



(Free translation from the original in Spanish)

PETRÓLEOS DEL PERÚ - PETROPERÚ S.A.

FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

Gavoglio Aparicio y Asociados Sociedad Civil de Responsabilidad Limitada.
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(Free translation from the original in Spanish)

PETRÓLEOS DEL PERÚ - PETROPERÚ S.A.

FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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US\$ = United States dollar
S/ = Peruvian sol
EUR = Euro
JPY = Japanese yen



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of **Petróleos del Perú - PETROPERÚ S.A.** (hereinafter the Company), which comprise the statement of financial position at December 31, 2024, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, as well as the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024, its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for our opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) approved for its application in Peru by the Board of Deans of the Institutes of Peruvian Certified Public Accountants and in accordance with the Governmental Financial Audit Manual (MAFG by its acronym in Spanish). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code of Ethics) and the ethical requirements, which are relevant for our audit of the financial statements in Peru, and we have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code of Ethics.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were the most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.



Key audit matters	How the matter was addressed in our audit
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Impairment test of the cash-generating units (CGUs) of Production and Trading and Peruvian Northern Oil Pipeline (“Oleoducto Norperuano”) (Notes 2.7, 4.1.d, 11 and 12 to the financial statements)

At December 31, 2024, the balance of the items Property, plant and equipment and Intangible assets, presented in the statement of financial position includes the cost of the assets that are part of the CGUs called Production and Trading and Peruvian Northern Oil Pipeline (“Oleoducto Norperuano”) for an amount, net of impairment losses, of US\$5,969,323 thousand and US\$118,904 thousand, respectively.

Management has determined that the assets related to these CGUs should be subjected to an impairment assessment due to the following:

- (i) In relation to the CGU of Production and Trading, due to the increasingly competitive environment faced by the Company, the downward trend in international crude oil and derivatives prices, the lower production availability at the New Talara Refinery (NTR), the unforeseen shutdown of the NTR’s Flexicoking unit, and the increase in certain operating expenses have led to lower-than-expected economic returns.
- (ii) In relation to the CGU for Peruvian Northern Oil Pipeline (“Oleoducto Norperuano”), due to a reduced level of sales as a result of the stoppages generated by events that affected the pipeline. This situation caused the CGU to obtain significant operating losses.

The audit procedures that we carried out in relation to this matter have been, among others, the following:

- (i) We obtained the understanding of the process for the elaboration of the estimates and criteria applied in the determination of the value in use of the CGUs for Production and Trading and Peruvian Northern Oil Pipeline (“Oleoducto Norperuano”).
- (ii) With the involvement of our experts in valuation models:
 - We evaluated that the calculation methodology used by the Company is in accordance with the practices and methodologies accepted by IFRS,
 - We tested the reasonableness of the significant variables and assumptions used in the calculation,
 - We tested the mathematical accuracy of the valuation model for the determination of value in use, and
 - We evaluated the reasonableness of the discount rate and the discrete discount factor used by the Company, comparing them with the calculations of these two variables that we have determined independently.
- (iii) We carried out sensitivity calculations on the significant assumptions used by Management in determining the value in use.
- (iv) We reviewed the accuracy of the amount and the items included in the carrying amount of the CGUs considered by the Company in its impairment test.
- (v) We compared the carrying amount of the CGUs and their respective recoverable amount, to identify the existence of impairment and, if applicable, the value of the impairment losses.



Key audit matters	How the matter was addressed in our audit
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It is required to recognize an impairment loss when the carrying amount of an asset (or a group of assets that make up a cash-generating unit - CGU) exceeds its recoverable amount, which is determined as the higher of fair value of the asset less costs to sell and value in use. The Company has determined the recoverable amount of the CGUs for Production and Trading and Peruvian Northern Oil Pipeline (“Oleoducto Norperuano”) based on their values in use. To estimate the value in use, Management uses the discounted cash flow methodology, under the income approach, which requires a high degree of judgment to estimate significant assumptions such as: projected operating margin, discount rate, growth rate of income and long-term growth rate. Changes in these assumptions could have a significant impact on the determination of value in use.

We consider the impairment test of the CGUs for Production and Trading and Peruvian Northern Oil Pipeline (“Oleoducto Norperuano”) as a key audit matter due to:

- (i) the relevance of the carrying amount of the assets that are part of the aforementioned CGUs,
- (ii) the high degree of judgment applied to estimate the assumptions used in determining recoverable amounts, and
- (iii) the effort in the execution of audit procedures that includes the involvement of the auditor's experts in valuations.

Risk of Management override of controls in the procurement processes for goods, services and works (Note 1-g)

Between 2021 and 2025, Company's Management became aware of possible irregularities, alleged favors and/or conflicts of interest related to the procurement processes for goods, services and works carried out by the Company and ongoing investigations by of the Prosecutor's Office against officials and former officials.

(vi) We evaluated the sufficiency of the information disclosed in notes to the financial statements regarding this matter.

The audit procedures that we carried out related to these situations, to determine any impact that they could have generated in the financial statements, have been, among others, the following:

- (i) We obtained an understanding of the scope of the procedures executed by Management, which included the hiring of an external expert, internal reviews, reviews of the Comptroller General of the Republic of Peru and reviews of its Institutional Control Body related to the assessment of the procurement processes of goods, services and works carried out and evidence of transactions and preventive and corrective measures.



Key audit matters	How the matter was addressed in our audit
<p>In this regard, in 2024, Management executed certain actions to mitigate the risk and identify the potential impact of these situations on the financial statements of the company. Some of the actions carried out by the Company are summarized as follows:</p> <ul style="list-style-type: none"> • An assessment, with the support of an external expert, of the risk of the fuel purchase process, focused on the transactions carried out in previous years with the suppliers Gunvor S.A. and Gunvor International B.V. (hereinafter Gunvor), of which the Company has become aware of irregular acts in contracts made between said companies with other counterparties. • The review of procurement processes for goods, services and works in which some former officials (former Management) who were in charge of certain Company's managements have participated. • The review of procurement processes in which an official who was in charge of the Management of the Logistics department has participated. • The assessment of the impact on the financial statements of the report issued by external expert and the reports of the Comptroller General of the Republic of Peru and the Institutional Control Body, related to these aspects. • The assessment regarding the degree of responsibility to which the Company is exposed in reference to the investigations by the Prosecutor's Office against officials and former employees. <p>We consider the risk of management override of controls in the procurement processes for goods, services and works carried out, as a key audit matter, due to:</p> <ul style="list-style-type: none"> • The possible impact of this risk that could affect the financial statements as a whole, including its explanatory notes; and • The effort in the execution of audit procedures that leads us to increase the scope of our work in the processes of contracting goods, services and works carried out and includes the involvement of experts in forensic audits and legal matters. 	<ul style="list-style-type: none"> (ii) We obtained an understanding of the contracting modalities and levels of contract approval. (iii) We tested that the information used in the execution of the different procedures carried out by the Company is complete. (iv) For purchase transactions identified with indications of irregularities, we selectively review that they correspond to real transactions, verifying that, as appropriate, the good has been received or that the service has been performed. (v) We reviewed that there are no hydrocarbon purchase transactions with Gunvor during 2024. (vi) We reviewed, on a selective basis, the complaints reported on the Company's Integrity Line. (vii) We assessed the result of the work carried out by the external expert and the Management itself, as well as the conclusions of Management. We evaluate, together with our experts in forensic audits, the impact on our audit procedures. (viii) We assessed the result of the work carried out by the Comptroller General of the Republic of Peru and the Institutional Control Body, and the conclusions of Management in this regard, as well as the impact on our audit procedures. (ix) Together with our legal experts, we assessed the conclusions of Management regarding the degree of responsibility to which the Company is exposed in reference to the investigations by the Prosecutor's Office against officials and former officials of the Company. (x) We assessed the sufficiency of the information disclosed in notes to the financial statements regarding this matter.



Material uncertainty related to going concern

We draw attention to Note 1-f in the financial statements, which indicates that the Company incurred a net loss of US\$773,905 thousand during the year ended December 31, 2024 and, as of that date, the Company's current liabilities exceeded its total assets by US\$1,899,985 thousand. These circumstances, along with other matters as set forth in Note 1-f, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other matter

Subsequent to the issuance of our original audit report dated June 30, 2025, the Company made amendments to the disclosure included in Note 1-f to the financial statements, clarifying the institutional support of the Peruvian Government for its continued operation and management, as well as to the disclosure included in Note 1-h indicating the date of approval of this amendment. Our audit procedures regarding subsequent events occurring after June 30, 2025, have been limited solely to the aforementioned amendments to the financial statements. Our opinion is not modified in this respect.

Other information

Management is responsible for the other information. The other information comprises the annual report for the year ended December 31, 2024 required by the Peruvian company and securities regulator ("Superintendencia del Mercado de Valores - SMV"), which is not part of the financial statements or our auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion on that other information.

Regarding our audit of the financial statements, our responsibility is to read the other information indicated above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or if it appears that there is a material misstatement in the other information for some other reason.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with Corporate Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company, or to cease operations, or has no realistic alternative but to do so.

Those charged with Corporate Governance of the Company are responsible for overseeing the Company's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs, approved for its application in Peru and in accordance with the MAFG, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, approved for its application in Peru and in accordance with the MAFG, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with Corporate Governance of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with Corporate Governance of the Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with Corporate Governance of the Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lima, Peru

June 30, 2025, except as to Notes 1-f and 1-h, which are as of January 22, 2026.

Gavoglio Aparicio y Asociados

Countersigned by

Signed by:

Daniel Oliva

-----D9273865EF2646E----- (partner)

Daniel Oliva
Peruvian Public Accountant
Registration No.27882

(Free translation from the original in Spanish)

PETROLEOS DEL PERÚ - PETROPERÚ S.A.

STATEMENT OF FINANCIAL POSITION

ASSETS	Note	As of December 31,		LIABILITIES AND EQUITY	Note	As of December 31,	
		2024 US\$000	2023 US\$000			2024 US\$000	2023 US\$000
Current assets				Current liabilities			
Cash and cash equivalents	7	130,856	41,147	Other financial liabilities	14	1,800,263	2,062,428
Trade receivables	8	219,660	279,226	Trade payables	15	1,282,042	1,903,813
Other receivables	9	325,528	467,043	Payables to related entities	16	-	958,649
Inventories	10	723,183	854,410	Other payables	17	99,449	124,129
Other assets		2,049	2,541	Provisions	18	77,884	73,330
Total current assets		<u>1,401,276</u>	<u>1,644,367</u>	Lease liabilities	13	41,623	19,260
				Total current liabilities		<u>3,301,261</u>	<u>5,141,609</u>
Non-current assets				Non-current liabilities			
Other receivables	9	1,075,468	956,394	Other financial liabilities	14	3,810,395	3,085,690
Property, plant and equipment	11	7,046,339	7,117,703	Payables to related entities	16	320,839	-
Investment properties		2,717	2,729	Provisions	18	12,658	12,521
Intangible assets	12	124,923	85,173	Lease liabilities	13	19,533	17,199
Right-of-use assets	13	58,884	35,790	Other payables	17	42,708	45,208
Deferred income tax assets	19	229,515	48,013	Total non-current liabilities		<u>4,206,133</u>	<u>3,160,618</u>
Total non-current assets		<u>8,537,846</u>	<u>8,245,802</u>	Total liabilities		<u>7,507,394</u>	<u>8,302,227</u>
				Equity	20		
				Share capital		2,675,209	2,675,209
				Additional capital		1,617,691	-
				Legal reserve		8,724	8,724
				Retained earnings		(1,869,896)	(1,095,991)
				Total equity		<u>2,431,728</u>	<u>1,587,942</u>
TOTAL ASSETS		<u><u>9,939,122</u></u>	<u><u>9,890,169</u></u>	TOTAL LIABILITIES AND EQUITY		<u><u>9,939,122</u></u>	<u><u>9,890,169</u></u>

The attached notes from pages 13 to 96 form part of the financial statements.

(Free translation from the original in Spanish)

PETRÓLEOS DEL PERÚ - PETROPERÚ S.A.

STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended	
		December 31,	
		2024	2023
		US\$000	US\$000
Revenue from ordinary activities	21	3,456,397	3,943,969
Other operating income	22	70,923	65,115
Total revenue		<u>3,527,320</u>	<u>4,009,084</u>
Cost of sales	23	<u>(3,813,330)</u>	<u>(4,367,623)</u>
Gross profit		<u>(286,010)</u>	<u>(358,539)</u>
Selling and distribution expenses	24	(61,406)	(66,721)
Administrative expenses	25	(181,064)	(233,549)
Impairment of property, plant and equipment	11	(24,669)	(334,875)
Other income	27	27,880	17,631
Other expenses	27	<u>(60,362)</u>	<u>(46,235)</u>
Operating expenses, net		<u>(299,621)</u>	<u>(663,749)</u>
Loss from operating activities		<u>(585,631)</u>	<u>(1,022,288)</u>
Financial income	28	2,766	4,738
Financial expenses	28	(383,755)	(264,769)
Exchange difference, net		11,213	23,794
Loss before income tax		<u>(955,407)</u>	<u>(1,258,525)</u>
Income tax	29	<u>181,502</u>	<u>194,144</u>
Net loss (comprehensive income) for the year		<u>(773,905)</u>	<u>(1,064,381)</u>
Basic and diluted loss per share (in US\$)	31	<u>(0.081)</u>	<u>(0.111)</u>

The attached notes from pages 13 to 96 form part of the financial statements.

(Free translation from the original in Spanish)

PETROLÉOS DEL PERÚ - PETROPERÚ S.A.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>Number of shares</u>	<u>Share capital US\$000</u>	<u>Additional capital US\$000</u>	<u>Legal reserve US\$000</u>	<u>Retained earnings US\$000</u>	<u>Total equity US\$000</u>
Balance as of January 1, 2023	5,572,168,000	1,660,586	1,014,623	8,724	(31,610)	2,652,323
Net loss (comprehensive income) for the year	-	-	-	-	(1,064,381)	(1,064,381)
Transactions with shareholders:						
Transfer of additional capital to share capital	<u>4,000,000,000</u>	<u>1,014,623</u>	<u>(1,014,623)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance as of December 31, 2023	<u>9,572,168,000</u>	<u>2,675,209</u>	<u>-</u>	<u>8,724</u>	<u>(1,095,991)</u>	<u>1,587,942</u>
Balance as of January 1, 2024	9,572,168,000	2,675,209	-	8,724	(1,095,991)	1,587,942
Net loss (comprehensive income) for the year	-	-	-	-	(773,905)	(773,905)
Transactions with shareholders:						
Capitalization of loans with shareholders	<u>-</u>	<u>-</u>	<u>1,617,691</u>	<u>-</u>	<u>-</u>	<u>1,617,691</u>
Balance as of December 31, 2024	<u>9,572,168,000</u>	<u>2,675,209</u>	<u>1,617,691</u>	<u>8,724</u>	<u>(1,869,896)</u>	<u>2,431,728</u>

The attached notes from pages 13 to 96 form part of the financial statements.

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PETROLEOS DEL PERU - PETROPERU S.A.

STATEMENT OF CASH FLOWS

	Note	For the year ended	
		December 31,	
		2024	2023
		US\$000	US\$000
OPERATING ACTIVITIES			
Net cash (applied to) provided by operating activities		(664,762)	466,415
Interest payment	13, 14 and 16	(317,153)	(204,406)
Income tax payment		(15,682)	(21,993)
Net cash (applied to) provided by operating activities		<u>(997,597)</u>	<u>240,016</u>
INVESTING ACTIVITIES			
VAT related to investing activities		-	(50,867)
Payment for purchase of property, plant and equipment		(288,044)	(323,856)
Capitalized interest payment	14-c	(2,736)	(64,368)
Payment for purchase of intangible assets	12	(15,755)	(16,345)
Net cash applied to investing activities		<u>(306,535)</u>	<u>(455,436)</u>
FINANCING ACTIVITIES			
Loans from financial institutions	14	2,250,277	2,662,979
Loan received from Banco de la Nación (E.D. No. 004-2024)	16	798,648	-
Payment of loans to financial institutions	14	(1,620,855)	(2,482,569)
Payment of lease liability	13	(32,967)	(18,945)
Net cash provided by financing activities		<u>1,395,103</u>	<u>161,465</u>
Net increase (net decrease) in cash and cash equivalents		90,971	(53,955)
Effect of changes in exchange rate on cash		(1,262)	6,356
Cash and cash equivalents at the beginning of the year		41,147	88,746
Cash and cash equivalents at the end of the year		<u>130,856</u>	<u>41,147</u>
NON-CASH TRANSACTIONS FROM FINANCING AND INVESTING ACTIVITIES			
- Unpaid accrued interest	14	14,634	17,860
- Work in progress payable		79,613	157,015
- Addition for right-of-use assets and lease liabilities	13	59,861	29,893
- Assumption by the MEF of certain balances of the CESCE debts and Corporate bonds (E.D. No. 013-2024)	16	168,158	-
- Assumption by the MEF of debt with Banco de la Nación (E.D. No. 013-2024)	20	789,581	-
- Capitalization of loans with shareholders	20	1,617,691	-

The attached notes from pages 13 to 96 form part of the financial statements.

(Free translation from the original in Spanish)

PETROLEOS DEL PERÚ - PETROPERU S.A.**STATEMENT OF CASH FLOWS (continued)**

	Note	For the year ended	
		December 31,	
		2024	2023
		US\$000	US\$000
Net loss for the year		(773,905)	(1,064,381)
Adjustments to reconcile the net income for the year with cash from operating activities:			
Provision for impairment of inventories	10	198	195
Provision for contingencies	18	21,961	10,103
Provision for environmental remediation	18	21,412	44,103
Provision for impairment of property, plant and equipment	11	24,669	334,875
Depreciation of property, plant and equipment and investment properties	11	226,878	211,249
Provision for expected loss on trade receivables	8	-	71
Amortization of intangible assets	12	7,916	4,780
Depreciation of right-of-use assets	13	25,293	14,730
Withdrawal and adjustments of property, plant and equipment and investment properties	11	5,612	2,132
Deferred income tax	29	(181,502)	(197,476)
Effect of exchange rate changes on cash		1,262	(6,356)
		<u>(620,206)</u>	<u>(645,975)</u>
Net variations in operating assets and liabilities:			
Trade receivables		59,566	192,252
Other receivables		22,441	(156,170)
Inventories		123,965	178,499
Other assets		492	6,522
Trade payables		(544,369)	960,547
Other payables and provisions		293,349	(69,260)
Net cash (applied to) provided by operating activities		<u>(664,762)</u>	<u>466,415</u>

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PETRÓLEOS DEL PERÚ - PETROPERÚ S.A.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

1 BACKGROUND AND ECONOMIC ACTIVITY

a) Background -

Petróleos del Perú - PETROPERÚ S.A. (hereinafter, the Company or PETROPERÚ) 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 is 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., enacted on March 5, 1981, and its amendments, 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, "Ley de Fortalecimiento y Modernización de la Empresa de Petróleos del Perú - PETROPERÚ S.A." (Law No. 28840), approved by Supreme Decree No. 012-2013-EM, 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 Av. Enrique Canaval y Moreyra No. 150, San Isidro, Lima, Peru.

Under the provisions of Law No. 28840, for the modernization of 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). 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 No. 28840 (and 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), supervisory entities such as the SMV and regulatory entities (OSINERGMIN, OEFA, SUNAT, SUNAFIL, among others).

Also, under the third final provisions of Legislative Decree No. 1031, by which the efficiency of the government-run companies is promoted, dated June 24, 2008, the Company is subject to subsection 9.3, Article 9 and Article 12 of Legislative Decree No. 1031. With respect to subsection 9.3, Article 9, the Company's financial statements are audited, on an annual basis, by external independent auditors who are designated at the General Shareholders' Meeting and with respect to Article 12, 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 the Company to execute the PMRT in the event the Company is not able to obtain the necessary resources to honor its obligations. As of December 31, 2024 and 2023, there has been no need to use those guarantees.

In this regard, it should be noted that the New Talara Refinery (hereinafter, NTR) that arises from the aforementioned PMRT was built with the objective of produce gasoline, diesel and LPG, with a maximum sulfur content of 50 parts per million. Likewise, it will be able to process heavy crudes such as those extracted from the Peruvian jungle, which could not be done in the previous refinery, as well as carry out the deep conversion of residuals to products such as diesel, gasoline and LPG and low-octane gasoline to high octane gasoline, thanks to its new flexicoking and catalytic reforming units, licensed by Exxon Mobil and Axens, respectively; which Management considers to be a key factor for its profitability. As of December 31, 2024, all NTR units are in operation (as of December 31, 2023, the NTR operated with approximately 90% of its units in operation).

Additionally, on December 30, 2016, Legislative Decree No. 1292 was enacted declaring of public need and national interest the safe operation of Peruvian northern oil pipeline (“Oleoducto Norperuano”) (hereinafter ONP or Oil Pipeline) and stipulating the re-organization and improvement of the corporate governance of the Company (Note 1-g). Pursuant to Law No. 30993, enacted on August 15, 2019, the development and execution of the Project for the Strengthening and Modernization of the Peruvian northern oil pipeline was declared of national interest, to guarantee its operation and efficient maintenance, expand its extension, as well as increase its transportation capacity and profitability. This Law also seeks to safeguard the conservation of the environment and complement the Talara Refinery Modernization Project, as well as guaranteeing adequate participation for taxes, canon and royalties in favor of the Peruvian Government.

Finally, Emergency Decree No. 013-2024 (E.D. No. 013-2024), dated September 13, 2024, establishes extraordinary and urgent economic and financial measures to overcome PETROPERÚ's financial situation, ensure the nationwide commercialization of hydrocarbons, guarantee the supply of fuel for the development of economic activities nationwide, and preserve its sustainability. Likewise, this decree extends the deadline of the Short-Term Debt Operation until July 31, 2025, under the modality of a Government-Guaranteed loan, through a foreign trade credit line with Banco de la Nación (BN) for up to an amount in Peruvian soles equivalent to US\$1,000 million. Furthermore, E.D. No. 013-2024 established that the Company would hire a specialized firm to design and manage the implementation of the so-called Comprehensive Transformation Process, which consists of executing strategic, operational, and financial measures for the Company's sustainability.

b) Economic activity -

Pursuant to Law No. 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.

Furthermore, Law No. 28840 establishes that 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 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 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 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.

Pursuant to 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"), the Company shall take part, individually or jointly, in the petrochemical development described in the above-mentioned law.

Pursuant to Law No. 30130, enacted on December 18, 2023, 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 are incurred by the Company, do not affect the guarantees for the PMRT; 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 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.

Peruvian northern oil pipeline ("Oleoducto Norperuano") -

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 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 8, Law No. 29970 to implement the PMRT and the amendment of Article 4 and Complementary Provision to Law No. 28840 - "Ley de Fortalecimiento y Modernización de la Empresa de Petróleos del Perú - PETROPERÚ S.A." to implement the Legislative Decree No. 1292" approved by the Board of Directors. This plan was approved by the Board of Directors through Agreement No. 067-2018-PP dated August 6, 2018. In this regard, the Company has been making disbursements for remediation work, crude oil recovery, soil monitoring and other services related to certain spills that have occurred in recent years within the framework of its operations (Note 18).

Block 64 -

On September 28, 2021, Supreme Decree No. 024-2021-EM approved the assignment of Geopark Perú S.A.C.'s (former operator) interest in Block 64 to the Company, whereby the Company assumed 100% of the rights and obligations related to the exploration and exploitation of hydrocarbons. On June 16, 2024, notification was received regarding the approval of the terms of reference and the citizen participation plan by the National Environmental Certification Service for Sustainable Investments ("Servicio Nacional de Certificación Ambiental para las Inversiones Sostenibles" - SENACE) for the beginning of the Detailed Environmental Impact Study.

On November 29, 2024, public call No. Petroperú-001-2004-L64 was launched for the selection of a strategic partner for the operation of Block 64. This public call concluded in June 2025 and was declared void. As of the date of approval of the financial statements, a direct award process has been initiated, which is expected to conclude in August 2025.

As of December 31, 2024 and 2023, the investments made in Block 64 amount to US\$35,834 thousand and US\$33,802 thousand, respectively (Note 12).

Block 192 -

Pursuant to Law No. 30357, enacted on November 6, 2015, the Fourth Complementary Final Provision was incorporated into Law No. 0130, authorizing PERUPETRO S.A. to, after evaluation and through direct negotiation, sign the hydrocarbon exploitation contract of Block 192 with the Company.

Supreme Decree No. 009-2022-EM enacted on July 25, 2022, authorized the signing of the License Agreement for the Exploitation of Hydrocarbons of Block 192, for a period of 30 years, which was signed by the Company and PERUPETRO S.A. on February 28, 2023.

On February 3, 2024, Supreme Decree No. 005-2024-EM was enacted in the Peruvian official Gazette "El Peruano". The amendment of the License Agreement for the Exploitation of Hydrocarbons in Block 192 was approved to reflect the assignment of contractual position of 61% interest in the Agreement by the Company in favor of Altamesa Energy Perú S.A.C.

In February 2025, PETROPERÚ ended its partnership with Altamesa Energy Perú S.A.C. and, as of the date of this report, has begun a selection process to identify a new operator for the Block 192 License Agreement.

As of December 31, 2024 and 2023, the investments made in Block 192 amount to US\$26,057 thousand and US\$12,895 thousand, respectively (Note 12).

Block X -

Pursuant to Supreme Decree No. 008-2024-EM, enacted on May 19, 2024, the Company and the consortium formed by OIG PERÚ S.A.C., Aguaytía Energy del Perú S.R.L. and Termoselva S.R.L. signed with PERUPETRO S.A. the License Agreement for the Exploitation of Hydrocarbons in Block X (Talara), for a term of 30 years. The license agreement became effective on Monday, May 20, 2024. PETROPERÚ holds a 40% interest in the block, with OIG PERÚ S.A.C. designated as the operator.

The average production of oil and associated natural gas corresponding to PETROPERÚ's interest during 2024, amounted to 3,028 barrels of oil per day (hereinafter BOPD) and 4,746 million cubic feet per day (hereinafter MCFD), respectively.

Investments made during 2024 amount to US\$3,700 thousand. Based on its 40% interest, the Company must recognize US\$1,480 thousand.

Other Blocks -

Pursuant to Supreme Decree No. 022-2023-EM, enacted on October 21, 2023, the License Agreement between the Company and PERUPETRO S.A. for the Exploitation of Hydrocarbons in Block I was approved, for a period of 2 years, signing said agreement on October 21, 2023, or until the effective date of a new contract for the exploitation of hydrocarbons.

In Block I, the average oil and associated natural gas production during 2024 was 469 BOPD and 2,474 MCFD, respectively.

Likewise, on October 21, 2023, the Company and PERUPETRO S.A. signed the License Agreement for the Exploitation of Hydrocarbons in Block VI, with a 2-year extension, approved by Supreme Decree No. 023-2023-EM published on October 21, 2023, or until the effective date of a new contract for the exploitation of hydrocarbons.

In Block VI, the average oil and associated natural gas production during 2024 was 1,746 BOPD and 3,220 MCFD, respectively.

Pursuant to Supreme Decree No. 027-2023-EM, enacted on November 13, 2023, the License Agreement between the Company and PERUPETRO S.A. for the Exploitation of Hydrocarbons in Block Z-69 was approved for a period of 2 years (or until the effective date of a new contract for the exploitation of hydrocarbons), signing said agreement on November 15, 2023.

In Block Z-69, the average production of Oil and Associated Natural Gas, during 2024, was 4,508 BOPD and 9,194 MCFD, respectively.

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 of Directors 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") and regulations that modify or replace it.
 - 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, Commercial Corporate Management and Supply Chain, Corporate Operating Management and Corporate Planning Manager, or those who fulfill those functions.
 - Setting the prices of liquid and specialty fuels sold by the Company in the local market will consider the cost-opportunity basis and will be set at prices that allow the Company to compete in the market and at the same time achieve its strategic and budgetary goals. In the case of liquid fuels, the opportunity cost comprises the Import Parity Price ("Precio de Paridad de Importación" - PPI) calculated with the methodology defined by the Company in its guidelines.
 - The Company's price lists of liquid fuels 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 an adverse impact on prices of liquid and specialty fuels up or down, that negatively affect the Company's reputation or put it in an economic condition of potential risk, 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, taking into account the financial sustainability of the Company.
- Price Stabilization Fund of Petroleum Derived Fuels (hereinafter, Price Stabilization Fund).

The Price Stabilization Fund 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 MEM will compensate the Company for the pricing differences that are not transferred to its customers.

Under the above-mentioned regulations, the National Hydrocarbons Office (“Dirección General de Hidrocarburos” - DGH) within the MEM sets a price range per each fuel product sold in Peru. Article 6 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 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 2022, the Fuel Price Stabilization Fund (FEPC, by its acronym in Spanish) began to apply to industrial oil 6, Diesel BX and LPG - E.

Pursuant to Supreme Decrees No. 033-2023-EM enacted on December 28, 2023 and No. 007-2024-EM, was extended as a product subject to the FEPC until March 28, 2024 and June 27, 2024, respectively. As of December 2024, the products subject to the Price Stabilization Fund include only industrial oil 6 and Diesel BX.

In 2024, the Price Stabilization Fund represented -0.10% of the Company's revenue (contribution) and 0.10% of the Company's revenue in 2023 (compensation).

d) Operating results -

The Company's results show a loss of US\$773,905 thousand, mainly due to:

- (i) The lower sales volume in the internal market is primarily due to certain sales limitations resulting from lower production levels at the NTR during its stabilization period. This is also due to aggressive market competition, which offers larger discounts and better sales conditions.
- (ii) Exports of residual oil originated during the NTR stabilization process, marketed at lower prices compared to the acquisition of the raw material (crude oil), because there was no operational flexibility to store this product.
- (iii) Higher operating expenses arising from operation and maintenance services for the processing and auxiliary units. Also, increased depreciation due to the full commissioning of the NTR, as well as the contracting of services required for the operation of the oil blocks, mainly Block Z-69 and Block X, which began operations in December 2023 and May 2024, respectively.
- (iv) The increase in financial expenses as a result of the full implementation of the NTR, leading to interest costs for its financing being classified as financial expenses rather than as part of the cost of assets, unlike in 2023, when a significant portion of interest was still being capitalized. Also, higher interest rates are due to the reduction of bank credit lines due to the Company's liquidity problems. In this regard, the Company has been taking actions to reverse this adverse economic situation, disclosed in section e) in this note.

e) Restructuring plan

Pursuant to Emergency Decree No. 023-2022 (E.D. No. 023-2022), enacted on October 25, 2022, economic and financial measures were established to avoid national fuel shortages. In this regard, this Emergency Decree specified that within the framework of maintaining the continuity of the Company's operations as a strategic actor in the value chain of the hydrocarbon sector, there will be a restructuring Plan, to reinforce the governance and financial and operational sustainability. On July 31, 2023, the Company's Board of Directors approved the Company's Restructuring Plan developed by the international specialized consultant Arthur D.Little LLC, together with Columbus HB Latam Inc. (together and hereinafter the Consultants), which was informed to the General Shareholders' Meeting on July 25, 2023, within the term established in E.D. No. 023-2022.

This Restructuring Plan was implemented from August 1, 2023, to March 31, 2024. In 2024, 96 indicators were monitored corresponding to actions that were either ongoing or had started implementation during the period, with special emphasis on economic, financial, organizational, operational, strategic, and governance-related aspects. As of March 31, 2024, cumulative progress reached 28% of all activities scheduled under the 2023-2050 period (with a target progress of 34%).

In line with Emergency Decree No. 004-2024 (E.D. No. 004-2024) published on February 27, 2024, which established extraordinary economic and financial measures to ensure continuity in the fuel supply chain and support the development of economic activities nationwide and making the Company's governance more efficient, the Restructuring Plan (prepared by the Consultants) was replaced by the 2024 Restructuring Actions approved by the Company's Board of Directors on April 1, 2024. Its implementation took place between April and December 2024, during which 52 indicators were monitored (19 of these indicators were originally included in the Consultants' Restructuring Plan, and 33 new indicators were added), with special emphasis on governance, economic, financial, organizational, operational and strategic aspects. As of December 31, 2024, cumulative progress reached 86% of the scheduled target of 100%. Additionally, due to the difficult economic and financial situation faced by the Company, and following the 2024 Restructuring Actions, on June 24, 2024, the 2024 - 2025 Complementary Restructuring Shares were issued, as approved by the Board of Directors. Their implementation took place between July and December 2024, with 13 indicators being monitored, focusing on economic, financial, and organizational aspects. As of December 31, 2024, 4 complementary actions had been completed and 9 remained in progress.

Also aligned with this, E.D. No. 013-2024, referred to in section a) of this note, was published.

In this regard, on November 21, 2024, the Company's Board of Directors approved the formation of the Working Committees for the implementation of urgent restructuring actions for PETROPERÚ during the 2024 - 2025 period, in accordance with the provisions set forth in E.D. No. 004-2024 and E.D. No. 013-2024.

As of April 30, 2025, the following progress was reported by the designated Working Committees:

- Committee for the disposal of non-strategic assets: On March 20, 2025, the Board of Directors approved the List of 55 non-essential assets for the corporate purpose of PETROPERÚ, which was subsequently submitted to PROINVERSIÓN on April 1, 2025 (the entity responsible for managing the sale of these assets). As of the date of this report, a draft agreement is in place between the parties.
- Committee for the recovery of debts in favor of PETROPERÚ: As of December 31, 2024, the reconciliation of the debt from the Fuel Price Stabilization Fund (FEPC) was completed for S/145,000 thousand.
- Committee for the Comprehensive Transformation of PETROPERÚ: Market research is currently underway to prepare the Technical Conditions for hiring a specialized firm to design and manage the implementation of the Company's Comprehensive Transformation Process. To date, six proposals from interested companies have been received, and a report is being prepared for the Board of Directors with an analysis of the proposals received.

- Committee for the forensic audit: The hiring process of the company that will perform the forensic audit service is in the market research stage in order to determine the Estimated Reference Amount. The contracting process is expected to conclude in July 2025.
- Labor Policy Committee: The new Labor Policy was approved in April 2025.
- Committee on Ethics and Transparency (CETI): The proposal for CETI's establishment was submitted to the Corporate Governance Best Practices Committee. A proposed assessment of the current situation and an analysis for expanding the scope of the ISO 37001 Anti-Bribery Management System were also prepared.
- Committee on Oil Blocks:
 - Block I: The winning bidder (La Ponderosa-Leyendas Consortium) filed an appeal before the Board of Directors of PERUPETRO S.A. challenging the disqualification of its certification as an oil company eligible to assume the License Agreement. If the disqualification is upheld, the license will be awarded to the second-place bidder (Inexport-Alpha Consortium). If this consortium also fails to qualify, PETROPERÚ (the third-place bidder) would enter the qualification process.
 - Block Z-69: PERUPETRO S.A. has launched a process to attract investors interested in participating in the public bidding process for the exploitation of Block Z-69. The Company will initiate negotiations with PERUPETRO S.A. to evaluate its own participation in this process.

f) Going concern and working capital -

The financial statements for 2024 and 2023 have been prepared using the going concern accounting principle, which is based on the assumption that the Company will be able to continue its activities normally in the foreseeable future.

This assumption is based on the Company's ability to meet its borrowings as they fall due. In 2024, the Company reported a net loss of US\$773,905 million (compared to a net loss of US\$1,064,381 thousand in 2023). As of December 31, 2024, the Company reported negative working capital, since current liabilities exceeded current assets by US\$1,899,985 thousand (US\$3,497,242 thousand as of December 31, 2023). These results and financial position in both years are mainly explained by the following factors:

- In 2024, higher net operating expenses of US\$300 million were incurred due to services related to the operation and maintenance of processing and auxiliary units, the increase in depreciation due to the full commissioning of the NTR, as well as the contracting services necessary for the operation of the oil blocks, mainly Block Z-69 for US\$66.7 million and Block X for US\$11.4 million, which began operations in December 2023 and May 2024, respectively. In 2023, higher operating expenses of US\$330 million were incurred mainly due to increased consumption of supplies and materials for the operation of work-in-progress and auxiliary units and higher depreciation expenses related to the commissioning of these units. This was also due to the recognition of impairment losses on property, plant, and equipment of US\$334,875 thousand (Note 11).
- Events that occurred in the Company in 2021 and 2022 that have generated investigations for alleged irregularities committed by the former general management and related officials, which affected its corporate governance and the efficiency of its management.
- Weakened credit rating. As of the date of issuance of the financial statements, the international rating agency Moody's Ratings assigned the Company a "B3" credit rating (equivalent to "B-") as a long-term debt issuer and for its bonds in the international market. It also assigned a baseline credit assessment (BCA) of "CA" (equivalent to "CC"), with a stable outlook.

In addition, these additional factors were observed in 2024:

- Decreased in revenue from domestic sales due to volume restrictions, consistent with the NTR's production levels during its stabilization period. Also due to aggressive market competition, which offers greater discounts and commercial conditions.
- A downward trend in international prices for crude oil and derivative products, which affected profit margins and inventory valuation.

These situations establish a material uncertainty that may cause significant doubt that the Company will continue as a going concern and, therefore, it may not be able to realize its assets and settle its liabilities in the normal course of business. However, the Company monitor cash flow projections carried out on the basis of the liquidity requirements of the Company to ensure sufficient cash to cover the operating needs, while maintaining sufficient headroom on its credit facilities. In this sense, the Company considers that revolving credit lines with local and foreign banks and cash flows of its operating activities, with the start-up of the NTR. The most relevant benefits are the possibility of refining heavy crude oils that cannot be processed with prior technology, increasing refining capacity, improving the hydrocarbon trade balance, reducing the risk of fuel shortages due to fuel production independent of external factors, and business sustainability, among others. This will allow it to increase its profit margins to reduce accumulated losses and maintain enough cash to meet its obligations and reverse the current negative working capital in the medium term.

On the other hand, in 2024, the Company has been showing a gradual recovery in its financial position, as described below:

- Trade payables and short-term bank loans have been significantly reduced, with funds generated from operating activities and the use of the credit line authorized under E.D. No. 013-2024. However, high balances of payables to suppliers remain, as a result of the credit terms agreed upon with suppliers of crude oil, refined products, goods, and services, and the need for liquidity to finance commercial operations.
- The Company monitors cash flow projections related to liquidity requirements to ensure that there is enough cash to cover operating needs, while maintaining sufficient margin under available credit lines. In this regard, the Company considers that the short-term revolving credit lines granted by local and foreign banks and cash flows from its operating activities, with the stabilization of the NTR, will allow it to improve profit margins, reduce accumulated losses, maintain adequate cash to meet its obligations, and improve working capital management in the medium term.

In addition, under E.D. No. 013-2024 (Note 1-a), the following was enacted:

- The capitalization of the Temporary Financial Support approved under Article 2 of Emergency Decree No. 010-2022, granted by the Peruvian Ministry of Economy and Finance (MEF) through the General Directorate of the Public Treasury, up to an amount in Peruvian soles equivalent to US\$750 million, plus accrued interest as of the effective date of this legal provision, extinguishing the payment obligation. This contribution was reconciled with MEF and recorded at an amount of S/3,122.80 million.
- The assumption by the MEF, through the General Directorate of the Public Treasury, of the obligations of PETROPERÚ related to the working capital loan contracted with Banco de la Nación, for up to US\$800 million plus accrued interest as of the effective date of this Emergency Decree, which is guaranteed by the National Government, approved under Article 2 of E.D. No. 004-2024. These assumed obligations were capitalized in PETROPERÚ. This contribution was reconciled with the MEF and recorded at an amount of S/2,977.50 million.

- Approval of the short-term debt transaction, under the modality of National Government Guarantee for up to an amount in Peruvian soles equivalent to US\$1,000 million, to secure obligations assumed by the Company, derived from a loan granted by Banco de la Nación in April 2024, in favor of the Company to finance working capital.
- The assumption, by MEF, through the General Directorate of the Public Treasury, of the payment of maturities in the second half of 2024 for US\$168,356 thousand, of debts assumed by PETROPERÚ, related to the external debt transactions without the National Government Guarantee, under the bond issuance scheme, carried out under the authorizations set forth in Ministerial Resolutions No. 170-2017-EF/52 and No. 023-2021-EF/52, and under the loan scheme guaranteed by the Spanish Export Credit Agency (CESCE), contracted under the authorization provided in Ministerial Resolution No. 017-2018-EF/52, which was partially used to finance the PMRT. In this context, on November 22, 2024, the PETROPERÚ debt assumption agreement was signed with the General Directorate of the Public Treasury to amortize this debt over the long term.

In order to continue reducing its level of indebtedness, the Company has been implementing the following action plans:

- Expansion of the portfolio of financial entities to manage new lines of credit. To date of this report, financing operations are being managed to meet current obligations with suppliers in the following twelve months. In addition, at the General Shareholders' Meeting held on June 26, 2025, it was approved that, through Petroperú, the institutional support of the Peruvian State be demonstrated for the operational and management continuity of the Company. This support is evidenced by the enactment of legal regulations with the force of law, issued between 2022 and 2024, which established various measures to improve the financial health and strengthen the institutional framework of PETROPERÚ.
- Optimization of production costs, through temporary license agreements for oil Blocks I, VI and Z-69, from which crude oil is obtained that is entirely intended for the NTR and natural gas that is used in the production process or for commercialization. Likewise, license agreements have been signed for Block 64, which is in the exploration phase, and for Block 192, in which the process of finding a new partner to replace Altamesa Energy is currently underway.
- Continue implementing restructuring actions to strengthen the Company's governance and financial and operational sustainability, in accordance with the requirements of Emergency Decree No. 004-2024. These actions emphasize governance, economic, financial, organizational, operational, and strategic aspects.
- Generation of products with higher value-added products through the stabilization of the Flexicoking (FCK) unit, which is gradually allowing the Company to discontinue the sale of residual fuels, and to instead complete the refining process to obtain higher value-added products, thereby achieving the expected profitability. In addition to this generation of income, the optimization of the NTR is gradually increasing the generation of flexigas, which constitutes part of the energy already being used at the NTR. This, in turn, has enabled a reduction in operating costs by progressively reducing expenses on third-party energy purchases.

Due to the abovementioned, Company's Management and Board of Directors consider that despite the situations described above, the action plans that are being carried out allow the use of the going concern principle to prepare the financial statements to continue to be appropriate.

- g) Assessment of possible irregularities, alleged favors and/or conflicts of interest related to the processes of contracting goods, services and works carried out by the Company and ongoing investigations by the Prosecutor's Office against officials and former officials-

Between 2021 and 2025, the Company became aware of alleged irregularities related to the procurement processes for goods, services and works, and performed certain actions or assessments to mitigate the risk and identify the potential impact of these situations on the financial statements. These situations are summarized as follows:

- In April 2021, the Company became aware, through a journalistic complaint in the international media, of possible irregular acts in contracts made between Petroecuador and the hydrocarbon suppliers Gunvor S.A. and Gunvor International B.V. (hereinafter Gunvor). In May 2021, Management ended the commercial relationship with such suppliers and hired an external expert to carry out a diagnostic investigation on the risks associated with the hydrocarbon purchase process, focused on transactions carried out in previous years with such suppliers.
- In December 2021, the Company became aware, through the local media, of the alleged irregular purchase of biodiesel from the company Heaven Petroleum Operators, which potentially involved the former General Manager and the former Supply Chain, Hydrocarbons Purchasing and Distribution Managers who held said positions between October 2021 and April 5, 2022. This fact generated investigations and criminal complaints by the Prosecutor's Office, in addition to sanctions by the CGR, to the aforementioned former managers and Company personnel related to the case. In this regard, on April 5, 2022, the Board of Directors separated the former General Manager and the former Managers of the Supply Chain, Hydrocarbons Purchase, and withdrew trust in the former Company's Distribution Manager. In 2022 and 2023, the Company hired the services of Deloitte Corporate Finance S.A.C. (hereinafter DTT) for the "review and analysis of the bidding and award processes to third parties by the Company" from October to December 2021 and from January 1 to April 5, 2022, respectively, under a "Forensic Due Diligence" approach with the objective of identifying possible irregularities, presumed favors and/or conflicts of interest, in the aforementioned processes of contracting goods, services and works carried out by the Company, specifically in the pre-contractual phase from October to December 2021 and in the pre-contractual phase, of reception and conformity of the good or service from January 1 to April 5, 2022.
- In July 2023, due to a complaint made in a television media, the Company became aware of a complaint about alleged irregularities in hiring in which the Manager of the Logistics Department would have participated. As of July 3, 2023, the aforementioned official no longer carried out work in said Management and as of August 5, 2023, it was assigned to the Training and Labor Relations Headquarters of the Corporate Human Resources Management, while the corresponding investigations were carried out.

In August 2023, the Company contracted the services of DTT for the "review and analysis of the contracting processes in which the Management of the Logistics Department has participated" between January 1, 2022 and July 12, 2023, under a "Forensic Due Diligence" approach to identify possible irregularities, presumed favors and/or conflicts of interest, in the aforementioned processes of contracting goods, services and works carried out by the Company.

On the other hand, the Company executed other review mechanisms, in addition to the work carried out by its external experts, such as:

- for purchase transactions identified with signs of irregularities, in the reports issued by external experts, verified compliance in the provision of services, goods or works;
- evaluated the reports issued by the Comptroller General of the Republic of Peru from January 2021 to date;
- evaluated the reports issued by the Institutional Control Body from January 2021 to date;
- evaluated the complaints received by the Company's Integrity Line to date; and
- evaluated, together with legal experts, the degree of responsibility to which the Company is exposed in reference to the investigations by the Prosecutor's Office against official and former officials.

As a result of the procedures carried out, improvement situations were identified in the contracting procedures, including hydrocarbon purchases, the application of the table of approval levels for contracting, know-your-customer procedures, and improvements to anti-corruption risk prevention and management systems, among others. The Board of Directors, through the Audit and Control Committee, monitors the action plans that the Company's Management designed with the participation of the Corporate Management of Processes and Risks. The action plans include reviewing and/or updating the risk matrices of the processes involved; as well as design and implement changes to internal processes that cover the identified improvement opportunities, which are in the process of implementation to minimize or prevent adverse situations to the Company, as well as improve and/or strengthen the Company's processes, for the fulfillment of its strategic objectives.

The Board of Directors has approved the reports on the prevention and detection of fraud and errors and compliance with laws and regulations prepared and countersigned by the General Management, the Corporate Finance Management, the Corporate Legal Management and Regulatory Affairs, the Human Resources Management, the Corporate Administration Management, the Corporate Commercial and Supply Chain Management and the Compliance Management. These reports allow the Board of Directors and Management to conclude that, to the best of their knowledge and belief, the situations identified have not led to fraud or irregularities that have had a significant impact on the Company's financial statements.

h) Approval of the financial statements -

The financial statements as of December 31, 2024 were issued with the authorization of the General Management on June 30, 2025, and approved by the Board of Directors on the same date. They include the amendments to Notes 1-f and 1-h, which were approved on January 22, 2026, and after being submitted to the General Shareholders' Meeting for final approval. The audited financial statements as of December 31, 2023 were approved by the General Shareholders' Meeting on July 24, 2024.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation and presentation -

i) Compliance with IFRS -

The financial statements of the Company have been prepared in accordance with IFRS issued by the IASB, effective at the date of the financial statements. The information contained in these financial statements is responsibility of the Company's Management, which expressly states that in preparing them it has applied all accounting principles and criteria required under the IFRS issued by the IASB.

ii) Basis of measurement -

The financial statements of the Company have been prepared under the historical cost convention. The financial statements are presented in thousands of U.S. dollars, unless a different monetary expression is indicated.

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

- iii) New standards and amendments in force for the financial statements for annual periods beginning on or after January 1, 2024 that have been evaluated and applied by the Company -

Within the framework of IFRS, certain accounting changes have been issued that are effective as of January 1, 2024. These changes have been considered by the Company for the preparation of the 2024 financial statements. These accounting changes are summarized as follows:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current.
- Amendment to IFRS 16: Sale and Leaseback Transactions.
- Amendments to IAS 7 and IFRS 7- Supplier Financing Arrangements.

The amendments to standards and interpretations listed above have not had an impact on the Company's financial statements for prior or current years. Likewise, they are not expected to have a material impact on the financial statements of future years.

Certain standards, amendments to standards, and interpretations have been published that are mandatory for future years and have not been early adopted by the Company. The following is a summary of these accounting changes that will be effective in years after 2025:

- Amendments to IAS 21 - Lack of Exchangeability.
- Amendments to IFRS 9 and IFRS 7 - Amendments to the Classification and Measurement of Financial Instruments.
- IFRS 18, Presentation and Disclosure in Financial Statements.
- IFRS 19, Subsidiaries without Public Accountability: Disclosures.
- Annual Improvements to IFRS 2024 - Volume 11.
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The Company will evaluate the impact of these standards and amendments in 2025.

2.2 Cash and cash equivalents -

Cash and cash equivalents presented in the statement of financial position, and for the purposes of preparing the statement of cash flows, include cash in bank checking accounts and fixed funds. Time deposits with original maturities greater than three months from the date of issuance are not considered cash equivalents for the purposes of preparing the statement of cash flows and are presented as restricted funds under "other receivables" in the statement of financial position.

2.3 Financial assets -

Classification and initial measurement -

The Company classifies its financial assets in the following categories:

- Measured at fair value (through profit and loss or other comprehensive income), and
- Measured at amortized cost.

The classification depends on the Company's business model for managing its financial assets and the contractual terms that impact cash flows.

Financial assets are not reclassified after initial recognition, unless the Company changes its business model to manage financial assets.

The Company measures financial assets at amortized cost, which are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is written off, modified or impaired.

The Company's financial assets include cash and cash equivalents, trade receivables and other receivables, which are measured at amortized cost.

Interest income for loans receivable on the basis of the proportion of time elapsed is recognized using the effective interest method. When the loan or receivables has been impaired, the Company reduces the carrying amount to its recoverable value, with future cash flows being discounted at the original interest rate.

Subsequent measurement -

Debt instruments -

Subsequent measurement of debt instruments depends on the Company's business model established for management of those assets as well as the cash flow characteristics of the assets. There are three possible categories in which debt instruments can be classified, these are:

- Amortized cost.
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL).

As of December 31, 2024 and 2023, the Company only maintains debt instruments at amortized cost.

Amortized cost is applicable for financial assets held within a business model whose objective is to hold assets to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest. Interest arising from these assets are recognized as financial income using the effective interest method. Any gains or losses arising from the disposal of these assets are recognized through profit or loss shown within "Other income" or "Other expenses" with the associated exchange gains or losses. Impairment losses of financial assets are shown within the item "Selling and distribution expenses".

Derecognition of accounts -

A financial asset (or, when applicable, a financial liability or part of a group of similar financial assets) is derecognized, that is, it is removed from the statement of financial position, when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows on the asset or has assumed an obligation to pay the entire cash flows received immediately at a third under a "pass through" arrangement; and (a) the Company has transferred substantially all the risks and rewards of the asset or (b) the Company has not transferred substantially all the risks and rewards of the asset, but it has transferred its control.

Trade receivables -

Trade receivables are amounts owed to the Company by customers for items sold or services rendered in the ordinary course of business. If collection of these accounts is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are initially recognized at their fair value and are subsequently measured at their amortized cost using the effective interest method, less the provision for impairment.

2.4 Inventories -

Inventories are stated at the lower of cost and net realizable value. The cost includes direct material costs, direct labor related production overheads (based on normal operating capacity). It excludes borrowing costs and exchange differences and includes costs incurred in transferring inventories to their actual location and conditions. The cost of crude oil and acquired by-products/derived products is determined using the first-in / first-out method. Refined products in process and finished products are determined at average production cost. Material and supplies at weighted average cost. In-transit inventories are stated at specific cost of acquisition. The volume of crude oil acquired and kept in the oil pipeline ("Oleoducto") is accounted for at the cost of acquisition.

The provision for impairment of inventories of in-process refined products, finished products and by-products acquired is applied directly to the carrying amount of inventories, with a charge to cost of sales; the carrying amount of these inventories is reduced to their net realizable value in the same year. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

With respect to supplies, Management makes a periodic provision for obsolescence based on a technical study or considering those items with no movement for more than two years; said estimated provision is recognized with a charge to profit or loss of the period they relate to.

2.5 Property, plant and equipment -

The property, plant and equipment are recorded at acquisition cost, less their accumulated depreciation and accumulated amount of any impairment loss. The cost of an element of property, plant and equipment comprises its purchase price or construction or manufacturing cost, including customs duties and non-reimbursable purchase taxes, as well as any necessary cost, the initial estimate of the obligation to dismantle the asset and, for assets that require substantial time to be ready for their intended use (qualifying assets), borrowing costs (Note 2.11). The purchase price or construction cost comprises the total amount paid, and the fair value of any other consideration given to purchase the asset. The elements of property, plant and equipment are recognized at a major component level.

Costs incurred to replace a component of an item or element of property, plant and equipment are capitalized separately if the qualifying criterion is met and the carrying amount of the component being replaced is written down.

Subsequent costs attributable to an item of fixed assets are capitalized, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably, otherwise they are accounted for as expenses.

Assets under construction are capitalized as a separate component. Recognition of costs will cease when the item is ready for use as expected by Management and from that date those items are depreciated. When the items are ready for their intended use, they are transferred to their final category.

The cost of the items of property, plant and equipment, net of their residual value is depreciated over their estimated useful lives. Depreciation of assets is recognized as cost or expense depending on their function.

Land is not depreciated. Depreciation is calculated using the straight-line method over the estimated useful life of each asset, as follows:

	<u>Years</u>
Buildings and other constructions	Between 25 and 60
Machinery and equipment	Between 2 and 50
Containers and returnable containers	Between 20 and 40
Vehicles	Between 5 and 15
Other equipment	Between 3 and 50
Computer equipment	Between 3 and 8
Furniture and fixtures	Between 2 and 20

The assets' residual values, useful lives and depreciation method applied are reviewed, and adjusted if appropriate, at the date of each statement of financial position. Any change in these estimates is prospectively adjusted.

Items of property, plant and equipment are written off when they are disposed of or when economic benefits are no longer expected from their use or subsequent sale.

The carrying amount of property, plant and equipment is written down immediately to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount according to with is described in Note 2.7.

Gains or losses on disposal are determined considering the difference between the proceeds and carrying amount of the assets. These are included in statement of comprehensive income.

The accounting treatment of the capitalization of interest on qualifying assets is described in Note 2.11.

Assets received by donation or assignment are recorded at their fair value as part of the asset, under "Other income" in the statement of comprehensive income. During 2024 and 2023, the Company did not receive any significant donations.

The assets received as a result of the signing of license agreements for the exploitation of hydrocarbon blocks are not recognized in the financial statements.

2.6 Intangible assets and other -

Software -

Intangible assets include acquired computer software licenses and software, which are capitalized based on costs incurred to acquire and put the specific software to use. These costs are amortized over their estimated useful lives (between three and ten years).

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product.

- It can be demonstrated that the software product will generate probable future economic benefits.
- Adequate technical, financial and other resources are available to complete the development and to use or sell the software product and the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of the corresponding overheads.

Hydrocarbon exploration activities -

Exploration costs such as seismic lines and exploratory drilling of wells are capitalized until the technical and commercial feasibility of extracting the resources in the area is demonstrated.

If the exploration and evaluation activities are not expected to be successful, such assets are charged to profit or loss recognizing an impairment loss in the statement of comprehensive income. In the event feasible reserves are identified, exploration and evaluation assets are re-classified from said category as development costs after evaluating their recoverability. Depreciation is not recognized during the exploration and evaluation phase.

If events or circumstances indicate a possible impairment of resource exploration and evaluation assets has occurred, their recoverability is assessed by grouping assets at the lowest levels for which there are separately identifiable cash flows, cash-generating units, based on considerations such as geographical and geological features, common use of facilities and contractual terms and conditions. Such events and circumstances include the interpretation of seismic data, return requirements of areas, drilling results, remaining period to comply with the exploration commitment period, remaining capital investment plans and political and market conditions.

2.7 Impairment of non-financial assets of indefinite useful lives -

The Company conducts an assessment of impairment under the provisions of International Accounting Standard 36 "Impairment of assets" and performs annual tests of impairment of its items of property, plant and equipment, intangible assets, investment properties and right-of-use assets to determine whether there are indications that said items are impaired. If there is any indication of impairment, Management calculates the recoverable amount to determine the extent of the impairment loss (if any). If the recoverable amount of an individual asset item cannot be determined, the Company calculates the recoverable amount of the respective CGU to which the asset belongs. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Provided that consistent and reasonable criteria of asset allocation are used, common assets are also allocated to individual CGUs; or otherwise to the smallest groups of CGUs identified on a consistent and reasonable basis.

The recoverable amount of an asset or a CGU is the higher of the asset's value in use or fair value less costs of disposal. For purposes of calculating the recoverable amount, the Company determines the value in use of its assets subject to impairment testing. Value in use corresponds to the present value of the estimated future cash flows discounted to current value using a pre-tax discount rate that reflects the current market conditions, and the specific risks associated with each asset or CGU.

Impairment losses, calculated with reference to the value in use of the assets, recognized in previous years, are reversed if there is a change in the estimates used when an impairment loss was last recognized.

Impairment losses of assets are recognized in profit or loss in the categories of expenses corresponding to the nature of the impaired asset.

2.8 Financial liabilities -

The Company classifies its financial liabilities into the following categories: i) financial liabilities at fair value through profit or loss and ii) other financial liabilities at amortized cost. The classification depends on the purpose for which the liabilities were assumed and the way in which they are managed. The Company determines the classification of its financial liabilities at the date of initial recognition.

As of December 31, 2024 and 2023, the Company only holds liabilities in “other financial liabilities at amortized cost”, which are measured at amortized cost using the effective interest rate method. Profits and losses are recognized in the statement of comprehensive income when liabilities are derecognized, as well as through the amortization process of the effective interest rate.

Amortized cost is calculated taking into account any discount or premium in the acquisition and fees or costs that are an integral part of the effective interest rate. The amortization of the effective interest rate is recognized in the statement of comprehensive income as finance income.

As of December 31, 2024 and 2023, the Company maintains within the category of “other financial liabilities measured at amortized cost” the (i) corporate bonds, (ii) unsecured bank loans, (iii) CESCE loan, (iv) trade payables, (v) payables to related parties, (vi) some items included in other payables and (vi) lease liabilities.

In addition, the Company has liabilities for derivative financial instruments that are measured and classified at fair value with changes in profit or loss (Note 2.21).

In the case of financial liabilities measured at fair value through profit or loss, changes in the fair value of these liabilities are recognized as gains or losses through profit or loss and shown within “financial income or expenses” in the period in which changes occur.

2.9 Trade payables -

Trade payables are payment obligations for goods or services acquired from suppliers in the normal course of business. Payables are classified as current liabilities if payment must be made within one year or less (or in the normal operating cycle of the business if it is greater), otherwise, they are presented as non-current liabilities.

Payables are initially recognized at their fair value and subsequently, if the time value of money is relevant, they are remeasured at amortized cost using the effective interest method, otherwise they are shown at their nominal value.

2.10 Borrowings -

Borrowings consist of loans obtained from financial institutions and related parties, including unsecured short-term, which are used for working capital and capital expenditures in the NTR (before PMRT), corporate bonds and CESCE loan, loan received from the Ministry of Economy and Finance and cancellation documents. Borrowings are classified based on the terms and conditions of the agreements signed and considering the economic substance of the agreement.

Loans maintained by the Company are initially recognized at their fair value, net of transaction costs incurred. These loans are subsequently recorded at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the loan using the effective interest method. The Company presents borrowings within other financial liabilities and payables to related entities.

Fees and commissions paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all the facility will be drawn down. In this case transaction costs are deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all the facility will be drawn down, the fee is capitalized as payments for services to obtain liquidity and are recognized in the statement of income over the period of the facility to which it relates.

Borrowings are derecognized from the statement of financial position when the obligation specified in the contract is settled or expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the paid consideration, including non-cash transferred or the liabilities assumed are recognized in profit or loss within other finance income or finance costs.

Borrowings are classified as current liabilities unless the Company obtains the unconditional right to defer the payment of the obligation by no less than 12 months from the statement of financial position date.

2.11 Borrowing costs -

General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale (qualifying assets), are added to the cost of those assets. Capitalization starts when activities are being carried out to bring the qualifying asset to its expected condition for use and costs are being incurred, as well as borrowing costs; capitalization ends when all the activities required to prepare the asset for its expected use have been completed. The Company has defined that a substantial period is one year or more, to capitalize borrowing costs on qualifying assets.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are recognized in the statement of income.

2.12 Leases -

The Company mainly leases property, shipping units and other equipment. These lease contracts do not give rise to any other performance obligation apart from guarantee on the lease assets that are held by the lessor. The lease assets cannot be used to guarantee a borrowing.

Leases are recognized as a right-of-use assets and a lease liability at the date the leased asset is ready for use by the Company.

Assets and liabilities arising from a lease contract are initially measured at present value. The amount of the initial measurement of the lease liability is made based on fixed payments.

Rights-of-use assets are depreciated under the straight-line basis over the shorter of the asset's useful life and lease term. If the Company has reasonable certainty that a purchase option will be exercised, the right-of-use asset is depreciated over the useful life of the underlying leased asset.

Short-term lease payments and low-value leases are recognized under the straight-line method as expenses in profit or loss. Short-term leases are leases of 12 months or less. Low-value assets consist of IT equipment and small office furniture fixtures.

Lease payments to be made under renewal options with reasonable certainty to be exercised are also included in the measurement of the liability.

Lease payments are discounted using an interest rate implicit in the lease contract, if determinable, or otherwise the Company's incremental borrowing rate, the rate a lessee would have to pay on borrowings to obtain the required cash to obtain a similar right-of-use asset in a similar economic environment under similar terms and conditions.

In determining the incremental borrowing rate, the Company uses the rate used on recent financing obtained from third parties as a starting point and adjusts it to reflect changes in circumstances from the date those borrowings were obtained.

The Company is exposed to future possible lease variable payments linked to an index or rate, which are not included in the lease liability until they become effective. When index-linked payments come in effect, the lease liability is re-assessed and adjusted to the right-of-use asset.

Each lease payment is allocated between the liability and the finance charges. The finance cost is recognized in profit or loss over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

In determining the lease term, Management considers all facts and circumstances that lead the Company to exercise the option to renew or early terminate the lease contract. Renewals options (post-termination extensions) are only included in the terms of the contracts if it is reasonably certain that the lease contract will be extended (or not terminated).

Accounting policy as lessor -

A lessor will classify each of its leases as an operating lease or a finance lease.

A lease is classified as a finance lease when it transfers significantly all the risks and benefits inherent to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer significantly all the risks and benefits inherent to ownership of an underlying asset.

Revenue from leases in which the Company is a lessor is recognized in profit or loss under the straight-line method. Initial costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and are expressed over the lease term under the same basis as the revenue from leases. The leased assets are stated in the statement of financial position based on their nature.

The Company maintains properties that it leases to third parties, which are classified as operating leases and are presented in the statement of financial position under investment properties. Revenues from these leases are presented in the statement of comprehensive income under other operating income in the statement of comprehensive income.

2.13 Employee benefits -

a) Statutory bonuses -

The Company recognizes an expense for statutory bonuses and related liability in accordance with laws and regulations currently in force. Statutory bonuses consist of two one-month salaries per year paid every July and December, respectively. Statutory bonuses are recognized proportionally to the time during which a worker has provided the services that entitle him/her to said benefit.

b) Employees' severance indemnities -

Employees' severance indemnities for time of service of the Company's personnel correspond to their indemnification rights, calculated in accordance with the regulations in force in Peru, which has to be credited to the bank accounts designated by the workers in May and November every year. Personnel severance indemnity is equivalent to one-half of a one-month salary prevailing at the date of deposit, which is recognized in profit or loss as accrued. The Company does not have additional payment obligations once the annual deposits of the funds that the worker is entitled to are made.

c) Vacation leave -

Personnel's annual vacation leave is recognized on an accrual basis. The provision for the estimated obligation for annual vacation of personnel resulting from services provided by the employees is recognized at the date of the statement of financial position. The annual leave to which the employee is entitled is 30 days.

d) Workers' profit sharing -

The Company recognizes a liability and an expense for the workers' profit sharing in accordance with laws and regulations currently in force. Workers' profit sharing is calculated applying the rate of 10% to the taxable income determined by the Company in accordance with current income tax legislation.

2.14 Provisions -

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are reviewed at each period-end. When the effect of the time value of money is significant, provisions are discounted using a pre-tax rate that reflects, when appropriate, the risks specific to the obligation. The reversal of the discount due to the passage of time gives rise to an increase of the obligation recognized with a charge to the statement of comprehensive income as finance cost. Provisions are not recognized for future operating losses.

Provision for environmental remediation and plugging wells of privatized units -

The obligation to be incurred in environment remediation and plugging wells arises from the operating units transferred by the Peruvian Government to the private sector in 1997 and from a specific mandate. The Peruvian Government, through the Company assumed these obligations. In this respect, the Peruvian Government will refund all expenses incurred by the Company in meeting these obligations. The obligation assumed by the Peruvian Government was recognized with a charge to prior-year profit or loss. The amount of the provision at that date is adjusted at each year-end.

At the date of initial recognition of the liability arising from this obligation, as measured at its present value of the estimated disbursement flows, the same amount was simultaneously charged to the statement of comprehensive income. Subsequently, the liability amount is reviewed and increased in each period, if applicable. In settling this liability, the Company recognizes any resulting profit or loss. Changes in the estimated fair value of the initial obligation and the interest rates are recognized in the statement of comprehensive income.

2.15 Contingent liabilities and assets -

A contingent liability is disclosed when the existence of an obligation will only be confirmed by future events or when the amount of the obligation cannot be measured with sufficient reliability. The contingent assets are not recognized but are disclosed when it is probable that there will be an entry of economic benefits for the Company.

Given their nature, contingencies are only resolved when one or more events occur or not. Determining contingencies inherently involves the exercise of judgment in the calculation of estimates of the results of future events.

2.16 Current and deferred income tax -

The income tax expense for the period comprises current and deferred income tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized directly as part of other comprehensive income or in equity. In this case tax is also recognized as part of other comprehensive income or directly in equity, respectively. The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the date of the statement of financial position. The Company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Company establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using the tax rates (and tax laws) enacted at the date of the statement of financial position and expected to be applicable when the deferred income tax is realized or settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority.

For the recognition and measurement of current and deferred income tax, the Company has evaluated the existence of probable uncertain tax positions assumed by the Company; however, the Company has not identified significant uncertain tax positions that need to be accounted for.

2.17 Capital -

Subscribed and paid-in common shares are classified as equity. Shareholder cash capital contributions, as well as the capitalization of profits or debt with shareholders, for which shares remain to be subscribed and issued are recognized as additional capital, on the date on which these asset movements are approved by shareholders or the board, and, with regard to cash contributions pending subscription and issuance of shares, when the cash is received.

2.18 Revenue recognition -

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 is recognized when control of goods is transferred, which occurs, when the product is delivered to the customer and there are no performance obligations to be satisfied that may make customer not to accept the goods. A product is delivered, for products sold in the local market, when the goods are delivered in the Company's plants and sales terminals; for exported goods, it all depends on the export contractual conditions, which mainly occurs when the goods are delivered to the port of shipment.

Revenue from these sales is recognized based on the price list to which the contract refers, net of the estimated volume discounts. In certain cases, products are sold applying discounts by retroactive volumes, based on cumulative sales for a period of 12 months. Historical information is used to estimate and record discounts recognizing revenue only to the extent it is highly probable that no significant reversal will occur in the future. Discounts are stated net of the balance of trade receivables at the estimated volume discounts that are expected to be offset against customer sales billings. There was no need to separate any financing component because sales are agreed at a term no exceeding 45 days, which is consistent with the practice in the local market.

b) Revenue from the fuel price stabilization fund (Note 1-c) -

Revenue derived from the fuel price stabilization fund are recognized simultaneously with the revenue from sales to customers of the refined products comprising the Fuel Price Stabilization Fund, for which the General Direction of Hydrocarbons (DGH) of the MEM sets a price range. The Company's price-setting policy is using as a reference the Import Price Parity (PPI); nevertheless, the price billed to customers must be within the price ranges set for the products within the scope of the Fund.

In accordance with the provisions of Emergency Decree No. 010-2004, whenever the Company's price is above the upper price range threshold, the Company records revenue and the respective receivable from the MEM, for the amount equivalent to the difference between the price billed to customers and the upper price range threshold, since this is a compensating factor; whenever the Company's price is below the lower price range threshold, the Company recognizes a reduction in revenue and the receivables from MEM, for the amount equivalent to the difference between the price billed to customers and the lower price range threshold, since this is a contribution factor.

Revenue from the Price Stabilization Fund is recognized as part of revenue from ordinary activities.

c) Revenue from sales of services -

The Company provides services at fixed prices in accordance with contractual terms.

Revenue from services rendered are recognized when control over service is transferred to the customer. For the services of operating terminals, freight, supply, and use of hydrocarbons, the transfer of control occurs when the service is completed and there are no other performance obligations remaining to be satisfied that may affect the customers' acceptance of the service (revenue recognized at a point in time). For the services of transport of crude oil and other services, transfer of control occurs over time, because the relevant performance obligations are satisfied to the extent the service is being rendered.

d) Interest income -

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

2.19 Earnings (losses) per share -

Earnings (losses) per share are calculated by dividing the profit or loss attributable to the Company's shareholders, by the weighted average number of shares outstanding during the year.

2.20 Recognition of cost of sales and expenses -

The cost of sales of products and services is recorded in profit or loss when the products are delivered or the services are rendered, simultaneously with the revenue recognition in accordance with the accounting policies. Freight and transportation expenses related to the delivery of products are presented as part of cost of sales.

Selling and administrative expenses and other expenses are recognized as they are accrued, regardless of when they are paid and are recorded in the periods to which they relate.

2.21 Derivative financial instruments -

Derivative financial instruments such as futures contracts (forwards) are used to hedge foreign currency risks (U.S. dollar). These derivative financial instruments are initially recognized at their fair values on the date the derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives are accounted for as financial assets when their fair value is positive, and as financial liabilities when their fair value is negative. The variation in fair value is recognized in the item "Financial income or expenses" in the statement of comprehensive income. As of December 31, 2024 and 2023, the Company has not carried out financial derivative transactions to hedge exchange rate risk (Note 3.1).

2.22 Segment reporting (Note 5) -

Segment information is presented in a manner consistent with the internal information provided to the Board of Directors, which is the Company's chief-operating decision maker, which allocates resources and monitors the performance of operating segments.

An operating segment is defined as a component of an entity over which there is separate financial information, and it is continuously evaluated.

3 FINANCIAL RISK MANAGEMENT

Management is responsible for establishing and supervising the risk management structure. Corporate Finance Management is responsible for risk management. Management identifies, evaluates and manages financial risks.

The Company's financial risk management policies are established to identify and assess the risks to which the Company is exposed and set adequate risk limits and controls and monitor risks and compliance of limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and entity-specific operations.

3.1 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 price risk of crude oil), credit risk and liquidity risk.

a) Market risk -

The most significant market risks for the Company's activities are explained below:

i) Foreign exchange risk -

Transactions in currencies other than the functional currency (foreign currencies) are mainly agreed in Peruvian soles, euros and yen. The Company is exposed to the risk of severe fluctuations in the exchange rate of said currencies.

The Company manages the foreign exchange risk, seeking a balance between assets and liabilities in foreign currency. As of December 31, 2024 and 2023, the Company has not carried out financial derivative operations to hedge exchange rate risk; therefore, it assumes this risk.

As of December 31, assets and liabilities related to transactions in foreign currency, as well as the net position exposed to exchange risk, are summarized as follows (expressed in thousands and in the corresponding currencies):

	2024			2023		
	S/000	EUR000	JPY000	S/000	EUR000	JPY000
Assets:						
Cash and cash equivalents	307,511	-	-	116,614	1,062	-
Trade receivables	543,217	-	-	1,133,360	-	-
Other receivables	515,415	-	-	463,257	-	-
	<u>1,366,143</u>	<u>-</u>	<u>-</u>	<u>1,713,231</u>	<u>1,062</u>	<u>-</u>
Liabilities:						
Other financial liabilities	(3,774,210)	-	-	(567,188)	-	-
Trade payables	(388,836)	(7,400)	(230,523)	(398,487)	(1,804)	(180,181)
Payables to related parties	(574,867)	-	-	(3,559,516)	-	-
Other payables	(500,623)	-	-	(662,189)	-	-
Lease liabilities	(7,689)	-	-	(7,110)	-	-
	<u>(5,246,225)</u>	<u>(7,400)</u>	<u>(230,523)</u>	<u>(5,194,490)</u>	<u>(1,804)</u>	<u>(180,181)</u>
Net liability exposition	<u>(3,880,082)</u>	<u>(7,400)</u>	<u>(230,523)</u>	<u>(3,481,259)</u>	<u>(742)</u>	<u>(180,181)</u>

These items were translated into its functional currency using the exchange rates published by the Peruvian banking, insurance and pension plan regulator (“Superintendencia de Banca y Seguros y AFP” - SBS). The following exchange rates were used per each foreign currency:

	Exchange rate as of December 31,	
	2024	2023
S/	0.265	0.269
EUR	1.120	1.179
JPY	0.000	0.009

For the years ended December 31, 2024 and 2023, the Company recognized a net exchange gain of US\$11,213 thousand and US\$23,794 thousand, respectively, as stated in “Exchange difference, net” in the statement of comprehensive income.

Sensitivity analysis -

If the U.S. dollar had strengthened/weakened against the Peruvian soles by 5% (the currency that has the most exposure), with all other variables held constant, it would have affected profit before income tax as follows:

	Movement of the year	Effect on profit and loss before taxes	
		Revaluation US\$000	Devaluation US\$000
Year 2024			
S/	5%	51,411	(51,411)
Year 2023			
S/	5%	46,823	(46,823)

As of December 31, 2024 and 2023, if the U.S. dollar had strengthened/weakened against the euros and yens by 5% with all other variables held constant, it would not have affected profit before income tax.

ii) Interest rate risk -

The Company maintains some assets that accrue interest at fixed market rates.

The Company's interest rate risk arises from short-term and long-term borrowings. Borrowings at variable rates expose the Company to cash flow interest rate risk. Borrowings at fixed rates expose the Company to fair value interest rate risk on its borrowings. Management's policy is to maintain financing mainly at fixed interest rates. The Company assumes the interest rate risk on the fair value of its short-term and long-term loans.

As of December 31, 2024 and 2023, the Company maintains all of its debt to finance its operations and the construction of the NTR (before PMRT) at fixed rates according to the following: i) bullet bonds, interest are paid on a semi-annual basis from December 2017 at rates of 4.750% and 5.625% and maturity in 2032 and 2047, respectively; ii) CESCE loan at a rate of 3.285%, interest is payable on a semi-annual basis from May 2019 and maturity in 2030; (iii) bank loans without short-term guarantees in U.S. dollars at rates between 6.32% and 12.22% and (iv) Loan of the MEF according to Emergency Decree No. 010-2022 in Peruvian soles at rates between 5.00% and 6.75% (effective until December 2028); and according to E.D. No. 013-2024 in Peruvian soles at rates between 5.95% and 9.05%.

iii) Price risk of crude oil or commodities -

Selling prices of the products traded by the Company are exposed to commercial risks inherent to the volatility of international prices. Prices invoiced by the Company are modified according to the variations in international prices (Note 1-c).

As explained in Note 1-c, prices in the local market are determined considering the international prices of crude oil and by-products. Prices are expressed in soles at the effective exchange rate, taking into consideration the legal requirements issued in prior years, according to which, under the regime established for the "Price Stabilization Fund" the Peruvian Government can make compensating payments or receive contributions to stabilize the price of certain products for final consumers. This mechanism mitigates the effect of changes in the prices of some products, which are not transferred to the final consumer.

As of December 31, 2024 and 2023, Note 9 shows the net balance of compensations and contributions made by the Peruvian Government.

b) Credit risk -

Credit risk arises from the cash and cash equivalents, time deposits with banks as well as the exposure to wholesale and retail credit customers, that is reflected by the balances of trade receivables.

i) Risk management -

Credit risk is the risk that a counterparty is unable not meet its borrowings in relation to a financial instrument or sales contract, generating a financial loss. The Company's financial assets potentially exposed to credit risk concentrations, mainly comprise bank deposits, trade receivables and some items included in other receivables.

With respect to bank deposits, the Company reduces the probability of significant concentrations of credit risk by distributing its excess funds in prestigious financial institutions and sets limits on the amounts of credit risk exposure with any of these financial institutions.

For trade receivables, credit risk concentration mostly relates to wholesale customers, which are nation-wide prestigious prime-rated companies. The Company has policies in place to make sure that sales of goods are made to wholesale customers with an adequate credit history and guarantees. Such policies comprise, among others, approving credit limits on a customer-by-customer basis, monitoring procedures and continuous follow-up of payment behavior. With respect to agreements signed with Government entities, Peruvian Armed Forces maintain 45-day credit with the Company, while the National Police of Peru maintains 25-day credit. The Company does not foresee significant losses arising from its counterparties.

ii) Impairment of financial assets -

The Company has the following types of financial assets that are subject to models to determine the expected credit loss:

Cash and cash equivalents and certain items of other receivables, trade receivables for sales of products and services.

For cash and cash equivalents and certain items of other receivables, the Company considers any credit loss as immaterial.

For trade receivables, the Company applies the simplified approach according to IFRS 9 to measure expected credit losses, which uses expected losses over the life of the asset.

To measure the expected credit losses, trade receivables are grouped based on common risk characteristics that reflect the payment capacity of each segment of customers for the amounts owed and the number of days past due. The Company has grouped its customers into (i) Trade, (ii) Armed Forces, (iii) Industrial and (iv) Wholesale.

For 2024 and 2023, The rates of expected credit losses are based on the payment profiles of over a 12-month period before December 31, 2024 and 2023, respectively, and the historical credit losses are adjusted to reflect the current and prospective information about macroeconomic factors that affect customers' ability to settle the Company's trade accounts receivable. The expected credit loss is shown in Note 8.

c) Liquidity risk -

Prudent liquidity risk management involves maintaining sufficient cash and cash equivalents, the availability of financing through an adequate number of sources of committed credit facilities and the capacity to close positions in the market. As of December 31, 2024 and 2023, the negative working capital and liquidity problems presented by the Company are being managed with the Management plans (Note 1-e).

The Company 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 and in exceptional cases, it has the financial support of our shareholder on Peruvian Government. Likewise, the Company is implementing a restructuring plan to reverse the adverse liquidity situation, ensure financial sustainability and its operations.

As of December 31, 2024, the Company maintains short-term revolving credit lines with local and foreign banks for US\$3,974,198 thousand, of which US\$1,420,598 thousand are used in operations to purchase crude oil and refined products 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.

The Company's Corporate Finance Management supervises the cash flow projections carried out based on its liquidity requirements to ensure that there is sufficient cash to cover the operating needs while maintaining sufficient headroom on its undrawn committed borrowing facilities, so that the Company does not breach borrowing limits or covenants, where applicable, on any of its borrowing facilities. Cash surpluses and balances above what is required for the administration of working capital are profitable in interest-bearing products and are immediately available.

The table below analyzes the Company's financial liabilities into relevant maturity groupings based on the period remaining at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the undiscounted cash flows:

	<u>Carrying amount</u> US\$000	<u>Cash flows non-discounted</u> US\$000	<u>Less than 1 year</u> US\$000	<u>More than 1 year</u> US\$000	<u>More than 2 years</u> US\$000
2024					
Other financial liabilities	5,610,658	7,884,166	1,202,776	1,033,890	5,647,500
Trade payables	1,282,042	1,282,042	1,282,042	-	-
Lease liabilities	61,156	68,016	46,188	18,623	3,205
Payables to related parties	320,839	406,307	10,778	10,778	384,751
Other payables (*)	44,277	44,277	44,277	-	-
	<u>7,318,972</u>	<u>9,684,808</u>	<u>2,586,061</u>	<u>1,063,291</u>	<u>6,035,456</u>
2023					
Other financial liabilities	5,148,118	8,274,584	2,267,593	187,653	5,819,338
Trade payables	1,903,813	1,903,813	1,903,813	-	-
Lease liabilities	36,459	39,757	19,596	12,880	7,281
Payables to related parties	958,649	1,008,262	1,008,262	-	-
Other payables (*)	49,565	49,565	49,565	-	-
	<u>8,096,604</u>	<u>11,275,981</u>	<u>5,248,829</u>	<u>200,533</u>	<u>5,826,619</u>

(*) Other payables do not include liabilities for taxes, advances, or labor liabilities.

3.2 Capital risk management -

The Company's objectives when managing capital are to safeguard its 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) and payables to related parties, without including lease liabilities less cash and cash equivalent. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

As of December 31, 2024, there are no current contracts with local classification agencies based on the provisions of SMV General Intendancy Resolution No. 039-2024-SMV/11.1. This resolution was notified to PETROPERÚ on the SMV Portal on May 24, 2024. The S&P Global Ratings risk rating agency maintains the B rating for long-term debt in foreign currency, with a stable outlook, while Fitch Ratings maintains the CCC+ rating for long-term debt in foreign currency.

As of December 31, gearing ratios were as follows:

	<u>2024</u>	<u>2023</u>
	<u>US\$000</u>	<u>US\$000</u>
Other financial liabilities (*)	5,610,658	5,148,118
Payables to related parties	320,839	958,649
Cash and cash equivalents	<u>(130,856)</u>	<u>(41,147)</u>
Net debt (A)	5,800,641	6,065,620
Total equity (B)	<u>2,431,728</u>	<u>1,587,942</u>
Total capital (A)+(B)	<u>8,232,369</u>	<u>7,653,562</u>
Ratio (A/(A+ B))	<u>0.70</u>	<u>0.79</u>

The decrease in the gearing ratio mainly corresponds to the capitalization of payables to related parties, in accordance with the provisions of Emergency Decree No. 013-2024.

(*) Not including lease liabilities.

3.3 Estimation of fair value -

The information used by the Company to estimate the fair value is classified as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs generally based on the Company's internal estimates and assumptions).

As of December 31, 2024 and 2023, the Company only measured at fair value forward foreign exchange contracts. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the date of the financial statements. The fair value of forward foreign exchange contracts is estimated discounting the future contractual cash flows, net, comparing the contractually agreed foreign exchange rate against a forward foreign exchange rate applicable at the date of measurement. Discounting is performed using a market interest rate that is available to the Company for similar financial instruments, and the inputs of which used in fair value measurement have been classified in Level 2.

For disclosure purposes to determine the fair value of bonds (measured at the amortized cost), the Company has used observable market inputs (Bloomberg), classified in Level 1; for the fair value of unsecured borrowings, it is estimated by discounting the contractual future cash flows using a current market interest rate that is available to the Company for similar financial instruments and the inputs of which have been classified in Level 2; while for the CESCE loan and payables to related entities, the Company has discounted the contractual cash flows at the Company's average borrowing rate at mid- and long-term plus a spread, information that is classified in Level 3 (Notes 14 and 16).

The carrying amount of cash and cash equivalents corresponds to their fair value. The Company considers that the carrying amount of receivables and payables (including borrowings and payables to related parties) are similar to their fair values due to their short-term maturity and the impact of the discount is not significant.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Estimates and critical accounting criteria -

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the reported assets and liabilities are addressed below:

a) Useful life and depreciation of property, plant and equipment -

Depreciation begins when the asset is available for use, that is, when it is in the location and condition necessary to operate by Management and is calculated under the straight-line method over the estimated useful life of the asset. This results in depreciation charges that are proportional to the estimated wear and tear of the assets as measured in number of years. The useful life of the assets is assessed on the basis of: i) the physical wear and tear of the asset and ii) expected use of the asset. These calculations require estimates and assumptions to be made regarding the market demand for the Company's production and the capital disbursements that will be required in the future.

b) Provisions and contingencies -

The Company is subject to a number of laws and regulations as well as business practices effective in Peru. In this sense, Management makes judgement and estimates in recording environmental matters and seeking to meet the technical standards issued by the local regulatory authorities. Actual costs may differ from estimates for a number of reasons, such as changes in the assumptions and differing interpretations of laws, opinions and assessments in determining the amount of losses.

The Company updates the provision for remediation of privatized and own units as well as the provision of plug-back costs to reflect new events, changes in circumstances and any other relevant information available to determine the costs that it will incur to cover these items (Note 18). Changes in the variables used to establish the amount of the environmental obligation and plugging wells costs may give rise to major adjustments to the balance of the obligation. Also, the Company determines the provisions required for the environmental remediation obligation arising from oil spills derived from the events that occurred on the Peruvian northern oil pipeline ("Oleoducto Norperuano"), considering the contracts with the suppliers that carry out the remediation tasks pending execution and the estimate of the services in the contracting process.

Furthermore, in the ordinary course of business, the Company is exposed to certain contingent liabilities relating to existing or potential claims, litigation and other actions brought against it, including some involving taxes.

A provision is recorded for contingencies when it is probable that an outflow of resources will be required to settle an obligation and the amount can be reasonably estimated. The Company's estimates are based on projections that are updated considering the results of the above-mentioned litigation or other actions and the previous experience of its technical staff and legal counsel both internal and external to address and resolve legal, labor-related and tax claims. To the extent the amount of obligations is being more clearly defined or further information become available, the Company may change its future cost estimates, which may have a significant effect on the results of its operations and its financial position or liquidity.

c) Taxes -

Determination of tax expenses and obligations requires interpretation of the Peruvian tax laws. The Company seeks professional advice in tax matters before making tax-related decisions. Management considers that these estimates are reasonable and appropriate at the reporting date; however, it considers that a particular interpretation of a point of tax laws by the Peruvian tax authorities that is subsequently known may eventually result in additional taxes payable in the future. The Company recognizes liabilities for the observations resulting from tax audits when additional taxes become payable; any differences have an impact on the balances of current income tax for the fiscal period in which those observations are determined.

Deferred income tax asset is reviewed at each reporting date to determine the recoverable amount.

The current income tax determination is performed by the Company following applicable laws and regulations and the experience of previous tax audits. Accordingly, no sensitivity analysis has been considered necessary to be included to simulate variances in calculation, because Management considers that no significant differences will arise that may have a material impact on its financial statements.

d) Testing of possible impairment in property, plant and equipment -

The Company performs an assessment of whether a provision for impairment is required following the accounting policy described in Note 2.7. This determination requires the Company to exercise judgment in analyzing evidence of impairment and determining the recoverable amount. In determining the latter, judgment is required to calculate the expected future cash flows, including Management's projections of the Company operations in the future, projections of economic factors that may affect the Company's expected revenue and costs as well as determining the discount rate to be applied to those cash flows.

Estimates used in determining the recoverable amount of assets consider the Company's historical performance, current operations, future expectations as well as changes in the Company's business strategy. These considerations are the most relevant for estimating expected future cash flows.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The Company determines the recoverable amount based on the value in use. For these purposes, it estimates the expected long-term cash flows, over a timeline of 17 years, which it considers appropriate because it observes that after said period there is a stabilization of the discount rate. At the same time, the determination of value in use presumes the existence of a terminal value of the asset, at the end of the period indicated above.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The Company groups its assets into four CGUs: (i) Production and trading; (ii) Oil Pipeline operations (Note 11), (iii) Leased and privatized Units and (iv) Exploitation of Blocks.

The CGU for Production and Trading groups together the assets of the Conchan, Iquitos and Talara refineries as well as the assets associated with the Company's trading activity, because its corporate purpose and obligation, defined by government Decree Law (Note 1), is the supply of fuel to the entire country through its three refineries located throughout the national territory. This obligation requires the Company to operate its three refineries in a consistent manner, where fuel supply is the priority with the objective of supplying national demand. Likewise, the products that the Conchan and Iquitos refineries sell to third parties require, to a certain extent, inputs that come from the Talara refinery, which led the Company to conclude that the cash flows of the Conchan and Iquitos refineries are not largely independent.

With respect to the CGU for Production and Trading, as of December 31, 2024, the Company has considered internal and external information (in particular, lower-than-expected economic returns as a result of the decrease in sales revenues to the domestic market, due to aggressive competition that grants higher discounts and lower production availability of the NTR, downward trend in international prices of crude oil and derived products, unforeseen shutdown of the NTR's Flexicoking unit, and higher operating expenses, which generated net losses for this CGU of US\$776,824 thousand) and has identified signs of a possible impairment in the value of the assets comprising this CGU. Accordingly, the Company performed the corresponding impairment tests (Note 11).

With respect to the CGU for Pipeline Operations, the Company considered internal and external information (particularly the lower-than-expected economic performance resulting from pipeline breakdowns caused by exogenous events. As a result, the CGU recorded net losses of US\$58,680 thousand and has identified indications of a possible impairment in the value of the assets comprising this CGU. Therefore, the Company performed the corresponding impairment tests (Note 11).

CGUs for rented and privatized units and Exploitation of Blocks, considering their current economic performance, have not identified internal or external indications that would require impairment testing.

4.2 Critical judgments in the application of accounting policies -

Determination of functional currency -

Under IAS 21, "The Effects of Changes in Foreign Exchange Rates", an entity must define its functional currency as the currency of the primary economic environment in which the Company operates. As part of its assessment, an entity analyzes primary indicators (those associated with the economic forces that mainly influence sales prices and costs); when the primary indicators are not conclusive, it analyzes secondary indicators (those associated with the currency in which funds from financing activities are generated and in which cash surpluses are maintained). After this evaluation, the determination of the functional currency may not be evident, in which case, Management should exercise judgment to determine its functional currency as the currency that most faithfully reflects the economic effects of the Company's underlying transactions.

The Company sells its products and services mostly in the Peruvian market; selling prices of crude are influenced by the international market and by the local market and regulations. Most of the costs correspond to the import of crude, this cost is denominated in U.S. dollars and is mainly influenced by the international markets, most Note by the United States market.

In 2024 and 2023, Management has not observed any relevant change in the circumstances prevailing in the past. On the other hand, in relation to the secondary indicators established by IAS 21 “The Effects of Changes in Foreign Exchange Rates”, referring to the currency in which the funds from financing activities are generated, the Company maintains the prevalence of the U.S. dollar since 2017 to date (Note).

The financing structure and the notable prevalence of the U.S. dollar led the Company to define this currency as its functional currency.

As of December 31, 2024 and 2023, according to Company’s critical judgment, the functional currency is the U.S. dollar.

5 SEGMENT INFORMATION

a) Description of business segments and core activities -

The Company’s chief operating decision-maker (Board of Directors) evaluates the Company’s performance in its four 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 operations are assessed by the activities of the following business units: (i) Production and trading, (ii) Oil Pipeline operations and (iii) Leased and privatized units and (iv) Exploitation of Blocks.

As set forth under IFRS 8, the reportable operating segment based on its level of revenue and assets is: ‘Production and trading’. However, the Company voluntarily reports all its operating segments as detailed in this Note.

The following summary describes the operations of each reportable segment:

Segment	Operations
Production and trading	Refining and commercialization of petroleum products.
Oil Pipeline operations	Service of transfer and custody of crudes from the Northern
Leased and privatized units	Assets that originate cash inflows derived from rentals.
Exploitation of Blocks	Exploitation of hydrocarbons in operations with License

Company’s General Management and Board of Directors review 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 other products and transportation services.

Statement of financial position by segments -

	<u>Production and trading (*)</u> US\$000	<u>Oil pipeline operations</u> US\$000	<u>Leased and privatized units</u> US\$000	<u>Exploitation of Blocks (**)</u> US\$000	<u>Total</u> US\$000
As of December 31, 2024					
Assets:					
Current	1,213,926	54,842	39,905	92,603	1,401,276
Non-current	8,146,454	180,967	171,322	39,103	8,537,846
	<u>9,360,380</u>	<u>235,809</u>	<u>211,227</u>	<u>131,706</u>	<u>9,939,122</u>
Liabilities:					
Current	3,165,616	93,874	182	41,589	3,301,261
Non-current	4,188,786	17,347	-	-	4,206,133
	<u>7,354,402</u>	<u>111,221</u>	<u>182</u>	<u>41,589</u>	<u>7,507,394</u>

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

(**) The Exploitation of Blocks segment includes the following blocks:

	<u>Block I</u> US\$000	<u>Block VI</u> US\$000	<u>Block Z 69</u> US\$000	<u>Block X</u> US\$000	<u>Total</u> US\$000
As of December 31, 2024					
Assets:					
Current	6,333	27,559	35,298	23,413	92,603
Non-current	-	-	39,103	-	39,103
	<u>6,333</u>	<u>27,559</u>	<u>74,401</u>	<u>23,413</u>	<u>131,706</u>
Liabilities:					
Current	3,228	9,157	18,522	10,862	41,589

Statement of financial position by segments -

	<u>Production and trading (*)</u> US\$000	<u>Oil pipeline operations</u> US\$000	<u>Leased and privatized units</u> US\$000	<u>Exploitation of Blocks (**)</u> US\$000	<u>Total</u> US\$000
As of December 31, 2023					
Assets:					
Current	1,479,722	79,155	39,924	45,566	1,644,367
Non-current	7,875,040	157,695	168,569	44,498	8,245,802
	<u>9,354,762</u>	<u>236,849</u>	<u>208,493</u>	<u>90,064</u>	<u>9,890,169</u>
Liabilities:					
Current	4,964,019	76,213	120,948	25,637	5,186,817
Non-current	3,097,991	17,419	-	-	3,115,410
	<u>8,062,010</u>	<u>93,632</u>	<u>120,948</u>	<u>25,637</u>	<u>8,302,227</u>

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

(**) The Exploitation of Blocks segment includes the following blocks:

	<u>Block I</u> US\$000	<u>Block VI</u> US\$000	<u>Block Z 69</u> US\$000	<u>Total</u> US\$000
As of December 31, 2023				
Assets:				
Current	18,418	12,820	14,328	45,566
Non-current	-	-	44,498	44,498
	<u>14,418</u>	<u>12,820</u>	<u>58,826</u>	<u>90,064</u>
Liabilities:				
Current	6,135	5,783	13,720	25,637

Statement of income by segments -

	Production and trading (*) US\$000	Oil pipeline operations US\$000	Leased and privatized units US\$000	Exploitation of Blocks (**) US\$000	Total US\$000
Year 2024					
Revenue from ordinary activities	3,429,411	263	-	26,723	3,456,397
Other operating income	44,387	5,659	20,877	-	70,923
Inter-segment revenue	-	27,585	-	258,215	285,800
Total revenue	3,473,798	33,507	20,877	284,938	3,813,120
Cost of sales	(3,564,329)	(54,754)	(14)	(194,233)	(3,813,330)
Inter-segment cost	(285,800)	-	-	-	(285,800)
Gross (loss) profit	(376,331)	(21,247)	20,863	90,705	(286,010)
Selling and distribution expenses	(54,697)	(2)	(6,707)	-	(61,406)
Administrative expenses	(145,303)	(20,983)	-	(14,778)	(181,064)
Other income and expenses	(41,496)	(17,825)	1,445	725	(57,151)
(Loss) profit from operating activities	(617,827)	(60,057)	15,601	76,652	(585,631)
Financial (expenses) income	(371,601)	1,089	512	224	(369,776)
(Loss) profit before income tax	(989,428)	(58,968)	16,113	76,876	(955,407)
Income tax	180,388	288	826	-	181,502
Profit or loss from the year and comprehensive income	(809,040)	(58,680)	16,939	76,876	(773,905)

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

(**) The Exploitation of Blocks segment includes the following blocks:

	Block I (New contract) US\$000	Block VI US\$000	Block Z 69 US\$000	Block X US\$000	Total US\$000
Year 2024					
Revenue from ordinary activities	2,856	3,735	16,947	3,185	26,723
Inter-segment revenue	15,816	53,781	135,223	53,395	258,215
Cost of sales	(12,823)	(31,299)	(121,353)	(28,758)	(194,233)
Gross profit	5,849	26,217	30,817	27,822	90,705
Administrative expenses	(1,123)	(2,567)	(6,996)	(4,092)	(14,778)
Other income and expenses	-	280	445	-	725
Profit from operating activities	4,726	23,930	24,266	23,730	76,652
Financial income	112	-	112	-	224
Profit or loss from the year and comprehensive income	4,838	23,930	24,378	23,730	76,876

Statement of income by segments 2023:

	Production and trading (*) US\$000	Oil pipeline operations US\$000	Leased and privatized units US\$000	Exploitation of blocks (**) US\$000	Total US\$000
Year 2023					
Revenue from ordinary activities	3,937,529	515	-	5,925	3,943,969
Other operating income	41,413	1,290	22,412	-	65,115
Inter-segment revenue	-	24,258	-	37,122	61,380
Total revenue	3,978,942	26,063	22,412	43,047	4,070,464
Cost of sales	(4,273,249)	(59,228)	(4,483)	(30,663)	(4,367,623)
Inter-segment cost	(61,380)	-	-	-	(61,380)
Gross (loss) profit	(355,687)	(33,165)	17,929	12,384	(358,539)
Selling and distribution expenses	(60,038)	(2)	(6,681)	-	(66,721)
Administrative expenses	(216,059)	(12,293)	-	(5,197)	(233,549)
Other income and expenses	(192,641)	(170,836)	(2)	-	(363,479)
(Loss) profit from operating activities	(824,425)	(216,296)	11,246	7,187	(1,022,288)
Financial (expenses) income	(234,795)	(2,146)	714	(10)	(236,237)
(Loss) profit before income tax	(1,059,220)	(218,442)	11,960	7,177	(1,258,525)
Income tax	195,539	43	46	(1,484)	194,144
Profit or loss from the year and comprehensive income	(863,681)	(218,399)	12,006	5,693	(1,064,381)

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

(**) The Exploitation of Blocks segment includes the following blocks:

	<u>Block I</u> US\$000	<u>Block I (New Contract)</u> US\$000	<u>Block VI</u> US\$000	<u>Block Z 69</u> US\$000	<u>Total</u> US\$000
Year 2023					
Revenue from ordinary activities	2,863	515	603	1,944	5,925
Inter-segment revenue	11,290	2,993	11,356	11,483	37,122
Cost of sales	<u>(8,824)</u>	<u>(1,752)</u>	<u>(4,927)</u>	<u>(15,160)</u>	<u>(30,663)</u>
Gross profit	5,329	1,756	7,032	(1,733)	12,384
Administrative expenses	<u>(4,411)</u>	<u>(99)</u>	<u>(431)</u>	<u>(256)</u>	<u>(5,197)</u>
Profit from operating activities	918	1,657	6,601	(1,989)	7,187
Financial (expenses) income	<u>(14)</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>(10)</u>
Profit before income tax	904	1,657	6,605	(1,989)	7,177
Income tax	<u>(296)</u>	<u>(195)</u>	<u>(993)</u>	<u>-</u>	<u>(1,484)</u>
Profit or loss from the year and comprehensive income	<u>608</u>	<u>1,462</u>	<u>5,612</u>	<u>(1,989)</u>	<u>5,693</u>

b) Other information -

Revenue by geographical segment based on the customers' geographical location is as follows:

	<u>2024</u> US\$000	<u>2023</u> US\$000
Peru	3,117,788	3,532,428
Other countries	<u>409,532</u>	<u>476,656</u>
	<u>3,527,320</u>	<u>4,009,084</u>

The revenue information broken down by type of product is described in Note 21.

6 FINANCIAL INSTRUMENTS

6.1 Financial instruments per category -

The classification of financial assets and liabilities per category is as follows:

	<u>As of December 31,</u>	
	<u>2024</u> US\$000	<u>2023</u> US\$000
Financial assets as per the statement of financial position		
Financial assets at amortized cost:		
- Cash and cash equivalents (Note 7)	130,856	41,147
- Trade receivables (Note 8)	219,660	279,226
- Other receivables (*) (Note 9)	<u>78,512</u>	<u>86,403</u>
	429,028	406,776
Other assets measured at fair value through profit and loss		
- Derivative financial instruments (Note 9)	<u>-</u>	<u>11,388</u>
	<u>429,028</u>	<u>418,164</u>
Financial liabilities as per the statement of financial position		
Other financial liabilities at amortized cost:		
- Other financial liabilities (Note 14)	5,610,658	5,148,118
- Trade payables (Note 15)	1,282,042	1,903,813
- Payables to related parties (Note 16)	320,839	958,649
- Lease liabilities (Note 13)	61,156	36,459
- Other payables (*) (Note 17)	<u>44,277</u>	<u>49,565</u>
	7,318,972	8,096,604
Other liabilities measured at fair value with changes in profit or loss:		
- Financial liability for forward contracts and others (Note 17)	<u>-</u>	<u>13,318</u>
	<u>7,318,972</u>	<u>8,109,922</u>

(*) Not including taxes, labor liabilities nor advances.

6.2 Credit quality of financial assets -

The credit quality of financial assets is shown in Note 3.1.b).

According to the information provided by Apoyo & Asociados Internacionales S.A.C. (Fitch Ratings representative), the credit quality of the financial institutions in which cash is maintained in checking accounts, liquidity funds, term deposits and funds subject to restriction is broken down as follows:

	As of December 31,	
	2024	2023
	US\$000	US\$000
Cash and cash equivalent -		
Checking accounts:		
A+	109,865	32,733
A	20,981	8,402
	<u>130,846</u>	<u>41,135</u>
Other receivables -		
Funds subject to restriction:		
A+	61,806	57,404
	<u>61,806</u>	<u>57,404</u>

Risk ratings "A" and "A+" in the above table represent high quality ratings. For banks in Peru, risk ratings are obtained from the credit rating agencies authorized by the SBS.

Customers' credit quality is assessed in three categories (internal ranking):

- A: new customers / related parties (less than six months),
- B: existing customers / related parties (more than six months) with no history of default,
- C: existing customers / related parties (more than six months) with some history of default in the past.

	As of December 31,	
	2024	2023
	US\$000	US\$000
Trade receivables (Note 8)		
A	17	121
B	141.250	144.874
C	78.393	134.231
	<u>219.660</u>	<u>279.226</u>

7 CASH AND CASH EQUIVALENTS

This item comprises:

	As of December 31,	
	2024	2023
	US\$000	US\$000
Checking accounts	130,846	41,135
Fixed funds	10	12
	<u>130.856</u>	<u>41.147</u>

The Company maintains cash in checking accounts in local and foreign currency with financial institutions. As of December 31, 2024, these funds are freely available and accrue interest rates of 4.50% in Peruvian soles and 3.03% in U.S. dollars (7.40% in Peruvian soles and 5.50% in U.S. dollars, as of December 31, 2023).

8 TRADE RECEIVABLES

This item comprises:

	As of December 31,	
	2024	2023
	US\$000	US\$000
Wholesalers	90,881	75,823
Oil companies	31,354	31,899
Fuel traders	18,518	22,423
Construction industry	11,079	11,529
External market	9,254	9,221
Armed Forces and National Police Force	8,487	16,045
Fishing industry	4,495	258
Industrial industry	2,189	22
Electric power industry	1,275	977
Transport industry	1,084	691
Aviation business	604	2,522
Mining industry	331	58,857
Other customers	741	1,039
Doubtful accounts from different customers	13,335	13,532
	<u>193,627</u>	<u>244,838</u>
Fondo de Estabilización de Precios - MEM (Nota 1- c)	39,368	47,920
	<u>232,995</u>	<u>292,758</u>
Menos: Pérdida esperada de cuentas por cobrar comerciales	(13,335)	(13,532)
	<u><u>219,660</u></u>	<u><u>279,226</u></u>

Trade receivables -

The balances of trade receivables are invoices in 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 and 25 days, respectively; for wholesalers and other customers, from 7 to 45 days. Following internal policies, receivables are mostly secured by a performance bond and other instruments of the Peruvian financial system in accordance with the credit policy approved by the Board of Directors.

Price Stabilization Fund – Peruvian Ministry of Energy and Mines (MEM) -

As of December 31, 2024 and 2023, the total amount receivable from the general hydrocarbons agency (Dirección General de Hidrocarburos - DGH) amounted to US\$39,368 thousand and US\$63,548 thousand, respectively, generated from compensation and contribution transactions (Note 2.18-b). As of December 31, 2023, these balances include a legal recourse (“Demanda de Amparo”) recorded in a Claims account for US\$15,628 thousand, classified as other long-term receivables (Note 9-d). This debt was collected in December 2024.

The annual movement of the total balance of the item Price Stabilization Fund is explained as follows:

	<u>2024</u>	<u>2023</u>
	<u>US\$000</u>	<u>US\$000</u>
Opening balance receivable	47,920	213,386
Price compensation	14,131	54,122
Price contribution	(17,678)	(50,202)
Net charged to revenue from ordinary activities (Note 21)	(3,547)	3,920
Compensation generated by imported products (Note 1- c)	-	105,176
Contribution generated by import of products	-	(5,642)
Collection of compensation and contribution payments	(4,555)	(167,558)
Exchange difference	(450)	838
Closing balance receivable	<u>39,368</u>	<u>47,920</u>

Expected loss of trade receivables -

To measure the expected credit losses, the Company has classified its customers based on common risk characteristics that reflect the payment capacity of each segment of customers considering the amounts owed. This classification was performed considering the segments that represent specific risks: wholesale, industrial, trade and armed forces segments.

The rates of expected credit losses are based on the payment profiles of sales over a 12-month period before December 31, 2024 and the historical credit losses are adjusted to reflect the current and prospective information about macroeconomic factors that affect customers' ability to settle the Company's trade receivables. The Company has identified the growth rate of hydrocarbon Gross Domestic Product (GDP) and the variation in real minimum vital remuneration as the most relevant factors and, consequently, adjusts the historical loss rates based on the expected changes in these factors.

Based on that information, the provision for losses as of December 31, 2024 and 2023 was determined as follows:

	<u>2024</u>			<u>2023</u>		
	<u>Expected loss rate</u>	<u>Gross carrying amount</u>	<u>Expected loss</u>	<u>Expected loss rate</u>	<u>Gross carrying amount</u>	<u>Expected loss</u>
	%	US\$000	US\$000	%	US\$000	US\$000
Current	0.00	179,438	-	0.02	230,643	40
From 1 to 30 days	37.91	40	15	0.73	153	1
From 31 to 60 days	100.00	1	1	0.76	23	-
From 61 to 360 days	100.00	338	338	0.85	-	-
More than 360 days	94.00	13,810	12,981	95.25	14,019	13,491
Total (*)		<u>193,627</u>	<u>13,335</u>		<u>244,838</u>	<u>13,532</u>

(*) Not including the Price Stabilization Fund.

The movement in the provision for expected loss of trade receivables is as follows:

	<u>2024</u>	<u>2023</u>
	<u>US\$000</u>	<u>US\$000</u>
Opening balance	13,532	13,109
Expected loss (Note 24)	-	71
Exchange difference	(197)	352
Closing balance	<u>13,335</u>	<u>13,532</u>

Management considers that the provision for the expected loss recognized in the financial statements and guarantees required are sufficient to cover any eventual risk of collection of trade receivables at the date of the statement of financial position.

Trade receivables that have reached maturity, on which no losses are expected, are related to independent customers maintaining performance bonds and/or whose debt is reconciled and is expected to be collected in the short term; therefore, Management has not estimated an expected loss for these accounts.

Expected loss for trade receivables is included in selling and distribution expenses in the statement of comprehensive income (Note 24).

9 OTHER RECEIVABLES AND ADVANCES

This item comprises:

	As of December 31,	
	2024	2023
	US\$000	US\$000
Current		
Tax credit - VAT (a)	193,494	322,594
Tax credit - Income tax (b)	41,808	47,508
Funds subject to restriction	61,850	57,404
Advances granted to suppliers	19,510	20,555
Loans to personnel	3,150	3,497
Loans to third parties	1,962	2,008
Financial asset from forward contract	-	11,388
Others	3,754	2,089
Doubtful accounts	33,649	33,874
	<u>359,177</u>	<u>500,917</u>
Expected loss of other receivables (f)	<u>(33,649)</u>	<u>(33,874)</u>
Current portion	<u>325,528</u>	<u>467,043</u>
Non-current		
Tax credit - VAT, long-term (c)	1,060,386	925,290
Price Stabilization Fund Claims – Peruvian Ministry of Energy and Mines – MEM (Note 1(c)) Note 8) and d)	-	15,628
Claims against Peruvian tax authorities (e)	7,796	5,777
Other long-term taxes	7,286	9,699
Non-current portion	<u>1,075,468</u>	<u>956,394</u>

(a) Tax credit - Value added tax (VAT), short-term -

As of December 31, 2024, it corresponds to the Value Added Tax - "VAT" (IGV in Peru) credit of operations for US\$61,601 thousand (equivalent to S/232,235 thousand), VAT of the PMRT for US\$117,975 (equivalent to S/444,766 thousand) and tax credit for excise tax (ISC) for US\$13,918 thousand (equivalent to S/52,472 thousand).

As of December 31, 2023, it corresponds to the VAT (IGV in Peru) credit of operations for US\$60,418 thousand (equivalent to S/224,333 thousand), VAT of the PMRT for US\$104,912 thousand (equivalent to S/389,538 thousand) and tax credit for excise tax (ISC) for US\$157,264 thousand (equivalent to S/583,920 thousand).

From January to December 2024, Peruvian tax and customs authorities (“Superintendencia Nacional de Aduanas y Administración Tributaria – SUNAT”) made the return of VAT tax credit for US\$73,252 thousand (equivalent to S/275,762 thousand) and, in 2023, SUNAT made the return of VAT tax credit for US\$100,590 thousand (equivalent to S/378,396 thousand), which was requested by the Company through the return of the balance in favor of the exporter’s benefit.

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

As of December 31, 2024, it corresponds to the accumulated on-account payments of income tax for US\$41,808 thousand (equivalent to S/157,616 thousand), which will be recovered in the short term through the income tax payable generated by future operations.

As of December 31, 2023, it corresponds to the accumulated on-account payments of income tax for US\$47,508 thousand (equivalent to S/176,397 thousand), which were requested by the Company as income tax refunds in April 2024 and were collected in June 2024.

(c) Tax credit - VAT, long-term -

As of December 31, 2024, it corresponds to the Value Added Tax credit paid for the acquisition of goods and services mainly related to the NTR amounting to US\$367,589 thousand (equivalent to S/1,385,812 thousand) and the VAT for operations amounting to US\$692,797 thousand (equivalent to S/2,611,843 thousand).

As of December 31, 2023, it corresponds to the Value Added Tax credit paid for the acquisition of goods and services mainly related to the NTR amounting to US\$368,256 thousand (equivalent to S/1,367,335 thousand) and the VAT for operations amounting to US\$557,034 thousand (equivalent to S/2,068,267 thousand).

This credit balance of tax credit has no expiration period. The Company expects to recover this tax credit through its operations in the long-term.

(d) Price Stabilization Fund Claims to the MEM -

In April 2010, the DGH issued 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 an Action seeking constitutional protection with the second constitutional court in Lima, on the grounds that this resolution was unconstitutional. This action was assigned with the File No. 21022-2010-0-1801-JR-CI-02.

On November 28, 2018, a Sentence was issued through Resolution No. 16, by which the claim was decided to be groundless. Pursuant to Resolution No. 17, the appeal of said judgment was granted, filed by the Company.

Pursuant to Resolution No. 19, enacted on October 28, 2020, the court of first instance required:

- a. That the defendant (MEM) complies with submitting a comparative table specifying the contribution and compensation factors that would eventually have corresponded from August 19, 2008 to April 23, 2019, and
- b. Also, that the claimant complies with proving factually and/or legally why it considers that Resolution No. 075-2010-EM/DGH is not retroactively applicable.

On December 17, 2020, by means of a Sentence contained in Resolution No. 5, the Third Civil Courtroom ("Tercera Sala Civil") declared Resolution No. 16 null and void, which decided the claim was groundless and ordered that the Judge of First Instance issue a new resolution in accordance with the aforementioned.

Pursuant to Resolution No. 20, enacted on March 4, 2021, the Company complies with accrediting the reasons why it is considered that Resolution No. 075-2010-EM/DGH is not retroactively applicable, as requested by Resolution No. 19. On December 29, 2022, the Second Constitutional Court of Lima ("Segundo Juzgado Constitucional de Lima") issued a Judgment (Resolution No. 21) declaring the request for protection action inadmissible. On April 15, 2023, the appeal is granted with suspensive effect and the proceedings are raised to the Third Civil Chamber of Lima.

Pursuant to Judgement contained in Resolution No. 12 dated September 6, 2023, the Third Civil Chamber of Lima declared null and void Resolution No. 21, which declared the lawsuit inadmissible, ordering that the affected court action be renewed.

Subsequently, by means of the judgment contained in Resolution No. 26 dated May 13, 2024, issued by the Second Transitional Constitutional Court of Lima, the Constitutional Relief Action ("Demanda de Amparo") filed by the Company was upheld.

Later, through Resolution No. 16 dated August 14, 2024, the Third Civil Chamber of the Superior Court of Justice of Lima ruled in favor of the Company by upholding the judgment of the Second Transitional Constitutional Court ("Segundo Juzgado Constitucional Transitorio") and declared Directorial Resolution No. 075-2010-EM/DGH unenforceable, on the grounds that it violated the principle of non-retroactivity of the law.

Additionally, said ruling ordered the defendants to refrain from calculating and/or determining the amounts not offset or not contributed by the plaintiff from August 19, 2008, to April 23, 2010.

By means of Resolution No. 28 dated November 29, 2024, the Second Transitional Constitutional Court of Lima required the Peruvian Ministry of Energy and Mines to comply with the ruling within a maximum period of five days, which was ultimately fulfilled on December 30, 2024, with the payment to the Company of an amount of S/58,026 thousand (equivalent to US\$15,628 thousand).

(e) Claims to SUNAT -

As of December 31, 2024 and 2023, this item only includes File No. 17806-2012, which mainly comprises claims against tax assessments involving the Turbo A-1 (fuel intended only for aviation activities) resulting from the provisions of Supreme Decree No. 186-2-002-EF, which stipulated the sales of Turbo A1 intended for general aviation activities were not subject to Excise Tax (ISC in Peru). In this regard, the Company considers it illegal to restrict the tax to sales conducted by profit-making entities since they were finally directed to aviation entities by virtue of private contracts.

The Company's legal advisors consider that the sales of Turbo A - 1 were carried out according to law, therefore, on February 4, 2022, Management filed a Contentious-Administrative Lawsuit against Resolution No. 09743- 4-2021, which is processed before the 22nd Contentious-Administrative Court ("22° Juzgado Contencioso Administrativo"), Tax Specialty (File No. 0744-2022-0-1801-JR-CA-22).

In November 2012, the Company paid a total US\$8,651 thousand (equivalent to S/29,197 thousand), in respect of a number of tax determination and tax penalty resolutions involving allegedly unpaid excise tax (ISC) and VAT (IGV) comprising sales of Turbo A – 1 for fiscal 2007. These Resolutions were challenged by PETROPERÚ (Case No. 17806-2012), and the Fourth Chamber of the Tax Court, as the final administrative instance, issued Resolution No. 09743-4-2021 dated November 5, 2021, confirming Regional Resolution No. 0150140010514 with respect to the tax adjustment related to sales of Turbo A-1 fuel not intended for aviation companies.

As of December 31, 2024, this lawsuit, which is being processed before the 22nd Contentious-Administrative Court ("22° Juzgado Contencioso Administrativo"), Tax Subspecialty (File No. 0744-2022-0-1801-JR-CA-22), is pending resolution. The expectation of the Company and its external legal advisors is that the probability of recovering the claim is high, based on the resolution of other similar claims that were favorable to the claimants.

(f) Bad debt loss on other receivables -

This loss is mainly related to ongoing claims submitted to municipalities involving property taxes and municipal taxes; the probability of a favorable outcome is low.

With respect to the other items of other receivables, the Company considers that the credit risk of counterparties is low. Therefore, the Company has not registered an expected loss for these accounts as it is not significant.

The annual movement of the bad debt loss is as follows:

	<u>2024</u> <u>US\$000</u>	<u>2023</u> <u>US\$000</u>
Opening balance	33,874	33,466
Exchange difference	(225)	408
Closing balance	<u>33,649</u>	<u>33,874</u>

10 INVENTORIES

This item comprises:

	<u>As of December 31,</u>	
	<u>2024</u> <u>US\$000</u>	<u>2023</u> <u>US\$000</u>
Crude oil	220,572	326,472
Refined products:		
- In-process	158,842	194,337
- Finished	208,406	310,544
- Acquired refined products	69,739	62,617
In-transit inventories	96,710	1,692
Supplies	89,112	71,899
Reclassification to property, plant and equipment (*)	(116,174)	(109,109)
	<u>727,207</u>	<u>858,452</u>
Less - Provision for impairment of supplies	(4,024)	(4,042)
	<u>723,183</u>	<u>854,410</u>

In 2024, the cost of inventories recognized as expenses and included in the cost of sales amounted to US\$2,969,994 thousand (US\$3,817,122 thousand in 2023) which are equivalent to cost of sales less operating expenses of production.

As of December 31, 2024, the crude oil price had a lowering trend, with a closing price of US\$71.72 per barrel (US\$71.65 per barrel as of December 31, 2023). The average price during December 2024 was US\$69.78 per barrel (US\$72.09 per barrel in December 2023). As of December 31, 2024, the crude oil inventory is made up of 3,543 MBC - Thousand Barrels of Crude Oil (4,821 MBC as of December 31, 2023).

(*) It corresponds to the reclassification of the minimum amount of crude oil that the ONP needs to operate for an amount of US\$93,176 thousand and spare parts that are part of the fixed assets and have been considered as part of the inventory for an amount of US\$22,998 thousand.

The annual movement of the provision for impairment of supplies is explained as follows:

	<u>2024</u>	<u>2023</u>
	<u>US\$000</u>	<u>US\$000</u>
Opening balance	4,042	4,142
Impairment of supplies	198	195
Recovery	(216)	(295)
Closing balance	<u>4,024</u>	<u>4,042</u>

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 consumption and considering their physical condition. As of December 31, 2024 and 2023, 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.

11 PROPERTY, PLANT AND EQUIPMENT

This item comprises:

	Land	Buildings and other constructions	Machinery and equipment	Vehicles	Furniture and fixtures	Other and computer equipment	Spare parts	Equipment not in use	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
Year 2023											
Net cost as of January 1, 2023	211,011	381,365	1,505,436	25,027	1,003	104,975	-	-	4,814,852	6,570	7,050,239
Additions	-	-	-	19	-	2	-	-	507,178	21,374	528,573
Transfers	-	721,869	2,958,458	143	1,532	178,662	844	-	(3,840,587)	(20,921)	-
Disposals	-	-	(377)	(11)	(4)	(24)	-	(1,726)	(850)	-	(2,992)
Reclassification to equipment out of use	-	-	(2,555)	(42)	(25)	(498)	-	3,120	-	-	-
Reclassifications to inventory (Note 10)	-	-	109,109	-	-	-	-	-	-	-	109,109
Reclassifications to investment property (*)	6,795	-	-	-	-	-	-	-	-	-	6,795
Reclassifications to intangible assets (Note 12)	-	-	-	-	-	-	-	-	(29,257)	-	(29,257)
Depreciation for the year	-	(21,182)	(160,557)	(2,166)	(629)	(26,688)	(16)	-	-	-	(211,238)
Depreciation of disposals	-	-	373	11	4	24	-	937	-	-	1,349
Provision for impairment	-	-	(334,875)	-	-	-	-	-	-	-	(334,875)
Disposal of equipment out of use	-	-	1,781	38	25	487	-	(2,331)	-	-	-
Transfer of depreciation	-	46	(46)	-	-	-	-	-	-	-	-
Transfers of impairment	-	-	(71,446)	-	-	-	-	-	71,446	-	-
Net cost as of December 31, 2023	<u>217,806</u>	<u>1,082,098</u>	<u>4,268,730</u>	<u>23,019</u>	<u>1,906</u>	<u>256,940</u>	<u>828</u>	<u>-</u>	<u>1,522,782</u>	<u>7,023</u>	<u>7,117,703</u>
Balances as of December 31, 2023											
Cost	217,806	1,225,713	5,112,405	47,998	8,077	326,461	844	12,847	1,522,783	7,022	8,481,956
Accumulated depreciation	-	(143,662)	(700,427)	(24,979)	(6,170)	(69,522)	(16)	(12,847)	-	-	(957,623)
Accumulated impairment	-	-	(406,630)	-	-	-	-	-	-	-	(406,630)
As of December 31, 2023	<u>217,806</u>	<u>1,082,051</u>	<u>4,005,348</u>	<u>23,019</u>	<u>1,907</u>	<u>256,939</u>	<u>828</u>	<u>-</u>	<u>1,522,783</u>	<u>7,022</u>	<u>7,117,703</u>
Year 2024											
Opening balance of net carrying amount	217,806	1,082,051	4,005,348	23,019	1,907	256,939	828	-	1,522,783	7,022	7,117,703
Additions	-	661	2,339	-	-	2,574	-	3	195,744	9,321	210,642
Transfers	386	224,305	1,069,017	214	326	118,875	13,984	-	(1,427,107)	-	-
Disposals	-	-	(26)	(200)	(9)	(19)	-	(2,325)	-	-	(2,579)
Reclassification to equipment out of use	-	-	(644)	(37)	(32)	(860)	-	1,573	-	-	-
Reclassifications to inventory	-	-	(15,934)	-	-	-	-	-	-	-	(15,934)
Reclassifications from inventory	-	-	-	-	-	-	22,998	-	-	-	22,998
Reclassifications to intangible assets (Note 12)	-	-	-	-	-	-	-	-	(31,911)	-	(31,911)
Depreciation for the year	-	(27,047)	(182,636)	(2,148)	(546)	(14,286)	(215)	-	-	-	(226,878)
Depreciation of disposals	-	-	25	199	6	16	-	2,278	-	-	2,524
Provision for impairment	-	-	-	-	-	-	-	-	(24,669)	-	(24,669)
Disposal of equipment out of use	-	-	635	35	32	827	-	(1,529)	-	-	-
Adjustments	-	-	-	-	-	-	-	-	-	(5,557)	(5,557)
As of December 31, 2024	<u>218,192</u>	<u>1,279,970</u>	<u>4,878,124</u>	<u>21,082</u>	<u>1,684</u>	<u>364,066</u>	<u>37,595</u>	<u>-</u>	<u>234,840</u>	<u>10,786</u>	<u>7,046,339</u>
Cost											
Cost	218,192	1,450,679	6,167,157	47,975	8,362	447,031	37,826	12,098	259,509	10,786	8,665,172
Accumulated depreciation	-	(170,709)	(882,403)	(26,893)	(6,678)	(82,965)	(231)	(12,098)	-	-	(1,187,534)
Accumulated impairment	-	-	(406,630)	-	-	-	-	-	(24,669)	-	(431,299)
As of December 31, 2024	<u>218,192</u>	<u>1,279,970</u>	<u>4,878,124</u>	<u>21,082</u>	<u>1,684</u>	<u>364,066</u>	<u>37,595</u>	<u>-</u>	<u>234,840</u>	<u>10,786</u>	<u>7,046,339</u>

Property, plant and equipment of oil blocks -

The items of property, plant and equipment include assets acquired by the Company related to oil blocks, in this case referring only to Block Z-69, which are detailed below:

	<u>Land</u> US\$000	<u>Buildings and other constructions</u> US\$000	<u>Machinery and equipment</u> US\$000	<u>Vehicles</u> US\$000	<u>Furniture and fixtures</u> US\$000	<u>Other equipment</u> US\$000	<u>Total</u> US\$000
As of December 31, 2023							
Accumulated cost	6,795	419	115,317	664	332	239	123,766
Accumulated depreciation	-	(419)	(77,613)	(664)	(332)	(239)	(79,267)
Net cost	<u>6,795</u>	<u>-</u>	<u>37,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,498</u>
As of December 31, 2024							
Accumulated cost	6,795	419	115,317	664	332	239	123,766
Accumulated depreciation	-	(419)	(82,974)	(664)	(332)	(239)	(84,628)
Net cost	<u>6,795</u>	<u>-</u>	<u>32,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,137</u>

(*) On November 15, 2023, the License Agreement for Block Z-69 was signed for a period of 2 years or until the effective date of a new contract. As a consequence of said agreement, the land that was leased to SAVIA until November 14, 2023 and that was presented in the item of Investment Properties, was transferred as of November 15, 2023 to the item of Property, Plant and Equipment. Z-69.

(i) Major projects -

a) New Talara Refinery, formerly Talara Refinery Modernization Project - PMRT -

Its objective is the technological development involving building new manufacturing facilities, modernizing and extending current facilities to:

- i) Manufacture Diesel and Gasoline with less than 50 ppm (part per million) of Sulphur.
- ii) Enlarge the production capacity of the refinery from 65 to 95 thousand bpd (barrels per day).
- iii) Process heavy and more economic crudes to be used in manufacturing light fuels of higher commercial value.

As of December 31, 2024, the status of the Project specifying the physical progress of the assets and the economic progress for costs incurred is described as follows:

• **Overall progress -**

- Overall progress of PMRT is 99.95% Real versus 100% Scheduled

On December 20, 2024, Addendum 13 was signed with Consorcio Cobra SCL UA&TC - Cobra. Additionally, on May 28, 2024, and December 19, 2024, two Amendments were signed with Técnicas Reunidas (TR).

Through Board Resolution No. 080-2024-PP dated July 22, 2024, PETROPERÚ S.A.'s Board of Directors approved the reallocation of budget items that make up the total investment amount for the PMRT, without increasing the amount approved by Board Resolution No. 095-2023-PP dated August 11, 2023.

As of December 31, 2024 and 2023, the table below shows a breakdown of the budgeted cost (economic progress) of the project compared to the disbursements incurred:

	As of December 31, 2024		Total budget	
	Disbursements US\$000	Progress percentage %	Planned cost US\$000	Percentage of cost %
Técnicas Reunidas (TR) and other minors -				
Processing units	3,400,861	99.33	3,461,772	53.01
Consorcio Cobra SCL UA& TC -				
Auxiliary units	902,747	97.34	954,466	14.62
Complementary work	389,162	95.87	426,454	6.53
Others -				
Supervising	378,040	99.37	400,626	6.13
Management	254,787	91.52	295,204	4.52
Interest on financing	984,242	99.69	991,793	15.19
	<u>6,433,439</u>	<u>98.52</u>	<u>6,530,315</u>	<u>100.00</u>
	As of December 31, 2023		Total budget	
	Disbursements US\$000	Progress percentage %	Planned cost US\$000	Percentage of cost %
Técnicas Reunidas (TR) and other minors -				
Processing units	3,400,861	98.60	3,449,107	52.82
Consorcio Cobra SCL UA& TC -				
Auxiliary units	902,747	94.04	959,966	14.70
Complementary work	389,162	86.28	451,068	6.91
Others -				
Supervising	378,040	98.54	383,626	5.87
Management	254,787	89.99	283,139	4.34
Contingencies	-	-	11,617	0.18
Interest on financing	984,242	99.24	991,793	15.19
	<u>6,309,839</u>	<u>93.71</u>	<u>6,530,315</u>	<u>100.00</u>

- **Progress of EPC Unidades de Proceso - Contract with Técnicas Reunidas (TR) -**

As of December 31, 2024, the comprehensive physical progress in the EPC Contract with TR is 100% Real vs. 100% Scheduled (99.88% Real vs. 100% Scheduled as of December 31, 2023).

As of December 31, 2024, the accumulated executed amount is US\$3,396 million (US\$3,363 million as of December 31, 2023).

- **Progress of EPC Unidades Auxiliares y Trabajos Complementarios - Contract with Consorcio Cobra SCL UA&TC -**

As of December 31, 2024, the comprehensive physical progress in the execution of the EPC Contract with the Consorcio Cobra SCL UA&TC is 100% Real vs. 100% Scheduled (97.78% Real vs. 100% Scheduled as of December 31, 2023).

As of December 31, 2024, the accumulated executed amount is US\$1,086 million (US\$1,046 million as of December 31, 2023).

- **Financial structure of the NTR -**

As of December 31, 2024, NTR funding comes from the following sources:

- Capital contribution: US\$325 million.
- Own resources: US\$1,750 million.
- Bond placement (15 and 30 years): US\$2,000 million.
- Loan secured by Compañía de Seguros de Crédito a la Exportación (CESCE): US\$1,300 million.
- Reopening of bonds (30 years): US\$1,155.3 million (includes share premium for US\$155.3 million).

- **Social responsibility and Community Relations -**

- Local labor plan ("Plan de Mano de Obra Local")

As of December 31, 2024, the total labor plan was 108 job positions. The share of local unqualified labor was 84.6% (from a total of 13 unqualified labor), above the limit set in the EIA (70%), while the share of local qualified labor was 73.7% (from a total of 95 qualified labor).

b) **Project to set up and operate the New Ilo Terminal -**

This project consists of the construction, installation and startup of a new Supply Terminal in Ilo, storage capacity: 227 MB for the reception, storage, and dispatch of fuels (Diesel, Premium Gasoline, and Regular Gasoline), to meet demand in the southern region of the country. As of December 31, 2023, the accumulated investment in this project amounted to US\$32,886 thousand. During 2024, the accumulated investment increased to US\$33,790 thousand, which represents 74.20% of the investment budget; however, the Company's Management decided to discontinue the project, recognizing an impairment loss on the asset value for US\$18,767 thousand. Likewise, as of December 31, 2024, Management is assessing the final disposal of the non-impaired assets amounting to US\$14,118 thousand.

c) Supply Plant in Ninacaca -

Construction, installation and start-up of a new Supply Plant in Ninacaca, province of Pasco, to meet the demand for liquid fuels in the central region of the country. As of December 31, 2023 and 2024, the investment in this project amounts to US\$5,902 thousand, which represents 99.95% of the investment budget; however, the Company's Management decided to discontinue the project, recognizing an impairment loss on the asset value for US\$5,902 thousand.

d) Puerto Maldonado Plant and Selling Point (1st stage) -

Construction, installation and start-up of a new Fuel Supply Plant in Puerto Maldonado, storage capacity: 50 MB (DB5-S50: 38 MB and G Regular: 12 MB), to meet the demand for liquid fuels in the surrounding area.

As of December 31, 2024, the status of the project is as follows:

- the investment amount totals US\$17,294 thousand, of which 100% has been executed. The global physical progress was 59.7% vs.73.4% scheduled. As of the date of these financial statements, the Company is evaluating an additional investment of US\$23,800 thousand, which is currently under review by the Board of Directors.
- The project remains under comprehensive re-evaluation (technical and economic assessment).

(i) Insurance -

The assets and operations of the Company are covered with an integral insurance policy against:

- Property and loss of profits policy for up to US\$600,000 thousand with declared values of US\$9,636,736 thousand; effective until December 22, 2025.
- Sabotage and terrorism policy for up to US\$200,000 thousand with declared value of assets of US\$8,065,195 thousand; effective until August 27, 2025.
- Public general liability insurance ("Póliza de responsabilidad civil general comprensiva") for up to US\$100,000 thousand; effective until February 25, 2025.
- Air carrier's liability and insurance ("responsabilidad civil de aviación") for up to US\$500,000 thousand, effective until August 24, 2025.

As of December 31, 2024 and 2023, Management believes that the comprehensive insurance policy described above appropriately covers the estimated risk of loss of its assets.

(ii) Depreciation -

The annual depreciation charge to profit or loss on property, plant and equipment is distributed as follows:

	<u>2024</u> <u>US\$000</u>	<u>2023</u> <u>US\$000</u>
Cost of sales (Note 23)	209,105	195,861
Selling and distribution expenses (Note 24)	10,790	9,226
Administrative expenses (Note 25)	6,983	6,151
	<u>226,878</u>	<u>211,238</u>

(iii) As of December 31, 2024 and 2023, the Company has not granted any element of its fixed assets as collateral for loans.

(iv) The gross cost of totally depreciated assets still in use as of December 31, 2024 was US\$202,678 thousand, equivalent to S/680,122 thousand (US\$177,049 thousand, equivalent to S/593,600 thousand, in 2023).

(v) Major additions related to work in progress -

In 2024, additions to work in progress mainly correspond to EPC, PMC, Auxiliary Services and Other Services related to the NTR, which amount to US\$122,018 thousand, equivalent to S/460,313 thousand (US\$355,231 thousand, equivalent to S/1,336,996 thousand, in 2023), and other works in progress at the corporate level amounting to US\$69,238 thousand, equivalent to S/260,271 thousand (US\$66,898 thousand, equivalent to S/249,937 thousand, in 2023).

Additionally, borrowing costs capitalized over 2024 related to the NTR amounted to US\$2,736 thousand, equivalent to S/10,315 thousand (US\$64,368 thousand, equivalent to S/238,911 thousand, in 2023).

(vi) Transfer of assets -

They correspond to property, plant and equipment that came into operation when they were ready for use under the conditions foreseen by Management. In 2024 and 2023, auxiliary and ongoing units of the NTR began their operation, as well as other machinery and equipment.

(vii) Impairment of assets -

Cash-generating units (CGUs) -

As of December 31, 2024, the Company, taking into account the decrease in income and results of 2024 of the CGUs and Oil Pipeline and Production and trading (Note 5), based on internal and external information, considers that there are certain indications that the assets of the CGUs could be impaired.

The impairment test was performed by comparing the recoverable amount of the CGUs against the carrying amount of the assets of that CGU. The CGU is the smallest group of identifiable assets capable of generating cash flows for the Company. The Company has determined the recoverable amount of the CGU using their value in use. Key assumptions used in determining the value in use were as follows:

Oil Pipeline operations (ONP) -

- Operating cash flows from the service of transportation and custody of crude from the Northern jungle in Peru.
- Forecast crude volumes: based on crude production volume projections released by the Exploration, Production and Pipeline Management and Petrolal Perú S.R.L., Management has prepared forecast of crude volumes expected to be carried through the Oil Pipeline (ONP).
- Forecast transportation rate: The Company estimates the transportation rate applied in its projections based on the current rate schedule.
- Operating flow for the unloading service: the estimated inflows come from the service to operators of blocks 8, 67 and 95.
- Cash flows from services rendered to the Production and trading CGU of transport and selling of residual products from the Iquitos Refinery.
- All relevant assets have been allocated to the respective CGU.

- A 10-year projection horizon and perpetuity. The perpetuity cash flows projection considers no growth rate in the long term. The Company considers it appropriate to use a projection of 10 years, since as of December 31, 2024 not all the oil blocks located in the northern jungle to which the corresponding transfer service would be provided are operating, which is estimated will happen in the long term.
- Projections do not include cash inflows or outflows from financing activities.
- The discount rate is determined before taxes and is affected by the risks associated with a specific CGU and the current assessments that the market makes on the value of money over time.
- Projected costs and expenses are estimated based on the budgeted expenses for 2025 prepared by the Company. Moreover, this estimate includes expense optimization and austerity measures approved by the Company's Board of Directors within the framework of Emergency Decree No. 013-2024.

Key assumptions used in calculating the value in use are as follows:

	<u>2024</u>	<u>2023</u>
Annual growth rate (%)	13	14
Budgeted gross margin (%)	55	49
Average transportation rate (\$/Bl)	12	12
Discount rate (%)	12.18	15.54

In 2024, the annual growth rate corresponds to annual growth rate compound income during the period 2025 to 2034. Revenue growth is generated according to the forecasts prepared by oil block operators.

The budgeted gross margin is the average gross margin for 10-year projections.

The rates used are before taxes and reflect specific risks associated with the business of the CGU.

As of December 31, 2024, the Company has estimated that the recoverable value of the Oil Pipeline CGU amounts to US\$238,819 thousand. As of December 31, 2024, the carrying amount of this CGU, net of impairment losses, which as part of its assets considers investments in Property, plant and equipment, as well as certain items of current assets and liabilities that affect the working capital also included in the projection of flows, amounts to US\$118,904 thousand (including an accumulated impairment provision of US\$128,527 thousand).

As of December 31, 2023, the Company has estimated that the recoverable value of the Oil Pipeline CGU amounts to US\$136,325 thousand, for which a provision for impairment of US\$128,527 thousand has been determined, which has been recognized in profit or loss in the item of impairment of property, plant and equipment. As of December 31, 2023, the carrying amount of this CGU, which as part of its assets considers investments in Property, plant and equipment, as well as certain items of current assets and liabilities that affect the working capital also included in the projection of flows, amounts to US\$264,852 thousand.

In 2023, the Company has recognized an impairment due to the decrease in income projections as a result of the breaks that the pipeline has been suffering due to exogenous incidents, which does not allow it to operate constantly; as well as the repair and remediation costs expected to be incurred.

Sensitivity analysis -

The Company has carried out the sensitivity of the key assumptions used in determining the recoverable amount, assuming a negative variation in each case of 5%, in which case the impairment of assets of this CGU would be as follows:

<u>Key assumption</u>	<u>Variation</u>	<u>Impairment US\$000</u>
Budgeted annual growth	-5%	-
Prices for the year	-5%	-
Budgeted gross margin	-5%	-
Discount rate	-5%	-

Production and Trading -

As of December 31, 2024, the Company has deemed it appropriate to perform the impairment test of the CGU for Production and Trading, taking into account the lower than expected economic returns, as a result of the decrease in revenues from domestic sales that is mainly due to aggressive competition offering higher discounts, the entry of new competitors, the downward trend in international prices of crude oil and derivative products, the unforeseen shutdown of the Flexicoking unit at the NTR, and increased operating expenses.

The impairment test was performed by comparing the recoverable amount of the CGU against the carrying amount of the Project assets. The CGU corresponds to the smallest identifiable group of assets, capable of generating cash flows in favor of the Company. The Company has determined the recoverable amount of the CGU by estimating their value in use. Key assumptions used in determining the value in use are as follows:

- Operational cash flows from the Talara, Iquitos and Conchán refineries. Cash flow projections comprise all cash flows that are expected to be generated in the normal course of the businesses. All relevant assets have been assigned to the CGU.
- These refineries have established significant synergies, through which they exchange inputs and transfer products in process, in the absence of an active market in which they can be sold; so that greater income and significant savings are obtained.
- The forecast cash flows consider an investment to be made to complete construction of NTR.
- A 17-year projection horizon and perpetuity. The perpetuity cash flow projections consider no growth rate in the long term of 1.72%. The Company considers it appropriate to use a projection period of 17 years, which is aligned with the standardization of the debt/equity ratio, the operating cycle of the NTR and the projection of the sales prices of its products during this horizon, according to reports from independent third parties.
- The discount rate is determined before taxes and is affected by the specific risks of the CGU and the current evaluations that the market makes of the time value of money.
- Projections considered in valuation were operating cash flows from purchases, refinery and sales of crude by-products.
- Fixed and variable costs were defined by the Company.
- Forecast selling prices: the Company estimates the selling prices of oil-by products based on import parity prices, which consider the evolution over time of WTI crude oil prices and spreads of by-products in time, considering inputs obtained from a specialized international price source S&P Global (formerly called IHS Markit).

- Selling prices used in valuation are prices at the plant site.
- Forecast crude product volume purchases: refinery loads are estimated by the Corporate Planning Management (“Gerencia Planeamiento Corporativo”) using the mathematical refining model.
- Acquisition price forecast: based on projections released by the consulting firm S&P Global, the Company has prepared a forecast of acquisition costs for crude oil and products, considering the movement of prices of WTI crude oil and spreads of by-products in time.
- Projected costs and expenses are estimated based on the 2025 budgeted expenses prepared by the Company. This estimate also includes cost-optimization and austerity measures approved by the Company’s Board of Directors under the framework of Emergency Decree No. 013-2024.

Key assumptions used in determining the value in use are as follows:

	<u>2024</u>	<u>2023</u>
Average annual growth rate (%)	4	3
Average gross margin (%)	11	22
Average price of refined oil (\$/Bl)	115	131
Discount rate (%)	7.35	7.02

The annual growth rate corresponds to annual growth rate compound of income during the period 2025 to 2041. The average growth rates used are based on the expected performance of the asset and the Company's forecasts.

The budgeted gross margin is the average gross margin for operating 17-year projections.

The price corresponds to the simple average of the projection. Management determined the budgeted prices based on past performance, current trends in the industry, established rates, market development expectations, and information provided by the consulting firm S&P Global.

Risk-adjusted rates are pre-tax and reflect the risks associated with the relevant business.

As of December 31, 2024, the Company has estimated that the recoverable value of the CGU for Production and trading amounts to US\$6,657,682 thousand. As of December 31, 2024, the carrying amount of this CGU, net of impairment losses, which as part of its assets considers investments in Property, plant and equipment and Intangible assets, as well as certain items of current assets and liabilities that affect the working capital also included in the cash flow projection, amounts to US\$5,969,323 thousand (including an accumulated impairment provision of US\$277,794 thousand).

As of December 31, 2023, the Company has estimated that the recoverable value of the CGU for Production and trading amounts to US\$5,795,033 thousand, for which a provision for impairment of US\$206,348 thousand has been determined, which has been recognized in the statement of income in the item of property, plant and equipment. As of December 31, 2023, the carrying amount of this CGU, which as part of its assets considers investments in Property, plant and equipment and Intangible assets, as well as certain items of current assets and liabilities that affect the working capital also included in the cash flow projection, amounts to US\$6,001,381 thousand.

In 2023, the Company has recognized an impairment due to the decrease in projected results as a result of the delays in the full start of the NTR operation.

Sensitivity analysis -

The Company has conducted a sensitivity analysis of the key assumptions used in determining the recoverable amount, assuming a negative variation in each case of 5%, in which case the impairment of the assets of this CGU would be as follows:

<u>Key assumption</u>	<u>Variation</u>	<u>Impairment US\$000</u>
Budgeted annual growth	-5%	(2,929,053)
Average price of refined oil	-5%	(2,852,610)
Budgeted gross margin	-5%	-
Discount rate	-5%	(2,538,389)

12 INTANGIBLE ASSETS

The movement of this item for the years 2024 and 2023 is as follows:

	<u>Software and licenses US\$000</u>	<u>Intangible assets in progress (a) US\$000</u>	<u>Total US\$000</u>
As of January 1, 2023			
Cost	34,256	31,700	65,956
Accumulated depreciation	(21,605)	-	(21,605)
Net carrying amount	<u>12,651</u>	<u>31,700</u>	<u>44,351</u>
Year 2023			
Net cost as of January 1, 2023	12,651	31,700	44,351
Additions	-	16,345	16,345
Reclassification of property, plant and equipment	29,257	-	29,257
Amortization of the year	(4,780)	-	(4,780)
Net cost as of December 31, 2023	<u>37,128</u>	<u>48,045</u>	<u>85,173</u>
Balances as of December 31, 2023			
Cost	63,513	48,045	111,558
Accumulated depreciation	(26,385)	-	(26,385)
Net cost	<u>37,128</u>	<u>48,045</u>	<u>85,173</u>
Year 2024			
Net cost as of January 1, 2024	37,128	48,045	85,173
Additions	-	15,755	15,755
Reclassification of property, plant and equipment	31,911	-	31,911
Disposals	(377)	-	(377)
Amortization of the year	(7,916)	-	(7,916)
Amortization of disposals	377	-	377
As of December 31, 2024	<u>61,123</u>	<u>63,800</u>	<u>124,923</u>
Cost	95,046	63,800	158,847
Accumulated depreciation	(33,924)	-	(33,924)
As of December 31, 2024	<u>61,123</u>	<u>63,800</u>	<u>124,923</u>

(a) As of December 31, 2024, intangible assets in progress mainly comprises the exploration costs of Block 64 and pre-operating costs of enabling Block 192 for US\$35,834 thousand and US\$26,057 thousand, respectively (US\$33,802 thousand and US\$12,895 thousand, respectively, as of December 31, 2023).

- (b) In 2024 and 2023, transfers mainly comprise the implementation of NTR software for US\$31,911 thousand and US\$26,853 thousand, respectively.
- (c) As of December 31, 2024, an amount of US\$61,088 thousand has been included as part of the carrying amount of the CGU Production and Commercialization for the purposes of impairment testing (Note 11) (US\$33,227 thousand as of December 31, 2023).

As of December 31, 2024, an amount of US\$34 thousand has been included as part of the carrying amount of the Norperuano Pipeline CGU for the purposes of impairment testing (Note 11) (US\$40 thousand as of December 31, 2023).

- (d) The charge to profit or loss for the amortization of the year is distributed as follows:

	<u>2024</u> <u>US\$000</u>	<u>2023</u> <u>US\$000</u>
Cost of sales (Note 23)	6,279	1,770
Administrative expenses (Note 25)	1,637	3,010
	<u>7,916</u>	<u>4,780</u>

13 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

- a) This item includes the following amounts recognized in the statement of financial position:

	<u>As of December 31,</u>	
	<u>2024</u> <u>US\$000</u>	<u>2023</u> <u>US\$000</u>
Right-of-use asset	<u>58,884</u>	<u>35,790</u>
Lease liabilities:		
Current portion	41,623	19,260
Non-current portion	19,533	17,199
	<u>61,156</u>	<u>36,459</u>

The lease liability includes the net present value of the payments of the right-of-use assets related to rental of housing, boats, barges and information technology goods.

As of December 31, 2024 and 2023, the Company does not have leases that contain variable considerations, nor leases with residual value guarantees. Leases of less than 12 months and low-value leases have not been recognized as expenses according to the policy stated in Note 2.12.

b) The annual movement of right-of-use assets and lease liabilities is as follows:

	<u>2024</u> <u>US\$000</u>	<u>2023</u> <u>US\$000</u>
Right-of-use assets		
Cost:		
Opening balance	115,536	85,644
Additions for new leases	59,861	29,892
Final balance	<u>175,397</u>	<u>115,536</u>
Depreciation:		
Opening balance	(79,746)	(56,571)
Operating cost	(9,272)	(6,974)
Depreciation for the year	(25,293)	(14,730)
Adjustments for incremental rate update and others	(2,202)	(1,471)
Net cost	<u>58,884</u>	<u>35,790</u>
Lease liabilities:		
Opening balance	36,459	29,446
Additions for new leases	59,861	29,892
Lease payment	(32,967)	(18,945)
Adjustments for incremental rate update and others	(2,163)	(4,094)
Exchange difference	(34)	160
Accrued interest	5,333	1,299
Interest paid	(5,333)	(1,299)
Final balance	<u>61,156</u>	<u>36,459</u>

c) In 2024, the additions for right-of-use assets mainly comprises the renewal of barge lease contracts whose term expires in 2028. In 2023, the additions for right-of-use assets mainly comprises the renewal of barge lease contracts whose term expires in 2026.

d) The charge to profit or loss for the depreciation for the year of the right-of-use asset is distributed among the following cost centers:

	<u>2024</u> <u>US\$000</u>	<u>2023</u> <u>US\$000</u>
Cost of sales (Note 23)	23,717	13,182
Selling and distribution expenses (Note 24)	162	167
Administrative expenses (Note 25)	1,414	1,381
	<u>25,293</u>	<u>14,730</u>

14 OTHER FINANCIAL LIABILITIES

This item comprises:

	As of December 31,	
	2024	2023
	US\$000	US\$000
Current liabilities		
Unsecured bank loans (i)	1,641,185	1,033,457
CESCE loan (iii)	144,444	1,011,111
Accrued interest	14,634	17,860
	<u>1,800,263</u>	<u>2,062,428</u>
Non-current liabilities		
Corporate bonds (ii)	3,111,848	3,085,690
CESCE loan (iii)	698,547	-
	<u>3,810,395</u>	<u>3,085,690</u>
Total financial debt	<u>5,610,658</u>	<u>5,148,118</u>

(i) Unsecured bank loans -

They correspond to contracts signed by the Company with local and foreign financial entities, which were used as working capital. These loans have current maturities, are denominated in Peruvian soles and U.S. dollars, and do not have specific guarantees (see section "a" in this same note).

(ii) Corporate bonds -

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 144^a 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 are allocated to the construction of the NTR.

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. Transaction costs amounted to US\$7,558 thousand, which are deferred over the term of the debt and, as of December 31, 2024, remain an amortized balance of US\$4,441 thousand (an amortized balance of US\$4,912 thousand as of December 31, 2023).
- 2047 Notes, a principal of US\$2,000,000 thousand (US\$1,000,000 thousand received in the first issue of June 2017 and an additional US\$1,000,000 thousand resulting from the reopening of bonds in February 2021), at a fixed rate of 5.625% per year, for a term of 30 years. Coupons are due from December 2017 and repayment of principal fall due on the bond maturity date. Transaction costs amounted to US\$9,558 thousand, which are deferred over the term of the debt, and as of December 31, 2024, they remain amortized balance of US\$8,504 thousand (a balance to be amortized of US\$8,618 thousand as of December 31, 2023). Furthermore, these bonds were issued at par upon reopening; the excess amount of the placement over par amounted to US\$135,889 thousand, which is recognized in profit or loss over the term of the debt and, as of December 31, 2024, the balance amounts to US\$124,793 thousand (a balance of US\$130,338 thousand as of December 31, 2023).

Under the bond issue agreement, there is no covenants that need to be met; however, it requires the provision of financial information to bondholders.

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).

(iii) CESCE loan -

On January 31, 2018, a syndicated loan agreement was signed, with Deutsche Bank SAE, acting as administrative agent, for up to US\$1,300,000 thousand. All disbursements related to the loan were received between 2018 and 2021, and were used to reimburse the different financing sources used to pay invoices for the construction of the NTR, corresponding to the EPC with Técnicas Reunidas.

Transaction costs amounted to US\$72,478 thousand, which are deferred over the term of the debt and, as of December 31, 2024, the outstanding balance amounts to US\$23,675 thousand (US\$25,733 thousand as of December 31, 2023). Interest and principal are amortized semiannually, beginning in May 2019 and June 2022, respectively. This loan matures in 2030, based on a fixed interest rate of 3.285%. In 2024 and 2023, the Company recognized interest expenses and accrued transaction costs of US\$39,637 thousand and US\$38,062 thousand, respectively (see section "c" in this note).

The loan is 99% secured by the Spanish Export Credit Agency (CESCE), for which the Company pays a commission as consideration. This loan does not have specific contractual guarantees given by the Company or by Peruvian Government.

As part of the signed agreement, the Company is obliged to meet certain covenants, which are the following:

Financial covenants:

- Debt ratio.
- Service coverage ratio.
- Direct financing for investment in the PMRT.

In 2023, the Company recorded a net loss of US\$1,064,381 thousand, which caused the debt-to-equity ratio to exceed the threshold established in the loan agreement (which required a ratio below 3.75). As a result, as of December 31, 2023, non-current financial obligations related to the CESCE loan were reclassified to current liabilities in the statement of financial position.

However, in 2024, the Company took steps to amend the financial indicators of the CESCE loan agreement and, as of September 2024, the maximum value of said financial indicator was set at 4.00, thereby rendering compliance with the established values ineffective until December 2023. As of December 31, 2024, the financial leverage ratio was 2.38. As of December 31, 2024, this debt has been reclassified as non-current liabilities.

Non-financial covenants:

- To preserve and maintain business operations.
- To submit the Company's audited financial statements within 150 days after the closing date of each fiscal year.
- To use the loan to pay for the acquisition of goods and services, including EPC contract payments.
- To grant the pari passu rank (ranking equally and without preference) to the loan in the priority of payment with all its creditors.

- To comply with established procedures to prevent the Company from being used in money laundering activities, financing of terrorist activities, fraud or other corrupt or illegal purposes or practices.

As of December 31, 2024, Management considers that the Company has complied with the established covenants. On May 30, 2025, the Company obtained an amendment that extended the deadline for submitting the audited financial statements to the respective financial creditors until July 15, 2025.

a) Debt repayment terms and timetable -

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

	Original currency	Maturity	As of December 31,		2023	
			2024		Nominal	Carrying
			Nominal value US\$000	Carrying amount US\$000	value US\$000	amount US\$000
Unsecured bank loans	S/	2024	-	-	152,737	152,737
Unsecured bank loans	US\$	2024	-	-	880,720	880,720
Unsecured bank loans	S/	2025	1,107,685	1,107,685	-	-
Unsecured bank loans	US\$	2025	533,500	533,500	-	-
CESCE loan	US\$	2031	866,667	842,991	1,011,111	985,378
Corporate bonds	US\$	2032	1,000,000	995,559	1,000,000	989,705
Corporate bonds	US\$	2047	2,000,000	2,116,289	2,000,000	2,121,718
Accrued interest			-	14,634	-	17,860
			<u>5,507,852</u>	<u>5,610,658</u>	<u>5,044,568</u>	<u>5,148,118</u>

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

b) Classification of loans by type of use (*) -

The Company allocated or will allocate the funds obtained by financing, as follows:

	<u>2024</u>	<u>2023</u>
	<u>US\$000</u>	<u>US\$000</u>
Working capital	1,641,185	1,033,457
NTR	3,954,839	4,096,801
	<u>5,596,024</u>	<u>5,130,258</u>

(*) Not including accrued interest payable.

As of December 31, 2024 and 2023, the Company maintained specific loans for the NTR and its effective interest rates were the used interest capitalization rates (Note 11-vii).

c) Movement of borrowings -

The movement of the debt for borrowings was as follows:

	<u>Unsecured bank loans</u> US\$000	<u>Corporate bonds</u> US\$000	<u>CESCE loan</u> US\$000	<u>Total</u> US\$000
Balance as of January 1, 2023	718,022	3,126,514	1,122,912	4,967,447
New loans	2,662,979	-	-	2,662,979
Payments of principal	(2,338,125)	-	(144,444)	(2,482,569)
Interest and transaction cost accrued	74,485	156,186	38,062	268,733
Interest paid (*)	(71,291)	(160,000)	(37,182)	(268,473)
Balance as of December 31, 2023	<u>1,046,070</u>	<u>3,122,700</u>	<u>979,348</u>	<u>5,148,118</u>
Balance as of January 1, 2024	1,046,070	3,122,700	979,348	5,148,118
New loans	2,250,277	-	-	2,250,277
Payments of principal	(1,644,569)	-	(144,444)	(1,789,013)
Interest and transaction cost accrued	105,714	155,600	39,637	300,951
Interest paid (*)	(106,948)	(160,000)	(32,727)	(299,675)
Balance as of December 31, 2024	<u>1,650,544</u>	<u>3,118,300</u>	<u>841,814</u>	<u>5,610,658</u>

(*) In 2024, the Company has allocated US\$2,736 thousand of the interest paid on investing activities in the statement of cash flows, mainly in relation to the NTR (US\$64,368 thousand in 2023).

d) Fair value estimation -

As of December 31, the carrying amount and fair value of borrowings, including related party loans (Note 16) are as follows:

	<u>Carrying amount</u>		<u>Fair value</u>	
	<u>2024</u> US\$000	<u>2023</u> US\$000	<u>2024</u> US\$000	<u>2023</u> US\$000
Unsecured loans	1,650,544	1,046,070	1,657,026	938,093
Bonds	3,118,300	3,122,700	2,041,329	1,959,092
CESCE loan	841,814	979,348	810,482	828,824
Payables to Related parties (Note 16)	320,839	958,649	316,822	919,624
	<u>5,931,497</u>	<u>6,106,767</u>	<u>4,825,659</u>	<u>4,645,633</u>

As of December 31, 2024 and 2023, to determine the fair value for disclosure purposes, in the case of bonds, the Company has used observable sources (Bloomberg), classified at Level 1. For unsecured loans, they were estimated by discounting future contractual cash flows at a current market interest rate that is available to the Company for similar financial instruments and the inputs of which have been classified in Level 2. For the CESCE loan, Management has discounted the contractual cash flows at the Company's average borrowing rate at mid- and long-term plus a spread, information that is classified in level 3.

15 TRADE PAYABLES

This item comprises:

	As of December 31,	
	2024	2023
	US\$000	US\$000
Foreign suppliers of crude and refined products	899,442	1,392,252
National suppliers of crude and refined products	78,236	158,411
Suppliers of goods and services	265,171	310,000
Shipping companies and terminal operators and sales plants	39,193	43,150
	<u>1,282,042</u>	<u>1,903,813</u>

Trade payables reflect the Company's obligations related to the acquisition of crude oil and refined products, transportation and plant operators, supplies and spare parts. The decrease in the balance of this item is mainly due to the amortization of debts with suppliers using the loan of S/2,969 million (equivalent to US\$799 million) received from the State under Emergency Decree No. DU-004-2024, which was subsequently capitalized under Emergency Decree No. DU-013-2024, and the loan from Banco de la Nación for S/3,766 million (US\$999 million), received between September and December, under DU-013-2024.

As of December 31, 2024, the main domestic crude oil and product suppliers are: Petrotal Perú S.R.L., with a balance of US\$32,250 thousand equivalent to S/120,931 thousand (US\$37,219 thousand equivalent to S/139,969 thousand as of December 31, 2023); UNNA Energía S.A. (formerly Graña y Montero Petrolera S.A.), with a balance of US\$19,375 thousand equivalent to S/72,676 thousand (US\$26,130 thousand equivalent to S/98,281 thousand as of December 31, 2023); and Olympic Perú INC, Peru Branch, with a balance of US\$12,205 thousand equivalent to S/45,844 thousand (US\$12,558 thousand equivalent to S/47,094 thousand as of December 31, 2023). The main foreign crude oil and product suppliers are: Shell Western Supply and Trading, with a balance of US\$236,177 thousand equivalent to S/886,790 thousand (US\$112,310 thousand equivalent to S/421,807 thousand as of December 31, 2023); Petrochina International (Americ) INC, with a balance of US\$170,781 thousand equivalent to S/644,059 thousand (US\$199,510 thousand equivalent to S/756,934 thousand as of December 31, 2023); and Trafigura Pte Ltd., with a balance of US\$145,498 thousand equivalent to S/546,701 thousand (US\$587,087 thousand equivalent to S/2,177,526 thousand as of December 31, 2023).

As of December 31, 2024, the main service providers are: OIG Perú S.A.C., with a balance of US\$10,934 thousand equivalent to S/41,221 thousand (US\$0 thousand as of December 31, 2023); Consorcio Cobra SCL UA&TC, with a balance of US\$39,781 thousand equivalent to S/148,714 thousand (US\$61,822 thousand equivalent to S/229,345 thousand as of December 31, 2023); Rimac Seguros y Reaseguros, with a balance of US\$29,095 thousand equivalent to S/109,142 thousand (US\$29,206 thousand equivalent to S/108,344 thousand as of December 31, 2023); and Técnicas Reunidas de Talara S.A.C., with a balance of US\$26,259 thousand equivalent to S/44,391 thousand (US\$94,829 thousand equivalent to S/358,102 thousand as of December 31, 2023).

Invoices are mostly issued in U.S. dollars and are due in the short term. In 2024, longer credit terms with direct suppliers were negotiated through letters of credit, which led to higher recognition of related banking expenses (Note 25-a).

16 PAYABLES TO RELATED PARTIES

This item comprises:

	As of December 31,	
	2024	2023
	US\$000	US\$000
Loans and interest (a)	168,356	812,242
Cancellation documents and interest (b)	152,483	146,407
	<u>320,839</u>	<u>958,649</u>
By maturity:		
Short-term	-	958,649
Long-term	320,839	-
	<u>320,839</u>	<u>958,649</u>

The annual movement of this item comprises:

	Loan E.D. No. 010- 2022 (a)	Loan E.D. No. 004- 2024 (b)	Loan E.D. No. 013- 2024 (c)	Cancellation documents (d)	Total
	US\$000	US\$000	US\$000	US\$000	US\$000
Balances as of January 1, 2023	751,297	-	-	134,591	885,888
Accrued interest	39,056	-	-	7,888	46,943
Exchange difference	21,903	-	-	3,914	25,817
Balances as of December 31, 2023	<u>812,242</u>	<u>-</u>	<u>-</u>	<u>146,407</u>	<u>958,649</u>
Balances as of January 1, 2024	812,242	-	-	146,407	958,649
New loans	-	798,648	168,158	-	966,806
Principal capitalization	(738,531)	(787,384)	-	-	(1,525,915)
Accrued interest	28,459	17,081	198	8,421	54,160
Interest paid	-	(14,881)	-	-	(14,881)
Interest capitalization	(89,579)	(2,197)	-	-	(91,776)
Exchange difference	(12,591)	(11,268)	-	(2,345)	(26,204)
Balances as of December 31, 2024	<u>-</u>	<u>-</u>	<u>168,356</u>	<u>152,483</u>	<u>320,839</u>

- (a) Emergency Decree No. 010-2022 (E.D. No. 010-2022), enacted on May 12, 2022, established extraordinary economic and financial measures aimed at ensuring supply to the local fuel market. As a result, the MEF, through the General Directorate of the Public Treasury, granted the Company a temporary financial support loan amounting to S/2,785,000 thousand (equivalent to US\$750,000 thousand), to meet short-term obligations during 2022. Under Emergency Decree No. 013-2024, issued on September 13, 2024, the capitalization of the loan was approved, including the interest accrued up to the effective date of said decree (September 14, 2024) (Note 20).
- (b) Under Emergency Decree No. 004-2024, enacted on February 27, 2024, the approval was granted for a Short-Term Debt Operation under the modality of a National Government Guarantee, for up to the sol-equivalent of US\$800,000 thousand. The loan was to be granted by Banco de la Nación for working capital purposes, to ensure the continuity of fuel supply and the Company's nationwide economic activities. In September 2024, S/2,969,224 thousand (equivalent to US\$798,648 thousand) was disbursed. Likewise, under Emergency Decree No. 013-2024, its capitalization was approved, following an initial assumption of the debt by the MEF, for an amount that includes interest accrued up to the effective date of said decree.

- (c) Likewise, Emergency Decree No. 013-2024 also approved the assumption, by the MEF, through the General Directorate of the Public Treasury, of the payment of maturities occurring in the second half of 2024 of the Company’s debt obligations related to external financing operations without National Government guarantees. These obligations were incurred through bond issuances authorized under Ministerial Resolutions No. 170-2017-EF/52 and No. 023-2021-EF/52, and through a CESCE-guaranteed loan authorized under Ministerial Resolution No. 017-2018-EF/52. The funds from these operations were used to partially finance the construction of the NTR (New Talara Refinery). In this context, on November 22, 2024, PETROPERÚ signed a debt assumption agreement with the General Directorate of the Public Treasury for amortization between 2029 and 2032.
- (d) Issuance of Cancellation Instruments – Public Treasury in favor of the Company. Pursuant to Emergency Decree No. 010-2022, the Company requested the General Directorate of the Public Treasury (DGTP) of the MEF to issue Cancellation Instruments (“Documentos Cancelatorios”) in favor of the Company for up to S/500,000 thousand, to be used for the payment of customs duties and taxes associated with the purchase of crude oil and fuel products, as well as other taxes arising from fuel commercialization activities. These Cancellation Instruments were issued monthly throughout 2022 at the Company’s request. As of December 31, 2022, the Company had received Cancellation Instruments for S/595,865 thousand (equivalent to US\$157,295 thousand) and had amortized S/95,868 thousand (equivalent to US\$24,721 thousand). These instruments bear interest at rates ranging from 5% to 6.75%. Emergency Decree No. 013-2024 extended the payment term to July 31, 2025, and Law No. 32185, National Budget Law for Fiscal Year 2025, further extended the reimbursement deadline to December 31, 2028.
- (e) The Company’s key management compensation was as follows:

	<u>2024</u>	<u>2023</u>
	US\$000	US\$000
Short-term employee benefits:		
Key management salaries (excluding remuneration of directors)	3,619	4,768
Remuneration of directors (all non-executives)	212	193

There were no post-employment benefits, long-term benefits, termination benefits and share-based payments in the years 2024 and 2023.

- (f) Owners -

The Peruvian State owns the Company’s capital shares and is represented by each member of the General Shareholders’ Meeting. According to the Article 23 of the Company’s bylaws, the General Shareholders’ Meeting is made up of five members representing the class “A” and “B” shares owned by the Peruvian State: the MEM, who will chair it, and four members on behalf of the Peruvian State designated by Supreme Decree (MEF, Vice Ministry of Hydrocarbons of the MEM, Vice Ministry of Economy of the MEF and Vice Ministry of Finance of the MEF). Transactions between the Company and the Peruvian State and the MEM comprise transactions with shareholders.

17 OTHER LIABILITIES AND OTHER PAYABLES

This item comprises:

	As of December 31,	
	2024	2023
	US\$000	US\$000
Current		
Remuneration payable	25,752	27,568
Obligations for arbitration decision (a)	26,623	25,000
Advances from customers (b)	14,088	13,320
Taxes (c)	12,832	17,858
Guarantee deposits (d)	11,103	8,273
Consideration for the right of usufruct of assets (e)	2,500	2,500
Liability from from derivative financial instrument	-	13,318
Others	6,551	16,292
	<u>99,449</u>	<u>124,129</u>
Non-current		
Consideration for the right of usufruct of assets (e)	<u>42,708</u>	<u>45,428</u>
	<u>142,157</u>	<u>169,337</u>

(a) This corresponds to the lease agreement entered into with Savia, which ended on November 15, 2023. In this regard, in November 2013, the Company signed a lease agreement for real estate assets located in Block Z-2B with Savia Perú S.A. for a term of 10 years, which expired on November 15, 2013. The agreement remained in effect under Article 1700 of the Peruvian Civil Code, which stipulates that, upon the expiration of the contractual term, if the lessee continues to use the leased property, this does not constitute a tacit renewal, but rather a continuation of the lease under the same terms until the lessor requests its return, which may occur at any time. Under this lease, Savia had been paying the Company US\$10,000 thousand per year until 2018.

In April 2018, Norex Energía S.A. initiated arbitration proceedings against the Company, arguing that it was not required to pay the rent (merced conductiva) stipulated in the contract, as it had made payments through 2013 equivalent to the value of the assets, amounting to US\$200,000 thousand. On June 12, 2019, the Company submitted its response to the Arbitration Center of the Lima Chamber of Commerce.

On July 12, 2021, the Arbitration Center of the Lima Chamber of Commerce issued a final award, setting the annual lease amount at US\$5,000 thousand, effective from 2013, and ordering the reimbursement of excess lease payments collected from Savia since that date. On September 28, 2021, the Company filed a claim before the Judiciary seeking the annulment of the arbitral award, on the grounds that, in Management's opinion, there were defects in the arbitration process that constitute grounds for annulment. The Company also requested a suspension of the enforcement of the award, which was admitted by the Peruvian Judiciary in 2022. As of December 31, 2024 and 2023, the annulment request remains pending resolution.

(b) This item includes funds received from advances from local and foreign customers amounting to US\$14,088 thousand (equivalent to S/52,595 thousand), to secure the supply of fuel pending delivery (US\$13,320 thousand, equivalent to S/50,231 thousand as of December 31, 2023).

- (c) As of December 31, 2024, taxes payable mainly include the road tax, Fund for the mass use of gas (FISE), VAT withholdings, and the Osinergmin levy for US\$5,269 thousand, US\$2,047 thousand, US\$1,554 thousand, and US\$1,050 thousand, respectively. Taxes payable as of December 31, 2023, mainly include the road tax, FISE, VAT withholdings, and the Osinergmin levy for US\$10,826 thousand, US\$1,486 thousand, US\$1,152 thousand, and US\$931 thousand, respectively.
- (d) Comprising security deposits received by third parties to transport fuel to cover possible loss occurrences. If no such event occurs, the security deposit is returned at the end of the contract.
- (e) This comprises to the consideration received from Matheson Global under the usufruct agreement for the hydrogen (PHP) and nitrogen (NIS) plants of the NTR for a 20-year term. Under this agreement, in February 2023, the Company collected an advance payment of US\$50,000 thousand. As of December 31, 2024, the outstanding balance is US\$45,428 thousand (US\$48,629 thousand as of December 31, 2023). The use of these plants will be exclusively for the provision of operation services pursuant to the hydrogen and nitrogen supply agreement signed between Matheson Global and the Company.

18 PROVISIONS

This item comprises:

	As of December 31,	
	<u>2024</u>	<u>2023</u>
	US\$000	US\$000
Current		
Provision for environmental improvements (a)	48,986	58,905
Provisions for customs claims (b)	14,854	-
Provision for civil lawsuit (c)	9,975	9,508
Provision for labor-related court actions (d)	2,806	4,189
Provision for plugging of wells (a)	511	519
Other provisions	752	209
	<u>77,884</u>	<u>73,330</u>
Non-current		
Provision for environmental improvements (a)	12,494	12,504
Other provisions	164	17
	<u>12,658</u>	<u>12,521</u>
	<u>90,542</u>	<u>85,851</u>

The annual movement of provisions is as follows:

	<u>Provision for environmental improvements</u>	<u>Provision for civil lawsuits</u>	<u>Provision for labor-related court actions</u>	<u>Provision for plugging of wells</u>	<u>Provision for customs claims</u>	<u>Other provisions</u>	<u>Total</u>
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
Balances as of January 1, 2023	58,010	1,812	3,181	505	-	339	63,847
Provision for the year (Notes 25 and 27)	44,103	7,601	2,502	-	-	-	54,206
Payments	(31,471)	(10)	(1,481)	-	-	(16)	(32,978)
Reversal of unused provisions	-	(23)	(166)	-	-	(108)	(297)
Exchange difference	767	128	153	14	-	11	1,073
Balances as of December 31, 2023	71,409	9,508	4,189	519	-	226	85,851
Provision for the year (Notes 25 and 27)	21,412	5,622	597	-	14,854	888	43,373
Payments	(30,941)	(4,882)	(1,662)	-	-	(64)	(37,550)
Reversal of unused provisions	-	(208)	(308)	-	-	(188)	(704)
Exchange difference	(400)	(65)	(10)	(8)	-	54	(428)
Balances as of December 31, 2024	61,480	9,975	2,806	511	14,854	916	90,542

(a) Provision for environmental improvements and plugging wells costs -

The Peruvian Government promotes the conservation of the environment and responsible use of natural resources in hydrocarbon activities in accordance with the Political Constitution of Peru, Law No. 26221, Organic Law of Hydrocarbons in the National Territory; Law No. 26821, Organic Law for the Sustainable Use of Natural Resources; Law No. 27446, Law of the National System of Evaluation of the Environmental Impact; Law No. 28245, Framework Law for Environmental Management; Law No. 28611, General Law of the Environment and Law No. 29134, Law Regulating the Environmental Liabilities of the Hydrocarbons Sub-Sector, among others.

The Peruvian Ministry of Energy and Mines, pursuant to Supreme Decree No. 039-2014-EM, enacted on November 12, 2014, approved the new Rules for the Environmental protection of Hydrocarbon Activities, which set forth the standards and regulations for the national territory, the Environmental Management of the activities of exploration, exploitation, refining, processing, transport, trade, warehousing and distribution of hydrocarbons, over their life cycle, as a way to prevent, control, mitigate and remediate the adverse environmental impact of such activities.

Also, within the framework of Legislative Decree No. 674, “Ley de Promoción de la Inversión Privada en las Empresas del Estado”, the Company assumed contractual obligations of environmental remediation of its privatized units, guaranteed by the Peruvian Government. Therefore, as per the applicable laws and regulations, the signed contracts and management policies, as of December 31, 2024, the Company continues to implement environmental remediation activities in its own operating units and privatized units.

Privatized operating units -

During 2017, no significant environmental remediation work was performed in the privatized units considering the new regulatory framework, but administrative and legal steps are taken within the framework of the Contracts for Privatized Operating Units.

In compliance with these provisions, the Company has made provisions for the remediation of negative environment impacts generated during the time that the privatized units operated. As of December 31, 2024, the balance of this provision for privatized units amounts to US\$7,666 thousand (US\$7,807 thousand as of December 31, 2023).

With respect to the privatized units (La Pampilla Refinery, Lubricant Plant, Block X, Block 8, Terminales, Selling Plants, Planta de Generación Eléctrica y Gas Natural), the estimates made were based on the environmental studies ruled favorable by the general hydrocarbon’s agency (Dirección General de Hidrocarburos - DGH) or the general environmental office (Dirección General de Asuntos Ambientales Energéticos - DGAAE).

Own operating units -

Of a total 230 of projects of which the environmental management programs (“Programas de Adecuación y Manejo Ambiental” - PAMA) were implemented and met by the Company from 1995 to adapt its operations to the first regulations to protect the environment - “Reglamento para la Protección Ambiental en las Actividades de Hidrocarburos” (S.D. No. 046-93-EM). As of December 31, 2024 and 2023, 210 projects have been executed.

Regarding the management instrument of the Complementary Environmental Plan (“Plan Ambiental Complementario” – PAC) of the NTR (formerly PMRT), due to an operational need, it has been determined that the “Instalación del Oxidador para la planta de soda gastada proveniente del tratamiento de nafta craqueada y GLP (Item 9 del PAMA)”, must be carried out with the PMRT Technical Report No. 113-2015-PP dated December 21, 2015, in which it was approved by Board Agreement No. 113-2015-PP, stating that the Spent Soda Plant would be part of the scope of the PMRT activities to be developed, with an advance of 80% as of December 31, 2024 and 2023. As of the date of issuance of these financial statements, the progress is 100%.

Own operating units correspond to Talara operations, Oil Pipeline operations, Refinería Conchán, Refinería Selva, Planta de Ventas Aeropuerto and Block 64.

In compliance with these provisions, the Company has established provisions for the remediation of negative environment impacts generated by operations in its privatized units since 1997 to 2023. As of December 31, 2024, the balance of this provision for own operating units amounts to US\$53,532 thousand (US\$62,920 thousand as of December 31, 2023).

With respect to its own operating units, estimates were made on the basis of the Company's ISO 14001 Environmental Management System and available data of the costs of the privatized units; this information is also updated on an annual basis considering its own operational needs, the cost of work performed, actually performed or in the process of implementation, of market prices and estimated costs of work remaining to be completed based on information sourced from the own operating units.

As of December 31, 2024, the "Characterization of Contaminated Sites" reports from 21 Company facilities are under review by personnel from the Environmental Transportation and Distribution Headquarters, in order to be presented to the MEM.

From 2014 to 2024, a total number of 90 oil spills (75 due to third-party actions, 12 for geodynamic phenomena, 2 related to technical aspects and 1 to be determined) have occurred at Provisional Standardization Office (ONP by its acronym in Spanish), of which 58 have been completely served, 30 are approved by the relevant agency ("Organismo de Evaluación y Fiscalización Ambiental") (hereinafter OEFA), and 2 are still in remediation process, under the oversight and monitoring of the staff of the Environmental Headquarters, which is committed to making sure PETROPERÚ will continue operating, on a sustainable basis, and reducing the potential impact on the environment.

From 2014, 20 Environmental and Social Assessments have been performed for the significant events in the ONP, conducted in the framework of industry best practices and which have resulted in, among others, obtaining actual data on the dimension of the impact on the environment of the contingent events. It should be noted that this information is useful for the Company to defend itself against potential allegations of negligence and /or environmental and health risk; based on the results of these assessments, the environmental impacts have been determined to be temporary, restricted and reversible.

Also, as a result of the contingencies that occurred in the ONP, the OEFA, under Director's Resolution No 012-2016-OEFA/DS, ordered the Company to submit a Project to update the IGA of ONP with the MEM; in this context, the Company presented its proposal to the DGAAE-MEM containing its Terms of Reference for Updating PAMA of the ONP, which were approved under Report No. 022-2018-MEM-DGAAH/DEAH dated September 7, 2018. However, on February 25, 2019, the Directorate of Environmental Assessment of Hydrocarbons ("Dirección de Evaluación Ambiental de Hidrocarburos – DEAH") of the MEM sent to PETROPERÚ S.A. the record No. 171-2019-MEM-DGAAH / DEAH containing the recommendations that should be included as content of the TOR. In this regard, the relevant coordination was carried out so that finally on August 23, 2019, under report No. 588-2019-MEM/DGAAH/DEAH, MEM approved the final TORs for updating the PAMA of the ONP, which were approved in the first quarter of 2024.

In 2024, 6 significant spills caused by external events were recorded. Of these, containment activities are currently underway in four cases, while cleanup efforts have been completed in the remaining two.

In 2023, 11 significant spills were recorded. Containment activities are currently being carried out in coordination with local companies in the affected areas, in order to comply with current regulations and ensure site safety.

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 remediation is as follows:

	<u>Balances as of January 1</u> US\$000	<u>Payments</u> US\$000	<u>Provision and update</u> US\$000	<u>Balances as of December 31</u> US\$000
Year 2024				
Block 8	2,126	-	-	2,126
Block X	1,962	(9)	-	1,953
Pampilla	1,537	(132)	-	1,405
Lubricants	118	-	-	118
Northern terminals	341	-	-	341
Southern terminals	85	-	-	85
Mid-country terminals	1,618	-	-	1,618
Natural Gas Electric system	20	-	-	20
Subtotal privatized units	<u>7,807</u>	<u>(141)</u>	<u>-</u>	<u>7,666</u>
Operations in Talara	1,991	(22)	-	1,969
Operations in Conchán	729	(161)	-	568
Operations in Oleoducto	57,246	(30,617)	21,412	48,041
Operations in Iquitos Refinery	1,392	-	-	1,392
Commercial operations	603	-	-	603
Management Exploration and Exploitation	959	-	-	959
Total own units	<u>62,920</u>	<u>(30,800)</u>	<u>21,412</u>	<u>53,532</u>
	<u>70,727</u>	<u>(30,941)</u>	<u>21,412</u>	<u>61,198</u>
Exchange difference	682	-	(400)	282
	<u>71,409</u>	<u>(30,941)</u>	<u>21,012</u>	<u>61,480</u>
Year 2023				
Block 8	2,126	-	-	2,126
Block X	1,962	-	-	1,962
Pampilla	1,606	(69)	-	1,537
Lubricants	118	-	-	118
Northern terminals	341	-	-	341
Southern terminals	85	-	-	85
Mid-country terminals	1,724	(106)	-	1,618
Natural Gas Electric system	20	-	-	20
Subtotal privatized units	<u>7,982</u>	<u>(175)</u>	<u>-</u>	<u>7,807</u>
Operations in Talara	2,050	(59)	-	1,991
Operations in Conchán	876	(147)	-	729
Operations in Oleoducto	44,233	(31,090)	44,103	57,246
Operations in Iquitos Refinery	1,392	-	-	1,392
Commercial operations	603	-	-	603
Management Exploration and Exploitation	959	-	-	959
Total own units	<u>50,113</u>	<u>(31,296)</u>	<u>44,103</u>	<u>62,920</u>
	<u>58,095</u>	<u>(31,471)</u>	<u>44,103</u>	<u>70,727</u>
Exchange difference	(85)	-	767	682
	<u>58,010</u>	<u>(31,471)</u>	<u>44,870</u>	<u>71,409</u>

Disbursements required in the environmental remediation activities conducted by the Company in the privatized units are recorded with a charge to profit or loss within other management charges. As stated in Article 6 of Law No. 28840, "Ley de Fortalecimiento y Modernización de la Empresa de Petróleos del Perú - PETROPERÚ S.A.", the government treasury agency "Dirección General del Tesoro Público" shall transfer the Company the total resources needed to cover the expenses to be incurred in environmental remediation activities of the respective privatized units, which was re-confirmed by another piece of legislation ("Vigésima Sexta Disposición Complementaria Final de la Ley No. 30114, Ley de Presupuesto del Sector Público") for fiscal 2014, which authorizes the Ministry of Energy and Mines to transfer financial resources to the Company so that it can complete environmental remediation activities in the privatized units that belonged to it.

The mandate under Article 6 of Law No. 28840 by which the Peruvian Government shall compensate the Company for the environmental remediation work to be performed in its privatized units was re-confirmed by another piece of legislation (“Vigésima Sexta Disposición Complementaria Final de la Ley No. 30114, Ley de Presupuesto del Sector Público”) for fiscal 2014, which authorizes the Ministry of Energy and Mines to transfer financial resources to the Company so that it can complete environmental remediation activities in the privatized units that belonged to it. As of December 31, 2024 and 2023, a total of US\$11,000 thousand remained to be transferred for future expenditures, which was recognized by the MEM in 2014.

Continuing with the procedures begun in 2006, the Company presented to the MEM invoices and similar documentation supporting the expenses incurred in environmental remediation for the period from January 2007 to October 2014. Based on this process, a total US\$1,377 thousand (equivalent to S/4,116 thousand).

The Company has sent communications to MEM requesting financial remittances intended for environmental remediation, which resulted in contributions of US\$20,900 thousand (equivalent to S/62,600 thousand), during 2015; these resources covered the total expenses incurred by the Company as of December 31, 2017 in environmental remediation of its privatized units. As of December 31, 2024 and 2023, the Company is taking the necessary steps to transfer the outstanding S/34,000 thousand (equivalent to US\$9,382 thousand) to cover the environmental remediation liabilities which the Company has to fulfill.

(b) Provision for Customs Claims

This item includes a provision for a tax contingency amounting to S/56,000 thousand related to a customs proceeding concerning discrepancies in the use of the duty-free merchandise replenishment mechanism in 2019. As of the date of this report, the proceeding is before the Judiciary, which ruled in favor of the Peruvian tax authorities in the first instance. Consequently, the Company filed a constitutional relief action (“recurso de amparo”).

(c) Provision for civil claims -

As of December 31, 2024, the Company has estimated a provision of US\$9,975 thousand (equivalent to S/37,356 thousand), which includes proceedings against suppliers: P&D for US\$5,397 thousand (equivalent to S/20,347 thousand), Fracsa for US\$2,041 thousand (equivalent to S/7,644 thousand), Covise S.A., for US\$1,008 thousand (equivalent to S/3,775 thousand), Mr. Murga Pastor Tobias for US\$731 thousand (equivalent to S/2,738 thousand), Man Trading for US\$215 thousand (equivalent to S/805 thousand) and others for US\$583 thousand (equivalent to S/2,183 thousand).

As of December 31, 2023, the Company has estimated a provision of US\$9,508 thousand (equivalent to S/35,304 thousand), which includes proceedings against suppliers: P&D for US\$5,400 thousand (equivalent to S/20,047 thousand), Fracsa for US\$2,228 thousand (equivalent to S/8,274 thousand), Covise S.A. for US\$1,023 thousand (equivalent to S/3,800 thousand) and others for US\$95 thousand (equivalent to S/352 thousand).

(d) Provision for labor-related court actions -

Comprising contingent labor-related processes for which the Company considers that it will be probable to make future disbursements.

19 DEFERRED INCOME TAX

The movement of the deferred income tax for the years ended December 31, 2024 and 2023 is as follows:

	Balances as of January 1, 2023	Credit (charge) to profit or loss (Note 29- b)	Balances as of December 31, 2023	Credit (charge) to profit or loss (Note 29- b)	Balances as of December 31, 2024
	US\$000	US\$000	US\$000	US\$000	US\$000
Deferred assets:					
Provision for environmental remediation	17,008	4,039	21,047	(2,929)	18,118
Carry-over loss tax benefit	114,308	140,108	254,416	195,660	450,076
Lease liability	8,087	2,672	10,759	6,477	17,236
Tax EBITDA	23,656	55,072	78,728	82,582	161,310
Other provisions	6,113	2,431	8,544	1,241	9,785
Provision for impairment of assets	21,077	98,813	119,890	-	119,890
	<u>190,249</u>	<u>303,135</u>	<u>493,384</u>	<u>283,031</u>	<u>776,415</u>
Deferred liabilities:					
Right-of-use assets	(8,363)	(2,479)	(10,842)	(7,404)	(18,246)
Attributed cost of property, plant and equipment and intangible assets and translation effect of non-monetary items (*)	<u>(331,351)</u>	<u>(103,178)</u>	<u>(434,529)</u>	<u>(94,125)</u>	<u>(528,654)</u>
	<u>(339,714)</u>	<u>(105,657)</u>	<u>(445,371)</u>	<u>(101,529)</u>	<u>(549,900)</u>
Net deferred assets (liabilities)	<u>(149,465)</u>	<u>197,478</u>	<u>48,013</u>	<u>181,502</u>	<u>229,515</u>

(*) Comprising the deferred income tax arising from the exchange rate affecting non-monetary items (mainly goods of property, plant and equipment), given the fact the Company is levied with income tax in a currency (Peruvian Soles) other than its functional currency (US\$).

In 2024, the U.S. dollar had a significant depreciation in relation to the Peruvian sol, which gave rise to deferred income tax of US\$96,839 thousand. In 2023, the U.S. dollar had a significant depreciation in relation to the Peruvian sol, which gave rise to deferred income tax of US\$105,573 thousand.

20 EQUITY

a) Share capital -

As of December 31, 2024 and 2023, the authorized, subscribed and paid-in share capital comprises 9,572,168,000 common shares at S/1 par value each. As of December 31, 2024, the Company's shareholding structure is as follows:

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

The class “A” shares are held by the Ministry of Energy and Mines and the Ministry of Economy and Finance, who own 32% and 48%, respectively. These shares have voting right, but are indivisible, non-transferable and non-seizable shares and cannot be pledged, loaned or affected in any way.

The class “B” shares are held by the Ministry of Energy and Mines and the Ministry of Economy and Finance, who own 8% and 12%, respectively. These shares have voting right and are transferable via centralized trading mechanisms in the securities market.

At the General Shareholders’ Meeting held on April 13, 2023, an increase in share capital by US\$1,014,623 thousand (equivalent to S/4,000,000 thousand) was approved as a result of the capitalization of new contributions made by the Peruvian Government in 2022. On July 13, 2023, registration with the Lima Public Records was reported.

b) Additional capital -

Emergency Decree No. 013-2024 (Note 1-a) approved, among other matters, the following capital increases:

- The capitalization of the temporary financial support approved under Article 2 of Emergency Decree No. 010-2022, granted by the Peruvian Ministry of Economy and Finance through the General Directorate of the Public Treasury, up to the amount of US\$750,000 thousand plus accrued interest as of the effective date of this legal provision. As a result, the payment obligation was extinguished. The capitalized amount of US\$828,110 thousand (equivalent to S/3,122,804 thousand) was reconciled with the Peruvian Ministry of Economy and Finance (MEF).
- The assumption, by the Peruvian Ministry of Economy and Finance, through the General Directorate of the Public Treasury, of PETROPERÚ S.A.’s obligations related to the working capital loan contracted with Banco de la Nación, up to the amount of US\$800,000 thousand plus accrued interest as of the effective date of this Emergency Decree. This loan was backed by a sovereign guarantee approved under Article 2 of Emergency Decree No. 004-2024, and consequently constituted a capital contribution from the State to the Company in the amount of US\$789,581 thousand (equivalent to S/2,977,509 thousand). The amount of the capital increase was reconciled with the MEF.

The capital increases were registered with the Public Registry Office of Lima on April 1, 2025.

c) Legal reserve -

In accordance with Peruvian Corporate Law (“Ley General de Sociedades”) in Article No. 229, the legal reserve is established by transferring at least 10% of the net income each year, after deducting accumulated losses, up to an amount equivalent to 20% of the capital. In the absence of earnings or non-restricted reserves, the legal reserve may be used to offset losses but shall be replenished.

As of December 31, 2024 and 2023, the recorded legal reserve amounts to US\$8,724 thousand (equivalent to S/33,325 thousand).

d) Retained earnings -

The General Shareholders’ Meeting approved the dividends policy, which states that: “The distributable profits and after the deduction of workers’ profit sharing, the Legal taxes and legal reserve that may be applicable, will be destined to the investment projects for the modernization or expansion of the activities of the Company, in compliance with its approved annual and five-year objectives, in conformity with the provisions of Article 4 of Law No. 28840- Law for the Strengthening and Modernization of the Company Petróleos del Perú - PETROPERÚ S.A.”, which is concordant with Article 29 subsection F) of the current Corporate by-laws.

21 REVENUE FROM ORDINARY ACTIVITIES

This item comprises:

	<u>2024</u> <u>US\$000</u>	<u>2023</u> <u>US\$000</u>
Local sales	3,010,005	3,413,923
Price Stabilization Fund (*) (Note 8)	(3,547)	3,920
Other revenue from ordinary activities	40,407	49,470
	<u>3,046,865</u>	<u>3,467,313</u>
Foreign sales	409,532	476,656
	<u>3,456,397</u>	<u>3,943,969</u>

(*) At the beginning of 2022, the Price Stabilization Fund (FEPC) began to apply to Industrial Oil 6, Diesel BX, and Liquefied Petroleum Gas for domestic use (LPG-E). Supreme Decree No. 002-2022-EM, published on March 28, 2022, temporarily added, until December 31, 2022, 84- and 90-octane gasoline, 84-octane gasohol, bulk Liquefied Petroleum Gas (LPG-G), and Diesel 2 for vehicle use. Supreme Decrees No. 033-2023-EM, dated December 28, 2023, and No. 007-2024-EM extended the inclusion of LPG-E under the FEPC until March 28, 2024, and June 27, 2024, respectively. As of December 31, 2024, the only products subject to the FEPC are Industrial Oil 6 and Diesel BX.

In 2024 and 2023, sales are broken down as follows:

	<u>2024</u> <u>US\$000</u>	<u>2023</u> <u>US\$000</u>
Local sales:		
Diesel - others	1,734,416	2,149,639
Gasoline	822,726	968,214
Turbo A1	189,901	143,478
Asphalt	95,195	67,801
Industrial oil	90,534	58,395
LPG	68,734	57,262
Natural Gas Liquids – PP	20,391	2,131
Solvent	10,687	13,486
Primary Naphtha and others	7,913	3,113
Wet Gas Block I	3,185	3,346
Dry Gas Blocks – PP	3,148	448
Fine petroleum coke (MT)	35	-
Total local sales	<u>3,046,865</u>	<u>3,467,313</u>
Foreign sales:		
Industrial oil	322,648	465,836
Gran Tierra crude Block 95	34,264	-
Cutter stock	27,119	-
Turbo A1	15,852	9,017
Reduced Crude	8,622	-
Asphalt	1,027	1,803
Total foreign sales	<u>409,532</u>	<u>476,656</u>
Total	<u>3,456,397</u>	<u>3,943,969</u>

22 OTHER OPERATING INCOME

This item comprises:

	<u>2024</u>	<u>2023</u>
	<u>US\$000</u>	<u>US\$000</u>
Income recognized at a point in time:		
Terminal operating fees (a)	20,877	18,037
Operating services for Terminals (b)	19,496	15,679
Recoverable freight (c)	8,294	11,359
Maritime operations services	6,560	3,787
PNP supply operations	5,323	5,147
Service of operation of fuel stations and cisterns to mining companies	1,782	1,706
Income recognized over time:		
Rentals	3,840	3,675
Crude transport via oil pipeline	3,165	244
Other revenue from services	1,586	1,106
Lease SAVIA PERU S.A. (d)	-	4,375
	<u>70,923</u>	<u>65,115</u>

(a) Comprising revenue from operating agreements of the terminals of the Company signed with Terminales del Perú for the terminals and northern and central plants.

(b) Comprising revenue from fuel reception, storage and dispatch services.

(c) Comprising revenue from billing of transportation expenses incurred by customers. The Company considers a handling margin when billing this type of expenses.

23 COST OF SALES

This item comprises:

	<u>2024</u>	<u>2023</u>
	<u>US\$000</u>	<u>US\$000</u>
Opening inventory of goods (**)	893,970	954,356
Purchase of crude oil and refined products (*)	2,733,583	3,756,736
Operating expenses of production (a)	843,336	550,501
Final inventory of goods (**)	<u>(657,559)</u>	<u>(893,970)</u>
	<u>3,813,330</u>	<u>4,367,623</u>

(*) The decrease in the value of 2024 purchases is due to the lower average price of crude oil and products (88.3 US\$BL in 2024 versus 99.9 US\$BL in 2023) and the lower volume of purchases (85 MBDC in 2024 versus 103 MBDC in 2023).

(**) The balance of the opening and final inventory excludes balances for materials, supplies, and goods in transit.

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

	<u>2024</u> <u>US\$000</u>	<u>2023</u> <u>US\$000</u>
Services provided by third parties (**)	394,236	244,380
Depreciation of assets (Note 11)	209,105	195,861
Other management charges (***)	69,000	8,879
Personnel charges (Note 26)	65,662	58,441
Insurance	42,420	25,993
Other materials and supplies (*)	29,184	-
Depreciation of right-of-use asset (Note 13)	23,717	13,182
Amortization	6,279	1,770
Depreciation of investment properties (Note 12)	10	11
Others	3,723	1,534
	<u>843,336</u>	<u>550,051</u>

(*) Comprising the consumption of materials and supplies acquired and used for the maintenance of the processing and auxiliary units of the NTR, which have been in operation since the first quarter of 2024.

(**) Including the following:

	<u>2024</u> <u>US\$000</u>	<u>2023</u> <u>US\$000</u>
Maintenance and repair services	96,244	9,824
Ground transport freight and expenses	88,752	77,469
Other freights	68,751	36,050
Energy and water	65,939	61,140
Natural gas supply service	17,177	3,640
Dispatch of products	13,775	11,134
Product storage	9,943	12,013
Industrial protection and safety	9,100	5,800
Other consultancies	5,286	3,137
Storage and dispatch (PNP – Petrored)	4,292	4,461
Food and lodging	3,741	3,454
Advertising	2,158	6,108
Maritime transport freight and expenses	-	6,192
Others	9,078	10,735
	<u>394,236</u>	<u>244,380</u>

(**) Including the following:

	<u>2024</u> <u>US\$000</u>	<u>2023</u> <u>US\$000</u>
Royalties for the operation of oil fields	68,436	8,722
Arbitration with suppliers	294	-
Environmental management	255	156
Newspapers and magazines	15	1
	<u>69,000</u>	<u>8,879</u>

24 SELLING AND DISTRIBUTION EXPENSES

This item comprises:

	2024	2023
	US\$000	US\$000
Personnel charges (Note 26)	19,402	21,605
Taxes (a)	15,432	16,343
Depreciation of assets (Note 11)	10,790	9,226
Services provided by third parties (b)	9,791	10,336
Materials and supplies	3,320	3,311
Insurance	2,080	4,972
Other management charges	429	690
Depreciation of right-of-use asset (Note 13)	162	167
Expected loss of receivables (Note 8)	-	71
	<u>61,406</u>	<u>66,721</u>

(a) Including the following:

	2024	2023
	US\$000	US\$000
Alfcuota Osinergmin (*)	12,211	12,650
OEFA contribution	2,886	3,335
Others	334	357
	<u>15,432</u>	<u>16,343</u>

(*) Comprising the contribution aimed at supporting Osinergmin, applicable to companies in the hydrocarbons sector, established by Article 10 of Law No. 27332, which is calculated as a percentage of local sales.

(b) Including the following:

	2024	2023
	US\$000	US\$000
Other services provided by third parties	3,466	3,424
Maintenance and repair services	2,659	3,603
Industrial protection and safety	2,606	2,183
Energy and water	419	412
Freight and other expenses	197	158
Food and lodging	180	251
Rentals	136	139
Travel and transfer expenses	128	166
	<u>9,791</u>	<u>10,336</u>

25 ADMINISTRATIVE EXPENSES

This item comprises:

	<u>2024</u> <u>US\$000</u>	<u>2023</u> <u>US\$000</u>
Services provided by third parties (a)	69,375	72,718
Personnel charges (Note 26)	61,636	68,033
Other management charges (b)	26,343	60,123
Depreciation (Note 11)	6,983	6,151
Administrative civil and labor contingencies (Note 18)	6,219	10,103
Taxes	5,323	9,881
Amortization (Note 12)	1,637	3,010
Depreciation of right-of-use asset (Note 13)	1,414	1,381
Materials and supplies	1,232	1,216
Insurance	902	933
	<u>181,064</u>	<u>233,549</u>

(a) Including the following:

	<u>2024</u> <u>US\$000</u>	<u>2023</u> <u>US\$000</u>
Bank expenses	22,661	19,003
Maintenance and repair services	9,793	8,603
Temporary services	8,949	2,775
Advisory, appraisal and audits	7,335	22,488
IBM outsourcing services	6,266	6,723
Industrial protection and safety	5,864	5,335
Freights	2,386	2,443
Medical services	702	606
Travel and transfer expenses	366	523
Advertising	352	640
Others	4,701	3,579
	<u>69,375</u>	<u>72,718</u>

(b) Including the following:

	<u>2024</u> <u>US\$000</u>	<u>2023</u> <u>US\$000</u>
Administrative penalties (*)	17,647	51,604
Environmental management	6,243	2,236
Management with creditor	1,592	5,457
Others	860	824
	<u>26,343</u>	<u>60,123</u>

(*) The 2024 balance includes administrative sanctions imposed by OEFA amounting to US\$9,900 thousand, a fine imposed by the SMV for US\$800 thousand, and other expenses related to court-ordered garnishments totaling US\$6,900 thousand.

26 PERSONNEL CHARGES

This item comprises:

	<u>2024</u> <u>US\$000</u>	<u>2023</u> <u>US\$000</u>
Wages and salaries	64,898	60,806
Bonuses	26,082	32,776
Social contributions	19,297	21,190
Statutory bonuses	11,989	10,478
Employees' severance indemnities	8,174	9,040
Vacation leave	4,305	4,781
Feeding	3,545	3,384
Overtime	1,916	2,097
Transportation	876	995
Remote Work Compensation	120	43
Workers' profit sharing	-	589
Others	5,498	1,900
	<u>146,700</u>	<u>148,079</u>
Number of employees at the end of the year	<u>2,659</u>	<u>2,937</u>

In 2024, the number of Company employees decreased as a result of the implementation of the voluntary severance plan and employee retirements.

Personnel charges and workers' profit-sharing expenses were recorded with charges to profit and loss of the year as follows:

	<u>2024</u> <u>US\$000</u>	<u>2023</u> <u>US\$000</u>
Cost of sales (Note 23)	65,662	58,441
Selling expenses and distribution (Note 24)	19,402	21,605
Administrative expenses (Note 25)	61,636	68,033
	<u>146,700</u>	<u>148,079</u>

27 OTHER INCOME AND OTHER EXPENSES

This item comprises:

	<u>2024</u> <u>US\$000</u>	<u>2023</u> <u>US\$000</u>
Other income:		
Claims and/or compensation (a)	22,676	12,757
Regularization of provision	892	9
Recovery of civil and labor provisions	647	160
Recovery of the fee for use of the loading port in Pucallpa	362	263
Recovery of doubtful account provision	15	-
Others	3,288	4,442
	<u>27,880</u>	<u>17,631</u>
Other expenses:		
Contingencies for replacement of merchandise under franchise (b)	38,064	-
Provision for losses in oil pipeline (Note 18)	21,412	44,103
Voluntary Disengagement Program	886	-
Net cost of disposal	-	2,132
	<u>60,362</u>	<u>46,235</u>

(a) Claims and/or indemnities refer to insurance collections for incidents that occurred in the Peruvian northern oil pipeline ("Oleoducto Norperuano"), as well as claims and/or indemnities for contractual breaches by transportation service providers.

(b) Including the payment made to the Peruvian tax authorities amounting to US\$23,209 thousand (equivalent to S/87,000 thousand) in relation to the tax proceeding concerning the use of the duty-free goods replacement mechanism. It also includes a provision for tax contingency amounting to US\$14,855 thousand (equivalent to S/56,000 thousand) related to the same mechanism, for which there is currently no final court ruling.

28 FINANCIAL INCOME AND EXPENSES

This item comprises:

	<u>2024</u> <u>US\$000</u>	<u>2023</u> <u>US\$000</u>
Interest on bank deposits	2,377	3,251
Interest on receivables	389	1,487
	<u>2,766</u>	<u>4,738</u>
Loan interest related to NTR (a)	(189,595)	(134,028)
Interest on working capital loans (b)	(139,872)	(101,713)
Interest on forward contracts	(20,267)	(18,181)
Interest on trade obligations (c)	(20,176)	(5,462)
Financial loss in crude oil purchase price	(5,904)	(1,021)
Interest on leases	(5,333)	(1,299)
Tax obligations	(2,608)	(3,065)
	<u>(383,755)</u>	<u>(264,769)</u>

- (a) This corresponds to interest generated from loans originally obtained for the construction of the NTR. During the construction phase, such interest was capitalized as part of the cost of the asset. However, in 2024 and 2023, as the NTR was progressively commissioned, certain assets completed their construction phase and were ready for use under the conditions necessary to operate as intended by the Company's Management; therefore, the related interest was recognized in profit or loss for the year. In 2024, the Company recognized higher financial expenses as part of the commissioning of all process and auxiliary units.
- (b) In 2024 and 2023, the Company's limited access to credit lines, resulting from downgraded credit ratings by rating agencies, led to higher interest rates charged by banks on short-term working capital loans. This item also includes interest on loans received under Emergency Decrees No. 010-2022, No. 004-2024, and No. 013-2024 (Note 16).
- (c) This corresponds to accrued interest on trade payables resulting from negotiations with crude oil and finished product suppliers regarding the maturity dates of such payables.

29 TAX SITUATION

a) Tax rates -

In accordance with current legislation, the Company is individually subject to applicable taxes. Management has determined the taxable income under the Peruvian General Income Tax Regime, by adding to and deducting from the results shown in the financial statements, those items that are considered as taxable and non-taxable, respectively. The applicable Income tax rate has been 29.5% since 2017 onwards, pursuant to Legislative Decree No. 1261 enacted on December 10, 2016. The determination of income tax on the activities of the Exploitation of Blocks segment is carried out separately from the activities of the other segments.

As of December 31, 2024, the Company has tax losses of S/5,720,053 thousand, equivalent to US\$1,525,682 thousand (S/3,226,424, equivalent to US\$864,270 thousand, as of December 31, 2023). The Company uses the system "B" to carry forward tax losses, which consists of offsetting said losses until its amount is exhausted, against 50% of the net income obtained in the years immediately following its generation. System option "B" is exercised with the opportunity of filing the annual income tax return for the fiscal year in which the losses were generated. Once the option is exercised, it is not possible to modify the system. In accordance with Management's projections, the Company will offset accumulated tax losses with future tax gains. In 2023, the Company offset tax losses with tax profits from the Exploitation of Blocks segment for S/19,417 thousand, equivalent to US\$5,358 thousand; in 2024, no carry-forward losses were offset.

It should be noted that under current Peruvian laws, non-domiciled parties are only subject to income tax on their Peruvian-source income. In general, income obtained by non-domiciled parties that provide services in Peru will be subject to a 30% income tax rate on gross income; this is as long as no double taxation agreement (CDI) is applicable. In respect of technical assistance services or digital services rendered by non-domiciled parties to legally resident taxpayers; the place where the services are rendered will not be relevant; in all cases, will be subject to income tax of 15% and 30%, respectively on a gross basis. The income tax rate on technical assistance services is 15% as long as the qualifying requirements under the Peruvian income tax law are met.

b) Income tax determination -

The income tax expense shown in the statement of comprehensive income (which corresponds entirely to the income tax applicable in the country) comprises:

	<u>2024</u> <u>US\$000</u>	<u>2023</u> <u>US\$000</u>
Current	-	(1,485)
Adjustment from previous years	-	(1,849)
Deferred (Note 19)	<u>181,502</u>	<u>197,478</u>
	<u><u>181,502</u></u>	<u><u>194,144</u></u>

Reconciliation between the effective income tax rate to the tax rate is as follows:

	<u>2024</u> <u>US\$000</u>	%	<u>2023</u> <u>US\$000</u>	%
Loss before income tax	<u>(955,407)</u>	100.00	<u>(1,258,525)</u>	100.00
Income tax according to tax rate	(281,845)	(29.5)	(371,265)	(29.5)
Permanent non-deductible expenses	27,715	2.90	19,458	1.55
Permanent non-taxable income	-	-	(380)	(0.03)
Effect of exchange difference on tax fixed assets (*)	96,982	10.15	105,573	8.39
Effect of higher current tax resulting from exchange difference (**)	(22,220)	(2.33)	46,923	3.73
Adjustment from previous years	-	-	1,849	0.15
Others	<u>(2,134)</u>	<u>(0.22)</u>	<u>3,698</u>	<u>0.29</u>
Current and deferred income tax	<u><u>(181,502)</u></u>	<u><u>(20.31)</u></u>	<u><u>(194,144)</u></u>	<u><u>(15.42)</u></u>

(*) Comprising changes in deferred income tax resulting from the exchange rate fluctuations that affect the tax base of non-monetary assets.

(**) Comprising the lower current income tax resulting from the exchange rate fluctuation that affects its determination in Peruvian soles but not the financial statement whose functional currency is the U.S. dollar.

The Peruvian tax authorities have the right to review and, if necessary, amend the income tax determined by the Company in the last four years from January 1 of the year following the date of filing the corresponding tax return (years subject to examination). Years 2020 to 2024 are subject to examination. Since discrepancies may arise over the interpretation of the tax laws by Peruvian tax authorities, it is currently not possible to determine whether these reviews will result in additional liabilities for the Company. Any additional tax, penalties and interest will be recognized in the results of the period when such differences of opinion with the Peruvian tax authorities are resolved. The Company considers that no significant liabilities will arise as a result of these eventual tax examinations.

As established under current legislation, for purposes of determining Income Tax and Value Added Tax "VAT" (IGV in Peru), transactions between related parties and/or those entered into with parties domiciled in tax havens are subject to transfer pricing rules. These transactions must have documentation and information supporting the valuation methods and criteria applied in their determination. Peruvian tax authorities are entitled to request such information from the taxpayer. Based on an analysis of the Company's business, Management and its legal advisors consider that no significant contingencies will arise as a result of this legislation for the Company as of December 31, 2024.

c) Temporary tax on net assets (ITAN by its acronym in Spanish) -

The Company is subject to the ITAN. The taxable base is the prior period adjusted net asset value less depreciation, amortization admitted by the Peruvian Income Tax Law, as shown in the respective standard (Law 28424 and its Regulation). The ITAN rate is 0.4% for 2024 and 2023 applied to the amount of net assets that exceed S/1 million. It may be paid in cash or in nine consecutive monthly installments. The amount paid may be used as a credit against payments of the general income tax regime for taxable periods from March to December of the fiscal period for which the tax was paid until maturity date of each of the payments on account and against the regularization of income tax payments for the related fiscal year.

d) Tax on financial transactions -

For fiscal 2024 and 2023, the rate of the Tax on Financial Transactions was set at 0.005% and is applicable to bank debits and credits or cash movements through the formal financial system, unless the transaction is exempt. This tax is accounted for as tax expenses within administrative expenses.

e) Tax Regime of VAT -

The VAT rate (including Wholesale Price Index) currently in force is 18%.

Pursuant to Supreme Decree No. 068-2022-EF, enacted on April 3, 2022, the Peruvian Executive has approved the amendment of the New Appendix III of the Single Ordered Text of the Value Added Tax and Selective Consumption Tax Law, which excludes until June 30, 2022 Gasolines with a Research Octane number (RON) greater than or equal to 84, but less than 90, greater than or equal to 90, but less than 95, Gasoils, Diesel B2, with a sulfur content less than or equal to 50 ppm, Diesel B5 and Diesel B20, with a sulfur content less than or equal to 50 ppm, as well as other mixtures of Diesel 2 with Biodiesel B100.

The exclusion period may be extended for a maximum of six additional months, after evaluating the evolution of the international price of oil and its impact on domestic prices.

f) Examination by the Peruvian tax authorities -

As of December 31, 2024, SUNAT concluded its audit of the Company's Income Tax assessment for the period from January to December 2018, issuing Determination Resolutions No. 012-003-0138556 through No. 012-003-0138575 and Fine Resolutions No. 012-002-0039802 through No. 012-002-0039813. These amounts were paid under protest for S/2,931 thousand. The Legal and Regulatory Affairs Department is currently evaluating the filing of a tax appeal against said resolutions.

As a result of the 2017 Income Tax audit, on July 26, 2023, the Company was notified by SUNAT of the: i) Determination Resolutions No. 012-003-0132672 to 012-003-0132681, 012-003-0132693 and 012-003-0132694 issued for payments on account of Income Tax from January to December 2017, ii) Determination Resolutions No. 012-003-0132683 to 012-003-0132691 issued for alleged omissions to the Third Category Income Tax - additional rate from January to December 2017, iii) Determination Resolution No. 012-003-0132682 issued by Third Category Income Tax for 2017 and iv) Fine Resolutions No. 012-002-0038722 to 012-002-0038732 issued for the violation classified in paragraph 1) of Article 178 of the Tax Code linked to the determination of the Third Category Income Tax for 2017. On August 10, 2023, the Company paid, under protest, the debt in said Determination and Fine Resolutions, reserving the right to present the corresponding Claim Appeal. This payment is presented in the statement of comprehensive income under the item of administrative expenses.

Regarding the audit process of Income Tax from 2016, on December 16, 2022, SUNAT notified: i) Determination Resolutions No. 012-003-0129532 to 012-003-0129536 issued for alleged Third-Category Income Tax omissions - additional rate for July, August, September, November and December 2016, ii) Determination Resolutions No. 012-003-0129519 to 012-003-0129530 issued for Income Tax on-account payments from January to December 2016, iii) Determination Resolution No. 012-003-0129531 issued for Third-Category Income Tax for fiscal 2016 and iv) Fine Resolution No. 012-002-0038228 issued for the infraction in numeral 1) of Article 178 of the Peruvian Tax Code related to the determination of the Third-Category Income Tax for fiscal 2016. On December 23, 2022, the Company filed a Claim Appeal against Determination Resolutions No. 012-003-0129532 to 012-003-0129536 and Fine Resolution No. 012-002-0038228 and canceled the tax debt of Determination Resolutions No. 012-003-0129519 to 012-003-0129531, which was resolved by Resolution No. 4070140000534 dated May 26, 2023. The Company filed an Appeal against this last Resolution and, as of December 31, 2023, it is pending resolution. The cancellation of the tax debt is presented in the statement of comprehensive income under the item of administrative expenses.

Regarding the Income Tax audit process from January to December 2016, on December 16, 2022, SUNAT notified: i) Determination Resolutions No. 012-003-0129532 to 012-003-0129536 issued for alleged Third-Category Income Tax omissions - additional rate for July, August, September, November and December 2016, ii) Determination Resolutions No. 012-003-0129519 to 012-003-0129530 issued for Income Tax on-account payments from January to December 2016, iii) Determination Resolution No. 012-003-0129531 issued for Third-Category Income Tax for fiscal 2016 and iv) Fine Resolution No. 012-002-0038228 issued for the infraction in numeral 1) of Article 178 of the Peruvian Tax Code related to the determination of the Third-Category Income Tax for fiscal 2016. On December 23, 2022, the Company filed a Claim Appeal against Determination Resolutions No. 012-003-0129532 to 012-003-0129536 and Fine Resolution No. 012-002-0038228 and canceled the tax debt of Determination Resolutions No. 012-003-0129519 to 012-003-0129531, which was resolved by Resolution No. 4070140000534 dated May 26, 2023. The Company filed an Appeal against this last Resolution and, as of December 31, 2023, it is pending resolution.

As a consequence of the income tax review by the Peruvian tax authorities from January to December 2015, dated December 17, 2021, SUNAT issued Tax Determination Resolutions No. 012-003-0122358, issued for alleged omissions of Income Tax for the additional rate of 4.1% of 2015. This resolution was the subject of a Claim Appeal, which was resolved by Tax Determination Resolution No. 0150140016720, notified to the Company on July 27, 2022. Against this last Tax Determination Resolution, the Company filed an Appeal that was resolved by Tax Court Resolution No. 00208-1-2023 dated January 6, 2023.

With respect to income tax review by the tax authorities from January to December 2014, SUNAT issued Tax Determination Resolutions No. 012-0030116931 to 012-003-0116935, issued for alleged omissions of Income Tax for the additional rate of 4.1% of 2014; however, an appeal against said resolutions was presented within the term set by law. Pursuant to Resolution No. 015014001617806, SUNAT declared the claim filed unfounded. This resolution was subject to an Appeal that was resolved, in favor of SUNAT, by Tax Court Resolution No. 00418-3-2023 dated January 13, 2023.

With respect to income tax review by the tax authorities from January to December 2013, SUNAT issued Tax Determination Resolutions No. 012-003-0108813 to 012-003-0108818; however, an appeal against said resolutions was presented within the term set by law. On August 3, 2021, a notice was served to the Company with the Resolution No. 0150140015507 that declared the claim unfounded, and an appeal had been filed in due course. On January 26, 2022, Courtroom 9 of the Peruvian Tax Court issued Resolution No. 00668-9-2022 that revoked Resolution No. 0150140015507, which annulled Determination Resolutions No. 012-0030108813 to 012-003-0108818.

30 CONTINGENCIES

The Company has the following labor-related court actions, civil lawsuits, tax and customs claims pending resolution. Management and its legal advisors consider that these contingencies have been considered as possible and, consequently, they have not been recognized in the financial statements:

	<u>2024</u> <u>US\$000</u>	<u>2023</u> <u>US\$000</u>
Civil	99,177	96,756
Tax and customs claims	15,068	31,238
Labor-related	1,730	14,876
	<u>115,975</u>	<u>142,870</u>

The movement of contingencies is detailed below:

	<u>Balance as of January 1</u> <u>US\$000</u>	<u>Additions</u> <u>US\$000</u>	<u>Deductions</u> <u>US\$000</u>	<u>Balance as of December 31</u> <u>US\$000</u>
Year 2024				
Civil (a)	96,756	16,085	(13,664)	99,177
Tax and customs claims (b)	31,238	-	(16,170)	15,068
Labor-related (c)	14,876	487	(13,633)	1,730
	<u>142,870</u>	<u>16,572</u>	<u>(43,467)</u>	<u>115,975</u>
Year 2023				
Civil (a)	79,966	46,902	(30,112)	96,756
Tax and customs claims (b)	47,869	455	(17,086)	31,238
Labor-related (c)	15,172	605	(901)	14,876
	<u>143,007</u>	<u>47,962</u>	<u>(48,099)</u>	<u>142,870</u>

(a) As of December 31, the main civil proceedings include:

	<u>2024</u> <u>US\$000</u>	<u>2023</u> <u>US\$000</u>
Heaven Petroleum Operators	30,616	31,086
Comunidad Nativa San José de Paragua Poza	8,214	-
Servicios industriales de la Marina – SIMA	5,403	5,403
Aptim Peru S.A.C.	2,647	-
CIME Ingenieros S.R.L.	1,676	-
Administradoras de Fondos de Pensiones - AFP's	1,685	1,779
Rebaza Vigo Percy	1,150	-
Pluspetrol Norte	796	807
Hispánica de Calderería Sucursal Perú	791	802
Ruesta de García Juana y Ubillus Ordinola	530	-
E&A Servicios Afines	495	-
GUVI Services E.I.R.L.	408	-
Juegos Panamericanos	408	-
Gobierno Regional de Lambayeque	-	6,687
Consortio FCC	-	3,709
JS Industrial	-	1,106
OEFA and OSIGNERMIN	-	736
Others	44,358	44,641
	<u>99,177</u>	<u>96,756</u>

(b) As of December 31, 2024, the main processes correspond to those maintained with SUNAT for US\$14,972 thousand (equivalent to S/54,032 thousand), related to file N°06304-2019-01801.

As of December 31, 2023, the main processes correspond to those maintained with SUNAT for US\$31,238 thousand (equivalent to S/114,429 thousand), of which one of them is related to file No. 04315-2020-0-1801-JR-CA-21 for US\$15,082 thousand (equivalent to S/56,000 thousand) and other is related to file 06304-2019-01801 for US\$14,972 thousand (equivalent to S/54,033 thousand).

(c) As of December 31, 2024, the labor dispute between the Company and the Administrative Workers' Union was resolved in favor of the Company, involving an amount of US\$13,256 thousand (equivalent to S/48,000 thousand).

31 BASIC AND DILUTED LOSS PER SHARE

As of December 31, 2024 and 2023, the calculation of basic and diluted loss per share shows the same value as there are no shares with dilutive effect is as follows:

	<u>Loss</u> US\$000	<u>Weighted average number of shares used</u> (in thousand)	<u>Loss per share</u> US\$
2024:			
Basic and diluted losses per share	(773,905)	9,572,168	(0.081)
2023:			
Basic and diluted losses per share	(1,064,381)	9,572,168	(0.111)

32 GUARANTEES

As of December 31, 2024, the Company has given performance bonds backed by local financial institutions to suppliers for a total S/91,847 thousand (equivalent to US\$24,362 thousand) and US\$80,132 thousand. As of December 31, 2023, the Company has given performance bonds backed by suppliers for a total S/112,395 thousand (equivalent to US\$30,271 thousand) and US\$92,091 thousand.

Guarantees related to borrowings are disclosed in Note 14.

33 SUBSEQUENT EVENTS

As of December 31, 2024, and the date of approval of the financial statements, no other events have occurred, in addition to those mentioned below, that require adjusting the items of the 2024 financial statements or being disclosed in their notes:

- In March 2025, the international credit rating agency Moody's Ratings assigned the Company a long-term issuer credit rating of "B3" (equivalent to "B-") and rated its bonds issued in the international market. It also assigned a Baseline Credit Assessment (BCA) rating of "CA" (equivalent to "CC"), with a stable outlook.
- On April 16, 2025, the Company reported to the National Superintendency of Public Registries the registration of a capital increase amounting to S/6,100,312,855.