



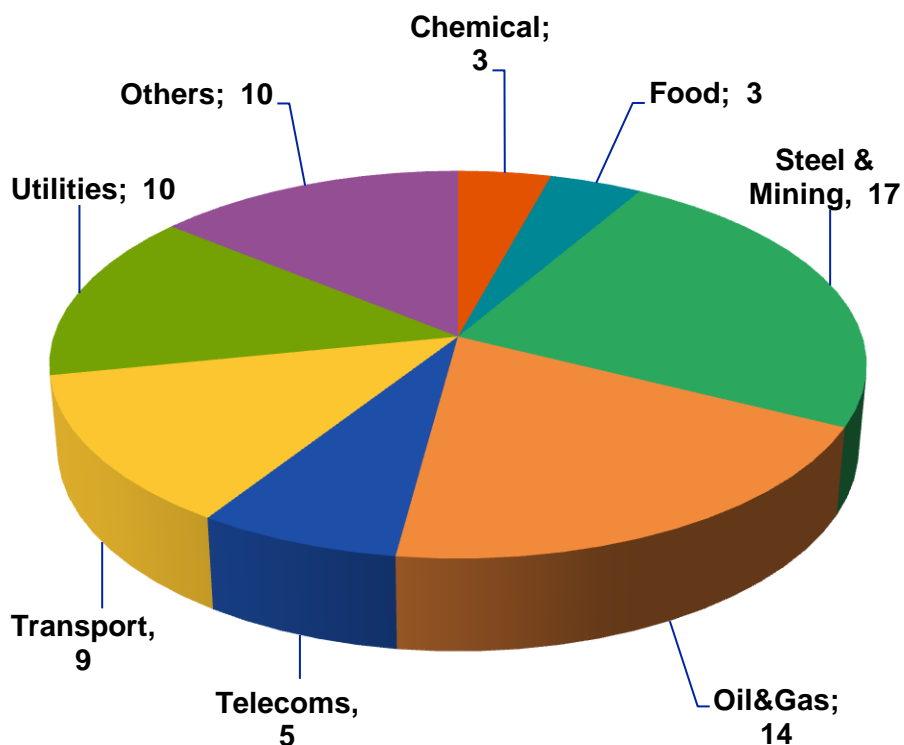
CIS Corporates: Recent Credit Developments

Agenda

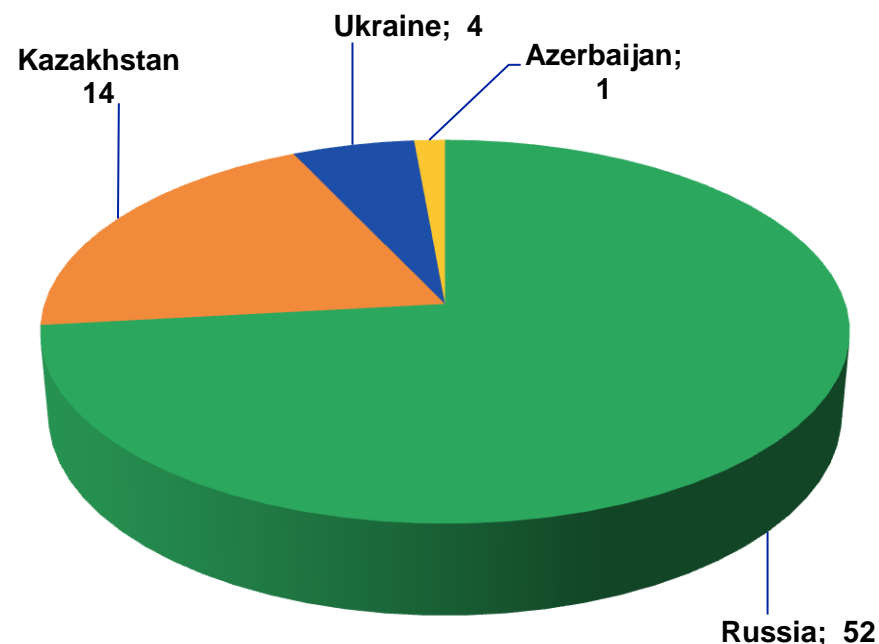
1. **Moody's Rated Universe in the CIS Region at a Glance**
2. **Corporates Reduce Vulnerability Amid Rising Uncertainty**
3. **Key Near-Term Credit Issues**

Moody's has a strong presence in the CIS region with 71 publicly rated companies as of the end of July 2011

CIS Portfolio by Industry

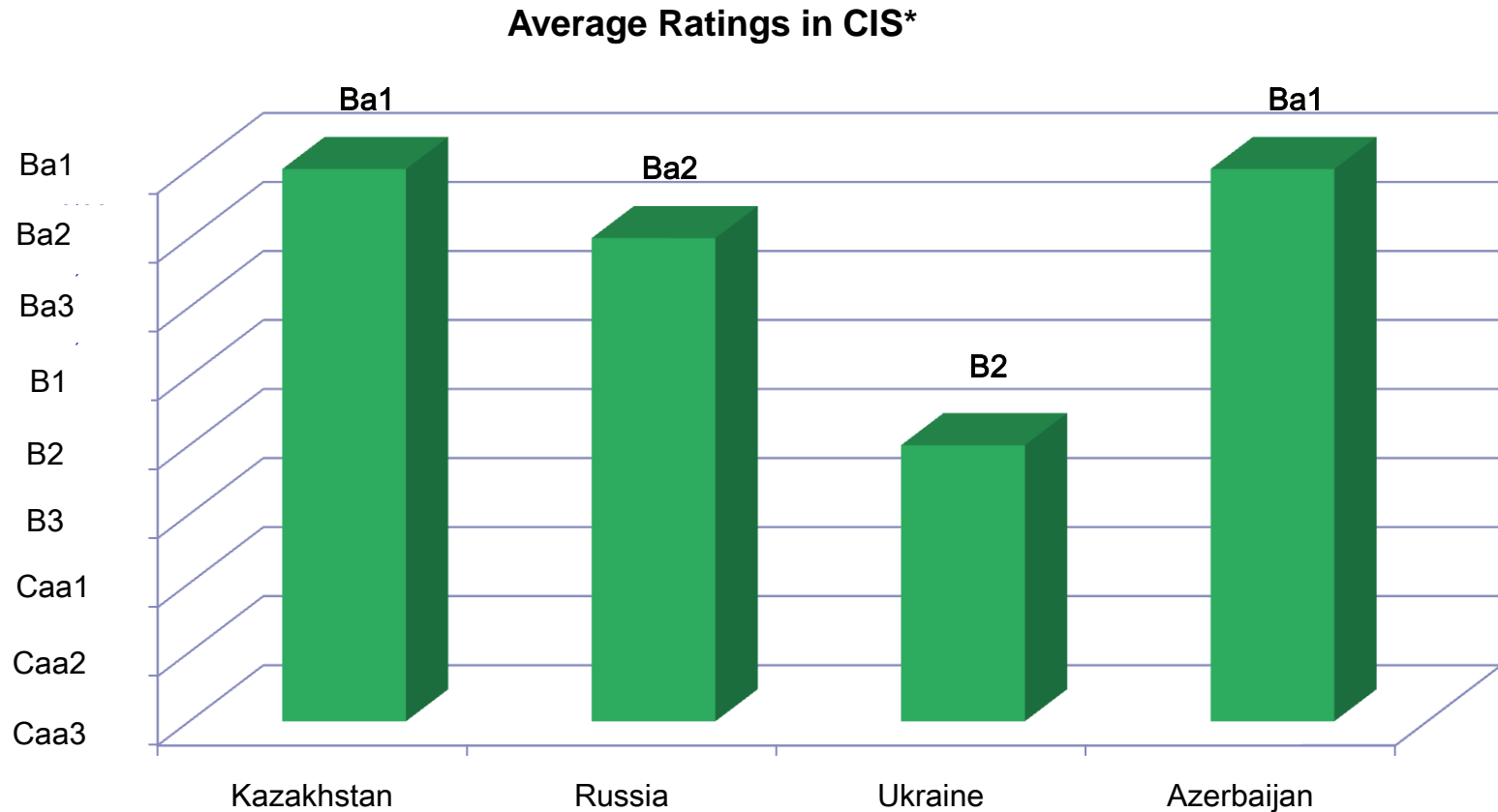


CIS Portfolio by Country



27 companies are Government-Related Issuers (GRIs) – i.e. partly or majority-owned by the government of the respective countries or regions

Average Ratings are in the Sub-Investment Grade Category



* as of July 2011

Corporates Face Challenges of Slower Global Growth

» Moody's base case macro scenario expects a slow global recovery, led by emerging markets

- Weaker global growth outlook
- Regional GDP growth is expected to be positive but below the pre-crisis levels

» Outlooks on global sectors have improved and moderating

» Key Regional Sensitivities include

- Commodity prices
- Uncertainties regarding European debt crisis
- Availability and terms of long-term capital

| INDUSTRY | OUTLOOK | LAST UPDATE |
|----------------------|----------|----------------|
| Building Materials | Stable | April 2011 |
| Pharmaceuticals | Negative | June 2011 |
| Auto Parts Suppliers | Stable | April 2011 |
| Auto Manufacturers | Stable | September 2011 |
| Airlines | Stable | June 2011 |
| Chemicals | Stable | September 2011 |
| Paper and Forest | Stable | March 2011 |
| Steel Producers | Stable | June 2010 |
| Shipping | Negative | June 2011 |
| Oil & Gas | Stable | June 2011 |
| Telecoms & Cable | Stable | June 2010 |
| Retail | Stable | October 2011 |

Key Challenges for Regional Corporate Issuers in 2008/2009

» Short but pronounced economic recession during 2009

- Russian GDP contracted by around 7.9%
- Kazakh GDP growth slowed down to 1.2% (3.3% in 2008, 8.9% in 2007)
- Ukrainian GDP slumped by 15.1%

» Low and volatile commodity prices

» Plummeting profits

- Local currency devaluation heightened currency mismatch

» Strained liquidity especially in highly cyclical and capital intensive sectors

» Limited availability of new capital challenged extended capital structures

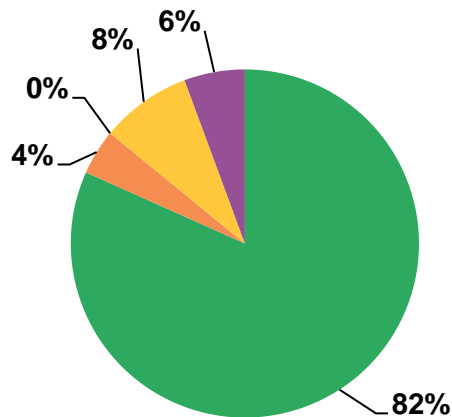
- Exposed balance sheets after a period of M&A and investment-led growth
- Weakness in banking sector, lending dominated by state-owned banks
- High pricing against short-term maturities of new loans
- Secured lending(PXF)
- Limited domestic bond issuance (Russia), Eurobond market largely closed

2010/2011: Recovery Allowed to Reduce Vulnerability...

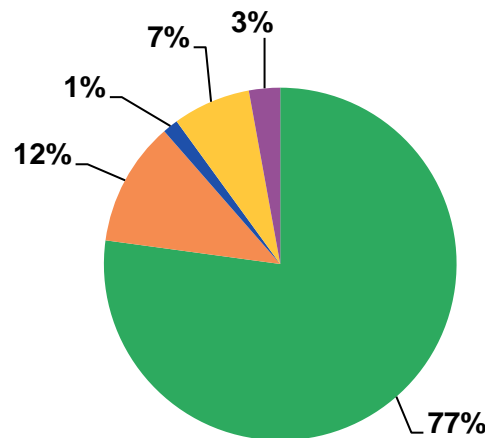
- » **Quick recovery in growth rates**
 - Russia expected to grow at c.4% in 2011/2012
- » **Improving commodity prices amid reduced volatility**
- » **FOREX risks diminished**
 - Companies have largely addressed FOREX mismatch
- » **Stronger profitability and cash flow generation**
 - Cost cutting and focus on cash management
- » **Improved availability of capital allowed to strengthen liquidity and balance capital structures**
 - Extended maturity profiles, more refinancing in lower grade issuers
 - More favorable terms
 - Growing domestic bond markets
 - Optimization of debt portfolio
- » **Growing CAPEX to compensate for underinvestment in the trough**

...and eased downward pressure on ratings in the region

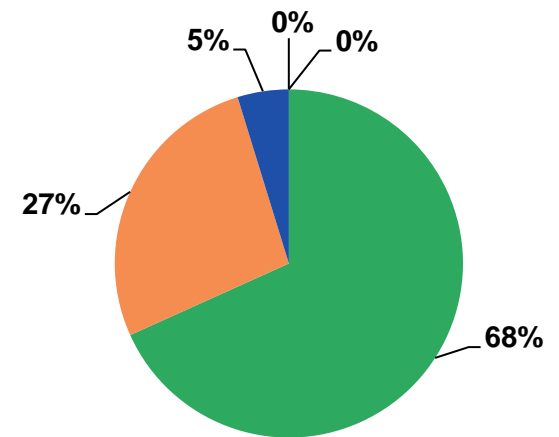
As of July 31, 2011



As of December 31, 2010



As of December 31, 2009



■ Stable ■ Negative ■ RW DNGD ■ Positive ■ RW UPGD

Key Near Term Issues for Regional Corporates

» Rising uncertainty about growth rates

- focus on financial flexibility allowed by capital structures

» Risk of increasing volatility in commodity prices

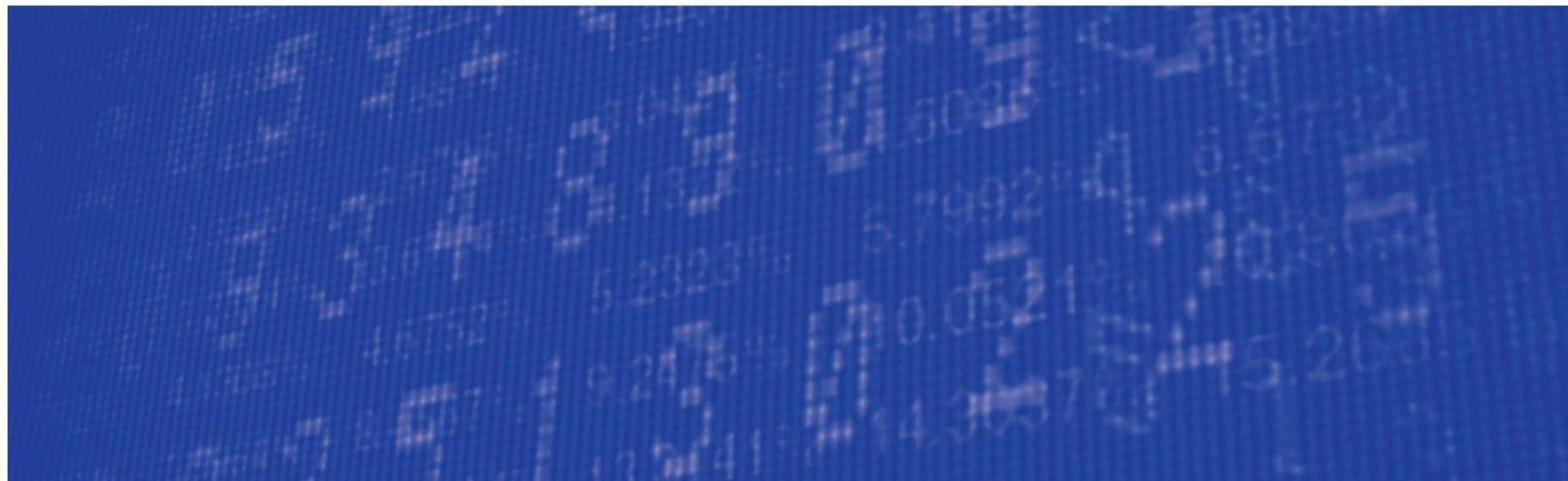
- Oil price dynamics is a good proxy to credit conditions in the region

» Availability and cost of long-term capital

- Limited near term liquidity pressure, mainly at the low levels of the rating scale
- Most issuers continue to generate cash flow in the current environment
- Management teams remain focused on financial risks
- Longer term , cost and availability of capital will determine the rate of investment-led growth

Forthcoming Moody's Events

- | | |
|----------------------------------|---|
| 20th September | Emerging Markets Round Table (two sessions on CIS and GCC), London |
| 27th October | Moody's 5th Annual Russia Credit Risk Conference, Moscow |
| 9th November | Emerging Markets: Focus on Russia and CIS Credit Risk Conference, London |



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