

PETRÓLEOS DEL PERÚ - PETROPERÚ S.A.

CONDENSED INTERIM FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2023, DECEMBER 31, 2022, AND SEPTEMBER 30, 2022

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USD = US Dollar
S/ = Peruvian Sol
EUR = Euro



PETROLÉOS DEL PERÚ - PETROPERÚ S.A.
CONDENSED INTERIM FINANCIAL POSITION STATEMENT

ASSET	Note	As of	As of	LIABILITY AND EQUITY	Note	As of	As of
		September 30,	December 31,			September 30,	December 31,
		2023	2022			2023	2022
		USD 000	USD 000			USD 000	USD 000
Current asset				Current liabilities			
Cash and cash equivalents	8	71,847	88,746	Other financial liabilities	13	1,139,862	867,741
Trade accounts receivable	9	329,670	471,673	Trade accounts payable	14	1,488,006	1,101,922
Other accounts receivable	10	454,987	491,076	Accounts payable to related entities	15	630,183	134,591
Inventories	11	1,095,397	1,032,909	Other accounts payable		137,134	91,260
Other assets		3,348	9,065	Other provisions	16	56,697	51,273
Total current assets		1,955,249	2,093,469	Lease liabilities		40,251	18,500
				Total current liabilities		3,492,133	2,265,287
Non-current assets				Non-current liabilities			
Other accounts receivable	10	858,780	714,931	Other financial liabilities	13	4,029,339	4,099,706
Property, plant, and equipment	12	7,182,343	7,050,239	Accounts payable to related entities	15	295,361	751,297
Investment properties		9,527	9,535	Provisions	16	12,574	12,574
Intangible assets and others		47,733	44,351	Deferred tax liabilities		141,826	149,465
Right-of-use assets		43,747	29,073	Lease liabilities		4,038	10,946
Total non-current assets		8,142,130	7,848,129	Total non-current liabilities		4,483,138	5,023,988
				Total liabilities		7,975,271	7,289,275
				Equity	17		
				Shareholder equity		2,675,209	1,660,586
				Additional capital		-	1014623
				Legal reserve		8,724	8,724
				Accumulated results		(561,825)	31,610
				Total equity		2,122,108	2,652,323
						10,097,379	9,941,598
TOTAL ASSET		10,097,379	9,941,598	TOTAL LIABILITIES AND EQUITY		2,675,209	1,660,586

The accompanying notes on pages 6 to 39 are part of the financial statements.



PETROLÉOS DEL PERÚ - PETROPERÚ S.A.

CONDENSED INTERIM COMPREHENSIVE INCOME STATEMENT

	Note	For the three-month period ended September 30,		For the nine-month period ended September 30,	
		2023	2022	2023	2022
		USD 000	USD 000	USD 000	USD 000
Ordinary activities income	18	1,132,416	1,356,919	2,963,566	4,320,997
Other operating income		14,899	12,087	44,442	37,823
Total income		1,147,315	1,369,006	3,008,008	4,358,820
Sales cost	19	(1,111,931)	(1,500,368)	(3,196,461)	(4,195,226)
Gross profit		35,384	(131,362)	(188,453)	163,594
Selling and distribution expenses	20	(16,775)	(13,814)	(49,032)	(51,234)
Administration expenses	21	(75,983)	(27,767)	(147,237)	(115,439)
Other income	23	4,842	6,626	17,386	17,360
Other expenses	23	(15,463)	(5,218)	(27,817)	(17,369)
Operation costs, net		(103,379)	(40,173)	(206,700)	(166,682)
(Loss) Profit from operating activities		(67,995)	(171,535)	(395,153)	(3,088)
Financial income		769	868	3,521	12,390
Financial expenses		(72,138)	(23,625)	(189,163)	(103,813)
Net exchange difference		21,004	(15,208)	43,155	41,445
(Loss) Profit before income tax		(118,360)	(209,500)	(537,640)	(53,066)
Income tax	24	(31,547)	34,468	7,425	(7,784)
Net income for the period and comprehensive income		(149,907)	(175,032)	(530,215)	(60,850)
(Loss) Basic and diluted earnings per share	26	(0.011)	(0.032)	(0.081)	(0.011)

The accompanying notes on pages 6 to 39 are part of the financial statements.



PETROLÉOS DEL PERÚ - PETROPERÚ S.A.

**CONDENSED INTERIM EQUITY CHANGES STATEMENT
 FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2023, AND 2022**

	Number of shares	Social capital USD 000	Additional capital USD 000	Legal reserve USD 000	Accumulated results USD 000	Total equity USD 000
Balance as of January 1, 2021	5,368,412,525	1,599,443	-	1,930	307,546	1,908,919
Net income and comprehensive income for the year	-	-	-	-	(60,850)	(60,850)
Transactions with shareholders:						
- Capital contribution	-	-	-	-	-	-
- Transfer to additional capital and legal reserve	-	-	61,143	6,794	(67,937)	-
- Transfer from additional capital to capital stock	-	-	-	-	-	-
Total transactions with shareholders	-	-	61,143	6,794	(67,937)	-
Balance as of September 30, 2022	5,368,412,525	1,599,443	61,143	8,724	178,759	1,848,069
Balance as of January 1, 2022	5,572,168,000	1,660,586	1,014,623	8,724	(31,610)	2,652,323
Net income and comprehensive income for the year	-	-	-	-	(530,215)	(530,215)
Transactions with shareholders:						
- Capital contribution	-	-	-	-	-	-
- Transfer to additional capital and legal reserve	-	1,014,623	(1,014,623)	-	-	-
- Transfer from additional capital to capital stock	-	-	-	-	-	-
Total transactions with shareholders	-	1,014,623	(1,014,623)	-	-	-
Balance as of September 30, 2023	5,572,168,000	2,675,209	-	8,724	(561,825)	2,122,108

The accompanying notes on pages 6 to 39 are part of the financial statements.



PETROLÉOS DEL PERÚ - PETROPERÚ S.A.
CONDENSED INTERIM CASH FLOW STATEMENT

	Note	For the nine-month period ended September 30,	
		2023	2022
		USD 000	USD 000
OPERATING ACTIVITIES			
Net cash provided by operating activities		245,930	(704,362)
Interest payment	13 and 14	(42,092)	(9,787)
Payment of income tax		(21,993)	(46,491)
Net cash (applied to) provided by operating activities		181,845	(760,640)
INVESTMENT ACTIVITIES			
Early refund of general sales tax related to investment activities	9	-	-
General sales tax related to investment activities	9	(33,308)	(42,243)
Payment for the purchase of property, plant, and equipment		(195,210)	(271,331)
Capitalized interest paid	14	(99,697)	(104,016)
Payment for the purchase of intangible assets		(5,262)	(645)
Withdrawal of investment from fixed-term deposits		-	-
Investment in fixed-term deposits		-	-
Net cash applied to investing activities		(333,477)	(418,235)
FINANCING ACTIVITIES			
Loans received from financial institutions	14	1,875,923	1,937,940
Loan received from related entity	15 (a)	-	750,000
Loans received from related entity for cancellation documents	15	-	157,295
Payment of loans to related entity for cancellation documents	15	-	(24,721)
Payment of loans to financial institutions	13	(1,729,002)	(1,857,555)
Payment of lease liabilities		(14,875)	(9,342)
Net cash provided by financing activities		132,046	953,617
(Net decrease) net increase in cash and cash equivalents		(19,586)	(225,258)
Effect of exchange rate variation on cash		2,687	1,072
Cash and cash equivalents at the beginning of the period		88,746	239,557
Cash and cash equivalents at the end of the period		71,847	15,371
TRANSACTIONS FROM FINANCING AND INVESTMENT ACTIVITIES THAT DID NOT GENERATE CASH FLOWS			
- Addition of right-of-use assets and lease liabilities		29,669	16,110
- Unpaid accrued interest	13	67,674	4,698
- Work in progress payable		8,805	29,434

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PETROLÉOS DEL PERÚ - PETROPERÚ S.A.

CONDENSED INTERIM CASH FLOW STATEMENT

	Note	For the nine-month period ended	
		September 30,	
		2023	2022
		USD 000	USD 000
Net income for the year and comprehensive income		(530,215)	(60,850)
Adjustments to reconcile net income for the year to cash provided by operating activities from operating activities:			
Allowance for inventory impairment	10		6
Provision for contingencies	18	2,346	1,168
Provision for capping and environmental remediation	18	27,023	17,299
Depreciation of property, plant and equipment and investment property	11 and 12	152,715	53,141
Allowance for impairment of trade receivables	8	71	166
Amortization		2,474	2,306
Depreciation of right-of-use assets	13	9,551	7,302
Property, plant and equipment and investment property retirement and adjustments	27	793	70
Deferred income taxes	19	(7,639)	7,784
Proceeds from donation of assets	27	-	-
Effect of unrealized foreign exchange difference adjustment		(2,687)	(1,072)
		<u>(345,568)</u>	<u>27,320</u>
Net changes in operating assets and liabilities:			
Trade accounts receivable		141,932	(254,331)
Other accounts receivable		(75,238)	(278,634)
Inventories		(62,488)	(350,822)
Other assets		-	-
Expenses contracted in advance		5,717	(3,989)
Trade accounts payable		401,199	147,491
Other accounts payable and provisions		180,376	8,603
Net cash (applied to) provided by operating activities		<u>245,930</u>	<u>(704,362)</u>

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PETRÓLEOS DEL PERÚ - PETROPERÚ S.A.

CONDENSED INTERIM FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2023, DECEMBER 31, 2022, AND SEPTEMBER 30, 2022

1 IDENTIFICATION AND ECONOMIC ACTIVITY

a) Identification -

Petróleos del Perú - PETROPERÚ S.A. (hereinafter, the Company), was incorporated on July 24, 1969, under Decree Law No. 17753.

The Company is a state company under private law that carries out its activities in the energy and mining sector, and the hydrocarbon subsector. The Company is organized and operates as a public limited company in accordance with the provisions of Legislative Decree No. 043, Law of the Company Petróleos del Perú - PETROPERÚ S.A. published on March 4, 1981 and its amendments, which establish that the Peruvian State is the owner of all the representative shares of the Company's capital stock, and Article 12 of the Regulations of Law No. 28840 provides that each member of the General Meeting of Shareholders, will represent the number of shares of the Company's capital stock that results from dividing the total of the shares by the number of members appointed in representation of the Peruvian State.

The Company is registered with the *Superintendencia de Mercados de Valores* (Superintendency of Securities Markets (SMV)).

The Company's main offices are located at Av. Enrique Canaval y Moreyra No. 150, San Isidro, Lima, Peru.

By provision of Law No. 28840 - Law of Strengthening and Modernization of the Company Petróleos del Perú - PETROPERÚ S.A., the Company was expressly excluded from the scope of the *Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado* (National Fund for the Financing of State Business Activity) - FONAFE and the *Sistema Nacional de Inversión Pública* (National Public Investment System) - SNIP. In addition, with the second final provision of Law No. 28840, Supreme Resolution No. 290-92-PCM was repealed, which included the Company in the process of promoting private investment, as well as any provision that opposed the Law No. 28840.

The Company is governed by its Organic Law approved by Legislative Decree No. 043, its Statute, Law No. 28840 - Law of Strengthening and Modernization of the Company Petróleos del Perú - PETROPERÚ S.A. (its Regulations, approved by Supreme Decree No. 012-2013-EM, on April 27, 2013) and additionally by the General Law of Companies, being subject only to the control of the *Contraloría General de la República* (Comptroller General of the Republic) (CGR), supervisory entities (Superintendence of Securities Markets – SMV) and regulatory entities (OSINERGMIN, OEFA, SUNAT, SUNAFIL, among others).

Likewise, in accordance with the provisions of the third final provision of Legislative Decree No. 1031, which promotes the efficiency of the state's business activity dated June 23, 2008, section 9.3 of Article 9 and Article 12 of said Legislative Decree No. 1031 are applicable. In the first case, the financial statements are audited annually by independent external auditors appointed by the General Shareholders' Meeting, and in the second case, by resolution of the General Shareholders' Meeting, the minimum level of registration of its capital stock in the Public Registry of the Stock Market will be determined, subject to the provisions issued by the SMV.

The provisions of Law No. 30130 published on December 18, 2013, which was called "Law that declares of public necessity and national interest the priority execution of the modernization of the Talara Refinery to ensure the preservation of air quality and public health and adopts measures to strengthen the Corporate Governance of Petróleos del Perú - PETROPERÚ S.A.", also apply to it, which provides that the Company execute the *Proyecto de Modernización de la Refinería de Talara* (Talara Refinery Modernization Project) (hereinafter, PMRT), as well as its Regulations, approved by Supreme Decree No. 008-2014-EM,



published on March 24, 2014. According to Article 5 "Approval of guarantees' granting" of Law No. 30130 it is approved the granting of guarantees by the National Government up to an amount of USD 200 million annually, up to a cumulative total of USD 1,000 million in support of the financial obligations derived from the financing contracted by the Company to execute the PMRT, in case the Company does not reach the financial flows to assume said obligations. As of September 30, 2023, and December 31, 2022, the use of said guarantees has not been required.

Additionally, on December 30, 2016, Legislative Decree No. 1292 was published, declaring the safe operation of the North Peruvian Pipeline to be of public necessity and of national interest and it provides the reorganization and improvement of the Company's Corporate Governance. On August 15, 2019, Law No. 30993 was published, which declared the preparation and execution of the *Proyecto de Afianzamiento y Modernización del Oleoducto North Peruvian* (North Peruvian Pipeline Strengthening and Modernization Project) to be of national interest, in order to guarantee the operation and efficient maintenance of the North Peruvian Pipeline, expand its extension, increase its transport capacity and profitability, safeguard the conservation of the environment and complement the Talara Refinery Modernization Project, as well as guarantee an adequate participation by way of taxes, fees and royalties in favor of the State.

b) Economic activity -

With Law No. 28244 of June 2, 2004, the Company was authorized to negotiate agreements with PERUPETRO S.A. in exploration and/or exploitation and operations or oil services according to law.

The Law of Strengthening and Modernization of the Company Petróleos del Perú - PETROPERÚ S.A. establishes that the Company will act with economic, financial, and administrative autonomy and in accordance with the annual and five-year objectives approved by the Ministry of Energy and Mines of Peru. The acts and agreements that it subscribes in the fulfillment of its corporate purpose will be subject to what is established in: i) Legislative Decree No. 043 and its amendments, ii) its Statute, iii) its internal regulations, iv) the agreements of its Board of Directors, v) the Standards of the National Control System and vi) the specific regulations for the Company.

The foreign trade operations carried out by the Company are governed by generally accepted international trade customs and traditions and by the generally accepted rules of International Law and the hydrocarbon and energy industry.

As part of its corporate purpose, the Company carries out activities provided for in Law No. 26221, Organic Law that regulates Hydrocarbon's activity in the National Territory. These activities include all phases of the oil industry and trade, its derivatives, basic and intermediate petrochemicals, and other forms of energy.

With Law No. 29970 - Law that strengthens Energy Security and promotes the development of the petrochemical pole in the south of the country, the participation of the Company, individually or in association, is provided in the development of the petrochemical pole referred to in said Law.

Law No. 30130 authorizes the Company to sell or issue shares to be placed on the Stock Market. In this process, the State may incorporate a private participation of up to 49% of its outstanding capital stock. Likewise, it is established that the Company may carry out investment activities and projects, as long as they do not generate firm or contingent liabilities for the Company, present or future, do not affect the guarantees of the Talara Refinery Modernization Project (PMRT) and do not demand resources from the Public Treasury, which does not limit those projects that allow the Company to maintain its operations once the law enters into force. These restrictions will cease when the Company generates sufficient flows to guarantee the payment of the indebtedness to be contracted for the investments related to the PMRT and a private participation of at least 40% has been incorporated in its outstanding capital stock.



By means of Law No. 30357, published on November 6, 2015, the Fourth Final Complementary Provision was incorporated to Law No. 30130, authorizing PERUPETRO to enter into the hydrocarbon exploitation contract for Block 192 with PETROPERU S.A., after evaluation and through direct negotiation.

With Supreme Decree No. 031-2016-MEM of December 1, 2016, the assignment of the contractual position in the License Agreement for the Exploration and Exploitation of Hydrocarbons in Block 64 was approved by the Company in favor of Geopark Perú S.A.C., the latter being designated as the operator of the aforementioned agreement. Likewise, on December 2, 2016, the Public Deed of the aforementioned assignment was signed. In August 2020, the Company decided to accept the assignment of the 75% stake in the License Agreement for Block 64, held by Geopark Perú S.A.C., because in July it notified the Company that it irrevocably chose to exercise the option to withdraw the License Agreement. On September 28, 2021, Supreme Decree No. 024-2021-EM was published in the official gazette El Peruano, which approved the assignment of GeoPark Perú S.A.C.'s participation in Block 64 in favor of PETROPERU S.A. In this way, PETROPERU assumed 100% of the rights and obligations of the exploration and exploitation of hydrocarbons.

Legislative Decree No. 1292, published on December 30, 2016, declared the safe operation of the North Peruvian Pipeline of public necessity and of national interest, providing the reorganization of the Company and the improvement of its corporate governance, granting a term of 720 calendar days from the date of publication of said Legislative Decree, for the elaboration of a plan that regulates, among others, the modification, execution of agreements and contracting of services related to the business units of the Company; the Company's participation in hydrocarbon exploration and exploitation agreements; the possibility of the Company to participate in social responsibility actions under the mechanism of works for taxes; the application of the capital increase referred to in section 8.1 of Article 8 of Law No. 29970 for the execution of the Talara Refinery Modernization Project and, the modification of Article 4 and the second complementary provision of Law No. 28840 - Law of Strengthening and Modernization of the Company Petróleos del Perú - PETROPERU S.A. to implement Legislative Decree No. 1292, approved by the Board of Directors. Said plan was approved by the Board of Directors with Agreement No. 067-2018-PP dated August 6, 2018.

Additionally, Legislative Decree No. 1292 provided that once the reorganization and modernization of the Company was completed, the Company would enter the scope of the *Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado* (National Fund for the Financing of the State's Entrepreneurial Activity) - FONAFE. However, on November 28, 2018, Law No. 30873 was published, which partially repealed the aforementioned Legislative Decree, eliminating the Company's obligation to enter the scope of FONAFE.

Supreme Decree No. 003-2021-EM, published on December 25, 2021, approved the Temporary License Agreement signed between the Company and PERUPETRO S.A. for the Exploitation of Hydrocarbons in Block I, for a period of 22 months, with the Company assuming operations on December 27, 2021.

On February 28, 2023, the Company and Perupetro signed the License Agreement for the Exploitation of Block 192, with an extension of 30 years being approved by Supreme Decree No. 009-2022-EM published on July 25, 2023.

Article 77 of the Organic Hydrocarbons Law establishes that activities and prices related to crude oil and its derivative products are governed by supply and demand.

- The Company's fuel price policy approved by its Board of Directors establishes the following:

- The prices of liquid fuels and specialties are determined according to supply and demand, in compliance with the provisions of the Organic Hydrocarbons Law and regulations that modify or replace it.



- The list prices of liquid fuels and specialties will be approved by the Executive Prices Committee chaired by the General Manager and made up of the Corporate Finance Manager, Corporate Supply Chain Manager, Corporate Operations Manager and Corporate Commercial Manager or whoever assumes their duties.
- The determination of the prices of liquid fuels and specialties that the Company sells in the local market will consider the opportunity cost and will be set at prices that allow the Company to compete in the market and at the same time achieve its strategic and budget goals. In the case of liquid fuels, the opportunity cost corresponds to the Import Parity Price calculated with the methodology defined by the Company in its guidelines.
- The Company's list prices of liquid fuels must be competitive with respect to other economic agents, producers and importers, in the Sales Plants of the country where there is commercial operation, provided that there is commercial benefit.
- In case of events or developments in the international market that significantly impact the prices of liquid fuels and specialties strongly upwards or downwards, that negatively affect the reputational image of the Company or put it in a potentially risky economic situation, the Executive Prices Committee may decide to gradually transfer them to customers or leave without effect the variations presented in a conjunctural manner that occur for a very short time until the local or international market stabilizes, taking into account the financial sustainability of the Company.

- Fund for the stabilization of prices of petroleum derived fuels (hereinafter, the Price Stabilization Fund).

The Price Stabilization Fund was created by the Peruvian Government by Emergency Decree No. 010-2004, regulatory and amending standards. By this norm the Peruvian State constitutes a contingent fund to avoid that the volatility of the prices of the hydrocarbons is transferred to the final consumers; however, the Ministry of Energy and Mines (MEM) will compensate the Company for the spreads not transferred to customers.

In accordance with these regulations, the *Dirección General de Hidrocarburos* (General Directorate of Hydrocarbons) (DGH) of the Ministry of Energy and Mines establishes a price band for each fuel product that is marketed in the country. Article 6 of Supreme Decree No. 133-2010-EF (dated June 23, 2010) establishes that the *Organismo Supervisor de la Inversión en Energía y Minería* (Supervisory Agency of Investment in Energy and Mining) - OSINERGMIN will update and publish every two months, in the Official Gazette *El Peruano*, the bands of each of the products on the last Thursday of the second month, counted from the effective date of the last update.

Weekly, the Supervisory Agency of Investment in Energy and Mining - OSINERGMIN publishes for each fuel product marketed in the country a referential price called *Precio de Paridad de Importación* (Import Parity Price) (PPI). When the PPI is greater than the upper limit of the band, the difference constitutes the Compensation Factor and when the PPI is less than the lower limit of the band, the difference constitutes the Contribution Factor.

Supreme Decree No. 007-2020-EM, published on April 21, 2020, excluded LPG-E, Diesel B5 and Diesel S-50 as products subject to the PSF. On September 6, 2021, Supreme Decree No. 023-2021-EM was published incorporating LPG-E as a product subject to the PSF. Subsequently, on November 9, 2021, Supreme Decree No. 025-2021-EM was published incorporating Diesel BX for vehicle use as a product subject to the PSF.

Subsequently, through Supreme Decree No. 002-2022-EM, published on March 28, 2022, 84 and 90 octane Gasoline, 84 octane Gasohol and Liquefied Petroleum Gas for bulk use (LPG-G) were incorporated to the PSF.



During 2023, Supreme Decrees No. 008-2023-EM, No. 011-2023-EM and No 026-2023-EM were published extending LPG-E as a product subject to the PSF until December 28, 2023.

As of September 30, 2023, the Price Stabilization Fund represented 0.07% of the Company's revenue (3.58% of revenue as of September 2022).

c) Approval of financial statements -

The interim financial statements for the nine-month period ended September 30, 2023, have been approved by the Company's General Management on October 31, 2023. The audited financial statements as of December 31, 2022 were approved by the General Shareholders' Meeting on September 29, 2023.

2 BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The condensed interim financial statements for the nine-month period ended September 30, 2023, have been prepared in accordance with the International Accounting Standard No. 34, "Interim Financial Reporting" (IAS 34) issued by the International Accounting Standards Board (IASB).

The information in the statement of financial position as of December 31, 2022, and the corresponding notes are derived from the financial statements as of that date.

The unaudited condensed interim financial statements arise from accounting records and are prepared on a historical cost basis, with the exception of derivative financial instruments that are measured at fair value. The condensed interim financial statements are presented in thousands of United States dollars, except when a different monetary expression is indicated. The accounting policies applied are consistent with those of the 2022 year and the comparative interim period.

The condensed interim financial statements do not include all the information and disclosures required for the annual financial statements and should be read together with the financial statements for the year ended December 31, 2022, which were prepared in accordance with IFRS issued by the IASB.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in the applicable regulations as of January 1, 2023 -

In addition, certain standards and amendments to standards have been published that are mandatory for application in 2023 or later and have not been early adopted by the Company.

- Amendment to IAS 1 – Classification of liabilities as current or non-current. In 2020 an amendment to IAS 1 was issued clarifying that liabilities should be classified as current or non-current depending on the rights existing at the date of the financial statements. It is established that the classification should not be affected by the entity's expectations or by events occurring after the date of the financial statements, for example, the receipt of a waiver from a financial entity following the breach of contractual commitments (covenants).

In 2022, another amendment to IAS 1 was issued that complements the previous one in relation to waivers received from a financial entity and specifies that the covenants that an entity must comply with after the date of the financial statements do not influence the classification of a debt as current or non-current at the date of the financial statements.



The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions in determining the classification for some liabilities that may be converted to equity.

- Amendment to IAS 8 – Definition of Accounting Estimates. This amendment clarifies how to distinguish changes in accounting policies from changes in accounting estimates. This amendment is effective from January 1, 2023.

- Amendment to IAS 12 – Deferred taxes related to assets and liabilities arising from a single transaction. This amendment establishes that deferred taxes arising from a single transaction that, on initial recognition, gives rise to taxable and deductible temporary differences of equivalent value should be recognized. This will generally apply to transactions such as leases (for lessees) and decommissioning or remediation obligations, where deferred tax assets and liabilities will be required to be recognized. Currently, there were different approaches to these types of transactions, with some companies recognizing deferred taxes and others not recognizing them. The Company has been recognizing deferred tax on temporary differences arising from its lease agreements, so it does not expect to be impacted by this change. This modification is effective from January 1, 2023.

The Company is evaluating the impact that the amendments may have on current practices as they become effective during 2023 and 2024.

Also, other amendments effective for future years have been published, for which the Company is evaluating their impact during 2023:

- IFRS 17, "Insurance Contracts".
- Amendments to IAS 1: Classification of liabilities as current or non-current.
- Amendments to IFRS 16: Sales under leaseback.
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture.

3.2 Significant accounting policies -

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2022, as described therein, except for the accounting treatment of income tax in interim periods, which are accounted for using the tax rate that would be applicable to the total expected annual profit or loss (see Note 4). Income tax expense is recognized in each interim period according to the best estimate of the expected effective annual income tax rate for the full year. The Company's Management considers that the amount accrued for income tax expense in an interim period may have to be adjusted in a later interim period of that same year, if the estimate of the annual effective income tax rate changes.

4 ESTIMATES AND CRITICAL ACCOUNTING CRITERIA

The preparation of the condensed interim financial statements requires Management to make judgments, estimates and assumptions that may affect the application of accounting policies and the balances of assets and liabilities, income, and expenses. Actual results could differ from those estimates.

In preparing the condensed interim financial statements, the relevant judgments and estimates made by Management in the application of the Company's accounting policies and in the critical information for estimating uncertainties were the same as those applied in the financial statements by the year ended December 31, 2022, except for changes



in estimates that are required to determine the provision for income tax.

Income tax -

To determine income tax in interim periods, Management uses the effective tax rate that would be applicable to the total expected annual profit or loss (see Note 3.2 and Note 24), which requires Management's judgment to determine the expected results for tax purposes.

The Company performed a sensitivity analysis of the income tax expense in the interim periods based on the estimate of the effective income tax rate at the end of the year.

If the effective income tax rate had been +/- 1% different from Management's estimates, the Company would need to increase/decrease the income tax expense by USD 74 thousand in the nine-month period ended on September 30, 2023 (USD 78 thousand in the nine-month period ended September 30, 2022).

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors -

The Company's activities expose it to a variety of financial risks: market risks (mainly exchange rate risk, interest rate risk and oil price risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all the financial risk management information and disclosure required in the annual financial statements; should be read in conjunction with the Company's annual financial statements as of December 31, 2022, as there have been no changes in the related assessments of financial risks since the end of the year.

There have been no significant changes in the risk management department or in any risk management policy since the end of 2022.

5.2 Liquidity risk -

Prudent liquidity risk management involves maintaining sufficient cash and cash equivalents, the availability of financing through an adequate number of committed financing sources and the ability to close positions in the market. In this regard, the Company does not regularly present significant liquidity risks since the cash flows from its operations allow it to maintain sufficient cash to meet its obligations. The Company maintains negative working capital; however, it considers that this does not represent a risk based on its going concern assessment.

The Company manages its liquidity risk by ensuring that it has sufficient lines of credit at all times and by funding its working capital with cash flows from operating activities and, in exceptional cases, financial support from its shareholder, the Peruvian government. The Company is also implementing a Restructuring Plan, one of the objectives of which is to ensure the financial sustainability of its operations.

As of September 30, 2023, the Company has short-term revolving credit lines granted by local and foreign banks for up to approximately USD 3,300,754 thousand, of which approximately USD 1,518,000 thousand are used for crude oil and refined product purchases in the country and in foreign markets and other obligations related to working capital. These lines of credit have no maintenance cost requirements and do not require collateral.



The Company's Corporate Finance Management supervises the cash flow projections made on liquidity requirements to ensure that there is sufficient cash to meet operational needs while maintaining sufficient margin for unused lines of credit, so that the Company does not default on borrowing limits on any line of credit. Cash surpluses and balances above that required for the administration of working capital are invested in instruments that generate interest, choosing instruments with an appropriate maturity or sufficient liquidity.

5.3 Capital risk -

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern in order to generate returns to its shareholder, benefits to other stakeholders and to maintain an optimal structure to reduce the cost of capital.

The Company monitors its capital based on the leverage ratio, which is calculated by dividing its net debt by its total capital. Net debt corresponds to total financial obligations (including current and non-current) minus the balance of cash and cash equivalents. Total capital corresponds to equity as shown in the statement of financial position plus net debt.

As of September 30, 2023, Apoyo & Asociados Risk Rating Agency maintains the rating of "CP-1 (pe)" to the First Short-Term Instruments Program and "AA-(pe)" to the Long-Term Bonds of the Company, with negative outlook. Pacific Credit Ratings (PCR) maintains the PEE rating for the Company's First Short-Term Instruments Program and financial solvency, which corresponds to those issues that do not have sufficient or representative information, which does not allow issuing an opinion on their risk.

S&P Global Ratings Risk Rating Agency maintains the BB rating for long-term debt in foreign currency, with a stable outlook, while Fitch Ratings maintains the BB+ rating for long-term debt in foreign currency, with negative outlook.

As of September 30, 2023, and December 31, 2022, the leverage ratios were as follows:

	<u>2023</u>	<u>2022</u>
	USD 000	USD 000
Other financial liabilities	5,169,201	4,967,447
Accounts payable to related parties	925,544	885,888
Cash and cash equivalents	(71,847)	(88,746)
Net debt (A)	<u>6,022,898</u>	<u>5,764,589</u>
Total equity (B)	<u>2,122,108</u>	<u>2,652,323</u>
Total capital (A) + (B)	<u>8,145,006</u>	<u>8,416,912</u>
Ratio (A)/(A+B)	<u>0.74</u>	<u>0.68</u>

As of September 30, 2023, the leverage ratio increased to 0.74, explained by the increase in short-term liabilities for working capital and the monthly interest accrued on accounts payable to related parties, as well as the decrease in shareholders' equity, with the generated loss of USD 530 million.

6 INFORMATION BY SEGMENTS

a) Description of the main segments and activities



The highest authority in making operating decisions (General Management), examines the performance of the Company in three strategic divisions, which correspond to its operating segments that must be reported on. These divisions offer different products and services and are managed separately since they require different business strategies, both commercial and financial.

The Company's segments are evaluated based on the activity of the following business segments: (i) Production and marketing, (ii) Pipeline operations, (iii) Rented and privatized units, and (iv) Exploitation of blocks.

Based on what is established by IFRS 8, the reportable operating segment due to its representativeness over income is: "Production and commercialization". However, on a voluntary basis, the Company has decided to report all its operating segments as detailed in this Note.

The following summary describes the operations of each reportable segment:

Reportable segment	Operations
Production and commercialization	Refining and marketing of petroleum products
Pipeline operations	Transfer and custody service of crude oil from the northern jungle of the country
Rented and privatized units	Assets that originate cash inflows derived from rentals
Exploitation of blocks	Exploration and exploitation of hydrocarbons in Block I operations

The General Management of the Company reviews the internal management reports of each segment on a quarterly basis.

There are different levels of transactions between the production and marketing segments and pipeline operations. These transactions include transfers of oil or some transportation products and services, respectively.

b) Statement of financial position by segment –

	Production and commercialization (*) USD 000	Pipeline operations USD 000	Rented and privatized units USD 000	Block I USD 000	Total USD 000
As of September 30, 2023					
Assets:					
Current	1,682,633	233,356	38,696	564	1,955,249
Non-current	7,659,116	278,188	204,826	-	8,142,130
	<u>9,341,749</u>	<u>511,544</u>	<u>243,522</u>	<u>564</u>	<u>10,097,379</u>
Liabilities:					
Current	3,311,355	111,214	66,419	3,145	3,492,133
Non-current	4,465,733	17,405	-	-	4,483,138
	<u>7,777,088</u>	<u>128,619</u>	<u>66,419</u>	<u>3,145</u>	<u>7,975,271</u>



	Production and commercialization (*) USD 000	Pipeline operations USD 000	Rented and privatized units USD 000	Block I USD 000	Total USD 000
As of December 31, 2022					
Assets:					
Current	2,020,380	25,132	35,334	12,623	2,093,469
Non-current	7,399,836	245,882	202,411	-	7,848,129
	<u>9,420,216</u>	<u>271,014</u>	<u>237,745</u>	<u>12,623</u>	<u>9,941,598</u>
Liabilities:					
Current	2,034,110	110,526	114,411	6,240	2,265,287
Non-current	4,957,398	66,590	-	-	5,023,988
	<u>6,991,508</u>	<u>177,116</u>	<u>114,411</u>	<u>6,240</u>	<u>7,289,275</u>

(*) It includes refineries, a service station, commercial area and main office.

c) Statement of comprehensive income by segment –

	Production and commercialization (*) USD 000	Pipeline operations USD 000	Rented and privatized units USD 000	Block I USD 000	Total USD 000
For the nine-month period ended September 30, 2023					
Ordinary activities income	2,960,722	176	-	2,668	2,963,566
Other operating income	27,735	44	16,663	-	44,442
Total income	<u>2,988,457</u>	<u>220</u>	<u>16,663</u>	<u>2,668</u>	<u>3,008,008</u>
Sales cost	(3,147,369)	(37,168)	(4,032)	(7,892)	(3,196,461)
Transfers	(29,960)	19,678	-	10,282	-
Gross profit	<u>(188,872)</u>	<u>(17,270)</u>	<u>12,631</u>	<u>5,058</u>	<u>(188,453)</u>
Selling and distribution expenses	(44,379)	(1)	(4,652)	-	(49,032)
Administration expenses	(137,588)	(8,575)	-	(1,074)	(147,237)
Other income and expenses	15,039	(25,470)	-	-	(10,431)
Profit (loss) from operating activities	<u>(355,800)</u>	<u>(51,316)</u>	<u>7,979</u>	<u>3,984</u>	<u>(395,153)</u>
Financial, net	(143,599)	(183)	1,295	0	(142,487)
Profit before income tax	<u>(499,399)</u>	<u>(51,499)</u>	<u>9,274</u>	<u>3,984</u>	<u>(537,640)</u>
Income tax expense	7,699	(5)	(55)	(214)	7,425
Net result of the year	<u>(491,700)</u>	<u>(51,504)</u>	<u>9,219</u>	<u>3,770</u>	<u>(530,215)</u>



	Production and commercialization (*) USD 000	Pipeline operations USD 000	Rented and privatized units USD 000	Block I USD 000	Total USD 000
For the twelve-month period ended December 31, 2022					
Ordinary activities income	5,513,319	285	-	3,636	5,517,240
Other operating income	39,371	16	24,261	-	63,648
Total income	<u>5,552,690</u>	<u>301</u>	<u>24,261</u>	<u>3,636</u>	<u>5,580,888</u>
Sales cost	(5,474,492)	(51,080)	(5,377)	(8,996)	(5,539,945)
Transfers	(33,492)	16,171	-	17,321	-
Gross profit	<u>44,706</u>	<u>(34,608)</u>	<u>18,884</u>	<u>11,961</u>	<u>40,943</u>
Selling and distribution expenses	(64,123)	(1)	(6,432)	-	(70,556)
Administration expenses	(161,275)	(12,762)	-	(3,905)	(177,942)
Other income and expenses	14,609	(36,457)	-	-	(21,848)
Profit (loss) from operating activities	(166,083)	(83,828)	12,452	8,056	(229,403)
Financial, net	(97,715)	1,090	1,711	(11)	(94,925)
Profit before income tax	(263,798)	(82,738)	14,163	8,045	(324,328)
Income tax expense	55,921	(1,967)	336	(1,181)	53,109
Net result of the year	<u>(207,877)</u>	<u>(84,705)</u>	<u>14,499</u>	<u>6,864</u>	<u>(271,219)</u>

(*) It includes refineries, a service station, commercial area and main office.

d) Geographic income information -

As of September 30, 2023, and 2022, revenue from ordinary activities by segment is based on the geographical location of the clients:

	2023 USD 000	2022 USD 000
Peru	2,642,233	3,876,426
Other countries	365,775	482,394
	<u>3,008,008</u>	<u>4,358,820</u>

7 SIGNIFICANT CHANGES IN THE CURRENT PERIOD

Result for the period.- The Company's financial position and performance were particularly affected by the following factors during the nine-month period ended September 30, 2023: (i) Lower sales volume in the domestic market; due to the aggressive competition and prioritization of LPG supply to continue with the start-up of the New Talara Refinery – NRT, ii) Higher exports of residual originated by the start-up process of the NRT that must be disposed by storage capacity, iii) Higher cost of sales, derived from the optimization of the NRT as it is in the last stage of progressive start-up, related to operating expenses associated with its energy consumption and commissioning of new process units, as well as the recording of depreciation of assets that have been capitalized since the end of 2022, iv) Higher financial expenses derived from debt for working capital, as well as the recording of interest on long-term debt (Bonds and CESCE loan), which correspond to the proportion of NRT's capitalized units, which upon completion of construction are no longer part of the cost of the assets.



The margins in the commercialization of fuels have improved with respect to previous months, due to the strategies that are being implemented in the acquisition of crude oil and products; as well as the strict control over the realization of inventories by terminal and sales plant; nevertheless, the margins obtained in the commercialization of imported products are not sufficient to cover the incremental expenses of the commissioning of the NRT. It should be noted that the Company's economic and financial results will improve substantially with the start-up of the conversion units (Catalytic Cracking Unit and Flexicoking Unit), which will allow converting products of low commercial value (residual) into products of higher value in the market (LPG, Gasoline and Diesel), obtaining a higher margin that will cover the incremental expenses of the NRT operation.

New Talara Refinery – NRT.- The Company continues with the progressive start-up of the NRT, and is going through the stage of stabilization and obtaining products in specification, and therefore this stage absorbs these costs, which punish the gross margin in this period, but once completed, with the entry into full production of the project, it is expected that cash flows from operating activities of the Company will allow it to increase its profitability margins and maintain sufficient cash to meet its obligations and reverse the current negative working capital in the medium term.

As part of this progressive process, the Company continues to sell diesel and low sulfur gasoline at its plants and terminals in the north of the country and at the Conchán Plant. These volumes supplied to the local market will increase as the last process units enter the production stage. The last phase, which is the commissioning of the Conversion Units, is expected to be completed in the third quarter. It is necessary to indicate that the factors that have caused a delay in the progressive and gradual start-up of the NRT process units are derived from the period of political-social convulsion at the beginning of the year, which caused road closures, impacting the supply of hydrogen; limitations in the supply of natural gas in the area; climatological factors presented between February and March that caused restrictions in the supply of sea water and therefore, of steam; as well as unforeseeable events inherent to the complexity of the start-up.

8 CASH AND CASH EQUIVALENT

As of September 30, 2023, and December 31, 2022, this heading comprises:

	2023	2022
	USD 000	USD 000
Current accounts (*)	71,838	88,734
Fixed funds	9	12
	71,847	88,746

(*) The Company maintains cash deposited in financial institutions in the form of current accounts in national currency and in foreign currency. The funds in these accounts are freely available and earn preferential interest rates, 6.62% in Peruvian soles and 5.40% in US dollars as of September 2023 (6.70% and 1.85%, respectively, as of September 2022).

9 COMMERCIAL ACCOUNTS RECEIVABLE

As of September 30, 2023, and December 31, 2022, this heading comprises:



	<u>2023</u> USD 000	<u>2022</u> USD 000
Wholesale distributors	86,174	119,690
Mining sector	57,178	54,087
Foreign market	37,795	13,162
Oil companies	28,660	25,462
Fuel marketers	22,608	20,158
Armed Forces and National Police of Peru	10,295	8,933
Construction sector	1,659	775
Aviation business	13,102	10,355
Electricity sector	1,074	710
Transport sector	968	921
Industrial sector	61	480
Fishing sector	-	2,329
Different customers	633	1,225
Doubtful accounts	13,266	13,109
	<u>273,473</u>	<u>271,396</u>
Price Stabilization Fund - Ministry of Energy and Mines (Note 1-c)	69,463	213,386
	<u>342,936</u>	<u>484,782</u>
Minus: Expected loss of trade receivables	(13,266)	(13,109)
	<u><u>329,670</u></u>	<u><u>471,673</u></u>

Trade accounts receivable balances correspond to invoices denominated in Peruvian soles and US dollars, mainly originated from the sale of refined products. Accounts receivable from the Armed Forces and the National Police of Peru have a maturity of 25 days. Accounts receivable from wholesale distributors and other customers have maturities between 7 and 45 days. Accounts receivable, in accordance with the Company's internal policies, are mostly guaranteed with letters of guarantee or with other instruments of the national financial system in accordance with the credit policy approved by the Board of Directors.

Fuel Price Stabilization Fund - Ministry of Energy and Mines -

The total amount receivable from the General Directorate of Hydrocarbons (DGH) as of September 30, 2023 and December 31, 2022 amounts to USD 84,745 thousand and USD 228,576 thousand, respectively, generated by compensation and contribution operations. These amounts include, at September 30, 2023, the Amparo Claim recorded in a Claims account for USD 15,282 thousand (USD 15,190 thousand as of December 31, 2022), classified as other long-term accounts receivable (Note 10) and the amount receivable (compensation) of USD 69,463 thousand, receivable from Compensation, (USD 213,386 thousand at December 31, 2022).

As of September 30, 2023, and December 31, 2022, the movement of the total balance of the Price Stabilization Fund heading is explained as follows:

	<u>2023</u> USD 000	<u>2022</u> USD 000
Opening balance	213,386	28,511
Price compensation	31,763	165,405
Price contribution	(29,769)	(23,335)
Net (charged) credited to income from ordinary activities (note 19)	1,994	142,070
Compensation generated by importation of products	2,976	105,176
Contribution generated by importation of products	0	(9,709)
Collection and payments of compensation and/or contribution	(147,549)	(54,538)
Exchange rate difference	(1,344)	1,876
Final balance receivable (payable)	<u>69,463</u>	<u>213,386</u>

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Expected loss of trade receivables -

To measure expected credit losses, the Company has classified its customers according to homogeneous risk characteristics that represent the payment capacity of each customer segment for the amounts owed. This classification has been made on the basis of segments that represent specific risks: wholesale sector, industrial sector, commercial sector and Armed Forces.

The Company considers it appropriate to exclude accounts receivable from wholesalers and commercial companies due to their high liquidity and the fact that there has been no historical loss incurred.

Expected loss rates are based on payment profiles for sales over a twelve-month period prior to September 30, 2023, and December 31, 2022, and historical credit losses are adjusted to reflect current and prospective information of macroeconomic factors affecting the ability of customers to settle trade receivables.

On that basis, the provision for losses as of September 30, 2023, and December 31, 2022, was determined as follows:

	2023			2022		
	Expected loss rate %	Gross carrying amount USD 000	Expected loss USD 000	Expected loss rate %	Gross carrying amount USD 000	Expected loss USD 000
In force	0.02	253641	13	0.09	236,496	203
1 to 30 days	0.47	930	4	2.75	5,595	154
31 to 60 days	0.00	29	-	3.17	16,171	513
61 to 360 days	1.44	5,605	81	18.18	11	2
More than 360 days	99.30	13,269	13,168	93.25	13,123	12,237
Total (*)		<u>273,473</u>	<u>13,266</u>		<u>271,396</u>	<u>13,109</u>

(*) Does not include the Price Stabilization Fund.

As of September 30, 2023, and December 31, 2022, the movement of the estimate of the expected loss of trade accounts receivable was as follows:

	2023 USD 000	2022 USD 000
Opening balance	13,109	11,989
Expected loss	71	662
Exchange rate	86	468
Recoveries	-	(10)
Closing balance	<u>13,266</u>	<u>13,109</u>

In Management's opinion, the estimate for doubtful accounts recognized in the financial statements and the guarantees requested are sufficient to cover any eventual risk in the recovery of trade accounts receivable as of the date of the statement of financial position.

Past due but not impaired trade accounts receivable are related to independent customers with whom letters of guarantee are maintained and/or whose debt has been reconciled and is expected to be collected in the short term.

10 OTHER ACCOUNTS RECEIVABLE

As of September 30, 2023, and December 31, 2022, this heading comprises:



	<u>2023</u> USD 000	<u>2022</u> USD 000
Current		
Tax credit - General Sales Tax (a)	334,994	347,586
Tax credit - Income Tax (b)	37,215	61,270
Advances granted to suppliers	19,735	53,192
Investment in partnership with GeoPark	3,501	3,501
Staff loans	3,006	3,619
Restricted Funds	51,351	16,516
Derivative financial instrument assets	698	494
Loans	1,998	2,022
Miscellaneous	2,488	2,876
Doubtful collection accounts	33,542	33,466
	<u>488,529</u>	<u>524,542</u>
Expected loss on other accounts receivable (f)	(33,542)	(33,466)
Current part	<u><u>454,987</u></u>	<u><u>491,076</u></u>
Non-current		
Tax credit - General Sales Tax, long term (b)	829,205	685,561
Claims for the Price Stabilization Fund - Ministry of Energy and Mines (Note 1 (c)) - (c)	15,282	15,190
Claims to the Tax Administration Superintendency (d)	7,690	7,643
Other tributes, long term	6,603	6,537
Non-current part	<u><u>858,780</u></u>	<u><u>714,931</u></u>

(a) Tax credit - General Sales Tax and Selective Consumption Tax, short-term -

As of September 30, 2023, corresponds to the General Sales Tax on operations for USD 76,768 thousand (equivalent to S/ 291,488 thousand), PMRT General Sales Tax in the amount of USD 103,941 thousand (equivalent to S/ 394,662 thousand) and tax credit for selective consumption tax for USD 154,286 (equivalent to S/ 585,823 thousand).

As of December 31, 2022, it corresponds to the General Sales Tax of operations for S/ 281,935 thousand (equivalent to USD 73,805 thousand), General Sales Tax of PMRT for an amount of S/309,298 thousand (equivalent to USD 80,968 thousand) and tax credit for selective consumption tax for S/723,672 (equivalent to USD 189,443 thousand).

From January to September 2023, SUNAT refunded the General Sales Tax credit for USD 68,428 thousand (equivalent to S/ 256,591 thousand) and during 2022, SUNAT refunded the General Sales Tax credit for USD 122,959 thousand (equivalent to S/ 475,586 thousand), which were requested by the Company through a refund of the balance in favor of the exporter's benefit.

(b) Tax credit - Income tax, short term -

As of September 30, 2023, corresponds to accumulated payments on account of income tax of USD 37,215 (equivalent to S/ 141,305 thousand), which will be recovered in the short term through operations.

As of December 31, 2022, corresponds to accumulated payments on account of income tax of S/ 234,444 thousand (equivalent to USD 61,270 thousand).



(c) Tax credit - General Sales Tax, long term -

As of September 30, 2023, corresponds to the balance in favor of the General Sales Tax paid for the acquisition of goods and services related mainly to the Talara Refinery Modernization Project amounting to USD 351,662 thousand (equivalent to S/ 1,335,259 thousand) and the General Sales Tax for operations amounting to USD 477,543 thousand (equivalent to S/ 1,813,232 thousand).

As of December 31, 2022, it corresponds to the balance in favor of the General Sales Tax paid for the acquisition of goods and services related mainly to the Talara Refinery Modernization Project amounting to USD 341,312 thousand (equivalent to S/ 1,303,812 thousand) and the General Sales Tax for operations amounting to USD 344,249 thousand (equivalent to S/ 1,315,030 thousand).

This tax credit balance has no expiration date. The Company expects to recover this tax credit through the anticipated recovery of General Sales Tax in the long term.

(d) Claim from the Price Stabilization Fund to the Ministry of Energy and Mines -

In April 2010, the DGH issued Directorial Resolution 075-2010-EM/DG where it ordered fuel producers and importers to rectify their weekly affidavits filed since August 2008 and apply, retroactively, the reference values established in said Resolution. Given this, the Company, based on the opinion of Management and its lawyers, filed a Petition for Protection of the Court before the Second Constitutional Court of Lima, considering this resolution unconstitutional. Said action was signed with File No. 21022-2010-0-1801-JR-CI-02.

On November 28, 2018, Resolution No. 16 was issued in which it was resolved to declare the claim inadmissible. By means of Resolution No. 17, the Appeal of the referred Judgment, filed by our party, was granted.

On December 17, 2020, by means of Resolution No. 5, issued by the Third Civil Chamber, Resolution No. 16, which declared the claim inadmissible, was declared NULL and VOID, ordering the Judge of first instance to issue a new resolution in accordance with the above.

On October 28, 2020, through Resolution No. 19, the court of first instance requested:

- a. That the defendant complies with submitting a comparative table specifying the contribution and compensation factors that would have corresponded to it during the period August 19, 2008, to April 23, 2019.
- b. Likewise, the plaintiff complies with factually and/or legally accrediting why it considers that Directorial Resolution No. 075-2010-EM/DGH is not applicable retroactively.

On March 4, 2021, by means of Resolution No. 20, the Company complies with the reasons why Resolution No. 075-2010-EM/DGH is not applicable retroactively, as requested by Resolution No. 19. On December 29, 2022, the Second Constitutional Court of Lima issued a decision (Resolution No. 21) declaring the lawsuit inadmissible. On April 15, 2023, the appeal was granted with suspensive effect and the proceedings were sent to the Third Civil Court of Lima.

In Management's opinion and based on the reports of our external legal advisors, we estimate that, once the judicial process is concluded in all its stages, the result will be favorable to the Company, and will allow a full recovery.



e) Claims to the National Superintendency of Customs and Tax Administration (SUNAT) -

As of September 30, 2023, and December 31, 2022, this item includes only File No. 17806-2012.

SUNAT repaired the sales of Turbo A-1 fuel for the period from January to September 2007, for sales made by the Company in accordance with Supreme Decree No. 186-2002-EF, which established the non-taxation of ISC on sales of Turbo A-1 for aeronautical activities in general. In this regard, the Company considers contrary to law SUNAT's objections to the sales of Turbo A-1 fuel made by the Company to for-profit entities other than aviation companies, since such fuel was finally destined to aeronautical activities.

In November 2012, the Company paid the amount of USD 8,651,000, in response to several Determination and Fine Resolutions issued for alleged omissions in the payment of ISC and General Sales Tax corresponding to the year 2007. These resolutions were challenged by PETROPERU (File No. 17806-2012), and the Fourth Chamber of the Tax Court, as the last administrative instance, issued Resolution No. 09743-4-2021 dated November 5, 2021, whereby it confirms the Intendancy Resolution No. 0150140010514, regarding the assessment for sales of Turbo A-1 fuels not destined to aviation companies.

On February 4, 2022, in accordance with our right and being that in our opinion and that of the Company's legal advisors our sales of Turbo A-1 were made in accordance with the law, we have filed a contentious-administrative lawsuit against Resolution No. 09743-4-2021. As of December 31, 2022, and September 30, 2023, this lawsuit, which is being processed before the 22nd Contentious-Administrative Court with Tax Sub-Specialty (File No. 07442022-0-1801-JR-CA-22), is pending resolution.

f) Expected loss of other accounts receivable -

The expected loss is mainly related to claims made to the municipalities for property taxes and excise duties, of which the probability of recovery is low. In this regard, the Company applies the general model of IFRS 9 to measure expected credit losses on claims.

The Company considers the probability of default upon initial recognition of claims and whether there has been a significant increase in credit risk on an ongoing basis throughout each period. To assess whether there is a significant increase in credit risk, the Company compares the risk of default occurring on the asset at the reporting date with the risk of default at the date of initial recognition. The current and reasonable information available is considered. In particular, the internal credit rating is incorporated as an indicator.

Regardless of the above analysis, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making the claim payment. Regarding the other headings of the other accounts receivable, the Company considers that the credit risk of the counterparties is low, therefore it has not recorded an expected loss for these accounts as it is not significant.

As of September 30, 2023, and December 31, 2022, the movement of the provision for the expected loss is as follows:

	2023	2022
	USD 000	USD 000
Opening balance	33,466	32,824
Exchange difference	75	652
Recoveries	-	(10)
Closing balance	<u>33,541</u>	<u>33,466</u>

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11 INVENTORIES

As of September 30, 2023, and December 31, 2022, this heading comprises:

	<u>2023</u>	<u>2022</u>
	USD 000	USD 000
Raw oil	344,069	311,086
Refined products:		
In process	198,222	188,589
Finished	319,332	220,710
Refined products purchased	105,094	233,971
Inventories in transit	61,848	29,534
Supplies	70,930	53,161
	<u>1,099,495</u>	<u>1,037,051</u>
Minus - Estimate for devaluation of supplies	(4,098)	(4,142)
	<u>1,095,397</u>	<u>1,032,909</u>

As of September 30, 2023, the cost of inventories recognized as an expense and included in the cost of sales amounted to USD 2,827,997 thousand (USD 3,959,247 thousand as of September 30, 2022), which is equivalent to the cost of sales minus production operating expenses (Note 19).

As of September 30, 2023, the price of crude oil has been on an upward trend, closing its price at USD 90.79 per barrel (USD 79.49 per barrel as of September 30, 2022). The average price during the month of September 2023 was USD 89.58 per barrel (USD 83.87 per barrel as of September 30, 2022).

As of September 30, 2023, and December 31, 2022, the movement of the provision for impairment of supplies is explained as follows:

	<u>2023</u>	<u>2022</u>
	USD 000	USD 000
Opening balance	(4,142)	(4,251)
Impairment of supplies	-	(247)
Recovery	44	-
Exchange difference	-	356
Closing balance	<u>(4,098)</u>	<u>(4,142)</u>

This provision has been recognized as a result of analyzing the net realizable value of the inventories, taking into account the expectation of net flow that will be obtained from their sale or consumption, also taking into account their physical condition. As of September 30, 2023, and December 31, 2022, the Company considers that the provisioned amount reflects the risk of impairment of all its inventories due to both physical obsolescence and net realizable value.



13 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and other constructions	Machinery and equipment	Transport unit	Furniture and fixtures	Miscellaneous and computer equipment	Equipment out of use	Units to receive	Work in progress	Additional investments	Total
	USD 000	USD 000	USD 000	USD 000	USD 000	USD 000	USD 000	USD 000	USD 000	USD 000	USD 000
Cost	211,011	503,472	2,047,724	47,888	6,573	148,319	10,662	-	4,886,298	6,570	7,868,517
Accumulated depreciation	-	(122,107)	(541,979)	(22,861)	(5,570)	(43,344)	(10,662)	-	-	-	(746,523)
Accumulated impairment	-	-	(309)	-	-	-	-	-	(71,446)	-	(71,755)
As of December 31, 2022	211,011	381,365	1,505,436	25,027	1,003	104,975	-	-	4,814,852	6,570	7,050,239
Year 2023											
Opening balance of net book cost	211,011	381,365	1,505,436	25,027	1,003	104,975	-	-	4,814,852	6,571	7,050,239
Additions	-	-	-	-	-	-	-	-	275,797	10,401	286,199
Capitalizations	-	368,349	1,161,588	136	435	69,606	-	-	(1,600,114)	-	-
Final disposition	-	-	(55)	(10)	(4)	(9)	(602)	-	-	-	(679)
Out-of-use	-	-	(2,511)	(42)	(25)	(498)	3,076	-	-	-	(593)
Reclassifications	-	(37)	37	-	-	-	-	-	(593)	-	-
Depreciation of the period	-	(22,692)	(113,527)	(1,629)	(341)	(14,519)	-	-	-	-	(152,707)
Depreciation of retreats	-	-	50	10	4	9	604	-	-	-	677
Retreat due to out-of-use	-	-	-	-	-	-	(791)	-	-	-	(791)
Depreciation transfers	-	-	1,737	38	25	487	(2,287)	-	-	-	-
Depreciation reclassifications	-	37	(37)	-	-	-	-	-	-	-	-
As of September 30, 2023	211,011	727,022	2,552,717	23,531	1,098	160,051	-	-	3,489,942	16,971	7,182,342
Cost	211,011	871,784	3,206,784	47,972	6,979	217,418	13,136	-	3,561,388	16,971	8,153,443
Accumulated depreciation	-	(144,762)	(653,756)	(24,441)	(5,882)	(57,367)	(13,136)	-	-	-	(899,345)
Accumulated impairment	-	-	(309)	-	-	-	-	-	(71,446)	-	(71,755)
As of September 30, 2023	211,011	727,022	2,552,718	23,531	1,097	160,051	-	-	3,489,942	16,971	7,182,343



Talara Refinery Modernization Project - PMRT

Its objective is the technological development that involves the construction of new industrial facilities, modernization, and expansion of existing ones to achieve the following:

- (i) The production of Diesel and Gasoline with less than 50 parts per million (ppm) of sulfur.
- (ii) Increasing the refinery's production capacity from 65 thousand barrels per day (bpd) to 95 thousand bpd.
- (iii) The processing of heavier and more economical crudes for the production of lighter fuels of higher commercial value.

The status of the project as of September 30, 2023, is detailed below, specifying the physical progress of the assets and the economic progress due to costs incurred:

- Comprehensive Progress

PMRT Integral Physical Progress: 99.03% Actual vs. 100% Programmed.

To date, a Framework Agreement is being negotiated with Cobra to establish the new commitments for the delivery of the Auxiliary Units, which would modify the Framework Agreement II signed with the contractor Cobra SCL UA&TC on November 6, 2021.

In addition, the Master Schedule Level III Revision 10 presented by Técnicas Reunidas and approved by the Board of Directors of Petroperu S.A. is approved.

With Board Agreement 095-2023-PP dated August 11, 2023, the Board of Directors of PETROPERÚ S.A. approved the update of the PMRT investment amount to USD 5,538.52 million (without pre-operating interest) and USD 6,511.11 million (with pre-operating interest).

The composition of the Cost (Economic Progress) of the Project, compared to the disbursements incurred as of September 30, 2023, is detailed below:

	September 30, 2023		Total budget	
	Disbursement	Percentage of completion	Planned	Total percentage
	USD 000	%	USD 000	%
Técnicas Reunidas (TR) -				
Process units	3,311,415	96.01	3,449,107	52.97
Cobra SCL Consortium -				
Auxiliary units	827,480	86.20	959,966	14.74
Additional works	379,633	84.16	451,068	6.93
Others -				
Supervision	368,928	96.17	383,626	5.89
Management	241,677	85.36	283,139	4.35
Contingencies	-	-	11,617	0.18
Interest on financing	972,230	99.96	972,593	14.94
	<u>6,101,364</u>	<u>93.71%</u>	<u>6,511,115</u>	<u>100.00</u>

- Progress EPC Process Units – Agreement with Técnicas Reunidas (TR)

As of September 30, 2023, the overall physical progress on the EPC Contract with TR is 99.86% versus 100% scheduled (actual progress of 99.73% versus 100% scheduled progress as of December 31, 2022).



As of September 30, 2023, the accumulated executed amount is USD 3,275.46 million.

- Advance EPC Auxiliary Units and Additional Works – Agreement with Cobra SCL UA&TC Consortium

As of September 30, 2023, the overall physical progress in the execution of the EPC Contract with the Cobra SCL UA&TC Consortium is 97.18% versus 100% as scheduled (an actual progress of 95.70% versus a scheduled progress of 100%, as of December 31, 2022).

As of September 30, 2023, the cumulative executed amount is USD 979.20 million.

PMRTs financial structure

The financial structure of the PMRT is as follows:

- Capital contribution: USD 325 million
- Equity: USD 1,730.8 million
- Bond issues (15 and 30 years): USD 2,000 million.
- Financing guaranteed by Compañía de Seguros de Crédito a la Exportación (CESCE): USD 1.3 billion.
- Bond reopening (30 years): USD 1,155.3 million.

Social Responsibility and Community Relations

The total workforce as of September 30, 2023, was 918 jobs; local unskilled labor accounted for 95.6% (out of a total of 114 unskilled), exceeding the minimum established in the EIA (70%). Meanwhile, the local skilled labor force had a 60.3% share (out of a total of 804 skilled).

13 OTHER FINANCIAL LIABILITIES

As of September 30, 2023, and December 31, 2022, this heading comprises:

	<u>2023</u> USD 000	<u>2022</u> USD 000
Current liabilities		
Unsecured bank loans	932,547	708,602
CESCE loan (ii)	144,444	144,444
Accrued interest	62,871	14,695
	<u>1,139,862</u>	<u>867,741</u>
Non-current liabilities		
Corporate securities (i)	3,117,975	3,126,936
CESCE loan (ii)	911,364	972,770
	<u>4,029,339</u>	<u>4,099,706</u>

i) The Company issued bonds in the international market for USD 3,000,000 thousand under rule 144A and Regulation S, which are exceptions (“Safe-harbors”) to the American regulatory framework (US Securities Act - 1933 and US Securities Exchange Act -1934) that allow foreign issuers to offer, place and/or resell securities, without the need to register them with the securities commission of securities registrants in the New York Stock Exchange (SEC). The funds received have been allocated to the Talara Refinery Modernization Project.

Here is a detail of the securities issued:



- 2032 Notes, principal amount of USD 1,000,000 thousand at a fixed annual rate of 4.750%, for a period of 15 years. The payment of the coupons is semi-annual, starting in December 2017, and the payment of the principal will take place on the maturity date of the securities. Transaction costs amounted to USD 5,029 thousand, which are net of the liability.

- 2047 Notes, principal amount of USD 2,000,000 thousand (USD 1,000,000 thousand received in the first issue in June 2017 and an additional USD 1,000,000 thousand resulting from the reopening of securities in February 2022), at a fixed rate of 5.625% annually, for a period of 30 years. The payment of the coupons is semi-annual, starting in December 2017, and the payment of the principal will take place on the maturity date of the securities. Transactional costs amounted to USD 8,728 thousand and the excess amount of the placement over par of the bonds at the time of the reopening amounts to USD 131,732 thousand.

The agreement for the bonds issued does not contemplate the obligation to comply with financial covenants; however, it requires financial information to be provided to bondholders.

The bonds issued do not have specific contractual guarantees; however, Law No. 30130 approves the granting of guarantees from the National Government for up to USD 1,000 million (Note 1-a).

ii) On January 31, 2018, the loan agreement for the *Compañía Española de Seguros de Crédito a la Exportación* (Spanish Export Credit Insurance Company) (CESCE) was signed with the administrative agent Deutsche Bank SAE for USD 1,300,000 thousand. As of September 30, 2023, the following were received:

- USD 1,236,717 thousand disbursed in 2018, destined to reimburse the different sources of financing used for the payment of PMRT invoices, corresponding to the EPC with Técnicas Reunidas until November 2018.
- USD 40,111 thousand disbursed in 2020, destined to reimburse the different sources of financing used for the payment of PMRT invoices, corresponding to the EPC with Técnicas Reunidas until February 2020.
- USD 14,088 thousand disbursed in 2020, destined to reimburse the different sources of financing used for the payment of PMRT invoices, corresponding to the EPC with Técnicas Reunidas until November 2020.
- USD 9,084 thousand disbursed in 2021, destined to reimburse the different sources of financing used for the payment of PMRT invoices, corresponding to the EPC with Técnicas Reunidas.

As of September 30, 2023, transaction costs amounted to USD 27,524 thousand. Interest is payable semi-annually starting May 2019 with maturity in 2030 based on the fixed interest rate of 3.285%.

The CESCE loan does not have specific contractual guarantees from the Company or the Peruvian state, however, it is 99% guaranteed by the Spanish Government through the CESCE.

As part of the signed agreement, the Company is obliged to comply with financial covenants, said commitments are measured quarterly, being the following:

Financial covenants:

- Debt ratio
- Debt service coverage
- Direct financing for investment in the PMRT

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Non-financial covenants:



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Karina Yuriko Arakaki Hayashida

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- Preserve and maintain business operations.
- Submit the Company's audited financial statements within 150 days after the close of each fiscal year.
- Use the loan to pay for the acquisition of goods and services, including EPC contract payments.
- Grant the loan the status of *pari passu* (equal terms) in the priority of payment with all its creditors.
- Comply with the procedures established for the purpose of preventing the Company from being used in money laundering activities, financing of terrorist activities, fraud or other corrupt or illegal purposes or practices.

a) Debt repayment terms and schedule -

The terms and conditions of the outstanding loans are as follows:

	Original currency	Nominal interest rate	Expiration	As of September 30, 2023		As of December 31, 2022	
				Nominal value	Carrying amount	Nominal value	Carrying amount
				USD 000	USD 000	USD 000	USD 000
Unsecured bank loans	Peruvia n Soles	5.89% - 9.95%	2022	-	-	72,481	72,481
Unsecured bank loans	US Dollars	0.29% - 0.77%	2022	-	-	636,121	636,121
Unsecured bank loans	Peruvia n Soles	9.95% - 10.46%	2023	254,073	254,073	-	-
Unsecured bank loans	US Dollars	8.83% - 10.76%	2023	678,474	678,474	-	-
CESCE loans	US Dollars	3.29%	2030	1,083,334	1,055,808	1,155,556	1,117,214
Corporate Securities	US Dollars	4.75%	2032	1,000,000	994,971	1,000,000	996,195
Corporate Securities	US Dollars	5.63%	2047	2,000,000	2,123,004	2,000,000	2,130,741
Accrued interest				-	62,871	-	14,695
				<u>5,015,881</u>	<u>5,169,201</u>	<u>4,864,158</u>	<u>4,967,447</u>

The carrying amount corresponds to the amortized cost of the financial obligations discounted at the effective rate.

b) Movement of financial obligations -

The movement of debt due to financial obligations has been as follows:

	Unsecured bank loans	Corporate securities	CESCE loan	Total
	USD 000	USD 000	USD 000	USD 000
Balance as of January 1, 2023	718,022	3,126,514	1,122,911	4,967,447
New loans	1,875,923	-	-	1,875,923
Principal payments	(1,656,780)	-	(72,222)	(1,729,002)
Amortized cost	-	1,608	4,405	6,013
Share premium	-	(4,157)	-	(4,157)
Accrued interest	45,658	120,189	28,136	193,983
Paid interest	(41,815)	(80,000)	(19,191)	(141,006)
Balance as of September 30, 2023	<u>941,007</u>	<u>3,164,154</u>	<u>1,064,040</u>	<u>5,169,201</u>

14 COMMERCIAL ACCOUNTS PAYABLE

As of September 30, 2023, and December 31, 2022, this heading comprises:

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2023

2022



	USD 000	USD 000
Foreign suppliers of crude oil and refined products	1,242,855	783,260
National suppliers of crude oil and refined products	117,586	165,968
Goods and service suppliers	94,880	122,536
Shipping companies and operators of terminals and sales plants	32,685	30,158
	1,488,006	1,101,922

The main foreign supplier is Trafigura PTE LTD which is owed USD 568,410 thousand equivalent to S/ 2,098,861 thousand (USD 367,231 thousand equivalent to S/ 1,410,687 thousand at December 31, 2022) and the main domestic supplier of crude oil is Petrotal Perú S.R.L. whose balance amounts to USD 31,814 thousand equivalent to S/ 119,262 thousand (USD 72,496 thousand equivalent to S/ 277,571 at December 31, 2022) and the main domestic supplier of crude oil is Petrotal Perú S.R.L. whose balance amounts to USD 31,814 thousand equivalent to S/ 119,262 thousand (USD 72,496 thousand equivalent to S/ 277,571 at December 31, 2022). S/ 277,571 as of December 31, 2022).

As of September 30, 2023, the main service providers are: Técnicas Reunidas de Talara S.A.C., whose balance amounts to USD 8,397 thousand equivalent to S/ 31,603 thousand (USD 8,685 thousand equivalent to S/ 33,322 thousand at December 31, 2022), Kanay S.A.C., whose balance amounts to USD 3,790 thousand equivalent to S/ 13,990 thousand (USD 16 thousand equivalent to S/ 60,000 thousand as of December 31, 2022), Gases del Norte del Perú S.A.C., whose balance amounts to USD 2,857 thousand equivalent to S/ 10,725 thousand (USD 1,227 thousand equivalent to S/ 4,720 thousand at December 31, 2022) and Matheson Global Hyco Perú S.R.L., whose balance amounts to USD 2,797 thousand equivalent to S/ 10,389 thousand at December 31, 2022) and Matheson Global Hyco Perú S.R.L., whose balance amounts to USD 2,797 thousand equivalent to S/ 10,389 thousand as of December 31, 2022. S/ 10,389 thousand (USD 550 thousand equivalent to S/ 2,129 thousand at December 31, 2022).

This account reflects the Company's obligations related to the acquisition of crude oil and refined products, transportation services for plant operations and the acquisition of supplies and spare parts. Invoices are issued in US dollars, are current due, do not bear interest and the Company has not provided specific guarantees.

15 ACCOUNTS PAYABLE TO RELATED ENTITIES

As of September 30, 2023, and December 31, 2022, this heading includes:

	2023 USD 000	2022 USD 000
Interest and cancellation documents - short term (a)	630,183	134,591
Loan - long-term (b)	295,361	751,297
	925,544	885,888

The movement and composition of this item is shown below:

	Loan USD 000	Cancellation documents USD 000	Total USD 000
Balances at December 31, 2022	751,297	134,591	885,888
Accrued interest	29,027	5,895	34,922
Exchange difference	4,014	720	4,734
Balances as of September 30, 2023	751,297	134,591	885,888



Emergency Decree No. 010-2022, which establishes extraordinary measures in economic and financial matters aimed at securing the local fuel market, provided for the Temporary Financial support granted by the Ministry of Economy and Finance through the General Directorate of the Public Treasury, through the following actions:

- a) The transitory financial support from the Public Treasury to the Company up to the amount in Peruvian soles equivalent to USD 750,000 thousand to meet short-term obligations during 2022, equivalent to S/ 2,785,000 thousand. This debt will be amortized in monthly installments as of 2024.
- b) Authorize the Ministry of Economy and Finance, through the General Directorate of the Public Treasury, to issue Cancellation Documents - Public Treasury in favor of the Company, which are intended exclusively for the payment of customs duties and associated taxes to purchases of crude oil and fuel products, as well as any other tax charged by it for its fuel marketing operations. The aforementioned Cancellation Documents are issued, on a monthly basis, during fiscal year 2022, at the request of the Company. The outstanding balance may not exceed the amount of S/ 500 million, which as of September 30, 2023, was issued in full and is equivalent to USD 138 million.

16 OTHER PROVISIONS

As of September 30, 2023, and December 31, 2022, this heading comprises:

	2023 USD 000	2022 USD 000
Current		
Provision for environmental improvements (a)	49,775	45,522
Provisions for civil claims (b)	1,829	1,812
Provisions for labor claims	4,340	3,181
Well plugging provision	508	505
Provision for retirement pensions	5	7
Provision of job separation	102	108
Other provisions	138	138
	56,697	51,273
Non-current		
Provision of improvements for the environment (a)	12,491	12,488
Provision of job separation	68	67
Provision for retirement pensions	15	19
	12,574	12,574

The movement of the other provisions is as follows:

	Provision for environmental improvements USD 000	Provision for civil claims USD 000	Provision for labor claims USD 000	Provision for well plugging USD 000	Provision for retirement pensions USD 000	Provision of job separation USD 000	Other provisions USD 000	Total USD 000
Balances as of December 31, 2022	58,010	1,812	3,181	505	26	175	138	63,847
Provisions for the year	27,023	28	2,318	-	-	-	-	29,369
Payments	(22,708)	(1)	(1,188)	-	(7)	(7)	-	(23,911)
Reversal of unused provisions	-	(23)	-	-	-	-	-	(23)
Exchange rate difference	(59)	13	29	3	1	2	-	(11)
Balance as of September 30, 2023	62,266	1,829	4,340	508	20	170	138	69,271

- a) Provision for restoration of the environment and plugging of wells -
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From January to Septiembre 2023, eleven (11) significant spills have been recorded, which are in the process of investigation with OSINERGMIN. Currently insurance work is being developed with companies in the areas where these events occurred, in order to comply with current regulations and secure the areas.

The Company, as part of the application of its contingency plan, contracted specialized companies to carry out spill containment and environmental remediation tasks in the affected areas.

The movement of the provision for environmental improvements is detailed below:

	Balances as of January 1	Payments	Provision and update	Balances as of March 31,
	USD 000	USD 000	USD 000	USD 000
Year 2023				
Block 8	2,126	-	-	2,126
Block X	1,962	-	-	1,962
Pampilla	1,606	(69)	-	1,537
Lubricants	118	-	-	118
North Terminals	341	-	-	341
South Terminals	85	-	-	85
Center Terminals	1,724	(106)	-	1,618
Natural Gas Electric System	20	-	-	20
Total Privatized Units	<u>7,982</u>	<u>(175)</u>	<u>-</u>	<u>7,807</u>
Talara Operations	2,050	(59)	-	1,991
Conchán Operations	876	(110)	-	766
Pipeline Operations	44,233	(22,364)	27,023	48,892
Iquitos Refinery Operations	1,392	-	-	1,392
Commercial operations	603	-	-	603
Exploration and Exploitation Management	959	-	-	959
Total Own Units	<u>50,113</u>	<u>(22,533)</u>	<u>27,023</u>	<u>54,603</u>
Total	<u>58,095</u>	<u>(22,708)</u>	<u>27,023</u>	<u>62,410</u>
Exchange rate difference	(85)	-	-	(144)
	<u>58,010</u>	<u>-</u>	<u>-</u>	<u>62,266</u>

17 EQUITY

a) Share capital -

As of September 30, 2023, the authorized, subscribed and paid-in capital is represented by 9,572,168,000 common shares (5,572,168,000 as of December 31, 2023), with a par value of one Peruvian sol each. As of September 30, 2023, the composition of the shareholding that participates in the issued capital of the Company is as follows:

Class	Number of actions	Percentage
		%
A	7,657,734,400	80
B	1,914,433,600	20
	<u>9,572,168,000</u>	<u>100</u>

Class "A" shares have the right to vote, but they are indivisible, non-transferable and unattachable shares and may not be subject to a security interest, usufruct or any affectation. Class "B" shares have voting rights and may be transferred through centralized negotiation mechanisms of the Stock Market.



b) Legal reserve -

In accordance with Article 229 of the General Law of Companies, a legal reserve must be established with the transfer of no less than 10% of the annual net profit until reaching 20% of the paid-in capital. In the absence of undistributed profits or unrestricted reserves, the legal reserve may be applied to offset losses, and must be replaced with profits from subsequent years.

In reference to the regulation, the legal reserve registered as of September 30, 2023, amounts to USD 8,724 thousand.

18 INCOME FROM ORDINARY ACTIVITIES

This heading includes:

	For the three-month period ended on September 30,		For the nine-month period ended on September 30,	
	2023	2022	2023	2022
	USD 000	USD 000	USD 000	USD 000
National sales	925,095	1,112,614	2,561,717	3,649,802
Price Stabilization Fund (*) (Note 9)	39,201	52,217	1,994	155,990
Income related to ordinary activities	12,532	11,120	34,080	32,811
	<u>976,828</u>	<u>1,175,951</u>	<u>2,597,791</u>	<u>3,838,603</u>
Foreign sales	155,588	180,968	365,775	482,394
	<u>1,132,416</u>	<u>1,356,919</u>	<u>2,963,566</u>	<u>4,320,997</u>

As of September 30, 2023, and 2022, sales break down as follows:

	For the three-month period ended on September 30,		For the nine-month period ended on September 30,	
	2023	2022	2023	2022
	USD 000	USD 000	USD 000	USD 000
National sales:				
Diesel Miscellaneous	620,981	661,377	1,606,727	2,003,311
Gasoline	269,382	296,167	768,530	969,915
ONO Crude	-	105,493	-	519,954
Turbo A1	39,217	31,606	82,331	73,034
Asphalt	18,511	26,729	44,426	72,396
LPG	10,289	32,551	40,868	113,746
Industrial Petroleum	14,193	14,981	39,340	60,421
Solvents	3,339	4,186	10,531	12,648
Wet gas BLOCK I	916	1,181	2,667	2,711
High Octane Gasoline Blend Stock (HOGBS)	-	-	-	5,247
Primary naphtha and others	-	1,680	2,371	5,220
Total national sales	<u>976,828</u>	<u>1,175,951</u>	<u>2,597,791</u>	<u>3,838,603</u>
Foreign sales:				
Industrial petroleum	154,751	9,777	356,846	50,283
Turbo a1	813	23,710	7,898	69,498
Asphalts and solvents	24	929	1,031	2,923
Gran Tierra Crude Oil Block 95	-	-	-	103,695
Diesel miscellaneous	-	25,791	-	93,079
NAPO Crude	-	69,824	-	69,824
ONO Crude	-	31,146	-	31,146

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Gasolines	-	12,091	-	46,649
ULSD (EXP)	-	7,700	-	14,901
Cracked Naphtha ADQ (Exp)	-	-	-	396
Total foreign sales	<u>155,588</u>	<u>180,968</u>	<u>365,775</u>	<u>482,394</u>
Total sales	<u><u>1,132,416</u></u>	<u><u>1,356,919</u></u>	<u><u>2,963,566</u></u>	<u><u>4,320,997</u></u>

19 COST OF SALES

This heading includes:

	For the three-month period ended on September 30,		For the nine-month period ended on September 30,	
	2023	2022	2023	2022
	USD 000	USD 000	USD 000	USD 000
Opening inventory of stock	735,579	879,128	954,356	579,580
Purchases of crude oil, refined products and supplies	1,199,579	1,428,747	2,840,357	4,265,226
Production operating expenses (a)	191,939	83,843	495,257	251,325
Consumption of supplies of	(48,450)	(5,791)	(126,793)	(15,346)
Closing inventory	<u>(966,716)</u>	<u>(885,559)</u>	<u>(966,716)</u>	<u>(885,559)</u>
	<u><u>1,111,931</u></u>	<u><u>1,500,368</u></u>	<u><u>3,196,461</u></u>	<u><u>4,195,226</u></u>

(a) The composition of production operating expenses is as follows:

	For the three-month period ended on September 30,		For the nine-month period ended on September 30,	
	2023	2022	2023	2022
	USD 000	USD 000	USD 000	USD 000
Third-party services (*)	85,228	47,946	196,639	133,043
Depreciation (Note 12)	51,894	17,817	140,136	42,195
Personnel charges (Note 22)	14,544	11,303	40,070	35,530
Insurance	5,721	4,306	15,903	13,213
Depreciation of right-of-use assets	2,461	2,816	8,534	6,302
Different management charges	944	1,510	3,311	3,029
Employee participation (Note 22)	2	(8,211)	34	-
Payment	89	41	216	49
Other production materials and supplies	30,455	5,789	88,704	15,906
Others	601	526	1,710	2,059
	<u><u>191,939</u></u>	<u><u>83,843</u></u>	<u><u>495,257</u></u>	<u><u>251,325</u></u>

(*) It includes the following:

	For the three-month period ended on September 30,		For the nine-month period ended on September 30,	
	2023	2022	2023	2022
	USD 000	USD 000	USD 000	USD 000
Freight and ground transportation expenses	21,987	19,802	55,351	54,760
Maintenance and repair services	13,242	8,650	32,968	21,031
Other freight	8,317	4,522	18,154	10,933
Energy and water	24,492	3,230	44,347	10,995

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Product storage	3,050	3,421	9,017	10,411
Product dispatch	3,333	3,232	7,733	10,251
Freight and shipping expenses	2,450	-	6,249	-
Industrial security and protection	1,727	1,331	4,159	3,461
Food and accommodation	896	913	2,255	2,735
Storage and dispatch (PNP – Petrored)	1,284	989	3,327	2,514
Advertising	1,854	162	5,682	1,119
Miscellaneous	2,596	1,694	7,397	4,833
	<u>85,228</u>	<u>47,946</u>	<u>196,639</u>	<u>133,043</u>

20 SALES AND DISTRIBUTION EXPENSES

This heading includes:

	For the three-month period ended on September 30,		For the nine-month period ended on September 30,	
	2023	2022	2023	2022
	USD 000	USD 000	USD 000	USD 000
Personnel charges (Note 22)	5,452	5,208	15,877	17,396
Taxes	4,331	4,581	12,383	14,542
Third-party services (*)	2,881	2,939	7,886	6,974
Depreciation (Note 12)	2,176	2,021	6,507	6,033
Insurance	1,037	865	3,351	3,101
Materials and supplies	714	1,214	2,608	2,794
Miscellaneous management charges	126	11	195	92
Depreciation of right-of-use	40	46	125	136
Expected loss from accounts receivable	-	166	71	166
Employee participation (Note 22)	18	(3,237)	29	-
	<u>16,775</u>	<u>13,814</u>	<u>49,032</u>	<u>51,234</u>

(*) It includes the following:

	For the three-month period ended on September 30,		For the nine-month period ended on September 30,	
	2023	2022	2023	2022
	USD 000	USD 000	USD 000	USD 000
Maintenance and repair services	875	834	2,839	2,103
Miscellaneous third-party services	1,083	696	2,477	1,741
Industrial safety and protection	545	673	1,713	1,875
Advertising	-	387	-	387
Rentals	37	167	114	307
Energy and water	104	97	313	234
Travel expenses and transfers	45	31	108	80
Freight and other expenses	48	11	110	25
Food and accommodation	144	43	212	222
	<u>2,881</u>	<u>2,939</u>	<u>7,886</u>	<u>6,974</u>



21 ADMINISTRATION EXPENSES

This heading includes:

	For the three-month period ended on September 30,		For the nine-month period ended on September 30,	
	2023	2022	2023	2022
	USD 000	USD 000	USD 000	USD 000
Personnel charges (Note 22)	16,786	16,639	46,645	53,770
Third-party services (*)	20,232	10,929	44,367	36,180
Miscellaneous management charges	33,359	1,260	39,619	10,860
Civil and administrative labor contingencies	1,318	91	2,346	1,168
Depreciation (Note 12)	2,020	3,030	6,072	4,913
Taxes	723	1,134	3,534	2,999
Amortization	753	753	2,258	2,258
Materials and supplies	271	87	784	442
Depreciation of right-of-use	300	365	892	864
Employee participation (Note 22)	12	(7,932)	12	-
Insurance	234	1,411	708	1,985
	<u>76,008</u>	<u>27,767</u>	<u>147,237</u>	<u>115,439</u>

(*) It includes the following:

	For the three-month period ended on September 30,		For the nine-month period ended on September 30,	
	2023	2022	2023	2022
	USD 000	USD 000	USD 000	USD 000
Advice, expertise, and audits	7,621	2,752	16,271	13,650
Maintenance and repair services	2,313	1,986	6,144	4,594
IBM Outsourcing Services	1,633	1,721	4,302	4,596
Industrial safety and protection	1,757	1,158	4,148	2,957
Banking expenses	4,090	964	6,061	2,366
Freight and other freight	619	415	1,760	1,452
Temporary services	710	677	1,968	1,976
Advertising	160	134	395	1,103
Travel expenses and transfers	136	92	327	297
Medical services	182	160	496	470
Miscellaneous	1,011	871	2,495	2,719
	<u>20,232</u>	<u>10,929</u>	<u>44,367</u>	<u>36,180</u>

22 STAFF LOADS

This heading includes:

	For the three-month period ended on September 30,		For the nine-month period ended on September 30,	
	2023	2022	2023	2022
	USD 000	USD 000	USD 000	USD 000
Wages and salaries	15,340	13,734	43,203	42,363
Bonuses	6,771	6,235	18,508	24,324
Social contributions	5,425	4,192	15,117	14,574



Gratuities	4,249	3,936	9,842	9,345
Compensation for length of service	1,996	1,882	6,031	5,637
Holidays	1,122	1,100	3,387	3,391
Feeding	923	888	2,766	2,526
Overtime	569	396	1,531	1,050
Transport	262	246	805	673
Remote Work Compensation	3	-	30	85
Employee participation (Notes 19, 20 and 21)	6	(19,381)	75	-
Others	148	542	1,372	2,728
	<u>36,814</u>	<u>13,770</u>	<u>102,667</u>	<u>106,696</u>

23 OTHER INCOME AND EXPENSES

The other income and other expenses include:

	For the three-month period ended on September 30,		For the nine-month period ended on September 30,	
	2023	2022	2023	2022
	USD 000	USD 000	USD 000	USD 000
Other income				
Claims and/or indemnities (insurance/default)	2,047	3,019	9,250	8,700
Maritime operations services	1,073	819	2,653	2,766
Service of operation of fuel stations and tanks to mining companies	1,033	1,769	2,411	2,776
Other income	460	378	1,529	1,559
Financial expense recognition	-	-	566	-
Regularization of provisions	-	-	540	598
Fee recovery for use of loading port in Pucallpa	(2)	153	167	737
Regularization of provisions	-	264	17	-
Recovery of civil provisions	-	-	22	-
Contraction of the right-of-way easement of the Minerals Conveyor Belt - Callao Terminal	231	224	231	224
	<u>4,842</u>	<u>6,626</u>	<u>17,386</u>	<u>17,360</u>

	For the three-month period ended on September 30,		For the nine-month period ended on September 30,	
	2023	2022	2023	2022
	USD 000	USD 000	USD 000	USD 000
Other expenses				
Provision for oil pipeline losses	(15,415)	(5,181)	(27,023)	(17,299)
Net cost of disposal of assets held for sale	(48)	(37)	(794)	(70)
	<u>(15,463)</u>	<u>(5,218)</u>	<u>(27,817)</u>	<u>(17,369)</u>



24 INCOME TAX

The income tax expense is recognized in accordance with Management's estimate of the annual income tax rate expected for the full financial year. The estimated annual effective rate used for the years 2023 and 2022 is 1.4% and 14.7%, respectively.

26 CONTINGENCIES

As of September 30, 2023, and December 31, 2022, the Company has pending resolution the following labor, civil, tax and customs claims of a contingent nature considered as possible:

	<u>2023</u>	<u>2022</u>
	USD 000	USD 000
Civil proceedings	110,932	79,966
Tax and customs processes	47,965	47,869
Labor processes	14,643	15,172
	<u>173,540</u>	<u>143,007</u>

The movement of contingencies is detailed below:

	<u>Balances as of</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance as of</u>
	January 1	USD 000	USD 000	September 30
	USD 000	USD 000	USD 000	USD 000
Civil proceedings (a)	79,966	46,726	(15,760)	110,932
Tax and customs processes (b)	47,869	96		47,965
Labor processes (c)	15,172	264	(793)	14,643
	<u>143,007</u>	<u>47,086</u>	<u>(16,553)</u>	<u>173,540</u>

a) As of September 30, 2023, the main civil lawsuits include: Lambayeque for USD 6,687 thousand (equivalent to S/ 20,000 thousand), SIMA for USD 5,403 thousand (equivalent to S/ 21,933 thousand), Consorcio FCC for USD 3,709 thousand (equivalent to S/ 14,235 thousand), P&D for USD 10,000 thousand (equivalent to S/ 37,190 thousand), Heaven Petroleum Operators for USD 30,399 thousand (equivalent to S/ 115,423 thousand), Carbajal Bernal for USD 2,083 thousand (equivalent to S/ 7,909 thousand), Pluspetrol Norte for USD 790 thousand (equivalent to S/ 3,000 thousand) and AFP Prima for USD 978 thousand (equivalent to S/ 3,713 thousand). Proceedings with Consorcio Cobra for USD 10,000 thousand (equivalent to S/ 37,610 thousand), DEMEM for USD 2,916 thousand (equivalent to S/ 10,970 thousand) and PNP for USD 735 (equivalent to 2,765 thousand) were extinguished.

b) As of September 30, the main processes correspond to those maintained with the Tax Administration (SUNAT) for USD 47,964 thousand (equivalent to S/ 176,094 thousand), of which one of them is related to file No. 04315-2020-0-1801-JR-CA-21 for USD 14,748 thousand (equivalent to S/ 56,000 thousand) and two others are related to file No. 06305-2019-01801 for USD 17,086 thousand (equivalent to S/ 61,665 thousand) and file No. 06304-2019-01801 for USD 14,972 thousand (equivalent to S/ 54,033 thousand).

c) As of September 30, 2023, mainly comprises the process maintained with the Administrative Workers Union for USD 12,642 thousand (equivalent to S/ 48,000 thousand).



26 BASIC AND DILUTED PROFIT (LOSS) PER SHARE

The calculation of basic and diluted profit per share as of September 30, 2023, and 2022, which are expressed by the same value in the absence of shares with dilutive effect, is presented below:

	<u>Profit USD 000</u>	<u>Weighted average shares outstanding (in thousands)</u>	<u>Profit per share</u>
As of September 30, 2023			
Basic and diluted profit / (loss) per share	(530,215)	6,581,385	(0.081)
As of September 30, 2022			
Basic and diluted profit / (loss) per share	(60,850)	5,368,412	(0.007)

27 GUARANTEES

Guarantees and letters of guarantee -

As of September 30, 2023, the Company maintains letters of guarantee issued by local financial institutions in favor of suppliers for S/ 127,391 thousand (equivalent to S/ USD 33,550 thousand) and for USD 91,593 thousand.

28 RELATED PARTIES

The Peruvian Government owns the capital shares of the Company and is represented by each member of the General Shareholders' Meeting. According to the twenty-third article of the PETROPERU S.A. Statute, the General Shareholders' Meeting is made up of five members representing class "A" and "B" shares owned by the Peruvian State: The Ministry of Energy and Mines, which will preside it, and four members representing the Peruvian State designated by Supreme Decree. Transactions between the Company and the Peruvian government and the Ministry of Energy and Mines are related to transactions with shareholders.

29 SUBSEQUENT EVENTS

- On October 8, 2023, Supreme Decree No. 019-2023-EM was published in the official gazette "El Peruano", which grants a special assignment to Petr6leos del Per6 - PETROPER6 S.A. for the provisional administration of the Concession of the Natural Gas Distribution System by Duct Network of the South West Concession.
- On October 12, 2023, the international rating agency Standard & Poor's Global Ratings published its report in which it downgrades PETROPER6's long-term debt issuer rating to "B+" from "BB", and also downgrades the company's stand-alone credit profile (SACP) to "ccc+" from "b-". Additionally, it maintains the stable outlook, for the reasons explained in the report.
- On October 21, 2023, Petroper6 and Perupetro signed hydrocarbon exploitation license contracts for up to two years in Block I and VI of Talara.
- On October 26, 2023, the local rating agency Pacific Credit Rating (PCR) published its report in which it downgraded the ratings of the First Short-Term Instruments Program of PETROPER6 S.A. to "PE1-", and the Company's Financial Solvency to "PEAA-", modifying the outlook from stable to negative.



- After September 30, 2023, and as of the date of approval of the financial statements, no other events have occurred, in addition to the ones mentioned in the preceding paragraphs, that require adjusting the items of the financial statements or to be disclosed in the notes thereto.

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COLEGIO DE TRADUCTORES DEL PERÚ

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