

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

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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.

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— 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. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation area, select Find a Rating, then Credit Ratings Search.

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