(Free translation from the original in Spanish)

PETROLEOS DEL PERU - PETROPERU S.A.

CONDENSED INTERIM FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2018 (UNAUDITED), DECEMBER 31, 2017 AND
SEPTEMBER 30, 2017 (UNAUDITED)

Gaveglio Aparicio y Asociados Sociedad Civil de Responsabilidad Limitada.
Av. Santo Toribio 143, Piso 7, San Isidro, Lima, Perú, T: +51 (1) 211 6500 F: +51 (1) 211 6565
www.pwc.com/pe

(Free translation from the original in Spanish)

PETROLEOS DEL PERU - PETROPERU S.A.

CONDENSED INTERIM FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2018 (UNAUDITED), DECEMBER 31, 2017 AND
SEPTEMBER 30, 2017 (UNAUDITED)

CONTENTS

S/ = Sol
US$ = United States dollar
EUR = Euro
GBP = Pounds Sterling

(Free translation from the original in Spanish)

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders and Board of Directors
Petróleos del Perú - PETROPERU S.A.

October 31, 2018

We have reviewed the accompanying condensed interim financial statements of **Petróleos del Perú - PETROPERU S.A.** at September 30, 2018, which comprise the condensed interim statements of comprehensive income, changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes from 1 to 29. Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" issued by the International Accounting Standards Board. Our responsibility is to express an opinion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" approved for application in Peru by the Board of Deans of Institutes of Peruvian Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily with the personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements do not present fairly, in all material respects, the financial position of **Petróleos del Perú - PETROPERU S.A.** at September 30, 2018, its financial performance and cash flows for the nine-month period then ended, in accordance with International Accounting Standard 34 - "Interim Financial Reporting" issued by the International Accounting Standards Board.

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October 31, 2018
Petróleos del Perú - PETROPERU S.A.

Other matter

The comparative information for the statement of financial position is based on the audited financial statements as at December 31, 2017. The comparative information for the statement of comprehensive income, changes in equity and cash flows, and the explanatory notes, for the nine-month period ended September 30, 2017 has not been audited or reviewed.

Gaveglio Aparicio y Asociados

Countersigned by

---(partner)
Hernán Aparicio P
Peruvian Certified Public Accountant
Registration No.01-020944

(Free translation from the original in Spanish)

PETROLEOS DEL PERU - PETROPERU S.A.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

ASSETS	Note	At September 30, 2018 US$000 (Unaudited)	At December 31, 2017 US$000
Current assets			
Cash and cash equivalents	9	138,293	666,141
Trade receivables	10	350,118	293,177
Other receivables	11	885,277	711,353
Inventories	12	746,248	643,611
Prepaid expenses		21,882	4,889
Total current assets		2,141,818	2,319,171
Non-current assets			
Other receivables	11	255,461	215,168
Other assets		67	67
Property, plant and equipment	13	3,788,915	3,291,409
Investment properties		75,503	79,430
Intangible assets		32,995	33,498
Total non-current assets		4,152,941	3,619,572
TOTAL ASSETS		6,294,759	5,938,743

LIABILITIES AND EQUITY	Note	At September 30, 2018 US$000 (Unaudited)	At December 31, 2017 US$000
Current liabilities			
Other financial liabilities	14	1,764,180	1,319,200
Trade payables	15	550,260	772,247
Other payables		86,313	115,189
Other provisions	16	54,386	59,611
Total current liabilities		2,455,139	2,266,247
Non-current liabilities			
Other financial liabilities	14	1,985,470	1,985,124
Other provisions	16	16,486	14,461
Deferred income tax		67,927	55,307
Total non-current liabilities		2,069,883	2,054,892
Total liabilities		4,525,022	4,321,139
EQUITY	17		
Share capital		1,337,989	1,171,395
Legal reserve		40,160	21,650
Other equity reserves		-	(154)
Retained earnings		391,588	424,713
Total equity		1,769,737	1,617,604
TOTAL LIABILITIES AND EQUITY		6,294,759	5,938,743

The attached notes from pages 8 to 42 form part of the condensed interim financial statements.

(Free translation from the original in Spanish)

PETROLEOS DEL PERU - PETROPERU S.A.

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	For the three-month period ended September 30,		For the nine-month period ended September 30,	
		2018	2017	2018	2017
		US$000 (Unaudited and not reviewed)	US$000 (Unaudited and not reviewed)	US$000 (Unaudited)	US$000 (Unaudited and not reviewed)
Revenue from ordinary activities	18	1,258,179	1,038,519	3,598,617	2,894,749
Other operating profit		16,871	19,253	55,673	55,420
Total revenue		1,275,050	1,057,772	3,654,290	2,950,169
Cost of sales	19	(1,212,819)	(878,194)	(3,325,025)	(2,596,748)
Gross profit		62,231	179,578	329,265	353,421
Selling and distribution expenses	20	(22,590)	(19,217)	(62,038)	(50,890)
Administrative expenses	21	(43,730)	(37,907)	(121,053)	(113,056)
Other income	23	46,173	4,792	98,397	57,277
Other expenses	23	(249)	(4,047)	(35,490)	(5,378)
Total operating expenses		(20,396)	(56,379)	(120,184)	(112,047)
Operating profit		41,835	123,199	209,081	241,374
Finance income		5,816	1,773	13,186	3,319
Finance costs		(11,768)	(15,514)	(25,609)	(37,841)
Exchange difference, net		(1,321)	2,579	(2,374)	(3,894)
Profit before income tax		34,562	112,037	194,284	202,958
Income tax expense	24	4,126	(45,911)	(42,305)	(51,511)
Profit for the period		38,688	66,126	151,979	151,447
Other comprehensive income that may be reclassified to profit or loss:					
Results from derivatives		-	(688)	154	(1,657)
Total other comprehensive income		-	(688)	154	(1,657)
Total comprehensive income		38,688	65,438	152,133	149,790
Earning per basic and diluted share	26	0.010	0.019	0.039	0.047

The attached notes from pages 8 to 42 form part of the condensed interim financial statements.

(Free translation from the original in Spanish)

PETROLEOS DEL PERU - PETROPERU S.A.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018 AND 2017

	Number of shares	Share capital US$000	Additional capital US$000	Legal reserve US$000	Other equity reserves US$000	Retained earnings US$000	Total equity US$000
Balances at January 1, 2017	2,465,047,935	733,645	110,241	16,189	(373)	256,222	1,115,924
Comprehensive income:							
Profit for the period	-	-	-	-	-	151,447	151,447
Other comprehensive income:							
Results from derivatives	-	-	-	-	(1,657)	-	(1,657)
Total comprehensive income	-	-	-	-	(1,657)	-	(1,657)
Transactions with shareholders:							
Shareholder's cash contribution	-	-	316,357	-	-	-	316,357
Transfer to additional capital and legal reserve	-	-	11,152	5,461	-	(16,613)	-
Transfer to share capital of cash contribution	1,056,000,000	316,357	(316,357)	-	-	-	-
Transfer to share capital of additional capital	406,665,360	121,393	(121,393)	-	-	-	-
Total transactions with shareholders	1,462,665,360	437,750	(110,241)	5,461	-	(16,613)	316,357
Balance at September 30, 2017 (Unaudited and not reviewed)	3,927,713,295	1,171,395	-	21,650	(2,030)	391,056	1,582,071
Balances at January 1, 2018	3,927,713,295	1,171,395	-	21,650	(154)	424,713	1,617,604
Comprehensive income:							
Profit for the period	-	-	-	-	-	151,979	151,979
Other comprehensive income:							
Results from derivatives	-	-	-	-	154	-	154
Total comprehensive income	-	-	-	-	154	-	154
Transactions with shareholders:							
Transfer to additional capital and legal reserve	-	-	166,594	18,510	-	(185,104)	-
Transfer to share capital of additional capital	520,703,700	166,594	(166,594)	-	-	-	-
Total transactions with shareholders	520,703,700	166,594	-	18,510	-	(185,104)	-
Balance at September 30, 2018 (Unaudited)	4,448,416,995	1,337,989	-	40,160	-	391,588	1,769,737

The attached notes from pages 8 to 42 form part of the condensed interim financial statements.

(Free translation from the original in Spanish)

PETROLEOS DEL PERU - PETROPERU S.A.

CONDENSED INTERIM STATEMENT OF CASH FLOWS

	Note	For the nine-month period ended September 30, 2018 US$000 (Unaudited)	2017 US$000 (Unaudited and not reviewed)
OPERATING ACTIVITIES			
Net cash generated from operating activities		(217,418)	190,132
Interest payment		(16,345)	(30,625)
Income tax payment		(86,337)	(91,980)
Net cash (applied to) provided by operating activities		(320,100)	67,527
INVESTING ACTIVITIES			
Advance refund of value added tax related to investment activities		25,133	-
Value added tax related to investing activities		(43,915)	(119,043)
Purchases of property, plant and equipment		(475,390)	(555,423)
Capitalized interest payment		(55,550)	(39,362)
Purchases of intangible assets		(1,219)	(25)
Withdrawal of investment from fixed-term deposits	11	467,506	(25,000)
Invesment in time deposits	11	(537,506)	(300,000)
Net cash applied to investing activities		(620,941)	(1,038,853)
FINANCING ACTIVITIES			
Loans from financial institutions	14	3,872,589	2,950,536
Bonds received, net of transaction costs	14	-	2,000,000
Payment of transaction costs	14	-	(5,020)
Payment of loans to financial institutions	14	(3,458,102)	(3,617,169)
Shareholder's cash contribution		-	316,357
Net cash provided by financing activities		414,487	1,644,704
(Net decrease) net increase in cash and cash equivalents		(526,554)	673,378
Effect of changes in exchange rate on cash		(1,294)	(5,613)
Cash and cash equivalents at the beginning of the period		666,141	74,005
Cash and cash equivalents at the end of the period		138,293	741,770
NON-CASH TRANSACTIONS FROM FINANCING AND INVESTING ACTIVITIES			
- Accrued interest non paid		38,069	29,590
- Work in progress payable		66,787	58,120
- Capitalization of profits		166,594	121,393

The attached notes from pages 8 to 42 form part of the condensed interim financial statements.

(Free translation from the original in Spanish)

PETROLEOS DEL PERU - PETROPERU S.A.

CONDENSED INTERIM STATEMENT OF CASH FLOWS

	Note	For the nine-month period ended September 30, 2018 US$000 (Unaudited)	2017 US$000 (Unaudited and not reviewed)
Profit for the period		151,979	151,447
Adjustments to reconcile the net profits for the year to cash from operating activities:			
Estimation of impairment of trade receivables	10	349	126
Provision for retirement pensions	16	26	36
Provision for contingencies	16	29,940	745
Provision for plugging and environmental remediation	16	6,172	4,908
Depreciation		33,316	31,647
Amortization		1,722	1,785
Deferred income tax liabilities		12,620	2,157
Effect on adjustment of non-realizable exchange difference		1,294	5,613
		237,418	198,464
Net changes in operating assets and liabilities:			
Trade receivables		(57,290)	(37,216)
Other receivables		(125,435)	17,407
Inventories		(102,637)	(127,433)
Prepaid expenses		(16,993)	(1,467)
Trade payables		(217,943)	149,454
Other payables		(37,220)	(131,682)
Net cash (applied to) provided by operating activities		(320,100)	67,527

The attached notes from pages 8 to 42 form part of the condensed interim financial statements.

(Free translation from the original in Spanish)

PETROLEOS DEL PERU - PETROPERU S.A.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2018 (UNAUDITED), DECEMBER 31, 2017 AND
SEPTEMBER 30, 2017 (UNAUDITED)

1 BACKGROUND AND ECONOMIC ACTIVITY

a) Background -

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

The Company is a government-owned company under private law operating in the hydrocarbons subsector within the Energy and Mining Industry. The Company was organized and incorporated as a stock company, under the provisions of Legislative Decree No. 043, *Ley de la Empresa Petróleos del Perú - PETROPERU S.A.*, published on March 4, 1981, as amended, by which the Peruvian Government holds the Company's total share capital. The Company is also subject to the provisions of article 12 of the rules for application of Law No. 28840, setting forth that each member of the General Shareholders' Meeting shall represent the number of equity shares of PETROPERÚ S.A. resulting from dividing the total number of shares by the number of members designated to act on behalf of the Peruvian Government.

The Company is registered with the Peruvian company and securities regulator (Superintendencia de Mercados de Valores - SMV).

The legal address of PETROPERU S.A. is at Av. Enrique Canaval y Moreyra No.150, San Isidro, Lima Peru.

Under the provisions of Law No. 28840, "Ley de Fortalecimiento y Modernización de la Empresa Petróleos del Perú – Petroperú S.A.", for the modernization of Petroperu, PETROPERÚ S.A. was expressly excluded from the scope of the governmental agency that provides financing to government-owned companies, ("Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado - FONAFE) and the public investment system ("Sistema Nacional de Inversión Pública - SNIP"). Further, by means of the second final provision of Law No. 28840, the Supreme Resolution No. 290-92-PCM - by which the Company was included within the scope of the process of private investment promotion, and any other regulation opposing Law No. 28840 - was superseded.

The Company's activities are governed by its Organic Law approved under Legislative Decree No. 043, its Bylaws, Law 28840 - Law for the Strengthening and Modernization of Empresa de Petróleos del Perú, PETROPERU S.A. (its internal rules, approved under Supreme Decree No.012-2013-EM dated April 27, 2013); it is also governed by the Peruvian Corporate Law on a supplementary basis and is under the oversight of the Peruvian Comptroller's Office ("Contraloría General de la República (CGR), the Peruvian tax and customs Regulator ("Superintendencia Nacional de Aduanas y de Administración Tributaria – SUNAT") and the local hydrocarbons regulator.

Also, under the third final provisions of Legislative Decree No. 1031, by which the efficiency of the government-run companies is promoted, dated June 23, 2008, the Company is subject to subsection 9.3, article 9th and article 12th of Legislative Decree No 1031. With respect to the former, the Company's financial statements are audited, on an annual basis, by external independent auditors who are designated at the General Shareholders' Meeting; with respect to the latter, under decision at the General Shareholders' Meeting the minimum level of capital stock to be registered with the Peruvian Securities Stock Market is to be determined in adherence to the regulations issued by the SMV.

Other applicable laws and regulations are the provisions of the legislation stating the need for the modernization of the Talara Oil Refinery, Law No.30130 enacted on December 18, 2013 (originally called "Ley que declara de necesidad pública e interés nacional la prioritaria ejecución de la modernización de la Refinería de Talara para asegurar la preservación de la calidad del aire y la salud pública y adopta medidas para fortalecer el Gobierno Corporativo de Petróleos del Perú - PETROPERU S.A."), hereinafter the PMRT as well as its rules for application, as approved under Supreme Decree No.008-2014-EM, published on March 24, 2014. The Law No.30130 approved the grant by the Peruvian Government of up to US$200 million per year and up to a cumulative total of US$1,000 million to secure the financial obligations derived from the financing to be contracted by PETROPERU S.A. to execute the PMRT in the event the Company is not able to obtain the necessary resources to honor its obligations. At September 30, 2018, December 31, 2017 and September 30, 2017 there has been no need to use those guarantees.

Additionally, on December 30, 2016, Legislative Decree No. 1292 was enacted declaring of public need and national interest the safe operation of the "Oleoducto Norperuano" and stipulating the re-organization and improvement of the corporate governance of PETROPERU S.A.

b) Economic activity -

By means of Law No.28244 enacted on June 2, 2004, PETROPERU S.A. is authorized to enter into contracts with PERUPETRO S.A. for exploration and exploitation operations as well as petroleum-related services as permitted by law.

As established under the Ley de "Fortalecimiento y Modernización de Petroperú S.A.", the Company has economic, financial and administrative autonomy in accordance with its annual and five-year business objectives approved by the Ministry of Energy and Mines. The agreements and contracts entered into in order to achieve its business purpose are subject to the guidelines established under i) Legislative Decree No.043, as amended; ii) its Bylaws; iii) its internal rules; iv) Board agreements; v) the Standards of the National Control System; and vi) the standards and regulations specific to PETROPERU S.A.

The Company's foreign trade transactions are governed by the generally accepted practices and uses of international trade and International Law standards as well as the generally accepted practices in the hydrocarbon and energy industry.

As part of its core business purpose, the Company carries out activities in accordance with the Peruvian Hydrocarbons Law (*Ley Orgánica de Hidrocarburos) - Law No.26221.* These activities consist of all oil industry phases, such as oil trade, including its by-products, basic petrochemicals and other forms of energy. The Company's activities in the hydrocarbon industry include exploration and exploitation, refinery, trade and transport of oil and by-products, basic and intermediary petrochemical products and other forms of energy.

By means of Law No.29970 - law for the strengthening of the energy supply continuity throughout the Southern Region in Perú ("Ley que afianza la Seguridad Energética y promueve el desarrollo del Polo Petroquímico en el Sur del País") PETROPERU S.A. shall take part, individually or jointly, in the petrochemical development described in the above-mentioned law.

Pursuant to Law No.30130 PETROPERU S.A. is authorized to sell or issue shares to be placed in the Securities Market. In this process, the Peruvian Government is allowed to incorporate a private stake of up to 49% of its share capital outstanding. Also, PETROPERU S.A. is allowed to carry out investment activities and projects as long as no current or future firm or contingent liabilities are incurred by the Company, do not affect the guarantees for the Talara Refinery Modernization Project (PMRT the Spanish acronym); and no Treasury resources are required; which is not restrictive of those ongoing projects that enable the Company to be operational at the effective date of this law. These restrictions will cease to exist whenever PETROPERU S.A. generates sufficient cash flows to be able to secure repayment of the borrowings contracted to invest in implementing the PMRT and a private stake of at least 40% has been incorporated in its outstanding share capital.

By means of Supreme Decree No.031-2016-MEM dated December 1, 2016 approved the assignment of contractual position in the License Agreement for the Hydrocarbons Exploration and Exploitation on Block 64, from PETROPERU to GEOPARK PERU S.A.C.; the latter now being designated as the Operator of the License Agreement. On December 2, 2016 the relevant public deed of the referred assignment was signed.

Pursuant to Legislative Decree No.1292, issued on December 30, 2016, the safe operation of the Peruvian northern oil pipeline ("Oleoducto Norperuano") was declared of public need and national interest; in this sense, the Company was ordered to re-organize and enhance its corporate governance, authorizing a period of 720 days for that purpose, to come due on December 30,2018, to prepare a plan to govern, among others: the contracting and amending of agreements/contracts as well as service agreements relating to the Company's business units; the participation of PETROPERÚ S.A. in contracts of hydrocarbon exploration and exploitation; the possibility for the Company to take part in social responsibility actions under the mechanism of work in exchange for taxes; using the capital increase referred to in subsection 8.1, article 8th, Law No 29970 to implement the Talara Refinery Modernization Project and the amendment of article 4 and Complementary Provision to Law No 28840.

Legislative Decree No 1292 under the above regulation, once the reorganization and modernization mentioned in subsection 3.1, article 3th is completed, PETROPERU S.A. will come within the scope of the national fund for financing government-run companies ("Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado - FONAFE). The Peruvian Congress has not yet reconsidered an approved Bill No1063/2016-CR, in the hands of the Constitution Commission since 2017. Therefore, there is still a possibility that PETROPERU S.A. may be back within FONAFE.

By means of the above-mentioned Legislative Decree No.1292 the Energy and Mines Ministry is additionally commissioned at the proposal of OSINERGMIN to approve a regulated rate schedule to be used in the final concession of Oleoducto Norperuano and Oleoducto Ramal Norte ("Concesión Definitiva para el Transporte de Hidrocarburos Líquidos por el Oleoducto Norperuano y el Oleoducto Ramal Norte") whenever the parties do not reach a price agreement within a period of 60 days.

c) Regulatory framework governing the Company´s selling prices -

In accordance with Article 77 of the Organic Hydrocarbon Law, the activities and prices of crude oil and by-products are governed by supply and demand.

The fuel pricing policy of PETROPERU S.A approved by the Board Agreement No. 066-2018-PP establishes that:

- Pricing of liquid and specialty fuels is determined on a supply-and-demand services in compliance with the provisions of the Peruvian Law of Hydrocarbons ("Ley Orgánica de Hidrocarburos").

- The price listing of liquid and specialty fuels will be approved by the Executive Committee of Prices ("Comité Ejecutivo de Precios") led by the General Management comprising Corporate Finance Management, Supply Chain Management, Refining Management and Commercial Management, or those who fulfill those functions.

- The methodology used in setting the prices of fuel and specialty fuels sold by PETROPERU in the local market is implemented on a cost-opportunity basis and is approved by the Executive Committee of Prices ("Comité Ejecutivo de Precios").

- PETROPERU's price lists should be competitive in relation with other economic agents - manufacturers and importers – at the Sales Plants nationwide in which sales are conducted, provided that economic benefits are obtained.

- In case international market events or circumstances have a significant impact on fuel prices in the local markets, and this, in turn, have an adverse impact on the Company's economic condition and/or reputation, the Price Executive Committee may decide to progressively transfer those events to customers or ignore those price variances specific to a current economic juncture until the local or international market stabilizes.

- Price Stabilization Fund.

  The Fuel Price Stabilization fund ("Fondo de Estabilización de Precios de los Combustibles") was established by the Peruvian Government under Emergency Decree No.010-2004, relevant rules standards and amendments. Pursuant to this piece of legislation the Peruvian Government establishes a contingency fund to prevent the volatility of the hydrocarbon prices being transferred to the final consumers; however, the Ministry of Energy and Mines (MEM, the Spanish acronym) will compensate the Company for the pricing differences that are not transferred to its clients.

  Under the above-mentioned regulations, the National Hydrocarbons Office ("Dirección General de Hidrocarburos - DGH") within the Ministry of Energy and Mines sets a price range per each fuel product sold in Perú. Article 6th, of Supreme Decree No.133-2010-EF (dated June 23, 2010) stipulates that OSINERGMIN shall update and publish every two months in the Peruvian official gazette "El Peruano", the price ranges ("bandas de precios") per each product the last Thursday of the second month, computed from the effective date of the last price update.

  On a weekly basis, OSINERGMIN publishes a reference price per each fuel product sold in Perú known as "Import parity price ("Precio de paridad de importación - PPI"). Whenever the PPI is higher than to the upper range, the difference is the Compensation factor and whenever the PPI is lower than the lower range, the difference is the Contribution factor.

  At September 30, 2018 the fuel price stabilization fund was applied to the following fuel items: GLP-E, Diesel B5, Diesel B5 S-50 and industrial petroleum 6. This fund representing 1.30% of the Company's total revenue (-0.04% of the Company's total revenue at September 30, 2017).

d) Approval of the financial statements -

The financial statements for the nine-month period ended September 30, 2018 have been issued with the authorization of General Management on October 31, 2018. The financial statements at December 31, 2017 were approved at the General Shareholders' Meeting dated March 26, 2018.

2 BASIS OF PREPARATION OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements for the nine-month period ended September 30, 2018 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34) issued by the International Accounting Standards Board (IASB).

Information on the statement of financial position at December 31, 2017 and its related notes are derived from the audited financial statements at that date.

The condensed interim financial statements unaudited are based on the respective accounting records and are prepared under the historical cost convention, except for derivative financial instruments, which are measured at fair value. The condensed interim financial statements are presented in thousands of United States Dollars, unless otherwise stated. The applied accounting policies are consistent with those applied at 2017 year-end and comparative interim period.

The unaudited condensed interim financial statements do not include all the information and disclosures required for annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the IASB.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in the applicable standards from January 1, 2018 -

The following standards and amendments have been adopted by the Company for the first time for the period that began on January 1, 2018:

- IFRS 9, "Financial instruments"

  Major changes introduced by this standard

  It replaces IAS 39, "Financial instruments: recognition and measurement", and all prior versions of IFRS 9. IFRS 9 addresses three major aspects of the accounting for financial instruments: classification and measurement, impairment and hedging accounting.

  IFRS 9 came into effect on January 1, 2018, accordingly, it was applied by the Company.

  Impacts on adoption -

  The Company has assessed the changes introduced under IFRS 9 and the nature and effect of these changes on the Group's adoption are summarized below:

  Classification and measurement -

  IFRS 9 changes the categories of classification of financial assets, removing the held-to-maturity, loans and receivables and available-for-sale categories. The Group's financial assets will now be classified into one of the following categories: measured at amortized cost, measured at fair value through other comprehensive income (FVOCI) or measured at fair value through profit or loss (FVPL). Classification of the financial assets under IFRS 9 is dependent on the business model in which the financial asset is managed and the contractual cash flows characteristics.

  At September 30, 2018 the Company has assets mostly recorded at the amortized cost and immaterial amount derivative financial measured at FVTPL, which means no significant change in relation with the accounting policy in place before adoption of this standard.

  Impairment -

  IFRS 9 replaces the incurred credit losses model under IAS 39 and introduces the expected credit losses model to test impairment of financial assets. The new impairment model is applied to financial assets at amortized costs including trade receivables,

  The most significant impact for the Company is impairment of other receivables measured at the amortized cost. The Company opted to apply the simplified approach set under IFRS 9 and determined impairment losses of trade receivables over the lifespan of the financial asset and the use of a matrix of provision for impairment losses, which are not considered material.

  Hedge accounting -

  A hedge arrangement is a transaction by which a counterparty intends to reduce or mitigate its exposure to a particular event or variance in its cash flows. Hedge accounting does not change the yields/gains over time, it only affects the timeliness and presentation in profit or loss. When applying hedge accounting, the gains and losses on the hedged item and the hedging instrument are recognized in profit or loss in the same accounting period. The Company has not assessed the impact of the IFRS 9 requirements regarding hedge accounting because it is not applied hedge accounting to its derivatives.

- IFRS 15, "Revenue from contracts with customers" -

  Major changes introduced by this standard

  IFRS 15- "Revenue from contracts with customers" introduces a comprehensive IFRS 15- “Revenue from contracts with customers” introduces a comprehensive framework to determine the amount and timing for recognizing revenue. It replaced the guidance contained in IAS 18 – “Revenue” that was applied by the Company until December 31, 2017.

  A new five-step process must be applied before revenue can be recognized, which should occur when control of a good or service transfers to a customer in exchange of a consideration.

  IFRS 15 came into effect on January 1, 2018, which was adopted by the Company using the full retrospective transition method. Therefore, the effects and changes in disclosures should be presented in the condensed interim financial statements at September 30, 2017. However, the Company concluded that the amounts that were modified to meet the IFRS 15 requirements are not material at the cut-off date to justify changes in presentation.

  The Company’s adoption of IFRS 15 has not resulted in significant changes in the timetable for the satisfaction of performance obligations or the amount of revenue recognition against the amount that would have been reported under IAS 18. In this sense, the impact of IFRS 15 on the Company’s statement of financial position, the statements of income and cash flows are not material.

  Impacts on adoption

  The Company has assessed the changes introduced under IFRS 15 and the nature and effect of these changes on the Company adoption are summarized below:

  Identify the separate performance obligations and when these performance obligations are satisfied.

  The Company has mainly identified a single performance obligation comprising the sales and transportation of its products to its customers. No other significant performance obligations were identified besides those mentioned given that the free-of-charge transportation bonus, the loaned products and other services related to the Company’s core business are not significant for the Company.

  The Company has arrived at the conclusion that its revenue from ordinary activities meet the IFRS 15 requirements regarding revenue from contracts with customers. Accordingly, no changes in presentation were considered in these condensed interim financial statements and in the foreseeable future.

  Determine the transaction price and prices allocated to each separate performance obligation

  In determining the transaction price and the amounts assigned to performance obligations, the Company has considered the terms of the contract and its customary business practices. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to its customers. The transaction price is assigned to each performance obligation based on a relative independent selling price including variable consideration.

  The Company has concluded that the transaction price and the prices allocated to the performance obligations meet the requirements of IFRS 15; accordingly, no changes were considered in the price allocation to performance obligations

Based on an assessment of its contracts, the Company has identified that certain expenses shown as selling and distribution expenses of US$51,765 thousand, at September 30, 2017, should be presented as cost of sales in the statement of comprehensive income under the provisions of IFRS 15.

3.2 New standards and interpretations effective after January 1, 2018 and which have not been early adopted -

- IFRS 16, "Leases" -

This standard replaces IAS 17 "Leases" and IFRIC 4 "Contracts that may contain a lease" and other related interpretations.

IFRS 16, 'Leases' (IFRS 16) will have far-reaching consequences for lessees since it requires the recognition of almost all leases in the statement of financial position. The standard removes the distinction between finance and operating leases and requires lessees to recognize an asset representing their right of use of the leased asset and a liability for the obligation of future contractual payments, except for lease contracts of less than 12 months (considering in this determination the likelihood of contract extension) and low-value asset lease contracts.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expenses will be replaced with interest and depreciation expenses, so financial metrics like EBITDA will also be affected.

In the statement of cash flows, financing cash flows will be higher because of cash payments for the principal portion of the lease liability. Only the portion of payments that reflects interest may continue to be presented as operating cash flows.

Accounting for lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 is effective for financial periods beginning on or after January 1, 2019; early application is permitted. The Company does not expect the changes introduced by IFRS 16 to have a significant impact on the financial statements.

There are no other NIIF or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

3.3 Significant accounting policies -

The significant accounting policies are consistent with those used in the annual financial statements for the year ended December 31, 2017, as described in them, except for the adoption of the new accounting standards described in Note 3.2 and the accounting treatment of the income tax for the interim period at the tax rate that is expected to be effective on the estimated future annual taxable profit or loss (see Note 4 and Note 24). The income tax expense is recognized at each interim period at Management´s best estimate of the income tax rate expected to be effective at year-end. Management considers that the accrued income tax amount for the interim period can be adjusted over a subsequent interim period of a same year, whenever the annual income tax rate estimate changes.

As a result, the adoption of the new accounting standards, as described in Note 3.2, was made effective from January 1, 2018 included the following:

3.3.1 Financial assets -

Classification -

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. The Company has derivative financial instruments that are measured at fair value through profit or loss.

Financial assets measured at amortized cost consists of trade receivables and some items included in other receivables.

Measurement -

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

For financial assets measured at the amortized cost, these are assets held for the contractual cash flows to be obtained, where these cash flows only relate to payments of principal and interest. Interest income on these financial assets is included in finance income using the effective interest rate method. Impairment losses are presented as separate line item in the statement of profit or loss.

Impairment -

From 1 January 2018, the Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in the credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected financial asset's lifetime losses to be recognized from initial recognition of the receivables.

3.3.2 Revenue recognition -

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of sales taxes, rebates and discounts. The Company recognizes its revenue when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below.

a) Revenue from sales of refined products -

The Company sells refined products principally in the local market but a smaller portion is exported. Revenue from sales of products are recognized when control over products has been transferred to the buyer and there is no unmet selling condition that may affect the acceptance of the product.

Transfer of control over the refined products sold in the local market to the buyer occurs when the products are delivered under the agreed contractual conditions, the product is accepted by the buyer; with respect to products that are exported, it all depends on the export contractual conditions, which mainly occurs when the goods are delivered to the port of shipment, when there is objective evidence of acceptance of the product. Revenue from these sales is recognized based on the contractual selling price, net of discounts given to customers based on sales volumes up to the end of the reporting period.

b) Revenue from sales of services -

Revenue from services rendered (terminal operations fee, rentals, crude transportation and other services) are recognized in the accounting period in which they are rendered, with reference to the entire specific service, calculated on the basis of the service actually rendered as a portion of the total services to be provided.

c) Interest income -

Interest income is recognized on a time-proportion basis using the effective interest method.

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 reported amounts of assets and liabilities, income and expenses. Actual results may differ from said estimates.

In preparing the condensed interim financial statements, the critical judgements and estimates made by Management in applying its accounting policies and assessing the sensitive information required for estimating uncertainties were the same as those used in the financial statements for the year ended December 31, 2017, except for changes in the estimates that are needed to determine the provision for income tax.

Income tax -

In determining the income tax for the interim periods, Management uses the effective tax rate that would be applicable to the expected annual profit or loss for the interim periods (see Note 3 and Note 24) that require Management to exercise judgement in estimating those expected results for tax purposes.

The Company performed a sensitivity analysis on the income tax expense for interim periods based on estimates of the income tax rate expected to be effective at year-end.

If the income tax rate had been +/- 1% other that Management's estimates, the Company would have needed to increase / decrease the income tax expense by US$423 thousand for the nine-month period ended September 30, 2018 (US$515 thousand or the nine-month period ended September 30, 2017).

5 RECLASSIFICATION OF ITEMS -

During the course of 2017 the Company reviewed the presentation of certain items in its financial statements; as a result of this process, certain changes were made in the presentation of income and cash flow. Furthermore, on January 1, 2018, IFRS 15 was made effective and it was adopted by the

Company using the modified retrospective method included in the same standard. Accordingly, the effect and disclosures should be presented in the condensed interim financial statements at September 30, 2017.

The condensed interim statements of comprehensive income and cash flows at September 30, 2017 were restated to be consistent with this revised presentation:

	For the nine-month period ended September 30, 2017 S/000 (Previously reported)	For the nine-month period ended September 30, 2017 US$000	Reclassification US$000	For the nine-month period ended September 30, 2017 US$000 (Unaudited)
Revenue from ordinary activities	9,454,119	2,894,749	-	2,894,749
Other operating income	180,761	55,420	-	55,420
Total revenue	9634,880	2,950,169	-	2,950,169
Cost of sales (a) (b)	(8,333,795)	(2,540,942)	(55,806)	(2,596,748)
Gross profit	1,301,085	409,227	(55,806)	353,421
Selling and distribution expenses (a)	(335,017)	(102,655)	51,765	(50,890)
Administrative expenses (b)	(363,656)	(117,097)	4,041	(113,056)
Other income	184,630	57,277	-	57,277
Other expenses	(17,555)	(5,378)	-	(5,378)
Operating profit	769,487	241,374	-	241,374
Financial income	10,799	3,319	-	3,319
Finance costs	(122,954)	(37,841)	-	(37,841)
Exchange difference, net	132,243	(3,894)	-	(3,894)
Profit before income tax	789,575	202,958	-	202,958
Income tax	(167,559)	(51,511)	-	(51,511)
Profit after income tax	622,016	151,447	-	151,447

(a) Reclassification of warehouse, shipping and freight expense under the implementation of IFRS 15.
(b) Reclassification of depreciation on investment properties.

	For the nine-month period ended September 30, 2017 S/000 (Previously reported)	For the nine-month period ended September 30, 2017 US$000	Reclassification US$000		For the nine-month period ended September 30, 2017 US$000 (Unaudited)
Operating activities					
- Net cash from operating activities	827,547	257,411	(68,651)	(a)	181,750
			(7,010)	(b)	-
- Payment of interest	(122,954)	(37,635)	7,010	(b)	(30,625)
- Payment of income tax	(916,338)	(279,674)	68,651	(a)	(91,980)
Value added tax related to Investment activities	-	-	119,043	(c)	-
- Investment in time deposits	(898,425)	(275,000)	275,000	(e)	-
Net cash provided by operating activities	(1,110,170)	(334,898)	394,043		59,145
Investment activities					
- Purchase of property, plant and equipment	(2,068,389)	(594,785)	39,362	(d)	(555,423)
- Paid capitalized interest	-	-	(39,362)	(d)	(39,362)
- Purchase of intangibles	(80)	(25)	-		(25)
- Value added tax related to Investment activities	-	-	(119,043)	(c)	(119,043)
- Investment in time deposits	-	-	(275,000)	(e)	(275,000)
Net cash applied to Investment activities	(2,068,469)	(594,810)	(394,043)		(988,853)

(a) Reclassification of payment of taxes other than income tax to net cash from operating activities.
(b) Reclassification of payments of derivatives to net cash from operating activities.
(c) The general sales tax relating to investment projects is reclassified.
(d) Capitalized interest paid are separated from purchases of property, plant and equipment.
(e) Reclassification of the time-deposit investments relating to investment projects.

6 FINANCIAL RISK MANAGEMENT

6.1 Financial risk factors -

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

The condensed interim financial statements do not include all the financial risk management information and disclosures that are required in the annual financial statements; they should be read together with the Company's annual financial statements at December 31, 2017, since no changes have occurred in the results of the financial risks assessments performed since last year-end.

No changes have occurred in the financial risk management or policy since last year-end 2017.

6.2 Liquidity risk -

Management manages its liquidity risk by ensuring that sufficient committed lines of credit are available at all times, and meeting its working capital needs with the cash flows obtained from operating activities.

The Company is sufficiently creditworthy in market terms to be able to obtain borrowings from prime-rated financial institutions (local financial institutions with no default history). Also, the Company develops new bank relations to be able to have committed credit lines available at any time. However, given the current global uncertainty, there is a risk that Banks may revise the terms of the lines of credit already granted (short-term financing which may not be refinanced).The Company takes this risk.

At September 30, 2018 the Company maintains revolving credit lines with local and foreign banks for a total of US$2,834,790 thousand, of which US$1,028,584 thousand are available at that date, a sufficient amount to meet its purchase operations in the local territory and in foreign markets and other obligations related to working capital. These credit limits involve no maintenance costs or collateral requirements.

At September 30, 2018 current liabilities exceed current assets by US$313,321 thousand. Management considers this is not a significant risk to meet its short-term obligations because it expects to honor those ordinary obligation with the Company's expected cash flows from its ordinary activities; a large portion of these obligations (US$334,000 miles) consists of short term obligations related to the PMRT, which are expected to be settled with the loan facility obtained and secured by CESCE.

6.3 Capital risk management -

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

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings), less cash and cash equivalent. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The Company re-confirmed the investment grade given by credit rating agencies: Standard & Poor's (BBB- on the long-term debt) and Fitch Ratings (BBB+ on the foreign currency long-term debt), as well as the AA- rating issued by local agency Apoyo & Asociados.

At September 30, 2018 and December 31, 2017 gearing ratios were as follows:

	2018 US$000 (Unaudited)	2017 US$000
Other financial liabilities	3,749,650	3,304,324
Less: Cash and cash equivalents	(138,293)	(666,141)
Less: Time deposits	(345,698)	(276,240)
Net debt (A)	3,265,659	2,361,943
Total equity (B)	1,769,737	1,617,604
Total capital (A+B)	5,035,396	3,979,547
Ratio (A/(A+B))	0.65	0.59

At September 30, 2018 the increase in the gearing ratio was mainly due to the increase in short-term financing, the gross reduction of the Company's cash flows and higher equity balance given the financial results for the period.

7 SEGMENT INFORMATION

a) Description of business segments and core activities -

The Company's chief operating decision-maker (General Management) evaluates the Company's performance in its three divisions that are considered reportable segments. These divisions offer different products and services and are managed separately since they required different sales and financial business strategies.

The Company's operating segments are assessed by the activities of the following business units: (i) Production and trading, (ii) Oil Pipeline operations and (iii) Leased and privatized units.

As set forth under IFRS 8, the reportable operating segment based on its level of revenue is: 'Production and trading'. However, the Company has voluntarily decided to report on all its operating segments as detailed in this Note.

The following summary describes the operations of each reportable segment:

Reportable segment	Operations
Production and trading	Refining and commercialization of petroleum products.
Oil Pipeline operations	Service of transfer and custody of crudes from the Northern jungle of Perú.
Leased and privatized units	Assets that originate cash inflows derived from rentals.

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

There are several levels of transactions between the Production and trading segments and Oil Pipeline operations. These transactions include oil transfers or some transportation products and services, respectively.

b) Statement of financial position by segments -

	Production and trading (*)	Oil Pipeline operations	Leased and privatized units	Total
	US$000	US$000	US$000	US$000
At September 30, 2018				
(Unaudited)				
Assets:				
Current	2,085,300	44,859	11,659	2,141,818
Non-current	3,727,597	190,271	235,073	4,152,941
	5,812,897	235,130	246,732	6,294,759
Liabilities:				
Current	2,376,360	58,115	20,664	2,455,139
Non-current	2,069,763	120	-	2,069,883
	4,446,123	58,235	20,664	4,525,022
At December 31, 2017				
Assets:				
Current	2,285,586	28,504	5,081	2,319,171
Non-current	3,248,310	178,298	192,964	3,619,572
	5,533,896	206,802	198,045	5,938,743
Liabilities:				
Current	2,166,106	91,597	8,544	2,266,247
Non-current	2,045,450	9,442	-	2,054,892
	4,211,556	101,039	8,544	4,321,139

(*) Include refineries, a gas station, commercial area and main office.

c) Statement of comprehensive income by segments -

	Production and trading (*)	Oil Pipeline operations	Leased and privatized units	Total
	US$000	US$000	US$000	US$000
At September 30, 2018				
(Unaudited)				
Revenue from ordinary activities	3,558,022	40,595	-	3,598,617
Other operating income	8,995	13,066	33,612	55,6
Total revenue	3,567,017	53,661	33,612	3,654,290
Cost of sales	(3,277,910)	(43,072)	(4,043)	(3,325,025)
Transfers	(3,946)	3,946	-	-
Gross profit (loss)	285,161	14,535	29,569	329,265
Selling and distribution expenses	(57,394)	(49)	(4,595)	(62,038)
Administrative expenses	(108,439)	(12,540)	(74)	(121,053)
Other income and expenses	66,028	(3,121)	-	62,907
Operating profit (loss)	185,356	(1,175)	24,900	209,081
Financial, net	(14,627)	(180)	10	(14,797)
Profit before income tax	170,729	(1,355)	24,910	194,284
Income tax	(37,176)	295	(5,424)	(42,305)
Profit for the year	133,553	(1,060)	19,486	151,979
At September 30, 2017				
(Unaudited)				
Revenue from ordinary activities	2,889,478	5,271	-	2,894,749
Other operating income	17,521	4,335	33,564	55,420
Total revenue	2,906,999	9,606	33,564	2,950,169
Cost of sales	(2,559,667)	(33,040)	(4,041)	(2,596,748)
Transfers	(18)	18	-	-
Gross profit (loss)	347,314	(23,416)	29,523	353,421
Selling and distribution expenses	(47,550)	(116)	(3,224)	(50,890)
Administrative expenses	(101,004)	(11,950)	(102)	(113,056)
Other income and expenses	55,189	(2,937)	(353)	51,899
Operating profit (loss)	253,949	(38,419)	25,844	241,374
Financial, net	(37,915)	(517)	16	(38,416)
Profit before income tax	216,034	(38,936)	25,860	202,958
Income tax	(54,830)	9,882	(6,563)	(51,511)
Profit for the year	161,204	(29,054)	19,297	151,447

(*) Include refineries, a gas station, commercial area and main office.

d) Revenue by geographical area -

At September 30, 2018 and 2017 revenue by geographical segment is based on the customers' geographical location:

	2018 US$000 (Unaudited)	2017 US$000 (Unaudited)
Peru	3,214,786	2,609,189
Other countries	383,831	285,560
	3,598,617	2,894,749

8 SIGNIFICANT CHANGES IN CURRENT PERIOD

The Company's financial position and performance was most notably affected by the following events and transactions over the nine-month period ended September 30, 2018:

- A significant increase in revenue (Note 18) mainly due to higher volumes (by 1,607 MBL) and prices in refined products as a result of an increase in the price of crude oils, the main raw materials used by the Company, increased from US$51.67 per barrel from September 30, 2017 to US$73.25 per barrel from September 30, 2018; this had an impact on the sales price that is proportionally increased; also, higher demand resulted in higher sales.

- A decrease in the balance of current assets due to the use of PMRT funds.

- An increase in non-current assets as a result of investments in the PMRT shown in the item of property, plant and equipment.

9 CASH AND CASH EQUIVALENTS

At September 30, 2018 and December 31, 2017 this item comprises:

	2018 US$000 (Unaudited)	2017 US$000
Checking accounts (a)	135,215	170,107
Liquidity funds (b)	3,050	496,000
Fixed funds	28	34
	138,293	666,141

(a) The Company maintains cash in checking accounts in local and foreign currency with financial institutions. These funds are freely available earning preferred interest rates between 1.6% and 2.6%.

(b) At September 30, 2018 and December 31, 2017, liquidity funds are short-term instruments, they are liquid and have a stable price with average monthly yield of 1.98% (1.52% in 2017) and are immediately available without a defined maturity date, which will be used in PMRT investment activities in the subsequent months.

10 TRADE RECEIVABLES

At September 30, 2018 and December 31, 2017, this item comprises:

	2018 US$000 (Unaudited)	2017 US$000
Wholesalers	237,207	203,314
Fuel traders	20,786	20,273
Armed Forces and National Police Force	11,057	19,776
Aviation business	12,139	7,007
Maritime businesses	4,099	3,149
Mining industry	28,847	24,914
Electric power industry	761	300
Transport industry	2,993	1,364
Construction industry	7,821	5,895
Manufacturing industry	1,045	579
Fishing industry	398	-
External market	11,493	341
Oil companies	10,922	5,681
Other customers	550	584
Doubtful accounts	5,096	4,996
	355,214	298,173
Less - doubtful account estimate	(5,096)	(4,996)
Total	350,118	293,177

The balances of trade receivables are invoices in new Peruvian soles and U.S. dollars mainly originated by sales of refined products. For the Armed Forces and National Police Force, receivables fall due after 45 days; for wholesalers and other customers, from 7 to 45 days. Following internal policies, receivables are mostly secured by a letter of guarantee and other instruments of the Peruvian financial system in accordance with the credit policy approved by the Board of Directors.

Receivables from oil companies are mainly related to hydrocarbon transport services along sections I and II of the North Peruvian pipeline in accordance with the contracts entered into between the Company and PLUSPETROL and for operations of terminals with the companies Consorcios Terminales and Terminales Perú.

The aging detail of trade receivables is as follows:

	At September 30, 2018 (Unaudited)		At December 31, 2017	
	Impaired US$000	Not impaired US$000	Impaired US$000	Not impaired US$000
Within the periods	-	342,166	-	269,152
From 0 to 90 days	-	6,459	-	21,056
From 91 to 360 days	-	775	-	1,614
Over one year	5,096	718	4,996	1,355
	5,096	350,118	4,996	293,177

At September 30, 2018 and December 31, 2017, the movement of the provision for doubtful accounts is as follows:

	2018 US$000 (Unaudited)	2017 US$000
Opening balance	4,996	6,063
Additions	349	126
Exchange difference	(104)	(234)
Recoveries and write-offs	(145)	(1,427)
Closing balance	5,096	4,996

Management considers the allowance for doubtful accounts stated in the financial statements and the guarantees obtained are sufficient to cover the eventual risk of recovery of trade receivables at the date of the statement of financial position.

Trade receivables that are past due but not impaired are related to independent customers with which performance bonds and/or de balances owed have been reconciled and are expected to be collected in the short term.

11 OTHER RECEIVABLES

At September 30, 2018 and December 31, 2017 this item comprises:

	2018 US$000 (Unaudited)	2017 US$000
Current -		
Price Stability Fund - Ministry of Energy and Mines (Note 1-c) (a)	95,536	50,126
Claims against tax authorities - SUNAT (c.1)	-	96,430
Tax credit - VAT (d)	409,034	259,822
Fixed time deposits (f)	345,698	276,240
Loans to personnel	3,845	5,364
Advances granted to suppliers	11,105	6,622
Payments for return of association investment with GeoPark	9,082	9,819
Others	10,977	6,930
Doubtful accounts (g)	36,497	36,483
	921,774	747,836
Less - Doubtful accounts estimate	(36,497)	(36,483)
Total	885,277	711,353
Non-current		
Price Stability Fund Claims - Ministry of Energy and Mines (b)	17,573	17,882
Claims against tax authorities – SUNAT, long-term (c.2)	26,842	27,777
Tax credit – VAT, long-term (e)	204,799	163,310
Long-term third parties claims	677	815
Other long-tern taxes	5,570	5,384
Total	255,461	215,168

(a) Price Stability Fund - Ministry of Energy and Mines -

At September 30, 2018 and December 31, 2017 the total amount receivable from the General Hydrocarbons Agency (DGH) amounted to US$113,109 thousand and US$68,008 thousand, respectively, generated from compensations and contributions transactions at September 30, 2018 this includes a legal recourse ("Demanda de Amparo") recorded in a Claims account for US$17,573 thousand (US$17,882 thousand at December 31, 2017) and the amount receivable of US$95,536 thousand (US$50,126 thousand at December 31, 2017).

(b) Price Stabilization Fund Claims - Ministry of Energy and Mines -

In April 2010, the General Hydrocarbons Agency (DGH) issued Resolution No. 075-2010-EM/DG, by which the producers and importers of fuel are required to amend the weekly statements presented since August 2008 and apply, on a retroactive basis, the reference values established in said Resolution. The Company, based on the opinion of Management and legal counsel, has filed an Action seeking constitutional protection with the second constitutional court in Lima, on the grounds that this resolution was unconstitutional.

Since the above-mentioned Action was deemed groundless by the first lower court, the Company filed an appeal; this appeal was admitted and subsequently sent to the Third Civil Court of Lima.

By means of a notice received on April 2, 2018 from the Third Civil Court, the constitutional court's sentence declaring that the action was groundless was revoked; as a result, the judge was ordered to issue a new pronouncement. At October 4, 2018 the oral deposition requested by the plaintiff was carried out.

Management considers that, based on the reports of its external legal counsel, once the court proceedings are completed, the outcome will be favorable to the Company and it will be able to recover the whole account receivable recorded.

At September 30, 2018 and December 31, 2017 the movement of the total balance of the item Price Stabilization Fund is explained as follows:

	2018 **US$000** **(Unaudited)**	**2017** **US$000**
Opening balance	68,008	41,578
Price compensation	46,824	47,406
Price contribution	-	(22,515)
Net (charged) credited to revenue from ordinary activities (Note 18)	46,824	24,891
Exchange difference	(1,723)	1,539
Closing balance	113,109	68,008

(c) Claims to the Peruvian Tax and Customs regulator (Superintendencia Nacional de Aduanas y de Administración Tributaria - SUNAT) -

This item consists of claims against tax assessments involving the Turbo A-1 (fuel intended only for aviation activities) resulting from the provisions of DS No. 186-2002-EF, which stipulated the sales of Turbo A1 intended for general aviation activities were not subject to Excise Tax (ISC in Peru). In this respect, the Company considers it illegal to restrict the tax to sales made by profit-making entities since they were finally directed to aviation entities by virtue of private contracts.

At September 30, 2018 and December 31, 2017, this item comprises:

	2018 US$000 (Unaudited)	2017 US$000
File No. 02529-2011-2-1801-JR-CA-14 (i) (c.1)	-	36,984
File No. 07873-2012-0-1801-JR-CA-13 (ii) (c.1)	-	59,446
File No. 00114-2012-1801-JR-CA-07 (iii) (c.2)	18,000	18,316
File No. 03490-2012-0-1801-JR-CA-08 (c.2)	-	810
File No. 17806-2012 (c.2)	8,842	8,450
ISC tax penalty and Income Tax 2002 (c.2)	-	201
	26,842	124,207

(i) In April 2011, SUNAT conducted a preventive seizure of S/120,012 thousand (equivalent to US$36,984 thousand) for the alleged taxes (Excise tax) unpaid by the Company on the import of a type of fuel called Turbo A-1, in 2003. On May 31, 2017 a notice was served with the Final Decision No. 626-2017-MP-FN-FSCA by which the Supreme Tax Judge found groundless the appeal recourse submitted by the Peruvian Tax Authorities.

On October 5, 2017 the file of the matter was acknowledged (Casación No. 0397-2016). The Company and its legal counsel consider that the claim will have a favorable outcome in the short term.

By means of Division Resolution No 000 323300/2018-000110 dated July 25, 2018 SUNAT approved the refund of the excise tax (ISC, in Peru) unduly paid by the Company for a total S/ 245,439 thousand (US$75,012 thousand), including interest borne until the present date amounting to S/125,427 thousand (US$ 38,333 thousand) (Note 23).

(ii) In February 2013 the Company paid a total S/180,723 thousand (US$55,693 thousand) of excise tax (ISC) and tax penalties for fiscal 2004; in July 2013 it paid a total S/12,179 thousand (US$3,753 thousand) of excise tax (ISC) for October 2004, regarding coercive collection resolutions issued by the Peruvian tax authorities. As per Supreme Court decision dated September 27, 2017 the appeal actions filed by the Peruvian tax authorities were declared groundless and the Company was served respective notice on November 21, 2017 ("Casación No. 3644-2016"). In December 2017, the Company applied for a refund of the amounts already paid to the Peruvian tax authorities. By means of the relevant resolutions ("Resoluciones de Intendencia No. 012-180-0015915/SUNAT and No. 012-180-0015914/SUNAT refundings of S/225,054 thousand (US$79,403) and S/106,990 thousand (US$37,748 thousand), respectively, were approved, relating to a refunding claim under case file ("Expediente No. 07873-2012-0-1801-JR-CA-13"). Returns obtained include interest of S/139,142 thousand (equivalent to a US$42,813 thousand), recognized in the statement of condensed interim comprehensive income (Note 23).

(iii) In July and August 2013, the Company paid a total S/59,434 thousand of VAT (IGV) and excise tax (ISC) for fiscal 2005. Under a Supreme Court sentence dated November 30, 2017, the appeal filed by the Peruvian tax authorities ("Casación No. 3791-2016) was not rejected. The Company's and legal counsel's expectation of obtaining the requested refund from tax authorities is high. Management expects that, considering the favorable pronouncement obtained by the Company regarding No. 07873-2012-0-1801-JR-CA-13 (a court action described in (ii)), similar criteria would be followed at the time of deciding on the remaining case files involving the inapplicability of the excise tax (ISC) on imports and/or sales of Turbo A-1 aviation fuel.

Accordingly, the Company and its legal counsel consider that the outcome of the court actions involving the Turbo A-1 fuel, which remain to be decided by the Supreme Court, will be favorable to the Company, given the above-mentioned precedents, in which the unconstitutional nature of the ruling underlying the creation of the tax on the sales of Turbo A-1 fuel was demonstrated.

(d) Tax credit - Value added tax, short-term -

Comprising the VAT (IGV in Peru) on transactions amounting to S/749,679 thousand (equivalent to US$227,038 thousand), VAT on the PMRT amounting to S/368,513 thousand (equivalent to US$111,603 thousand), which is expected to be recovered under the VAT (IGV) Anticipated Regime in the short term, income tax credit balance net of profits payable amounting to S/138,481 thousand (equivalent to US$41,939 thousand) and Excise Tax (ISC, in Peru) for S/93,937 (equivalent to US$28,454 thousand).

(e) Tax credit - Value added tax, long-term -

Comprising the VAT credit balance paid for the acquisition of goods and services mainly related to the Talara Refinery Modernization Project amounting to S/298,516 thousand (equivalent to US$90,405 thousand) which is expected to be recovered under the VAT (IGV) Anticipated Regime in the long term and the VAT on transactions amounting to S/377,729 thousand (equivalent to US$114,394 thousand). This credit balance of tax credit has no expiry date.

(f) Fixed term deposits -

At September 30, 2018 and December 31, 2017 the Company maintains time deposits with maturity of 90 days in foreign banks. However, Management expects to renew the term of said deposits for a period greater than 90 days.

(g) Doubtful accounts -

This item reflects claims submitted to municipalities involving property taxes and municipal taxes; the probability of a favorable outcome is low. At September 30, 2018 and December 31, 2017 the movement of the provision for doubtful accounts is as follows:

	2018 US$000 (Unaudited)	2017 US$000
Opening balance	36,483	33,259
Additions	372	3,218
Exchange difference	329	627
Recoveries	(18)	(573)
Write-offs	(669)	(48)
Closing balance	36,497	36,483

The aging detail of other receivables is as follows:

	At September 30, 2018 (Unaudited)		At December 31, 2017	
	Impaired US$000	Not impaired US$000	Impaired US$000	Not impaired US$000
Within the periods	-	321,455	-	300,032
From 0 to 90 days	-	13,519	-	17,449
From 91 to 360 days	-	12,488	-	16,516
Over one year	36,497	24,542	36,483	14,182
	36,497	372,004	36,483	348,179

The other receivables not impaired with maturity of more than 90 days are mostly services of the Peruvian pipeline network ("Oleoducto Norperuano"), concessions of terminals and long-terms loans to companies of the Petrored network, which under Management's assessment are not expected to losses.

12 INVENTORIES

At September 30, 2018 and December 31, 2017, this item comprises:

	2018 US$000 (Unaudited)	2017 US$000
Crude oil	101,402	118,317
Refined products:		
In-process	288,126	219,701
Finished	213,184	203,432
Acquired refined products	79,617	63,844
In-transit inventories	48,109	22,314
Supplies	17,325	17,518
	747,763	645,126
Less - Provision for impairment of supplies	(1,515)	(1,515)
	746,248	643,611

At September 30, 2018, the cost of inventories recognized as expenses and included in the cost of sales amounted to US$3,091,770 thousand (US$2,367,573 thousand at September 30, 2017) equivalent to the cost of sales less operating production expenses. (Note 19).

At September 30, 2018, the crude oil price had a rising trend, with a closing price of US$73.25 per barrel (US$51.67 per barrel at September 30, 2017). The average price during September 2018 was US$70.25 per barrel (US$51.67 per barrel in September 2017).

At September 30, 2018 and December 31, 2017, the movement of the provision for impairment of supplies was as follows:

	2018 US$000 (Unaudited)	2017 US$000
Opening balance	(1,515)	(1,507)
Impairment of supplies	-	(8)
Final balance	(1,515)	(1,515)

This provision was recognized as a result of analyzing the net realizable value of inventories, taking into account the expectations of obtaining net cash flows from sales or consumption and considering their physical condition. At September 30, 2018 and December 31, 2017 Management considers that the amount of the provision adequately reflects the risk of impairment of all its inventories.

13 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and others constructions	Machinery and equipment	Vehicles	Furniture and fixtures	and computer equipment	Equipment not in use	In-transit units	Work in progress	Additional investments	Total
	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000
At December 31, 2017											
Cost	198,914	183,073	646,722	24,111	4,209	48,507	13,867	122	2,600,899	31,911	3,752,335
Accumulated depreciation	-	(87,281)	(300,909)	(17,992)	(3,479)	(25,857)	(13,867)	-	-	-	(449,385)
Accumulated impairment	-	-	(11,541)	-	-	-	-	-	-	-	(11,541)
Net cost	198,914	95,792	334,272	6,119	730	22,650	-	122	2,600,899	31,911	3,291,409
Nine-months period endend September 30, 2018 (Unaudited)											
Opening balance of net book cost	198,914	95,792	334,272	6,119	730	22,650	-	122	2,600,899	31,911	3,291,409
Additions	-	4,549	19,831	545	198	1,907	-	(27)	483,092	16,236	526,331
Disposals	-	-	(925)	(1,564)	(4)	-	(1,790)	-	-	-	(4,283)
Transfers	-	-	(942)	(4,511)	(56)	(1,231)	6,740	-	-	-	-
Adjusments	123	(804)	164	25	164	(155)	-	-	972	-	489
Depreciation for the year	-	(4,934)	(19,595)	(1,228)	(205)	(2,915)	(396)	-	-	-	(29,273)
Depreciation of disposals	-	-	892	1,557	3	-	1,790	-	-	-	4,242
Transfer depreciation	-	-	827	4,274	54	1,189	(6,344)	-	-	-	-
Closing balance of net cost	199,037	94,603	334,524	5,217	884	21,445	-	95	3,084,963	48,147	3,788,915
Cost	199,037	186,818	664,850	18,606	4,511	49,028	18,817	95	3,084,963	48,147	4,274,872
Accumulated depreciation	-	(92,215)	(318,785)	(13,389)	(3,627)	(27,583)	(18,817)	-	-	-	(474,416)
Accumulated impairment	-	-	(11,541)	-	-	-	-	-	-	-	(11,541)
Net cost	199,037	94,603	334,524	5,217	884	21,445	-	95	3,084,963	48,147	3,788,915

Talara Refinery Modernization Project - PMRT -

The status of the Project at September 30, 2018 is described as follows:

Setting up new units to enlarge the processing capacity and produce fuels under new specifications.

- Overall physical progress of PMRT: 70.72% Actual vs 90.66% Scheduled. Construction of Auxiliary Units still pending together with Supplementary Work.

- The estimated investment in this Project is estimated to be US$4,999.8 million; of which, 54.87% has been implemented at September 30, 2018.

- Measurement of the overall work physical progress will be reviewed once the Project Comprehensive Timetable is approved, for which the following should be met:

  (i) Management's approval of the PMRT related to the EPC Baseline Timetable Contract for Auxiliary Units and Complementary Work (UA&TC), signed with Consorcio Cobra-SCL UA&TC;
  (ii) Management's approval of the PMRT related to the new EPC Contract Baseline with Técnicas Reunidas.

The table below shows a breakdown of the estimated total cost of Project:

	September 30, 2018		Total budget	
	Expenses	Progress percentage	Planned	Total percentage
	US$000	%	US$000	%
Técnicas Reunidas (TR) -				
Processing unit	2,185,200	81.40	2,685,400	53,71
Consorcio Cobra SCL -				
Auxiliary units	8,340	1.09	765,300	15.30
Complementary work	80,680	27.76	290,600	5.81
Otros -				
Monitoring	154,050	56.22	274,000	5.48
Management	94,800	40.12	234,500	4.69
Contingencies	-	-	55,000	1.10
Interest on financing	220,550	31.73	695,000	13.90
	2,743,620		4,999,800	100

- Técnicas Reunidas (TR) continues to implement detail engineering, procurement and construction (EPC) work.

  - Progress of engineering totaled 99.99% Actual vs 100% Scheduled.
  - Procurement of equipment totaled 99.79% Actual vs 100% Scheduled.
  - Procurement of construction totaled 82.54% Actual vs. 91.48% Scheduled.

- Auxiliary Units: Terms and conditions required to build the Auxiliary Units and Supplementary Works are set under an EPC contract.

  - On January 30, 2018 an agreement was signed between Petroperú S.A and Consorcio Cobra SCL.
  - On February 8, 2018 an entrance meeting relating to this agreement was held.
  - On September 7, 2018, Timetable Level 3 was approved with comments by Consorcio Cobra SCL UA&TC.
  - Cobra SCL continues to perform detail engineering and pre-construction work.

- Regarding Project financing:

  - On June 12, 2017 the opening placement of US$2,000,000 thousand was completed successfully in the international markets of debt instruments. The transaction was completed in two tranches: US$1,000,000 thousand at 15 years and at a 4.750% annual interest rate and US$1,000,000 thousand at 30 years and at a 5.625% annual interest rate, in both cases with one single payment upon maturity.
  - Bank loan secured by Compañía Española de Crédito a la Exportación - CESCE: pre-conditions for draw-down are in the process of being met. Due date has been extended from 90 to 270 days, until December 31, 2018.
  - International bond placement of up to US$600,000 thousand expected for 2019.

- PMC (Project Management Consultancy): The service of Project monitoring continues to be provided by Consorcio PMC Talara (CPT).
- PMO (Project Management Office): The service of Project management office continues to be provided by Consorcio Deloitte Talara.
- Social responsibility and Community Relations.
- Site visits were scheduled with the local Committee to monitor work conditions of contractors and sub-contractors. Also, training is given to the Talara Staff to increase its possibilities to find job. Training is also provided in tree planting and medical campaigns.
- At September 30, 2018 the total work force consisted of 3,177 job positions. The share of local unqualified labor was 83%, above the limit set in the EIA (70%), while the share of local qualified labor was 34%.

During 2018, additions of work in progress mostly relate to the PRMT's EPC, PMC and auxiliary services amounting to US$240,317 thousand, equivalent to S/787,085 thousand (US$426,656 thousand equivalent to S/1,380,000 thousand in 2017).

Also, the Company granted an advance to Consorcio Cobra of US$93,658 thousand, in compliance with terms of the contract (EPC) of the PMRT Auxiliary Units and Complementary work.

Additionally, borrowing costs that were capitalized over the period ended September 30, 2018, related to PMRT, amounted to US$81,930 thousand equivalent to S/267,825 thousand (US$74,663 thousand during 2017 equivalent to S/242,314 thousand).

Depreciation -

For the nine-month period ended September 30, 2018 and 2017 the annual depreciation charge to profit or loss on property, plant and equipment is allocated to the following cost centers:

	2018 **US$000** **(Unaudited)**	**2017** **US$000** **(Unaudited)**
Cost of sales (Note 19) (*)	22,626	24,273
Selling and distribution expenses (Note 20)	6,322	4,579
Administrative expenses (Note 21)	4,368	2,795
	33,316	31,647

(*) Including the depreciation of investment properties at September 30, 2018 and 2017 for US$4,043 thousand and US$4,041 thousand, respectively.

Impairment of assets -

At September 30, 2018, the Company performed an impairment indicators assessment and found not significant indications that its assets were impaired.

At December 31, 2017, the Company performed impairment tests on its cash-generating Units Production and Sales and Operations in Oil Pipeline; as a result, no events were noted at September 30, 2018 that may affect the results and conclusions obtained in the annual assessment.

14 OTHER FINANCIAL LIABILITIES

At September 30, 2018 and December 31, 2017, this item comprises:

	2018 US$000 (Unaudited)	2017 US$000
Current liabilities		
Bank loans without guarantee	1,726,111	1,311,971
Accrued interest	38,069	7,229
	1,764,180	1,319,200
Non-current liabilities		
Corporate bonds (i)	1,985,470	1,985,124
	1,985,470	1,985,124

On June 12, 2017 the Company issued bonds in the international market for a total of US$2,000,000 thousand under the U.S. Rule 144A and S Regulation, which are exceptions ("Safe-harbors") to the U.S. regulatory framework (US Securities Act - 1933 and US Securities Exchange Act -1934) by which foreign issuers are allowed to offer, place and/or resell securities without the requirement to register those securities with the relevant New York Stock Exchange agency (SEC). The bonds issued are as follows

- 2032 Notes, a principal of US$ 1,000,000 thousand, with coupons paid semi-annually at a fixed rate of 4.750% per year, with a maturity of 15 years. Coupons are due from December 2017 and repayment of principal fall due on the bond maturity date. At September 30, 2018 transaction expenses totaled US$7,101 thousand, net of the liability.

- 2047 Notes, a principal of US$ 1,000,000 thousand with coupons paid semi-annually at a fixed rate of 5.625% per year with maturity of 30 years. Coupons are due from December 2017 and repayment of principal will take place on the bond maturity date. At September 30, 2018 transaction expenses totaled US$7,429 thousand, net of the liability.

Under the bond issue agreement, there is no covenants that need to be met apart from the financial reporting requirement.

Bonds issued are not secured with specific guarantees; nevertheless, under Law No. 30130 guarantees are approved to be given by the Government for up to US$1,000 million (Note 1-a).

a) Debt repayment terms and timetable -

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

	Original currency	Nominal interest rate	Maturity	At September 30, 2018 Nominal value US$000 (Unaudited)	At September 30, 2018 Carrying amount US$000 (Unaudited)	At December 31, 2017 Nominal value US$000	At December 31, 2017 Carrying amount US$000
Bank loans without guarantee	Soles	2.40% - 2.95%	2018	-	-	654,858	654,858
Bank loans without guarantee	Dollars	0.80% - 2.20%	2018	-	-	657,113	657,113
Bank loans without guarantee	Soles -	3.10% - 3.75%	2018	512,334	512,334	-	
Bank loans without guarantee	Dollars	1.45% - 3.75%	2018	1,213,777	1,213,777	-	-
Corporate bonds	Dollars	4.75%	2032	1,000,000	992,899	1,000,000	992,629
Corporate bonds	Dollars	5.63%	2047	1,000,000	992,571	1,000,000	992,495
Accrued interest				-	38,069	-	7,229
				3,726,111	3,749,650	3,311,971	3,304,324

The carrying amount is the amortized cost of borrowings, discounted at the effective rate.

b) Movement of financial liabilities -

The movement of these balances was as follows:

	Bank loans US$000	Corporate Bonds US$000	Total US$000
Balance at January 1, 2018	1,315,780	1,988,544	3,304,324
New loans	3,872,589	-	3,872,589
Amortizations	(3,458,102)	-	(3,458,102)
Accrued interest	20,805	81,929	102,734
Interest paid	(16,345)	(55,550)	(71,895)
Balance at September 30, 2018 (Unaudited)	1,734,727	2,014,923	3,749,650

15 TRADE PAYABLES

At September 30, 2018 and December 31, 2017 this item comprises:

	2018 US$000 (Unaudited)	2017 US$000
Local suppliers of crude and refined products	102,525	103,018
Foreign suppliers of crude and refined products	317,287	536,177
Suppliers of goods and services	101,982	117,933
Shipping companies and terminal operators and sales plants	28,466	15,119
	550,260	772,247

At September 30, 2018 the main local supplier of crude is Savia Perú S.A. with a balance of US$29,149 thousand (US$27,668 thousand at December 31, 2017). The main foreign supplier is Exxon Mobil Sales and Suppy LLC. to which US$173,329 thousand is owed (US$210,630 thousand at December 31, 2017).

This account reflects the Company's obligations related to the acquisition of crude oil and refined products, transportation and plant operators, supplies and spare parts. The invoices are issued in U.S. dollars, are of current maturity, are non-interest bearing and have no specific guarantees.

16 OTHER PROVISIONS

At September 30, 2018 and December 31, 2017, this item comprises:

	2018 US$000 (Unaudited)	2017 US$000
Current -		
Provision for environmental improvements (a)	27,809	38,454
Provision for civil lawsuit (b)	23,228	17,809
Provision for labor-related court actions	2,563	2,547
Provision for plugging of wells	584	594
Provision for retirement pensions	43	45
Other provisions	159	162
	54,386	59,611
Non-current		
Provision for environmental improvements (a)	16,428	14,396
Provision for retirement pensions	58	65
	16,486	14,461
	70,872	74,072

The movement of other provisions was as follows:

	Provision for retirement pensions US$000	Provision for environmental improvements US$000	Provision for labor-related court actions US$000	Provision for civil lawsuits US$000	Provision for plugging of wells US$000	Other provisions US$000	Total US$000
Balances at January 1, 2018	110	52,850	2,547	17,809	594	162	74,072
Provision for the year	26	6,172	536	29,404	-	-	39,568
Payments	(33)	(14,364)	(286)	(23,438)	-	-	(41,551)
Reversal of unused provisions	-	-	(360)	(86)	-	-	(446)
Exchange difference	(2)	(421)	126	(461)	(10)	(3)	(771)
Balances at September 30, 2018 (Unaudited)	101	44,237	2,563	23,228	584	159	70,872

a) Provision for environmental remediation and plugging of wells -

During 2018, the Company has reported 3 significant oil spills at the Peruvian Northern Oil Pipeline, as a result of third-party attacks on this pipeline; this event resulted in the complete halt of the oil pumping activity from the Peruvian jungle area to the coast-line. At September 30, 2018 the provision for environmental remediation of the above-mentioned oil spills totals US$22,536 thousand (US$29,359 thousand at December 31, 2017). During 2018 a provision was made for these spill events of US$6,172 thousand and expenses were incurred of US$14,364 thousand with a present value adjustment of US$421 thousand.

As part of its contingency plan, the Company contracted specialized companies to halt and contain the oil spills and begin environmental remediation of the affected areas.

The movement of the provision for environmental remediation is as follows:

	Balances at January 1 US$000	Payments US$000	Provision and update US$000	Balances at September 30 US$000
Year 2018 (Unaudited)				
Block 8	2,598	(532)	9	2,075
Block X	4,841	-	13	4,854
Mid-country terminals	1,734	-	-	1,734
Northern terminals	263	-	-	263
Southern terminals	204	(1)	5	208
Lubricants	117	-	-	117
Pampilla	(8)	(47)	1	(54)
Natural Gas Electric system	20	-	-	20
Total privatized units	9,769	(580)	28	9,217
Operations in Oil Pipeline	29,359	(12,574)	6,149	22,934
Operations in Talara	7,625	(1,203)	(5)	6,417
Operations in Iquitos Refinery	1,402	(7)	4	1,399
Operations in Conchan	919	-	4	923
Commercial operations	602	-	(3)	599
Management Exploration and Exploitation	956	-	(5)	951
Total own units	40,863	(13,784)	6,144	33,223
Total	50,632	(14,364)	6,172	42,440
Exchange difference	2,218			1,797
	52,850			44,237

b) Provision for civil claims -

At September 30, 2018, the Company has estimated a provision of US$23,228 thousand, equivalent to S/85,684 thousand, of which, US$5,180 thousand (equivalent to S/17,104 thousand) relate to one arbitration process with La Refinería La Pampilla S.A., S/50,978 thousand (equivalent to US$15,439 thousand) to two administrative actions with an environmental agency (Organismo de Evaluación y Fiscalización Ambiental – OEFA) and S/4,885 thousand (equivalent to a US$1,479 thousand) for seven (7) administrative actions with the energy investment regulator ("Organismo Superior de la Inversión en Energía y Minería – OSINERGMIN").

During 2018, the Company recorded a provision of US$28,228 for two arbitration processes with Pluspetrol Norte S.A and Refinería La Pampilla S.A. for US$22,474 thousand and US$5,180 thousand, respectively.

At December 31, 2017, the Company has estimated a provision of US$17,809 thousand equivalent to S/57,791 thousand, which comprises: (i) US$15,710 thousand, equivalent to S/50,978 thousand for administrative proceeding contingencies with the government environmental agency "Organismo de Evaluación y Fiscalización Ambiental – OEFA"; (ii) US$1,505 thousand, equivalent to S/4,883 thousand for administrative proceedings with the energy and mining regulator "Organismo Superior de la Inversión en Energía y Minería – OSINERGMIN related to the oil spills in the "Oleoducto Nor Peruano." During 2017, the Company reversed a total US$10,474 thousand of unused provisions, mainly relating to the Ventanilla Municipality for a total of US$7,133 thousand.

17 EQUITY

a) Share capital -

At September 30, 2018, the authorized, subscribed and paid-in share capital comprises 4,448,416,995 common shares, at S/.1 par value each.

On 27, 2018 at the General Shareholders' Meeting, the decision was made to approve a capital increase of S/520,703 thousand (US$166,594 thousand); the relevant share certificates are outstanding of issuance at the date of the condensed interim financial statements. The increase in share capital was made through an additional capital contribution.

b) Additional capital -

On June 27, 2018 at the General Shareholders' Meeting, the decision was made to approve a capital increase of S/520,703 thousand, equivalent to US$166,594 thousand (from S/3,927,713 thousand to S/4,448,416 thousand) as a result of the capitalization of a portion of the 2017's profits subject to distribution.

c) Legal reserve -

In accordance with Peruvian Corporate Law, Article No. 229, the Company established a legal reserve S/57,852 (equivalent to US$18,510 thousand) in 2018, representing 10% of the net profits subject to distribution for 2017.

18 REVENUE FROM ORDINARY ACTIVITIES

This item comprises:

	For the three-month period ended September 30		**For the nine-month period ended September 30**	
	2018	**2017**	**2018**	**2017**
	US$000	**US$000**	**US$000**	**US$000**
	(Unaudited and not reviewed)	**(Unaudited and not reviewed)**	**(Unaudited)**	**(Unaudited)**
Local sales	1,103,621	911,346	3,167,962	2,610,325
Fuel by-product price stabilization fund (*)	10,324	10,992	46,824	(1,136)
	1,113,945	922,338	3,214,786	2,609,189
Foreign sales	144,234	116,181	383,831	285,560
	1,258,179	1,038,519	3,598,617	2,894,749

(*) The Fuel by-product Price Stabilization Fund is applied to some products such as LPG-E, Diesel B5, Diesel B5 S-50 and industrial oil 6.

At September 30, 2018 and 2017 sales are broken down as follows:

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2018	2017	2018	2017
	US$000 (Unaudited and not reviewed)	US$000 (Unaudited and not reviewed)	US$000 (Unaudited)	US$000 (Unaudited)
Local sales:				
Diesel - others	630,064	555,677	1,786,399	1,542,677
Gas	287,709	244,119	838,667	702,791
Industrial oil	91,127	27,867	270,743	103,284
GLP	48,060	52,825	150,308	149,386
Turbo	32,291	26,795	96,577	74,014
Asphalt	20,405	11,653	46,529	26,048
Loreto Nac. crude	-	-	13,246	-
Solvent	3,957	3,402	11,985	10,989
Others	332	-	332	-
Total local sales	1,113,945	922,338	3,214,786	2,609,189
Foreign sales:				
Industrial oil	36,966	41,363	135,439	106,431
Diesel - others	39,494	39,362	81,478	84,630
Nafta Virgen	15,196	20,300	74,485	55,112
Turbo	9,269	8,722	27,626	23,202
Reduced Crude	27,238	-	27,238	4,039
Loreto Exp. Crude	14,641	5,182	27,081	5,182
Asphalt	1,203	1,252	4,613	3,401
Nafta Craqueada ADQ. (Exp)	-	-	2,453	-
USLD (Exp)	-	-	2,349	-
HOGBS (Exp)	-	-	842	-
Gas	227	-	227	3,563
Total foreign sales	144,234	116,181	383,831	285,560
	1,258,179	1,038,519	3,598,617	2,894,749

19 COST OF SALES

This item comprises:

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2018	2017	2018	2017
	US$000 (Unaudited and not reviewed)	US$000 (Unaudited and not reviewed)	US$000 (Unaudited)	US$000 (Unaudited)
Opening inventory of goods	611,629	463,738	605,294	475,381
Purchase of crude oil, refined products and supplies	1,202,669	822,884	3,168,805	2,384,869
Operating expenses of production (a)	80,839	84,249	233,255	229,175
Final inventory of goods	(682,318)	(492,677)	(682,329)	(492,677)
	1,212,819	878,194	3,325,025	2,596,748

The composition of operating production expenses is as follows:

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2018	2017	2018	2017
	US$000 (Unaudited and not reviewed)	US$000 (Unaudited and not reviewed)	US$000 (Unaudited)	US$000 (Unaudited)
Personnel charges (Note 22)	18,670	12,771	42,031	37,512
Third-party services (*)	53,131	54,616	149,843	147,008
Depreciation (Note 13) (**)	6,369	8,019	22,626	24,273
Workers' profit sharing	(900)	4,181	5,163	7,269
Materials and supplies	1,383	2,637	6,673	6,577
Insurance	1,804	1,595	5,079	4,779
Other management charges	256	267	520	409
Amortization	2	26	5	32
Others	124	137	1,315	1,316
	80,839	84,249	233,255	229,175

(*) Includes the following:

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2018	2017	2018	2017
	US$000 (Unaudited and not reviewed)	US$000 (Unaudited and not reviewed)	US$000 (Unaudited)	US$000 (Unaudited)
Ground transport freight and expenses	13,617	17,236	35,042	43,863
Maritime transport freight and expenses	6,553	6,272	18,530	16,858
Maintenance and repair services	7,321	5,657	18,197	13,143
Energy and water	4,090	5,039	14,834	15,384
Other freight, freight and expenses	5,228	3,996	15,155	12,105
Industrial protection and safety	1,126	722	3,711	2,450
Food and lodging	771	1,001	2,171	2,413
Other third-party services	14,425	14,693	42,203	40,792
	53,131	54,616	149,843	147,008

(**) In 2018 the depreciation balance includes US$18,583 thousand of property, plant and equipment and US$4,043 thousand of investment properties (in 2017 US$20,232 thousand and US$4,041 thousand, respectively).

20 SELLING AND DISTRIBUTION EXPENSES

This item comprises:

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2018	2017	2018	2017
	US$000 (Unaudited and not reviewed)	US$000 (Unaudited and not reviewed)	US$000 (Unaudited)	US$000 (Unaudited)
Third-party services (*)	5,783	3,823	14,452	8,898
Personnel charges (Note 22)	8,514	5,928	20,544	17,232
Taxes	5,135	4,551	14,814	13,522
Depreciation (Note 13)	2,009	1,575	6,322	4,579
Workers' profit sharing	(386)	1,877	2,216	3,262
Materials and supplies	642	759	2,118	1,957
Insurance	349	254	723	775
Other management charges	195	324	500	518
Doubtful accounts	349	126	349	147
	22,590	19,217	62,038	50,890

(*) Including the following:

Other third-party services	1,699	879	4,382	2,692
Advertising	1,647	1,231	3,257	1,496
Industrial protection and safety	969	366	2,843	1,178
Maintenance and repair services	942	722	2,472	1,678
Rentals	274	261	776	904
Energy and water	75	125	231	363
Other freight, freight and expenses	25	72	93	225
Travel and transfer expenses	152	167	398	362
	5,783	3,823	14,452	8,898

21 ADMINISTRATIVE EXPENSES

This item comprises:

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2018	2017	2018	2017
	US$000 (Unaudited and not reviewed)	US$000 (Unaudited and not reviewed)	US$000 (Unaudited)	US$000 (Unaudited)
Personnel charges (Note 22)	27,222	19,372	67,898	55,443
Third-party services (*)	11,494	9,149	31,530	24,841
Other management charges	2,622	1,477	5,780	8,884
Workers' profit sharing	(907)	4,635	5,203	8,058
Depreciation (Note 13)	1,484	933	4,368	2,795
Taxes	687	1,360	2,849	9,920
Amortization	568	583	1,717	1,753
Materials and supplies	252	255	1,061	925
Insurance	308	143	647	437
	43,730	37,907	121,053	113,056

(*) Including the following:

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2018	2017	2018	2017
	US$000 (Unaudited and not reviewed)	US$000 (Unaudited and not reviewed)	US$000 (Unaudited)	US$000 (Unaudited)
IBM outsourcing services	3,001	2,263	7,011	6,142
Maintenance and repair services	2,580	1,680	6,420	4,223
Advisory, appraisal and audits	1,548	792	4,431	2,198
Other third-party services	1,266	1,060	4,246	3,162
Industrial protection and safety	708	1,383	2,857	4,248
Freight and other freight	335	163	1,298	481
Advertising	491	630	1,399	1,472
Travel and transfer expenses	451	465	1,325	1,075
Temporary services	770	413	1,642	1,038
Bank expenses	344	300	901	802
	11,494	9,149	31,530	24,841

22 PERSONNEL CHARGES

This item comprises:

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2018	2017	2018	2017
	US$000 (Unaudited and not reviewed)	US$000 (Unaudited and not reviewed)	US$000 (Unaudited)	US$000 (Unaudited)
Wages and salaries	16,808	14,387	45,699	42,131
Bonuses	19,852	8,458	34,903	23,533
Workers' profit sharing	(2,193)	10,693	12,582	18,589
Social contributions	5,796	5,558	17,060	17,173
Statutory bonuses	4,673	4,055	10,715	10,108
Employees' severance indemnities	2,348	2,123	6,911	6,170
Vacations	1,514	1,174	3,837	3,450
Food	981	909	2,820	2,729
Overtime	540	349	1,186	1,130
Transportation	324	285	952	878
Others	1,570	773	6,390	2,885
	52,213	48,764	143,055	128,776

Workers' profit sharing expenses was recorded with charges to profit and loss of the year as follows:

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2018	2017	2018	2017
	US$000 (Unaudited and not reviewed)	US$000 (Unaudited and not reviewed)	US$000 (Unaudited)	US$000 (Unaudited)
Cost of sales (Note 19)	17,770	16,952	47,194	44,781
Selling expenses and distribution (Note 20)	8,128	7,805	22,760	20,494
Administrative expenses (Note 21)	26,315	24,007	73,101	63,501
	52,213	48,764	143,055	128,776

23 OTHER INCOME AND EXPENSES

Other income and expenses comprises:

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2018	2017	2018	2017
	US$000	US$000	US$000	US$000
	(Unaudited and not reviewed)	(Unaudited and not reviewed)	(Unaudited)	(Unaudited)
Other income				
Interest – SUNAT refund (a)	38,333	-	81,146	31,146
Claims and/or indemnities (insurance/ non-compliance)	2,327	1,264	6,262	3,257
Maritime operations services	1,073	787	2,755	2,388
Doubtful trade accounts provision recovery	471	137	507	1,748
Liability for environmental remediation	-	-	1,519	1,766
Other income	3,969	2,604	6,208	16,972
	46,173	4,792	98,397	57,277
Other expenses				
Environmental remediation (Block 8 and Relapasa) (b)	-	-	(27,654)	-
Provision for claims	-	(3,994)	(6,172)	(4,908)
Net cost of disposal	13	(39)	(16)	(393)
Provision for retirement pension	(10)	(14)	(27)	(36)
Liability for environmental remediation	(252)	-	(1,621)	-
Impairment of supplies	-	-	-	(41)
	(249)	(4,047)	(35,490)	(5,378)

(a) On February 14, 2018 SUNAT issued two Resolutions ordering a refund in connection with Case File No. 07873-2012-0-1801-JR-CA-13. Refunds obtained included interest for a total US$42,813 thousand. On July 25, 2018 SUNAT approved the excise tax (ISC) tax including interest for US$38,333. (Note 11)

(b) This is a provision for arbitration proceedings involving environmental remediation in Block 8 and provisions for environmental remediation derived from the oil spill in the oil pipeline (ONP) caused by third parties (in Km.20+204 Tramo I and in Km. 87+887Tramo I).

24 INCOME TAX

Income tax expense is recognized based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for fiscal years 2018 and 2017 is 22% and 25%, respectively.

25 CONTINGENCIES

At September 30, 2018 and December 31, 2017 the Company has the following labor-related court actions, civil lawsuits, tax and customs claims pending resolution, which are considered possible contingencies:

	2018 US$000 (Unaudited)	2017 US$000
Civil (a)	58,574	40,839
Tax and customs claims (b)	41,003	61,817
Labor-related	5,021	6,628
	104,598	109,284

The movement of contingencies is detailed as follows:

	Balances at January 1 US$000	Additions US$000	Deductions US$000	Balances at September 30 US$000
Civil (a)	40,839	45,002	(27,267)	58,574
Tax and customs claims (b)	61,817	3,062	(23,876)	41,003
Labor-related	6,628	1,657	(3,264)	5,021
	109,284	49,721	(54,407)	104,598

(a) During 2018, the Company added to its disclosures the arbitration process brought by Savia Perú S.A. for US$40,000 thousand, involving a claim against the rent agreement signed by the Company. Also, the arbitration proceedings brought by Pluspetrol Norte S.A. and Refinería La Pampilla S.A. for US$22,474 thousand and US$5,180 thousand, respectively (Note 23) were resolved and paid.

(b) During 2018, the Company obtained favorable outcome in the tax challenging action of Files Nos. 8616-2016 and 11967-2017 for US$9,295 thousand and US$14,563 miles, respectively.

26 BASIC AND DILUTED EARNINGS PER SHARE

The calculation at September 30, 2018 and 2017 of earnings per basic and diluted share shows the same value as there are no shares with dilutive effect is as follows:

	Profit US$000	Weighted average number of common shares	Earnings per share
At September 30, 2018 (Unaudited)			
Basic and diluted earnings per share	151,980	3,927,713	0.039
At September 30, 2017 (Unaudited)			
Basic and diluted earnings per share	151,447	3,245,136	0.047

27 GUARANTEES AND COMMITMENTS

Guarantees and performance bonds -

At September 30, 2018 the Company has given performance bonds backed by local financial institutions to suppliers for a total S/105,829 thousand (equivalent to US$32,050 thousand) and US$33,521 thousand

Guarantees related to borrowings are disclosed in Note 14.

At September 30, 2018 and at December 31, 2017 the Company maintains no long-term operating lease commitments.

28 RELATED PARTIES

The Peruvian Government owns the Company's share capital and it is represented by each member of the General Shareholders' Meeting. As per the twenty-third article of the Bylaws of PETROPERU S.A., the General Shareholders' Meeting consists of five members representing the class " A" and " B " shares owned by the Peruvian Government: the Ministry of Energy and Mines, which chairs the Meetings and four members on behalf of the Peruvian Government, appointed by Supreme Decree. Transactions between the Company and the Peruvian Government and the Ministry of Energy and Mines are shareholder transactions.

29 SUBSEQUENT EVENTS

For the period from October 1, 2018 and the date of approval for release of these condensed interim financial statements, no significant events have occurred that may require additional disclosures or adjustments other than those already reported.