PETRÓLEOS DEL PERÚ - PETROPERÚ S.A.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS OF JUNE 30, 2022, DECEMBER 31, 2021 and JUNE 30, 2021

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US$ = US Dollar
S / = Sol
EUR = Euro

1 IDENTIFICATION AND ECONOMIC ACTIVITY

a) Identification

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

The Company is a 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 - PETROPERÚ 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 the Company 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 the Company is at Av. Enrique Canaval y Moreyra No.150, San Isidro, Lima Perú.

Under the provisions of Law N° 28840, Law for the Strengthening and Modernization of Empresa de Petróleos del Perú - PETROPERÚ S.A., the Company 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"). In addition, by means of the second final provision of Law No 28840, the Supreme Resolution N° 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within the scope of the process of private investment promotion, and any other regulation opposing Law N°28840 - was superseded.

The Company's activities are governed by its Organic Law approved under Legislative Decree N° 043, its Bylaws, Law No. 28840 - Law for the Strengthening and Modernization of Empresa de Petróleos del Perú PETROPERÚ 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 designated by 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.

It also applies the provisions of Law No.30130 published on December 18, 2013, which was called "Law that declares of public necessity and national interest the priority execution of the modernization of the Talara Refinery to ensure the preservation of air quality and public health and adopts measures to strengthen the Corporate Government of Petróleos del Perú - PETROPERÚ S.A." which provides that the Company executes the Modernization Project of the Talara Refinery (hereinafter, PMRT), as well as its Regulations, approved by Supreme Decree No.008-2014-EM, published on March 24, 2014. In accordance with article 5 "Approval of granting of guarantees" of Law No. 30130 which approves 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 the Company to execute the PMRT in the event the Company is not able to obtain the necessary resources to honor its obligations. At June 30, 2020 and December 31, 2019 there has been no need to use those guarantees.

Additionally, on December 30, 2016, Legislative Decree N°1292 was enacted declaring of public need and national interest the safe operation of “Oleoducto Norperuano” and stipulating the re-organization and improvement of the corporate governance of the Company. On August 15, 2019, Law No. 30993 was enacted declaring of national interest the preparation and execution of the North Peruvian Pipeline Strengthening and Modernization Project, in order to guarantee the operation and efficient maintenance of the North Peruvian Pipeline, expand its extension, increase its transportation capacity and profitability, safeguard the conservation of the environment and complement the Talara Refinery Modernization Project, as well as guarantee an adequate participation by way of taxes, fees and royalties in favor of the State.

b) Economic activity

By means of Law N°.28244 enacted on June 2, 2004, the Company 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 Law for the Strengthening and Modernization of Empresa de Petróleos del Perú - PETROPERU 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 N°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 the Company.

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 Law N°.26221, Organic Law that regulates the activity of Hydrocarbons in National Territory. These activities consist of all oil industry phases, such as oil trade, including its by-products, basic and intermediary petrochemicals and other forms of energy.

By means of Law N°.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”) the Company shall take part, individually or jointly, in the petrochemical development described in the above-mentioned law.

Pursuant to Law No.30130, the Company 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, the Company is allowed to carry out investment activities and projects as long as no current or future firm or contingent liabilities that are incurred by the Company, do not affect the guarantees for the Talara Refinery Modernization Project (PMRT for the Spanish acronym); and no Treasury resources are required; These restrictions will cease to exist whenever the Company 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.

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 the Company 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. In August 2020, the Company decided to accept the assignment of 75% stake in the License Agreement for Block 64, held by Geopark Perú S.A.C., due to the fact that in July said company notified PETROPERÚ S.A. that it irrevocably chose to exercise the option to withdraw from the License Agreement. On September 28, 2021, Supreme Decree No. 024-2021-EM was published in the official newspaper El Peruano, which approves the transfer of the participation of GeoPark Perú S.A.C. in the Lot in favor of PETROPERÚ S.A. In this way, PETROPERU assumes 100% of the rights and obligations for the exploration and exploitation of hydrocarbons.

Pursuant to Legislative Decree No.1292, published 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 calendar days counted from the date of publication of said Legislative Decree, 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 the Company 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 N°29970 to implement the Talara Refinery Modernization Project and the amendment of article 4 and the Second Complementary Provision to Law N°28840, Law for the Strengthening and Modernization of Empresa de Petróleos del Perú - PETROPERÚ S.A. to implement Legislative Decree No. 1292" approved by the Board of Directors is in execution. Said plan was approved by the Board of Directors through Agreement No. 067-2018-PP dated August 6, 2018.

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

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 the Company approved by the Board establishes that:

    - The prices of liquid fuels and specialties are determined according to their supply and demand, in compliance with the provisions of the Organic Hydrocarbons Law and regulations that modify or replace it.
    - The prices list of liquid fuels and specialties will be approved by the Executive Price Committee chaired by the General Management and made up by the Corporate Finance Manager, Supply Chain Manager, Refining Manager and Commercial Manager or whoever assumes their functions.
    - The determination of prices of liquid fuels and specialties that the Company sells in the local market will consider the opportunity cost, and the prices that allow the Company to compete in the market and at the same time reach its strategic and budgetary goals will be set. In the case of liquid fuels, the opportunity cost corresponds to the Import Parity Price calculated with the methodology defined by the Company in its Guidelines.
    - The prices list of liquid fuels of the Company must be competitive with other economic agents - producers and importers - in the Sales Plants of the country in which there is commercial operation, provided that there is commercial benefit.
    - In the case of events or developments in the international market that have a significant impact on the prices of liquid fuels and specialties causing a sharp rise or fall, which negatively affect the reputational image of the Company or put it in an economic situation of potential risk, the The Executive Committee of Prices may decide to transfer them gradually to clients or leave without effect the variations presented on a short-term basis until the local or international market stabilizes, taking into account the Company’s financial sustainability.

- Fund for the Stabilization of Petroleum Derived Fuel Prices (hereinafter, Price Stabilization Fund).

    The Price Stabilization Fund was established by the Peruvian Government under Emergency Decree No.010-2004, regulations 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 end 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 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, counted 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 the beginning of 2020, the Fuel Price Stabilization Fund-FEPC applied to the following fuels: LPG-E, Diesel B5, Diesel B5 S-50 and industrial oil 6. In April 2020, with Supreme Decree No.007-2020-EM, LPG-E, Diesel B5 and Diesel S-50 were excluded as products subject to the FEPC. Between March and November 2021, with Supreme Decrees No.006-2021-EM, No. 015-2021-EM and No. 025-2021-EM, Diesel for vehicle use was included as a product subject to the FEPC. Likewise, in September 2021, by Supreme Decree No. 023-2021-EM, it was incorporated into the GLP-E as a product subject to the FEPC. In March 2022, by means of D.S 002-2022-EM, 84 and 90 octane gasolines, 84 gasohol and Liquefied Petroleum Gas destined for bulk-GLP-G were included in the FEPC, for a period of 90 days. Likewise, Diesel 2 intended for vehicle use was included in the FEPC, said inclusion is made during the period that the MINEM authorizes its marketing.

As of June 30, 2022, the Price Stabilization Fund represented 3.50% of the Company's income (0.75% of income as of June 2021).

c) Approval of the financial statements -

The financial statements for the three-month period ended on June 30, 2020 were approved by the General Management of the Company on September 17, 2020. The financial statements as of December 31, 2021 were approved by the General Management of the Company on February 15, 2022 and are currently being audited by the audit company Gaveglio Aparicio y Asociados SCRL-PWC.

2 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The condensed interim financial statements for the six-month period ended on June 30, 2020, were prepared in accordance with International Accounting Standard No. 34, “Interim Financial Information” (IAS 34) issued by the International Accounting Standards Board (IASB).”

The information on the statement of financial position as of December 31, 2021 and the corresponding notes are derived from the audited financial statements as of that date.

The unaudited condensed interim financial statements arise from the accounting records and are prepared on the basis of historical cost, except for derivative financial instruments that are measured at fair value. The condensed interim financial statements are presented in thousands of US Dollars, except when a different monetary currency is indicated. The accounting policies applied are consistent with those of the 2021 annual exercise and the comparative interim period.

The condensed interim financial statements do not include all the information and disclosures required for the annual financial statements and must be read together with the financial statements for the year ended on December 31, 2021, which were prepared in accordance with the IFRS issued by the IASB.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in the applicable standards as of January 1, 2020 –

These new standards, amendments and interpretations, in force for the financial statements for annual periods beginning on January 1, 2022, have been evaluated and applied by the Company:

Certain standards and amendments to standards that are mandatory for the year 2022 or later and that have been evaluated by the Company have been published. The Company's assessment of the impact these standards have on the financial statements is explained below:

- Amendment to IFRS 16 - Rental Concessions Related to Covid-19 -

As a result of the COVID-19 pandemic, certain tenants have received rental concessions in leases. These concessions have taken various forms such as rent reductions, grace periods and deferral of lease payments. In May 2020, the IASB published an amendment to IFRS 16, 'Leases' that allows lessees the option to treat certain lease concessions as if they were not lease amendments. Generally, this will result in accounting for concessions as variable lease payments in the period in which they are granted.

This practical application could originally be applied to rent concessions granted until June 30, 2021; however, this date was subsequently extended to June 30, 2022.

If a tenant used the original practical application in 2021, they must continue to apply the same treatment to all leases with similar characteristics and circumstances, taking into account the term extension indicated above. If a tenant did not use the practical application in 2021 on eligible contracts, it is prohibited to apply it in the new extended term.

However, if a lessee has not established its accounting policy on rent concessions in eligible contracts, it may decide to apply the option within the extended period.

The amendment is effective for annual periods beginning on or after April 1, 2021.
As a result of the application of the amendment to this standard, the Company has no significant impact on its financial statements.

- Amendment to IAS 1: Classification of Liabilities as current or non-current -

This amendment clarifies that liabilities should be classified as current or non-current depending on the rights existing at the date of the financial statements. Classification should not be affected by the entity's expectations or by events occurring after the date of the financial statements, for example, receiving a waiver from the bank after the breach of a contractual commitment (covenants).

The amendments also clarify the meaning of the reference in IAS 1 to what is a 'settlement' of a liability.

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

Amendments should be applied retrospectively in accordance with the requirements of IAS 8. This amendment is effective from January 1, 2023.

The Company is currently evaluating the impact that this modification may have on its financial statements.

- Disclosure of Accounting Policies - Amendments to IAS 1 and Practice Statement 2

Originally, the IAS stated that "significant" accounting policies should be disclosed, with this amendment it is specified that disclosure should be made by "material" accounting policies. In this sense, this amendment incorporates the definition of what is "information on material accounting policies" and explains how to identify this type of information. It also clarifies that there is no need to disclose information on intangible accounting policies and if it is disclosed, it should not cause significant accounting information to become confused.

Consistently, Practice Statement 2, 'Making Materiality Judgments', was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

This amendment is effective from January 1, 2023. The Company is currently evaluating the impact that this modification may have on its financial statements.

- Amendments to IAS 8 - Definition of Accounting Estimates -

This amendment clarifies how to distinguish changes in accounting policies from changes in accounting estimates. The distinction is important in defining accounting treatment, as changes in accounting estimates are recognized prospectively to future transactions and events, while changes in accounting policies are generally applied retroactively to past transactions and events, as well as to the current period.

This amendment is effective from January 1, 2023. The Company is currently evaluating the impact that this modification may have on its financial statements.

- Amendments to IAS 12, Deferred tax related to assets and liabilities arising from a single transaction -

These amendments provide that deferred taxes arising from a single transaction should be recognized which, on initial recognition, gives rise to taxable and deductible temporary differences of the same value. This will generally apply to transactions such as leases (for lessees) and dismantling or remediation obligations, in which the recognition of deferred tax assets and liabilities will be required.

These amendments should apply to transactions occurring on or after the beginning of the first comparative period submitted. Deferred tax assets (to the extent likely to be used) and deferred tax liabilities should also be recognized at the beginning of the first comparative period for all deductible or taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- liabilities for decommissioning, restoration and the like, and the corresponding amounts are recognized as part of the cost of the related assets.

The cumulative effect of these adjustments is recognized in retained earnings or other equity, as appropriate.

Previously, IAS 12 did not establish any particular accounting treatment for the tax effects of leases that are recognized in the balance sheet and for similar transactions, so different approaches were considered acceptable. Institutions that are already recognizing deferred taxes on these transactions will have no impact on their financial statements.

This amendment is effective from January 1, 2023. The Company is currently evaluating the impact that this modification may have on its financial statements.

Likewise, other effective modifications for future years that are not relevant to the activities of the Company have been published:

- IFRS 17, Insurance contracts
- Amendment to IAS 16, ‘Property, Plant and Equipment’ - Income received before the intended use of the asset
- Amendment to IFRS 3 ‘Business Combinations’ - Reference to the Conceptual Framework
- Amendment to IAS 37 - Onerous Contracts - Cost of performing a contract -
- Annual Improvements 2018-2020.
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture

Other IFRSs or interpretations (IFRICs) that are not yet in force are not expected to have a significant impact on the Company's financial statements.

3.2 Significant accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended on December 31, 2021, as described therein, except for the accounting treatment of income tax in the interim periods, which are accounted using the tax rate applicable to the expected total annual profit or loss (see Note 4 and Note 24). The income tax expense is recognized in each interim period based on the best estimate of the expected effective annual income tax rate for the entire year. The Company Management considers that the amount accrued for the income tax expense in an interim period may have to be adjusted in a later interim period of that same year, if the estimate of the annual effective income tax rate changes.

4 ESTIMATED AND CRITICAL ACCOUNTING CRITERIA

The preparation of the condensed interim financial statements requires Management to make judgments, estimates and assumptions in the balances of assets and liabilities, income and expenses that may affect the application of accounting policies. Actual results may differ from those estimates.
In preparing the condensed interim financial statements, the relevant judgments and estimates made by the Management in the application of the Company's accounting policies and in the critical information for the estimation of uncertainties were the same as those applied in the financial statements by the year ended on December 31, 2021, with the exception of changes in the estimates that are required to determine the provision for income tax.

Income tax -

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

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

If the effective income tax rate had been +/- 1% different from Management's estimates, the Company would need to increase / decrease the income tax expense by US $ 938 thousand in the six-month period ended on June 30, 2022 (US $ 509 thousand in the six-month period ended on June 30, 2021).

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors -

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

The condensed interim financial statements do not include all the information and disclosure of the financial risk management required in the annual financial statements; they must be read together with the Company's annual financial statements as of December 31, 2021, as there have been no changes in the related assessments of financial risks since the end of the year.

There have been no significant changes in the risk management department or in any risk management policy since the end of 2021.

5.2 Liquidity risk -

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

The Company has sufficient credit capacity to access credit lines with the best qualified financial institutions (institutions with no history of default and with local prestige) in terms of market. In addition, the Company develops new banking relationships in order to have adequate funds available at all times.

As of June 30, 2022, the Company maintains short-term revolving credit lines granted by local and foreign banks up to US$2,725,000 thousand of which US$1,789,304 thousand were under evaluation by the risk units as a result of a write-off in the credit rating, caused by the delay in the issuance of the planned audited financial statements and questions about the administration of the Company by the previous administration. It should be noted that the financial statements as of December 31, 2021 have been audited by the audit company Gaveglio Aparicio y Asociados SCRL-PWC; this allows us to continue with the strengthening of the Company's Good Corporate Governance. In addition to continuing to gradually recover the lines of credit and incorporate new lines of credit.

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

The table below analyzes the financial liabilities of the Company grouped on the basis of the period remaining at the date of the statement of financial position until the date of maturity.
The amounts disclosed in the table are the undiscounted cash flows:

	Carrying Value Flows	Undiscounted cash	Less than 1 year	More than 1 year	More than 2 years
	US$000	**US$000**	**US$000**	**US$000**	**US$000**
Other financial liabilities	5,135,079	8,558,671	1,184,168	341,627	7,032,876

5.3 Capital risk -

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), minus cash and cash equivalent. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The Company maintains the investment grade given by credit rating agencies: Standard & Poor's (BB for the long-term debt) and Fitch Ratings (BBB- for the long-term debt in foreign currency), as well as the local rating of AA-(pe) with Apoyo & Asociados Internacionales S.A.C.

At June 30, 2022 and December 31, 2021, the gearing ratios were as follows:

	2022	2021
	US$000	**US$000**
Other financial liabilities	5,974,586	5,065,484
Cash and cash equivalents	(32,235)	(239,557)
Net debt (A)	5,942,351	4,825,927
Total Equity (B)	2,061,434	1,947,252
Total capital (A)+(B)	8,003,785	6,773,179
Ratio (A/(A+B)	0.74	0.71

The gearing ratio increased as of June 30, 2022 to 0.74, explained by the financing received from the State in May and June 2022, by MMUS $750, according to Emergency Decree No. 010-2022 (Note 15), as well as by the decrease in the cash of MMUS $120 that was maintained from the fund received with the Reopening of the Bond with maturity in 2047 made in February 2021, a fund used for the payment of the investments in the PMRT. Counterbalanced by the increase in equity, by the profit of MM$114 generated as of June 2022.

6 SEGMENT REPORTING

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 y (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 marketing	Exploration, exploitation, refining and marketing of crude oil and 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 marketing (*)	**Oil pipeline operations**	**Rented and privatized Units**	**Total**
	US$000	**US$000**	**US$000**	**US$000**
As of June 30, 2022				
Assets:				
Current	1,729,265	219,592	46,646	1,995,503
Non-current	6,981,820	315,806	202,692	7,500,318
	8,711,085	535,398	249,338	9,495,821
Liabilities:				
Current	2,844,494	163,984	26,710	3,035,188
Non-current	4,381,799	17,400	-	4,399,199
	7,226,293	181,384	26,710	7,434,387
As of June 30, 2021				
Assets:				
Current	1,113,445	251,787	157,454	1,522,686
Non-current	6,309,863	261,600	195,209	6,766,672
	7,423,308	513,387	352,663	8,289,358
Liabilities:				
Current	1,632,795	113,998	35,537	1,782,330
Non-current	4,577,782	17,396	-	4,595,178
	6,210,577	131,394	35,537	6,377,508

(*) Includes Lot I, refineries, a service station, commercial area and main office.

c) Statement of comprehensive income by segments

	Production and marketing(*)	Oil pipeline operations	Rented and privatized Units	Total
	US$000	US$000	US$000	US$000
For the six-month period ended June 30, 2022				
Incomes from ordinary activities	2,963,940	138	-	2,964,078
Other operating income	15,605	123	10,008	25,736
TOTAL INCOME FROM ORDINARY ACTIVITIES	2,979,545	261	10,008	2,989,814
Cost of sales	(2,664,288)	(23,977)	(6,593)	(2,694,858)
Transfers	(6,825)	6,825	-	-
Gross profit	308,432	(16,891)	3,415	294,956
Sales and distribution expenses	(34,720)	(1)	(2,699)	(37,420)
Administrative Expenses	(80,903)	(6,589)	(181)	(87,673)
Other income and expenses	9,003	(10,419)	-	(1,416)
Profit (LOSS) from operating activities	201,812	(33,900)	535	168,447
Financial, net	(15,442)	1,729	1,700	(12,013)
Earnings before income tax	186,370	(32,171)	2,235	156,434
Income tax expense	(52,094)	10,577	(735)	(42,252)
Net yearly income	134,276	(21,594)	1,500	114,182

	Production and marketing (*)	Oil pipeline operations	Rented and privatized Units	Total
	US$000	US$000	US$000	US$000
For the six-month period ended June 30, 2021				
Incomes from ordinary activities	1,808,654	67	-	1,808,721
Other operating income	13,980	8,033	14,378	36,391
TOTAL INCOME FROM ORDINARY ACTIVITIES	1,822,634	8,100	14,378	1,845,112
Cost of sales	(1,548,902)	(17,366)	(2,689)	(1,568,957)
Transfers	(2,244)	2,244	-	-
Gross profit	271,488	(7,022)	11,689	276,155
Sales and distribution expenses	(24,647)	-	(4,932)	(29,579)
Administrative Expenses	(51,331)	(4,919)	-	(56,250)
Other income and expenses	16,256	507	-	(16,763)
Profit (LOSS) from operating activities	211,766	(11,434)	6,757	207,089
Financial, net	(37,343)	1,790	1,386	(40,519)
Earnings before income tax	174,423	(13,224)	5,371	166,570
Income tax expense	(95,544)	57	(101)	(95,702)
Net yearly income	78,879	(13,281)	5,270	70,868

(*) Include Lot I, refineries, a service station, commercial area and main office.

d) Revenue by geographical area -

As of June 30, 2022 and 2021, revenues from ordinary activities by segment are based on the customers' geographical location:

	2022	2021
	US$000	US$000
Peru	2,688,387	1,722,999
Other countries	301,427	85,722
	2,989,814	1,808,721

7 SIGNIFICANT CHANGES IN THE CURRENT PERIOD

The financial position and performance of the Company were especially affected by the following two factors during the six-month period ended on June 30, 2022:

- The international price of crude oil showed an upward trend at the end of June, closing its price at 105.76 per barrel (US$73.47 per barrel as of June 30, 2021), this factor does not influence the realization margins, however it does affect the value of inventories. This factor caused inventories to be renewed at a higher cost of US$299,548 thousand as of June 2022 (US$115,826 thousand as of June 2021), being the main factor for the favorable result at the end of this period. This situation stems partly from the conflict between Russia and Ukraine, which leads to a disruption of supply in the world and marks the upward trend in the price of crude oil. This higher price in the market is related to the higher costs associated with purchases, such as freight, which causes lower margins in the realization of the final products. For companies in the hydrocarbon sector, this is expected to be a temporary situation, which will improve with the end of the conflict.

- Favorable situation due to the depreciation of US$, from 3,998 in December 2021 to 3,830 in June 2022, which generates reversal of provisions for deferred income tax that affects non-monetary items (mainly fixed assets) due to the fact that the Company taxes income tax in a currency other than that of its functional currency (US$), generating income from deferred income tax of US$64,242 thousand. Likewise, this drop in the quotation of US$ generates a gain due to an exchange rate adjustment of MM$57, for having more assets than monetary liabilities in soles, mainly the VAT tax credit for MMS/ 2,635.

8 CASH AND CASH EQUIVALENT

As of June 30, 2022, and December 31, 2021, this item comprises:

	2022	2021
	US$000	US$000
Checking accounts(*)	32,215	239,538
Fixed funds	20	19
	32,235	239,557

(*) The Company has deposited cash in financial institutions in the form of current accounts in domestic currency and foreign currency. The funds in these accounts are freely available and accrue preferential interest rates of 5.70% and 0.30% respectively.

9 TRADE RECEIVABLES

As of June 30, 2022, and December 31, 2021, this item comprises:

	2022	2021
	US$000	US$000
Wholesale distributors	137,314	171,520
Price stabilization Fund -		
Ministry of Energy and Mines (Note 1-c)	184,110	28,511
Mining sector	54,021	35,976
Fuel marketers	19,442	16,025
Oil companies	35,020	35,792
External market	144,495	12,201
Peruvian Armed Forces and National Police	10,777	4,570
Aviation business	10,351	2,552
Fisheries	9,430	4,391
Construction	2,677	771
Transport sector	956	1,389
Industrial sector	772	459
Electricity sector	446	179
Sundry customers	790	1,087
Doubtful accounts	12,448	11,989
	623,050	327,413
Less: Expected loss of trade receivables	(12,448)	(11,989)
	610,602	315,424

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

Fuel Price Stabilization Fund - Ministry of Energy and Mines -

The total amount receivable from the General Directorate of Hydrocarbons (DGH), as of June 30, 2022, amounts to US$199,260 thousand, generated by offsetting operations and contributions which includes, as of June 30, 2022, the Amparo Claim recorded in a Claims account for US$15,150 thousand (US$ 14,514 thousand as of December 31, 2021), classified as other long-term receivables (Note 10) and the amount receivable (compensation) of US$ 184,110 thousand, receivable for Compensation, (US$ 28,511 thousand as of December 31, 2021).

As of June 30, 2022, and December 31, 2021, the movement of the total balance of the item Price Stabilization Fund is explained as follows:

	2022 **US$000**	**2021** **US$000**
Opening balance	28,511	255
Price compensation	104,490	28,473
Price contribution	717	3,174
Net (charged) paid to income from ordinary activities (note 18)	103,773	25,299
Compensation generated by imports of products	62,350	4,626
Contribution generated by imports of products	131	926
Collection and payments of compensation and/or contribution	9,644	145
Exchange rate difference	749	378
Closing balance	184,110	28,511

Expected loss of trade receivables -

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

The Company considers it appropriate to exclude accounts receivable from wholesalers and businesses due to their high liquidity and because there has been no historical loss incurred.

Expected loss rates are based on sales payment profiles in a 12-month period before June 30, 2022 and December 31, 2021, and historical credit losses are adjusted to reflect current and prospective information on Macroeconomic factors that affect the ability of customers to settle trade accounts receivable.

On that basis, the provision for losses as of June 30, 2022 and December 31, 2021 was determined as follows:

	2022			**2021**		
	Expected Loss rate	**Gross carrying amount**	**Expected loss**	**Expected loss rate**	**Gross carrying amount**	**Expected loss**
	%	**US$ 000**	**US $ 000**	**%**	**US $ 000**	**US $ 000**
Current	0.00	410,586	5	0.00	286,828	4
From 1 to 30 days	0.03	828	-	0.02	1	-
From 31 to 60 days	0.04	821	-	0.03	6	-
From 61 to 90 days	0.04	827	-	0.03	4	-
From 91 to 120 days	0.04	814	-	0.03	-	-
From 121 to 150 days	0.05	12,628	7	0.14	-	-
From 181 to 210 days	0.00	0				
More than 360 days	100.00	12,436	12,436	99.36	12.062	11.985
Total (*)		438,940	1 2,448		298.902	11,989

(*) Does not include the Price Stabilization Fund.

As of June 30, 2022, and December 31, 2021, the estimate movement of the expected loss of trade accounts receivable was as follows:

	2022	2021
	US$000	US$000
Opening balance	11,989	13,673
Exchange difference	469	(1,635)
Recoverable	(10)	(49)
Closing balance	12,448	11,989

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

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

10 OTHER ACCOUNTS RECEIVABLE

As of June 30, 2022, and December 31, 2021, this item comprises:

	2022	2021
	US$000	US$000
Current		
Tax Credit - General Sales Tax, Selective Consumption Tax and Income Tax (a)	284,829	222,105
Advance payments to suppliers	76,545	27,598
Investment in partnership with GeoPark	3,522	3,522
Loans to personnel	3.331	3,242
Restricted funds	13,442	3,094
Assets from derivative financial instruments	12,256	6,759
Loans	2,120	2,166
Sundry	3,146	5,424
Doubtful accounts	33,428	32,824
	432,619	306,734
Expected loss from other accounts receivable (e)	(33,428)	(32,824)
Current Portion	399,191	273,910
Non-current		
Tax credit - General Sales Tax, long-term (b)	569,968	539,364
Claims for Price Stabilization Fund – Ministry of Energy and Mines (Note 1(c)) - (c)	15. 150	14,514
Claims filed against the Tax Authority (d)	7,623	7,303
Other taxes, long-term	6,625	6,521
Non-current portion	599,366	567,702

(a) Tax credit - General Sales Tax and income tax, short term

As of June 30, 2022, it corresponds to the General Sales Tax of operations for US$ 118,173 thousand (equivalent to S/452,604 thousand), General Sales Tax of the PMRT for an amount of US$ 67,746 thousand (equivalent to S/259,467 thousand); tax credit for selective consumption tax for US$ 179,305 (equivalent to S/686,736 thousand), net of Income Tax for US$ 12,649 (equivalent to S/48,445 thousand), which will be recovered in the short term through operations.

From January to June 2022, SUNAT made VAT tax credit refunds of US$ 65,253 thousand (equivalent to S/249,627 thousand) and during 2021, SUNAT made VAT tax credit refunds of US$ 42,352 thousand (equivalent to S/168,805 thousand), which were requested by the Company through the early recovery regime and refund of the balance in favor of the benefit of the exporter.

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

As of June 30, 2022, it corresponds to the balance in favor of the VAT paid for the acquisition of goods and services mainly related to the Talara Refinery Modernization Project amounting to US$ 328,625 thousand (equivalent to S/1,258,633 thousand) and the VAT for operations amounting to US$ 241,343 thousand (equivalent to S/924,344 thousand).

As of December 31, 2021, it corresponds to the balance in favor of the VAT paid for the acquisition of goods and services mainly related to the Talara Refinery Modernization Project amounting to US$ 301,625 thousand (equivalent to S/1,205,917 thousand) and the VAT for operations amounting to US$ 237,741 thousand (equivalent to S/ 950,506 thousand.

This balance in favor of the tax credit does not have an expiration period. The Company expects to recover this tax credit through the VAT early recovery regime in the long term.

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

In April 2010, the General Hydrocarbons Agency (DGH) issued Directorial Resolution 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 a protective action before the Second Constitutional Court of Lima, considering this resolution unconstitutional. Said action was signed as File No. 21022-2010-0-1801-JR-CI-02.

On November 28, 2018, the Judgment contained in Resolution No. 16 was issued whereby the Second Constitutional Specialized Court of Lima declares the claim inadmissible. By Resolution No. 17, the appeal of said Judgment was granted to the second instance.

On October 28, 2020, by Resolution No.19, the court requested:

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

On March 4, 2021, through Resolution No.20, the reasons why Resolution No. 075-2010-EM/DGH is not considered to be applicable retroactively, as requested by Resolution No.19.

In the opinion of Management, and based on the reports of our external legal advisors, we estimate that, once the judicial process is concluded in all its instances, the result will be favorable to the Company, and will allow the total amount of the recorded balance to be recovered, amounting to US$ 15,150. thousand as of June 30, 2022 (US$14,514 thousand as of December 31, 2021).

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

As of June 30, 2022, and December 31, 2021, this item comprises:

	2021	**2020**
	US$000	**US$000**
File No.17806-2012 (i)	7,623	7,303

(i) In November 2012, the Company paid US$8.651 thousand (equivalent to S/.29,197 thousand) for a number of tax determination and tax penalty resolutions involving allegedly unpaid excise tax (ISC) and VAT (IGV) for fiscal 2007. As of June 30, 2022, this action remains to be resolved by Courtroom 4 of the Peruvian Tax Tribunal, under File No. 17806-2012. Based on the favorable resolution of other similar claims, the Company and its legal counsel have high expectations of obtaining a favorable outcome. The expected refund is equivalent to US$7,889 thousand at the closing exchange rate.

On February 4, 2022, in accordance with our right and being that in our opinion and that of the Company's legal advisors our sales of Turbo A-1 were made in accordance with law, we have filed a Contentious-Administrative Claim against Resolution No. 09743-4-2021, a claim that is being processed before the 22nd Administrative Contentious Court Sub-Specialty Tax (File No. 0744-2022-0-1801-JR-CA-22.

e) Expected loss of other accounts receivable –

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

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

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

As of June 30, 2022, and December 31, 2021, the movement of the provision for the expected loss is as follows:

	2022 US$000	2021 US$000
Opening balance	32,824	34,521
Write-offs	(10)	(210)
Exchange difference	614	(1,487)
Closing balance	33,428	32,824

11 INVENTORIES

As of June 30, 2022, and December 31, 2021, this item comprises:

	2022 US$000	2021 US$000
Crude oil	400,283	210,379
Refined products:		
In process	91,898	53,096
Finished	128,458	165,567
Refined products purchased	258,489	150,538
Inventories in transit	33,557	27,682
Supplies	40,858	38,312
	953,543	645,574
Less - Provision for impairment of supplies	(4,189)	(4,251)
	949,354	641,323

As of June 30, 2022, the cost of inventories recognized as expenses and included in the cost of sales amounted to US$879,128 thousand (US$360,902 thousand as of June 30, 2021) which is equivalent to the cost of sales minus operating manufacturing costs (Note 18).

As of June 30, 2022, the price of crude oil had an upward trend, closing its price at US$105.76 per barrel (US$73.47 per barrel as of June 30, 2021). The average price during the month of June 2022 was US$114.59 per barrel (US$71.38 per barrel as of June 30, 2021).

As of June 30, 2022, and December 31, 2021, the movement of the provision for devaluation of supplies is explained as follows:

	2022 US$000	2021 US$000
Opening balance	(4,251)	(4,419)
Impairment of supplies	(6)	(232)
Recoverable	68	400
Closing balance	(4,189)	(4,251)

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 June 30, 2022 and December 31, 2021, the Company considers that the amount of the provision adequately reflects the risk of impairment of all its inventories both by physical obsolescence and net realizable value

12 PROPERTY, PLANT AND EQUIPMENT

	Lands	Buildings and other Constructions	Machinery and equipment	Transport Unit	Furniture and equipment	Sundry Equipment and Computers	Equipment not in use	Units to be received	Works in progress	Additional investment	Total
	US $ 000	US $ 000	US $ 000	US $ 000	US $ 000	US $ 000	US $ 000	US $ 000	US $ 000	US $ 000	US $ 000
As of January 1, 2021											
Cost	204,162	206,329	890,959	43,517	6,276	62,992	5,547	-	5,054,380	40,666	6,514,828)
Accumulated depreciation	-	(104,602)	(443,448)	(18,751)	(4,708)	(34,116)	(5,547)	-	-	-	(611,172)
Accumulated impairment	-	-	(309)	-	-	-	-	-	(71,446)	-	(71,755)
Net cost	204,162	101,727	447,202	24,766	1,568	28,876	-	-	4,982,934	40,666	5,831,901
Year 2021											
Opening balance of net cost											
in books	204,162	101,727	447,202	24,766	1,568	28,876	-	-	4,982,934	40,666	5,831,901
Additions	6,261	1,635	53,694	-	-	3,773	-	-	770,719	(28,146)	807,936
Capitalizations	-	5,002	107,671	5,837	190	1,411	-	-	(120,111)	-	-
Withdrawals	-	-	(3,098)	(1,028)	-	(39)	(380)	-	-	-	(4,545)
Transfers	-	-	(3,488)	(108)	(17)	(738)	4,351	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	(6,843)	-	(6,843)
Adjustments	-	-	-	-	-	(2)	-	-	2	-	-
Depreciation for the period	-	(5,612)	(40,696)	(2,862)	(470)	(3,535)	-	-	-	-	(53,175)
Depreciation of withdrawals	-	-	3,098	1,028	-	39	380	-	-	-	4,545
Depreciation transfers	-	-		3,124	102	17	711	(3,954)	-	-	-
Expenses from discontinued operations											
of fixed assets	-	-	-	-	-	-	(397)	-	-	-	(397)
Adjustments	-	-	-	-	-	-	-	-	-	-	-
As of December 31, 2021	210,423	102,752	567,507	27,735	1,288	30,496	-	-	5,626,701	12,520	6,579,422
Cost	210,423	212,966	1,045,738	48,218	6,449	67,397	9,518	-	5,698,147	12,520	7,311,376
Accumulated depreciation	-	(110,214)	(477,922)	(20,483)	(5,161)	(36,901)	(9,518)	-	-	-	(660,199)
Accumulated impairment	-	-	(309)	-	-	-	-	-	(71,446)	-	(71,755)
As of December 31, 2021	210,423	102,752	567,507	27,735	1,288	30,496	-	-	5,626,701	12,520	6,579,422
Year 2022											
Opening balance of net cost in											
book value	210,423	102,752	567,507	27,735	1,288	30,496	-	-	5,626,701	12,520	6,579,422
Additions	-	-	-	-		-	-	-	260,041	3,786	263,827
Capitalizations	-	36,887	56,655	-	3	5,793	-	-	(99,338)	-	-
Withdrawals	-	-	(120)	(199)	(4)	(6)	-	-	-	-	(329)
Transfers	-	-	(74)	(14)	-	(124)	212	-	-	-	-
Reclassifications	588	-	-	-	-	-	-	-	(35)	-	553
Adjustments	-	-	-	-	-	(1)	-	-	1	-	-
Depreciation for the period	-	(3,563)	(23,252)	(1,326)	(207)	(1,919)	-	-	-	-	(30,267)
Depreciation of withdrawals	-	-	108	182	3	6	-	-	-	-	299
Depreciation transfers	- -	-		73	13	-	123	(209)	-	-	-
Expenses from discontinued operations											
of fixed assets	-	-	-	-	-	-	(3)	-	-	-	(3)
As of June 30, 2022	211,011	136,076	600,897	26,391	1,083	34,368	-	-	5,787,370	16,306	6,813,502
Cost	211,011	249,853	1,102,199	48,005	6,448	73,059	9,730	-	5,858,816	16,306	7,575,427
Accumulated depreciation	-	(113,777)	(500,993)	(21,614)	(5,365)	(38,691)	(9,730)	-	-	-	(690,170)
Accumulated impairment	-	-	(309)	-	-	-	-	-	(71,446)	-	(71,755)
As of June 30, 2022	211,011	136,076	600,897	26,391	1,083	34,368	-	-	5,787,370	16,306	6,813,502

Talara Refinery Modernization Project - PMRT

The status of the project as of June 30, 2022 is detailed below:

a) Comprehensive Physical Progress of the PMRT
The comprehensive progress of the PMRT is 97.84% Real vs 99.98% Scheduled.

Since March 16, 2020, Petroperú temporarily suspended the PMRT construction activities, maintaining only the execution of tasks related to the industrial safety of the facilities and equipment, and since June 15, 2020, work on PMRT has been progressively restarted, complying with the protocols approved and established in the PMRT Plan for Surveillance, Prevention and Control of COVID-19. Proposals for change due to COVID-19 impacts were approved as of December 31, 2020.

To date, the Master Schedule level 3 revision 9 presented by Técnicas Reunidas has been approved. For Auxiliary Units, there is an estimate by CPT, which is subject to modification when the EPC Contractor Cobra-SCL presents its updated Master Schedule.

During the first quarter, the approval of the change proposal presented by Técnicas Reunidas for the Covid19 impact during the year 2021 was managed, obtaining its approval through Board of Directors Agreement No. 034-2022-PP of 03/24/2022. To date, the Framework Agreement establishing the new commitments for the delivery of the Auxiliary Units is being negotiated with Cobra. Finally, there is the possibility for EPC contractors to submit proposals for Change due to Covid19 impacts during 2022.

The composition of the Cost (Economic Progress) of the Project, compared to the disbursements incurred as of June 30, 2022, is detailed below:

	June 30, 2022		Total Budget	
	Disbursement US$000	Percentage of completion %	Planned US$000	Percentage Total %
Técnicas Reunidas (TR) -				
Process Units	3,186,304	98.53	3,233,708	55.73
Consorcio Cobra SCL -				
Auxiliary units	875,420	98.55	888,313	15.31
Additional Works	294,335	80.84	364,115	6.28
Others				
Supervision	335,763	95.93	350,009	6.03.
Management	218,325	88.12	247,766	4.27
Contingencies	-	-	-	-
Interest on Financing	717,282	99.83	718,525	12.38
	5,627,430		5,802,437	100.00

b) - Progress EPC Auxiliary Units and Complementary Works - Contract with Consorcio Cobra SCL UA & TC
The comprehensive progress of the EPC Contract with Cobra SCL UA & TC Consortium is 71.73% Real vs 100.00% Scheduled.

Cobra SCL UA&TC has registered the following progress in the Engineering, Procurement and Construction (EPC) activities:

- Engineering Advance: 99.71% Real vs 100% Scheduled.
- Procurement Advance: 96.26% Real vs 100% Scheduled.
- Construction Progress: 94.82% Real vs 100% Scheduled.
- Commissioner Advance: 55.63% Real vs 100% Scheduled.

As of June 30, 2022, the cumulative amount executed is US$1,169.75 million.

c) Progress EPC Process Units - Contract with Técnicas Reunidas (TR):

The comprehensive progress in the EPC Contract with TR is 99.36% Real vs. 99.97% Scheduled. TR has registered progress in the construction activity (C), as follow:

- Engineering Progress: 100%
- Procurement Progress: 99.99% Real vs 100% Scheduled.
- Construction Progress: 99.60% Real vs 100% Scheduled.
- Commissioner Progress: 79.70% Real vs 96.20% Scheduled.

As of June 30, 2022, the cumulative amount executed is US$3,186.30 million.

d) Management
PMRT Financial structure:
The financial structure of the PMRT is as follows:

- Capital Contribution: US$325 million
- Own resources: US$821 million
- Bond issuance (15 and 30 years): US$2,000 million.
- Financing guaranteed by the Export Credit Insurance Company (CESCE) US$1.3 billion.
- Long-term financing: US$500 million (under evaluation).
- Reopening of 2047 Bonds: US$1,155 million.

Social Responsibility and Community Relations.
The total labor force as of June 30, 2022 was 3,288 jobs; the unskilled local labor force had a participation of 96.7% (out of a total of 421 Unskilled), exceeding the minimum established in the EIA (70%). Meanwhile, local skilled labor had a 55.5% share (out of a total of 2,867 skilled).

As of June 30, 2022, 39 calls for personnel linked to 265 vacancies (of which 12 are TR calls and 27 Cobra calls) were answered through the Office of Citizen Information and Participation (OIPC). 4,906 people have been served for registration and updating of CVs, applications, information from the PMRT and results of calls. Likewise, 14 requests for information and 2 complaints for labor issues have been met.

13 OTHER FINANCIAL LIABILITIES

As of June 30, 2022, and December 31, 2021, this item comprises:

	2022 US$000	2021 US$000
Current liabilities		
Bank loans - unsecured	816,899	674,106
CESCE loan (ii)	144,444	144,444
Interest accrued	3,436	5,961
	964,779	824,511
Non-current liabilities		
Corporate bonds (i)	3,124,554	3,126,611
CESCE loan (ii)	1,045,706	1,114,362
	4,170,260	4,240,973

i) 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 funds received have been allocated to the Talara Refinery Modernization Project.

The bonds issued are as follows:

- 2032 Notes, a principal of US$1,000,000 thousand at a fixed rate of 4.750% per year, with a maturity of 15 years. The payment of the coupons is semi-annual, from December 2017 and the payment of the principal will take place on the maturity date of the bonds. Transaction expenses totaled US$5,630 thousand, net of the liability.

- 2047 Notes, principal amount of US$2,000,000 thousand (US$1,000,000 thousand received in the first issue of June 2017 and additional US$1,000,000 thousand resulting from reopening of bonds in February 2021), at a fixed rate of 5.625% per year, with a maturity of 30 years. The payment of the coupons is semi-annual, starting in December 2017 and the payment of the principal will take place on the maturity date of the bonds. Costs amounted to US$8,955 thousand and financial income due to the effect of the par value of the bonds at the time of reopening amounted to US$139,138 thousand.

The bond contract does not provide for the obligation to meet financial commitments (*covenants*); however, it requires the provision of financial information to bondholders.

Bonds issued are not secured with specific guarantees; nevertheless, under Law No. 30130 approves the granting of National Government guarantees of up to US$1,000 million (Note 1-a).

ii) On January 31, 2018, the loan agreement was signed with the Spanish Export Credit Insurance Company (Compañía Española de Seguros de Crédito a la Exportación - CESCE) with Deutsche Bank SAE as administrative agent for US $ 1,300,000 thousand. As of June 30, 2022, the following were received:

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

The first repayment of the loan was made, scheduled for June 30, 2022, for US$72,222 thousand Transactional costs amount to US$37,627 thousand. Interest is paid semiannually as of May 2019 with maturity in 2031 based on the fixed interest rate of 3.285%.

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

As part of the signed contract, the Company is obliged to comply with financial commitments (*covenants*), said commitments are measured quarterly, and are as follows :

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

As of June 30, 2022, the Company complied with the commitments established in the financing contract.

a) Debt repayment terms and timetable

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

	Original Currency	Nominal Interest Rate	Maturity	As of June 30, 2022 Nominal value US$000	As of June 30, 2022 Carrying amount US$000	As of December 31, 2021 Nominal value US$000	As of December 31, 2021 Carrying amount US$000
Unsecured bank loans	Soles	1.56% - 1.92%	2022	-	-	74,626	74,626
Unsecured bank loans	Soles	0.15% - 3.95%	2022	48,825	48,825	-	-
Unsecured bank loans	Dollars	2.50 - 5.00%	2022	777,504	777,504	599,480	599,480
CESCE loans	Dollars	3,29%	2031	1,227,778	1,186,592	1,300,000	1,258,806
Corporate Bonds	Dollars	4.75%	2032	1,000,000	994,370	1,000,000	994,190

Corporate Bonds	Dollars	5.63%	2047	2,000,000	2,124,312	2,000,000	2,132,421
Interest accrued				-	3,436	-	5,961
				5,054,107	5,135,039	4,974,106	5,065,484

The carrying amount corresponds to the amortized cost of the financial obligations discounting at the effective rate and in the case of the 2047 bonds they contain the balance of.

(b) Changes in financial obligations -

The movement of debt due to financial obligations was as follows:

	Unsecured bank loans US $ 000	Corporate bonds US $ 000	CESCE loan US $ 000	Total US $ 000
Balance at January 1, 2022	674,779	3,132,410	1,258,295	5,065,484
New loans	1,335,957	-	-	1,335,957
Principal Payments	(1,183,733)	-	(72,222)	(1,255,955)
Amortized cost	-	247	3,566	3,813
Additional paid-in capital	-	(2,304)	-	(2,304)
Interest accrued	6,183	68,853	17,913	92,949
Interest paid	(3,421)	80,000	(21,484)	(104,905)
Balance as of 30 June 2022	829,765	3,119,206	1,186,068	5,135,039

14 TRADE ACCOUNTS PAYABLE

As of June 30, 2022, and December 31, 2021, this item comprises:

	2022 US$000	2021 US$000
Foreign suppliers of crude oil and refined products	760,120	1,036,185
Domestic suppliers of crude and refined products	237,389	139,772
Suppliers of goods and services	74,139	145,064
Shipping companies and operators of terminals and sales plants	30,908	31.810
	1,102,556	1,352,83

As of June 30, 2022, the main foreign suppliers are BP Products North America INC., which owes US$190,809 thousand equivalent to S/722,299 thousand (US$225,981 thousand equivalent to S/912,629 thousand as of December 31, 2021), BB Energy USA LLC, which owes US$108,668 thousand equivalent to S/405,399 thousand (US$328,264 thousand equivalent to S/1,337,989 thousand as of December 31, 2021).

The main national supplier of crude oil is Petrotal Perú S.R.L. whose balance amounts to US$100,349 thousand equivalent to S/384,169 thousand (US$70,881 thousand equivalent to S/277,123 as at December 31, 2021).

As of June 30, 2022, the main service providers are Técnicas Reunidas de Talara Sociedad whose balance amounts to US$17,274 thousand equivalent to S/64,445 thousand (US$16,736 thousand equivalent to S/66,602 thousand as of December 31, 2021), Bio Energy Perú Sociedad Anónima Cerrada whose balance amounts to US$4,807 thousand equivalent to S/17,864 thousand (US$0 thousand equivalent to S/ 0 thousand as of December 31, 2021) and Consorcio ODI whose balance amounts to US$4,249 thousand equivalent to S/ 16,019 thousand (US$2,831 thousand equivalent to S/11,307 thousand as of December 31, 2021).

This account reflects the Company's obligations related to the acquisition of crude oil and refined products with the transportation services of plant operation and with the acquisition of 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.

15 ACCOUNTS PAYABLE TO RELATED ENTITIES

As of June 30, 2022, and December 31, 2021, this item comprises:

	As of December 31,	
	2021	2020
	US$000	US$000
Shareholder loans	839,547	-
	839,547	-

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

a) Transitional financial support from the Public Treasury to the Company up to the amount in soles equivalent to MMUS $750 intended to meet short-term obligations during 2022. As of 06.30.2022 they are equivalent to MMS/ 2,785; and
b) Authorize the Ministry of Economy and Finance, through the General Directorate of the Public Treasury, to issue Cancellation Documents - Public Treasury in favor of the Company, which are intended, exclusively, for the payment of customs duties and taxes associated with the purchases of crude oil and fuel products, as well as any other tax charged by the same for its fuel marketing operations. The aforementioned Cancellation Documents are issued, on a monthly basis, during Fiscal Year 2022, at the request of the Company. The outstanding balance may not exceed the amount of MMS/ 500. As of 06.30.2022, cancellation documents equivalent to MMS/ 415 were issued.

The debt accrues an interest rate equivalent to the reference rate of the Central Reserve Bank of Peru in force on the date of disbursement and issuance of the Cancellation Documents.

16 OTHER PROVISIONS

As of June 30, 2022, and December 31, 2021, this item comprises:

	2022	2021
	US$000	US$000
Current		
Provision for environmental improvements (a)	20,925	11,166
Provisions for civil claims (b)	1,808	1,044
Provisions for labor claims	2,838	2,754
Provision for well plugging	503	482
Provision for retirement pensions	7	13
Provision for termination of employment	722	691
Other provisions	138	132
	26,941	16,282
Non-current		
Provision for environmental improvements (a)	12,486	12,463
Provision for termination of employment	1,014	971
Provision for retirement pensions	35	30
	13,535	13,464

The movement of other provisions is as follows:

	Provision for environmental improvements	Provision for civil claims	Provision for labor claims	Provision for well plugging	Provision for retirement pensions	Provision for severance pay	Other provisions	Total
	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000
Balance as of December 31, 2021	23,629	1,044	2,754	482	43	1,662	132	29,746
Provisions for the year	12,119	729	348	-	-	-	-	13,196
Payments	(2,219)	-	(337)	-	(2)	(3)	-	(2,561)
Present value update	-	-		-	-	-	-	-
Reversal of unused provisions	-	(4)	(58)	-	-	-	-	(62)
Exchange rate difference	(118)	39	131	21	1	77	6	157
Balances as of June 30, 2022	33,411	1,808	2,838	503	42	1,736	138	40,476

a) Provision for environmental remediation and well plugging -

During the first half of 2022 there have been six (06) significant spills that are in the process of investigation and due to circumstantial issues, only first response and therefore containment work was carried out, it is important to mention that these processes are currently under call.

During 2021, the Company recorded three (03) significant spills, which are being investigated jointly with OSINERGMIN.

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

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

	Balances as at January 1	Payments	Provision and update	Balances as at 30 June 30
	US$000	US$	000	US$000
Year 2022				
Lot 8	2,126	-	-	2,126
Land Plot X	1,962	-	-	1,962
"Pampilla"	1,702	-	-	1,702
Lubricants	118	-	-	118
Northern Terminals	341	-	-	341
Southern Terminals	85	-	-	85
Central Terminals	1,724	-	-	1,724
Natural Gas Electric System	20	-	-	20
Total outsourced units	8,078	-	-	8,078
Talara operations	2,706	(3)	-	2,270
Conchán operations	911	-	-	911
Oil Pipeline operations	9,437	(1,779)	12,119	19,777
"Refinería Iquitos" operations	1,396	4	-	1,392
Commercial transactions	603	-	-	603
Management of Exploration and Exploitation	959	-	-	959
Total of own units	16,012	(2,219)	12,119	25,91~
Total	24,090	(2,219)	12,119	33,990
Difference in exchange rate	(461).			579
	23,629			33,411

17 EQUITY

a) Capital Stock -

As of June 30, 2022, the authorized, subscribed and paid-up capital is represented by 5,368,412,525 common shares (5,368,412,525 as of December 31, 2021), whose nominal value is one sol each. As of June 30, 2022, the composition of the shareholding that participates in the issued capital of the Company includes:

Class	Number of shares	Percentage
		%
A	4,294,730,020	80
B	1,073,682,505	20
	5,368,412,525	100

Class “A” shares have voting rights, but they are indivisible, non-transferable and unseizable shares and may not be the target of a security interest, usufruct or encumbrance.

Class “B” shares have voting rights and may be transferred through centralized negotiation mechanisms of the Stock Market.

b) Legal reserve -

In accordance with Article No.229 in Peruvian Corporate Law, a legal reserve must be formed by the transfer of 10% of the annual net profits until it reaches 20% of the paid-in capital. In the absence of non-distributed profits or freely available reserves, the legal reserve may be applied to offset losses, and must be replenished with profit from subsequent periods.

In reference to the standard, the legal reserve recorded as of June 30, 2022 amounts to US$1,930 thousand.

18 REVENUE FROM ORDINARY ACTIVITIES

This item includes:

	For the period of three months ended June 30		For the period of six months ended June 30	
	2022	2021	2022	2021
	US$000	US$000	US$000	US$000
Domestic sales	1,310,700	853,938	2,537,188	1,708,037
Price Stabilization Fund (*) (Note 9)	82,659	13,483	103,773	13,495
Income related to ordinary activities	11,155	601	21,690	1,467
	1,404,514	868,022	2,662,651	1,722,999
Foreign Sales	188,799	54,369	301,427	85,722
	1,593,313	922,391	2,964,078	1,808,721

(*) The Fuel Price Stabilization Fund-FEPC, at the beginning of 2020, applied to the following fuels: LPG-E, Diesel B5, Diesel B5 S-50 and industrial oil 6. In April 2020, with Supreme Decree No.007-2020-EM, LPG-E, Diesel B5 and Diesel S-50 were excluded as products subject to the FEPC. Between March and November 2021, with Supreme Decrees No.006-2021-EM, No. 015-2021-EM and No. 025-2021-EM, Diesel for vehicle use was included as a product subject to the FEPC. Likewise, in September 2021, by Supreme Decree No. 023-2021-EM, it was incorporated into the GLP-E as a product subject to the FEPC. In March 2022, by means of D.S 002-2022-EM, 84 and 90 octane gasolines, 84 gasohol and Liquefied Petroleum Gas destined for bulk-GLP-G were included in the FEPC, for a period of 90 days. Likewise, Diesel 2 was included for vehicle use, said inclusion is made during the period that the MINEM authorizes its marketing.

As of June 30, 2022 and 2021, sales are broken down as follows:

	For the period of three months ended June 30		For the period of six months ended June 30	
	2022	2021	2022	2021
	US $ 000	US $ 000	US $ 000	US $ 000
National sales:				
Sundry diesel	733,766	427,984	1,341,934	858,642
Gasolines	347,086	237,069	673,748	457,381
ONO Crude	192,449	114,561	414,461	254,124
Industrial oils	32,646	26,681	45,440	40,875
LPG	32,609	35,653	81,195	66,919
Turbo A1	25,410	6.961	41,428	11,707
Asphalts	28,370	13,558	45,667	22,738
Solvents	4.378	2,537	8.462	5,582
Wet Gas Lot I	1.530	-	1.530	-
HOGBS	5,247	-	5,247	-
Primary naphtha and others	1.023	3,018	3,539	5,031
Total domestic sales	1,404,514	868,022	2,662,651	1,722,999

Sales abroad:				
Crude Gran Tierra Lot 95	87,902	22,452	103,695	22,452
Sundry diesel	35,505	18,374	67,289	33,551
Turbo a1	26,952	6,196	45,788	11,965
Industrial oils	14,538	1.734	31,920	2,182
Primary residual oil / crude oil	-	-	8,586	325
Gasolines	21,468	3.491	34,558	12,493
Asphalts	1,086	797	1,961	1.428
ULSD (EXP)	1,314	-	7,200	-
Cracked Naphtha and others	34	1.325	430	1.325
Total foreign sales	188,799	54,369	301,427	85,721
Total	1,593,313	922,391	2,964,078	1,808,721

19 SALES COSTS

This item comprises

	For the period of three months ended June 30		For the period of six months ended June 30	
	2022	2021	2022	2021
	US$000	US$000	US$000	US$000
Initial inventory of stocks	883,745	466,443	579,580	360,902
Crude oil purchases, refined products and supplies	1,356,690	780,086	2,836,479	1,567,075
Production Operating expenses (a)	76,691	59,042	157,927	117,708
Final inventory of stocks	(879,128)	(476,728)	(879,128)	(476,728)
	1,437,998	828,843	2,694,858	1,568,957

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

	For the period of three months ended June 30		For the period of six months ended June 30	
	2022	2021	2022	2021
	US $ 000	US $ 000	US $ 000	US $ 000
Services from Third Parties (*)	46,923	34 / 894	85,096	68,261
Personnel charges (note 21)	12,228	8,262	24,226	17,012
Depreciation, note 12 (b)	13,530	9,117	24,378	18.012
Insurance	3 889	3,054	8,907	6.532
Right of use asset depreciation	1 (20)	3.581	3,487	6,185
Other production materials and supplies	(223)	(208)	563	261
Other management charges	1,196	1	1,519	15
Employee participation (Note 21)	(2,981)	-	8,211	-
Amortization	5	-	8	1
Others	387	341	1.533	1,430
	76,691	59,042	157,927	117,708

(*) Includes the following:

	For the period of three months ended June 30		For the period of six months ended June 30	
	2022	2021	2022	2021
	US $ 000	US $ 000	US $ 000	US $ 000
Freight and ground transportation costs	18,559	15,633	34,958	30,017
Maintenance and repair services	9,101	3,603	12,381	7,120
Other freight	3,101	3,502	6,411	6,038
Electricity and water	4,006	1.132	7,765	2,494
Industrial protection and safety	1,174	1,045	2,131	1.930
Food and accommodation	1,182	1,043	1,821	1,865
Products Storage	3,420	3,593	6,990	7,191
Product Dispatch	3,482	2,158	7,019	5.050
Storage and Dispatch (PNP)	783	1.049	1,525	2,074
Advertising	375	534	957	1,313
Sundry	1,740	1,602	3,138	3,169
	46,923	34 / 894	85,096	68,261

20 SALES AND DISTRIBUTION COSTS

This item comprises:

	For the period of three months ended June 30		For the period of six months ended June 30	
	2022	2021	2022	2021
	US $ 000	US $ 000	US $ 000	US $ 000
Personnel charges (Note 21)	6,148	4,699	12,188	9,447
Taxes	4,911	3,420	9,961	7,210
Services from Third Parties (*)	2,335	1.776	4,035	3,546
Depreciation (Note 12)	1,999	1.776	4,012	5.965
Insurance	981	771	2,236	1,637
Materials and supplies	518	652	1,580	1,611
Sundry management charges	76	28	81	107
Right of use asset depreciation	37	27	90	56
Employee participation (Note 21)	(1,139)	-	3.237	-
	15,866	13,149	37,420	29,579

(*) Includes the following:

For the period of three months	For the period of six months

	ended June 30		ended June 30	
	2022	2021	2022	2021
	US$000	US$000	US$000	US$000
Maintenance and repair services	775	477	1,270	905
Sundry services from third parties	554	588	1,046	1,078
Industrial protection and safety	681	516	1,202	1,093
Leases	79	63	140	217
Travel and transfer expenses	26	13	49	29
Electricity and water	64	85	137	150
Freight and other operating expenses	8	7	14	14
Food and accommodation	148	27	177	60
	2,335	1.776	4,035	3,546

21 ADMINISTRATIVE EXPENSES

This item comprises:

	For the period of three months		For the period of six months	
	ended June 30	ended June 30		
	2022	2021	2022	2021
	US $ 000	US $ 000	US $ 000	US $ 000
Personnel charges (Note 21)	19,076	15,362	37,131	29,689
Services from Third Parties (*)	13,828	9,679	25,251	16,742
Employee participation (Note 21)	3,588	-	7,932	-
Sundry management charges	7,974	449	9,600	1,517
Depreciation (Note 12)	955	992	1,884	2,041
Taxes	854	558	1,865	2.357
Amortization	752	594	1,504	1.146
Materials and supplies	199	142	356	447
Depreciation by right in use	295	296	499	487
Administrative civil and labor	929	1,401	1,077	1.509
Insurance	313	126	574	315
	41,587	29,599	87,673	56,250

(*) Including the following:

	For the period of three months		For the period of six months	
	ended June 30		ended June 30	
	2022	2021	2022	2021
	US $ 000	US $ 000	US $ 000	US $ 000
Maintenance and repair services	1,384	1,903	2,609	3,035
"IBM" outsourcing services	1 886	1,763	2,875	2,697
Advisory services, expert reports and audits	5.534	2,299	10,898	4,648
Sundry	1,105	683	1,849	1,280
Industrial protection and safety	849	950	1,799	1,774
Freight and other freight	536	482	1,037	836
Temporary Services	716	914	1,300	1,283
Travel and transfer expenses	116	57	205	89
Advertising	786	101	970	197
Bank expenses	759	402	1,402	609
Medical services	157	125	307	294
	13,828	9,679	25,251	16,742

22 PERSONNEL CHARGES

This item comprises:

	For the period of three months ended June 30		For the period of six months ended June 30	
	2022	2021	2022	2021
	US $ 000	US $ 000	US $ 000	US $ 000
Salaries and wages	15,376	12,188	28,629	24,446
Employee participation (Note 18,19 and 20)	(7,708)	-	19,380	-
Bonuses	8,432	4,952	18,089	10,346
Social Contributions	5,542	4,594	10,382	8,023
Gratuities	2,857	2.318	5,409	4.633
Compensation for length of service	1,785	1,616	3,755	3,407
Remote Work Compensation	85	231	85	231
Vacation	1,265	1.009	2.292	1,973
Food	860	684	1.638	1,386
Overtime	341	209	654	464
Transport	249	70	427	146
Others	660	452	2,185	1,093
	29,744	28,323	92,925	56,148

23 OTHER INCOME AND EXPENSES

The other income and other expenses include:

	For the period of three months ended June 30		For the period of six months ended June 30	
	2022	2021	2022	2021
	US $ 000	US $ 000	US $ 000	US $ 000
Other income				
Claims and / or compensation (insurance/ non-compliance)	2,140	5,938	5,681	8,004
Maritime operations services	803	915	1,946	1,841
Other income	450	976	1,172	1,449
Fuel station and tanker operation services to mining companies	1,007	519	1,007	1,289
Recovery of cargo port use fee in Pucallpa	247	167	585	398
Adjustment of provisions	19	-	333	-
Recovery of allowance for doubtful trade receivables	10	-	10	-
Return from supplier for credit balance on product purchase	-	-	-	2,096
Appraisal of Consorcio Terminales assets	-	1,690	-	1,690
Recovery of labor provisions	-	(12)	-	-
	4 676	10,193	10,734	16,767

	For the period of three months ended June 30		For the period of six months ended June 30	
	2022	2021	2022	2021
	US$000	US$000	US$000	US$000
Other expenses				
Provision for oil pipeline losses	(12,118)	-	(12,118)	-
Net cost of disposal of assets held for sale	(4)	(4)	(32)	(4)
	(12,122)	(4)	(12,150)	(4)

24 INCOME TAX

Income tax expense is recognized in accordance with the Management's estimate of the expected annual income tax rate for the entire financial year. The estimated annual effective rate used for the years 2022 and 2021 is 32.9% and 57.5% respectively.

25 CONTINGENCIES

As of June 30, 2022, and December 31, 2021, the Company has the following labor-related court actions, civil lawsuits, tax and customs claims pending resolution, which are considered possible contingencies:

	2022	2021
	US$000	US$000
Civil Proceedings	37,739	34,950
Tax and customs proceedings	47,827	47,737
Labor proceedings	15,133	14,237
	100,699	96,924

The movement of contingencies is detailed below:

	Balance as of January 1	Additions	Rebates	Balance as of June 30
	USD $000	USD $000	USD $000	USD $000
Civil proceedings (a)	34,950	2,789	0	37,739
Tax and customs processes (b)	47,737	90	0	47,827
Labor proceedings (c)	14,237	896	0	15,133
	96,924	3,775	0	100,699

a) As of June 30, 2022, among the main Civil processes are: Lambayeque for US$6,687 thousand (equivalent to S/20,000 thousand), Cobra Consortium for US$10,000 thousand (equivalent to S/37,940 thousand), SIMA for US$5,403 thousand (equivalent to S/21,933 thousand), DEMEM for US$2,917 thousand (equivalent to S/11,840 thousand), FCC Consortium process was added for US$3,709 thousand (equivalent to S/14,235 thousand). Likewise, we have several processes in soles among the main ones as of June: AFP's, Rocha, De La Vega, FT Capital per S/3,500 thousand, Civil Proceedings Pluspetrol Norte S/3,000 miles, Osinergmin, SUTRAN 3,100 miles, Corp Lyncons S/ 1,700 thousand, Consorcio Brunner S/. 2,160 thousand, FRACSA Consortium S/ 3,000 thousand, SATIC Consortium S/ 2,610 thousand, E&A Serv. Related S/ 1,900 thousand, PNP S/ 2,700 thousand, Serv. Ind. SERGEPIN S/ 2,250 thousand, among the main ones (together equivalent to US$7,000 thousand). Corpac processes were extorted US$12,000 thousand (equivalent to S/ 43,000 thousand), Cousa Coest US$1,783 thousand (equivalent to S/ 6,790 thousand).

b) As of June 30, 2022, SUNAT has proceedings for US$48,377 thousand (equivalent to S/176,093 thousand), the main ones being: file No.04315-2020-0-1801-JR-CA-21 for US$14,621 thousand (equivalent to S/ 56,000 thousand), file No.06305-2019-01801 for US$17,086 thousand (equivalent to S/.61,664 thousand) and file No.06304-2019-01801for US $14,972 thousand (equivalent to S/54,033 thousand).

c) As of June 30, 2022, we have labor processes for US$15,133 thousand (equivalent to S/57,958 thousand), of which the most significant is a process that corresponds to the Administrative Workers Union for US$12,970 thousand (equivalent to S/ 48,000 thousand).

26 BASIC AND DILUTED EARNINGS (LOSSES) PER SHARE

The calculation of basic and diluted earnings per share as of June 30, 2022 and 2021, which are expressed at the same value as there are no shares with dilutive effect, is as follows:

	Profit US $ 000	Weighted average from Shares in circulation (thousands)	Profit per share
As of June 30, 2022			
Basic and diluted earnings/(loss) per share	114,182	5,368,412	0.021
As of June 30, 2021			
Basic and diluted earnings/(loss) per share	70,868	5,368,412	0.013

27 GUARANTEES

Guarantees and letters of guarantee -

As of June 30, 2022, the Company maintains letters of guarantee issued by local financial institutions in favor of suppliers for US$29,700 thousand (equivalent to S/ 113,755 thousand) and for US$70,835 thousand.

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 PETROPERÚ 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

On July 6, 2022, the classification firm S&P Global Ratings assigned a "stable" outlook to PETROPERÚ S.A., eliminating its "Credit Watch with Negative Implications" assignment and ratified PETROPERÚ's rating of "BB" as a long-term debt issuer.

On July 25, 2022, Supreme Decree No. 009-2022-EM was published in the official newspaper El Peruano, in which the License Agreement for the Exploitation of Hydrocarbons in Lot 192 was approved. Likewise, Perupetro is authorized to sign said contract with PETROPERÚ, in accordance with the current legal framework.

After June 30, 2022 and as of the date of approval of the financial statements, no other events have occurred, in addition to the one mentioned in the preceding paragraphs, that would require adjustment to the financial statements items or disclosure in the notes thereto.