



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

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Fitch Ratings-London/Moscow-25 June 2010: Fitch Ratings has today assigned Russia-based OAO Novatek's (Novatek) RUB10bn domestic stock exchange bonds, due 2013, an expected local currency senior unsecured rating of 'BBB-' and an expected National senior unsecured rating of 'AA+(rus)'.

The final ratings of the gas company's proposed bonds are contingent upon the receipt of final documents conforming to information already received.

The proposed RUB10bn 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 proposed RUB10bn bonds do not benefit from any sureties. NOVATEK-Yurkharovneftegas and NOVATEK-Tarkosaleneftegas represent 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 apply a different senior unsecured rating to the holding company's proposed 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 proposed bonds may be inferior compared to the bank loans.

Fitch notes that Novatek's cross-default provision in the draft bond document 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.

In addition to the rating action highlighted above, Fitch has assigned Novatek a National Long-term rating of 'AA+(rus)' with a Stable Outlook.

Novatek's existing ratings are as follows:

Long-term foreign and local currency Issuer Default Ratings (IDRs): 'BBB-'; Outlook Stable

Foreign currency senior unsecured rating: 'BBB-'

The company's IDRs are supported by its strong business profile stemming from a high production growth rate, its unique role as a key incremental gas producer in Russia, and strong credit metrics.

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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Note to Editors: Fitch's National ratings provide a relative measure of creditworthiness for rated entities in countries with relatively low international sovereign ratings and where there is demand for such ratings. The best risk within a country is rated 'AAA' and other credits are rated only relative to this risk. National ratings are designed for use mainly by local investors in local markets and are signified by the addition of an identifier for the country concerned, such as 'AAA(rus)' for National ratings in Russia. Specific letter grades are not therefore internationally comparable.

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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