



Petróleos del Perú – PETROPERÚ S.A.

Emerging Markets Debt and Equity Conference 2019

Finance Corporate Management

May 2019



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Company Overview and Strategic Objectives



Company Overview

- Established in 1981 as a Public Limited Company pursuant with Legislative Decree No 43 (founded in 1969).
- Strategic role: Ensure fuel supply across the country, with social, environmental and financial responsibility.
- State-owned company but regulated by private legislation. Excluded from the scope of FONAFE¹ and regulations of SNIP². Besides, it has its own procurement regulations.
- Allowed to participate in the whole value chain of hydrocarbons. Currently, on the way to be part of the upstream business.
- Refining capacity of 45% at national level and market share leader at national level (47% as of 2018).

2019 Strategies

- Reduction of 2018 short-term debt, from US\$ 1.6 billion to US\$ 1.0 billion.
- Optimization of the Cash Conversion Cycle (reshape Payments policy and improve Inventory management).
- Reduction on budgeted operating expenses in approximately US\$ 50 million. Soon to launch ongoing program to optimize processes and control costs.
- Optimization of Crude and Products Purchases in approximately US\$ 28 million.
- Pricing policy more directly linked to Budget and Financial performance objectives
- Coverage for oil prices volatility.

Strategic Objectives (2019 – 2023)

- Supply the market efficiently.
- Operate efficiently, safely, preserving the environment and generating high quality products and services.
- Financial Sustainability of PETROPERÚ S.A.
- Ensure the sustainability of our operations.
- Strengthen PETROPERÚ S.A. through the management of human talent and Corporate Governance.

¹ National Fund for State Financing: Holding company of Peruvian state-owned companies.

² Public Investment System: System to regulate all public investment at national level.



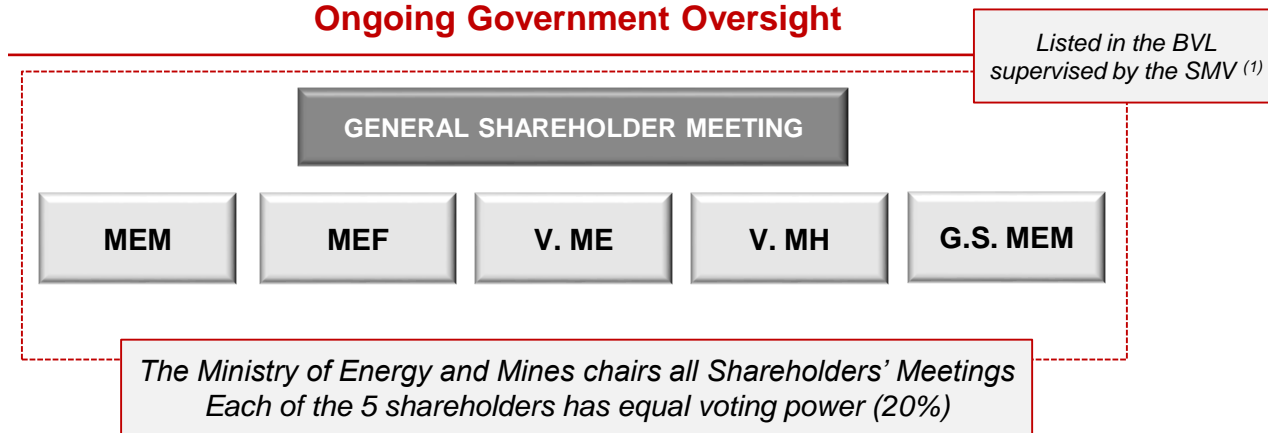
100% Government Owned – Clear Quasi-Sovereign Profile



Direct Link to the National Government



Ongoing Government Oversight



Governmental Commitment to PETROPERÚ S.A.

- **Capital Injection:** US\$ 325 million capital injection (2017), exclusively for the Modernization of Talara Refinery Project (PMRT). Besides, between 2012 – 2016, ~US\$ 25.7 million capital injection for environmental remediation purposes.
- **Distributable Profits:** PETROPERÚ S.A. is authorized to capitalize 100%, on yearly basis, of its distributable profit and re-invest it in current or future CapEx. Besides, it is not obliged to distribute dividends.
- **Other Support Actions:** Government provided for gradual implementation of new sulfur caps by region (2006), until refineries have been adapted.
Return of taxes for the application of tax (VAT) credit in the Amazon (2015).
Transfer of retirement pensions (privatized units' employees), to the National Pension Office (ONP) (2016).
- **Guarantee:** The government committed to grant PETROPERÚ S.A. a guarantee up to US\$ 1 billion to support its financial obligations derived from the PMRT, as long as PETROPERÚ S.A. does not have the capacity to assume its repayments.

- The General Shareholder Meeting is either mandatorily annual or extraordinary (any time)
- The mandatory annual, previously convened by the Board of Directors, will necessarily meet within the first three (3) months of each fiscal year.
- All long-term debt undertaking decisions are subject to approval by the Ministry of Economy and Finance (Public Credit team).

PERÚ	RATING AGENCY	PETROPERÚ S.A.
BBB+ (Stable)	S&P Global Ratings	BBB- (Stable)
BBB+ (Stable)	FitchRatings	BBB+ (Stable)

(1) Lima Stock Exchange ("BVL"), Securities Market Superintendence ("SMV")



Corporate Governance Framework Supported by an Experienced Management Team and Board of Directors

Chairman

Carlos Paredes



Summary

- PhD in Economics & Master in International Economy and Development - Yale University (U.S.).
- Economist from Universidad del Pacifico (Peru).
- Consultant in economics, finance, energy and fishery matters.
- Chief of the Advisors' Team at the Ministry of Economics and Finance (1999).
- Advisor of the Ministry of Production and the Ministry of Planning (Venezuela).

CEO

Esteban Bertarelli



Summary

- MBA (specialized in Public Administration) from Universidad de Piura (Peru).
- Industrial Engineer from Universidad Federico Villarreal (Peru).
- Refining Manager: PETROPERÚ S.A. (2016-2017).
- Corporate Planning Manager: PETROPERÚ S.A (2014-2015) and (2012-2013).
- Diverse Management job positions in PETROPERÚ S.A. since 1983.

CFO

Mathius Sersen



Summary

- MBA – McCombs School of Business, The University of Texas at Austin (U.S.).
- Economist from Universidad del Pacifico (Peru).
- More than 20 years of experience in national and transnational companies in sectors such as banking, energy and mining.
- Financial roles in Corporate Finance, Treasury, Risk Management, Finance Controlling and Planning.

IRO

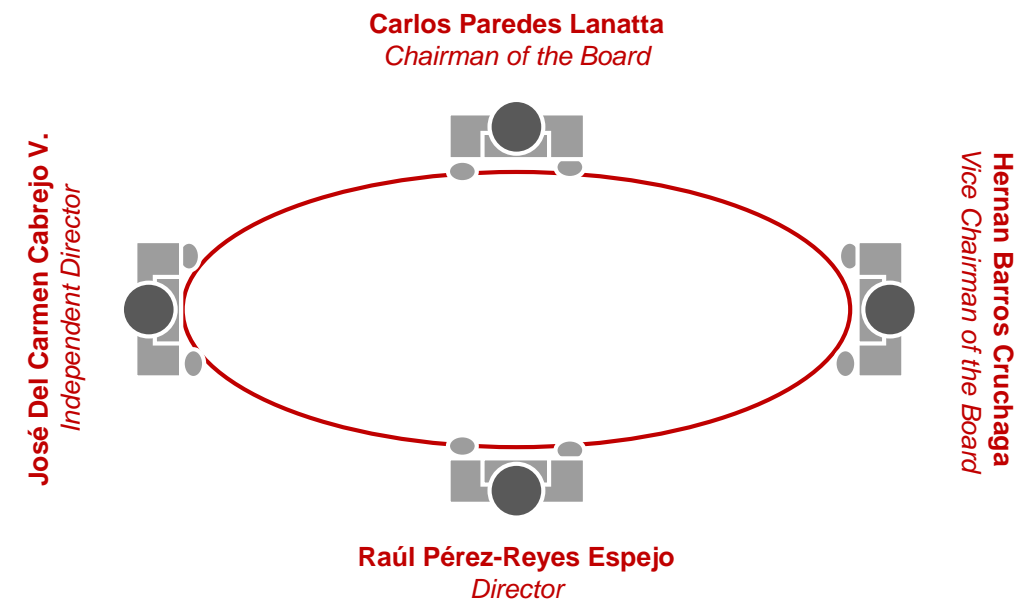
Luis Sánchez



Summary

- MBA in Oil and Gas Management - Center for Energy, Petroleum, Mining, Law And Policy [CEPLMP] – University of Dundee (Scotland, UK).
- MBA in the Universidad of ESAN (Peru).
- Industrial Engineer from Universidad de Lima (Peru).
- More than 23 years of experience in areas such as Investor Relations, Project Management of oil, gas and energy project, Negotiation/Supervision of Petroleum Contracts (upstream), Financial Appraisal of oil and gas projects, Operations, among others.

Current Board of Directors



Corporate Governance Framework Supported by an Experienced Board of Directors

Chairman

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Summary

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- Advisor of the Ministry of Production and the Ministry of Planning (Venezuela).

Vice Chairman

Hernán Barros



Summary

- MBA - McCombs School of Business, the University of Texas at Austin: (U.S.).
- Economist from Universidad del Pacifico (Peru).
- Advisor of the Ministry of Economy and Finance (August 2016 - Present).
- Director of Fondo Mivivienda.
- Portfolio manager at Credifondo (Banco Crédito Peru Group).
- Broker/Dealer: Credit Suisse Securities.

Director

Rául Pérez-Reyes



Summary

- PhD in Economics from the University of Las Palmas de Gran Canaria (Spain).
- Master's Degree in Economics at the Center for Research and Economic Teaching (CIDE) (Mexico).
- Economist from Universidad de Lima (Perú).
- Minister of Production (2018 – 2019).
- Vice Minister of Energy (2015 – 2017).

Director

José Cabrejo

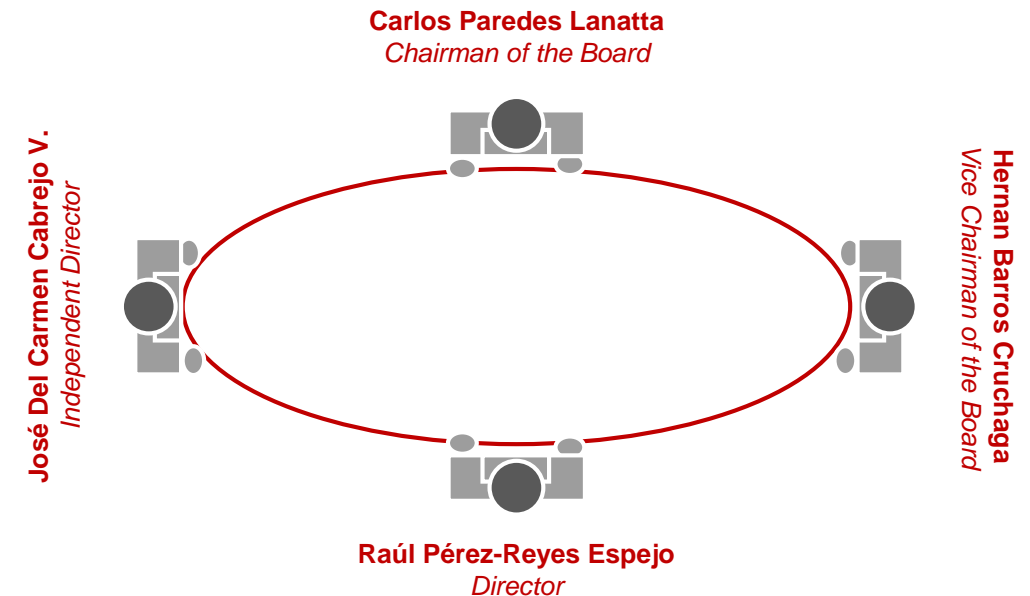


Summary

- Ph.D. Candidate in Law, Master's Degree in International Economic Law and Layer, from the Pontifical Catholic University PUCP (Peru).
- Master of Law in Securities and Financial Regulation by the Georgetown University (U.S.).
- Master's Degree (candidate) in Finance and Corporate Law by ESAN University (Peru).
- Director - Manager of International Business Legal Advice.
- Legal Advisor of Prima AFP, Aero Transporte, Board of Prominvest and various public bodies.

- The Board of Directors is made up of 6 members, 5 appointed by the Government, 1 by PETROPERÚ's employees. Out of the 5 directors appointed by the Government, 2 must be independent (Mr. Barros and Mr. Cabrejo, who have been appointed pursuant to the Board's regulations).
- Currently, the Shareholders Body has not yet appointed the 5th member of the Board. The one appointed by the employees is not currently able to exert his role.
- Any decision made by the Board of Directors requires at least 50% + 1. For any major decisions the Chairman of the Board must be also present.

Current Board of Directors



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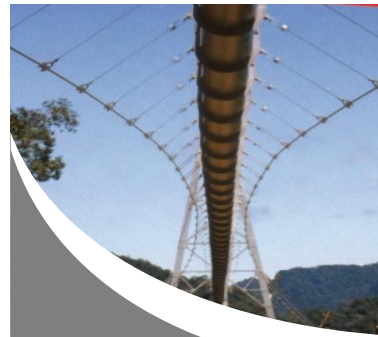


PETROPERÚ's Value Chain

Exploration and Production

- Block 64
- Block 192




Transportation

- North Peruvian Oil Pipeline (capacity ~57mn bbl / year)
- Maritime and river fleet



Refining

- Talara Refinery (65 kbpd)
- Conchan Refinery (15.5 kbpd)
- Iquitos Refinery (12 kbpd)
- El Milagro Refinery (2 kbpd) ⁽¹⁾



Distribution

- Sales Plant
- Terminals
- Maritime/river/land fleet
- Storage



Commercialization


- Supplier in the mining & industry sector,
- Supplier to wholesalers
- National network of affiliates fuel and gas stations ⁽²⁾

Other Assets: ⁽³⁾

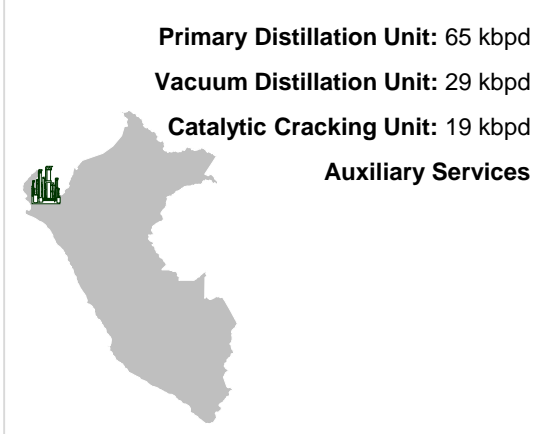
- Pucallpa Refinery**
(leased to Maple Gas)
- Offshore Fields**
(leased to Savia Peru)




Talara



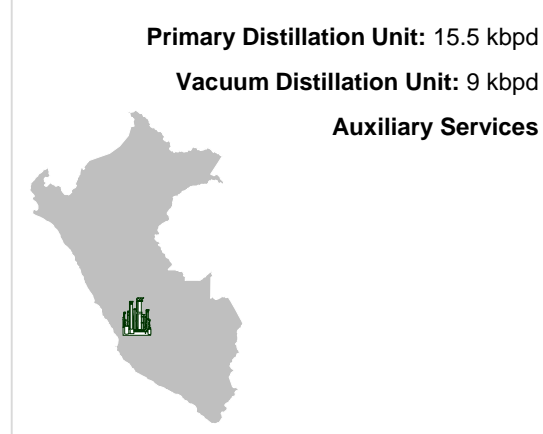
Primary Distillation Unit: 65 kbpd
Vacuum Distillation Unit: 29 kbpd
Catalytic Cracking Unit: 19 kbpd
Auxiliary Services




Conchan



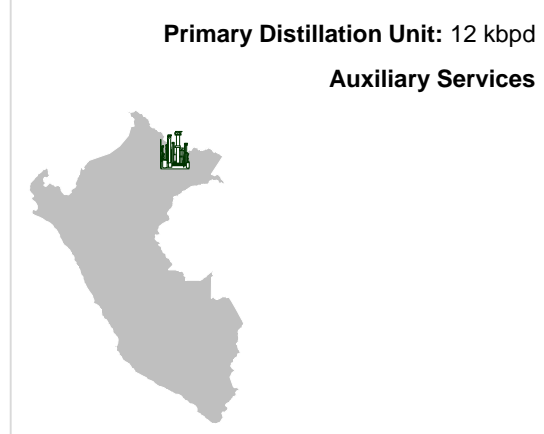
Primary Distillation Unit: 15.5 kbpd
Vacuum Distillation Unit: 9 kbpd
Auxiliary Services




Iquitos



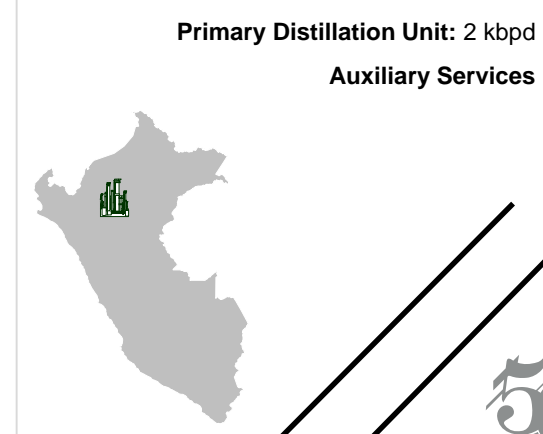
Primary Distillation Unit: 12 kbpd
Auxiliary Services



El Milagro ⁽¹⁾



Primary Distillation Unit: 2 kbpd
Auxiliary Services



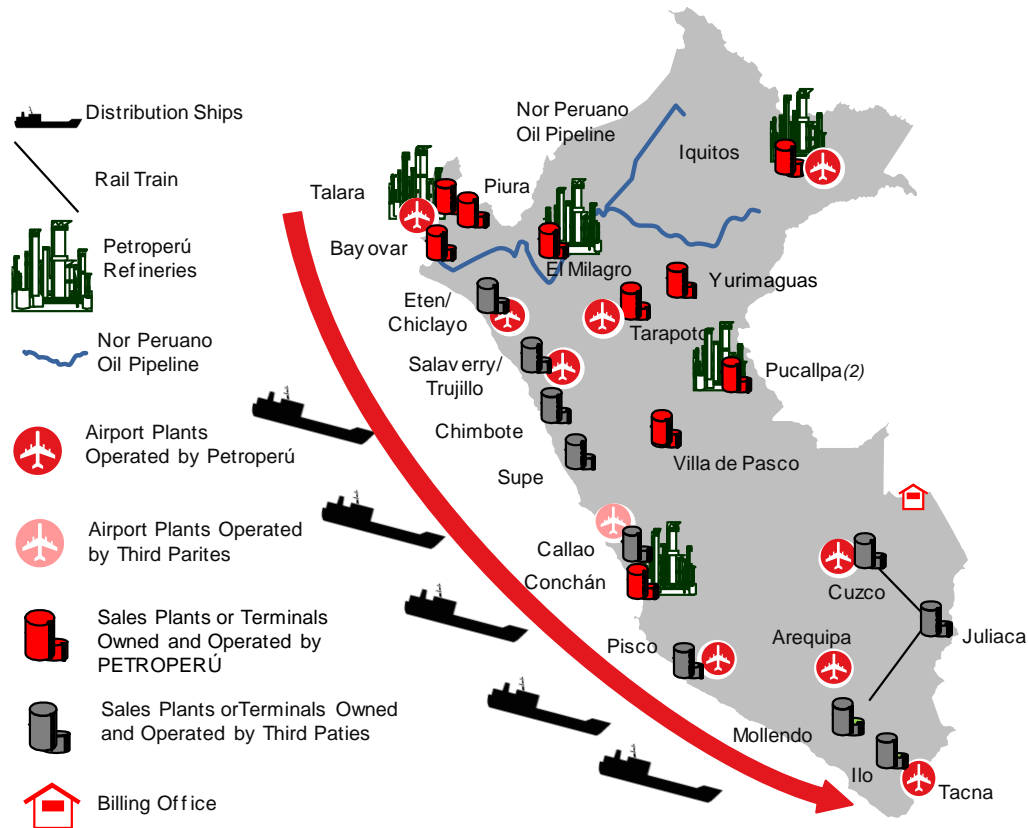
1. El Milagro refinery is currently closed because of lower crude volume coming from Block 8. The demand from its local market is being fulfilled with volume transferred from the Talara Refinery. No date has been established to resume operations.
 2. PETROPERÚ does not own gas stations but maintains exclusive agreements (3-year, renewable) with 648 affiliated service stations.
 3. Lease payments of USD1.2m/yr and USD10m/yr for each asset, respectively.



Peru's National Oil Company



Nationwide Transport, Refining and Distribution Network



Key Credit Highlights

- PETROPERÚ S.A. supplies to all 24 regions of the country.
- Market Share as of March 2019: 46%.
- Number of clients: 1,932 (wholesalers, miners, land transporters, petrol stations, airlines, among others).
- Sales Plants⁽¹⁾: 28 across the country. It includes 10 Airport Plants of which 01 is operated by a third party⁽²⁾.
- Port Terminals⁽³⁾: 11 (8 are operated by third parties).
- Number of petrol stations (PETRORED): 648.
- Number of outsourced vessels: 04 permanent (Trompeteros, Chira, Urubamba and Camisea); 01 occasional (Aquila).
- Capacity Nor Peruvian Oil Pipeline (ONP): 25 KBPD Northern Branch, Section I 20 KBPD and Section II 100 KBPD.
- Number of employees: 2,216.
- PETROPERÚ S.A. is supplied by local (67%) and imported crude oil (33%).
- Imported crude oil is processed in Talara and Conchán refineries.
- Local crude oil is processed in Talara and Iquitos Refineries.
- Imported crude oil is transported by vessels to Talara and Conchán refineries.

(1) Installations to store and dispatch fuels.

(2) Third parties operate, either the airport plant or the port terminals, through a concession contract.

(3) Installations to load/unload hydrocarbons, contained in storing tanks and vessels, respectively.

Leading Refining Company in the Country



Main Stockholder	Refinery	Capacity (KBPD)	%
PETROPERÚ S.A.	Talara	65,000	30.0%
	Conchán	15,500	7.1%
	Iquitos	12,000	5.5%
	El Milagro*	2,000	0.9%
	Pucallpa**	3,300	1.5%
Private Refineries			
Repsol	La Pampilla	117,000	54.0%
Pluspetrol	Shiviyacu	2,000	1.0%
Experience	Total	216,800	100.0%

Source: Relapasa

* It is currently closed.

** It is leased to Maple Gas by PETROPERÚ S.A.

- PETROPERÚ S.A. operates 45% of the commercial refining capacity installed in the country and the remaining 55% is operated by private companies.
- The capacity utilization rate⁽¹⁾ was 71.3% and 65.5% in 2018 and 1Q19, respectively. (R. Utilization 67.4 vs 61.9 KBPD)
- Production was 104.7 and 110.4 KBPD in 2017 and 2018, respectively.
- Pluspetrol and Pacific have small non-commercial refineries that process crude only to supply fuels for the operation of blocks 8 and 192, respectively.

⁽¹⁾Defined crude refinery utilization (in thousands barrels per day for the period) divided by atmospheric distillation refining capacity.



Nationwide Commercialization with Leading Market Position



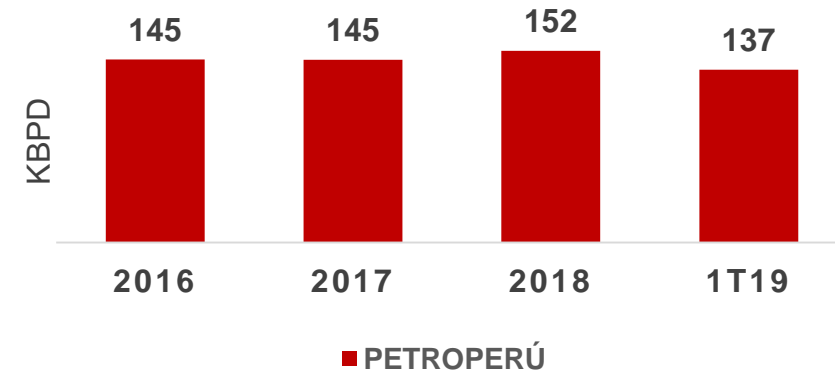
- Main products (derivatives of crude oil)

Main Products	Used for
Liquified petroleum gas (LPG)	Mainly for domestic and vehicular use
Diesel	Transport, industry and electric power generation
Gasolines / Gasoholes	Transport
Jet Fuel	Air transport
Fuel Oil	Industrial

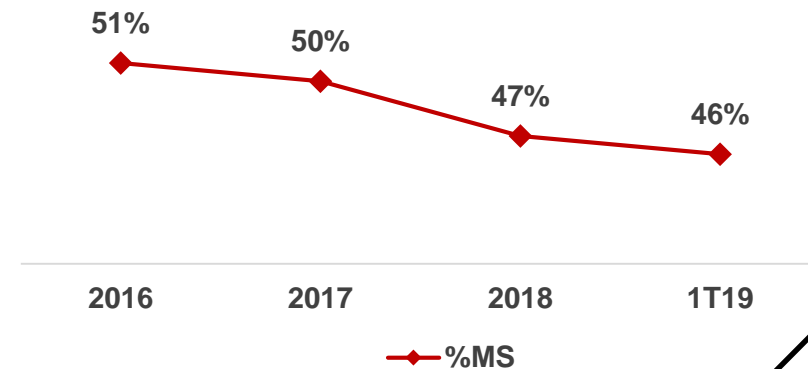
- The composition of sales by channels: wholesalers (46%) and direct sales (54%). Within direct sales, 30% corresponds to retail.
- Main competitors: Repsol, PBF (Valero), Exxon Mobil, Global Fuel, Black Energy, Pluspetrol, Solgas and Zeta Gas.



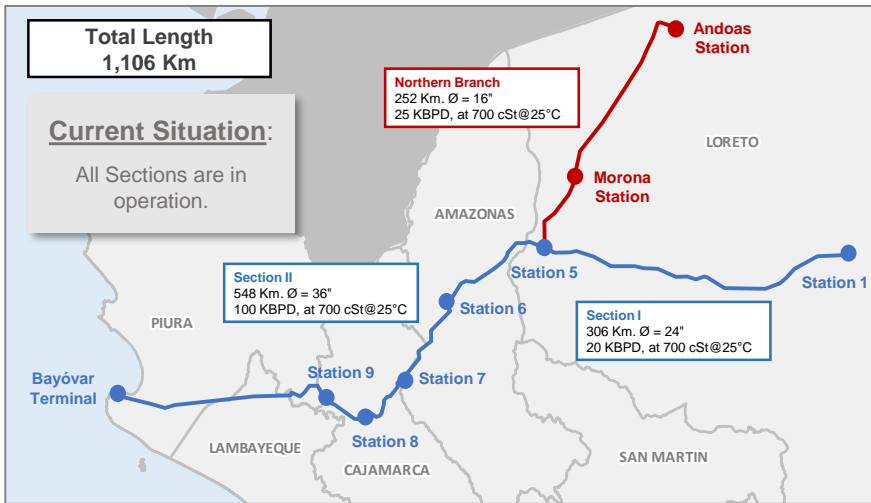
Number of Barrels Sold



Market Share

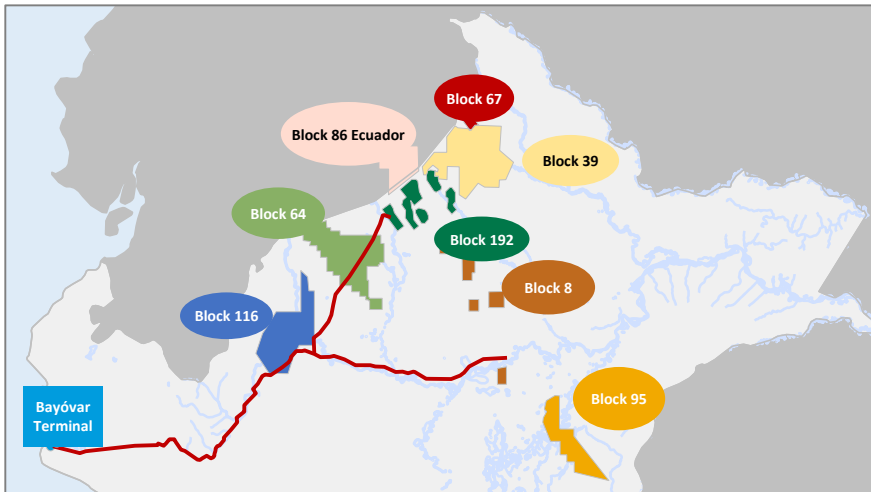
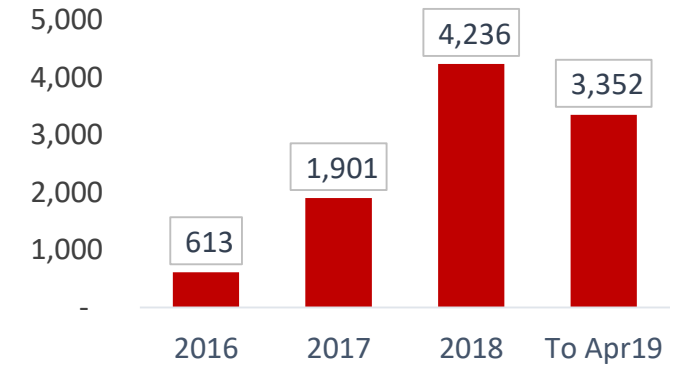


Fully Operational Nor Peruvian Oil Pipeline



- Length: 1,106 km.
- 8 pumping stations.
- 3 Sections: Section I, Section II and Northern Branch
- Total of 42 years of operation. Nearly 1,000 MMB transported. 70% ORN, 30% Section I.
- 2016 – 2019: 25 incidents, 80% were pipeline cuts and perforations for robbery. 13 in 2016 and 06 in 2107.

Vol Transported (KB)



Block	Operator
39	PERENCO (Europe)
67	PERENCO (Europe)
64	PETROPERÚ S.A. / GEOPARK (US)
95	GRAN TIERRA (Canada)
116	PACIFIC STRATUS ENERGY (Canada)
192	Currently, PACIFIC STRATUS ENERGY (Canada) 2020/21 PETROPERÚ S.A.
8	PLUSPETROL (Argentina)
131	CEPSA (Spain)
86	PETROAMAZONAS (Ecuador)

There is an important potential for proven reserves (500 MMB) in the northern jungle of Peru and south of Ecuador, whose production will require the ONP to be in better conditions to transport higher production volumes.



Exploration and Production Update

- Upstream business is one of PETROPERÚ S.A. activities allowed by law (Legislative Decree No 43).
- Under-negotiation (Parliament) new Hydrocarbons Law will give PETROPERÚ S.A. the possibility to get a 25% share for all new blocks to be granted. The earliest (2022 – 2025) ones to be expired - 5 blocks (northern jungle and coast).
- Currently, PETROPERÚ S.A. is partner for the operation of Block 64, and will assume the operation of Block 192, both situated up north in the Peruvian jungle and near to ONP.

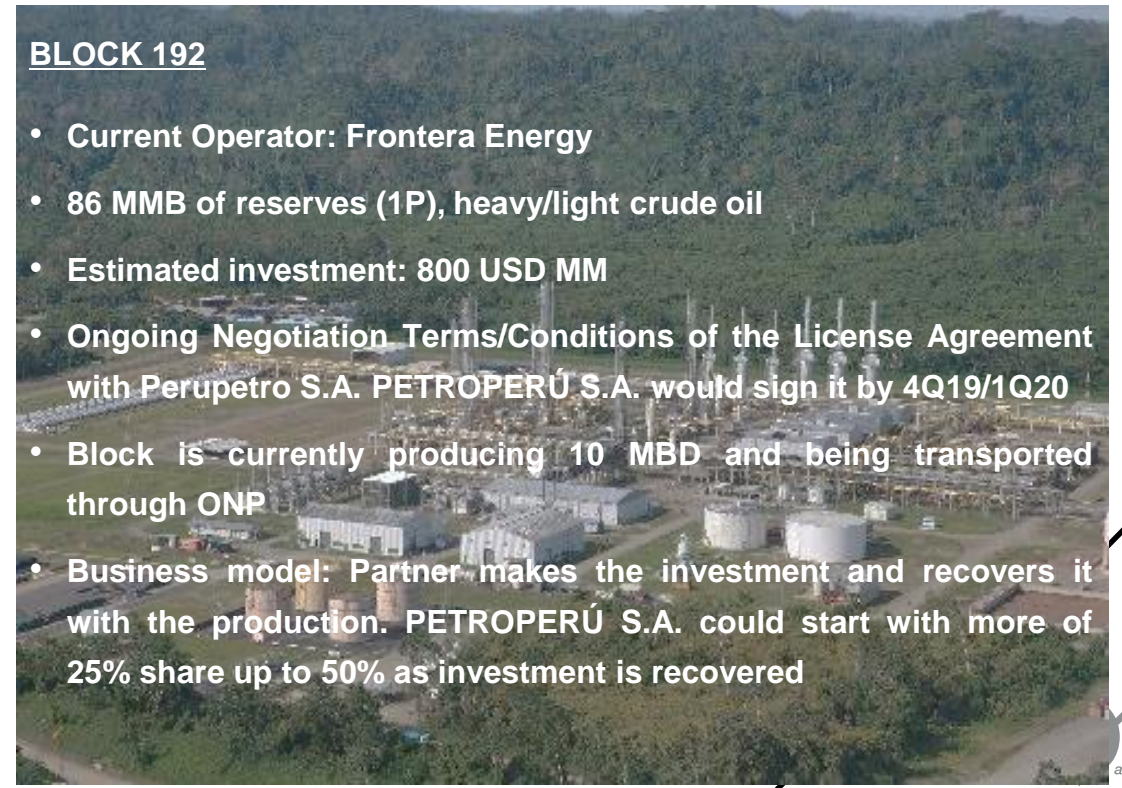
BLOCK 64

- **GeoPark (Operations Partner of PETROPERÚ S.A.)**
- **55 MMB of reserves (2P), light crude oil**
- **Estimated investment: 500 USD MM**
- **Estimated initial production 10 MBD. It will be transported through our oil pipeline (ONP)**
- **1Q21, start of commercial activity**
- **Pending approval Environmental Impact Study**
- **Business model: Partner makes the investment and recovers it once block starts production. PETROPERÚ S.A. starts 25% share up to 50% as investment is recovered**



BLOCK 192

- **Current Operator: Frontera Energy**
- **86 MMB of reserves (1P), heavy/light crude oil**
- **Estimated investment: 800 USD MM**
- **Ongoing Negotiation Terms/Conditions of the License Agreement with Perupetro S.A. PETROPERÚ S.A. would sign it by 4Q19/1Q20**
- **Block is currently producing 10 MBD and being transported through ONP**
- **Business model: Partner makes the investment and recovers it with the production. PETROPERÚ S.A. could start with more of 25% share up to 50% as investment is recovered**



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PMRT Overview

The PMRT is a megaproject that involves the engineering, procurement and construction (EPC) of 14 Process Units for the refining of crude oil, and 05 Units to provide auxiliary services and complementary Infrastructure.

Main Features

- Investment of ~ US\$ 4.7 billion.
- Refining capacity of 95 KBPD, currently 65 KBPD.
- Production of fuels (diesel, gasoline and LPG) with low sulfur content.
- Processing of heavy crude oil (domestic and imported) mixed with light crude oils.
- Deep conversion of residuals to valuable products (diesel, naphtha and LPG).
- Conversion of low octane gasoline to high octane gasoline (catalytic reformation).

Rationale

- Use of cheaper raw materials (mixture of heavy and light crude oil).
- Optimization of the refining processes that will allow obtaining higher-priced products (diesel, gasoline and LPG).
- Reduction of pollution derived from the production of fuels with low sulfur content.

Sources of Financing

Source	US\$MM
Capital injection	325
Bond issuance (year 2017)	2,000
Syndicated loan (CESCE guarantee)	1,300
Other sources (under evaluation)	1,075
TOTAL	4,700

PMRT Progress as of May 2019

MAIN PROCESS UNITS



Engineering 100%

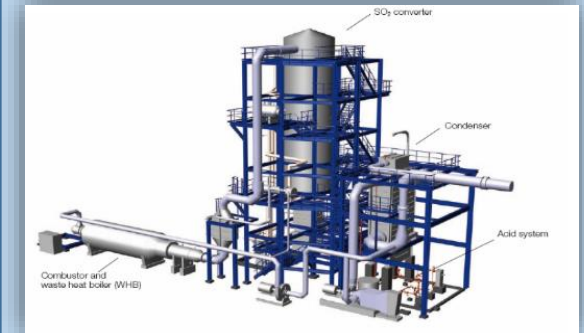


Procurement 99.82%



Construction 86.01%

AUXILIARY UNITS



EPC 18.69%

Overall progress (weighted average of all units' progresses):

75.23%

Estimated Completion Date:

1Q 2021

PMRT – Benefits

Country and Company's Economy



- Improvement of the commercial trade of hydrocarbons.
- Better sustainability of the Company.

Economic Impacts



- Direct and indirect jobs.
- Higher amount of taxes paid to the state.

Quality of Fuels



- Better quality of fuels at national level.

Security of Supply at National Level



- Lower risks of fuel supply.
- Lower risks of external factors.
- Possibility of processing heavy crude oil.

Technology Transfer



- Sharing of best practices and world knowledge in engineering and construction.

Health and Environment



- Reduction in the frequency of respiratory diseases due to improved air quality.

CONTENT



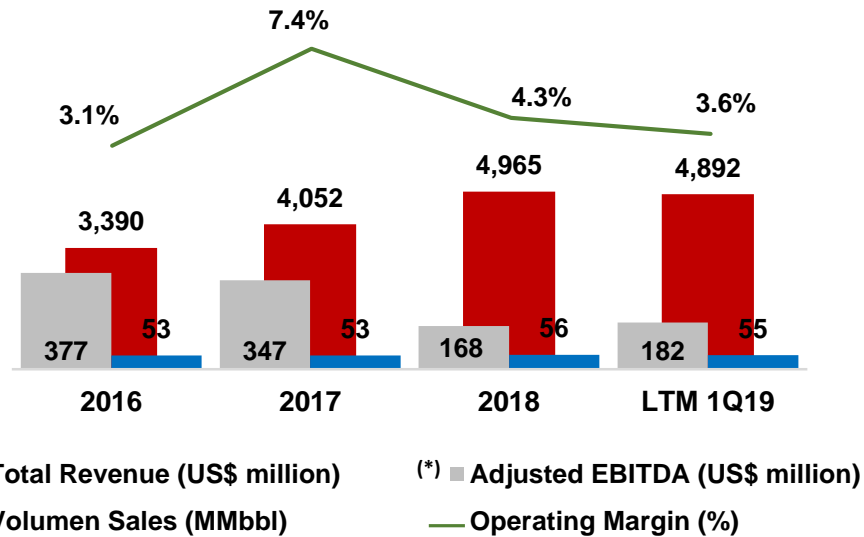
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Financial Results (US\$ million)

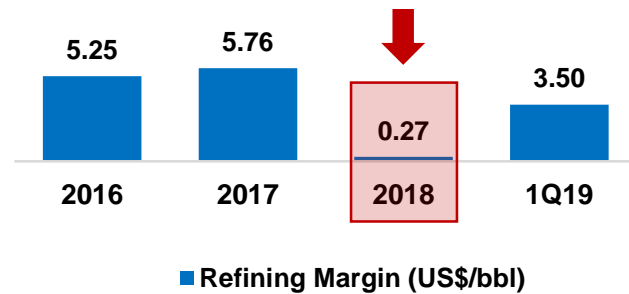


Revenue & Margins



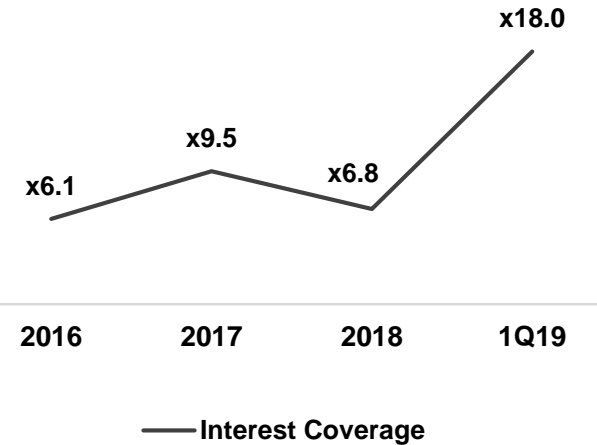
(*) It does not consider the inventory valuation effect (crude oil and oil products price volatility)

Refining Margin

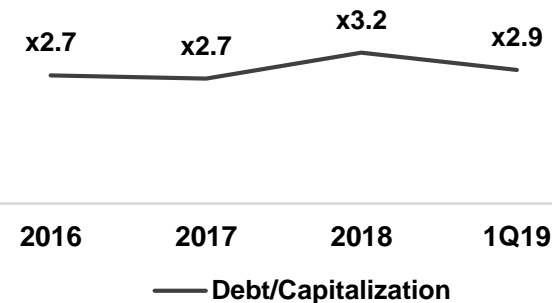


The Catalytic Cracking Unit (UCC) of the Talara Refinery entered into operation after the scheduled shutdown that put it out of service for 42 days (nearly double than expected). Net Refining Margin was -3.26 US\$/Bbl in 3Q18.

Interest Coverage



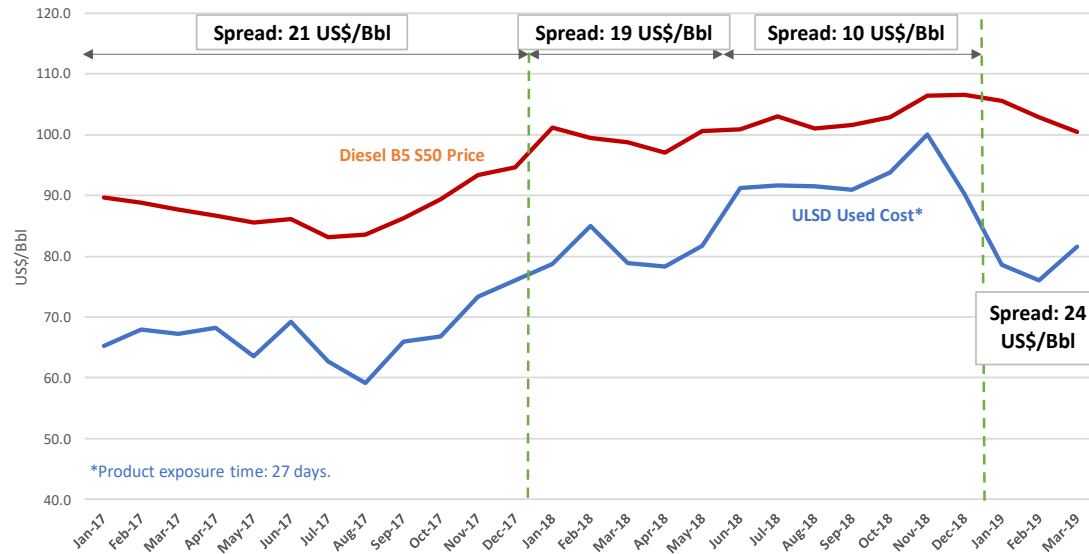
Debt/Capitalization



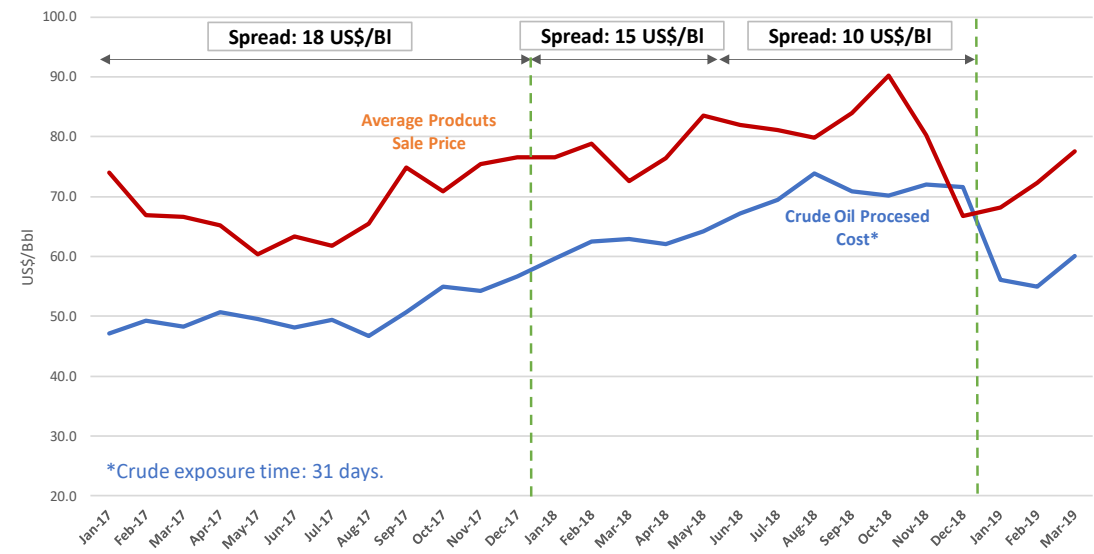
Price/Cost Spreads



Spreads Diesel B5-S50



Spreads Gasohol 90



- Until April 2018, the spread between sale price and used cost (crude oil prices), remained at levels similar to the 2017 average.
- As of May 2018, the sale prices were not adjusted in the same proportion as the input prices (crude oil) purchased and used in fuels production.



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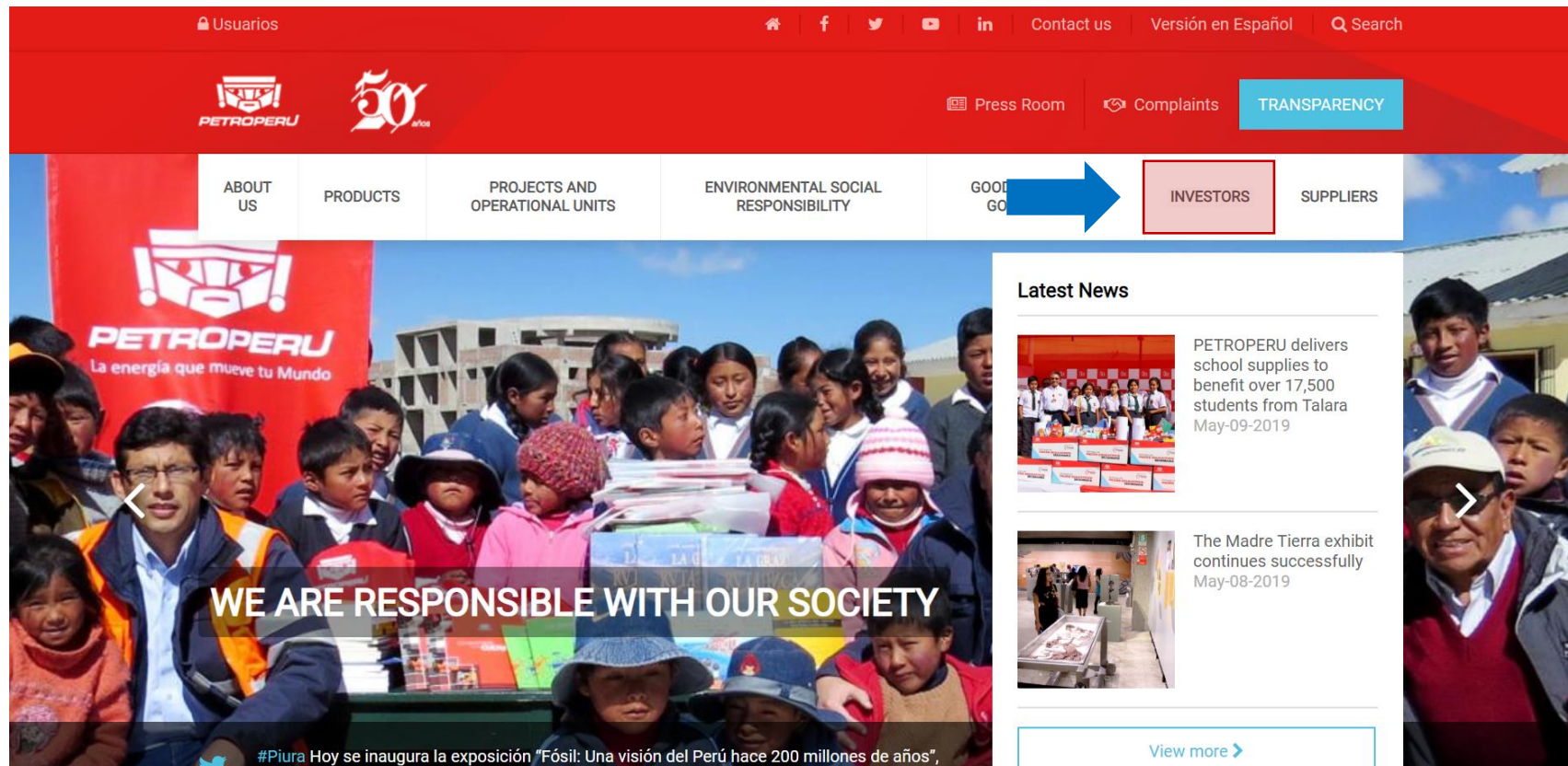
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Investor Relation Website



- For further information you can either visit: <https://www.petroperu.com.pe/inversionistas> or
- Enter through the PETROPERÚ S.A. Website (www.petroperu.com.pe), by clicking on Investors link:





PETROPERU