(Free translation from the original in Spanish)

**PETRÓLEOS DEL PERÚ - PETROPERÚ S.A.**

FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Gaveglio Aparicio y Asociados Sociedad Civil de Responsabilidad Limitada.
Av. Santo Toribio 143, Piso 7, San Isidro, Lima Perú - www.pwc.pe
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(Free translation from the original in Spanish)

**PETRÓLEOS DEL PERÚ - PETROPERÚ S.A.**

FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

(Free translation from the original in Spanish)

**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, 2023, 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, 2023, 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.

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| *Key audit matters* | *How the matter was addressed in our audit* |
|---|---|

***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 and 11 to the financial statements)***

At December 31, 2023, the balance of the items Property, plant and equipment and Intangible assets and others 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$5,795,033 thousand and US$136,325 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 lower economic returns than expected, as a consequence of the delay in the start-up of the New Talara Refinery (NTR) and the increase in the investment budget to complete its construction. In this regard, the Company recognized an impairment of assets of this CGU for an amount of US$206,348 thousand in 2023.

(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. In this regard, the Company recognized an impairment of assets of this CGU for an amount of US$128,527 thousand in 2023.

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.

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.

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

| Key audit matters | How the matter was addressed in our audit |
|---|---|
| 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:<br><br>(i) the relevance of the carrying amount of the CGUs presented in the statement of financial position,<br>(ii) the high degree of judgment applied to estimate the assumptions used in determining recoverable amounts, and<br>(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-e)***

Between 2021 and 2024, 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 by the Company and ongoing investigations by of the Prosecutor's Office against officials and former officials.

In this regard, Management, together with external experts hired for such purposes, 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:

- 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 execution of "forensic due diligence" procedures with the support of an external expert, through which it has analyzed the processes of procurement of goods, services and works in which some former officials (former Management) who were in charge of certain Company's managements have participated.

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 external experts, 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 and evidence of transactions and preventive and corrective measures.

(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.

| Key audit matters | How the matter was addressed in our audit |
|---|---|
| - The execution of "forensic due diligence" procedures with the support of an external expert, on the procurement processes in which an official who was in charge of the Management of the Logistics department has participated.<br><br>- The assessment of the impact on the financial statements of the reports issued by external experts and the reports of the Comptroller General of the Republic of Peru and the Institutional Control Body, related to these aspects.<br><br>- The assessment, together with legal experts, 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.<br><br>We consider the risk of Management override of controls in the procurement processes for goods, services and works, as a key audit matter, due to:<br><br>- The possible impact of this risk that could affect the financial statements as a whole, including its explanatory notes; and<br><br>- 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 and includes the involvement of experts in forensic audits and legal matters. | (v) We reviewed that there are no hydrocarbon purchase transactions with Gunvor during 2023.<br><br>(vi) We reviewed, on a selective basis, the complaints reported on the Company's Integrity Line.<br><br>(vii) We assessed the result of the work carried out by the external experts 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.<br><br>(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.<br><br>(ix) Together with our legal experts, we assessed the conclusions of Management and its external legal advisors 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.<br><br>(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-g in the financial statements, which indicates that the Company incurred a net loss of US$1,064,381 thousand during the year ended December 31, 2023 and, as of that date, the Company's current liabilities exceeded its total assets by US$3,542,448 thousand. These circumstances, along with other matters as set forth in Note 1-g, 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 information**

Management is responsible for the other information. The other information comprises the annual report for the year ended December 31, 2023 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 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 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.

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- 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 28, 2024

Countersigned by

----------------------------------------------(partner)
Daniel Oliva
Peruvian Public Accountant
Registration No.27882

(Free translation from the original in Spanish)

**PETRÓLEOS DEL PERÚ - PETROPERÚ S.A.**

**STATEMENT OF FINANCIAL POSITION**

| ASSETS | Note | At December 31, 2023 US$000 | At December 31, 2022 US$000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 7 | 41,147 | 88,746 |
| Trade receivables | 8 | 279,226 | 471,673 |
| Other receivables | 9 | 467,043 | 491,076 |
| Inventories | 10 | 854,410 | 1,032,909 |
| Other assets | | 2,543 | 9,065 |
| **Total current assets** | | 1,644,369 | 2,093,469 |
| **Non-current assets** | | | |
| Other receivables | 9 | 956,394 | 714,931 |
| Property, plant and equipment | 11 | 7,117,703 | 7,050,239 |
| Investment properties | | 2,729 | 9,535 |
| Intangible assets and others | 2.5 and 12 | 85,173 | 44,351 |
| Right-of-use assets | 13 | 35,790 | 29,073 |
| Deferred income tax asset | 19 | 48,011 | - |
| **Total non-current assets** | | 8,245,800 | 7,848,129 |
| **TOTAL ASSETS** | | 9,890,169 | 9,941,598 |

| LIABILITIES AND EQUITY | Note | At December 31, 2023 US$000 | At December 31, 2022 US$000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Other financial liabilities | 14 | 2,062,428 | 867,741 |
| Trade payables | 15 | 1,903,813 | 1,101,922 |
| Payables to related entities | 16 | 958,649 | 134,591 |
| Other liabilities and other payables | 17 | 169,337 | 91,260 |
| Provisions | 18 | 73,330 | 51,273 |
| Lease liabilities | 13 | 19,260 | 18,500 |
| **Total current liabilities** | | 5,186,817 | 2,265,287 |
| **Non-current liabilities** | | | |
| Other financial liabilities | 14 | 3,085,690 | 4,099,706 |
| Payables to related entities | 16 | - | 751,297 |
| Provisions | 18 | 12,521 | 12,574 |
| Deferred income tax liabilities | 19 | - | 149,465 |
| Lease liabilities | 13 | 17,199 | 10,946 |
| **Total non-current liabilities** | | 3,115,410 | 5,023,988 |
| **Total liabilities** | | 8,302,227 | 7,289,275 |
| **Equity** | 20 | | |
| Share capital | | 2,675,209 | 1,660,586 |
| Additional capital | | - | 1,014,623 |
| Legal reserve | | 8,724 | 8,724 |
| Retained earnings | | (1,095,991) | (31,610) |
| **Total equity** | | 1,587,942 | 2,652,323 |
| **TOTAL LIABILITIES AND EQUITY** | | 9,890,169 | 9,941,598 |

The attached notes from pages 12 to 93 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, 2023 US$000 | 2022 US$000 |
|---|---|---|---|
| Revenue | 21 | 3,943,969 | 5,517,240 |
| Other operating income | 22 | 65,115 | 63,648 |
| Total revenue | | 4,009,084 | 5,580,888 |
| Cost of sales | 23 | (4,367,623) | (5,539,945) |
| (Loss) gross profit | | (358,539) | 40,943 |
| Selling and distribution expenses | 24 | (66,721) | (70,556) |
| Administrative expenses | 25 | (233,549) | (177,942) |
| Impairment of property, plant and equipment | 11 | (334,875) | - |
| Other income | 27 | 17,631 | 18,070 |
| Other expenses | 27 | (46,235) | (39,918) |
| Operating expenses, net | | (663,749) | (270,346) |
| Loss from operating activities | | (1,022,288) | (229,403) |
| Finance income | 28 | 4,738 | 3,346 |
| Finance expenses | 28 | (264,769) | (155,299) |
| Exchange difference, net | 3.1(a) (i) | 23,794 | 57,028 |
| Loss before income tax | | (1,258,525) | (324,328) |
| Income tax | 29 | 194,144 | 53,109 |
| Net result for the year and comprehensive income | | (1,064,381) | (271,219) |
| Basic and diluted loss per share (In US$) | 31 | (0.111) | (0.045) |

The attached notes from pages 12 to 93 form part of the financial statements.

(Free translation from the original in Spanish)

**PETRÓLEOS DEL PERÚ - PETROPERÚ S.A.**

**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

| | Number of shares | Share capital US$000 | Additional capital US$000 | Legal reserve US$000 | Retained earnings US$000 | Total equity US$000 |
|---|---|---|---|---|---|---|
| Balances at January 1, 2022 | 5,368,412,525 | 1,599,443 | - | 1,930 | 307,546 | 1,908,919 |
| Net result and comprehensive income for the year | - | - | - | - | (271,219) | (271,219) |
| Transactions with shareholders: | | | | | | |
| - Capital contribution | - | - | 1,014,623 | - | - | 1,014,623 |
| - Transfer to additional capital and legal reserve | - | - | 61,143 | 6,794 | (67,937) | - |
| - Transfer of additional capital to share capital | 203,755,475 | 61,143 | (61,143) | - | - | - |
| Total transactions with shareholders | 203,755,475 | 61,143 | 1,014,623 | 6,794 | (67,937) | 1,014,623 |
| Balance at December 31, 2022 | 5,572,168,000 | 1,660,586 | 1,014,623 | 8,724 | (31,610) | 2,652,323 |
| | | | | | | |
| Balances at January 1, 2023 | 5,572,168,000 | 1,660,586 | 1,014,623 | 8,724 | (31,610) | 2,652,323 |
| Net result and comprehensive income for the year | - | - | - | - | (1,064,381) | (1,064,381) |
| Transactions with shareholders: | | | | | | |
| - Transfer of additional capital to share capital | 4,000,000,000 | 1,014,623 | (1,014,623) | - | - | - |
| Total transactions with shareholders | 4,000,000,000 | 1,014,623 | (1,014,623) | - | - | - |
| Balance at December 31, 2023 | 9,572,168,000 | 2,675,209 | - | 8,724 | (1,095,991) | 1,587,942 |

The attached notes from pages 12 to 93 form part of the financial statements.

(Free translation from the original in Spanish)

**PETRÓLEOS DEL PERÚ - PETROPERÚ S.A.**

**STATEMENT OF CASH FLOWS**

| | Note | For the year ended December 31, 2023 US$000 | 2022 US$000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Net cash provided by (applied to) operating activities | | 466,415 | (1,165,280) |
| Interest payment | 13 and 14 | (204,406) | (49,146) |
| Income tax payment | | (21,993) | (46,696) |
| Net cash provided by (applied to) operating activities | | 240,016 | (1,261,122) |
| **INVESTING ACTIVITIES** | | | |
| VAT related to investing activities | 9 | (50,867) | (71,873) |
| Payment for purchase of property, plant and equipment | | (323,856) | (407,004) |
| Capitalized interest payment | 14 | (64,368) | (175,654) |
| Payment for purchase of intangible assets | 12 | (16,345) | (1,292) |
| Net cash applied to investing activities | | (455,436) | (655,823) |
| **FINANCING ACTIVITIES** | | | |
| Loans from financial institutions | 14 | 2,662,979 | 2,560,501 |
| Loan received from related entity | 16 (a) | - | 750,000 |
| Loans received from a related entity due to cancellation documents | 16 | - | 157,295 |
| Shareholder cash contribution | 20 | - | 1,014,623 |
| Payment of loans to a related entity due to cancellation documents | 16 | - | (24,721) |
| Payment of loans to financial institutions | 14 | (2,482,569) | (2,670,449) |
| Payment of lease liability | 13 | (18,945) | (13,576) |
| Net cash provided by financing activities | | 161,465 | 1,773,673 |
| Net decrease in cash and cash equivalents | | (53,955) | (143,272) |
| Effect of changes in exchange rate on cash | | 6,356 | (7,539) |
| Cash and cash equivalents at beginning of year | | 88,746 | 239,557 |
| Cash and cash equivalents at end of year | | 41,147 | 88,746 |
| **NON-CASH TRANSACTIONS FROM FINANCING AND INVESTMENT ACTIVITIES** | | | |
| - Addition for right-of-use assets and lease liabilities | 13 | 29,892 | 16,659 |
| - Unpaid accrued interest | 14 | 17,860 | 14,695 |
| - Work in progress payable | | 158,656 | 18,307 |

The attached notes from pages 12 to 93 form part of the financial statements.

(Free translation from the original in Spanish)

**PETROLEOS DEL PERU - PETROPERU S.A.**

**STATEMENT OF CASH FLOWS (continued)**

| | Note | For the year ended December 31, 2023 US$000 | 2022 US$000 |
|---|---|---|---|
| Net result and comprehensive income for the year | | (1,064,381) | (271,219) |
| Adjustments to reconcile the net income for the year with cash from operating activities: | | | |
| Estimate for impairment of inventories | 10 | 195 | 247 |
| Provision for contingencies | 18 | 10,103 | 1,446 |
| Provision for plugging wells and environmental remediation | 18 | 44,103 | 39,619 |
| Impairment of property, plant and equipment | 11 | 334,875 | - |
| Depreciation of property, plant and equipment and investment properties | 11 and 12 | 211,249 | 90,179 |
| Estimate for impairment of trade receivables | 8 | 71 | 662 |
| Amortization of intangible assets | 12 | 4,780 | 3,150 |
| Depreciation of right-of-use assets | 13 | 14,730 | 10,383 |
| Withdrawal and adjustments of property, plant and equipment and investment proper | 27 | 2,132 | 299 |
| Deferred income tax | 19 | (197,476) | (57,135) |
| Effect of exchange rate variation on cash | | (6,356) | 7,539 |
| | | (645,975) | (174,830) |
| Net variations in operating assets and liabilities: | | | |
| Trade receivables | | 192,252 | (170,244) |
| Other receivables | | (156,170) | (292,521) |
| Inventories | | 178,499 | (391,833) |
| Other assets | | 6,522 | (7,053) |
| Trade payables | | 960,547 | (231,689) |
| Other liabilities and other payables, and provisions | | (69,260) | 102,890 |
| Net cash provided by (applied to) operating activities | | 466,415 | (1,165,280) |

The attached notes from pages 12 to 93 form part of the financial statements.

(Free translation from the original in Spanish)

**PETRÓLEOS DEL PERÚ - PETROPERÚ S.A.**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

## 1 BACKGROUND AND ECONOMIC ACTIVITY

a) Background -

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

The Company is a government-owned company under private law operating in the hydrocarbons subsector within the Energy and Mining Industry. The Company 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 4, 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), 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 23, 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. At December 31, 2023 and 2022 there has been no need to use those guarantees.

In this regard, it should be noted that the New Talara Refinery (NTR) that arises from the aforementioned PMRT was built under international standards that allow it to 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. At December 31, 2023 the NTR operates 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 North 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, in order 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 PMRT, as well as guaranteeing adequate participation for taxes, canon and royalties in favor of the Peruvian Government.

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.

As established under the Law No.28840, Law of “Fortalecimiento y Modernización de la Empresa Petróleos del Perú - PETROPERÚ S.A.”, enacted on July 23, 2006, 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 (MEM, the Spanish acronym). The agreements and contracts entered into in order to achieve its business purpose are subject to the guidelines established under i) Legislative Decree No.043, as amended; ii) its Bylaws; iii) its internal rules; iv) Board agreements; v) the Standards of the National Control System; and vi) the standards and regulations specific to 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, 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 (Note 1-h). In this regard, the Company has been making disbursements for remediation work, crude oil recovery, soil monitoring and other services related to spills (Note 18).

Block 64 -

Pursuant to Supreme Decree No.031-2016-MEM dated December 1, 2016, approved the assignment of contractual position in the License Agreement for the Hydrocarbons Exploration and Exploitation on Block 64, from PETROPERU to Geopark Perú S.A.C.; the latter now being designated as the Operator of the License Agreement. On December 2, 2016, the relevant public deed of the referred assignment was signed. In August 2020, the Company accepted the assignment of the 75% interest in the License Agreement for Block 64, held by Geopark Perú S.A.C., because in July 2020, notified the Company that it decided to withdraw from the License Agreement. On September 28, 2021, Supreme Decree No.024-2021-EM was released in the Peruvian official Gazette “El Peruano”, which approved the transfer of Geopark Perú S.A.C.'s interest in Block 64 in favor of the Company. Thus, the Company assumed 100% of the rights and obligations of the exploration and exploitation of hydrocarbons. At December 31, 2023 the Company has been managing the approval of the terms of reference (TOR) and the citizen participation plan (CPPP) 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.

At December 31, 2023 and 2022 the investments made in Block 64 amount to US$33,802 thousand and US$28,089 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.

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

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.

At December 31, 2023 and 2022 the investments made in Block 192 amount to US$12,895 thousand and US$2,474 thousand, respectively (Note 12).

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. Likewise, on October 21, 2023, the Company and PERUPETRO S.A. signed the License Agreement for the Exploitation of Hydrocarbons of Block VI, for a period of 2 years, which was approved by Supreme Decree No.023. -2023-EM, enacted on October 21, 2023.

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, signing said agreement on November 15, 2023 (Note 11).

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, Supply Chain Corporate Management, Corporate Operating Management and Commercial Corporate Management, or those who fulfill those functions.

  - The determination 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 to the upper range, the difference is the Compensation factor and whenever the PPI is lower than the lower range, the difference is the Contribution factor.

At the beginning of 2022, the Fuel Price Stabilization Fund (FEPC, for its acronym in Spanish) began to apply, to date, to industrial oil 6, Diesel BX and LPG – E. Pursuant to Supreme Decree No.002-2022-EM, enacted on March 28, 2022 until December 31, 2022, it was added to 84 and 90 octane Gasoline, 84 octane Gasohol, Liquefied Petroleum Gas intended for bulk (LPG-G) and Diesel 2 for vehicular use. Pursuant to Decree No.033-2023-EM enacted December 28, 2023, LPG-E was extended as a product subject to the FEPC until March 28, 2024.

In 2023, said fund represented 0.10% (compensation) of the Company's revenue. In 2022, said fund represented 2.58% (compensation) of the Company's revenue.

d) Operating results -

The Company's results show a loss of US$1,064,381 thousand, mainly due to:

(i) The delays in the start-up of the NTR process units, due to the period of political-social upheaval that caused the closure of roads, affecting the supply of hydrogen. Likewise, there were limitations in the supply of natural gas, weather factors that caused restrictions in the supply of seawater and port closures. In addition, unpredictable events inherent to the complexity of the NTR start-up were generated, which delayed the commissioning of the Conversion units.

(ii) The lower sales volume in the internal market, mainly due to aggressive competition in the market, which offers greater discounts and business conditions. This situation cannot yet be faced by the Company since it does not have an optimized refining margin. Likewise, the social mobilizations recorded at the beginning of the year impacted sales in the South zone, while in the jungle zone, road interruptions caused by rains affected distribution.

(iii) The largest exports of residual oil originated during the start-up process of the NTR, marketed at lower prices compared to the acquisition of the raw material (crude oil), because there was no operational flexibility to store this product.

(iv) The higher operating expenses from the non-optimized operation of the NTR related to the consumption of hydrotreated naphtha for the electrical cogeneration Unit and operation and maintenance services of auxiliary units. Likewise, depreciation expenses increased, due to the start of depreciation of a significant portion of assets of the NTR from the end of 2022. In addition, the recognition of losses due to impairment of property, plant and equipment.

(v) The increase in financial expenses as a result of higher interest rates 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 f) in this note.

e) Evaluation of possible irregularities, alleged favors and/or conflicts of interest related to the processes of procurement of 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 2024, the Company became aware of alleged irregularities related to the procurement processes for goods, services and works, and performed certain actions or evaluations 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, still in progress, 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 terminated 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. 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 addition, 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.

In addition to the work performed by its external experts, the Company executed other review mechanisms, such as:

- verified compliance in the provision of services, goods or works; for purchase transactions identified with signs of irregularities, in the reports issued by external experts,
- 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, the Corporate Human Resources Management, the Corporate Administration Management, the Corporate Supply Chain Management and the Corporate Process and Risk 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.

f) Restructuring plan -

Pursuant to Emergency Decree 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 Emergency Decree No.023-2022 - "*Decreto de Urgencia que establece medidas en materia económica y financiera destinadas a evitar el desabastecimiento de combustible a nivel nacional*".

This Restructuring Plan aims to strengthen the governance of the Company, as well as ensure its financial sustainability and its operations at national level. As part of the work carried out, the consultants developed a comprehensive diagnosis of the company, including its strengths, weaknesses and key success factors. Likewise, it was considered important to obtain financial support from the government and identified the best operating and strategic practices in the industry, suggesting alternatives for improvement and solutions that allow the Company's sustainability goals to be met, including its administrative reorganization.

The work carried out by the Consultants between January and July 2023 also contemplated the analysis of the hydrocarbon market and the competitive position of the Company, describing its performance and perspectives under the new energy transition approach. Likewise, it considers an Implementation Plan that suggests new instruments, strategies and improvement programs, establishing milestones and execution dates to ensure compliance with its objectives at all levels of the Company. The Restructuring Plan is made up of 13 strategic blocks and 114 specific activities that will be implemented during the period 2023 - 2050.

According to Emergency Decree No.023-2022, dated September 25, 2023, the General Shareholders' Meeting approved the amendment of the bylaws and other corporate instruments of the Company to reinforce the principles of good corporate governance, in accordance with the guidelines of FONAFE. Likewise, it should present the valuation of the company and the preparatory actions for a public offering of shares, within the framework of Law No.30130, previously described in this note.

Regarding the progress of implementation of the Company's Restructuring Plan, in February 2024, the Progress Report on the Implementation of the Restructuring Plan was prepared at December 31, 2023. The report recorded a global progress of 75% for the activities scheduled for the period 2023 and a cumulative progress of 19.90% with respect to the total activities scheduled in all components for the period 2023 - 2050 (scheduled progress of 25%).

g) Going concern and working capital -

The financial statements have been prepared under the going concern assumption; that is, the Company will be able to continue its activities normally in the foreseeable future.

Under this assumption, the Company will be able to honor its financial obligations.

In 2023, the Company has reported a loss of US$1,064,381 thousand (US$271,219 thousand in 2022). At December 31, 2023 current liabilities exceed its current assets by US$3,542,448 thousand (US$171,818 thousand at December 31, 2022), which is mainly due to the following factors:

- Decrease in sales in the local market due to the increase in competition that offers greater discounts and better business conditions, a situation that the Company has not been able to face due to not having an optimized refining margin with the progressive implementation of the NTR.
- Higher operating expenses of US$330 million, as a result of higher consumption of supplies and materials for the operation of in-process and auxiliary units and higher depreciation expense for units implemented. As well as the recognition of losses due to impairment of property, plant and equipment for 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.
- Increase in trade payables, as a consequence of the increase in credit terms agreed with suppliers of crude oil, refined products, goods and services, as well as the increase in short-term bank loans due to the need for liquidity to business operations.
- Transfer to the short term the obligation for the working capital loan received from the Ministry of Economy and Finance in May 2022, for US$750,000 thousand (Note 16) and the temporary presentation as a current liability of the CESCE loan (Note 14).
- Decreased credit rating. In this regard, as of the date of issuance of this report, the Fitch Ratings and S&P Global Ratings (S&P) agencies assigned the Company a CCC+ and CCC credit rating, respectively. However, the main shareholder (MEF) issued a letter to the rating agency Fitch Ratings expressing the Peruvian Government’s financial support for the Company.
- In 2023, the Company's Board of Directors commissioned the consulting company, Arthur D Little, to study its financial position and corporate governance, to define, among other things, a recovery plan. This report considered it essential to obtain financial support from the government, which has not settled to date, which means a risk that the Company will not be able to manage the current adverse liquidity situation.

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.

Given the increased indebtedness with direct suppliers and banks, resulting from the lack of liquidity, to finance its operations and improve its working capital position, the Company has been performing the following action plans:

● Expansion of the portfolio of financial entities to manage new lines of credit. To date, financing operations are being managed to meet current obligations with suppliers in the following twelve months.

- Obtaining guarantees from the Peruvian State for up to US$800,000 thousand. To date, said guarantee to be used as working capital was granted through Emergency Decree No.004-2024 dated February 27, 2024 and US$743,505 thousand have been disbursed.
- Obtaining short-term financing with local and foreign financial entities.
- 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 pre-operational activities are being carried out.
- Implementation of a restructuring plan to strengthen the governance and financial sustainability and operations of the Company, in accordance with the requirements of Emergency Decree No.023-2022 (Note 1-h). In this regard, the restructuring plan includes a series of indicators related to two aspects: financing management and financial risk management, of which, at December 31, 2023, there is an implementation percentage of 50% and 84%, respectively.
- Generation of products with greater added value. In 2024, the Flexicoking unit of the NTR (FCK) will enter production, with which the Company will stop selling residuals, thus ending its refining process to obtain products with greater added value, and obtain the expected profitability. In addition to this generation of income, there will be a reduction in operating expenses, since the FCK will generate the flexigas that constitutes most of the energy that the NTR will use, and the expenses in purchasing energy from third parties will be reduced.

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.

h) Reorganization and Modernization Plan - Legislative Decree No.1292 -

On December 30, 2016, Legislative Decree No.1292 was enacted declaring of public need and national interest the safe operation of “Oleoducto Norperuano” and stipulating the re-organization and improvement of the corporate governance of the Company.

The Company's Reorganization and Modernization Plan was structured into 6 main components that group 21 activities with their corresponding indicators, which consider the guidelines established in Legislative Decree No.1292. At December 31, 2023 the implementation of the Reorganization and Modernization Plan recorded an accumulated corporate compliance of 76.20%.

i) Approval of the financial statements -

The financial statements at December 31, 2023 have been issued with the authorization of General Management on June 28, 2024 and approved by the Board of Directors in the same date and then will be submitted for consideration of the General Shareholders’ Meeting for final approval. The financial statements at December 31, 2022 were approved by the Board of Director on August 31, 2023 and by the General Shareholders’ Meeting dated September 29, 2023.

## 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, except for derivative financial instruments recorded at fair value. 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, 2023 that have been evaluated and applied by the Company -

Within the framework of IFRS, certain accounting changes have been issued that are effective at January 1, 2023. These changes have been considered by the Company for the preparation of the 2023 financial statements. These accounting changes are summarized as follows:

- Amendment to IAS 1, "Presentation of Financial Statements" - Disclosure of Accounting Policies and Practice Statement 2.
- Amendments to IAS 8 - Definition of Accounting Estimates.
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- Organization for Economic Cooperation and Development (OECD for its acronym in Espanish) - Pillar Two Rules.

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.

A number of standards and amendments to standards have been released which are of mandatory adoption for 2024 or later and which have not been early adopted by the Company.

To date, the following standards and amendments to standards have been published that are mandatory for application on or after January 1, 2024 and have not been early adopted by the Company:

- Amendment to IAS 1, "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-current.
- Amendment to IFRS 16, “Leases” - Lease liability in a sale and leaseback.
- Amendment to IAS 7 and IFRS 7- Supplier Finance Arrangements.
- Amendment to IAS 21- Lack of Exchangeability.
- IFRS 18 - Presentation and Disclosure in Financial Statements.
- IFRS 19 - Subsidiaries without Public Accountability.

The Company will evaluate the impact of these standards and amendments in 2024.

## 2.2 Financial assets -

*Classification and initial measurement -*

The Company classifies its financial assets in the following categories:

- Measured at fair value through profit or loss and 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 amount, 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).

At December 31, 2023 and 2022 the Company only maintains debt instruments at amortized cost.

hold assets in order 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 written off, 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.

**2.3 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 results of the period they relate to.

**2.4 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:

| | **Years** |
|---|---|
| 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 (Note 27).

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.

**2.5 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.

**2.6 Investment properties -**

Investment properties consists of land and buildings owned by the Company, that are held to obtain cash from terms over a long term and are not used by the Company. Investment properties are shown at cost less accumulated depreciation and impairment losses, if any. Subsequent costs attributable to investment properties are capitalized only if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of these assets can be measured reliably; if not, they are recognized as expenses when incurred.

Repair and maintenance expenses are recognized in profit and loss when they are incurred. A property’s carrying amount is written down immediately to its recoverable amount when the property’s carrying amount is greater than its estimated recoverable amount.

Cost and accumulated depreciation of properties sold or retired are eliminated from their respective accounts and any profit or loss is recognized in the income statement. Depreciation of these assets is determined under the straight-line method at a rate considered sufficient to absorb the carrying amount of assets at the end of their useful lives and considering their major components with substantially different useful lives (each component is accounted for separately for depreciation purposes over its individual useful life).

Land is not depreciated. Depreciation of buildings and constructions is calculated using the straight-line method over the estimated useful life of 25 years.

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

The Company conducts an impairment test 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 in order 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.

At December 31, 2023 and 2022 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.

At December 31, 2023 and 2022 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 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 on the basis of fixed payments.

Rights-of-use assets are usually 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 consists 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 an 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 so as 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 tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized directly in the statement of other comprehensive income or in equity. In this case tax is also recognized in the statement of other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of 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 on the basis of 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 share capital in equity. Shareholder cash capital contributions and profit capitalization for which shares remain to be subscribed and issued are recognized as additional capital when they occur and are approved by shareholders.

**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.

Income 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 selling costs 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 recognition of income 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.

**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 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.

The Company seeks to develop a disciplined and constructive control environment through its risk management standards and procedures in which all personnel fully understands their functions and duties.

### 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 relevant 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. At December 31, 2023 and 2022 the Company has not carried out financial derivative operations to hedge exchange rate risk; therefore, it assumes this risk.

At 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):

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **S/000** | **EUR000** | **JPY000** | **S/000** | **EUR000** | **JPY000** |
| **Assets:** | | | | | | |
| Cash and cash equivalents | 116,614 | 1,062 | - | 191,472 | 1,031 | - |
| Trade receivables | 1,133,360 | - | - | 1,661,797 | - | - |
| Other receivables | 463,257 | - | - | 530,959 | - | - |
| | 1,713,231 | 1,062 | - | 2,384,228 | 1,031 | - |
| **Liabilities:** | | | | | | |
| Other financial liabilities | (567,188) | | | (276,879) | - | - |
| Trade payables | (398,487) | (1,804) | (180,181) | (303,259) | (2,525) | (180,106) |
| Payables to related parties | (3,559,516) | - | - | (3,384,094) | - | - |
| Other payables | (662,189) | - | - | (453,211) | - | - |
| Lease liabilities | (7,110) | - | - | (12,649) | - | - |
| Other provisions | (127,526) | - | - | (143,914) | - | - |
| | (5,322,016) | (1,804) | (180,181) | (4,574,006) | (2,525) | (180,106) |
| **Net liability exposition** | (3,608,785) | (742) | (180,181) | 2,189,778 | (1,494) | (180,106) |

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 at December 31,** | |
|---|---|---|
| | **2023** | **2022** |
| S/ | 0.269 | 0.262 |
| EUR | 1.179 | 1.141 |
| JPY | 0.009 | 0.009 |

For the years ended December 31, 2023 and 2022, the Company recognized a net exchange gain of US$23,794 thousand and US$57,028 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:

| | | **Effect on profit and loss before taxes** | |
|---|---|---|---|
| | **Movement of the year** | **Revaluation** | **Devaluation** |
| | | **US$000** | **US$000** |
| **Year 2023** | | | |
| S/ | 5% | 48,538 | (48,538) |
| **Year 2022** | | | |
| S/ | 5% | 28,686 | (28,686) |

At December 31, 2023 and 2022 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 t 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.

At December 31, 2023 and 2022 the Company maintains all of its debt to finance its operations and for the completion of the construction of the PMRT project 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 6.92% and 11.35% and Peruvian soles at rates between 9.05% and 9.95% and (iv) Loan of the Ministry of Economy and Finance (MEF) according to Emergency Decree No.010-2022 in Peruvian soles at rates between 5% and 6.75%.

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.

At December 31, 2023 and 2022 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 2023 and 2022, The rates of expected credit losses are based on the payment profiles of over a 12-month period before December 31, 2023 and 2022, 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. At December 31, 2023 and 2022 the negative working capital and liquidity problems presented by the Company are being managed with the Management plans described in Note 1-g.

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 it 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 described in Note 1-h.

At December 31, 2023 the Company maintains short-term revolving credit lines with local and foreign banks for US$3,457,762 thousand, of which US$1,625,309 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:

| | Carrying amount | Cash flows non-discounted | Less than 1 year | More than 1 year | More than 2 years |
|---|---|---|---|---|---|
| | US$000 | US$000 | US$000 | US$000 | US$000 |
| **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 (*) | 62,883 | 62,883 | 62,883 | - | - |
| | 8,109,922 | 11,289,299 | 5,262,147 | 200,533 | 5,826,619 |
| **2022** | | | | | |
| Other financial liabilities | 4,967,447 | 8,052,839 | 1,060,468 | 332,097 | 6,660,274 |
| Trade payables | 1,101,922 | 1,101,922 | 1,101,922 | - | - |
| Lease liabilities | 29,446 | 28,603 | 18,250 | 8,213 | 2,140 |
| Payables to related parties | 885,888 | 941,186 | 442,089 | 499,097 | - |
| Other payables (*) | 33,579 | 33,579 | 33,579 | - | - |
| | 7,018,282 | 10,158,129 | 2,656,308 | 839,407 | 6,662,414 |

(*) 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.

At December 31, 2023 the Apoyo & Asociados risk rating agency maintains the "CP-2+ (pe)" rating for the First Program of Short-Term Instruments and "A+(pe)" for the Company's Long-Term Obligations, and the stable outlook. For its part, 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 BB+ rating for long-term debt in foreign currency with a negative observation.

At December 31, gearing ratios were as follows:

| | 2023 | 2022 |
|---|---|---|
| | US$000 | US$000 |
| Other financial liabilities (*) | 5,148,118 | 4,967,447 |
| Payables to related parties | 958,649 | 885,888 |
| Cash and cash equivalents | (41,147) | (88,746) |
| Net debt (A) | 6,065,620 | 5,764,589 |
| Total equity (B) | 1,587,942 | 2,652,323 |
| Total capital (A)+(B) | 7,653,562 | 8,416,912 |
| Ratio (A/(A+ B)) | 0.79 | 0.68 |

The increase in the gearing ratio mainly comprises the other financial liabilities acquired in the year and the net loss obtained in this period.

(*) 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).

At December 31, 2023 and 2022 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. Derivatives are recorded as financial assets, under other receivables, when their fair value is positive, and as financial liabilities, under other payables, when their fair value is negative. 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.

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 accounting estimates will, by definition, seldom equal the related actual results. The estimates and criteria 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 expected physical wear and tear ii) the 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 Northern Peruvian 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 its recoverability.

The current income tax determination is performed by the Company following applicable laws and regulations and the experience of previous tax audits examinations. 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.

For the estimates used in determining the recoverable amount of assets consider prior-year events, current operations, future expectations as well as changes in the Company's business strategy. These considerations were relevant in estimating the expected future cash flows and are taken into account in the cash flow estimates in the coming years.

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 16 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.

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.

The Company has considered internal and external information (lower economic returns than expected, as a consequence of the delay in the start-up of the NTR and an increase in the investment budget to complete the construction of the NTR) and has identified signs of impairment and considered it appropriate to perform impairment tests on the CGUs for Oil Pipeline Operations and Production and trading (Note 11). CGUs for rented and privatized units and Exploitation of Blocks have not identified any evidence that would lead to an impairment test.

### 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 2023 and 2022, 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 14).

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

At December 31, 2023 and 2022, 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 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 jungle of Peru. |
| Leased and privatized units | Assets that originate cash inflows derived from rentals |
| Exploitation of Blocks | Exploitation of hydrocarbons in operations with License agreements. |

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 -

| | Production and trading (*) | Oil pipeline operations | Leased and privatized units | Exploitation of Blocks (**) | Total |
|---|---|---|---|---|---|
| | US$000 | US$000 | US$000 | US$000 | US$000 |
| **At December 31, 2023** | | | | | |
| Assets: | | | | | |
| Current | 1,479,723 | 79,155 | 39,924 | 45,566 | 1,644,368 |
| Non-current | 7,875,039 | 157,695 | 168,569 | 44,498 | 8,245,801 |
| | 9,354,762 | 236,849 | 208,493 | 90,064 | 9,890,169 |
| Liabilities: | | | | | |
| Current | 4,964,019 | 76,213 | 120,948 | 25,637 | 5,186,817 |
| Non-current | 3,097,991 | 17,419 | - | - | 3,115,410 |
| | 8,062,010 | 93,632 | 120,948 | 25,637 | 8,302,227 |

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

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

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

| | Production and trading (*) | Oil Pipeline operations | Leased and privatized units | Exploitation of blocks (**) | Total |
|---|---|---|---|---|---|
| | US$000 | US$000 | US$000 | US$000 | US$000 |
| **At December 31, 2022** | | | | | |
| **Assets:** | | | | | |
| Current | 2,020,380 | 25,132 | 35,334 | 12,623 | 2,093,469 |
| Non-current | 7,399,836 | 245,882 | 202,411 | - | 7,848,129 |
| | 9,420,216 | 271,014 | 237,745 | 12,623 | 9,941,598 |
| **Liabilities:** | | | | | |
| Current | 2,034,110 | 110,526 | 114,411 | 6,240 | 2,265,287 |
| Non-current | 4,957,398 | 66,590 | - | - | 5,023,988 |
| | 6,991,508 | 177,116 | 114,411 | 6,240 | 7,289,275 |

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

(**) The Exploitation of Blocks segment includes Block I.

b) Statement of income by segments -

| | Production and trading (*) | Oil pipeline operations | Leased and privatized units | Exploitation of blocks (**) | Total |
|---|---|---|---|---|---|
| | US$000 | US$000 | US$000 | US$000 | 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 | (4,273,250) | (59,228) | (4,483) | (30,663) | (4,367,624) |
| Inter-segment cost | (61,380) | - | - | - | (61,380) |
| (Loss) gross profit | (355,688) | (33,165) | 17,929 | 12,384 | (358,540) |
| 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 | (824,426) | (216,296) | 11,246 | 7,187 | (1,022,289) |
| (Expenses) financial income | (234,794) | (2,146) | 714 | (10) | (236,236) |
| (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 |
| Net results 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 of Exploitation:

| | Block I | Block I (New Contract) | Block VI | Block Z 69 | Total |
|---|---|---|---|---|---|
| | US$000 | US$000 | US$000 | US$000 | 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 | (8,824) | (1,752) | (4,927) | (15,160) | (30,663) |
| Gross profit | 5,329 | 1,756 | 7,032 | (1,733) | 12,384 |
| Administrative expenses | (4,410) | (99) | (431) | (256) | (5,196) |
| Profit from operating activities | 919 | 1,657 | 6,601 | (1,989) | 7,187 |
| Financial (expenses) income | (14) | - | 4 | - | (10) |
| Profit before income tax | 905 | 1,657 | 6,605 | (1,989) | 7,177 |
| Income tax | (297) | (195) | (993) | - | (1,485) |
| Profit or loss from the year and comprehensive income | 608 | 1,462 | 5,612 | (1,989) | 5,693 |

| | Production and trading (*) | Oil pipeline operations | Leased and privatized units | Block I | Total |
|---|---|---|---|---|---|
| | US$000 | US$000 | US$000 | US$000 | US$000 |
| **Year 2022** | | | | | |
| Revenue from ordinary activities | 5,513,319 | 285 | - | 3,636 | 5,517,240 |
| Other operating income | 39,371 | 16 | 24,261 | - | 63,648 |
| Inter-segment revenue | - | 16,171 | - | 17,321 | 33,492 |
| Total revenue | 5,552,690 | 16,472 | 24,261 | 20,957 | 5,614,380 |
| Cost of sales | (5,474,492) | (51,080) | (5,377) | (8,996) | (5,539,945) |
| Inter-segment cost | (33,492) | - | - | - | (33,492) |
| Gross profit (loss) | 44,706 | (34,608) | 18,884 | 11,961 | 40,943 |
| Selling and distribution expenses | (64,123) | (1) | (6,432) | - | (70,556) |
| Administrative expenses | (161,275) | (12,762) | - | (3,905) | (177,942) |
| Other income and expenses | 14,609 | (36,457) | - | - | (21,848) |
| (Loss) profit from operating activities | (166,083) | (83,828) | 12,452 | 8,056 | (229,403) |
| Financial (expenses) income | (97,715) | 1,090 | 1,711 | 11 | (94,925) |
| (Loss) profit before income tax | (263,798) | (82,738) | 14,163 | 8,045 | (324,328) |
| Income tax expense | 55,921 | (1,967) | 336 | (1,181) | 53,109 |
| Profit or loss from the year and comprehensive income | (207,877) | (84,705) | 14,499 | 6,864 | (271,219) |

c) Other information -

The revenue by segments on the customers' geographical location are as follows:

| | 2023 | 2022 |
|---|---|---|
| | US$000 | US$000 |
| Peru | 3,532,428 | 4,952,613 |
| Other countries | 476,656 | 628,275 |
| | 4,009,084 | 5,580,888 |

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

Regarding the concentration of sales on specific customers, in 2023, sales to two customers represented 10% and 7%, respectively, of sales revenue for the year (in 2022, sales to those customers represented 8% in both cases).

## 6 FINANCIAL INSTRUMENTS

### 6.1 Financial instruments per category -

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

| | At December 31, 2023 US$000 | 2022 US$000 |
|---|---|---|
| **Financial assets as per the statement of financial position** | | |
| Financial assets at amortized cost: | | |
| - Cash and cash equivalents (Note 7) | 41,147 | 88,746 |
| - Trade receivables (Note 8) | 279,226 | 471,673 |
| - Other receivables (*) (Note 9) | 86,403 | 51,367 |
| | 406,776 | 611,786 |
| Other assets measured at fair value through profit and loss: | | |
| - Derivative financial instruments (Note 9) | 11,388 | 494 |
| | 418,164 | 612,280 |
| **Financial liabilities as per the statement of financial position** | | |
| Other financial liabilities at amortized cost: | | |
| - Other financial liabilities (Note 14) | 5,148,118 | 4,967,447 |
| - Trade payables (Note 15) | 1,903,813 | 1,101,922 |
| - Payables to related parties (Note 16) | 958,649 | 885,888 |
| - Lease liabilities (Note 13) | 36,459 | 29,446 |
| - Other payables (*) (Note 17) | 62,883 | 33,579 |
| | 8,109,922 | 7,018,282 |

(*) 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:

| | At December 31, 2023 US$000 | 2022 US$000 |
|---|---|---|
| **Cash and cash equivalents -** | | |
| Checking accounts: | | |
| A+ | 32,733 | 49,074 |
| A | 8,414 | 39,660 |
| | 41,147 | 88,734 |
| **Funds subject to restriction -** | | |
| A+ | 57,404 | 16,516 |

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 the Superintendence of Banking, Insurance and AFP (SBS by its acronym in Spanish).

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.

| | At December 31, | |
|---|---|---|
| | **2023** | **2022** |
| | **US$000** | **US$000** |
| **Trade receivables (Note 8)** | | |
| A | 121 | - |
| B | 144,874 | 210,882 |
| C | 134,231 | 260,791 |
| | 279,226 | 471,673 |

**Other receivables (Note 9) -**

Counterparties without external credit rating (excluding tax credit, advances, on-account payments, other taxes, derivatives, impaired accounts and funds subject to restriction).

| | At December 31, | |
|---|---|---|
| | **2023** | **2022** |
| | **US$000** | **US$000** |
| A | 2,347 | 1,124 |
| B | 10,897 | 11,803 |
| C | 15,755 | 21,924 |
| | 28,999 | 34,851 |

The total balance of these accounts is in compliance with contract terms and conditions; none of them have been re-negotiated.

## 7 CASH AND CASH EQUIVALENTS

This item comprises:

| | At December 31, | |
|---|---|---|
| | **2023** | **2022** |
| | **US$000** | **US$000** |
| Checking accounts | 41,135 | 88,734 |
| Fixed funds | 12 | 12 |
| | 41,147 | 88,746 |

The Company maintains cash in checking accounts in local and foreign currency with financial institutions. At December 31, 2023 these funds are freely available and accrue interest rates of 7.40% in Peruvian soles and 5.50% in U.S. dollars (6.50% in Peruvian soles and 1.58% in U.S. dollars, at December 31, 2022).

## 8 TRADE RECEIVABLES

This item comprises:

| | At December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | US$000 | US$000 |
| Wholesalers | 75,823 | 119,690 |
| Mining industry | 58,857 | 54,087 |
| Fuel traders | 22,423 | 20,158 |
| Oil companies | 31,899 | 25,462 |
| Armed Forces and National Police Force | 16,045 | 8,933 |
| Construction industry | 11,529 | 775 |
| External market | 9,221 | 13,162 |
| Aviation business | 2,522 | 10,355 |
| Electric power industry | 977 | 710 |
| Transport industry | 691 | 921 |
| Fishing industry | 258 | 2,329 |
| Industrial industry | 22 | 480 |
| Other customers | 1,039 | 1,225 |
| Doubtful accounts from different customers | 13,532 | 13,109 |
| | 244,838 | 271,396 |
| Price Stabilization Fund – Peruvian Ministry of Energy and Mines - MEM (Note 1- c) | 47,920 | 213,386 |
| | 292,758 | 484,782 |
| Less: Expected loss of trade receivables | (13,532) | (13,109) |
| | 279,226 | 471,673 |

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 - Ministry of Energy and Mines (MEM) -

At December 31, 2023 and 2022 the total amount receivable from the general hydrocarbons agency (Dirección General de Hidrocarburos - DGH) amounted to US$63,548 thousand and US$228,576 thousand, respectively, generated from compensation and contribution transactions (Note 2.23-b). These balances include a legal recourse (“Demanda de Amparo”) recorded in a Claims account for US$15,628 thousand at December 31, 2023 (US$15,190 thousand at December 31, 2022), classified as other long-term receivables (Note 9-d).

The decrease in balances receivable from the Fuel Price Stabilization Fund is mainly due to the fact that the DGH, dated February 6, 2023 and December 29, 2023, paid to the Company S/567,600 thousand (US$147,558 thousand) and S/74,100 thousand (US$20,000 thousand), respectively.

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

| | 2023 | 2022 |
|---|---|---|
| | US$000 | US$000 |
| Opening balance receivable | 213,386 | 28,511 |
| Price compensation | 54,122 | 165,405 |
| Price contribution | (50,202) | (23,335) |
| Net charged to revenue from ordinary activities (Note 21) | 3,920 | 142,070 |
| Compensation generated by imported products (Note 1- c) | 2,976 | 105,176 |
| Contribution generated by import of products | (5,642) | (9,709) |
| Collection of compensation and contribution payments | (167,558) | (54,538) |
| Exchange difference | 838 | 1,876 |
| Closing balance receivable | 47,920 | 213,386 |

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, 2023 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 at December 31, 2023 and 2022 was determined as follows:

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Expected loss rate | Gross carrying amount | Expected loss | Expected loss rate | Gross carrying amount | Expected loss |
| | % | US$000 | US$000 | % | US$000 | US$000 |
| Current | 0.02 | 230,643 | 40 | 0.09 | 236,496 | 203 |
| From 1 to 30 days | 0.73 | 153 | 1 | 2.75 | 5,595 | 154 |
| From 31 to 60 days | 0.76 | 23 | - | 3.17 | 16,171 | 513 |
| From 61 to 360 days | 0.85 | - | - | 18.18 | 11 | 2 |
| More than 360 days | 95.25 | 14,019 | 13,491 | 93.25 | 13,123 | 12,237 |
| Total (*) | | 244,838 | 13,532 | | 271,396 | 13,109 |

(*) Not including the Price Stabilization Fund.

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

| | 2023 | 2022 |
|---|---|---|
| | US$000 | US$000 |
| Opening balance | 13,109 | 11,989 |
| Expected loss (Note 24) | 71 | 662 |
| Exchange difference | 352 | 468 |
| Recoveries | - | (10) |
| Closing balance | 13,532 | 13,109 |

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

This item comprises:

| | At December 31, | |
|---|---|---|
| | **2023** | **2022** |
| | **US$000** | **US$000** |
| **Current** | | |
| Tax credit - VAT (a) | 322,594 | 347,586 |
| Tax credit - Income tax (b) | 47,508 | 61,270 |
| Advances granted to suppliers | 20,555 | 53,192 |
| Funds subject to restriction | 57,404 | 16,516 |
| Association investment with GeoPark | - | 3,501 |
| Loans to personnel | 3,497 | 3,619 |
| Loans to third parties | 2,008 | 2,022 |
| Assets for derivative financial instruments | 11,388 | 494 |
| Others | 2,089 | 2,876 |
| Doubtful accounts | 33,874 | 33,466 |
| | 500,917 | 524,542 |
| Uncollectible loss of other receivables (f) | (33,874) | (33,466) |
| Current portion | 467,043 | 491,076 |
| **Non-current** | | |
| Tax credit - VAT, long-term (c) | 925,290 | 685,561 |
| Price Stabilization Fund Claims – Peruvian Ministry of Energy and Mines – MEM (Note 1(c)) Note 8) and d) | 15,628 | 15,190 |
| Claims against Peruvian tax authorities (e) | 5,777 | 7,643 |
| Other long-term taxes | 9,699 | 6,537 |
| Non-current portion | 956,394 | 714,931 |

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

At December 31, 2023 it corresponds to the Value Added Tax (IGV in Peru) credit of operations for US$60,418 thousand (equivalent to S/224,333 thousand), Value Added Tax 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).

At December 31, 2022 it corresponds to the Value Added Tax (IGV in Peru) credit of operations for US$73,805 thousand (equivalent to S/281,935 thousand), Value Added Tax of the PMRT for US$80,968 thousand (equivalent to S/309,298 thousand) and tax credit for excise tax (ISC) for US$189,443 thousand (equivalent to S/723,672 thousand).

From January to December 2023, Peruvian tax and customs authorities ("Superintendencia Nacional de Aduanas y Administración Tributaria – SUNAT") made the return of VAT tax credit for US$100,590 thousand (equivalent to S/378,396 thousand) and during 2022, SUNAT made the return of VAT tax credit for US$122,959 thousand (equivalent to S/475,586 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 -

At December 31, 2023 it corresponds to the accumulated on-account payments of income tax for US$47,319 thousand (equivalent to S/175,695 thousand), which will be recovered in the short term through operations.

At December 31, 2022 it corresponds to the accumulated on-account payments of income tax for US$61,270 thousand (equivalent to S/234,444 thousand), which were recovered in the short term through income tax payable from their operations.

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

At December 31, 2023 it corresponds to the Value Added Tax credit paid for the acquisition of goods and services mainly related to the PMRT 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).

At December 31, 2022 it corresponds to the Value Added Tax credit paid for the acquisition of goods and services mainly related to the PMRT amounting to US$341,312 thousand (equivalent to S/1,303,812 thousand) and the VAT for operations amounting to US$344,249 thousand (equivalent to S/1,315,030 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.

Management considers that, based on the reports of the external legal advisors of the Company, it is estimated that, once the judicial process is concluded at all stages, the result will be favorable to the Company, and will allow the recovery of all these balances.

(e) Claims to the Peruvian tax and customs authorities ("Superintendencia Nacional de Aduanas y Administración Tributaria – SUNAT") -

At December 31, 2023 and 2022 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 Subspecialty (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. At December 31, 2023 and 2022 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) Uncollectible 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 uncollectible loss is as follows:

| | 2023<br>US$000 | 2022<br>US$000 |
|---|---|---|
| Opening balance | 33,466 | 32,824 |
| Exchange difference | 408 | 652 |
| Recovery | - | (10) |
| Closing balance | 33,874 | 33,466 |

## 10 INVENTORIES

This item comprises:

| | At December 31, | |
|---|---|---|
| | 2023<br>US$000 | 2022<br>US$000 |
| Crude oil | 326,472 | 311,086 |
| Refined products: | | |
| - In-process | 194,337 | 188,589 |
| - Finished | 310,544 | 220,710 |
| - Acquired refined products | 62,617 | 233,971 |
| In-transit inventories | 1,692 | 29,534 |
| Supplies | 71,899 | 53,161 |
| Reclassification to property, plant and equipment (*) | (109,109) | - |
| | 858,452 | 1,037,051 |
| Less - Provision for impairment of supplies | (4,042) | (4,142) |
| | 854,410 | 1,032,909 |

In 2023, the cost of inventories recognized as expenses and included in the cost of sales amounted to US$3,817,122 thousand (US$5,211,361 thousand in 2022) which are equivalent to cost of sales excluding operating expenses of production (Note 23).

At December 31, 2023 the crude oil price had a lowing trend, with a closing price of US$71.65 per barrel (US$80.26 per barrel at December 31, 2022). The average price during December 2023 was US$72.09 per barrel (US$76.50 per barrel in December 2022). At December 31, 2023 the crude oil inventory is made up of 4,821 MBC - Thousand Barrels of Crude Oil (4,678 MBC at December 31, 2022).

(*) It corresponds to the reclassification of the minimum amount of crude oil that the ONP needs to operate.

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

| | 2023<br>US$000 | 2022<br>US$000 |
|---|---|---|
| Opening balance | 4,142 | 4,251 |
| Impairment of supplies | 195 | 247 |
| Recovery | (295) | (356) |
| Closing balance | 4,042 | 4,142 |

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. At December 31, 2023 and 2022 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 2022** | | | | | | | | | | | |
| Net cost at January 1, 2022 | 210,423 | 102,752 | 567,507 | 27,735 | 1,288 | 30,496 | - | - | 5,626,701 | 12,520 | 6,579,422 |
| Additions | - | - | - | 28 | - | - | - | - | 553,374 | 9,747 | 563,149 |
| Transfers | - | 290,506 | 1,006,321 | - | 157 | 81,482 | - | - | (1,362,770) | (15,697) | - |
| Disposals | - | (3,854) | (223) | (4) | (6) | - | - | - | - | - | (4,087) |
| Reclassification to equipment out of use | - | - | (481) | (135) | (29) | (555) | - | 1,200 | - | - | - |
| Reclassifications to intangible assets | 588 | - | - | - | - | - | - | - | (2,453) | - | (1,865) |
| Depreciation for the year | - | (11,893) | (68,156) | (2,718) | (442) | (6,960) | - | - | - | - | (90,169) |
| Depreciation of disposals | - | - | 3,622 | 206 | 4 | 6 | - | - | - | - | 3,838 |
| Transfer of depreciation | - | - | 477 | 134 | 29 | 511 | - | (1,151) | - | - | - |
| Disposal of equipment out of use | - | - | - | - | - | - | - | (48) | - | - | 48 |
| Net cost at December 31, 2022 | 211,011 | 381,365 | 1,505,436 | 25,027 | 1,003 | 104,975 | - | - | 4,814,852 | 6,570 | 7,050,239 |
| **Balances at December 31, 2022** | | | | | | | | | | | |
| Cost | 211,011 | 503,472 | 2,047,724 | 47,888 | 6,573 | 148,319 | - | 10,662 | 4,886,298 | 6,570 | 7,868,517 |
| Accumulated depreciation | - | (122,107) | (541,979) | (22,861) | (5,570) | (43,344) | - | (10,662) | - | - | (746,523) |
| Accumulated impairment | - | - | (309) | - | - | - | - | - | (71,446) | - | (71,755) |
| **Net cost** | 211,011 | 381,365 | 1,505,436 | 25,027 | 1,003 | 104,975 | - | - | 4,814,852 | 6,570 | 7,050,239 |
| **Year 2023** | | | | | | | | | | | |
| Net cost at 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 from inventory (Note 10) | - | - | 109,109 | - | - | - | - | - | - | - | 109,109 |
| Reclassifications form 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 at December 31, 2023 | 217,806 | 1,082,098 | 4,268,730 | 23,019 | 1,906 | 256,940 | 828 | - | 1,522,782 | 7,023 | 7,117,703 |
| **Balances at December 31, 2023** | | | | | | | | | | | |
| Cost | 217,806 | 1,225,341 | 5,003,250 | 47,997 | 8,076 | 326,461 | 844 | 12,056 | 1,552,782 | 7,023 | 8,371,636 |
| Accumulated depreciation | - | (143,243) | (700,428) | (24,978) | (6,170) | (69,521) | 16 | (12,056) | - | - | (956,412) |
| Accumulated impairment | - | - | (406,630) | - | - | - | - | - | - | - | (406,630) |
| **Net cost** | 217,806 | 1,082,098 | 4,268,730 | 23,019 | 1,906 | 256,940 | 828 | - | 1,522,782 | 7,023 | 7,117,703 |

**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:

| | Land | Buildings and other constructions | Machinery and equipment | Vehicles | Furniture and fixture | Other equipment | Total |
|---|---|---|---|---|---|---|---|
| | US$000 | US$000 | US$000 | US$000 | US$000 | US$000 | US$000 |
| **At 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 | 6,795 | - | 37,703 | - | - | - | 44,498 |

(*) On November 15, 2023, the License Agreement for Block Z-69 was signed for a period of 2 years. 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 –

| Name of the project | Estimated investment amount at December 31, 2023 | Physical progress percentage % | |
|---|---|---|---|
| | | Real | Planned |
| | US$000 | | |
| Talara Refinery Modernization Project - PMRT (a) | 6,530,315 | 99.20 | 100.00 |
| Project to set up and operate the New Ilo Terminal (b) | 47,432 | 25.90 | 26.30 |
| Supply Plant in Pasco Ninacaca (c) | 7,352 | 47.50 | 49.30 |
| Puerto Maldonado Plant and Selling Point (1st stage) (d) | 19,491 | 59.70 | 60.60 |

a) 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.

At December 31, 2023 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 99.20% Real versus 100% Scheduled

    On December 20, 2023, Addendum 12 was signed with Consorcio Cobra SLC UA&TC - Cobra.

    In addition, the Master Schedule Level III Review 10 presented by Técnicas Reunidas and approved by the Company's Board of Directors has been approved.

    In accordance with Board Agreement 175-2023-PP dated December 29, 2023, the Company's Board of Directors approved the update of the amount of preoperative interests with which the PMRT investment amount is updated to US$6,530.3 million (including preoperative interests). The amount without preoperative interest continues to be that approved by Board Agreement 095-2023-PP dated August 11, 2023 and amounts to US$5,538.5 million.

At December 31, 2023 and 2022 the table below shows a breakdown of the budgeted cost (economic progress) of the project compared to the disbursements incurred:

| | At December 31, 2023 | | Total budget | |
|---|---|---|---|---|
| | Disbursements | Progress percentage | Planned cost | Percentage of cost |
| | US$000 | % | US$000 | % |
| 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 |
| | 6,309,839 | 93.71 | 6,530,315 | 100.00 |

| | At December 31, 2022 | | Total budget | |
|---|---|---|---|---|
| | **Disbursements** | **Progress percentage** | **Planned cost** | **Percentage of cost** |
| | **US$000** | **%** | **US$000** | **%** |
| Técnicas Reunidas (TR) and other minors - | | | | |
| Processing units | 3,260,776 | 97.24 | 3,353,171 | 54 |
| Consorcio Cobra SCL UA& TC - | | | | |
| Auxiliary units | 803,057 | 86.34 | 930,113 | 14.96 |
| Complementary work | 319,145 | 86.60 | 368,517 | 5.93 |
| Others - | | | | |
| Supervising | 357,559 | 96.90 | 369,009 | 5.93 |
| Management | 226,999 | 84.31 | 269,257 | 4.33 |
| Interest on financing | 919,896 | 99.13 | 927,925 | 14.92 |
| | 5,887,432 | 94.68 | 6,217,992 | 100.00 |

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

  At December 31, 2023 the comprehensive physical progress in the EPC Contract with TR is 99.88% Real vs. 100% Scheduled (99.73% Real vs. 100% Scheduled at December 31, 2022).

  At December 31, 2023 the accumulated executed amount is US$3,363 million (US$3,226 million at December 31, 2022).

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

  At December 31, 2023 the comprehensive physical progress in the execution of the EPC Contract with the Consorcio Cobra SCL UA&TC is 97.78% Real vs. 100% Scheduled (95.70% Real vs. 100% Scheduled at December 31, 2022).

  At December 31, 2023 the accumulated executed amount is US$1,045.84 million (US$955 million at December 31, 2022).

- **Financial structure of the PMRT -**

  At December 31, 2023 PMRT funding includes:

  - 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 -**

  In 2023, the following activities were carried out:

  - Local labor plan (“Plan de Mano de Obra Local”)
    At December 31, 2023 the total labor plan was 301 job positions. The share of local unqualified labor was 93.3% (from a total of 45 unqualified labor), above the limit set in the EIA (70%), while the share of local qualified labor was 70.3% (from a total 256 qualified labor).
  - Construction of underground cisterns to provide a greater number of hours of drinking water.
  - Provision of 2000m3 of drinking water for Talara.
  - Implementation of a rescue boat for artisanal fishermen.

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 for receiving, storing and shipping of fuel (Diesel, Gasoline and Gasohol) to meet demand in the surrounding area.

At December 31, 2023 the status of this Project is described as follows:

- The investment amount totals US$47,432 thousand, of which 72.1% has been executed. The overall physical progress was 25.9% vs. 26.3% scheduled.

- The execution of the project will continue, mainly in the administrative processes of easement rights, updating of the detailed engineering, automation of the terminal, continuation of the preservation of the procurement and assembly of tanks. The update of the detailed engineering and the assembly of tanks is based on the new project requirements.

- The modified investment budget amounted to US$1.3 million, representing a 69% reduction with respect to the initial budget (US$4.3 million), since the project is undergoing revaluation and approval management. This also impacted the global physical advance of 25.9% vs. 26.3% scheduled.

- Regarding the reassessment and approval management of the project, the project is in the process of contracting the detailed engineering service to obtain the new investment budget, according to the scope reduction report.

c) Supply Plant in Ninacaca -

Construction, installation and start-up of a new Supply Plant in the district Ninacaca, province of Pasco, to meet the demand for liquid fuels in the surrounding area.

At December 31, 2023 the investment amount totals US$7,352 thousand, of which 84.6% has been executed (considering the baseline cost of September 2017). The actual physical progress was 47.5% vs. 49.3% scheduled (according to the baseline of the September 2023 schedule).

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

Construction, installation and start-up of a new Fuel Supply Plant in Puerto Maldonado, to meet the demand for liquid fuels in the surrounding area and reduce the cost of transport.

At December 31, 2023 the investment amount totals US$19,491 thousand, of which 99.95% has been executed (considering the baseline cost of April 2019). The actual physical progress was 59.7% vs. 60.6% scheduled (according to the baseline of the September 2023 schedule).

(ii) Concession of port terminals -

The purpose of the Terminal Operation Contract is to designate operators to operate, under their sole responsibility, cost and risk of the fuel storage terminals in the north, center and south of the country; additionally, for the effective period of the concession agreement, making investments as committed as well as additional investments. Terminal operation consists of receiving, storing and shipping hydrocarbons, including maintenance and compliance with the work safety and environmental technical standards.

Maintenance of concession assets is contained in the respective operation agreements, by which, at the termination of those agreements, the concession assets must be returned to grantor in the same conditions in which they were originally provided, except for regular wear and tear from use.

During 2014, a public tender was organized to select Operators for the North, Central and South Terminals; awards for the North and Central Terminals were granted to the companies Graña y Montero Petrolera S.A. and Oiltanking Perú S.A.C.; the relevant operating contracts were signed for an effective period of 20 years, which are effective until October 31, 2034 (Terminales Norte) and September 1, 2034 (Terminales del Centro).

The conditions of the agreements include executing additional investments for the approximate amount of US$83,116 thousand (Terminales Norte) and US$102,842 thousand (Terminales Centro) and investments committed by US$18,390 thousand (Terminales Norte) and US$18,766 thousand (Terminales Centro).

At December 31, 2023 the net carrying amounts of the concession assets totaled US$125,572 thousand equivalent to S/438,235 thousand (US$109,534 thousand equivalent to S/379,264 thousand at December 31, 2022), included mainly in the item of land, machinery and equipment.

(iii) Insurance -

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

a) Property and loss of profits policy for up to US$1,000,000 thousand with declared values of US$7,473,128 thousand; effective until December 22, 2024.
b) Sabotage and terrorism policy for up to US$500,000 thousand with declared value of assets of US$3,467,000 thousand; effective until June 27,2024.
c) Public general liability insurance ("Póliza de responsabilidad civil general comprensiva") for up to US$100,000 thousand; effective until February 25, 2024.
d) Air carrier's civil liability insurance ("responsabilidad civil de aviación") for up to US$500,000 thousand, effective until April 24, 2024.

At December 31, 2023 and 2022 Management believes that the comprehensive insurance policy described above appropriately covers the estimated risk of loss of its assets.

(iv) Depreciation -

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

| | **2023** | **2022** |
|---|---|---|
| | **US$000** | **US$000** |
| Cost of sales (Note 23) | 195,861 | 73,720 |
| Selling and distribution expenses (Note 24) | 9,226 | 9,501 |
| Administrative expenses (Note 25) | 6,151 | 6,948 |
| | 211,238 | 90,169 |

(v) At December 31, 2023 and 2022 the Company has not granted any element of its fixed assets as collateral for loans.

(vi) The gross cost of totally depreciated assets still in use at December 31, 2023 was US$177,049 thousand, equivalent to S/593,600 thousand (US$162,605 thousand, equivalent to S/545,617 thousand at December 31, 2022).

(vii) Major additions related to work in progress -

In 2023, additions of work in progress mostly relate to PMRT's EPC (Engineering, Procurement and Construction) contract, PMC (Project Management Office), PMO (Project Management Consulting), Auxiliary services and Other services of the NTR of US$355,231 thousand, equivalent to S/1,336,996 miles (US$314,749 thousand, equivalent to S/1,194,060 thousand in 2022); and other works in progress amounting to US$66,898 thousand, equivalent to S/249,937 miles (US$63,561 thousand, equivalent to S/241,131 thousand in 2022).

In addition, borrowing costs that were capitalized over 2023 related to the NTR amounted to US$64,368 thousand, equivalent to S/238,911 thousand (US$202,614 thousand, equivalent to S/779,091 thousand, in 2022).

(viii) Transfers -

They correspond to property, plant and equipment that came into operation when they were ready for use under the conditions foreseen by Management. At December 31, 2023 auxiliary and ongoing units of the NTR began their operation, as well as other machinery and equipment.

(ix) Impairment of assets -

Cash-generating units (CGUs) -

At December 31, 2023 the Company, taking into account the decrease in income and results of 2023 of the CGU operations 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) -

- Have been considered 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 PERUPETRO S.A., 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 as established under the contracts it signed.
- Operating flow for the unloading service and use of crude oil. The estimated inflows come from the service to operators of blocks 67 and 95, currently in operation, and the estimated income from the operations of blocks 192 and 64, which will start in subsequent years.
- Have been considered 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 at December 31, 2023 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 2024 prepared by the Company. The costs include an estimate of maintenance investments.

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

| | 2023 | 2022 |
|---|---|---|
| Average annual growth rate (%) | 14 | 17 |
| Average gross margin (%) | 49 | 49 |
| Average prices ($) | 12 | 12 |
| Discount rate (%) | 15.54 | 16.62 |

In 2023, the annual growth rate corresponds to annual growth rate compound income during the period 2024 to 2033. 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.

At December 31, 2023 the Company has estimated that the recoverable amount 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. At 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.

At December 31, 2022 the Company has estimated that the recoverable amount of the Oil Pipeline CGU amounts to US$346,578 thousand, while the carrying amount of the assets (as part of the assets of this CGU, investments in Property, plant and equipment are considered, 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$190,106 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:

| Key assumption | Variation | Impairment<br>US$000 |
|---|---|---|
| Budgeted annual growth | -5% | (192,697) |
| Prices for the year | -5% | (179,082) |
| Budgeted gross margin | -5% | (150,743) |
| Discount rate | -5% | (229,098) |

Production and Trading -

At December 31, 2023 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 delay in the start-up of the New Talara Refinery (NTR) and the increase in the investment budget to complete its construction; as well as the variability in crude oil prices.

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:

- Have been considered 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 16-year projection horizon and perpetuity. The perpetuity cash flow projections consider no growth rate in the long term of 1.99%. The Company considers it appropriate to use a projection period of 16 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 at import parity prices, based on the movement of prices of WTI crude oil 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 Management of Refinery and Pipelines (“Gerencia Refinación y Ductos”) using the mathematical model of Refining.
- Forecast of costs of acquisition: The Company has prepared, based on projections released by PIRA Consulting Services, a forecast of costs of acquisition of crude and products, based on the movement of prices of WTI crude oil and spreads of by-products in time.

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

| | **2023** | **2022** |
|---|---|---|
| Average annual growth rate (%) | 3 | 3 |
| Average gross margin (%) | 22 | 16 |
| Average price of refined oil ($) | 131 | 98 |
| Discount rate (%) | 7.02 | 7.79 |

The annual growth rate corresponds to annual growth rate compound of income during the period 2024 to 2039. 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 16-year projections.

Prices are the average included in projections. Management determined the budgeted prices based on past performance, current trends in the industry, established rates and market development expectations.

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

At December 31, 2023 the Company has estimated that the recoverable amount 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. At 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 cash flow projection, amounts to US$6,001,381 thousand.

At December 31, 2022 the Company has estimated that the recoverable amount of the PMRT amounts to US$6,859,496 thousand. At December 31, 2022 the carrying amount (as part of the assets of this CGU, investments in Property, plant and equipment are considered for US$5,994,673 thousand, as well as certain items of current assets and liabilities that affect the working capital also included in the cash flow projection for US$247,171 thousand) amounts to US$6,241,844 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:

| **Key assumption** | **Variation** | **Impairment** |
|---|---|---|
| | | **US$000** |
| Budgeted annual growth | -5% | (3,467,914) |
| Average price of refined oil | -5% | (3,379.352) |
| Budgeted gross margin | -5% | (863,242) |
| Discount rate | -5% | (3,321,522) |

## 12 INTANGIBLE ASSETS AND OTHERS

The movement of this item for the years 2023 and 2022 is as follows:

| | **Software and licenses** | **Intangible assets in progress (a)** | **Total** |
|---|---|---|---|
| | **US$000** | **US$000** | **US$** |
| **Year 2022** | | | |
| Net cost at January 1, 2022 | 13,347 | 30,410 | 43,757 |
| Aditions | - | 1,291 | 1,291 |
| Transfers | 2,454 | (2,454) | - |
| Reclassification from property, plant and equipment | - | 2,453 | 2,453 |
| Amortization of the year | (3,150) | - | (3,150) |
| Net cost at December 31, 2022 | 12,651 | 31,700 | 44,351 |
| **Balance at December 31, 2022** | | | |
| Cost | 34,256 | 31,700 | 65,956 |
| Accumulated amortization | (21,605) | - | (21,605) |
| **Net cost** | 12,651 | 31,700 | 44,351 |

| | Software and Licenses | Intangible assets in progress (a) | Total |
|---|---|---|---|
| | US$000 | US$000 | US$ |
| Net cost at January 1, 2023 | 12,651 | 31,700 | 44,351 |
| Additions | - | 16,345 | 16,345 |
| Transfers (b) | 29,256 | (29,256) | - |
| Reclassification from property, plant and equipment | - | 29,257 | 29,257 |
| Amortization of the year | (4,780) | - | (4,780) |
| Net cost at December 31, 2023 | 37,127 | 48,046 | 85,173 |
| **Balance at December 31, 2023** | | | |
| Cost | 63,512 | 48,046 | 111,558 |
| Accumulated amortization | (26,385) | - | (26,385) |
| **Net cost** | 37,127 | 48,046 | 85,173 |

(a) At December 31, 2023 intangible assets in progress mainly comprises the exploration costs of Block 64 and pre-operating costs of enabling Block 192 for US$33,802 thousand and US$12,895 thousand, respectively (US$28,089 thousand and US$2,474 thousand, respectively, at December 31, 2022).

(b) In 2023, transfers mainly comprise the capitalization of software for the operation of the NTR for US$26,853 thousand.

## 13 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

| | At December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | US$000 | US$000 |
| Right-of-use assets | 35,790 | 29,073 |
| Lease liabilities: | | |
| Current portion | 19,260 | 18,500 |
| Non-current portion | 17,199 | 10,946 |
| | 36,459 | 29,446 |

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.

At December 31, 2023 and 2022 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 been recognized as expenses according to the policy stated in Note 2.12.

In 2023, the expense recognized in profit or loss for leases of less than 12 months and low value amounts to US$139 thousand (US$393 thousand in 2022) (Note 24).

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

| | 2023<br>US$000 | 2022<br>US$000 |
|---|---|---|
| **Right-of-use assets** | | |
| Cost: | | |
| Opening balance | 85,644 | 68,985 |
| Additions for new leases | 29,892 | 16,659 |
| Closing balance | 115,536 | 85,644 |
| | | |
| Depreciation: | | |
| Opening balance | (56,571) | (42,768) |
| Operating cost | (6,974) | (3,172) |
| Depreciation for the year | (14,730) | (10,383) |
| Others | (1,471) | (248) |
| Net cost | 35,790 | 29,073 |
| | | |
| **Lease liabilities:** | | |
| Opening balance | 29,446 | 26,163 |
| Additions for new leases | 29,892 | 16,659 |
| Lease payment | (18,945) | (13,576) |
| Adjustments | (4,094) | - |
| Exchange difference | 160 | 200 |
| Accrued interest | 1,299 | 1,400 |
| Interest paid | (1,299) | (1,400) |
| Closing balance | 36,459 | 29,446 |

The additions for right-of-use assets mainly comprises the renewal of barge lease contracts whose term expires in 2026.

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:

| | 2023<br>US$000 | 2022<br>US$000 |
|---|---|---|
| Cost of sales (Note 23) | 13,182 | 8,826 |
| Selling and distribution expenses (Note 24) | 167 | 175 |
| Administrative expenses (Note 25) | 1,381 | 1,382 |
| | 14,730 | 10,383 |

## 14 OTHER FINANCIAL LIABILITIES

This item comprises:

| | | At December 31, | |
|---|---|---|---|
| | | 2023 | 2022 |
| | | US$000 | US$000 |
| **Current liabilities** | | | |
| Unsecured bank loans (i) | | 1,033,457 | 708,602 |
| CESCE loan (iii) | | 1,011,111 | 144,444 |
| Accrued interest | | 17,860 | 14,695 |
| | A | 2,062,428 | 867,741 |
| **Non-current liabilities** | | | |
| Corporate bonds (ii) | | 3,085,690 | 3,126,936 |
| CESCE loan (iii) | | - | 972,770 |
| | B | 3,085,690 | 4,099,706 |
| **Total financial debt** | A+B | 5,148,118 | 4,967,447 |

(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 144A and S Regulation, which are exceptions (“Safe-harbors”) to the U.S. regulatory framework (US Securities Act - 1933 and US Securities Exchange Act -1934) by which foreign issuers are allowed to offer, place and/or resell securities without the requirement to register those securities with the relevant New York Stock Exchange agency (SEC). The funds received are allocated to the PMRT.

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 and at December 31, 2023 the balance amounts to US$4,912 thousand (US$5,372 thousand at December 31, 2022).

- 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. Transactional costs totaled US$9,558 thousand and at December 31, 2023 the balance amounts to US$8,618 thousand (US$8,857 thousand at December 31, 2022) the excess amount of the placement over the bonds at the time of reopening amounts to US$135,889 thousand and at December 31, 2023 the balance amounts to US$130,338 thousand (US$135,889 thousand at December 31, 2022).

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, which were intended to reimburse the different financing sources used to pay PMRT invoices, corresponding to the EPC with Técnicas Reunidas.

Transaction costs amounted to US$72,478 thousand and at December 31, 2023 the balance amounts to US$25,732 thousand (US$33,065 thousand at December 31, 2022). Interest and principal were paid on a semi-annual basis starting May 2019 and June 2022, respectively. This loan matures in 2030, based on a fixed interest rate of 3.285%. During 2023 and 2022, the Company has recognized interest expenses and accrued transaction costs of S/43,445 thousand and S/50,456 thousand, respectively (see section “c” in this same 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.

Company's Management identified that, at December 31, 2023, the financial debt ratio of the CESCE loan is being breached, which must be less than 3.75 (calculated ratio equivalent to 3.82). In this regard, the Company has reclassified the non-current borrowings linked to the CESCE loan as part of the current liabilities in the statement of financial position at December 31, 2023. In this regard, it should be noted that as a result of the audit of the Company's financial statements at December 31, 2023, the net loss amounted to US$1,064,381 thousand, so the financial debt ratio exceeded that established in the loan agreement. However, the Company took steps to amend the financial indicators of the CESCE loan agreement and, to date, there is an amendment approved by the banks that are part of the syndicated loan, which establishes that as of September 2024, the maximum value of said indicator must be 4.00, rendering null and void the compliance with the values set before said date. Considering this situation, it is estimated to restore the classification of current borrowings to non-current liabilities in 2024.

At December 31, 2022 the Company complied with the established financial covenants, which are measured quarterly.

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.

At December 31, 2023 and 2022, except for the presentation of the audited financial statements, the Company has met the established non-financial covenants.

a) Debt repayment terms and timetable -

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

| | | | | At December 31, | | | |
|---|---|---|---|---|---|---|---|
| | | | | 2023 | | 2022 | |
| | Original currency | Nominal interest rate | Maturity | Nominal value | Carrying amount | Nominal value | Carrying amount |
| | | % | | US$000 | US$000 | US$000 | US$000 |
| Unsecured bank loans | S/ | 5.89 - 9.95 | 2023 | - | - | 72,481 | 72,481 |
| Unsecured bank loans | US$ | 3.16 - 8.85 | 2023 | - | - | 636,121 | 636,121 |
| Unsecured bank loans | S/ | 5.89 - 9.95 | 2024 | 152,737 | 152,737 | - | - |
| Unsecured bank loans | US$ | 3.16 - 8.85 | 2024 | 880,720 | 880,720 | - | - |
| CESCE loan | US$ | 3.29 | 2031 | 1,011,111 | 985,378 | 1,155,556 | 1,117,214 |
| Corporate bonds | US$ | 4.75 | 2032 | 1,000,000 | 989,705 | 1,000,000 | 996,195 |
| Corporate bonds | US$ | 5.63 | 2047 | 2,000,000 | 2,121,718 | 2,000,000 | 2,130,741 |
| Accrued interest | | | | - | 17,860 | - | 14,695 |
| | | | | 5,044,568 | 5,148,118 | 4,864,158 | 4,967,447 |

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:

| | 2023 | 2022 |
|---|---|---|
| | US$000 | US$000 |
| Working capital | 1,033,457 | 700,602 |
| Short-term PMRT | - | 8,000 |
| PMRT | 4,096,801 | 4,244,150 |
| | 5,130,258 | 4,952,752 |

(*) Not including accrued interest payable.

At December 31, 2023 and 2022 the Company maintained specific loans for the PMRT 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:

| | Unsecured bank loans | Corporate bonds | CESCE loan | Total |
|---|---|---|---|---|
| | US$000 | US$000 | US$000 | US$000 |
| Balance at January 1, 2022 | 674,779 | 3,131,820 | 1,258,885 | 5,065,484 |
| New loans | 2,560,501 | - | - | 2,560,501 |
| Payments of principal | (2,526,005) | - | (144,444) | (2,670,449) |
| Interest and transaction cost accrued | 27,936 | 156,918 | 50,456 | 235,311 |
| Interest paid (*) | (19,190) | (162,224) | (41,986) | (223,400) |
| Balance at December 31, 2022 | 718,022 | 3,126,514 | 1,122,911 | 4,967,447 |
| Balance at 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 at December 31, 2023 | 1,046,070 | 3,122,700 | 979,348 | 5,148,118 |

(*) In 2023, the Company has allocated US$64,368 thousand of the interest paid on investing activities in the statement of cash flows, mainly in relation to the PMRT (US$175,654 thousand in 2022).

d) Fair value estimation -

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

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | US$000 | US$000 | US$000 | US$000 |
| Unsecured loans | 1,046,070 | 718,022 | 938,093 | 708,602 |
| Bonds | 3,122,700 | 3,126,514 | 1,959,092 | 2,070,783 |
| CESCE loan | 979,348 | 1,122,911 | 828,824 | 1,027,376 |
| Payables to related parties (Note 16) | 958,649 | 885,888 | 919,624 | 876,104 |
| | 6,106,767 | 5,853,335 | 4,645,633 | 4,682,865 |

At December 31, 2023 and 2022 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:

| | At December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | US$000 | US$000 |
| Foreign suppliers of crude and refined products | 1,392,252 | 783,260 |
| National suppliers of crude and refined products | 158,411 | 165,968 |
| Suppliers of goods and services | 310,000 | 122,536 |
| Shipping companies and terminal operators and sales plants | 43,150 | 30,158 |
| | 1,903,813 | 1,101,922 |

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 increase in the balance of this item mainly comprises the extension of the credit periods negotiated with suppliers.

At December 31, 2023 the main foreign suppliers are Trafigura PTE Ltd. to which is owed US$587,087 thousand equivalent to S/2,177,526 thousand (US$367,231 thousand equivalent to S/1,410,687 thousand at December 31, 2022) and Petrochina Internacional to which is owed US$199,510 thousand equivalent to S/756,934 thousand (US$5,352 thousand equivalent to S/20,404 thousand at December 31, 2022). The main national suppliers of crude oil are Petrotal Perú S.R.L. with a balance of US$37,219 thousand equivalent to S/139,969 thousand (US$72,496 thousand equivalent to S/277,571 thousand at December 31, 2022) and CNPC Perú with a balance of US$37,371 thousand equivalent to S/139,801 thousand (US$13,635 thousand equivalent to S/52,088 thousand at December 31, 2022).

At December 31, 2023 the main suppliers of goods and services are Técnicas Reunidas de Talara S.A.C., with a balance of US$94,829 thousand equivalent to S/358,102 thousand (US$8,685 thousand equivalent to S/33,322 thousand at December 31, 2022), Consorcio Cobra SCL UA&TC, with a balance of US$61,822 thousand equivalent to S/229,345 thousand (US$720 thousand equivalent to S/2,754 thousand at December 31, 2022), Rimac Seguros y Reaseguros, with a balance of US$29,206 thousand equivalent to S/108,344 miles (US$11,888 thousand equivalent to S/45,885 thousand at December 31, 2022) and Tramarsa Flota S.A., with a balance of US$6,483 thousand equivalent to S/24,532 thousand (US$1,433 thousand equivalent to S/5,535 thousand at December 31, 2022).

The invoices are mainly issued in U.S. dollars and have current maturity. In 2023, longer credit terms were managed with direct suppliers through letters of credit; therefore, the recognition of bank expenses increased (Note 25-a). In 2022, cuts in bank credit lines and shorter credit terms with direct suppliers caused delays in direct payment to suppliers and the recognition of interest for payments after the expiration of their invoices (Note 28).

## 16 PAYABLES TO RELATED PARTIES

This item comprises:

| | At December 31, | |
|---|---|---|
| | **2023** | **2022** |
| | **US$000** | **US$000** |
| Loans and interest (a) | 812,242 | 751,297 |
| Cancellation documents and interest (b) | 146,407 | 134,591 |
| | 958,649 | 885,888 |
| By maturity: | | |
| Short-term | 958,649 | 134,591 |
| Long-term | - | 751,297 |
| | 958,649 | 885,888 |

The annual movement of this item comprises:

| | Loan | Cancellation documents | Total |
|---|---|---|---|
| | US$000 | US$000 | US$000 |
| New loans | 750,000 | 157,295 | 907,295 |
| Payments of principal | - | (24,721) | (24,721) |
| Accrued interest | 21,914 | 3,843 | 25,757 |
| Interest paid | - | (205) | (205) |
| Exchange difference | (20,617) | (1,621) | (22,238) |
| Balance at December 31, 2022 | 751,297 | 134,591 | 885,888 |
| Balance at January 1, 2023 | 751,297 | 134,591 | 885,888 |
| Accrued interest | 39,056 | 7,888 | 46,944 |
| Exchange difference | 21,889 | 3,928 | 25,817 |
| Balance at December 31, 2023 | 812,242 | 146,407 | 958,649 |

Pursuant to Emergency Decree No.010-2022, enacted on May 12, 2022, extraordinary economic and financial measures were established for the assurance of the local fuel market, therefore, the temporary financial support granted by the Peruvian Ministry of Economy and Finance (MEF) by means of the General Directorate of the Public Treasury was provided, through the following actions:

(a) Financial support through a loan to the Company for an amount of S/2,785,000 thousand (equivalent to US$750,000 thousand), in order to meet short-term obligations during 2022; with original maturity on December 31, 2022, extended until December 31, 2024, through addendum dated December 29, 2022. This debt accrues interest at an annual rate of 5%.

(b) Issuance of Cancellation Documents - Public Treasury in favor of the Company. Pursuant to Emergency Decree No.010-2022, the Company requested the General Directorate of the Public Treasury of the MEF the issuance of Cancellation Documents in favor of the Company, up to the amount of 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 for fuel marketing operations. The aforementioned Cancellation Documents were issued on a monthly basis during 2022, at the request of the Company. At December 31, 2022 the Company received Cancellation Documents for S/595,865 thousand (equivalent to US$157,295 thousand) and amortized S/95,868 (equivalent to US$24,721 thousand) and accrued interest at rates between 5% and 6.75%. At December 31, 2023 the cancellation documents have current maturity in 2024.

(c) The Company's key management compensation was as follows:

| | 2023 | 2022 |
|---|---|---|
| | US$000 | US$000 |
| Short-term employee benefits: | | |
| Key management salaries (excluding remuneration of directors) | 4,768 | 4,339 |
| Remuneration of directors (all non-executives) | 193 | 145 |

There were no post-employment benefits, long-term benefits, termination benefits and share-based payments in the years 2023 and 2022.

(d) Owners -

The Peruvian State owns the Company's capital shares and is represented by each member of the General Shareholders' Meeting. According to the twenty-third article 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. Transactions between the Company and the Peruvian State and the MEM comprise transactions with shareholders.

## 17 OTHER LIABILITIES AND OTHER PAYABLES

This item comprises:

| | At December 31, | |
|---|---|---|
| | **2023** | **2022** |
| | **US$000** | **US$000** |
| Advances from customers (a) | 61,028 | 24,970 |
| Remuneration payable | 27,568 | 18,018 |
| Obligations for Arbitration Decision (b) | 25,000 | 25,000 |
| Taxes (c) | 17,858 | 13,245 |
| Liability for derivative financial instrument | 13,318 | - |
| Guarantee deposits (d) | 8,273 | 4,123 |
| Others | 16,292 | 5,904 |
| | 169,337 | 91,260 |

(a) This item includes funds received from advances from local and foreign customers for US$13,528 thousand (equivalent to S/50,231 thousand), to guarantee the supply of fuel that is pending dispatch. Likewise, in 2023, the Company signed a 20-year usufruct contract with the company Matheson Global for the operation of the NTR hydrogen (PHP) and nitrogen (NIS) plants. Pursuant to this contract, the amount of US$50,000 thousand was collected in advance in February 2023.

(b) Comprising the provision for the return of leases collected from Savia, by virtue of the resolution of the Final Decision issued on July 12, 2021 by the Arbitration Center of the Lima Chamber of Commerce (Note 22(d)). In this regard, the suspension of the execution of the aforementioned decision was requested, and the claim was admitted on December 31, 2022 by the Peruvian Judiciary. At December 31, 2023 the request for annulment is pending resolution.

(c) At December 31, 2023 taxes payable mainly include tax on gasoline vehicles and Fund for the mass use of gas (FISE), Perceptions, Osinergmin Aliquot for US$10,826 thousand, US$1,486 thousand, US$1,152 thousand and US$931 thousand, respectively. At December 31, 2022 taxes payable mainly include tax on gasoline vehicles and Fund for the mass use of gas (FISE), Perceptions and Osinergmin Aliquot for US$6,223 thousand, US$1,696 thousand, US$3,556 thousand and US$1,040 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.

## 18 PROVISIONS

This item comprises:

| | At December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | US$000 | US$000 |
| **Current** | | |
| Provision for environmental improvements (a) | 58,905 | 45,522 |
| Provision for civil lawsuit (c) | 9,508 | 1,812 |
| Provision for labor-related court actions (b) | 4,189 | 3,181 |
| Provision for plugging of wells (a) | 519 | 505 |
| Other provisions | 209 | 253 |
| | 73,330 | 51,273 |
| **Non-current** | | |
| Provision for environmental improvements (a) | 12,504 | 12,488 |
| Other provisions | 17 | 86 |
| | 12,521 | 12,574 |
| | 85,851 | 63,847 |

The annual movement of provisions is as follows:

| | Provision for environmental improvements | Provision for civil lawsuits | Provision for labor-related court actions | Provision for plugging of wells | Other provisions | Total |
|---|---|---|---|---|---|---|
| | **US$000** | **US$000** | **US$000** | **US$000** | **US$000** | **US$000** |
| Balances at January 1, 2022 | 23,629 | 1,044 | 2,754 | 482 | 1,837 | 29,746 |
| Provision for the year (Notes 25 and 27) | 39,619 | 729 | 717 | - | - | 41,065 |
| Payments | (5,614) | - | (376) | - | (11) | (6,001) |
| Update of the present value | - | - | - | - | (4) | (4) |
| Reversal of unused provisions | - | 4 | (58) | - | (1,571) | (1,633) |
| Exchange difference | 376 | 43 | 144 | 23 | 88 | 674 |
| Balances at December 31, 2022 | 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 at December 31, 2023 | 71,409 | 9,508 | 4,189 | 519 | 226 | 85,851 |

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 (MEM), 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, at December 31, 2023, 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. At December 31, 2023 the balance of this provision for privatized units amounts to US$7,807 thousand (US$7,982 thousand at December 31, 2022).

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). The provision is updated annually depending on the costs of the work completed or in progress and the estimated costs of work remaining to be implemented corresponding to the Environmental Remediation Agreements and depending on current environmental regulations and legal procedures.

**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). At December 31, 2023 210 projects have been executed.

Regarding the management instrument of the Complementary Environmental Plan (“Plan Ambiental Complementario – PAC”) of the PMRT, due to an operational need, it has been determined that the "Instalación del Oxidador para la 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% at December 31, 2023.

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. At December 31, 2023 the balance of this provision for own operating units amounts to US$62,920 thousand (US$50,113 thousand at December 31, 2022)

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.

At December 31, 2023 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 2023, a total number of 85 oil spills (59 for criminal acts, 11 for geodynamic phenomena, 8 related to technical aspects and 7 to be determined) have occurred at ONP, of which 47 have been completely served and are waiting for approval of 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 Department Management (EDM), which is committed to making sure the Company will continue operating, on a sustainable basis, and reducing the potential impact on the environment.

Additionally, 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 2023, the Company reported 11 significant oil spills which are under investigation jointly with OSINERGMIN. Currently, containment and recovery efforts are being carried out.

In 2022, the Company reported 15 significant oil spills, which are under investigation jointly with OSINERGMIN and due to current issues. In compliance with the first response tasks, 15 emergencies have been attended to (6 in execution and 9 in the securing and control stage of the area).

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:

| | Balance at January 1, US$000 | Payments US$000 | Provision and update US$000 | Balance at December 31 US$000 |
|---|---|---|---|---|
| **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 | 7,982 | (175) | - | 7,807 |
| 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 | - | - | - |
| Subtotal own units | 50,113 | (31,296) | 44,103 | 62,920 |
| | 58,095 | (31,471) | 44,103 | 70,727 |
| Exchange difference | (85) | - | 767 | 682 |
| | 58,010 | (31,471) | 44,870 | 71,409 |
| **Year 2022** | | | | |
| Block 8 | 2,126 | - | - | 2,126 |
| Block X | 1,962 | - | - | 1,962 |
| Pampilla | 1,702 | (96) | - | 1,606 |
| Lubricants | 118 | - | - | 118 |
| Northern terminals | 341 | - | - | 341 |
| Southern terminals | 85 | - | - | 85 |
| Mid-country terminals | 1,724 | - | - | 1,724 |
| Natural Gas Electric system | 20 | - | - | 20 |
| Total privatized units | 8,078 | (96) | - | 7,982 |
| Operations in Talara | 2,706 | (656) | - | 2,050 |
| Operations in Conchán | 911 | (35) | - | 876 |
| Operations in Oleoducto | 9,437 | (4,823) | 39,619 | 44,233 |
| Operations in Iquitos Refinery | 1,396 | (4) | - | 1,392 |
| Commercial operations | 603 | - | - | 603 |
| Management Exploration and Exploitation | 959 | - | - | 959 |
| Total own units | 16,012 | (5,518) | 39,619 | 50,113 |
| | 24,090 | (5,614) | 39,619 | 58,095 |
| Exchange difference | (461) | - | 376 | (85) |
| | 23,629 | (5,614) | 39,995 | 58,010 |

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 (Note 2.20). 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. At December 31, 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 at December 31, 2017 in environmental remediation of its privatized units. At December 31, 2023 and 2022 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 labor-related court actions -

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

c) Provision for civil claims -

At 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).

At December 31, 2022 the Company estimated a provision of US$1,812 thousand (equivalent to S/6,923 thousand), which includes proceedings against supplier Covise S.A. for US$994 thousand (equivalent to S/3,800 thousand) and Mr. Murga Pastor Tobias for US$721 thousand (equivalent to S/2,754 thousand) and others for US$97 thousand (equivalent to S/366 thousand).

## 19 DEFERRED INCOME TAX

The movement of the deferred income tax for the years ended December 31, 2023 and 2022 is as follows:

| | Balance at January 1, 2022 | Credit (charge) to profit or loss (Note 29- b) | Balance at December 31, 2022 | Credit (charge) to profit or loss (Note 29- b) | Balance at December 31, 2023 |
|---|---|---|---|---|---|
| | US$000 | US$000 | US$000 | US$000 | US$000 |
| **Deferred assets:** | | | | | |
| Provision for environmental remediation | 6,951 | 10,057 | 17,008 | 4,039 | 21,047 |
| Carry-over loss tax benefit | 118,811 | (4,503) | 114,308 | 143,436 | 257,744 |
| Lease liability | 7,718 | 968 | 8,686 | 2,069 | 10,755 |
| Tax Ebitda | - | 23,656 | 23,656 | 56,660 | 80,316 |
| Other provisions | 6,561 | (832) | 5,729 | (6,638) | (909) |
| Provision for impairment of assets | 21,077 | - | 21,077 | 99,788 | 119,865 |
| | 161,118 | 29,346 | 190,464 | 298,354 | 448,818 |
| **Deferred liabilities:** | | | | | |
| Right-of-use assets | (7,734) | (842) | (8,576) | 2,276 | (6,300) |
| Attributed cost of property, plant and equipment and intangible assets and exchange effect of non-monetary items (*) | (359,984) | 28,631 | (331,353) | (103,154) | (434,507) |
| | (367,718) | 27,789 | (339,929) | (100,878) | (440,807) |
| Net deferred assets (liabilities) | (206,600) | 57,135 | (149,465) | 197,476 | 48,011 |

(*) 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$). During 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. During 2022, the U.S. dollar had a significant depreciation in relation to the Peruvian sol, which gave rise to deferred income tax of US$106,390 thousand.

## 20 EQUITY

a) Share capital -

At December 31, 2023 and 2022 the authorized, subscribed and paid-in share capital comprises 9,572,168,000 and 5,572,168,000 common shares, respectively, at S/1 par value each. At December 31, 2023 the share capital structure of the Company is as follows:

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

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.

At the General Shareholders' Meeting held on September 23, 2022, an increase in share capital by US$61,143 thousand (equivalent to S/203,755 thousand) was approved. It was made through an additional capital contribution of 2021. On December 19, 2022, registration with the Lima Public Records was reported.

b) Legal reserve -

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

At December 31, 2023 and 2022 the recorded legal reserve amounts to US$8,724 thousand (equivalent to S/33,325 thousand); the legal reserve constituted in 2022 totaled US$6,794 thousand (equivalent to S/22,639 thousand); which corresponds to 10% of the distributable net profit for 2021.

c) Additional capital -

Pursuant to ED No.023-2022 - Emergency Decree dated October 25, 2022, economic and financial measures were established to avoid national fuel shortages. The emergency decree approved the capital contribution of its shareholders (the Peruvian Government) to the Company for an amount of S/4,000,000 thousand, which was fully received at the end of November 2022 and was recorded as additional capital, with an equivalent of US$1,014,623 thousand. The issuance of shares resulting from this contribution has been formalized in 2023.

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 Twenty Nine subsection F) of the current Corporate by-laws.

## 21 REVENUE FROM ORDINARY ACTIVITIES

This item comprises:

| | 2023<br>US$000 | 2022<br>US$000 |
|---|---|---|
| Local sales | 3,413,923 | 4,703,528 |
| Price Stabilization Fund (*) (Note 8) | 3,920 | 142,070 |
| Other revenue from ordinary activities | 49,470 | 43,367 |
| | 3,467,313 | 4,888,965 |
| Foreign sales | 476,656 | 628,275 |
| | 3,943,969 | 5,517,240 |

(*) At the beginning of 2022, the Price Stabilization Fund applied to industrial oil 6, Diesel BX for vehicular use as a product subject to this fund and LPG - E. Pursuant to Supreme Decree No.002-2022-EM, enacted on March 28, 2022, it was added to 84 and 90 octane Gasoline, 84 octane Gasohol, and bulk Liquefied Petroleum Gas (LPG-G) and Diesel 2 for vehicular use. Pursuant to Supreme Decree No.033-2023-EM, LPG-E was extended as a product subject to the FEPC until March 28, 2024.

In 2023 and 2022, sales are broken down as follows:

| | **2023** | **2022** |
|---|---|---|
| | **US$000** | **US$000** |
| **Local sales:** | | |
| Diesel - others | 2,149,639 | 2,576,405 |
| Gasoline | 968,214 | 1,213,279 |
| Turbo A1 | 143,478 | 103,036 |
| Asphalt | 67,801 | 101,088 |
| Industrial oil | 58,395 | 79,986 |
| LPG | 57,262 | 132,253 |
| Solvent | 13,486 | 17,148 |
| Wet Gas Block I | 3,346 | 3,636 |
| Primary Naphtha and others | 3,113 | 6,846 |
| Natural Gas Liquids - PP | 2,131 | - |
| Dry Gas Blocks - PP | 448 | - |
| ONO crude(a) | - | 624,898 |
| Mezcla crude | - | 25,143 |
| HOGBS | - | 5,247 |
| Total local sales | 3,467,313 | 4,888,965 |
| **Foreign sales:** | | |
| Industrial oil | 465,836 | 105,144 |
| Turbo A1 | 9,017 | 91,647 |
| NAPO crude | 1,803 | 69,824 |
| Gran Tierra crude | - | 103,695 |
| Diesel - others | - | 93,992 |
| ONO crude | - | 60,778 |
| Gasoline | - | 48,169 |
| Virgin Naphtha | - | 26,211 |
| ULSD (EXP) | - | 14,901 |
| Reduced Crude | - | 8,586 |
| Asphalt and solvent | - | 4,931 |
| Cracked Naphtha ADQ. (Exp.) | - | 397 |
| Total foreign sales | 476,656 | 628,275 |
| Total | 3,943,969 | 5,517,240 |

(a) The decrease in sales of ONO crude oil is due to the prioritization of crude oil consumption for the start of the NTR.

## 22 OTHER OPERATING INCOME

This item comprises:

| | 2023 | 2022 |
|---|---|---|
| | **US$000** | **US$000** |
| **Income recognized at a point in time:** | | |
| Terminal operating fees (a) | 18,037 | 19,261 |
| Operating services for Terminals (b) | 15,679 | 14,291 |
| Recoverable freight (c) | 11,359 | 10,167 |
| PNP supply operations | 5,147 | 5,160 |
| Maritime operations services | 3,787 | 4,013 |
| Service of operation of fuel stations and cisterns to mining companies | 1,706 | 3,179 |
| **Income recognized over time:** | | |
| Lease SAVIA PERU S.A. (d) | 4,375 | 5,000 |
| Leases | 3,675 | 1,540 |
| Other revenue from services | 1,106 | 1,037 |
| Crude transport via oil pipeline | 244 | - |
| | 65,115 | 63,648 |

(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.

(d) Comprising the lease contract signed with Savia, which ended on November 15, 2023. In this regard, in November 2013, the Company signed a lease contract for properties in Block Z- 2B with Savia Perú S.A. for a period of 10 years, which expired on November 15, 2013. The lease contract continues to be effective under the provisions of article 1700 of the Peruvian Civil Code, by which, if at the contract termination date, the lessee continues using the leased asset, it should not be understood as a tacit renewal, but the continuation of the lease under the same terms and conditions, until lessor requests the return of the asset, which can occur at any time. By virtue of this lease, Savia Perú S.A. pays the Company US$10,000 thousand annually until 2018.

In April 2018, Savia begins an arbitration process against the Company and stated that it is not entitled to pay the rent set in the contract, considering that it paid the value of assets for an amount of US$200,000 thousand until 2013. Therefore, on June 12, 2019 the Company submitted its respond to the Arbitration Center of the Lima Chamber of Commerce.

On July 12, 2021, the Arbitration Center of the Lima Chamber of Commerce issued the final decision establishing the amount of the lease at US$5,000 thousand per year effective from 2013, as well as the return of leases charged to Savia in excess since that date, according to the resolution of the Award. On September 28, 2021, the Company filed a Claim for Nullity of the Arbitration Decision before the Judicial Power, because Management considers that there are flaws in the arbitration process that are grounds for nullity. Likewise, the suspension of the execution of the Decision was requested and the claim was admitted at December 31, 2022 by the Judicial Power. At December 31, 2023 the resolution of the request for nullity is pending.

The lease contract with Savia ended on November 15, 2023, with a delivery notice of the assets signed, to which the Company did not give its consent and indicated that it reserved the right to take the corresponding legal actions. As a result of due diligence carried out by the Company, a lawsuit was formalized against SAVIA for breach of contract, as well as the hiring of a specialized study to handle the case. Inspections of the assets will be coordinated with the Department of Block Z69 in order to complement the information that will help support the claim that will be formally made against SAVIA.

## 23 COST OF SALES

This item comprises:

| | 2023 | 2022 |
|---|---|---|
| | US$000 | US$000 |
| Opening inventory of goods (**) | 954,356 | 579,580 |
| Purchase of crude oil and refined products (*) | 3,756,736 | 5,586,137 |
| Operating expenses of production (a) | 550,501 | 328,584 |
| Closing inventory of goods (**) | (893,970) | (954,356) |
| | 4,367,623 | 5,539,945 |

(*) The decrease in the value of purchases in 2023 arises from the lower average price of crude oil and derivatives (99.9 US$BL in 2023 vs. 124.9 US$BL in 2022), as well as the lower volume of purchases (103 MBDC in 2023 vs. 123 MBDC in 2022).

(**) 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:

| | 2023 | 2022 |
|---|---|---|
| | US$000 | US$000 |
| Services provided by third parties (*) | 244,380 | 175,243 |
| Depreciation of assets (Note 11) | 195,861 | 73,720 |
| Personnel charges (Note 26) | 58,441 | 45,139 |
| Insurance | 25,993 | 19,083 |
| Depreciation of right-of-use assets (Note 13) | 13,182 | 8,826 |
| Other management charges | 8,879 | 4,260 |
| Amortization | 1,770 | 140 |
| Depreciation of investment properties | 11 | 10 |
| Others | 1,534 | 2,163 |
| | 550,051 | 328,584 |

(*) Including the following:

| | 2023 US$000 | 2022 US$000 |
|---|---|---|
| Ground transport freight and expenses | 77,469 | 75,755 |
| Energy and water | 61,140 | 11,084 |
| Other freights | 36,050 | 16,158 |
| Product storage | 12,013 | 13,398 |
| Dispatch of products | 11,134 | 12,660 |
| Maintenance and repair services | 9,824 | 25,069 |
| Maritime transport freight and expenses | 6,192 | - |
| Publicidad | 6,108 | 2,231 |
| Industrial protection and safety | 5,800 | 4,589 |
| Food and lodging | 3,454 | 3,982 |
| Storage and dispatch (PNP – Petrored) | 4,461 | 3,760 |
| Others | 10,735 | 6,557 |
| | 244,380 | 175,243 |

## 24 SELLING AND DISTRIBUTION EXPENSES

This item comprises:

| | 2023 US$000 | 2022 US$000 |
|---|---|---|
| Personnel charges (Note 26) | 21,605 | 22,996 |
| Taxes (a) | 16,343 | 18,794 |
| Services provided by third parties (b) | 10,336 | 9,655 |
| Depreciation of assets (Note 11) | 9,226 | 9,501 |
| Insurance | 4,972 | 4,742 |
| Materials and supplies | 3,311 | 3,576 |
| Other management charges | 690 | 455 |
| Depreciation of right-of-use assets (Note 13) | 167 | 175 |
| Expected loss of receivables (Note 8) | 71 | 662 |
| | 66,721 | 70,556 |

(a) Including the following:

| | 2023 US$000 | 2022 US$000 |
|---|---|---|
| Aliquot Osinergmin (*) | 12,650 | 14,648 |
| OEFA contribution | 3,336 | 3,766 |
| Others | 357 | 380 |
| | 16,343 | 18,794 |

(*) 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:

| | 2023<br>US$000 | 2022<br>US$000 |
|---|---|---|
| Maintenance and repair services | 3,603 | 2,976 |
| Other services provided by third parties | 3,424 | 2,697 |
| Industrial protection and safety | 2,183 | 2,473 |
| Advertising | - | 387 |
| Rentals | 139 | 393 |
| Energy and water | 412 | 315 |
| Travel and transfer expenses | 166 | 112 |
| Freight and other expenses | 158 | 43 |
| Food and lodging | 251 | 259 |
| | 10,336 | 9,655 |

## 25 ADMINISTRATIVE EXPENSES

This item comprises:

| | 2023<br>US$000 | 2022<br>US$000 |
|---|---|---|
| Personnel charges (Note 26) | 68,033 | 72,336 |
| Services provided by third parties (a) | 72,718 | 50,280 |
| Other management charges (b) | 60,123 | 36,758 |
| Taxes | 9,881 | 3,702 |
| Administrative civil and labor contingencies (Note 18) | 10,103 | 1,446 |
| Depreciation (Note 11) | 6,151 | 6,948 |
| Amortization | 3,010 | 3,010 |
| Depreciation of right-of-use assets (Note 13) | 1,381 | 1,382 |
| Materials and supplies | 1,216 | 795 |
| Insurance | 933 | 1,285 |
| | 233,549 | 177,942 |

(a) Including the following:

| | 2023<br>US$000 | 2022<br>US$000 |
|---|---|---|
| Advisory, expertise and audits | 22,488 | 15,709 |
| Bank expenses | 19,003 | 4,192 |
| Maintenance and repair services | 8,603 | 7,681 |
| IBM outsourcing services | 6,723 | 7,594 |
| Industrial protection and safety | 5,335 | 4,208 |
| Temporary services | 2,775 | 2,552 |
| Freights | 2,443 | 2,129 |
| Advertising | 640 | 1,393 |
| Medical services | 606 | 628 |
| Travel and transfer expenses | 523 | 455 |
| Others | 3,579 | 3,739 |
| | 72,718 | 50,280 |

(b) Including the following:

| | 2023<br>US$000 | 2022<br>US$000 |
|---|---|---|
| Administrative penalties (*) | 51,604 | 29,205 |
| Management with creditor | 5,457 | 5,061 |
| Environmental management | 2,236 | 1,875 |
| Others | 825 | 617 |
| | 60,123 | 36,758 |

(*) The administrative penalties item in 2023 mainly includes the provision of the result issued by the Supreme Court of Cassation No. 7275-2021 in favor of the SUNAT for US$31,183 thousand (equivalent to S/115,253 thousand) for franchise replacement of merchandise; administrative penalties imposed by the Ministry of the Environment for US$10,485 thousand (equivalent to S/38,524 thousand) that include files No.0472-2023, No.0258-2022, related to spills in the Peruvian Northern Oil Pipeline, OEFA for US$3,670 (equivalent to S/13,575) which include the penalties of files No.0162-2021 and No.0716-2022, and US$6,058 thousand (equivalent to S/23,697 thousand) for other administrative penalties imposed by OSINERMING, the Municipality of Talara, among other entities.

In 2022, this item mainly includes the provision for the 2016 audit result according to determination Resolution 012-003-0129531 issued by SUNAT for US$16,713 thousand and others for US$5,353 thousand, administrative penalties filed by Osinergmin for US$3,700 thousand, fines for property tax of the municipality of Talara for US$1,800 thousand and other environmental management expenses and subscriptions for US$1,639 thousand.

## 26 PERSONNEL CHARGES

This item comprises:

| | 2023<br>US$000 | 2022<br>US$000 |
|---|---|---|
| Wages and salaries | 60,806 | 56,133 |
| Bonuses | 32,776 | 31,010 |
| Social contributions | 21,190 | 19,187 |
| Statutory bonuses | 10,478 | 11,704 |
| Employees’ severance indemnities | 9,040 | 7,169 |
| Vacation leave | 4,781 | 4,469 |
| Feeding | 3,384 | 3,550 |
| Workers’ profit sharing | 589 | 1,448 |
| Overtime | 2,097 | 1,443 |
| Transportation | 995 | 1,087 |
| Remote Work Compensation | 43 | 132 |
| Others | 1,900 | 3,139 |
| | 148,079 | 140,471 |
| Number of employees at the end of the year | 2,937 | 2,645 |

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

| | 2023<br>US$000 | 2022<br>US$000 |
|---|---|---|
| Cost of sales (Note 23) | 58,441 | 45,139 |
| Selling expenses and distribution (Note 24) | 21,605 | 22,996 |
| Administrative expenses (Note 25) | 68,033 | 72,336 |
| | 148,079 | 140,471 |

## 27 OTHER INCOME AND OTHER EXPENSES

This item comprises:

| | 2023<br>US$000 | 2022<br>US$000 |
|---|---|---|
| Other income: | | |
| Claims and/or compensation (a) | 12,757 | 12,752 |
| Recovery of the fee for use of the loading port in Pucallpa | 263 | 893 |
| Regularization of provision | 9 | - |
| Regularization of provision of the Family Medical Assistance Program | - | 1,558 |
| Mineral Transporter - Terminal Callao | - | 224 |
| Recovery of doubtful account provision | - | 10 |
| Others | 3,105 | 2,633 |
| | 17,631 | 18,070 |
| Other expenses: | | |
| Provision for losses in oil pipeline (Note 18) | (44,103) | (39,619) |
| Net cost of disposal | (2,132) | (299) |
| | (46,235) | (39,918) |

(a) In 2023, the claims and/or compensation correspond to collections for insurance claims due to low accident rates for US$4,063 thousand and claims and/or compensation for contractual breaches of transportation service suppliers for US$8,694 thousand. In 2022, the claims and/or compensation correspond to collections for insurance claims due to low accident rates for US$1,930 thousand, claims and/or compensation for contractual breaches of transportation service suppliers for US$8,694 thousand and other minor claims for US$2,128 thousand.

## 28 FINANCIAL INCOME AND EXPENSES

This item comprises:

| | 2023<br>US$000 | 2022<br>US$000 |
|---|---|---|
| Interest on bank deposits | 3,251 | 1,329 |
| Interest on receivables | 1,487 | 2,017 |
| | 4,738 | 3,346 |
| Loan interest related to PMRT (a) | (134,028) | (28,864) |
| Interest on working capital loans (b) | (101,713) | (53,005) |
| Loss on derivative financial instruments | (19,202) | (58,350) |
| Interest on trade obligations (c) | (5,462) | (13,661) |
| Interest on leases | (1,299) | (1,400) |
| Tax obligations | (3,065) | (19) |
| | (264,769) | (155,299) |

(a) It corresponds to loan interest related to the PMRT that has not been capitalized in accordance with IAS 23 “Borrowing Costs”, since certain assets completed their construction phase and were ready to be used under the necessary conditions to operate according to Company’s Management. In 2023, the Company recognized a higher financial expense as part of the start-up of the process and auxiliary units.

(b) In 2023, the limitation on credit lines, as a result of the reductions in ratings by risk rating agencies, has increased the interest rates that banks charge the Company for short-term loans for working capital. Likewise, this item includes interest on the loan received from the Peruvian Government according to ED No.010-2022 (Note 16).

In 2022, the embalming of payments, caused by the decrease in credit days with suppliers, resulted in the increase in bank loans and the increase in interest rates charged by banks, due to the lack of liquidity of the Company. Like 2023, they include interest on the loan received from the Peruvian Government according to ED No.010-2022.

(c) In 2023, longer credit terms with direct suppliers were managed through letters of credit; therefore, the recognition of bank expenses increased (Note 25-a). Unlike the year 2022, where cuts in bank credit lines and shorter credit terms with direct suppliers caused delays in direct payment to suppliers and the recognition of interest for payments after the expiration of their invoices (Note 28).

## 29 TAX SITUATION

a) Tax rates -

In accordance with current legislation, the Company is individually subject to applicable taxes. Management considers that it has determined taxable income in accordance with the Peruvian income tax general 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 ha 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.

At December 31, 2023 the Company has tax losses of S/3,226,424 thousand, equivalent to US$864,270 thousand (S/1,464,409 thousand equivalent to US$389,845 thousand, at December 31, 2022). 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 2022, tax losses were offset for S/98,073 thousand, equivalent to US$27,062 thousand).

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:

| | 2023 | 2022 |
|---|---|---|
| | **US$000** | **US$000** |
| Current | (1,483) | (4,026) |
| Adjustment from previous years | (1,849) | - |
| Deferred (Note 19) | 197,476 | 57,135 |
| | 194,144 | 53,109 |

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

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **US$000** | **%** | **US$000** | **%** |
| **Loss before income tax** | (1,258,525) | 100.00 | (324,328) | 100.00 |
| Income tax according to tax rate | (371,265) | (29.5) | (95,676) | (29.50) |
| Permanent non-deductible expenses | 19,458 | 1.55 | 9,761 | 3.01 |
| Permanent non-taxable income | (380) | (0.03) | (7,655) | (2.36) |
| Effect of exchange difference on tax fixed assets (*) | 105,573 | 8.39 | (22,902) | (7.06) |
| Effect of higher current tax resulting from exchange difference (**) | 46,923 | 3.73 | 62,778 | 19.36 |
| Adjustment from previous years | 1,849 | 0.15 | | |
| Others | 3,698 | 0.29 | 585 | 0.18 |
| **Current and deferred income tax** | (194,144) | (15.42) | (53,109) | (16.38) |

(*) 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 of the corresponding tax return (years subject to examination). Years 2019 to 2023 are subject to examination. Since discrepancies may arise over the interpretation of the tax laws applicable to the Company by tax authorities, it is not possible at present to anticipate whether any additional liabilities will arise as a result of eventual tax examinations. Any additional tax, penalties and interest, if arising, will be recognized in the results of the period when such differences of opinion with the Tax Authority are resolved. The Company considers that no significant liabilities will arise as a result of these eventual tax examinations.

Under current legislation, for purposes of determining Income Tax and VAT, transfer prices agreed between related parties and/or tax havens must have documentation and information supporting the valuation methods and criteria applied in their determination. Tax Authorities are authorized to request this information from the taxpayer. Based on an analysis of the Company’s business, Management and its legal advisers consider that no significant contingencies will arise as a result of this legislation for the Company at December 31, 2023.

c) Temporary Tax on Net Assets -

The Company is subject to the Temporary Tax on Net Assets (ITAN by its acronym in Spanish). 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 2023 and 2022 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 2023 and 2022, 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 presented for as tax expenses within administrative expenses.

e) Tax Regime of Value Added Tax -

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) Regulatory framework -

After December 31, 2023, there have been no significant changes to the income tax regime in Peru that would have effects on the Company’s financial statements. The standards and interpretations effective at December 31, 2023 have been considered by Management in the preparation of the Company’s financial statements.

For fiscal year 2023, the main amendments in the regulatory framework are:

- Legislative Decree No. 1529, effective from April 1, 2022, amends the Single Ordered Text of the Peruvian Law for the Fight against Evasion and for the Formalization of the Economy (“Ley para la Lucha contra la Evasión y para la Formalización de la Economía”) (“Bancarization Law”), establishing that the obligation to having means of payment includes those obligations that are fulfilled through the payment of amounts greater than S/2,000 or US$500. In addition, it establishes that such obligation is fulfilled in the case of payments channeled through non-domiciled entities in foreign trade operations, acquisition of land and shares; and it includes the obligation to notify SUNAT in advance when payment is made in favor of a third party designated by the creditor, supplier of the good and/or service provider.

- Pursuant to Supreme Decree No. 319-2023-EF, the regulations for the procedure for attributing the Condition of Subject Without Operational Capacity (SSCO by its acronym in Spanish) were approved, which establishes the regulatory and complementary standards necessary for the application of Legislative Decree No.1532. At January 1, 2023 payment vouchers issued by taxpayers who, on the date of issuance of the voucher, are qualified as SSCO, will not be deductible as a cost/expense.

- Pursuant to Supreme Decree No.320-2023-EF, the regulations of Legislative Decree No.1535 were approved, which regulates the qualification of subjects who must comply with obligations administered and/or collected by the Peruvian tax authorities, in accordance with a compliance profile, as well as the effects arising from it.

  The compliance profile will be applied in a first stage, to the subjects who in the evaluation period generate third-category (corporate) income, regardless of whether or not they are exempt from income tax and whatever the relevant tax regime or the applicable income tax rate.

g) Examination by the Peruvian tax authorities -

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.

With respect to the audit process of Income Tax 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 at 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.

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:

| | 2023 | 2022 |
|---|---|---|
| | US$000 | US$000 |
| Civil | 96,756 | 79,966 |
| Tax and customs claims | 31,238 | 47,869 |
| Labor-related | 14,876 | 15,172 |
| | 142,870 | 143,007 |

The movement of contingencies is detailed below:

| | Balance at January 1, | Additions | Deductions | Balance at December 31, |
|---|---|---|---|---|
| | US$000 | US$000 | US$000 | US$000 |
| **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 |
| | 143,007 | 47,962 | (48,099) | 142,870 |
| **Year 2022** | | | | |
| Civil (a) | 34,950 | 47,120 | (2,104) | 79,966 |
| Tax and customs claims (b) | 47,737 | 770 | (638) | 47,869 |
| Labor-related (c) | 14,237 | 935 | - | 15,172 |
| | 96,924 | 48,825 | (2,742) | 143,007 |

(a) At December 31, 2023 the main Civil proceedings include the following: Heaven Petroleum Operators for US$31,086 thousand (equivalent to S/115,423 thousand), Lambayeque for US$6,687 thousand (equivalent to S/20,000 thousand), SIMA for US$5,403 thousand (equivalent to S/21,933 thousand), Consorcio FCC for US$3,709 thousand (equivalent to S/14,235 thousand), Pluspetrol Norte for US$807 thousand (equivalent to S/3,000 thousand), AFP's for US$1,779 thousand (equivalent to S/6,605 thousand), JS Industrial for US$1,106 thousand (equivalent to S/4,107 thousand) and Hispánica for US$802 thousand (equivalent to S/2,981 thousand). Processes were terminated, which did not involve payments, maintained with Consorcio Cobra for US$10,000 thousand (equivalent to S/37,610 thousand), DEMEM for US$2,916 thousand (equivalent to S/10,970 thousand) and PNP for US$735 thousand (equivalent to S/2,765 thousand).

At December 31, 2022 the main Civil proceedings include the following: Arbitration process in the Lima Chamber of Commerce with Heaven Petroleum Operators S.A. (HPO) for US$30,215 thousand and with Consorcio Transmantaro for US$11,766 thousand. In addition to processes with Lambayeque for US$6,687 thousand, Consorcio Cobra for US$10,000 thousand, SIMA for US$5,403 thousand, DEMEM for US$2,917 thousand, the Consorcio FCC process is added for US$3,709 thousand. Also, the Company has various civil and arbitration proceedings for US$8,535 thousand. Processes maintained with Cousa Coest for US$1,783 thousand, SUNAT for US$638 thousand and Consorcio JZEAM for US$297 thousand were reversed.

(b) At 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). File 06305-2019-01801 was returned for US$17,086 thousand (equivalent to S/61,665 miles).

At December 31, 2022 the main processes correspond to those maintained with SUNAT for S/171,698 thousand (equivalent to US$47,217 thousand), of which one of them is related to file No.04315-2020-0-1801-JR-CA-21 for S/56,000 thousand (equivalent to US$14,056 thousand) and two others are related to files 06305-2019-01801 for S/61,664 thousand (equivalent to US$17,086 thousand) and file 06304-2019-01801 for S/54,033 thousand (equivalent to US$14,972 thousand).

(c) At December 31, 2023 it mainly includes the labor process with the Administrative Workers Union for S/48,000 thousand equivalent to US$12,565 thousand (S/48,000 thousand equivalent to US$12,006 thousand, at December 31, 2022).

## 31 BASIC AND DILUTED LOSS PER SHARE

At December 31, 2023 and 2022 the calculation of basic and diluted loss per share shows the same value as there are no shares with dilutive effect is as follows:

| | (Loss) profit<br>US$000 | Weighted average number of shares used<br>(in thousand) | (Loss) earnings per share<br>US$ |
|---|---|---|---|
| **2023:** | | | |
| Basic and diluted loss per share | (1,064,381) | 9,572,168 | (0.111) |
| **2022:** | | | |
| Basic and diluted loss per share (*) | (271,219) | 6,065,319 | (0.045) |

(*) It includes 4,000 million shares that, at December 31, 2022, were pending issuance for the capital contribution described in Note 20-c., which have been weighted from the date of receipt of the contribution.

## 32 GUARANTEES

At December 31, 2023 the Company has given performance bonds backed by local financial institutions to suppliers for a total S/112,395 thousand (equivalent to US$30,271 thousand) and US$92,091 miles. At December 31, 2022 the Company has given performance bonds backed by local financial institutions to suppliers for a total S/133,401 thousand (equivalent to US$34,922 thousand) and US$70,373 thousand.

Guarantees related to borrowings are disclosed in Note 14.

## 33 SUBSEQUENT EVENTS

At December 31, 2023 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 2023 financial statements or being disclosed in their notes:

a) Changes in the organizational structure -

In accordance with Board Agreement No.056-2024-PP dated June 6, 2024, the new Basic Organization Structure of the Company was approved, according to the restructuring actions it has been adopting. On that date, in accordance with Board Agreement No.057-2024-PP, the change of the Basic Structure Management (Corporate Management) was approved, as Management and Trust positions, as of July 15, 2024.

At General Shareholders' Meeting held on June 11, 2024 it was agreed to name, from June 12, 2024, Mr. Oliver Thomas Alexander Stark Preuss as Chairman of the Board of Directors.

b) Financing -

In May 2024, the international rating agencies Fitch Ratings and S&P Global Ratings (S&P) assigned the Company a CCC+ and CCC credit rating, respectively, as a long-term debt issuer in local and foreign currency.

In May 2024, the Board of Directors approved to start the procedures to obtain the waivers in order to modify the delivery date of the audited financial statements to December 31, 2023, until June 28, 2024, both within the framework of the CESCE loan agreement as well as in the Indentures corresponding to the Bond issue. In this regard, on June 26, 2024, the Company signed the amendment to the CESCE loan agreement and the Supplemental Indentures to Notes 2032 and 2047, respectively.

c) Block 192 -

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

d) Operations

Since February 2024, the NTR's flexicoking (FCK) unit had problems in its operations. This situation, in addition to the failure of the National Interconnected Electrical System, which occurred in March 2024, produced the total shutdown of said unit for an estimated period of 90 days starting on March 30, 2024.