

Luz del Sur S.A.A.
Annual Report 2019

The present document contains sufficient and truthful information with regard to Luz del Sur S.A.A.'s business activities during 2019. Notwithstanding the responsibility of the issuing party, the signers are liable for the contents pursuant to applicable legislation.

Lima, March 30, 2020

A handwritten signature in black ink, appearing to read "Mile Cacic". The signature is fluid and cursive, with a long, sweeping underline that extends to the left.

Mile Cacic
C.F.O.

LETTER FROM THE CHAIRMAN

Dear Shareholders:

On behalf of the board that I chair, I am pleased to submit for your approval the Annual Report and Financial Statements corresponding to the fiscal year ending December 31st, 2019.

The complex political scenario that the country went through and led to the closing of Congress on September 30 did not help economic growth. Nonetheless, thanks to the enormous efforts undertaken by the Company management, especially as regards investments and cost reductions, a positive outcome was achieved that allowed continued growth as well as encouraging forecasts. This is reflected in the purchase agreement on the part of China Yangtze Power International (Hong Kong) Co., Limited of Sempra Energy's holdings in Luz del Sur, a transaction currently awaiting the respective approvals.

During 2019 Peru's GDP grew by 2.16%. Luz del Sur has accompanied this growth with investments in excess of US\$ 139 million for this period. The Company has carried out numerous electrical infrastructure works in sub-transmission and distribution systems in order to address the growth of demand, improvement in the quality of supply, loss reductions and meeting regulatory requirements.

Luz del Sur has begun the project of transforming its distribution network into an intelligent grid. To this end, we installed intelligent meters with Broadband Powerline Carrier (BPLC) technology. Intelligent meters are the new generation of electrical meters that allow a connection from the installation site to the Luz del Sur offices through a network of safe wireless communications, transmitting electrical consumption in a continuous manner.

We have continued to improve public lighting within our concession area. To achieve this we have changed close to 21 thousand public lighting fixtures and more than 3 thousand lamps for maintenance. In addition to this, we completed 465 public lighting works along more than 44 kilometers of public roadways and 282 parks. Thanks to these works, the local inhabitants and tourists can travel through the city more safely and enjoy the nighttime beauty of Lima's parks and avenues.

In line with our good neighbor policy, we have been conducting social responsibility initiatives that go beyond our obligations, supporting institutions such as "Fe y Alegría", "Aldeas Infantiles SOS", Teletón and USEA, among others.

Within the framework of Luz del Sur's financial growth, we were able to increase net profits from S/ 521 million in 2018 to S/ 578 million in 2019, an increment of 11%. It should also be noted that during 2019 we paid our shareholders S/448 million in dividends.

At the end of the fiscal year the Company had 1,165,564 clients, a 2.8% increase over the previous year, thus confirming a positive trend for the long-term.

Our results reflect the development potential of Luz del Sur's concession area, which includes the most important residential, commercial, and service activities, in addition to concentrating a significant part of the country's industries in different sectors.

The Company has continued to provide a special emphasis to risk prevention, achieving zero fatalities among both its employees and contractors. Luz del Sur has obtained the best safety ratios with regards to the standards established by the corporation, reflecting its great concern with this issue, as well as the responsibility of its employees in the performance of their tasks.

During 2019, we provided our employees with more than 53,000 hours of training in order to maximize the potential of our workers through training programs aimed at reinforcing risk prevention, better management, updates and operational improvements, health care and protection of the environment.

Finally, I would like to thank all of the workers and management of Luz del Sur for their efforts and contributions to its development, which makes it a better company and positions it among the most important companies in Peru, that has once more been confirmed by receiving the "Peruvian Company of the Year" award as the best national electrical utility company. I would also like to thank our shareholders for their decided support and the trust deposited in the Board.

Sincerely,

Eduardo Pawluszek
Chairman of the Board

BOARD OF DIRECTORS

Eduardo Pawluszek

He is an independent consultant on energy and finance issues in South American countries, as the President of EP Consulting Services. Additionally, he is member of the board at Chilquinta Energía (Chile). From March 2015 to April 2018, he was vice president of asset development at Sempra LNG & Midstream, based in San Diego, California. He has also been a board member at Infraestructura Energética Nova (Mexico) for several years. Between August 2011 and February 2015, he was vice president of Sempra International for South America. Mr. Pawluszek was executive vice president and chief financial officer at AEI Services LLC (international energy group with operations in 20 countries and based in Houston, Texas) from September 2009 to July 2011, and member of the board at energy companies in Argentina, Chile, Colombia and Peru, and several countries in Central America. Prior to that, he was general manager at Emgasud S.A. in Argentina between February and September of 2009, and was also general manager of Empresa Distribuidora de Energía Norte S.A. (EDEN) in Argentina from 2007 until 2009.

Prior to that, he was director of administration and finances at Transportadora de Gas del Sur S.A. (TGS) in Argentina, a company he had joined as finance and corporate information manager in 1999. Previously, he worked for the Royal Bank of Canada and other financial institutions in Argentina. He also served as vice president and board member of the Instituto Argentino de Ejecutivos de Finanzas (IAEF) for several years. Pawluszek holds a degree in public accounting from Buenos Aires University, and a Master's in Financial and Capital Markets from Escuela Superior de Economía y Administración de Empresas (ESEADE).

Robert James Borthwick

He is deputy general counsel for Sempra Energy. He is responsible for leading litigation and compliance.

Has served in various capacities at Sempra Energy over the last 15 years. Most recently, he was general manager of Sempra Renewables, leading all aspects of Sempra's renewable energy business segment, including commercial development, finance and operations, as well as supporting the sale of its U.S. wind and solar assets.

He was previously vice president and general counsel at Sempra Infrastructure, LLC, where he led the legal, environmental, health and safety, regulatory, human resources and external affairs groups supporting both Sempra Renewables and Sempra LNG. He also served as vice president and general counsel for Sempra U.S. Gas & Power, and associate general counsel for Sempra Energy.

Prior to Sempra Energy, Borthwick practiced law at Gibson, Dunn & Crutcher LLP in Los Angeles and served as a federal prosecutor in the U.S. Attorney's Office in Los Angeles.

Serves on the board of directors of Serving Seniors, a charitable organization that provides meals and housing to low-income seniors in San Diego, and serves as a court-appointed special advocate (CASA) for children in the foster care system.

Graduated with honors and holds a bachelor's degree from Stanford University, and graduated cum laude with a law degree from the University of Michigan.

Kimberly Ann Mc Donnell

Is Associate General Counsel, Litigation and Environmental for Sempra Energy. In this role, she oversees litigation for the company and provides support to Sempra's business units.

Joined Sempra Energy in 2007 as senior litigation counsel handling litigation for the company. In 2010, she served as Chief Counsel for Sempra LNG, and in 2012 served in the same role for Sempra International. In 2015 she returned to Sempra Energy and became Associate General Counsel.

Previously, was a litigation partner with Pillsbury Winthrop LLP, and before becoming a lawyer worked at Bechtel Power Corporation in a range of field engineering positions at various nuclear plant construction projects. She received a juris doctor from the University of Michigan Law School and holds a BS in construction engineering from Iowa State University.

Francisco Javier Urtasun

Is President of Regional Strategies Group (RSG), a San Diego-based public affairs and strategic communications consulting firm. Prior to the establishment of RSG, he was the Regional Vice President of External Relations for Sempra Energy Services Corporation, a business unit of Sempra Energy. Sempra Energy is a San Diego-based Fortune 500 energy services holding company whose subsidiaries provide electricity, natural gas and value-added products and services.

Over the course of his 38-year career at Sempra Energy, Urtasun held several management positions including overseeing media, community and governmental relations for Sempra's business unit, San Diego Gas & Electric (SDG&E).

Prior to joining SDG&E in 1981, he began his career in the real estate industry, focusing on buying, entitling and constructing his own single and multi-family residential projects.

Throughout his career, Urtasun has served on numerous local community boards, including:

- Chairman of San Diego Housing Commission 2017 - 2019
- Chairman of San Diego Downtown Partnership 2015 - 2016
- Local Initiatives Support Corporation 2015 - 2019
- Chairman and Commissioner of the San Diego Unified Port District 1992 -2002
- Board member and awardee of the San Diego Regional Chamber of Commerce's "Ten Lifetime San Diegans" 2007

During his tenure at the Port of San Diego, Frank led the Port's business development efforts in South America and throughout the United States.

Urtasun serves on the Board of Directors of Sempra Energy's South American energy companies, Luz del Sur and Tecsur.

Urtasun holds a Bachelor's degree from San Diego State University and was recognized as an

Outstanding Alumni and the President's Honorary Degree from Southwestern College.

Alternate directors:

Amy Hui-Lin Chiu
Martin Stephen Hupka

Board Secretary

Eduardo Benavides Torres

MANAGEMENT

Mile Cacic Enríquez

C.E.O.

Appointed Chief Executive Officer in 1999. He holds a degree in Economics from the Universidad del Pacífico. He obtained an MBA degree at the Katholieke Universiteit Leuven, Belgium and from the Instituto de Estudios Superiores de Administración (IESA) in Caracas, Venezuela. He has specialty studies in Information Technology from Harvard University, Boston, Massachusetts.

Hans Berger Sánchez

VP - Corporate Relations

Joined the company in 1995 as chief of Commercial Operations; in 1997 was appointed Assistant Manager, Corporate Relations and since 2017 is Corporate Relations VP. Has a degree in Industrial Engineering (CIP 51027) from the Universidad de Lima and an MBA from Universidad Politécnica de Madrid.

Luis Fernando de las Casas Riccardi

C.F.O.

Joined the company in 1995 as head of the Planning Office. In 1997 he was promoted to Assistant Financial Manager and in 1999 he was appointed Chief Financial Officer (CFO). He graduated as an industrial engineer from Universidad de Lima (CIP 28640) and has a Master of Science degree in Industrial Engineering from the University of Utah, U.S.A. In addition, he has followed specialization studies in Energy Conservation at Malmo, Sweden and is a university professor.

Eric Díaz Huamán

VP – Transmission

Was appointed Operations VP in 2008; previously held the positions of Transmission VP (since 2002) and manager of the Vitarte Service Center (since 1999). He is an electro-mechanical engineer (CIP 68575) graduated from the Universidad Nacional de Ingeniería, with a master's degree in Business Administration from ESAN and specialization studies in Business Administration at Arizona State University.

José Luis Eráusquin Eyzaguirre

VP - Distribution Development

Joined the company in 1982 as an operations engineer. In 1995 he was promoted to assistant manager of the San Juan Service Center. In 1999 he was appointed Chacarilla Service Center VP and in 2003 was promoted to Operations VP, becoming Engineering and Planning VP in 2008. He is an electro-mechanical engineer (CIP 39878) graduated from the Universidad Nacional de Ingeniería with an MBA degree from the Universidad Católica del Perú. In addition, he has pursued studies in Strategic Financial Management from the Universidad del Pacífico in Peru.

Amparo González Díaz

VP - Human Resources

Joined Luz del Sur in May 2015, currently holding the position of Human Resources VP. Prior to this, she worked in Tecsur from August 1998, where her last position was assistant manager for the Legal and Human Resources department. She is a lawyer (CAL 25435) who graduated from the faculty of Law and Political Sciences of the Universidad de Lima, with a specialization in Human Resources Management from ESAN.

Zoila María Horna Zegarra
Legal Counsel

She joined the company in January 2018, as Legal Counsel. She is a lawyer graduated from the Faculty of Law of the Pontificia Universidad Católica del Perú, and has a Master of Law (LLM) Degree in “Commercial and Corporate Law” by The London School of Economics and Political Science, and has postgraduate studies in Electricity, Gas and Energy Law at the Universidad Peruana de Ciencias Aplicadas-UPC.

Luis Miguel Quirós Velásquez
VP – Commercial

Joined the company in 1998 as an engineer with the Loss Control section. In 2004 was appointed assistant manager for Customer Service and in 2017 was promoted to Commercial VP. He is an industrial engineer (CIP 94478) with a degree from the Universidad de Lima. He also holds a Master’s degree in Business Administration from the Catholic University of Peru (Centrum), and Electrical Services Marketing studies from ESAN.

Herbert Takayama Nagayama
VP – Distribution

Joined the company in 1995 as Projects Chief for the San Juan Service Center. In 2003 he was appointed Assistant Manager, Operations, and in 2008 Assistant Manager, Engineering. Between 2011 and 2016 he was part of the Development Department’s managing team that took part in the construction of the Santa Teresa – Ccollpani Grande Hydroelectric Plant. Since January 2017 he holds the position of Distribution VP. He is an electrical engineer (CIP 86640) with a degree from the Universidad Nacional de Ingeniería and has an MBA from the Tecnológico de Monterrey (ITESM), as well as graduate studies in Energy Management from ESAN.

OWNERSHIP AND CORPORATE OBJECT

Historical Summary:

Luz del Sur (formerly Edelsur) was incorporated in Peru as a private juridical entity on January 1st, 1994. On August 18th, 1994, Ontario Quinta A.V.V. - currently Ontario Quinta S.R.L. - acquired 60% of the Company's shares from the Peruvian State via international public tender.

As the result of a divestment in August 1996, the current Luz del Sur was incorporated with the transfer of the electrical distribution concession and associated assets to the latter. It established its legal domicile in the city of Lima, its corporate object being to develop distribution and sale of electricity.

The head office is located in Av. Canaval y Moreyra No. 380, San Isidro. Its charter is registered in the Lima Mercantile Registry, File No. 131719, entry 1 A.

That same year (1996) Luz del Sur acquired all the shares of Empresa de Distribución Eléctrica de Cañete (EDECAÑETE S. A.) from the Peruvian state and created a subsidiary called Inmobiliaria Luz del Sur S.A., 100% of whose shares are held by Luz del Sur.

By means of a public deed dated June 26, 1998, the Company conformed to the General Law of Corporations, adopting the corporate structure of a publicly traded corporation and consequently its current company name of "Luz del Sur S.A.A."

In April, 1999 Sempra Energy acquired shares in Luz del Sur.

In September 1999, the Peruvian Opportunity Company S.A.C. (POC) acquired 22.46% of the shares of the Company by means of a public takeover bid carried out through the Lima Stock Exchange.

On April 1st, 2004, POC made a public offering of 9.67% of the shares of Luz del Sur.

Pursuant to AEI's purchase of PSEG's interest in Luz del Sur in December 2007, POC made a special bid to acquire 0.056% of the Company's common stock.

In 2010, the company expanded its corporate activity in order to include the activities of energy generation and transmission.

In April 2011, Sempra Energy acquired the indirect interest that AEI had in Luz del Sur, with which it increased its indirect ownership in the company to 75.94%. Subsequently, in September 2011, Sempra Energy International Holdings NV, within the framework of its associate status in the Joint Association Agreement signed with Sempra Energy International Chile Holdings IBV, acquired 18,918, 954 shares, approximately 3.89% of the shares of Luz del Sur in a public takeover bid carried out through the Lima Stock Exchange. This resulted in Sempra Energy acquiring a total indirect ownership of 79.83% of the distribution company's equity.

In December 2013, SEIH transferred its 18,918,954 shares in Luz del Sur (equivalent to approximately 3.89% of the total shares of the Company) to POC.

In December 2014, POC acquired 18,625,594 shares through the Lima Stock Exchange, increasing Sempra Energy's holdings to 83.64% of the company's capital stock.

During 2015 Luz del Sur S.A.A. and Edecañete agreed to a merger, with the former absorbing the latter as of October 1, 2015.

On September 17, 2015, Luz del Sur SAA established a subsidiary, Inland Energy SAC, with the purpose that this company devote itself to electrical energy projects. To date it has a capital of S/ 305,362,168.00.

On December 12, at their respective General Meetings, the shareholders of Luz del Sur and Inland Energy approved a simple corporate reorganization process by means of which Luz del

Sur transferred the assets corresponding to the Santa Teresa 2, Majes and Garibaldi electricity generation projects. The reorganization was formalized on December 14, 2016.

On January 16, 2018, at the Shareholders' Meetings of Luz del Sur and Inland Energy SAC a simple reorganization process was approved, by means of which Luz del Sur contributed the assets corresponding to the Santa Teresa Hydroelectric Power Plant to Inland Energy SAC. The reorganization was formally completed on January 25, 2018.

On September 30, 2019, a purchase agreement was announced whereby China Yangtze Power International (Hong Klong) Co., Limited acquired Sempra Energy's shares in Luz del Sur, a transaction pending the respective final approvals.

Corporate Activity

The Company's principal corporate activity is, in general terms, electricity distribution, transmission and generation, its International Standard Industry Code ISIC being 4010.

Additionally, the Company may engage in any other activities related to or derived from the use, operation and/or disposal of its infrastructure, resources, or assets, along with those related to its core activity.

In order to achieve this object and carry out its related activities, the Company may perform any and all relevant legal actions and enter into any and all contracts allowed for private companies under Peruvian law.

General Information

- Address: Av. Canaval y Moreyra 380, San Isidro
- Telephone: 271-9000
- E-mail: central@luzdelsur.com.pe
- Website: www.luzdelsur.com.pe

Economic Group

- Name of the business group: Sempra Energy
- Countries where it operates: United States, Peru, Chile and Mexico
- Main line of business: energy distribution, production and marketing.

Principal shareholders:

Ontario Quinta S.R.L. that holds 61.16% of shares, Peruvian Opportunity Company S.A.C. with 20.56% of shares.

Luz del Sur has only issued common stock which is fully paid up, totaling 486,951,371 shares with a nominal value of S/. 0.68 each, all fully subscribed and paid.

At December 31, 2019, share capital was distributed as follows:

	Shareholder	Number of Shares	Percentage	Origin*
1	Ontario Quinta S.R.L.	297,796,530	61.16	N
2	Peruvian Opportunity Company S.A.C.	100,115,639	20.56	N
3	Energy Business International S.R.L.	9,387,372	1.93	N
4	IN - Fondo 2	12,606,289	2.59	N
5	PR - Fondo 2	8,638,845	1.77	N
6	HA – Fondo 2	7,551,702	1.55	N
7	RI - Fondo 2	7,513,907	1.54	N
8	Interseguro Compañía de Seguros S.A.	3,416,821	0.70	N
9	Fourth Sail Long Short LLC	1,981,926	0.41	E
10	HA – Fondo 3	1,859,156	0.38	N
11	Various (more than 35 thousand shareholders)	36,083,184	7.41	E y N

* E: Foreign N: National

The following shareholders make up part of the Sempra International financial group:

	Shareholder	Number of Shares	Percentage	Origin
1.	Ontario Quinta S.R.L.	297,796,530	61.16	Peruvian
2.	Peruvian Opportunity Company S.A.C.	100,115,639	20.56	Peruvian
3.	Energy Business International S.R.L.	9,387,372	1.93	Peruvian

Information on the shares recorded in the Public Securities Registry at December 31, 2019.

Location	Type of Security	Amount Registered
In CAVALI	Common Shares	77,973,563
Stock Certificates	Common Shares	408,977,808
Total shares in circulation		486,951,371

GENERAL INFORMATION AND RELEVANT FACTS

- On January 3, 2019, Luz del Sur informed the Peruvian Securities & Exchange Commission that, pursuant to the Arbitration Process followed in the Arbitration Center of the Lima Chamber of Commerce against Termochilca S.A. arbitration process N° 184-2017-CCL), the parties requested its termination and closing, while the three (3) Power Purchase Agreements that were the subject of this controversy would remain in full force until their conclusion. The initiation of arbitration proceedings was disclosed as a significant event to the Peruvian Securities & Exchange Commission on May 31, 2017.
- On January 28, 2019, Luz del Sur reported to the Peruvian Securities & Exchange Commission that Semptra Energy had decided to initiate a process for the sale of the entire share of its business ventures in the energy sector in South America, and expected that said process would have concluded by the end of 2019.
- On January 29, 2019, Luz del Sur informed the Peruvian Securities & Exchange Commission that it had received a communication from the Lima Stock Exchange to the effect that on January 29, 2019, it had proceeded to suspend trading in the shares of Luz del Sur's capital stock (LUSURC1) until 9:30 am to allow said securities to enter a price formation process through an auction until 10:00 am. Pursuant to said communication, the suspension of trading was implemented in light of the information contained in the preceding paragraph.
- On February 21, 2019, Luz del Sur took note of the publication released through the MVNet, i.e. Resolution N° 019-2019-SMV/11.1 of the General Intendent's Office Peruvian SEC through which the Peruvian Securities and Exchange Commission ruled to exclude the securities known as "Bonos Luz del Sur – Primera Edición" corresponding to the Second Program for the Issue of Luz del Sur S.A.A. Corporate Bonds and Short Term Instruments from the Public Registry of the Capital Markets.
- On February 25, 2019, Luz del Sur informed the Peruvian Securities and Exchange Commission that Semptra Energy had announced through a press release in March 2019, the formal process of divestment of its shares in its South American businesses, including its participation in Luz del Sur.
- On February 28, 2019, Luz del Sur convened a Shareholders'/ Bondholders' Meeting to take place on March 26, 2019, to discuss the following agenda:
 - Election or removal of Directors
 - Approval of Company Management (Financial Statements and Annual Report)
 - Dividends' Policy
 - Distribution or Application of Profits
 - Designation of external auditors for the 2019 fiscal year
 - Remuneration of the Board

- Designation of representatives for the signing of the minutes
- At the Mandatory Shareholders' Meeting which took place on March 26, 2019, the following persons were appointed as Company directors:

Luis Eduardo Pawluszek

Robert James Borthwick

Kathryn Joy Colier

Kimberly Ann Mc Donnell

And as alternate directors:

Amy Hui-Lin Chiu

John Patrick Dill

Martin Stephen Hupka

Francisco Javier Urtasun

Mr. Eduardo Armando Benavides Torres was appointed Board Secretary.

Dividends payments for an amount of S/ 58,434,164.52 were approved, with a payment per share of S/.0.12. It was also approved to allocate S/ 462,792,915.48 as freely disposable profits.

- At a Board session on March 27, 2019, Messrs. Luis Eduardo Pawluszek and Robert James Borthwick were appointed as Chairman and Deputy Chairman of the Board, respectively.
- On March 29, 2019, Luz del Sur resolved to issue securities within the framework of the Eighth Issue of the Third Program for the issue of Luz del Sur Corporate Bonds and Short-Term Instruments. It resolved to issue series A of this issue at a term of seven (7) years for an equivalent of US\$ 25'000,000 (twenty-five million dollars of the United States) in national currency.

On April 17, 2019, Luz del Sur convened a Shareholders'/Bondholders' Meeting for the following dates: (i) April 26, 2019; and (ii) May 2, 2019, with the following item on the agenda: ratification of Inteligo Sociedad Agente de Bolsa S.A. as representative of the Bondholders for the Eighth Issue of the Third Program for the placement of Luz del Sur Corporate Bonds and Short-Term Instruments. On April 26th, 2019, the Bondholders' Meeting for the Eighth Issue of the Third Program for the placement of Luz del Sur Corporate Bonds and Short-Term Instruments took place, designating Inteligo Sociedad Agente de Bolsa S.A, nominated by Luz del Sur, as representative for the bondholders.

- On May 15, 2019, Luz del Sur took note of the publication released through the MVNet, i.e. Resolution N° 019-2019-SMV/11.1 of the General Intendent's Office Peruvian SEC through which the Peruvian Securities and Exchange Commission ruled to exclude the securities known as "Bonos Luz del Sur – Primera Edición" corresponding to the Second Program for the Issue of Luz del Sur S.A.A. Corporate Bonds and Short Term Instruments from the Public Registry of the Capital Markets.
- The Board, at its meeting of May 29, 2019, approved the payment of dividends on account of retained earnings for an amount of S/ 121,737,842.75, with a dividend per

share of S/ 0.25.

- On June 21, 2019, Luz del Sur informed the Peruvian Securities & Exchange Commission that the Lima Stock Exchange had proceeded to suspend trading in the shares of Luz del Sur's capital stock (LUSURC1) until 9:30 am to allow said securities to enter a price formation process through an auction until 10:00 am. Furthermore, the Lima Stock Exchange sent Luz del Sur communication EMI-418/2019 where it informed it that suspension of trading had been carried out in the light of the information published by the "El Mercurio Inversiones" journal of Chile with respect to the non-binding offer for 83.74% of shares in Luz del Sur by Enel Americas within the framework of the sales process announced by Sempra Energy. Consequently, Luz del Sur informed that the process is being undertaken by Sempra Energy privately in absolute confidentiality, and thus Luz del Sur was unable to either confirm or deny the information disclosed by the "El Mercurio Inversiones" publication.
- On July 12, 2019, the resignation of a Principal Director, Mrs. Kathryn Joy Collier, was accepted. Therefore, pursuant to Article Forty of the Company Bylaws, the Board agreed to appoint as Principal Director the Alternate Director, Mr. Francisco Javier Urtasun, to complete the term on the Board until the next Shareholders' Meeting.
- At its meeting on August 16, 2019, the Board approved a dividends payment on account of retained earnings for an amount of S/ 121,737,842.75, with a dividend per share of S/ 0.25.
- On September 19, 2019, Luz del Sur took note of the publication of the publication released through the MVNet, i.e. Resolution N° 019-2019-SMV/11.1 of the General Intendent's Office Peruvian SEC through which the Peruvian Securities and Exchange Commission ruled to exclude the securities known as "Bonos Luz del Sur – Primera Edición" corresponding to the Second Program for the Issue of Luz del Sur S.A.A. Corporate Bonds and Short Term Instruments from the Public Registry of the Capital Markets.
- On September 30, 2019, Luz del Sur notified the Peruvian Securities & Exchange Commission that Sempra Energy had informed it of the signing of a sales and purchase agreement with China Yangtze Power International (Hong Kong) Co., Limited with regard to the sale of its holdings in Luz del Sur. Similarly, Luz del Sur informed the Peruvian Securities & Exchange Commission that it had received a communication from the Lima Stock Exchange to the effect that on September 30, 2019 it had proceeded to suspend trading in the shares of Luz del Sur's capital stock (LUSURC1) until 9:30 am.
- On October 15, 2019, Luz del Sur notified the Peruvian Securities and Exchange Commission that it had resolved to issue securities under the First Issue of the Fourth Program of Luz del Sur S.A.A. Corporate Bonds and Short Term. It resolved to issue series A of this issue for a term of fifteen (15) years and an amount equivalent to US\$ 30,000,000 in national currency, with an option to increase it to an equivalent amount of US\$ 50,000,000 in national currency, the placement date being Thursday October 17, 2019 and issue date Friday, October 18, 2019.
- On October 21, 2019, Luz del Sur convened a Shareholders'/Bondholders' Meeting to be held on November 19, 2019, with the following agenda:

- Voluntary Revaluation of fixed assets.
- Designation of representatives to sign the minutes of the meeting.
- On October 29, 2019, a Bondholders' Meeting was convened for the following dates: (i) November 6, 2019; (ii) November 13, 2019. The agenda was the ratification of Inteligo Sociedad Agente de Bolsa S.A. as representative of the Bondholders for the First Issue of the Fourth Program for the placement of Luz del Sur Corporate Bonds and Short-Term Instruments. On November 16, 2019, the Bondholders' Meeting for the First Issue of the Fourth Program for the placement of Luz del Sur Corporate Bonds and Short-Term Instruments took place, designating Inteligo Sociedad Agente de Bolsa S.A, nominated by Luz del Sur, as representative for the bondholders.
- At its session of November 20, 2019 , the Board approved a dividends payment on account of retained earnings for an amount of S/ 146,085,411,30, with a dividend per share of S/ 0.30.
- At its meeting of December 5, 2019, the Board accepted the resignation of Mr. John Patrick Dill to the position of Alternate Director, which was submitted on November 29, 2019.

Trading prices for shares during 2019 (S/)

Month	Opening	Close	Maximum	Minimum	Average
January	10.95	10.80	11.25	10.65	10.79
February	10.80	12.17	12.17	10.80	11.71
March	12.17	11.90	12.60	11.90	12.11
April	12.15	11.85	12.30	11.85	12.09
May	11.95	12.40	12.40	11.85	12.06
June	12.50	13.77	13.77	12.30	12.68
July	14.00	14.20	14.35	13.80	14.05
August	14.20	15.00	15.15	14.15	14.84
September	15.00	23.00	23.00	15.00	16.66
October	23.00	23.80	24.00	20.29	22.96
November	23.75	23.99	24.05	22.30	23.51
December	24.00	25.75	27.01	23.01	24.78

Corporate Bond price quotations during 2019

Issue	Month	Opening %	Close %	Maximum %	Minimum %	Average %
LUSUR2BC7U	03	100.2114	100.2114	100.2114	100.2114	100.2114
LUSUR2BC7U	10	101.7937	101.7937	101.7937	101.7937	101.7937
LUSUR2BC7U	12	101.3582	101.3582	101.3582	101.3582	101.3582
LUSUR3BC1A	02	99.1000	99.1000	99.1000	99.1000	99.1000
LUSUR3BC1A	04	--	--	--	--	101.2000
LUSUR3BC1A	05	--	--	--	--	103.6000
LUSUR3BC1A	12	110.8562	110.8562	110.8562	110.8562	110.8562
LUSUR3BC2A	10	--	--	--	--	108.5000
LUSUR3BC3A	07	111.3816	111.3816	111.3816	111.3816	111.3816

LUSUR3BC4A	02	103.5219	103.5219	103.5219	103.5219	103.5219
LUSUR3BC4A	07	111.2398	111.2398	111.2398	111.2398	111.2398
LUSUR3BC4A	08	110.7656	110.7656	110.7656	110.7656	110.7656
LUSUR3BC5A	01	103.2741	103.2741	103.2741	103.2741	103.2741
LUSUR3BC5A	04	104.1091	104.1091	104.1091	104.1091	104.1091
LUSUR3BC5A	07	108.1032	108.1032	108.1032	108.1032	108.1032
LUSUR3BC7A	01	103.0727	103.0727	103.0727	103.0727	103.0727
LUSUR3BC7A	02	104.2971	104.2971	104.2971	104.2971	104.2971
LUSUR3BC7A	05	105.8899	106.1061	106.1061	105.8899	105.9620
LUSUR3BC7A	07	112.6369	112.6369	112.6369	112.6369	112.6369
LUSUR3BC7A	10	115.9309	115.9309	115.9309	115.9309	115.9309

Concession Area

Luz del Sur has a concession area of more than 3,500 km² , which covers 30 of the most important districts of Metropolitan Lima, as well as districts in the provinces of Cañete and Huarochiri, which together total more than 5 million inhabitants.

It is worth noting that this area includes the most important commercial, tourist and service activities, in addition to a significant part of the country's industries.

Considering the enormous availability of resources, these conditions represent an excellent potential for future growth for the Company.

In order to ensure adequate service for its more than one million customers, Luz del Sur has 11 modern branch offices strategically located throughout its concession area, so that clients may always have a Luz del Sur office on hand.

Investments

During 2019, the Company invested more than US\$ 139 million, most of which was aimed at the improvement and expansion of the electrical system and modernization and upgrade of public lighting, and the implementation of new information technology and telecommunications tools.

COMMERCIAL MANAGEMENT

1. Annual power consumption for regulated, free and toll clients was 9,421 GWh, a 3% increase over the previous year. Annual sales were S/ 3.104 million, 5.5% greater than in 2018.
2. Annual electric energy consumption for regulated and free clients of Luz del Sur was 6,177 GWh, a 1.5% decrease compared to 2018. Annual sales were S/ 2,936 million, a 4.4% increase over 2018.
3. Annual consumption of electrical energy by toll clients was 3,244 GWh, a 12.8% increase over the previous year. Annual sales were S/ 167 million, an amount 31.5% greater than in 2018.
4. Variations between Luz del Sur's regulated and free clients and toll clients, due to the general migration of clients to the free market, are mainly due to the distortions of the spot market for electricity.
5. Annual power purchases were S/ 1,845 million, 1.8% lower than the previous year. This increase is chiefly explained by the increase in power and energy prices in the tender contracts, whose impact was offset by the diminished effects of power subcontracting pursuant to the addenda signed in the framework of Supreme Decree N° 026-2018-EM.
6. The demand for the regulated market was covered entirely by the electricity supply contracts awarded in the long-term tender processes governed by Law 28832 and which came into force in January 2014 and January 2018. Free market demand was covered by tender contracts and one bilateral contract.
7. The sales margin was S/ 1,259 million, 11.6% greater than the previous year.
8. The regulated tariff for residential clients at December 2019 (BT5B) increased by 6.1% over the previous year. This variation is due to a 0.2% decrease in the fixing and updating of costs for distribution and secondary transmission activities, and an increase of 6.3% over adjustments applied by OSINERGMIN to prices at the level of Generation, Main Transmission System and Other Charges associated to Generation.

9. Sales per consumer group were:

Type of Clients	2018		2019	
	Clients	GWh	Clients	GWh
Residential	1,022,932	2,996	1,051,968	3,039
Commercial	101,236	2,254	103,089	2,203
Industrial	4,166	623	4,281	501
Public Lighting	5,428	246	5,560	308
Free Clients	23	150	47	126
Subtotal	1,133,785	6,269	1,164,945	6,177
Toll Clients	503	2,876	619	3,244
Total	1,134,288	9,145	1,165,564	9,421

COMPUTER BASE AND TELECOMMUNICATIONS

- Implementation and activation of optic fiber linkages between San Juan, Atocongo and the new Vertientes substation, Praderas and Lurin substations. These links will enhance the communications of the substations, as well as the communications of the differential protection relays.
- Implementation and activation of an optic fiber linkage between the San Juan substation and Pachacamac substation. This link will allow an increase in availability of communications for the Pachacamac substation.
- Implementation and activation of an optic fiber linkage between the San Juan and Pachacamac substations. This link will allow an increase in availability of communications for the Pachacamac substation.
- Implementation and activation of an optic fiber linkage between the San Juan and Villa El Salvador substations. This link will allow an increase in availability of communications for the Villa El Salvador substation.
- Implementation and activation of an optic fiber linkage between the Canteras and San Vicente substations. This link will allow an increase in availability of communications for both substations and permit the activation of the differential protection relays.
- Renovation of the telecommunications towers at the San Vicente substation, Cañete branch, and Mala branch, pursuant to the ISO norms and in line with the Safety, Occupational Health and Environmental guidelines.
- Installation of a new radio link between the Vertientes substation and the Morro Solar Relay Station. It allows for the enhanced availability of communications for the Vertientes substation.
- Installation of a new radio link between the San Vicente substation and Cañete branch, completing a communications ring between the San Vicente substation, Cañete branch, Ihuanco Relay Station and Canteras substation. It allows for the enhanced availability of communications among the four sites.
- Installation and activation of the trunked radio relays of the Canteras substation. These relays improve the coverage of our trunked radio system in the province of Cañete. The trunked radio system is chiefly used for the communications between field personnel and the Control Center during electrical maneuvers.
- Improvement of the telecommunications towers of the San Juan Head Office, Chacarilla branch, Chosica branch, Huaycan distribution substation, El Pueblo distribution substation, Santa Clara substation, Huachipa substation, Santa Anita substation, Puente substation, and Praderas substation, pursuant to the ISO norms and in line with the Safety, Occupational Health and Environmental guidelines.
- Increase in the levels of cybersecurity in Luz del Sur's technological platform by adding a second level of perimeter protection and updating the firewall for Web applications.
- Improvement of the performance and availability of the corporate applications central servers updating the central servers at the Computer Centers located in the Chacarilla and San Isidro head offices.
- Renovation of the main video security systems at the commercial branches and the substations, including programming of the necessary analytics for the generation of events and alarms, thus facilitating the tasks of the Operations Center team.
- Implementation of credit card payment solutions through the Virtual Office for customers found at our web page.
- Implementation of electronic notifications to provide answers to commercial claims made by our clients. By means of this module we publish our replies to these claims on the Company's web page. The reply is digitally signed and in addition has a time stamp that legally validates the time of publication of the document. This module allows the reduction in reply times to claims and saves the forwarding of hard copies.
- Implementation of the mobile application to register changes in the meter on the field. The app allows for the posting of images and scanning the agreement for installing the meters. It also allows obtaining the features of the meter to be installed on the field by reading the bar code of the equipment. This solution eliminates the need to fill out installation forms at the office. By means of the images registered, which can be seen through the corporate applications, the registers are provided to the various departments so they may confirm the readings for the removal or installation of the meters.

- Implementation of remote readings and their use for the billing of the COMPLANT and CIRCUTOR concentrators. Remote readings for 18000 meters are obtained by means of the InGRID MDC, and by means of automatic processes this information is formatted and sent to the billings department so it may be invoiced using these readings.
- Improvements to the “Control of Execution of Works” module, such as the massive reassignment of design planners and construction supervisors, viewing of partial payments, comparison of planned vs. execution costs, preparation of monitoring reports for execution, settlement and billing costs of works, and support for the settlement and invoicing of police security, among others. This all reflects in a better oversight of the works carried out by Company contractors.
- Improvements to the Medium Voltage Maintenance Module, allowing for the recording on the field of new types of inspections and new maintenance activities. New layers were added to the GIS such as a layer for trees that provided precision for the trimming records and a layer that allows viewing of defined assets that permits maintenance in accordance with their criticality. This visual help allows for a better follow-up of the condition of the assets from the field and the reduction of lead times for the request for information.
- Improvements for the process of addressing emergencies by means of the automatic generation of work orders and material masters used by means of the Warehouse Management Web and mobile applications that allow controlling the use of the materials assigned to this process, facilitating verification activities, follow-up and control of proper use of the materials assigned to this process.
- Implementation of a mobile application for the recording of inspections of structures and lines that aid in the planning of High Voltage Maintenance. The selection of the assets for the electric grid is done from a GIS map, thus facilitating the location of assets in the field.
- Activation of the UBL 2.1 version of electronic billing for all the companies of the corporate system.
- Implementation of the option for electronic cancellation of sales. This automatically generates a one-time removal of the notes voided during the day by means of a task programmed to be executed on a daily basis.
- Implementation of a record of payable notes in a Web version. This includes additional features such as retrieving main data from XML files from electronic invoicing. This reduces the lead times for recording of said documents.
- Implementation of an automatic approval system for electronic transportation forms. If the party responsible for the department does not issue an approval within a maximum term of 72 hours (considering working days), the system automatically approves the forms. Moreover, the departments have the necessary mechanisms to reject any of the services included (or to be included) in the form, in which case the system will block the approval of the same.

TECHNICAL MANAGEMENT

In order to provide safe, quality service to our clients, as well as bringing progress to our countrymen, we have completed several infrastructure works. The most important are enumerated below:

- We have replaced 5,678 low voltage utility poles and more than one thousand medium voltage utility poles.
- We installed 4,370 polyester protectors reinforced with fiber glass on low voltage utility poles and 1,262 medium voltage utility poles.
- We renovated more than 80 km of overhead medium voltage (10 and 22.9 kV) networks.
- We installed 89 switches and 21 reclosers on medium voltage grids with advanced technology relays to improve the selectivity of electrical protection and reliability of service for our medium and low voltage clients.
- We executed close to three thousand actions in medium voltage energy grids (10 and 22.9 kV) and 10 actions in transmission substations (60kV) to conduct maintenance and expansion of grids, avoiding the need for cuts in the service to consumers for the execution of these works.
- We replaced close to twenty one thousand public lighting fixtures and more than three thousand public lighting lamps for maintenance.
- We treated more than seventy thousand liters of dielectric oil, significantly reducing the environmental impact of our operations.
- At December, 2019, we took readings for 1,180,461 electricity meters, with which we guaranteed correct readings and billing to our clients.
- As regards improvements in public lighting, we executed 465 lighting projects, with actions along 44 km of public roadways and 282 parks, replacing close to forty thousand public lighting fixtures and installing 4,538 new ones within our concession area.

The main lighting improvement projects were executed in:

Project	District
✓ Av. Caminos del Inca	Santiago de Surco
✓ Av. Velasco Astete	Santiago de Surco
✓ Av. San Luis	San Borja
✓ Av. Bausate y Meza	La Victoria
✓ Av. 28 de Julio	Cercado de Lima
✓ Av. García Naranjo	La Victoria
✓ Av. Salaverry	Jesús María / San Isidro
✓ Av. Arequipa	Jesús María / San Isidro / Lince
✓ Av. Roca y Boloña	Miraflores
✓ Av. Alonso de Molina	Santiago de Surco
✓ Av. Arenales	Lince / Miraflores
✓ Av. Cuba	Jesús María
✓ Av. Esperanza	Ate Vitarte
✓ Av. Huánuco	La Victoria
✓ Av. Boulevard	San Borja
✓ Av. Pedro Miotto	San Juan de Miraflores
✓ Av. Antigua Panamericana Sur	San Juan de Miraflores
✓ Av. José Gálvez Barrenechea	San Isidro
✓ Av. Canaval y Moreyra	San Isidro
✓ Av. Guardia Civil	San Isidro
✓ Av. Golf Los Incas	Santiago de Surco

- Furthermore, in order to continue with improvements in managing the peak demand of our distribution transformers, we expanded the remote readings system in 2,213 substations, which are monitored in our offices, optimizing data retrieval from the field.
- The Operations Department incorporated 27,600 new clients and/or increases in the charge of existing ones. It is important to point out that 50 of these clients were Commercial and Industrial ones with electrical capacity in excess of 600 kW.
- We are continuing with our mass electrification program in poor urban zones of our concession area. In order to do so, we expanded our distribution grids to bring light to 156 villages that did not have basic access to electricity, thus benefiting more than 63,000 inhabitants.
- In 2019 we undertook grid expansion, installing 53 km of medium voltage grids (MT), 259 km of low voltage grids (BT) and 123 MT/BT transformer substations.
- Public works aimed at improving the city in terms of road expansion developed by various State and Municipal entities, as well as Ministries, created the need to relocate more than 30 km of distribution grids (MT and BT). Among the main projects we can find:
 - ✓ Construction of a flyover on Las Palmeras Ave., Javier Prado Ave., and Golf Los Incas Ave. (Monitor Roundabout).
 - ✓ Improvement of Paseo de la Republica Ave., road section between Domingo Orue Ave. and Aramburu Ave.
 - ✓ Expansion of Ave. Los Heroes, section IV.
 - ✓ Improvement of Los Cisnes St., Lurigancho-Chosica.
 - ✓ Improvement of the intersection between Paseo de la Republica Ave. and Angamos Ave.
 - ✓ Improvement of Tokio St., Lurigancho-Chosica.
 - ✓ Improvement of Republica de Colombia Ave., San Isidro.
- We increased total 60/22.9/10 kV transformer capacity by 83 MVA: 75 MVA with the new Vertientes substation and 8 MVA with the San Bartolo substation.
- We completed construction of the new Vertientes 60/22.9/10 kV substation with conventional technology, 50 MVA of 60/22.9/10 kV transformer and 25 MVA of 60/22.9/10 kV transformer, and associated 60 kV transmission lines with 2.87 km double circuit underground lines.
- Improvement of the capacity and reliability of the 60 kV transmission system that feeds the San Vicente substation in the province of Cañete, building a second 60 kV transmission line with 2.5 km of overhead cable network and 7.3 km of underground cable network that links the Cantera substation with the San Vicente substation.
- For our 2017-2021 Investment Plan, we incorporated the construction of new substations and their associated transmission lines: Pachacutec 220/60 kV and Progreso 220/10 kV, which will add 290 MVA of transformation capacity.
- We renovated the gateways of the 60kV bar system for the San Bartolo and San Vicente substations. We also renovated the fittings for the 19 line cells and 60 kV transformers in the Balnearios substation. These investments were executed with the aim of ensuring quality of service in the Transmission System.
- 121 requests for power requirements from large customers over 600 kW, were addressed. These services were mainly concentrated in the districts of Chilca, Lurin, Miraflores, San Isidro and Santiago de Surco.

- In order to improve service quality, predictive maintenance techniques continued to be incorporated, with the implementation of inspections in Medium Voltage cells and corona discharge readings, allowing for the prompt detection of partial discharges and avoiding non-programmed cuts in the service. Furthermore, we acquired three-phase equipment to conduct electrical testing on power transformers, achieving up to 30% reductions in the interruption of the latter in programmed maintenance work.

HUMAN RESOURCES

During 2019 our main goal has been to promote the institutional values of Luz del Sur, as well as continuing to develop the skills that allow us to sustain our business mission and vision among our workers.

Social Welfare and Occupational Health

Activities aimed at employee integration

During 2019 activities were organized for workers and their families, aimed at fostering greater identification with the Company and incorporating the culture of prevention inside and outside the workplace, as well as contributing to their personal and family welfare.

We took part in sports activities, among which we should mention the 10 km Half Marathon as well as the 42 km Lima Marathon an activity which involved physical training.

As every year, we held the internal Olympics, where employees take part in different activities, such as five-a-side, basketball, volleyball, table tennis, and chess, among others.

We also celebrated Luz del Sur's 25th anniversary at the Jockey Club del Peru's installations, where employees were treated to a Gala Night, sharing a dinner, awards to employees who have excelled in meeting their goals, acknowledgements for years of service, raffles, shows, and dancing for all.

In addition, we used the opportunity to bond with our employees through the awarding of various gifts and jointly celebrate events such as Secretary's Day, Mother's Day, Father's Day, and Independence Day.

Luz del Sur also took part in the 2019 Energy Cup, a five-a-side championship played among the companies that are part of the energy sector, winning the championship in the free and master categories.

Activities to enhance identification with the Company

A Leadership Workshop was organized for employees' children between the ages of 15 and 22. There was a Summer Vacation Program for employees' children between the ages of 5 and 14 that included Safe Behavior and First Aid Workshops, as well as an Environmental Care Workshop.

We celebrated the Luz del Sur Children's Day, where, together with Employees' children between the ages of 5 and 12 and their parents. There we shared the "The Can Troop and the Recycling Princess" play, which carried messages on care for the environment.

Moreover, we held the Children's Painting Contest aimed at employees' children between 5 and 14, taking place at the Lima Museum of Art (MALI), with the participation of 67 children and having as theme "Let's Celebrate Christmas at Luz del Sur".

We also organized the Christmas party for employees' children at the Granja Villa amusement park in Chorrillos.

Integration activities with the family

Activities were organized aimed at promoting a culture of prevention through First Aid Courses addressed to families.

Health, prevention and corporate benefits activities

The Vaccination Campaign against influenza for employees' relatives took place, along with the Health Fair where Health Prevention Campaigns took place, with the participation of 112 relatives including children, youths, young adults and the elderly.

In addition, we had free medical services in the specialties of nutrition, dentistry and fluoride treatments for children, ophthalmology, massages for adults, and chiropractic care. There was also a workshop on healthy eating for children and grownups as well as a health tour.

Health Preparations took place: 4 campaigns to deliver fruit to employees and interns so as to foster daily consumption.

Recruitment and Personnel Selection

During 2019, 36 employees were hired, of which 22% were former Luz del Sur interns. Furthermore, four personnel rotations were organized, thus allowing our workers to continue with their professional development within the Company.

Additionally, we continued with our Program for Attraction of Talent, in the course of which we visited universities and institutes of higher learning on a yearly basis in order to promote our employment brand as well as providing information on internship opportunities offered by the Company, underscoring the experience and knowledge they can gain. We had a total of 309 students who attended our talks and shared their interest in belonging to our company.

Development and Training

In 2019 our best practices in training continued. These are aimed at two main aspects: technical knowledge and improvement of "soft" skills for our employees. These activities are taught both in classrooms and virtually, based on the process of identifying needs in Luz del Sur. These needs have been addressed internally and externally and organized by the Development and Training Department of the Human Resources Office.

We addressed improvement in the competencies and skills of Luz del Sur's employees by means of the different programs that we offer throughout the year, among which are

- "Enfocate" Soft Skills Program for technicians.
- "Enfocate" Soft Skills Program for professionals.
- First Leadership Program for chiefs and assistant managers.
- Leadership, supervision and teamwork workshop for operators in the context of annual retraining programs.

On the other hand, the annual Safety, Occupational Health and Environment Day took place with the participation of the operations departments with the aim of strengthening the aforementioned concepts, awareness-building and empowerment in prevention.

Reinforcement of language skills and certification in the English language for our professionals in accordance with the demands of the position.

As regards training activities, a total of 53,430 hours of courses were taught, both internally and externally, which we divided by subject in order to obtain a better understanding. These subjects group together contents tailored to address Luz del Sur's needs and case studies.

Distribution of events, hours and participants per subject.

SUBJECT	# EVENTS	TOTAL HOURS	TOTAL PARTIC.	% HOURS
DEVELOPMENT	242	8,888.00	770	16.63%
MANAGEMENT	142	12,565.47	2191	23.52%
ENVIRONMENT	31	792.22	591	1.48%
HEALTH	39	715.50	563	1.34%
SAFETY	370	15,690.50	6260	29.37%
TECHNICAL	262	14,778.75	1948	27.66%
General Total	1,086.00	53,430.44	12,323.00	100%

Another classification used in the training processes is the type, which refers to the various forms of training conducted in Luz del Sur.

Distribution of events, hours and participants per type

TYPE	# EVENTS	TOTAL HOURS	TOTAL PARTIC.	% HOURS
SSMA COMMITTEE	2	91.00	34	0.17%
CONFERENCE	164	4,397.75	4,471	8.23%
CONGRESS	3	115.00	7	0.22%
COURSE	359	17,582.47	2,191	32.91%
DIPLOMA	8	4,502.50	223	8.43%
TRAINING FOR THE TASK	171	7,201.50	1,409	13.48%
SESSION	12	4,440.00	555	8.31%
SSMA PROFILE	85	3,020.47	920	5.65%
PROGRAM	40	9498.75	1864	17.78%
SEMINAR	7	525.5	32	0.98%
WORKSHOP	35	2055.5	617	3.85%
General Total	886.00	53,430.44	12,323.00	100%

Labor Relations:

In order to address employee demands jointly presented by our labor unions SUTEECEA and SUTREL, on December 18, 2018 the collective bargaining agreement that was in force throughout 2019 was signed.

In addition, meetings were held with various groups of employees seeking to emphasize the rights and duties that we have as company workers.

Security:

- ✓ Luz del Sur has managed to accumulate at December 31, 2019 12,134,518 man-hours worked without any fatal accidents.

- ✓ We revised our Safety, Occupational Health and Environmental Policy in its fourteenth version, circulating it among all our personnel.
- ✓ We conducted a thorough identification of Hazard Identification, Risk Assessment and Risk Control of the tasks carried out on an annual basis, which serves as the base for the Annual Safety Plan and Program, which is monitored monthly.
- ✓ Moreover, during 2019, 1901 field observations were carried out on works performed both by Company personnel and contractors. This represents an increase of 6.14% over the previous year.
- ✓ We monitored our management through observations and inspections. For this task we have relied on RPAS (drone) technology, which is operated by personnel from our Security department who have been authorized by the Ministry of Transport and Communications.
- ✓ We revised or drafted 66 operating work procedures.
 - ✓ We strengthened our culture of prevention and awareness-building among our personnel by means of security conferences, sessions, drills, posters, safety messaging, and bulletins. These actions are aimed at all company personnel and contractors with the aim of strengthening our commitments to security.
- ✓ Audits were completed for the departments of Luz del Sur and contractors, reinforcing security guidelines.
- ✓ A satisfactory compliance audit was carried out by an auditor certified by the Ministry of Labor and Promotion of Employment.
- ✓ We updated the training profiles for Luz del Sur personnel and its contractors.
- ✓ We've incorporated improvements in the Personal Protection Equipment, with gray arc flash-resistant masks and vertical lifeline systems in the use of telescopic ladders, among others.
- ✓ Skills were reinforced among Security personnel and the operating departments by providing updated information on Management and Legal Aspects of Security and Workplace Safety by leaders who will be giving talks on these subjects.
- ✓ Goals for accident rates were met: recorded, disabling and days lost, as established by the organization.

Number of Employees:

The following chart illustrates the number of employees between the years 2015 and 2019:

STATUS	YEAR		Dec-15		Dec-16		Dec-17		Dec-18		Dec-19	
<u>PERMANENT</u>												
MANAGEMENT		28		27		31		26		26		26
EMPLOYEES		808		677		688		680		686		686
- DEPARTMENT CHIEFS	52		44		46		46		47			
- PROFESSIONALS	278		238		244		248		248			
- TECHNICIANS	360		304		291		284		289			
- ADMINISTRATIVE STAFF	118		91		107		102		102			
WORKERS		-		-		-		-		-		-
<u>TEMPORARY</u>												
- PROFESSIONALS	15	32	6	19	12	21	15	23	12	22		
- TECHNICIANS	13		9		6		5		6			
- ADMINISTRATIVE	4		4		3		3		4			
TOTAL		868		723		740		729		734		

Environment

In conformance with its Health, Safety and Environment Policy, Luz del Sur fosters and encourages a culture of the environment inside and outside of the Company by means of awareness-building on the importance of environmental conservancy.

In addition, it develops its activities within the framework of continuous improvement, by means of the implementation of prevention activities and operational controls in order to reduce environmental impacts.

During 2019, Luz del Sur carried out the chemical destruction of oils contaminated with polychlorinated biphenyls (PCBs in excess of 50 ppm) totaling 5 metric tonnes. This was achieved by means of dechlorination, an alternative and environmentally friendly system compatible with Luz del Sur's activities and resources, and in compliance with the Stockholm Agreement.

On October 30, 2019, Luz del Sur conducted its follow-up audit for recertification for ISO Norm 14001: 2015, thus maintaining the certification granted by SGS Peru. It is very important to note that this recertification corresponds to the most recent version of the ISO 14001 Norm, which reflects our continuous commitment to the environment.

Social Responsibility:

Our Community and the Environment

Luz del Sur is aware of the needs of its stakeholders and is committed to support them as the agent of its own progress. Our role is to promote the development of the capacities of the members of the community, as well as their sustainable growth, mainly of the sectors that are directly or indirectly within our concession area. We establish goals, policies, and actions. We allocate efforts and resources to generate and maintain good relations with our surroundings, based on appreciation and respect. By means of establishing liaisons and open dialogue, we ensure shared value: Community and Company.

We voluntarily take on responsibilities that go beyond our financial interests and compliance with laws and regulations. In this way, labor legislation and regulations pertaining to environmental and social aspects are our point of departure. As part of our corporate culture, we are concerned with our ethical and moral responsibilities toward our employees and the community, as well as our environmental impact. We promote sustainable practices and consumption within our various areas of influence. Furthermore, as part of our strategic plan, we executed actions aimed at maintaining a healthy and safe work environment for all.

Furthermore, our clients are our purpose, and day by day we strive to continue improving the quality of life of millions of our compatriots, bringing development and well-being to millions of families in southeastern Lima.

Among the main activities aimed at our community and the environment that we have carried out during 2019, we can mention the following:

- Education is fundamental for the advance of the country. At an early age, a proper diet is a key factor for a person's development. Many studies have already demonstrated the relationship between nutrition and concentration, especially among children, where evidence shows that a poor diet can have a negative effect on performance at school, as well as weakening the immune system and interfering with their physical and mental development. Luz del Sur once again cooperated with the Fe y Alegria Association. We are interested in having more children having access to proper nutrition and thus improve their learning capacity. We also wish to offer development opportunities to students at schools forming part of the Fe y Alegria Peru network, located in poor urban areas, and where quality education is provided free. We made contributions to ODS 10 (Reduction of Inequality), thus helping more people to have equitable access to the possibility of increasing their potential and having a better quality of life.
- As in the past, Luz del Sur provided support to the San Juan de Dios Clinic by means of the 2019 Telethon. On this occasion, Luz del Sur employees joined the Telethon in an internal fundraising campaign "Telethon 2019: We're in this together". This was organized by the Luz del Sur Volunteers Committee, in which all Luz del Sur employees were given the chance to become "Telethon Ambassadors" with their donation. As a result, an important contribution on behalf of the employees was obtained and added to the Company's donation. With the funds raised by the Telethon, we helped with the rehabilitation of more than 2,00 youths and children who receive attention at the San Juan de Dios clinics in Lima, Chiclayo, Cusco, Arequipa, Iquitos and Piura, making the dreams of thousands of families come true. In addition, we contributed to promote inclusion and respect for the rights of thousands of people with disabilities in Peru.(ODS 3:Health and Welfare).
- Luz del Sur promotes a culture of the environment through activities aimed at continual improvement, maintaining best environmental practices and implementing prevention and control actions in its operations with the aim of reducing environmental impacts. With our "Luz del Sur Eco-Responsible" program we seek to create social awareness among our employees on the importance of recycling and other responsible practices for conservation of the environment. With this, we contribute to ODS 12: Responsible Production and Consumption.
- In 2019, for the second consecutive year, we received recognition as a Socially Responsible with Children Business, obtaining the third place in the "Reciclame, cumple tu

paper” campaign for Aldeas Infantiles S.O.S. Peru in partnership with Kimberly-Clark, collecting more than 25 tonnes of paper, an amount greater than the previous year. Thanks to our participation, we covered 64 food scholarships for children in Aldeas Infantiles S.O.S. Peru, Furthermore, we have generated environmental benefits by preserving 434 trees as well as saving 2,044 m³ in water and 121,363 kWh in energy. Thus we demonstrate that year to year in Luz del Sur we are more efficient in our consumption and responsible with the environment.

- Luz del Sur, in association with Ayudando Abrigando and Fundacion Oli, provides support to populations living in extreme poverty, those with no access to covering basic needs and with no protection from the frosts and cold waves (friaaje) that threaten the health of these inhabitants. Since 2017, we joined the charitable recycling project with our “Luz que Abriga” campaign, aimed at awareness-building among our employees and other stakeholders on the importance of efficient recycling of plastic and conservation of the environment. The plastic we donate is transformed into a textile fiber which is the raw material for the production of blankets that are then delivered to needy Peruvians throughout the country. In 2019 we managed to collect 875.35 kg of plastic, more than the previous year. This result is the equivalent of more than 67 blankets that provided warmth to inhabitants living in vulnerable areas while reducing our environmental footprint. We are currently one of the greatest contributors that Ayudando Abrigando has on terms of donations of PET and PAD plastic, and we feel increasingly committed both to our community and the environment.

- We supported the Enlace Solidario Association with their “Plato Fuerte” program, providing orphans and abandoned children the opportunity to integrate into the community as good citizens. We help 222 children living at the Aldea Infantil Westfalia Kinderdorf, and Hogar de Niñas Nuestra Señora de la Misericordia shelters.

Analysis and Discussion by the Administration of the Operating Results and Financial Situation

Comparison of the periods ending December 31, 2019 and December 31, 2018 Consolidated Financial Information

OPERATING RESULTS

Operating Income

During the year 2019, operating income was S/. 3,267.3 million, an amount 4.81% less than for 2018.

	For the years ending at December 31st :		
	2019	2018	Percentage variation
Income from electricity distribution (S/ million)	3,194.7	3,024.7	5.62%
Income from electricity generation (S/ million)	69.9	89.8	-22.16%
Income from rentals (S/ million)	2.8	3.0	-6.67%
Total operating income (S/ MM)	3,267.3	3,117.5	4.81%

Income from distribution of electrical energy

	For the years ending at December 31st :		
	2019	2018	Variación porcentual
Income from electricity sales (S/ million)	3,108.6	2,935.4	5.90%
Electricity sold (GWh)	9,420.9	9,145.2	3.01%
Average Price for energy sales (S/ per kWh)	0.3300	0.3210	2.80%
Complementary services (S/ MM)	86.1	89.3	-3.58%
Total income from electricity distribution (S/ MM)	3,194.7	3,024.7	5.62%

At December 31, 2019, income from electricity sales totalled S/ 3,108.6 million, an increase of 5.9% over the previous year's sales. This was due to a 3.01% increase in electricity sales by volume compared to 2018, and a 2.8% increase in average sales prices for energy.

Revenues from complementary services, which include new connections, maintenance and installation of meters, charges for power disconnection and reconnection, compensation payments for third-party infrastructure works and other income decreased by 3.58%, from S/ 89.3 million in 2018 to S/ 86.1 million for 2019. This is due mainly to lower revenues from compensations, which were S/ 3.7 million less than those registered in fiscal year 2018.

Income from electricity generation

	For the years ending at December 31st :		
	2019	2018	Percentage variation
Electricity sold (GWh)	677.1	682.6	-0.81%
Average price for energy sales (S/ per kWh)	0.1032	0.1316	-21.58%
Total revenues from power generation sales (S/ MM)	69.9	89.8	-22.16%

At December 31, 2019 revenues from power generation sales reached S/ 69.9 million, 22.16% less than the previous year. This was due mainly to a 21.58% reduction in the average sales price for energy sales, and a 0.81% reduction in sales by volume.

Revenue from sale and rental of offices

During 2019 and 2018 no revenue from sale of offices was recorded. With regard to revenue from rents, during fiscal year 2019 it amounted to S/ 2.8 million, an amount 6.67% lower than the previous year, which was S/ 3 million.

Distribution clients

The number of clients increased by 2.76%, reaching a total of 1,165,564 at the end of 2019.

	2019	2018	Percentage variation
Number of clients	1,165,564	1,134,288	2.76%

1. Operating Costs and Expenses

Total operating costs and expenses during 2019 totalled S/2,233.7 million, a 1.59% increase over the S/ 2,198.7 million obtained in 2018.

Energy purchases

Energy purchases increased by 0.83%, going from S/ 1,825 million in 2018 to S/ 1,840.2 million in 2019, as can be seen in the following chart:

	For the years ending at December 31st :		
	2019	2018	Percentage variation
Energy purchases (S/ MM)	1,840.2	1,825.0	0.83%
Energy purchases (GWh)	6,698.4	6,713.9	-0.23%
Average cost for energy purchases (S/ per kWh)	0.2747	0.2718	1.07%
Distribution and generation expenses (S/ million)	393.0	373.3	5.28%
Total energy generation and distribution costs (S/ MM)	2,233.2	2,198.3	1.59%

In fiscal year 2019 energy purchases were S/ 15.2 million dollars greater due to the 1.07% increase in the average cost of energy purchased (from S/ 0.2718 per kWh in 2018 to S/ 0.2747 per kWh in 2019), in spite of a reduction of 0.23% in energy purchases by volume, from 6,713.9 GWh in 2018 to 6,698.4 GWh in 2019. It is important to point out that the cost of electricity purchased is transferred by means of the tariffs charged to clients, so that such changes do not normally affect operating margins.

Marketing expenses

During 2019, marketing expenses totalled S/. 60.4 million, an amount 11.44% greater than the S/ 54.2 million recorded in 2018. This increase is due mainly to higher personnel expenses (about S/ 2.7 million, and a greater provision in the estimate for the impairment of accounts receivable (S/ 2.4 million).

Administrative expenses

In 2019 administrative expenses fell by S/ 3.3 million, going from S/ 100.3 million recorded in 2018, to S/ 97 million for the year 2018, a 3.29% decrease. This change is mainly due to a reduction in costs for third-party services (S/4 million).

Depreciation and amortization expenses

During 2019, depreciation and amortization expenses were S/. 119.6 million, greater than the S/. 104.1 million recorded in 2018.

Other operating income and expenses

Other operating income was S/. 44.7 million, lower than for the year 2018, which was S/ 68.7 million. This was due mainly to recording in this fiscal year the divestment of the Garibaldi project for S/ 33.3 million.

Other operating costs were reduced by 3.9 million, mainly because in 2018 a divestment cost was registered of S/ 2.8 million for the aforementioned Garibaldi project

Operating Profits

Based on the above explanation, operating profits for the year 2019 period were 11.14% greater than those recorded in 2018, going from S/ 825.3 million to S/ 917.2 million.

Financial income

During 2019 financial income was S/ 21.8 million, 42.33% less than the S/ 37.8 million recorded in 2018. This decrease is mainly due to lower interest income from undue payments (S/ 18.4 million).

Financial expenses

Financial expenses increased by 9.88%, going from S/ 99.2 million in 2018 to S/ 109 million in 2019. This increase is mainly due to higher interests, fees and other financial expenses (S/ 7.4 million), and exchange losses (S/ 2 million).

Net profit

Pre-tax profits for 2019 were S/ 830.1 million, 8.67% higher than year-end 2018, which totalled S/. 763.9 million. Net profit for 2019 totalled S/ 582.5 million, 8.03% higher than 2018, which was S/ 539.2 million.

Profit (in S/ 000)	2019	2018
Before income tax	830,085	763,944
Income tax	(247,627)	(224,740)
Net profit from January 1st to December 31st	582,458	539,204
Per share (Soles)	1.196	1.107

FINANCIAL SITUATION

Financial Situation Statement

Current assets

These totalled S/ 629 million, a decrease of 14.17% over 2018, which was S/ 720.4 million. At December 31, 2019, the liquidity ratio was 0.6. Cash and equivalents at close of fiscal year 2019 covered 3.65% of short-term obligations. Cash surpluses are temporarily invested in short-term deposits generating market-rate yields, the chief currency being soles.

The balance of the cash and equivalents account was S/ 38.3 million, a S/ 31.2 million decrease with respect to the balance at year-end 2018, which was S/ 69.5 million.

Fixed assets

Outlays for investments in fixed assets during the fiscal year 2019 totalled S/ 47.4 million, allocated mostly to the improvement of capacity and improvements in the energy grid, as well as the purchase of machinery and equipment pursuant to the Company's master plan to maintain an operating level in line with the latest technology while increasing the productivity and efficiency in the use of its assets, as well as the investments made in the Santa Rosa Hydroelectric Plant. At the close of the fiscal year 2019, net fixed assets including property investments, were S/ 6,161.1 million.

Working capital

At the close of 2019, working capital presented a deficit of S/ 419.9 million, less than the S/ 163.9 shortfall obtained at the close of 2018, due to the increase in financial obligations, which increased by S/ 170.7, and a reduction in cash and cash equivalents, which decreased by S/ 31.2 million.

Current and long term liabilities

Total liabilities for Luz del Sur and subsidiaries totalled S/ 3,536.5 million, with current liabilities making up 29.67%, the chief components being financial obligations (S/478.9 million), commercial accounts receivable (S/ 335.9 million) and other accounts payable (S/ 121.5 million), which together represented 89.25% of current obligations.

Non-current liabilities accounted for 75.39% of net equity, the main components being long-term financial debt (S/ 1,700.1 million) and deferred taxes (S/ 751.6 million) representing 68.35% and 30.22% respectively. Likewise, long-term debt, without taking into account liabilities arising from deferred taxes, accounted for 52.61% of net equity.

Financial obligations

Luz del Sur and subsidiary companies' long-term debt (including the current portion) increased from S/ 2,031 million at year-end 2018 to S/ 2179 at the close of 2019, which represents an increment of 7.29%. The balance corresponding to long-term debt at year-end 2019 was S/ 1,700.1 million, 1.32% less than the S/ 1,722.9 million recorded at the end of 2018. This balance was made up of financial debt with the banking sector and corporate bonds issued under the framework of the Luz del Sur S.A.A. Third and Fourth Programs of Corporate Bonds and Short-term Instruments.

Equity

At December 31, 2019, equity totalled S/ 3,299.5 million, made up mostly of accumulated profits (S/ 1,679 million) and the net revaluation surplus (S/ 1,146 million). Share capital was S/ 331.1 million (corresponding to 486,951,371 shares) that represent 10.04% of equity. Net return on equity at end of fiscal year 2019 was 17.65% and the book value per share was S/ 6.78.

BOOK VALUE OF ASSETS AND LIABILITIES

The book value of the assets and liabilities is recorded in conformance with Generally Accepted Accounting Principles and rules established by Peru's Securities and Exchange Commission, the Superintendencia del Mercado de Valores.

Analysis and Discussion by the Administration of the Operating Results and Financial Situation

Comparison of the periods ending December 31, 2019 and 2018 Individual Financial Information

OPERATING RESULTS

Operating Income

During 2019, operating income was S/ 3,194.7 million, 5.32% more than the year 2018.

	For the years ending at December 31st:		
	2019	2018	Percentage variation
Income from electricity distribution sales (S/. million)	3,194.7	3,024.7	5.62%
Income from electricity generation sales (S/. million)	0.0	8.5	-100.0%
Total operating income (S/. million)	3,194.7	3,033.2	5.32%

Revenues from electricity distribution (S/ million)

	For the years ending at December 31st:		
	2019	2018	Percentage variation
Income from electricity distribution sales (S/. million)	3,108.6	2,935.4	5.90%
Electricity sold (GWh)	9,420.9	9,145.2	3.01%
Average sales price for energy (S/ por kWh)	0.3300	0.3210	2.80%
Complementary services (S/ MM)	86.1	89.3	-3.58%
Total revenues for electricity distribution (S/ MM)	3,194.7	3,024.7	5.62%

At December 31, 2019, income from electricity sales totalled S/ 3,108.6 million, 5.9% more than the previous year's sales. This was due to a 3.01% increase in the average sales price of energy sold by volume with respect to the previous year, and a 2.8% increase in the average sales price for energy.

The greatest increase in sales by volume was in the public lighting system (25.24%), followed by toll clients (12.78%) and residential clients (1.46%). Sales per volume in the industrial, free and commercial clients decreased by 19.67%, 16.16% and 2.25% respectively.

Toll clients refers to energy consumption billed by suppliers other than Luz del Sur. The company generates revenues for the use of its grid and this is known as tolling.

	2019		2018		Percentage variation
	GWh	%	GWh	%	
Residential	3,039.0	32.26	2,995.4	32.75	1.46%
Commercial	2,202.9	23.38	2,253.7	24.64	-2.25%
Industrial	500.7	5.31	623.3	6.82	-19.67%
Public lighting	308.1	3.27	246.0	2.69	25.24%
Free clients	126.1	1.34	150.4	1.65	-16.16%
Sub-total	6,176.8	65.56	6,268.8	68.55	-1.47%
Toll clients	3,244.1	34.44	2,876.4	31.45	12.78%
Total	9,420.9	100.00	9,145.2	100.00	3.01%

Revenues from complementary services, which include building new connections, maintenance and installation of meters, charges for disconnection and reconnection of electricity, compensation payments for third-party infrastructure works and other income, decreased by 3.58%, from S/ 89.3 million during 2018 to S/ 86.1 million in 2019. This was due chiefly to fewer revenues from compensation payments for third-party infrastructure works that were S/ 3.7 million lower than those registered in fiscal year 2018.

Income from electricity generation sales

As of September 1, 2015, the Santa Teresa – Collpani Grande hydroelectric plant, with an effective output of 99.71 MW, began operations. Pursuant to a simple reorganization that took place on February 1, 2018, a block of equity corresponding to the assets and liabilities of said hydroelectric plant was transferred to Inland Energy S.A.C. Consequently, as of that date Luz del Sur's individual results do not consider generation operations.

Operating costs and expenses

Power distribution and generation costs during 2019 totalled S/ 2,207.1 million, 2% greater than recorded for 2018.

Energy purchases

Energy purchases increased by 1.71%, from S/ 1,813.6 million in 2018 to S/ 1,844.6 million in 2019, as can be seen as follows:

	For the years ending at December 31st:		
	2019	2018	Percentage variation
Energy purchases (S/. million)	1,844.6	1,813.6	1.71%
Energy purchases by volume (GWh)	6,698.4	6,713.9	-0.23%
Average cost for energy purchases (S/ per kWh)	0.2754	0.2701	1.96%
Distribution and generation expenses (S/ million)	362.5	350.3	3.48%
Total operating costs (S/ million)	2,207.1	2,163.9	2.00%

The increase in the cost of energy purchases is due to the 1.96% increase in electricity purchases by volume, from S/ 0.2701 per kWh in 2018 to S/ 0.2754 per kWh in 2019) offset by a reduction of 0.23% in energy purchases by volume (from S/ 6,713.9 GWh in 2018 to S/ 6,698.4 GWh in 2019). It is important to point out that the cost of purchased power is transferred to clients in the tariffs charged, so such changes do not normally affect operating margins.

Marketing expenses

During 2019, marketing expenses totalled S/ 60.4 million, an amount 11.44% greater than in 2018, which was S/ 54.2 million. This increase is due mainly to personnel expenses, which grew by S/ 2.7 million.

Administrative expenses

In fiscal year 2019 administrative expenses decreased by S/ 4.4 million, going from S/ 96.7 million in 2018 to S/ 92.3 million at year-end 2019, a 4.5% reduction. This decrease is principally due to fewer third party services (S/ 3.8 million).

Depreciation and amortization expenses

During 2019, depreciation and amortization expenses were S/ 197.3 million, an amount greater than the S/ 94.7 million recorded in 2018.

Other operating income and expenses

Other operating income was S/ 41.2 million, an amount greater than that recorded for 2018, which was S/ 35.7 million, due to the fact that in fiscal year 2019 there was a recovery for inventory devaluation (2.1 million), cost recovery, an increase in income for support on posts (S/ 1 million).

Other expenses diminished by S/ 1.2 million, owed mainly to fewer expenses derived from administrative sanctions (S/ 1.6 million).

Operating Profits

Based on the above explanation, operating profits for 2019 were 16.4% greater than those recorded for 2018, increasing from S/ 749.4 million to S/ 872.4 million.

Financial income

During 2019, financial income was S/ 38.7 million, an amount 40.55% less than the S/ 65.11 million recorded in 2018. This decrease is mainly due to lower interest income derived from undue payments (S/ 18.4 million).

Financial expenses

In 2019, financial expenses increased by 7.31%, going from S/ 88.9 million in 2018 to S/ 95.4 million in 2019. This increase is due mainly to greater interest payments, fees, and other financial expenses for S/ 7.6 million.

Net profits

Pre-tax profits for 2019 were S/ 815.8 million, 12.42% higher than those obtained for fiscal year 2018, which totalled S/ 725.7 million. Net profits for 2019 totalled S/ 578.4 million, an amount 10.97% higher than 2018, which was S/ 521.2 million.

Profits (in S/. 000)	2019	2018
Before income tax	815,815	725,675
Income tax	(237,416)	(204,448)
Net profits between January 1st and December 31st	578,399	521,227
Per share (Soles)	1.188	1.070

FINANCIAL SITUATION

Financial Situation Statement

Current assets

These totalled S/ 578 million, a 10.35% increase over year-end 2018, which was S/ 644.7 million. At December 31, 2019, the liquidity ratio was 0.64. Cash and cash equivalents at close of fiscal year 2019 covered 1.19% of short-term debts. Cash surpluses are invested in short-term deposits, generating market-rate yields, the chief currency being soles.

The balance of the cash and equivalents account was S/ 10.8 million, a S/ 5.5 million decrease with respect to the balance at year-end 2018, which was S/ 16.3 million.

Fixed assets

Investment in fixed assets during the fiscal year 2018 totalled S/ 465.6 million, allocated to the expansion in capacity and improvement of the electric grid and the purchase of machinery and equipment within the framework of the Company's master plan aimed at maintaining an operating level in line with the latest technology and enhancing the productivity and efficiency of its assets. Net fixed assets at close of fiscal year 2019, including real estate investments, were S/ 5,524.4 million.

Working capital

The close of 2019 presented a working capital deficit of S/ 331,8 million, an amount smaller than the deficit of S/ 145.7 million at year-end 2018, resulting mainly from the increase in financial debt, which grew by S/ 103.5 million and a decrease in other accounts receivable, which were S/ 70 million lower.

Short and long-term liabilities

Total liabilities for Luz del Sur were S/ 3,207.7 million, of which 28.36% were short-term liabilities, made up mostly of financial debt (S/ 347.3 million), commercial accounts payable (S/ 326 million) and other accounts payable (S/ 120.1 million), which together represented 87.21% of current liabilities.

Non-current liabilities were equivalent to 57.1% of net equity, made up mostly of long-term financial debt (S/ 1,615.1 million) and deferred taxes (S/ 645.8 million), accounting for 70.29% and 28.1%, respectively. Likewise, long-term debt excluding deferred taxes was equivalent to 41.06% of total equity.

Financial debt

Company long-term debt (including the current portion) increased from S/ 1,814.7 million at year-end 2018 to S/ 1,962.5 million at year-end 2019, an increase of 8.14%. The balance corresponding to long-term debt at year-end 2019 was S/ 1,615.1 million, 2.81% greater than the S/ 1,570.9 million recorded at year-end 2018. Said balance is made up of debt with the banking system and corporate bonds issued under the framework of the Third and Fourth Programs for Corporate Bonds and Short-term Instruments of Luz del Sur S.A.A.

Equity

At December 31, 2019, equity totalled S/ 4,024.1 million, made up mostly of accumulated profits (S/. 1,620 million) and a net revaluation surplus (S/ 1,130.7 million). Share capital was S/ 331.1 million (corresponding to 486,951,371 shares) representing 8.23% of equity. Net return on equity at the close of fiscal year 2019 was 14.37% and the book value of the share was S/ 8.26.

BOOK VALUE OF ASSETS AND LIABILITIES

The book value of the assets and liabilities is recorded in conformance with Generally Accepted Accounting Principles and rules established by Peru's Securities and Exchange Commission, the Superintendencia del Mercado de Valores