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## The Republic of Sakha (Yakutia)

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### Key rating assessment factors

Credit rating components	
<b>Institutional factor</b>	
Final assessment	0.05
<b>Regional economy</b>	
Assessment prior to adjustment	0.17
Final assessment	0.17
<b>Budget structure and budget discipline</b>	
Final assessment	0.18
<b>Debt load</b>	
Assessment prior to adjustment	0.19
Final assessment	0.20
<b>Budget liquidity</b>	
Final assessment	0.11
<b>Credit rating</b>	<b>A(RU)</b>
<b>Outlook</b>	<b>Stable</b>

The economy of [the Republic of Sakha \(Yakutia\)](#) (hereinafter, the Republic, or the Region) is determined by the mining industry dynamics and natural and climatic conditions. The largest diamond deposits as well as gold and fossil fuels deposits are located in the Republic. The mining industry accounts for up to a half of the Region's GRP. Diamond mining and extraction of crude oil have the highest share in the minerals production structure. Harsh climate limits social and economic development in the Region as well as diversification of its economy.

**Fiscal discipline is driven by high mandatory spending and industry concentration of tax revenues.** Limited diversification of the economy bears risks for the budget: according to ACRA estimates, around a half of tax revenues of the Region's budget and 80% of corporate income tax revenues are generated by the mineral production sector. However, the effective practice of leveling-off ruble-denominated revenues of the largest mining company enables mitigating fluctuations related to economic environment and other factors. Mandatory spending is high: it amounted to 72% of expenses in 2014-2017 on average, due to which the operating balance never exceeded 23% of regular revenues in the above period. According to ACRA estimates, the average operating balance level may decline to 18% in 2018-2019. In view of high mandatory spending, capital expenditures of the budget are low. Their average share in the total budget spending was 12% in 2014-2017 (since 2015, the major share of capital expenditures are made by the Region on its own account). In the medium term, capital expenditures may decrease as the program for resettlement from condemned buildings is nearing its end. Taking into consideration the industry specifics of annual capital expenditures of the Republic, the spending cut by reducing capital expenditures will not exceed 1% of the total budget spending.

**Debt load on the Region's budget corresponds to the minimum risk; it is, however, compounded by the need to support public sector enterprises.** Debt load estimates correspond to the minimum risk category taking into account that amortizing bonds and fiscal loans prevail in the debt structure, and that debt repayment schedule (in view of the planned restructuring of fiscal loans) provides for no refinancing. As at year-end 2017, the Republic's debt will equal 1.09x of the operating balance. The 2017 operating balance after interest payments exceeds the debt repayment amount five times. The current cost of debt of the Republic is assessed as unburdensome. The debt portfolio is laden with guarantees issued for the benefit of public sector enterprises in order to support population of the Extreme North territories. ACRA expects that the share of guarantees

will account for 26% of the debt portfolio as at the end of the year. Considering social importance and financial position of public sector enterprises, the Agency deems expedient to record debt of some of them as secondary obligations of the government. According to ACRA estimates, the debt of such enterprises equaled RUB 12.4 bln as at year-end 2016.

**High liquidity.** In accordance with the Budget Code of the Russian Federation, the Region's administration has no right to have deposits with banks. The Region has necessary liquidity to timely perform expenditure commitments including interest payments. However, as the balances on budget's accounts as at month start are predominantly below current month expenses, the Region may require financing to cover expected cash gaps, which it closes by short-term loans from the Federal Treasury Department to add funds to budget accounts. The amount of loans raised from the Federal Treasury Department in 2016 was insignificant, and in 2017, loan utilization equaled around a quarter of monthly own revenues of the budget.

## Key assumptions

- The Region's economy continues to depend on the behavior of the key mineral production industry;
- Pursuing a countercyclical budget spending policy;
- Non-repayable receipts from a higher budget in 2019 are maintained at the 2018 level;
- Maintaining a well-balanced debt policy in the forecast period including raising long-term debt with a comfortable repayment schedule;
- Restructuring of fiscal loans.

## Potential outlook or rating change factors

The **Stable outlook** assumes that the rating will most likely stay unchanged within the 12 to 18-month horizon.

### A positive rating action may be prompted by:

- Increase of share of manufacturing with high added value;
- Growth of tax revenues as a result of financial position improvement of large taxpayers and launch of large investment projects.

### A negative rating action may be prompted by:

- Change in the debt policy and repayment structure of the debt;
- Decline of tax and non-tax revenues in the prevailing industry and inability to lower the mandatory spending of the budget;
- Deterioration of financial position of public sector enterprises and the need to provide unplanned support.

## Brief information about the Region

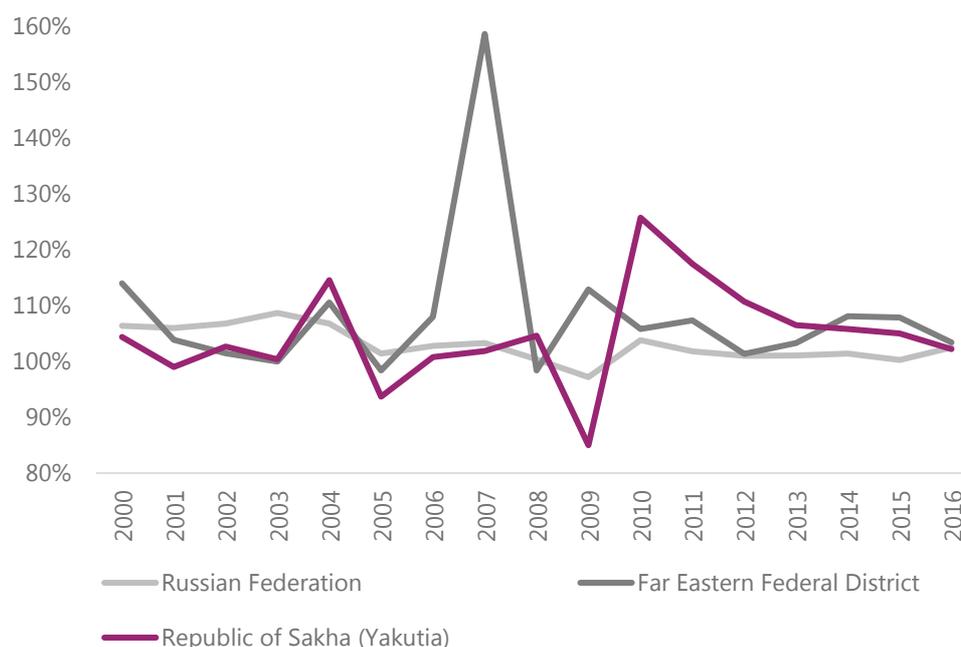
The Republic of Sakha (Yakutia) is part of the Far-Eastern Federal District and borders seven Russian regions. The Republic is the largest region of Russia in terms of territory (occupying almost one fifth of Russia's territory), while it is entirely located in the Extreme North area. The Republic's population is only 963,000 people (0.7% of Russia's population). The Region's GRP ran into RUB 792 bln in 2016 (it was RUB 750 bln, or 1.2% of the total GRP of Russia, in 2015).

90% of Russian diamonds (around a quarter of global production) are mined in the Republic.

In 2015, the Region's GRP structure was as follows: extraction of minerals (48%); transportation and communications (8%); construction (7%); wholesale and retail trade and repairs (7%); other industries (30%).

Mining Industry Index (MII) of the Region has weak correlation with the MII of Russia and MII of the Far-Eastern Federal District due to the specifics of the major commodity extracted.

Figure 1. Mining Industry Index of the Republic of Sakha (Yakutia)



Source: Federal State Statistics Service

## Key rating assessment factors

### Institutional factor

The budget process is described by a cautious approach to planning; changes in the revenue side of the Republic's budget within one year are related to the changes in the amount of inter-budget transfers from the federal budget.

The government's ability to stimulate economic development in municipalities is assessed as fairly high. The Republic has statutory unified fiscal charges to municipal budgets from personal income tax, mineral extraction tax as well as taxes charged in the context of the simplified taxation regime. The comprehensive income tax is credited to municipal budgets in full.

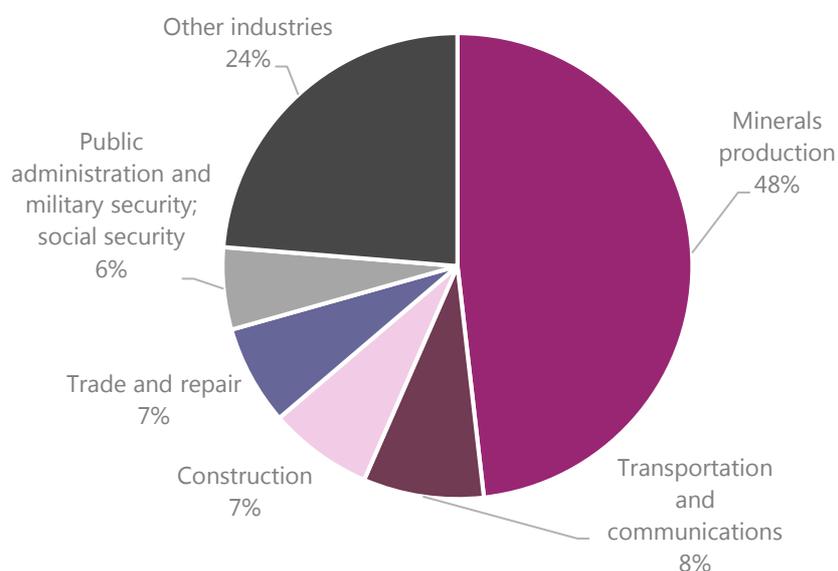
Despite the measures taken, non-repayable receipts represent the bulk of revenues of the municipalities (on average 82% in 2014-2016) due to significant differences in social and economic development of municipalities and their taxation capacities. Personal income tax revenues generate two thirds of the rest (18%) of the total revenues.

Aggregate debt load of the municipalities is stable and low. In 2016, it totaled 12% of own revenues of the municipal budgets. Bank loans accounted for 42% of debt in 2016. Interest expenses are low: 0.1% of total expenses of the municipal budgets.

### Mineral production industry dynamics and natural and climate conditions determine the Region's economy

The Region's GRP totaled RUB 750 bln in 2015. This indicator is expected to reach RUB 792 bln in 2016.

**Figure 2. GRP profile of the Republic of Sakha (Yakutia) by economic activity types, 2015**

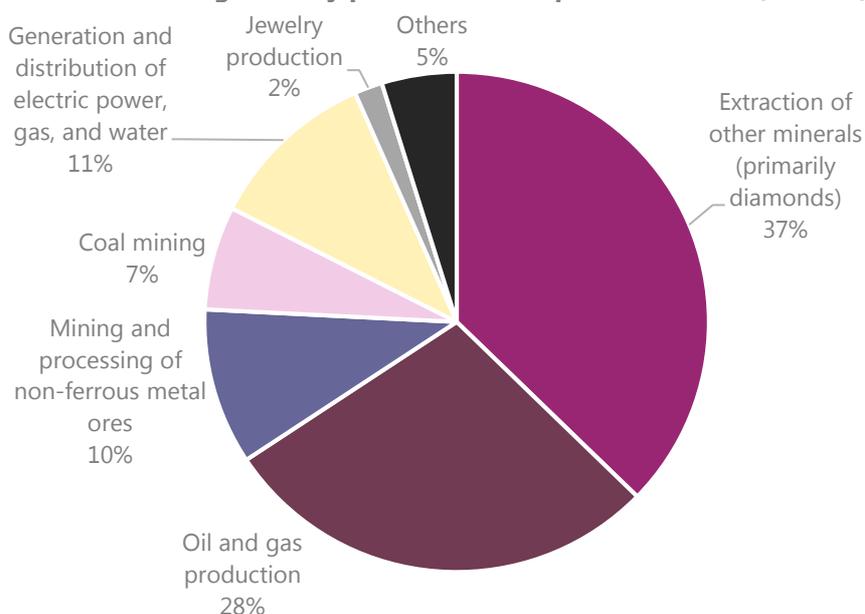


Source: Federal State Statistics Service

The core of the Republic's economy is minerals production industry generating almost half of GRP and over 80% of the industrial output. Around 90% of diamonds mined in Russia are produced in the Republic (mainly by ALROSA Group companies) as well as 4% of the Russian coal (Mechel, Kolmar), 2% of crude oil (Surgutneftegaz, Rosneft) and around 8% of gold. In addition, a substantial share of Russian tin reserves and other minerals are located in the Region.

Power, gas and water generation and distribution account for slightly over 11% of the Republic's industrial output (4% of GRP), and the manufacturing industry accounts for around 5% (a little over 1% of GRP). Diamond cutting industry has been developing for the last twenty years in the Republic. According to the Republic's government, Yakutia's diamond producers account for a little over 20% of the total Russian output.

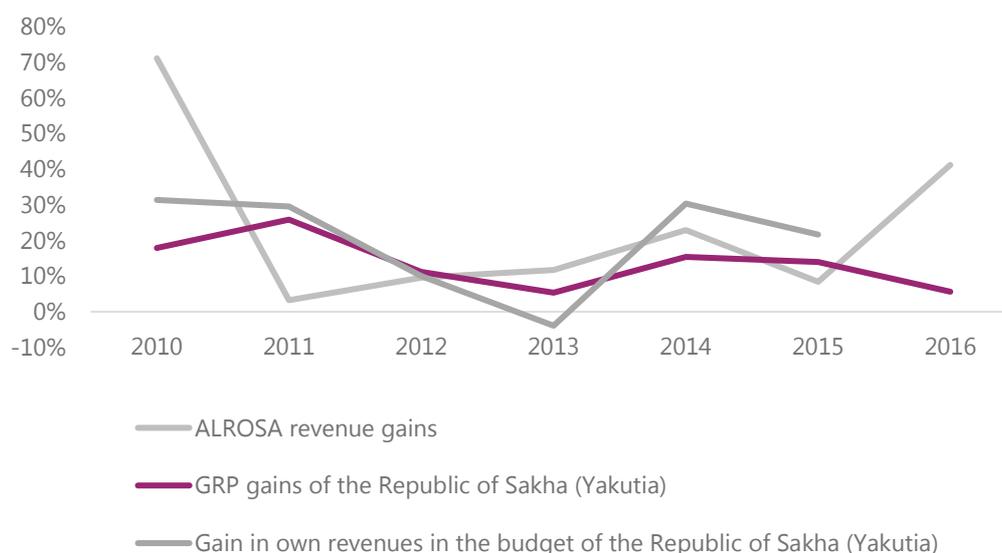
**Figure 3. Manufacturing industry profile of the Republic of Sakha (Yakutia), 2015**



Source: The Republic of Sakha (Yakutia)

The share of transportation and communications was 8% in the Region's GRP in 2015. The pipeline transport is the main transport generating the highest share of tax revenues of the Republic's budget. A significant portion of the ESPO pipeline is located in the Republic as well as the Power of Siberia natural gas pipeline under construction (the latter enjoys a 0% property tax rate). The share of the construction sector in GRP is supported by virtue of large investment projects (Chayanda field development and the Power of Siberia natural gas pipeline construction).

**Figure 4. Evolution of GRP and own revenues of the Republic of Sakha (Yakutia); evolution of ALROSA's RUB-denominated revenues.**



Source: Federal State Statistics Service, the Republic of Sakha (Yakutia), Federal Treasury, SPARK-Interfax, ACRA estimates

Gemstones, precious metals, and respective wares have the highest relative share (88%) in the exported goods and commodities structure.

The mineral production industry generates more than a half of tax revenues<sup>1</sup> of the Region's budget.

Revenues from top ten taxpayers generate over a half of tax revenues of the Republic's consolidated budget; in addition, the largest taxpayer accounts for over a quarter of the revenues. A dependence that high poses risks for the budget, which have partially materialized in 2016.

The largest companies in terms of revenues that are registered in the Region operate in the industries generating the major portion of GRP (minerals production, transportation and communications, and trade).

**Table 1. The largest companies in terms of revenues incorporated in the Republic of Sakha (Yakutia), 2016**

Company	Owners	Activity type	2016 revenues, RUB bln	2016 net income, RUB bln
ALROSA	Rosimushchestvo (Federal Agency for State Property Management) (50.93%); Ministry for Property and Land Relations of the	Diamond mining	250	149

<sup>1</sup> \* Corporate income tax, personal income tax, property tax, and transport tax data were used in the analysis.

	Republic of Sakha (Yakutia) (32%)			
Alrosa-Nurba	ALROSA (87.49%)	Diamond mining	47	18
JSC HC Yakutugol	Mechel Mining (100%)	Coking coal open-pit production	40	14
Taas-Yuryakh Neftegazodobycha OOO	OOO RN Upstream (50.10%); TAAS INDIA PTE. LTD (29,90%); BP Russian Investments Limited (20%)	Crude oil production	31	3
PJSC Yakutskenergo	RAO Energy Systems of the East (47.39%)	Fossil-fuel generation	26	0
OOO "Sever-Tsentr"	Individual, a citizen of the Russian Federation (100%)	Real estate	18	0
JSC "Sakhaneftegazsbyt"	Ministry for Property and Land Relations of the Republic of Sakha (Yakutia) (100%)	Wholesale fuel trade	11	0
JSC "Air company "Yakutia"	Ministry for Property and Land Relations of the Republic of Sakha (Yakutia) (88.02%)	Passenger aircraft operations	10	0
JSC "SakhaEnergo"	PJSC "Yakutskenergo" (100%)	Electric power generation	8	0
LLC "DDK"	Prime International DMCC (100%)	Diamond polishing	8	0

Source: SPARK-Interfax, The Republic of Sakha (Yakutia)

The share of investments in the Republic's GRP totaled 26.7% in 2015, which is significantly higher than the national average. In 2016 and the forecast period of 2017-2019, the investment share in GRP would grow by virtue of large projects implemented in the Republic (construction of The Power of Siberia main gas pipeline, construction of facilities in the Chayandinskoye OGCF, exploitation of deposits in the western and arctic parts of the Republic).

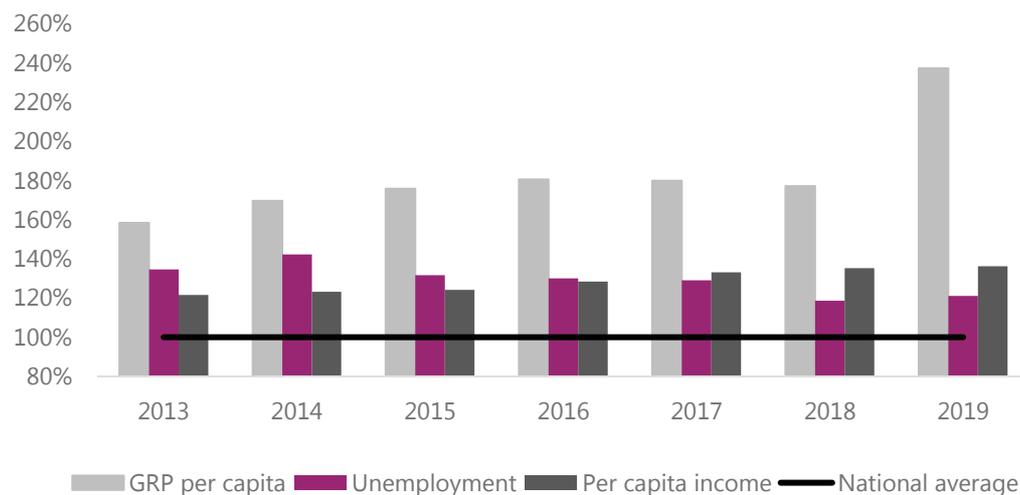
According to 2016 estimates, investments into extractive industries (RUB 198.1 bln) accounted for 57.8% of the total fixed investments, RUB 119.1 bln of which were invested into oil and gas projects (excluding the Power of Siberia pipeline), RUB 41 bln into coal industry projects, and RUB 29.6 bln into diamond industry projects.

The breakdown of investments by economic activity corresponds to the GRP structure: funds are primarily channeled into the mineral resources industry (43% in 2015) and transport and communications sector (21%); while breakdown by fixed assets shows that investments into industrial facilities, machinery, equipment, and transport facilities dominated in 2010-2015 (over 80% on aggregate). According to the estimates by the Republic's Government, investments into extraction industry would run into 58% of the total investments in 2016, with oil & gas projects accounting for over half of investments, and 20% attributed to the coal-mining industry and 15% to the diamond industry.

The average pay in the Republic is consistently above the national (ranking 10th among Russian regions) and Far Eastern Federal District (by some 20%-25%) average figures. The difference between the wages in the Region and the national and federal district averages increases, which helps grow the tax base of the Republic's budget. The average per capita income exceeds the national average by 26% (2013 data including 2017 forecast), and this indicator also increases year-over-year.

The population dynamics since 2000 was wave-shaped, but after 2014 the Republic's population grows consistently. Numbers illustrate these trends: Population growth in 2000-2017 was only 328 people, while increasing by 8,032 people in 2014-2017. Alongside with the long-term positive natural increase ratio migration outflow is noted. Share of population younger than the working-age population is substantially (by 7 pps) higher than the national average by virtue of the population share older than the working-age population being almost 9 pps below the national average. The unemployment is consistently above the national average figures.

**Figure 5. Economy metrics of the Republic of Sakha (Yakutia) versus national average figures (100%)**



Source: The Republic of Sakha (Yakutia), Federal State Statistics Service

The Region exhibits moderate urbanization level (two thirds of population live in urbanized areas) and the medium transport infrastructure development (as the motorway density is objectively low, water and air transportation is used). The management quality in the housing and utilities sector as well as social infrastructure development are assessed as neutral.

#### **Fiscal discipline is driven by high mandatory spending and industry concentration of tax revenues.**

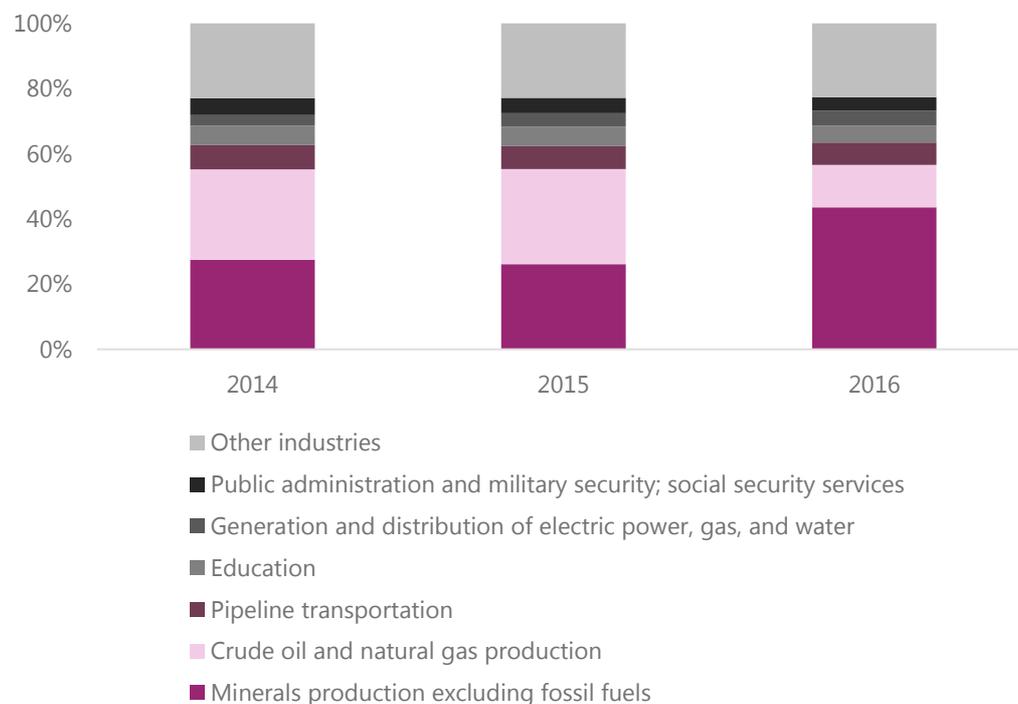
The Republic's budget exhibits low but consistently increasing share of own revenues: In 2013, it stood at 55%, and it is expected at 67% in 2017. Grants constitute over half of budget transfers.

Over a third of own revenues of the Region depends on the corporate income tax, the major portion of which (around 80% annually in 2014-2016) was generated by the extractive industry companies. However, corporate income taxes paid by oil&gas companies fell by over a half in 2016. This can be explained by extraordinary expenses of the largest oil producer resulting from accumulated foreign exchange differences on foreign currency deposits amid stronger ruble and lower average crude oil prices. The mineral extraction tax (MET) accounts for a significant share in the Republic's budget (from 16% to 24% of own revenues), and in particular MET on diamond mining, which is accumulated by the regional budget in full. MET revenues are comparable to personal income tax revenues.

The transportation tax rate has a growth limit, however, the share of this tax is extremely low: 0.8% of own revenues of the Republic's budget versus 1.9% on average in Russia in 2016. The shortfall in property tax resulting from the benefits established by the Region is small (1.3% of own budget revenues in 2016). In the period under review, regional taxes averaged 12% of own revenues.

According to ACRA estimates, the extractive industry generates over half of revenues of the Republic's budget: led by the diamond industry (around 30% of the total annual revenue in 2014-2016) and followed by fossil fuels extraction sector (around 25% of the total annual revenues in the above period). Tax revenues exhibit low diversification level: Top ten taxpayers generate over half of the Region's tax revenues, and the largest taxpayers over a quarter thereof.

**Figure 6. Industry profile of tax revenues\* of the Republic of Sakha (Yakutia) in 2014-2016**



\* Corporate income tax, personal income tax, property tax, and transport tax data were used in the analysis.

\*\* The following transactions are taken into consideration: real estate transactions, car and equipment rentals without operators; household goods and personal items rentals; activities related to utilization of computer equipment and information technology; scientific research and development; other types of services.

Source: Federal Tax Service, ACRA estimates

Mandatory spending of the Region is high: Averaging 72% of expenses in 2014-2017, driving the operating balance to around 23% of regular income in the above period. ACRA assesses the average operating balance level at above 18% in 2018-2019. If the amount of own revenues declines by 7% of the planned level as used in the ACRA's stress test, the operating balance would drop to 13% of regular income.

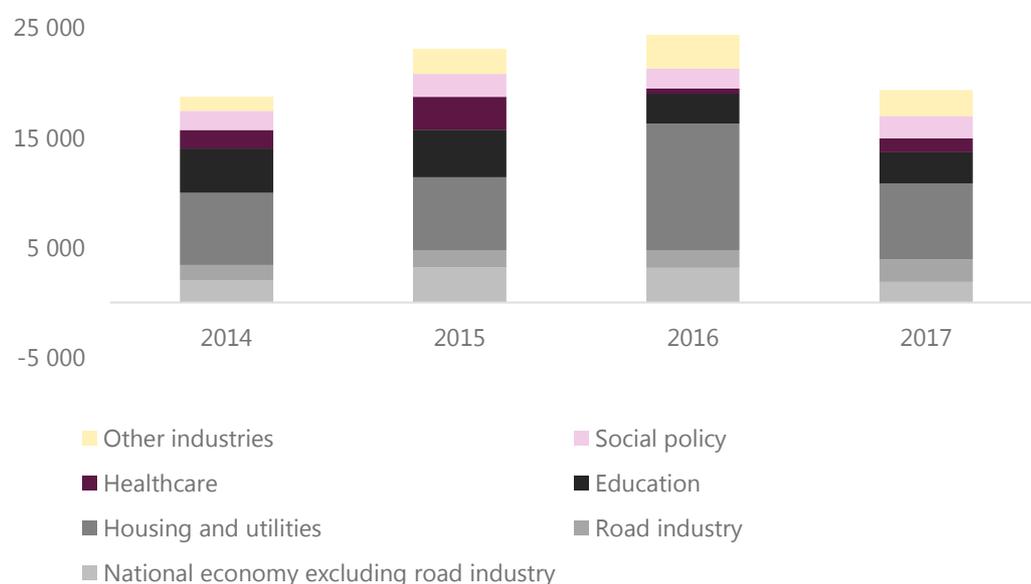
Capital expenditures are low. In 2014-2017, their share in total expenses of the regional budget averaged 12%. Since 2015, the bulk of the Region's capital expenditures are made from own funds. From a third to a half of capital expenditures are made in the housing and utilities sectors, in particular to finance the relocation program for inhabitants of condemned buildings; however, capital expenditures are expected to decrease in 2018-2019 as the program will phase out.

**Table 2. Budget discipline assessment of the Republic of Sakha (Yakutia)**

	2014	2015	2016	2017 (E)
Share of own revenues in the budget	Medium	Moderate	Moderate	Moderate
Share of mandatory spending of the budget	Below medium	Below medium	Below medium	Medium
Operating balance	Medium	Medium	Medium	Moderate
Share of capital expenditures of the budget	Medium	Medium	Medium	Below medium

Source: ACRA estimates

In view of the capital expenditures structure in the context of economic classification, the budget's margin for cutting budget expenses in favor of non-capital expenditures may total at most a tenth of capital expenditures of the regional budget excluding transfers, i.e. at most 1% of the total budget expenses.

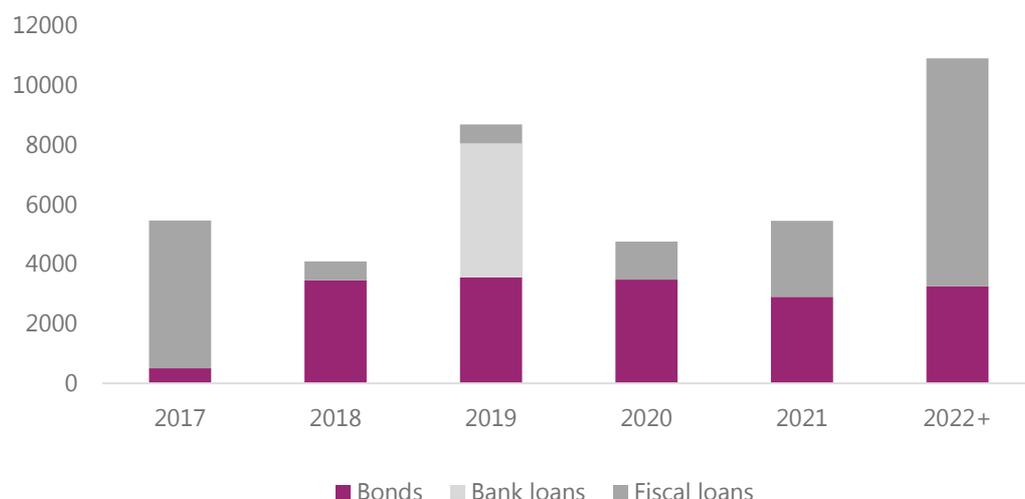
**Figure 7. Capital expenditures profile of the Republic of Sakha (Yakutia)**

Source: The Republic of Sakha (Yakutia), ACRA estimates

**Debt load on the Region's budget corresponds to the minimum risk; it is, however, compounded by the need to support public sector enterprises.**

The Republic uses long-term market instruments and fiscal loans to finance budget deficit. In 2013-2016, the share of fiscal loans increased from 7% to 30% and the share of bonds and bank loans decreased from 64% to 46%. The Region's government maintains a repayment schedule acceptable by amounts and maturities: in view of the planned restructuring of fiscal loans in the next 15 months (from October 2017 and throughout 2018), the Republic has to repay 24% of its financial debt (excluding guarantees), and 22% of it in 2019.

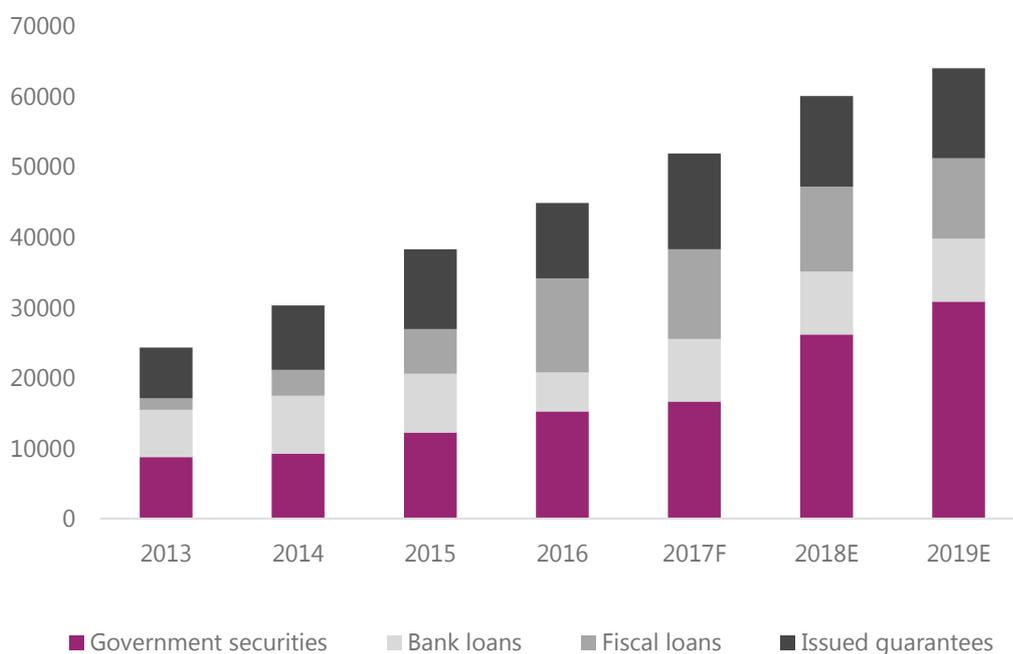
**Figure 8. Debt repayment schedule of the Republic of Sakha (Yakutia) excluding guarantees**



Source: The Republic of Sakha (Yakutia), ACRA estimates

In view of the ACRA's conservative forecast for revenues (including uncompensated receipts) and the need to finance deficit (which, in ACRA's opinion, would be made by issuing bonds), the Region may be forced to violate the terms and conditions of fiscal loan agreements in 2018-2019.

**Figure 9. Debt profile assessment of the Republic of Sakha (Yakutia) and deficit financing needs, RUB bln**



Source: The Republic of Sakha (Yakutia), ACRA estimates

The debt to operating balance ratio of the Republic's budget is at a consistently comfortable level. As at year-end 2017, the debt to operating balance ratio would equal 1.09, which is assessed as a moderate risk level. The operating balance after interest payments is more than five times higher than debt repayment amount in 2017 (minimum risk). If the operating balance declines in 2018, the indicators may deteriorate: debt to

operating balance may grow above 2x, and current debt repayment coverage by the operating balance may drop to 1.6x.

Interest expenses to operating balance ratio is at a minimum (5% on average). The above ratio would not exceed 9%, which corresponds to a low risk. The current cost of debt of the Republic is assessed as unburdensome.

The Region issues guarantees to public sector enterprises: the average share of guarantees in the public debt structure equaled 28% in 2013-2016 and, according to ACRA's expectations, would run into 26% by year-end 2017. State guarantees are provided only to ensure support of population in the regions of the Extreme North and equivalent regions as well as in order to support agribusiness (food production).

As at the current date, the bulk of guarantees (38%) were issued in favor of State Unitary Enterprise "Housing and Utilities of the Republic of Sakha (Yakutia)". A significant portion of guarantees also covers JSC "Sakhaneftegazsbyt", OJSC "LORP", OJSC "AK "Yakutia Railways", and other companies fully or partially owned by the Republic (or by municipal entities). No cases occurred in the past where a beneficiary filed a claim under a guarantee.

ACRA's stress test under which the Region's own revenues and capital and other expenses decrease involves a deterioration of debt to operating balance ratio above 3x, while operating balance less interest expenses to debt repayment ratio would run into 1x in the current period. The region's credit rating is sensitive to such hypothetical changes.

Debt of public sector companies in the Region that, in ACRA's opinion, may require support amounted to RUB 17.2 bln as at January 1, 2017. Aid to public sector companies may be provided in form of capital injections and reimbursement of a portion of expenses. It is clear that the above support practice will continue. Debt of public sector companies is partially guaranteed by the Republic's budget. Considering social importance and financial standing of the public sector enterprises, ACRA believes reasonable to record debt of some of the above companies as secondary liabilities of the government. According to ACRA estimates, debt of such enterprises amounted to around RUB 12.4 bln as at year-end 2016.

There is no information available regarding material amounts of the Region's commercial obligations that may affect its creditworthiness.

Restructuring of fiscal loans granted to finance construction and renovation of motorways that took place in 2014 was not of a forced nature.

As at January 1, 2017 and July 1, 2017, there were no overdue payables.

ACRA has no information on overdue interest or principal payments, on violation of any covenants set forth in loan agreements or cases of extraordinary support from a higher-level budget to repay loans.

### **High liquidity.**

The Republic's Government has no right to place deposits with banks.

The Region has necessary liquidity to timely perform its expense obligations including interest payments. However, free cash on budget accounts as at month start is below current month expenses in the majority of cases. The Region requires financing of projected cash gaps and raises short-term loans from the Federal Treasury Department to replenish cash balance on budget accounts of the region. Loans raised from the Federal Treasury Department are small: In 2016 and in 2017 to-date, such loans averaged around a quarter of the monthly own revenues of the budget.

Figure 10. Liquidity balance\* of the Republic of Sakha (Yakutia), RUB bln



\* Free cash available on accounts as at month start exceed budget expenses for the month.

Source: The Republic of Sakha (Yakutia), ACRA estimates

As at the time of the analysis, the Region had no effective contracts with any commercial banks. The Region uses short-term loans from the Federal Treasury Department for its short-term liquidity needs.

## Additional adjustments

None.

## Issue ratings

### ACRA assigns AAA(RU) to:

The Republic of Sakha (Yakutia), 35005 (ISIN RU000A0JTVM6), redemption: April 24, 2018; issue volume: RUB 2.5 bln; outstanding: RUB 0.75 bln — **A(RU)**.

The Republic of Sakha (Yakutia), 35006 (ISIN RU000A0JUQH4), redemption: July 2, 2021; issue volume: RUB 2.5 bln; outstanding: RUB 1.25 bln — **A(RU)**.

The Republic of Sakha (Yakutia), 35007 (ISIN RU000A0JVEH8), redemption: May 14, 2020; issue volume: RUB 5.5 bln; outstanding: RUB 4.25 bln — **A(RU)**.

The Republic of Sakha (Yakutia), 35008 (ISIN RU000A0JWGT6), redemption: May 18, 2021; issue volume: RUB 5.5 bln; outstanding: RUB 5.5 bln — **A(RU)**.

The Republic of Sakha (Yakutia), 35009 (ISIN RU000A0JXR43), redemption: May 16, 2024; issue volume: RUB 5 bln; outstanding: RUB 5 bln — **A(RU)**.

**Rationale.** In ACRA's opinion, the above bonds issued by the Republic of Sakha (Yakutia) are senior unsecured debt instruments, and their credit rating is equal to the rating assigned to the [Republic of Sakha \(Yakutia\)](#).

## Rating history

None.

## Regulatory disclosure

The credit ratings have been assigned to the Republic of Sakha (Yakutia) and to bonds issued by the Republic of Sakha (Yakutia) (RU000A0JTVM6, RU000A0JUQH4, RU000A0JVEH8, RU000A0JWGT6, RU000A0JXR43) under the national scale for the Russian Federation based on the [Methodology for Credit Rating Assignment to Regional and Municipal Authorities of the Russian Federation](#) and the [Key Concepts Used by the Analytical Credit Rating Agency Within the Scope of Its Rating Activities](#). In the process of credit rating assignment to the above issues, the Methodology for Assigning Credit Ratings

to Individual Issues of Financial Instruments under the National Scale of the Russian Federation was also used.

The credit rating has been assigned to the Republic of Sakha (Yakutia) for the first time. The credit rating and credit rating outlook are expected to be revised within 182 days following the rating action (November 3, 2017).

The credit rating has been assigned to the bonds of the Republic of Sakha (Yakutia) (RU000A0JTVM6, RU000A0JUQH4, RU000A0JVEH8, RU000A0JWGT6, RU000A0JXR43) for the first time. The credit rating is expected to be revised within 182 days following the rating action (November 3, 2017).

The credit rating was assigned based on the data provided by the Republic of Sakha (Yakutia), information from publicly available sources (the Ministry of Finance, the Federal State Statistics Service, and the Federal Tax Service), as well as ACRA's own databases. The credit rating is solicited, and the Republic of Sakha (Yakutia) participated in its assignment.

No material discrepancies between the data provided and the data officially disclosed by the Republic of Sakha (Yakutia) in its financial reporting have been discovered.

ACRA provided no additional services to the Republic of Sakha (Yakutia). No conflicts of interest were discovered in the course of credit rating assignment.

## Appendix

Table 1. Consolidated financials of the Republic of Sakha (Yakutia)

	2014	2015	2016 (E)	2017 (F)	2018 (F)	2019 (F)
GRP, RUB mln	658,140	749,988	792,009	847,915	899,926	938,302
GRP growth rate	15%	14%	6%	7%	6%	4%
Real GRP growth rate	0%	2%	2%	3%	2%	1%
GRP per capita, RUB	688,540	782,629	823,979	879,489	930,926	1,347,748
GRP per capita (% of national average)	170%	176%	178%	180%	179%	246%
Unemployment (% of total number of employed)	7.4%	7.3%	7.2%	7.1%	7.0%	6.9%
Unemployment (% of national average)	142%	132%	130%	129%	119%	121%
Average monthly per capita income, RUB	34,205	37,805	39,467	42,589	45,121	47,950
Average per capita income (% of national average)	123%	124%	128%	133%	135%	136%
Degree of economic diversification (estimated value),						
<i>Share of the largest sector/ company in GRP</i>	45%	48%	17%			
<i>Share of the largest taxpayer</i>	25%	28%	33%	34%		
<i>Largest sector/company share in employment</i>	18%	18%	18%	18%		

Source: Republic of Sakha (Yakutia), ACRA estimates

Table 2. Consolidated budget financials of the Republic of Sakha (Yakutia), RUB mln

	2014	2015	2016	2017 (E)	2018 (E)	2019 (E)
<b>Budget revenues</b>	155,216	167,697	175,100	186,978	171,763	176,953
<b>Budget expenses</b>	-158,853	-171,799	-182,596	-193,375	-180,676	-180,993
Tax and non-tax revenues	83,985	102,220	111,985	122,506	120,387	125,577
including:						
Taxes	76,357	92,225	100,254	99,999	0	0
including:						
Profit tax	33,450	34,021	43,947	40,377	40,869	43,908
Personal income tax	17,296	18,440	20,155	21,530	23,322	25,057
Commodity taxes	2,285	2,410	3,721	2,985	2,956	3,294
Property tax	9,578	12,958	13,375	13,698	14,880	15,273
Mineral extraction tax	13,733	24,377	19,036	21,304	21,988	23,036
Other proceeds	7,628	9,995	11,731	22,508	22,508	22,508
Transfers	71,231	65,477	63,115	64,472	51,376	51,376
Regular income	150,780	161,911	169,075	179,785	160,015	163,907
Mandatory expenses	-116,589	-126,057	-135,029	-132,214	-133,138	-133,456
<b>Operating balance</b>	34,191	35,854	34,047	47,571	26,877	30,451
Interest expenses	-1,406	-1,902	-1,967	-2,304	-2,304	-2,304
Interest income	193	266	246	163	73	23
Other expenses	-22,115	-20,739	-21,210	-39,519	-25,896	-25,896
Other income	4,231	5,517	5,772	7,027	11,673	13,021
Capital expenses	-18,744	-23,101	-24,390	-19,338	-19,338	-19,338
Capital income	12	4	8	2	2	2
<b>Deficit/Surplus</b>	-3,637	-4,102	-7,496	-6,397	-8,913	-4,040
Debt raising	8,973	9,303	25,482	26,295	12,999	12,710
Debt repayment	-4,927	-3,467	-18,295	-22,170	-4,086	-8,670
Debt repayment, debt book			0	-8,115	-15,209	-16,219

Source: Republic of Sakha (Yakutia), ACRA estimates

Table 3. Consolidated debt burden indicators of the Republic of Sakha (Yakutia), RUB mln

	2014	2015	2016	2017 (E)	2018 (E)	2019 (E)
Market debt	17,468	20,607	20,769	25,559	35,108	39,784
Short-term market debt			4,660			
Long-term market debt			16,109			
Non-market debt	3,664	6,362	13,386	12,721	12,085	11,449
Issued guarantees	9,180	11,324	10,742	13,644	12,884	12,789
Total debt	30,312	38,293	44,898	51,924	60,836	64,877
Account balance at period end	4	1	2			
Net debt	30,308	38,292	44,896	51,924	60,836	64,877
Relevant public sector debt			12,392	12,392		
Augmented debt including public sector debt	30,308	38,292	57,287	64,315	60,836	64,877

Source: The Republic of Sakha (Yakutia), ACRA estimates

Table 4. Consolidated key financial ratios of the Republic of Sakha (Yakutia)

	2014	2015	2016	2017 (E)	2018 (E)	2019 (E)
<b>Budget ratios</b>						
Share of own revenues in the budget	55%	62%	65%	67%	70%	71%
Own revenues growth rate		22%	10%	9%	-2%	4%
Share of regular income in budget	97%	97%	97%	96%	93%	93%
Regular income growth rate		7%	4%	6%	-11%	2%
Share of tax income in regular income	51%	57%	59%	56%	0%	0%
Share of mandatory expenses in budget	73%	73%	74%	68%	74%	74%
Mandatory expenses growth rate		8%	7%	-2%	1%	0%
Operating balance (% of regular income)	23%	22%	20%	26%	17%	19%
Operating balance variation		5%	-5%	40%	-44%	13%
Share of capital expenditures of the budget	12%	13%	13%	10%	11%	11%
<b>Debt ratios</b>						
Market debt growth rate		18%	1%	23%	37%	13%
Total debt growth rate		26%	17%	16%	17%	7%
Share of short-term debt in market debt			22%			
Debt service expenses to own revenues	1.7%	1.9%	1.8%	1.9%	1.9%	1.8%
<i>Debt service expenses to operating balance</i>	0.04	0.05	0.06	0.05	0.09	0.08
<i>Debt to operating balance</i>	0.89	1.07	1.32	1.09	2.26	2.13
<i>Operating balance (net of interest expenses) to debt due for repayment in the current period</i>				5.58	1.62	1.74
Market debt to operating balance	0.51	0.57	0.61	0.54	1.31	1.31
Net debt to operating balance	0.89	1.07	1.32	1.09	2.26	2.13
Total debt to GRP	4.6%	5.1%	5.7%	6.1%	6.8%	6.9%
Interest expense growth rate		35%	3%	17%	0%	0%

Source: The Republic of Sakha (Yakutia), ACRA estimates

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