

## SpreadMonitor Russia

### 4Q 2003

This issue of SpreadMonitor Russia reports on activity in the fourth quarter of 2003. The SpreadMonitor Russia portfolio has been selected to provide insights into the bond market by presenting indicative spread data in combination with credit research and ratings. Spread data have been obtained from sources that Standard & Poor's believes are reliable, but that it cannot verify and guarantee as accurate. However, even if distorted by limited sample size, market liquidity, features of the securities or data problems, reported indicative spreads provide market context for Standard & Poor's credit research and ratings. The still nascent, rapidly growing and evolving nature of the Russian ruble bond market presents particular challenges in calculating spreads. Consistent with ruble bond market convention, spreads are indicated relative to the most comparable Russian Federation ruble-denominated bonds and are not adjusted to maturity. These spreads are not directly comparable to the eurobond spreads over the respective swap curve. Where short duration, lack of liquidity, or specific characteristics of the securities (floating coupon rate, convertibility) do not allow for adequate spread calculations and comparisons, Standard & Poor's may not include such securities in the sample portfolio. The sample portfolio may change over time and might not give a full representation of the bond spreads of rated Russian issuers. Please note that each selected bond for each credit is the benchmark product and, to avoid confusion due to different durations, Standard & Poor's has labeled the maturity on eurobonds and the historic number of the issue on ruble bonds. Ratings indicated in graphs and tables are as of Dec. 31, 2003.

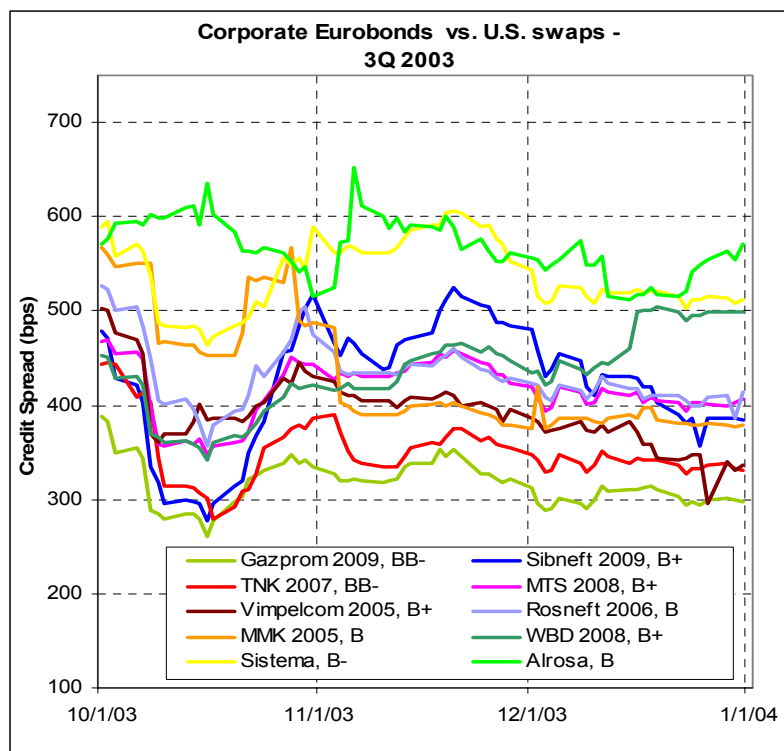
#### Fourth Quarter 2003 Overview and Research

In the international market, spreads on eurobonds of Russia-domiciled issuers, although showing some volatility in October and early November, were relatively stable. In the local bond market, the third quarter trend of declining market liquidity continued, further undermining the reliability of market pricing as an adequate risk-measuring tool.

During the fourth quarter, there were two downward rating actions, while Standard & Poor's upgraded four issuers, revised one rating outlook to 'Stable' from 'Positive', revised one rating outlook to 'Negative' from 'Stable', and changed two rating outlooks to 'Developing'. During this period, Standard & Poor's also assigned five new global scale and six national scale issuer credit ratings. (Please see the end of this report for a full list of ratings and recent research.)

#### Industrials

Standard & Poor's has published ratings on 31 Russian industrials. As of the end of the third quarter, 11 of these companies had traded eurobonds, and 17 had traded ruble bonds.



Source: Bloomberg LP

Reacting to the evolving Yukos affair, on Oct. 31, Standard & Poor's placed the then 'BB' rating of **OAO NK Yukos (BB-/Watch Neg/-)** on CreditWatch with negative implications. The CreditWatch status of OAO Siberian Oil Co. (Sibneft) (**B+/Watch Dev/-**) was changed to 'Developing'. Both actions were based on concerns over risks for creditors by threats to the ownership rights and governance processes of both Yukos and Sibneft. Following further developments, on Dec. 18, Standard & Poor's downgraded OAO NK Yukos' issuer credit rating to 'BB-' from 'BB' because of continuing political pressure on Yukos and the consequent tax, liquidity, regulatory, governance, and management risks. Yukos was left on CreditWatch with negative implications. At the same time, Yukos' national scale rating was lowered to 'ruAA-' from 'ruAA+'. OAO Sibneft ratings of 'B+' and the company was left on CreditWatch with developing implications. During the fourth quarter, the spread on Sibneft US\$ 500 million 2009 bonds narrowed 93 bps to 385 bps over the U.S. swaps.

Standard & Poor's raised its corporate credit rating on **Tatneft OAO (B/Stable/--)** to 'B' from 'B-' on Oct. 1. The action was taken on account of the improving operating environment in Russia and the gradual reduction in Tatneft's debt, as well as the upgrade of the foreign currency credit rating of the **Republic of Tatarstan (B-/Stable/--)** to 'B-' from 'CCC+', where the company is primarily based. The company rating is constrained, however, by the close and nontransparent influence of the republic, as well as the company's below-average profitability, low downstream integration, weak liquidity position, and lack of vertical integration.

On Oct. 1, Standard & Poor's also assigned its 'B' rating to the proposed issue of five-year senior unsecured notes by **MMK Finance S.A.** The amount is \$300 million. The notes are guaranteed by the related steel company **OAO Magnitogorsk Metallurgical Kombinat (B/Positive/--)**.

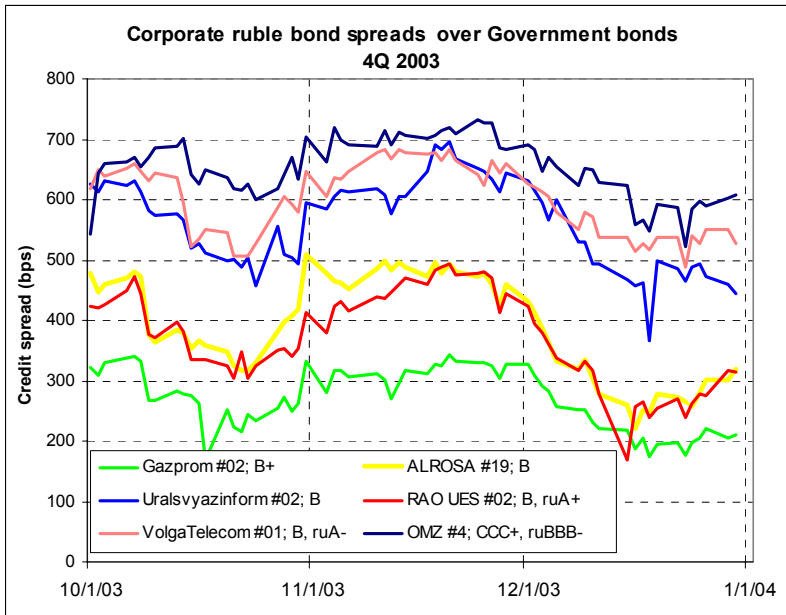
On Oct. 10, Standard & Poor's affirmed its 'B+' long-term corporate credit rating on Russia-based mobile telecommunications operator **Mobile TeleSystems OJSC (MTS) (B+/Stable/--)**, and its 'B+' senior unsecured debt rating on guaranteed subsidiary **Mobile Telesystems Finance S.A. (MTS Finance)**. The outlook is stable. Although the ratings on MTS remain constrained by the financial risk driven by the company's aggressive investment policy, they are supported by the company's leading market position in Russia and solid operating performance. Another important rating factor is the relatively weaker credit standing of MTS' controlling shareholder, Russian diversified holding company **AFK Sistema (B-/Stable/--)**.

On Oct. 14, Standard & Poor's raised its corporate credit rating on **OAO LUKoil (BB/Stable/--)** to 'BB' from 'BB-' and affirmed the 'ruAA' national scale rating. The outlook is stable. The rating action reflects our expectation that the company will keep credit ratios in line with its new rating in a mid-cycle scenario. The rating is supported by the company's historically sound cash flow generation, management's ongoing measures to improve overall cost structure, and a focus on increasing exports and returns. At the same time, the rating is constrained by the volatile tax and regulatory environment, production and refining costs no better than industry average, the group's significant debt burden and capital-expenditure requirements for its aggressive expansion strategy, and its almost exclusive reliance on crude oil.

On Nov. 13, we raised the long-term corporate credit ratings on **Rostelecom (B/Positive/--)** to 'B' from 'B-', following the company's successful restructuring of liabilities to the Russian Ministry of Finance and an improved interconnection regime. The outlook is positive. The rating is supported by its dominant market position (of more than 80%) in the Russian national long-distance traffic transmission market and sound position (of about 45%) in the Moscow long-distance telephony services segment; improving liquidity and debt profile backed by free cash flow generation; the solid growth of domestic long-distance traffic transmitted by Rostelecom; and a nationwide infrastructure network of good quality and adequate capacity. At the same time, the rating is constrained by the unbalanced tariff structure of regulated local and long-distance services that hinders the growth of long-distance traffic; below-inflation revenue growth and weakening profitability; and a declining market share in the Moscow telecoms market. The declining market share is due to increasing competition, a lack of tariff flexibility, direct access to end users, and the potential growth of competition in long-distance transmission and end-user services when the Russian telecoms market is further liberalized.

Standard & Poor's raised its long-term corporate credit rating on **TNK International Ltd. (TNK) (BB-/Positive/--)** to 'BB-' from 'B+' on Nov. 17, and removed the rating from CreditWatch, where it was placed on Feb. 11, 2003, following the announcement of the merger of Russian interest of **BP PLC (AA+/Stable/A-1+)** and the shareholders of TNK International. The outlook is positive. At the same time, Standard & Poor's assigned a 'BB-' long-term corporate credit rating to **TNK-BP (BB-/Positive/--)**. The ratings do not factor in any direct financial support from the group's new 50% shareholder, BP PLC; however, the ratings acknowledge the business support provided by a highly-rated shareholder with strong industry expertise, experienced management teams, and a generally prudent financial policy. Following the integration of Russian oil producer Sidanco into TNK in early 2003, TNK-BP became Russia's third-largest oil company. The positive outlook reflects Standard & Poor's expectation that TNK-BP's financial profile will improve in the near future as the company uses a portion of its free operating cash flow to reduce debt. Its business profile is also expected to benefit from cost synergies between TNK and Sidanco, flows optimization among the group's operating subsidiaries, and the gradual integration of 50% of Slavneft's asset base. During the fourth quarter, the spread on TNK US\$ 700 million 2006 bonds narrowed 114 bps to 330 bps over the U.S. swaps.

On Nov. 19, Standard & Poor's raised its Russia national scale corporate credit and senior unsecured debt ratings on **JSC Concern Kalina (Kalina)**, Russia's largest cosmetics manufacturing company, to 'ruBBB' from 'ruBBB-'. This rating action reflects the company's increasing ability to generate free operating cash flows; moderate financial policy in terms of acquisitions and maintaining total debt at about \$20 million; and ability to retain a leading market position in the Russian cosmetics and personal care market. In addition, the company has started to divest its non-core and loss-making operations and has reviewed its growth strategy, which is now focused on organic growth, brand promotion, and the limited acquisitions of developed trademarks. The ratings on Kalina remain constrained, however, by intensifying competition with international cosmetics companies in Russia, rising advertising costs, exposure to foreign-currency risk because of planned dollar-denominated debt, and the seasonality and volatility of the cosmetics and personal care products industry.



Source: Cbonds, MICEX, Standard & Poor's

On Nov. 24, Standard & Poor's affirmed the 'B-' credit rating of **OAO Rosneft (B/Negative/--)**. The outlook is negative. The rating reflects an aggressive financial policy and deteriorating financial profile, which are partly tempered by the company's large oil reserves, vertical integration, and access to exports. The rating assumes that Rosneft's management will succeed in its policy to keep total debt under \$2.3 billion by the end of 2003 and that the company's liquidity will not be impaired by any covenant violations. The negative outlook also reflects the company's high tolerance of additional risks and deteriorating financial profile. The company's investment plans exceed its cash flow generation even under the currently favorable oil price environment. During the fourth quarter, the spread on Rosneft US\$ 150 million 2006 bonds narrowed 113 bps to 413 bps over the U.S. swaps.

On Nov. 24, Standard & Poor's raised its corporate credit rating on **OAO Gazprom (BB-/Stable/--)** to 'BB-' from 'B+'. The rating action reflects a series of unsecured long-term bond issuances completed in 2002 and 2003 that allowed Gazprom to extend its debt maturity profile, reduce its short-term financial obligations, and decrease its reliance on secured debt. The rating is supported by Gazprom's role as the owner and operator of essentially all exploration, production, processing, transportation, and export assets in the natural gas sector of the Russian Federation as well as Gazprom's privileged position as a supplier to the large and growing Western European market. The rating is constrained, however, by the continuing losses of the company's domestic operations, its dependence on high international hydrocarbon prices to generate sufficient cash flow to finance substantial capital expenditures, and a weak liquidity situation, as well as the continuation of a strongly adverse pricing regime in Russia. During fourth quarter, the spread on Gazprom US\$ 700 million 2006 bonds narrowed 91 bps to 297 bps over the U.S. swaps

On Dec. 2, Standard & Poor's assigned its 'CCC+' long-term corporate credit rating to **OAO Plastcard (CCC+/Stable/--)** and **OAO Caustic (CCC+/Stable/--)**, which are the key operating arms of Nikos, the Russian chemicals group. The outlooks are stable. At the same time, Standard & Poor's assigned its 'ruBB+' national scale rating to Plastcard and Caustic and to the proposed three-year Russian ruble 750 million (\$25 million) bond issue by related entity **Nikoskhim-Invest, LLC**, which has partial guarantees from Plastcard and Caustic. The key risk to both entities is the complex structure of the Nikos group, which obscures transparency and increases corporate governance and legal risks, especially in the context of Russia's business environment. The group has not been legally consolidated and is united mainly by common shareholders, management, and discretionary intra-group cash flows. The rating is supported by Nikos' strong market position in the PVC sector, with a 26% market share and 13% of Russia's production.

Standard & Poor's revised the outlook of **Wimm-Bill-Dann Foods OJSC (WBD) (B+/Negative/--)** to negative from stable on Dec. 11, reflecting the company's weaker-than-expected financial performance over the first nine months of 2003. At the same time, Standard & Poor's affirmed its 'B+' corporate credit and senior unsecured debt ratings, as well as its 'ruA+' Russian national scale ratings, on WBD. The ratings are constrained by the company's aggressive growth strategy, which entails substantial investment needs for the extension and renovation of its plant facilities, and enhancement of its distribution network. In addition, WBD faces a challenging operating environment and has incurred various cost increases and higher working capital requirements. This has resulted in weak operating cash flows and declining debt protection measures. The rating is supported by a leading position in the dairy-products and juices segments, although its market share has decreased slightly in 2003. Furthermore, the company's management has created high profile brands and a diversified product portfolio, and enlarged its countrywide production and distribution facilities. During fourth quarter, the spread on WBD US\$ 700 million 2006 bonds widened by 45 bps to 498 bps over the U.S. swaps.

On Dec. 19, Standard & Poor's placed its 'CCC+' ratings on Russia-based capital goods company **OAO OMZ (Uralmash-Izhora Group) (OMZ) (CCC+/Watch Dev/--)** on CreditWatch with developing implications following the announcement of a proposed merger with Russia-based power generation equipment producer Power Machines OJSC (PM). The rating action reflects major uncertainties regarding the terms of the deal, the financial position of PM, and, therefore, the impact of the merger on OMZ's credit quality. The strategy and financial policy of the merged company (the proposed name of which is OMZ-Power Machines) are also unclear.

On Nov. 5, Standard & Poor's published a research article, entitled, "**Yukos Affair Highlights Risks of Russian and Corporate Debt and Importance of Duma Support for Reform**". According to this report, the Yukos affair is clearly negative from the near-term point of view, although the longer-term economic impact remains difficult to assess. While the arrest and resignation of Michael Khodorkovsky, the freezing of company shares, and the subsequent Russian stock market decline do not affect our ratings on Russia, these events corroborate what is meant by repeatedly indicating that weak political institutions, a weak legal system, and clear political infighting between various political actors constrain the existing ratings.

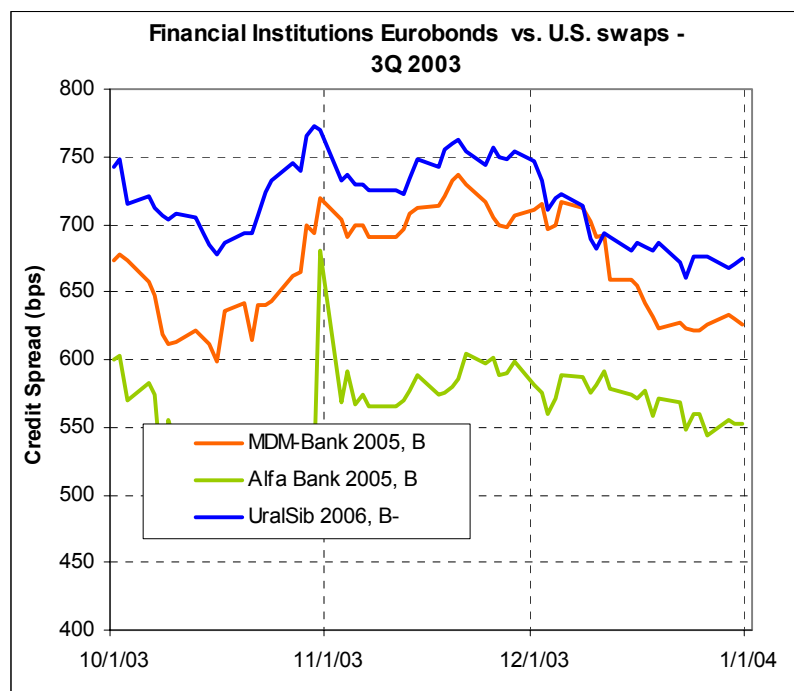
## Financial Institutions

Standard & Poor's rates 22 financial institutions in Russia. Four banks have traded eurobonds, and four banks have traded ruble bonds.

On Nov. 24, Standard & Poor's revised its outlook on **Ural - Siberian Bank (OJSC) (URALSIB) (B-/Stable/C)**, one of the 10 largest banks in Russia, to stable from positive, based on increased uncertainty over the bank's ownership and future strategy. At the same time, the 'B-' long-term and 'C' short-term counterparty credit ratings on the bank were affirmed.

Regional elections in Dec. 2003 have heightened tension in the political and business environment of the **Republic of Bashkortostan (B+/Stable/-)**, URALSIB's home region. Future ratings will reflect the degree of stability in the political and business environment of Bashkortostan, as well as URALSIB's future strategy and any potential changes in its ownership. If the acquisition of NIKoil-Avtobank brings on poor quality assets and a damaged franchise, the ratings on URALSIB could be lowered.

During the fourth quarter, the spread on URALSIB US\$140 million 2006 bonds narrowed 67 bps to 675 bps over the U.S. swaps.

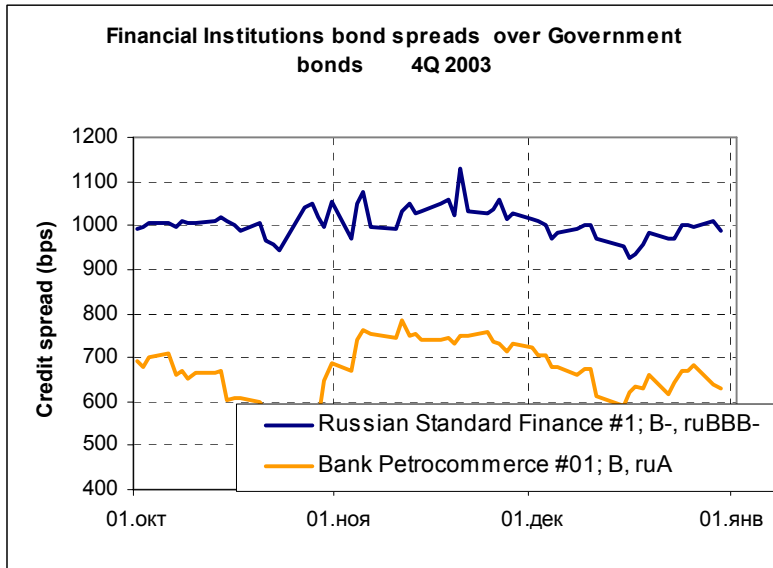


Source: Bloomberg LP

On Oct. 17, Standard & Poor's assigned its 'B' senior unsecured debt rating for the proposed **Loan Participation Notes** to be issued by Standard Bank London Holdings PLC (SBLH), but without recourse to SBLH, for the purpose of financing a loan to Russia-based OJSC **Commercial Bank Petrocommerce (PK) (B/Stable/C)**. The ratings on PK reflect the ownership of the bank by **LUKoil OAO (BB/Stable/-)**, one of Russia's largest oil companies in terms of crude reserves, production, and exports. The bank's credit profile is also enhanced by its good capital base and adequate liquidity position. These positive factors are offset by the bank's relatively weak earnings profile and large single-party concentrations (namely in the LUKoil group).

On Nov. 6, Standard & Poor's revised its outlook on the Russian bank **Menatep St. Petersburg (MSPb) (CCC/Watch Neg/C)** to negative from developing, reflecting Standard & Poor's growing concerns over the potential negative impact on MSPb's reputation, business risks, and liquidity because of the ongoing legal and tax allegations against fellow Group Menatep company, **OAO NK Yukos (BB-/Watch Neg/-)**, and its core shareholders and employees. At the same time, the 'CCC+' long-term and 'C' short-term counterparty ratings on MSPb were affirmed. On Dec. 11, MSPb's long-term counterparty credit rating was lowered to 'CCC' from 'CCC+', and placed the rating on CreditWatch with negative implications based on concerns over damage to MSPb's franchise stemming from ongoing legal and tax disputes involving the bank's management and owners.

On Dec. 2, Standard & Poor's assigned its 'B+' long-term and 'B' short-term counterparty credit ratings and 'ruA+' national scale rating to Russia-based **Joint-Stock Bank of Gas Industry (Gazprombank) (B+/Stable/B)**. The outlook is stable. The ratings are constrained by the bank's high exposure to the Gazprom group, as well as the risks associated with operating in the Russian Federation. Ratings are supported by the bank's strategic importance to **OAO Gazprom (BB-/Stable/-)** and adequate capitalization and improving profitability.



Source: Cbonds, MICEX, Standard & Poor's

On Oct. 28, Standard & Poor's assigned a 'B-' counterparty rating financial strength rating on **ООО Strakhovaya Kompaniya Neftepolis (B-/Stable/--)** insurance company. The outlook is stable. At the same time, Standard & Poor's had assigned an 'ruBBB-' national scale rating to Neftepolis. The ratings are constrained by the company's concentration in and exposure to the underdeveloped and rapidly growing Russian insurance market; marginal capitalization; unproven business model; and short operating track record. These factors are partially mitigated by Neftepolis' strong business position in the energy sector, particularly in relation to the risks of its parent, Rosneft; good operating performance; and sound management.

On Dec. 17, Standard & Poor's assigned its 'C' short-term rating to the \$200 million euro-commercial paper program of the **Alfa Bank (B/Stable/C)** group. At the same time, Standard & Poor's also assigned its 'ruA+' Russian national scale rating to Alfa Bank and to the bank's Russian ruble one-billion five-year senior unsecured bond issue due June 2007, issued by ООО ALFAFINANCE, a subsidiary company of Alfa Bank. The bond is fully guaranteed by Alfa Bank. The ratings on Alfa Bank reflect the bank's good business franchise and the improved diversity of its business lines, though offset by its large single-party concentrations, including with other Alfa Group members, and the still high level of operating risk for all banks operating in the Russian Federation. During the fourth quarter, the spread on Alfa Bank US\$175 million 2004 bonds narrowed 47 bps to 553 bps over the U.S. swaps.

### Sovereign and Public Finance

Standard & Poor's rates the central government of the **Russian Federation (BB/Stable/B)** and 16 sub-federal and municipal administrations. Among these, the City of Moscow is the only to have traded eurobonds, apart from the sovereign. Eleven regional administrations have traded ruble bonds.

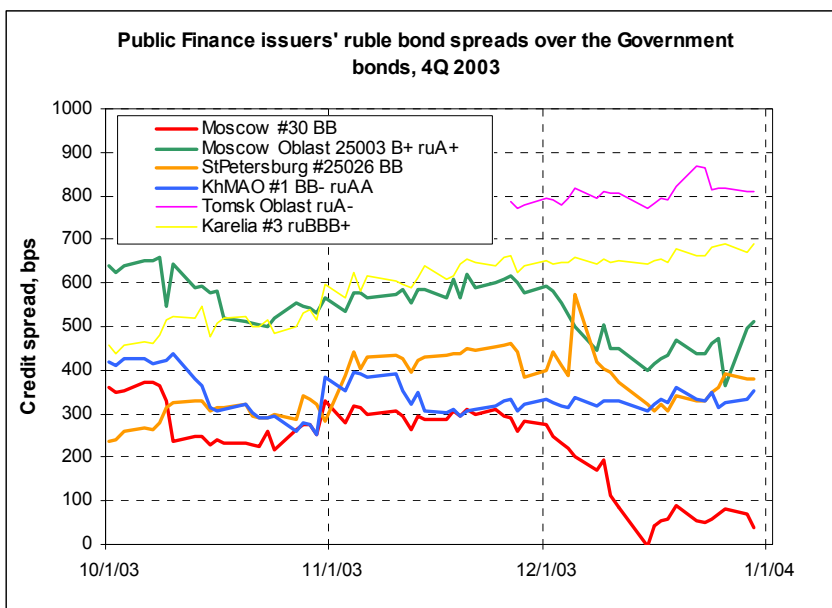
In the fourth quarter of 2003, Russian sub-federal administrations, continuing a third quarter trend, were among the most resilient to the bond market. Regional administrations were active in issuing bonds.

On Nov. 12, Standard & Poor's assigned its 'ruBBB+' national scale credit rating to the **Republic of Karelia**. The rating is constrained by the low flexibility of revenues and expenditures, risky debt profile, and a need to improve transparency and economic and financial management sophistication. At the same time, the rating is supported by a strategic location, which should be favorable for the region's economic growth in the medium- to long-term, relatively good budgetary performance, and comparatively low debt burden.

On Nov. 19, a 'ruBBB+' Russia national scale rating was assigned to the proposed 100 million Russian ruble (\$3.4 million) fixed-coupon senior unsecured domestic bond issue by the Republic of Karelia.



Source: Bloomberg LP



Source: Cbonds, MICEX, Standard & Poor's

On Nov. 3, Standard & Poor's assigned its 'B-' long-term issuer credit rating to the **Balashikha Rayon (B-/Stable/-)** in the **Moscow Oblast (B+/Stable/-)**. The outlook is stable. At the same time, Standard & Poor's assigned its 'ruBBB' Russia national scale rating to the rayon. The ratings on the rayon are constrained by its high dependence on intergovernmental relations with the Moscow Oblast. This dependence translates into risky financial policies with high cash shortages during the year. Uncertainties created by upcoming local government reforms in Russia are also a concern. The rating is supported by the rayon's growing economy resulting from its favorable location near the **City of Moscow (BB/Stable/-)**, low debt, and relative management sophistication.

On Oct. 10, Standard & Poor's raised its long-term issuer credit rating on the **Irkutsk Oblast (B/Stable/-)** to 'B' from 'B-'. The outlook is stable. The rating action was driven by the Oblast's growing and diversifying economy, continued sound financial performance, and low debt levels, which are less than 15% of budget revenues. The rating continues to be constrained by the control of the Russian Federation over revenues, a high financial management turnover, a significant accumulated accounts payable at the municipal level, and high infrastructure needs.

On Dec. 10, Standard & Poor's assigned its 'ruA-' national scale senior unsecured debt rating to the **Vologda Oblast's (B/Stable/-)** proposed 200 million Russian ruble (RUR; \$6.8 million) fixed-coupon domestic bond issue. The issue was placed on Dec. 18, and has two semiannual coupon payments at 13.5% per year. The bonds will mature in 2004. The rating on the bonds is equalized with the national scale rating on the Oblast.

The ratings on the Oblast are constrained by the high volatility and low predictability of revenues, owing to the high concentration of the local economy: one of the leading Russian steel-makers, OJSC Severstal, provides almost one-half of regional tax revenues. Other constraining factors include: the tight federal control over the tax system; a need to introduce sophisticated planning procedures and management of reserves; and high tax-supported debt compared with other rated Russian local and regional governments.

Factors supporting the ratings include a strong commitment to meeting obligations, sound financial performance, and comparatively low and transparent contingent liabilities in the Russian context. The oblast has never defaulted on its debt. Vologda's average operating surplus over the past four years was 18.9%.

On Nov. 14, Standard & Poor's issued a special article concerning the early redemption offer made by the **Autonomous Okrug of Khanty Mansiysk (KMAO) (BB-/Stable/-)**. In a press release, KMAO offered to repurchase the one-billion Russian ruble (\$34 million) bond due 2005, and the three-billion ruble bond due 2008. KMAO justified its offer with favorable budgetary performance, together with potentially increasing credit risks due to the negative effects of the proposed changes in federal tax and budget legislation. The okrug offered to redeem the bonds at their current market value. In Standard & Poor's view this redemption offer is a demonstration of the okrug's willingness to reduce future repayment risks by settling some of its debt with the current budgetary surplus. It is in line with fair market practices.

On Nov. 10 Standard & Poor's assigned its 'ruA-' Russian national scale senior unsecured debt rating to the **Tomsk Oblast's (Russian national scale, ruA-)** proposed 400-million ruble (\$13.4 million) fixed-coupon domestic bond issue. Also, on Dec. 5, a 'ruA-' Russian national scale senior unsecured debt rating was assigned to the Tomsk Oblast's proposed 60-million Russian ruble (\$2 million) fixed-coupon domestic bond issue. The ratings on the Oblast are constrained by its growing economic concentration, especially on its largest taxpayer, oil company TomskNeft, a subsidiary of **OAo NK Yukos (BB-/Watch Neg/-)**. It is also constrained by the oblast's comparatively high debt service and risky debt profile, weak financial performance in the Russian context, and low revenue flexibility and predictability. Factors supporting the rating include continuous economic growth in the region that is expected to exceed 7% in 2003, competent management, and good credit history

## Standard & Poor's 3Q 2003 Russia research available on RatingsDirect.com and www.standardandpoors.ru

### Corporates

▪ OAO OMZ (Uralmash-Izhora Group) Ratings on Watch Dev After Merger News	19 Dec
▪ Summary: Wimm-Bill-Dann Foods OJSC	11 Dec
▪ Summary: OAO Gazprom	10 Dec
▪ Summary: Rostelecom	4 Dec
▪ Summary: OAO Caustic	2 Dec
▪ Summary: OAO Plastcard	2 Dec
▪ Russian Chemical Companies Plastcard and Caustic Assigned 'CCC+' Ratings; Outlooks Stable	2 Dec
▪ Summary: TNK-BP	27 Nov
▪ Summary: OJSC Oil Company Rosneft	24 Nov
▪ Long-Term Rating on Russian Oil Giant OAO Gazprom Raised to 'BB-'; Outlook Stable	24 Nov
▪ Summary: LUKoil OAO	21 Nov
▪ Leading Russian Cosmetics Manufacturer JSC Concern Kalina Ratings Raised to 'ruBBB'	19 Nov
▪ TNK-BP Assigned 'BB-' Rtg, Outlook Positive; TNK International Ltd Off Watch, Rtg to 'BB-'	17 Nov
▪ Rostelecom Ratings Raised to 'B' on Improved Debt Measures and Connection Rates; Outlook Pos	13 Nov
▪ Political and Legal Risks for Russia and Russian Companies Highlighted by Yukos Affair	5 Nov
▪ Summary: RAO UES of Russia	28 Oct
▪ BULLETIN: Yukos Ratings Not Affected By CEO's Arrest	27 Oct
▪ Long-Term Corporate Credit Rating on LUKoil OAO Raised to 'BB'; Outlook Stable	14 Oct
▪ Mobile TeleSystems 'B+' Ratings Affirmed; Proposed \$400 Mil Issue Rated 'B+'; Outlook Stable	7 Oct
▪ Summary: ALROSA Co. Ltd.	3 Oct
▪ Tatneft Rating Raised to 'B' on Improving Tatarstan Profile and Debt Reduction; Outlook Stable	1 Oct
▪ MMK Finance Senior Unsecured Notes Rated 'B'	1 Oct

### Financial Institutions

▪ Summary: International Moscow Bank	29 Dec
▪ Summary: International Industrial Bank	23 Dec
▪ Alfa Bank \$200 Mil CP Program Rated 'C'; 'ruA+' National Scale Ratings Also Assigned	17 Dec
▪ Summary: Menatep St. Petersburg	11 Dec
▪ Russia-Based Gazprombank Rated 'B+/B', Outlook Stable; Nat'l Scale Rating 'ruA+'	2 Dec
▪ Outlook on Russia-Based Ural - Siberian Bank (OJSC) Revised to Stable; 'B-/C' Ratings Affirmed	24 Nov
▪ Summary: DeltaCredit Bank	31 Oct
▪ Summary: OOO Strakhovaya Kompaniya Neftepolis	28 Oct
▪ Summary: International Bank of Saint-Petersburg	23 Oct
▪ Summary: Bank Ingosstrakh-Soyuz	7 Oct
▪ Standard Bank London Holdings Proposed Petrocommerce Loan Participation Notes Rated 'B'	17 Oct

### Public Finance

▪ Vologda Oblast Proposed RUR200 Mil. Bond Issue Assigned 'ruA-' National Scale Rating	10 Dec
▪ Tomsk Oblast Proposed RUR60 Mil. Bond Issue Assigned 'ruA-' National Scale Rating	5 Dec
▪ Russian Republic of Karelia Assigned 'ruBBB+' Russia National Scale Rating	12 Nov
▪ Summary: Karelia (Republic of)	19 Nov
▪ Summary: Balashikha rayon	17 Nov
▪ Khanty-Mansiysk Autonomous Okrug Bond and Issuer Ratings Unaffected by Redemption Offer	14 Nov
▪ Ratings on Russia Affirmed Despite Political Turmoil Over Yukos Affair	3 Nov
▪ Summary: Irkutsk Oblast	10 Oct
▪ Summary: Klin Rayon	7 Oct
▪ Summary: Tatarstan (Republic of)	3 Oct

## SpreadMonitor - Russia portfolio

To get a general sector overview, we monitor a selected sample portfolio of credit products below. Please note that the spread for eurobonds is used over the respective swaps curve. The spread for ruble-denominated bonds is used over the Russian Government Bonds with comparable maturity\*.

### Corporates

Eurobond issuer name	Selected security	Standard & Poor's Corporate Credit Ratings	Current Spread (bps)	Quarterly Change
Gazprom	US\$ 700 million 10.5% 2009	<b>BB-/Stable/--</b>	297	-91
Sibneft	US\$ 500 million 10.75% 2009	<b>B+ /CreditWatch Developing/--</b> , ruAA -	385	-93
Tyumen Oil (TNK)	US\$ 400 million 11% 2007	<b>BB-/Positive</b>	330	-114
Rosneft	US\$ 150 million 12.75% 2006	B/Negative/--	413	-113
Mobile TeleSystems (MTS)	US\$ 400 million 9.75% 2008	B+/Stable/--	407	-61
Vimpelcom	US\$ 250 million 10.45% 2005	B+/Sable/--	489	-93
MMK (Magnitogorsk Metallurgical Kombinat)	EU€ 100 million 10% 2005	B/Positive/--, ruA +	378	-190
Wimm-Bill-Dann (WBD)	US\$ 150 million 8.5% 2008	<b>B+ /Negative/--</b> , ruA+	498	+45
AFK Sistema	US\$ 350 million 10.25% 2008	B-/Stable/--	511	-78
ALROSA	US\$ 500 million 8.125% 2008	B/Stable/--	471	-98
Ruble bond issuer name	Selected security	Standard & Poor's Corporate Credit Ratings	Current Spread (bps)	Quarterly Change
ALROSA	# 19 RUR 3 billion Oct 2005	B/Stable/--	319	-160
RAO UES	# 02 RUR 3 billion Oct 2005	B/Positive/--, ruA+	315	-109
Gazprom	# 02 RUR 5 billion Nov 2005	<b>BB-/Stable/--</b>	211	-111
TNK	# 05 RUR 3 billion Nov 2006	<b>BB-/Positive</b>	298	-121
Uralsvyazinform	# 02 RUR 1 billion Aug 2005	B/Stable/--	445	-180
OMZ	# 04 RUR 900 million Feb 2009	<b>CCC+ CreditWatch Developing /--</b> , ruBBB-	608	+67
Volga Telecom	# 01 RUR 1 billion Feb 2006	B/Stable/--, ruA -	526	-180

### Financial Institutions

Eurobond issuer name	Selected security	Standard & Poor's Corporate Credit Ratings	Current Spread (bps)	Quarterly Change
MDM-Bank	US\$ 200 million 10.75% 2005	B/Stable/C	626	-67
Alfa-Bank	US\$ 175 million 10.75% 2005	B/Positive/C; <b>ruA+</b>	533	-47
Ural-Siberian Bank	US\$ 140 million 8.875% 2006	<b>B-/Stable/C</b>	675	-47
Ruble bond issuer name	Selected security	Standard & Poor's Corporate Credit Ratings	Current Spread (bps)	Quarterly Change
Russian Standard Finance	# 01 RUR 500 million Aug 2005	B-/Stable/C, ruBBB-	986	-99
Bank Petocommerce	# 01 RUR 1 billion Mar 2006	B/Stable/C, ruA	630	-108

### Public Finance

Eurobond issuer name	Selected security	Standard & Poor's Corporate Credit Ratings	Current Spread (bps)	Quarterly Change
Russian Federation	US \$ 1.84 billion 5% 2030	BB/Stable/B	175	-29
Russian Federation	US\$ 3.5 billion 11% 2018	BB/Stable/B	197	-8
Russian Federation	US\$ 2.8 billion 8.25% 2010	BB/Stable/B	189	-20
Russian Federation	US\$ 2.4 billion 10% 2007	BB/Stable/B	152	-14
The City of Moscow	EU€ 400 million 10.95% 2006	BB/Stable/--	207	-149
Ruble bond issuer name	Selected security	Standard & Poor's Corporate Credit Ratings	Current Spread (bps)	Quarterly Change
The City of Moscow	# 30 RUR 3 billion Sept 2005	BB/Stable/--	40	-318
The City of StPetersburg	# 25026 RUR 350 million Nov 2005	BB/Stable/--	378	+143
Moscow Oblast	# 2 RUR 1 billion June 2005	<b>B+ /Stable/--, ruA+</b>	510	-129
Khanty-Mansiysk Autonomous Okrug	#1 RUR 1 billion Dec 2005	BB-/Stable/--, ruAA	352	-66
Tomsk Oblast	# 25011 RUR 400 million Nov 2005	ruA+	809	na
Republic of Karelia	#3 RUR 150 million Apr 2006	<b>RuBBB+</b>	691	+235

Source: Bloomberg LP, MICEX, Cbonds, Standard & Poor's

\*The spread on ruble denominated bonds is calculated as a difference between a given bond yield to maturity (YTM) and a weighted average YTM on a portfolio of Federal Government bonds with comparable maturity. The presented ruble bond spreads are therefore indicative estimates subject to error and variance.

\*\* Highlighted in **bold** are ratings or outlooks that are new or have changed compared to last quarter

**Full list of Standard & Poor's ratings in Russia (as of June 30, 2003)**

Issuer name	Date of most recent rating change	Foreign Currency Corporate Credit Rating	Local Currency Corporate Credit Rating	Russia National Scale Rating
<b>Sovereign</b>				
The Russian Federation	5.12.2002	BB/Stable	BB+/Stable	ruAA+

<b>Corporate finance</b>				
AFK Sistema	17.03.2003	B-/Stable	B-/Stable	-
Alosa	14.03.2003	B/Stable	B/Stable	-
Caustic	2.12.2003	<b>CCC+/Stable</b>	<b>CCC+/Stable</b>	<b>ruBB+</b>
CenterTelecom	03.04.2003	CCC+/Stable	CCC+/Stable	ruBB+
Gazprom	24.11.2003	<b>BB-/Stable</b>	<b>BB-/Stable</b>	-
Golden Telecom	04.03.2003	BB-/Stable	BB-/Stable	-
Irkutskenergo	03.02.2003	B-/Stable	B-/Stable	-
LUKOIL	14.10.2003	<b>BB/Stable</b>	<b>BB/Stable</b>	ruAA
MGTS	30.09.2002	B-/Stable	-	ruBBB+
MMK	04.09.2003	B/Positive	B/Positive	ruA+
Mobile TeleSystems (MTS)	21.12.2001	B+/Stable	B+/Stable	-
Mosenergo	28.08.2002	B-/Positive	B-/Positive	-
North-West Telecom	02.04.2003	B-/Stable	B-/Stable	ruBBB
Plastcard	2.12.2003	<b>CCC+/Stable</b>	<b>CCC+/Stable</b>	<b>ruBB+</b>
RAO UES of Russia	05.09.2003	B/Positive	B/Positive	ruA+
Rosneft	07.04.2003	B/Negative	B/Negative	-
Rostelecom	30.04.2002	B-/Stable	B-/Stable	-
Sibneft	24.03.2003	B+/CreditWatch Positive	B+/CreditWatch Positive	ruAA-
Southern Telecom Company (UTK)	02.04.2003	B-/Stable	B-/Stable	ruBBB
Tatneft	07.10.2002	B-/Positive	B-/Positive	-
Transneft	28.07.2003	BB/Stable	BB+/Stable	-
Tyumen Oil Company (TNK)	17.11.2003	<b>BB-/ Positive</b>	<b>BB-/ Positive</b>	-
TNK-BP	17.11.2003	<b>BB-/ Positive</b>	<b>BB-/ Positive</b>	-
United Heavy Machinery (OMZ)	19.12.2003	CCC+/Watch <b>Developing</b>	CCC+/ Watch <b>Developing</b>	ruBBB-
Uralsviainform	02.04.2003	B/Stable	B/Stable	-
Vimpelcom	17.04.2003	B+/Stable	B+/Stable	-
VolgaTelecom	12.02.2003	B/Stable	B/Stable	ruA-
Wimm-Bill-Dann	11.12.2003	B+/Negative	B+/Negative	ruA+
YUKOS	18.12.2003	<b>BB-/Watch Negative</b>	<b>BB-/Watch Negative</b>	<b>ruAA-</b>
Concern Kalina	19.11.2003	-	-	<b>ruBBB</b>

\*\* Highlighted in **bold** are ratings or outlooks that are new or have changed compared to last quarter

<b>Financial Institutions</b>				
Alfa Bank	02.09.2003	B/Stable	B/Stable	<b>RuA+</b>
Aljba Alliance	02.09.2003	CCC/Stable	CCC/Stable	-
Bank Ingosstrakh-Soyuz	24.09.2003	CCC/Stable	CCC/Stable	-
Bank Menatep St. Petersburg	11.12.2003	<b>CCC/Watch Negative</b>	<b>CCC/Watch Negative</b>	-
Bank of Khanty-Mansiysk	18.06.2003	B-/Stable	B-/Stable	ruBBB-
DeltaCredit Bank	02.09.2003	B-/Stable	B-/Stable	ruBBB
European Trust Bank	23.09.2003	CCC/Stable	CCC/Stable	ruB
Gazprombank	2.12.2003	<b>B+/Stable</b>	<b>B+/Stable</b>	<b>ruA+</b>
Impexbank	02.09.2003	CCC+/Stable	CCC+/Stable	-
International Bank of Saint-Petersburg	12.09.2003	CCC/Stable	CCC/Stable	-
International Industrial Bank	02.09.2003	B-/Stable	B-/Stable	-
International Moscow Bank	02.09.2003	B+/Stable	B+/Stable	-
Investment Banking Corporation	23.04.2002	D/--	D/--	-
MDM-Bank	02.09.2003	B/Stable	B/Stable	-
Petrocommerce	02.09.2003	B/Stable	B/Stable	ruA
SurgutNeftegazBank	02.09.2003	B-/Stable	B-/Stable	-
TransCreditBank	21.07.2003	CCC+/Stable	CCC+/Stable	-
Ural-Siberian Bank	24.11.2003	<b>B-/Stable</b>	<b>B-/Stable</b>	-
Russian Standard Bank	02.06.2003	B-/Stable	-	ruBBB-
Renaissance Capital	02.04.2003	B-/Stable	B-/Stable	-
AIG Russia	13.02.2003	-	-	ruAAA
OOO Strakhovaya Kompaniya Neftepolis	28.10.2003	<b>B-/Stable</b>	<b>B-/Stable</b>	<b>RuBBB-</b>

\*\* Highlighted in **bold** are ratings or outlooks that are new or have changed compared to last quarter

<b>Public Finance</b>				
City of Moscow	14.05.2003	BB/Stable	-	-
City of St. Petersburg	14.05.2003	BB/Stable	BB/Stable	-
City of Surgut	20.12.2002	B/Stable	B/Stable	ruA-
Irkutsk Oblast	01.10.2003	<b>B/Stable</b>	-	-
Khanty-Mansiysk AO	20.12.2002	BB-/Stable	-	ruAA
Balashikha Rayon	03.11.2003	B-/Stable	-	ruBBB
Klin Rayon	02.09.2003	B-/Stable	-	ruBBB-
Moscow Oblast	24.01.2003	B+/Stable	-	ruA+
Rep. of Bashkortostan	25.04.2003	B+/Stable	-	-
Rep. of Tatarstan	22.09.2003	B-/Stable	-	-
Samara Oblast	25.04.2003	B+/Positive	-	ruAA-
Sverdlovsk Oblast	14.11.2002	B-/Positive	B-/Positive	-
Tomsk Oblast	14.08.2003	-	-	ruA-
Vologda Oblast	04.02.2003	B/Stable	-	ruA-
Yamalo-Nenets AO	22.10.2002	B/Positive	-	ruA
Republic of Karelia	12.11.2003	-	-	<b>ruBBB+</b>

\*\* Highlighted in **bold** are ratings or outlooks that are new or have changed compared to last quarter

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