

RatingsDirect®

Various Rating Actions Taken On Russian Corporates Following The Placement Of The Sovereign On CreditWatch

Primary Credit Analyst:

Alexander Griaznov, Moscow (7) 495-783-4109; alexander.griaznov@standardandpoors.com

Secondary Contacts:

Sergei Gorin, Moscow (7) 495-783-4132; sergei.gorin@standardandpoors.com

Karl Nietvelt, Paris (33) 1-4420-6751; karl.nietvelt@standardandpoors.com

Andrey Nikolaev, CFA, Paris (33) 1-4420-7329; andrey.nikolaev@standardandpoors.com

Lucas Sevenin, Paris (33) 1-4420-6661; lucas.sevenin@standardandpoors.com

Simon Redmond, London (44) 20-7176-3683; simon.redmond@standardandpoors.com

OVERVIEW

- On Dec. 23, 2014, Standard & Poor's placed its ratings on the Russian Federation on CreditWatch with negative implications.
- As a direct result, we have taken various rating actions on Russian corporates as we conduct a review of the ratings.
- We affirmed our 'BBB-' ratings on Norilsk Nickel and Phosagro, reflecting our view that our ratings on them can exceed those on the sovereign by one notch. The outlooks on both remain negative.
- Our 'BBB-' ratings on other commodity exporters--Gazprom, Gazprom Neft, LUKOIL, and NOVATEK--may or may not be affirmed if we downgrade the sovereign. It will depend on our final assessment of the entities' liquidity management and positions. Given their close links with the government, Gazprom and its subsidiary Gazprom Neft are less likely to be rated higher than the sovereign. We have placed all these entities on CreditWatch negative.
- By contrast, we placed our 'BBB-' foreign currency ratings on Rosneft, Transneft, Russian Railways, MegaFon, Mobile TeleSystems, Federal Grid Co. of Russia, Rosseti, and Federal Passenger Company on CreditWatch negative, reflecting our view that we would most likely downgrade these

entities if we were to downgrade the sovereign.

- We also placed lower-rated government-related entities (GREs) Rushydro, Interregional Distributive Grid of Center, and Moscow United Electric Grid on CreditWatch negative, given the state support we factor into our ratings on them.
- We revised to stable from positive the outlook on Severstal in light of the more challenging macroeconomic conditions in Russia, while affirming our 'BB+' ratings on the entity.
- We plan to resolve the CreditWatch placements on all these Russian corporates in January 2015, when we resolve the CreditWatch placement on the sovereign.

MOSCOW (Standard & Poor's) Dec. 30, 2014--Standard & Poor's Ratings Services said today that it has taken various rating actions on certain Russian corporates following our placement of the ratings on the Russian Federation on CreditWatch with negative implications (see "Russian Federation Ratings Placed On CreditWatch Negative On Review Of Monetary Flexibility And Weakening Economy ," published on Dec. 23, 2014, on RatingsDirect), as follows:

Commodity producers (exporters):

- We placed our 'BBB-/A-3' foreign and 'BBB/A-2' local currency issuer credit ratings on Gazprom OAO and those on its subsidiaries, as well as related debt ratings, on CreditWatch with negative implications.
- We placed our 'BBB-' foreign and local currency ratings and 'ruAAA' Russia national scale rating on Gazprom Neft JSC and related debt ratings on CreditWatch with negative implications.
- We placed our 'BBB-' foreign and local currency ratings on Oil Company Rosneft OJSC and related debt ratings on CreditWatch with negative implications.
- We placed our 'BBB-' foreign and local currency ratings on OAO LUKOIL and 'ruAAA' Russia national scale rating, and related debt ratings, on CreditWatch with negative implications.
- We placed our 'BBB-' foreign and local currency ratings and 'ruAAA' Russia national scale rating on OAO NOVATEK, and related debt ratings, on CreditWatch with negative implications.
- We affirmed our 'BBB-' foreign and local currency ratings on PhosAgro OJSC. The outlook remains negative.
- We affirmed our 'BBB-' foreign and local currency ratings on MMC Norilsk Nickel OJSC. The outlook remains negative.
- We affirmed our 'BB+' foreign and local currency ratings on OAO Severstal and revised the outlook to stable from positive.
- Our 'BBB-' ratings on Uralkali OJSC remain on CreditWatch negative, where they were placed on Dec. 1, 2014, following a mine incident.

Telecoms operators:

- We placed our 'BBB-' foreign and local currency ratings on Mobile TeleSystems OJSC (MTS) and related debt ratings on CreditWatch with negative implications.
- We placed our 'BBB-' foreign and local currency ratings on MegaFon OJSC and 'ruAAA' Russia national scale rating, and related debt ratings, on

CreditWatch with negative implications.

Infrastructure and utility companies:

- We placed our 'BBB-' foreign and 'BBB' local currency ratings on OAO AK Transneft and those on its subsidiaries, as well as related debt ratings, on CreditWatch with negative implications.
- We placed our 'BBB-' foreign and 'BBB' local currency ratings on Russian Railways JSC and related debt ratings on CreditWatch with negative implications. We have affirmed our 'ruAAA' Russia national scale ratings.
- We placed our 'BBB-' foreign and local currency ratings on JSC Federal Passenger Company on CreditWatch with negative implications.
- We placed our 'BBB-' foreign and local currency ratings and 'ruAAA' Russia national scale rating on Federal Grid Co. of the United Energy System and related debt ratings on CreditWatch with negative implications.
- We placed our 'BBB-' long-term foreign and local currency ratings and 'A-3' short-term ratings, as well as the 'ruAAA' Russia national scale ratings, on JSC Rosseti on CreditWatch with negative implications.
- We placed our 'BB+' long-term foreign and local currency ratings, related debt ratings, and 'ruAA+' Russia national scale ratings on Rushydro (OJSC) on CreditWatch with negative implications.
- We placed our 'BB' long-term foreign and local currency ratings and 'ruAA' Russia national scale ratings on Interregional Distributive Grid Co. of Center JSC on CreditWatch with negative implications.
- We placed our 'BB' long-term foreign and local currency ratings and 'ruAA' Russia national scale ratings on Moscow United Electric Grid Co. JSC on CreditWatch with negative implications.

The CreditWatch placement on a number of these entities reflects the likelihood that we would lower their ratings if we were to downgrade Russia. However, under our criteria, we would not carry out these downgrades automatically for exporters, given their stronger access to hard currency and lower exposure to the domestic market. We believe that a number of them could sustain a sovereign default and that our ratings on them could exceed our foreign currency sovereign credit rating on Russia and our assessment of its transfer and convertibility (T&C) by one notch. This primarily reflects our view that, even in a stress scenario, their stressed foreign-denominated revenues could allow them to continue servicing their foreign currency debt. We take into account their solid liquidity, including manageable debt maturity profiles compared to their cash balances, and free cash flow generating profiles. In this respect, we have affirmed our 'BBB-' ratings on Norilsk Nickel and PhosAgro. We think that some of the Russian oil and gas companies could also pass this stress test; we need to gain further insight into their future liquidity management strategies before we resolve our CreditWatch placements on these entities.

On the other hand, it would be extremely unlikely that the foreign currency rating on a non-exporter would be higher than the sovereign rating, under our criteria, as the non-exporter would unlikely survive a T&C event (such as a moratorium for external debt repayment or limited access to foreign currency)

or a sovereign default. This is reflected in our CreditWatch placements on MTS and MegaFon; even though they have 'bbb-' stand-alone credit profiles (SACPs) they have little or no cash flows outside of Russia.

COMMODITY EXPORTERS

Gazprom

The CreditWatch placement reflects the likelihood that we could lower our ratings on the company by one notch if we were to take a similar action on Russia. While our local currency rating on Gazprom would likely mirror that on the sovereign, we think the foreign currency rating could remain unchanged if we conclude that its liquidity is robust enough for us to rate the entity higher than our foreign currency rating and T&C assessment on Russia. This will primarily depend upon our assessment of Gazprom's ability to mitigate negative government interference, and how much the government is incentivized to prevent Gazprom defaulting in the case of a sovereign default. Given our current assessment of Gazprom's links with the government, the likelihood of Gazprom being rated higher is relatively low.

We aim to resolve the CreditWatch by the end of January 2015 after the CreditWatch placement on the sovereign rating is resolved.

Gazprom Neft

The CreditWatch placement reflects that on its parent Gazprom and on the sovereign; Gazprom Neft cannot be rated higher than Gazprom, in our view. If we were to affirm our foreign currency rating on Gazprom, we would equally likely affirm our ratings on Gazprom Neft as we view Gazprom Neft's stand-alone credit quality and liquidity as sufficiently robust to sustain a sovereign default.

We aim to resolve the CreditWatch placement by the end of January 2015 after we resolve the CreditWatch placement on the sovereign and we determine whether Gazprom could be rated higher than the sovereign.

Rosneft

The CreditWatch placement reflects the likelihood that we would lower our ratings on Rosneft by one notch if we took a similar action on the sovereign. We continue to see a "very high" likelihood that the Russian government would provide timely and sufficient extraordinary support to Rosneft in the event of Rosneft's financial distress. However, as we assess Rosneft's SACP at 'bb', a downgrade of Russia would trigger a one-notch downgrade of Rosneft, under our criteria for GREs.

We aim to resolve the CreditWatch placement by the end of January 2015 after we resolve the CreditWatch placement on the sovereign.

LUKOIL

The CreditWatch placement reflects the likelihood that we could downgrade

LUKOIL by one notch if we were to take a similar action on the sovereign. That said, we could decide to affirm our ratings on LUKOIL if we believe it could potentially withstand a sovereign default. This will depend primarily on our further analysis of the company's liquidity management. At times, LUKOIL's liquidity has been relatively tight and without the meaningful headroom that is essential for passing the stress test. At the same time, the company's hard currency revenue stream from exports is sizable and could allow it to service its foreign currency debt.

We aim to resolve the CreditWatch placement by the end of January 2015 after we resolve the CreditWatch placement on the sovereign.

NOVATEK

The CreditWatch placement follows our CreditWatch placement on Russia and reflects that we could downgrade NOVATEK in case of a similar action on the sovereign. We recognize that NOVATEK has a track record of prudent liquidity management. However, in a sovereign stress scenario we think NOVATEK might face potential banking-related constraints on liquidity. Importantly, the company primarily sells domestically, so its stressed export proceeds could be insufficient to service its foreign currency debt. We are therefore unlikely to rate NOVATEK above our ratings on the Russian Federation.

We aim to resolve the CreditWatch placement by the end of January 2015 after we resolve the CreditWatch placement on the sovereign.

PhosAgro

We have affirmed the ratings on PhosAgro at 'BBB-', and the outlook remains negative. We could consider rating the company one notch above the sovereign rating and T&C assessment if we were to downgrade Russia. We think PhosAgro could pass our sovereign stress test as it has moderate leverage, as measured by net debt to EBITDA; significant cash balances; and sizable availability under long-term dollar and euro committed lines, including project financing from Japanese banks. We also anticipate the company pursuing its prudent financial policies, together with no acquisitions and moderate shareholder distributions, and capital expenditure limited to announced efficiency projects, including a new ammonia plant.

That said, the negative outlook reflects our view of the increasing country risk in Russia, as well as deteriorating capital market access for Russian issuers. Under our criteria, the rating on Phosagro cannot exceed the sovereign rating on Russia, even if the company exports the majority of its fertilizers. Other potential downside rating factors could include a lack of supportive liquidity management, for instance the non-proactive refinancing of dollar-denominated debt due in 2015 and 2016, or adjusted debt to EBITDA exceeding 2x (FFO/debt falling below 45%) for an extended period.

Norilsk Nickel

We affirmed Norilsk at 'BBB-' because we believe that the company could withstand a sovereign default and that we can therefore rate it one notch

above the sovereign rating and T&C assessment. This is because the company exports most of its production and revenues in hard currencies, while costs and capital expenditure are to a large extent denominated in Russian rubles. The company is therefore not very dependent on the health of the local economy, and its already high margins benefit from the devaluation of the ruble. In addition, the company has a material liquidity cushion, notwithstanding payment of a high interim dividend. We also take into account that Norilsk continues to have better access to liquidity than the average Russian corporate, as well as its strong credit ratios.

The negative outlook reflects increasing country and sovereign risks in Russia, as well as Russian issuers' deteriorating access to global capital markets. Under our criteria, our rating on Norilsk cannot exceed the sovereign rating by more than one notch given that most of its assets are in Russia and that the government may be increasing taxes, export duties, and the social charges of the company if the sovereign's credit quality deteriorates further.

We could also take a negative rating action if a conflict over financial policy and control of the group re-emerges among the major shareholders. Further, we could lower the ratings if EBITDA declines because of lower nickel prices and/or in case of aggressive dividend pay-outs, resulting in less supportive liquidity or adjusted debt to EBITDA exceeding 2x (FFO/Debt of below 45%) for an extended period.

Severstal

We have revised our outlook on Russian steel producer Severstal to stable from positive and affirmed our 'BB+' foreign and local currency ratings.

The outlook revision takes into account the heightened risk that Severstal, whose assets are Russia-based and which generates over 50% of its revenues in the Russian market, might be susceptible to the Russian economic slowdown over the medium term. At the same time, the affirmation reflects our view that Severstal's business risk profile will remain supported by its diversification into export markets, high share of value-added products, and strong margins. We expect that Severstal's adjusted EBITDA margin will increase to a record high of about 22%-24% in 2014-2015, from 15.4% in 2013, supported by implemented cost efficiencies, and by a more than 70% decline in the value of the ruble in 2014.

In addition, significant deleveraging in 2014 has supported Severstal's financial risk profile. The deleveraging was partly the result of proceeds from the sales of North American assets at a total value of USD2.3 billion, out of which about USD1.1 billion was paid as dividends, and most of the remainder was used to pay down debt. As a result, Severstal's adjusted total debt decreased to an estimated USD2.5 billion from USD4.3 billion at end-2013, and its adjusted debt to EBITDA may improve to about 1.0x from 2.1x in 2013. We take into account, however, that this year's strong steel margins and the benefit of ruble devaluation may not last over the medium term.

The stable outlook also takes into account that the company's favorable debt

maturity profile, coupled with a meaningful share of exports, could lead us to rate Severstal one notch higher than the foreign currency sovereign credit rating and T&C assessment on the sovereign.

Uralkali

We rate Uralkali at 'BBB-'. It remains on CreditWatch with negative implications, where we initially placed it on Dec. 1, 2014. This followed a halt to production at one of its large mines in November 2014, for an undefined period, because of water inflow. The permanent cessation of production at this mine remains a possibility. This, combined with weak credit metrics for the rating at end-June 2014, and the low likelihood of any material increase in potash prices in 2015 could prevent credit metrics from materially improving over 2014-2015.

A lowering of the sovereign rating and T&C assessment would not automatically lead to a downgrade of Uralkali. This would depend whether the company could pass our sovereign stress tests; retain sizable cash balances in dollars, of which a large part are outside the country; and maintain sufficient covenant leeway over 2015 and 2016, even under our assumed sovereign default stress scenarios. The company also has significant dollar and ruble debts due in 2015 and 2016, leading to meaningful refinancing needs. (For further details about Uralkali's CreditWatch placement see, "Russian Potash Fertilizer Producer Uralkali 'BBB-' Rating On CreditWatch Negative After Mine Incident," published on Dec. 1, 2014.)

TELECOMS OPERATORS

Mobile TeleSystems (MTS)

The CreditWatch placement reflects the likelihood that we could lower the rating on MTS by one notch in case of a similar action on the sovereign. As for other non-exporters, our foreign currency rating on MTS cannot exceed the foreign currency rating and T&C assessment on the Russian Federation, according to our criteria.

We continue to assess MTS' SACP at 'bbb-', supported by the company's strong positions in its key markets, robust operating performance, above-average profitability, and moderate debt leverage. This could allow our local currency rating on MTS to be higher than the foreign currency rating on the sovereign, if MTS were to pass our sovereign default stress scenario. That said, the rating will remain constrained by the weaker credit quality of its parent Sistema, and cannot exceed it by more than two notches.

We expect to resolve the CreditWatch placement by the end of January, following the resolution of our CreditWatch placement on the Russian Federation.

MegaFon

The CreditWatch placement reflects the likelihood that we could lower the rating on MegaFon by one notch in case of a similar action on the sovereign. As for other non-exporters, the foreign currency rating on Megafon cannot

exceed the foreign currency rating and T&C assessment on the Russian Federation, according to our criteria.

At the same time, we note the strength of MegaFon's metrics, with above-average profitability, adjusted debt to EBITDA of about 1.0x, and a solid liquidity position, supported by a significant cash balance and availability of committed lines. MegaFon generates positive free operating cash flow, and we do not foresee any debt increase in our base case. When resolving the CreditWatch, we will need to further assess whether this allows the local currency rating on MegaFon to be higher than its foreign currency rating, in case of a downgrade of the sovereign and T&C assessment to 'BB+'.

We expect to resolve the CreditWatch placement before the end of January, following the resolution of the CreditWatch placement on the Russian Federation.

INFRASTRUCTURE AND UTILITY COMPANIES:

Transneft

The rating action follows a similar action on the Russian Federation. We continue to see an extremely high likelihood that the Russian government would provide timely and sufficient extraordinary support to Transneft in the event of financial distress, and we assess Transneft's SACP at 'bbb'. Under our methodology for GREs and our criteria for ratings above the sovereign, a one-notch downgrade of the sovereign will result in a similar rating action on Transneft, all else being equal. We assume that the foreign currency rating on Transneft will continue to be capped by the foreign currency long-term sovereign rating and Russia's T&C assessment, while the local currency rating on Transneft will remain in line with the long-term local currency rating on Russia.

We will likely resolve the CreditWatch before the end of January 2015 when the CreditWatch on the sovereign is resolved.

Russian Railways

The rating action follows a similar action on the Russian Federation. We continue to see an extremely high likelihood that the Russian government would provide timely and sufficient extraordinary support to Russian Railways in the event of financial distress, and assess Russian Railways' SACP at 'bbb-'. Under our methodology for GREs and our criteria for ratings above the sovereign, a one-notch downgrade of the sovereign will result in a similar rating action on Russian Railways, all else being equal. We assume that the foreign currency rating on the company will continue to be capped by the foreign currency long-term sovereign rating and Russia's T&C assessment, while the local currency rating on Russian Railways will be in line with our long-term local currency rating on Russia.

We will likely resolve the CreditWatch placement in January 2015 when the CreditWatch placement on the sovereign ratings is resolved.

Federal Passenger Company

The rating action follows a similar action on the Russian Federation. We continue to see a high likelihood that the Russian government would provide timely and sufficient extraordinary support to Federal Passenger Company in the event of financial distress, and assess Federal Passenger Company's SACP at 'bb+'. Under our methodology for GREs, a one-notch downgrade of the sovereign will result in a similar rating action on Federal Passenger Company, all else being equal.

We will likely resolve the CreditWatch placement in January 2015 when the CreditWatch placement on the sovereign is resolved.

Federal Grid Co.

The rating action follows a similar action on the Russian Federation. Under our methodology for GREs, a one-notch downgrade of the sovereign will result in a similar rating action on Federal Grid Co., all else being equal. We continue to see a very high likelihood that the Russian government would provide timely and sufficient extraordinary support to Federal Grid Co. in the event of financial distress, and assess Federal Grid Co.'s SACP at 'bb+'.

We will likely resolve the CreditWatch placement in January 2015 when the CreditWatch placement on the sovereign is resolved.

Rosseti

The rating action follows a similar action on the Russian Federation. We continue to see a very high likelihood that the Russian government would provide timely and sufficient extraordinary support to Rosseti in the event of financial distress, and we assess Rosseti's SACP at 'bb-'. Under our methodology for GREs, a one-notch downgrade of the sovereign will result in a similar rating action on Rosseti, all else being equal.

We will likely resolve the CreditWatch placement in January 2015 when the CreditWatch placement on the sovereign is resolved.

RusHydro

The rating action follows a similar action on the Russian Federation. Under our methodology for GREs, a one-notch downgrade of the sovereign will result in a similar rating action on RusHydro, all else being equal. We continue to see a moderately high likelihood that the Russian government would provide timely and sufficient extraordinary support to RusHydro in the event of financial distress, and we assess RusHydro's SACP at 'bb'.

We will likely resolve the CreditWatch placement in January 2015 when the CreditWatch placement on the sovereign is resolved.

IDGC of Center

The rating action follows a similar action on the Russian Federation. Under our methodology for GREs, a one-notch downgrade of the sovereign will result in a similar rating action on IDGC of Center, all else being equal. We continue to see a moderate likelihood that the Russian government would

Various Rating Actions Taken On Russian Corporates Following The Placement Of The Sovereign On CreditWatch

provide timely and sufficient extraordinary support to IDGC of Center in the event of financial distress, and so we assess IDGC of Center's SACP at 'bb-'.

We will likely resolve the CreditWatch in January 2015 when we resolve the CreditWatch on the sovereign.

Moscow United Electric Grid Co. (MOESK)

The rating action follows a similar action on the Russian Federation. Under our methodology for GREs, a one-notch downgrade of the sovereign will result in a similar rating action on MOESK, all else being equal. We continue to see a moderate likelihood that the Russian government would provide timely and sufficient extraordinary support to MOESK in the event of financial distress, and assess MOESK's SACP at 'bb-'.

We will likely resolve the CreditWatch placement in January 2015 when the CreditWatch on the sovereign is resolved.

RELATED CRITERIA AND RESEARCH

Related criteria

- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Standard & Poor's National And Regional Scale Mapping Tables, Sept. 30, 2014
- Corporate Methodology, Nov. 19, 2013
- Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Group Rating Methodology, Nov. 19, 2013
- Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Methodology: Industry Risk, Nov. 19, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Key Credit Factors For The Metals And Mining Downstream Industry, Dec. 20, 2013
- Key Credit Factors For The Oil And Gas Exploration And Production Industry, Dec. 12, 2013
- Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers, May 7, 2013
- Rating Government-Related Entities: Methodology And Assumptions, Dec. 9, 2010
- Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria Guidelines For Recovery Ratings On Global Industrials Issuers' Speculative-Grade Debt, Aug. 10, 2009
- 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

RATINGS LIST

To

From

Various Rating Actions Taken On Russian Corporates Following The Placement Of The Sovereign On CreditWatch

Ratings Affirmed; Outlook Revision

OA0 Severstal

Corporate Credit Rating
Russian National Scale

BB+/Stable/--
ruAA+

BB+/Positive/--
ruAA+

Ratings Affirmed

PhosAgro OJSC

MMC Norilsk Nickel OJSC

Corporate Credit Rating
Russia National Scale

BBB-/Negative/--
ruAAA

BBB-/Negative/--
ruAAA

To

From

CreditWatch Action; Ratings Affirmed

OA0 AK Transneft

Gazprom Capital 000

Corporate Credit Rating
Local currency
Foreign currency

BBB/Watch Neg/--
BBB-/Watch Neg/--

BBB/Negative/--
BBB-/Negative/--

Russian Railways JSC

Corporate Credit Rating
Local currency
Foreign currency
Russia National Scale

BBB/Watch Neg/--
BBB-/Watch Neg/--
ruAAA

BBB/Negative/--
BBB-/Negative/--
ruAAA

Gazprom OA0

Corporate Credit Rating
Local currency
Foreign currency

BBB/Watch Neg/A-2
BBB-/Watch Neg/A-3

BBB/Negative/A-2
BBB-/Negative/A-3

Gazprom Neft JSC

OA0 NOVATEK

OA0 LUKOIL

Federal Grid Co. of the Unified Energy System

Corporate Credit Rating
Russia National Scale

BBB-/Watch Neg/--
ruAAA/Watch Neg/--

BBB-/Negative/--
ruAAA/--/--

MegaFon OJSC

MegaFon Finance LLC

Corporate Credit Rating
Local Currency
Foreign Currency
Russia National Scale

BBB-/Watch Neg/--
BBB-/Watch Neg/--
ruAAA/Watch Neg/--

BBB-/Stable/--
BBB-/Negative/--
ruAAA/--/--

Various Rating Actions Taken On Russian Corporates Following The Placement Of The Sovereign On Credit Watch

Oil Company Rosneft OJSC		
Mobile TeleSystems (OJSC)		
JSC Federal Passenger Company		
Corporate Credit Rating	BBB-/Watch Neg/--	BBB-/Negative/--
Rosneft International Holdings Limited		
Corporate Credit Rating	BBB-/Watch Neg/A-3	BBB-/Negative/A-3
Interregional Distributive Grid Co. of Center JSC		
Corporate Credit Rating	BB/Watch Neg/B	BB/Negative/B
Russia National Scale	ruAA/Watch Neg/--	ruAA/--/--
Moscow United Electric Grid Co. JSC		
Corporate Credit Rating	BB/Watch Neg	BB/Negative
Russia National Scale	ruAA/Watch Neg/--	ruAA/--/--
JSC Rosseti		
Corporate Credit Rating	BBB-/Watch Neg/A-3	BBB-/Negative/A-3
Russia National Scale	ruAAA/Watch Neg/--	ruAAA/--/--
RusHydro (OJSC)		
Corporate Credit Rating	BB+/Watch Neg/B	BB+/Negative/B
Russia National Scale	ruAA+/Watch Neg/--	ruAA+/--/--

Additional Contact:

Industrial Ratings Europe; Corporate_Admin_London@standardandpoors.com

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at spcapitaliq.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

Copyright © 2014 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES 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, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties 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 or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. 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.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective 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 nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain 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 (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.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.