



Rating Action: Moody's Ratings downgrades Petroperu's ratings to Caa1; negative outlook

28 Jan 2026

New York, January 28, 2026 -- Moody's Ratings (Moody's) has downgraded today Petroleos del Peru – Petroperu S.A.'s ("Petroperu") ratings to Caa1 from B3, including its Corporate Family Rating (CFR) and senior unsecured ratings. At the same time, we affirmed the company's Baseline Credit Assessment (BCA) of ca. The outlook changed to negative from stable.

RATINGS RATIONALE

The downgrade reflects our view that the measures outlined under Emergency Decree No. 010-2025—including the potential segmentation or transfer of assets through structures under ProInversión—are credit negative for Petroperu. While existing debt covenants currently help safeguard core assets, these measures could weaken the company's asset base, raise execution and governance risks, and potentially weaken creditor protections under existing debt covenants that limit asset transfers or ring-fencing of core assets, particularly those related to the Talara refinery. Although the decree reaffirms Petroperu's strategic national role, the contemplated actions increase uncertainty regarding the preservation of the company's operational and financial profile.

The affirmation of Petroperu's ca Baseline Credit Assessment (BCA) reflects its persistently weak liquidity position and ongoing financial and operational challenges, which continue to constrain its standalone credit strength despite early signs of operating stabilization. As of 30 September, 2025, the company held only \$33.9 million in cash—insufficient to cover near-term obligations, including roughly \$400 million in annual interest payments—while negative operating cash flow, reliance on short-term refinancing, and limited access to unguaranteed credit lines further underscore its vulnerability.

Although Petroperu posted a positive EBITDA in the third quarter of 2025, an important milestone after prolonged losses, its high leverage (total adjusted debt as of September 2025 was \$6.3 billion), negative interest coverage, and dependence on extraordinary government support continue to weigh heavily on its standalone profile. These factors remain consistent with a BCA of ca, even as efficiency measures and the gradual normalization of operations could support a slow recovery over time.

The Caa1 ratings take into account our Joint Default Analysis which includes our assumptions of a high level of default correlation between the Government of Peru (Baa1 stable) and Petroperu and a high support assumption by the sovereign to the company in case of need, resulting in three notches of uplift from the company's ca BCA. However, while the Government of Peru has a long-standing track record of providing extraordinary support, such support has historically been reactive. Governance risk is a consideration in the rating action. The combination of deteriorating liquidity, limited visibility on future support, and increased execution risks under the reorganization framework underpin the rating downgrade.

The negative outlook reflects the heightened uncertainties surrounding government support implementation and the potential for further weakening of Petroperu's credit fundamentals amid asset transfer processes, liquidity shortfalls, and limited refinancing flexibility.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Upward pressure on the ratings is unlikely in the near term given the negative outlook. However, clear evidence of timely, predictable and effective government support, alongside material improvement in liquidity and cash flow visibility, could stabilize the outlook.

Further downward pressure could arise if liquidity deteriorates further, restructuring or asset transfer actions weaken creditor protections, or the company engages in transactions that we deem to be distressed exchanges.

COMPANY PROFILE

Petroperu is a 100% Peruvian government-owned company founded in 1969, focused primarily on the refining of oil and sale of oil products in Peru. As of January 2026, the Ministry of Energy and Mines (MINEM) owns 40% of the company and the Ministry of Economy and Finance (MEF) the remaining 60%, maintaining strong oversight. Petroperu's current total throughput capacity is 122.5 thousand barrels per day (kbpd).

The methodologies used in these ratings were Refining and Marketing published in August 2021 and available at <https://ratings.moodys.com/rmc-documents/74331>, and Government-related Issuers published in May 2025 and available at <https://ratings.moodys.com/rmc-documents/443641>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of these methodologies.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1462204.

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