

FITCH ASSIGNS NOVATEK'S LPNS FINAL 'BBB-' RATING

Fitch Ratings-London/Moscow-12 December 2012: Fitch Ratings has assigned Novatek Finance Limited's loan participation notes (LPNs) of USD1,000m due 2022 a final senior unsecured 'BBB-' rating. A full list of Novatek's and Novatek Finance Limited's ratings is at the end of this release.

The LPNs have been issued on a limited recourse basis for the sole purpose of funding a loan by Novatek Finance Limited to OAO Novatek ('BBB-/Stable). The noteholders will rely solely on Novatek's credit and financial standing for the payment of obligations under the notes. Novatek Finance Limited is a special purpose financing vehicle of Novatek, but is not directly or indirectly a subsidiary.

KEY DRIVERS

- Nortgas Acquisition Broadly Positive:

Fitch affirmed OAO Novatek's investment-grade ratings in November 2012, following the announcement by Novatek that it will acquire a 49% stake in ZAO Nortgaz. Fitch views the acquisition as enhancing the company's domestic business profile. The transaction is likely, however, to see leverage metrics breach the parameters Fitch has set out as likely to trigger a downgrade if sustained over 12 to 18 months.

- Little Additional Debt Headroom:

Fitch forecasts Novatek's funds from operations (FFO) adjusted gross leverage ratio will exceed the agency's current negative rating guideline of 2x in 2012, but expects it to fall to around 1.7x in 2013-2014 following a gradual repayment of the company's debt. Fitch expects the company's FFO interest coverage to fall below the agency's current negative rating guideline of 10x in 2013, but to improve to 10x-12x in 2014-2015.

- Yamal Could be Transformative:

Novatek occupies a strategic position in the gas-rich Yamal region, where it has plans to develop liquefied natural gas (LNG) production in the medium term. The company's scale relative to peers is currently a limiting factor for the rating. This may change once Yamal production comes on line.

- Yurkharovskoye Production Key Concern:

The future performance of the Yurkharovskoye field will be particularly important to increasing Novatek's production levels. Failure to maintain the production of the field in the medium term may lead to downward pressure on Novatek's ratings.

- Rising Natural Gas Prices:

Novatek continues to benefit from the government's plan to liberalise the price of natural gas sold on the Russian domestic market by 2015-2018. Fitch expects domestic gas prices in Russia to increase by around 15% per year to 2015 implying relatively low price risk for the company. The agency also believes that the expected rising tax burden on independent gas producers will be fully offset by increasing domestic gas prices.

RATING SENSITIVITY ANALYSIS

Positive: Future developments that could lead to positive rating actions include:

- Improved Business Profile: Expanded upstream business operations with a larger production profile, an improving domestic market share at liberalised prices and gaining access to LNG export markets would all be positive rating factors.

Negative: Future developments that could lead to negative rating actions include:

- Deteriorating Financial Profile: Novatek could be downgraded if its financial metrics undergo a sustained deterioration, possibly from additional acquisitions in 2013, making key cash flow and other credit ratios incommensurate with the current rating level. Novatek's business risk is low, except for execution risk on Yamal LNG.

LIQUIDITY AND DEBT STRUCTURE

- Adequate Liquidity: Novatek's liquidity position is adequate for the current ratings. At 30 September 2012, cash on its balance sheet of RUB17.5bn coupled with a last-12-months' (LTM12) FFO of RUB80bn was adequate to cover RUB18.9bn of short-term debt.

- Maturity Profile: Novatek's debt maturity profile is not onerous, despite maturities of around RUB36bn over the next two years. Fitch expects the company to continue to enjoy ready access to international debt capital markets to further term out these maturities.

FULL LIST OF RATINGS

OA Novatek

Long-Term Foreign Currency IDR: 'BBB-'; Outlook Stable

Senior unsecured rating: 'BBB-';

Long-Term Local Currency IDR: 'BBB-'; Outlook Stable

National Long-Term rating: 'AA+(rus)'; Outlook Stable

National Senior unsecured rating: 'AA+(rus)';

Novatek Finance Limited

Senior unsecured rating: 'BBB-';

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Additional information is available on www.fitchratings.com. For regulatory purposes in various jurisdictions, the supervisory analyst named above is deemed to be the primary analyst for this issuer; the principal analyst is deemed to be the secondary.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable criteria, 'Corporate Ratings Methodology', dated 8 August 2012 are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Corporate Rating Methodology

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=684460

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