

SpreadMonitor Russia

2Q 2003

This issue of SpreadMonitor Russia reports on activity in the second 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. 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 June 30, 2003.

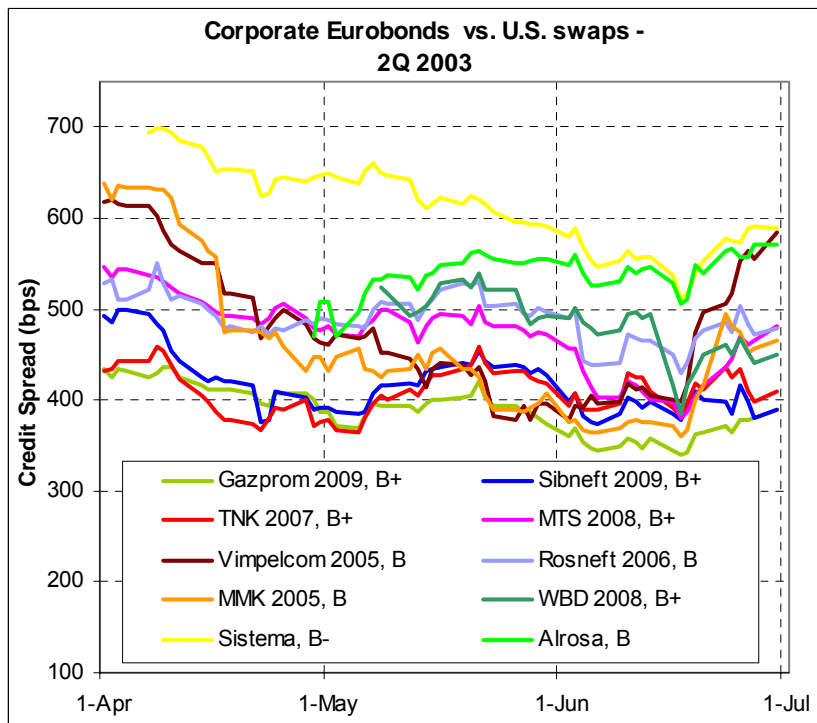
Second Quarter 2003 Overview and Research

During almost the entire second quarter of 2003, ruble bond and eurobond prices of Russian issuers continued to rally, with some correction starting from mid-June. In the international market, spreads on almost all eurobonds of Russia-domiciled issuers narrowed in the second quarter. In the local market, yields on government bonds arrived in the range of 5-7%, while yields on most first-tier corporate bonds came down to 9-12%, already below forecasted inflation in 2003 (12-13%). Ruble bond spread over the government bonds has generally widened across all sectors. Benefiting from favorable market sentiment, a number of Russian companies and banks issued ruble and eurobonds in the second quarter of 2003.

During April-June, 2003, there were no downward rating actions, while Standard & Poor's upgraded eight issuers, revised two rating outlooks to 'Positive,' and put one rating on CreditWatch with positive implications. During this period Standard & Poor's also assigned three new global scale and four 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 27 Russian industrials. As of the end of the second quarter, 11 of these companies had traded eurobonds, and 16 had traded ruble bonds.



In the second quarter of 2003 the major news in the corporate sector was the announcement of an agreement in principle between the core shareholders of OAO Siberian Oil Co. (Sibneft) (B+/Watch Pos/--) and OAO NK Yukos (Yukos) (BB/Stable/--), both Russia-based vertically integrated oil companies, to combine their businesses. Following the announcement, on April 22, Standard & Poor's placed its 'B+' long-term corporate credit and senior unsecured debt ratings on Sibneft on CreditWatch with positive implications. The 'ruAA-' Russian national scale rating on Sibneft is not subject to CreditWatch, but is expected to change in line with Sibneft's global scale rating. At the same time, Standard & Poor's affirmed its 'BB' long-term corporate credit rating and 'ruAA+' national scale rating on Yukos. The outlook on Yukos is stable. During April-June, the spread on Sibneft US\$ 500 million 2009 bonds narrowed 118 basis points (bps) to 390 bps over the U.S. swaps.

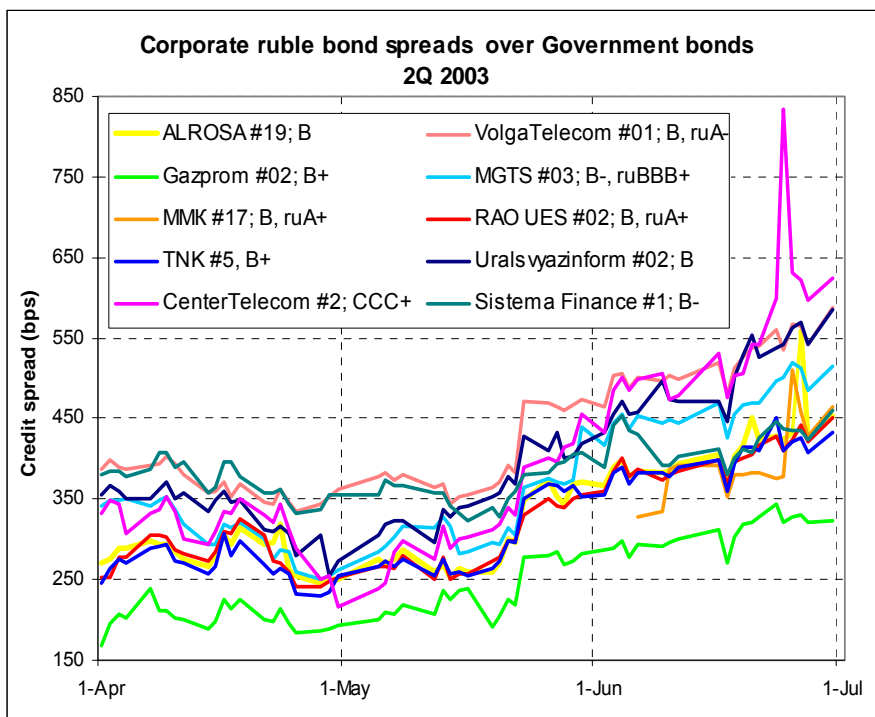
While the combined entity will have increased debt as compared to the sum of the current companies' net debt amounts (on account of Yukos's purchase of 20% of Sibneft's shares for US \$3 billion in cash and borrowings to fund pre-merger

distributions to Yukos shareholders), the existing 'BB' rating on Yukos anticipated the company's appetite for mergers and acquisitions. The current ratings and outlook on Yukos assume that after the merger, YukosSibneft will be able to maintain moderate leverage. Standard & Poor's will closely monitor the debt level, coverage ratios, and financial policies regarding dividends, share buybacks, mergers and acquisitions, and capital expenditures of both companies, as these factors will largely influence any subsequent rating actions. Sibneft's credit quality will likely converge with Yukos's, as the combination progresses to reflect the consolidated strength of YukosSibneft. The CreditWatch placement of Sibneft will be resolved once the terms of the agreement are finalized and regulatory and final shareholder approval is obtained. Standard & Poor's expects the ratings on Sibneft to be equalized with those of YukosSibneft, unless Sibneft's creditors are disadvantaged by the structure of the combination.

There has been more news on another substantial merger in the Russian oil sector. On June 26, BP PLC (BP), the Alfa Group, and Access-Renova (AAR) announced that they have signed a sale and purchase agreement – a significant step towards the formal completion of the proposed combination of the companies' Russian businesses. On May 7, Standard & Poor's affirmed its 'AA+' long-term corporate credit ratings on U.K.-based oil major BP and related entities, and removed these ratings from CreditWatch; Standard & Poor's also said that the 'B+' long-term credit rating on **TNK International Ltd (TNK) (B+/Watch Pos/-)** will remain on CreditWatch with positive implications, where it was placed on Feb. 11, 2003, until sufficient pro-forma information is received and the transaction is completed. Standard & Poor's added that TNK-BP is not expected to benefit from any significant implicit support from BP. During the second quarter, the spread on TNK US\$ 400 million 2007 bonds narrowed 47 bps to 409 bps over the U.S. swaps.

On April 7, Standard & Poor's affirmed its 'B' corporate credit and senior unsecured debt ratings on another Russian oil company, **Rosneft (B/Negative/-)**, following the decision of its bondholders to change the eurobond covenants. The outlook is negative. Rosneft's bank debt includes tight financial covenants, as well as those just renegotiated with bondholders. Therefore, the company's ability to avoid technical default continues to depend on the success of covenant renegotiations with its banks. Moreover, the ratings and outlook on Rosneft already incorporated Standard & Poor's expectation that Rosneft would be able to avoid technical default on its eurobonds. Beyond covenant renegotiations, the ratings and outlook continue largely to reflect the company's aggressive investment and financial policy. Rosneft is already significantly leveraged, and has large capital requirements to invest in order to continue production growth and to modernize refineries. It also has an ambitious policy to grow through external acquisitions. Because of an acquisition in early 2003, Rosneft's total debt significantly increased, and the company was close to a technical breach of its covenants on eurobonds and on bank debt, hence the current renegotiation. The spread on US\$150 million 2006 Rosneft bonds narrowed 74 bps to 479 bps during the second quarter of 2003.

In a commentary article entitled "**Russian Oil Companies' Credit More Stable Upon Recent Rating Actions**," published on April 2, Standard & Poor's examines the recent rating actions on these corporations and reviews some of the key positive and negative factors that support or constrain their credit quality.



Source: Cbonds, MICEX, Standard & Poor's

In the second quarter of 2003, Standard & Poor's took a number of rating actions on Russian telecom companies. As the consolidation process in the fixed line telecommunications sector of Russia is almost complete, Standard & Poor's has revised its ratings on the merged fixed-line telecom companies. In addition to **Volga Telecom**, which was upgraded to 'B' from 'B-' earlier in February, Standard & Poor's upgraded four other regional fixed-line telecommunications service providers on April 2-3: the credit rating on **Southern Telecommunications Co.** has been raised to 'B-' from 'CCC+'; the rating on **Uralsvazinform** to 'B' from 'B-'; the rating on **North-West Telecom (NWT)** to 'B-' from 'CCC'; and the rating on **Central Telecommunications Co. (CTC)** to 'CCC+' from 'CCC'. The outlook on all these ratings is stable.

Compared with the rated predecessors of the same name, the new companies should benefit from their larger scale by receiving better terms from vendors of telecoms equipment and other economies of scale. Offsetting these gains somewhat

is the fact that the enlarged service area appears to be slightly weaker and will require integration work and additional investments to reconcile and improve network characteristics to a more uniform level across the whole area.

On April 17, Standard & Poor's raised its long-term corporate credit ratings on **JSC Vimpel-Communications (VimpelCom)** to 'B+' from 'B', reflecting Standard & Poor's expectation that VimpelCom's operational performance will remain strong, and that the company will continue to progress toward free cash flow generation. The outlook is stable. The ratings on VimpelCom reflect the company's strong position in the key market of the Moscow region, continuing improvements in the Russian economy, enhancing demand for VimpelCom's services and the expansion of its operations, and the financial and operational benefits provided by VimpelCom's strategic investors, Telenor ASA (A-/Stable/A-2) and the Alfa Group Consortium. The ratings are constrained by the risks associated with operating in the rapidly growing and consolidating Russian mobile telecommunications sector, continuing negative free cash flows as a result of heavy capital expenditure and start-up costs, the resultant increase in debt burden, and the high level of foreign exchange risk faced by the company. During the second quarter of 2003 the spread on Vimpelcom US\$ 250 million 2005 bonds narrowed 45 bps to 585 bps over the U.S. swaps.

On April 11, Standard & Poor's assigned its 'ruA+' Russia national scale rating to dairy and juice producer **Wimm-Bill-Dann Foods OJSC (WBD)**, while it also assigned its 'ruA+' Russia national scale rating to WBD's proposed Russian ruble (RUR) 1.5 billion (US\$48 million) senior unsecured bond issue. On April 30, Standard & Poor's assigned its 'B+' long-term corporate credit rating to WBD, and its 'B+' senior unsecured debt rating to the company's proposed US\$150 million bond issue. The outlook is stable. The ratings on WBD are constrained by the company's need for substantial investment in plant and working capital over the next several years to support its growth strategy and to maintain its leading position in the steadily growing Russian packaged food market. WBD's need to substantially invest in order to support its growth is expected to result in increased borrowing and requires sound management in order to sustain this growth, boost profitability, and control working capital in the difficult operating environment of Russia and the Commonwealth of Independent States. Given WBD's rapid growth, generating enough cash flow to support its working capital and capital expenditure needs is a key challenge for the company. The ratings on WBD are supported by the management's track record in positioning the company as one of the leading consumer-oriented businesses in Russia, with more than one-third of the market shares in both the dairy and juice segments of the food industry. The ratings are also supported by the company's well-established market position, high brand profile, diversified product portfolio, and countrywide production and distribution coverage.

Among Russian eurobond issuers, the most significant spread move took place on **OAO Magnitogorsk Metallurgical Kombinat (MMK)** EU€ 100 million 2005 bonds. Over the period the spreads on these bonds narrowed 177 bps to 465 bps over the U.S. swaps. On June 26, Standard & Poor's revised its outlook on MMK to positive from stable, reflecting the improved economic environment in Russia and the company's better-than-expected 2002 financial profile. At the same time, Standard & Poor's affirmed its 'B' corporate credit and 'ruA+' Russia national scale ratings on MMK, and its 'B' senior unsecured debt rating on related entity MMK Finance S.A. In financial 2002, MMK demonstrated strong profitability and cash flow, supported by a 7% growth in production and favorable pricing in the second half of the year. Although the company's free operating cash flow was neutral, MMK had a relatively modest total debt of \$358 million as of January 1, 2003, and accumulated significant cash balances. Standard & Poor's expects MMK to benefit from the improving country environment and to demonstrate some resilience to industry pressure by maintaining a competitive cost base and avoiding any significant reduction in sales. The ratings on the company might be upgraded by one notch, provided MMK's privatization of the Russian government's current 23.76% stake in the company does not result in any material supply risks, working capital problems, or any significant increase in the company's total debt. Earlier, on April 3, Standard & Poor's assigned its 'ruA+' national scale rating to the MMK #17 RUR900 million bond issue.

Responding to concerns over rising corporate external borrowing trends in Russia expressed publicly by Russian policymakers, Standard & Poor's published a commentary on June 10, entitled "**Rising External Borrowing by Russian Corporations Poses No Threat to the Government's Creditworthiness.**" According to the report, Russian corporate external debt has been rising quickly indeed in nominal terms, though this growth is less pronounced relative to current account receipts. Moreover, if foreign assets of Russian corporations are taken into consideration (there is no consistent data), it is likely that the non-bank (corporate) sector is actually a net creditor rather than a net debtor. There is only a very small risk of an abrupt macroeconomic crisis developing in Russia from rising corporate external debt, the report says. The current Russian economic and political environment differs significantly with that which immediately preceded and followed the 1998 crisis.

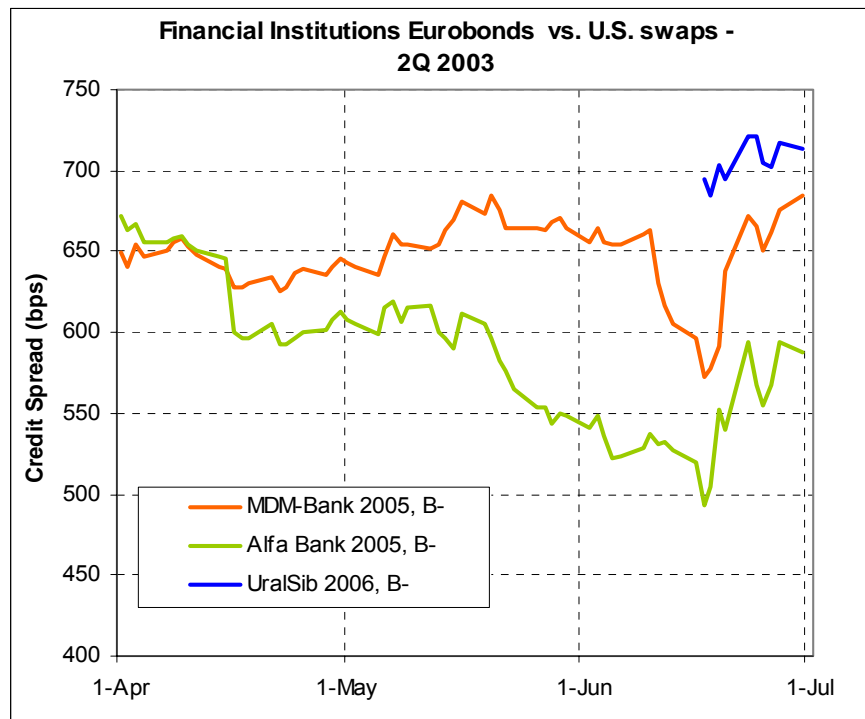
Standard & Poor's published another article, "**The Impact of Sovereign Risk on Russian Corporate Ratings,**" on May 13. According to this commentary, given the importance of the political and economic environment in which firms operate, the institutions and policies that constitute sovereign, or "country," risk must be an important part of Standard & Poor's assessment of corporate creditworthiness. Accordingly, Standard & Poor's corporate analysis methodology looks at the ability of any company to benefit from a country's economic and institutional progress and to channel this progress into improving, sustainable operating and financial performances.

Financial Institutions

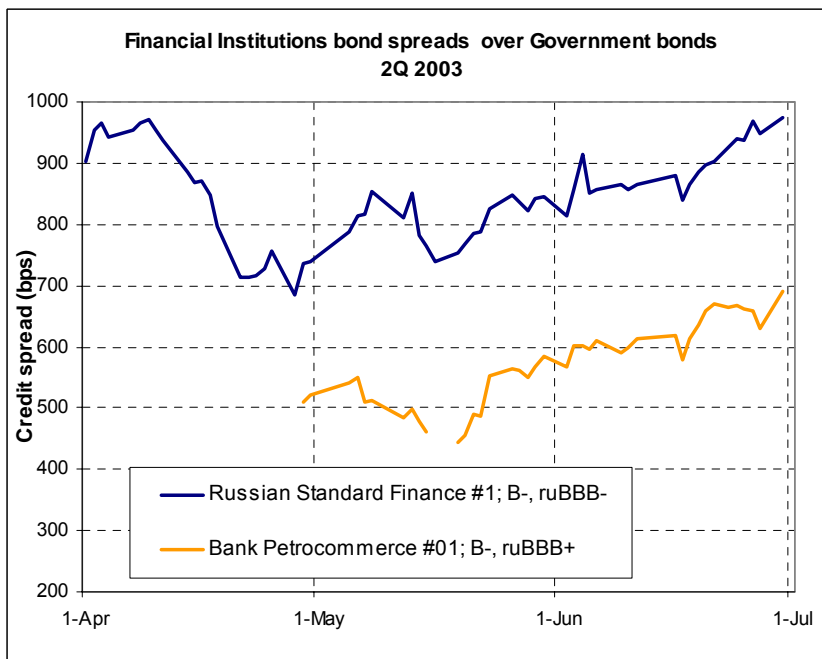
Standard & Poor's rates a total of 17 financial institutions in Russia. Three banks have traded eurobonds and five banks have traded ruble bonds.

On June 12, 2003, Standard & Poor's assigned its 'B-' senior unsecured debt rating on the proposed US\$300 million Program for the Issuance of Loan Participation Notes issued by, but without recourse to, Bayerische Hypo- und Vereinsbank AG (HVB; A-/Negative/A-2). The Loan Participation Notes will be issued in series for the purpose of financing advances to **MDM Bank (B-/Stable/C)**. The ratings on MDM Bank reflect the bank's improved commercial and financial position in the context of better prospects for macroeconomic stability in Russia. These positive factors are offset by the continued high risk inherent in the Russian banking sector, as well as by potential risks coming from the expansion strategy of the MDM Financial Group – of which MDM Bank is the lead operating entity. MDM Bank also has increased exposure to the related parties, which makes the bank more vulnerable to the credit standing of its owners and the commercial success of their corporate investments. During the second quarter of 2003 the spread on MDM Bank US\$ 200 million 2005 bonds widened 45 bps to 685 bps.

On May 27, Standard & Poor's assigned its 'B-' senior unsecured debt rating to the proposed three-year Loan Participation Notes to be issued on a limited recourse basis by Commerzbank AG (A-/Negative/A-2) for the purpose of financing a loan to **Ural-Siberian Bank OJSC (URALSIB) (B-/Stable/C)**. The ratings on URALSIB reflect the bank's dominant commercial position in the Republic of Bashkortostan (B+/Stable/--) and its close relationship with the regional government, the bank's majority owner. These positive factors are offset by URALSIB's still relatively high level of geographic concentration in loans and deposits, pressured profitability, and the continued significant risks inherent in the Russian operating environment. At the end of the second quarter of 2003 the spread on Uralsib US\$ 140 million 2006 bonds was 713 bps over the U.S. swaps.



Source: Bloomberg LP



Source: Cbonds, MICEX, Standard & Poor's

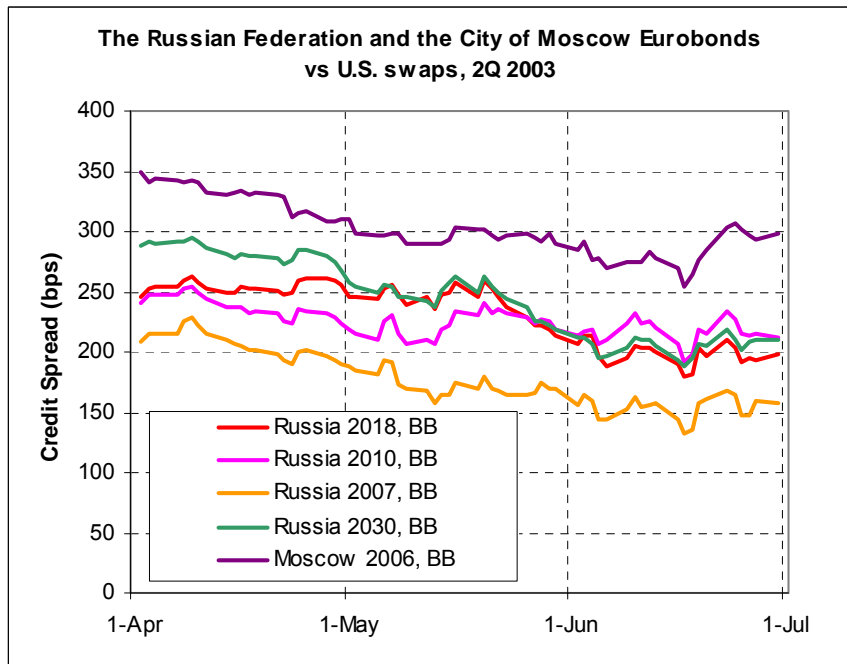
On July 2, Standard & Poor's assigned its 'B-/C' long- and short-term counterparty credit ratings to **Russian Standard Bank ZAO (Russian Standard)**. The outlook is stable. At the same time, Standard & Poor's raised its national scale rating on Russian Standard to 'ruBBB-' from 'ruBB+'. The ratings reflect Russian Standard's leading position in the Russian consumer lending market, a focused and well-defined business model, and adequate asset quality. The ratings are also supported by the bank's success in building a more diversified funding base, and its improving profitability. The ratings are constrained by the high risks of operating in the untested and rapidly growing Russian consumer lending market, and the bank's relatively short operating history and medium size (by domestic standards), which may impede its ability to compete aggressively in the future.

On April 3, Standard & Poor's published a report entitled "**Bank Industry Risk Analysis: Russia.**" According to the report, Russia's banking sector has rebuilt its commercial and financial base, four years after catastrophic failures that plunged the system into chaos – though much still needs to be done to restore confidence. Strong growth in the domestic economy has helped lift Russian banks, which saw deposits and loans more than double in two years to the end of 2002. Many leading private-sector banks now have more focused and professional management teams, including foreign executives in key posts. Retail banking is growing, while consumer and mortgage lending are showing signs of expansion, in contrast to the banks' dependence on proprietary trading in the period leading up to the 1998 financial crisis. Nonetheless, these optimistic indicators are tempered by the major weaknesses of the Russian banking system. The new report points to the persistence of powerful financial industrial groups – that peculiarly Russian combination of banking and industrial interests, which encourages high-risk lending to companies within their group and whose accounts defy scrutiny by outsiders. The establishment of a viable deposit insurance system will be key in reinforcing still-fragile consumer confidence in banks, and the success of the new banking authorities in implementing new regulations will be crucial in reining in risky practices in this sector.

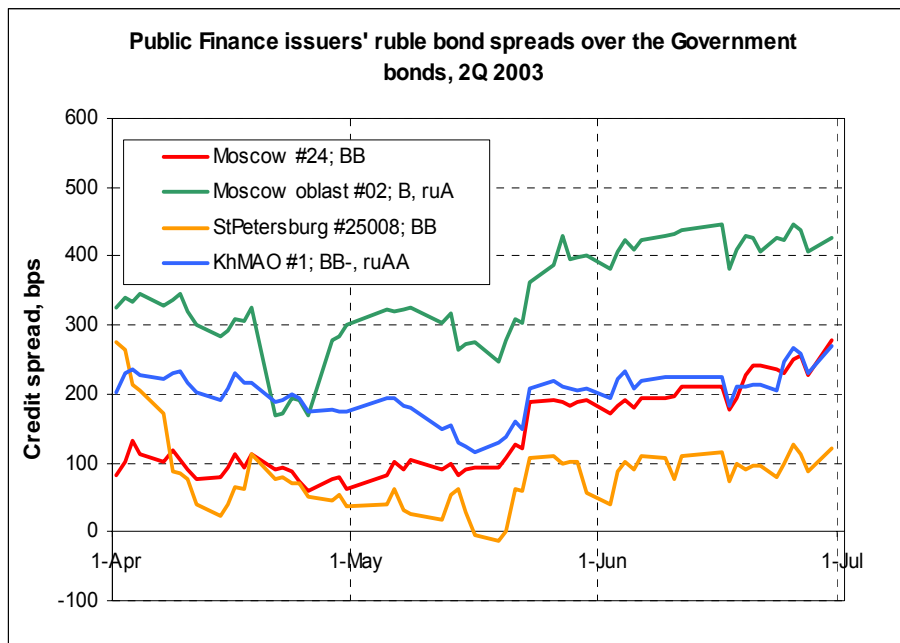
Sovereign and Public Finance

Standard & Poor's rates the central government of the Russian Federation and 13 sub-federal and municipal administrations. Apart from the sovereign, only the City of Moscow has traded eurobonds. Six regional administrations have traded ruble bonds.

On May 27, Standard & Poor's assigned its 'ruAA' Russian national scale senior unsecured debt rating to the **Khanty-Mansiysk Autonomous Okrug (KhMAO)** proposed RUR3 billion (US\$98 million) fixed-coupon domestic bond issue. The ratings on the Okrug are constrained by low revenue predictability and flexibility. This is because of federal government controls, and particular vulnerability to further redistribution of the natural resource extraction tax, which provided almost one-half of the Okrug's budget revenues in 2002. The Okrug's ongoing investment in the local economy, based on its commitment to diversifying and reducing reliance on the oil sector, also represents a risk. Supporting factors include KMAO's growing economy and relative wealth; a low, albeit growing, debt level; and prudent management and stable financial performance.



Source: Bloomberg LP



Source: Cbonds, MICEX, Standard & Poor's

Two other rated sub-federal administrations – the Yamal Nenets Autonomous Okrug and the Samara Oblast – have recently announced their plans to issue ruble bonds. Both issuers have been recently upgraded by Standard & Poor's. On May 23, Standard & Poor's raised its long-term foreign currency issuer credit rating on the **Yamal-Nenets Autonomous Okrug** to 'B' from 'B-'. The outlook is positive. At the same time, Standard & Poor's assigned its 'ruA' national scale rating to Yamal-Nenets. The rating actions reflect the improved debt structure, growing economy, and sustained good budgetary performance of the region. The ratings continue to be constrained by economic and tax concentration and potential revenue redistribution stemming from federal reforms.

On April 25, Standard & Poor's revised its outlook on the **Samara Oblast**, an industrial region in the Volga Basin of Russia, to positive from stable. In addition, the 'B+' long-term foreign currency issuer credit rating on the oblast was affirmed. At the same time, Standard & Poor's assigned its 'ruAA-' Russian national scale rating to Samara. The outlook revision reflects the region's improving economy and management. Sound financial performance and low debt continue to support the rating, while economic concentration and planned further issuance of foreign currency-denominated guarantees are constraining factors.

Standard & Poor's 2Q 2003 Russia research available on RatingsDirect.com and www.standardandpoors.ru

Corporates

- OAO Magnitogorsk Metallurgical Kombinat Outlook Revised to Positive; 'B' Ratings Affirmed 26 Jun
- Rising External Borrowing by Russian Corps Poses No Threat to the Government's Creditworthiness 19 Jun
- OAO United Heavy Machinery 'CCC+' Corporate Credit Rating Affirmed; Outlook Positive 11 Jun
- Summary and full analysis: Wimm-Bill-Dann Foods OJSC 30 May
- Summary and full analysis: Golden Telecom, Inc. 28 May
- The Impact of Sovereign Risk on Russian Corporate Ratings 13 May
- Industry Report Card: European High-Yield Telecommunications 8 May
- BP Off CreditWatch, 'AA+/A-1+' Ratings Affirmed; TNK Remains on Watch Positive 7 May
- Wimm-Bill-Dann Foods OJSC Assigned 'B+' Long-Term Ratings; Outlook Stable 30 Apr
- Sibneft 'B+' Rating on Watch Pos, Yukos Affirmed at 'BB/Stable' After Announced Merger Plan 22 Apr
- Vimpel-Communications Ratings Raised to 'B+' on Expectation of Strong Operations and Cash Flow 17 Apr
- ALROSA Finance S.A. Proposed \$300 Mil. Bond Issue Assigned 'B' Debt Rating 16 Apr
- Wimm-Bill-Dann Foods and Proposed Bond Issue Assigned 'ruA+' Russia National Scale Rating 11 Apr
- Rosneft 'B' Ratings Affirmed as Bondholders Agree to Change Eurobond Covenants 7 Apr
- JSC Central Telecommunications Co Rating Raised to 'CCC+' Due to Consolidation; Outlook Stable 3 Apr
- Magnitogorsk Metallurgical Kombinat Proposed RUR900 Mil. Senior Unsecured Issue Rated 'ruA+' 3 Apr
- JSC North-West Telecom Ratings Raised Due to Consolidation Process; Outlook Stable 2 Apr
- JSC Uralsviazinform Rating Raised to 'B' Due to Consolidation; Outlook Stable 2 Apr
- JSC Southern Telecom Rating Raised to 'B-' Due to Consolidation Process; Outlook Stable 2 Apr
- Russian Oil Companies' Credit More Stable Following Rating Actions 2 Apr

Financial Institutions

- JSC Bank of Khanty-Mansiysk Assigned 'B-/C' CCR, 'ruBBB-' National Scale; Outlook Stable 18 Jun
- Summary: MDM Bank (proposed US \$300 million LPNs rated B-) 12 Jun
- Russian Standard Bank Rated B-/C; Outlook Stable; National Scale Raised to ruBBB- 2 Jun
- Summary and full analysis: Ural - Siberian Bank OJSC 30 May
- Commerzbank AG Loan Participation Notes for URALSIB Rated 'B-'; Ratings on URALSIB Affirmed 27 May
- Summary and full analysis: Alfa Bank 30 Apr
- Summary and full analysis: Surgutneftegazbank 29 Apr
- Russian Banks Rebound, but High Risk and Lingering Bad Habits Hamper Recovery 3 Apr
- Long-Term Rating on Renaissance Capital Holdings Ltd. Raised to 'B-'; Outlook Stable 2 Apr

Public Finance

- Summary and full analysis: Bashkortostan (Republic of) 16 Jun
- Summary and full analysis: St. Petersburg (City of) 2 Jun
- Khanty-Mansiysk Proposed RUR3 Billion Bond Issue Assigned 'ruAA' National Scale Rating 27 May
- Yamal-Nenets Autonomous Okrug FC Rtg Raised to 'B', Outlook Pos; Assigned 'ruA' Nat Scale Rtg 23 May
- Summary and full analysis: Samara Oblast 23 May
- Summary and full analysis: Moscow (City of) 22 May
- Russian Region of Samara Outlook Revised to Positive; 'ruAA-' National Scale Rating Assigned 25 Apr
- Russian Republic of Bashkortostan Long-Term Ratings Raised to 'B+'; Outlook Stable 25 Apr

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+/Positive/--	389	(59)
Sibneft	US\$ 500 million 10.75% 2009	B+ /CreditWatch Positive/--, ruAA -	390	(118)
Tyumen Oil (TNK)	US\$ 400 million 11% 2007	B+ /CreditWatch Positive	409	(47)
Rosneft	US\$ 150 million 12.75% 2006	B/Negative/--	479	(74)
Mobile TeleSystems (MTS)	US\$ 400 million 9.75% 2008	B+/Stable/--	481	(76)
Vimpelcom	US\$ 250 million 10.45% 2005	B+ /Sable/--	585	(45)
MMK (Magnitogorsk Metallurgical Kombinat)	EU€ 100 million 10% 2005	B/Positive/--, ruA +	465	(177)
Wimm-Bill-Dann (WBD)	US\$ 150 million 8.5% 2008	B+ /Stable/--, ruA +	450	NEW
ALROSA	US\$ 350 million 10.25% 2008	B/Stable/--	589	NEW
AFK Sistema	US\$ 500 million 8.125% 2008	B-/Stable/--	570	NEW
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/--	453	183
RAO UES	# 02 RUR 3 billion Oct 2005	B/Stable/--, ruA+	452	199
Gazprom	# 02 RUR 5 billion Nov 2005	B+/Positive/--	323	155
TNK	# 05 RUR 3 billion Nov 2006	B+ /CreditWatch Positive/--	433	188
CenterTelecom	# 02 RUR 600 million Apr 2005	CCC+ /Stable/--	625	293
Uralsvyazinform	# 02 RUR 1 billion Aug 2005	B/Stable/--	585	229
MGTS	# 03 RUR 1 billion Feb 2005	B- /Stable/--, ruBBB+	514	173
MMK	# 17 RUR 900 million Apr 2005	B/Positive/--, ruA +	465	465
Sistema Finance	# 01 RUR 500 million Aug 2005	B-/Stable/--	459	78
Volga Telecom	# 01 RUR 1 billion Feb 2006	B/Stable/--, ruA-	587	200

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	685	31
Alfa-Bank	US\$ 175 million 10.75% 2005	B-/Positive/C	587	(91)
Ural-Siberian Bank	US\$ 140 million 8.875% 2006	B-/Stable/C	713	NEW
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-	973	72
Bank Petromercom	# 01 RUR 1 billion Mar 2006	B-/Positive/C, ruBBB+	691	NEW

Public Finance

Eurobond issuer name	Selected security	Standard & Poor's Corporate Credit Ratings	Current Spread (bps)	Quarterly Change
Russian Federation	US\$ 3.5 billion 11% 2018	BB/Stable/B	198	(73)
Russian Federation	US\$ 2.8 billion 8.25% 2010	BB/Stable/B	212	(46)
Russian Federation	US\$ 2.4 billion 10% 2007	BB/Stable/B	158	(68)
Russian Federation	US \$ 1.84 billion 5% 2030	BB/Stable/B	211	(82)
The City of Moscow	EU€ 400 million 10.95% 2006	BB/Stable/--	298	(68)
Ruble bond issuer name	Selected security	Standard & Poor's Corporate Credit Ratings	Current Spread (bps)	Quarterly Change
The City of Moscow	# 24 RUR 3 billion Sept 2005	BB/Stable/--	278	197
The City of StPetersburg	# 25008 RUR 350 million Apr 2004	BB/Stable/--	121	(155)
Moscow Oblast	# 2 RUR 1 billion June 2005	B/Stable/--, ruA	427	100
Khanty-Mansiysk Autonomous Okrug	#1 RUR 1 billion Dec 2005	BB-/Stable/--, ruAA	270	66

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/comment	Foreign Currency Corporate Credit Rating	Local Currency Corporate Credit Rating	Russia National Scale Rating
Sovereign				
The Russian Federation	5.12.2002	BB/Stable	BB+/Stable	ruAA+
Corporate finance				
AFK Sistema	17.03.2003	B-/Stable	B-/Stable	-
Arosa	14.03.2003	B/Stable	B/Stable	-
CenterTelecom	03.04.2003	CCC+/Stable	CCC+/Stable	-
Gazprom	06.12.2002	B+/Positive	B+/Positive	-
Golden Telecom	04.03.2003	BB-/Stable	BB-/Stable	-
Irkutskenergo	03.02.2003	B-/Stable	B-/Stable	-
LUKOIL	06.12.2002	BB-/Stable	BB-/Stable	ruAA
MGTS	30.09.2002	B-/Stable	-	ruBBB+
MMK	28.05.2002	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
RAO UES of Russia	09.08.2002	B/Stable	B/Stable	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	-
Tatneft	07.10.2002	B-/Positive	B-/Positive	-
Transneft	06.12.2002	BB/Stable	BB/Stable	-
Tyumen Oil Company (TNK)	11.02.2003	B+/CreditWatch Positive	B+/CreditWatch Positive	-
United Heavy Machinery (OMZ)	11.06.2003	CCC+/Positive	CCC+/Positive	ruBBB-
Uralsviazinform	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	30.04.2003	B+/Stable	B+/Stable	ruA+
YUKOS	22.04.2003	BB/Stable	BB/Stable	ruAA+
Concern Kalina		-	-	ruBBB+
Financial Institutions				
Alfa Bank	14.03.2003	B-/Positive	B-/Positive	-
Aljba Alliance	29.05.2001	CCC-/Stable	CCC-/Stable	-
Bank Menatep St. Petersburg	07.03.2003	CCC+/Stable	CCC+/Stable	-
Bank of Khanty-Mansiysk	18.06.2003	B-/Stable	B-/Stable	ruBBB-
DeltaCredit Bank	06.08.2002	CCC+/Positive	CCC+/Positive	-
Impexbank	23.12.2002	CCC/Stable	CCC/Stable	-
International Industrial Bank	02.09.2002	CCC+/Positive	CCC+/Positive	-
International Moscow Bank	02.09.2002	B/Stable	B/Stable	-
Investment Banking Corporation	23.04.2002	D/--	D/--	-
MDM-Bank	14.10.2002	B-/Stable	B-/Stable	-
Petrocommerce	13.03.2003	B-/Positive	B-/Positive	ruBBB+
SurgutNeftegazBank	11.03.2003	CCC+/Stable	CCC+/Stable	-
TransCreditBank	26.02.2003	CCC/Stable	CCC/Stable	-
Ural-Siberian Bank	13.03.2003	B-/Stable	B-/Stable	-
Russian Standard Bank	02.06.2003	B-/Stable	-	ruBBB-
Renaissance Capital	02.04.2003	B-/Stable	B-/Stable	-
AIG Russia	13.02.2003	-	-	ruAAA
Public Finance				
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-
City of Cherepovets	28.01.2002	-	-	ruBB
Irkutsk Oblast	04.10.2002	B-/Positive	-	-
Khanty-Mansiysk AO	20.12.2002	BB-/Stable	-	ruAA
Moscow Oblast	24.01.2003	B/Stable	-	ruA
Rep. of Bashkortostan	25.04.2003	B+/Stable	-	-
Rep. of Tatarstan	09.10.2001	CCC+/Positive	-	-
Samara Oblast	25.04.2003	B+/Positive	-	ruAA-
Sverdlovsk Oblast	14.11.2002	B-/Positive	B-/Positive	-
Vologda Oblast	04.02.2003	B/Stable	-	ruA-
Yamalo-Nenets AO	22.10.2002	B/Positive	-	ruA

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

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