ACRA

CORPORATE SECTOR

OIL & GAS

19.01.2023

ACRA ASSIGNS AAA(RU) TO ROSNEFT, OUTLOOK STABLE, AND AAA(RU) TO ITS BOND ISSUES

EKATERINA MOZHAROVA
Senior Director, Head of Corporate Ratings Group
+7 (495) 139 04 98
ekaterina.mozharova@acra-ratings.ru

VASILII TANURCOV
Director, Corporate Ratings Group
+7 (495) 139 03 44
vasilii.tanurcov@acra-ratings.ru

The standalone creditworthiness of Rosneft (hereinafter, the Company, the Group, or Rosneft) is determined taking into account the very stable market position, very strong business profile, geographic diversification, and corporate governance assessments, low industry risk, very large size of business, high profitability, low leverage, strong liquidity, and medium assessments of coverage and cash flow. The credit rating is also is based on the very high assessment of state support for the Company.

Rosneft is the leader of the Russian oil industry and one of the world's largest oil and gas companies. Rosneft's share in Russian production of liquid hydrocarbons is around 40% and its share in natural gas production stands at over 10%. In addition, Rosneft is Russia's largest oil refining company and operates 13 large oil refineries.

KEY ASSESSMENT FACTORS

The very strong business profile is based on the very low cost of production and replenishment of the raw material base, very high level of hydrocarbon reserves, high volume and depth of production, as well as very high diversification of production assets, sales channels and markets. The Company controls oil refining assets in the country's most promising regions, has a large (in the context of Russia) network of filling stations, and is actively present in international markets.

The very high assessment of corporate governance takes into account the very high assessments of the management strategy, risk management system, governance structure, and financial transparency. The Company's strategy results in steady growth of both physical production indicators and financial results. The level of financial transparency is in line with the best international practices in terms of disclosure of both financial and operational indicators. The Group's structure stems from the scale of its activities.

High business profitability is driven by a set of factors, mainly: high operational efficiency, very low production costs, and effective monetization channels. Rosneft is the leader in terms of production costs among the world's largest public companies — the Company's specific operating costs are about USD 3 per barrel of oil equivalent.

Low leverage and medium coverage. The Agency included advance payments under long-term contracts for the supply of oil and oil products as part of the Company's leverage. At the same time, the Company's FFO was adjusted for the effect of offsets against advance payments and for interest for the use of funds under long-term contracts for the supply of oil and petroleum products. ACRA assessed the weighted average ratio of total debt to FFO before net interest payments for 2020 to 2025 at 2.2x. According to ACRA's assessments, the weighted average ratio of FFO before net interest payments to interest payments for the same period will be 6.8x.

Strong liquidity and medium assessment of cash flow. Given the significant size of undrawn limits under credit lines, as well as the Company's extensive opportunities to raise funding, ACRA assesses its liquidity as strong. At the same time, cash flow is assessed as medium due to substantial upcoming capital expenditures and dividend payments.

PRESS RELEASE

ACRA-RATINGS.RU

The very high assessment of state support stems from the very high assessments of the following sub-factors: Barriers and Limitations; Exclusivity of Performed Functions; Ownership, Control, and Regulation; Role in the Economy and Reputational Risks; and Social Role. Rosneft is Russia's largest taxpayer, a major employer, and is critically important to the country's energy security.

KEY ASSUMPTIONS

- Average annual Urals oil price at USD 68–75/bbl from 2023 to 2025;
- Average annual USD/RUB exchange rate at 72–76 rubles from 2023 to 2025;
- The Company increasing its production of hydrocarbons to 330 mln tons of oil equivalent in line with the target set by the Rosneft 2030 strategy, as well as growth of the share of gas in total production to 25% by 2025;
- Dividend payments at 50% of net profits from 2023 to 2025.

POTENTIAL OUTLOOK OR RATING CHANGE FACTORS

The **Stable outlook** assumes that the rating will highly likely stay unchanged within the 12 to 18-month horizon.

A negative rating action may be prompted by:

- Significant decline of the Company's systemic importance to the Russian economy;
- Loss of control by the state or considerable changes to industry legislation.

RATING COMPONENTS

SCA: **aa+**.

Support: on par with the RF.

ISSUE RATINGS

Rationale. The issues listed below represent senior unsecured debt of Rosneft. Due to the absence of either structural or contractual subordination of the issues, ACRA regards them as equal to other existing and future unsecured and unsubordinated debt obligations of Rosneft. According to ACRA's methodology, the credit ratings of the issues are equivalent to that of Rosneft — AAA(RU).

KEY ISSUE PROPERTIES

The borrower/actual issuer for all the issues is **Rosneft** (credit rating **AAA(RU), outlook stable**).

1) ISIN RU000A0JX132

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series 001P-01**
Issue volume	**RUB 600 bln**
Placement start date/maturity date	**December 7, 2016/November 25, 2026**

PRESS RELEASE
ACRA-RATINGS.RU

2) ISIN RU000A0JX355

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series 001P-02**
Issue volume	**RUB 30 bln**
Placement start date/maturity date	**December 23, 2016/December 11, 2026**

3) ISIN RU000A0JX413

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series 001P-03**
Issue volume	**RUB 20 bln**
Placement start date/maturity date	**December 29, 2016/December 17, 2026**

4) ISIN RU000A0JXQK2

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series 001P-04**
Issue volume	**RUB 40 bln**
Placement start date/maturity date	**May 4, 2017/April 22, 2027**

5) ISIN RU000A0JXR68

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series 001P-05**
Issue volume	**RUB 15 bln**
Placement start date/maturity date	**May 18, 2017/May 8, 2025**

6) ISIN RU000A0JXXD3

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series 001P-06**
Issue volume	**RUB 90 bln**
Placement start date/maturity date	**July 26, 2017/July 14, 2027**

7) ISIN RU000A0JXXE1

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series 001P-07**
Issue volume	**RUB 176 bln**
Placement start date/maturity date	**July 26, 2017/July 14, 2027**

8) ISIN RU000A0ZYCP5

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series 001P-08**
Issue volume	**RUB 100 bln**
Placement start date/maturity date	**October 12, 2017/September 30, 2027**

9) ISIN RU000A0ZYJH7

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series 002P-01**
Issue volume	**RUB 300 bln**
Placement start date/maturity date	**December 6, 2017/November 24, 2027**

10) ISIN RU000A0ZYJJ3

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series 002P-02**
Issue volume	**RUB 300 bln**
Placement start date/maturity date	**December 6, 2017/November 24, 2027**

11) ISIN RU000A0ZYLG5

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series 002P-03**
Issue volume	**RUB 30 bln**
Placement start date/maturity date	**December 27, 2017/December 9, 2027**

12) ISIN RU000A0ZYT40

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series 002P-04**
Issue volume	**RUB 50 bln**
Placement start date/maturity date	**February 15, 2018/February 3, 2028**

13) ISIN RU000A0ZYVU5

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series 002P-05**
Issue volume	**RUB 20 bln**
Placement start date/maturity date	**March 2, 2018/February 18, 2028**

14) ISIN RU000A1008P1

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series 002P-06**
Issue volume	**RUB 10 bln**
Placement start date/maturity date	**April 5, 2019/March 23, 2029**

15) ISIN RU000A1008Q9

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series 002P-07**
Issue volume	**RUB 20 bln**
Placement start date/maturity date	**April 5, 2019/March 23, 2029**

16) ISIN RU000A100KY3

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series 002P-08**
Issue volume	**RUB 25 bln**
Placement start date/maturity date	**July 15, 2019/July 2, 2029**

17) ISIN RU000A100YQ0

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series 002P-09**
Issue volume	**RUB 25 bln**
Placement start date/maturity date	**October 24, 2019/October 11, 2029**

18) ISIN RU000A101SF3

Type of security	**Exchange-traded non-convertible uncertificated interest-bearing bonds subject to centralized title registration, series 002P-10**
Issue volume	**RUB 15 bln**
Placement start date/maturity date	**June 10, 2020/May 29, 2030**

19) ISIN RU000A103FC3

Type of security	**Exchange-traded non-convertible uncertificated interest-bearing bonds subject to centralized title registration, series 002P-11**
Issue volume	**USD 2.5 bln**
Placement start date/maturity date	**July 23, 2021/July 11, 2031**

20) ISIN RU000A1057S2

Type of security	**Exchange-traded non-convertible uncertificated interest-bearing bonds subject to centralized title registration, series 002P-12**
Issue volume	**CNY 15 bln**
Placement start date/maturity date	**September 20, 2022/September 7, 2032**

21) ISIN RU000A102EF1

Type of security	**Exchange-traded non-convertible uncertificated interest-bearing bonds subject to centralized title registration, series 003P-01**
Issue volume	**RUB 400 bln**
Placement start date/maturity date	**November 26, 2020/November 14, 2030**

22) ISIN RU000A102EE4

Type of security	**Exchange-traded non-convertible uncertificated interest-bearing bonds subject to centralized title registration, series 003P-02**
Issue volume	**RUB 400 bln**
Placement start date/maturity date	**November 26, 2020/November 14, 2030**

23) ISIN RU000A0JTYL2

Type of security	**Non-convertible certificated interest-bearing bonds subject to centralized title registration, series 06**
Issue volume	**RUB 10 bln**
Placement start date/maturity date	**June 11, 2013/May 30, 2023**

24) ISIN RU000A0JTS06

Type of security	**Non-convertible certificated interest-bearing bonds subject to centralized title registration, series 07**
Issue volume	**RUB 15 bln**
Placement start date/maturity date	**March 22, 2013/March 10, 2023**

25) ISIN RU000A0JTS22

Type of security	**Non-convertible certificated interest-bearing bonds subject to centralized title registration, series 08**
Issue volume	**RUB 15 bln**
Placement start date/maturity date	**March 22, 2013/March 10, 2023**

26) ISIN RU000A0JTYM0

Type of security	**Non-convertible certificated interest-bearing bonds subject to centralized title registration, series 09**
Issue volume	**RUB 15 bln**
Placement start date/maturity date	**June 11, 2013/May 30, 2023**

27) ISIN RU000A0JTYN8

Type of security	**Non-convertible certificated interest-bearing bonds subject to centralized title registration, series 10**
Issue volume	**RUB 15 bln**
Placement start date/maturity date	**June 11, 2013/May 30, 2023**

28) ISIN RU000A0JUFU0

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series BO-01**
Issue volume	**RUB 15 bln**
Placement start date/maturity date	**February 18, 2014/February 6, 2024**

29) ISIN RU000A0JV1W5

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series BO-02**
Issue volume	**RUB 15 bln**
Placement start date/maturity date	**December 11, 2014/November 28, 2024**

30) ISIN RU000A0JV1X3

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series BO-03**
Issue volume	**RUB 15 bln**
Placement start date/maturity date	**December 11, 2014/November 28, 2024**

31) ISIN RU000A0JV1Y1

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series BO-04**
Issue volume	**RUB 15 bln**

Placement start date/maturity date	**December 11, 2014/November 28, 2024**

32) ISIN RU000A0JUCS1

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series BO-05**
Issue volume	**RUB 20 bln**
Placement start date/maturity date	**December 23, 2013/December 11, 2023**

33) ISIN RU000A0JUCR3

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series BO-06**
Issue volume	**RUB 20 bln**
Placement start date/maturity date	**December 23, 2013/December 11, 2023**

34) ISIN RU000A0JUFV8

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series BO-07**
Issue volume	**RUB 20 bln**
Placement start date/maturity date	**February 18, 2014/February 6, 2024**

35) ISIN RU000A0JV201

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series BO-08**
Issue volume	**RUB 20 bln**
Placement start date/maturity date	**December 11, 2014/November 28, 2024**

36) ISIN RU000A0JV219

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series BO-09**
Issue volume	**RUB 20 bln**
Placement start date/maturity date	**December 11, 2014/November 28, 2024**

37) ISIN RU000A0JV235

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series BO-10**

Issue volume	**RUB 20 bln**
Placement start date/maturity date	**December 11, 2014/November 28, 2024**

38) ISIN RU000A0JV243

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series BO-11**
Issue volume	**RUB 30 bln**
Placement start date/maturity date	**December 11, 2014/November 28, 2024**

39) ISIN RU000A0JV250

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series BO-12**
Issue volume	**RUB 30 bln**
Placement start date/maturity date	**December 11, 2014/November 28, 2024**

40) ISIN RU000A0JV268

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series BO-13**
Issue volume	**RUB 30 bln**
Placement start date/maturity date	**December 11, 2014/November 28, 2024**

41) ISIN RU000A0JV227

Type of security	**Exchange-traded non-convertible certificated interest-bearing bonds subject to centralized title registration, series BO-14**
Issue volume	**RUB 30 bln**
Placement start date/maturity date	**December 11, 2014/November 28, 2024**

Sources: ACRA, issuer's data

REGULATORY DISCLOSURE

The credit ratings have been assigned to Rosneft and the bond issues of Rosneft (RU000A0JX132, RU000A0JX355, RU000A0JX413, RU000A0JXQK2, RU000A0JXR68, RU000A0JXXD3, RU000A0JXXE1, RU000A0ZYCP5, RU000A0ZYJH7, RU000A0ZYJJ3, RU000A0ZYLG5, RU000A0ZYT40, RU000A0ZYVU5, RU000A1008P1, RU000A1008Q9, RU000A100KY3, RU000A100YQ0, RU000A101SF3, RU000A103FC3, RU000A1057S2, RU000A102EF1, RU000A102EE4, RU000A0JTYL2, RU000A0JTS06, RU000A0JTS22, RU000A0JTYM0, RU000A0JTYN8, RU000A0JUFU0, RU000A0JV1W5, RU000A0JV1X3, RU000A0JV1Y1, RU000A0JUCS1, RU000A0JUCR3, RU000A0JUFV8, RU000A0JV201, RU000A0JV219, RU000A0JV235, RU000A0JV243, RU000A0JV250, RU000A0JV268, RU000A0JV227) under the

national scale for the Russian Federation based on the Methodology for Credit Ratings Assignment to Non-Financial Corporations under the National Scale for the Russian Federation, Methodology for Analyzing Rated Entities Associated with a State or a Group, and the Key Concepts Used by the Analytical Credit Rating Agency within the Scope of Its Rating Activities. The Methodology for Assigning Credit Ratings to Financial Instruments under the National Scale for the Russian Federation was also applied to assign credit ratings to the above issues.

Credit ratings have been assigned to Rosneft and the bond issues of Rosneft for the first time. The credit rating of Rosneft and its outlook and the credit ratings of the bond issues of Rosneft (RU000A0JX132, RU000A0JX355, RU000A0JX413, RU000A0JXQK2, RU000A0JXR68, RU000A0JXXD3, RU000A0JXXE1, RU000A0ZYCP5, RU000A0ZYJH7, RU000A0ZYJJ3, RU000A0ZYLG5, RU000A0ZYT40, RU000A0ZYVU5, RU000A1008P1, RU000A1008Q9, RU000A100KY3, RU000A100YQ0, RU000A101SF3, RU000A103FC3, RU000A1057S2, RU000A102EF1, RU000A102EE4, RU000A0JTYL2, RU000A0JTS06, RU000A0JTS22, RU000A0JTYM0, RU000A0JTYN8, RU000A0JUFU0, RU000A0JV1W5, RU000A0JV1X3, RU000A0JV1Y1, RU000A0JUCS1, RU000A0JUCR3, RU000A0JUFV8, RU000A0JV201, RU000A0JV219, RU000A0JV235, RU000A0JV243, RU000A0JV250, RU000A0JV268, RU000A0JV227) are expected to be revised within one year following the publication date of this press release.

The credit ratings were assigned based on data provided by Rosneft, information from publicly available sources, and ACRA's own databases. The credit ratings are solicited and Rosneft participated in their assignment.

In assigning the credit ratings, ACRA used only information, the quality and reliability of which were, in ACRA's opinion, appropriate and sufficient to apply the methodologies.

Disclosure of deviations from approved methodologies: the sub-factor Qualitative Assessment of Leverage was assessed with a deviation from the Methodology for Credit Ratings Assignment to Non-financial Corporations Under the National Scale for the Russian Federation: the assessment score was set at the maximum level despite the forthcoming debt repayment peak in 2023 because this peak, in the Agency's opinion, does not bear risks for the Company in view of the size of EBITDA, funds accumulated on the balance sheet, and the Company's access to sources of financing.

ACRA provided no additional services to Rosneft. No conflicts of interest were discovered in the course of credit rating assignment.

(C) 2023
Analytical Credit Rating Agency (Joint-Stock Company), ACRA (JSC)
75, Sadovnicheskaya embankment, Moscow, Russia
www.acra-ratings.com

The Analytical Credit Rating Agency (ACRA) was founded in 2015, with its 27 shareholders representing major Russian corporate and financial institutions and its authorized capital exceeding RUB 3 bln. ACRA's main objective is to provide the Russian financial market with high-quality rating products. Methodologies and internal documents of ACRA are developed in compliance with Russian legislation and with regard to global rating industry best practices.

The provided information, including, without limitation, credit and non-credit ratings, rating assessment factors, detailed credit analysis results, methodologies, models, forecasts, analytical reviews and materials, as well as other information placed on the ACRA website (further referred to as Information), coupled with the ACRA website software and other applications, are intended for information purposes only. Information must not be modified, reproduced or distributed by any means, in any way or form, either in whole, or in part, in marketing materials, as part of public relations events, in news bulletins, in commercial materials or reports without prior written consent from, and reference to, ACRA. Any use of Information in violation of these requirements or the law is prohibited.

ACRA credit ratings reflect ACRA's opinion about the ability of a rated entity to meet its financial obligations or about the credit risk of individual financial obligations and instruments of a rated entity at the time of publication of the relevant Information.

Non-credit ratings reflect ACRA's opinion about certain non-credit risks assumed by interested parties interacting with a rated entity.

The assigned credit and non-credit ratings reflect all material information pertaining to a rated entity and known by ACRA (including the information received from third parties), the quality and reliability of which ACRA considers appropriate. ACRA shall not be responsible for the accuracy of information provided by clients or relevant third parties. ACRA does not audit or otherwise verify the provided data and shall not be held responsible for their accuracy and completeness. ACRA conducts rating analysis of information provided by customers using its own methodologies, with the texts thereof available on ACRA's website — www.acra-ratings.com/criteria.

The only source that reflects the latest Information, including the one about credit and non-credit ratings assigned by ACRA, is ACRA's official website — www.acra-ratings.com. Information is provided on an "as is" basis.

Information shall be considered by users exclusively as ACRA's statement of opinion and must not be regarded as advice, recommendation or suggestion to buy, hold or sell securities or other financial instruments of any kind, nor shall it be viewed as an offer or advertisement.

Neither ACRA, nor its employees and persons affiliated with ACRA (further referred to as the ACRA Parties) provide any direct or implied guarantee expressed in any form or by any means regarding the accuracy, timeliness, completeness or applicability of Information for making investment and other decisions. ACRA does not act as a fiduciary, auditor, investment or financial advisor. Information must be regarded solely as one of the factors affecting an investment decision or any other business decision made by any person who uses ACRA's information. It is essential that each of such persons conduct their own research and evaluation of a financial market participant, as well as an issuer and its debt obligations that may be regarded as an object of purchase, sale or possession. Users of Information shall make decisions on their own, involving their own independent advisors, if they deem it necessary.

ACRA Parties shall not be responsible for any action taken by users based on Information provided by ACRA. ACRA Parties shall under no circumstances be responsible for any direct, indirect or consequential damages or losses resulting from interpretations, conclusions, recommendations and other actions taken by third parties and directly or indirectly connected with such information.

Information provided by ACRA is valid only as of the date of preparation and publication of materials and may be amended by ACRA in the future. ACRA shall not be obliged to update, modify or supplement Information or inform anyone about such actions, unless the latter was recorded separately in a written agreement or is required by legislation of the Russian Federation.

ACRA does not provide advisory services. ACRA may provide additional services, if this does not create a conflict of interest with rating activities.

ACRA and its employees take all reasonable measures to protect all confidential and/or material non-public information in their possession from fraud, theft, unlawful use or inadvertent disclosure. ACRA provides protection of confidential information obtained in the course of its business activities as required by legislation of the Russian Federation.