

RATING ACTION COMMENTARY

Fitch Affirms Petroperu's Ratings at 'CCC+'

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Fitch Ratings - New York - 22 Aug 2025: Fitch Ratings has affirmed Petroleos del Peru - Petroperu S.A.'s (Petroperu) Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) at 'CCC+'. Fitch has also affirmed the rating of Petroperu's senior unsecured notes at 'CCC+' and an Recovery Rating of 'RR4' has been assigned. Fitch assessed Petroperu's Standalone Credit Profile (SCP) at 'cc'.

The 'CCC+' rating reflects the result from the application of Fitch's government-related entity (GRE) criteria, which resulted in an Overall Linkage Score (OLS) of 15 points. In combination with the 'cc' SCP, an OLS of 15 prescribes a Bottom-Up plus three approach to notching to Petroperu's rating. Fitch's evaluation of the SCP indicates that, when assessed absent government support, default of some kind appears probable due to liquidity constraints, which supports its placement in the 'cc' rating category.

KEY RATING DRIVERS

GRE Criteria Application: Petroperu's ratings are linked with the sovereign's through Fitch's GRE criteria. The company is rated on a bottom-up +3 basis due to a GRE assessment score of 15, which coupled with a 11-notch differential between the SCP and the sovereign rating, resulted in a 'CCC+' rating. The GRE criteria incorporates four factors for the calculation of the OLS, as detailed below.

1) 'Decision Making and Oversight', which was rated 'Strong.' Petroperu is 100% owned by the Peruvian government; 2) 'Precedents of Support' is assessed as Not Applicable, which reflects how the government's record of assistance has only addressed immediate needs for the continuation of the company's operations, but not for the long-term improvement of capital structure; 3) 'Preservation of

Provision of Public Service or Sovereignty or Strategic Assets, deemed as Not Applicable' reflecting sharp loss of market share; and 'Contagion Risk', rated as 'Strong' as Petroperu's default is likely to disrupt access to (or cost of) financing for the government or its other GREs.

Constrained Liquidity: Petroperu faces a severe liquidity crunch as the cash forecasted to be generated within the year will not suffice to cover its debt repayments. Consequently, the company is compelled to depend extensively on external funding sources to prevent an event of default. Fitch has projected an EBITDA of \$56 million for 2025 against debt repayments amounting to \$175 million. According to Fitch's analysis, the company is experiencing a monthly cash burn rate of about \$200 million reflecting difficulty to evacuate production. This leads to an anticipated cash shortfall of \$490 million, evidencing a liquidity strain that could result in a default-like event reflective of a 'cc' rating.

Limited Visibility on Additional Government Support: Fitch does not anticipate substantial support from the national government for Petroperu's capital structure in the short term. While the government has provided liquidity between 2022 and 2025 to meet immediate requirements, these measures did not address the fundamental problem of high indebtedness. Operational challenges related to the operations of the Talara Refinery and the cash demands of its ramp-up and stoppages have led to further financial needs that the company will need to get fulfilled from external sources through the rating horizon.

Unsustainable Capital Structure: Without significant governmental support, Fitch forecasts Petroperu's average gross debt/EBITDA ratios to approach 40x, with the ratio surpassing 100x in 2025, with EBITDA estimated at \$56 million and total debt predicted to surpass \$5.6 billion. The structural debt is expected to average around \$5.7 billion over the next two years, excluding supplier debt. The ramp-up phase of the Talara refinery was costly, and recent operational and environmental issues aggravated the liquidity situation at a time cash generation was anticipated and needed.

Acute Operational Disruptions: Petroperu's Talara refinery has modern units aimed at highly efficient operation that allows feedstock flexibility and enhances the extraction of high value distillates. However, persisting logistical issues regarding port closures, inefficient alternatives for land transportation, and the subsequent need for short-term high-cost purchases of fuels to meet commercial commitments in the Lima and Mollendo regions cause the severe EBITDA erosion and cash pressure that afflict the company today.

PEER ANALYSIS

Petroperu's rating linkage to the Peruvian sovereign rating is weaker than that of most national oil and gas companies in the region, including Empresa Nacional del Petroleo (ENAP; A-/Stable), YPF S.A. (CCC+), Ecopetrol S.A. (BB+/Negative) and Petroleo Brasileiro S.A. (BB/Stable).

In Latin America, most national oil companies are of significant strategic importance for energy supply to their countries, and a default could have negative social and financial implications at a national level. Like its peers, Petroperu has legal ties to the government through its majority ownership and strong operational control.

KEY ASSUMPTIONS

--Fitch's Brent oil price at USD70/barrel (bbl) in 2025, USD65/bbl in 2026, USD65/bbl in 2027 and long-term prices at USD60/bbl;

--Domestic sales of 78,000 bbl/day in 2025, 97,000 bbl/day in 2026 onward;

--Crack spread of USD5/bbl in 2025, which factors in the lower production and costs associated with the closing of the Talara port and refinery, USD10/bbl in 2026 and USD15/bbl long term;

--Rollover of short-term working capital facilities;

--Average capex of USD210 million per year through the rating horizon.

RECOVERY ANALYSIS

The recovery analysis assumes liquidation value for Petroperu rather than going concern.

Liquidation Approach:

--USD1.2 billion inventory valued at 50%;

--PP&E of USD 7.0 billion valued at 50%;

--Total liquidation value USD 4.3 billion;

--10% administrative claims.

With these assumptions, Fitch's waterfall generated recovery computation (WGRC) for the senior unsecured notes are in the 'RR2' band, with a 71% recovery. However, according to Fitch's Country-Specific Treatment of Recovery Ratings Criteria, the Recovery Rating for corporate issuers in Peru is capped at 'RR4'.

RATING SENSITIVITIES

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

--An upgrade can be considered if the government makes a capital injection that improves the company credit profile, capitalizes its loans, and/or guarantees a greater portion of Petroperu's debt to materially improve leverage metrics.

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

--A Fitch-defined default process has commenced.

LIQUIDITY AND DEBT STRUCTURE

As of June 2025, Petroperu reported USD12.5 million cash on hand, compared with USD130.8 million in December 2024. As of June 30, 2025, the company had revolving credit lines for up to USD2.9 billion, USD2.5 billion were utilized. This amount included the USD 1.8 provided by the Peruvian government in 2023, and extended in 2024 for one additional year.

The company still has payments of \$207 million in 2H25, and due to the limited ability for FCF generation expected by Fitch, the company will need to draw on the remaining available lines or tap new facilities to meet 2025 maturities. Petroperu is negotiating a \$200 million line and a \$500 million one with international banks on a secured basis to address immediate liquidity needs.

ISSUER PROFILE

Petroleos del Peru - Petroperu S.A. (Petroperu) is a Peruvian state-owned petroleum company under private law and dedicated to oil production, transportation, refining, distribution and marketing of fuels and other petroleum-derived products. Refineries are located at Talara, Iquitos and Conchan.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

[Click here](#) to access Fitch's latest quarterly Global Corporates Macro and Sector Forecasts data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG CONSIDERATIONS

Petroleos del Peru - Petroperu S.A. has an ESG Relevance Score of '4' for Management Strategy due to its nature as a majority government-owned entity and the inherent governance risk that arises with a dominant state shareholder, which has a negative impact on the credit profile, and is relevant to the rating[s] in conjunction with other factors.

Petroleos del Peru - Petroperu S.A. has an ESG Relevance Score of '4' for Group Structure due to its nature as a majority government-owned entity and the inherent governance risk that arises with a dominant state shareholder, which has a negative impact on the credit profile, and is relevant to the rating[s] in conjunction with other factors.

Petroleos del Peru - Petroperu S.A. has an ESG Relevance Score of '4' for Financial Transparency due to a history of delayed delivery of audited financial statements, which has a negative impact on the credit profile, and is relevant to the rating[s] in conjunction with other factors.

Petroleos del Peru - Petroperu S.A. 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 arises with a dominant state shareholder, which has a negative impact on the credit profile, and is relevant to the rating[s] in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕			RECOVERY ↕	PRIOR ↕
Petroleos del Peru - Petroperu S.A.	LT IDR	CCC+	Affirmed		CCC+
	LC LT IDR	CCC+	Affirmed		CCC+
senior unsecured	LT	CCC+	Affirmed	RR4	CCC+
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[VIEW ADDITIONAL RATING DETAILS](#)

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

[Corporate Rating Criteria \(pub. 27 Jun 2025\) \(including rating assumption sensitivity\)](#)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(pub. 27 Jun 2025\)](#)

[Government-Related Entities Rating Criteria \(pub. 18 Jul 2025\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 ([1](#))

ADDITIONAL DISCLOSURES

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