

GADF-MV-034-2021

San Isidro, 2 de agosto de 2021

Señores
Superintendencia del Mercado de Valores
Av. Santa Cruz N° 315
Miraflores

Atención: Registro Público del Mercado de Valores
Referencia: Hecho de Importancia

De conformidad con lo previsto en los artículos 3 y 4 del Reglamento de Hechos de Importancia e Información Reservada, aprobado mediante Resolución N° 005-2014-SMV/01 del 17 de marzo de 2014, cumplimos con informar en calidad de Hecho de Importancia que la firma clasificadora internacional Fitch Ratings, ha mantenido la calificación de “BBB+” a los créditos corporativos de largo plazo de PETROPERÚ S.A., con perspectiva negativa. Asimismo, ha mantenido el perfil de crédito independiente (SACP por sus siglas en inglés) de la compañía en “b-” por las razones precisadas en el informe.

Se adjunta el Informe publicado el día de hoy por Fitch Ratings, elaborado en base a los Estados Financieros Auditados 2020.

Atentamente,

Rubén Henderson Vidal Rojo
Representante Bursátil
Petróleos del Perú- PETROPERU S.A.

Petroleos del Peru – Petroperu S.A.

As a state-owned company, Petroleos del Peru – Petroperu S.A.'s ratings are equalized with Peru's Sovereign Rating (BBB+/Negative). The ratings reflect its close linkage with Peru's ratings, due to its strong government ownership and control, and the very strong incentives to support the company, as it is one of the country's largest liquids fuels suppliers, and its strategic importance to maintaining the country's energy supply.

Fitch Ratings has revised Petroperu's Standalone Credit Profile (SCP) to 'b-' from 'b'. Absent the support and ownership from the Peruvian government, the SCP reflects the long-term rating if the company were not owned by the state. The revision reflects Petroperu's slowly deleveraged metrics due to delays in the construction of Talara Refinery Modernization Project's (PMRT) high complexity new refinery.

Key Rating Drivers

Government Support: Petroperu's ratings reflect its close linkage with Peru's ratings, due to strong government ownership and control, and the very strong incentives to support the company, as it is one of Peru's largest liquid fuels suppliers. Petroperu has five refineries, two of which are currently out of service, and approximately 100,000 barrels per day (bpd) of throughput capacity. The government of Peru is currently Petroperu's only shareholder. The company's credit linkage to the sovereign is further evidenced by the explicit support it receives from the government through a financial guarantee for up to USD1 billion to assist Petroperu in case of financial distress as a result of PMRT's financing.

The ratings reflect the Peruvian government's strong incentives to support Petroperu in the event of financial distress. The company secures the oil supply at the national level, representing an approximate 45% market share in the domestic fuel market, combined with a strategic role in the energy supply chain to distribute and commercialize fuel nationwide.

Low Stand-Alone Credit Profile: Absent implicit and explicit Peruvian government support, Fitch assesses Petroperu's credit profile on a stand-alone basis, commensurate with a 'b-' rating category. As of December 2020, financial metrics deteriorated compared with YE 2019, Petroperu's gross debt/EBITDA reached to 33.5x from 11.8x, mainly explained by lower sales due to the pandemic restrictions, combined with additional debt to finance PMRT's construction. Fitch estimates Petroperu will maintain a structural debt above USD5.0 billion over the rating horizon, with average leverage metrics in the range of 15.0x during 2021–2023, still high for the rating category.

Operational Cash Flow Volatility: Petroperu's cash flow generation is sensitive to changes in oil prices and certain operational interruptions to its transportation business. Fitch anticipates this trend will continue during 2021 until mid-2022, while the new Talara refinery is under construction and EBITDA margins improve after expected operations commence by YE 2021, and gradually optimizing the refining process by 2H22. Cash flow from operations is projected to be positive through the rating horizon, while FCF is expected to be negative following the company's aggressive capex. Once PMRT is completed with the latest timing and calibration guidelines, significant changes to Petroperu's cash flow generation profile are unlikely before 2022.

Regulatory Risk: The company is exposed to changes in the Peruvian Technical Decree, which is the primary catalyst for PMRT. During 2010, the prohibition of commercializing diesel with more than

Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term IDR	BBB+	Negative	Affirmed May 27, 2021
Long-Term Local Currency IDR	BBB+	Negative	Affirmed May 27, 2021

[Click here for full list of ratings](#)

Applicable Criteria

[Sector Navigators - Addendum to the Corporate Rating Criteria \(April 2021\)](#)
[Corporate Rating Criteria \(December 2020\)](#)
[Government-Related Entities Rating Criteria \(September 2020\)](#)

Related Research

[Latam Oil & Gas Full-Cycle Costs Below Brent and WTI \(June 2021\)](#)
[Latin American Corporates Sovereign Rating and Country Ceiling Exposure \(How Sovereign Downgrades Affect Corporate Issuer Ratings\) \(June 2021\)](#)

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50ppm of sulphur in Lima and Callao, was extended to other regions. This norm, combined with other factors, affected Petroperu’s costs, reducing gross profit margins from around 15% to or below, 9% after the implementation of the regulation. Consequently, it became necessary for the company to invest approximately USD5 billion, primarily for PMRT’s expansion into a high complexity new refinery.

Financial Summary

(USD 000, as of Dec. 31)	2019	2020	2021F	2022F
Gross Revenue	4,668,046	3,121,759	4,318,364	4,595,850
Operating EBITDAR Margin (%)	7.6	4.2	4.7	8.9
Operating EBITDA	352,710	131,763	201,171	408,928
Total Debt with Equity Credit/Operating EBITDA (x)	11.8	33.5	26.9	13.6
FFO Fixed-Charge Coverage (x)	2.7	0.6	1.0	1.7

F – Forecast.

Source: Fitch Ratings, Fitch Solutions.



Rating Derivation Relative to Peers




Petroperu’s rating linkage to the Peruvian sovereign rating is in line with the linkage present for most national oil and gas companies (NOCs) in the region, including Empresa Nacional de Petroleo (ENAP; A-/Stable), YPF S.A. (CCC), Ecopetrol S.A. (BB+/Stable) and Petroleo Brasileiro S.A. (Petrobras; BB-/Negative).



In most cases in the region, NOCs are of significant strategic importance for energy supply to their countries, and a default could have potentially negative social and financial implications at a national level. Similar to its peers, Petroperu has strong legal ties to the government, through its majority ownership and strong operational control.




Petroperu’s ratings also reflect the company’s strong domestic market position, with 45% of the country’s refining output. The ratings are constrained by Petroperu’s weak capital structure and exposure to political interference risk.

Navigator Peer Comparison

Issuer	Operating Environment	Economic Environment	Financial Access	Systemic Governance
Empresa Nacional del Petroleo (ENAP)	a+ 	a	a	aa
Petroleos del Peru	bbb- 	bbb	bbb	bb

Source: Fitch Ratings. **Importance**  Higher  Moderate  Lower

Issuer	Management and Corporate Governance	Management Strategy	Governance Structure	Group Structure	Financial Transparency
Empresa Nacional del Petroleo (ENAP)	a- 	a	bbb	a	bbb
Petroleos del Peru	bbb- 	b	bb	aa	bb

Source: Fitch Ratings. **Importance**  Higher  Moderate  Lower

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- A positive rating action on the Peruvian sovereign could lead to a positive rating action on Petroperu.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A downgrade of Peru's sovereign rating;
- Additional overrun costs or significant delays from Fitch's assumptions on PMRT's construction not met with government support that would lower Petroperu's SCP to 'ccc' category from its current 'b-' level, will result in a negative rating action;
- A sustained deterioration of Petroperu's financial flexibility, combined with government inaction to support the company's liquidity restricting the access to capital markets.

Liquidity and Debt Structure

Adequate Liquidity: Petroperu's liquidity position is supported by cash on hand and manageable short-term maturities, which are mostly related to uncommitted working capital financing for more than USD3.0 billion, out of which the company has available approximately USD2.3 billion. As of December 2020, Petroperu reported cash on hand of USD84 million and short-term financial debt totaled USD1.01 billion, which Fitch expects will be rolled over. With the reopening of the 2047 notes for USD1.0 billion in February 2021, there is no expectation to require additional debt to finance the PMRT's capex. Additionally, the Fund for the Internationalization of Companies (Fondo para la Internacionalización de la Empresa [FIEM]) loan closing for approximately USD 285 million is pending.

ESG Considerations

Petroperu has an ESG Relevance Score of '4' for Governance Structure, due to its nature as a majority government-owned entity and the inherent governance risk that arise with a dominant state shareholder. This has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

The score reflects its ownership by the Peruvian government, the company's strong strategic ties with the state, and its strategic importance to maintaining the country's energy supply. As a state-owned company, Petroperu's ratings are strongly linked with the credit profile of the Peruvian sovereign, and reflects the sovereign's incentive to provide financial support to the company, given its strategic importance for the country. The company is 100% owned by the Peruvian government, through the Ministry of Energy and Mines (60%) and the Ministry of Economy and Finance (40%).

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Liquidity and Debt Maturities

Liquidity Analysis

(USD 000, as of Dec. 31)	2019	2020
Total Cash and Cash Equivalents	375,699	84,818
Short-Term Investments		35
Less: Not Readily Available Cash and Cash Equivalents	0	0
Fitch-Defined Readily Available Cash and Cash Equivalents	375,699	84,853
Availability Under Committed Lines of Credit	0	0
Total Liquidity	375,699	84,853
LTM EBITDA After Associates and Minorities	352,710	131,763
LTM FCF	(429,500)	(495,211)

Source: Fitch Ratings, Fitch Solutions, Petroleos del Peru – Petroperu S.A.

Scheduled Debt Maturities

(USD 000)	12/31/20
2021	1,186,759
2022	0
2023	0
2024	0
2025	0
Thereafter	3,227,639
Total	4,414,398

Source: Fitch Ratings, Fitch Solutions, Petroleos del Peru – Petroperu S.A.

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer Include

- Continuous implicit support, if needed, from the government given the company's strategic importance;
 - Fitch's Brent oil price at USD58 per barrel (bbl) in 2021, and long-term prices at USD53/bbl;
 - PMRT total cost of approximately USD5.7 billion (including financial expenses), considering an equity contribution from the Peruvian government of USD325 million, and the remaining portion finance with debt;
 - Rollover of short-term working capital facilities;
- PMRT completed by YE 2021, with full calibration by mid-2022 reaching refining crack spreads in the range of USD11/bbl–USD12/bbl.

Financial Data

(USD 000, as of Dec.31)	Historical		Forecast		
	2019	2020	2021	2022	2023
Summary Income Statement					
Gross Revenue	4,668,046	3,121,759	4,318,364	4,595,850	4,775,484
Revenue Growth (%)	-6.0	-33.1	38.3	6.4	3.9
Operating EBITDA (Before Income from Associates)	352,710	131,763	201,171	408,928	557,268
Operating EBITDA Margin (%)	7.6	4.2	4.7	8.9	11.7
Operating EBITDAR	352,710	131,763	201,171	408,928	557,268
Operating EBITDAR Margin (%)	7.6	4.2	4.7	8.9	11.7
Operating EBIT	265,151	72,346	80,068	280,167	427,976
Operating EBIT Margin (%)	5.7	2.3	1.9	6.1	9.0
Gross Interest Expense	(31,081)	(22,046)	(203,421)	(234,370)	(235,160)
Pretax Income (Including Associate Income/Loss)	253,764	(41,329)	(123,353)	45,796	192,816
Summary Balance Sheet					
Readily Available Cash and Equivalents	375,699	84,853	152,633	68,241	60,739
Total Debt with Equity Credit	4,175,232	4,414,398	5,414,398	5,580,398	5,456,398
Total Adjusted Debt with Equity Credit	4,175,232	4,414,398	5,414,398	5,580,398	5,456,398
Net Debt	3,799,533	4,329,545	5,261,765	5,512,157	5,395,659
Summary Cash Flow Statement					
Operating EBITDA	352,710	131,763	201,171	408,928	557,268
Cash Interest Paid	(188,724)	(170,641)	(203,421)	(234,370)	(235,160)
Cash Tax	(22,511)	(6,553)	0	0	(61,701)
Dividends Received Less Dividends Paid to Minorities (Inflow/(Out)flow)	0	0	0	0	0
Other Items Before FFO	185,638	(13,823)	0	0	0
FFO	327,113	(59,254)	(2,250)	174,557	260,407
FFO Margin (%)	7.0	(1.9)	(0.1)	3.8	5.5
Change in Working Capital	167,715	365,970	68,818	124,951	14,591
Cash Flow from Operations (Fitch Defined)	494,828	306,716	66,568	299,509	274,998
Total Non-Operating/Nonrecurring Cash Flow	0	0	–	–	–
Capex	(924,328)	(801,927)	–	–	–
Capital Intensity (Capex/Revenue) (%)	19.8	25.7	–	–	–
Common Dividends	0	0	–	–	–
FCF	(429,500)	(495,211)	–	–	–
Net Acquisitions and Divestitures	0	0	–	–	–
Other Investing and Financing Cash Flow Items	944,848	(19,920)	0	0	0
Net Debt Proceeds	(668,349)	224,250	1,000,000	166,000	(124,000)
Net Equity Proceeds	0	0	0	0	0
Total Change in Cash	(153,001)	(290,881)	(432)	(84,391)	(7,502)
Leverage Ratios (x)					
Total Net Debt with Equity Credit/Operating EBITDA	10.8	32.9	26.2	13.5	9.7
Total Adjusted Debt/Operating EBITDAR	11.8	33.5	26.9	13.6	9.8
Total Adjusted Net Debt/Operating EBITDAR	10.8	32.9	26.2	13.5	9.7
Total Debt with Equity Credit/Operating EBITDA	11.8	33.5	26.9	13.6	9.8
FFO-Adjusted Leverage	8.2	41.6	26.9	13.6	11.0
FFO-Adjusted Net Leverage	7.4	40.8	26.2	13.5	10.9
FFO Leverage	8.2	41.6	26.9	13.6	11.0
FFO Net Leverage	7.4	40.8	26.2	13.5	10.9

(USD 000, as of Dec.31)	Historical		Forecast		
	2019	2020	2021	2022	2023
Calculations for Forecast Publication					
Capex, Dividends, Acquisitions and Other Items Before FCF	(924,328)	(801,927)	(1,067,000)	(549,900)	(158,500)
FCF After Acquisitions and Divestitures	(429,500)	(495,211)	(1,000,432)	(250,391)	116,498
FCF Margin (After Net Acquisitions) (%)	(9.2)	(15.9)	(23.2)	(5.4)	2.4
Coverage Ratios (x)					
FFO Interest Coverage	2.7	0.6	1.0	1.7	2.1
FFO Fixed-Charge Coverage	2.7	0.6	1.0	1.7	2.1
Operating EBITDAR/Interest Paid + Rents	1.9	0.8	1.0	1.7	2.4
Operating EBITDA/Interest Paid	1.9	0.8	1.0	1.7	2.4
Additional Metrics (%)					
CFO-Capex/Total Debt with Equity Credit	(10.3)	(11.2)	(18.5)	(4.5)	2.1
CFO-Capex/Total Net Debt with Equity Credit	(11.3)	(11.4)	(19.0)	(4.5)	2.2

CFO – Cash flow from operations.

Source: Fitch Ratings, Fitch Solutions, Petroleos del Peru – Petroperu S.A.

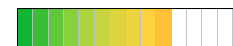
How to Interpret the Forecast Presented

The forecast presented is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator

FitchRatings

Petroleos del Peru - Petroperu S.A. ESG Relevance:



Corporates Ratings Navigator
Oil Refining & Marketing

Factor Levels	Sector Risk Profile	Operating Environment	Management and Corporate Governance	Diversification and Environmental Risk	Business Profile			Financial Profile			Issuer Default Rating
					Operational Scale	Refinery Location	Asset Quality	Profitability	Financial Structure	Financial Flexibility	
aaa											AAA
aa+											AA+
aa											AA
aa-											AA-
a+											A+
a											A
a-											A-
bbb+	↓	↓	↓	↓		↓	↓				BBB+ Negative
bbb	↓	↓	↓	↓		↓	↓				BBB
bbb-	↓	↓	↓	↓		↓	↓				BBB-
bb+	↓	↓	↓	↓		↓	↓	↓			BB+
bb	↓	↓	↓	↓	↓	↓	↓	↓			BB
bb-	↓	↓	↓	↓	↓	↓	↓	↓	↓		BB-
b+	↓	↓	↓	↓	↓	↓	↓	↓	↓		B+
b	↓	↓	↓	↓	↓	↓	↓	↓	↓		B
b-	↓	↓	↓	↓	↓	↓	↓	↓	↓		B-
ccc+									↓		CCC+
ccc									↓		CCC
ccc-									↓		CCC-
cc									↓		CC
c									↓		C
d or rd									↓		D or RD

Bar Chart Legend:			
Vertical Bars = Range of Rating Factor		Bar Arrows = Rating Factor Outlook	
Bar Colours = Relative Importance		↑	Positive
■	Higher Importance	↓	Negative
■	Average Importance	↕	Evolving
■	Lower Importance	□	Stable

Operating Environment

bbb+	Economic Environment	bbb	Average combination of countries where economic value is created and where assets are located.
bbb	Financial Access	bbb	Average combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
b-	Systemic Governance	bb	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'bb'.
ccc+			

Diversification and Environmental Risk

a-	Business Diversification	bbb	Partially integrated with upstream, midstream or petrochemicals. Independent status. Integration with strong fuel distribution network.
bbb+	Environmental Risk	bbb	Moderate exposure to environmental regulations and/or material but manageable remediation costs relative to projected cash flows.
bbb			
bbb-			
bb+			

Refinery Location

a-	Competitiveness of Markets	bbb	Markets with low competition or widening supply deficit.
bbb+	Logistics	bbb	Close to oil and product pipelines. Low-cost access to end-user markets.
bbb			
bbb-			
bb+			

Profitability

bb+	FFO Margin	bb	3%
bb	EBIT Margin	bbb	4%
bb-	FCF	b	Negative across the cycle.
b+			
b			

Financial Flexibility

bb	Financial Discipline	bb	Financial policies in place but flexibility in applying them could lead to temporarily exceeding downgrade guidelines.
bb-	Liquidity	b	Liquidity ratio below 1.0x. Overly reliant on one funding source.
b+	FFO Interest Coverage	ccc	1.25x
b	FX Exposure	bb	FX exposure on profitability and/or debt/cash flow match. Some hedging in place but only partly effective.
b-	Op. EBITDA/Interest Paid	b	4.0x

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Management and Corporate Governance

bbb+	Management Strategy	b	Strategy lacking cohesion and/or some weakness in implementation.
bbb	Governance Structure		Board effectiveness questionable with few independent directors. "Key man" risk from dominant CEO or shareholder.
bbb-	Group Structure	aa	Transparent group structure.
bb+	Financial Transparency	bb	Financial reporting is appropriate but with some failings (eg, lack of interim or segment analysis).
bb			

Operational Scale

bb+	Capacity (bpd)	b	Less than 100,000.
bb	Number of Refineries	bb	One larger single-asset facility.
bb-			
b+			
b			

Asset Quality

bbb+	Complexity	bbb	High complexity, outstanding product yield compared to competitors.
bbb	Margins and Utilization rates	bb	Average margins and utilization rates compared to industry benchmarks.
bbb-			
bb+			
bb			

Financial Structure

b-	FFO Leverage	ccc	>8.0x
ccc+	FFO Net Leverage	ccc	>7.0x
ccc	(CFO-Capex)/Total Debt With Equity Credit	b	2.5%
ccc-			
cc			

Credit-Relevant ESG Derivation

				Overall ESG
Petroleos del Peru - Petroperu S.A. has 1 ESG rating driver and 11 ESG potential rating drivers				5
key driver	0	issues		
Board independence and effectiveness; ownership concentration	driver	1	issues	4
GHGs emissions and other pollutants/air toxins resulting from refining process				
Energy use in refining	potential driver	11	issues	3
Water use in refining				
Hazardous material management				
Operational disruptions from extreme weather events	not a rating driver	1	issues	2
				1

Showing top 6 issues

For further details on Credit-Relevant ESG scoring, see page 3.

Credit-Relevant ESG Derivation

Petroleos del Peru - Petroperu S.A. has 1 ESG rating driver and 11 ESG potential rating drivers

- ➔ Petroleos del Peru - Petroperu S.A. has exposure to board independence risk which, in combination with other factors, impacts the rating.
- ➔ Petroleos del Peru - Petroperu S.A. has exposure to emissions regulatory risk but this has very low impact on the rating.
- ➔ Petroleos del Peru - Petroperu S.A. has exposure to energy productivity risk but this has very low impact on the rating.
- ➔ Petroleos del Peru - Petroperu S.A. has exposure to water management risk but this has very low impact on the rating.
- ➔ Petroleos del Peru - Petroperu S.A. has exposure to waste & impact management risk but this has very low impact on the rating.
- ➔ Petroleos del Peru - Petroperu S.A. has exposure to extreme weather events but this has very low impact on the rating.

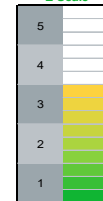
Showing top 6 issues

			Overall ESG Scale	
key driver	0	issues	5	
driver	1	issues	4	
potential driver	11	issues	3	
not a rating driver	1	issues	2	
	1	issues	1	

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	3	GHGs emissions and other pollutants/air toxins resulting from refining process	Business Diversification; Scale of Operations; Refining Asset Quality; Profitability
Energy Management	3	Energy use in refining	Business Diversification; Scale of Operations; Profitability
Water & Wastewater Management	3	Water use in refining	Business Diversification; Scale of Operations; Profitability
Waste & Hazardous Materials Management; Ecological Impacts	3	Hazardous material management	Business Diversification; Scale of Operations; Refinery Locations
Exposure to Environmental Impacts	3	Operational disruptions from extreme weather events	Business Diversification; Refinery Locations; Profitability

E Scale



How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

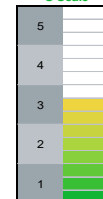
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Operations proximity to areas of conflict or indigenous lands	Management and Corporate Governance; Profitability; Financial Flexibility
Customer Welfare - Fair Messaging, Privacy & Data Security	1	n.a.	n.a.
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Profitability; Financial Structure; Financial Flexibility
Employee Wellbeing	2	Worker safety and accident prevention	Business Diversification; Refining Asset Quality
Exposure to Social Impacts	3	Social resistance to major projects or operations that leads to delays and cost increase	Profitability; Financial Structure; Financial Flexibility

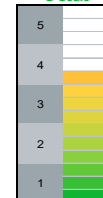
S Scale



Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance
Governance Structure	4	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance

G Scale



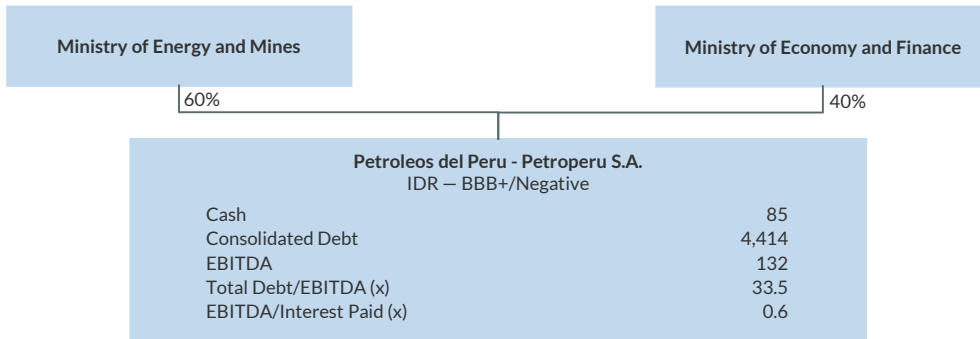
CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5		Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4		Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3		Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2		Irrelevant to the entity rating but relevant to the sector.
1		Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram

Organizational Structure – Petroleos del Peru - Petroperu S.A. (USD Mil. As of Dec. 31, 2020)



IDR – Issuer Default Rating.

Source: Fitch Ratings, Fitch Solutions, Petroleos del Peru – Petroperu S.A.

Peer Financial Summary

Company	Issuer Default Rating	Financial Statement Date	Gross Revenue (USD 000)	Operating EBITDAR Margin (%)	FFO Margin (%)	FFO Fixed Charge Coverage (x)	FFO-Adjusted Leverage (x)
Petroleos del Peru - Petroperu S.A.	BBB+						
	BBB+	2020	3,121,759	4.2	-1.9	0.6	41.6
	BBB+	2019	4,668,046	7.6	7.0	2.7	8.2
	BBB+	2018	4,965,070	5.4	1.1	1.4	26.9
Empresa Nacional del Petroleo (ENAP)	A-						
	A-	2020	4,891,425	7.6	3.2	1.9	12.7
	A	2019	7,628,473	8.0	6.8	3.5	5.9
	A	2018	8,304,856	6.3	2.0	1.9	13.8
Ecopetrol S.A.	BB+						
	BBB-	2020	13,567,005	31.1	16.4	4.4	4.5
	BBB	2019	21,583,946	41.9	32.7	13.9	1.5
	BBB	2018	23,201,055	44.1	31.3	9.1	1.6
Petroleos Mexicanos (PEMEX)	BB-						
	BB-	2020	44,479,649	6.6	1.8	1.1	15.5
	BB+	2019	72,797,114	23.8	-5.1	0.3	49.8
	BBB+	2018	20,648,415	33.7	2.1	1.0	17.5
Petroleo Brasileiro S.A. (Petrobras)	BB-						
	BB-	2020	53,683,000	44.5	38.0	7.4	2.3
	BB-	2019	76,589,000	35.2	20.7	4.4	3.2
	BB-	2018	95,584,000	40.1	24.8	2.8	3.3
YPF S.A.	CCC						
	CCC	2020	9,477,631	13.8	14.7	2.6	4.3
	CCC	2019	14,045,112	24.4	20.5	4.3	2.9
	B	2018	15,334,353	30.0	24.3	5.0	2.6

Source: Fitch Ratings, Fitch Solutions.

Fitch Adjusted Financials

(USD 000, as of Dec. 31, 2020)	Notes and Formulas	Reported Values	Sum of Adjustments	Other Adjustments	Adjusted Values
Income Statement Summary					
Revenue		3,121,759	–	–	3,121,759
Operating EBITDAR		131,763	–	–	131,763
Operating EBITDAR After Associates and Minorities	(a)	131,763	–	–	131,763
Operating Lease Expense	(b)	0	–	–	0
Operating EBITDA	(c)	131,763	–	–	131,763
Operating EBITDA After Associates and Minorities	(d) = (a-b)	131,763	–	–	131,763
Operating EBIT	(e)	72,346	–	–	72,346
Debt and Cash Summary					
Total Debt with Equity Credit	(f)	4,417,901	(3,503)	(3,503)	4,414,398
Lease-Equivalent Debt	(g)	0	–	–	0
Other Off-Balance-Sheet Debt	(h)	0	–	–	0
Total Adjusted Debt with Equity Credit	(i) = (f+g+h)	4,417,901	(3,503)	(3,503)	4,414,398
Readily Available Cash and Equivalents	(j)	84,853	–	–	84,853
Not Readily Available Cash and Equivalents		0	–	–	0
Cash Flow Summary					
Operating EBITDA After Associates and Minorities	(d) = (a-b)	131,763	–	–	131,763
Preferred Dividends (Paid)	(k)	0	–	–	0
Interest Received	(l)	5,248	–	–	5,248
Interest (Paid)	(m)	(170,641)	–	–	(170,641)
Cash Tax (Paid)	–	(6,553)	–	–	(6,553)
Other Items Before FFO	–	(19,071)	–	–	(19,071)
FFO	(n)	(59,254)	–	–	(59,254)
Change in Working Capital (Fitch-Defined)		365,970	–	–	365,970
Cash Flow from Operations (CFO)	(o)	306,716	–	–	306,716
Non-Operating/Nonrecurring Cash Flow	–	0	–	–	0
Capex	(p)	(801,927)	–	–	(801,927)
Common Dividends (Paid)	–	0	–	–	0
FCF	–	(495,211)	–	–	(495,211)
Gross Leverage (x)					
Total Adjusted Debt/Operating EBITDAR ^a	(i/a)	33.5	–	–	33.5
FFO-Adjusted Leverage	(i-j)/(n-m-l-k+b)	41.6	–	–	41.6
FFO Leverage	(i-g-j)/(n-m-l-k)	41.6	–	–	41.6
Total Debt with Equity Credit/Operating EBITDA ^a	(i-g)/d	33.5	–	–	33.5
(CFO-Capex)/Total Debt with Equity Credit (%)	(o+p)/(i-g)	(11.2)	–	–	(11.2)
Net Leverage (x)					
Total Adjusted Net Debt/Operating EBITDAR ^a	(i-j)/a	32.9	–	–	32.9
FFO-Adjusted Net Leverage	(i-j)/(n-m-l-k+b)	40.8	–	–	40.8
FFO Net Leverage	(i-g-j)/(n-m-l-k)	40.8	–	–	40.8
Total Net Debt with Equity Credit/Operating EBITDA ^a	(i-g-j)/d	32.9	–	–	32.9
(CFO-Capex)/Total Net Debt with Equity Credit (%)	(o+p)/(i-g-j)	(11.4)	–	–	(11.4)

(USD 000, as of Dec. 31, 2020)	Notes and Formulas	Reported Values	Sum of Adjustments	Other Adjustments	Adjusted Values
Coverage (x)					
Operating EBITDA/(Interest Paid + Lease Expense) ^a	a/(-m+b)	0.8	—	—	0.8
Operating EBITDA/Interest Paid ^a	d/(-m)	0.8	—	—	0.8
FFO Fixed-Charge Coverage	(n-l-m-k+b)/(-m-k+b)	0.6	—	—	0.6
FFO Interest Coverage	(n-l-m-k)/(-m-k)	0.6	—	—	0.6

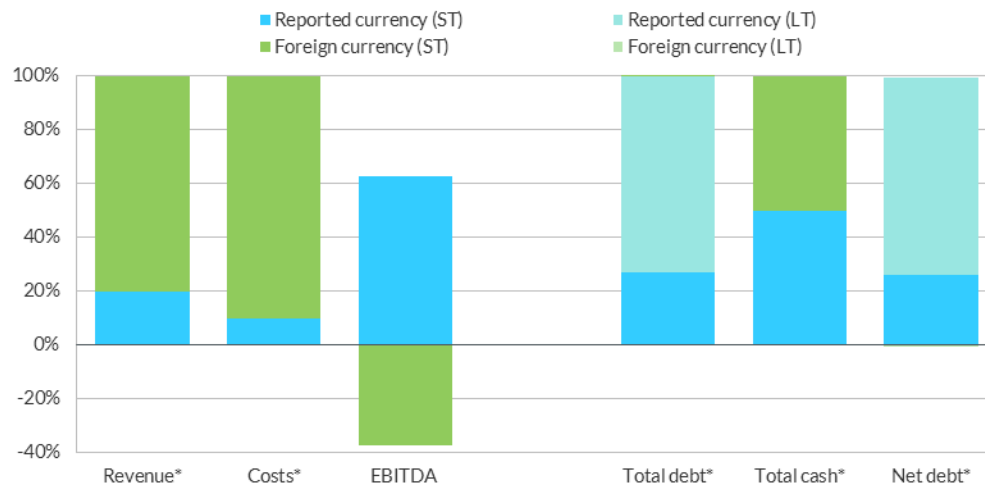
^aEBITDA/R after dividends to associates and minorities. CFO – Cash flow from operations.
Source: Fitch Ratings, Fitch Solutions, Petroleos del Peru - Petroperu S.A.

FX Screener

Petroperu is exposed to depreciation of the local currency, the company has a mismatch between collections, denominated in local currency (Peruvian soles), and its main obligations, denominated in U.S. dollars are the purchase of crude oil and financing the company's imports. In order to mitigate its exposure to fluctuations in foreign exchange rates, the company entered into forward exchange contracts for transactions affecting collection of revenue in the local market, along with working capital finance needs. Petroperu covers its exposure from suppliers with exchange-rate derivatives. Fitch estimates a 20% depreciation of the local currency would have a negative impact on EBITDA gross leverage of 7.6x.

Fitch FX Screener

(Petroleos del Peru - Petroperu S.A. – BBB+/Negative. Dec-20. USDth)



* Post hedge, absolute figures displayed are Fitch's analytical estimates, based on publicly available information
Source: Fitch Ratings

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