



Fitch Assigns Novatek's RUB10bn 2013 Notes Final 'BBB-' Rating [Ratings](#)

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Fitch Ratings-London/Moscow-01 July 2010: Fitch Ratings has today assigned Russia-based OAO Novatek's (Novatek) RUB10bn domestic stock exchange bonds, due 2013, a final local currency senior unsecured rating of 'BBB-' and a final National senior unsecured rating of 'AA+(rus)'.

The RUB10bn exchange bonds represent a senior unsecured obligation of Novatek. Novatek is the holding company for its operating subsidiaries and acts as a liquidity centre for the group. The company has stated that all of the group's material debt is raised directly by the holding company Novatek, rather than by its subsidiaries. However, unlike the sureties from 100%-owned operating subsidiaries NOVATEK-Yurkharovneftegas and NOVATEK-Tarkosaleneftegas afforded to Novatek's existing unsecured bank debt, the RUB10bn exchange bonds do not benefit from any sureties. NOVATEK-Yurkharovneftegas and NOVATEK-Tarkosaleneftegas represent approximately 40% of the group's consolidated EBITDA.

As Novatek currently has low leverage, this form of contractual subordination is not significant enough for Fitch to assign a lower senior unsecured rating to the holding company's exchange bonds, compared with its bank debt. However, in a scenario when recovery needs to be assessed - whereby Novatek had higher leverage, or lower ratings - Fitch's assessment of the recovery-given-default for the exchange bonds may be inferior compared to the bank loans.

Fitch notes that Novatek's cross-default provision in the bond documentation only relates to other capital market instruments while cross-default provisions in Novatek's loans, including its USD800m syndicated facility, relate to both other loans and capital markets instruments such as bonds.

Applicable criteria, "Corporate Rating Methodology", dated 13 June 2006, and "Rating Oil and Gas Exploration and Production Companies: Sector Credit Factors", dated 7 April 2010, are available on www.fitchratings.com:

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Additional information is available at www.fitchratings.com.

Related Research:

[Corporate Rating Methodology](#)

[Rating Oil and Gas Exploration and Production Companies: Sector Credit Factors](#)

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