

Earnings Release



PetroPerú¹ reports second quarter 2017 results 2Q17²)

Lima, Peru, August 1, 2017: PetroPerú (OTC:PETRPE) announced financial and operating results for the three month period ended June 30, 2017. Please see also Independent Auditors' Review Report for a comprehensive analysis of the Unaudited Interim Financial Statements.

This quarter, the Company's operations were characterized by the restructuring of product portfolio prioritizing the commercialization of Diesel B5 S-50³ with lower sulphur, and the realization of old inventories at higher purchase prices. Both situations increased Cost of Sales and impacted Gross Profit, as expected. The existing government regulation to gradually provide sulphur caps nationwide (Supreme Decree #038-2016-EM), obligates Hydrocarbon producing companies to commercialize Diesel B5 S-50 with lower sulphur (no more than 50 ppm⁴). In January 1, 2017, this decree was modified to include the commercialization of Diesel B5 S-50 in 9 additional provinces (Ancash, Apurímac, Ayacucho, Cajamarca, Huánuco, Huancavelica, Ica, Lambayeque and Pasco). The impact of the new production mix in Gross Profit was expected, as the input costs (imports of final refined product) for Diesel B5 S-50 are significantly higher compared to input and production costs for Diesel B5⁵. This is the main reason to upgrade the Talara Refinery, as it will always be more expensive to import the final product and transfer the cost to end consumers, than to refine and produce Diesel B5 S-50 in Talara. Unfortunately, Gross Profit will continue to be tight until the new refinery starts operating.

PetroPerú recently renewed a 7-year commercial contract (renewable at 3.5 yrs) with Primax. This way, the Company continues to build a commercial pipeline with predictable, sustainable and long term cashflows.

In terms of the Company's investments, PetroPerú continued to progress the execution of its US\$5.4 billion PMRT⁶, and has advanced 61.5% of the project vs 65.4% of Project Schedule plan. In that sense, on July 4th, 2017, the Company announced a Public Tender Invitation for the adjudication of the EPC Auxiliary Services Units and Additional Works. This adjudication will be completed in 4Q17.

Another important highlight of the quarter is the strong effort to restart the NorPeruano Pipeline. Branch II has been completely repaired and restarted operations in June. Northern Branch is under test mode, but transporting crude. And, Branch I is expected to start operating in September. The Company expects the pipeline will start full operations this third quarter.

In that sense and in order to provide a safe and permanent operation in the pipeline, PetroPerú has recently signed a 90 day Agreement with Techint⁷ to negotiate a JV agreement for the reparation and maintenance of the pipeline. Note this is not a concession, but an agreement to evaluate a future JV to maintain the pipeline (keeping the employees from PetroPerú). Techint has initiated basic engineering studies to upgrade the NorPeruano Pipeline with the use of new technology to prevent new leaks. The investment is estimated between US\$500 to US\$800 million, and will not be part of the capitalization structure of PetroPerú.

Similarly, in order to ensure sustained oil supply for the pipeline and refinery in the future, PetroPerú has prepared a Memorandum of Understanding with Frontera Energy⁸ (currently operator of Block 192) for a Joint Operating Agreement to operate block 192 for 30 years.

¹ Petróleos del Perú-PETROPERU S.A. (hereinafter "PETROPERU" or "the Company").

² For the three months period ended June 30, 2017. Unless otherwise noted, all financial figures are unaudited, presented in Peruvian Soles, and references to "soles" or "S/". Our Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the IASB ("IFRS-IASB") and our Unaudited Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting, in accordance with IFRS-IASB.

³ ULSD: Ultra Low Sulphur Diesel or "Diesel B5 S-50 (ULSD)".

⁴ Parts per million.

⁵ HS: High Sulphur Diesel or "Diesel B5 (HS)".

⁶ The Talara Refinery Modernization Project.

⁷ Techint Engineering & Construction provides project management, engineering, procurement and construction services on a global basis for large-scale projects in the Oil & Gas, Power, Mining, Infrastructure & Architecture civil works and Industrial Plants sectors. <http://www.techint-ingenieria.com/en/about-us>

⁸ Frontera Energy Corp. is a Canadian public company and a leading explorer and producer of crude oil and natural gas, with operations focused in Latin America. The Company has a diversified portfolio of assets with interests in more than 25 exploration and production blocks in Colombia and Peru. <http://www.fronteraenergy.ca/about-ep/>

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Perú-Petro⁹ is already qualifying both candidates jointly, and expects to finish the qualifying process in August. If Perú-Petro provides a positive result, Frontera & PetroPerú can start operating Block 192 immediately.

During the second quarter of 2017, PetroPerú further strengthened its liquidity and financial flexibility to cover PMRT. On June 12, 2017, PetroPerú successfully closed two bond issuances at attractive interest rates (US\$1 billion at 4.75% due 2032, and US\$1 billion at 5.625% due 2047) to finance PMRT¹⁰. With the proceeds of the bond, the Company has paid PMRT short term debt, and CAPEX.

In addition to the bond issuances, PetroPerú has recently obtained CESCE¹¹ final approval of a US\$1.3 billion guarantee for subsequent syndicated long term facility to finance PMRT. After closing the syndicated facility (expected for October 2017), PetroPerú will ensure the US\$4 billion capitalization structure announced in the bond roadshow. And, the only part remaining of the total capitalization structure will be the US\$1 billion bond issuance, which will be raised in 2019.

On June 1, 2017, Standard & Poor's confirmed a BBB- credit rating to the long term facilities, and assigned a BBB- credit rating to a potential US\$2 billion bond issuance without guarantee. Similarly, Fitch Ratings assigned a BBB+ (EXP) long term credit rating for a potential US\$2 billion bond issuance without guarantee. Also, Apoyo & Asociados (Local Fitch Ratings Associate) classified the Company's long term obligations with an AA-(pe) rating with an stable perspective.

Finally, On July 31, 2017, Mr. César Ramírez Lynch resigned as Chief Executive Officer, effective July 31, 2017, due to personal reasons. The Board of Directors have appointed Mr. Esteban Bertarelli (currently Refinery Corporate Manager) as the Interim Chief Executive Officer in order to ensure continuity and lead the efforts to complete our five main objectives: 1) the completion of the PMRT; 2) the modernization of the NorPeruano Pipeline, and change of its business model; 3) the continuous improvement of Social and Environmental practices; 4) the completion of a new Organizational Structure; and 5) the implementation of a committed and active integrity system.

FINANCIAL & OPERATIONAL SUMMARY

- Second quarter Cashflow reached S/.3,898 million compared to S/.364.7 million in 2Q16.
- Cashflow from Operating Activities lowered to S/-.1,611.3 million, driven mainly by: 1) higher COGS, 2) S/.976.5 million placed in Short Term Cash deposits (note this is a temporary deposit which has an accounting effect over cashflow), and 3) higher tax payments. Cashflow from Operating activities, without considering the effect from short term deposits would be S/-.634.8 million.
- Net Income for the quarter was S/.141.2 million, a 48.7% decrease YoY¹², mainly as a result of higher cost of sales which increased 36.3% due to higher inventory costs and introduction of Diesel B5 S-50 into the production mix. Net Income was partially benefited by other income S/.147.6 million (mainly from tax returns from SUNAT¹³), and lower administration expenses.
- Operating Profit declined to S/.197.5 million in 2Q17 compared to S/.385.1 million in 2Q16 due to lower Gross Profit after higher inventory costs.
- Adjusted EBITDA¹⁴ declined to S/.92.1 million YoY. EBITDA Margin reached to 3.0% compared to 15.8% reached in 2Q16.
- During 2Q17, revenues increased 14.8% compared to 2Q16, driven by both volume and price increases YoY. Local Revenues grew 12.1% YoY, while Exports grew 61.9% YoY.
- Total Volume Sales increased to 141.4MBD 2Q17 from 137.6MBD in 2Q16, mainly driven by higher exports (mainly Diesel 2)¹⁵. Refined products volume slightly declined to 99.9KBPB in 2Q17 from 100.2 KBPB in 2Q16.

⁹ PERUPETRO S.A. is the State company, on behalf of the Peruvian State and it is responsible for promoting, negotiating, underwriting and monitoring contracts for exploration and exploitation of hydrocarbons in Peru. <http://www.perupetro.com.pe/>

¹⁰ The Talara Refinery Modernization Project.

¹¹ Compañía Española de Seguros de Crédito a la Exportación. Spanish Export Credit Agency.

¹² YoY: Year-over-year, compare financial results with those of the same period in the previous year.

¹³ SUNAT: Peruvian Revenue Agency.

¹⁴ EBITDA is defined as Net Income plus Income Tax plus Workers' Profit Sharing minus Finance Income plus Finance Cost plus Amortization & Depreciation.

Adjusted EBITDA is defined as EBITDA plus net other income & expenses, and net exchange differences.

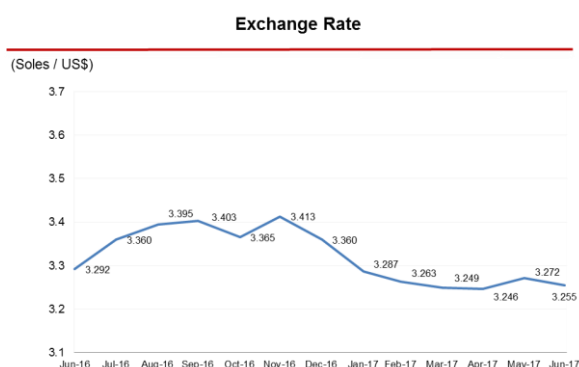
¹⁵ Diesel (without Biodiesel).

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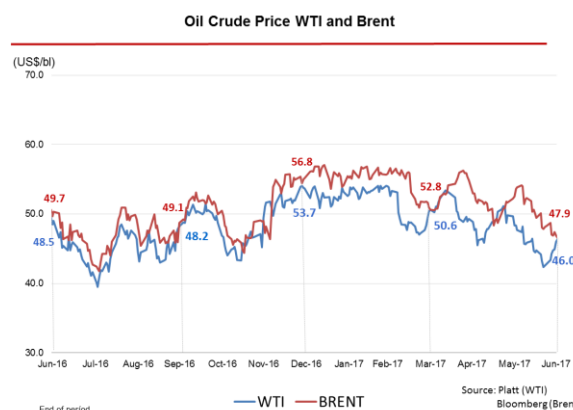


MACROECONOMIC ENVIRONMENT

During the last twelve months, WTI price lowered to US\$46/bbl at the end of June 2017 vs US\$48.5/bbl at the end of June 2016, with prices rising to US\$53.7 in December 2016, and lowering during the last 6 months. Avg WTI during 2Q17 reached US\$48/bbl compared to US\$45.5/bbl during 2Q16. Similarly, Brent price lowered to US\$47.9/bbl at the end of June 2017 from US\$49.7/bbl at the end of June 2016, with fluctuations that reached a high of US\$56.8/bbl in December 2016. Prices are still low and volatile. Although, OPEC decided to cut production in order to accelerate the fall in global oil inventories, analysts expect oil prices should continue tightening.



Source: SBS



Source: Platt (WTI)
Bloomberg (Brent)

Local market prices are determined considering international prices of crude oil and by-products (Import Parity Prices calculated by Petro Peru). Prices are stated in soles at current exchange rates, considering the legal standards that were issued on prior years according to the Fuel Price Stabilization Fund. Through this Fund, the Peruvian Government can make compensations or receive contributions to stabilize prices for end consumers. This mechanism mitigates the effect of changes in prices of some products that are not passed on to the end consumer. Currently, the Price Stabilization Fund is applied to LPG (packaged), Diesel B5 (for vehicles) and fuel for electricity generation.

Hence, the Price Stabilization Fund provides a natural hedge for price variations (i.e. due to exchange rate). However, in case of falling commodity prices, Gross Margin may be affected, as old purchase prices for oil and refined products may be significantly higher than sale prices.

Additionally, the way IAS 2 "Inventory" registers inventory costs may impact Gross Profit as it obligates the Company to value inventories at the lower of cost or net realizable value at the end of the period. In other words, this accounting method considers the lower of spot purchase price (oil or refined product) at the time of the purchase or market value at the end of the period. Hence, in a situation of falling commodity prices and higher cash cycles, Cost of Goods Sold may increase. Note the Company uses the FIFO recording method.

In regards to FX fluctuations, the sol appreciation has slightly impacted Net Income as the Company has a large exposure of US\$ dollars in long term liabilities. However, during the last 6 months, the appreciation of the sol has benefited Net Income by S/.146 million. The company purchases commodities in US dollars, but revenues are mostly in soles. There is a natural hedge when the effect of the exchange rate is incorporated in the pricing. The Company uses short term derivative instruments (forwards) for tenors up to 1 year, to cover US\$ short term obligations.

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FINANCIAL RESULTS

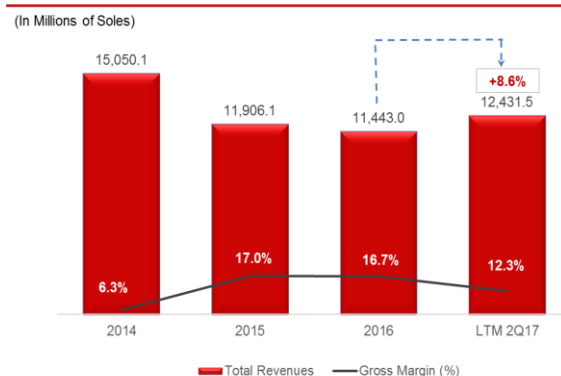
INCOME STATEMENT

Revenues & Gross Margin



Avg US\$/BL	2Q16	3Q16	4Q16	1Q17	2Q17
Oil crude price WTI	45.5	44.9	49.2	51.7	48.0

Revenues & Gross Margin



Revenues totalled S/. 3,081.2 million in 2Q17, a 14.8% YoY increase mainly due to higher final product prices during 2Q17. Local sales increased 12.1% from S/2,459 in 2Q16 to S/2,757.2 in 2Q17, as a consequence of price increases. Exports increased 61.9% YoY from S/158.7 million to S/256.9 million, due to both higher volumes and price increases. The Company is exporting Diesel 2 in order to satisfy demand of this product internationally. Total Revenues slightly declined QoQ¹⁶ due to a reduction in input prices during the 2Q17.

Product Portfolio Analysis:

SALES	VOLUME (In MBD)			SALES (In Millions of Soles)			Weight on Total Sales
	2016 2T	2017 2T	YoY	2016 2T	2017 2T	YoY	
LOCAL SALES							
LPG	15.0	12.0	-19.9%	189.9	147.6	-22.3%	4.9%
Gasoline 97 / Gasohol 97	1.6	1.6	0.2%	36.3	41.6	14.5%	1.4%
Gasoline 95 / Gasohol 95	4.1	4.5	8.1%	91.0	112.8	24.0%	3.7%
Gasoline 90 / Gasohol 90	17.3	17.6	1.8%	357.4	419.9	17.5%	13.9%
Gasoline 84 / Gasohol 84	7.9	7.1	-9.6%	161.4	170.7	5.8%	5.7%
Turbo A-1	2.6	3.0	14.4%	64.0	76.7	19.8%	2.5%
Diesel B5 (Includes Biodiesel B100)	26.4	14.0	-47.0%	518.1	273.6	-47.2%	9.1%
Diesel B5 S-50	40.4	54.9	35.7%	923.3	1,358.6	47.1%	45.1%
Industrial Oil	2.2	4.3	98.8%	29.3	52.3	78.8%	1.7%
Bunkers (Marine Residual Fuels)	4.2	3.4	-18.9%	38.9	47.1	21.2%	1.6%
Asphalts (Liquid & Solid)	2.0	1.3	-34.2%	34.6	22.9	-34.0%	0.8%
Others ⁽¹⁾	0.4	0.4	16.3%	14.8	33.5	126.7%	1.1%
Total Local Sales	124.0	124.1	0.0%	2,459.0	2,757.2	12.1%	91.5%
EXPORTS							
Naphta Virgin	2.2	2.3	7.2%	32.3	30.0	-7.1%	1.0%
N°6 Fuel Oil, Reduced Crude, Industrial Oil 500	8.7	9.4	7.4%	78.7	120.0	52.5%	4.0%
Diesel 2	0.7	3.9	442.6%	13.4	71.2	430.7%	2.4%
Others ⁽²⁾	2.0	1.7	-11.0%	34.2	35.6	4.0%	1.2%
Total Exports	13.5	17.3	27.8%	158.7	256.9	61.9%	8.5%
Total Local Sales & Exports	137.6	141.4	2.8%	2,617.7	3,014.1	15.1%	
Other Operational Income					67.1		
TOTAL REVENUES					3,081.2		

Other Operational Income

TOTAL REVENUES

⁽¹⁾ Solvents, Gasoline Aviation and Naphthenic Acid

⁽²⁾ Turbo AL IFO's, Asphalts y Gasolines

¹⁶ QoQ: Quarter on quarter calculates the change between one financial quarter and the previous financial quarter.

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Diesel B5 S-50 (Low Sulphur): This product has become the most important contributor to revenues with 45.1% contribution to sales. The Company is gradually commercializing this Diesel nationwide following government decree. Sales for Diesel B5 S-50 have raised 47.1%. As mentioned before, margins for Diesel B5 S-50 are lowered compared to Diesel B5, and have been very volatile during the last 12 months, ranging from US\$5.94/bbl in July 2016 and US\$13.5/bbl in October 2016. Today, margin is at US\$11.5/bbl aprox. PetroPerú imports Diesel B S-50, and expects to produce it with the upgrade of the Talara Refinery.

Most of this product is sold to wholesalers: Primax, Numay, Peca. Sales are also tailored to Retail (Petrored – gas stations affiliated to PetroPerú). Other clients from sectors such as: Fishing, Construction, Agroindustry, Transportation, Army, Electricity Generation and commercial aviation. In May, PetroPerú renewed the contract with Antapacay (mining), after winning a Public Tender. Other important clients include: Cerro Verde, Las Bambas (mining), and Samay I, Electro Oriente (electricity), among others.

Diesel B5 (High Sulphur): As this product has been replaced by the low sulphur Diesel, sales have significantly declined. The company reprocesses most of the surplus for further refining in order to obtain certain profitability. Diesel prices locally have ranged between US\$82/bbl and US\$83.9/bbl during the last 12 months, significantly higher compared to export prices, which range between US\$58/bbl and US\$73/bbl within the same period. Sales are concentrated in the Northern Peru: Piura, Tumbes, La Libertad. Most important clients include wholesalers, retail (gas stations affiliated to PetroPerú – Petrored), other private gas stations, agroindustry and fishing clients, and few electricity generation companies (Electro Oriente).

Gasoline 90: This gasoline represents 13.9% of total revenues. Total sales have increased 17.5% YoY mainly driven by price increases. Sales are mainly targeted to wholesalers, retail (Petrored), other private gas stations, and the army.

Gasoline 84: This gasoline represents 5.7% of total revenues. Total sales have increased only 5.8% YoY, despite a significant decline in volume. Demand requires more gasoline of higher octanage 90/95. Sales are more focused in the East of Peru (the Amazonas). Sales are mainly targeted to wholesalers and retail.

LPG: Liquefied Petroleum Gas represents 4.9% of total revenues. Sales have fallen 22.3% YoY, as both volume and price have declined. Pluspetrol has the monopoly in this market. PetroPerú refines part of LPG, and purchases the rest from Pluspetrol. Recently, a new competitor Abastible (exSolgas) entered the market with low price levels, which has created a Price war with Pluspetrol.

Residual Exports: Represent 4% of total revenues. Bolivia is the main importer of Diesel 2.

Revenue Breakdown

(In Millions of Soles)

LTM 2Q 2017	
LOCAL REVENUES	
LPG	677.9
Gasoline 97 / Gasohol 97	163.9
Gasoline 95 / Gasohol 95	435.8
Gasoline 90 / Gasohol 90	1,646.3
Gasoline 84 / Gasohol 84	696.4
Turbo A-1	297.0
Diesel B5 (Includes Biodiesel B100 + Discounts)	2,051.3
Diesel B5 S-50	4,591.6
Industrial Oil	173.2
Bunkers (Residual Marino - IFO + Diesel Marino N°2)	185.2
Asphalt Liquid / Asphalt Solid	118.5
Others (1)	87.3
Total Local Revenues	11,124.4
EXPORTS	
Nafta Virgin	278.9
N°6 Fuel Oil, Reduced Crude, Industrial Oil 500	461.3
Diesel 2	227.2
Others (2)	107.5
Total Exports	1,074.9
TOTAL REVENUE	12,199.4

(1) Solvents, Gasoline Aviation and Naphtethic Acid
(2) Turbo A1, IFO's, Asphalts y Gasolinas

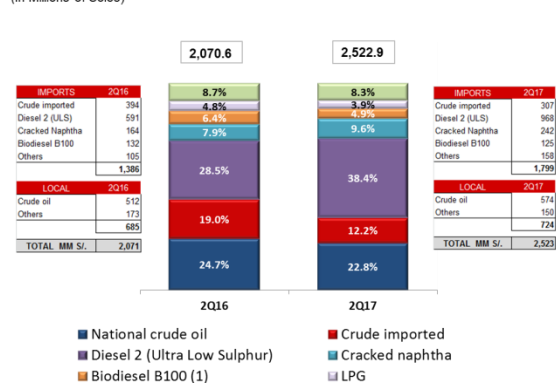
% Participation	
7 Products	86.6%
Diesel B5 S-50	37.6%
Diesel B5 (Includes Biodiesel)	16.8%
Gasoline 90 / Gasohol 90	13.5%
Gasoline 84 / Gasohol 84	5.7%
Gasoline 97 / Gasohol 97	5.6%
N°6 Fuel Oil, Reduced Crude,	3.8%
Gasoline 95 / Gasohol 95	3.6%

3 Products	67.9%
Diesel B5 S-50	37.6%
Diesel B5 (Includes Biodiesel)	16.8%
Gasoline 90 / Gasohol 90	13.5%

Local Revenues	91.2%
Exports	8.8%

Purchases

(In Millions of Soles)



(1) Input for formulation of Diesel B5
(2) Includes: HVOGBS, Gasoline Aviation, Alcohol fuel, Natural Gas Condensate and Turbo A1

In order to obtain refined products, the Company process crude oil and mix intermediate products already acquired. The oil crude processed in our refineries is either local or international. Local oil crude comes mainly from the Talara area, and is purchased considering an average oil prices basket. Crude Oil Volume purchased locally increased 1.3% in 2Q17 compared to 2Q16, while Crude Oil purchases (in soles) decreased 13.8% during the same period, as a result of price increases. National Crude Oil today represents 27.5% of total

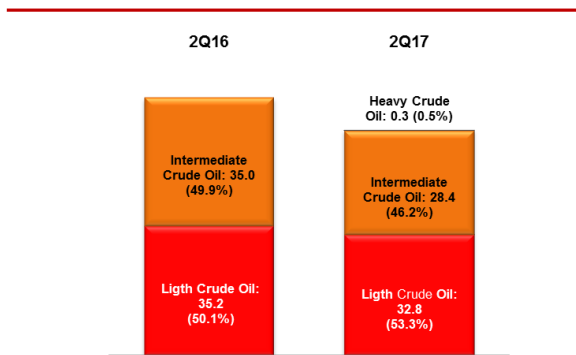
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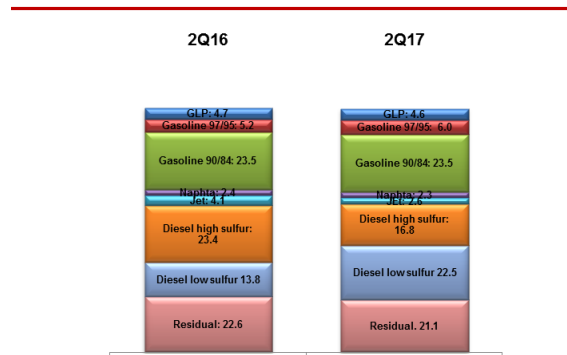
purchases. National crude oil is an input for the elaboration of gasoline, diesel, residual products. As it is light oil, product yield from this National crude oil is higher compared to the one from heavy oil, which benefits refining margin. The new refinery will be able to obtain higher refining margins and product yields from heavy oil (which is cheaper input) due to its advanced refining units.

The oil purchased internationally corresponds to 12.2% of total purchases in our refineries, and is declining. Purchase volume declined 32.9% YoY, while Imported Oil Purchases declined 22%, reflecting the reduction of oil slates into production process to reduce the output of Diesel B5.

Oil Slate

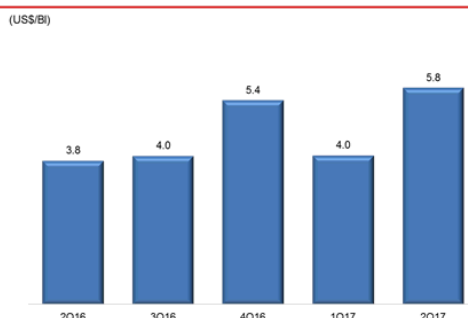


Product Yield



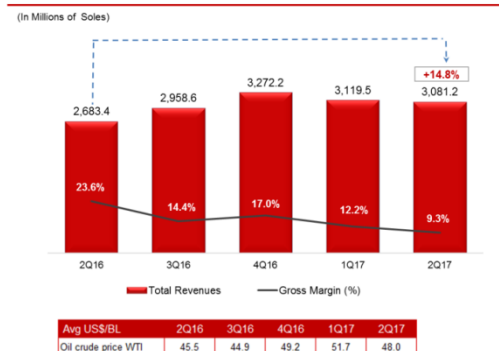
Both, national crude oil and imported crude purchases are being replaced for increasing imports of Diesel B5 S-50 (Ultra Low Sulphur), which today represents 38.4% of total purchases. Note this is a final imported product, which does not need additional refining. Diesel B5 S-50's trading margin is significantly lower compared to the one of Diesel B5 (High Sulphur), which is refined in Talara. Thus, the need to build the new refinery to upgrade production to Diesel B5 S-50 satisfying government environmental regulations, and at higher margins (it will always be cheaper to refine Diesel locally than to import the final product). Especially, if the input crude oil can be purchased locally in Talara.

Net Refining Margin ⁽¹⁾



⁽¹⁾ Means the differential between the price of crude oil purchased for our refining operations and the price of our refined products extracted from such crude. Operating costs of refineries are discounted.

Revenues & Gross Margin



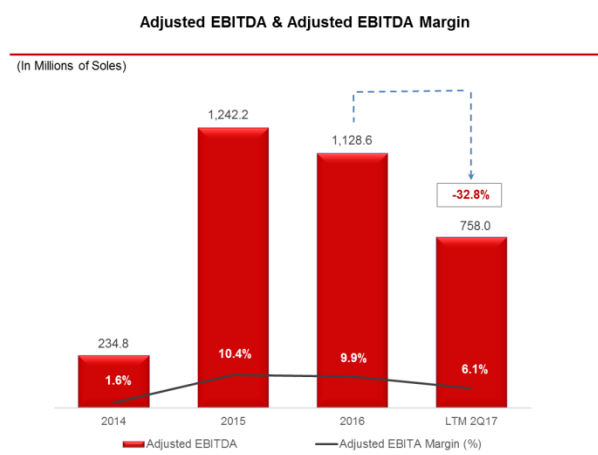
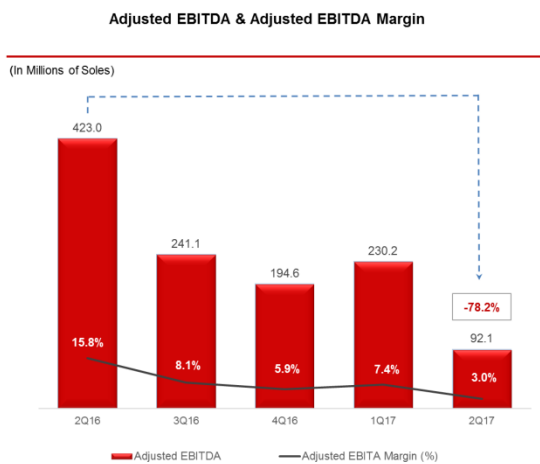
Avg US\$/BL	2Q16	3Q16	4Q16	1Q17	2Q17
Oil crude price WTI	45.5	44.9	49.2	51.7	48.0

As it was explained earlier, the way IAS 2 "Inventory" registers inventory costs may impact Gross Profit as it obligates the Company to value inventories (applies for oil refined products) at the lower of cost or net realizable value at the end of the period. In other words, this accounting method considers the lower of spot purchase price (oil refined product) at the time of the purchase or market value at the end

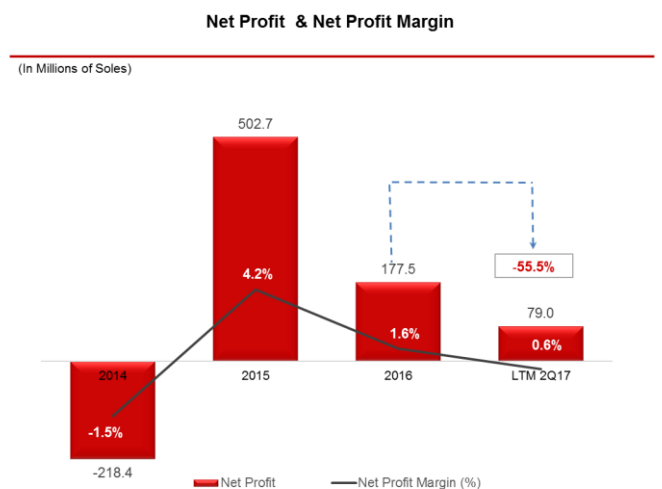
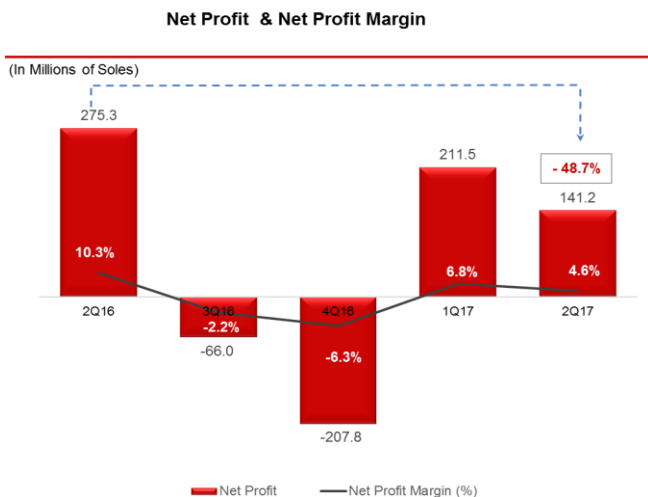
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of the period. Hence, in a situation of falling commodity prices and higher cash cycles (which happened in 2Q17), Cost of Goods Sold may increase. Conversely, Net Refining Margin registers the actual purchase price of crude oil, and subtracts the price of the refined products extracted from that crude (at market values), plus the corresponding operational costs. The Net Refining Margin is a real indicator of the overall profitability of PetroPerú's refining operations. As it can be seen, Net Refining Margin increased 52.6% from US\$3.8/bbl in 2Q16 to US\$5.8/bbl in 2Q17.



PetroPerú generated S/.92.1 million in Adjusted EBITDA in 2Q17, compared to S/.423 million in 2Q16, as a result of lower Gross Profit. Adjusted EBITDA for the Last 12 months reached S/.758 million, a significant decline compared to previous years. During 2015 and 2016, PetroPerú obtained high Gross Profits in the realization of old inventories of crude and refined products.

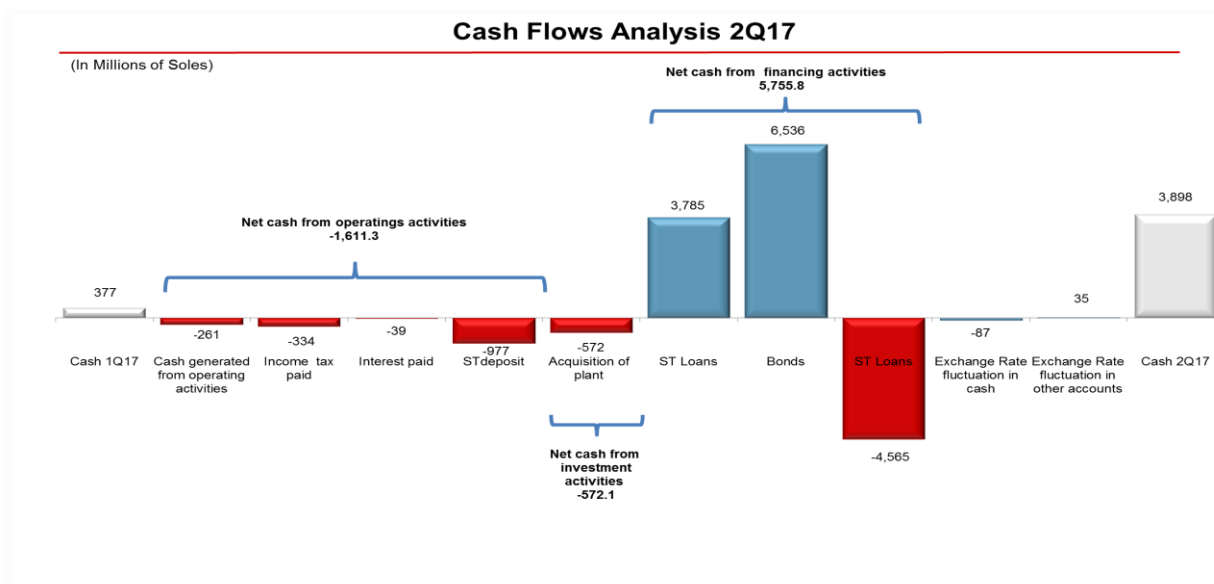


Net Income for the period reached S/.141.2 million. Net Income was partially benefited by other income S/.147.6 million (mainly from tax returns from SUNAT), and lower administration expenses.

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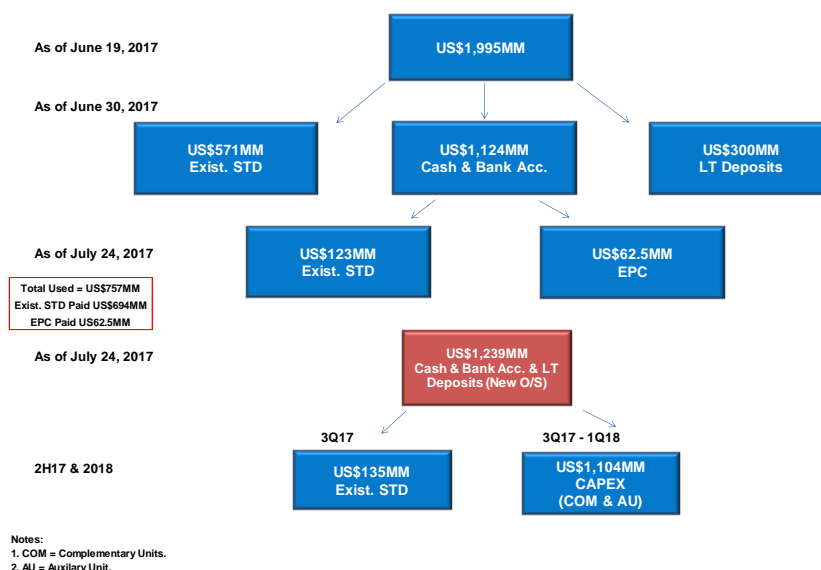


CASHFLOW STATEMENT



PetroPerú posted positive financial results in 2Q17, with S/.3.9 billion in Cashflow at the end of the period, after the bond issuance. Cash from Operating Activities was impacted by lower Net Income, higher working capital expenses, and higher inventory costs. Note the S/.976.5 million from bond proceeds were registered in a Short Term Deposit Account until 3Q17 when it will be used to pay CAPEX and PMRT existing short term loans. Cashflow from Operating activities, without considering the effect from short term deposits would be S/-.634.8 million. Please see Note 27 of Financial Statements for a review of quarterly cash flow statements.

Bond Proceeds will be used as follows:

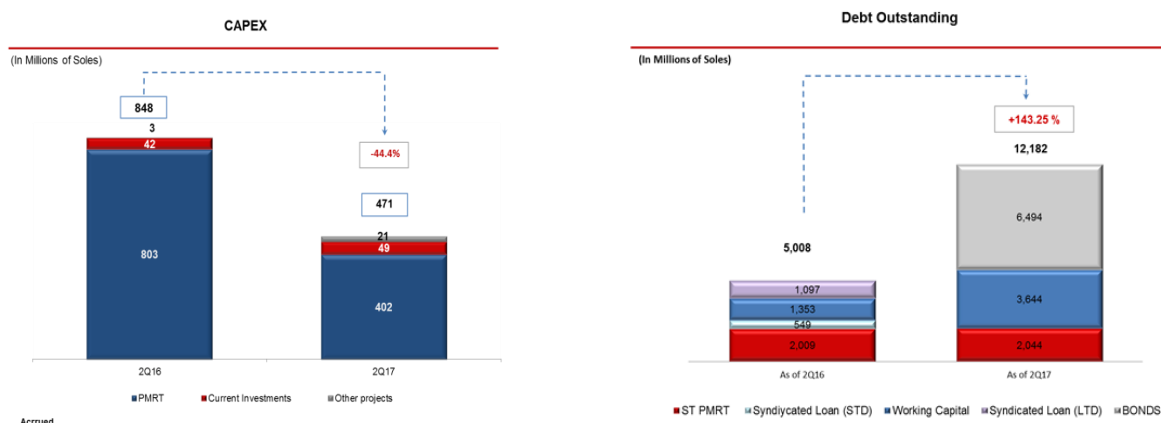


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Cashflow from Investing Activities reached S/.572.2 million in 2Q17 compared to S/1.1 billion in 2Q16, driven by PMRT investments. Capex investments have slowdown compared to 2Q16, as most of the heavy equipment was purchased in 2016. Note Capex Chart shown below refers to accrued investment.

Cashflow from Financing Activities increased to S/.5.8 billion in 2Q17 compared to S/.705.7 million in 2Q16, after: 1) the closing of S/3.8 billion in short term loans (US\$337MM were obtained to repay the US\$375 million Syndicated loan outstanding, and additional working capital for continuing operations), 2) the completion of the US\$2 billion bond issuance, and 3) the amortization of S/.4.6 billion of short term obligations (US\$375 million Syndicated loan and PMRT Short term loans).



BALANCE SHEET POSITION

PetroPerú continues to improve its balance sheet with liquidity available for the PMRT construction. On June 12, 2017, PetroPerú successfully closed two bond issuances at attractive interest rates (US\$1 billion at 4.75% due 2031, and US\$1 billion at 5.625% due 2047) to finance PMRT. Recently, the Company further advanced the PMRT financing with CESCE's final approval of a US\$1.3 million guarantee for subsequent syndicated long term facility to finance PMRT.

As of June 30, 2017 PetroPerú maintains revolving credit lines granted by local and foreign banks up to US\$2.5 billion, of which US\$683.3 million are available. Sufficient to cover its working capital needs. Total debt outstanding is distributed as follows: 53% Bonds, 30% Working Capital and 17% Short Term loans for PMRT. Borrowing costs capitalized during the 2Q17 related to the Talara Refinery Modernization Project reached to S/.46.98 million (S/.39.7 million during 1Q16).

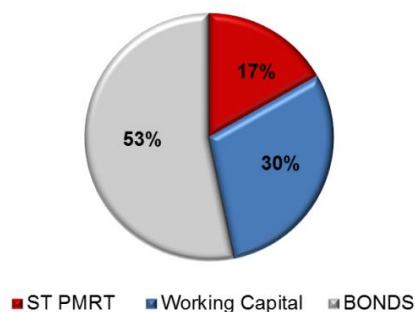
Working Capital during 2Q17 reached S/.1.3 billion compared to S/-.2.9 billion in 2Q16, mainly as a result of the bond proceeds deposited in bank accounts and Long Term Deposits, and a reduction in accounts payable to the EPC.

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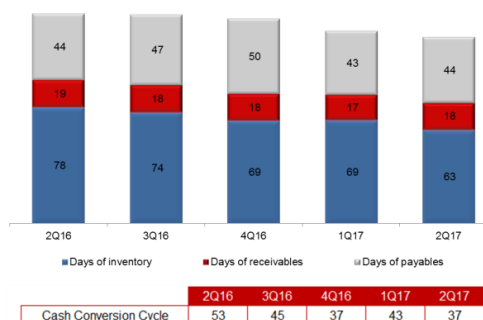


Debt Composition

2Q17



Cash Conversion Cycle

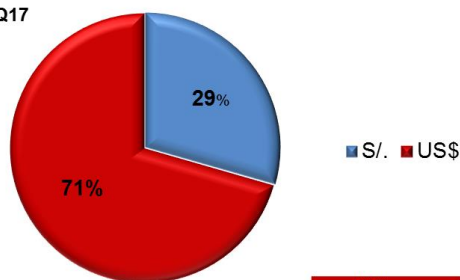


Cash Conversion Cycle during 2Q17 was significantly lower compared to 2Q16, as a result of the change in oil slate and production mix (Diesel B5 S-50 instead of Diesel B5), and decline in production volume.

The currency mix of total debt is: 71% in US\$ dollars, and 29% in Soles. The duration of debt averaged 14.62 years for the 15 yrs Bond, and 26.77 yrs for the 30 yrs Bond. The Amortization Schedule shows existing short term loans from the PMRT will be paid during 3Q17. The remaining, which refers to a new short term loan obtained to repay the existing Syndicated loan will be paid during 1Q18. Bonds are long term and due in 2032 and 2047 respectively, and will be paid with PMRT cash generation.

Foreign Exchange Debt Composition

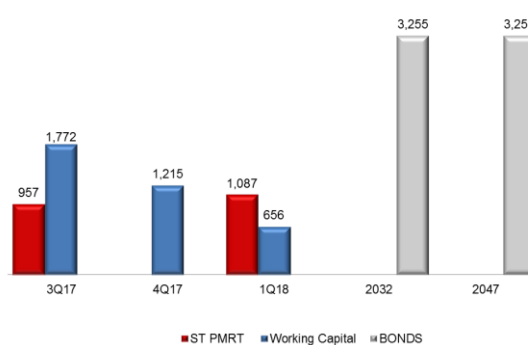
2Q17



	MM S/	MM US\$
ST PMRT	121	591
Working Capital	1,263	732
BONDS	0	1,995
TOTAL	1,384	3,317

Amortization Schedule

(In Millions of Soles)



Ratios

	2014	2015	2016	LTM 2Q17	2Q16	1Q17	2Q17	YoY	QoQ
EBITDA / Interest	3.7	18.4	14.4	6.3	27.3	6.9	2.3	-91.4%	-66.2%
Debt / Asset	42.9%	41.7%	46.9%	62.1%	41.2%	45.0%	62.1%	-	-
EBITDA / Assets	2.9%	13.2%	8.0%	3.9%	-	-	-	-	-
Debt / EBITDA	14.8	3.2	5.8	16.1	-	-	-	-	-
Current rate	0.70	0.69	0.42	1.17	0.55	0.49	1.17	111.0%	140.4%

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OPERATING RESULTS & STRATEGY UPDATE

PetroPerú is composed of three operating segments: 1) Refining and commercialization, which accounted for 98.5% of total gross in 2016, 2) Leased and privatized units, which accounted for 1.3% of total gross income in 2016, and 3) Pipeline operations, which accounted for 0.1% of total gross income in 2016, as a result of the shutting down the NorPeruano pipeline.

REFINING & COMMERCIALIZATION

The refining and commercialization business generated most of the funds from operations as the NorPeruano Pipeline is shut down. As mentioned before, the Net Refining Margin is a key indicator of the Company's ability to generate profitability of its refining process. Net Refining Margin increased from US\$3.8/bbl in 2Q16 to US\$5.8/bbl in 2Q17. This YoY improvement was primarily as a result adequate inventory management operations.

Operating Data

	2016	LTM 2Q17	2Q16	1Q17	2Q17	YoY	QoQ
Refining capacity (in KBPD) ⁽¹⁾	94.5	94.5	94.5	94.5	94.5	0.0%	0.0%
Refinery utilization (in KBPD) ⁽²⁾	70.8	69.0	71.2	67.8	68.1	-4.4%	0.4%
Refined products (in KBPD) ⁽³⁾	103.9	104.3	100.2	105.4	99.9	-0.3%	-5.2%
Refining margin (US\$ per barrel) ⁽⁴⁾	5.25	4.79	3.83	3.97	5.77	50.7%	45.3%
Capacity utilization rate ⁽⁵⁾	74.9%	73.1%	75.4%	71.8%	72.1%	-	-
Volume Production (in KBPD)	103.9	104.3	100.2	105.4	99.9	-0.3%	-5.2%
Volume Sales (in KBPD)	145.3	144.2	137.6	139.4	141.4	2.8%	1.4%

Notes:

⁽¹⁾ Maximum amount of crude that can be introduced into the first step of refining process, referred to as atmospheric distillation.

⁽²⁾ Total amount of crude, asphalt residue and diesel reprocess introduced into the first step of the refining process, referred to as atmospheric distillation.

⁽³⁾ Total amount of refined products produced by one complete cycle of the refining process.

⁽⁴⁾ Means the differential between the price of crude oil purchased for our refining operations and the price of our refined products extracted from such crude. Operating costs of refineries are discounted.

⁽⁵⁾ Refined crude refinery utilization (in thousands of average barrels per day for the period) divided by atmospheric distillation refining capacity

Production declined to 99.9 KBPD in 2Q17 compared to 100.2 KBPD in 2Q16. Production was slightly impacted by the reduction in Diesel B5 production in order to commercialize Diesel B5 S-50. During the Last 12M, production reached an average of 104.3 KBPD, compared to 103.9 KBPD during 2016. Sales Volume averaged 141.4 KBPD in 2Q17, a 2.8% increase compared to 2Q16, mainly as a result of higher sales of Diesel B5 S-50. Sales volume during the Last 12M, slightly declined to 144.2 KBPD.

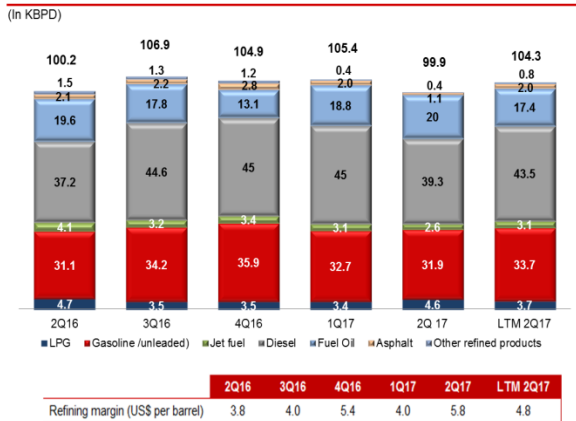
Refinery throughput reached 99.9 KBPD and refinery utilization was 68.1% in 2Q17, both lower compared to production of 100.2 KBPD and capacity utilization of 71.2% in 2Q16. Refining Margin significantly increased from US\$3.83/bbl in 2Q16 to US\$5.77/bbl in 2Q17, as a result of good inventory management operations. Last 12M, Refining Margin reached US\$4.79/bbl.

Sales were 141.4 KBPD in 2Q17, up from 137.6 KBPD in 2Q16, due to increased sales from Diesel B5 S-50. Sales growth was driven by the company's focus on securing long-term supply agreements and represents the highest quarter sales volumes in the Last 12 months.

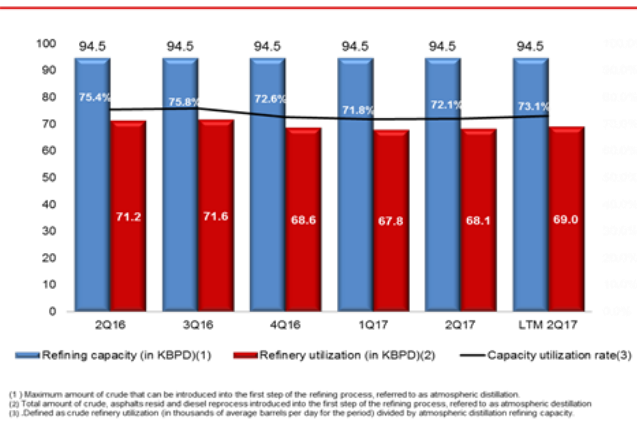
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Refined Product



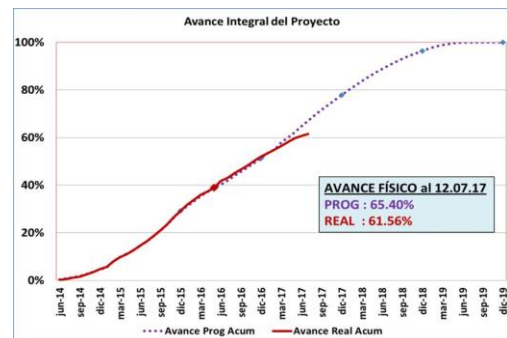
Capacity Utilization Rate



PMRT

During 2Q17, the Company further advanced the PMRT execution. Global advancement of the project is at 61.5%, slightly below to plan at 65.4%. On July 4th, 2017, PetroPerú announced Public Tender Invitation for the adjudication of the EPC Auxiliary Services Units and Additional Works. Adjudication will be completed in 4Q17 according to schedule.

Year	Global Projection Physical Advances	Estimated Disbursements (USD MM)	Cumulative Investments (% of total)
2015	29.2%	685	12.7%
2016	51.3%	1,134	33.7%
2017	71.5%	942	51.1%
2018	89.8%	1235	73.9%
2019	98.0%	745	87.7%
2020	100.0%	663	100.0%



OIL PIPELINE OPERATIONS

The Norperuano Pipeline is composed of three sections: The Northern Branch, Branch I and Branch II. As previously mentioned, the Norperuano Pipeline suffered 13 oil leaks during 2016, which shut down the operations following an order issued by OSINERGMIN¹⁷ (in February 25, 2016). Northern Branch (252Kms, 16") is under test mode after internal inspections using a specialized duct scraper indicated an adequate condition. Branch II (548 Kms, 36") re-started operations in June, after repairs and technical inspection of the right of way of the pipeline. Branch I (306 kms, 24") is currently under repair and inspection, and is expected to re-start in September.

It is important to mention that 10 of the 13 leaks were caused by human damage, as a consequence of intents to steal oil from the pipeline. As of today, 7 geographic zones have been remedied, while the six remaining are under cleaning and repair.

¹⁷ Peru's Supervisory Body of Energy and Investments.

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On December 31, 2016, Legislative Decree 1292 declared the public requirement and national interest of safe operation in the Norperuano Pipeline, and establishing the reorganization and development of PetroPerú's corporate governance. In that respect, PetroPerú has initiated basic engineering studies to upgrade the NorPeruano Pipeline with the use of new technology to prevent new leaks. The Company has recently signed a 90 days Confidentiality Agreement with Techint to negotiate a JV agreement for the modernization and maintenance of the pipeline. Note the pipeline will be operated by PetroPerú employees, and supervised by Techint. The investment is estimated between US\$500 to US\$800 million, which will not be part of the capitalization structure of PetroPerú.

LEASED & PRIVATIZED UNITS

This segment corresponds to the leasing of certain facilities to third parties. The revenue reported from this segment is classified under Other Operating Income, and reached S/.67 million in 2Q17.

OTHER SIGNICANT ITEMS IMPACTING NET EARNINGS

ENVIRONMENTAL & SOCIAL

PetroPerú completed in June the remediation works for the 10 oil leaks. The remaining three oil leaks will be cleaned in September, once the rainy season is over. The Company has established a specialized cleaning and clearing program for Tranch II in association with the communities. The purpose is to employ people from approximately 20 surrounding indigenous communities through formal local businesses to provide security to the pipeline and early alerts of potential human threats (oil stealing) to the pipeline.

Additionally, the Company has identified a Government incentive to construct local government infrastructure works through tax contributions. Up to 50% of last year tax paid could be reinvested in infrastructure projects. Management believes this incentive is a good opportunity to contribute with new important infrastructure for the areas of influence.

During the last year, PetroPerú has also provided assessment to reorganize and legalize indigenous communities to obtain legal valid representation. This task has been performed in conjunction with the Ministry of Culture.

The NorPeruano Pipeline has carried out various educational, production, health promotion programs, among others, benefiting native communities close to its facilities. Some of the programs provided water and food to communities, as well as school packages and medicines. Medical care has also been provided and local people have participated as local labour. People from native communities have been trained as socio-environmental monitors, so that they can recognize the quality of water and soils and received medical attentions, food and basic needs deliveries. Petroperú has demonstrated its capacity to respond to emergencies, as well as its commitment to communities and the environment.

The Company has also been very active in the city of Talara, with programs including:

- Corporate Social Responsibility (Total Investment 2008-2017: S/.11'776,643): "Educando para el Mañana" (Teaching for Tomorrow), "Por una Mejor Calidad de Vida" (For a Better Quality of Life), "Juntos por el Ambiente" (Together for the Environment), "Haciendo Camino" (Making the Path), "Despertando Sonrisas" (Awakening Smiles), "Voluntariado PetroPerú" (PetroPerú's volunteer program).
- Community Relations Program (Total Investment 2008-2017: S/.14'000,000): Communication and Citizen Participation, Local Labour Hiring, Environmental Training and Education, Local Development Support, Social & Environmental Monitoring. Note that in 2016, PetroPerú hired 90% of local people for Non-skilled labour (compared to 73% required by the EIS).

ESAN¹⁸ completed a Social Study which showed the following:

1) During Construction Phase (2014-2020), PMRT will provide economic impact of US\$2,642 million, and taxes of US\$528 million to the City of Talara. Total employment in Peru may reach to 7,000 Direct Labour, and 7,500 Indirect Labour during this period

2) During Operation Phase (starting 2021), PMRT will provide economic impact of US\$271 million/year, and taxes of US\$139 million/year. This will translate in a contribution of US\$3,390 million/year to Peru's Trade Balance. Additionally, the environmental

¹⁸ Universidad ESAN - Instituto de Regulación y Finanzas. Updated by PETROPERÚ in June 2017.

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impact will mainly include social benefits (Health), as most of current diseases will disappear with the use of Low Sulfur Diesel. ESAN estimates health and medic care savings will translate in US\$299 million/year in Peru.

The Talara Refinery will generate US\$4,000 million in savings (2% of GDP) starting in 2021, as most of the oil and oil refined products will be purchased and refined locally instead of imported. In addition, Social Capital Group has recently completed a Study to generate further beneficial social projects for the city of Talara.

In summary, PetroPerú constantly carries out social & environmental management actions according to international standards in its areas of influence. The Company has recently complied with the Global Reporting Initiatives (Version 4). Please find the GRI of 2017 in the Company's website.

ORGANIZATIONAL STRUCTURE

On June 16, 2017, the Board of Directors agreed the approval of the new Organizational and Function Regulation for the Levels: 1 (CEO), 2 and 3 (Senior Management). The Company has recently appointed María Alejandra de la Puente as Head of Investor Relations, and Juan Carlos Cabrejos as Financial Planning and Risk Control Manager.

On July 31, 2017, Mr. César Ramírez Lynch resigned as Chief Executive Officer, effective July 31, 2017, due to personal reasons. Petroperú thanks Mr. Ramírez for his outstanding contribution to the Company and wishes him much success in his future endeavors.

The Board of Directors appointed Mr. Esteban Bertarelli Bustamante (currently Refinery Corporate Manager) as the Interim Chief Executive Officer, effective immediately.

Mr. Bertarelli's track record spans over 30 years throughout various areas at Petroperú. Mr. Bertarelli has managed Petroperú's refineries, as Refinery Manager since February 2016. Before that, he became corporate planning manager in two periods: from 2014 to 2015 and from 2012 to 2013. From 2013 to 2014, he was Corporate Strategy and New Business Manager. Mr. Bertarelli is an Industrial Engineer with a degree from Universidad Nacional Federico Villareal, and earned a Master in Business Administration (specialized in Public Administration) from Universidad de Piura.

INTEGRITY

On May 15, 2017, the Company launched its "Integrity System Program", reaffirming its commitment to act with transparency and ethics in all the processes.

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Financial Summary

Income Statement

(In Millions of Soles)	2014	2015	2016	LTM 2Q17	2Q16	1Q17	2Q17	YoY ⁽¹⁾	QoQ ⁽²⁾
Revenues Domestic	12,941.7	10,541.9	10,302.7	11,124.4	2,459.0	2,771.0	2,757.2	12.1%	-0.5%
Revenues Exports	1,811.1	1,001.2	896.4	1,074.9	158.7	297.2	256.9	61.9%	-13.6%
Other Revenues	297.3	363.0	243.9	232.1	65.7	51.2	67.1	2.1%	31.0%
Total Revenues	15,050.1	11,906.1	11,443.0	12,431.5	2,683.4	3,119.5	3,081.2	14.8%	-1.2%
COGS	-14,101.6	-9,884.2	-9,529.4	-10,908.1	-2,049.7	-2,740.1	-2,793.7	36.3%	2.0%
COGS (% of Revenues)	-93.7%	-83.0%	-83.3%	-87.7%	-76.4%	-87.8%	-90.7%	-	-
Gross Profit	948.5	2,021.9	1,913.6	1,523.4	633.7	379.4	287.5	-54.6%	-24.2%
Gross Margin (%)	6.3%	17.0%	16.7%	12.3%	23.6%	12.2%	9.3%	-	-
SG&A	1,088.8	1,076.8	1,517.7	1,329.9	248.5	192.2	90.0	-63.8%	-53.2%
SG&A (% of Revenues)	7.2%	9.0%	13.3%	10.7%	9.3%	6.2%	2.9%	-	-
Operating Profit	-140.3	945.1	395.9	193.5	385.1	187.1	197.5	-48.7%	5.6%
Operating Margin (%)	-0.9%	7.9%	3.5%	1.6%	14.4%	6.0%	6.4%	-	-
Net Profit	-218.4	502.7	177.5	79.0	275.3	211.5	141.2	-48.7%	-33.2%
Net Profit Margin (%)	-1.5%	4.2%	1.6%	0.6%	10.3%	6.8%	4.6%	-	-
Adj. EBITDA	234.8	1,242.2	1,128.6	757.9	423.0	230.2	92.1	-78.2%	-60.0%
Adj. EBITDA Margin (%)	1.6%	10.4%	9.9%	6.1%	15.8%	7.4%	3.0%	-	-

⁽¹⁾ YoY: Year-over-year, compare financial results with those of the same period in the previous year.

⁽²⁾ QoQ: Quarter on quarter, calculates the change between one financial quarter and the previous financial quarter.

Cash Flow Statement

(In Millions of Soles)	2014	2015	2016	LTM 2Q17	2Q16	1Q17	2Q17	YoY	QoQ
Operating Cash Flow	-129.6	782.7	500.9	-2,594.6	460.8	-222.5	-1,611.3	-449.7%	-624.1%
Capital Expenditures	-1,416.8	-1,844.5	-2,963.9	-2,453.8	-1,117.1	-868.2	-572.2	-48.8%	-34.1%
Cash Flow from Financing	1,925.2	699.9	2,695.4	8,571.2	705.7	1,056.1	5,755.8	715.6%	445.0%

Balance Sheet & relevant Ratios

(In Millions of Soles)	2014	2015	2016	LTM 2Q17	2Q16	1Q17	2Q17	YoY	QoQ
Current Assets	3,374.3	2,782.1	3,857.4	8,968.9	3,682.9	4,387.2	8,968.9	144%	104%
Non-Current Assets	4,748.3	6,614.3	10,176.5	10,661.1	8,474.7	10,614.5	10,661.1	26%	0%
Total Assets	8,122.6	9,396.3	14,033.9	19,629.9	12,157.7	15,001.7	19,629.9	61%	31%
Short Term Debt	3,485.4	2,498.5	5,751.7	5,688.2	3,910.7	6,071.7	5,688.2	45%	-6%
Long Term Debt	0.0	1,422.1	836.4	6,493.6	1,097.3	673.9	6,493.6	492%	864%
Total Debt	3,485.4	3,920.6	6,588.1	12,181.9	5,008.1	6,745.6	12,181.9	143%	81%
Other Liabilities	1,999.8	2,272.9	3,696.3	2,292.9	3,134.1	3,240.2	2,292.9	-27%	-29%
Total Liabilities	5,485.1	6,193.5	10,284.4	14,474.8	8,142.1	9,985.9	14,474.8	78%	45%
Stockholders' Equity	2,637.5	3,202.9	3,749.5	5,155.2	4,015.5	5,015.8	5,155.2	28%	3%
Total Capitalization (Debt + Equity)	8,122.6	9,396.3	14,033.9	19,629.9	12,157.7	15,001.7	19,629.9	61%	31%
Total current liabilities	4,827.2	4,022.2	9,166.8	7,661.7	6,639.7	9,008.2	7,661.7	15%	-15%
Working Capital	-1,452.9	-1,240.1	-5,309.4	1,307.2	-2,956.8	-4,621.0	1,307.2	144%	128%