

## Russian Government Entity, Local Administration Ratings Revised In Line With Sovereign Action

**Primary Credit Analysts:**, Elena Anankina, Moscow  
(7) 495-783-4130, elena\_anankina@standardandpoors.com

Felix Ejgel, Moscow  
(7) 495-783-4060, felix\_ejgel@standardandpoors.com

Jean-Louis Renaud, Moscow  
(7) 495-783-4097, jean-louis\_renaud@standardandpoors.com

**Secondary Credit Analysts:**, Boris Kopeykin, Moscow  
(7) 495-783-4062, boris\_kopeykin@standardandpoors.com

Sergei Gorin, Moscow, 7 495 783 4132, sergei\_gorin@standardandpoors.com

Andrey Nikolaev, CFA, Moscow  
(7) 495-783-4131, andrey\_nikolaev@standardandpoors.com

Additional Contacts: Industrial Ratings Europe, CorporateFinanceEurope@standardandpoors.com

Infrastructure Finance Ratings Europe, InfrastructureEurope@standardandpoors.com

International Public Finance Ratings Europe, PublicFinanceEurope@standardandpoors.com

Robert E Richards, Frankfurt  
(49) 69-33-999-200, rob\_richards@standardandpoors.com

Emmanuel Dubois-Pelerin, Paris  
(33) 1-4420-6673, emmanuel\_dubois-pelerin@standardandpoors.com

MOSCOW (Standard & Poor's) Dec. 8, 2008—Standard & Poor's Ratings Services said today that it had taken a number of rating actions and outlook revisions on Russian government-related entities (GREs) and regional governments following its downgrade of the Russian Federation (foreign currency BBB/Negative/A-3; local currency BBB+/Negative/A-2; Russia national scale 'ruAAA').

In general, when a GRE's stand-alone credit quality is lower than the government's, and the rating on the GRE benefits from an uplift for expectation of possible extraordinary government support, the ratings on the GRE will not normally exceed the foreign currency ratings on the government.

Standard & Poor's took the following specific actions:

— The long-term corporate credit rating on the 100% state-controlled oil pipeline monopoly OAO AK Transneft was lowered to 'BBB' from 'BBB+'. The outlook is negative.

Although we retain our bottom-up approach, the rating is now capped by the sovereign.

— The long-term issuer credit rating on the City of Moscow was lowered to 'BBB' from 'BBB+'. The outlook is negative.

— The outlook on the City of St. Petersburg was revised to negative from stable and the long-term issuer credit rating was affirmed at 'BBB'.

— The outlook on the Moscow and St. Petersburg water utilities MSUE Mosvodokanal and Vodokanal St. Petersburg were revised to negative from positive and stable, respectively, reflecting the outlooks on their respective parent cities. The issuer ratings were both affirmed at 'BBB-/A-3'. The ratings on both water companies are based on a top-down approach with respect to their parent city governments.

***Russian Government Entity, Local Administration Ratings Revised In Line With Sovereign Action***

— The outlook on Federal Grid Co. of the Unified Energy System was revised to negative from stable, reflecting the outlook on the sovereign. The long-term corporate credit rating was affirmed at 'BBB'.

— The long-term corporate credit rating on OAO Gazprom was affirmed at 'BBB', and the outlook remains negative.

— The long-term corporate credit ratings on state-controlled oil company OJSC Oil Company Rosneft and power generation company RusHydro (OJSC) were affirmed at 'BBB-', and the short-term rating on RusHydro was affirmed at 'A-3'. The outlooks on both companies remain stable. The ratings on both are based on a bottom-up approach, with one and two notches of uplift for extraordinary state support, respectively. They are not capped by the rating on the sovereign.

— The foreign currency sovereign credit ratings on Vnesheconombank and its subsidiary Russian Bank for Development were lowered to 'BBB+/A-3' from 'BBB+/A-2' and the local currency sovereign credit ratings were lowered to 'BBB+/A-2' from 'A-/A-2'. The outlooks are negative.

**RATINGS LIST**

	To	From
OAO AK Transneft	BBB/Negative/—	BBB+/Negative/—
City of Moscow	BBB/Negative/—	BBB+/Negative/—
City of St. Petersburg	BBB/Negative/—	BBB/Stable/—
MSUE Mosvodokanal	BBB-/Negative/A-3	BBB-/Positive/A-3
Vodokanal St. Petersburg	BBB-/Negative/A-3	BBB-/Stable/A-3
Federal Grid Co. of the Unified Energy System	BBB/Negative/—	BBB/Stable/—
OAO Gazprom	BBB/Negative/—	BBB/Negative/—
OJSC Oil Company Rosneft	BBB-/Stable/—	BBB-/Stable/—
RusHydro (OJSC)	BBB-/Stable/A-3	BBB-/Stable/A-3
Vnesheconombank		
Russian Bank for Development		
Foreign Currency	BBB/Negative/A-3	BBB+/Negative/A-2
Local Currency	BBB+/Negative/A-2	A-/Negative/A-2

NB: This list does not include all ratings affected.

Complete ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at [www.ratingsdirect.com](http://www.ratingsdirect.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com); under Credit Ratings in the left navigation area, select Find a Rating, then Credit Ratings Search.

Published by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. Executive and Editorial offices: 55 Water Street, New York, NY 10041. Subscriber services: (1) 212-438-7280 Option 2. Copyright © 2011 by Standard & Poor's Financial Services LLC (S&P).

All rights reserved.

No part of this information may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of S&P. S&P, its affiliates, and/or their third-party providers have exclusive proprietary rights in the information, including ratings, credit-related analyses and data, provided herein. This information shall not be used for any unlawful or unauthorized purposes. Neither S&P, nor its affiliates, nor their third-party providers guarantee the accuracy, completeness, timeliness or availability of any information. S&P, its affiliates or their third-party providers and their directors, officers, shareholders, employees or agents are not responsible for any errors or omissions, regardless of the cause, or for the results obtained from the use of such information. S&P, ITS AFFILIATES AND THEIR THIRD-PARTY PROVIDERS DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P, its affiliates or their third-party providers and their directors, officers, shareholders, employees or agents be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the information contained herein even if advised of the possibility of such damages.

The ratings and credit-related analyses of S&P and its affiliates and the observations contained herein are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or make any investment decisions. S&P assumes no obligation to update any information following publication. Users of the information contained herein should not rely on any of it in making any investment decision. S&P's opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of each of these activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P's Ratings Services business may receive compensation for its ratings and credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

S&P uses billing and contact data collected from subscribers for billing and order fulfillment purposes, and occasionally to inform subscribers about products or services from S&P, its affiliates, and reputable third parties that may be of interest to them. All subscriber billing and contact data collected is stored in a secure database in the U.S. and access is limited to authorized persons. If you would prefer not to have your information used as outlined in this notice, if you wish to review your information for accuracy, or for more information on our privacy practices, please call us at (1) 212-438-7280 Option 2 or write to us at: [privacy@standardandpoors.com](mailto:privacy@standardandpoors.com). For more information about The McGraw-Hill Companies Customer Privacy Policy please visit [www.mcgraw-hill.com/privacy.html](http://www.mcgraw-hill.com/privacy.html).

Permissions: To reprint, translate, or quote Standard & Poor's publications, contact: Client Services, 55 Water Street, New York, NY 10041; (1) 212-438-7280 Option 2; or by email to: [research\\_request@standardandpoors.com](mailto:research_request@standardandpoors.com).

**The McGraw-Hill Companies**