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

GCFI-MV-112-2022 San Isidro, 06 de diciembre 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 Standard & Poor’s Global Ratings, sobre la base de los Estados Financieros intermedios a setiembre 2022 y a sus proyecciones, ha mantenido la calificación de “BB” a los créditos corporativos de largo plazo de PETROPERÚ S.A, así como la perspectiva Estable. Asimismo, mantiene el perfil de crédito independiente (SACP siglas en inglés) de la compañía en “b-”

Se adjunta el Informe publicado el día de hoy por Standard & Poor’s Global Ratings.

Atentamente,

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

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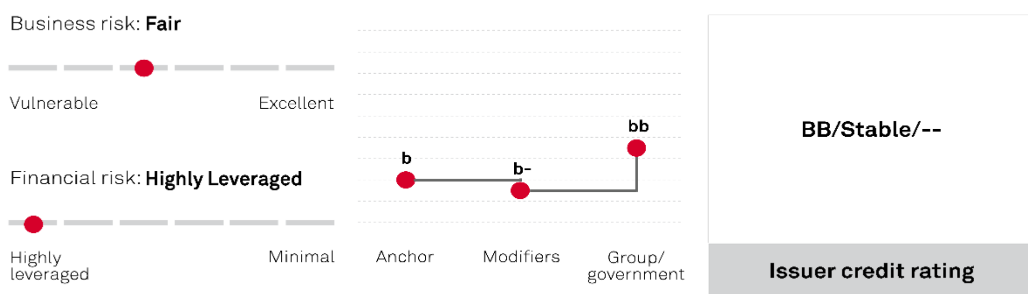
Petroleos del Peru Petroperu S.A.

December 6, 2022

Ratings Score Snapshot



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Credit Highlights

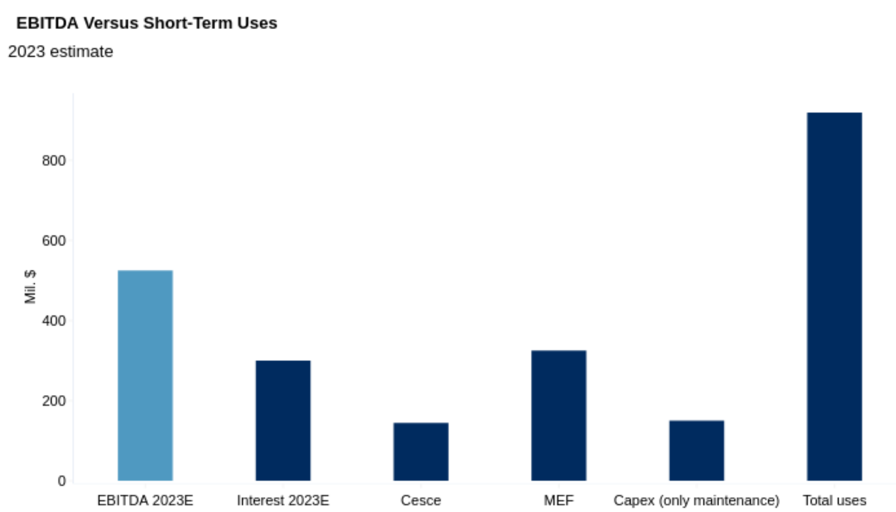
Overview

Key strengths	Key risks
A very high likelihood of extraordinary government support. We've seen evidence of this support in 2022 and expect it to continue.	Management and governance deficiencies in 2022 resulted in a severe reputational and liquidity crisis, disrupting normal fuel supply in the country and eroding market share.
The company accounts for about 50% of Peru's refining capacity and remains--despite setbacks this year--the leading supplier/importer of refined products in Peru.	A highly leveraged capital structure that further weakened in 2022, as tight liquidity disrupted the normal course of business.
Petroperu's access to the domestic and international debt and capital markets, although governance issues have posed challenges to this access recently.	Although the Talara refinery should start operating again in 2023, the shutdown of the refinery has resulted in Petroperu only importing refined products, losing its refining margin.
	Inherent volatility in refining margins that stem from factors outside of the company's control such as oil price differentials.

Severe management and governance deficiencies this year have triggered a chain of events that hurt Petroperu's reputation and liquidity, and further setbacks in the third quarter have pushed up leverage, weakening the company's capital structure. Beginning with a dispute with its auditor in February, Petroperu has had several events that have undermined its reputation and liquidity, forcing it to negotiate waivers from the financial community to avoid an event of default and debt acceleration risks. As a result, the government has stepped on various occasions throughout the year.

The release of a clean audit on 2021 financials in September didn't restore normal business conditions or access to credit. In addition, third quarter results were weaker than we expected amid the ramp-up of Talara (requiring higher oil purchases and consumption but not yet resulting in sellable products), the company's worsening credit profile, and tighter liquidity (with poor or no terms offered by suppliers or banks). This resulted in supply delays and the government stepping in again in October. In addition, the higher costs for the Talara refinery (budget increased to $5.3 billion before interest from $5.1 billion) and the financial assistance from the government result in higher leverage (we estimate nominal debt to be about $6.4 billion in 2022 from $5.6 billion previously), while the company still seeks new funding sources to stabilize liquidity.

Although we expect higher EBITDA in 2023 resulting from Talara's operations and the stabilization of working capital amid lower oil prices, we think Petroperu has little room to significantly deleverage. With Petroperu's total debt burden above $6 billion, we consider our forecast EBITDA of $470 million-$520 million for 2023 as insufficient to cope with an interest burden of about $300 million, the $144 million Petroperu repays yearly to Cesce, the repayment of $325 million to MEF (approved by Congress on Nov. 30) and capital expenditures (capex) of $150 million-$200 million (mainly maintenance). The company remains extremely dependent on working capital dynamics and external credit. As a result, the chance of a structural reduction of debt in 2023, even with Talara fully operational, appears slim.



However, we believe this is somewhat offset by the ongoing and extraordinary support from the government as the company's sole shareholder, and its stated willingness and capacity to support Petroperu to avoid a payment default. In addition, the recent government decree 023-2022 sets up the framework to restructure the company (including hiring consultants and setting the framework for a potential public offering); on top of the pending initiatives to be implemented to restore liquidity, reputation, and market share in 2023.

Government support has become the key credit factor for Petroperu's creditworthiness and instrumental for business continuity in 2022, but so far has been insufficient to restore normal business conditions. Our assessment of the likelihood of government support to the company remains unchanged, and it has a track record of support to Petroperu. In addition, we view Petroperu's position in the domestic energy sector as not easily replaceable because of the difficulty in building new refineries, pipelines, and storage facilities given the amount of necessary investments, the environmental licenses, and the construction timeline. Therefore, we expect Petroperu to continue receiving ongoing and extraordinary support if necessary.

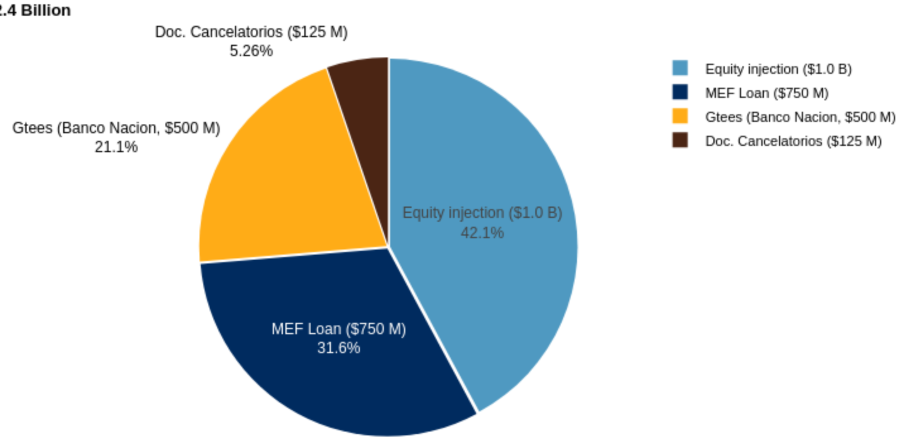
In the past, we've seen the transfer of the company's pension liabilities to the government, a capital injection of $325 million in 2017, and a favorable taxation policy on the company's operations in the Amazonia region. Amid the pandemic, Petroperu got support from the government enacting the Emergency Decree 33/2020 in March 2020.

More recently, the government demonstrated not only its willingness but also its capacity to intervene in Petroperu, for example through the $750 million loan from the Ministry of Finance (MEF) in May and later through decree 023-2022 in October. The decree included a $1 billion equity contribution, a guarantee for a new $500 million short-term facility from Banco de la Nación, and the set-up of a framework for Petroperu's restructuring, which has been instrumental to preserve fuel supply in the country and to support the higher oil consumption during Talara's ramp up phase. We expect this support to continue.

Still, in our view, the support hasn't yet restored normal business conditions for Petroperu because there still are several ongoing initiatives that the company will implement. For more details, refer to the Liquidity section and our bulletin "Recent Approval Of Equity Injection Supports Our View Of Government Support Of Petroleos del Peru S.A.," published Oct. 27, 2022.

We'll 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 challenges.

Summary Of Main Government Support Instruments
Total: $2.4 Billion



Source: S&P Global Ratings.

Outlook

The stable outlook on the company mainly 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 support seen earlier this year. The outlook also reflects that after peaking significantly in 2022 because of the extraordinary events, we expect Petroperu's leverage to fall and remain around 10x-15x in 2023-2024, with Talara fully operational.

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. Having witnessed the materialization of support this year, we don't expect likelihood of support to fall in the next few years.

We could revise our outlook to negative or revise downward our stand-alone credit profile (SACP) on Petroperu if we consider the company's capital structure as unsustainable, suggesting a potential default in payments. This could occur, for example, if Petroperu incurred further delays and costs overruns for Talara, if the company is not able to start restoring its market share position with Talara fully operational, or if the increase in volumes sold in 2023 doesn't materialize. We could also revise the SACP down if liquidity worsens further without any indication of ongoing or extraordinary support from the government.

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 a stronger category along with 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, noting that the auditor for 2022 accounts has not yet been appointed. A stronger assessment of liquidity would require a clearer view of the company's capital structure and access to credit, as well as more clarity about the pending initiatives like the other credit facilities currently under negotiations. Aside from changes in the company's liquidity and management and governance scores, we think an upgrade based only on leverage metrics is unlikely at this stage, because it would require debt to EBITDA to remain consistently below 5x and funds from operations (FFO) to debt to exceed 12%.

Our Base-Case Scenario

Assumptions

- We incorporate macroeconomic variables that we view as relevant for the refining segment, particularly GDP growth that correlates to energy demand and inflation that affects selling, general, and administrative (SG&A) expenses. Refer to "Economic Outlook Latin America Q1 2023: A Shift To Lower Growth," published on Nov. 28, 2022. After a GDP recovery of 13.5% in 2021, we forecast Peru's GDP to grow 2.2% in 2022, 2.5% in 2023, and 3.1% in 2024, and an inflation rate at 7.8% in 2022, 3.0% in 2023, and 2.0% in the long term.
- We assume Talara will be fully operational in early 2023. This should result in higher EBITDA margins as the company recovers refining margins and is able to process heavier crude oil, while reducing the imports of refined products. We expect about 90,000 barrels per day (bpd) to 95,000 bpd in 2023-2024, with a higher mix of in-house refining and a utilization rate between 70% and 75%. We also expect a much higher share of crude oil versus refined products in Petroperu's total purchases in 2023 and onward
- In terms of volumes sold, we expect a more gradual recovery in 2023 and 2024 versus Petroperu's expectations. We also increase SG&A expenses by 10% over inflation in 2023-2024 to capture commercial efforts to regain market share.
- Fuel prices, as well as prices for buying oil and refined products, moving in tandem because both correlate to oil prices. We updated our WTI oil price assumptions as per our article, "S&P Global Ratings Revises Its Oil And Gas Price Assumptions On Supply/Demand Fundamentals," published Nov. 18, 2022. We assume a WTI price of $95 per barrel in 2022, $85 per barrel in 2023, and $75 per barrel in 2024.
- Working capital changes adjusted in 2022 to capture the exceptionally negative events the company experienced related to the payment terms implemented in first quarter 2022, the need for higher oil purchases during the ramp-up of Talara, and the lack of liquidity in third quarter 2022, which was mainly covered by the equity injection. We assume working capital will

gradually stabilize in 2023 and 2024, as the company manages to reinstate supplier credit and bilateral agreements. We expect lower oil prices in 2023-2024 to translate--other things equal--into lower inventories.

- We updated capex amounts following management's guidelines. We incorporate $900 million in 2022, mostly for completing Talara's refurbishment; significantly decreasing to $340 million in 2023; and falling to about $200 million afterward, mainly for maintenance.
- We adjusted the capital structure and liquidity to incorporate the extension and amortization of the MEF loan in 2023 and 2024, the new instruments granted by the government (equity plus the guarantee to back Banco de la Nacion), and the set-up of the bridge loan and an export credit take-out in 2023.
- No dividend payments.

Key metrics

Petroperu--Key Metrics*

Mill. $	2020A	2021A	2022E	2023F	2024F
Revenue	3122	4218	5,500-5,700	5,900-6,200	5,900-6,300
EBITDA	135	327	100-130	490-530	520-550
EBITDA margin (%)	4.3%	7.8%	1%-2%	8.0%-8.5%	8.5%-9.50%
Debt	4,355	4,869	6,300-6,500	6,000-6,200	5,600-5,800
Capex	639	378	800-1000	300-350	150-200
Debt to EBITDA (x)	32x	15x	48x-51x	11x-x13x	10x-12x
EBITDA interest coverage (x)	0.7x	1.5x	0.5x	1-5x-1.8x	1.7x-1.9x

*All figures adjusted by S&P Global Ratings. a--Actual. e--Estimate. f--Forecast.

We expect EBITDA of around $100 million in 2022, recovering to around $500 million in 2023, and $520 million-$560 million in 2024. Accordingly, from a peak well above 20x in 2020, leverage recovered to 14.9x in 2021 but then skyrocketed again in 2022 due to the challenging events Petroperu experienced and the need for higher debt to support Talara's completion and working capital. We expect leverage to be 10x-13x in 2023-2024 based on Talara's contribution and a gradual recovery in volumes sold. In addition, we expect EBITDA interest coverage to recover to 1.5x-1.8x in 2023 from below 1.0x in 2022.

Company Description

Peru (local currency: BBB+/Stable/A-2; foreign currency: BBB/Stable/A-2) owns 100% of Petroperu, of which 60% belongs to the Ministry of Energy and Mines (MINEM) and 40% to the Ministry of Finance.

The company transports, refines, distributes, and markets fuels and other petroleum-derived products in Peru. Petroperu owns and operates three refineries (Talara, Conchan, and Iquitos) with a total refining capacity of 92,500 barrels per day (bpd). The Pucallpa refinery, which used to be leased from a private entity, is currently under evaluation to continue its operations. The company also owns and operates the Nor Peruano oil pipeline (approximately 1,100 kilometers in length), which is Peru's main transportation pipeline that connects all of the country's major oil blocks to the country's largest refinery and port. Petroperu distributes fuel through ships, trucks, and railcars, and sells it mainly through affiliated retail stations that work exclusively with Petroperu.

Most of the company's revenue and EBITDA come from the refining, marketing, and distribution of oil products in the country. Petroperu is making a material investment to upgrade Talara ($5.3 billion excluding interest), which will increase its refining capacity to 95,000bpd by 2022 from the current 65,000 bpd, and total 122,500 bpd for all three operating refineries. This initiative explains the vast majority (about 70%) of Petroperu's total outstanding debt as of Sept. 30, 2022. At this date, 98.26% of the renovation was completed. Petroperu formally inaugurated the plant in April, starting its ramp-up period with the expectation that it will be fully operational in 2023.

Peer Comparison

We typically select as peers other refining assets that we rate in Latin America. The peers are all government-related entities (GREs) with a very high likelihood of support from their respective governments. Therefore, they have an important role from an economic and social standpoint in their countries of operations, and they benefit from large, well-established market shares and limited competition, with the mandate to ensure domestic fuel supply. Also, they all depend on imports (either crude oil to refine or refined products) because none of them are self-sufficient.

From a business perspective, we view Administracion Nacional de Combustibles Alcohol y Portland (ANCAP; BB+/Stable/--) and Empresa Nacional del Petróleo (ENAP; BB+/Stable/--) as the most comparable to Petroperu, although they differ in terms of capacity (because they serve different economies) and development (mainly for Petroperu because of the sizable investment in Talara). We note that Petroperu's recent governance and liquidity issues have had a negative effect on the ratings in 2022.

ENAP is a Chilean oil and gas company with a large presence in the domestic downstream market and some domestic and foreign upstream activities. It accounts for approximately 40% of Chile's energy supply for transportation and power generation, and supplies about 60% of the country's refined product needs. A credit strength for ENAP stems from its refining capacity that's larger than its peers and its mandate to focus on efficiency to be an increasingly self-sufficient company, even though it's owned by the state. In addition, ENAP's established exploration and production division provides financial flexibility to the company, especially when oil prices are high.

ANCAP is Uruguay's government-owned oil and gas company. It has exclusive rights for refining and for crude oil, refined products, and natural gas imports in the country. The company also has a dominant position in the fuel distribution market in Uruguay, enjoying about a 60% market share through its network of 290 service stations.

Petroperu has some level of integration because it owns and operates the country's sole oil pipeline. Additionally, the government of Peru recently demonstrated its support to Petroperu under various instruments. Compared to ANCAP, Petroperu benefits from fuel prices that are adjusted on a weekly basis, incorporating variations in oil price and foreign exchange, whereas ANCAP's prices are formally approved by the government despite the implementation of an import parity scheme. Moreover, Petroperu has a larger refining capacity than ANCAP.

In terms of the financial risk profiles, the three companies are subject to the inherent volatility of refining margins; therefore, their leverage has fluctuated in the past five years depending on refining cycles. Still, Petroperu has by far the largest amount of debt (mainly related to the Talara revamp), followed by ENAP (with a stable debt burden of around $4.5 billion), while ANCAP has the strongest financial risk profile due to its much lower debt burden.

Petroleos del Peru Petroperu S.A.--Peer Comparison

Industry Sector: Infrastructure

	Administracion Nacional de Combustibles Alcohol y Portland	Empresa Nacional del Petroleo	Petroleos del Peru Petroperu S.A.
Ratings as of Sept. 21, 2022	BB+/Stable/--	BB+/Stable/--	BB/Stable/--
(Mil. $)	--Fiscal year ended Dec. 31, 2021--		
Revenue	4,155	7,689	4,218
EBITDA	371	777	327

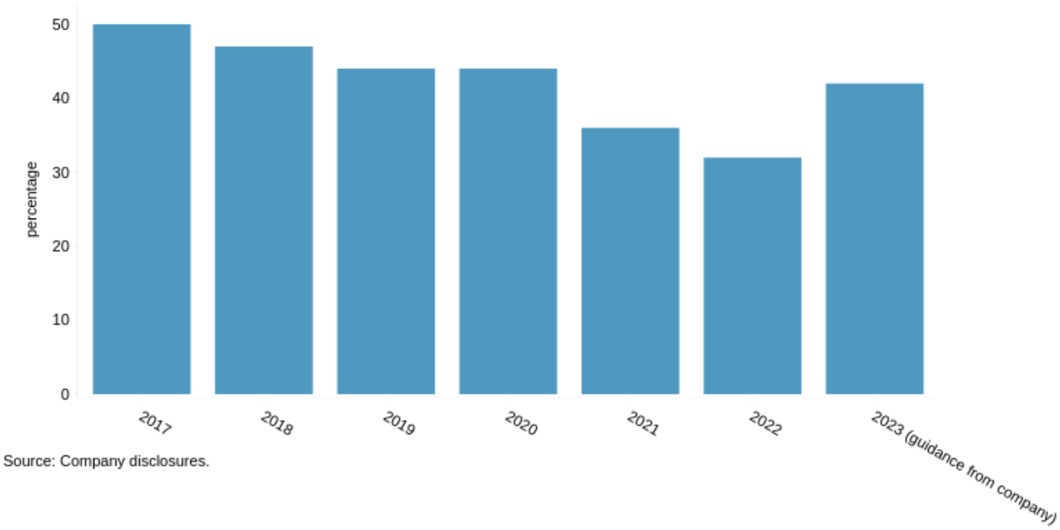
Funds from operations (FFO)	313	564	99
Interest expense	28	210	212
Cash flow from operations	377	489	155
Capital expenditure	52	370	378
Free operating cash flow (FOCF)	325	119	(223)
Debt	655	4,414	4,869
Equity	1,586	1,019	1,909
Adjusted ratios			
EBITDA margin (%)	9	10	8
EBITDA interest coverage (x)	13	4	2
FFO cash interest coverage (x)	12	5	1
Debt/EBITDA (x)	2	6	15
FFO/debt (%)	48	13	2
Cash flow from operations/debt (%)	58	11	3
FOCF/debt (%)	50	3	(5)

Business Risk

Petroperu is responsible for about half of Peru's refining capacity and is a leading supplier of diesel and gasoline. A subsidiary of Spain-based MACROBUTTON OrgId_116969 Repsol S.A. (BBB+/Stable/A-2), controls most of the remaining refining market share in Peru through its refinery, La Pampilla, which is located near Lima.

Despite its relevant position, Petroperu's market share in the liquid fuels market has eroded since 2017 to 32% from about 50%. The company is working on a plan to gradually restore its position, which involves strengthening brand recognition, improving supply procurement, focusing on fuels and diesel (the main share within all fuels sold) and client service in its own network. Commercial strategy will be focused on boosting regional sales and direct corporate clients, among other initiatives.

Evolution of Market Share

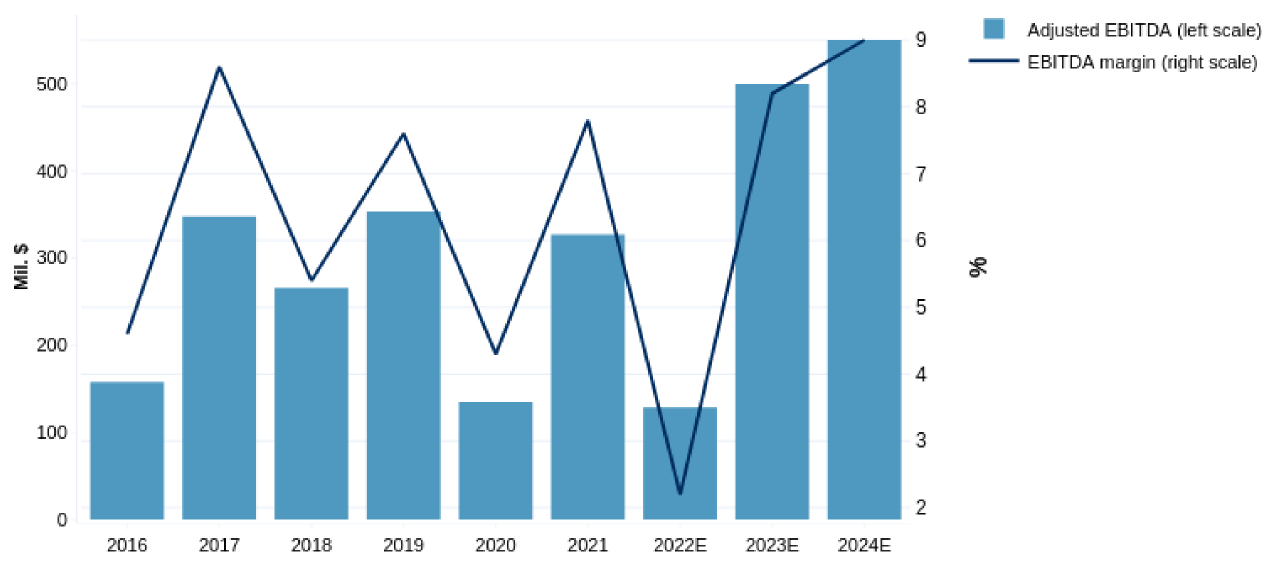


Source: Company disclosures.

In addition to its core refining business Petroperu also owns and operates a 1,100 km oil pipeline (Oleoducto Nor Peruano--OLP) that connects all of Peru's major oil blocks to the country's largest refinery and port. This gives the company the opportunity to better manage its all-in feedstock costs compared to its regional peers, which mainly import crude oil. However, the pipeline has been subject to incidents (65% of which are due to attacks) and disruptions, exposing the company to oil spills and the related reputational and environmental risks, such as the situation in the Loreto region and Marañon river in 2022. The government has defined a task force involving various government bodies to address this matter in a more coordinated and definitive manner and improve the pipeline productivity.

Finally, we view the company's network of 716 gas stations across the country (as of November 2022), operating under the Petroperu brand, as a strength. On the other hand, we think the company's scale of operations is small and its geographic and asset diversification is narrow. Moreover, we consider as rating weaknesses the cyclicality of Petroperu's profitability (typical for the refining industry) and the lack of economies of scale and operating flexibility that result in lower margins than those of larger international peers.

Petroperu's EBITDA And EBITDA Margins



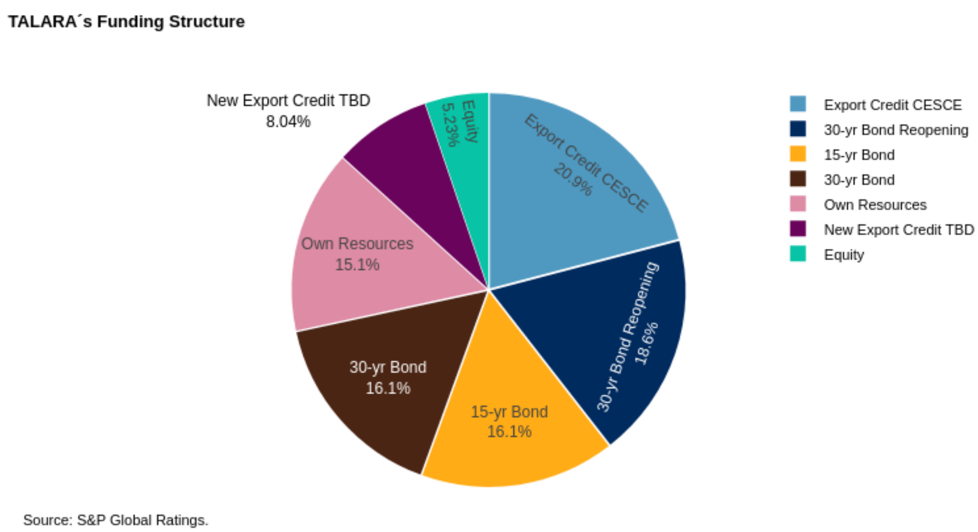
E--Estimated. Source: S&P Global Ratings.

Financial Risk

The massive investment in Talara during the last few years resulted in Petroperu's weak capital structure and very high leverage. After delays and costs overruns (some pandemic-induced) we expect the refinery to be fully operational in 2023 because the ramp-up is almost finished and already producing sellable output. Even so, we expect Petroperu's adjusted leverage to remain very high after peaking above 20x in 2020 and again in 2022. In our base case, we expect debt to EBITDA to decrease from 2023 on and to hover at 10.x-13x in 2023-2024. In addition, we expect EBITDA interest coverage to recover to 1.5x-1.8x in 2023 from below 1.0x in 2022.

The recovery mainly relates to higher volumes sold as sale prices should go gradually down in tandem with our expectation of lower oil prices. The company should resume earning refining margins, reducing the share of refined products purchased. We also consider the commercial plan that the company has put together to gradually restore its market share, which has been eroding since 2017.

We maintain our view that Petroperu's overly indebted capital structure is only sustainable thanks to the ongoing and extraordinary support from the government. In 2017, Petroperu issued two international unsecured bonds with maturities in 2032 and 2047 for an aggregate amount of $2 billion. In addition, in 2018 it raised a $1.3 billion ECA loan due 2031 (99% guaranteed by Cesce). Finally, in February 2021, Petroperu raised another $1 billion in senior unsecured notes, almost completing the required financing for Talara. Although this last issuance alleviated the company's financial needs and had freed up some space under the short-term bilateral facilities, liquidity became scarce again in 2022 due to the issues discussed above. We also consider that the facility with FIEM (Ministry of Industry and Trade--Spain) has not been implemented and Petroperu is still negotiating the set-up of a new long-term export credit facility to complete Talara's funding structure.



Petroleos del Peru Petroperu S.A.--Financial Summary

Period ending	Dec-31-2016	Dec-31-2017	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021
Reporting period	2016a	2017a	2018a	2019a	2020a	2021a
Display currency (mil.)	$	$	$	$	$	$
Revenues	3,408	4,052	4,965	4,668	3,122	4,218
EBITDA	158	348	266	353	135	327
Funds from operations (FFO)	(134)	120	27	141	(54)	99
Interest expense	68	117	139	181	182	212
Cash interest paid	68	121	131	189	182	213
Operating cash flow (OCF)	104	79	(242)	495	295	155
Capital expenditure	836	632	497	768	639	378
Free operating cash flow (FOCF)	(732)	(552)	(739)	(273)	(344)	(223)
Discretionary cash flow (DCF)	(732)	(552)	(739)	(273)	(344)	(223)
Cash and short-term investments	74	666	1,566	381	85	240
Gross available cash	74	666	1,566	381	85	240
Debt	1,956	2,676	3,282	3,826	4,355	4,869
Common equity	1,117	1,618	1,737	1,908	1,841	1,909
Adjusted ratios						
EBITDA margin (%)	4.6	8.6	5.4	7.6	4.3	7.8
Return on capital (%)	4.8	8.2	5.0	5.3	0.3	4.2
EBITDA interest coverage (x)	2.3	3.0	1.9	1.9	0.7	1.5
FFO cash interest coverage (x)	(1.0)	2.0	1.2	1.7	0.7	1.5

Petroleos del Peru Petroperu S.A.--Financial Summary

Debt/EBITDA (x)	12.4	7.7	12.3	10.8	32.3	14.9
FFO/debt (%)	(6.8)	4.5	0.8	3.7	(1.2)	2.0
OCF/debt (%)	5.3	3.0	(7.4)	12.9	6.8	3.2
FOCF/debt (%)	(37.4)	(20.6)	(22.5)	(7.1)	(7.9)	(4.6)
DCF/debt (%)	(37.4)	(20.6)	(22.5)	(7.1)	(7.9)	(4.6)

Reconciliation Of Petroleos del Peru Petroperu S.A. Reported Amounts With S&P Global Adjusted Amounts (Mil. $)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2021									
Company reported amounts	5,065	1,909	4,218	327	260	3	327	363	-	586
Cash taxes paid	-	-	-	-	-	-	(14)	-	-	-
Cash interest paid	-	-	-	-	-	-	(5)	-	-	-
Lease liabilities	26	-	-	-	-	-	-	-	-	-
Accessible cash and liquid investments	(240)	-	-	-	-	-	-	-	-	-
Capitalized interest	-	-	-	-	-	208	(208)	(208)	-	(208)
Asset-retirement obligations	17	-	-	-	-	-	-	-	-	-
Nonoperating income (expense)	-	-	-	-	14	-	-	-	-	-
Total adjustments	(196)	-	-	-	14	208	(228)	(208)	-	(208)
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	4,869	1,909	4,218	327	275	212	99	155	-	378

Liquidity

We continue to view Petroperu's liquidity as weak because the company's measures to restore it are taking longer than we expected. We believe sources to uses of cash still indicate a material deficit in the next 12 months. As mentioned, we find that the clean 2021 audit hasn't restored liquidity or the company's reputation in the market, so we expect liquidity to remain under pressure in the next 12 months and commensurate with our weak assessment.

The company continues to negotiate the reopening of uncommitted credit lines, which has taken longer than anticipated. To further support liquidity, Petroperu continues negotiations for a new $400 million bridge loan to be taken out by a long-term credit facility of up to $500 million backed by an export credit agency, now likely to be implemented in the first quarter of 2023. We could revise our liquidity assessment once the company implements all measures (for example the formal approval for the extension of the $750 million facility from the Treasury and the appointment of an auditor for 2022 accounts), which are all taking longer than we initially expected. We expect to have a more comprehensive view of Petroperu's capital structure and access to credit well into 2023, once Talara’s contribution to margins and cash flows start to materialize.

Our liquidity assessment also incorporates qualitative factors. For now, the company's liquidity remains fragile and depends on government support until normal business conditions and its access to credit are restored. Liquidity continued to weaken in the third quarter, demonstrated by the need for an equity injection and the extended renegotiation process of bilaterals as creditworthiness degraded, coupled with weak results released in the third quarter of 2022. '

Principal liquidity sources

- Cash and equivalents of $15 million as of September 2022;
- Funds from operations (FFO) of $100 million - $120 million for the next 12 months; and
- Ad-hoc inflows of $1.5 billion including the $1 billion equity contribution and the $400 million from the bridge loan to be taken out in first quarter 2023, when Petroperu expects to receive an additional $100 million. We assume that both the bridge loan and the take-out will be signed together before year-end.

Principal liquidity uses

- Short-term debt maturities of $1.8 billion, which include the repayment of $375 million out of the $750 million of the MEF loan, $826 million in drawings under the short-term bank facilities as of September 2022, the $144 million payment due under the Cesce facility and the cancellation of the bridge loan;
- Working capital outflows of about $100 million for the 12 months starting in September 2022, capturing the material consumption in 2022 and gradual recovery in 2023; and
- Capex of $400 million-$500 million, including the Talara completion.

Environmental, Social, And Governance

ESG Credit Indicators

E-1	E-2	E-3	**E-4**	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	G-2	G-3	G-4	**G-5**

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary “ESG Credit Indicator Definitions And Applications,” published Oct. 13, 2021.

Governance factors, are a very negative consideration in our credit rating analysis, affecting more than one analytical component or one severely.

Similar to other refineries, environmental factors are a negative consideration in our credit rating analysis of Petroperu. We view environmental risks in the refining and marketing sector as well above average because the refining process is a significant source of carbon dioxide emissions and produces carbon-based fuels, demand for which will be affected by the energy transition. On this front, we acknowledge that the investment in Talara is designed to reduce the environmental impact, and we will monitor that accordingly. The sector also has material exposure to regulations on emissions and carbon taxes, as well as to pollution, transport spills, and contamination risks, which may result in financial and reputational damage.

Social factors have an overall neutral influence on our rating analysis.

Government Influence

We continue to think the likelihood of support from the government is very high. In fact, in 2022 the materialization of sustained government support was essential for Petroperu's business continuity yet insufficient to restore normal business conditions. In addition to the $750 million loan from the Ministry of Finance (MEF) in May, more recently we have witnessed further government support, mainly through decree 023-2022. This has been instrumental to preserve fuel supply in the country and to support the higher oil consumption during Talara's ramp-up phase. Still, in our view, this support hasn't restored normal business conditions for Petroperu because it still needs to implement several ongoing initiatives. We maintain our view of a very high likelihood of extraordinary support from the government to Petroperu. 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 government has a track record of support to the company, further evidenced during 2022. Petroperu's government shareholders have reaffirmed their intention to support the company, highlighting the strategic role it plays in the country's fuel supply and which supports the interventions seen so far this year.

Because government support has been crucial to sustain the business, 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 difficulties.

Rating Component Scores

Foreign currency issuer credit rating	**BB/Stable/--**
Local currency 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**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Weak (-1 notch)
Management and governance	Weak (-1 notch)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**b-**

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
- Criteria | Corporates | Industrials: Key Credit Factors For The Oil Refining And Marketing Industry, March 27, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (as of December 06, 2022)*

Petroleos del Peru Petroperu S.A.	
Issuer Credit Rating	BB/Stable/--
Senior Unsecured	BB
Issuer Credit Ratings History	
06-Jul-2022	BB/Stable/--
27-Apr-2022	BB/Watch Neg/--
15-Mar-2022	BB+/Watch Neg/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.