STANDARD & POOR'S

Global Credit Portal
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OAO NOVATEK

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OAO NOVATEK

Major Rating Factors

Corporate Credit Rating
BB+/Stable/--
Russia National Scale Rating *ruAA+/--/--*

Strengths:

- Robust financial metrics
- Low-cost position
- Large reserves
- Diversification between gas and liquids
- Improving fundamentals of the Russian gas industry

Weaknesses:

- Very low (though growing) domestic gas prices
- Dependence on pipeline infrastructure of OAO Gazprom
- Large investment program which will result in negative cash flow and increase debt
- Geographically concentrated operations
- Risks of operating in Russia, including uncertain enforcement of tax and regulatory rules

Rationale

The rating on OAO NOVATEK (Novatek), Russia's largest independent natural gas producer, reflects the company's very healthy credit metrics, despite ongoing large growth-oriented capital expenditures. It also reflects the company's high profitability, which is supported by the improving fundamentals of the Russian gas industry, profitable condensate business, and efficient low-cost operations.

In the first quarter of 2008, Novatek's EBITDA was Russian ruble (RUR) 11.1 billion (52% of sales). On March 31, 2008, Novatek's reported debt was RUR5.1 billion (6.4 billion adjusted), compared with 5.2 billion in cash.

The key rating constraints are the risks inherent in the Russian gas industry. Domestic gas prices are several times lower than international benchmarks. Novatek is operationally dependent on the pipelines of state-controlled OAO Gazprom (BBB/Stable/--), the dominant player in the sector with 84% of the country's gas production, ownership of the pipelines, and a monopoly on exports. Although Novatek's prices are not regulated, they indirectly depend on Gazprom's regulated prices which are set very low by the government. Novatek remains a small player in comparison with Gazprom, with only 4% of Russia's gas production and a geographically concentrated reserve base. It has a massive growth-oriented investment program, which is expected to turn free cash flow negative and increase debt in 2008-2009. In the second quarter of 2008 Novatek arranged an $800 million loan to fund investments.

Novatek's exposure to these risks is offset by a number of factors. The company has a positive track record of cooperating with Gazprom. The larger company has a 19.4% stake in Novatek and can influence its strategy and growth plans. Gazprom is fundamentally interested in having small, independent companies like Novatek satisfy growing domestic demand at low prices, so that it can re-direct a higher share of its stable production to its lucrative export markets. A government plan to increase regulated gas prices to about $125/ thousand cubic meters by 2011 strongly suggests that Novatek's gas price will increase further. However, even at low prices, Novatek's gas business generates positive profits thanks to very low costs (2007: 0.58/barrel of oil equivalent (boe) lifting cost, $5.29/boe total production cost). Novatek's gas condensate business enjoys very high margins as a result of high unregulated prices and taxes that are lower than those paid by oil businesses.

Liquidity

Novatek's liquidity position is comfortable. On March 31, 2008, the company had RUR5.2 billion in cash and RUR7.5 billion in unused committed credit facilities, compared with RUR5.1 billion in total debt on the balance sheet. Liquidity is highly likely to remain solid after dividend payments of about RUR4.6 billion on 2007 income. The company's financial policy is aimed at maintaining an unrestricted balance-sheet cash position of $100 million-$150 million and available bank lines of about $300 million-$500 million.

The key calls on liquidity are presented by Novatek's growing capital expenditure and, potentially, dividends. Still, thanks to higher gas prices, operating cash flow is likely to increase and provide an important source of internal liquidity. As with its domestic peers, Novatek's access to external financing can depend on fluctuating demand from international investors for emerging market debt.

Outlook

The stable outlook reflects our expectation that Novatek's operating cash flow will benefit from increasing domestic gas realizations, high liquids prices, and competitive costs--despite ongoing ruble appreciation. Because of heavy growth-oriented investments, however, we expect the company's cash flow to turn negative in the next two or three years. Nevertheless, despite an expected increase in debt, Novatek's credit metrics should remain solid.

Ratings upside over the long term is likely to be driven by a continuing increase in domestic gas prices and implementation of the company's long-term strategy of strengthening its business profile while keeping a robust financial profile.

The current rating has some flexibility for about $0.5 billion-$1 billion in acquisitions if they strengthen and diversify the company's business. Even though such transactions could lead to a temporary debt buildup, we expect Novatek to subsequently return to its financial policy target of keeping its ratio of net debt to EBITDA below 1x, because higher gas and condensate prices should boost the company's future profits.

Adverse regulatory changes, heightened operational risk from Gazprom (which is not our base case scenario), or major debt-financed acquisitions could constrain ratings upside or even pressure the rating or outlook.

Business Description

Novatek is the largest independent gas producer in Russia. In 2007, it produced 28.25 billion cubic meters (bcm) of natural gas and 2.4 million tons of liquids. Novatek's production is mostly concentrated at three 100%-controlled fields in Yamal-Nenets Autonomous District, Russia's main gas-producing province.

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Business Risk Profile

Novatek's business profile is constrained by the risks inherent in the Russian gas sector and a sizeable capital expenditure program. The company, however, benefits from very low costs, highly profitable liquids sales, and large reserves.

Russian gas industry: Very low prices set to increase

Novatek is subject to the general risk inherent in Russia's gas industry, including operational dependence on Gazprom's pipelines and very low domestic gas prices. Gazprom dominates the Russian gas industry, with about 84% of domestic gas production and ownership of the country's gas pipeline system. Novatek's ambitious growth plans depend on access to Gazprom's pipeline capacity. Although the law requires Gazprom to grant pipeline access to independents, in practice, many independent gas players (but not Novatek) have had difficulty accessing Gazprom's infrastructure.

Novatek sells 100% of its gas on the domestic market, because Gazprom has a monopoly on exports. Although Novatek is not regulated, its gas prices depend indirectly on the very low prices set for Gazprom by the Russian government. Historically, Novatek's realized prices have been about 10%-20% above regulated prices for end-customers and about 7x below European benchmarks (see table 1). Over half of Novatek's gas sales (53% in 2007) were to wholesalers, and its biggest customers are Gazprom and Itera (not rated). Sales to end-customers are generally more profitable, and although transportation costs are growing, they are passed through to the customers.

Table 1

OAO Novatek Gas Prices

	RUR/thousand cubic meters				$/boe			
	2005	2006	2007	First-quarter 2008	2005	2006	2007	First-quarter 2008
Gas, end customers	1121	1253	1505	1791	5.96	7.28	9.37	11.29
Gas transportation expense	434	516	631	701	2.31	3	3.93	4.42
Netback	687	737	874	1090	3.65	4.28	5.44	6.87
Gas ex-field (wholesalers)	617	664	779	980	3.28	3.86	4.85	6.18
Novatek's netback differential (end customers minus ex-field price)	70	73	95	110	0.37	0.42	0.59	0.69
Regulated gas price in Novatek's regions	1007	1110	1274	1593	5.35	6.45	7.93	8.71

RUR--Russian ruble. boe--Barrels of oil equivalent.

Novatek has a long track record of successfully mitigating these risks, and the gas industry fundamentals in Russia are gradually improving:

- Gazprom has a strong interest in having independent suppliers like Novatek sell natural gas on the domestic market. The larger company has broadly stable production and sizeable export commitments, while domestic demand is growing but domestic prices remain low. Gazprom has a large capital expenditure program to replace its mature fields where production is falling. Accordingly, if independent suppliers invest in developing their smaller fields and satisfy an increasing share of domestic demand at low prices, Gazprom can free up volume for lucrative exports, inure domestic customers to higher gas prices, provide an alternative to relatively costly gas imports from Central Asia, and effectively "outsource" part of its capital expenditure to independents. This creates a niche for independent players such as Novatek. We believe that independents will meet an increasing share of Russia's domestic gas demand.

- Novatek is Russia's largest independent gas producer, contributing about 29% of total independent production (though only 4% of total production). It is the main gas supplier to large industrial regions such as Tyumen, Samara, and Sverdlovsk.
- Novatek has a long positive track record of cooperation with Gazprom. Unlike some other independent gas producers in Russia, the company has never experienced substantial distribution interruptions, while several small acquisitions in 2007 suggest it has further growth opportunities to come.
- Gazprom has been a 19.4% shareholder in Novatek since October 2006, holding two of the eight seats on the company's board. The company recently announced plans to expand the board to nine members. Accordingly, it can exercise a degree of control over Novatek's investment and growth plans. This lessens the likelihood of conflict and improves the prospects of strategic cooperation.

As a niche player, Novatek uses opportunities in areas where Gazprom encounters operational or investment difficulties. Moreover, it is an indirect beneficiary of government policies aimed at supporting Gazprom as the national gas champion.

In 2006, the government adopted a strategy of gradually increasing domestic gas prices to $125/mcm by 2011, to allow Gazprom's netbacks on domestic and export sales to converge thereafter. In addition, in early 2007, Gazprom was allowed to impose substantial surcharges on new customers and on higher volumes sold to existing customers above contracted volumes. Although the Russian economy is highly dependent on gas and although high international prices and inflationary fears may effectively delay netback convergence, the country's economic growth makes higher gas prices more affordable, and the risk of a gas shortage has helped to build broad political consensus that price increases are inevitable. Novatek is set to benefit from these developments, which set a higher reference point for the company's own prices (see chart 1).

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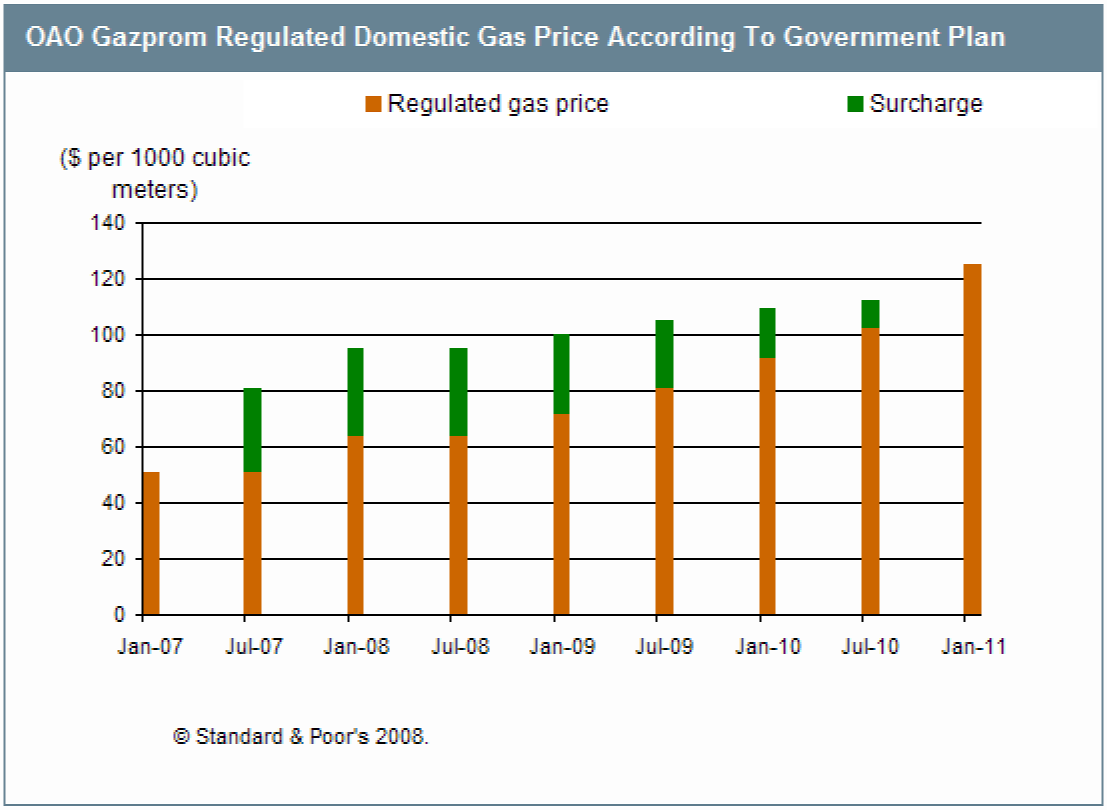
Chart 1



Because the Russian government recognizes Gazprom's effective social burden of supplying domestic customers with cheap gas, taxes on gas are nowhere near the high levels currently seen in the Russian oil sector. The production tax on gas is only RUR147 ($6) per thousand cubic meters, and 17.5% for gas condensate, compared with 22% of the excess price above $9/barrel for oil ($13/barrel in 2007). Because the government acknowledges Gazprom's heavy investment needs, we do not expect gas taxes to increase in line with domestic gas prices, at least before 2011, which is positive for Novatek. Although the government considers tax breaks on new fields in Yamal (where Gazprom is present but Novatek is not), we believe that taxes on Novatek's gas operations are not going to increase. Novatek's core fields are located near Gazprom's core mature fields, where production is declining, enabling availability of pipeline capacity. As Gazprom switches to deeper layers and starts producing more liquids, Gazprom's condensate pipeline might not be available for Novatek. To mitigate this risk, Novatek is investing in constructing its own pipeline from its fields to its Purovsky plant.

Exploration and production

Novatek has a solid reserve life of 23 years, plus potential upside from probable and possible reserves. At year-end 2007, its proven reserves totaled 4.7 billion boe (91% gas). In 2007, the share of developed reserves increased to 84% for gas and 65% for liquids, and the reserve replacement rate was a healthy 107%. Although Gazprom has priority access to new reserves, Novatek has been able to acquire smaller assets which are of limited interest to Gazprom, and has a positive track record of replacing reserves through successful exploration in its core area. In 2005-2007, Novatek's finding, development, and acquisition costs averaged only $1.06 per barrel (see tables 2 and

3 and chart 2).

Table 2

OAO Novatek Proven Reserves

	2004	2005	2006	2007
Proven reserves (mil. boe)	4108	4573	4665	4677
of which gas (bil. cubic meters)	583	641	651	653
of which liquids (mil. barrels)	295	381	407	406
Proven developed (%)	65	57	76	82
gas (%)	67	59	78	84
liquids (%)	47	35	52	65

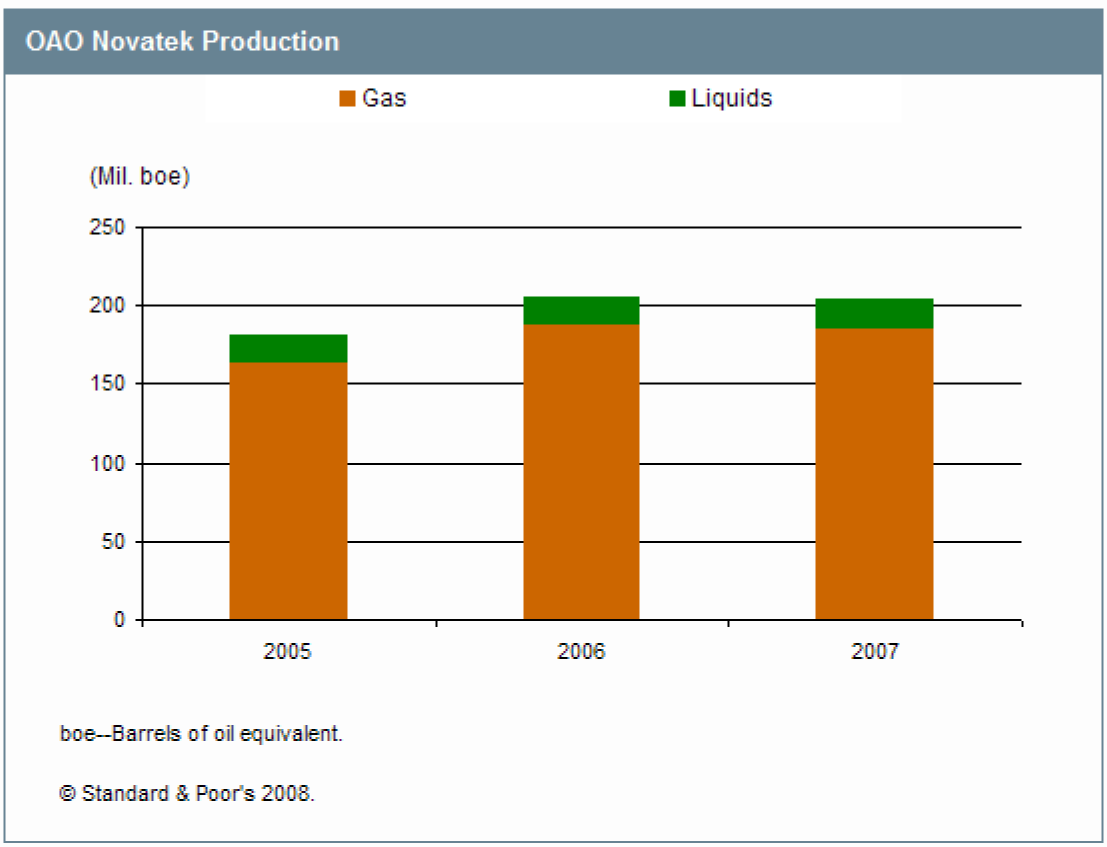
boe--Barrels of oil equivalent.

Table 3

OAO Novatek Gas Production

	2005	2006	2007
Gas production (bil. cubic meters)	25.04	28.58	28.25
Oil and condensate production (mil. metric tons)	2.13	2.34	2.4

Chart 2



Gas production declined slightly in 2007 after several years of strong growth. An unusually warm winter in 2006-2007 reduced demand for Russian gas exports. As a result, Gazprom's storage capacity was stretched, and Novatek was unable to produce and inject as much gas as planned.

Novatek benefits from a degree of diversification provided by crude oil and gas condensate, particularly after the Purovsky gas condensate processing plant was commissioned in mid-2005.

The company's production and reserves are quite concentrated. In 2007, its three largest fields (East Tarkosalinskoye, Khancheyskoye, and Yurkharovskoye) accounted for 99% of its gas production and 96% of its liquids production. This concentration promotes economies of scale and reflects the geological features of Novatek's core operating region, but highlights the company's exposure to the logistical risks of a single region.

Novatek has an ambitious growth strategy to achieve 45 bcm of gas production annually by 2010 and 65 bcm by 2015. It also plans to increase the capacity of its Purovsky plant to 5 million metric tons annually by the end of 2008. This ambitious goal is supported by the company's large reserve base, but success will depend on the availability of pipelines and storage capacity. It will also depend on how domestic demand for gas will develop in the context of higher gas prices and on how fast the electricity sector will build up new planned capacity. To implement this strategy, Novatek increased its capital expenditure to RUR19 billion in 2007 from RUR4.4 billion in 2006, and is set to further dramatically increase capital expenditure in the years ahead. Novatek's capital expenditure program has substantially increased to $6 billion in 2008-2010 and $6.5 billion in 2010-2015, as a result of ruble appreciation, global cost pressures in the hydrocarbon industry, additional investments in infrastructure, and new projects. These figures represent a sharp increase from the respective $2.7 billion and $2.2 billion projected by the company in 2007. Investments are focused on achieving substantial production growth at the Yurkharovskoye field; producing crude oil and condensate from deeper horizons at the largely developed Tarkosalinskoye field; developing two smaller neighboring fields, Sterkhovoye and Termokarstovoye; increasing capacity of the Purovsky new gas condensate processing plant to 5 million metric tons; connecting the Yurkharovskoye field with the Purovsky plant via pipeline; and constructing a terminal and condensate fractionation unit at Ust-Luga.

Profitability

Novatek's profitability is high, with EBITDA margins of 47% in 2007 (compared with Gazprom's break-even performance on domestic sales). Very low production costs, diversification into profitable liquids, and low taxes on gas and condensate production help to offset very low gas prices.

In 2007, Novatek's lifting costs were only $0.58/boe (compared with about $3/barrel for Russian oils), and total production costs were only $5.26/boe (see table 4), which highlights the company's operating efficiency. In addition, Novatek's gas and condensate wells have virtually zero watercut compared to about 80% for some Russian oils, and, unlike oil wells, do not need frequent and costly workovers caused by wax accumulation. Novatek's costs are gradually increasing, with the key drivers — including ruble appreciation and regulated transportation costs — beyond the company's control. Nevertheless, the company has a very substantial margin of safety.

Table 4

OAO Novatek Costs And Revenues

$/boe	2005	2006	2007
Revenues/boe	6.68	7.96	10.53

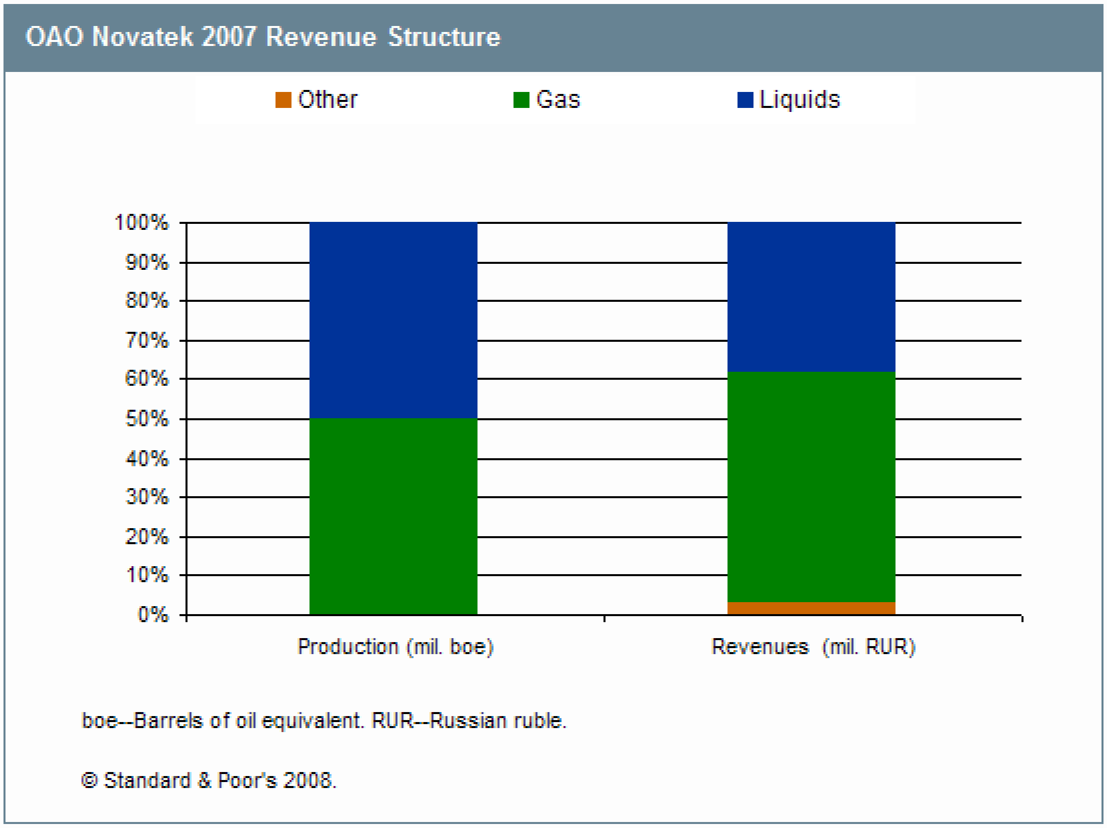
Table 4

OAO Novatek Costs And Revenues(cont.)			
Costs/boe	3.33	4.13	5.26
Lifting cost	0.52	0.45	0.58
Taxes other than income	0.85	1.07	1.19
Transportation expense	1.16	1.86	2.49
Other	0.17	0.13	0.34
DDA	0.63	0.62	0.66
Operating profit/boe	3.35	3.83	5.27
Liquids only			
Revenue/boe	24.36	40.85	50.97
Costs/boe	4.26	12.82	15.98
Lifting cost	0.52	0.45	0.58
Taxes other than income	0.54	3.3	4.14
Transportation expense	2.58	8.45	10.6
DDA	0.63	0.62	0.66
Operating profit/boe	20.1	28.02	34.99
Gas only (own production)			
Revenues/boe	4.46	5.06	6.79
Costs/boe	3.14	3.38	4.17
Lifting cost	0.52	0.45	0.58
Taxes other than income	0.9	0.95	1.01
Transportation expense	1.09	1.36	1.92
DDA	0.63	0.62	0.66
Operating profit/boe	1.32	1.68	2.61

boe--Barrels of oil equivalent. DDA--Depreciation, depletion, and amortization.

Novatek's profitability differs substantially between oil and gas. Although oil and condensate stand for only 9% of both reserves and production, they contribute 40% of revenues and an estimated 60% of EBITDA (see chart 3).

Chart 3



Gas is a low-margin utility-like business, where very low prices are offset by low costs and considerable volumes. Gas profitability is set to increase because regulated price increases are legislated.

Sales of liquids (particularly stabilized gas condensate) are commodity-like operations—highly profitable, but volatile. Novatek is free to export liquids, and transportation capacity is generally available. Accordingly, the company benefits from high international prices. Compared with other Russian oil companies, Novatek enjoys a considerably low tax burden. As a result, its operating income per barrel is much higher at about $35, despite higher transportation costs.

Financial Risk Profile

Accounting

Novatek reports under International Financial Reporting Standards on a quarterly basis and is comparable with its international peers in terms of timing and details. In line with our methodology, we adjust debt for post-retirement benefits and asset-retirement obligations.

Table 5

Reconciliation Of OAO NOVATEK Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. RUR)*

	--Fiscal year ended Dec. 31, 2007--						
OAO NOVATEK reported amounts							
	Debt	**Shareholders' equity**	**Operating income (before D&A)**	**Operating income (after D&A)**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**
Reported	6,611.0	81,335.0	29,099.0	25,365.0	263.0	21,383.0	21,383.0
Standard & Poor's adjustments							
Postretirement benefit obligations	492.0	(202.8)	156.0	156.0	18.0	(57.3)	(57.3)
Capitalized interest	--	--	--	--	139.0	--	--
Share-based compensation expense	--	--	176.0	--	--	--	--
Asset retirement obligations	804.1	--	--	--	--	--	--
Exploration costs	--	--	486.0	--	--	--	--
Reclassification of nonoperating income (expenses)	--	--	--	376.0	--	--	--
Reclassification of interest, dividend, and tax cash flows	--	--	--	--	--	132.0	132.0
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	1,699.0
Minority interests	--	477.0	--	--	--	--	--
Other	--	--	43.0	196.0	--	--	--
Total adjustments	1,296.1	274.2	861.0	728.0	157.0	74.7	1,773.7
Standard & Poor's adjusted amounts							
	Debt	**Equity**	**EBITDA**	**EBIT**	**Interest expense**	**Cash flow from operations**	**Funds from operations**
Adjusted	7,907.1	81,609.2	29,960.0	26,093.0	420.0	21,457.7	23,156.7

*Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts. RUR--Russian ruble.

Corporate governance/Risk tolerance/Financial policies

Novatek's ambitious production growth plan requires substantial capital expenditure. Capital expenditures were revised upwards in 2008, which will turn free cash flow generation negative in the years ahead, but the company had very low debt at year-end 2007 and the expected increase in leverage should be manageable.

Novatek has conservative financial targets of keeping net debt below annual EBITDA and maintaining its EBITDA net interest coverage ratio at 10x-15x. The company targets a dividend payout of 30% from 2008 onwards, which is below the targets of some of its peers. Since 2005, Novatek has avoided any sizeable acquisitions and has instead focused on organic growth.

Novatek's shareholding structure is as follows: 19.4% Gazprom, 44.1% management, and 36.5% free float. The board structure (two Gazprom representatives, two executives, and four independents, of which two represent government-related organizations) helps Novatek to coordinate its strategy with important stakeholders. Novatek plans to increase the number of directors to nine and appoint one more independent director.

Cash flow adequacy

In 2007, Novatek's FFO increased by 33% year on year to a record RUR23.2 billion as a result of higher prices. In the first quarter of 2008, FFO was RUR8.6 billion. Because Novatek's capital expenditures have increased substantially, to RUR19.7 billion in 2007 and RUR6.8 billion in the first quarter of 2008, FOCF has declined, but remained positive at RUR1.8 billion in 2007 and RUR2.9 billion in the first quarter of 2008. Strong cash flow in 2005-2007 helped debt repayment so that by year-end 2007, Novatek had virtually no debt. Coverage ratios are very strong, with FFO to total adjusted debt at 2.9x in 2007 and 4.2x in the 12 months ended March 2008.

Although heavy capital expenditures are likely to generate negative FOCF over the near term and may result in some debt build-up, we think the company has a substantial safety cushion and will retain comfortable credit metrics. In the absence of large acquisitions, we expect FFO/debt to stay above 100%, and debt to EBITDA comfortably within the company's conservative 1x target. Assuming some $0.5 billion in acquisitions in the next two years even without any contribution to cash flows from new assets, FFO/debt is likely to stay at 70%-80%, and debt to EBITDA at a comfortable 1x-1.5x.

Capital structure/Asset protection

Novatek's debt is currently very moderate. On March 31, 2008, the company had only RUR5 billion in on-balance sheet debt (RUR6.4 billion following our adjustments) against RUR5.2 billion in cash and RUR7.5 billion in unused credit facilities. In the second quarter of 2008, Novatek arranged a $800 million 3-year unsecured loan, mainly for capital spending. Accordingly, most of the company's debt is denominated in U.S. dollars, but the resulting currency risk is offset by dollar-denominated revenues from condensate exports, which account for about one-third of total revenues.

Table 6

OAO NOVATEK Peer Comparison*

	OAO NOVATEK	OAO Gazprom	OJSC Oil Company Rosneft	OAO Severstal	Hess Corp.	Pioneer Natural Resources Co.
Corporate credit rating as of July 28, 2008	BB+/Stable/--	BBB/Stable/--	BBB-/Stable/--	BB/Positive/--	BBB-/Stable/NR	BB+/Stable/--
Stand-alone rating	N/A	BB+	BB+	N/A	N/A	N/A
Revenues (Mil. $)	62,321.0	2,522,428.0	36,184.0	15,244.9	31,647.0	1,740.9
EBITDA	29,960.0	988,357.0	14,262.7	3,696.2	6,060.3	1,235.0
Net income from cont. oper.	18,736.0	492,747.0	12,862.0	1,936.0	1,832.0	242.0
Funds from operations (FFO)	23,156.7	536,660.0	8,713.8	2,832.1	4,002.1	923.3
Cash flow from operations	21,457.7	536,660.0	5,942.8	2,474.2	3,864.1	731.6
Capital expenditures	19,666.0	477,780.0	6,062.0	1,557.8	3,660.6	2,103.5
Free operating cash flow	1,791.7	58,880.0	(119.2)	916.4	203.5	(1,371.9)
Cash and short-term investments	4,018.0	241,140.0	1,336.0	300.7	607.0	12.2
Debt	7,907.1	1,137,572.0	29,241.9	1,959.0	6,433.4	3,483.3

Table 6

OAO NOVATEK Peer Comparison*(cont.)

Equity	81,609.2	5,201,876.0	28,717.0	10,210.7	9,774.0	3,047.8
Oper. income (bef. D&A)/revenues (%)	47.0	39.2	39.2	24.2	18.5	54.2
EBIT interest coverage (x)	62.1	13.6	6.2	9.6	8.6	3.1
EBITDA interest coverage (x)	71.3	16.1	8.2	12.0	12.6	6.8
Return on capital (%)	29.3	15.2	20.0	26.3	23.6	8.0
FFO/debt (%)	292.9	47.2	29.8	144.6	62.2	26.5
Debt/EBITDA (x)	0.3	1.2	2.1	0.5	1.1	2.8

*Fully adjusted (including postretirement benefit obligations, capitalized operating leases, excess cash, and other items, as appropriate); detailed accounting information can be found in each company's full report--article type "Analyses"--on RatingsDirect. N/A--not applicable.

Table 7

OAO NOVATEK Financial Summary*

	--Fiscal year ended Dec. 31--				
(Mil. RUR)	**2007**	**2006**	**2005**	**2004**	**2003**
Revenues	62,321.0	49,373.0	38,477.0	24,615.0	16,058.0
EBITDA	29,960.0	23,755.0	19,482.0	7,895.0	3,521.0
Net income from continuing operations	18,736.0	14,079.0	13,697.0	5,694.0	3,281.0
Funds from operations (FFO)	23,156.7	17,416.0	12,682.0	4,866.0	1,820.0
Cash flow from operations	21,457.7	16,884.0	9,332.0	4,291.0	3,028.0
Capital expenditures	19,666.0	4,770.0	4,433.0	5,362.0	3,117.0
Free operating cash flow	1,791.7	12,114.0	4,899.0	(1,071.0)	(89.0)
Cash and short-term investments	4,018.0	5,738.0	2,956.0	3,003.0	1,618.0
Debt	7,907.1	3,708.6	9,094.0	24,000.0	7,821.0
Equity	81,609.2	68,676.0	57,549.0	45,072.0	12,013.0
Oper. income (bef. D&A)/revenues (%)	47.0	46.8	49.4	31.3	21.2
EBIT interest coverage (x)	62.1	24.4	17.9	10.3	9.7
EBITDA interest coverage (x)	71.3	29.6	17.4	9.1	6.7
Return on capital (%)	29.3	25.1	26.2	17.9	29.9
FFO/debt (%)	292.9	469.6	139.5	20.3	23.3
Debt/EBITDA (x)	0.3	0.2	0.5	3.0	2.2

*Fully adjusted (including postretirement obligations).

Ratings Detail (As Of July 28, 2008)*

OAO NOVATEK	
Corporate Credit Rating	BB+/Stable/--
Russia National Scale Rating	ruAA+/--/--
Corporate Credit Ratings History	
11-Jul-2008	BB+/Stable/--
26-Sep-2007	BB/Positive/--
28-Jun-2007	BB-/Positive/--
17-Mar-2006	BB-/Stable/--

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Ratings Detail (As Of July 28, 2008)***(cont.)**		
11-Jul-2008	*Russia National Scale Rating*	ruAA+/--/--
26-Sep-2007		ruAA/--/--
17-Mar-2006		ruAA-/--/--
Business Risk Profile		Weak
Financial Risk Profile		Intermediate

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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