Earnings Release

PETROPERU

Petroperú[1] reports third quarter 2017 results 3Q17[2])

Lima, Peru, October 31, 2017: Petroperú (OTC:PETRPE) announced financial and operating results for the three month period ended September 30, 2017. Please see also Independent Auditors' Review Report for a comprehensive analysis of the Unaudited Interim Financial Statements.

FINANCIAL HIGHLIGHTS

- Third quarter Cash end balance reached S/2,586 million compared to S/373.5 million in 3Q16, as a result of the US$2 billion bond issuance raised in 2Q17.
- Cashflow from Operating Activities increased to S/723.7 million in 3Q17 from S/-749.8 million in 3Q16. Note that during 3Q16, the liquidity position of the Company was weak, as the PMRT[3] was advancing and only financed with short term financings and supplier's financings.
- Net Income for the quarter was S/269.3 million in 3Q17 compared to S/-53 million in 3Q16, a significant increase YoY[4]. During 3Q16, the Company generated environmental expenses of S/-226.4 million.
- Operating Profit grew from S/14.5 million in 3Q16 to S/384.8 million in 3Q17. Adjusted Operating Profit for 3Q16 (without considering the environmental expenses) would have been S/240.9 million.
- Adjusted EBITDA[5] for the quarter increased to S/461.1 million YoY. EBITDA Margin reached to 13.4% compared to 8.6% reached in 3Q16.
- During 3Q17, revenues increased 16.1% compared to 3Q16, driven by both volume and price increases YoY. Local Revenues grew 12.4% YoY, while Exports grew 59.3% YoY.
- Total Volume Sales increased to 152.6MBD 3Q17 from 146.6MBD in 3Q16, mainly driven increased demand of Diesel ULSD[6]. Refined products volume reached 99.4KBPD in 3Q17.

EXECUTIVE SUMMARY

In spite of a difficult environment during the third quarter, with: 1) three attacks and false alarms to the NorPeruano Pipeline, 2) climatological changes affecting shipments and landings of cargos, 3) there were not the required conditions to negotiate with Frontera Energy[7] for the operation of Block 192, 4) increased competition, and 5) constant criticism from leaders of opinion as this is the top sales company in Peru, among others; Petroperú have made significant progress towards its five main guidelines: 1) execution of the PMRT to guarantee environmental regulations and

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[1] Petróleos del Perú-PETROPERU S.A. (hereinafter "PETROPERU" or "the Company").
[2] For the three months period ended September 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 according 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] PMRT: The Talara Refinery Modernization Project.
[4] YoY: Year-over-year, compare financial results with those of the same period in the previous year.
[5] 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.
[6] Diesel ULSD: Ultra Low Sulphur Diesel or "Diesel B5-S50".
[7] 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/

improved profitability, 2) security to the NorPeruano Pipeline[8] to ensure sustained oil transportation, 3) permanent social and environmental initiatives, 4) change in organizational structure and 5) execution of the new integrity and transparency system.

Petroperú achieved S/2,586.2 million in cash at the end of third quarter as a result of improved cash generated from operations. Despite a low commodity price environment, as prices picked up during the last month due to hurricanes Harvey and Irma; Gross Profit was benefited by improved sales and inventory realization.

On July 21, 2017, the MEM[9] through Supreme Decree #025-2017-EM, agreed to incorporate the province of La Libertad in the ban on the use and commercialization of Diesel HS[10] (with sulfur content of more than 50 ppm[11]) starting January 1, 2018. This decree will also apply to high octane Gasolines and Gasholes (95,97 and 98 octane), which are marketed and used nationally. Starting January 1, 2018, these gasolines shall not be more than 50 ppm of sulfur content. It is important to mention, that previously on October 28, 2016, the MEM through the Supreme Decree#038-2016-EM, agreed to approve a schedule for the commercialization and use of Diesel ULSD (with a sulfur content of not more than 50 ppm), to be implemented starting January, 2017 in the provinces of Ancash, Apurimac, Ayacucho, Cajamarca, Huanuco, Huancavelica, Ica, Lambayeque and Pasco. As a consequence, Petroperú shall import Diesel ULSD in order to satisfy government regulations and demand.

Commercial activities contribute with sustained and predicted cashflow to the Company. On August 6, 2017, Petroperú renewed a 7-year commercial contract (renewable at 3.5 yrs) with Primax. Additionally, sales to Samay Electricity Generation Company started in August 2017. Note, this agreement is a 20-year commercial contract. Unfortunately, on July 11th, 2017, Petroperú lost the bidding for the "Las Bambas" mining project, which represented a 3-year commercial contract.

In terms of the Company's investments, Petroperú continued to progress the execution of its US$5.4 billion PMRT, and has advanced 64.6% vs 71.58% of the Global Project Schedule plan. This delay is a result of a change of strategy in the the Public Tender for the Auxiliary and Complementary Units. The Public Tender for the adjudication of the EPC Auxiliary Services Units and Additional Works is in progress and will be completed in December 2017.

A situation the Company has identified, is that the PMRT contemplates the production of "Euro 4" gasoline, and by the time the refinery will be ready, the market will require Hydrocarbon producing companies to commercialize "Euro 6" gasoline. Thus, Petroperú is evaluating to reformulate the technological component of the new refinery to be available for "Euro 6" gasoline by 2021.

Management of capital resources for the PMRT continues to be a priority for Petroperú. Progress continued on the PMRT financing with CESCE's[12] final approval of a US$1.3 million guarantee for subsequent syndicated long term facility to finance PMRT. On October 11, after approval by its Risk Committee, CESCE forwarded the Conditions Offer of the guarantee that it would be issuing in favor of the Banks that will structure and finance the US$1.3 billion loan. The Company has selected 7 banks for the structuring of the loan, which are: Santander, BBVA, Deutsche Bank, HSBC, JP Morgan, Citibank and BNP Paribas. The financial transaction will need a final approval from the Ministry of Economy and Finance, and is expected to close before year end.

Another priority is the permanent development of social and environmental initiatives. Thus, on September 15, 2017, Petroperú launched its Social Program in Iquitos, a specialized cleaning, clearing and security program in association with neighboring communities to provide security to the pipeline and early alerts of potential human threats (oil stealing or intention to obtain social compensation benefits). This program also seeks to establish a new sustainable mechanism for local employment and the possibility to build infrastructure projects for the surrounding communities with tax works incentives established by the government. Unfortunately, the same day, the NorPeruano Pipeline was attacked intentionally, which caused two oil leaks in Tranche I. The Contingency Plan was applied and the repair was performed immediately, so that the spill was contained and the crude was recovered forthwith. Thus, the environmental impact was minimized. The preliminary agreement between the Government and the indigenous communities is that today, October 31, 2017, Block 192 will be released.

After this unfortunate event, Petroperú successfully restarted Tranche I on September 28, 2017, with the authorization from OSINERGMIN[13]. The Northern Tranche has been operating since February 6, 2017, under test mode. This Tranche transported crude from Block 192 (operated by Frontera Energy) until September 18, 2017. Unfortunately, the indigenous communities surrounding Block 192 took Frontera's camp and operating

[8] Nor Peruano Pipeline: Oleoducto NorPeruano, Peru´s main oil pipeline, owned by the Company.
[9] MEM: Ministry of Energy and Mines.
[10] HS: High Sulphur Diesel or "Diesel B5 (HS)".
[11] Parts per million.
[12] Compañía Española de Seguros de Crédito a la Exportación. Spanish Export Credit Agency.
[13] OSINERGMIN: Peru's Supervisory Body of Energy and Mining Investment.

facility. This situation obligated Petroperú to shut down the Andoas Station interrupting the transportation of crude. Tranche II started operations on June 26, 2017, but is not transporting since the social unrest in Block 192. The NorPeruano pipeline is operational but without transporting crude oil.

As mentioned in previous Earnings Release, Petroperú has signed a 90-day Agreement with Techint[14] (now extended for three additional months) to negotiate a JV agreement for the modernization and maintenance of the pipeline. Techint has initiated basic engineering studies to upgrade the NorPeruano Pipeline with the use of new technology to prevent new leaks. Techint will present a total investment estimate during 4Q17, which will be structured out of Petroperú's balance sheet through a special purpose vehicle (SPV).

On October 11, 2017, the Company decided to end the negotiation process with Frontera Energy (currently operator of Block 192) for a potential Joint Operating Agreement to operate Block 192 in Loreto. The decision was made after identifying that there are no adequate conditions at the moment to continue the negotiation process of a joint participation in the License Agreement presented to PeruPetro[15]. Petroperú has informed its decision to both institutions with the respective communications and will evaluate in the future if will enter into a Public Tender or a strategic partner search for the operation of Block 192.

There are several conditions that were unfavorable to the negotiation, which are mainly: 1) the uncertainty of the modification of the Peruvian Hydrocarbon Law, which will set a new range of royalty rates; 2) the need to establish an adequate oil transportation fee, considering the NorPeruano Pipeline has to be upgraded and the total investment cost has not been determined yet; 3) the unresolved social conflict in Block 192, which will need negotiation with the Government; and 4) the General Comptroller of the Republic's report indicated certain observations to the process.

As a result of the implementation of the Integrity System, which aims to manage ethics and integrity in the Company, Petroperú was recognized by stakeholders for an improved corporate reputation. The Company's efforts to strengthen the ethical culture and act with transparency and integrity, based on zero tolerance against fraud and corruption. Petroperú significantly improved its position in the ranking of the 100 most reputable companies in the country. According to the Corporate Reputation Business Monitor (MERCO), Petroperú placed in the 50th position, which means an improvement of 40 positions within a year. It is important to highlight, Petroperú is the company, which has escalated more positions among all, despite the criticism from some sectors.

Finally, the Board of Directors has decided to continue supporting Mr. Esteban Bertarelli as the interim Chief Executive Officer, as he is instrumental to lead the Company on the most important stage of the PMRT. Mr. Bertarelli has more than 30 years working in Petroperú and has been part of the development and execution of different key business model transitions in the Company. Mr. Bertarelli brings a diverse background in the refining, oil transportation, corporate strategy, and corporate planning areas of the business, including eight years in key management roles.

[14] 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 and Architecture civil Works and Industrial plants sectors. http://www.techint-ingenieria.com/en/about-us

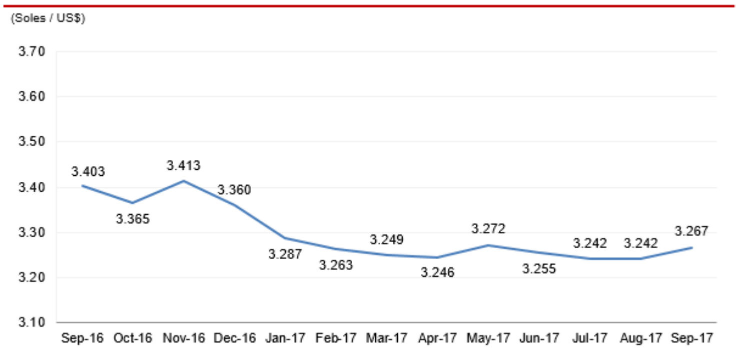
[15] PERUPETRO S.A. is the State company, on behalf of the Peruvian State and it is responsible for promoting, negotiating, underwriting and monitoring contracts for exploration and exploitation of hydrocarbons in Peru. http://www.perupetro.com.pe/

Earnings Release

FINANCIAL & OPERATIONAL SUMMARY

MACROECONOMIC ENVIRONMENT

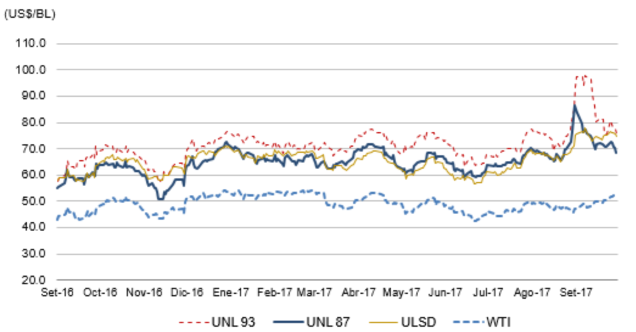
Exchange Rate



	3T16	4T16	1T17	2T17	3T17
Exchange Rate	3.403	3.360	3.249	3.255	3.267

Source: SBS

WTI & Other International By-Product Prices



US$/Bl (End of Period)	3Q16	4Q16	1Q17	2Q17	3Q17
UNL 93	69.2	76.7	75.0	67.6	75.5
UNL 87	63.7	71.8	69.6	63.9	68.4
ULSD	64.7	71.0	66.3	61.3	74.9
WTI	48.2	53.7	50.6	46.0	51.7

Source: Platt

Notes: The UNL87 USGC Regular Gasoline equals a 92 octane gasoline, and the Premium Gasoline UNL 93 USGC is equivalent to a 98 octane gasoline.

The Company is exposed to FX volatility, as it purchases commodities in US dollars, and revenues are generated mostly in soles (except for exports and contracts with some clients based in US$). During 2Q16, the sol appreciated strongly favouring inventory purchases, but affecting sales. Year to date, the sol remains stable with slight variations of 2 to 3 cents.

During the last twelve months, WTI price increased to US$51.7/bbl at the end of September 2017 vs US$48.2/bbl at the end of September 2016, with prices varying from the highest of US$54.1/bbl in February 2017 to the lowest of US$42.3/bbl in June 2017. Avg WTI during 3Q17 reached US$48.2/bbl compared to US$44.9/bbl during 3Q16. Conversely to WTI prices which have been stable, the UNL 93, UNL 87 and Diesel ULSD prices have been very volatile. During 3Q17, these prices significantly increased in September 2017 due to hurricanes Harvey and Irma, which shutdown several refineries in the Gulf coast. Diesel ULSD reached the lowest price at US$56.7/bbl during June 2017 and reached the highest level at US$78.0/bbl during September 2017. Diesel ULSD averaged US$ 58.6/bbl during 3Q16 and US$ 68.9/bbl during 3Q17. Similarly, Gasoline UNL 93 reached the bottom at US$57.2/bbl during November 2016 and reached the highest level at US$97.9/bbl during September 2017. Gasoline UNL 93 averaged US$ 63.4/bbl during 3Q16 and US$ 77.3/bbl during 3Q17. Gasoline UNL 87 reached the lowest level at US$50.8/bbl during November 2016 and obtained the highest level at US$86.6/bbl during August 2017. Avg UNL 87 reached US$69.6/bbl in 3Q17 vs US$ 59.1/ bbl in 3Q16. These prices have returned to their previous levels at the end of September.

Petroperú purchases both crude oil (locally or internationally) and final or intermediate products (imported and locally). Crude oil is used for the production of LPG, Gasolines, Diesel HS, Turbo A-1, Industrial Oil, Bunkers and Asphalts. The intermediate and final products include Diesel ULSD, which is imported mostly from the US Golf Coast, and additional LPG volume, which is purchased locally from Pluspetrol. Petroperú purchases national crude oil (from blocks around the Northern Peru) for the Talara Refinery, through contracts based on a basket of crudes. Additionally, the Company purchases Crude Maynas from Block 8, and Crude Los Angeles from Block 131 for the Iquitos Refinery.

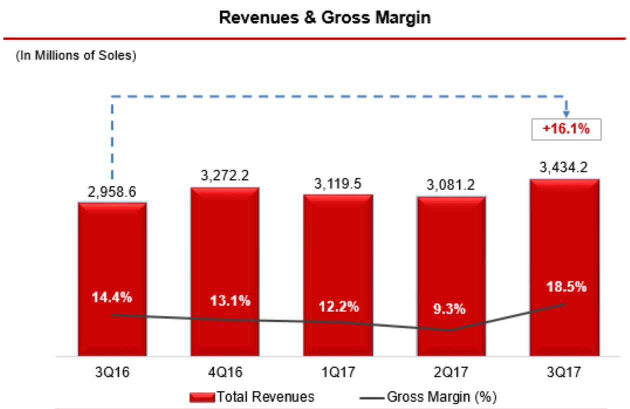
The imported crude oil and by-products are purchased based on international market prices and are vulnerable to commodity price volatility due to the time between the purchase of the product (at exporter's port) and the final commercialization of the refined product. For instance, if the company sets the price of the cargo on the date of shipment (day 0), the merchandise will be exposed to price volatility during the time the goods are in transit (day 15). Similarly, either the crude oil which needs to be storage before production or the refined product storage before commercialization, the Company is exposed to commodity volatility. Due to this situation, and the higher exposure to imported Diesel ULSD (which represents 42.2% of total sales during the last 9 months), Petroperú's Gross Profit is subject to commodity volatility. As a reference, COGS[16] represent around 85% of total sales.

[16] COGS: Cost of Goods Sold.

Local market prices are determined considering international prices of oil by-products (Import Parity Prices calculated by Petroperú). Prices are stated in soles at current exchange rates. Note that between 85-90% of the price (before taxes, gas station and wholesalers margin) corresponds to international market prices. The Import Parity Price Structure consists of USGC Product Value (Platt's Price Assessments plus Quality Adjustments) plus freights, insurance, import costs (inspections, port fees, financial costs, demurrage), throughput, distribution costs, profit margin and OSINERGMIN fees.

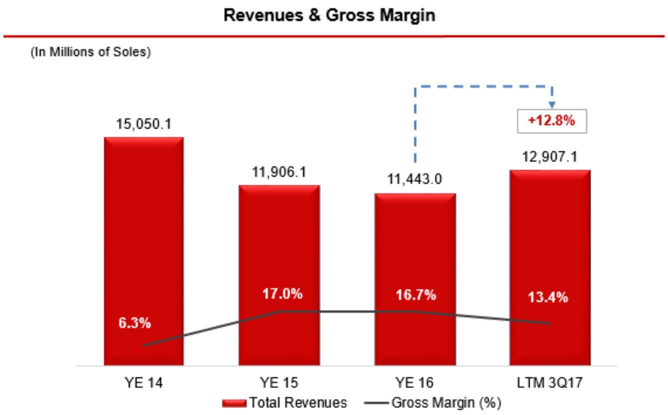
FINANCIAL RESULTS

INCOME STATEMENT



	3Q16	4Q16	1Q17	2Q17	3Q17
Total Sales (MM S/)	2,900.2	3,216.7	3,068.3	3,014.1	3,371.7
Volume (MMbbl)	13.5	13.7	12.5	12.9	14.0
Price US$ (Sales/bbl)	63.2	69.6	75.3	72.0	73.5
Exchange Rate	3.403	3.360	3.249	3.255	3.267

Note: For the calculation of Unit Prices in US$, revenues do not include Other Income.



	2014	2015	2016	LTM 3Q17
Total Sales (MM S/)	14,752.8	11,543.1	11,199.1	12,670.9
Volume (MMbbl)	44.6	47.7	53.2	53.2
Price US$ (Sales/bbl)	110.7	70.9	62.7	72.9
Exchange Rate	2.989	3.413	3.360	3.267

Note: For the calculation of Unit Prices in US$, revenues do not include Other Income.

Revenues totalled S/ 3,434.2 million in 3Q17, a 16.1% YoY increase mainly due to higher final product prices and improved volume during 3Q17. Local sales increased 12.4% from S/ 2,663.3 million in 3Q16 to S/2,994.4 million in 3Q17, as a consequence of price increases in intermediate and refined products due to the effects of hurricanes Harvey and Irma in the US Golf coast. Additionally, higher volume locally due to higher demand of Diesel ULSD, instead of Diesel HS. Exports increased 59.2% YoY from S/236.9 million to S/377.2 million, due to both higher volumes and price increases. The Company is exporting Diesel 2 (Diesel HS, which used to be sold locally). Total Revenues increased 11.5% QoQ[17] due to both higher market prices and higher volume compared to 2Q17. Revenues during the Last 12 months grew 12.8% compares to 2016 figures, mainly due to price increases.

Gross Margin significantly increased YoY from 14.4% in 3Q16 to 18.5% in 3Q17, as a result of higher sales, and despite the 10.6% increased in Cost of Goods Sold (from the increased input prices compared to 3Q16). Gross Margin significantly increased from 9.3% in 2Q17 to 18.5% in 3Q17, also due to improved inventory realization. During the Last 12 months, Gross Margin is still below 2015 and 2016 margins, as a result of higher COGS during the Last 12 months.

[17] QoQ: Quarter on quarter calculates the change between one financial quarter and the previous financial quarter.

Product Portfolio Analysis:

SALES	VOLUME (In MBD) 2016 3Q	2017 3Q	YoY	SALES (In Millions of Soles) 2016 3Q	2017 3Q	YoY	Weight on Total Sales
LOCAL SALES							
LGP	14.0	12.7	-9.1%	180.6	171.5	-5.1%	5.1%
Gasoline 97 / Gasohol 97	1.5	1.5	1.9%	36.6	43.4	18.6%	1.3%
Gasoline 95 / Gasohol 95	4.2	4.5	8.3%	96.8	122.2	26.3%	3.6%
Gasoline 90 / Gasohol 90	17.6	18.0	2.1%	380.9	453.7	19.1%	13.5%
Gasoline 84 / Gasohol 84	7.7	6.8	-12.1%	166.1	173.2	4.3%	5.1%
Turbo A-1	2.7	3.2	20.1%	68.8	84.5	22.9%	2.5%
Diesel B5 (Includes Biodiesel B100)	29.5	13.9	-52.8%	617.1	267.5	-56.6%	7.9%
Diesel B5 S-50	41.5	59.8	44.1%	995.9	1,534.8	54.1%	45.5%
Industrial Oil	2.2	2.2	2.9%	30.8	40.4	31.3%	1.2%
Bunkers (Marine Residual fuels + Marine Diesel N°2)	3.5	3.7	5.6%	41.5	51.8	24.6%	1.5%
Asphalts (Liquid & Solid)	2.0	2.1	8.0%	34.7	37.8	9.1%	1.1%
Others (1)	0.4	0.4	2.4%	13.5	13.5	0.1%	0.4%
Total Local Sales	**126.6**	**128.8**	**1.8%**	**2,663.3**	**2,994.4**	**12.4%**	**88.8%**
EXPORTS							
Naphta Virgin	6.8	4.6	-32.8%	88.2	66.0	-25.1%	2.0%
N°6 Fuel Oil, Heavy, Reduced Crude, Industrial Oil 500	10.6	10.9	2.9%	101.8	151.0	48.3%	4.5%
Diesel 2	1.4	6.8	368.0%	27.9	127.9	357.8%	3.8%
Otros (2)	1.1	1.6	42.4%	19.0	32.4	70.8%	1.0%
Total Exports	**19.9**	**23.8**	**19.4%**	**236.9**	**377.2**	**59.3%**	**11.2%**
Total Local Sales & Exports	**146.6**	**152.6**	**4.2%**	**2,900.2**	**3,371.7**	**16.3%**	
Other Operational Incomes					62.5		
TOTAL REVENUES					**3,434.2**		

(1) Solvents, Gasoline Aviation and Naphthenic Acid
(2) Turbo A1, IFO's , Asphalts and Gasolines

Additionally, in August 6th, 2017, Petroperú renewed a 7-year commercial contract (renewable at 3.5 yrs) with Primax. Additionally, sales to the electricity sector improved result of new sales to Samay Electricity Generation Company. This agreement is a 20-year commercial contract. Unfortunately, on July 11th, 2017, Petroperú lost the bidding for the "Las Bambas" mining project, which represented a 3-year commercial contract.

Diesel ULSD (Low Sulphur): This product has become the most important contributor to revenues with 45.5% contribution to sales. The Company is gradually commercializing this Diesel nationwide following government decree. The commercialization of Diesel ULSD has been replacing the Diesel HS in Lambayeque, Ancash, Huánuco, Pasco, Ayacucho, Ica, Cajamarca, Huancavelica and Apurimac. Sales for Diesel ULSD have raised 54.1% YoY.

Most of this product is sold to wholesalers: Primax, Numay, Pecsa. 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, and Samay I, Electro Oriente (electricity), among others.

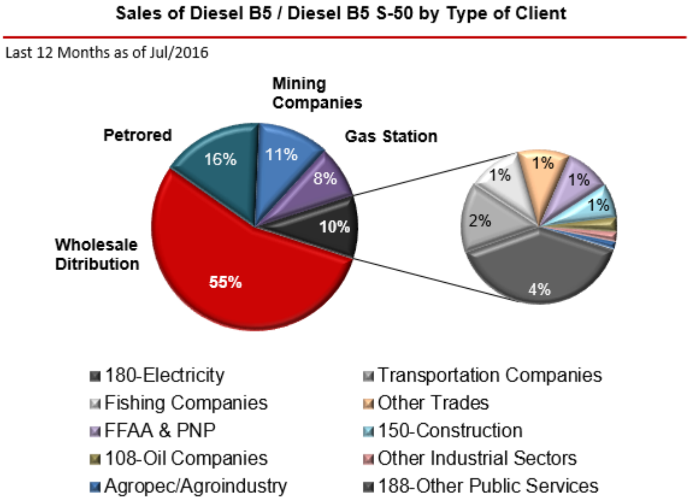
Diesel HS (High Sulphur): As this product has been replaced by the low sulphur Diesel, sales have significantly declined. Most important clients include wholesalers, retail (gas stations affiliated to Petroperú – Petrored), other private gas stations, agroindustry and fishing clients, and few electricity generation companies (Electro Oriente).

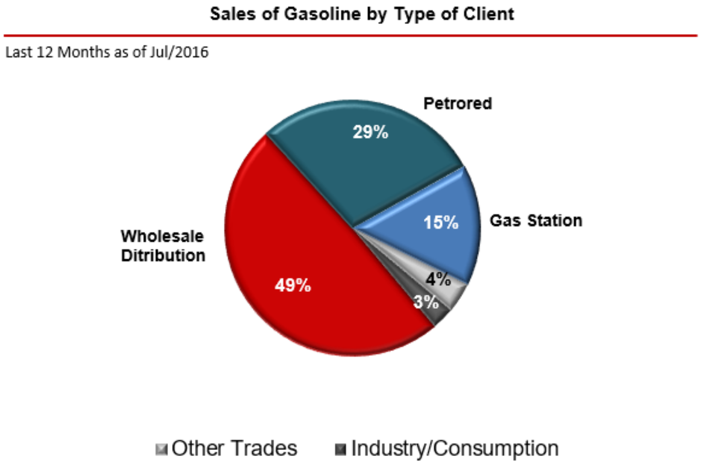
Gasoline 90: This gasoline represents 13.5% of total revenues. Total sales have increased 19.1% YoY mainly driven by price increases. Sales are mainly targeted to wholesalers, retail (Petrored), other private gas stations, and the army. Sales grew mostly in affiliated stations and wholesalers.

Gasoline 84: This gasoline represents 5.1% of total revenues. Total sales have increased only 4.3% YoY, despite a significant decline in volume. Demand requires more gasoline of higher octane 90/95. Sales are more focused in the East of Peru (the Amazons). Sales are mainly targeted to wholesalers and retail.

LPG: Liquified Petroleum Gas represents 5.1% of total revenues. Sales have fallen 5.1% YoY, mainly due to lower volume. Petroperú produces part of LPG, and purchases the rest from Pluspetrol. There have been some restrictions in the market from Pluspetrol, which have affected sales.

Exports: Represent 9.6% of total revenues. Bolivia is the main importer of Diesel 2[18].





During the 3Q17, Petroperú achieved the highest sales from Petrored affiliates, reaching 22.86 MBDC in August 2017. Similarly, the Company reached 674 affiliated stations, out of 3,919 gas stations in Peru. The Company is making strong efforts to improve existing sales plants, such as: Talara (Piura), and Conchan (Lima). The Ilo port terminal project will start construction in November 2017, and will also include a sales plant.

A problem that has been affecting the hydrocarbon commercialization companies in general, is the effect of climatological changes, which cause the shut down of ports nationwide (increasing costs due to overstays). This situation, in addition to the increase of demand for low sulphur products, which need to be imported and storage accordingly to overcome port shutdowns, have affected the supply of products. In order to attend this problem, Petroperú is improving its port terminal facilities in Talara (North) and Ilo (South), and upgrading port terminals in Conchan (Lima), Mollendo (South) and Salaverry and Eten (North). All these construction projects are expected to be completed before 2020, and are funded with cash from operations.

The two new Talara's 3KM submarine pipelines, which will replace ones at the existing port terminal, and are not part of the PMRT. These terminal adjustments will allow the reception of cargo ships up to 150,000 DWT (1 million barrels aprox.). Public Tender for the construction is ongoing, and expected to be adjudicated in December 2017. Construction is expected to be completed in 400 days, once the adjudication is closed. The new refinery, in addition to the existing MU1 liquid loading dock, will have an additional MU2 liquid loading dock, which can receive vessels up to 52,000 DWT (360,000 barrels). The MU1 dock is part of the EPC with Técnicas Reunidas, and is expected to be completed at the end of 2018.

The construction of the new terminal and sales plant in Ilo will start in November 2017, and includes the reception, storage and dispatch of liquid fuels. The reception of fuels will be made through 3 submarine pipelines from vessels located approximately 1,300 meters away from the Terminal. The terminal will count with 17 fuel storage tanks, which will be installed in different stages. This terminal will distribute gasohol of 84, 90 and 95 octane and Diesel ULSD to the south of the Peru, and Diesel HS to the Bolivian market. It will initially have a storage capacity of 293 thousand barrels, which will increase to 1 million bbls.

[18] Diesel 2: Diesel HS without Biodiesel.

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Revenue Breakdown

(In Millions of Soles)

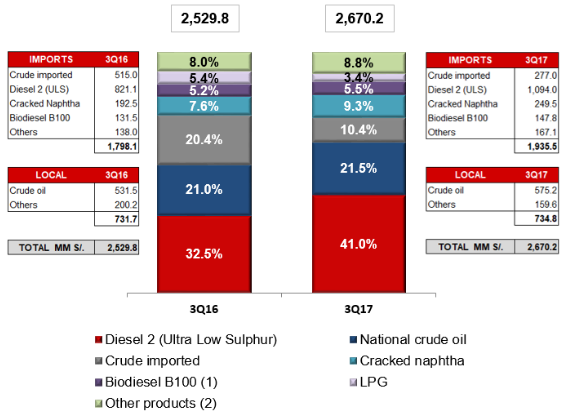
	LTM 3Q 2017
LOCAL REVENUES	
LPG	668.7
Gasoline 97 / Gasohol 97	170.7
Gasoline 95 / Gasohol 95	461.3
Gasoline 90 / Gasohol 90	1,719.1
Gasoline 84 / Gasohol 84	703.5
Turbo A-1	312.8
Diesel B5 (Includes Biodiesel B100 + Discounts)	1,701.7
Diesel B5 S-50	5,130.5
Industrial Oil	182.9
Bunkers (Residual Marino - IFO + Diesel Marino N°2)	195.5
Asphalt Liquid / Asphalt Solid	121.6
Others [(1)]	87.3
Total Local Revenues	**11,455.6**
EXPORTS	
Nafta Virgin	256.7
N°6 Fuel Oil, Reduced Crude, Industrial Oil 500	510.5
Diesel 2	327.2
Others [(2)]	120.9
Total Exports	**1,215.3**
TOTAL REVENUE	**12,670.9**

[(1)] Solvents, Naphtas and Naphthenic Acid
[(2)] Turbo A1, IFO's , Asphalts & Gasolines

% Participation	
7 Products	**86.0%**
Diesel B5 S-50	40.5%
Gasoline 90 / Gasohol 90	13.6%
Diesel B5 (Includes Biodiesel B100)	13.4%
Gasoline 84 / Gasohol 84	5.6%
LGP	5.3%
N°6 Fuel Oil, Reduced Crude, Industrial Oil 500	4.0%
Gasoline 95 / Gasohol 95	3.6%
3 Products	**67.5%**
Diesel B5 S-50	40.5%
Gasoline 90 / Gasohol 90	13.6%
Diesel B5 (Includes Biodiesel B100)	13.4%
Local Revenues	**90.4%**
Exports	**9.6%**

Purchases

(In Millions of Soles)

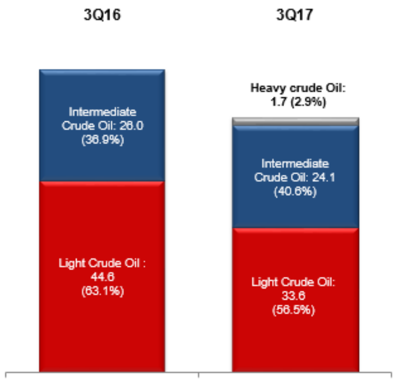


[(1)] Input for formulation of Diesel B5
[(2)] Includes: HOGBS, Gasoline Aviation, Alcohol fuel , Natural Gas Condensate and Turbo A1

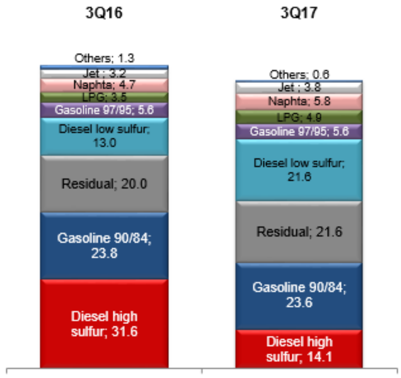
In order to obtain refined products, the Company process crude oil and mix intermediate products already acquired. The oil crude processed in our refineries is either local or imported. Local oil crude comes mainly from the Talara area, and is purchased considering an average oil prices basket. Crude Oil Volume purchased locally declined 3.5% YoY, while Crude Oil purchases (in soles) raised 8.2% YoY, as a result of price increases. Crude Oil (from the Northwestern region of Peru) today represents 21.5% of total purchases. Crude oil is an input for the elaboration of gasoline, diesel, residual products. As it is light oil, product yield from this crude oil is higher compared to the one from intermediate oil, which benefits refining margin. The new Talara 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 10.4 % of total purchases in our refineries, and is declining. Purchase volume declined 6.38% YoY, while Imported Oil Purchases declined 51.8%, reflecting the reduction of oil slates into production process to reduce the output of Diesel HS.

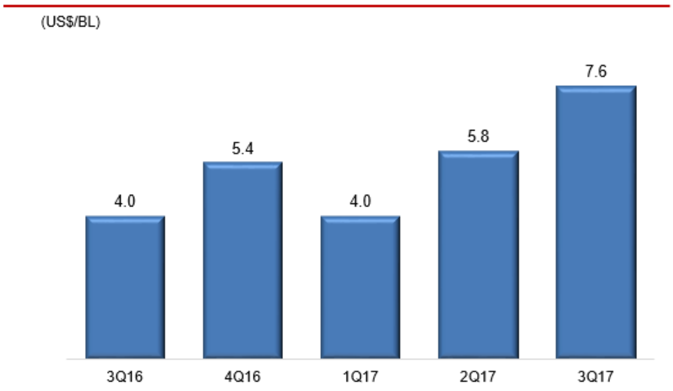
Oil Slate



Product Yield

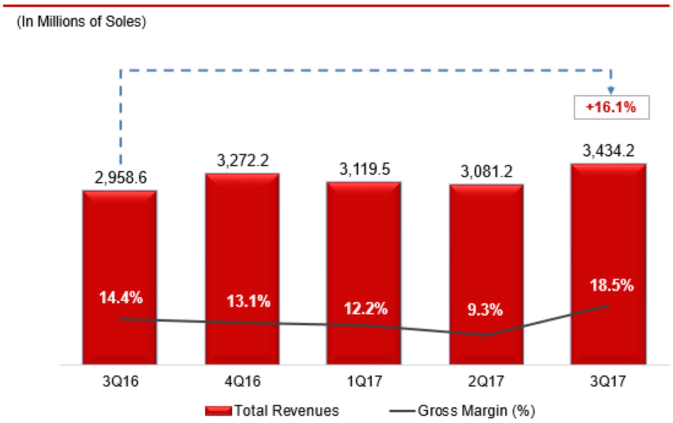


Net Refining Margin [1]



[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

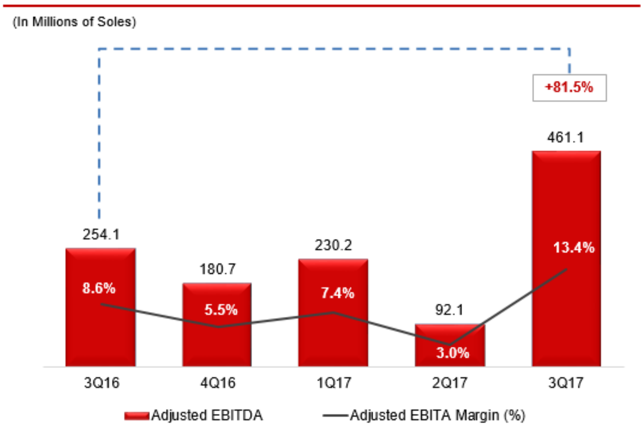


	3Q16	4Q16	1Q17	2Q17	3Q17
Total Sales (MM S/)	2,900.2	3,216.7	3,068.3	3,014.1	3,371.7
Volume (MMbbl)	13.5	13.7	12.5	12.9	14.0
Price US$ (Sales/bbl)	63.2	69.6	75.3	72.0	73.5
Exchange Rate	3.403	3.360	3.249	3.255	3.267

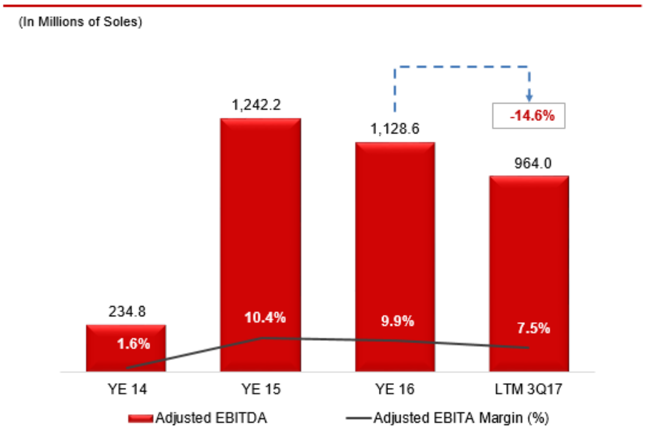
Note: For the calculation of Unit Prices in US$, revenues do not include Other Income.

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 PetroPeru's refining operations. Net Refining Margin increased 90% from US$4/bbl in 3Q16 to US$7.6/bbl in 3Q17, as a result of well management in the refining operations.

Adjusted EBITDA & Adjusted EBITDA Margin



Adjusted EBITDA & Adjusted EBITDA Margin



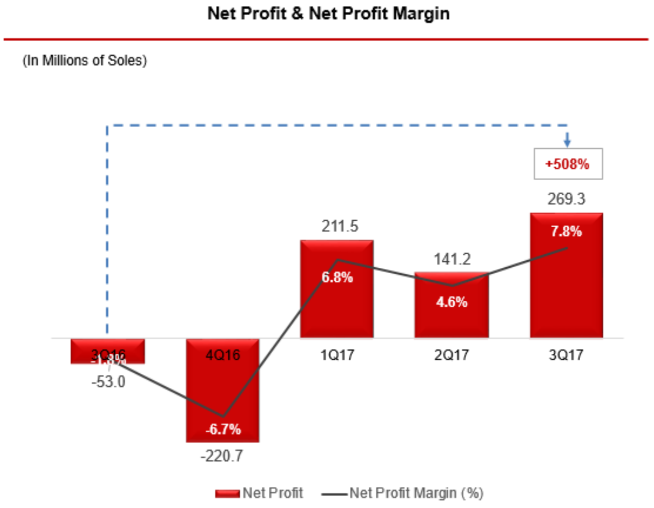
Petroperú generated S/461.1 million in Adjusted EBITDA in 3Q17, compared to S/254.1 million in 3Q16, mainly as a result of higher Gross Profit. Thus, EBITDA margin increased to 13.4% in 3Q17 compared to 3% in 2Q17 and 8.6% in 3Q16. Adjusted EBITDA for the Last 12 months reached S/964 million, with an EBITDA margin of 7.5%.

Cost of Goods Sold corresponds to 86.6% of the Company's revenues, which explains the importance of well management commodity purchasing. The Company is evaluating different alternatives to reduce the commodity risk exposure, such as: operational improvement measures to optimize inventory, and hedging. Operating expenses per business unit is as follows:

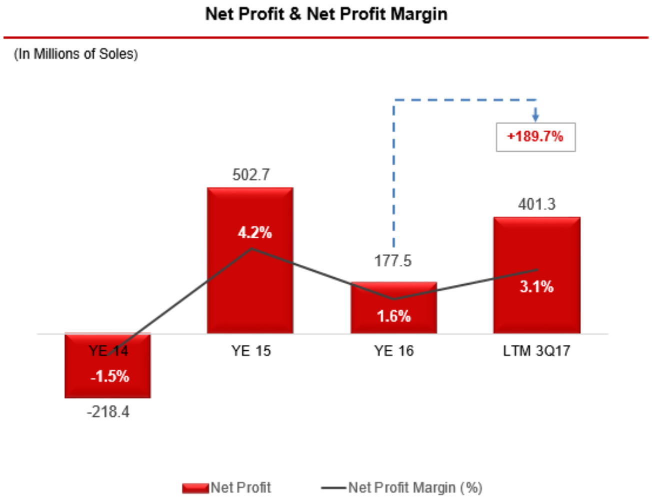
OPEX: Operating Expenses (In thousand Soles)		
Business Unit	2016	Last 9 Months
Refining	756,966	540,163
Transportion trhough ONP	351,359	144,079
Distribution & Comercialization	552,780	374,985
Others	254,050	193,013
Total	1,915,155	1,252,240

Petroperú uses short term derivative instruments (forwards) for tenors up to 1 year, to cover US$ short term obligations and part of its working capital needs. Note that all oil commodity purchases are in US$ according to international prices. These prices are adjusted to soles according to the Import Parity Pricing and exchange rate.

During the 3Q17, the sol appreciation slightly impacted Net Income as the Company has a large exposure of US$ dollars in long term liabilities. However, during the last 9 months, the appreciation of the sol has benefited Net Income by S/132.2 million.

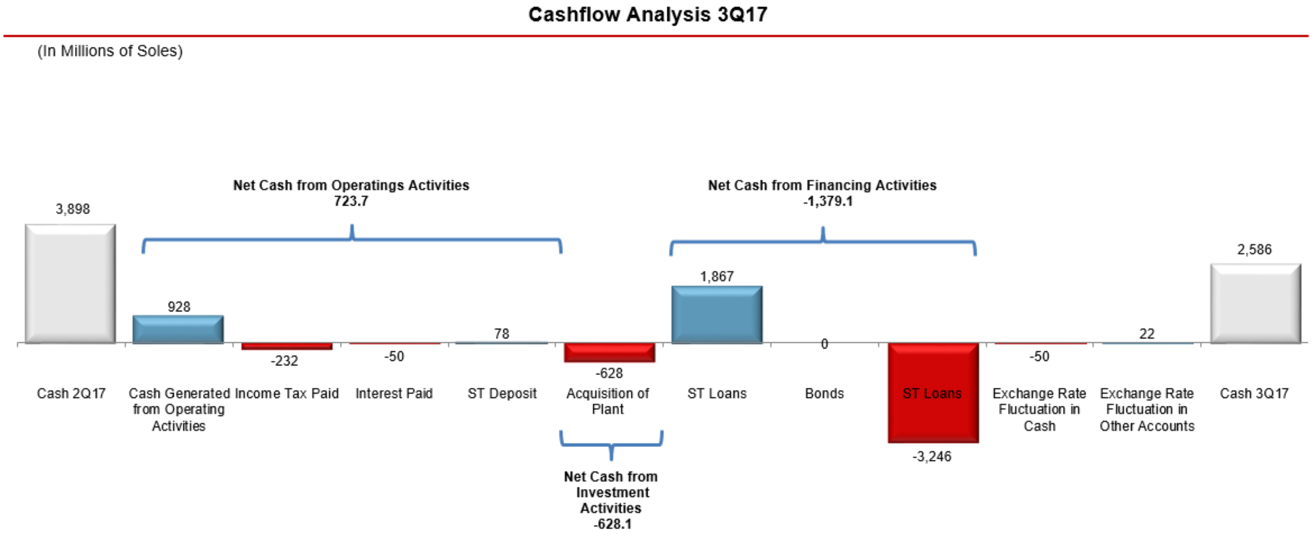


Note: 3Q16 Net profit and 4Q16 have been adjusted with revised statements from KPMG.



Net Income in 3Q17 reached S/269.3 million, compared to S/-53 million in 3Q16. Net Income in 3Q16 was affected by a S/226.4 million expenses in environmental charges after the oil leaks during 1H16.

CASHFLOW STATEMENT



Petroperú recorded 3Q17 End of the Period Cashflow of S/2,586.2 million compared to S/373.5 million in 3Q16. Note that during 3Q16, the liquidity position of the Company was weak, as the PMRT was advancing and only financed with short term financings and longer maturities with suppliers. Positive cashflow was supported by improved Cashflow from Operating activities. Cashflow from Operating Activities in 3Q17 increased to S/723.7 million from S/-749.8 million in 3Q16, mainly as a consequence of improved cash and accounts receivable management and lower payments to suppliers. Please see Note 27 of Financial Statements for a review of quarterly cash flow statements.

Cashflow from Investing Activities reached S/-628 million in 3Q17 compared to S/-686.7 million in 3Q16, driven mainly by PMRT investments. Other projects include: construction of sales plant in Ninacaca, and installation of the new terminal in Ilo. Current investments include operational upgrades to port terminals in Conchan, Mollendo, Salaverry and Eten; and sales plants in Talara and Conchan. All these construction projects are funded with cash from operations. During the Last 12 months, CAPEX investments have slowdown compared 2016, as most of the heavy equipment for the PMRT was purchased in 2016. Note CAPEX Chart shown below refers to accrued investment.

Cashflow from Financing Activities declined to S/-1,379.1 million in 3Q17 compared to S/1,611.7 million in 3Q16. During 3Q17, the Company: 1) obtained new working capital loans for S/1,867 million, 2) completed the amortization of S/3,246.4 million (PMRT short term debt: S/1,374.6 million, Working Capital: S/ 1,871.1 million and prepaid financings in exchange of lower interest facilities: S/ 541.7 million).

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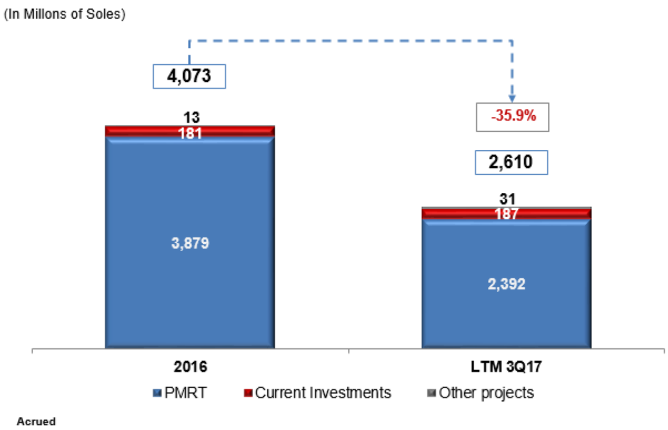
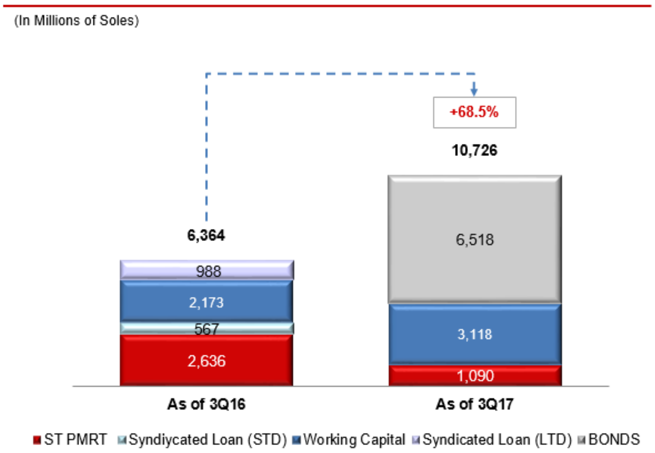
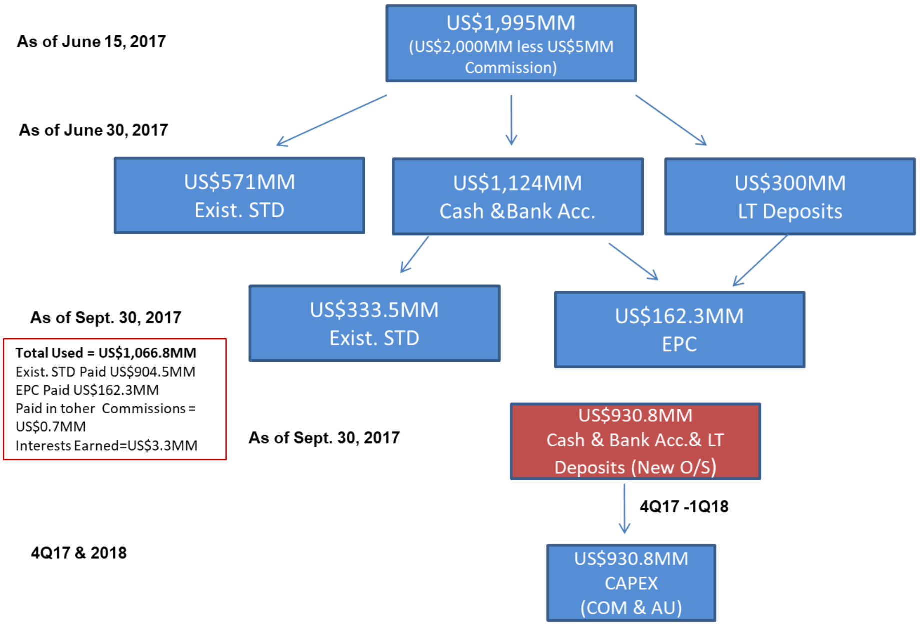
CAPEX



Debt Outstanding



Bond Proceeds will be used as follows:



Note: In relation to outstanding balances, these are placed in current accounts, term deposits accounts and liquidity funds in recognized international financial institutions, which are regularly reported to the Central Reserve Bank and the Ministry of Economy and Finance.

BALANCE SHEEET POSITION

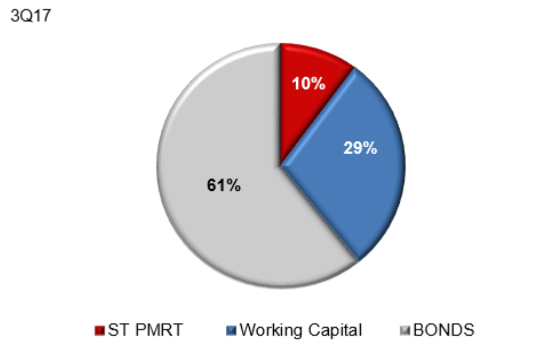
Petroperú continues to make substantial progress on the financing of the PMRT. The Company has selected 7 banks for the structuring of the CESCE loan, which are: Santander, BBVA, Deutsche Bank, HSBC, JP Morgan, Citibank and BNP Paribas. The financing will have a 13-year term, including a 3-year grace period (time in which the project is expected to be completed). The repayment will be amortized in semi-annual installments, and financial cost is expected to reach 4.1%, including CESCE guarantee costs. The financial transaction will need a final approval from the Ministry of Economy and Finance, and is expected to close before year end. The US$1 billion bond issuance remaining for the PMRT will be raised in 2019 PMRT's financial expenses.

As of September 30, 2017, Petroperú maintains revolving credit lines granted by local and foreign banks up to US$2.4 billion, of which US$1,088.3 million are available. Sufficient to cover its working capital needs.

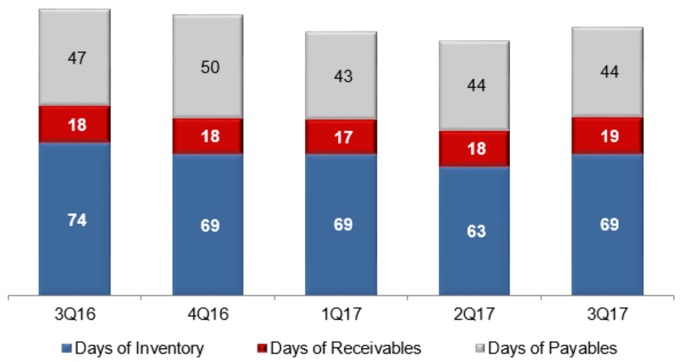
Total debt outstanding is distributed as follows: 61% Bonds, 29% Working Capital and 10% Short Term loans for PMRT. Borrowing costs capitalized during the 3Q17 related to the Talara Refinery Modernization Project reached to S/79 million (S/46.9 million during 2Q16).

Working Capital during 3Q17 reached S/989.4 million compared to S/-3,754.2 billion in 3Q16, mainly as a result of the bond proceeds which provided liquidity to the Company.

Debt Composition



Cash Conversion Cycle

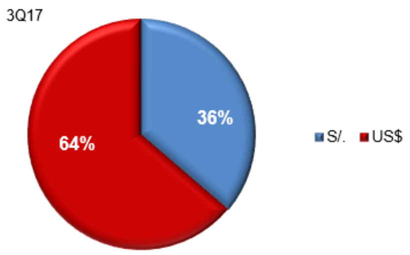


	3Q16	4Q16	1Q17	2Q17	3Q17
Cash Conversion Cycle[1]	45	37	43	37	44

1.Days of Inventory + Days of Receivables - Days of Payables.

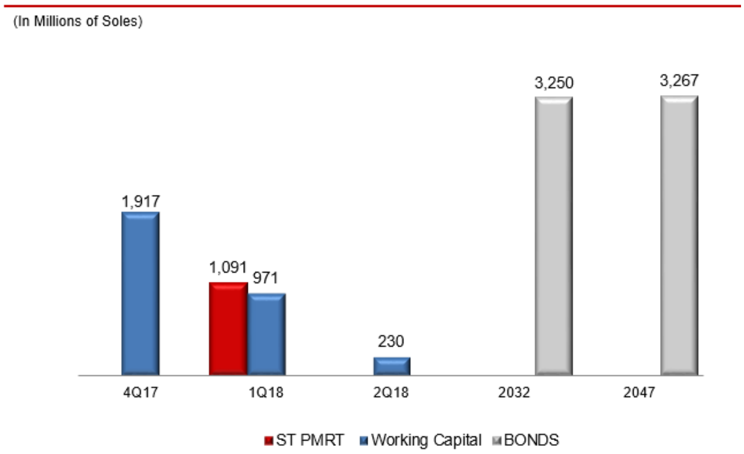
Cash Conversion Cycle during 3Q17 reached 44 days, slightly below 3Q16. It is important to highlight the reduction in inventory days compared to 3Q16. The currency mix of total debt is: 64% in US$ dollars, and 36% in Soles. The duration of debt averaged 10.32 years for the 15 yrs Bond, and 14.53 yrs for the 30 yrs Bond. The Amortization Schedule shows existing short term loans from the PMRT 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



	MM S/.	MM US$
ST PMRT	0	334
Working Capital	1,585	469
BONDS	0	1,994
TOTAL	**1,585**	**2,797**

Amortization Schedule



PETROPERU

Ratios

	YE 14	YE 15	YE 16	LTM 3Q17	YoY
EBITDA / Interest	3.7	18.4	14.4	6.7	-53.6%
Debt / Asset	42.9%	41.7%	46.9%	55.5%	18.2%
EBITDA / Assets	2.9%	13.2%	8.0%	5.0%	-38.0%
Debt / EBITDA	14.8	3.2	5.8	11.1	90.6%
Current rate	0.70	0.69	0.42	1.14	170.8%

OPERATING RESULTS & STRATEGY UPDATE

Petroperú is composed of three operating segments: 1) Refining and commercialization, which accounted for 98.5% of Total Gross Income 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 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$3.96/bbl in 3Q16 to US$7.57/bbl in 3Q17. This YoY improvement was primarily as a result well operational management. The refining margin for the Last 12M reached US$5.7/bbl.

Operating Data

	YE 16	LTM 3Q17	3Q16	2Q17	3Q17	YoY	QoQ
Refining capacity (in KBPD) [1]	94.5	94.5	94.5	94.5	94.5	-	-
Refinery utilization (in KBPD) [2]	70.8	68.1	71.6	68.1	67.7	-5.5%	-0.7%
Refined products (in KBPD) [3]	103.9	102.4	106.9	99.9	99.4	-7.0%	-0.5%
Refining margin (US$ per barrel) [4]	5.25	5.70	3.96	5.77	7.57	91.1%	31.1%
Capacity utilization rate [5]	74.9%	72.0%	75.8%	72.1%	71.6%	-	-
Volume Sales (in KBPD)	145.3	145.7	146.6	141.4	152.6	4.2%	8.0%

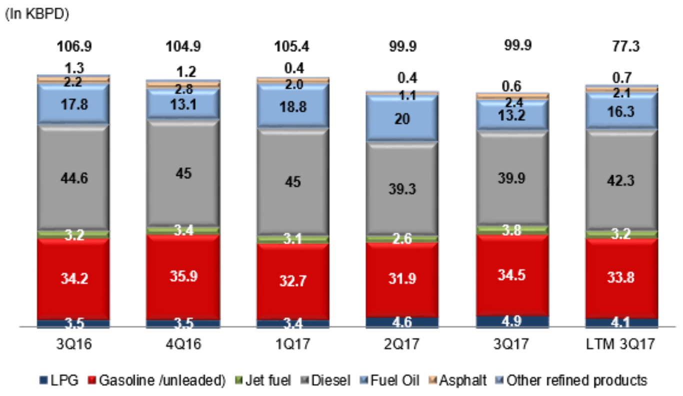
Notes:

[1] Maximun amount of crude that can be introduced into the firts step of refining process, refered to as atmospheric destilation.
[2] Total amount of crude, asphalts resid and diesel reprocess introduced into the first step of the refining process, refered to as atmospheric destilation.
[3] Total amount of refined products produced by one complete cycle of the refining process.
[4] Means the differencial between the price of crude oil purchased for our refining operations and the priceof our refined products extracted from such crude. Operating costs of refineries are discounted.
[5] Defined crude refinery utilization (in thousands of average barrels per day for the period) divided by atmospheric destilation refinig capacity

Production declined to 99.4 KPBD in 3Q17 compared to 106.9 KPBD in 3Q16. Production was slightly impacted by the reduction in Diesel HS production in order to commercialize Diesel ULSD. During the Last 12M, production declined to an average of 102.4 KPBD, compared to 103.9 KPBD during 2016. Sales Volume averaged 152.6 KPBD in 3Q17, a 4.2% increase compared to 3Q16, mainly as a result of higher sales of Diesel ULSD. Sales volume during the Last 12M, slightly declined to 145.7 KPBD.

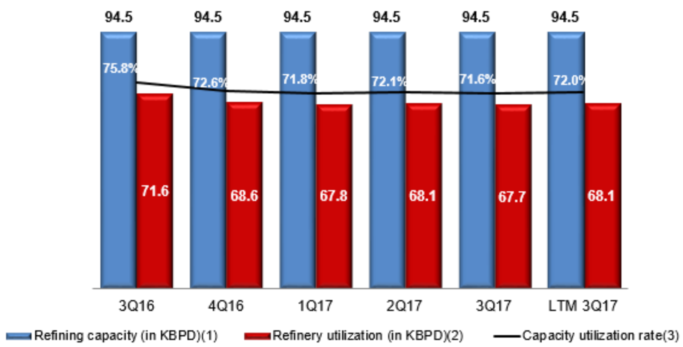
Refinery throughput reached 99.4 KBPD and refinery utilization was 67.7 KBPD in 3Q17, both lower compared to throughput of 106.9 KBPD and refinery utilization of 71.6 KPBD in 3Q16. Refining Margin significantly increased from US$3.96/bbl in 3Q16 to US$7.57/bbl in 3Q17, as a result of well operational management. Last 12M, Refining Margin reached US$5.70/bbl. Capacity utilization rate continues to drop as a result of lower Diesel HS production, due to the restructuring of product portfolio prioritizing the commercialization of Diesel ULSD. Sales were 152.6 KPBD in 3Q17, up from 146.6 KPBD in 3Q16, due to increased sales from Diesel ULSD and exports.

Refined Product



	3Q16	4Q16	1Q17	2Q17	3Q17	LTM 3Q17
Refining margin (US$ per barrel)	4.0	5.4	4.0	5.8	7.6	5.7

Capacity Utilization Rate



(1) Maximum amount of crude that can be introduced into the first step of the refining process, referred to as atmospheric distillation.
(2) Total amount of crude, asphalts resid and diesel reprocess introduced into the first step of the refining process, refered to as atmospheric destillation
(3) Defined as crude refinery utilization (in thousands of average barrels per day for the period) divided by atmospheric distillation refining capacity.

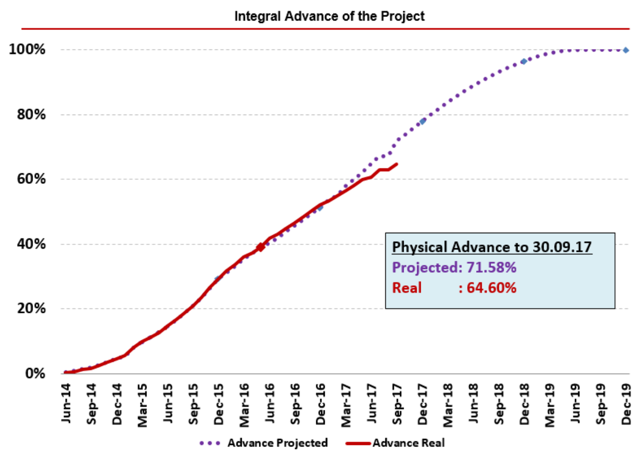
PMRT

During 3Q17, the Company further advanced the PMRT execution. Global advancement of the project is at 64.6%, below the 71.58% planned, due to the delay to adjudicate the Auxiliary and Complementary Units. The adjudication of these Units was initially planned as a BOOT contract to be adjudicated in 2016, but the Company decided to launch a new Public Tender using a Lump Sump strategy. Current Public Tender is expected to is being conducted under a Lump Sum model, and is expected to be completed in December 2017. Also, Petroperú is evaluating to change the Project scope to include the production of "Euro 6", as it will be the gasoline and Diesel required by 2021. The Company has continued with the adjudication of the Auxiliary Services Units and Additional Works, and requested all contractor tenders to consider the new Project scope on its proposals. The Auxiliary Service units include certain facilities for the production and supply of products and services necessary for the completion of the PMRT and operation of the New Talara Refinery, and consists of: 1) a facility for the treatment of sulfuric acid, 2) hydrogen and nitrogen production units, 3) a desalination plant, 4) a chemical and waste treatment plant, and 5) an electric generator plant.

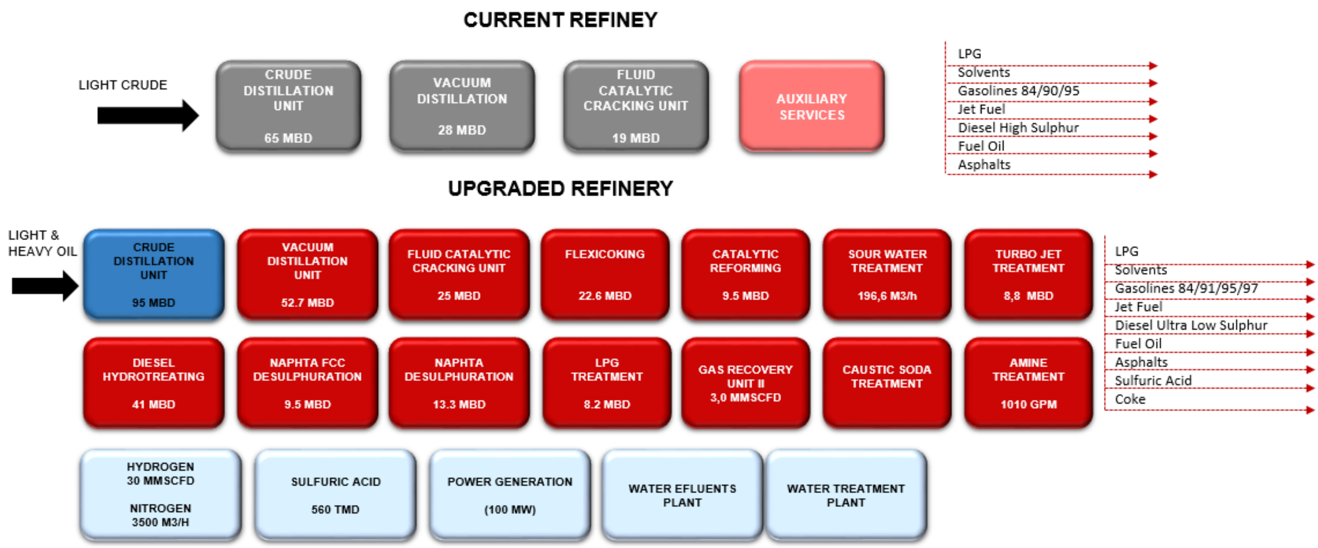
The Complementary Units include certain additional works such as: 1) construction of warehouse and workshop units, 2) acquisition of catalyst, and chemicals, 3) construction of new tanks for naphta and crude, 4) integration of electrical and telecommunication systems, 5) implementation of a dynamic operator training simulator (OTS System), 6) installation of a monitoring machine system, among others.

Key terms in the negotiation contract include an EPC Lump Sum contract (Turn Key), which will consider year 2020 as end date. The contract will include penalties for delays, subject to a 10% maximum. It is important to mention the strong appetite to participate in the Public Tender, as there are 11 prestigious international contractors pre-qualified. Adjudication is expected to be completed in December 2017.

In order to provide reliability to the power generation unit of the Refinery, the Company will conduct a Public Tender for the construction and operation (under concession) of the power transmission lines. The Company expects to select the final contractor at the end of December, 2017.



With the Updgraded Refinery, Petroperú will be able to diversify its product portfolio as follows:



OIL PIPELINE OPERATIONS

On September 15, 2017, the Social Program with neighboring indigenous communities was launched in Iquitos. Unfortunately, the same day, the NorPeruano pipeline suffered an attack to steal oil, which caused two oil leaks in Tranche I. The Contingency Plan was applied and the repair was performed immediately, so that the spill was contained and the crude was recovered forthwith. Thus, there the environmental impact was minimized.

At that time, Tranche I was transporting since September. After the oil leak, Tranche I restarted operations on September 28, 2017, with continuous transportation. The transportation capacity of Branch I is 20,000 bbls/day (with a viscosity of 700 cSt), and as of October 22, 2017 its total transportation reached 270,000 bbls. Tranche I includes Station # 1 and Station # 5, and transports residual crude processed at the

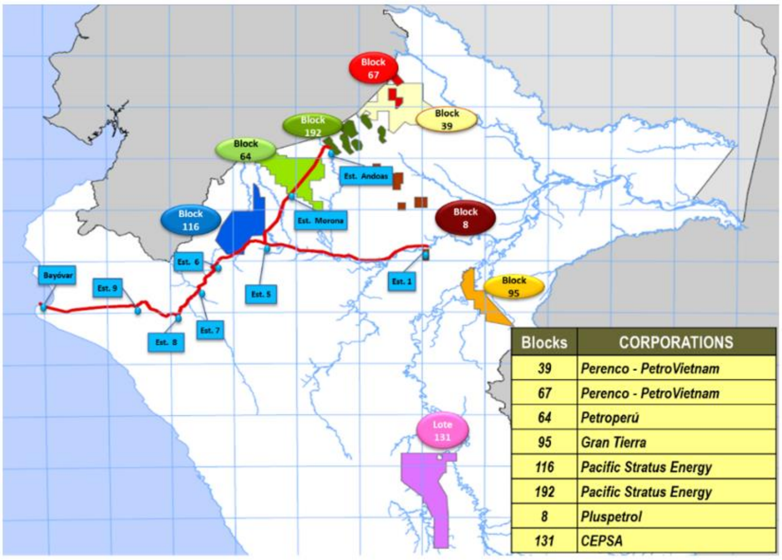
Iquitos Refinery (4,000 bbls/day). Residual crude is a result of the crude oil (Maynas) from Block 8 (Pluspetrol, 7,000 bbls/day), and crude oil (Los Angeles) from Block 131 (CEPSA[19], 2,000 bbls/day).

The Northern Tranche has been transporting crude since February 6, 2017, and undergoing a test mode with a specialized duct scraper ("smart pig"). This tranche has a total transportation capacity of 30,000 bbls/day (with a viscosity of 620 cSt), and as of October 22, 2017 its total transportation reached 1,200,000 bbls. The Northern Tranche includes the Andoas and Morona Stations and Station #5, and transports crude oil (Loreto) from Block 192 (Pacific, 10,000 bbls/day). Unfortunately, on September 18, 2017, the indigenous communities surrounding Block 192 took Frontera's camp and operating facility, claiming for the remediation of past environmental liabilities. These indigenous communities expect to coordinate an additional prior consultation ("consulta previa") with Frontera Energy before signing any new agreement. It should be noted that this prior consultation was already carried out by Frontera with the communities in 2015, when the license was obtained, and according to law there is no need for an additional prior consultation as the license agreement and operator is the same.

Tranche II began operations on June 26, 2017, and has transported 1,500,000 bbls as of October 22, 2017. This tranche has a total transportation capacity of 100,000 bbls/day (with a viscosity of 700 cSt). Tranche II includes Stations #5, 6, 7, 8, 9 and Bayovar Terminal, and transports crude oil (Loreto) from Block 192 (Frontera Energy, 10,000 bbls/day), and residual crude from the Iquitos Refinery. Thus, the NorPeruano pipeline is operational but without transporting crude oil.

The picture below shows the strategic position of the NorPeruano Pipeline, as there is significant potential for proven reserves in the northern jungle. Another potential oil well, is Block 64 from Geopark[20]. Geopark will begin production by the end of 2019, with 10,000 barrels of oil per day (bpd) as it already has two wells drilled, and expects to obtain the environmental impact study approved by the end of 2018. Geopark has 75% stake in Block 64 and is a partner of Petroperú that holds the remaining 25%.

Strategic Position of the Norperuano Pipeline



As mentioned in previous Earnings Release, Petroperú has signed a 90-day Agreement (recently extended to 180 days) with Techint to negotiate a JV agreement for the modernization and maintenance of the pipeline. Techint has initiatied basic engineering studies to upgrade the NorPeruano Pipeline with the use of new technology to prevent new leaks. Techint will present a total investment estimate during 4Q17, which will be structure out of Petroperu's balance sheet.

[19] CEPSA: Compañía Española de Petróleos. www.cepsa.com
[20] Geopark: Is a leading independent Latin American oil and gas explorer, operator and consolidator with assets and growth platforms.

The Company continues to invest in the NorPeruano Pipeline to ensure stable transportation. Year to date CAPEX investments for the NorPeruano Pipeline reached S/51 million, out of an annual Budget of S/110 million. And, environmental expenses reached S/195.4 million, out of a provision of S/321.8 million.

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/62.5 million in 3Q17.

OTHER SIGNICANT ITEMS IMPACTING NET EARNINGS

ENVIRONMENTAL & SOCIAL

On July 10, 2017, Members of the Inter-American Commission on Human Rights (CIDH) visited the areas of influence of the NorPeruano pipeline, confirming that all the environmental remediation works successfully protected the ecosystem. As mentioned in 2Q17 Earnings Release, the NorPeruano pipeline suffered 13 oil leaks in 2016, from which 10 were due to human attacks to obtain social compensation benefits, steal oil from the pipeline and at risk of damaging the health of people and the natural environment. Following best industry practices and in compliance with Peruvian law, the Company immediately put in place its contingency plan to deal with each incident, with specific actions in three items: operational, social and environmental. This contingency plan involves the use of specialized equipment and highly trained personnel to repair the failure, provide preventive attention to people, ensure the confinement and recovery of the oil spilled, ensure the cleaning and environmental remediation of the area, and execute technical assessments of environmental and social impacts and risks.

On September 15, 2017, Petroperú launched a specialized cleaning, clearing and security program in association with neighboring communities to provide security to the pipeline and early alerts of potential human threats (oil stealing or intention to obtain social compensation benefits). This program also seeks to establish a new sustainable mechanism for local employment and relationships with communities neighboring the pipeline.

The new work system will increase the economic dynamics of the area and its formalization. In addition, employment opportunities will be created for citizens of neighboring communities through a transparent local employment system, a new effort of the company's relationship with the native communities. A transparent business management will be promoted through the reorganization of local communities and the registration of qualified suppliers. These initiatives will allow local businesses to meet its labor and tax obligations on a timely matter.

The system includes the hiring of 100% local labor, which will be coordinated in the community assemblies, guaranteeing full transparency and full participation of the population, through rotating work. It is estimated that 700 jobs will be generated throughout the NorPeruano Pipeline, which will be implemented gradually since October on a permanent basis.

Unfortunately, right after launching the program, Petroperú had a new attack to the NorPeruano pipeline, causing two oil leaks around 50KM of Tranche I. It is important to highlight the immediate reaction of Petroperú employees to activate the contingency plan to stop the oil leaks. It should be noted that the leak was contained in the ONP flotation channel.

Since 2014 Petroperú conducts audits to comply with the Equator's Principles (EP) and IFC[21] performance standards on the PMRT. The Company operates in constant efforts to improve social, safety, and environmental practices to aim for the sustainable development of the business. In that sense, Petroperú has decided to adhere to the EP and IFC framework of international standards of business management systems and policies, industry best practices, market trends and stakeholder concerns. The last audit conducted in July 2017 resulted in compliance with the implementation of the IFC and Equator's Principles, and issued 26 recommendations which are being implemented gradually.

Similarly, during 3Q17, the Company continued with the implementation, corporate integration and updgrade of its Management Systems in Quality, Environment, Safety and Health (ISO 9001, ISO 14001 y OHSAS 18001).

[21] IFC: International Finance Corporation, part of the World Bank.

ORGANIZATIONAL STRUCTURE

On July 21, 2017, the Board of Directors approved the Levels: 4 (Managers), 5 (Supervisors) and 6 (Employees) from the organizational structure. Petroperú continues to improve its organization by implementing the following actions: 1) defining clear strategy guidelines, 2) strengthening organizational culture, 3) implementing new compensation policies, 4) implementing early retirement initiatives, 5) strengthening internal communication, 6) managing talents and knowledge, 7) updating human resources policies, 8) reducing Budget, 9) optimization of judicial defense (employees), and 10) reduction of labour contingencies, among others.

INTEGRITY

During 2Q17, the Company launched its "Integrity System Program", reaffirming its commitment to act with transparency and ethics in all the processes. All employees have signed the Integrity Code, a commitment to adhere to the Integrity System, reinforcing our Government Corporate, and therefore, our reputation. The Company has also installed an Integrity Line, a reporting channel operated by an independent company, which receives concerns, irregularities or informs about breaches to the Integrity System. All these cases are reviewed in the Integrity Committee, which meets in weekly or biweekly sessions, and is chaired by an Independent President.

Petroperú significantly improved its position in the ranking of the 100 most reputable companies in the country. According to the Corporate Reputation Business Monitor (MERCO), Petroperú placed in the 50th position, which means an improvement of 40 positions within a year. The MERCO study is a good reference of a corporate reputation benchmark. The study evaluates the reputation of Latin American and Spanish companies since 2000. For this year, MERCO conducted 17,699 surveys tailored to opinion leaders, financial analysts, economics journalists, trade unions, consumer associations, influencers and professors, among others, to obtain the results, which have been audited by KPMG.

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Financial Summary

Income Statement

(In Millions of Soles)	YE 14	YE 15	YE 16	LTM 3Q17	3Q16	2Q17	3Q17	YoY [1]	QoQ[2]
Revenues Domestic	12,941.7	10,541.9	10,302.7	11,455.6	2,663.3	2,757.2	2,994.4	12.4%	8.6%
Revenues Exports	1,811.1	1,001.2	896.4	1,215.3	236.9	256.9	377.2	59.3%	46.8%
Other Revenues	297.3	363.0	243.9	236.2	58.4	67.1	62.5	7.1%	-6.8%
Total Revenues	15,050.1	11,906.1	11,443.0	12,907.1	2,958.6	3,081.2	3,434.2	16.1%	11.5%
COGS	-14,101.6	-9,884.2	-9,529.4	-11,176.3	-2,531.7	-2,793.7	-2,800.0	10.6%	0.2%
COGS (% of Revenues)	-93.7%	-83.0%	-83.3%	-86.6%	-85.6%	-90.7%	-81.5%	-	-
Gross Profit	948.5	2,021.9	1,913.6	1,730.8	426.8	287.5	634.2	48.6%	120.6%
Gross Margin (%)	6.3%	17.0%	16.7%	13.4%	14.4%	9.3%	18.5%	-	-
SG&A	-1,088.8	-1,076.8	-1,517.7	-1,166.9	-412.4	-90.0	-249.4	39.5%	-177.2%
SG&A (% of Revenues)	-7.2%	-9.0%	-13.3%	-9.0%	-13.9%	-2.9%	-7.3%	-	-
Operating Profit	-140.3	945.1	395.9	563.9	14.5	197.5	384.8	2556.8%	94.8%
Operating Margin (%)	-0.9%	7.9%	3.5%	4.4%	0.5%	6.4%	11.2%	-	-
Net Profit	-218.4	502.7	177.5	401.3	-53.0	141.2	269.3	607.8%	90.6%
Net Profit Margin (%)	-1.5%	4.2%	1.6%	3.1%	-1.8%	4.6%	7.8%	-	-
Adj. EBITDA	234.8	1,242.2	1,128.6	964.0	254.1	92.1	461.1	81.5%	400.8%
Adj. EBITDA Margin (%)	1.6%	10.4%	9.9%	7.5%	8.6%	3.0%	13.4%	-	-

[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)	YE 14	YE 15	YE 16	LTM 3Q17	3Q16	2Q17	3Q17
Operating Cash Flow	-129.6	782.7	500.9	500.9	-749.8	-1,611.3	723.7
Capital Expenditures	-1,416.8	-1,844.5	-2,963.9	-2,963.9	-686.7	-572.2	-628.0
Cash Flow from Financing	1,925.2	699.9	2,695.4	2,695.4	1,611.7	5,755.8	-1,379.1

Balance Sheet & relevant Ratios

(In Millions of Soles)	YE 14	YE 15	YE 16	LTM 3Q17	3Q16	2Q17	3Q17
Current Assets	3,374.3	2,782.1	3,857.4	8,088.2	3,943.8	8,968.9	8,088.2
Non-Current Assets	4,748.3	6,614.3	10,176.5	11,233.9	9,058.6	10,661.1	11,233.9
Total Assets	8,122.6	9,396.3	14,033.9	19,322.0	13,002.4	19,629.9	19,322.0
Short Term Debt	3,485.4	2,498.5	5,751.7	4,207.9	5,376.0	5,688.2	4,207.9
Long Term Debt	0.0	1,422.1	836.4	6,517.8	988.2	6,493.6	6,517.8
Total Debt	3,485.4	3,920.6	6,588.1	10,725.6	6,364.2	12,181.9	10,725.6
Other Liabilities	1,999.8	2,272.9	3,696.3	3,174.2	2,677.4	2,292.9	3,174.2
Total Liabilities	5,485.1	6,193.5	10,284.4	13,899.8	9,041.6	14,474.8	13,899.8
Stockholders´ Equity	2,637.5	3,202.9	3,749.5	5,422.2	3,960.8	5,155.2	5,422.2
Total Capitalization (Debt + Equity)	8,122.6	9,396.3	14,033.9	19,322.0	13,002.4	19,629.9	19,322.0
Total current liabilities	4,827.2	4,022.2	9,166.8	7,098.7	7,697.9	7,661.7	7,098.7
Working Capital	-1,452.9	-1,240.1	-5,309.4	989.4	-3,754.2	1,307.2	989.4

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