

Rating Action: Moody's takes rating actions on 16 Russian non-financial corporates

12 Feb 2019

Follows Russia's sovereign rating upgrade to Baa3 from Ba1 and country ceilings for foreign currency debt rising to Baa2/P-2 from Baa3/P-3

London, 12 February 2019 -- Moody's Investors Service ("Moody's") has today upgraded long-term issuer ratings of 12 Russian non-financial corporates to Baa2 from Baa3. The outlooks on all these ratings have been changed to stable from positive. Baseline credit assessments (BCAs) for all of the government-related issuers (GRIs) in this cohort were upgraded to baa2 from baa3, while their respective support and dependence assumptions remain unchanged.

Moody's has also assigned Baa3 long-term issuer ratings to four Russian non-financial corporates in the utilities and infrastructure sector, while concurrently withdrawing their Ba1 corporate family ratings (CFRs) and Ba1-PD probability of default ratings (PDRs). The outlooks on these ratings have been changed to stable from positive. For these issuers, all of which are GRIs, their ba1 BCAs and respective support and dependence assumptions remain unchanged.

Today's actions follow a sovereign rating action on the government of Russia which took place on 8 February 2019, during which Moody's upgraded Russia's long-term issuer and senior unsecured debt ratings to Baa3 from Ba1 and changed the outlook on these ratings to stable from positive. The upgrade of Russia's ratings reflects the positive impact of policies enacted in recent years to strengthen Russia's already robust public finance and external metrics and reduce the country's vulnerability to external shocks including fresh sanctions.

In a related decision, Moody's raised Russia's country ceilings for foreign-currency debt to Baa2/P-2 from Baa3/P-3. Moody's also raised the country ceilings for local currency-denominated debt and deposits to Baa1 from Baa2. A country ceiling generally indicates the highest rating level that any issuer domiciled in that country can attain for instruments of that type and currency denomination. For additional information, please refer to the related announcement https://www.moodys.com/research/--PR_394165.

Please click on this link http://www.moodys.com/viewresearchdoc.aspx?docid=PBC_202606 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

RATINGS RATIONALE

Out of the affected corporates, nine companies in the oil and gas, steel and mining sectors (for which long-term issuer ratings were upgraded to Baa2 from Baa3) exhibit particularly strong credit metrics with a substantial share of foreign-currency revenue and strong liquidity profiles, which gives them a degree of resilience at times of sovereign stress. All of these entities have robust business models, have low costs for their sectors and are visible players both in the domestic market and outside, factors that merited a one-notch rating differentiation relative to Russia's Baa3 long-term issuer and senior unsecured debt rating and factoring in the country ceiling for foreign-currency debt being raised to Baa2/P-2 from Baa3/P-3. Foreign-currency revenue stream, combined with cost bases and capital spending that are largely in roubles, provides the strongest Russian companies in these sectors with a degree of insulation from local market stress and helps cushion the effects of foreign-currency debt revaluations on their leverage metrics.

The ratings of four state-controlled Russian power and utilities, and infrastructure companies were upgraded in line with the sovereign bond rating to Baa3 with a stable outlook, reflecting the degree of interlinkage with the sovereign and their differing credit profiles, which remain fairly strong. The credit profiles of these companies are more sensitive to the domestic macroeconomic environment. These companies operate in the same economic and financial environment as exporters, but they lack revenue diversification and are therefore more vulnerable to macroeconomic stresses.

Despite the higher sensitivity to the domestic macroeconomic environment compared with exporters, as well as generally closer credit linkages with the government through the ownership, the regulated tariff regime and

funding of strategic projects (for some of them), some of Russian infrastructure companies will likely demonstrate a degree of resilience to the domestic macroeconomic and financial disruption in the event of sovereign distress due to their fundamentally strong credit profiles. Russian Railways Joint Stock Company, its subsidiary Federal Passenger Company OJSC, and Transneft, PJSC have fundamentally strong credit quality due to their resilient business models and market positioning including monopoly status, diversified customer bases (albeit predominantly domestic), as well as moderate levels of debt and strong liquidity profiles - factors that merited a one-notch rating differentiation relative to Russia's sovereign rating factoring in the country ceiling for foreign-currency debt being raised to Baa2/P-2 from Baa3/P-3. As a result, the long-term issuer ratings of these companies were upgraded to Baa2, one notch above the sovereign rating, with stable outlook.

RATIONALE FOR RATINGS OUTLOOK

The stable outlooks of the affected 16 non-financial corporates are in line with the stable outlook on the sovereign rating and reflect Moody's expectation that each company's specific credit factors, including their operating and financial performance, market position, financial leverage and liquidity will remain commensurate with their ratings on a sustainable basis. In the case of GRIs, the stable outlook also assumes no material negative government interference which could translate into negative pressure at BCA level, and/or reduction in state support.

PRINCIPAL METHODOLOGIES

The principal methodologies used in rating ALROSA PJSC and Alrosa Finance S.A. were Mining published in September 2018 and Government-Related Issuers published in June 2018. The principal methodologies used in rating Atomenergoprom, JSC, RusHydro, PJSC and RusHydro Capital Markets DAC were Unregulated Utilities and Unregulated Power Companies published in May 2017 and Government-Related Issuers published in June 2018. The principal methodologies used in rating ROSSETI, PJSC, FGC UES, PJSC and Federal Grid Finance D.A.C. were Regulated Electric and Gas Networks published in March 2017 and Government-Related Issuers published in June 2018. The principal methodology used in rating Federal Passenger Company OJSC was Global Passenger Railway Companies published in June 2017. The principal methodology used in rating Gazprom Neft PJSC, GPN Capital S.A., Lukoil, PJSC and LUKOIL International Finance B.V. was Global Integrated Oil & Gas Industry published in October 2016. The principal methodologies used in rating Gazprom, PJSC, Gaz Capital S.A. and Gazprom ECP S.A. were Global Integrated Oil & Gas Industry published in October 2016 and Government-Related Issuers published in June 2018. The principal methodology used in rating Magnitogorsk Iron & Steel Works, NLMK, Steel Funding D.A.C. PAO Severstal and Steel Capital S.A. was Steel Industry published in September 2017. The principal methodology used in rating MMC Norilsk Nickel, PJSC and MMC Finance DAC was Mining published in September 2018. The principal methodology used in rating PAO Novatek and Novatek Finance Limited was Independent Exploration and Production Industry published in May 2017. The principal methodologies used in rating Russian Railways Joint Stock Company and RZD Capital PLC were Global Surface Transportation and Logistics Companies published in May 2017 and Government-Related Issuers published in June 2018. The principal methodologies used in rating Transneft, PJSC were Regulated Electric and Gas Networks published in March 2017 and Government-Related Issuers published in June 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

Please click on this link http://www.moodys.com/viewresearchdoc.aspx?docid=PBC_202606 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

- Person Approving the Credit Rating

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the

rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

The below contact information is provided for information purposes only. Please see the ratings tab of the issuer page at www.moodys.com, for each of the ratings covered, Moody's disclosures on the lead rating analyst and the Moody's legal entity that has issued the ratings.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Artem Frolov
VP - Senior Credit Officer
Corporate Finance Group
Moody's Investors Service Limited, Russian Branch
7th floor, Four Winds Plaza
21 1st Tverskaya-Yamskaya St.
Moscow 125047
Russia
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Victoria Maisuradze
Associate Managing Director
Corporate Finance Group
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

MOODY'S
INVESTORS SERVICE

© 2019 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED

FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS,

MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$2,700,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.