

Announcement of Periodic Review: Moody's announces completion of a periodic review of ratings of PAO Novatek

16 Jul 2019

London, 16 July 2019 -- Moody's Investors Service ("Moody's") has completed a periodic review of the ratings of PAO Novatek and other ratings that are associated with the same analytical unit. The review was conducted through a portfolio review in which Moody's reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), recent developments, and a comparison of the financial and operating profile to similarly rated peers. The review did not involve a rating committee. Since 1 January 2019, Moody's practice has been to issue a press release following each periodic review to announce its completion.

This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Credit ratings and outlook/review status cannot be changed in a portfolio review and hence are not impacted by this announcement. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Key rating considerations are summarized below.

PAO Novatek's (Novatek) Baa2 long-term issuer rating is one notch above Russia's sovereign bond rating of Baa3 with a stable outlook and is on par with Russia's country ceiling for long-term foreign currency debt. The rating reflects the company's vast conventional low-cost oil and gas reserves, integrated business model with a high share of processed value-added products, track record of strong production growth in both gas and liquids (gas condensate and oil), strong domestic market position in gas, strong financial metrics, including low leverage, and liquidity. Despite its high volume of exports, Novatek remains exposed to the Russian macroeconomic environment, given that all of the company's production facilities are located in Russia.

This document summarizes Moody's view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodology used for this review was Independent Exploration and Production Industry published in May 2017. Please see the Rating Methodologies page on www.moody's.com for a copy of this methodology.

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