Earnings Release

Petroperu[1] Announces Second Quarter 2018 Earnings Results - 2Q18

Lima, Peru, August 01, 2018: Petroperú (OTC: PETRPE) announced financial and operating results for the period ended June 30, 2018 ("2Q18"). For a comprehensive analysis please refer to the Intermediate Financial Statements 2Q18[2] available on the Superintendencia Mercado de Valores del Perú website - SMV (www.smv.gob.pe).

1. EXECUTIVE SUMMARY

During 2Q18, PETROPERU reported a strong 74% adjusted EBITDA growth YoY to US$ 64.2 million; likewise, Gross Margin in 2Q18 was significantly higher compared to 2Q17, in large part due to management improvement in the Company's main operations. However, it reported a Net Income of US$ 24.3 million, a decrease of 47.4% compared to US$ 46.2 million in 2Q17, mainly explained by a net loss due to a provision for two arbitration processes related to environmental remediation contingencies at Block 8 and La Pampilla Refinery.

The PMRT[3] works continue on their way, with an integral physical progress of 69.9% vs 88.7% scheduled, according to the first timeline of the contract signed in 2014, when the works completion was estimated to be completed by June 2019. Due to some delays in the EPC contract awarding process for Auxiliary Units, finally awarded to the COBRA-SINOHYDRO Consortium, as well as to work delays from the EPC[4] Contractor for the Process Units (Tecnicas Reunidas), it is now estimated that the new refinery will start operations in December 2020.

The Nor Peruano Oil Pipeline[5] (ONP, Oleoducto Nor Peruano) has been operating normally except for June when no crude oil was pumped across the Ramal Norte (Northern Branch), due to an incident which occurred near Km. 12 of the North Branch Pipeline, as a result of a flood in the Pastaza River, near the district of Andoas, Datem del Marañón province, Loreto region. Regarding its modernization process, this is still underway, as the process of hiring a company to carry out the diagnosis of the entire transport system and the conceptual engineering for the modernization has started.

The new organizational structure, geared to achieving better performance of the organization and supported by the creation of an Integrity System and the strengthening of Corporate Governance, continues supporting aimed to improve results of the Company.

After the resignation of Mr. Luis Eduardo García Rosell Artola on March 21, 2018 as Chairman of the Company's Board of Directors, Mr. James Henry Atkins Lerggios was appointed by the General Shareholders' Meeting as the new Chairman, effective April 26, 2018. Mr.

[1] Petróleos del Perú-PETROPERU S.A. (hereinafter "PETROPERU" or "the Company").
[2] Intermediate Financial Statements for the Second Quarter 2018. Unless otherwise noted, all financial figures are presented in US$, and references to "Dollars" or "US$". Our Quarterly Financial Statements have been prepared in according with International Financial Reporting Standards (IFRS), as issued by the IASB (International Accounting Standards Board).
[3] PMRT: The Talara Refinery Modernization Project.
[4] EPC: Engineering, Procurement, Construction
[5] Nor Peruano Oil Pipeline - ONP: Oleoducto Nor Peruano, Peru´s main oil pipeline, owned by the Company

James Atkins has more than 25 years of working experience in the oil sector and has held various management positions in the public and private sectors.

1.1. FINANCIAL HIGHLIGHTS

- During 2Q18, Total revenue increased by 29.8% compared to 2Q17, due to the increase in sales volume and gross margins YoY. Domestic and Export revenue increased by 30.6% and 32.3% YoY, respectively.
- Total Sales Volume reached 150.6 KBPD[6] in 2Q18 from 141.4 KBPD in 2Q17, 89.0% of sales (134.0 KBPD) were concentrated in the domestic market. Refined products volume reached 111.5 KBPD in 2Q18.
- Gross Profit increased from US$ 88.1 million in 2Q17 to US$ 150.2 million in 2Q18 (+70% YoY), due to the good commercial management of the Company. Operating Profit decreased (-17% YoY) from US$ 56.1 million in 2Q17 to US$ 46.4 million in 2Q18, mainly as a result of a provision for two arbitration processes related to environmental remediation contingencies at Block 8 and La Pampilla Refinery.
- Likewise, Net Profit in 2Q18 was US$ 24.3 million compared to US$ 46.2 million in 2Q17, due to the aforementioned provision, and an increase in taxes.
- However, adjusted EBITDA[7] increased to US$ 64.2 million (+74% YoY)[8]. Adjusted EBITDA Margin increased from 2.5% in 2Q17 to 5.2% in 2Q18, which also demonstrates the Company's good commercial performance.
- Cash Flow at the end of 2Q18 decreased to US$ 140.7 million compared to US$ 1,081.3 million in 2Q17, mainly due to the US$ 2 billion bond issuance during 2Q17 and a decrease of the Cash Flow from Investment Activities and Operating Activities.
- Cash Flow from Operating Activities decreased to -US$ 144.2 million in 2Q18 compared to US$ 32.1 million in 2Q17.

1.2. OPERATIONAL, COMMERCIAL AND MANAGEMENT HIGHLIGHTS

The integral physical progress of the PMRT to June 29, 2018 was 69.9% vs the 88.74 scheduled. This scheduled progress is based on the first contract timeline signed in 2014, for the process units with Técnicas Reunidas (TR), where the completion of the project was originally scheduled for June 2019. A new project timeline is being prepared, considering the current delays, due to the Auxiliary Units granted to COBRA-SINOHYDRO Consortium, and delays in the TR works (mainly the process of the piping assembly). It is estimated that the new refinery will now start operations in December 2020.

Regarding the EPC project, the Detailed Engineering registered a progress of 99.96% vs the 100% scheduled; Procurement of equipment and materials, reported a progress of 99.56% vs the 99.97% scheduled; and Construction posted a progress of 79.68% vs the 88.61% scheduled. The lag is explained by the lower progress in the assembly of pipes and equipment, and modification of tanks and interconnections.

With regard to the Auxiliary Units, the COBRA-SCL UA & TC Consortium (in charge of EPC), has submitted the second version of the Work Schedule, which is being reviewed by PETROPERU.

In relation to the bank financing with the guaranty CESCE[9]-Spain Export Credit Agency, a deadline extension up to August 31st, 2018, to comply with the delivery of certain documentation which the Contractor has not yet delivered to PETROPERU was requested of the Contract Administrator (DEUTSCHE BANK, SAE).

It is estimated that a second bond issuance will be made during the second half of 2019, for a total of US$ 600 million, to complete the financial structure of the PMRT.

Production was higher than in the same period of the previous year (111.5 vs 99.9 KBPD), due to the fact that since May 27 to 31, 2017, the Processing Units of the Talara Refinery were out of service due to a fire in the Vacuum Distillation Unit. The Capacity Utilization Rate was 73.3% in 2Q18, similar to 73.1% in 2Q17.

PETROPERU maintains a network of 676 affiliated service stations to June 2018, which are distributed across the country over the 24 regions of the country. Besides, its products have the highest quality standards according to the customer's opinion and the quality

[6] KBPD: Thousands of Barrels Per Day

[7] 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.

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

[9] Spanish Export Credit Agency

certificates granted as a result of the compliance with the national and international standards. During the 2Q18, important aspects that affect the commercial management of the Company have occurred, such as renewal of fuel supply contracts with Numay, the National Police of Peru (PNP) and other industrial and electrical companies, among others.

Regarding the ONP, through the North Branch Pipeline (ORN), crude oil was not pumped during June, due to the incident which occurred near kilometer 12, near the district of Andoas, Datem del Marañón province, Loreto region, caused by a flood in the Pastaza River. With regards to its modernization, it is scheduled for the first phase, the execution of the Diagnosis of the entire Transport System and the Conceptual Engineering for the aforementioned modernization, which will take a period of approximately 5 months. As of June 30, 2018, the bidding process to hire the company that will be in charge of these activities is underway.

Regarding the exploration and production activities, it is estimated to have the approval of the Environmental Impact Study (EIA) for the development of Block 64 by December 2018. With respect to the EIA of the Exploratory Program, GeoPark[10] has carried out preliminary informative meetings with the communities, in preparation for developing the First Workshop for the Citizen Participation Plan of the Exploratory EIA, which is expected to be carried out in the third quarter of 2018. In relation to Block 192, Perupetro S.A.[11] will initiate the direct negotiation by the end of July or beginning of August of this year. On the other hand, PETROPERU has initiated a bidding process to hire a Financial Advisory Service for the selection of an Oil Company or Consortium to be part of the referred License Contract for the Block 192.

During 2Q18, activities related to social and environmental matters have been carried out, demonstrating, as usual, PETROPERU's interest in doing responsible work with society and the environment.

In relation to Social Management, PETROPERU has announced its Social Management Plan which contains its strategy based on the analysis of the stakeholders and the Company's social risks, as well as on the aspects of the management commitment, suppliers and local employment, and productive projects. Likewise, social management activities continue to be carried out in all the Company´s operations, especially in the ONP and its Refineries.

In relation to the Environmental Management, PETROPERU continues the execution of cleaning and remediation works of the areas affected by the oil spills occurred in the ONP during 2017 and 2018, originated mainly by third parties' actions. In addition, the Company is processing the corresponding approvals, related to the reports of identification of potentially contaminated sites that exceed the Environmental Quality Standards (ECA) for Soil at its sites throughout all of our Operations, aimed to correct all of this situation.

2. FINANCIAL & OPERATIVE ANALYSIS

2.1. MACROECONOMIC ENVIRONMENT

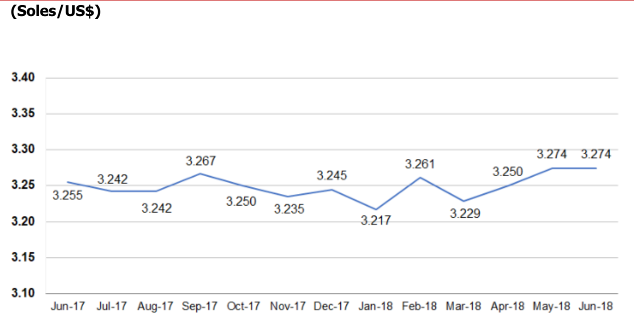
According to the BCRP estimates and other economic analysts from different local financial institutions, for 2Q18 Peruvian GDP growth is estimated close to 6%, on average, considering the growth of 7.8% and 6.4% in April and May, respectively. This growth was mainly driven by the primary sector that grew 10.8% and 9.2%, and on the other hand the non-primary sector that grew 5.5% and 6.9%, in April and May, respectively. All this related to the expansion in the agricultural, fishing, mining and primary manufacturing sectors and the solid performance in the construction, commerce, and services sectors, and higher non-primary manufacturing production.

[10] Geopark: Is a leading independent Latin American oil and gas explorer, operator and consolidator with assets and growth platforms.

[11] 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/

In relation to annual inflation, in May it was below the lower limit of the target range reaching 0.93%. However, in June it returned within the target range (from 1% to 3%) reaching 1.43%. This increase was partially due to the price increases of some items affected by the increase of the Selective Consumption Tax (ISC), such as for purchase of vehicles, fuels, among others.

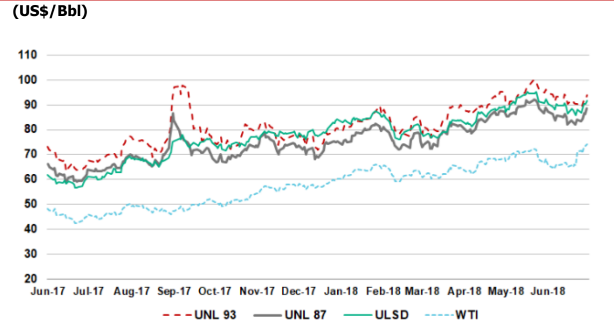
Exchange Rate



	2Q17	3Q17	4Q17	1Q18	2Q18
Exchange Rate	3.255	3.267	3.245	3.229	3.274

Fuente: SBS

WTI & Other International By-Product Prices



US$/Bl (End of Period)	2Q17	3Q17	4Q17	1Q18	2Q18
UNL 93	67.6	75.5	80.8	90.2	93.9
UNL 87	63.9	68.4	75.4	81.8	88.5
ULSD	61.3	74.9	84.2	83.8	91.6
WTI	46.0	51.7	60.4	64.9	74.2

Fuente: 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.

With regard to the exchange rate, as of March 2018 it has shown a slight growth tendency through the end of June registering a QoQ depreciation of 1.4% at the close 2Q18, S/ 3.274, which is mainly explained by the strengthening of the dollar in the international financial markets and an increase in yields in US dollars.

The oil price during 2Q18 was very volatile, but showed a slight upward trend, (in contrast to 2017 that showed downward behavior), mainly due to the commercial war between the United States and China, and the weakening of supply from Venezuela and Iran (due to sociopolitical problems). Additionally, stoppage of production in Canada, Libya and Kazakhstan due to weakening of infrastructure also boosted the oil price.

The average price of WTI for May 2018 (US $70/Bbl) increased 11% vs the average in 1Q18 due to an increasing global market deficit because of a combination of higher than expected global demand and OPEC production cuts. During 2Q18, the WTI price increased further to end the quarter at around US$ 74.2/Bbl.

Fuel prices have behaved similarly to the price of WTI crude as can be seen in the chart above, which shows higher prices at the end of 2Q18 compared to 1Q18.

As can be seen, the price of petroleum products shows a high correlation with the price of WTI, consequently, like the WTI price, the prices of fuels in the US have shown an increasing trend, mainly due to greater demand. In this context, in the US Gulf Coast (USGC), from the beginning of the year until the end of June, the UNL 93 differential with respect to WTI crude oil rose from US$ 19.0/Bbl to US$ 19.8/Bbl (+4%) and that of UNL 87 from US$ 13.6/Bbl to US$ 14.3/Bbl (+5%).

In the case of Diesel 2 ULSD, from the beginning of the year until the end of June the differential was reduced from US$ 22.7/Bbl to US$ 17.5/Bbl (-23%), due to the higher in the level of inventories in the US.

Local market prices are determined considering the international prices of crude oil by-products (Import Parity Prices calculated by PETROPERU). Prices are expressed in Soles at the current exchange rates. Note that between 85-90% of the ex-plant price (before taxes and margins of wholesale service stations) corresponds to international market prices. The Import Parity Pricing structure consists of the USGC value (Platt Price Values plus Quality Adjustments) plus freight, insurance, import costs (inspections, port fees, financial costs, long stays), yield, distribution costs, margin of profit and tariffs of OSINERGMIN[12].

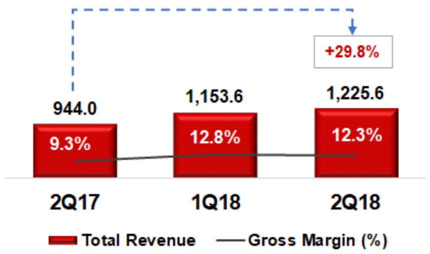
[12] OSINERGMIN: Peru's Supervisory Body of Energy and Mining Investment.

2.2. FINANCIAL RESULTS

INCOME STATEMENT

Total Revenue & Gross Margin

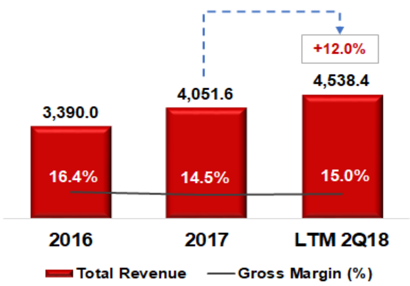
(In millions of US$)



	2Q17	1Q18	2Q18
Total Revenue (US$ million)	923.5	1,132.6	1,207.8
Volume (MMbbl)	12.9	13.4	13.7
Price US$ (Sales/bbl)	71.8	84.7	88.1

Total Revenue & Gross Margin

(In millions of US$)



	2016	2017	LTM 2Q18
Total Revenue (US$ million)	3,317.7	3,979.3	4,463.5
Volume (MMbbl)	53.2	53.0	54.7
Price US$ (Sales/bbl)	62.4	75.1	81.6

Note: For the calculation of the Unit Prices in US$, Total Revenue excludes Other Revenues.

Total Revenues (including Other) reached US$ 1,225.6 million in 2Q18, an increase of 29.8% YoY. This variation was due to the increase in sales volume of 150.6 KBPD compared to 141.4 KBPD sold in 2Q17 and the 22.7% increase of the fuel prices.

Local sales increased by 30.6% from US$ 844.7 million in 2Q17 to US$ 1,103.6 million in 2Q18. Exports also increased 32.3% YoY, from US$ 78.8 million to US$ 104.3 million. Among the products that the Company exports is Diesel 2[13] (Diesel HS[14], which used to be sold locally). Total Sales Revenues (excluding Other) increased by 30.8% compared to 2Q17.

Gross Margin increased from 9.3% in 2Q17 to 12.3% in 2Q18, which demonstrates a good operational and commercial management of the company, despite recording a lower Net Profit YoY.

[13] Diesel 2: Diesel HS (High Sulfur) without Biodiesel
[14] Diesel HS: High Sulphur Diesel or "Diesel B5 (HS)"

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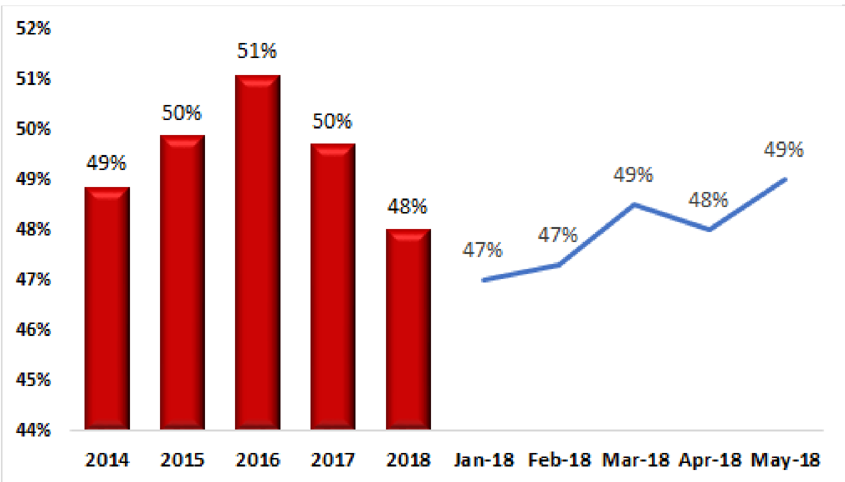
Analysis of the Product Portfolio:

SALES
(In Millions of US$)

SALES	2Q17	2Q18	YoY	Weight on Total Sales
LOCAL SALES				
LPG [1] [2]	45.0	51.7	14.9%	4.9%
Gasolines/Gasohols [1]	223.5	274.0	22.6%	24.2%
Turbo A-1	23.5	31.4	33.5%	2.5%
Diesel B5 [1] [2]	506.7	618.1	22.0%	54.9%
Industrial Oil [1] [2]	21.3	37.2	74.4%	2.3%
Bunkers (Marine Residual - IFO + Marine Diesel N°2) [1]	13.9	7.3	-47.3%	1.5%
Asphalt Liquid / Asphalt Solid [1]	6.6	10.6	61.8%	0.7%
Others [1] [3]	4.2	73.3	1641.4%	0.5%
Total Local Sales	**844.7**	**1,103.6**	**30.6%**	**91.5%**
EXPORTS				
Nafta Virgin	9.2	31.4	241.7%	1.0%
N°6 Fuel Oil, Reduced Crude, Industrial Oil 500	36.8	48.7	32.4%	4.0%
Diesel 2	21.9	10.2	-53.2%	2.4%
Others [4]	10.9	13.9	27.4%	1.2%
Total Exports	**78.8**	**104.3**	**32.3%**	**8.5%**
Total Local Sales & Exports	**923.5**	**1,207.8**	**30.8%**	
Other Operational Incomes		17.8		
TOTAL REVENUES		**1,225.6**		

The market share of PETROPERU (annual average) has been reduced from 50% in 2017 (full year) to 48% in 2018 (YTD) due to aggressive competition. Average monthly market share recovered slightly in May 2018 having reached 49%. In general, the products that mainly contributed to the market share reduction were Diesel and LPG. However, despite the market share decline, PETROPERU continues being the leader in the national fuel market.

PETROPERU Market Share Evolution



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PETROPERU

Income Breakdown

(In millions of US$)

	LTM 2Q 2018
LOCAL REVENUES	
LPG (1) (2)	211.9
Gasolines/Gasohols (1)	1,049.2
Turbo A-1	115.6
Diesel B5 (1) (2)	2,264.7
Industrial Oil (1) (2)	80.8
Bunkers (Marine Residual - IFO + Marine Diesel N°2) (1)	56.5
Asphalt Liquid / Asphalt Solid (1)	55.7
Others (1) (3)	165.1
Total Local Revenues	**3,999.5**
EXPORTS	
Nafta Virgin	115.3
N°6 Fuel Oil, Reduced Crude, Industrial Oil 500	202.0
Diesel 2	97.4
Others (4)	49.3
Total Exports	**464.0**
TOTAL REVENUE	**4,463.5**

% Participation	
4 Products	**81.6%**
Diesel B5 (1) (2)	50.7%
Gasolines/Gasohols (1)	23.5%
LPG (1) (2)	4.7%
Turbo A-1	2.6%
2 Products	**74.2%**
Diesel B5 (1) (2)	50.7%
Gasolines/Gasohols (1)	23.5%
Local Revenues	**89.6%**
Exports	**10.4%**

(1) Discount Included
(2) FEPC Included
(3) Cutting material, Solvents, Gasoline Aviation and Naphthenic Acid.
(4) Turbo A-1, Gasolines, Asphalts, IFO's and Naphthenic Acid.

During 2Q18, PETROPERU had a total Sales Revenue of US$ 1,207.8 million, higher by 30.8% than the same period of 2017, when Sales Revenue was US$ 923.5 million, with 91.4% of sales concentrated in the domestic market.

PETROPERU maintains a network of 676 affiliated service stations to June 2018, which are distributed across the country over the 24 regions of the country. Besides, its products have the highest quality standards according to the customer's opinion and the quality certificates granted as a result of the compliance with the national and international standards.

LOCAL MARKET

Regarding the internal market, important aspects that affect the commercial management of the Company have occurred, such as:

- The fishing season in 2018 was greater than 2017, which caused the increase in Diesel and Residual sales. The national quota in the fishing sector reached 94.7% at June 2018, being 100% the goal scheduled at July 2018.
- The supply contract with its wholesale distributor Numay was renewed, which has been supplying 100% of fuel to Yanacocha Mining company.
- In addition, other important contracts have been renewed, such as the contracts for fuel supply to the National Police of Peru (PNP) and with industrial and electricity companies.
- Since March 2018 (Contract Initiation) the supply of fuel to the Volcan Mining company has been satisfactorily fulfilled, after having obtained the awarding decision in January 2018.
- In the month of June 2018, no sales of IFO have been made from the Callao Plant due to the rupture of the pipeline of Pier 4. The supply lines of Pier 4 are in maintenance, so the use of ships to supply their customers is under evaluation.

EXTERNAL MARKET

Exports represented only 8.6% of total Sales Revenue in 2Q18. Although, exports revenue increased in relation to 2Q17, this was a consequence of price mix effect since volumes exported in 2Q18 declined 4% YoY. The product that most contributed to the Sales Revenue is the Virgin Naphtha whose export generated revenues of US$ 31.4 million.

SUPPLY CHAIN MANAGEMENT

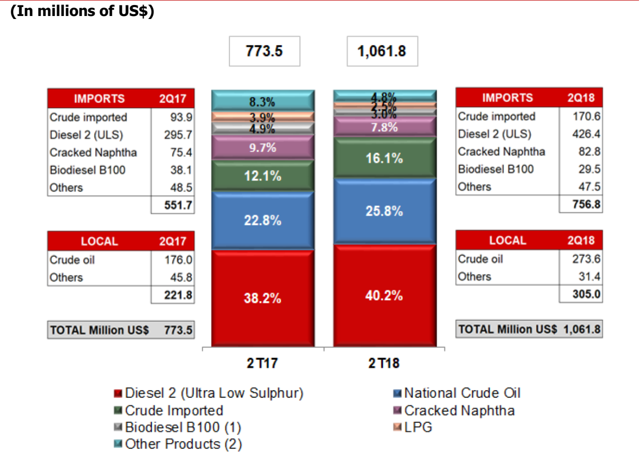
Regarding the Company's Supply Chain, besides the shutdown of Dock 7 (located in the Callao port), the Company continues with the major maintenance program. The Company decided to implement timely ships reposition program to keep high inventories of gasolines, diesel and turbo A1 in Callao. At the same time, works are being held at Dock 5, also located in Callao, to enable gasoline and diesel unloads.

In 2Q18, the investments for the construction of new Plants and Terminals are as follows: i) Terminal Ilo has a 46.2% construction progress versus the 59.3%, the deviation is due to ii) contractor delays, iii) Supply plant of Pasco - Ninacaca with a construction progress of 42.5% versus the 49.6% scheduled, also slightly delayed, since the bidding process was declared void for having a higher offer (36%) versus the estimated. Instead, an Abbreviated Contracting Process was carried out under paragraph 12.3.C of the Acquisitions and Contracting Regulations of PETROPERU, and on June 25, 2018, it was awarded to OBS - IMECON Consortium.

During 2Q18, port closures continued due to adverse weather conditions, reporting 467 port closing days from January to June versus 354 days (up 31.81%) reported in the same period of 2017, generating operating cost increases for product loads and unloads, as well as in land transportation in order to timely supply customer demand, without any restrictions.

Since January, a Safe Transportation Plan was implemented aiming to raise accident prevention awareness within ground transportation companies in order to reach zero accidents during the year. During the 2Q18, no major accidents were reported within the more than 700 contracted units that provide ground transportation service in different supply routes to our installations.

Purchases



(1) Inputs for formulation of Diesel B5
(2) Includes: HOGBS, Gasoline Aviation, Alcohol Fuel, Natural Gas Condensate and Turbo A1

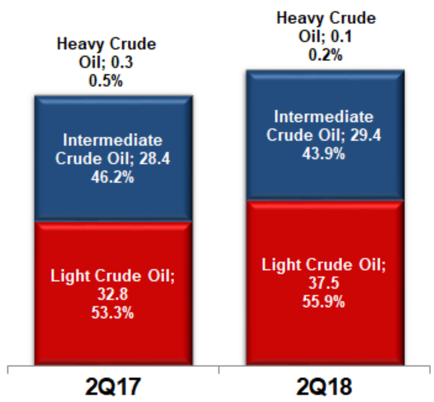
The crude oil processed in our refineries is either local or imported. Local crude oil comes mainly from the Talara area and is purchased considering an average oil prices basket. Crude oil (from the Northwestern region of Peru) today represents 25.8% of total purchases.

In 2Q18, oil imports as a percent of total purchases in our refineries increased to 16.1% (from 12.1% in 2Q17). This increase in the share of imports' purchases reflects the reduction in oil loads in the production process to reduce the production of Diesel HS because of the new regulations for processing Diesel ULSD[15].

[15] Diesel ULSD: Ultra Low Sulphur Diesel or "Diesel B5-S50 (ULSD)".

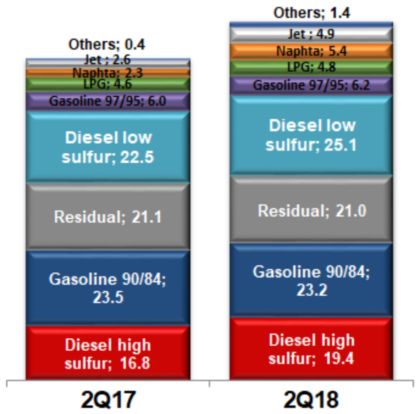
Oil Slate

(KBPD)



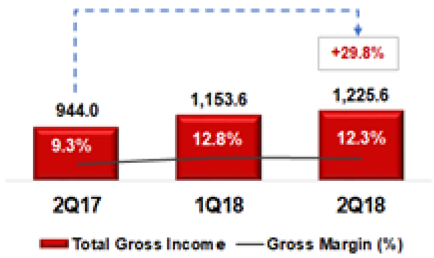
Product Yield

(KBPD)



Incomes & Gross Margin

(In millions of US$)



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Volume (MMbbl)	12.9	13.4	13.7
Price US$ (Sales/bbl)	71.8	84.7	88.1

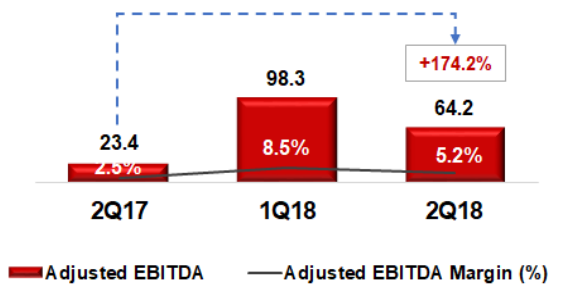
Note: For the calculation of the Unit Prices in US$, Total Sales do not include Other Incomes.

In 2Q18, the Net Refining Margin reached its all-time low because due to the Supreme Decree 025-2017-EM came into effect, which caused greater surpluses of Diesel HS, taking into account that this regulation requires that in La Libertad department, only Diesel ULSD can be marketed. Therefore, the operation of the Talara and Conchán refineries were affected, as these do not have the capacity to produce Diesel ULSD. Moreover, due to the adjustment of the list price, the Company is giving higher discounts in order to maintain sales in the local market.

However, the decrease of the Net Refining Margin was offset by the margins obtained in the blending operations carried out in Talara and Conchán refineries to formulate Gasoline of 97 and 95 octane, as well as Diesel ULSD, from imported components, in order to comply with the regulation abovementioned. Furthermore, considering the global results, the margin obtained in the refining and blending operations was US$ 1.40/Bbl.

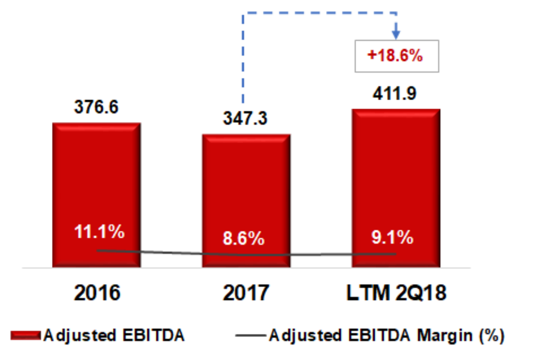
Adjusted EBITDA & Adjusted EBITDA Margin

(In millions of US$)



Adjusted EBITDA & Adjusted EBITDA Margin

(In millions of US$)



PETROPERU generated US$ 64.2 million Adjusted EBITDA in 2Q18, compared to US$ 23.4 million in 2Q17. This 74% jump was mainly due to higher prices and the good commercial performance of the company which led to 300bps Gross Margin expansion YoY to 12.3%.

COGS[16] represented 87.7% of the Company's revenues, which underlines the importance of having a sound management of commodities purchase; however, there are exogenous factors, such as the crude oil prices, which do not contribute to a reduction of the COGS.

Operating expenses per business unit are as follows:

OPEX: Operating Expenses

(In thousands of US$)

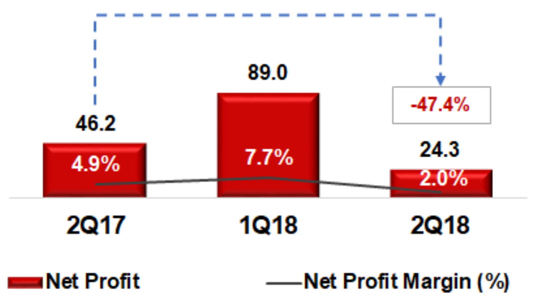
Business Unit	Executed on 2017	Executed as of June 2018
Refining	232,976	111,332
Transportion through ONP	39,264	31,804
Distribution & Comercialization	159,401	78,697
Others	102,513	70,908
Total	**534,154**	**292,741**

The Refining business unit, reported the highest operating expenses among all the business units (44% in 2017 and 38% YTD). The refineries at Talara, Conchán and Iquitos are currently in operation. The business unit with the second highest operating expenses is Distribution and Commercialization, which encompasses Supply Plants and Storage Tanks throughout the country and; finally followed by the ONP business unit, where operating expenses were significantly reduced thanks to environmental remediation initiatives implemented in 2016 derived from cuts in third party pipes.

[16] COGS: Cost of Goods Sold.

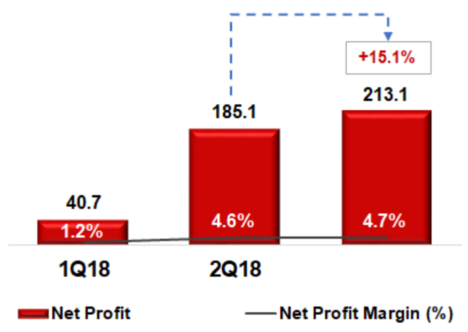
Net Profit & Net Profit Margin

(In millions of US$)



Net Profit & Net Profit Margin

(In millions of US$)

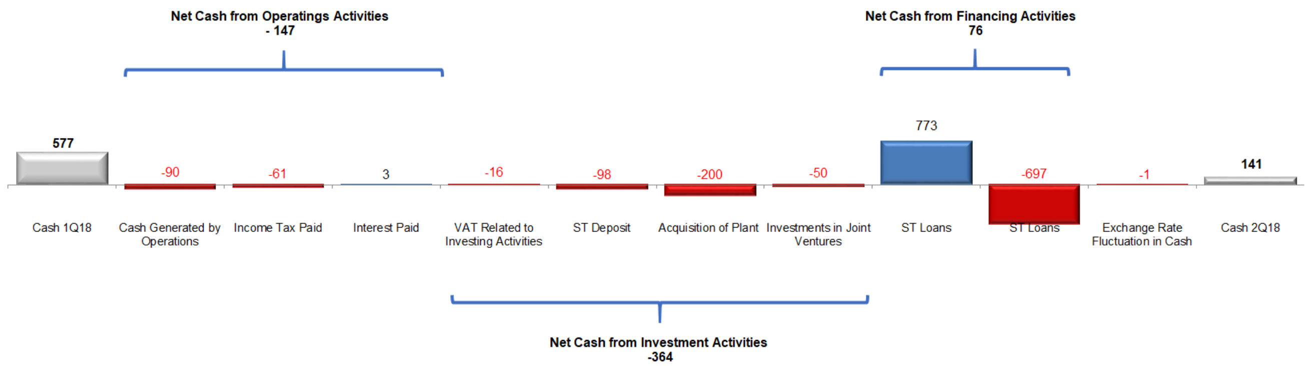


Net Profit in 2Q18 was US$ 24.3 million compared to US$ 46.2 million in 2Q17; the increase in SG&A[17] compared to 2Q17 of 224.6% due to the non-recurring provision of two arbitration processes for environmental remediation contingencies in Block 8 and La Pampilla Refinery were a primary cause of the fall in Net Income. Additionally, there was an increase in the payment of Income Taxes of 184%, which also affected the reduction of Net Income.

CASH FLOW STATEMENT

Cash Flow Analysis 2Q18

(In millions of US$)



At the end of 2Q18, PETROPERU reported a Cash Flow of US$ 140.7 million, compared to US$ 1,197.6 million in 2Q17, which was affected by the deficit in the Operating Cash Flow and the deficit in the Cash Flow of Investment, as well as a lower flow of financing activities.

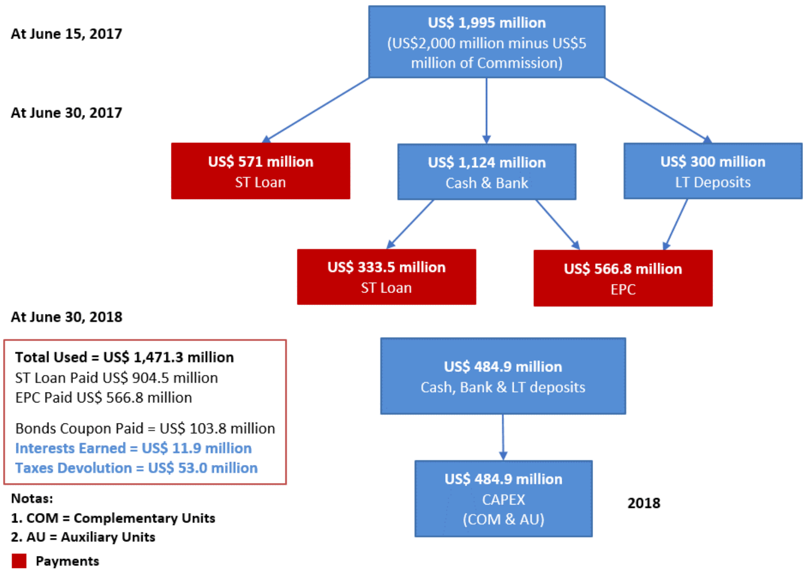
Cash Flow from Operating Activities in 2Q18 decreased to -US$ 147.4 million from US$ 31.7 million in 2Q17. This deficit was due to the accumulation of payables related to the great number of invoices for the purchase of crude oil and products as a result of the increase in volumes and purchase prices. It is important to indicate that this deficit was covered with more short-term financing for Working Capital.

Cash Flow from Investing Activities reached -US$ 363.9 million in 2Q18 compared to -US$ 613.7 million in 2Q17. This deficit is a consequence of the capital expenditures corresponding to the execution of the PMRT and current investments, a deficit that was mainly covered by the initial balance of the period.

[17] Selling, General and Administration Expenses.

Likewise, Cash Flow from Financing Activities declined to US$ 76.1 million in 2Q18 from US$ 1,666.3 million in 2Q17. As a reminder, the Company issued US$ 2 billion in notes during June 2017.

The bond proceeds were used as follows:



Note: In relation to outstanding balances, these are placed in investment banks, local and international recognized financial institutions, which are regularly reported to the Central Reserve Bank and the Ministry of Economy and Finance.

BALANCE SHEET

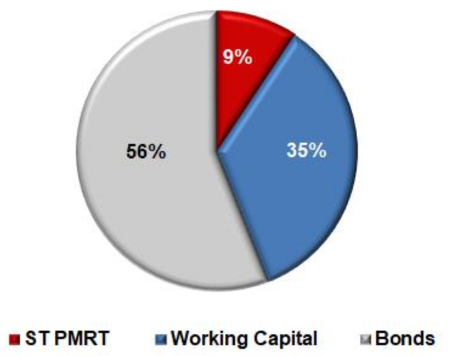
The financing of the PMRT within the framework of the bank credit agreement guaranteed by CESCE for US$ 1.3 billion is in the face of previous conditions fulfillment. We expect the final closing of the loan and its disbursement during the second semester of 2018.

As of 2Q18, PETROPERU maintained its revolving credit lines granted by local and foreign banks for up to US$ 2.8 billion, of which US$ 1.1 billion are still available. This is sufficient to cover the Company's working capital needs.

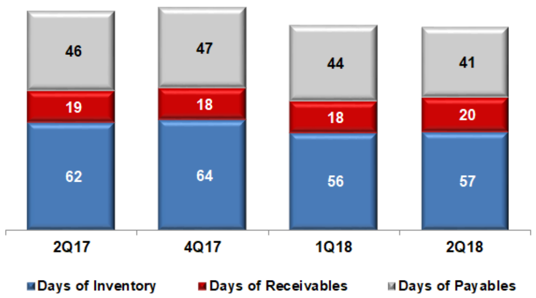
Total debt outstanding is comprised as follows: 56% Bonds, 35% Working Capital and 9% Short-Term loans for PMRT. As of 30 June 2018, cost per capitalized loans related to PMRT reached US$ 33.8 million (versus US$ 74.7 million in 2017). Working Capital in 2Q18 was -US$ 204.5 million compared to US$ 395.4 million in 2Q17.

Debt Composition

2Q18



Cash Conversion Cycle



	2Q17	4Q17	1Q18	2Q18
Cash Conversion Cycle[1]	35	35	31	36

[1] Days of Inventory + Days of Receivables – Days of Payable

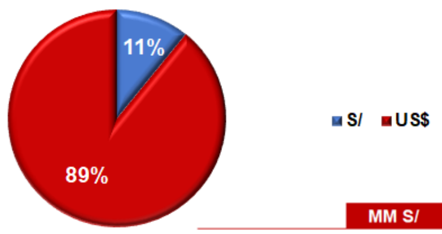
The Cash Conversion Cycle at 2Q18 reached 36 days, above those of 1Q18 and 2Q17, partly due to the fact that inventory turnover decreased compared to the same period in 2017, higher volume of sales and less volume of purchases.

Total Debt is split into 89% US$ and 11% Soles. The average debt duration is 10.30 years for the 15-year bond, and 14.39 years for the 30-year bond. It is important to mention that the contract of the bonds issued does not contemplate the obligation to comply with covenants beyond the delivery of financial information. These bonds do not have specific guarantees.

The Amortization Schedule shows that the short-term loans related to the PMRT will be paid during 3Q18. Bonds and their respective coupons that have a maturity date of 2032 and 2047, will be paid with PMRT cash generation.

Foreign Exchange Debt Composition

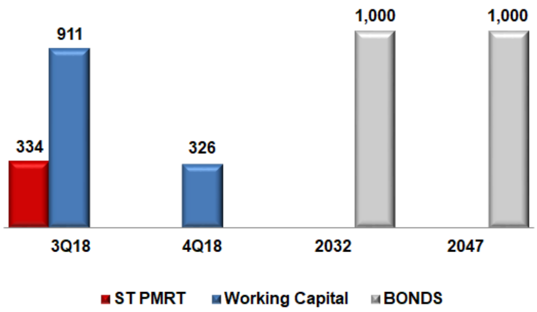
As of 1Q18 (In millions of US$)



	MM S/	MM US$
PMRT CP	-	334
Capital de Trabajo	389	849
Bonos	-	2,000
TOTAL	**389**	**3,183**

Amortization Schedule

(In millions of US$)



FINANCIAL INDICATORS

Ratios

	2016	2017	LTM 2Q18	2Q17	1Q18	2Q18	YoY	QoQ
EBITDA / Interest	24.8	10.0	53.4	1.9	10.9	13.4	591.2%	23.5%
Debt / Assets	47.5%	55.6%	58.7%	63.4%	58.4%	58.7%	-	-
EBITDA / Assets	9.0%	5.8%	6.8%	1.6%	1.6%	2.7%	-	-
Debt / EBITDA	5.3	9.5	8.7	38.4	35.7	21.9	-42.9%	-38.6%
Current Rate	0.42	1.02	0.91	1.17	1.01	0.91	-22.0%	-9.8%

The EBITDA/Interest ratio refers to an indicator of interest coverage, which increased 591.2% in 2Q18 compared to 2Q17. This demonstrates that the Company can deal with the interest payments through the profit generated by the main operation of the Company up to 13.4x, since YoY EBITDA has increased, while the Financial Expenses have decreased.

On the other hand, Total Debt represents more than half of Total Assets (58.7%) in 2Q18, which is mainly due to the balance of the bond issue made in mid-2017. Regarding EBITDA on Assets, as of 2Q18, this was 2.7%, higher than 2Q17.

As of 2Q18, the Company has a Debt/EBITDA Ratio of 21.9x, due to the level of leverage that it maintains. At a certain extent, the Company is able to face its financing in the long term considering that the most relevant financing is just the long term one, and it is expected that the PMRT operation can cope with this financing.

Finally, at the end of 2Q18, the Liquidity Ratio was reduced by 22.0% with respect to the same period in 2017, with a Liquidity Ratio of 0.91 compared to 1.17 in 2Q17. This is mainly due to the lower cash balance recorded at the end of 2Q18 due to the lower available balance of funds received from the issuance of US$ 2 billion, which are invested in liquidity funds.

2.3. OPERATING RESULTS

PETROPERU focuses on three business lines: 1) Refining and commercialization, which represented 98% of Total Gross Income during 2Q18, 2) Leasing and privatization of certain units, which represented 1% of Total Gross Income during 2Q18, and 3) the Nor Peruano Oil Pipeline, which represented 1% of Total Gross Revenues during 2Q18.

Additionally, PETROPERU participates as a non-operating partner in the exploration and exploitation activities of hydrocarbons in Block 64 and has the option to participate in the development of Block 192 (formerly Block 1 AB). This participation does not generate any income for PETROPERU, as explained further on.

PMRT

As of June 29, 2018, the progress of the PMRT was 69.90% vs the 88.74% scheduled. This scheduled progress is based on the first timeline included in the contract signed in 2014 by the processing units with TR where the completion of the project was expected for June 2019. The Company is preparing a new project schedule, considering the delays experienced due to bidding awarding to COBRA-SINOHYDRO Consortium of the Auxiliary Units, as well as the backlog at the TR works (mainly in the assembly of industrial process pipes). Therefore, the new refinery is expected to initiate operations by December 2020.

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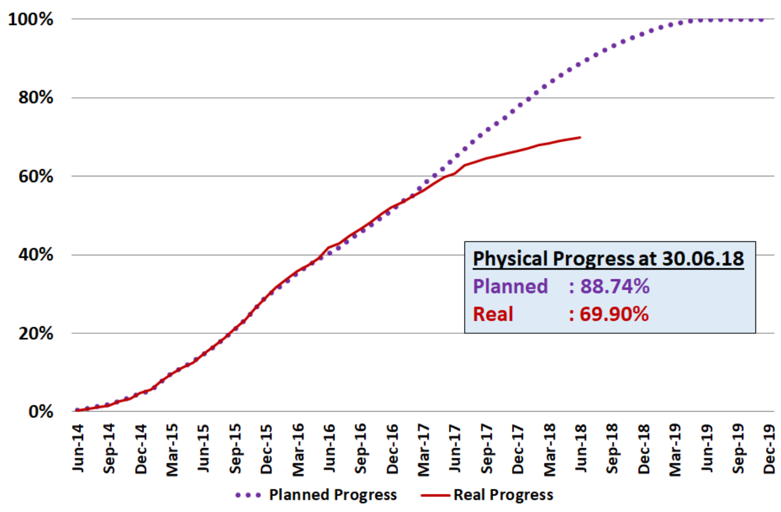
Overall Progress of the Project



Engineering, Procurement and Construction (EPC) Contract for the Process Units

Detailed Engineering: Work progress reached 99.96% vs the 100% scheduled. There are some pending documentation works corresponding to diagrams of ties and list of cables.

Procurement: Work progress reached 99.56% vs the 99.97% scheduled. The difference is mainly due to the replacement of the instrumentation cables, which were rejected by PETROPERU.

Construction: Work progress reached 79.68% vs the 88.61% scheduled, mainly explained by the slowdown in the assembly of pipes and equipment, modification of tanks and interconnection, affecting the assembly of instrumentation.

Auxiliary Units and Complementary Works

On February 8, 2018, a preliminary meeting was held along with the COBRA-SCL UA & TC Consortium in Talara, which marked the contract start date.

On April 24, 2018 and June 16, 2018, the Consortium presented the first and second version of the Work Schedule, respectively. On May 14th, 2018, PETROPERU presented its comments and observations to the first version. At June 30, 2018, the Consortium COBRA-SCL UA & TC has pending the delivery of its final schedule, as a result of the various observations made.

Financing

The US$ 2 billion obtained from the bond issuance were allocated to pay short-term debt, invoices related to the EPC and commissions for the bond structure in accordance to the terms of the mandate letter. The balance, including the interests earned, was deposited in investment banks as well as in local and foreign banks.

Regarding the financing with CESCE, the Contract Administrator (DEUTSCHE BANK, SAE) has been requested to extend the deadline up to July 31, 2018, to comply with the delivery of certain documentation, which the Contractor has still not delivered to PETROPERU.

It is estimated that a second bond issuance for a total of US$ 600 million, will be made during the second half of 2019.

Local Labor Recruitment

As of June 30, 2018, labor of local origin totaled 7,444 jobs. The local unskilled labor had a participation of 85%, exceeding the minimum established by the EIA (70%), while qualified local labor had a participation of 30%.

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PETROPERU continues with its communication, citizen participation and local development support projects in order to increase employment opportunities for skilled people in Talara.

REFINING

Net Refining Margin was lower than 2Q17 (US$ -0.21/Bbl in 2Q18 vs. US$ 5.76/Bbl in 2Q17), due to the enactment of Supreme Decree (DS) No. 025-2017-EM which led to higher excedents of Diesel HS to be generated, taking into consideration that the Decree now requires that in La Libertad region only Diesel ULSD must be traded. This fact is also affecting the operation of the Talara and Conchán refineries, since they do not have the capacity to produce diesel with the characteristics required from their production process. Also, List Prices were adjusted and greater discount promotions are being granted in order to maintain sales in the local market.

However, the decrease of the Net Refining Margin was compensated with the margins obtained in the blending operations carried out in Talara and Conchán refineries to formulate Gasoline of 97 and 95 octane, as well as Diesel ULSD, from imported components, in order to comply the regulation abovementioned. Furthermore, considering the global results, the margin obtained in the refining and blending operations was US$ 1.40/Bbl.

Operating Data

	2017	LTM 2Q18	2Q17	1Q18	2Q18	YoY	QoQ
Refining Capacity (in KBPD) (1)	94.5	94.5	94.5	94.5	94.5	-	-
Refinery Utilization (in KBPD) (2)	69.4	69.1	68.1	65.7	69.3	1.7%	5.4%
Refined Products (in KBPD) (3)	104.7	108.2	99.9	108.0	111.5	11.6%	3.3%
Refining Margin (US$/bbl) (4)	5.76	3.79	5.76	1.89	-0.21	-103.7%	-111.1%
Blending Margin (US$/bbl) (5)	11.89	9.69	13.72	11.74	5.58	-59.3%	-52.5%
Net Total Margin (US$/bbl) (6)	7.28	5.36	7.87	4.98	1.40	-82.2%	-71.9%
Capacity Utilization Rate (7)	73.4%	73.1%	72.1%	69.5%	73.3%	-	-
Volume Sales (in KBPD)	145.2	147.5	141.4	148.6	150.6	6.5%	1.3%

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, asphalts resides 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) Differential between the price of the purchased inputs for the mixing operations carried out in the refineries and the price of the formulated products (Gasolines 97/95 and Diesel B5 S50). The operating costs of the blending activities carried out at the Talara and Conchán Refineries are discounted.
(6) It is the average margin obtained from the refining and blending activities carried out by the Company's refineries.
(7) Defined crude refinery utilization (in thousands of average barrels per day for the period) divided by atmospheric distillation refining capacity.

Production was higher compared to the same period of the previous year (111.5 vs. 99.9 KBPD), due to a May 27-31 2017 stoppage at the processing units of the Talara Refinery due to a fire in the Vacuum Distillation Unit. The Capacity Utilization Ratio was 73.3% in 2Q18, similar to the 73.1% in 2Q17.

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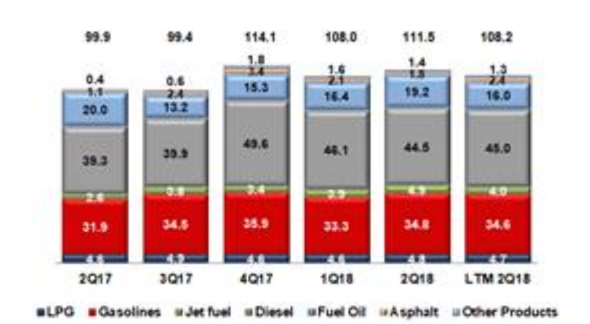
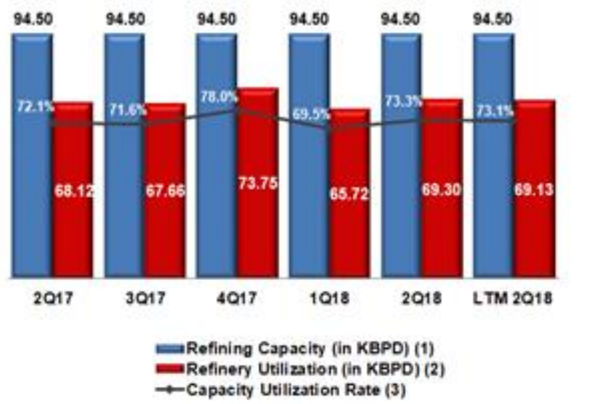
Refined Products

(In KBPD)



	2Q17	3Q17	4Q17	1Q18	2Q18	LTM 2Q18
Refining Margin (US$/bbl)	5.8	7.8	5.7	1.9	-0.2	3.8

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 reside and diesel reprocess introduced into the first step of the refining process, referred to as atmospheric distillation
(3) Defined as crude refinery utilization (in thousands of average barrels per day for the period) divided by atmospheric distillation refining capacity.

NOR PERUVIAN OIL PIPELINE (ONP)

The pumped crude oil volume for the period between January to June 2018 is as follows:

Section	Pumped Volume At June 2018 (MB)
SECTION I	524.76
SECTION II	2,326.44
NORTHERN BRANCH	1,493.23

Through the Northern Branch Pipeline (ORN), did not pump crude oil during the month of June, due to the contingency occurred at the kilometer 12, district of Andoas, Datem del Marañón province, in the Loreto region (contingency described below). Consequently, there has been a lower volume pumped through Section II.

At June 2018, the following volumes have been embarked at the Bayóvar Terminal:

- ✓ 405.6 MBbl of Loreto crude oil from PETROPERU.
- ✓ 946.1 MBbl of Loreto crude oil from Pacific and Perupetro S.A.
- ✓ 423.3 MBbl of Imported Residual and Crude for PETROPERU's Coast Refineries.

On May 25, 2018, a contingency occurred at the km. 12 of the Northern Branch, crossing under the Pastaza River, caused by the extraordinary flooding (at the Ecuadorian side, this flood forced the evacuation of the inhabitants of 9 native communities). This flood caused a fissure in the pipeline and consequently a small oil spill, whose social and environmental effect is being evaluated by the company ERM.

Regarding the contingencies occurred in the first quarter, caused by cuts to the pipeline of Section I, Kms. 20 (February 27, 2018) and Km 87 (March 11, 2018), the companies LAMOR and KANAY, are dealing with the cleaning, remediation and final disposal of hazardous solid waste.

In relation to the state of the contingencies occurred in previous years, we have the following:

DATE	LOCATION	SITUATION	% PROGRESS At JUNE
Feb 3rd, 2016	Km 206+035 – Northern Branch	Cleaning and Remediation: 100% Disposal of hazardous solid waste: In progress	57
Jun 24th, 2016	Km 213+992 – Section I	Cleaning and Remediation: 100% Disposal of hazardous solid waste: 100%	100
Oct 25th, 2017	Km 24+367 – Section I	Cleaning and Remediation: 100% Disposal of hazardous solid waste: 100%	100
Nov 7th, 2017	Km 221+046 – Northern Branch	Cleaning, Remediation and disposal of hazardous solid waste: 78%	78

PETROPERU continues to work with local companies on the Early Warning System and the Clearing of ONP´s Right of Way, as a participatory security mechanism. Additionally, it signed an agreement with the "National Police of Peru" in order to provide security to the ONP facilities.

Regarding the "ONP Modernization Project", it has been set up as a first phase, the diagnosis of the entire Transport System and the Conceptual Engineering for this project, which will take approximately 5 months. At June 30, 2018, the Company is in the middle of the bidding process to hire the company to be in charge of this first phase. It is worth mentioning that the Second Phase includes the FEED (Front End Engineering Design) and the Third Phase the EPC (Detail Engineering, Procurement and Construction).

EXPLORATION AND PRODUCTION

Block 64

As of 2Q18, GeoPark (Operating Partner), carried out the Second Round of Workshops (in the Native Communities of Caballito, Brasilia, Katira) for Citizen Participation, and presented to the SENACE on June 28, 2018, for approval, the Environmental Impact Study (EIA) of the Development Project for the Central Situche Reservoir. The Company expects to have the EIA approved by December 2018. Moreover, the gathering of field information for the engineering of the production facilities registered a progress of 85%.

Regarding the Environmental Impact Study (EIA) of the Exploratory Program, GeoPark has carried out preliminary informative meetings with the communities, in preparation for the development of the First Workshop related to the Citizen Participation Plan of the Exploratory EIA, which is expected to be implemented during the third quarter of 2018.

Block 192

As a result of the contingency that occurred at km 12 of the ONP (contingency described in the ONP part), the Temporary Services Contract with Frontera Energy took effect on June 2018. Therefore, it is estimated that the Block will continue to be operated by Frontera Energy until the Third Quarter of 2019.

Once PETROPERU was awarded by Perupetro S.A. the Exploitation License for the Block, Perupetro S.A. announced that the beginning of the direct negotiation would take place within 90 days (end of April); however, the term was extended until the end of July of 2018. On the other hand, PETROPERU initiated a bidding process to hire a Financial Advisor for the selection of an Oil Company or Consortium to be part of the referred License Contract for the Block 192.

LEASED & PRIVATIZED UNITS

This segment corresponds to other income originated by Operation Contracts of the oil terminals and leasing of certain facilities to third parties. Income reported from this segment is classified under Other Operating Income and reached US$ 17.8 million in 2Q18.

This item considers the development of studies to generate value of the assets of PETROPERU.

3. OTHER SIGNIFICANT MANAGEMENT MATTERS IMPACTING EARNINGS

3.1. CORPORATE GOVERNANCE

During 2Q18, the following actions and achievements in Corporate Governance (CG) have been made:

1. In relation to Management Results Reports, during 2Q18, the Annual Shareholders' Meeting approved the Annual Report 2017 (it includes the evaluation of compliance with the principles of the CG Code for Peruvian Companies) and, the Board of Directors approved the Annual Report of CG 2017 (Company management results with respect to CG practices).
2. On May 28, 2018 PETROPERU's Corporate Governance Code was updated, in compliance with Legislative Decree No. 1292, which, in its Article 3, establishes that the referred Code must be in accordance with international practices for companies within the hydrocarbons sector.
3. PETROPERU perform an assessment of compliance with Corporate Governance, corresponding to 2017 annual period (it took place during April - May 2018), which was carried out by Capital Markets company, Inversiones y Finanzas, Consultores S.A., obtaining 83.7%; exceeding the 80% requirement established by the Lima Stock Exchange to be recognized as companies with good Corporate Governance practices.
4. In relation to the Integrity System, the following activities have been carried out:
    a. Execution of the implementation service of "Prevention System for Corruption Offenses", carry out by Ernst & Young, within the framework of compliance with Law No. 30424 and Law No. 1352.
    b. Establishment of connections with institutions related to ethics and transparency matters, in order to strengthen ties with them and consider our participation in activities of those matters.
    c. Publicity of the PETROPERU´s Integrity Code to several related companies, offering the willingness to visit them and let them know the Integrity System.
    d. Under the framework of the Work Plan for the Integrity System consolidation, General Management approved the " PETROPERU's Decalogue of the Ethical Worker ".
    e. On May 28, 2018 the Chairman of the Board, Mr. James Atkins Lerggios, together with the other members of the Senior Management and the CEO, signed the Commitment Act for PETROPERU's Integrity System reinforcement and the implementation of national and international standards that contribute to preventing acts contrary to ethics and crimes of fraud, corruption, money laundering and financing of terrorism.
5. In relation to Information Transparency, the activities developed are as follows:
    a. On May 7, 2018, the Board of Directors approved the Publication of Information Procedure updates through PETROPERU's Transparency Portal. This will allow main stakeholders to be informed about the results of our performance and the main institutional projects, within the framework of our Information and Communications Policy.
    b. On May 28, the Board of Directors approved "PETROPERU's Transparency Corporate Policy ", which aims to establish guidelines necessary for the treatment of public access to the Company's information to be carried out with honesty, accuracy and transparency, whenever it is necessary, obtained, and is in position and under PETROPERU's control, in accordance with the provisions of the Transparency Act, its Regulations and modifications.

3.2. ENVIRONMENTAL & SOCIAL MANAGEMENT

During 2Q18, activities related to social and environmental matters have been carried out, demonstrating, as usual, PETROPERU's interest in doing responsible work with society and the environment.

In relation to Social matters, PETROPERU's Social Management Plan was presented within the framework of the photographic exhibition "Ojos de la Amazonia – Eyes of the Amazon", in which we present our strategy based on the analysis of our stakeholders and social risks. Likewise, our social commitments, suppliers' management and local employment, as well as productive projects will be reinforced. In addition, PETROPERU's Social Management Software was launched, with the participation of members of the IT deputy division and the Community Relations deputy division by which, it will be possible to record social information generated across our operations and thus to make better decisions in real time.

Nor Peruano Oil Pipeline (ONP), in order to strengthen the identity, leadership and identification of opportunities for productive projects, the Company signed the Cooperation Agreement with both the Center for Productive Innovation and Technological Transfer (CITE) of the Ministry of Production to initiate productive projects along the ONP, and the Interinstitutional Cooperation Agreement with the association Nación Awajún Wampis (NAW Peru) that includes communities between Station 5 and Station 7 of Section II of the ONP.

Within the framework of our strategy to strengthen local companies, in April a meeting was held with the ONP contractors in Piura city to address important Social Management issues such as pipeline cuts by third parties, Social Management guidelines and database of qualified suppliers (BDPC). The meeting was carried out with 80 contractors from Iquitos, Yurimaguas, San Lorenzo, Estación 5, Morona, Lima and Piura.

On the other hand, in coordination with RENIEC18, a free campaign was carried out to obtain the National Identity Document (DNI), aimed to the population of 12 communities surrounding the ONP, managing to serve about 800 residents. Likewise, the reinforcement and training campaign of a hundred health promoters has been started with the aim of reducing the rates of chronic malnutrition and childhood anemia.

On the other hand, in Talara, diagnostic studies of the prioritized productive projects for the area have begun; these projects are related to the management of solid waste, the improvement of artisanal fishing and the promotion of tourism. Additionally, a Business Management seminar was held for 37 companies with the objective of promoting and strengthening the performance of local companies. Also, aligned to our entrepreneurship guideline "Haciendo Camino – Making Way" it was inaugurated the V edition of the Entrepreneurship Fair: Women in Action, with the participation of women from the region, which in 2017 were trained in the productive workshops that the National Service of Training in Industrial Work (Senati) commissioned by PETROPERU.

In Conchán Refinery, the Campaign for the Prevention of Fire and First Aid was carried out with the main slums surrounding the Refinery. The "Petroperú Academy" is also being developed, in which 80 girls and boys from these towns participate and receive football and volleyball classes. Likewise, in April, fifteen young women with scholarships granted by the Company, began classes in the technical career of Physiotherapy and Rehabilitation, thanks to an agreement between PETROPERU and the Instituto Superior Arzobispo Loayza.

In Ilo, PETROPERU presented to the authorities and the civil society of Ilo the Community Relations Plan, which forms part of the Environmental Impact Study (EIA) for the construction of the new Ilo Sales Terminal, which will supply liquid fuels to the south of the country.

In relation to Environmental Management, the Company is awaiting the approval, by the General Directorate of Environmental Energy Affairs of the MINEM, the reports of identification of potentially polluted sites that exceed the Environmental Quality Standards (ECA) for Soil at its sites throughout all of our Operations, in order to continue with the following stages of the process framed in compliance with the ECA for Soil.

Furthermore, PETROPERU continued its activities of cleaning and remediation of the areas affected by the oil spills occurred in the Nor Peruano Oil Pipeline during 2017 and 2018, which were mainly originated by acts of third parties. Also, at the end of May 2018, an oil leak was reported at km 12 of the Northern Branch Section, because of the anomalous rise of the Pastaza River. Immediately after the Company detected the event, PETROPERU executed its contingency plan, as well as deploying activities and resources for

[18] Instituto de educación superior de salud en el Perú.

environmental cleanup and remediation of the areas affected by the event, which are supervised by highly specialized and trained personnel. The cleaning and remediation works are scheduled to be completed by the end of August 2018.

In parallel, the Company is in a process of ongoing dialogue and understanding with the communities of Andoas, as well as it has launched a systematic process of environmental monitoring focused on monitoring and evolution of the rehabilitation of soils, surface waters and aquatic sediments, as well as of the flora and fauna of the remediated areas.

3.3. ORGANIZATIONAL MATTERS

As reported in the First Quarter 2018, on March 14, 2018, the Performance Evaluation Process was initiated, whose evaluation phase has been 100% completed as of June 30, 2018. Within this context, it has been approved the Performance Evaluation Policy and the updating of the Company's Succession Policy. Likewise, within this Process, Ethics and Values competencies have been considered within the Requisites of Job Positions.

In addition, Functional Objectives have been established for each Area, which are being evaluated permanently.

As a result of the 2017 Trade Union Negotiation, it was agreed with PETROPERU's Coalition Union, the modification of some job benefits, applicable to the staff entering as of 01/01/2018, which is having and will have in the medium and long term, a positive economic impact in the Remunerative Payroll of the Company.

In mid-May 2018, the Voluntary Redundancy Program was completed, aimed at staff whose retirement age ranges between 66 and 69 years, as well as for staff with critical health conditions. As a result of this Program, sixty-two (62) workers have accessed to go through this Process.

The Company is on the process to change its Organizational Culture, which relies upon three important pillars: 1) Integrity 2) Safety and 3) Risk Management. The Company is currently working to ensure that this Culture will be weighted through the use of technology and a performance management system.

Regarding the actions focused on implementing attracting and retaining talent strategies, some meetings have been held with consultants in the field, in search of proposals to deploy actions and activities to attract and retain talent.

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Earnings Release

PETROPERU

Financial Summary

Income Statement

In Millions of US$	2016	2017	LTM 2Q18	1Q17	2Q17	1Q18	2Q18	YoY (1)	QoQ(2)
Revenues Domestic	3,052.5	3,585.5	3,999.5	842.2	844.7	997.3	1,103.6	30.6%	10.7%
Revenues Exports	265.2	393.7	464.0	90.6	78.8	135.3	104.3	32.3%	-22.9%
Other Revenues	72.2	72.3	74.9	15.7	20.5	21.0	17.8	-13.4%	-15.6%
Total Revenues	3,390.0	4,051.6	4,538.4	948.4	944.0	1,153.6	1,225.6	29.8%	6.2%
COGS	-2,834.8	-3,462.3	-3,858.2	-829.5	-855.9	-1,005.8	-1,075.4	25.6%	6.9%
COGS (% of Revenues)	83.6%	85.5%	-85.0%	-87.5%	-90.7%	-87.2%	-87.7%	-	-
Gross Profit	555.2	589.2	680.3	118.9	88.1	147.8	150.2	70.5%	1.6%
Gross Margin (%)	16.4%	14.5%	15.0%	12.5%	9.3%	12.8%	12.3%	-	-
SG&A	-449.5	-290.7	-332.6	-56.9	-32.0	-27.0	-103.8	224.6%	284.3%
SG&A (% of Revenues)	13.3%	7.2%	7.3%	6.0%	3.4%	2.3%	8.5%	-	-
Operating Profit	105.7	298.6	347.6	62.1	56.1	120.8	46.4	-17.3%	-61.6%
Operating Margin (%)	3.1%	7.4%	7.7%	6.5%	5.9%	10.5%	3.8%	-	-
Net Profit	40.7	185.1	213.1	39.1	46.2	89.0	24.3	-47.4%	-72.7%
Net Profit Margin (%)	1.2%	4.6%	4.7%	4.1%	4.9%	7.7%	2.0%	-	-
Adj. EBITDA	376.6	347.3	411.9	74.5	23.4	98.3	64.2	174.2%	-34.7%
Adj. EBITDA Margin (%)	11.1%	8.6%	9.1%	7.9%	2.5%	8.5%	5.2%	-	-

(1) Year-over-year (YoY): Compare financial results with those of the same period in the previous year.
(2) Quarter-on-quarter (QoQ): Compare financial results with those of the same period in the previous quarter.

Cash Flow Statement

	2016	2017	LTM 2Q18	2Q17	1Q18	2Q18	YoY	QoQ
Flujo de Caja Operativo	374.9	165.0	150.4	31.7	-38.0	-147.4	-565.3%	287.5%
Flujo de Actividades de Inversión	-1,101.0	-1,228.5	-1,023.9	-613.7	-235.5	-363.9	-40.7%	54.5%
Flujo de Caja de Actividades de Financiamier	793.9	1,652.7	-185.9	1,666.3	183.4	76.1	-95.4%	-58.5%

Balance Sheet

In Millions of US$	2016	2017	LTM 2Q18	2Q17	1Q18	2Q18	YoY	QoQ
Current Assets	1,148.0	2,319.2	2,078.9	2,750.0	2,279.4	2,078.9	-24%	-9%
Non-Current Assets	3,028.7	3,619.6	3,999.7	3,183.4	3,741.0	3,999.7	26%	7%
Total Assets	4,176.8	5,938.7	6,078.6	5,933.3	6,020.5	6,078.6	2%	1%
Short Term Debt	1,733.4	1,319.2	1,581.0	1,765.6	1,528.0	1,581.0	-10%	3%
Long Term Debt	248.9	1,985.1	1,985.4	1,994.9	1,985.2	1,985.4	0%	0%
Total Debt	1,982.4	3,304.3	3,566.3	3,760.5	3,513.2	3,566.3	-5%	2%
Other Liabilities	1,078.5	1,016.8	781.2	656.2	800.5	781.2	19%	-2%
Total Liabilities	3,060.8	4,321.1	4,347.6	4,416.7	4,313.7	4,347.6	-2%	1%
Stockholders´ Equity	1,115.9	1,617.6	1,731.1	1,516.6	1,706.8	1,731.1	14%	1%
Total Capitalization (Debt + Equity)	4,176.8	5,938.7	6,078.6	5,933.3	6,020.5	6,078.6	2%	1%
Total Current Liabilities	2,728.2	2,266.2	2,283.5	2,354.5	2,258.3	2,283.5	-3%	1%
Working Capital	-1,580.2	52.9	-204.5	395.4	21.1	-204.5	-152%	-1069%
Debt / EBITDA	5.3	9.5	55.5	160.6	35.7	55.5	-65%	55%