

## ACRA ASSIGNS AA-(RU) TO SLAVNEFT, OUTLOOK STABLE

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**SLAVNEFT** (hereinafter, SVLAVNEFT, the Company, or the Group) is a Russian vertically integrated oil and gas company. The credit rating of the Company is based on the strong assessment of the operational risk profile, large size of business, high profitability, strong liquidity, and the medium leverage assessment. The rating is constrained by the low assessment of interest payment coverage and the very weak cash flow assessment. The Company is a joint venture of **Rosneft** (ACRA rating AAA(RU), outlook Stable) and **Gazprom Neft PJSC** (ACRA rating AAA(RU), outlook Stable) (hereinafter, the Shareholders). When assigning the credit rating, ACRA took into account the high likelihood of the Company receiving extraordinary support from the Shareholders.

### KEY ASSESSMENT FACTORS

**High likelihood of support being provided by the Shareholders.** The Shareholders carry out direct operational management of the Group's companies in accordance with their own strategies and management standards. All oil produced by the Company is sold in equal shares to the Shareholders at market value. The Shareholders ensure the full utilization of the refining capacities of Slavneft-YANOS PJSC, supplying oil in equal shares for processing. The Shareholders directly participate in long-term planning and form the Company's production program. SLAVNEFT, in turn, is responsible for planning funding sources. According to ACRA's methodology, the level of support from the Shareholders is assessed as medium, which is due to very high ratings for the factors Ability to Provide Support, Barriers and Restrictions, Ownership, Control and Regulation, as well as medium ratings for the factors Strategic Risk, Brand Risk and Reputational Risk, and Guarantees and Other Channels for Providing Support.

**The strong operational risk profile** is based on the medium assessment of the Company's market position, strong business profile, very strong assessment of geographic diversification, and medium assessment of corporate governance. ACRA views the Company as a competitive player in the highly concentrated Russian oil production and processing markets.

The strong assessment of the business profile stems from the low cost price of production and expenses on replenishing the Company's raw materials base, very high level of hydrocarbon supplies, and the high indicators for volume and depth of processing.

As the Company only sells products to its Shareholders and therefore has a guaranteed sales market, and also taking into account the high diversification of the Group's production assets, geographic diversification is assessed as very high.

**Medium leverage and low coverage.** ACRA estimates the weighted average ratio of total debt to FFO before net interest payments from 2021 to 2026 at 2.4x. The weighted average FFO ratio before net interest payments to interest payments for the same period is estimated by the Agency at 3.1x. The weighted average indicators are significantly affected by the Company's

planned increase in investment expenditures associated with the modernization of processing facilities.

**Strong liquidity and very weak cash flow.** SLAVNEFT plans to significantly increase its capital expenditures in 2026–2028, which will result in negative free cash flow. At the same time, given the volume of open credit lines, as well as the Company's broad opportunities to attract financing, the Agency assesses the Group's liquidity as strong.

### KEY ASSUMPTIONS

- Average annual Urals oil price ranging from 60–70 USD/bbl in 2024 to 2026;
- Average annual USD/RUB exchange rate at 90–97 in 2024–2026.

### 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 positive rating action may be prompted by:

- Weighted average ratio of total debt to FFO before net interest payments falling below 2.0x;
- Weighted average ratio of FFO before net interest payments to interest payments falling below 5.0x.

#### A negative rating action may be prompted by:

- Weighted average ratio of total debt to FFO before net interest payments exceeding 3.5x;
- Weighted average ratio of FFO before net interest payments to interest payments falling below 1.0x;
- Loss of control by the Shareholders;
- Lower credit ratings of the Shareholders.

### RATING COMPONENTS

Standalone creditworthiness assessment (SCA): a-.

Support: SCA plus three notches.

### ISSUE RATINGS

No outstanding issues have been rated.

### REGULATORY DISCLOSURE

The credit rating has been assigned to SLAVNEFT under the national scale for the Russian Federation based on the [Methodology for Assigning Credit Ratings to Non-Financial Corporations under the National Scale for the Russian Federation](#), [Methodology for Assigning Credit Ratings with External Support](#), and the [Key Concepts Used by the Analytical Credit Rating Agency within the Scope of Its Rating Activities](#).

A credit rating has been assigned to SLAVNEFT for the first time. The credit rating and its outlook are expected to be revised within one year following the publication date of this press release.

The credit rating was assigned based on data provided by SLAVNEFT, information from publicly available sources, and ACRA's own databases. The credit rating is solicited and SLAVNEFT participated in its assignment.

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

The decision to assign an AA-(RU), credit rating, outlook Stable, to SLAVNEFT was made at a repeat meeting of the rating committee taking into account the consideration by ACRA of an appeal against the decision of the rating committee to assign an AA-(RU), credit rating, outlook Stable, to SLAVNEFT. The level of the credit rating and the credit rating outlook did not change following the consideration of the appeal.

Disclosure of deviations from approved methodologies: the sub-factor Accessibility and Diversification of Sales Markets was assessed with a deviation from the [Methodology for Assigning Credit Ratings to Non-Financial Corporations under the National Scale for the Russian Federation](#): the assessment was set at the maximum level, since the only buyers of the Company's products are its Shareholders, the sales market for its products is guaranteed, and therefore, in the Agency's opinion, the absence of exports does not create risks for the Company's activities.

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

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