“DECENIO DE LA IGUALDAD DE OPORTUNIDADES PARA MUJERES Y HOMBRES”
“AÑO DEL FORTALECIMIENTO DE LA SOBERANÍA NACIONAL”

GCFI-MV-077-2022 San Isidro, 06 de julio de 2022

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 S&P Global Ratings, ha asignado la condición de “estable” a la perspectiva de PETROPERÚ S.A. eliminando su asignación de “Credit Watch with Negative Implications - Vigilancia crediticia con implicaciones negativas” y ha ratificado la calificación de PETROPERÚ de “BB” como emisor de deuda a largo plazo.

Se adjunta el Informe publicado el día de hoy por S&P Global Ratings.

Luis Sánchez Torino
Representante Bursátil
Petróleos del Perú- PETROPERÚ S.A.

Firmado Digitalmente por:
SANCHEZ TORINO Luis Renato FAU
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Fecha: 06/07/2022 08:49:26 p.m.

Research Update:

Petroleos del Peru 'BB' Ratings Affirmed And Off CreditWatch Negative On Covenant Waiver, Outlook Stable

July 6, 2022

Rating Action Overview

- Petroleos del Peru (Petroperu) succeeded in obtaining the necessary waivers from Compañía Española de Seguros de Crédito a la Exportación (Cesce; and its syndicate of lenders) and from its bondholders. Waivers prevented the possibility of an event of default and a potential debt payment acceleration related to the company's obligation to produce audited financial statement in May 2022. The new deadline to present the 2021 audited statements is Sept. 30, 2022. In addition, Petroperu has made the first amortization payment of the Cesce facility due June 30 according to the original schedule, alleviating the short-term maturity burden.
- On July 6, 2022, S&P Global Ratings affirmed its 'BB' ratings on Petroperu and removed them from CreditWatch with negative implications.
- We assigned a stable outlook that reflects our expectation that, after peaking above 20x in 2020 because of substantial investments and pandemic-related headwinds, Petroperu's leverage diminished in 2021 and will remain at about 10x in 2022 as Talara ramps up. The outlook on Petroperu also reflects that on the sovereign and our assessment of a very high likelihood of support, as seen in the government's liquidity injection of $750 million. Finally, the outlook incorporates the obtained waivers that prevented the possibility of an event of default in the short term.

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Rating Action Rationale

Petroperu´s plan to address the 2021 audit remains on track. In April 2022, Petroperu announced the appointment of a new board and key management, including a new CEO and CFO. Following these changes, the company implemented a plan to address the audit process, the stressed liquidity resulting from it, and the waivers needed to prevent an event of default. The plan also included the extraordinary support from the government, mainly consisting of the $750 million short-term liquidity injection from the Treasury.

During the past few weeks, Petroperu prevented the possibility of an event of default, linked to the non-compliance of its reporting obligations, by receiving the waivers from existing lenders. Moreover, PWC has resumed its role as Petroperu's auditor and is advancing with the analysis of the 2021 results that should be presented according to the amendments made over existing documentation by Sept. 30, 2022.

As a result, we believe the plan remains on track, and in general terms, in line with our expectations. We will continue monitoring its progress in the next couple of months, including the outcome of the audit.

We maintain our assessment of liquidity as weak, as the company continues implementing measures to restore it. We believe liquidity will remain under pressure in the next 12 months and commensurate with our weak assessment, while the company negotiates the re-opening of its uncommitted credit lines and alleviates short-term maturity burden. To further support liquidity, Petroperu is negotiating a new long-term credit facility of up to $500 million, which is likely to be implemented in the fourth quarter of 2022. We may revise our liquidity assessment once the company implements all measures (including the maturity of the $750 million facility from the Treasury in December 2022) and we have a more comprehensive view of Petroperu's capital structure and access to credit. This is more likely to occur in 2023, in our view.

Our assessment of the likelihood of government support remains unchanged. We maintain our view of a very high likelihood of extraordinary support from the government to Petroperu in the event of financial distress and to avoid a payment default. We base this assessment on the company's very important role in Peru's energy matrix. We also believe Petroperu has a very strong link to the government. The latter is involved in key investment decisions and gives authorization to conduct significant investments and approval to raise debt. In addition, the government has a track record of support to the company, such as the short-term liquidity injection from the Treasury. Petroperu's government shareholders have reaffirmed their intention to support the company, especially after the recent appointment of new management. They confirmed that Petroperu is a strategic asset for the country and plays a critical role in the fuel supply, which is why they would take the necessary measures to avoid a payment default, if necessary.

We will continue to monitor the relationship between Petroperu and the Peruvian government, including the latter's incentives, capacity, and tools to support the company, particularly amid the uncertain global economic conditions and the company's current strains.

Outlook

The stable outlook reflects our expectation that, after peaking above 20x in 2020 because of substantial investments and pandemic-related headwinds, Petroperu's leverage diminished in 2021 and will remain at about 10x in 2022 as Talara ramps up. The stable outlook on the company also mirrors that on the sovereign and our view that Petroperu will continue playing a very important role in Peru's energy and infrastructure policy while its link to the government remains very strong. In our view, Petroperu's capital structure is only sustainable thanks to the very high likelihood of extraordinary support from the government in case of financial stress, such as the one earlier this year. Finally, the outlook incorporates the recently obtained waivers have eliminated the possibility of an event of default and debt payment acceleration related to the non-compliance of Petroperu's documentation obligations for the 2021 audit.

Downside scenario

We could downgrade Petroperu to 'BB-' or below if the likelihood of government support diminishes while other credit factors remain unchanged. That could occur, for example, if the company's role for the government weakens, in our view, or if Petroperu's importance to the Peruvian energy sector lessens, which we don't expect in the next few years. We could revise downward our stand-alone credit profile (SACP) on Petroperu if we consider that the company's capital structure has become unsustainable. This could occur, for example, if Petroperu's audit of 2021 financials revealed material issues, which could increase liquidity concerns and deepen the lack of confidence in the company from the markets since the dispute with the auditor was made public. Also, we could consider the capital structure as unsustainable if following the refinery's completion in 2023, the company's leverage remains above 10x and EBITDA to interest is below 1x.

Upside scenario

We could upgrade Petroperu if our view of the likelihood of extraordinary support increases, for example, if the company's role to the government--or link to it--strengthens. We could also raise the ratings if we were to revise our liquidity assessment to less than adequate from weak and revise upward our management and governance (M&G) assessment. The latter would require evidence that the company has strengthened its capacity to identify, anticipate, and more effectively control critical risks such as the timely delivery of financial statements. A stronger assessment of liquidity would require a clearer view of the company's capital structure and access to credit and once Petroperu addresses the short-term financial assistance from the government (due in December 2022) and secures the long-term credit facility. Other than our revision of the liquidity and M&G scores, an upgrade would require debt to EBITDA to remain consistently below 5x and funds from operations (FFO) to debt to exceed 12%, which we don't expect in the next 12 months.

Liquidity

We maintain our assessment of the company's liquidity as weak because sources to uses of cash still indicates a material deficit in the next 12 months. Our liquidity assessment also incorporates qualitative factors. Even though Petroperu has met its milestones so far (receiving a comprehensive covenants waiver and making the amortization payment of the Cesce loan in June 2022 under the original terms), we still don't have a sufficiently clear view of the company's capital structure. We refer mainly to ongoing negotiations to secure a new long-term credit facility, the maturity of the $750 million credit line from the government in December 2022, the payment of the second principal amortization to Cesce also in December, and greater clarity over the company's access to short-term bilateral credit lines.

Primary liquidity sources

- Cash and equivalents of $89 million as of March 2022;
- FFO in a range of $250 million - $300 million for the next 12 months;
- Ad-hoc inflows of about $840 million (including the $750 million facility from the Treasury and other facilities, along with other liquidity support from government agencies).

Primary liquidity uses

- Short-term debt maturities of $1.6 billion, which include the repayment of the $750 million to the Treasury, $894 million that consist mainly of drawdowns of short-term credit lines, WK facilities as of March 2022, and the first $144 million payment under the Cesce facility;
- Negative working capital changes estimated for 2022 of $400 million - $500 million that incorporate a reduction in average payables to capture working capital mismatches during the first quarter of 2022; and
- Total capital expenditures of around $400 million (including a balance not used in 2021 for Talara)

Ratings Score Snapshot

Issuer credit rating: BB/Stable/--

Business risk: Fair

- Country risk: Moderately high
- Industry risk: Moderately high
- Competitive position: Fair

Financial risk: Highly leveraged

- Cash flow/leverage: Highly leveraged

Anchor: b

Modifiers

- Diversification/portfolio effect: Neutral
- Capital structure: Neutral
- Financial policy: Neutral
- Liquidity: Weak (-1 notch)
- Management and governance: Weak (-1 notch)
- Comparable rating analysis: Neutral

Stand-alone credit profile: b-

- Likelihood of government support: Very high (+4 notches from SACP)

ESG credit indicators: E-4, S-2, G-5

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March

25, 2015

- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings List

Ratings Affirmed		
Petroleos del Peru Petroperu S.A.		
Analytical Factors	**b-**	
Ratings Affirmed; CreditWatch/Outlook Action		
	To	**From**
Petroleos del Peru Petroperu S.A.		
Issuer Credit Rating	BB/Stable/--	BB/Watch Neg/--
Petroleos del Peru Petroperu S.A.		
Senior Unsecured	BB	BB/Watch Neg

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.