,215)	(1,548)
Total amount recognized in profit or loss	(2,445)	(2,798)

The San Juan lease contract contains variable payments based on the plant's generation. Management's objective is to align the lease expense with actual production and revenue earned.

11. Financial instruments and risk management

ILAP Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The activities of ILAP Group expose it to a series of financial risks: market risks (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses mainly on the unpredictability of financial markets and seeks to minimize the potential adverse effects on its financial performance.

a) Risk management framework

Senior Management is responsible for establishing the risk management policies of the Group, which aim to identify, analyze and mitigate the main risks faced by the business.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. ILAP Group, through its standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

b) **Credit risk**

Credit risk is the risk of financial loss to the ILAP Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally on accounts receivable, investments in mutual funds and bank balances, including time deposits of the Group.

The ILAP Group's policies for managing credit risk of its customers include the assessment of financial information and the measurement of parameters such as liquidity and solvency. Trade receivables consist of balances due from creditworthy customers, including mainly large industrial clients, electricity distribution companies and other generation companies.

The ILAP Group invests in highly liquid instruments (time deposits at bank and money market mutual funds) held at premium financial institutions.

The carrying amounts of financial assets recorded in the financial statements represent the maximum exposure to credit risk of those instruments, as follows:

Types of assets	ThUS$	
	2021	2020
Cash and cash equivalents	18,140	7,363
Trade and other current receivables	7,176	10,565
Accounts receivablefrom related parties	1,457	3,836
Total Current Assets	26,773	21,764
Trade and other receivables, non-current	16,083	11,742
Total Non-Currents Assets	16,083	11,742
Total	42,856	33,506

ILAP Group held cash and cash equivalents of ThUS$ 18,140 as of 31 December 2021, which represents its maximum credit exposure on these assets. Cash and cash equivalents are held with banks and financial institutions with a proven reputation.

Due to the nature of the business, trade and other receivables represent a very low risk for the Group as all participants in the electricity markets in Chile are obliged to and pay their obligations in the following month after the energy is consumed. The counterparties to the Company's PPAs as well as other relevant electricity market participants generally possess good credit ratings.

Impairment

The Group has not recognized relevant impairment (ECL) on trade receivables, since there is no evidence of significant impairment of those assets.

The age of trade receivables and other receivables that were not impaired is as follows:

	ThUS$				
2021	Current	Due 31-90 days	Due 91-120 days	Non-current (*)	Total 31-12-2021
Trade and other receivables	6,268	356	552	16,083	23,259

	ThUS$				
2020	Current	Due 31-90 days	Due 91-120 days	Non-current (*)	Total 31-12-2020
Trade and other receivables	7,692	1,874	999	11,742	22,307

(*) Refer to Note 12. for further details on this balance.

c) **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management supervises cash flow projections based on the Group's liquidity requirements to ensure there is enough cash, and also that unused credit lines are available, to cover its operational needs, without incurring unacceptable losses or risking damage to the Group's reputation. Such projections take into consideration debt amortization schedules and the compliance with the debt covenants.

As of 31 December 2021 and 2020, current financial liabilities held by ILAP Group have short-term maturities. The balances of current financial liabilities are detailed as follows:

In thousands of United States dollars (ThUS$)	2021	2020
Trade and other payables	18,793	10,288
Other current financial liabilities	18,243	16,404
Total	37,036	26,692

The balance of Other current financial liabilities consists mainly of current portion of loans payable. Refer to the Note 14 for further details.

The following are the remaining contractual maturities of loans and borrowings at the end of the reporting period, including estimated interest and excluding the impact of the arrangements for compensation payments:

	Contractual Cash Flows			
Non derivative financial liabilities	1-3 month ThUS$	3-12 month ThUS$	+1 years ThUS$	31-12-2021
Interest	11,541	10,726	175,751	198,018
Capital of financial liabilities	3,641	5,040	406,871	415,552
Total	15,182	15,766	582,622	613,570

	Contractual Cash Flows			
Non derivative financial liabilities	1-3 month ThUS$	3-12 month ThUS$	+1 years ThUS$	31-12-2020
Interest	10,726	10,894	155,602	177,222
Capital of financial liabilities	5,816	7,457	393,703	406,976
Total	16,542	18,351	549,305	584,198

d) **Market risk**

Senior Management is responsible for establishing the risk management policies of the Group, which aim to identify, analyze and mitigate the main risks faced by the business.

Below there is overview of the business´ main market risks and description of how they are managed.

e) **Currency risk**

The Company is exposed to currency risk as some of its transactions and the related balances of monetary assets and liabilities are denominated in a currency different from the U.S. dollar, which is the Company's functional currency. Those transactions are mainly denominated in Chilean pesos.

Management considers that currency risk is not significant due to the short collection and payment periods of the transactions involved.

In 2021, the Company recorded a net loss due to exchange differences of ThUS$ 806 and in 2020, the Company recorded net gain of ThUS$ 82. These results are presented under the heading "Exchange Differences" in the statement of comprehensive income.

The Group intends to naturally offset the currency risk exposure trying to maintain similar levels of assets and liabilities in the same currencies and similar maturity profiles. The Group does not currently use derivative instruments to hedge currency risk.

f) **Interest rate risk**

ILAP is not exposed to interest rate risk because its debt is at a fixed rate of 5.125% and deposits in banks, when used, have a very short maturity period.

g) **Power prices**

During 2021, no new PPAs were signed with end customers, because the contracting levels reached in 2020 comply with LAP's commercial policy. However, in view of the unforeseen rise in spot energy prices, it was decided to improve the current contractual conditions and direct efforts in the search for new hedging PPAs with other generators that would support the energy withdrawals in the periods of low energy production of ILAP's SPVs. As a result, the contracting of 10 GWh/year was achieved by 2022 and 30 GWh/year by 2023. Going forward, trade policy would remain in line, avoiding making additional supply commitments to customers in the medium term, and as long as the trend of extremely dry years continues.

h) **Capital management**

The LAP Group’s Board of Directors’ policy is to maintain a sound capital base to preserve confidence from investors, creditors and the market, as well as supporting the business´ future development. The Company´s capital base is composed by equity contributions by shareholders and external debt financing obtained from respected international financial institutions.

In terms of managing its capital structure, ILAP also works towards maximizing returns for its shareholders, by trying to continuously improve the terms of its funding (e.g. improving cost and tenor of its existing financings). As an example, the Group refinanced the debt of Norvind and San Juan projects in 2017 and 2021.

In line with the industry practice, the ILAP Group uses ratio analyses to monitors its capital strength. One of this metrics is the leverage ratio, which is calculated by dividing net debt by total equity. Net debt corresponds to total indebtedness (including current and non-current debt) less cash and cash equivalents.

The ILAP Group does not have an established policy of maximum leverage. In practice, the maximum debt to total assets provided by external lenders for power generation assets is approximately 80%.

The adjusted debt-equity ratio of the Group at the end of the period is as follows:

ThUS$		
Debt-Equity	2021	2020
Total liabilities	493,148	475,304
Less: cash and cash equivalents	(18,140)	(7,363)
Less: time deposits	-	-
Net debt	475,008	467,941
Total Equity	(33,875)	(9,882)
Debt-equity ratio	(14.02)	(47.35)

i) Classification of financial instruments by nature and type

Assets

As of 31 December 2021 and 2020, the detail of financial assets (other than cash and cash equivalents), classified by nature and type, is as follows:

2021 Types of Assets ThUS$	Debt instruments at amortized cost	Derivatives	Total
Trade and other current receivables	7,176	-	7,176
Accounts receivable from related parties	1,457	-	1,457
Total current	8,633	-	8,633
Trade and other receivables, non-current	16,083	-	16,083
Total non-current	16,083	-	16,083
Total	24,716	-	24,716

2020 Types of Assets ThUS$	Debt instruments at amortized cost	Derivatives	Total
Trade and other current receivables	10,565	-	10,565
Accounts receivable from related parties	3,836	-	3,836
Total current	14,401	-	14,401
Trade and other receivables, non-current	11,742	-	11,742
Total non-current	11,742	-	11,742
Total	26,143	-	26,143

Liabilities

As of 31 December 2021 and 2020, the detail of financial liabilities, classified by nature and type is as follows:

Types of Liabilities ThUS$ 2021	Loans and payables	Derivatives	Total
Other current financial liabilities	18,243	-	18,243
Trade and other payables	18,793	-	18,793
Accounts payable to related parties	6,531	-	6,531
Lease liabilities	381	-	381
Total current	43,948	-	43,948
Other non-current financial liabilities	383,680	-	383,680
Lease liabilities	11,271	-	11,271
Total non-current	394,951	-	394,951
Total	438,899	-	438,899

Types of Liabilities ThUS$ 2020	Loans and payables	Derivatives	Total
Other current financial liabilities	16,404	-	16,404
Trade and other payables	10,288	-	10,288
Accounts payable to related parties	4,902	-	4,902
Lease liabilities	362	-	362
Total current	31,956	-	31,956
Other non-current financial liabilities	378,811	-	378,811
Lease liabilities	11,652	-	11,652
Total non-current	390,463	-	390,463
Total	422,419	-	422,419

j) **Fair value**

Fair value hierarchy:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Group has estimated that the carrying amounts of financial assets and financial liabilities (other than bonds) are a reasonable approximation of their fair values mostly due to the short-term maturities of those instruments. The carrying amount and fair value of the bonds classified as other financial liabilities at the end of each year is as follows:

December 2021	Carrying amount ThUS$	Fair value ThUS$	Fair value		
			Level 1 ThUS$	Level 2 ThUS$	Level 3 ThUS$
Other current and non-current financial Liabilities	401,923	384,804	-	384,804	-
Total	401,923	384,804	-	384,804	-

December 2020	Carrying amount ThUS$	Fair value ThUS$	Fair value		
			Level 1 ThUS$	Level 2 ThUS$	Level 3 ThUS$
Other current and non-current financial Liabilities	395,215	440,286	-	440,286	-
Total	395,215	440,286	-	440,286	-

12. Trade and other receivables

As of 31 December 2021 and 2020, the trade receivables and other receivables are composed as follows:

ThUS$	2021		2020	
	Current	Non-Current	Current	Non-Current
Trade receivables	6,106	16,083	9,219	11,742
VAT	452	-	152	-
Other receivables	618	-	1,194	-
Total	7,176	16,083	10,565	11,742

The Company recognized a balance of non-current trade receivables amounting to ThUS$ 16,083 as of 31 December 2021 and ThUS$ 11,742 as of 31 December 2020, following certain regulatory changes in Chile.

San Juan and Norvind are affected by the Law 21.185 issued on 2 November 2019 that created a transitional mechanism for stabilization of electricity prices for customers subject to regulation of rates. This law effectively "freezes" electricity prices that distribution companies ("DISCOs") bill to such customers starting from July 2019, with the referential (lower) prices at the level of rates as of June 2019. Those prices are referred to as stabilized consumer prices ("PEC" form its acronym in Spanish).

From 2021, the PEC will be adjusted by Chilean IPC ("adjusted PEC"). This adjustment will be applied until December 31, 2027, the maximum date at which the differences between the prices established in the original energy sale contracts between the generation companies (like San Juan and Norvind) and DISCOs and the PEC and adjusted PEC rates will be passed to the final customers.

During the stabilization period, that is, from July 1, 2019 to December 31, 2027, the CNE (National Commission of Energy), a Chilean regulator, will continue issuing decrees every 6 months that will include the PEC / adjusted PEC applicable to the next billing period, as well as the price that reflects the original conditions (price) of the contracts (sometimes referred to as the "node prices"), expressing the differences not collected by each contract, in the equivalent US$.

As a general rule, the differences to be collected that are generated from the application of the law will be interest-free. Exceptionally, the amounts not collected as of January 1, 2026 shall bear interest equal to six-month Libor, or the equivalent rate that replaces it, plus a spread corresponding to country risk at the date of application.

If the average node prices result in prices higher than the PEC or adjusted PEC, as appropriate, the prices will be adjusted downwards. Otherwise, prices will be increased, in order to recover previously unbilled amounts.

From July 2023 or until an amount of up to 1,350 million US dollars is accumulated in the entire PEC mechanism, the uncollected amounts cannot be increased, therefore, the CNE must adjust the PEC.

If during the period between 2025 and 2027, the CNE projects that the uncollected amounts cannot be fully recovered, it will determine the necessary adjustments to the PEC to fully extinguish the amounts before December 31, 2027.

The application of the law, caused a greater lag between billing and collection of revenues for the whole generation industry in Chile with the corresponding financial and accounting impact that the situation entails.

ILAP estimated and recognized, as of 31 December 2021, the unbilled revenue for the PEC concept amounting to ThUS$ 16,083 (ThUS$ 11,742 in 2020), determining that the financing component is immaterial. As per the PEC mechanism described above, the balance is expected to be collected in the period that exceed one year and in consequence is classified as non-current asset.

13. Trade and Other Payables

The breakdown of the balance is as follows:

ThUS$	December 31	
	2021	2020
Invoices payable	14,893	10,054
VAT	902	234
Other payables	2,998	-
Total	18,793	10,288

14. Other Financial Liabilities

On 9 June 2021 Inversiones Latin America Power Ltda. placed a MUSD 403,900 144A / Reg S senior secured partially amortizing green bond with a 12-year final maturity in the US corporate debt market. The proceeds of this transaction were used to prepay the Company's previous bond (under the Note Purchase Agreement (NPA) with private investors led by The Bank of New York Mellon entered into in September 2017) and strengthen its debt structure for the coming years, taking advantage of the market conditions which assigned the instrument a 5.125% annual interest rate.

The detail as of 31 December 2021 of this balance is as follows:

Issuer	Creditor	Nominal Interest Rate	Total	Current	Non-Current
ILAP	Various	5.125%	415,112	19,512	395,600
	Deferred Financing Expenses		(13,189)	(1,269)	(11,920)
			401,923	18,243	383,680

The summarized maturity dates of this instrument (based on its carrying amount) are as follows:

Period	2021 ThUS$
Within 1 year	18,243
Between 1 and 5 years	75,709
More than 5 years	307,971
Total	401,923

The detail as of 31 December 2020 of this balance is as follows:

Issuer	Creditor	Nominal Interest Rate	Total	Current	Non-Current
ILAP	The Bank of New York Mellon (agent)	5.35%	400,243	18,192	382,051
	Deferred Financing Expenses		(5,028)	(1,788)	(3,240)
			395,215	16,404	378,811

The summarized maturity dates of this instrument (based on its carrying amount) are as follows:

Period	2020 ThUS$
Within 1 year	16,404
Between 1 and 5 years	74,654
More than 5 years	304,157
Total	395,215

Reconciliation of changes in financial liabilities to the cash flow statement:

Type of Liabilities	01-12-2021	Cash Flows			Accrued interest and similar charges	31-12-2021
		Receipts (repayment)	Interest Paid	Refinancing fees paid		
2017 NPA Bond	400,243	(394,961)	(14,904)	(3,372)	12,994	-
Deferred Financing Expenses	(5,028)	-	-	-	5,028	-
144A/Reg S Bond	-	403,900	-	-	11,213	415,113
Deferred Financing Expenses	-	-	-	(12,640)	(550)	(13,190)
Total, net	395,215	8,939	(14,904)	(16,012)	28,685	401,923

Type of Liabilities	01-12-2020	Cash Flows			Accrued interest	31-12-2020
		Repayment	Interest Paid	Other Paid		
Bond	410,750	(10,367)	(21,572)	-	21,432	400,243
Deferred Financing Expenses	(6,834)	-	-	-	1,806	(5,028)
Total, net	403,916	(10,367)	(21,572)	-	23,238	395,215

Debt covenants are described below. The Company has complied with all the obligations under debt agreements as of 31 December 2021.

In June 2021, ILAP issued 144A/ Reg S Senior Secured Notes in the Capital Markets for ThUS$ 403,900. The main restrictions of the contract are:

a) Maintenance of Office or Agency.
b) Compliance with stablished reports.
c) Each of the issuer and the guarantors shall duly pay and discharge before they become overdue all taxes, assessments and other governmental charges or levies imposed by a Governmental Authority upon it or its property.
d) Compliance with laws.

e) The issuer or any guarantor will be entitled to remit funds from the distribution holding account to the distribution account only if: (i)No default shall occurred an be continuing or would occur from the making of such distribution (ii)The debt service coverage ratio for the twelve-month period ending with the month most recently ended is as least 1.20 and the projected debt service coverage ratios for the twelve-month period following the date of determination is at least 1.20 (iii) Each of the debt service reserve account and the O&M reserve account shall have been fully funded (iv) No loans under the LC facility agreement shall be outstanding (v)Such payment shall be made no more than 45 days after the most recent payment of principal under the note has been made (vi)The issuer shall deliver to the Trustee a certificate of a responsible officer certifying that such distribution complies, or will comply, with the Indenture.

f) The issuer shall not create, incur, assume or suffer to exist any indebtedness or issue disqualified stock and the guarantors shall not incur any indebtedness or issue disqualified stock, other than the permitted indebtedness.

g) Restrictions over transactions with affiliates

h) Neither the issuer nor any guarantor will directly or indirectly, create, incur, assume or suffer to exist any lien of any kind on any property now owned or hereafter acquired, except for permitted liens.

i) Maintenance of existence, business activities

j) The Issuer will permit representatives of the Holders, the Trustee, and any Collateral Agent under guidance of officers of the issuer, to visit and inspect any of the properties of the issuer or the guarantors and to examine the issuer's or such guarantor's corporate, financial, operating and other records.

k) Each obligor will maintain proper books of record and account in conformity with IFRS and all applicable requirements of any Governmental Authority.

l) The issuer and each guarantor shall maintain insurance coverage for each project in relation to its operations and property in such amounts and against such risks as is customarily maintained by companies operating in Chile.

m) The issuer and each guarantor shall maintain and preserve the projects in good working order and in such condition that the projects will have the capacity to perform.

n) The issuer and each guarantor shall perform in all material respects the covenants and agreements contained in any of the material project documents to which it is or becomes a party, and shall take all necessary action to prevent the termination of any of such material project documents.

o) Neither the issuer nor any guarantor shall amend, supplement, modify in any material respect or give any consent to or waiver of any material matter under any material project document.

p) Neither the issuer nor any guarantor shall enter into any agreement or undertaking other than the transaction documents or as otherwise permitted pursuant to the terms of the indenture.

q) The issuer shall use the net proceeds from the offering of the notes in the manner set forth in the Offering Memorandum.

r) Each of the issuer and the guarantors shall maintain adequate management information and maintain a system of accounting in accordance with IFRS.

s) Maintain rankings from at least two Rating Agencies.

The Company has complied with all the obligations as of 31 December 2021.

15. Related parties

a) Balances and transactions with related entities

Transactions with related parties are performed at market conditions.

At the reporting date, there are no warranties associated with related party balances or allowances for doubtful accounts.

Balances of accounts receivable are as follows:

Accounts receivable from related companies - ThUS$	Relationship	Current	
		2021	2020
Latin America Power S.A.	Immediate parent	-	2
Empresa Eléctrica Carén S.A.	Under common control	1,457	3,834
Total Receivable		1,457	3,836

Balances of accounts payable are as follows:

Accounts payable to related companies - ThUS$	Relationship	Current	
		2021	2020
Latin America Power S.A.	Immediate parent	3,377	1,748
LAP Holding B.V.	Ultimate parent	3,154	3,154
Total payable		6,531	4,902

b) Management and senior management

1. Management

Latin América Power S.A. is the Manager of the ILAP Group, who shall perform its duties through one of its representatives appointed by means of a private instrument or a public deed, with those powers expressly granted.

2. Remuneration and other compensations

The Manager does not receive any remuneration for its duties.

3. Expenses for Advisory to the Board of Directors

During the year ended on 31 December 2021, the Manager did not incur in advisory expenses.

4. Remuneration of Senior Management members who are not Directors

There is no senior management personnel since those duties are carried out by employees of the LAP Group to which the Company belongs.

5. Guarantees given by the Company in favor of its Manager

During the years ended on 31 December 2021 and 2020, the Company has not conducted this type of operations.

6. Guarantee clauses: Manager and Management of the Company

The Company has not agreed any guarantee clauses with its Manager.

16. Provisions

Changes in the balance of the decommissioning provision during the years ended 31 December 2021 and 2020, were as follows:

2021 In thousands of US dollars (ThUS$)	Decommissioning
At 1 January 2021	52,885
Unwinding of discount	1,364
Other changes	-
At 31 December 2021	54,249

2020 In thousands of US dollars (ThUS$)	Decommissioning
At 1 January 2020	51,615
Unwinding of discount	1,330
Other changes	(60)
At 31 December 2020	52,885

17. Income taxes regime background

The current income tax is accounted for based on the taxable income determined for tax purposes. The recognition of deferred tax in respect of temporary differences and other events that generate differences between the taxable base of assets and liabilities and its accounting base is performed in conformity with IAS 12.

As of 31 December 2021 and 2020, the Company has not recorded any taxable profits for its operations, as it has accumulated tax losses.

The corporate income tax rate applicable to the Company and its subsidiaries in 2021 and 2020 is 27%.

18. Income tax assets and liabilities

a) Deferred taxes

The movement of deferred taxes is presented below:

2021 ThUS$	Beginning balance	Recognized in profit or loss	Ending balance
Tax losses	32,776	6,007	38,783
Property, plant and equipment and intangibles	4,250	(1,359)	2,891
Other	(928)	1,033	105
Net deferred tax assets (liabilities)	36,098	5,681	41,779

2020 ThUS$	Beginning balance	Recognized in profit or loss	Ending balance
Tax losses	33,356	(580)	32,776
Property, plant and equipment and intangibles	3,779	471	4,250
Other	(2,219)	1,291	(928)
Net deferred tax assets (liabilities)	34,916	1,182	36,098

Those balances are reflected in the statement of financial position as follows:

ThUS$	31-12-2021	31-12-2020
Assets	41,779	36,098
Liabilities	-	-
Net deferred tax assets (liabilities)	41,779	36,098

The recovery of those deferred tax asset balances depends on obtaining sufficient tax earnings in the future. The ILAP Group believes its future taxable profits projections provide convincing evidence to assert that those assets are recoverable. The Company also considers tax planning opportunities that the Company would take in order to create or increase taxable income in a particular period before the expiry of a tax loss or tax credit carryforward. It is worth mentioning that in the case of Chile tax losses do not expire according to the local law.

In 2021 and 2020, the Company decided to derecognize a portion of the deferred tax assets related to tax losses of ILAP that were not considered recoverable.

b) Amounts recognized in profit or loss:

	ThUS$	
Current tax expense	2021	2020
Current tax year	-	-
Deferred tax benefit (expense)		
Origination and reversal of temporary differences	5,681	1,182
Tax (expense) / benefit from continuing operations	5,681	1,182

c) Effective tax rate reconciliation

The table below shows a reconciliation of the effective tax rate for the years ended 31 December 2021 and 2020:

ThUS$	2021		2020	
	Amount	Rate	Amount	Rate
Loss before taxes	(29,674)		(10,771)	
Income tax benefit at statutory rate (27%)	8,012	27.00%	2,908	27.00%
Adjustment to deferred tax assets as a result of SII resolution (Norvind)	(813)	(2.74%)	(1,726)	(16.02%)
Deferred tax asset not recognized	(1,520)	(5.12%)	-	-
Income tax (expense) benefit at effective rate	5,679	19.14%	1,182	10.98%

19. Paid-in capital

Inversiones Latin América Power Limitada is controlled by Latin América Power S.A. according to the following shareholding composition:

Company	Capital Paid USD $
LAP Chile S.A.	89,800,779
LAP Holding B.V.	8
Total	89,800,787

20. Revenue

The composition of revenue for the years 2021 and 2020 is as follows:

ThUS$	2021	2020
Energy sales	58,155	59,784
Capacity sales	9,582	12,765
Other revenue	490	338
Total	68,227	72,887

The following tables show revenues from customers with a participation higher than 10% in the total Group's sales during years 2021 and 2020:

Revenue from external customers (ThUS$)	2021	%
Compañía General de Electricidad S.A.	15,264	22%
Total 2021	15,264	

Revenue from external customers (ThUS$)	2020	%
Enel Distribución Chile S.A.	17,904	24%
Total 2020	17,904	

21. Cost of Sales

The composition of cost of sales for the years 2021 and 2020 is as follows:

ThUS$	December 31	
	2021	2020
Operating, management and servicing costs	28,726	20,317
Maintenance	5,019	5,364
Municipal tax	13	33
Corporate social responsibility expenses	38	62
Transmission costs	6,349	6,712
Insurance	1,109	944
Others	882	765
Depreciation and amortization for the year	21,409	21,280
Total	63,545	55,477

22. Administrative expenses

The composition for the years 2021 and 2020 is as follows:

ThUS$	2021	2020
Depreciation and amortization for the year	109	103
Services provided by third parties	1,514	1,794
Additional taxes	538	31
Travel expenses	21	9
Total	2,182	1,937

23. Finance expenses

ThUS$	2021	2020
Interests on debts and borrowings	20,835	21,432
Amortization of deferred financing expenses	4,478	1,806
NPA Bond prepayment fees	3,372	-
Withholding tax on interest	440	899
Unwinding of discount on the decommissioning provision	1,364	1,330
Interests on lease liabilities	643	662
Other financial costs	238	49
Total	31,370	26,178

24. Contingencies, Guarantees and Commitments

a) Contingencies

On 30 April 2015, the Chilean Internal Revenue Service ("SII") formally requested Norvind to provide the relevant supporting documentation regarding tax-losses declared in its annual income tax declaration (Form 22) corresponding to Tax Year 2012 (Commercial Year 2011). After reviewing the documentation presented by Norvind, the SII issued the Resolution number 195 ruling that the documentation submitted was not sufficient to support expenses and carryforward losses declared, for a total amount of ThUS$ 12,229. Thus, additional corporate income taxes and fines were determined for Tax Year 2012 for an amount of ThUS$ 2,631.

On 21 September 2015, Norvind submitted an administrative appeal ("RAV") before the SII adding new supporting documentation and accounting records. After the rejection of the RAV, and having exhausted all administrative remedies available, on 17 December 2015 Norvind requested the Judicial Review of the Resolution number 195 before the Tax Courts. In parallel, Norvind held conversations with the SII in order to explore resolution of the matter. Those negotiations resulted in a settlement executed on 9 June 2020, by which the SII recognized and set Norvind's tax-loss position (carryforward losses) for ThUS$ 4,243 per the Tax Year 2012; hence, Norvind shall pay no additional corporate tax nor fines regarding the Tax Year 2012.

On 30 April 2019, the SII issued the Resolution number 1109 whereby Norvind's tax losses declared in Tax Year 2016 (Commercial Year 2015) were reduced from ThUS$ 25,411 to ThUS$ 3,382. Such reduction consisted in the subtraction of the losses and expenses questioned in the Resolution number 195 (which at the time was being disputed before the Tax Courts, as described in the preceding paragraph), plus other expenses generated in subsequent years, under the argument that Norvind was not allowed to recognize expenses and carryforward losses determined under criteria already rejected through the Resolution 195.

On 13 June 2019, Norvind submitted a RAV requesting the validation of its tax-loss position. The RAV was denied. As a result, a Judicial Review was filed before the Tax Court and this procedure is still pending.

Based on new documentation gathered, on 30 April 2021 Norvind filed an administrative petition (RAF) regarding Resolution No. 1109 being admitted by the SII on 30 April 2021. As happened with Resolution No 195, the SII recognized tax losses of Norvind for Tax Year 2016 setting them in ThU$14,420. The judicial review of Resolution No. 1105 was also terminated.

As a result of the administrative revisions of Resolutions No. 195 and No.1109, all pending procedures regarding Norvind's tax results have been terminated and it is unlikely the SII performs new audits regarding tax results recognized until Tax Year 2016.

b) Commitments

Commercially, ILAP has a policy of committing annual energy volumes through intermediate PPAs. As of 31 December 2021, the following energy sales commitments have been made:

Power Plant (subsidiary)	Volume sale commitment (MWh/year)
San Juan	656,600
Norvind	131,600
Total	788,200

25. COVID-19

The effects of the COVID-19 pandemic have affected all economies around the world, and Chile where the ILAP Group carries out its operating activities is no exception. Mobility restrictions and social distance measures such have been imposed by authorities to contain the spread of the disease, thus affecting the normal course of business.

the successful COVID-19 vaccination process which is being executed by Chile, leading worldwide doses administered per 100 habitants, helps to mitigate the uncertainty around the recovery of the economic activity and therefore the energy demand.

26. Subsequent events

Between 31 December 2021 and the date of issuance of these consolidated financial statements, the Directors of the Company are not aware of any subsequent events that may significantly affect the interpretation of these consolidated financial statements.

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