

MOODY'S

RATINGS

Rating Action: Moody's Ratings upgrades PRIO S.A. to Ba2 from Ba3; outlook changed to stable

26 Jan 2026

New York, January 26, 2026 -- Moody's Ratings (Moody's) has today upgraded to Ba2 from Ba3 PRIO S.A.'s ("PRIO") corporate family rating (CFR) and the rating on PRIO Luxembourg Holding S.a.r.l. ("PetroLux") \$700 million senior unsecured notes due 2030 following the acquisition of an additional 40% stake in Peregrino, an oil and gas producing field in Brazil, that will materially increase PRIO's production and reserves size. At the same time, we have upgraded to Ba1 from Ba3 the rating of PetroLux's \$169 million backed senior secured notes due 2026 to reflect the privileged position of secured creditors within PRIO's capital structure. Both outlooks were changed to stable from positive.

RATINGS RATIONALE

The upgrade of PRIO's ratings follows the conclusion of the acquisition of an additional 40% stake at Peregrino from Equinor for approximately \$1.5 billion, subject to usual price adjustments, including the retrospective cash generation of the asset since January 2024. This will bring PRIO's ownership of the asset to 80% and its operatorship, given it first acquired 40% of Peregrino back in December 2024 for \$1.9 billion. With this acquisition, PRIO will add over 40kboed of oil production, increasing total production to more than 150 thousand bbl/d, an increase of about 58.8% from September 2025 levels. Peregrino produces around 100kboed of oil and is located near PRIO's Polvo and Tubarão Martelo cluster.

The recent acquisition is only the first part of the transaction; the second part is expected to be concluded by mid-2026 with the acquisition of the remaining 20% of the field. Upon closing of the second part of the transaction, Peregrino's will be fully owned and operated by PRIO. The deal for the remaining 20% is subject to precedent conditions, such as the approval by the Brazilian oil and gas regulator and the antitrust body.

Historically, PRIO has had extremely low leverage ratios. Though in order to fund the acquisition PRIO raised some debt, increasing Moody's adjusted gross leverage to 3.8x as of the twelve months ended September 2025, we expect this metric to decline to levels more commensurate with the rating category in the next 12 to 18 months, reaching around 1.5x – 2.0x as the company benefits from the additional EBITDA of Peregrino. Net leverage ratios will remain more comfortable at the peak of around 3.5x at the end of 2025 considering our methodology, and we also expect it to gradually decline to around 0.5x – 1.5x in the next 12 to 18 months. PRIO expects to extract synergies from the fields, namely reduced costs based on operational and logistics synergies between Peregrino and PRIO's current fields. All of PRIO's producing fields are mature and have high annual production decline rates of close to 10%.

The company's current lifting costs of \$12.8/bbl, full cycle costs of \$25-30/bbl and breakeven costs of \$20-25/bbl already compares favorably with offshore and onshore producers, and we expect additional cost reduction as the company starts operations in Wahoo in 2026, assuming no delays on the extraction of the first oil in the field. Wahoo will have very low lifting costs because it will be operated by the same facilities such as FPSOs used for Frade. The low cost structure provides PRIO with flexibility to withstand commodity price volatility and continue generating positive free cash flow to meet debt maturities even under adverse scenarios.

PRIO's Ba2 ratings reflect the company's high operating efficiency and cash generation, which supports low debt leverage and good interest coverage ratios. The ratings are also supported by PRIO's high capital spending flexibility, favorable regulatory environment, and the fact that the company's capital is listed on the Brazilian stock exchange, which strengthens its corporate governance. The Ba2 ratings also reflect the increase in the company's production and proved developed reserve size after the acquisition of the Albacora Leste and a substantial portion of the Peregrino field.

The ratings are primarily constrained by PRIO's still-small asset base and size of crude oil production compared with those of peers, its high operating risk because of geographic concentration and the mature nature of its oil and gas assets, and the company's dependence on acquisitions of oil and gas assets to increase production levels sustainably and maintain the reserve level.

LIQUIDITY

PRIO has good liquidity, with a cash position of around \$1.8 billion at the end of September 2025. With the Peregrino acquisition we expect the company to generate free cash flow of around \$1.5 - \$2.5 billion through commodity cycles, more than enough to cover capital spending of around \$600 million per year, and the company to maintain its conservative approach toward future M&A and dividend distribution to preserve its liquidity. With the tender offer done in October 2025, PRIO addressed its only major refinancing need, tendering around \$431.3 million of the \$600 million secured notes due 2026. Additionally, PRIO has a number of funding alternatives, such as access to capital markets, bilateral loans and bank funding from the pre-sale of crude and factoring of receivables. PRIO has also stated that intends to refinance the bilateral loans it raised to fund the acquisition. However, PRIO does not have committed credit facilities and the company's alternate liquidity is limited because its asset base is small and is largely encumbered.

RATING OUTLOOK

The stable outlook on PRIO's ratings reflect our expectation that PRIO's credit metrics and liquidity will return to pre-acquisition levels in the next 12-18 months following the increase in production after the acquisition of the additional 40% stake at Peregrino and the increase in production in other fields, namely Wahoo, in 2026. The outlook also incorporates our expectations that PRIO will maintain adequate liquidity even with potential volatility in oil prices.

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

PRIO's Ba2 ratings could be upgraded if the company (1) increases its production diversification and average daily production, with levels approaching 250kbpd; (2) sustains leveraged full-cycle ratio, which measures an oil company's ability to generate cash after operating, financial and reserve replacement costs, consistently above 2.5x; (3) maintains E&P debt/proved developed reserves below \$7.0, and (4) maintains retained cash flow (cash from operations before working capital requirements less dividends) to total debt above 30%, all of which while maintaining an adequate liquidity.

PRIO's Ba2 ratings could be downgraded if (1) retained cash flow to total debt declines below 25%, with limited prospects of a quick turnaround; (2) if E&P debt/proved developed reserves remains above \$10.0, with limited prospects of recovery and (3) if there is a deterioration of the company's liquidity profile.

COMPANY PROFILE

Founded in 2015 and headquartered in Rio de Janeiro, Brazil, PRIO is an independent oil and gas production company focused on assets located in the Campos basin. The company has operations in 5 offshore fields, and upon the closing of the second part of the Peregrino field acquisition, will own 6 fields. In the twelve months ended September 2025, the company generated \$2.5 billion in revenue with total assets of \$11.2 billion.

The principal methodology used in these ratings was Independent Exploration and Production published in December 2022 and available at <https://ratings.moodys.com/rmc-documents/396736>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

The difference between the current scorecard indicated outcome and the actual Ba2 ratings exceeds two notches. This difference results from our expectation of continued strong metrics and enhanced production from the Peregrino and Wahoo fields. In our 12-18 month forward view, our scorecard-indicated outcome maps to Ba2, in line with PRIO's current rating.

The Ba1 rating of PRIO's \$169 million secured notes due 2026 stand one notch above PRIO's CFR and senior unsecured ratings reflecting the notes security and collateral package, and the privileged position of secured creditors within the capital structure. Secured debt will represent around 88% of PRIO's total debt pro forma to the liability management concluded in October 2025.

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