Earnings Release

PETROPERU[1] Announces First Quarter 2019 Earnings Results - 1Q19

Lima, Peru, April 30, 2019: Petróleos del Perú - PETROPERÚ S.A. ("PETROPERU S.A." or "the Company") (OTC: PETRPE) announced financial and operating results for the first quarter ("1Q19"), period ended March 31, 2019. For a more comprehensive financial analysis please refer to the Intermediate Financial Statements 1Q19[2] available on the Superintendencia Mercado de Valores del Perú website - SMV (www.smv.gob.pe).

HIGHLIGHTS

- Gross Profit increased from US$ 132 million in 1Q18 to US$ 146 million in 1Q19 (+10% YoY), as a result of the greater profit obtained in the realization of inventories, as well as in the recovery of the differential of sale prices with respect to those of purchase.
- During 1Q19, Total Revenue decreased by 6% compared to 1Q18, due to the decrease in domestic and foreign sales YoY[3]. Domestic and Export revenue decreased by 6% and 5% YoY, respectively, mainly due to the lower sales volume in the main products as a result of the gradual entry of aggressive competition in the market.
- Total Sales Volume declined 137.3 KBPD[4] in 1Q19, from 148.6 KBPD in 1Q18 (-8% YoY), 85% of sales (116.8 KBPD) were concentrated in the domestic market.
- Operating Profit decreased (-31% YoY) from US$ 121 million in 1Q18 to US$ 83 million in 1Q19, impacted by an increase in SG&A and other charges as a result of the provision for environmental remediation expenses arising from the incident that occurred in January 2019 at Km 323 of Section II of the ONP.
- Net Profit in 1Q19 was US$ 64 million compared to US$ 89 million in 1Q18 (-28% YoY), due to the same reasons mentioned in the previous bullet.
- Adjusted EBITDA[5] increased to US$ 113 million (15% YoY), due to the aforementioned growth at the Gross Profit level. Adjusted EBITDA Margin passed from 8.5% in 1Q18 to 10.4% in 1Q19.
- The cash balance was US$ 189 million at the end of 1Q19 vs US$ 521 million at the end of 1Q18 mainly due to debt paydown. Cash Flow from Financing Activities registered a deficit of US$ 450 million, mainly due to the repayment of the short-term debt of the PMRT using the available cash balance. The Cash Flow of Investment Activities showed a deficit of US$ 61 million. The Cash Flow of Operating Activities during 1Q19 was US$ 170 million, mainly due to EBITDA generation, higher collections for the sale of goods and services and the return of the "exporting balance".

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

[2] Intermediate Financial Statements for the First Quarter 2019. 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] Year-over-year (YoY): Compare financial results with those of the same period in the previous year.

[4] KBPD: Thousands of Barrels Per Day

[5] EBITDA is defined as Net Income plus Income Tax plus Workers' Profit Sharing minus Finance Income plus Finance Cost plus Amortization & Depreciation. Adjusted EBITDA is defined as EBITDA minus net other income & expenses, and net exchange differences.

- The PMRT[6] progress as of 1Q19 was 74.56%. The measurement of this progress will be reviewed once the approval of the overall project schedule is completed, including the EPC contract schedule for the Auxiliary Units and Complementary Works, as well as the modification of the EPC contract schedule with Técnicas Reunidas (TR), currently under negotiation.
- In 1Q19, the Net Refining Margin reached US$ 3.50/Bbl vs. US$ 1.89/Bbl in 1Q18, driven by the margin obtained in January 2019 of US$ 8.05/Bl.
- PETROPERU S.A. continued to lead the national fuel market with a 46% share in the January - February 2019 period.
- Regarding the ONP, lower volume was pumped, mainly due to the stoppage of pumping at the North Branch Pipeline (ORN) during January and February following the attack on the pipeline at Km 193. However, the production of Block 192 should normalize in the first half of April 2019.
- Regarding hydrocarbon exploration and production activities, as of March 2019, in Block 64, we received observations on the EIA submitted in December 2018, for which we are working on compiling the necessary information required. SENACE[7] approval of the EIA is estimated to be granted in July 2019. Regarding Block 192, it continues under Force Majeure since December 5, 2018, due to the pipeline attack which occurred on November 27, 2018 at Km 193 of the ORN.
- During 1Q19, activities related to social and environmental matters continued, re-affirming PETROPERU's interest and commitment to ESG[8], based on its Social Management Policy that promotes solid relationships and mutual respect with our stakeholders.
- In relation to environmental matters, the Company continued with the cleaning and remediation works of the areas affected by the oil spills which occurred in the ONP, with a systematic process of environmental monitoring, focused on follow-up and evolution of the rehabilitation of soils, surface waters and aquatic sediments, as well as of the flora and fauna of the remediated areas. Regarding the attack registered at Km 193 of the ORN Section, an agreement was reached with the Mayuriaga Community to repair the pipeline and restart the pumping, pending negotiations for the execution of "Cleaning and Remediation" actions.

1. ANALYSIS

1.1. MACROECONOMIC ENVIRONMENT

According to different economic and business sources, the Gross Domestic Product (GDP), on average, was 3.9% at the beginning of 2019, somewhat less than the 4% at the end of 2018. This reduction is due to lower activity of the mining and hydrocarbons sector, offset by greater dynamism of non-primary sectors linked to demand (non-primary manufacturing, electricity and water, construction, commerce and services). For example, in the hydrocarbons sector, the production of block 192 was paralyzed due to an attack that occurred on the Nor Peruano Oil Pipeline (ONP). It is worth mentioning that public investment increased by 8.4% in 2018, but this year a deceleration is expected due to the changes of local and regional authorities; this means a lower growth rate (1%) than what was estimated last December (2.8%). However, according to the Inflation Report of the BCRP (Central Reserve Bank of Peru) "Current panorama and macroeconomic projections 2019 -2020", Peru will continue to position itself among one of the economies with lowest inflation and highest growth in the region.

In relation to annual inflation, in 2019, 12-month inflation expectations remain within the inflation target range (between 1.7% and 2.4%); it is estimated that the projection of inflation will remain around 2%. Some financial surveys and economic analysts reveal expected rates between 2.4% and 2.5% by 2019.

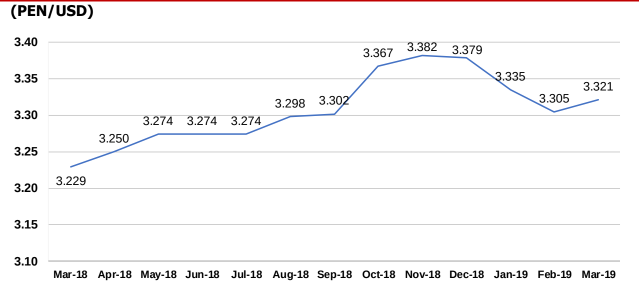
In 1Q19, inflation closed at 2.25%, as indicated by the National Institute of Statistics and Informatics (INEI), which remains within the range of the BCRP target. This result was mainly due to the increase in the prices of food and beverages (2.23%), leisure and education (3.72%), transportation and communications (2.69%) and rent of housing, fuel and electricity (2.05%).

[6] Talara Refinery Modernization Project: which consists of the built of a new refinery with the highest technological standards and competitive of the region. The new refinery will completely modify the current production scheme of the Talara Refinery, through the incorporation of new refining processes, auxiliary services and related facilities.

[7] 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.

[8] Environmental, Social and Governance.

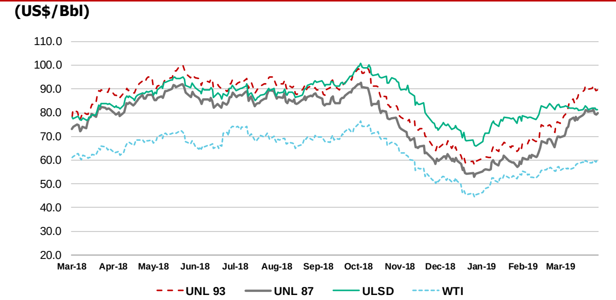
Exchange Rate



	1Q18	2Q18	3Q18	4Q18	1Q19
Exchange Rate	3.229	3.274	3.302	3.379	3.321

Source: SBS

WTI & Other International By-Product Prices



US$/Bl (End of Period)	1Q18	2Q18	3Q18	4Q18	1Q19
UNL 93	90.2	93.9	96.5	59.6	89.7
UNL 87	81.8	88.5	90.3	54.2	79.8
ULSD	83.8	91.6	97.0	65.9	81.4
WTI	64.9	74.2	73.3	45.3	60.1

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.

Regarding the exchange rate, between January and March 2019, it maintained a slightly increasing (depreciating) trend, closing 1Q19 at S/ 3.321 higher by 0.5% compared to the end of February, but it is evident that it is lower than 4Q18 that closed at S/ 3.379; this decrease is explained by a rebound in the price of copper (one of the main export products of Peru), supported by expectations of progress in the dialogue between the United States and China. Thus, the foreign currency accumulated year to date, a fall (appreciation) of 1.7%, a significant decline compared to the fall of 0.5% last year.

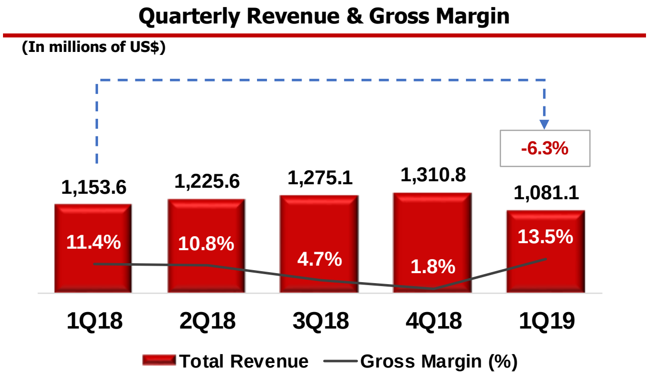
With respect to oil prices, so far this year Brent and WTI markers closed 1Q19 around US$ 70/Bbl and US$ 60/Bbl, respectively, and it is estimated that by the end of 2Q19 Brent will be at US$ 68/Bbl and the WTI at US$ 59/Bbl. However, according to the World Bank, the average price of oil will remain low for 2019, around US$ 66/Bbl (Brent), due to higher production in the United States and lower global growth, which will offset the lower supply due to sanctions on Venezuela and Iran and the production cut by OPEC and its allies. On the other hand, the imminent changes in fuel specifications by the IMO (International Maritime Organization) will influence the price of oil, since the requirements that try to eliminate the high sulfur content will cause the price of clean fuel to increase.

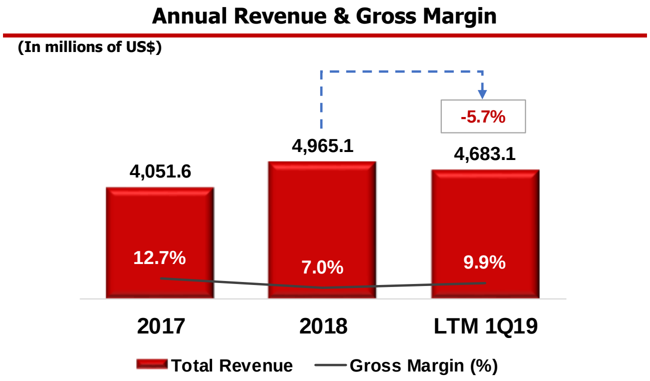
Fuel prices of the local market are determined considering the international prices of these fuels (Import Parity Prices calculated by PETROPERU S.A.). Prices are expressed in Soles at the current exchange rates. Note that between 85-90% of the ex-plant price (before taxes and margins of wholesale petrol 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, vessels overdue), performance, distribution costs, margin of profit and OSINERGMIN[9] tariffs.

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

1.2. FINANCIAL RESULTS

1.2.1. INCOME STATEMENT





	1Q18	2Q18	3Q18	4Q18	1Q19
Total Sales (US$ million)	1,132.6	1,207.8	1,258.2	1,285.4	1,065.9
Volume (MMbbl)	13.4	13.7	14.0	14.5	12.4
Price US$ (Sales/bbl)	84.7	88.1	90.0	88.8	86.2

	2017	2018	LTM 1Q19
Total Sales (US$ million)	3,979.3	4,884.0	4,616.5
Volume (MMbbl)	53.0	55.5	54.5
Price US$ (Sales/bbl)	75.1	88.0	84.7

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

Total Revenue reached US$ 1,081.1 million in 1Q19, a decrease of 6% YoY as a result of lower sales volume (137 vs 149 KBPD to March 18) in LPG, Diesel B5-S50 and residuals, as a result of the gradual entry of new competitors in the market who entered with an aggressive commercial strategy. Also, during 1Q19, the provision for cleaning and environmental remediation expenses was recorded due to the incident that occurred at Km 323 of the ONP (US$ 12 million).

Local sales decreased by 6% from US$ 997 million in 1Q18 to US$ 938 million in 1Q19. Exports also decreased 5% YoY, from US$ 135 million to US$ 128 million. Sales Revenue (excluding Other Income) decreased by 6% compared to 1Q18.

Gross Margin increased from 11.4% in 1Q18 to 13.5% in 1Q19, as a result of a greater spread on inventories, due to the increasing tendency of international prices which allowed for higher sales prices at the time of commercialization (on average 46 days after purchasing inventory). In contrast, in the same period the previous year, the trend of international prices was negative, and consequently the spreads were much narrower.

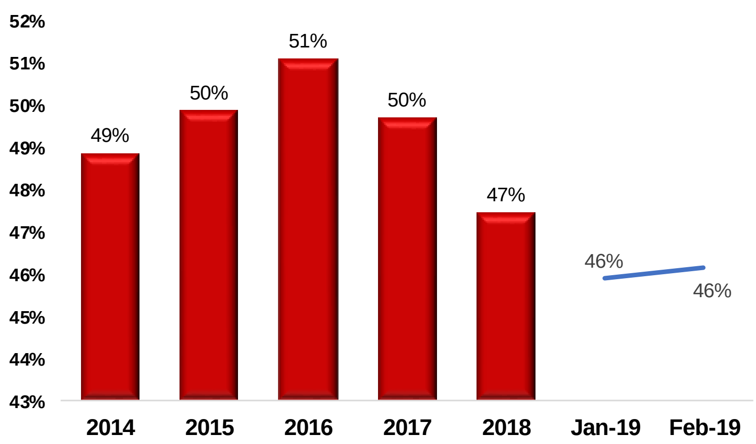
Analysis of the Product Portfolio:

SALES
(In Millions of US$)

SALES	1Q18	1Q19	YoY	Weight on Total Sales
LOCAL SALES				
LPG [(1) (2)]	50	26	-47.6%	2.5%
Gasolines/Gasohols [(1)]	264	253	-4.0%	23.8%
Turbo A-1	31	25	-20.3%	2.4%
Diesel B5 [(1) (2)]	556	561	0.8%	52.6%
Industrial Oil [(1) (2)]	17	13	-21.2%	1.2%
Bunkers (Marine Residual - IFO + Marine Diesel N°2) [(1)]	14	23	62.1%	2.2%
Asphalt Liquid / Asphalt Solid [(1)]	13	11	-11.6%	1.1%
Others [(1) (3)]	51	25	-52.3%	2.3%
Total Local Sales	**997**	**938**	**-5.9%**	**88.0%**
EXPORTS				
Virgin Naphtha	28	14	-48.2%	1.4%
N°6 Fuel Oil, Reduced Crude, Industrial Oil 500	61	44	-28.0%	4.1%
Diesel 2	32	54	70.2%	5.1%
Others [(4)]	15	15	6.4%	1.4%
Total Exports	**135**	**128**	**-5.5%**	**12.0%**
Total Local Sales & Exports	**1,133**	**1,066**	**-5.9%**	
Other Operational Income[(5)]	21	15	-28.1%	
TOTAL REVENUE	**1,154**	**1,081**	**-6.3%**	

(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.
(5) Includes terminal operation fees, oil transportation by oil pipeline, lease Savia Perú S.A. among others.

PETROPERU S.A. Market Share Evolution



Income Breakdown

(In millions of US$)

	LTM 1Q19
LOCAL REVENUE	
LPG [(1) (2)]	165
Gasolines/Gasohols [(1)]	1,093
Turbo A-1	116
Diesel B5 [(1) (2)]	2,461
Industrial Oil [(1) (2)]	90
Bunkers (Marine Residual - IFO + Marine Diesel N°2) [(1)]	80
Asphalt Liquid / Asphalt Solid [(1)]	57
Others [(1) (3)]	247
Total Local Revenue	**4,310**
EXPORTS	
Virgin Naphtha	85
N°6 Fuel Oil, Reduced Crude, Industrial Oil 500	218
Diesel 2	148
Others [(4)]	55
Total Exports	**507**
TOTAL REVENUE	**4,817**

% Participation	
4 Products	**79.6%**
Diesel B5 [(1) (2)]	51.1%
Gasolines/Gasohols [(1)]	22.7%
LPG [(1) (2)]	3.4%
Turbo A-1	2.4%
2 Products	**73.8%**
Diesel B5 [(1) (2)]	51.1%
Gasolines/Gasohols [(1)]	22.7%
Local Revenue	**89.5%**
Exports	**10.5%**

(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 S.A. maintained leadership in the national fuel market with a 46% share in the January - February 2019 period, in spite of aggressive competition, which offered greater discounts and lower prices, and operational restrictions (maintenance of dock 7) of LPG sales. In Gasoline and Diesel, which are the most important products, PETROPERU S.A. held 64% and 59% market share, respectively, maintaining market leadership in both.

The relevant competitive factors facing the Company are: price war in the market, mainly in Diesel, LPG and gasolines, maintenance of dock 7 until Sept/Nov 2019 and rupture of the IFO (Intermediate Fuel Oil) pipeline in Callao port (both under the operation of APM Terminals).

During 1Q19, PETROPERU S.A. had Sales Revenue of US$ 1,066 million, 6% lower than in 1Q18, with 88% of sales concentrated in the domestic market.

PETROPERU S.A. maintains a network of 650 affiliated service stations as of March 2019, 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.

<u>LOCAL MARKET</u>

Domestic Sales Revenue reached US$ 938 million, decreasing 6% YoY or US$ 59 million.

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

- In the period January / February 2019, the diesel market has contracted by 3.4% compared to the same period of the previous year. In the case of gasoline, it increased 8.5%.
- The average sales at the retail level in 1Q19 was +3% higher than in 2018. Likewise, Petroperú's participation in the retail market was 24% in this period.
- In the month of January 2019, Industrial and Residual Diesel sales decreased with respect to the previous month due to the closure of the second fishing season 2019.

- The implementation of both a mobile application (oriented to consumers of PETROPERU´s network) and a Corporate Fleet Card is in the process of being tested, which will benefit the clients of this network in the long term, encouraging consumption of PETROPERÚ products.
- The Diesel B5 S-50 green color product has been introduced in Cusco and Puno, aimed at retail customers, which will be implemented progressively at the national level, in order to attract more land transport clients.
- Importers continue to maintain an aggressive discount policy, offering discounts higher than ours in Diesel B5-S50 product, which does not even require a minimum volume level.

EXTERNAL MARKET

Exports Sales Revenue of US$ 128 million represented 12% of Total Sales Revenue in 1Q19. The Company sold volume of 21 KBPD, 9% lower compared to the same period of 2018 (23 KBPD), mainly explained by the lower exports of Naphta Virgin (considering that in February there were no shipments of this item) and Fuel Oil, given the stoppage of Talara Refinery. However, this effect was partly offset by higher exports of Diesel 2.

SUPPLY CHAIN

Regarding the Company´s Supply Chain, despite the continued maintenance of Dock 7 (situated in Callao port), and which have been subject to restrictions due to port closures, among others; we provided service normally 99.7% of the time at our plants and terminals nationwide.

On the other hand, maintenance works are being carried out in our submarine terminal and liquid loading dock of Talara Refinery.

In March, we recorded a total of 48.51 days of port closings, in relation to the 110.75 days corresponding to the same period of the year 2018. The cumulative number of port closing days to March 2019 is 101.88 days versus 160.31 days with respect to the same period of the previous year. Despite having fewer days compared to the previous period, these closures generate operating cost increases for product loading and unloading as well as for land transportation.

In 1Q19, the investments for the construction of new Plants and Terminals were as follows: i) Terminal Ilo: has 53.8% construction progress. There still exists a delay on the EPC contractor side due mainly to the late start of foundation works and the delays with the port authorization. ii) Pasco Supply Plant - Ninacaca: has 49.5% construction progress. The longer terms for the process of contracting and the deserting declaration of the procurement and construction services, as well as of the supervision, caused the rescheduling of project disbursements. iii). Puerto Maldonado Supply Plant: has 24.6% progress. As a result of the request for the revision of the project budget, the planned execution was delayed.

PETROPERU continues with its Safe Transport Plan aimed at achieving zero accidents with the land transport units which are outsourced to transport companies across the different supply routes to our Plants.

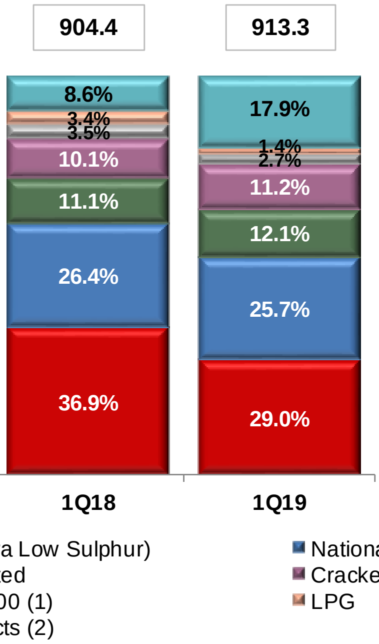
PURCHASES

Purchases

(In millions of US$)

IMPORTS	1Q18
Imported Crude	100
Diesel 2 (ULS)	334
Cracked Naphtha	91
Biodiesel B100	31
Others	52
	608

LOCAL	1Q18
Crude Oil	239
Others	57
	296
TOTAL Million US$	904



IMPORTS	1Q19
Imported Crude	110
Diesel 2 (ULS)	265
Cracked Naphtha	102
Biodiesel B100	24
Others	154
	655

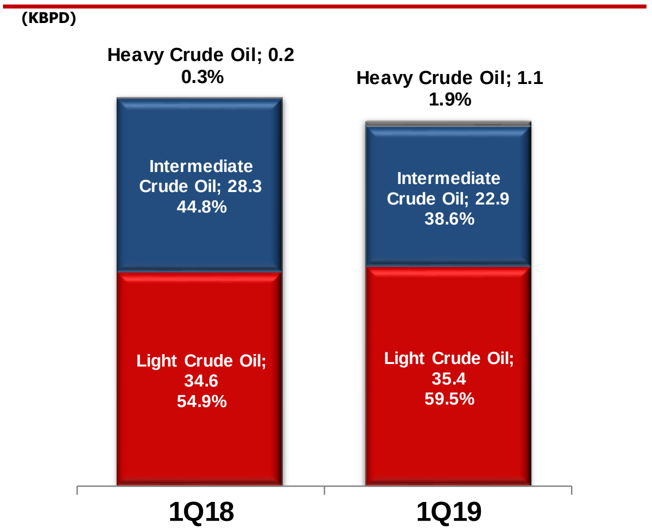
LOCAL	1Q19
Crude Oil	235
Others	23
	258
TOTAL Million US$	913

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

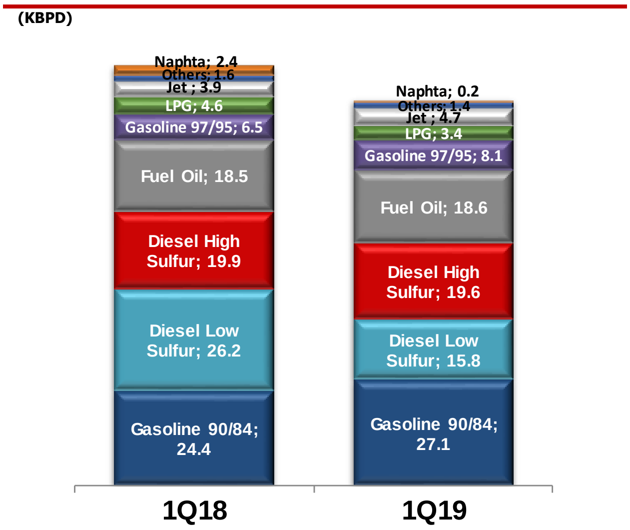
The crude oil processed in our refineries is either local or imported. Local crude oil comes mainly from the Talara area and is purchased considering an average oil prices basket. Crude oil (from the Northwestern region of Peru) during 1Q19 represented 25.7% of total purchases.

In 1Q19, oil imports as a percent of total purchases by our refineries increased to 12% (from 11% in 1Q18).

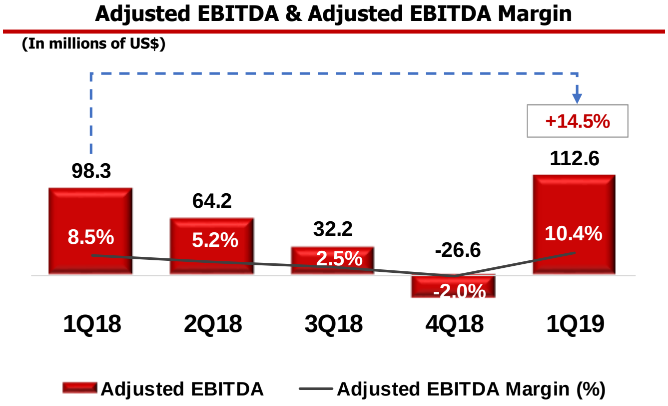
Crude Oil Purchased

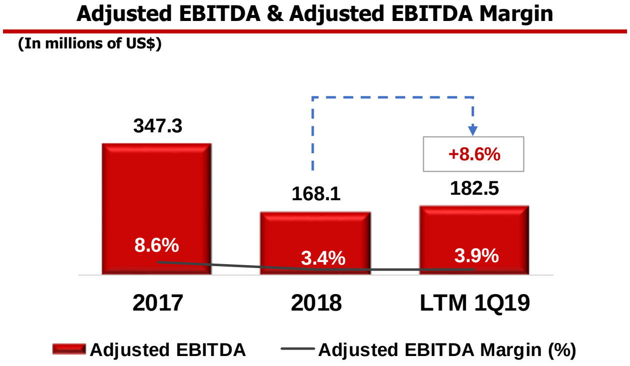


Fuels Produced



EBITDA





PETROPERU S.A. generated US$ 113 million Adjusted EBITDA in 1Q19, compared to US$ 98 million in 1Q18. This increase was due to the improvement in Gross Margin in the same period, explained by the greater profit obtained in the realization of inventories, as well as in the recovery of the differential of sale prices with respect to those of purchase (spread).

Operating expenses per business unit are as follows:

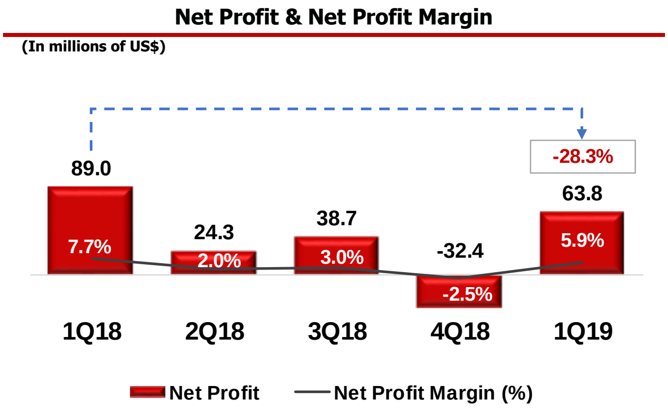
OPEX: Operative Expenses

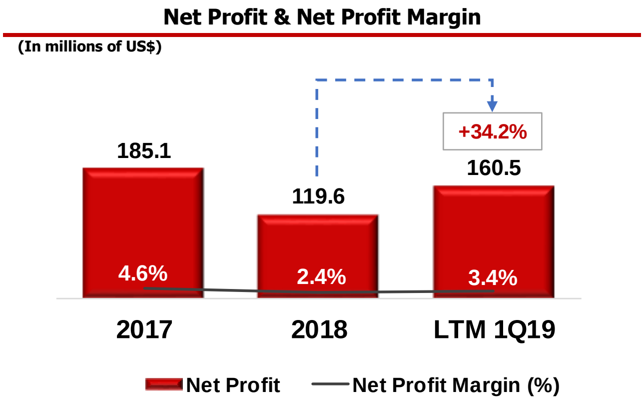
(In thousands of US$)

Business Unit	Executed on 2018 [(1)]	Executed as of March 2019
Refining	240,503	60,495
Transportion through ONP	62,697	14,409
Distribution & Comercialization	170,729	39,235
Others	93,347	18,962
Total	**567,276**	**133,101**

(1) The reversal due to impairment of assets of the Nor Peruano Pipeline ascending to US$ 31,790 thousand was recorded.

The Refining business unit, reported the highest operating expenses among all the business units (42% of total OPEX in 2018 and 45% in 1Q19). The refineries at Talara, Conchán and Iquitos are currently in operation. The business unit with the second highest operating expenses is Distribution & Commercialization, which encompasses Supply Plants and Storage Tanks throughout the country, followed by the ONP business unit.



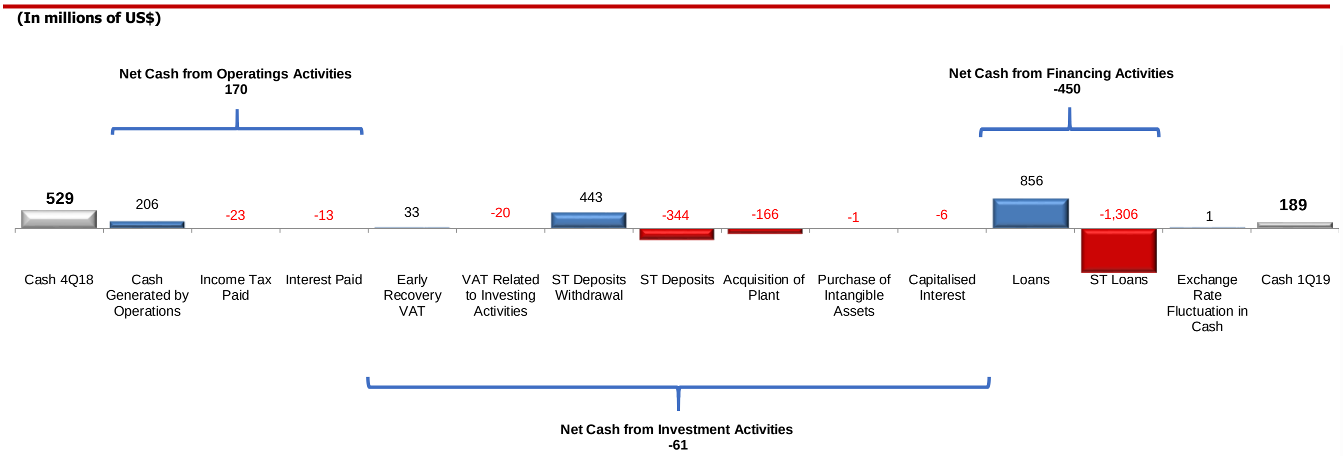


In contrast to COGS, which came in below the levels of the same period of 2018, SG&A increased, which caused an adverse effect on Operating and Net Profit in 1Q19.

Net Profit in 1Q19 was US$ 64 million compared to US$ 89 million in 1Q18, mainly due to the lower volume of sales in LPG, Diesel B5-S50 and Fuel Oil, as a consequence of the gradual entry of more aggressive competition. Likewise, in January, the provision for cleaning and environmental remediation expenses, of approximately US$ 12 million, was recorded due to the incident that occurred at Km 323 of the ONP.

1.2.2. CASH FLOW STATEMENT

Cash Flow Analysis 1Q19



PETROPERU S.A. reported Cash of US$ 189 million at the end-1Q19, compared to US$ 521 million in 1Q18. The Cash balance was reduced due to the greater deficit in the Cash Flow of Financing Activities (short-term debt repayment), which was offset by the Initial Cash Balance of the period and the Cash Flow of the Operating Activities.

Cash Flow from Operating Activities in 1Q19 reached US$ 170 million versus US$ -77 million in 1Q18, mainly explained by the fact that during this period PETROPERÚ S.A. received funds from SUNAT for the benefit of the "Balance in favor of the Exporter", and the early recovery of VAT. Additionally, the aforementioned surplus was boosted by lower payments for the purchase of crude oil and imported products as a result of better management of payment days, which implies that there was no accumulation of payments in one period.

Cash Flow from Financing Activities was US$ -450 million in 1Q19 vs. US$ 183 million in 1Q18 mainly due to the payment of Short-Term Debt of the PMRT, which was covered by the initial cash and the amount of long-term financing.

Cash Flow from Investment Activities reached US$ -61 million in 1Q19 compared to US$ -253 million in 1Q18, mainly due to the capital inflow as result of the return of term deposits (that were used to make payments for the progress works of PMRT), and also for disbursements in current investments.

<u>The bond proceeds were used as follows:</u>

In millions of US$	
Total Bonds	**2,000**
ST Loan Paid	(904)
ECP/Supplier Paid	(755)
Financial Expenses Paid	(31)
Bond Coupons Paid	(156)
Interest Earned	22
CESCE Refund	721
Bond Balance	**897**

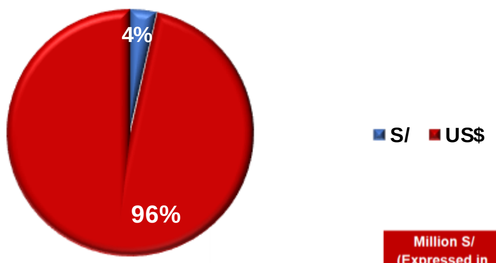
Note: In relation to outstanding balances, which are regularly reported to the Central Reserve Bank and the Ministry of Economy and Finance, these notes were placed with investment banks, local and international financial institutions.

1.2.3. BALANCE SHEET

Working Capital in 1Q19 was US$ 477 million compared to US$ 21 million in 1Q18, this improvement was due to the increase in current assets, as a result of the balance of the CESCE financing received in November 2018 and recorded in term deposits as part of other accounts receivable and cash. Also, due to the decrease in current liabilities (short term debt of PMRT - US$ 334 million) which were partially repaid during the first two months.

Foreign Exchange Debt Composition

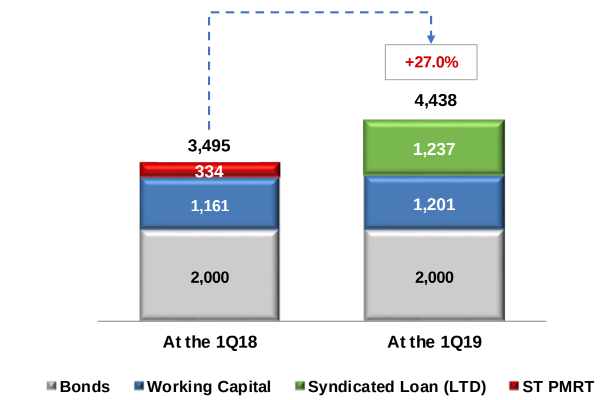
1Q19



	Million S/ (Expressed in Millions of US$)	Million US$
Working Capital	156	1,045
Syndicated Loan (LTD)		1,237
Bonds		2,000
TOTAL	**156**	**4,282**

Debt Outstanding

(In millions of US$)



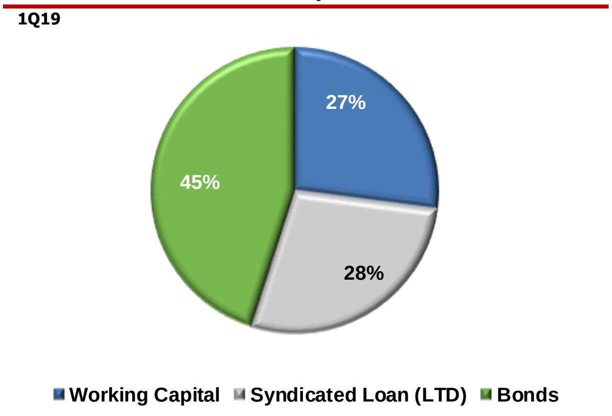
As of 1Q19, Total Debt is split into 96% US$ and 4% Soles. The average debt duration for the 15-year bond is 9.88 years, and for the 30-year bond is 14.20 years. It is important to mention that the contract of the bonds issued does not contemplate the obligation to comply with covenants beyond the delivery of financial information. These bonds do not have specific guarantees.

In relation to short-term financing, these decreased by US$ 277 million compared to 1Q18, considering that the short-term loan of US$ 334 million of PMRT (US$ 222 million in January and US$ 112 million in March) was repaid, which settled the balance of the US$ 500 million syndicated loan received in 2014.

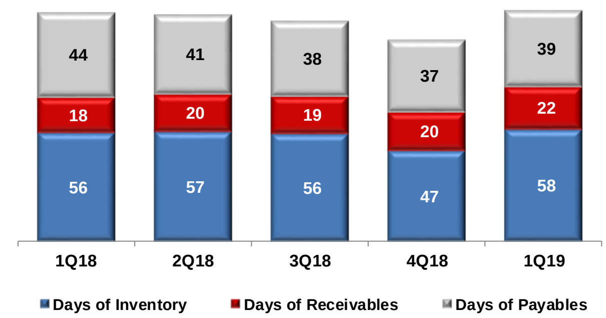
At the end of 1Q19, PETROPERU S.A. maintained its revolving credit lines granted by local and foreign banks for up to US$ 3.0 billion, of which US$ 1.7 billion are still available. This is sufficient to cover the Company's Working Capital needs.

Total debt outstanding is comprised as follows: 45% Bonds, 27% Working Capital and 28% of Syndicated Loan with CESCE's guarantee. It is important to mention that for financing carried out with local banks in national and foreign currency, financing costs have been achieved below the corporate financial cost (LIMABOR) and in some cases even below the Sovereign Rate.

Debt Composition



Cash Conversion Cycle



	1Q18	2Q18	3Q18	4Q18	1Q19
Cash Conversion Cycle[1]	31	36	37	30	40

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

The Cash Conversion Cycle (CCC) at 1Q19 reached 40 days, 9 days more than in 1Q18 (31 days), mainly due to the increase in the inventory turnover by 2 days, stemming from the lower volume of sales and higher volume of purchases. Additionally, the rotation of accounts payable also contributed to the reduction of the CCC since it decreased by 5 days and the turnover of accounts receivable increased by 4 days.

1.2.4. FINANCIAL INDICATORS

Ratios

	2017	2018	1Q18	4Q18	1Q19	YoY	QoQ
EBITDA / Interest	10.0	4.6	10.9	-1.3	11.4	4.9%	-991.0%
Debt / Assets	55.6%	65.6%	58.4%	65.6%	63.2%	-	-
EBITDA / Assets	5.8%	2.3%	1.6%	2.3%	5.3%	-	-
Debt / EBITDA	9.5	28.7	35.7	28.7	39.1	9.3%	36.2%
Current Rate	1.02	1.29	1.01	1.29	1.25	23.8%	-2.9%

The EBITDA/Interest ratio increased 4.9% in 1Q19 compared to 1Q18, due to a higher EBITDA in 1Q19 as a result of the improvement of Gross Margin which in turn is explained by the greater value in the realization of inventories given the increase of international crude oil prices and products during 1Q19.

Regarding Debt/Assets ratio, Total Debt of US$ 4.4 billion represents more than half of Total Assets (63%) in 1Q19, mainly due to, the fact that despite that part of the short-term debt was paid in 1Q19, the amount corresponding to the long-term debt of the CESCE guaranteed loan of US$ 1,236.7 million and the corporate bonds, funds which were used to finance the PMRT, remain outstanding. Regarding the EBITDA/Assets, as of 1Q19 this was 5.3%, higher compared to 1Q18.

As of 1Q19, the Company shows a Debt/EBITDA Ratio of 39.1x, higher than the 35.7x in 1Q18, but it is important to consider that most of the debt is composed of long-term debt destined to the PMRT, maturing in 10; 15 and 30 years for the syndicated loan with CESCE's guarantee and corporate bonds, respectively.

Finally, at the end of 1Q19, the Liquidity Ratio improved to 1.25x, mainly, due to the increase in current assets, as a result of the balance of financing with CESCE's guarantee, of which the largest proportion was registered in term deposits and Other Accounts Receivable. In addition, due to the payment of the short-term syndicated loan for a total of US$ 334 million.

1.3. OPERATING RESULTS

PETROPERU S.A. focuses on three business lines: 1) Refining and commercialization, which represented 112% of Total Gross Revenue during 1Q19, 2) Leasing and privatization of certain units, which represented 8% of Total Gross Revenue during 1Q19, and 3) Given that the ONP was without activity by not pumping crude during most of the 1Q19, this business unit represented a -19% of Total Gross Revenue during 1Q19.

PMRT

As of 1Q19 (cut-off date March 25, 2019), the progress of the PMRT was 74.56%. It is necessary to mention that the progress will be reviewed once an integrated schedule, which is being discussed with the EPC contractor, is agreed upon. This schedule includes the EPC contract schedule for the Auxiliary Units and Complementary Works.

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

To date, EPC Contract activities have a progress of 90.15%.

Detail Engineering: Work progress reached 100%; however, the Auxiliary Unit EPC Contractor finalizing the detailed engineering of the interconnections, which is required by TR, is pending.

Procurement: Work progress reached 99.82%. Pending studies of HSE (Health, Safety and Environment) to be carried out by the contractor. Also pending the installation of radioactive material which is in Contractor´s custody until its installation.

Construction: Work progress reached 85.22%. There are not enough resources, on the contractor side, for the construction and pre-commissioning activities. The allocation of more resources, as well as a recovery plan, are being demanded.

Auxiliary Units and Complementary Works

To date, the EPC Contract activities in charge of Consortium COBRA-SCL UA & TC have reached a progress of 13.10%.

Engineering: Progress of 48.15%,

Procurement: Progress of 14.78%

Construction: Progress of 4.41%

There have been some delays, which led to the Company to take several actions such as holding bi-monthly meetings (each 15th and 30th day), which in turn has led to a slight improvement in the placing of purchase orders and greater presence in the field; however, it is not yet possible to reverse such a delay. It is expected that advances will increase in the coming weeks.

Financing

After the disbursement of USD 1,236.7 MM, corresponding to the USD 1.3 trillion syndicated loan with CESCE guarantee, different financing alternatives are being evaluated to cover the total financing need of 100%.

Local Labor Recruitment

As of 1Q19, the workforce totaled 3,479 jobs, including personnel from both Contractors (TR and Cobra Consortium). Local unskilled local labor had a participation of 87%, exceeding the minimum established by the EIA (70%), while qualified local labor had a participation of 45%.

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

1.3.1. REFINING

During the period January - March 2019, the Refining Margin was greater than the same period 2018, mainly because in January 2019 there was a margin of US$ 8.05/Bl because:

- The price spread Products vs. Cargo was higher in 2019 than in 2018 (US$ 14.03/Bl in January 2019 vs. US$ 5.44/Bl in January 2018).
- Greater volume of cabotage (19.31 MBDC in January 2019 vs. 8.39 MBDC in January 2018) with better realization prices; the lower volume of cabotage in 2018 was due to a greater number of port closure days (1.1 days in January 2019 vs. 8.7 days in January 2018) and because there was an unscheduled stoppage of the UDP between 22 and 28 January 2018 due to a leak at the top of the distillation tower.
- The Blending Margin from January to March 2019 was lower than the same period of 2018, mainly due to the higher average price of inputs registered in March 2019.

Operating Data

Gasoline/Gasohols of high octane (95, 97 and 98 octane) that is marketed and used nationally, should not be greater than 50 ppm.

	2017	2018	1Q18	4Q18	1Q19	YoY	QoQ
Refining Capacity (in KBPD) (1)	94.5	94.5	94.5	94.5	94.5	-	-
Refinery Utilization (in KBPD) (2)	69.4	67.4	65.7	69.2	61.9	-5.8%	6.1%
Refined Products (in KBPD) (3)	104.7	110.4	108.0	111.0	98.8	-8.5%	0.1%
Refining Margin (US$/bbl) (4)	5.76	0.27	1.89	2.79	3.50	85.2%	185.5%
Blending Margin (US$/bbl) (5)	11.89	7.08	11.74	8.89	10.37	-11.6%	307.2%
Net Total Margin (US$/bbl) (6)	7.28	2.28	4.98	4.58	5.19	4.2%	747.5%
Capacity Utilization Rate (7)	73.4%	71.3%	69.5%	73.2%	65.5%	-	-
Volume Sales (in KBPD)	145.2	152.1	148.6	157.3	137.3	-7.6%	3.5%

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 reside 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 lower compared to the same period of the previous year (98.8 vs. 108.0 KBPD), mainly due to lower volume produced of Diesel, LPG and Asphalts.

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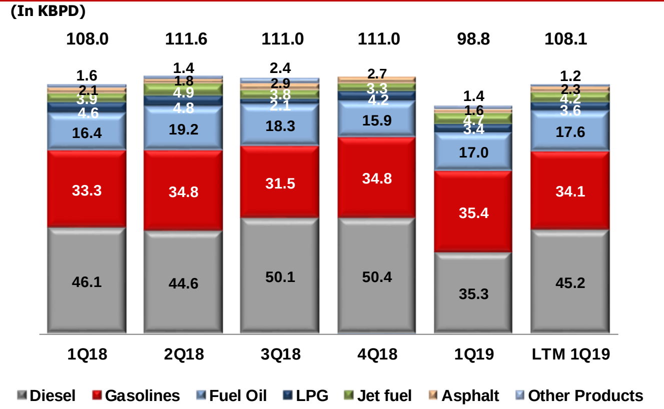
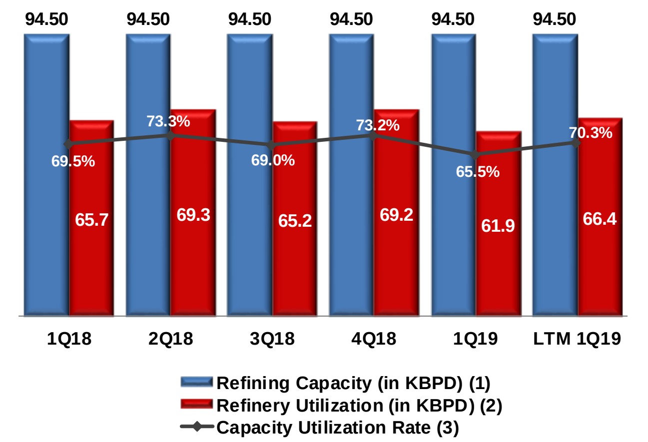
Refined Products



	1Q18	2Q18	3Q18	4Q18	1Q19	LTM 1Q19
Refining Margin (US$/bbl)	1.9	-0.2	-3.3	2.8	3.5	0.7

Capacity Utilization Rate



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

1.3.2. NOR PERUANO OIL PIPELINE (ONP)

The pumped crude oil volumes accumulated 1Q19 are the following:

SECTION	PUMPED VOLUME AT MARCH (MB)
SECTION I	437.64
SECTION II	820.98
ORN	256.07

The pumping in Section I was stopped from January 18, 2019 to February 8, 2019, due to social issues with the community which forced the evacuation of personnel working at pumping station No 1. In Section ORN, the pumping was paralyzed during the months of January and February due to the cutting of the pipeline at Km 193 by third-party action, the pumping restarted on March 1, 2019; however, the crude oil deliveries were lower than normal because of the Force Majeure of block 192 production (explained below in E&P part). As a result of the abovementioned stoppages, the pumping in Section II was lower than normal.

Regarding the volumes loaded at the Bayóvar Terminal, we have the following:

- January 2019: 40.1 MMbl of Primary Residual from PETROPERU S.A.,
- February 2019: 29.7 MMbl of Primary Residual from PETROPERU S.A.,
- March 2019: 243.25 MMbl of Primary Residual from PETROPERU S.A.

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

DATE	LOCATION	SITUATION	% PROGRESS At MARCH
Nov 07, 2017	Km 221+046 – ORN	- Cleaning and remediation work completed. - Elaboration of the Health and Environment Assessment Report.	95.0
Feb 27, 2018	Km 20+204 – Section I	- The cleaning of the flotation channel and hydrocarbons recovery as a result of the removal of this channel bottom continue. - Pending OEFA´s conclusions and results of its inspection. - In elaboration, the Social and Environment Preliminary Report.	68.5
Nov 27, 2018	Km 193 – ORN	- Repair work completed. - There are still no agreements with Mayuriaga Community to start hydrocarbons recovery activities. - Pending start of hydrocarbons recovery.	-

In relation to the state of the contingencies occurred in the present year, we have the following:

DATE	LOCATION	SITUATION	% PROGRESS At MARCH
Jan 01, 2019	Km 323+955 – Section II	- Repair work completed. - Hydrocarbon control and recovery points have been installed. - Impregnated vegetable material is bagged.	20.5
Jan 17, 2019	Km 611+955 – Section II	- Repair work completed. - Removing sacks ground full of hydrocarbons continues.	90.5

Regarding the ONP Modernization Project, a market investigation is being carried out to determine the cost of its Extended Basic Engineering (FEED).

In relation to the prioritized activities carried out to continue a safe and reliable operation of the transport system, we have the following advances:

- Installation of Pressure Transmitters in Section I (progress of 54.6%) and in the ORN (Progress 92.6%).
- Acquisition and installation of blocking valves in the ONP and ORN: Progress of 20.5%.
- Improvement to the SCADA Supervision and Control System: Progress of 25.3%.
- Improvement to the Cathodic Protection System: Progress of 18.4%.

1.3.3. EXPLORATION AND PRODUCTION

Block 64

After the presentation in December 2018 of the EIA for the Development Project for the Central Situche Reservoir for SENACE's approval, observations on the EIA from SENACE[10] were received in February. As of March 2019, the Company is working on the fulfillment of these observations. It is estimated that the approval of the EIA by SENACE will be in July of this year.

With respect to the preliminary engineering works of the production facilities, after the completion of the conceptual engineering, extended basic engineering studies (FEED) have been started and should be completed by July 2019. On the other hand, the expansion of Morona Camp continues, which includes the repair of the dock situated at this camp. And, the flexible pipe that will serve to evacuate the early production, arrived at the Callao port and is in the process of customs clearance for its subsequent mobilization to Morona Camp.

Regarding exploratory drilling, GeoPark has updated the Terms of Reference and the Citizen Participation Plan, both have been sent to SENACE for approval.

[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

Block 192

The Services Contract for the block operation continues in Force Majeure since December 12, 2018, due to the attack which occurred at Km 193 of the ORN. As of March 2019, although the pipeline has been repaired and pumping has begun, the Force Majeure has not yet been lifted.

According to Perupetro S.A., the base line of the License Contract will be submitted for approval by its Board of Directors. Once approved, PETROPERÚ S.A. will be convened to begin direct negotiation of the License Contract, which is expected to begin in May 2019.

Regarding the Prior Consultation process, informative meetings would begin in May.

It is important to disclose that, within the framework of the non-binding Memorandum of Understanding, between Frontera Energy (current operator of the block) and PETROPERÚ for the access of personnel to the block to collect operational information, PETROPERÚ has restarted its Supervision Plan - suspended by the abovementioned Force Majeure – for the different installations and facilities of the block.

2. ENVIRONMENTAL, SOCIAL AND GOVERNANCE ANALYSIS

2.1. ENVIRONMENTAL & SOCIAL MATTERS

During 1Q19, PETROPERÚ S.A. has carried out responsible actions with society, based on the strengthening of its stakeholder relationships.

In the Nor Peruano Pipeline (ONP), the execution of the Project "Poultry Productive Project" continues, benefiting 782 families of 20 native communities in order to contribute to the development of sustainable social investments. In the same line, the project "Promotion, Installation and Training for Bio-gardens Operations" is running, which also benefits several communities, contributing in this way to food security and improvement of nutrition.

Aimed at improving the quality of life, the implementation of water solutions in communities of Morona is being managed, by which the Municipality commits to perform the technical-legal expertise and PETROPERÚ S.A. agrees to finance them. Likewise, the documentation for another 16 towns in the same area is being prepared for the installation of an integral potable water and sanitation system to be financed and executed under the "Works for Taxes" mechanism.

On the other hand, focused on the populations health around the incidents, a Medical Campaign was developed in coordination with the Ministry of Health, where hundreds of families received general medical care, as well as medicine and health advise. The services were free.

In Talara, the first 2019 entrepreneurship fair was held, as part of the "Women in Action" program, where the several women and the artisan associations of the area participated. This program is aimed at partnering the companies created around the area in production and developing talent as well, to ensure their development in the local market, allowing them to generate their own income and improve their quality of life.

In Conchán, within the framework of promoting art and culture, Summer Folk Dance Workshops were developed, benefiting more than 70 children from the area near the refinery, who learned the main typical dances of Peru. In the same line, the School Bands Program is developed in different schools.

In Iquitos, committed to education and recreation, for the ninth consecutive year and within the activities of social projection, the "Useful Vacations 2019" program was developed, with the aim of generating spaces for entertainment and education during the holidays for children and adolescents in the communities surrounding the refinery.

In Ilo, as part of our social management plan and before the emergency produced by heavy rains and flooding of rivers of the Andean area of the province, causing damage to the water plants, immediate support was provided with potable water supply in coordination with the authorities of Ilo, distributing 9,600 gallons of drinking water in various areas of the province.

Finally, with the aim of contributing to children education, the Company initiated the Project "Quality Schools" at a corporate level, aimed at improving the quality of educational services in all populations adjacent to our facilities.

Regarding environmental matters, from 2018 to March 2019, 7 out of the 28 Contaminated Sites Identification Reports (IISC) were approved by the Ministry of Energy and Mines (MINEM), which means, for these 7 sites, the completion of the first stage of the remediation process. This allows PETROPERU S.A. to initiate the planning for the remediation in coordination with MINEM. In this stage, Iquitos refinery and ONP have been prioritized.

In the same way, PETROPERÚ continued the cleaning and remediation activities of the areas affected by oil spills that occurred in the ONP during 2017 and 2019 (mainly caused by acts of third parties). At the end of 1Q19, there were 4 events of different magnitudes in the ONP, the most relevant occurring at Km 323, which we attended to immediately and reported it to the competent authorities. Currently, it is in the process of "Cleaning and Remediation". Likewise, we proceeded with the compensation for damages to the owners of the properties affected by the issues at Km 12 + 200 of the ORN.

Regarding the attack registered at Km 193 of the ORN Section (occurred in November 2018), an agreement, with Mayuriaga Community was reached, to repair the pipeline and restart the pumping, pending negotiations for the execution of the "Cleaning and Remediation" activities. Finally, regarding the events in which the remediation activities were concluded, the Company is in a process of ongoing dialogue and understanding with the communities to reach some agreements, as well as it has set a systematic process of environmental monitoring focused on the follow-up and evolution of the rehabilitation of soils, surface waters and aquatic sediments, as well as the flora and fauna of the remediated areas.

2.2. CORPORATE GOVERNANCE

During 1Q19, the following actions and achievements in Corporate Governance (CG) have been made:

1. In January 2019, the 2019 Reputation Plan for PETROPERÚ for the strengthening of the relationship with its stakeholders.

2. From January to March 2019, the 3 Board Committees had the following meetings:

    - In January: The Management Committee.
    - In February: The Audit and Control Committee.
    - In March: The Corporate Governance and Good Practices Committee.

3. In February 2019, two persons joined the Board: Mr. José Del Carmen Cabrejo Villagarcía (Independent Director) and Mr. Eduardo Paredes Lanatta (Non-Independent Director).

4. In February and March 2019, within the framework of the work plan for improving the relationships with the stakeholders of the Company, the following two meetings were held: SCOTIABANK and BBVA, both linked to the stock market.

5. In March 2019, the Board approved both the 2018 Corporate Governance Annual Report and the 2018 Compliance with Corporate Governance Code Report, which form part of the Annual Report of the Company.

6. In relation to Information Transparency, the activities developed were as follows:

    - In February 2019, PETROPERU S.A. has initiated a revision of its Integrity System regulations, which includes the Integrity Code, the Antifraud and Anticorruption Policy and the Guidelines of the Integrity System, as a good practice of corporate governance, in order to update its commitments aligned to national and international standards.
    - In January and February 2019, the Integrity Committee have made visits to various of PETROPERU´S facilities in order to have talks about the ethical administration of leaders and to publicize the Integrity Line channels and its adequate use.
    - In March 2019, the Board appointed the new Independent Chair of the Integrity Committee, Mr. José Antonio De Rivero Salazar. Likewise, it approved the new formation of this Committee, as follows:

- Chair: Independent member
- Member: General Secretariat
- Member: Chief Financial Officer
- Secretary: Supervisor Employee

- In order to disseminate and share experiences in the management of ethics and transparency in the company and country, several visits are being made to various institutions, such as: organizations and companies in the public sector (Bank of the Nation, Perupetro, Secretariat of Public Integrity, Justice Ministry, UNDP).

2.3. ORGANIZATIONAL MATTERS

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

In relation to the performance management program, after the approval of the guidelines for staff performance evaluation during the year 2018, actions have been initiated during the first quarter of 2019 to proceed with this evaluation. Likewise, it continues with the evaluation of the Functional Objectives for each Area.

It continues working with the Company´s work environment in order to identify opportunities for improvement in this regard, considering that personnel are being significantly improved.

Based on the successful 2018 Voluntary Redundancy Program, a new similar program is being prepared for the current year; which will benefit those people who opt for this option and will generate the renovation of personnel aimed at improving the management of the company.

As part of the 2019 Trade Union Negotiation, this process in under way, emphasizing on efficiency and modernization policies of the Company.

The implementation of talent attraction and retention strategies continue.

In Talara, specifically with the PMRT, the organizational design of the new refinery is in its final stage, the Company is hiring new personnel, which are being trained under the new Refinery specifications, giving priority to people who are from the area to strengthen the relationship with the Talara community. There is also a training program for existing personnel, geared towards the efficient operation of the new refinery.

Earnings Release

3. Financial Summary

3.1. Income Statement

In Millions of US$	2017	2018	1Q18	4Q18	1Q19	YoY (1)	QoQ(2)
Domestic Sales	3,586	4,369	997	1,154	938	-5.9%	-18.8%
Exports	394	515	135	131	128	-5.5%	-2.3%
Other Revenue	72	81	21	25	15	-28.1%	-40.4%
Total Revenue	4,052	4,965	1,154	1,311	1,081	-6.3%	-17.5%
COGS	-3,537	-4,618	-1,022	-1,288	-936	-8.4%	-27.4%
COGS (% of Revenue)	87.3%	93.0%	-88.6%	-98.2%	-86.5%	-	-
Gross Profit	514	347	132	23	146	10.2%	533.3%
Gross Margin (%)	12.7%	7.0%	11.4%	1.8%	13.5%	-	-
SG&A	-216	-132	-11	-16	-63	460.8%	286.3%
SG&A (% of Revenue)	5.3%	2.7%	1.0%	1.2%	5.8%	-	-
Operating Profit	299	216	121	7	83	-31.4%	1125.6%
Operating Margin (%)	7.4%	4.3%	10.5%	0.5%	7.7%	-	-
Net Profit	185	120	89	-32	64	-28.3%	-296.9%
Net Profit Margin (%)	4.6%	2.4%	7.7%	-2.5%	5.9%	-	-
Adj. EBITDA	347	168	98	-27	113	14.6%	-523.8%
Adj. EBITDA Margin (%)	8.6%	3.4%	8.5%	-2.0%	10.4%	-	-

(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.

3.2. Cash Flow Statement

In Millions of US$	2017	2018	1Q18	4Q18	1Q19	YoY	QoQ
Initial Balance	74	666	666	138	529	-20.6%	282.3%
Operating Cash Flow	165	-134	-77	184	170	-320.5%	7.7%
Capital Expenditures	-1,229	-1,502	-253	-879	-61	75.9%	93.1%
Cash Flow from Financing	1,653	1,501	183	1,086	-450	-345.2%	-141.4%
Final Balance	666	529	521	529	189	-63.7%	-64.2%

Final Balance is affected by the exchange rate fluctuation on cash.

3.3. Balance Sheet

In Millions of US$	2017	2018	1Q18	4Q18	1Q19	YoY	QoQ
Current Assets	2,319	3,016	2,279	3,016	2,388	4.8%	-20.8%
Non-Current Assets	3,620	4,328	3,741	4,328	4,567	22.1%	5.5%
Total Assets	5,939	7,344	6,020	7,344	6,955	15.5%	-5.3%
Short Term Debt	1,319	1,673	1,528	1,673	1,251	-18.1%	-25.2%
Long Term Debt	1,985	3,148	1,985	3,148	3,148	58.6%	0.0%
Total Debt	3,304	4,821	3,513	4,821	4,399	25.2%	-8.8%
Other Liabilities	1,017	786	801	786	755	-5.6%	-3.9%
Total Liabilities	4,321	5,607	4,314	5,607	5,154	19.5%	-8.1%
Stockholders´ Equity	1,618	1,737	1,707	1,737	1,801	5.5%	3.7%
Total Capitalization (Debt + Equity)	5,939	7,344	6,020	7,344	6,955	15.5%	-5.3%
Total Current Liabilities	2,266	2,343	2,258	2,343	1,911	-15.4%	-18.4%
Working Capital	53	673	21	673	477	2159.6%	-29.2%
Debt / EBITDA	10	29	36	-181	39	9.3%	-121.5%

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