

Earnings Release



PETROPERÚ¹ Announces Fourth Quarter 2019 Earnings Results - 4Q19

Lima, Peru, February 17, 2020: Petróleos del Perú - PETROPERÚ S.A. (OTC: PETRPE) announced financial and operating results for the fourth quarter ("4Q19"), period ended December 31, 2019. For a more comprehensive financial analysis please refer to the Intermediate Financial Statements 4Q19² available on the *Superintendencia Mercado de Valores del Perú website - SMV* (www.smv.gob.pe).

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HIGHLIGHTS

- **Gross Profit** increased from US\$ 23 million in 4Q18 to US\$ 130 million in 4Q19 (+466% YoY³), as a result of a revaluation of inventories as a result of the increase in prices of international markers and lower purchases of crude oil and products
- During 4Q19, **Total Revenue** decreased by 12% compared to 4Q18, mainly due to the fall in national sales and export volumes.
- **Operating Profit** increased by 286% YoY, from US\$ 7 million in 4Q18 to US\$ 26 million in 4Q19, mainly due to a higher Gross Margin compared to the same period of the previous year.
- **Net Profit** in 4Q19 was US\$ 54 million compared to US\$ -32 million in 4Q18 (+268% YoY), as despite an Operating Margin improvement that went from 0.5% in 4Q18 to 2.3% in 4Q19, the tax effect negatively impacted Net Profit (US\$ 7 million in 4Q19 vs US\$ 15 million in 4Q18).
- **Adjusted EBITDA**⁴ increased to US\$ 104 million (+492% YoY), mainly due to a higher Gross Margin generated due to the optimization of the Cost of Sales. Adjusted EBITDA Margin went from -2% in 4Q18 to 9% in 4Q19.
- **Total Sales Volume** reached 140.3 KBPD⁵ in 4Q19, lower than 157.3 KBPD in 4Q18 (-10.8% YoY); 89% of sales (124.7 KBPD) were concentrated in the domestic market.
- Final **cash balance** reached US\$ 376 million at 4Q19 vs. US\$ 529 million at 4Q18, mainly due to in 4Q18 extraordinary income was recorded for the recovery of taxes in SUNAT for the Turbo A-1 case and for the recovery of the IGV tax credit for the balance in favor of the Benefit.
- **PMRT**⁶ progress as of 4Q19 was 85.27%. The scheduled baseline has been updated based on the schedule of activities to be carried out by the Process Units presented by TR. In November 2019, addenda with TR referred to the Agreement of Principles and ratified by the Board of Directors of PETROPERÚ were signed, whose objective is to resolve their discrepancies.

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

² Intermediate Financial Statements for the Fourth Quarter 2019. Unless otherwise noted, all financial figures are presented in US\$, and references "Dollars" or "US\$". Quarterly Financial Statements have been prepared in accordance 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 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.

⁵ KBPD: Thousands of Barrels Per Day

⁶ Talara Refinery Modernization Project: which consists of the construction of a new refinery with the highest technological standards and competitiveness in the region. The new refinery will completely modify the current production structure of the Talara Refinery, through the incorporation of new refining processes, auxiliary services and related facilities.

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- In 4Q19, **Net Refining Margin**⁷ reached US\$ 3.8/Bbl vs. US\$ 2.8/Bbl in 4Q18, mainly due to the greater spread of product prices vs. loading price compared to the same period in 2018.
- PETROPERÚ continued to be a leader in the national fuel market with a 44% share for the January to November 2019 period.
- With respect to the **Nor Peruano Oil Pipeline (ONP)**, during 4Q19 programmed stoppages took place in Section II and the ORN. In addition, some third-party acts affected the continuous operation of the ONP.
- Regarding **hydrocarbon exploration and production activities**, as of December 2019 at Block 64, the Company is establishing strategies to resume the approval of the Environmental Impact Study (EIS) of the Development of the Central Situche Deposit. Regarding Block 192, the Ministry of Energy and Mines has delegated to Perupetro S.A. the continuation of the execution of the Prior Consultation Process. This will delay the completion of the Prior Consultation process.
- In terms of Environmental Management, in 4Q19 there was an event at Km 549 of Section II of the ONP; however, it was treated within the framework of the Company's Contingency Plan. Regarding the contingency that occurred at Km 193 of the ORN Section in 4Q18, the Company reached an agreement with the Community of Mayuriaga to repair the pipeline and restart the pumping.
- In terms of Environmental Matters, during 4Q19 activities focused on responsible work with society were developed, based on the relationship and strengthening of interest groups, identifying opportunities for mutual work with the population.

1. ANALYSIS

1.1. MACROECONOMIC ENVIRONMENT

It is estimated that the growth of the Gross Domestic Product (GDP) in 2019 was around 2.1%, the lowest growth in the last 8 years, mainly due to some factors in the international and local environment, such as trade tensions between the United States and China that had global trade implications. Consequently, the terms of trade and metal prices declined. In line with this, mining production went through complications due to lower ore grades, technical difficulties and social conflicts. On the other hand, the lower authorized quota of anchovy in the first season and the ocean warming at the end of 2019, negatively impacted the fishing and manufacturing sector. All this generated a contraction of 1.2% in the primary sector.

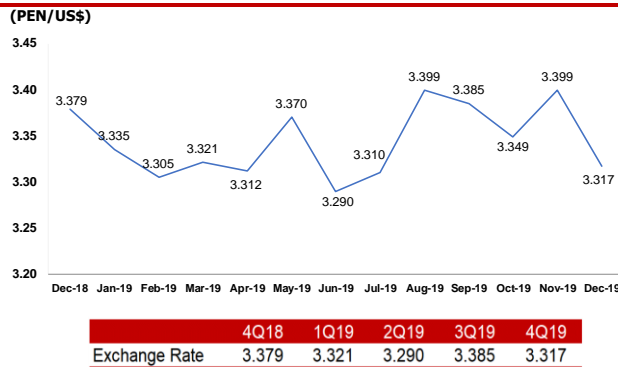
Regarding annual inflation for the last 12 months as of December 2019, according to the BCRP Study reached 1.90%. In line with this, inflation without food and energy in the same period reached 2.30%, both indicators within the BCRP inflation target range (1% to 3%). As of November 2019, the general price level increased by 1.68%, the CPI (Consumer Price Index) without food and energy increased by 1.96%, while food and energy prices grew by 1.36%. With regards to the reference rates, the BCRP maintained the rate at 2.25%, in order to continue with the stimulus of economic activity. Additionally, the Federal Reserve of the United States (FED) at the last meeting that took place in December 2019, decided to maintain the interest rate in the range of 1.50 - 1.75%, which is estimated to maintain its level during 2020.

⁷ Net Refining Margin = \sum Product Sales Revenue – \sum Expenditures for Raw Material and Supplies Purchases – Operative Cost

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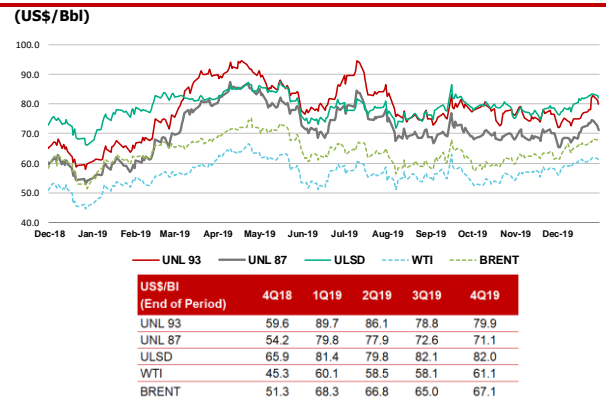


Exchange Rate



Source: SBS

WTI & Other International By-Product Prices



Source: Platts

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 September and December 2019, this figure appreciated by 2.0% from S/ 3.385 to S/ 3.317 per dollar. This implies a 0.5% appreciation YTD⁸. According to the December 2019 BCRP Inflation Report, the recent evolution of the exchange rate was mainly explained by lower risk aversion due to the reduction of commercial tensions between the United States and China. With this context, the BCRP intervened during 4Q19 with a placement of US\$ 266 million in Foreign Exchange Swaps. So far in 2019, the BCRP's net intervention (between spot market and derivatives) was US\$ 640 million.

With respect to oil prices, so far, this year the Brent and WTI markers closed 4Q19 at around US\$ 67/Bbl and US\$ 61/Bbl, respectively and it is expected that by the 2020, Brent averages will be at US\$ 64/Bbl and WTI at US\$ 59/Bbl⁹. The upward trend in the last quarter is mainly due to the oil production cuts of OPEC and other countries, some supply shocks and expectations regarding trade negotiations. The aforementioned factors have been offset by lower global growth and higher US production, which in November reached a new record level according to the latest BCRP inflation report.

Local market fuel prices are determined considering international prices of these fuels (Import Parity Prices calculated by PETROPERÚ). Prices are expressed in Soles at current exchange rates. It is important to 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 OSINERGMIN¹⁰ tariffs.

⁸ YTD: Year to Date

⁹ According to S&P Global Platts estimates as per its report "WORLD OIL MARKET FORECAST" at September 2019.

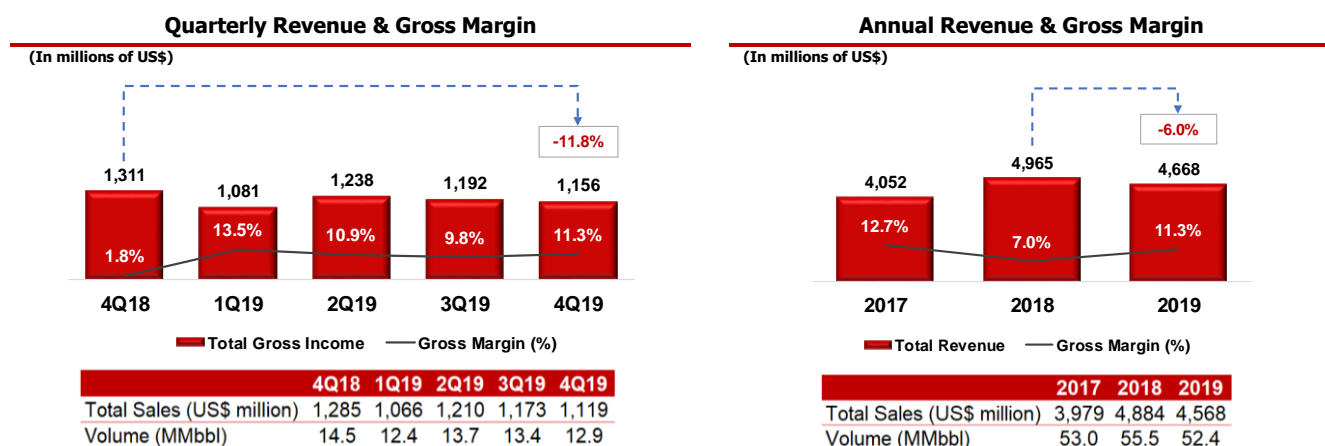
¹⁰ OSINERGMIN: Peru's Supervisory Body of Energy and Mining Investment.

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1.2. FINANCIAL RESULTS

1.2.1. INCOME STATEMENT



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

Total Revenue reached US\$ 1,156 million in 4Q19, a decrease of 11.8% YoY, mainly as a result of the volume decline of national sales and exports compared to 4Q18, and a reduction in prices compared to the same period of 2018.

Local sales decreased by 10.3% from US\$ 1,154 million in 4Q18 to US\$ 1,035 million in 4Q19. Exports decreased 36.2% YoY, from US\$ 131 million to US\$ 84 million. Sales Revenue (excluding Other Income) decreased by 12.9% compared to 4Q18.

Gross Margin increased from 1.8% in 4Q18 to 11.3% in 4Q19 as a result of a revaluation of inventories as a result of the increase in prices of international markers and lower purchases of crude oil and products, compared to 4Q18.

Analysis of the Product Portfolio:

SALES (In Millions of US\$)				
SALES	4Q18	4Q19	YoY	Weight on Total Sales
LOCAL SALES				
LPG ^{(1) (2)}	39	36	-7.3%	3.2%
Gasolines/Gasohols ⁽¹⁾	286	283	-1.0%	25.3%
Turbo A-1	28	17	-40.1%	1.5%
Diesel B5 ^{(1) (2)}	642	594	-7.5%	53.1%
Industrial Oil ^{(1) (2)}	26	16	-39.3%	1.4%
Bunkers (Marine Residual - IFO + Marine Diesel N°2) ⁽¹⁾	29	15	-46.7%	1.4%
Asphalt Liquid / Asphalt Solid ⁽¹⁾	17	17	-3.5%	1.5%
Others ^{(1) (3)}	86	57	-33.8%	5.1%
Total Local Sales	1,154	1,035	-10.3%	92.5%
EXPORTS				
Virgin Naphtha	24	11	-55.7%	1.0%
N°6 Fuel Oil, Reduced Crude, Industrial Oil 500	48	37	-21.6%	3.3%
Diesel 2	44	20	-54.7%	1.8%
Others ⁽⁴⁾	15	15	5.0%	1.4%
Total Exports	131	84	-36.2%	7.5%
Total Local Sales & Exports	1,285	1,119	-12.9%	
Other Operational Income ⁽⁵⁾	25	37	46.7%	
TOTAL REVENUE	1,311	1,156	-11.8%	

⁽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.

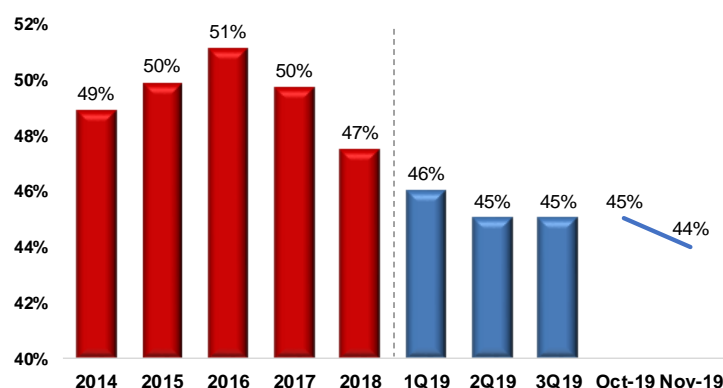
⁽⁵⁾ Includes terminal operation fees, oil transportation by oil pipeline, lease Savia Perú S.A. among others.

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During 4Q19, PETROPERÚ had Sales Revenue of US\$ 1,119 million, 12.9% lower than in 4Q18, with 92% of sales concentrated in the domestic market.

PETROPERÚ Market Share Evolution



PETROPERÚ maintained leadership in the national fuel market with a 44% share for the January-November 2019 period, information calculated by PETROPERÚ based on the information published on the Ministry of Energy and Mines' website (MINEM) at the date of this report.

Income Breakdown

(In millions of US\$)		2019	% Participation	
LOCAL REVENUE			4 Products	80.6%
LPG ^{(1) (2)}		123	Diesel B5 ^{(1) (2)}	51.4%
Gasolines/Gasohols ⁽¹⁾		1,118	Gasolines/Gasohols ⁽¹⁾	24.5%
Turbo A-1		93	LPG ^{(1) (2)}	2.7%
Diesel B5 ^{(1) (2)}		2,346	Turbo A-1	2.0%
Industrial Oil ^{(1) (2)}		71	2 Products	75.8%
Bunkers (Marine Residual - IFO + Marine Diesel N°2) ⁽¹⁾		83	Diesel B5 ^{(1) (2)}	51.4%
Asphalt Liquid / Asphalt Solid ⁽¹⁾		65	Gasolines/Gasohols ⁽¹⁾	24.5%
Others ^{(1) (3)}		199	Local Revenue	89.7%
Total Local Revenue		4,098	Exports	10.3%
EXPORTS				
Virgin Naphtha		63		
N°6 Fuel Oil, Reduced Crude, Industrial Oil 500		199		
Diesel 2		146		
Others ⁽⁴⁾		62		
Total Exports		471		
TOTAL REVENUE		4,568		

⁽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.

PETROPERÚ maintains a network of 652 affiliated service stations as of December 2019, which are distributed across the 24 regions of the country. Its products reach the highest quality standards, according to customer opinions and the quality certificates granted as a result of compliance with national and international standards. Additionally, PETROPERÚ's most representative products, that reflect the greatest income during the last twelve months, are Diesel B5 (Includes Diesel B5 S-50) and gasolines/gasohols, that have a market share of 55% and 65%, respectively.

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LOCAL MARKET

Domestic Sales Revenue reached US\$ 1,035 million in 4Q19, decreasing 10% YoY or US\$ 119 million, mainly due to lower sales of Diesel B5, which were mainly explained by lower sales volumes of Diesel, Bunker, Industrial Petroleum and Turbo A-1.

Regarding the domestic market, important events have taken place that affect the commercial management of the Company, such as:

- Increased competition in diesel.
- A lower fishing campaign with respect to the previous year.
- Maintenance of dock 7 of Callao (APM Terminals) throughout 2019, which mainly affected LPG sales, as well as other fuels.

EXTERNAL MARKET

Export Sales Revenues of US\$ 84 million represented 8% of Total Sales Revenue in 4Q19. The Company exported a volume of 16 KBPD, 23% lower compared to the same period of 2018 (20 KBPD). The lower volume exported affected lower revenues, which was also affected by lower prices. The lowest volume exported was mainly in Diesel 2 high sulfur and Virgin Naphtha, which was offset by the higher exported volume of No. 6 Fuel Oil and marine waste (IFO).

SUPPLY CHAIN

Despite the continued maintenance of Dock 7 (situated in the Callao Port), storage capacity restrictions due to port closures, to a greater extent (99%) it has been served normally in plants and terminals nationwide.

In December, we recorded a total of 41.6 days of port closings, compared to the 64.7 days corresponding to the same period of 2018. The accumulated number of port closing days at December 2019 was 841 days versus 1,030 days, with respect to the same period of the previous year.

In 4Q19, progress rates for the construction of new Plants and Terminals were as follows:

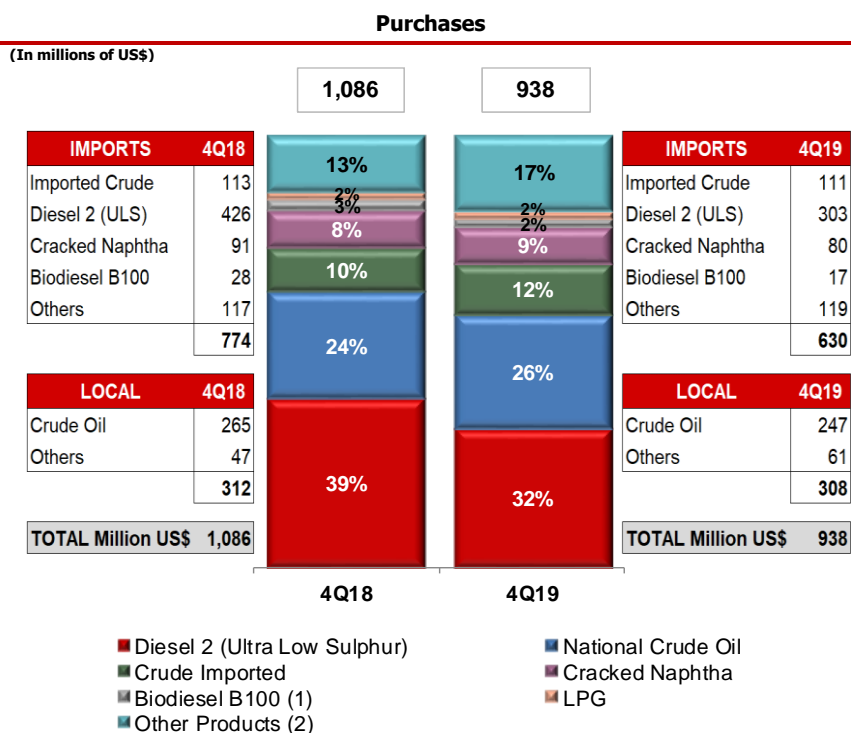
1. Terminal Ilo: 54.5% construction progress. As of December, it is in the process of contracting the services of complementary elaboration and integration of the detailed engineering and its supervision. In addition, in December the start-up meeting of the inspection service of the metalworking facilities was carried out and the land movement for the works began.
2. Pasco - Ninacaca Supply Plant: 64.1% construction progress. The OBS - Imecón Consortium and two companies located in the area, submitted their financial bid for the new scope of the interconnection service from the Plant to the Central Highway, and the Company is evaluating the budgetary availability for this service.
3. Puerto Maldonado Supply Plant: 39.0% progress. Regarding the Procurement and Construction service, the Company is carrying out the engineering review, procedures development, and mobilizing some land equipment. Also, it should be noted that there were some work stoppages due to rain.

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

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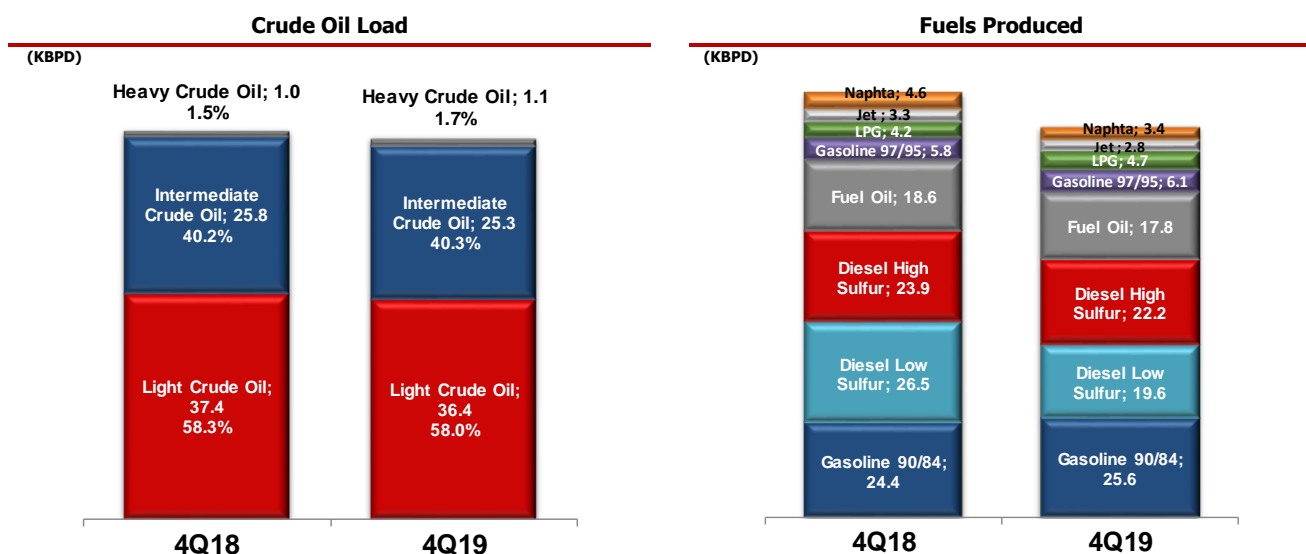
PURCHASES



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

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. Local crude oil (from the Northwestern region of Peru) during 4Q19 represented 26% of total purchases.

In 4Q19, oil imports as a percent of total purchases by our refineries increased slightly to 11.8% (compared to 10.4% in 4Q18).



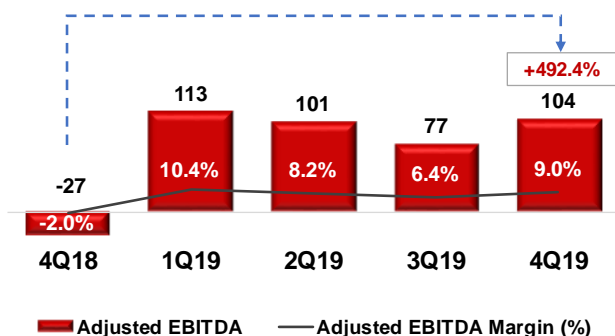
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EBITDA

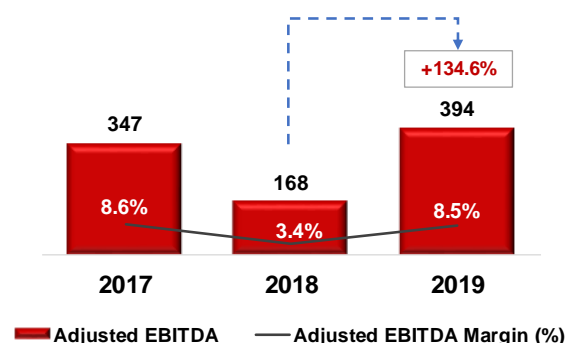
Quarterly Adjusted EBITDA & Adjusted EBITDA Margin

(In millions of US\$)



Annual Adjusted EBITDA & Adjusted EBITDA Margin

(In millions of US\$)



Adjusted EBITDA reached US\$ 104 million in 4Q19, compared to US\$ -27 million in 4Q18. This increase in Adjusted EBITDA is mainly due to a higher Operating Margin of 4Q19 (2.3%) vs Operating Margin of 4Q18 (0.5%).

Operating expenses per business unit are as follows:

OPEX: Operating Expenses

(In thousands of US\$)

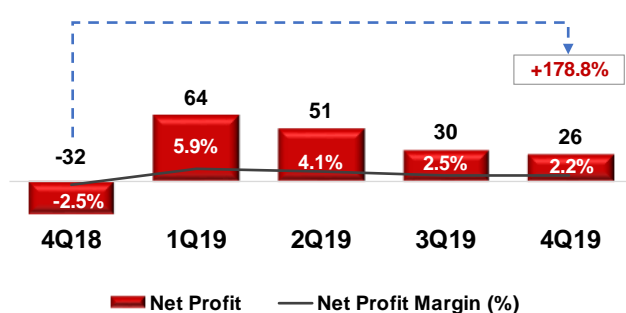
Business Unit	Executed on 2018 ⁽¹⁾	Executed as of December 2019
Refining	240,503	287,133
Transportation through ONP	62,697	66,922
Distribution & Commercialization	170,729	175,013
Others	93,347	83,653
Total	567,276	612,721

- (1) Reversal due to impairment of assets of the Nor Peruano Pipeline reached US\$ 31.8 million. Does not include worker participation.

The Refining business unit represented the highest operating expenses among all the business units (47% in 2019 and 42% of total OPEX in 2018). As of December 2019, Talara, Conchán and Iquitos are in operation. It is noteworthy that, from January 2020, Talara Refinery stopped operating until the start-up of the New Talara Refinery. The business unit with the second highest operating expenses is Distribution & Commercialization, which encompasses Supply Plants and Storage Tanks throughout the country, as well as the ONP business unit.

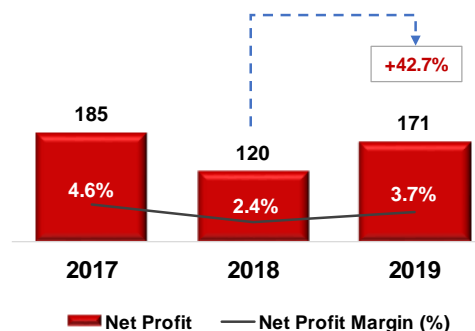
Quarterly Net Profit & Net Profit Margin

(In millions of US\$)



Annual Net Profit & Net Profit Margin

(In millions of US\$)

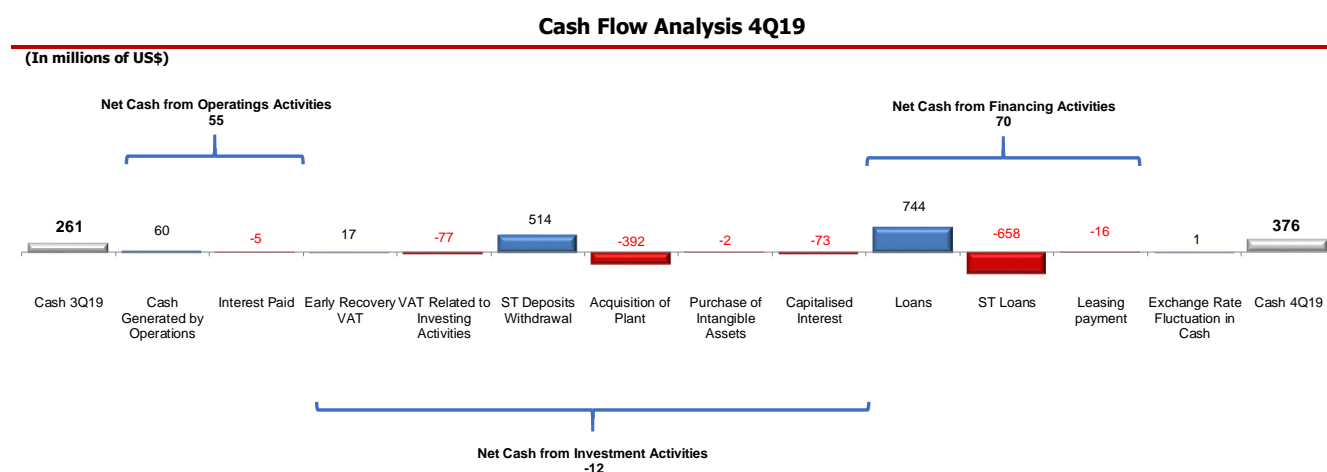


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Net Profit in 4Q19 was US\$ 26 million compared to US\$ -32 million in 4Q18. This result was due to the higher Gross Margin (11% vs. 2%), mainly due to an improvement in the average price differential between sale and purchase prices, as well as a higher inventory value which brings about a more efficient cost of sales. Additionally, in 4Q19 there were higher revenues from services due to the greater volume of crude oil transported. The lower financial expenses due to the income from exchange rate hedging instruments and lower extraordinary expenses both also contributed to a better Net Profit.

1.2.2. CASH FLOW STATEMENT



PETROPERÚ recorded a cash balance of US\$ 376 million at the end of 4Q19, compared to US\$ 529 million in 4Q18. In 4Q18, US\$ 31 million related to the disputes with SUNAT in the Turbo A-1 case, was recovered. Additionally, US\$ 30 million for the recovery of IGV tax credit for the balance in favor of the Benefit, was recovered. On the other hand, in 4Q19, US\$ 22 million due to the recovery of the tax credit of the IGV on the subject of Benefit, was recovered.

Cash Flow from Operating Activities in 4Q19 reached US\$ 55 million compared to US\$ 184 million in 4Q18, mainly as a result of lower sales volumes in the domestic market and recovery of taxes paid in excess by the Turbo A1 in November 2018 through SUNAT.

Likewise, Cash Flow from Financing Activities increased to US\$ 70 million in 4Q19 from US\$ 1,086 million in 4Q18, mainly due to which in November 2018, the CESCE loan for US\$ 1,237 million was disbursed.

Cash Flow from Investment Activities reached US\$ 17 million in 4Q19 compared to US\$ -879 million in 4Q18, mainly due to the use of the funds in term deposit obtained from the long-term financing in order to continue complying with the payments corresponding to the advances of the PMRT.

The bond proceeds were used as follows:

in millions of US\$	
Total Bonds	2,000
ST Loan Paid	(904)
ECP/Supplier Paid	(1,388)
Financial Expenses Paid	(104)
Bond Coupons Paid	(259)
Interest Earned	36
CESCE Refund	721
Bond Balance	101

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1.2.3. BALANCE SHEET

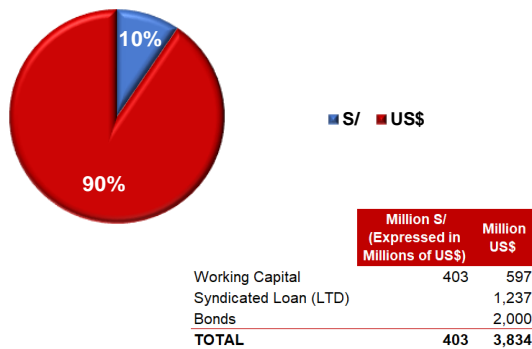
Total Assets amounted to US\$ 7,088 million, 3% lower than in 2018, which was mainly explained by the decrease in Current Assets as a result of a lower cash balance and a lower Accounts Receivable.

In 4Q19, Working Capital reached US\$ -354 million compared to US\$ 673 million in 4Q18. This occurred as a result of the reduction in the balance of the long-term financing of the PMRT (current assets), as a result of the pay-off of financing, invoices and commissions related to the PMRT.

The Company manages its liquidity risk by ensuring that it has sufficient lines of credit at all times and covering its working capital with the cash flows of its operating activities.

Foreign Exchange Debt Composition

4Q19



Composition that only considers the debt for the concepts in the table.

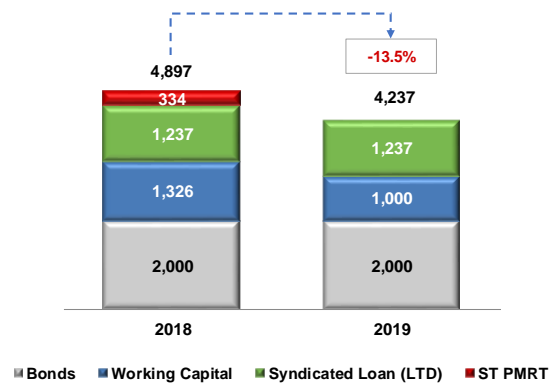
As of 4Q19, Total Debt is split into 90% in U.S. dollars and 10% in Peruvian Soles. The average debt duration is 9.82 years for the 15-year bond, and 15.89 years for the 30-year bond. It is important to mention that the contract for the bonds issued does not include the obligation to comply with covenants beyond the delivery of financial information. These bonds do not have specific guarantees.

At the end of 4Q19, PETROPERÚ maintained revolving credit lines granted by local and foreign banks for up to US\$ 3.1 billion, of which US\$ 2.0 billion are still available. This is sufficient to attend the purchase operations in the national territory and in foreign markets and other obligations related to working capital. These lines of credit do not require maintenance costs or require collateral commitments.

Total debt outstanding is comprised as follows: 47% Bonds, 24% Working Capital and 29% for a long-term Syndicated Loan with CESCE's guarantee.

Debt Outstanding

(In millions of US\$)

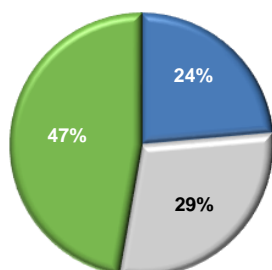


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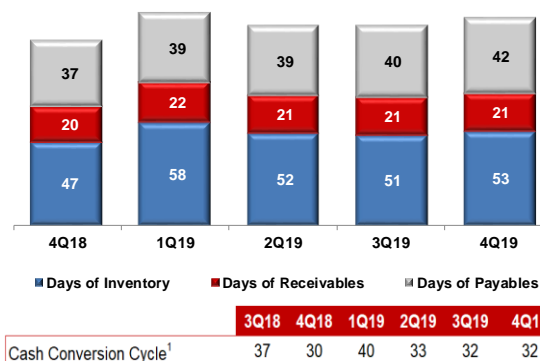
Debt Composition

4Q19



■ Working Capital ■ Syndicated Loan (LTD) ■ Bonds

Cash Conversion Cycle



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

The Cash Conversion Cycle (CCE) in 4Q19 reached 32 days, that is, 2 days over 4Q18 (30). The factors that explain this result are the increase in days of turnover, the increase in days of accounts payable and the increase in days of accounts receivable.

1.2.4. FINANCIAL INDICATORS

Ratios

	2017	2018	LTM 3Q19	2019	YoY	QoQ
EBITDA / Interest	10.0	4.6	5.5	11.5	151%	109%
Debt / Assets	55.6%	65.6%	59.4%	58.7%	-11%	-1%
EBITDA / Assets (LTM)	5.8%	2.3%	3.8%	5.6%	143%	46%
Debt / EBITDA (LTM)	10x	29x	16x	11x	-63%	-32%
Current Rate	1.02x	1.29x	1.09x	0.82x	-37%	-25%

The EBITDA / Interest ratio evaluated in the last twelve months increased 151% to 2019 compared to 2018, due to the higher EBITDA obtained in the last twelve months mainly due to the greater margin between sales and purchase prices, as well as the slight decrease in financial expenses of the last twelve months.

With respect to the Financial Debt / Assets ratio, this figure for 2019 decreased compared to 2018, mainly explained by lower short-term financial debt due to the amortization of the short-term debt of the PMRT and the financing for working capital with funds from the recovery of tax credit (IVA); Total Assets are also lower due to the reduction of other accounts receivable. In that sense, the EBITDA ratio (LTM) on Assets, as of 2019 was 5.6%, 46% higher than in LTM 3Q19.

Considering the aforementioned lines regarding EBITDA and Financial Debt, as of 2019 the Company has a Financial Debt/EBITDA (LTM) ratio of 11x, which is 63% lower than 2018.

Finally, at the end of 2019 the Liquidity Ratio decreased to 0.82x compared to 2018, mainly due to the reduction of current assets, due to a decrease in the long-term financing balance of the PMRT, as a result of the use that has been made for the obligations related to the PMRT.

1.3. OPERATING RESULTS

PETROPERÚ focuses on three business lines, the participation of each business with respect to the total revenue of the Company in 2019 is as follows: 1) refining and commercialization, which represented 98%, 2) leasing and privatization of certain units, which represented 1%, and 3) ONP which represented 1%.

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1.3.1. PMRT

As of 4Q19 (cut-off date December 27, 2019), the PMRT progress rate reached 85.27%. An integral programmed advance has been established based on the schedules approved by TR and Consortium Cobra SCL UA&TC.

Currently, the programmed baseline has been updated based on the schedule of activities to be carried out by the Process Units issued by TR. On November 11, 2019, the addenda with TR referred to the Agreement of Principles and ratified by the Board of Directors of PETROPERÚ were signed. The whose objective is to resolve the discrepancies between PETROPERÚ and TR, recognition for concepts of time extension, preservation, maintenance, risks and technical assistance of sellers.

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

As of December 2019, the EPC Contract activities have a progress rate of 93.28%.

The scheduled baseline has been updated based on the schedule of activities to be carried out by the Process Units presented by TR.

Detail Engineering: Work progress reached 100%.

Procurement: Work progress reached 99.90%. Pending the delivery of certain radioactive measuring instruments, currently in process of acquisition by TR.

Construction: Work progress reached 90.74%. TR has been adding more resources to the FCC (Fluid Catalytic Cracking), FCK (Flexicoking) units in order to recover the delays of the last periods.

Auxiliary Units and Complementary Works

To date, the EPC Contract activities in charge of Consortium COBRA-SCL UA & TC have reached a progress rate of 55.84% at December 2019.

Engineering: Progress rate of 81.07%,

Procurement: Progress rate of 64.59%

Construction: Progress rate of 44.96%

Financing

To date, various financing alternatives are still being evaluated to complete 100% of the project. The Board of Directors approved the new estimated investment figure for US\$ 4.7 billion, not including pre-operating interest expenses.

Local Labor Recruitment

As of 4Q19, the workforce was over 8 thousand jobs, including personnel from both Contractors (TR and Cobra Consortium SCL). Local unskilled labor had a participation exceeding the minimum established by the EIS (70%).

PETROPERU continues its communication, citizen participation and local development support projects in order to increase employment opportunities for the people in Talara, as well as to improve and rehabilitate public infrastructure in the area.

1.3.2. REFINING

As of December 2019, the Refining Margin was higher than in 2018, mainly due to a margin of US\$ 8.05/Bbl was obtained in January 2019 o as a result of greater spread of product price vs loading price (US\$ 14.03/Bbl in January 2019 vs US\$ 5.44/Bbl in January 2018).

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The Blending Margin as of December 2019, was higher compared to 2018, due to the positive impact on the average prices of inputs (January and October 2019) and products (July 2019).

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

Operating Data

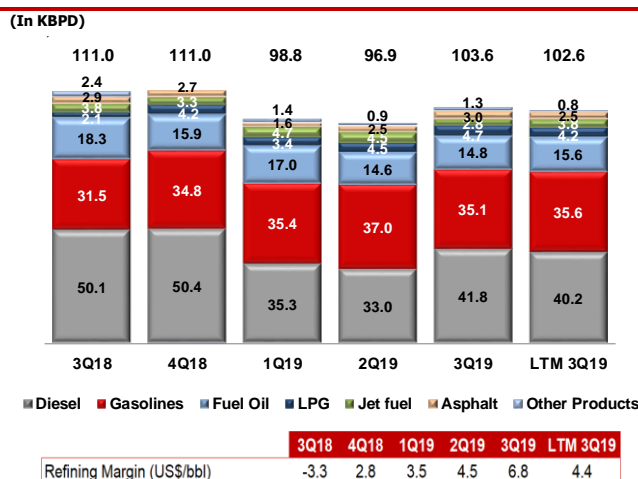
	2017	2018	2019	4Q18	3Q19	4Q19	YoY	QoQ
Refining Capacity (in KBPD) ⁽¹⁾	94.5	94.5	94.5	94.5	94.5	94.5	-	-
Refinery Utilization (in KBPD) ⁽²⁾	69.4	67.4	66.5	69.2	69.1	66.6	-3.8%	-3.7%
Refined Products (in KBPD) ⁽³⁾	104.7	110.4	99.2	111.0	103.6	97.4	-12.3%	-6.0%
Refining Margin (US\$/bbl) ⁽⁴⁾	5.76	0.27	4.64	2.79	6.76	3.78	-35.6%	-44.1%
Blending Margin (US\$/bbl) ⁽⁵⁾	11.89	7.08	10.23	8.89	11.29	10.94	23.0%	-3.1%
Net Total Margin (US\$/bbl) ⁽⁶⁾	7.28	2.28	5.93	4.58	7.91	5.42	-18.3%	-31.5%
Capacity Utilization Rate ⁽⁷⁾	73.4%	71.3%	70.4%	73.2%	73.1%	70.4%	-	-
Volume Sales (in KBPD)	145.2	152.1	143.6	157.3	145.9	140.3	-10.8%	-3.8%

Notes:

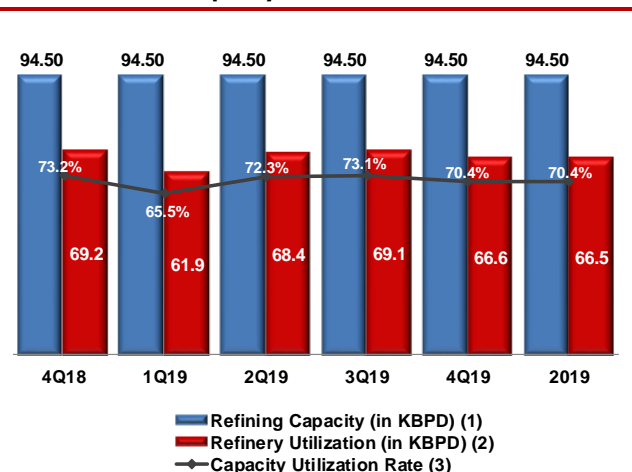
- (1) Maximum amount of crude that can be introduced into the second step of refining process, referred to as atmospheric distillation.
- (2) Total amount of crude, asphalts residue and diesel reprocess introduced into the second step of the refining process, referred to as atmospheric distillation.
- (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 (97.4 vs. 111.0 KBPD), mainly due to lower volume produced of Diesel, LPG and Asphalts.

Refined Products



Capacity Utilization Rate



- (1) Maximum amount of crude that can be introduced into the second step of the refining process, referred to as atmospheric distillation.
- (2) Total amount of crude, asphalts residue and diesel reprocess introduced into the second 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.

1.3.3. NOR PERUANO OIL PIPELINE (ONP)

The pumped crude oil volumes accumulated as of December 2019 are the following:

SECTION	PUMPED VOLUME AT DECEMBER (MB)
SECTION I	2,649.23
SECTION II	4,925.61
ORN	2,512.84

In Section I, at the end of 2019, the volume reported is mainly due to the contracting of the Bretaña Crude Transport service with PETROTAL client that started on May 27, 2019.

In Section II, scheduled stoppages were carried out from October 24, 2019 to November 11, 2019, and from November 18, 2019 to December 7, 2019, as well as third-party acts that occurred at Km 371+734 and 400+710. The first event was remedied in less than two months, and it was communicated to the surrounding communities and the Competent Authority (OEFA¹¹). The second event presented a conflicting social context in the first weeks, however, with the support of the PCM, it was possible to obtain viability to initiate the field work that concluded at the end of 2019, and which are pending verification by the Environmental Control Agency (OEFA).

In the ORN, a stoppage was scheduled from November 12 to 20, 2019 due to the OSINERGMIN's mandate. To date, the work of "Cleaning and Remediation" continues at Km 323, always in continuous communication with the populations in the influence area. On the other hand, in relation to the event that occurred at Km 237 which was caused by vandalism, it presented a distrustful social context to allow PETROPERÚ to enter in order to carry out cleaning and remediation activities. However, with the support of the Presidency of the Council of Ministers (PCM), agreements were reached that allowed the initiation of work.

Regarding the volumes loaded at the Bayóvar Terminal, in 2019 there were 1,708.52 Mbbl of Primary Residual from PETROPERÚ, 2,578.78 Mbbl of Loreto Crude and 629.43 of Bretaña Crude.

The state of the contingencies occurred in **previous** years, were the following:

DATE	LOCATION	SITUATION	% PROGRESS AT DECEMBER
Nov 07, 2017	Km 221+046 - ORN	- Awaiting results of supervision by OEFA.	95
Feb 27, 2018	Km 20+204 – Section I	- Awaiting supervision by OEFA.	95
Nov 27, 2018	Km 193 - ORN	- Cleaning and remediation works at 66%. - Clearing activities were carried out.	66

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

DATE	LOCATION	SITUATION	% PROGRESS AT DECEMBER
Jan 01, 2019	Km 323+190 - Section II	- Cleaning and remediation works at 80%.	80
Jun 18, 2019	Km 237+746 - ORN	- Cleaning and remediation works at 21%. - On, March 1, 2020 a meeting will be held at the CCNN New Jerusalem to establish the date for restarting activities in the area, which were paralyzed since December 13, 2019.	21
Jul 09, 2019	Km 371+734 - Section II	- Cleaning and remediation works at 95%.	95
Aug 11, 2019	Km 400+710 – Section II	- Cleaning and remediation works at 80%. - The supplier plans to complete the operational work on January 23, 2020. They are currently performing final cleaning activities.	80
Dec 21, 2019	Km 548+984 – Section II	- Cleaning and remediation works at 2%.	2

¹¹ OEFA: Organismo de Evaluación y Fiscalización Ambiental

The prioritized activities carried out to continue a safe and reliable operation of the transport system, the following advances were reached:

- Installation of Pressure Transmitters in Section I (progress rate of 96%) and in the ORN (progress rate of 100%).
- Acquisition and installation of blocking valves in the ONP and ORN: Progress rate of 34%.
- Improvement to the Cathodic Protection System: Progress rate of 28%.
- Acquisition and installation of a flow level measurement system for stations 1, 5, Andoas and Bayóvar Terminal: Progress rate of 27%.
- In Station 1 ONP: Replacement of 03 motor generators (progress rate of 97%), replacement of 03 M/B´s motors in pontoons zone (progress rate of 57%) and installation of 01 screw-type motor pumps (progress rate of 35%).

1.3.4. EXPLORATION AND PRODUCTION

Block 64

Geopark has been planning strategies to resume management for the approval of the EIA for Development of the Central Situche Deposit.

In relation to the Exploratory Program EIA (for drilling an exploratory well), SENACE¹² has approved the Terms of Reference and the Citizen Participation Plan. GEOPARK estimates to hold the First and Second Citizen Participation Workshop next year.

Block 192

The Direct Negotiation of the License Agreement with Perupetro S.A. concluded, and the inclusion of the relevant prior consultation agreements is pending.

The Ministry of Energy and Mines has delegated to Perupetro S.A. the continuation of the execution of the Prior Consultation Process. This will delay the completion of the Prior Consultation process (Perupetro S.A. estimates that it will conclude at the end of the second quarter of 2020) and, therefore, the Subscription Date of the new License Agreement would also be delayed.

Bank of America Merrill Lynch and PETROPERÚ continue with the process of selecting an Oil Company or Consortium for the Assignment of Participation in the License Agreement. On December 16, 2019 the sessions of the Management Presentation, the Physical Data Room and Site Visit were initiated.

2. ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

2.1. ENVIRONMENTAL & SOCIAL MATTERS

Regarding environmental matters, between 2018 and December 2019, 20 out of the 28 Contaminated Site Identification Reports (IISC) were approved, during 4Q19 specifically, the ORN Section and Safety Filler Mile 6 reports. After the relevant coordination with the Directorate General of Energy Environmental Affairs (DGAAGH), in December 2019 the service was awarded that permits the definition of prioritized facilities and the preparation of Remediation Plans, if required.

Under the agreements signed as part of the corporate responsibility policy, in 2019 more than 10 tons of paper, cardboard and plastic waste was collected, so that they can be recycled and marketed to generate income that can be used to care for children in vulnerable conditions.

In 4Q19, a situation occurred at km 549 of Section II of the ONP that did not affect bodies of water or nearby towns, considering that it was taken care of under the framework of the Company's Contingency Plan. Regarding the attack recorded at the height of Km 193 of the ORN Section, which occurred in 4Q18, an agreement was reached with the Mayuriaga Community to repair the pipe

¹² SENACE: Institution responsible for reviewing and approving the EIS corresponding to government, private or mixed investment projects.

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and restart the pumping. After negotiations in which the PCM intervened, cleaning and remediation actions were initiated at the end of 2019 and it was verified that there was no involvement of water bodies close to the population.

Regarding social matters, during 4Q19, activities focused on responsible work with society were developed, based on the relationships with and strengthening of interest groups, to identify opportunities for collaborative work with the population.

PETROPERÚ continues to show its commitment to the areas of influence through transversal actions in all operations aimed at managing social risks in a timely manner, articulating efforts with the different State institutions and actively participating in meetings with communal authorities and State representatives, as well as guided visits and assemblies, in order to follow up on the commitments and agreements of the Company.

Additionally, in Talara, monthly visits to contractors and sub-contractors for monitoring compliance with work conditions have continued, as well as the supervision of informative talks on the scope of the Civil Construction Regime and Common Regime, all in accordance with the Community Relations Plan set forth in the PMRT EIA.

In fulfillment of its commitment to the education of children from surrounding areas, for the second consecutive year PETROPERÚ carried out the "Quality Schools" project, at the end of which in December 2019, certificates were presented to teachers; major advances were made in the training of children in the areas of communication (reading and writing comprehension) and mathematics.

In addition, it is important to highlight that the diagnosis and evaluation of 150 youths from 4th and 5th secondary school grades were conducted in 18 communities of the Andoas district, identifying 23 young talents who met the requirements requested by PRONABEC to apply for a Scholarship 18 2020 - I, with the possibility of entering university.

Finally, in relation to health, medical campaigns carried out in 4Q19 in the cities of Talara, Iquitos and Ninacaca were highlighted, benefiting more than 1,300 people located in areas of direct influence, who received medical attention in general medicine, pediatrics, Dentistry, Ophthalmology, Nutrition, laboratory, among others.

2.2. CORPORATE GOVERNANCE

During 4Q19, the following actions and achievements in Corporate Governance (CG) took place:

1. The Board Committees have met regularly (1 session of the Board Committee per month). In their respective sessions, they approved their work plans for 2020.
2. On December 16, 2019, the Board of Directors approved the creation and formation of the R + D + I Committee of the PETROPERÚ Board of Directors. This committee aims to implement research, development and innovation strategies; such as: innovation projects, energy transition, digital transformation, among others linked to R + D + I, in order to guarantee the continuity of PETROPERÚ as a leading company in the energy sector.

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

1. In December, the new copy of the Code of Ethics and the Anti-Fraud and Anti-Corruption Policy was distributed to all staff. In addition, along this line all personnel were requested to renew the Commitment to Adhere to the Integrity System, which is renewed every year, through which workers reaffirm their commitment to the Code of Ethics, the values and principles of the business; they also declare information to prevent situations of conflict of interest.
2. In October, those responsible for access to public information of PETROPERÚ were updated in accordance with the Law on Transparency and Access to Public Information. Those responsible are the only persons authorized to provide public information to citizens, those who are requested under the Law.
3. Senior Management and General Management has been supporting the actions that are being carried out in the framework of the strengthening of ethics in the company, and in the fight against corruption.

2.3. ORGANIZATIONAL AND HUMAN RESOURCES 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 terms of development management, evaluations corresponding to 2019 begin in 1Q2020. Regarding the results of 2018, the feedback process and an individual development plan continue. The Management Teams continue with the constant evaluation of the Functional Objectives of their respective areas.

The change management process has been initiated under the support of a specialized company in order to strengthen the organizational culture based on transparency.

Along these lines, work has been done to provide workers with new specialization opportunities at the postgraduate level that have generated development opportunities for 78 workers. Likewise, the same is being done during the process of modernization and start of operations at the New Talara Refinery.

The Company's Strategic Plan aimed at a business model that guarantees its sustainability and profitability in the long term has been completed. Also, to guarantee the supply of hydrocarbons nationwide and focus the Company on providing new types of energy.

The Company's voluntary early retirement program was completed, which is generating the renewal of teams with the technical profile oriented towards the Company's new projects. The number of workers who took part in this program totaled 99.

As part of the Collective Bargaining process with the labor unions for the year 2019, the bi-annual document (2019 and 2020) was signed with 11 trade union organizations, leaving a situation of optional arbitration with only one union of 50 workers.

The activities of attracting and retaining talent within the Company continue.

The new organizational design of the new refinery has been completed and personnel have been hired with a profile focused on the New Talara Refinery, while existing personnel is being trained. On the other hand, regarding hiring, priority has been given to people from the area in order to strengthen ties with the Talara community.

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3. FINANCIAL SUMMARY

3.1. INCOME STATEMENT

In Millions of US\$	2017	2018	2019	4Q18	3Q19	4Q19	YoY ⁽¹⁾	QoQ ⁽²⁾
Domestic Sales	3,586	4,369	4,098	1,154	1,046	1,035	-10%	-1%
Exports	394	515	471	131	127	84	-36%	-34%
Other Revenue	72	81	100	25	19	37	47%	93%
Total Revenue	4,052	4,965	4,668	1,311	1,192	1,156	-12%	-3%
COGS	-3,537	-4,618	-4,140	-1,288	-1,075	-1,026	-20%	-5%
COGS (% of Revenue)	87%	93%	89%	-98%	-90%	-89%	-	-
Gross Profit	514	347	528	23	117	130	466%	11%
Gross Margin (%)	13%	7%	11%	2%	10%	11%	-	-
SG&A	-216	-132	-263	-16	-44	-104	542%	139%
SG&A (% of Revenue)	5%	3%	6%	1%	4%	9%	-	-
Operating Profit	299	216	265	7	73	26	286%	-64%
Operating Margin (%)	7%	4%	6%	1%	6%	2%	-	-
Net Profit	185	120	171	-32	30	26	179%	-15%
Net Profit Margin (%)	5%	2%	4%	-2%	3%	2%	-	-
Adj. EBITDA	347	168	394	-27	77	104	492%	36%
Adj. EBITDA Margin (%)	9%	3%	8%	-2%	6%	9%	-	-
Adj. EBITDA (LTM)	347	168	394	168	264	394	135%	50%

(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	2019	4Q18	3Q19	4Q19	YoY	QoQ
Initial Balance	74	666	529	138	138	261	89%	90%
Operating Cash Flow	165	-134	612	186	314	55	-70%	-82%
Capital Expenditures	-1,229	-1,502	-99	-881	-14	-12	99%	15%
Cash Flow from Financing	1,653	1,501	-666	1,086	-175	70	-94%	140%
Final Balance	666	529	376	529	261	376	-29%	44%

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

3.3. BALANCE SHEET

In Millions of US\$	2017	2018	2019	4Q18	3Q19	4Q19	YoY	QoQ
Current Assets	2,319	3,016	1,581	3,016	1,922	1,581	-48%	-18%
Non-Current Assets	3,620	4,328	5,507	4,328	4,999	5,507	27%	10%
Total Assets	5,939	7,344	7,088	7,344	6,921	7,088	-3%	2%
Short Term Debt	1,319	1,673	1,010	1,673	961	1,010	-40%	5%
Long Term Debt	1,985	3,148	3,154	3,148	3,152	3,154	0%	0%
Total Debt	3,304	4,821	4,164	4,821	4,112	4,164	-14%	1%
Other Liabilities	1,017	786	1,016	786	926	1,016	29%	10%
Total Liabilities	4,321	5,607	5,180	5,607	5,038	5,180	-8%	3%
Stockholders' Equity	1,618	1,737	1,908	1,737	1,882	1,908	10%	1%
Total Capitalization (Debt + Equity)	5,939	7,344	7,117	7,344	6,921	7,088	-3%	3%
Total Current Liabilities	2,266	2,343	1,935	2,343	1,763	1,935	-17%	10%
Working Capital	53	673	-354	673	159	-354	153%	-324%
Debt / EBITDA (LTM)	10x	29x	11x	29x	16x	11x	-63%	-32%