

Earnings Release



PETROPERU¹ Announces Third Quarter 2018 Earnings Results - 3Q18

Lima, Peru, October 31st, 2018: PETROPERU (OTC: PETRPE) announced financial and operating results for the period ended September 30th, 2018 ("3Q18"). For a comprehensive analysis please refer to the Intermediate Financial Statements 3Q18² available on the Superintendencia Mercado de Valores del Perú website - SMV (www.smv.gob.pe).

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1. EXECUTIVE SUMMARY

During 3Q18, Total Revenue increased by 20.5% compared to 3Q17, due to the increase in domestics and foreign sales, however, PETROPERU reported a Net Income of US\$ 38.7 million, a decrease of 41.5% compared to US\$ 66.1 million in 3Q17, mainly explained by the reduction of Gross Margin. In line with this, adjusted EBITDA decreased 78% YoY³ to US\$ 32.2 million, primarily due to lower Gross Profit, partially offset at the SG&A level.

The integral physical progress of the Talara Refinery Modernization Project (PMRT) to 3Q18 was 70.72%. Regarding the Engineering, Procurement and Construction (EPC) project, the Detailed Engineering registered progress of 99.99%; Procurement of equipment and materials reported progress of 99.8%; and Construction posted progress of 82.54%. With regard to the Auxiliary Units, PETROPERU has approved the schedule presented by the COBRA-SCL UA & TC Consortium (in charge of the EPC), which is aligned to the date of completion of the Project (December 2020).

Regarding the syndicated loan with CESCE's guarantee, PETROPERU has requested to the Agreement Administrator (DEUTSCHE BANK, S.A.E.) a time extension until December 2018, to complete delivery of the documentation requested in the Credit Agreement, documentation which the EPC contractor must submit.

Regarding the Nor Peruano Oil Pipeline (ONP), crude oil has been pumped in its three sections despite the disruption reported in the 2Q18 (incident occurred near Km. 12 of the ORN which was alleviated temporarily through the installation of flexible pipes). In relation to its modernization, the execution of the first phase (Diagnosis of the entire Transport System and Conceptual Engineering for this project), began on August 6th, 2018, and it is estimated to be completed on December 24th, 2018. 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).

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

² Intermediate Financial Statements for the Third 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 accordance with International Financial Reporting Standards (IFRS), as issued by the IASB (International Accounting Standards Board).

³ YoY: Year-over-year, compare financial results with those of the same period in the previous year.

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Regarding the exploration and production activities, on August 16th, 2018, it is estimated to have the Development EIA⁴ (Block 64) approved in January/February 2019. The development of the conceptual engineering for the Development Project for the Central Situche Reservoir, in its phases A and B, has been completed; its Basic Engineering will now be developed. In relation to Block 192, Perupetro S.A.⁵ communicated that the deadline to initiate this negotiation was extended until further notice, because the process of Citizen Participation has not yet been initiated.

The company is managing its personnel based on its competences and the new profile necessary for the modernization of value chain processes; performing actions such as performance management, strengthening of the organizational culture and work environment, and review of its organizational structure.

1.1. FINANCIAL HIGHLIGHTS

- During 3Q18, Total Revenue increased by 20.5% compared to 3Q17, due to the increase in domestics and foreign sales YoY. Domestic and Export revenue increased by 20.8% and 24.1% YoY, respectively, mainly due to a price effect.
- Total Sales Volume reached 153.6 KBPD⁶ in 3Q18, in line with the 152.6 KBPD in 3Q17, 86.0% of sales (132.1 KBPD) were concentrated in the domestic market. Refined products volume reached 111.0 KBPD in 3Q18.
- Gross Profit decreased from US\$ 179.6 million in 3Q17 to US\$ 62.2 million in 3Q18 (-65% YoY), largely because sale prices of the products have not increased in the same proportion as the purchase prices. Operating Profit decreased (-66% YoY) from US\$ 123.2 million in 3Q17 to US\$ 41.8 million in 3Q18, mainly as greater increase in the costs of acquisition of products, which in turn led to a proportional increase of the COGS⁷, outweighed lower SG&A⁸.
- Likewise, Net Profit in 3Q18 was US\$ 38.7 million compared to US\$ 66.1 million in 3Q17, due to the same reason mentioned in the previous bullet.
- Adjusted EBITDA⁹ decreased to US\$ 32.2 million (-76% YoY). Adjusted EBITDA Margin decreased from 13.7% in 3Q17 to 2.5% in 3Q18 due to the negative effect that import prices have had on sales prices, and in turn, the increased volume of higher cost imports that the Company has had.
- Cash Flow from Operating Activities decreased to -US\$ 134.6 million in 3Q18 compared to US\$ 230.0 million in 3Q17. This deficit was mainly due to higher COGS following higher payments to suppliers for purchases of crude oil and products.

1.2. OPERATIONAL, COMMERCIAL AND MANAGEMENT HIGHLIGHTS

The integral physical progress of the PMRT to 3Q18 was 70.72%. The measurement of the integral physical progress of the PMRT will be reviewed after the approval of the integral schedule, which will integrate the EPC contract schedule signed with Cobra-SCL UA & TC Consortium and the modification of the EPC contract schedule with Técnicas Reunidas.

Regarding the EPC project, the Detailed Engineering registered a progress of 99.99%; Procurement of equipment and materials, reported a progress of 99.8%; and Construction posted a progress of 82.54%. There is a certain lag due to the pending definition of the engineering of the auxiliary units' interconnections, the replacement of instrumentation cables and the assembly of pipes and equipment.

With regard to the Auxiliary Units, PETROPERU has approved the schedule presented by the COBRA-SCL UA & TC Consortium (in charge of the EPC), which is aligned to the date of completion of the Project to December 2020.

⁴ EIA: Environmental Impact Study

⁵ Perupetro S.A. is the state-owned company that, on behalf of the Peruvian State, is responsible for promoting, negotiating, subscribing and monitoring hydrocarbons exploration and exploitation contracts in Peru. <http://www.perupetro.com.pe/>

⁶ KBPD: Thousands of Barrels Per Day

⁷ COGS: Cost of Goods Sold.

⁸ SG&A: Selling, General & Administrative Expense

⁹ 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.

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Regarding the syndicated loan with CESCE's guarantee, PETROPERU has requested to the Agreement Administrator (DEUTSCHE BANK, S.A.E.) a time extension until December 2018, to complete the delivery of the documentation requested in the Credit Agreement, documentation which the EPC contractor must submit.

For 3Q18, the Net Refining Margin reached its minimum in recent periods (-US\$ 3.26/Bbl in 3Q18 vs. US\$ 7.75/Bbl in 3Q17) due to the fact that in August the Catalytic Cracking Unit (UCC) of the Talara Refinery was out of service for 42 days, and the Selva Primary Residual (RPS) had less output when processed in the Primary Distillation Unit (UDP) instead of the UCC. Also, in September, the Vacuum Distillation Unit (UDV) of the Talara Refinery could not process the primary residual because it went out of service for 6 days to repair the fractionator's inmates, which affected the operation of the UDP and UCC of said refinery.

PETROPERU is the leader in the national fuel market with a 48% share in the period January - August 2018. Although aggressive competition exists in the market, the Company has been working to boost the sales of its two most important products, diesel and gasoline, which have a share of 59% and 66%, respectively. PETROPERU maintains a network of 678 affiliated service stations to June 2018, which are distributed across the country over the 24 regions of the country.

Regarding the ONP, crude oil has been pumped in its three sections despite the contingency reported in the 2Q18 (incident occurred near Km. 12 of the ORN, which was temporarily solved with the installation of flexible pipes). In relation to the "ONP Modernization Project", the execution of the first phase (Diagnosis of the entire Transport System and Conceptual Engineering for this project), began on August 6th, 2018, and is estimated to be completed on December 24th, 2018. 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).

Parallel to this service, some activities have been carried out for the safe and reliable operation of the transport system; among them, we have: Installation of Pressure Transmitters in Section I and ORN; Acquisition and installation of blocking valves in the ONP; and the Improvement to the SCADA Supervision and Control System.

Regarding exploration and production activities, on August 16th, 2018, SENACE¹⁰ declared that the EIA for the Development Project for the Central Situche Reservoir of Block 64 has been admitted. EIA approval for the Development is expected in January/February 2019. The elaboration of the conceptual engineering of the Development Project for the Central Situche Reservoir, in its phases A and B, has been completed; its Basic Engineering will now be elaborated. In relation to Block 192, Perupetro S.A.¹¹ communicated on September 21st, 2018, that the deadline to initiate this negotiation, was extended until further notice, because the process of Citizen Participation event has not yet been initiated. Perupetro S.A. has reached an agreement with the Native Communities and estimates to hold this event in the week commencing November 20th, 2018.

During 3Q18, activities related to social and environmental matters have been carried out, reaffirming PETROPERU's emphasis on Environmental, Social and Governance (ESG) in all the Company's operations, especially in the ONP and the Refineries.

In relation to Environmental Management, PETROPERU continues cleaning and remediation works in the areas affected by the oil spills occurred in the ONP during 2017 and 2018, mainly caused by actions of third parties. In addition, the Company is awaiting approval of the reports of identification of potentially contaminated sites that exceed the Environmental Quality Standards (ECA) for Soil throughout all our Operations, aimed at identifying those areas that require the Company's attention.

2. FINANCIAL & OPERATIVE ANALYSIS

2.1. MACROECONOMIC ENVIRONMENT

According to the Vice Minister of Economy, in 3Q18 there was a contraction in the Peruvian economy with an estimated GDP growth of 2.4%, which, according to him, is mainly due to the external markets volatility as a result of the US-China trade war and adjustments of monetary policies in the world's leading economies. This in turn, negatively affected the foreign exchange market and

¹⁰ National Institute of Environmental Certification – Servicio Nacional de Certificación Ambiental. In charge of reviewing and approving the EIA of public, private or mixed capital investment projects.

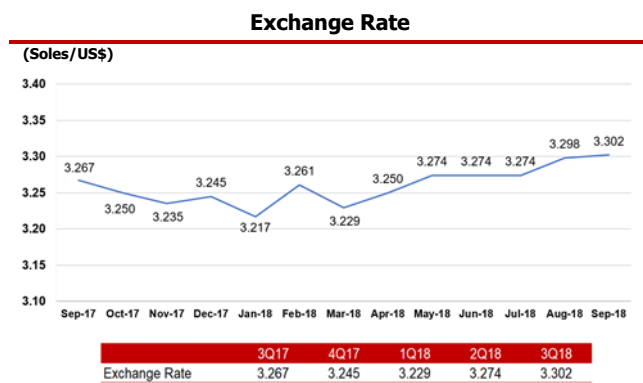
¹¹ Perupetro S.A. is the state-owned company that, on behalf of the Peruvian State, is responsible for promoting, negotiating, subscribing and monitoring hydrocarbons exploration and exploitation contracts in Peru. <http://www.perupetro.com.pe/>

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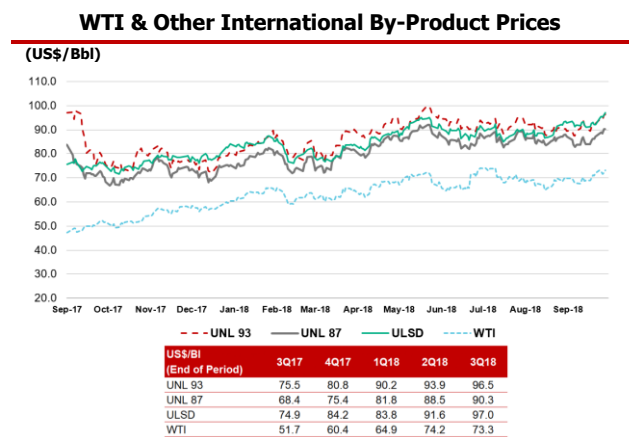


metal prices, which, at the local level, generated a weak performance of the primary sector. Despite all this, he indicated that Peru has solid macroeconomic fundamentals to face these turbulences, and although 3Q18 has not been encouraging, the Ministry of Economy and Finance maintains its growth expectations at 4%, in line with achieving the 2018 objective.

In relation to annual inflation, in September it was within the 1-3% target range of the Central Reserve Bank of Peru (BCRP), reaching 1.3%, due to the gradual normalization of prices. In August, inflation without food and energy stood at 2.0%. According to BCRP estimates, both the inflation rate and expectations will continue to converge gradually to 2% percent for the forecast horizon.



Source: SBS



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.

With regard to the exchange rate, since March 2018, the PEN maintained a slight increasing trend through the end of September, registering QoQ depreciation of 2.3% at the end of 3Q18 to S/ 3.302, which is mainly explained by high state of tension related to the trade war between the United States and China which in turn caused volatility in external markets, monetary policy adjustments abroad, and less demand for Peru's primary sector, commodities.

The oil price during 3Q18 was very volatile, but demonstrated a slight upward trajectory (in contrast to 2017 that showed a downward trend). There have been many events that have driven the WTI price during 3Q18. For the month of July, Saudi Arabia and Russia reported that oil production would increase by 1 million barrels, in addition there was a drop in exports of Iranian crude due to the sanctions imposed by the United States and reduction of crude oil consumption by the Chinese refineries due to tensions with the United States. In August, there was a drop in Iran's crude exports and a reduction in production in Libya, in addition to political-economic challenges in Venezuela. For the month of September, Saudi Arabia decided not to intervene in the market in order to avoid an increase in crude oil price, which led to lower worldwide production of crude.

The average price of WTI oil has increased gradually during the year, registering an average price of US\$ 70/Bbl in 3Q18 and reaching a price of US\$ 72/Bbl at the end of September. The increase was due to expectations of lower OPEC supply and lower inventories of crude in the United States.

During 3Q18, the spreads between the prices of gasoline UNL 93 and UNL 87 on the US Gulf Coast (USGC) and the price of WTI crude were volatile with a decreasing trajectory in relation to 2Q18.

In the case of Diesel 2 ULS (less than 50 ppm), during 3Q18 the differential was similar to the one registered in 2Q18 and in the case of residual 6 (3% sulfur), the differential was very volatile, with an upward trajectory during the last months.

Local market prices are determined considering the international crude oil by-products prices (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

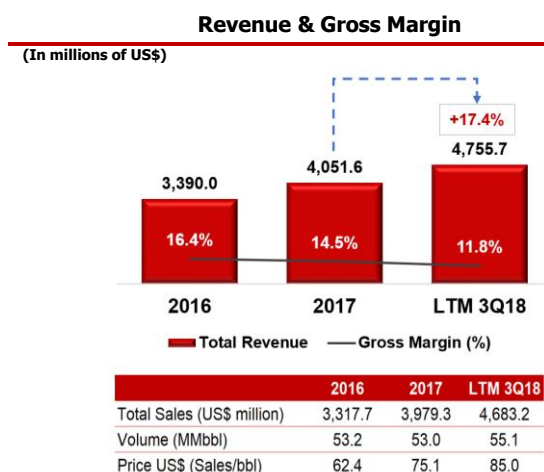
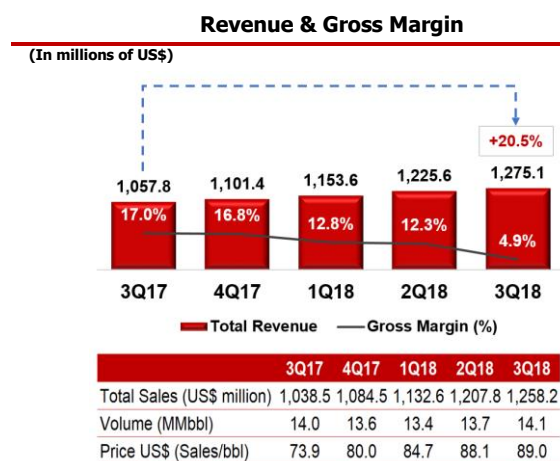
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consists of the USGC value (Platt Price Values plus Quality Adjustments) plus freight, insurance, import costs (inspections, port fees, financial costs, long stays), yield, distribution costs, margin of profit and tariffs of OSINERGMIN¹².

2.2. FINANCIAL RESULTS

INCOME STATEMENT



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

Total Revenue (including Other) reached US\$ 1,275.1 million in 3Q18, an increase of 20.5% YoY. This variation is due to the increase in the volume sold locally with respect to that sold in 3Q17 and the increase in the sales price by 19%.

Local sales increased by 20.8% from US\$ 922.3 million in 3Q17 to US\$ 1,113.9 million in 3Q18. Exports also increased 24.1% YoY, from US\$ 116.2 million to US\$ 144.2 million. Among the products that the Company exports is Diesel 2¹³ (Diesel HS¹⁴, which used to be sold locally), Virgin Naphtha, No 6 Fuel Oil, among others. Sales Revenue (excluding Other) increased by 21.2% compared to 3Q17.

Gross Margin decreased from 17% in 3Q17 to 4.9% in 3Q18, considering the increase in COGS of 38.1% compared to 3Q17, because the adjustments in the sales prices have been made in smaller magnitude to the increase in purchase prices, reflected in the lower price differential in the period.

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

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	3Q17	3Q18	YoY	Weight on Total Sales
LOCAL SALES				
LPG ⁽¹⁾⁽²⁾	52.7	47.9	-8.9%	3.8%
Gasolines/Gasohols ⁽¹⁾	238.8	280.0	17.2%	22.3%
Turbo A-1	26.0	31.3	20.2%	2.5%
Diesel B5 ⁽¹⁾⁽²⁾	562.7	639.8	13.7%	50.9%
Industrial Oil ⁽¹⁾⁽²⁾	12.3	13.6	10.2%	1.1%
Bunkers (Marine Residual - IFO + Marine Diesel N°2) ⁽¹⁾	15.4	20.7	34.6%	1.6%
Asphalt Liquid / Asphalt Solid ⁽¹⁾	10.6	18.1	71.0%	1.4%
Others ⁽¹⁾⁽³⁾	3.9	62.5	1512.1%	5.0%
Total Local Sales	922.3	1,113.9	20.8%	88.5%
EXPORTS				
Nafta Virgin	20.3	15.2	-25.1%	1.2%
N°6 Fuel Oil, Reduced Crude, Industrial Oil 500	46.5	78.2	68.0%	6.2%
Diesel 2	39.4	39.5	0.3%	3.1%
Others ⁽⁴⁾	10.0	11.4	13.8%	0.9%
Total Exports	116.2	144.2	24.1%	11.5%
Total Local Sales & Exports	1,038.5	1,258.2	21.2%	
Other Operational Incomes		16.9		
TOTAL REVENUE		1,275.1		

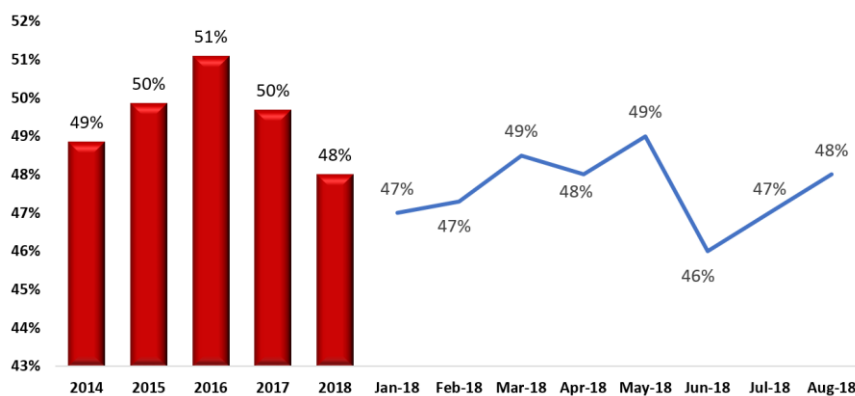
⁽¹⁾ Discount Included

⁽²⁾ FEPC Included

⁽³⁾ Cutting material, Solvents, Gasoline Aviation and Naphthenic Acid.

⁽⁴⁾ Turbo A-1, Gasolines, Asphalts, IFO's and Naphthenic Acid.

PETROPERU Market Share Evolution



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Income Breakdown

(In millions of US\$)

	LTM 3Q18	% Participation	
LOCAL REVENUES			
LPG ^{(1) (2)}	207.1	4 Products	80.3%
Gasolines/Gasohols ⁽¹⁾	1,090.4	Diesel B5 ^{(1) (2)}	50.0%
Turbo A-1	120.9	Gasolines/Gasohols ⁽¹⁾	23.3%
Diesel B5 ^{(1) (2)}	2,341.9	LPG ^{(1) (2)}	4.4%
Industrial Oil ^{(1) (2)}	82.1	Turbo A-1	2.6%
Bunkers (Marine Residual - IFO + Marine Diesel N°2) ⁽¹⁾	61.8	2 Products	73.3%
Asphalt Liquid / Asphalt Solid ⁽¹⁾	63.2	Diesel B5 ^{(1) (2)}	50.0%
Others ^{(1) (3)}	223.8	Gasolines/Gasohols ⁽¹⁾	23.3%
Total Local Revenues	4,191.2	Local Revenues	89.5%
EXPORTS			
Nafta Virgin	110.2	Exports	10.5%
N°6 Fuel Oil, Reduced Crude, Industrial Oil 500	233.6		
Diesel 2	97.5		
Others ⁽⁴⁾	50.7		
Total Exports	492.0		
TOTAL REVENUE	4,683.2		

⁽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.

PETROPERU maintains leadership in the national fuel market with a 48% share in the January - August 2018 period, following a slight dip in June 2018 of 3%. Although aggressive competition exists in the market, the Company has been working to boost sales volumes of its two most important products, diesel and gasoline, in which PETROPERU has market shares of 59% and 66%, respectively.

The relevant competitive factors facing the company are: price war in the market, maintenance of pier 7 (Callao) until May 2019 and rupture of the IFO (Intermediate Fuel Oil) pipeline in Callao port (both under the operation of APM Terminals).

During 3Q18, PETROPERU had a Sales Revenue of US\$ 1,258 million, 4% higher than in 2Q18, with 88.5% of sales concentrated in the domestic market.

PETROPERU maintains a network of 678 affiliated service stations to June 2018, which are distributed across the country over 24 regions. Its products have the highest quality standards according to customer opinion and the quality certificates granted as a result of compliance with national and international standards.

LOCAL MARKET

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

- Entry of ExxonMobil as importer-distributor. Also, Puma Energy (Trafigura) is in the process of being sold.
- Increase in sales to mining companies.
- Asphalt sales increased by 3% compared to August.
- 10.6% increased consumption by an electricity company with respect to the previous month.
- Since August, our client, the SOLGAS plant, has been servicing LPG customers, as SOLGAS won the supply contract.
- In order to improve our brand positioning, we have participated, from 12th to 19th September in the Expomina 2018 event, holding exhibitions of our Diesel ULSD and of SantiaGo (SGO).
- As part of our process improvements, and making use of technology, the issuance of discount credit notes was automated with SAP, which leads to reduced preparation times of documents, improved productivity and man-hours, as well as improved satisfaction of our clients by reducing emission time.

EXTERNAL MARKET

Exports represented 11.5% of Sales Revenue in 3Q18. Although export revenue increased in relation to 3Q17, this was a consequence of the price mix and prices increase since volumes exported in 3Q18 decreased 11% YoY. The product that contributed most to Sales Revenue was Diesel 2 (Virgin Naphtha, 2Q18), whose export generated Revenue of US\$ 39.5 million (US\$ 31.4 million, 2Q18).

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The Company sold volume of 21.2 KBPD, 11% lower compared to the same period of 2017, mainly explained by lower exports of Virgin Naphtha and Diesel 2. In relation to what was projected, sales volumes abroad were higher by 1.3 KBPD (+ 7%), mainly due to the greater export of Diesel 2.

SUPPLY CHAIN MANAGEMENT

Regarding the Company's Supply Chain, we continue with the major maintenance program of Dock 7 and rehabilitation works for Dock 5 (both located in Port of Callao), which has motivated the scheduling of more ships to be repositioned in order to maintain optimal inventories of Gasoline, Diesel and Turbo A1 in Callao.

In 3Q18, the investments for the construction of new Plants and Terminals are as follows: i) Terminal Ilo has 46.8% construction progress. Work continues on the perimeter fence as well as the construction of foundations for the tanks and buildings. The service of EPC is in charge of FELGUERA company, the supervision service is in charge of Ilo Consortium, and the power supply is in charge of ENGIE Energía del Perú S.A. ii) Pasco - Ninacaca supply plant has 29.6% construction progress, in accordance with the updated project schedule. The estimated completion month is September 2019. For the Procurement and Construction (PC) service, the land was delivered on September 11th, 2018 with OBS-IMECON S.A. Consortium in charge. The company in charge of the PC supervision is Tiger Engineering.

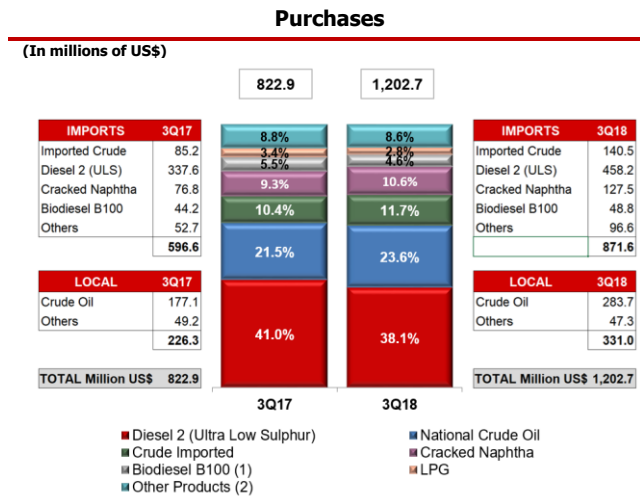
During 3Q18, port closures persisted due to adverse weather conditions, and totaled 795 port closing days from January to September versus 667 days (19.2% more) reported in the same period of 2017. This generated operating cost increases for product loading and unloading as well as for land transportation in order to meet supply customer demand in time, without restrictions.

As reported, since January, a Safe Transport Plan, for outsourced land transport companies, was implemented aiming to increase accident prevention awareness within the more than 700 contracted units that provide ground transportation service in different supply routes to our installations. During 3Q18, three (03) serious accidents were reported involving tank drivers, with no damage to the environment or communities. The land transport companies applied their contingency plans for these accidents, and additionally in the monthly Safety Committees held by PETROPERU with these companies, follow-ups have been carried out where awareness of a zero accidents target for drivers was emphasized to the companies, and from October on, the companies will carry out "safety stops" twice a month for 15 to 30 minutes, to reinforce critical points to their drivers.

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PURCHASES

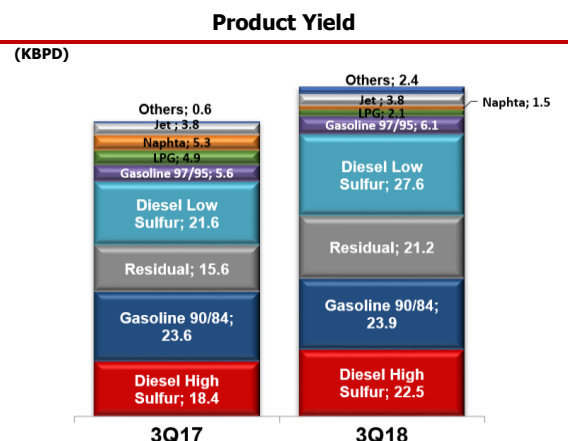
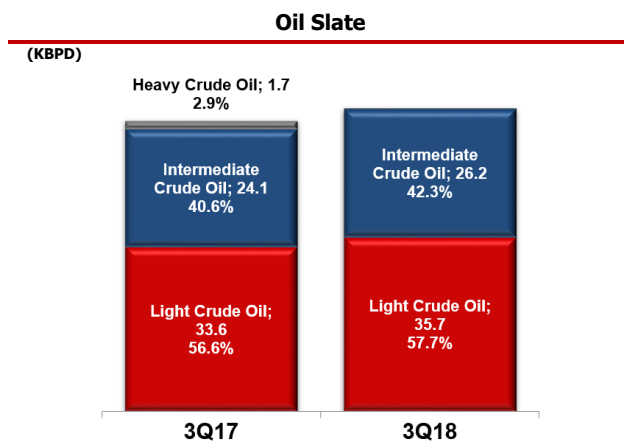


⁽¹⁾ Inputs for formulation of Diesel B5

⁽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) during the 3Q18 represented 23.6% of total purchases.

In 3Q18, oil imports as a percent of total purchases in our refineries increased to 11.7% (from 10.4% in 3Q17). This increase in the share of imports purchased reflects the reduction in oil loads in the production process to reduce Diesel HS because of the new regulations for processing Diesel ULSD¹⁵.

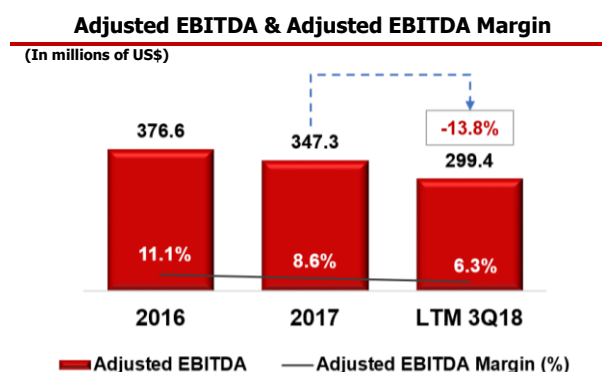
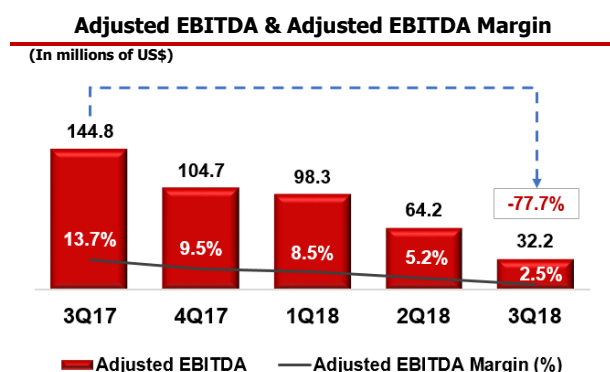


¹⁵ Diesel ULSD: Ultra Low Sulphur Diesel or "Diesel B5-S50 (ULSD)".

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EBITDA



PETROPERU generated US\$ 32.2 million Adjusted EBITDA in 3Q18, compared to US\$ 144.8 million in 3Q17. This decline in Adjusted EBITDA is due to the contraction of the Operating (and EBITDA) Margin because the sale prices of the products have not increased in the same proportion as the acquisition prices.

COGS represented 95% of the Company's revenue, which underlines the importance of having a sound management of commodities purchase; however, there are exogenous factors, such as the crude oil prices, which occurred during the quarter, but does not contribute to a reduction of COGS.

Operating expenses per business unit are as follows:

OPEX: Operative Expenses

(In thousands of US\$)

Business Unit	Executed on	Executed as of
	2017	September 2018
Refining	232,976	176,232
Transportation through ONP	39,264	51,069
Distribution & Comercialization	159,401	123,313
Others	102,513	69,206
Total	534,154	419,819

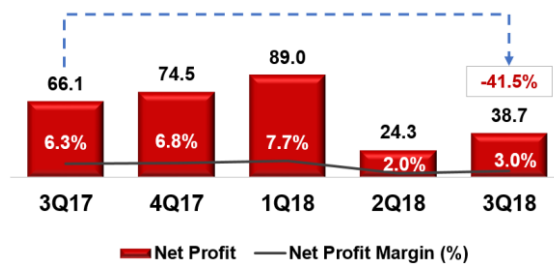
The Refining business unit, reported the highest operating expenses among all the business units (44% in 2017 and 42% YTD). The refineries at Talara, Conchán and Iquitos are currently in operation. The business unit with the second highest operating expenses is Distribution and Commercialization, which 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.

Earnings Release



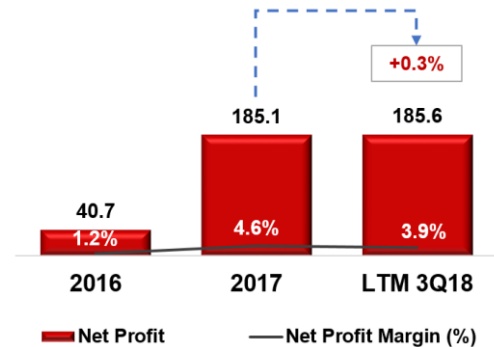
Net Profit & Net Profit Margin

(In millions of US\$)



Net Profit & Net Profit Margin

(In millions of US\$)

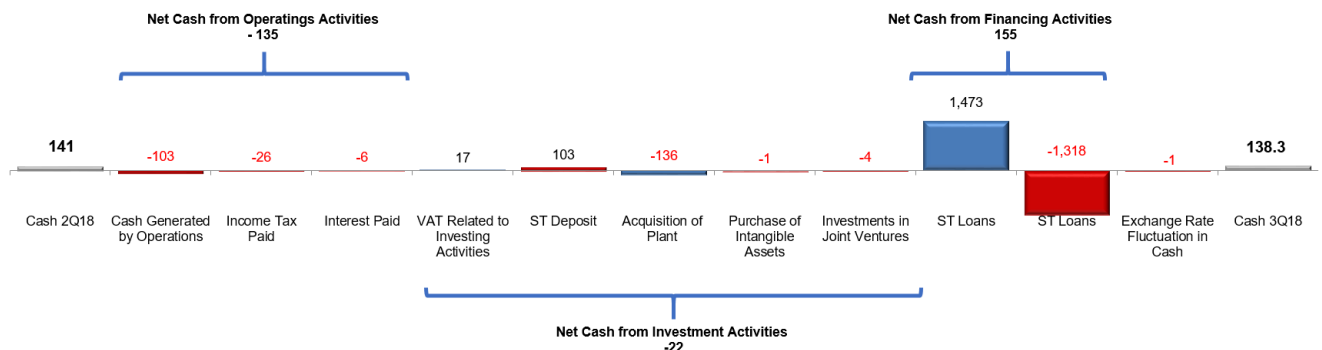


Net Profit in 3Q18 was US\$ 38.7 million compared to US\$ 66.1 million in 3Q17, as a result of the increase in COGS that went from US \$ 878.2 in 3Q17 to US \$ 1,212.8 in 3Q18 (+ 38.1%). As mentioned earlier, sale prices of the products increased by less than the prices of purchases.

CASH FLOW STATEMENT

Cash Flow Analysis 3Q18

(In millions of US\$)



PETROPERU reported Cash Flow of US\$ 138.3 million during 3Q18, compared to US\$ 741.8 million in 3Q17, mainly due to the deficit in the Operating Cash Flow.

Cash Flow from Operating Activities in 3Q18 decreased to -US\$ 135 million from US\$ 230 million in 3Q17. This deficit is mainly explained by the increase in payments for the purchase of crude oil and products, largely due to higher imports of ULSD and Crude Diesel; as well as its higher associated costs. It is important to indicate that this deficit was covered with more short-term financing for Working Capital.

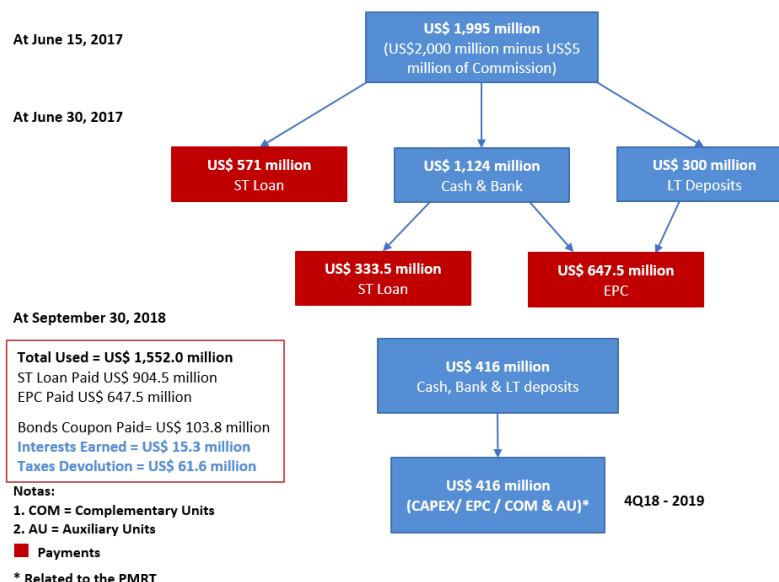
Cash Flow from Investing Activities reached -US\$ 22 million in 3Q18 compared to -US\$ 185 million in 3Q17. This deficit is a consequence of the capital expenditures corresponding to the execution of the PMRT and current investments, a deficit that was mainly covered by the initial balance of the period.

Cash Flow from Financing Activities was US\$ 155 million in 3Q18 vs. -US\$ 453 million in 3Q17. The disbursements received for financing were higher than the service of the debt. It should be noted that financing for Working Capital was obtained in the quarter in order to cover the operating expenses of the company.

Earnings Release



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 midst of fulfilling prior conditions. Currently, CESCE has extended the period of validity for the application for issuance of insurance policy for buyer credit by banks until the end of November; Likewise, DEUTSCHE BANK SAE has managed to extend the deadline to complete the delivery of documentation of the preceding conditions until December 31st, 2018.

As of 3Q18, PETROPERU maintained its revolving credit lines granted by local and foreign banks for up to US\$ 2.8 billion, of which US\$ 1.0 billion are still available. This is sufficient to cover the Company's working capital needs.

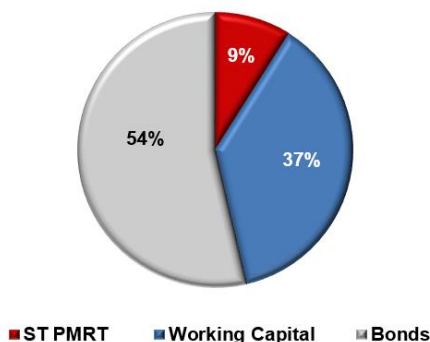
Total debt outstanding is comprised as follows: 54% Bonds, 37% Working Capital and 9% Short-Term loans for PMRT. As of September 30th, 2018, cost per capitalized loans related to PMRT reached US\$ 87 million (versus US\$ 74.7 million in 2017). Working Capital in 3Q18 was -US\$ 313.3 million compared to US\$ 301.4 million in 3Q17.

Earnings Release

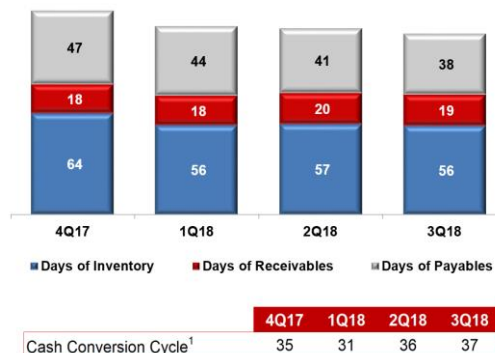


Debt Composition

3Q18



Cash Conversion Cycle



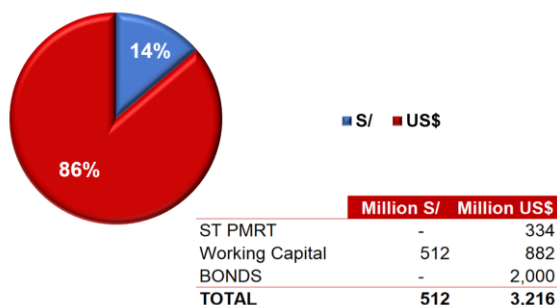
¹ Days of Inventory + Days of Receivables – Days of Payable

The Cash Conversion Cycle at 3Q18 reached 37 days, above those of 1Q18 and 2Q18, partly due to the fact that days of payables have been declining since 4Q17

As of 3Q18, Total Debt is split into 86% US\$ and 14% Soles. The average debt duration is 10.05 years for the 15-year bond, and 14.44 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.

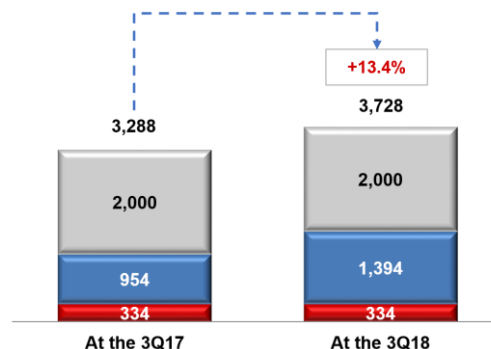
Foreign Exchange Debt Composition

3Q18 (In millions of US\$)



Amortization Schedule

(In millions of US\$)



FINANCIAL INDICATORS

Ratios

	2016	2017	LTM 3Q18	3Q17	2Q18	3Q18	YoY	QoQ
EBITDA / Interest	24.8	10.0	36.2	9.3	13.4	2.7	-70.7%	-79.6%
Debt / Assets	47.5%	55.6%	59.6%	56.9%	58.7%	59.6%	-	-
EBITDA / Assets	9.0%	5.8%	4.8%	4.2%	2.7%	3.1%	-	-
Debt / EBITDA	5.3	9.5	12.5	13.7	21.9	19.3	40.8%	-12.3%
Current Rate	0.42	1.02	0.87	1.14	0.91	0.87	-23.4%	-4.2%

The EBITDA/Interest ratio is an indicator of interest coverage, which decreased 70.7% in 3Q18 compared to 3Q17. Despite this reduction, the Company is able to meet up to 2.7x interest payments with the EBITDA generated by the main operation of the Company.

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On the other hand, Total Debt of US\$ 3.8 billion represents more than half of Total Assets (59.6%) in 3Q18, mainly due to the bond issued in June 2017 and short-term debt for Working Capital. Regarding EBITDA on Assets, this was 3.1%, 110 bps lower than 3Q17.

As of 3Q18, the Company's Debt/EBITDA Ratio improved slightly to 19.3x. While PETROPERU's leverage ratio is high, it is important to highlight that the most relevant liabilities are very long term (US\$ 2 billion in 15 and 30 year bonds issued June 2017), and it is expected that the PMRT operation will be able to cope with this financing.

Finally, at the end of 3Q18, the Liquidity Ratio of 0.87x was relatively in line with the one at 2Q18. Cash has been decreasing due to This is mainly due to the lower cash balance reported at the end of 3Q18 caused by investments and working capital needs.

2.3. OPERATING RESULTS

PETROPERU focuses on three business lines: 1) Refining and commercialization, which represented 98% of Total Gross Revenue during 3Q18, 2) Leasing and privatization of certain units, which represented 0.5% of Total Gross Income during 3Q18, and 3) the Nor Peruano Oil Pipeline, which represented 1.5% of Total Gross Revenue during 3Q18.

Additionally, PETROPERU participates as a non-operating partner in the exploration and exploitation activities of hydrocarbons in Block 64; and in relation to Block 192, Perupetro S.A. will initiate negotiations with PETROPERU to define the terms and conditions of the Licensing Contract to explore and exploit this Block.

PMRT

As of 3Q18, the progress of the PMRT was 70.72%. The measurement of this progress will be reviewed once the approval of the overall project schedule is completed, which will encompass:

- The Basic Line Schedule of the EPC Contract signed with Cobra-SCL UA & TC Consortium (Auxiliary Units and Complementary Works) already approved; and
- The modification of the Base Line Schedule of the EPC Contract.

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

Detailed Engineering: Work progress reached 99.99%. Pending to define the engineering of the auxiliary units' interconnections; and, the observations fulfillment, as a result of the final revision of the project 3D model.

Procurement: Work progress reached 99.8%. Pending the replacement of instrumentation cables, as well as the delivery of pipe materials, instrumentation and engineering studies.

Construction: Work progress reached 99.8%. There exists a delay in the assembly of pipes, insulation and fireproofing, electricity and instrumentation, revamping of UDP and Pre-commissioning activities.

Auxiliary Units and Complementary Works

On February 8th, 2018, the contract, with the Consortium COBRA-SCL UA & TC, was initiated.

On September 9th, 2018, a letter approving the consortium schedule was issued, which is aligned with the project completion date (December 2020). It is estimated that the Measurement of Progress Procedure will be completed in the first half of October; in order to do so, a weighted average of the Engineering, Procurement and Construction activities, are being determined. All of this is essential to determine the project progress and billing measurement.

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Financing

Regarding the syndicated loan with CESCE's guarantee, by letter dated September 13th, 2018, PETROPERU requested of the Agreement Administrator (DEUTSCHE BANK, S.A.E.), a time extension until December 2018, to complete the delivery of the documentation requested in the Credit Agreement, documentation which the EPC contractor must submit and has not yet done so.

Local Labor Recruitment

As of September 30th, 2018, the workforce totaled 3,177 jobs. Local unskilled local labor had a participation of 83%, exceeding the minimum established by the EIA (70%), while qualified local labor had a participation of 34%.

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

REFINING

For 3Q18, the Net Refining Margin reached its minimum in recent periods (-US\$ 3.26/Bbl in 3Q18 vs. US\$ 7.75/Bbl in 3Q17) due to the fact that the Catalytic Cracking Unit (UCC) of the Talara Refinery was out of service for 42 days, and the Selva Primary Residual (RPS) had less performance when processed in the Primary Distillation Unit (UDP) instead of the UCC. Also, in September, the Vacuum Distillation Unit (UDV) of the Talara Refinery could not process the primary residual because it went out of service for 6 days to repair the fractionator's inmates, which affected the operation of the UDP and UCC of said refinery.

In addition, the enactment of Supreme Decree (DS) No. 025-2017-EM continues to cause the generation of greater surpluses of Diesel HS, which continues to affect the operation of the Talara and Conchán refineries since they do not count with the ability to produce diesel with the characteristics required in the DS. Additionally, the sulfur content in Gasoline and Gasoholes of high octane (95, 97 and 98 octane) that is marketed and used nationally, should not be greater than 50 ppm. Likewise, the adjustments to the List Prices are maintained and, additionally, greater discounts are being granted in order to maintain sales in the local market.

Operating Data

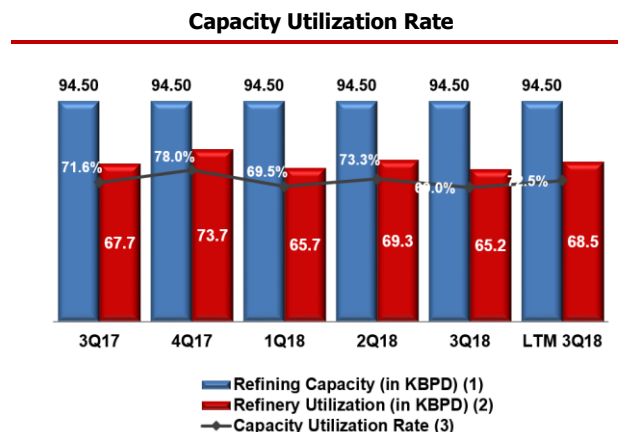
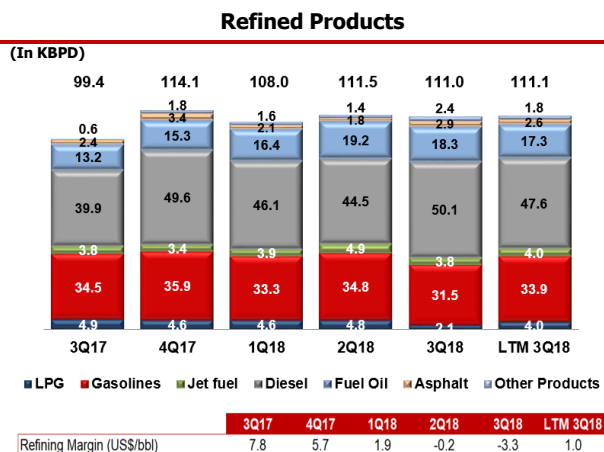
	2017	LTM 3Q18	3Q17	2Q18	3Q18	YoY	QoQ
Refining Capacity (in KBPD) ⁽¹⁾	94.5	94.5	94.5	94.5	94.5	-	-
Refinery Utilization (in KBPD) ⁽²⁾	69.4	68.5	67.7	69.3	65.2	-3.6%	-5.9%
Refined Products (in KBPD) ⁽³⁾	104.7	111.1	99.4	111.5	111.0	11.7%	-0.5%
Refining Margin (US\$/bbl) ⁽⁴⁾	5.76	1.02	7.75	-0.21	-3.26	-142.1%	-1449.8%
Blending Margin (US\$/bbl) ⁽⁵⁾	11.89	7.74	9.91	5.58	2.18	-78.0%	-60.9%
Net Total Margin (US\$/bbl) ⁽⁶⁾	7.28	2.93	8.93	1.40	-0.71	-107.9%	-150.6%
Capacity Utilization Rate ⁽⁷⁾	73.4%	72.5%	71.6%	73.3%	69.0%	-	-
Volume Sales (in KBPD)	145.2	147.5	152.6	150.6	153.6	0.6%	2.0%

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 residue and diesel reprocess introduced into the first step of the refining process, referred to as atmospheric distillation.
- (3) Total amount of refined products produced by one complete cycle of the refining process.
- (4) Means the differential between the price of crude oil purchased for our refining operations and the price of our refined products extracted from such crude. Operating costs of refineries are discounted.
- (5) 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 vs. 99.4 KBPD), mainly due to the higher production of Diesel, Fuel Oil, Turbo A1 and Gasoline to meet the demand.

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(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 residue 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 PERUANO OIL PIPELINE (ONP)

The pumped crude oil volumes during September 2018 (and accumulated until this date) are the following:

SECTION	PUMPED VOLUME IN SEPTEMBER (MB)	PUMPED VOLUME AT SEPTEMBER (MB)
SECTION I	199.5	1,034.3
SECTION II	258.2	2,910.1
ORN	469.7	1,985.5

Through the North Branch Pipeline (ORN), due to force majeure, no crude oil was pumped during the period from May 25th to August 28th, due to the pipeline fissure crossing under the Pastaza River, caused by the extraordinary rise in the flow of mentioned river. Consequently, there has been a lower volume pumped through Section II.

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

- 1,201.3 MMbl of Loreto crude oil from Pacific and Perupetro S.A.
- 614.5 MMbl of Loreto crude oil from PETROPERU.
- 612.4 MMbl of Primary Residual from PETROPERU (Iquitos Refinery) and of COE crude (imported from Ecuador).
- 262.3 MMbl of Piraña crude from PERENCO.

As reported in the Earnings Release 2Q18, on May 25th, a fortuitous fact occurred in km. 12, due to an extraordinary flood of the flow of the Pastaza River, causing a fissure in the pipeline and consequently a small oil spill. In this regard, the temporary repair of the sector that crosses the Pastaza River was completed and its completed the cleaning, remediation and final disposal of hazardous solid waste. In addition, the company ERM performed the environmental and social assessment. Additionally, in the current year two (02) incidents occurred in the pipeline, generating environmental contingencies, both in Section I, caused by cuts to the pipeline, whose situation is as follows:

- Km 20 + 204 (27.02.18): LAMOR PERÚ, executes the cleaning, remediation and final disposal of hazardous solid waste. Also, TEMA S.A.C. concluded the pre-remediation evaluation.
- Km 87 + 887 (11.03.18): KANAY, executes the cleaning, remediation and final disposal of hazardous solid waste. In addition, ERM executes the environmental and social evaluation.

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

DATE	LOCATION	SITUATION	% PROGRESS At SEPTEMBER
Feb 3rd, 2016	Km 206+035 Northern Branch	Cleaning and Remediation: 100% Disposal of hazardous solid waste: In progress	89
07.11.2017	Km 221+046 Northern Branch	Cleaning and Remediation as well as Disposal of hazardous solid waste: In progress	79

Regarding the "ONP Modernization Project", the execution of the first phase (Diagnosis of the entire Transport System and Conceptual Engineering for this project), began on August 6th, 2018, and it is estimated to be completed on December 24th, 2018. Both, the hydraulic calculation of Section I, Section II and the Northern Branch, and the energy requirements for pumping the crude oil with electric pumps are being executed. Also, as part of this service, TECHINT reviews the preliminary location of the 21 blocking automatic valves, in order to propose the definitive location.

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).

Parallel to this service, some activities have been carried out for the safe and reliable operation of the transport system; among them we have:

- Installation of Pressure Transmitters in Section I and in the ORN to improve the leak detection system: As of September 30th, 2018, most mechanical and electronic accessories have already been purchased. A specialized company has been called for the installation service and specialized companies are also being contacted to participate in the selection process of the company that will be responsible for the supervision of these works.
- Acquisition and installation of blocking valves in the ONP and ORN, in areas of high consequence: On September 7th, 2018, the contract for the acquisition of 21 automatic blocking valves was signed.
- Improvement to the SCADA Supervision and Control System: It is expected to carry out the following: 1.) replace the hardware and upgrade the software, and 2.) replace the level and flow meters. Regarding the former, workstations have been acquired for the Andoas Station, Morona Station, Station 1, Station 5, Station 7, Station 8, Station 9 and two workstations for Bayóvar Terminal. Likewise, the Technical Conditions to contract the service for migration to the new SCADA software, are prepared. Regarding the latter, it was completed the instrumentation engineering for the modernization of the level and flow measurement systems of Andoas Station, Station 1, Station 5, and Bayóvar Terminal.

EXPLORATION AND PRODUCTION

Block 64

On August 16th, 2018, SENACE16 declared that the EIA for the Development Project for the Central Situche Reservoir as admitted. Development EIA approval is expected in January/February 2019. The information gathering, in situ, for the production facilities engineering, was completed; it covered 42 kilometers that connect the CBSP (Base Camp "Sargento Puño") and the Central Situche Reservoir. Likewise, the elaboration of the conceptual engineering of the Development Project for the Central Situche Reservoir, in its phases A and B, has been completed; its Basic Engineering will now be elaborated.

Regarding the exploratory drilling, Perupetro S.A. reported that the cause of the Force Majeure (approval of the Exploratory EIA), granted in October 2015, was overcome since 08.25.2016, which means the re initiation of the term of 46 months for the exploratory drilling. However, GEOPARK has requested that Force Majeure should continue due to the Exploratory EIA is still under development.

¹⁶ National Institute of Environmental Certification – Servicio Nacional de Certificación Ambiental. In charge of reviewing and approving the EIA of public, private or mixed capital investment projects

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On the other hand, the Ministry of Production and SERNAP¹⁷ permits process continues is still on. It is estimated that the first Citizen Participation Workshop will be held in the last quarter of the year.

Block 192

On August 30th, 2018, the crude oil transport service (through the North Branch Pipeline) was resumed after having solved the pipeline operational contingency. Taking into account, the contingencies that occurred during the current Services Temporary Contract and, if there are no new stoppages, the end of the Contract will be on September 7th, 2019.

Regarding the direct negotiation for the License Contract between PETROPERU and Perupetro S.A., the latter communicated on September 21st, 2018, that the deadline to initiate this negotiation, was extended until further notice, because the process of "Citizen Participation Event" has not yet been initiated. Perupetro S.A. has reached an agreement with the Native Communities and estimates to hold this event in the week commencing November 20th, 2018.

On July 18th, 2018, in public act, it was granted to Bank of America Merrill Lynch (BofAML), the adjudication for the financial advisory service to elaborate the PETROPERU's participation modality to develop Block 192 Licensing Agreement. The Letter of Mandate was sent to BofAML for its subscription scheduled for the 1st week of October 2018.

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\$ 16.9 million in 3Q18.

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 3Q18, the following actions and achievements in Corporate Governance (CG) have been made:

1. On June 27th, 2018, the Annual Shareholders' Meeting approved the change of category to an Independent Director of the members of the Board; this has allowed our Board to have two Independent Directors. As a result, on July 23th, 2018, the Board appointed the members of the 3 Board Committees (Audit and Control Committee, Good Practices of Corporate Governance Committee and Administration Committee). It should be noted that these Board Committees are chaired by an Independent Director, being integrated by an Independent Director and a Non-Independent Director.
2. As of August, the sessions of the Board Committees have been resumed, after some time of inactivity. The main functions of each Committee are:
 - The Audit and Control Committee recommends guidelines, policies, principles and methodologies in terms of internal control and comprehensive risk management, maintains communication with external and internal auditors, monitors complaints of corruption and accounting fraud, allegations in matters related to ethics and conflicts of interest.
 - The Good Practices of Corporate Governance Committee oversees the application of CG practices and compliance with the CG Action Plan, proposes the evaluation of Compliance with the Principles of the Corporate Governance Code for Peruvian Companies.
 - The Administration Committee is the administrative support of the Board and performs as the supervisor of its management and administration actions. Likewise, it supervises and recommends improvements to the personnel development process.

¹⁷ National Institute of Protected Areas - Servicio Nacional de Áreas Protegidas. It is responsible for safeguarding the country's protected areas.



3. In relation to the Integrity System, the following activities have been carried out:

- Workshops were held with the Management Team to raise awareness regarding the implementation of the "Corruption Crimes Prevention System". These workshops were conducted by Ernst & Young, pursuant to the Law No. 30424 and the legislative Decree No. 1352.
- The Integrity Committee (the body in charge of dealing with complaints against ethics or conflicts of interest), has been dealing with the complaints entered into the Company; and during the month of July he has made visits to PETROPERU Operations, with the purpose of reinforcing our ethical commitments in the workers.

4. In relation to Information Transparency, the activities developed are as follows:

- During the last week of September, PETROPERU S.A. celebrated the Week of Transparency within the framework of the International Day of Access to Public Information - September 28th. The company carried out activities with the aim of raising awareness among staff on the importance of the principle of transparency in our management and decision making.

3.2. SOCIAL & ENVIRONMENTAL MANAGEMENT

During the 3Q18, activities related to social and environmental matters have been carried out, re affirming PETROPERU's interest and commitment in ECG.

In the Nor Peruano Oil Pipeline (ONP), social studies have been initiated to define improvements in community relations strategies based on the information collected in each population. Likewise, it is being implemented a leadership and strengthening program in management to community leaders, specifically in Section I, Section II and North Branch Pipeline (ORN), developed by the consortium M & A-Pronaturaleza-GEA, N & P, Gavel Foundation, respectively.

With the purpose of identifying opportunities for productive projects and developing sustainable social investments, in agreement with the Center for Technological Innovation - CITE Maynas, six communities adjacent to Chapis were admitted to the development of diagnostics of prioritized productive projects for the area. Likewise, as part of the productive project that we encourage in the "Datem of Marañón" area, and in coordination with the Directorate of Agrarian Health (SENASA), trainings were conducted in poultry health, aimed at optimizing the techniques of raising birds.

Similarly, contributing to the generation of new opportunities for entrepreneurship and women development in areas adjacent to the Nor Peruano Oil Pipeline (ONP), the Patternmaking, Cutting and Dressmaking Workshop was initiated, for tens of mothers of Naranjal and Nueva Unión communities (Loreto region).

On the other hand, within the framework of our "Educating for Tomorrow" education project and its action lines, the Peruvian University Cayetano Heredia (UPCH) initiated training in Mathematics and Communications methodology for 18 teachers and principals in 06 educational institutions of Olmos and for 8 teachers of educational institutions of Puerto Rico in Bayovar. In the same way, the environmental education program "Healthy Schools" was initiated in the educational institution No 20208 of Caleta Puerto Rico, adjacent to Bayovar Terminal of ONP, which will include environmental awareness activities, solid waste segregation, recycling and bio-garden implementation. Also, training sessions for Environmental Monitors 2018 were carried out in the three sections of the ONP.

In Iquitos, a medical campaign was carried out for the main communities surrounding Iquitos Refinery, with the participation of 31 health professionals and medicines provided by the Regional Health Directorate of Loreto. Also, as part of the "Caring for the Community" program, awareness-raising talks on hazards, risks, emergencies and the integrity of Iquitos Refinery pipeline have been developed with the 06 communities adjacent to the pipeline (14km).

In Conchán Refinery, within the framework of our capacity building strategy and in agreement with the Municipality of Lima, courses of Cosmetology, Barbering, Dressmaking, Gastronomy and Business Management began with 15 groups of the main settlements surrounding the Refinery. Likewise, in the "Entrepreneurship Promotion" program, training on business plans was carried out. Also during the month of September, the "Coexistence without Violence" program was developed in the human settlements Laureles de

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Villa and Víctor Chero, and in the Las Palmeras Educational Institution, in order to get more families to live free of physical and psychological violence.

In Talara, as part of our line of action "Knowing the Industry", informative meetings and guided visits were held to 16 representatives of the Center for Higher National Studies, an activity that showed the importance of our Company in the area. Likewise, a third medical campaign was carried out for the benefit of residents of Talara Alta, with the purpose of ensuring that the residents have better health conditions and seeking to sensitize and raise awareness in the community about the importance of prevention. Complementary studies of updating of stakeholder mapping and analysis of social risks have been carried out with the consulting companies WALSH PERU S.A. and STRATEGY SA. who have already started field activities.

In Ilo, the first preventive health campaign on skin care "Sol y Salud" was carried out for the benefit of more than a thousand students, and of the teaching staff of the Mercedes Cabello de Carbonera educational institution.

In relation to environmental matters, the Company is awaiting the approval, by the General Directorate of Environmental Energy Affairs of the MINEM, of the reports of identification of potentially contaminated sites that exceed the Environmental Quality Standards (ECA) throughout all our Operations, in order to continue with the following stages of the process framed in compliance with the ECA. To date, the approval of five of the 38 files submitted have been received.

PETROPERU continued 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 acts of third parties. During the 3Q18, the cleaning and environmental remediation work of the areas affected by the event registered near km 12 of the ORN was completed. To date the evaluation of the properties affected by the contingency is being developed, with the purpose of supporting the compensation payments to the possessors.

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

The company is managing its personnel based on its competences and the new profile necessary for the modernization of value chain processes, performing actions such as performance management, strengthening of the organizational culture and work environment, and review of its organizational structure.

In line with the abovementioned, a study of the company's work environment has been made, obtaining important positive results, highlighting the pride, satisfaction, commitment and identification of the personnel with the company, which is making possible to obtain important achievements in the various actions taken for its modernization.

The Company continues strengthening its Organizational Culture, and for this it is working on a study in which three important pillars represent the foundations for it: 1) Integrity 2) Safety and 3) Risk Management. Work is being done to make this Culture the support of management, through the use of technology and a performance management system.

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

As part of the 2018 Trade Union Negotiation process, economic aspects and working conditions have been agreed, in line with the process of modernization of the company and its economic results.

With respect to actions aimed at executing talent attraction and retention strategies, evaluations are being carried out with the assistance of specialized consultants, in order to identify, retain and attract talent.

Earnings Release



Financial Summary

Income Statement

In Millions of US\$	2016	2017	LTM 3Q18	3Q17	2Q18	3Q18	YoY ⁽¹⁾	QoQ ⁽²⁾
Domestic Sales	3,053	3,586	4,191	922	1,104	1,114	20.8%	0.9%
Exports	265	394	492	116	104	144	24.1%	38.3%
Other Revenue	72	72	73	19	18	17	-12.4%	-5.0%
Total Revenue	3,390	4,052	4,756	1,058	1,226	1,275	20.5%	4.0%
COGS	-2,835	-3,462	-4,193	-878	-1,075	-1,213	38.1%	12.8%
COGS (% of Revenue)	83.6%	85.5%	88.2%	-83.0%	-87.7%	-95.1%	-	-
Gross Profit	555	589	563	180	150	62	-65.3%	-58.6%
Gross Margin (%)	16.4%	14.5%	11.8%	17.0%	12.3%	4.9%	-	-
SG&A	-449	-291	-297	-56	-104	-20	-63.8%	-80.3%
SG&A (% of Revenue)	13.3%	7.2%	6.2%	5.3%	8.5%	1.6%	-	-
Operating Profit	106	299	266	123	46	42	-66.0%	-9.9%
Operating Margin (%)	3.1%	7.4%	5.6%	11.6%	3.8%	3.3%	-	-
Net Profit	41	185	186	66	24	39	-41.5%	59.3%
Net Profit Margin (%)	1.2%	4.6%	3.9%	6.3%	2.0%	3.0%	-	-
Adj. EBITDA	377	347	299	145	64	32	-77.7%	-49.8%
Adj. EBITDA Margin (%)	11.1%	8.6%	6.3%	13.7%	5.2%	2.5%	-	-

(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

In Millions of US\$	2016	2017	LTM 3Q18	3Q17	2Q18	3Q18	YoY	QoQ
Operating Cash Flow	375	165	-223	238	-147	-135	-156.5%	8.7%
Capital Expenditures	-1,101	-1,229	-811	-235	-364	-21	-90.9%	-94.1%
Cash Flow from Financing	794	1,653	422	-453	76	155	134.2%	103.8%

Balance Sheet

In Millions of US\$	2016	2017	LTM 3Q18	3Q17	2Q18	3Q18	YoY	QoQ
Current Assets	1,148	2,319	2,142	2,469	2,079	2,142	-13.3%	3.0%
Non-Current Assets	3,029	3,620	4,153	3,360	4,000	4,153	23.6%	3.8%
Total Assets	4,177	5,939	6,295	5,830	6,079	6,295	8.0%	3.6%
Short Term Debt	1,733	1,319	1,764	1,324	1,581	1,764	33.3%	11.6%
Long Term Debt	249	1,985	1,985	1,995	1,985	1,985	-0.5%	0.0%
Total Debt	1,982	3,304	3,750	3,319	3,566	3,750	13.0%	5.1%
Other Liabilities	1,078	1,017	775	929	781	775	-16.5%	-0.8%
Total Liabilities	3,061	4,321	4,525	4,247	4,348	4,525	6.5%	4.1%
Stockholders' Equity	1,116	1,618	1,770	1,582	1,731	1,770	11.9%	2.2%
Total Capitalization (Debt + Equity)	4,177	5,939	6,295	5,830	6,079	6,295	8.0%	3.6%
Total Current Liabilities	2,728	2,266	2,455	2,168	2,283	2,455	13.3%	7.5%
Working Capital	-1,580	53	-313	301	-205	-313	-203.9%	-53.2%
Debt / EBITDA	5	10	116	23	56	116	407.7%	109.5%