

ACRA AFFIRMS AAA(RU) TO PJSC “GAZPROM”, OUTLOOK STABLE, AND AAA(RU) TO BOND ISSUES

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The credit rating of PJSC “GAZPROM” (hereinafter, Gazprom, the Company, or the Group) is based on the very high assessment of the Company’s support from the state. The Company’s standalone creditworthiness is determined taking into account its very strong business profile, low industry risk, and strong financial profile.

Gazprom is one of the largest global integrated energy companies that ranks first in the world by gas production volumes. The Group is one of the largest oil producers in Russia (through Gazprom Neft PJSC, ACRA rating AAA(RU), outlook Stable). Gazprom owns major power generation assets via Gazprom Energoholding. The Group also owns a gas pipeline network with a total length of 179,300 km.

KEY ASSESSMENT FACTORS

The very high assessment of state support is based on very high assessments of the following sub-factors: Barriers and Restrictions, Exclusivity of Implemented Functions, Ownership, Control, and Regulation, Role in the Economy and Reputational Risks, and Social Role. The Company has a monopolistic right to export pipeline gas from the Russian Federation and ensures uninterrupted gas supplies to customers throughout Russia; it is one of the largest taxpayers and revenue sources for the federal budget. Gazprom plays an important social role by acting as a large employer and implementing the gasification program and other socially focused projects in Russian regions. The Company is critically important for national energy security.

Very large size and very high profitability. In 2022, FFO before net interest and taxes exceeded RUB 4 tln and the FFO before interest and taxes margin amounted to 35%. In 2023, given lower gas prices compared to the peak prices of 2022 and shrinking exports of pipeline gas, ACRA expects FFO before net interest and taxes to decline to RUB 2.8 tln and the FFO before interest and taxes margin to remain above 30%.

Low leverage and medium interest coverage. ACRA assesses the weighted average ratio of total debt to FFO before net interest for 2021–2026 at 2.3x (excluding the Company’s perpetual bonds that the auditor of the corporate IFRS financial statements considers to be equity instruments). The Agency assesses the weighted average ratio of FFO before net interest to interest at 5.6x against 8.5x a year earlier. The decline is explained, on the one hand, by lower FFO before net interest and, on the other, by an increase in the Company’s total debt and higher borrowing costs.

Weak cash flow assessment. In 2023, the Company's capital expenses amounted to RUB 2 tln, and ACRA expects these expenses to decline to RUB 1.6 tln in 2024. Dividend payments have a significant impact on the cash flow assessment. The weighted average FCF margin for 2021–2026 is estimated by the Agency at -7.5%. ACRA also takes into account the fact that as per the dividend policy, the Company may decide to reduce the size of dividends if the ratio of net debt to EBITDA exceeds 2.5x.

KEY ASSUMPTIONS

- Remaining the sole exporter of pipeline gas in the Russian Federation.
- Average annual USD/RUB exchange rate at 91–95 in 2024–2026.
- Average annual Urals oil price at USD 70/bbl in 2024–2026.
- Average annual gas export price for non-former Soviet Union countries at USD 300–400 per thousand cubic meters in 2023–2026.

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 negative rating action may be prompted by:

- Significant decline in the Company's systemic importance for the Russian economy;
- Loss of state control or substantial changes in industry legislation.

RATING COMPONENTS

Standalone creditworthiness assessment (SCA): **aa**.

Support: on par with the RF.

ISSUE RATINGS

PJSC "GAZPROM", series BO-07 (RU000A0ZZER4), maturity date: July 12, 2033, issue volume: RUB 10 bln — **AAA(RU)**.

PJSC "GAZPROM", series BO-22 (RU000A0ZZES2), maturity date: June 23, 2048, issue volume: RUB 15 bln — **AAA(RU)**.

PJSC "GAZPROM", series BO-23 (RU000A0ZZET0), maturity date: June 23, 2048, issue volume: RUB 15 bln — **AAA(RU)**.

Rationale. The bonds listed above are senior unsecured debt instruments of PJSC "GAZPROM". 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 PJSC "GAZPROM" in terms of priority. According to ACRA's methodology, the simplified approach is applicable, so that the bond issues are rated AAA(RU), which corresponds to the credit rating of PJSC "GAZPROM".

REGULATORY DISCLOSURE

The credit ratings have been assigned to PJSC “GAZPROM” and the bonds (RU000A0ZZER4, RU000A0ZZES2, RU000A0ZZET0) of PJSC “GAZPROM” 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.

The credit rating of PJSC “GAZPROM” and the credit ratings of the bonds (RU000A0ZZER4, RU000A0ZZES2, RU000A0ZZET0) were published by ACRA for the first time on February 2, 2018 and August 1, 2018, respectively. The credit rating of PJSC “GAZPROM” and its outlook and the credit ratings of the bonds (RU000A0ZZER4, RU000A0ZZES2, RU000A0ZZET0) 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 PJSC “GAZPROM,” information from publicly available sources, and ACRA’s own databases. The credit ratings are solicited and PJSC “GAZPROM” 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.

ACRA provided additional services to PJSC “GAZPROM”. No conflicts of interest were discovered in the course of credit rating assignment.

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