S&P Global
Ratings

Research

NOVATEK PJSC

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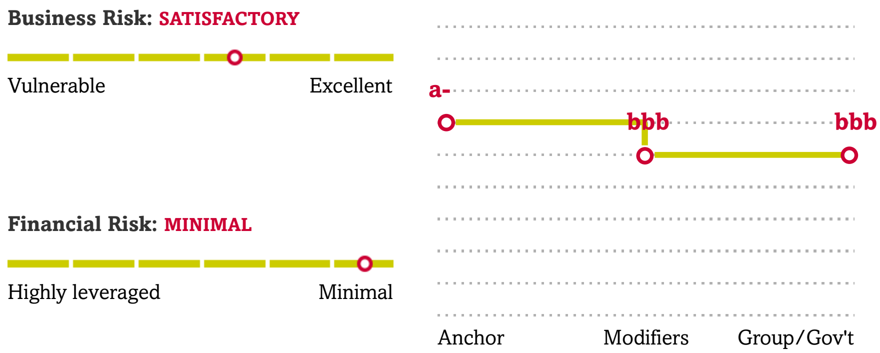
NOVATEK PJSC



Issuer Credit Rating

BBB/Stable/--

Russia National Scale

NR/--/--

Credit Highlights

Overview

Key Strengths	Key Risks
Position of one of the top three companies globally in terms of gas reserves.	Ambitious existing and future growth projects, including sizable unconsolidated joint ventures (JVs).
Established relationship with Total, one of Novatek's large shareholders and co-investor in its liquefied natural gas (LNG) projects.	Current U.S. sanctions against the company and one of its large shareholders that constrain financing options.
Successful launch of Yamal LNG project on budget and ahead of schedule.	Exposure to Russia-specific country risks. These include taxes, regulation, exchange rate volatility
A track record of maintaining consistently low debt leverage.	Inability to export gas owing to Gazprom's monopoly position, except for LNG
Focus on reinvesting profits in new projects, rather than dividend distribution,	

Early ramp-up of the Yamal LNG project and further contribution from other JVs will boost cash flows. In 2018 Novatek's cash flows were boosted by the proceeds from the early launch of the first train of the Yamal LNG project. We expect this to be an even stronger factor in 2019, as the company will enjoy similar payments from the early launch of the second and third trains. We expect Novatek's other JVs to increasingly contribute to consolidated results from 2019 with additional cash flow from joint ventures of Russian ruble (RUB) 50 billion-RUB 70 billion compared to consolidated EBITDA of RUB260 billion-RUB280 billion.

Novatek's second LNG project--Arctic LNG 2 should not impact company's leverage and will not represent an actual or contingent obligation for Novatek, beyond its equity contribution. In our base-case scenario, we assume that all future LNG projects will be fully ring-fenced from Novatek's balance sheet and will feature higher equity contribution from other players than in Yamal LNG. We assume that following the success of Yamal LNG, Novatek will fill the equity order book before the final investment decision is taken in the third quarter of 2019.

Novatek's leverage should remain low despite large investments. The company has a number of ambitious projects to improve and expand its LNG infrastructure. These include projects related to the construction of the LNG modules, expansion of the Northern Sea Route, construction of icebreakers and transshipment terminals. We assume that the government via its government-related entities (GREs) will participate in many of these projects on par with Novatek, as it has done in the past, and the company will not require meaningful debt to finance them. Besides, the existing JVs will be increasingly contributing to Novatek's EBITDA and funds from operations (FFO), which will be an additional source of financing new investments. Accordingly, we forecast that FFO to debt will remain comfortably above 60% and free operating cash flow (FOCF) will remain positive despite these investments.

Outlook: Stable

The stable outlook reflects our expectation of very strong balance sheet, with solid headroom for additional capital expenditure (capex) and potential dividend increases. We expect Novatek's FFO to debt to remain consistently above 60% and FOCF to remain positive, even as capex peaks in 2019-2020. We also assume that financing for the Arctic LNG-2 project will not represent an actual or contingent obligation for Novatek, beyond its equity contribution.

Downside scenario

We could lower the rating on Novatek if the geopolitical situation deteriorates further, for example, if Novatek is unable to raise debt for the Arctic LNG-2 project. This would require the company to use its own funds to finance this and similar LNG projects. However, we currently view the likelihood of such a scenario as relatively low.

Other than that, we could lower the rating if the company undertakes even larger capex or acquisitions, especially at a time when oil and gas prices are low, or in case of large unexpected dividend distributions that cause FFO to debt to fall below 60%.

A negative rating action on the sovereign would not automatically trigger a similar action on Novatek, as the company can be rated above the transfer and convertibility assessment on Russia, given its high share of exports and low debt.

Upside scenario

We see limited upside in the rating in the next 18-24 months. An upgrade would require structural and fundamental improvements to country risk in Russia. We do not anticipate that this will occur in the near term.

An upgrade would be also depend on a more clearly articulated dividend distribution policy. We generally expect dividends to increase in absolute terms as cash flows grow, but the company's current policy does not cap the maximum payment. We see this as a potential constraint for a higher rating. We note, however, that the company has a track record of distributing close to 30% of net income for the past seven years.

Our Base-Case Scenario

Assumptions

- A Brent oil price of $60 per barrel (/bbl) for the rest of 2019 and in 2020, $55/bbl in 2021 and thereafter, in line with our price assumptions.
- Minor 2%-3% annual growth in gas prices and gas transportation tariffs in the domestic market, where Novatek sells 100% of its gas, excluding LNG.
- Liquids production growth by 3%-6% in 2019-2020 coming from newly acquired assets and the ramp up of the North-Russkoye cluster.
- Profitability, measured as EBITDAX margin, to stay stable around 35% in 2019, supported by early start of Yamal LNG (early produced units are sold directly by Novatek); declining to about 30% in 2020, but offset by growing contributions from JVs.
- Additional cash flow from joint ventures of Russian ruble (RUB) 50 billion-RUB 70 billion in 2019, primarily the proceeds from early launch sales of LNG.
- Cash capex of RUB160 billion-RUB200 billion in 2019, then reducing to RUB100 billion-RUB120 billion in 2020-2021.
- Dividend of RUB80-90 billion in 2019-2020. We assume dividend growth, taking into account Novatek's strong balance sheet, but the company has not given any guidance on expected dividends.

Key Metrics

	2018A	2019F	2020F
FFO/debt (%)	>100	>100	>100
Debt/EBITDA (x)	<1	<1	<1
FOCF (bil. RUB)	122	100-120	150-200

S&P adjusted metrics. A--Actual. F--Forecast. FFO--Funds from operations. FOCF--Free operating cash flow. RUB--Russian ruble.

Base-case projections

Production should grow further because Novatek reversed a decline in 2018. Novatek's natural gas production fell in 2016 and 2017 (67.6 billion cubic meters (bcm) and 63.4bcm, compared with 67.9bcm in 2015). However, Novatek was able to turn this around in 2018 with the development of newly acquired assets and production commissioning at South Tambey field to fuel Yamal LNG. Overall, these measures allowed Novatek to offset the Yurkharov depletion and grow total production by 6.9% in 2018. We expect this trend to continue into 2019-2020, as we assume 3%-6% growth in production, driven by the ramp up of the North-Russkoye field.

Capex increase and dividends distribution should be fully funded from generated cash flow. We expect Novatek's capex to grow to RUB160 billion-RUB200 billion in 2019 (from RUB90 billion in 2018), because of the multiple investments in LNG-related projects and the launch of Kharbeyskoye field of the North-Russkoye Cluster. We also expect increase in dividend distribution, in line with cash flow growth. That said, we believe discretionary cash flow will remain positive, as cash flows will be boosted by the proceeds from the early launch of Yamal LNG.

Company Description

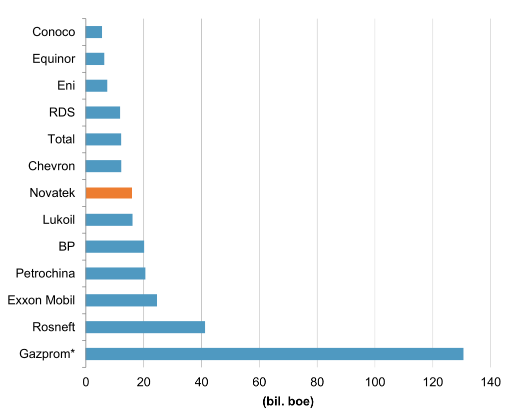
Novatek is Russia's largest independent natural gas producer and second-largest holder of natural gas resources after Gazprom. The company also has meaningful liquids production, which accounts for about 50% of EBITDA on average. As of Dec. 31, 2018, Novatek had 15.8 billion bbl of oil equivalent (boe) of proven reserves, with most reserves located onshore, or in areas that can be developed from onshore locations. Novatek's principal operating areas are concentrated in the Yamal-Nenets Autonomous Region in Western Siberia. As of end of 2018, total production amounted to 549 million boe, or an average daily production of 1.5 million boe. Novatek is not allowed to export gas because of Gazprom's monopoly position, therefore, Novatek has focused its strategy on LNG. The company has already launched three out of a total of four trains of its Yamal LNG project with total capacity of 17.4 million tons of LNG per year.

Business Risk: Satisfactory

Our assessment of Novatek's business risk profile recognizes the company's large and high-quality oil and gas reserves and profitable low-cost production. Novatek's reported in excess of 15 billion boe of reserves to the Securities and Exchange Commission (SEC). This is higher than those of Shell and BP. Reserves using Petroleum Resources Management System (PRMS) proven and probable reporting are almost double the SEC reserves. Novatek ranks among the top three companies globally in terms of gas reserves. Importantly, about half of these reserves could potentially be used for LNG.

Chart 1

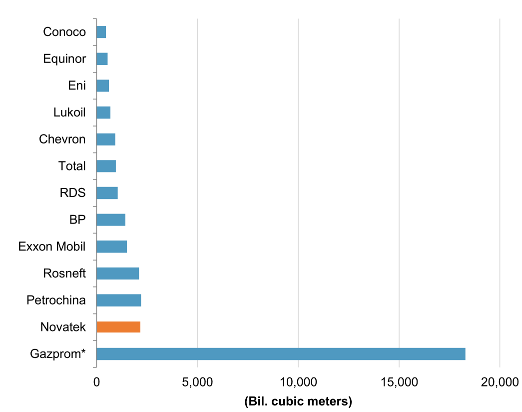
Global Oil And Gas Producers
Total proven reserves as of 2018



*As of 2017. boe--Barrels of oil equivalent.Source: S&P Global Ratings.

Chart 2

Global Oil And Gas Producers
Proven gas reserves as of 2018



*As of Dec. 31, 2017. Source: S&P Global Ratings.

The shift of strategy toward LNG should allow Novatek to position itself as one of the world's largest LNG producers, which is important, given that we expect LNG demand to at least double by 2040. Novatek already launched three of four trains of its premiere Yamal LNG project with annual production of 17.4 million tons, or about 5% of global LNG output. Novatek owns 50.1% of the Yamal LNG project, along with its partners Total, China National Petroleum Corp. (CNPC), and Silk Road Fund. Importantly, Novatek managed to do it on budget and well ahead of original schedule. The company has another project of similar scale in the pipeline (Arctic LNG 2 with estimated cost of $20 billion and annual production of 19.8 million tons of LNG) and could do more of those in the future. Novatek is currently constructing a plant in Murmansk, which would produce modules for its future LNG plants. This, together with low liquefaction cost thanks to cold weather conditions, would strengthen its position as one of the lowest cost LNG producers globally. Novatek has recently announced an update to its strategy, stating an ambition to produce up to 70 million tons of LNG in 2025-2030, which is achievable in our opinion.

We note, however, that one of the factors supporting the competitiveness of Novatek's projects is the support from the state. The Russian government, directly and via government-owned corporations, provides important infrastructure for Novatek. Notably, the opening of all-year navigation of the Northern Sea Route as well as construction of atomic icebreakers should be co-financed by the state and should enhance the economics of future Novatek's projects.

Novatek's close business ties with Total SA also support our assessment of its business. Apart from direct shareholding in Novatek and equity participation in LNG projects, Total also shares technology, which further enhances Novatek's competitiveness. Total recently further increased its stake in Novatek to 19.4% and was the first company to commit its equity participation in Arctic LNG 2.

Our assessment of Novatek's business is primarily constrained by Russia-specific country risks, similar to other large Russian oil and gas producers. These risks include the high sensitivity of profits to potential changes in the tax system, volatility in the exchange rate and rapidly changing economic conditions. In addition, Novatek, along with its large shareholder Gennady Timchenko, is under various U.S. sanctions. This does not have any immediate impact on Novatek's own operations or its LNG projects, but is a factor of uncertainty, which could have an impact in the worst-case scenario.

Peer comparison

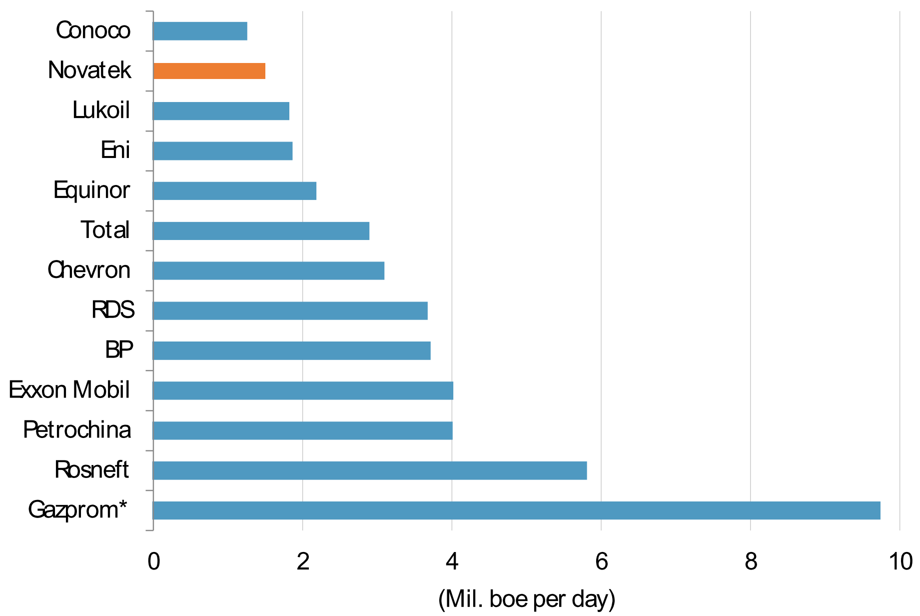
In terms of capital structure, Novatek's has the lowest leverage among peers, which is a key supporting factor for the rating. Even though Novatek is smaller than Russia's oil giants--Gazprom, Rosneft, and Lukoil, its scale compares well with other large oil majors.

Novatek's annual production of 1.5 million boe per day as of end of 2018 compares well with Conoco Phillips (1.3 million boe per day) and ENI SpA (1.9 million boe per day). However, these two companies generate materially higher cash flows from the same production. For example, Novatek's 2018 adjusted FFO was about $4 billion, while Conoco generated around $12 billion and Eni more than $11 billion. This primarily reflects two key weaknesses:

- As a Russian company, Novatek pays very high taxes; and
- Because Gazprom has a monopoly on gas exports, Novatek has to sell all its gas domestically at a price significantly below the international one. As 81% of Novatek's production in terms of boe is gas, this results in much weaker cash generation. However, this will improve over time when more gas is sold as LNG. In 2018 the share of gas sold as LNG was about 10%.

Chart 3

Global Oil And Gas Producers
Annual hydrocarbon production as of 2018, including subsidiaries



*As of Dec. 31, 2017. boe--Barrels of oil equivalent.Source: S&P Global Ratings.

Table 1

NOVATEK PJSC -- Peer Comparison

Industry Sector: Oil & Gas Exploration & Production

	NOVATEK PJSC	LUKOIL PJSC	Repsol S.A.	Gazprom PJSC	Oil Company Rosneft OJSC
Rating as of June 19, 2019	BBB/Stable/--	BBB/Stable/--	BBB/Positive/A-2	BBB/Stable/A-2*	BBB-/Stable/--
(Mil. RUB)	**--Fiscal year ended Dec. 31, 2018--**				
Revenues	11,977	115,717	58,171	118,688	117,446
EBITDA	3,979	17,318	7,765	37,770	27,072
FFO	3,155	14,655	6,106	30,889	19,447
Interest Expense	144	737	868	3,597	5,811
Cash Interest Paid	44	696	758	2,494	4,285
Cash flow from operations	3,072	14,065	4,862	29,298	16,725
Capital expenditures	1,299	6,395	3,003	23,608	11,405
Free operating cash flow	1,773	7,671	1,859	5,689	5,320
Discretionary cash flow	705	4,498	(551)	2,978	1,144
Cash and short-term investments	997	7,094	7,145	24,103	21,067

Table 1

NOVATEK PJSC -- Peer Comparison (cont.)					
Debt	1,883	3,671	11,859	41,870	73,076
Equity	12,767	58,659	35,393	198,377	67,349
Adjusted ratios					
EBITDA margin (%)	33.2	15.0	13.3	23.5	23.1
Return on capital (%)	21.5	19.9	9.5	7.8	14.8
EBITDA interest coverage (x)	27.6	23.5	8.9	6.9	4.7
FFO cash interest coverage (x)	73.5	22.1	9.1	8.1	5.5
Debt/EBITDA (x)	0.5	0.2	1.5	1.7	2.7
FFO/debt (%)	167.6	399.2	51.5	42.7	26.6
Cash flow from operations/debt (%)	163.1	383.1	41.0	53.3	22.9
Free operating cash flow/debt (%)	94.1	208.9	15.7	1.0	7.3
Discretionary cash flow/debt (%)	37.4	122.5	(4.6)	(6.2)	1.6

RUB--Russian ruble. *Local currency rating.

Financial Risk: Minimal

Our assessment of Novatek's financial risk profile reflects our forecast of solid credit metrics, with FFO to debt of above 60%. Solid cash generation creates headroom for the credit metrics, which should allow the company to absorb very high capex and potential dividend increases. We forecast metrics will further strengthen because Novatek has started to receive proceeds from the early start of its large-scale Yamal LNG project.

Novatek's own debt has been declining over the past several years and now stands at RUB170 billion as of March 31, 2019, including Eurobonds of $1.65 billion. Novatek's key risks stem from its ambitious growth projects and sizable JVs. Novatek does not guarantee any of the debt at its existing JVs, including that at Yamal LNG, and we expect this to remain the case. Besides, all of the large existing JVs generate positive free cash flow, started repaying debt, and hence it is very unlikely that Novatek will need to support them financially.

Many of these projects are already factored into our base case; for example, work done on the Arctic LNG 2 project before the final investment decision and construction of facilities that will produce LNG modules in Murmansk. However, we understand that Novatek could also be investing in the infrastructure required for its ambitious LNG projects partially on a joint venture basis. Such infrastructure could include terminals, railroads, shipbuilding, and, more generally, projects related to the Northern Sea Route. Because these investments are difficult to predict, we do not include them in our base-case forecasts. However, the risks involved cause us to take a more conservative view of Novatek's underlying creditworthiness than its current credit metrics suggest.

The company also has stakes in joint ventures with other Russian oil and gas companies, such as Arcticgas or Nortgas. The funding for the joint ventures was arranged at a joint venture level, without immediate recourse to Novatek, but we consider Novatek highly likely to step in to provide support in case of need. That said, our base-case scenario does not assume that Novatek's joint ventures will need any material cash support, as they are already generating positive free cash flow. We expect them to start gradually repaying debt and distributing dividends, which could further support Novatek's cash flows in the longer term.

The LNG projects themselves do not carry material risk for the company's credit profile, once the funding is set up. Typically, they do not require financial support once the huge initial investments are complete. Arranging the funding for Yamal LNG took longer than initially planned, owing to the indirect consequence of U.S. sanctions against Novatek. However, it did not affect the timeline of the project, which is not itself subject to sanctions.

We understand that Novatek aims to significantly increase the equity component of the financing package for its next LNG project, Arctic LNG 2. Given the success of Yamal LNG, several companies have publicly expressed interest in investing in Arctic LNG 2. Total S.A. acquired a 10% stake at an early stage, with an option to increase it by another 5%. Recently, two Chinese companies, China National Offshore Oil Corporation and China National Oil and Gas Exploration and Development Co., as a subsidiary of CNPC, have also acquired 10% each.

Without the current geopolitical tensions between Russia and the U.S./Western Europe, we think Arctic LNG 2 would easily fill its equity and debt order book, as the project boasts attractive economics similar to those the Yamal project demonstrated. The sanctions and other limitations might result in Novatek seeking to achieve a different capital structure for Arctic LNG 2. But unless Russian LNG exports are completely banned, a hypothetical scenario we see as very low probability, Novatek's credit profile is unlikely to be materially impaired by Arctic LNG 2.

The sectoral sanctions had a dual impact on our rating on Novatek: they both constrained the company's financing options and created a strong incentive to reduce leverage. We see the reduced leverage as positive, but consider that Novatek could implement a different capital structure if the sanctions against the company were lifted. In practice, the likelihood of such a scenario is low, in our view, and the company has built meaningful headroom. The company's financial policy stipulates that the capital structure be conservative, and that debt to EBITDA be at 1x through the cycle, which supports our assessment.

The company's dividend policy stipulates the targeted payout level, but does not cap the maximum one. Given the company's low leverage and increasing cash flow generation, we expect dividends to increase over time. Novatek is also carrying out share buybacks, having recently extended its $600 million buyback program until June 2020. This amount is very manageable for the company, and even if it were to increase in line with cash flow growth, it will remain commensurate with the current rating, as long as the company adheres to its targeted leverage.

Financial summary

Table 2

NOVATEK PJSC -- Financial Summary

Industry Sector: Oil & Gas Exploration & Production

	--Fiscal year ended Dec. 31--				
(Mil. RUB)	**2018**	**2017**	**2016**	**2015**	**2014**
Revenues	831,758.0	583,186.0	537,472.0	475,325.0	357,643.0
EBITDA	276,294.0	200,342.0	262,363.0	161,425.0	144,922.0
Funds from operations (FFO)	219,131.0	159,368.0	215,225.0	130,931.0	109,302.0

Table 2

NOVATEK PJSC -- Financial Summary (cont.)					
Industry Sector: Oil & Gas Exploration & Production					
	--Fiscal year ended Dec. 31--				
(Mil. RUB)	**2018**	**2017**	**2016**	**2015**	**2014**
Net income from continuing operations	163,742.0	156,387.0	257,795.0	74,396.0	37,296.0
Cash flow from operations	213,325.0	170,482.0	157,054.0	119,668.0	102,497.0
Capital expenditures	90,205.0	37,046.0	31,027.0	44,537.0	58,203.0
Free operating cash flow	123,120.0	133,436.0	126,027.0	75,131.0	44,294.0
Discretionary cash flow	48,935.0	89,919.0	83,458.0	38,709.0	12,503.0
Cash and short-term investments	69,260.0	65,943.0	48,301.0	29,187.0	41,320.0
Debt	130,785.0	112,737.7	181,627.1	337,660.9	210,852.4
Equity	886,595.0	775,659.0	657,720.0	428,171.0	387,124.0
Adjusted ratios					
EBITDA margin (%)	31.3	34.0	48.4	33.8	40.5
Return on capital (%)	20.3	22.3	40.3	17.2	17.7
EBITDA interest coverage (x)	62.9	28.5	23.7	18.9	26.4
FFO cash int. cov. (x)	73.5	25.4	13.9	10.9	13.5
Debt/EBITDA (x)	0.5	0.6	0.7	2.1	1.5
FFO/debt (%)	167.6	141.4	118.5	38.8	51.8
Cash flow from operations/debt (%)	163.1	151.2	86.5	35.4	48.6
Free operating cash flow/debt (%)	94.1	118.4	69.4	22.3	21.0
Discretionary cash flow/debt (%)	37.4	79.8	46.0	11.5	5.9

RUB--Russian ruble.

Liquidity: Adequate

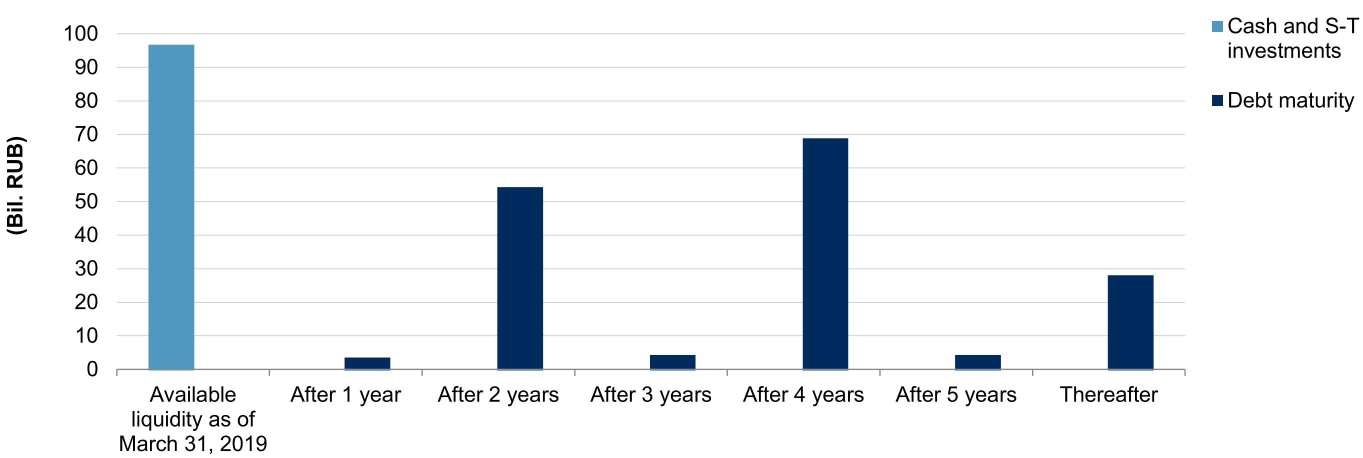
We view Novatek's liquidity as adequate. Its ratio of sources to uses is about 1.4x-1.5x for the 12 months from March 31, 2019. Our assessment is supported by the company's strong cash generation, limited debt maturities, and potential support from Russian banks. In our view, these factors partly offset Novatek's constrained capital market access due to sanctions. Novatek has very solid headroom under its financial covenants, which exist in only some of its credit facilities.

Principal Liquidity Sources	Principal Liquidity Uses
Principal liquidity sources as of March 31, 2019, include: • Cash and short-term investments totaling RUB96.5 billion. • Solid FFO generation of above RUB260 billion-RUB290 billion. • Cash inflow from JV of about RUB60 billion.	Principal liquidity uses as of March 31, 2019, include: • Debt maturities of about RUB3.2 billion; • Large capex of about RUB150 billion-RUB180 billion; and • Dividends of about RUB50 billion-RUB80 billion.

Debt maturities

Chart 4

Novatek PJSC -- Debt Maturities



RUB--Russian ruble. S-T--Short-term.

Covenant Analysis

Novatek does not have any material covenants in the outstanding debt instruments.

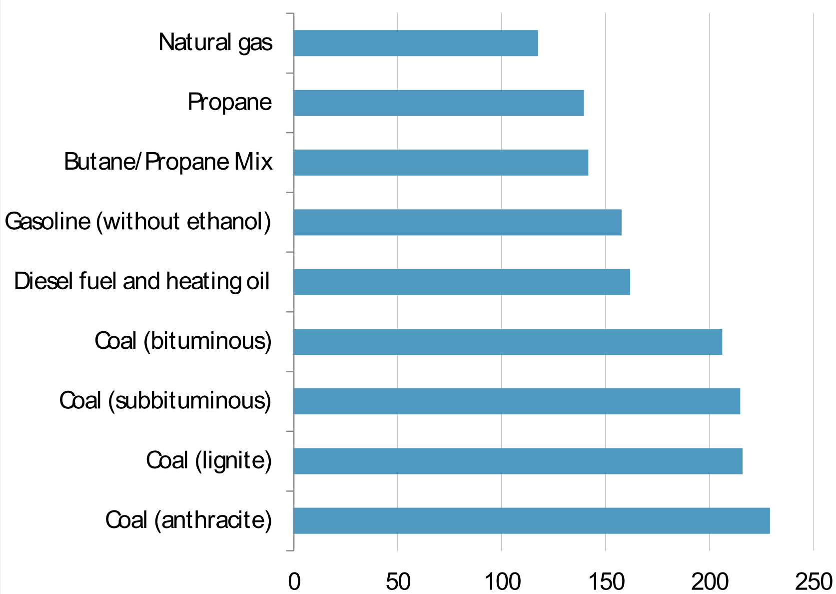
Environmental, Social, And Governance

Environmental, social, and governance (ESG) factors are relevant to our analysis of oil and gas companies, but do not currently present a material driver to our rating on Novatek.

Novatek's high share of gas in volume terms, as well as its focus on LNG, which we consider as environmentally positive, is beneficial for its ESG profile. When carbon dioxide emissions coefficients are compared for different types of fuel, natural gas is the one that causes the lowest environmental impact.

Chart 5

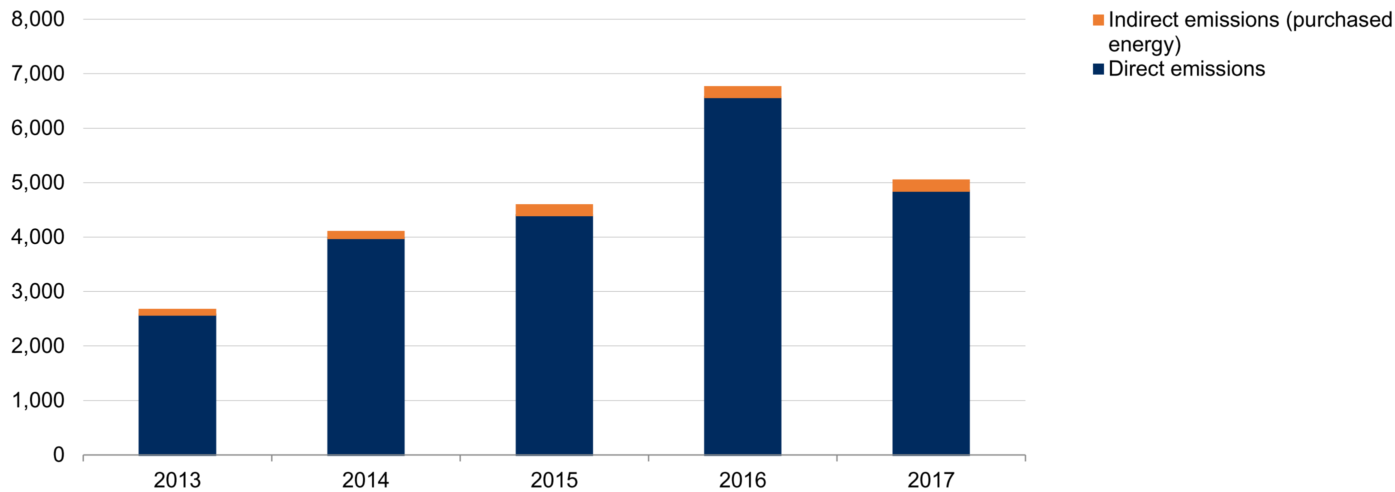
Novatek's Carbon Dioxide Emissions Coefficients By Fuel Type
Pounds of CO2 per million Btu produced



Source: U.S. Energy Information Administration estimates.

Chart 6

Novatek's Total Greenhouse Gas Emissions In 2013-2017
Thousand tons of CO_2



We assess Novatek's social risk as relatively low, as the company has established a mutually beneficial relationship with the government in its key areas of operation. The company is a main provider of jobs in the Yamal region and its other LNG-related projects in the North of Russia will create even more jobs and support overall growth in the economy.

From the governance standpoint, the key risks for Novatek lie in the existing and potential sanctions that can be imposed against the company, its shareholders, or the LNG projects that the company operates. However, this is completely unpredictable and out of Novatek's control. In our opinion, the main reason for the sanctions against the company is the affiliation of its shareholders with the Russian authorities. Otherwise, we assess Novatek's governance as solid, in line with other Russian privately owned peers, with three of the nine members of the board of directors being independent.

Issue Ratings - Subordination Risk Analysis

Capital structure

Novatek's capital structure primarily consists of two bonds ($1 billion maturing in 2022 and $650 million maturing in 2021), issued by an orphan special-purpose vehicle, Novatek Finance Ltd. The company also has smaller bilateral loans that total less than $1 billion.

Analytical conclusions

We rate the two bonds at 'BBB', in line with the issuer credit rating. We believe there are no material subordination risks in Novatek's capital structure because all large debt instruments rank pari passu.

Reconciliation

Table 3

Reconciliation Of NOVATEK PJSC Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. RUB)

	--Rolling 12 months ended March 31, 2019--							
NOVATEK PJSC reported amounts.								
	Debt	**Shareholders' equity**	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**	**Cash flow from operations**	**Capital expenditure**
	161,578	1,247,614	576,477	543,701	3,958	286,941	229,827	124,343
S&P Global Ratings' adjustments								
Cash taxes paid	--	--	--	--	--	(48,417)	--	--
Cash interest paid	--	--	--	--	--	(3,168)	--	--
Reported lease liabilities	8,691	--	--	--	--	--	--	--
Postretirement benefit obligations/deferred compensation	4,174	--	217	217	217	--	--	--
Accessible cash & liquid investments	(86,884)	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	5,490	(458)	(458)	(458)
Dividends received from equity investments	--	--	8,500	--	--	--	--	--
Asset retirement obligations	6,984	--	--	--	676	--	--	--
Exploration costs	--	--	8,680	--	--	(8,680)	--	--
Nonoperating income (expense)	--	--	--	47,694	--	--	--	--
Reclassification of interest and dividend cash flows	--	--	--	--	--	--	(3,168)	--
Noncontrolling interest/minority interest	--	18,932	--	--	--	--	--	--
EBITDA - Business divestments	--	--	(306,933)	(306,933)	--	--	--	--
D&A - Impairment charges/(reversals)	--	--	--	292	--	--	--	--
Total adjustments	(67,035)	18,932	(289,536)	(258,730)	6,383	(60,723)	(3,626)	(458)
S&P Global Ratings' adjusted amounts								
	Debt	**Equity**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**	**Capital expenditure**
	94,543	1,266,546	286,941	284,971	10,341	226,218	226,201	123,885

Table 3

Reconciliation Of NOVATEK PJSC Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. RUB) (cont.)

RUB--Russian ruble.

Ratings Score Snapshot

Issuer Credit Rating

BBB/Stable/--

Business risk: Satisfactory

- **Country risk:** High
- **Industry risk:** Intermediate
- **Competitive position:** Satisfactory

Financial risk: Minimal

- **Cash flow/Leverage:** Minimal

Anchor: a-

Modifiers

- **Diversification/Portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Negative (-1 notch)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Negative (-1 notch)

Related Criteria

- Criteria - Corporates - General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria - Corporates - Industrials: Key Credit Factors For The Oil And Gas Exploration And Production Industry, Dec. 12, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013

- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	**Minimal**	Modest	Intermediate	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	**a/a-**	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of June 19, 2019)*

NOVATEK PJSC		
Issuer Credit Rating		BBB/Stable/--
Russia National Scale		NR/--/--
Senior Unsecured		BBB
Issuer Credit Ratings History		
29-Nov-2018		BBB/Stable/--
02-Nov-2016		BBB-/Stable/--
20-Sep-2016		BB+/Watch Pos/--
04-Feb-2015		BB+/Negative/--
30-Dec-2014		BBB-/Watch Neg/--
02-Jun-2017	*Russia National Scale*	NR/--/--
02-Nov-2016		ruAAA/--/--
20-Sep-2016		ruAA+/Watch Pos/--
04-Feb-2015		ruAA+/--/--
30-Dec-2014		ruAAA/Watch Neg/--
30-Sep-2014		ruAAA/--/--
Related Entities		
Novatek Finance Ltd.		
Senior Unsecured		BBB

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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