

## Russia-Based Development Group CJSC SSMO LenSpecSMU Proposed RUB2 Bil. Unsecured Notes Rated 'B'; Recovery Rating '4'

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LONDON (Standard & Poor's) May 24, 2010--Standard & Poor's Rating Services said today that it assigned its 'B' global scale issue rating and 'ruA' Russia national scale rating to the proposed Russian ruble (RUB) 2 billion (\$65 million) senior unsecured notes to be issued by Russia-based construction and development group CJSC SSMO LenSpecSMU (LSS; B/Stable/B, Russia national scale 'ruA'). We also assigned a recovery rating of '4' to the notes, indicating our expectation of average (30%-50%) recovery in the event of a payment default. The corporate credit ratings on LSS are unchanged.

The issue rating on the \$100 million (\$8.1 million currently outstanding) credit-linked notes (CLNs) issued by Golden Ring Finance S.A. (not rated) and guaranteed by LSS, is unchanged at 'B', the same level as the corporate credit rating on LSS. The recovery rating on these notes is also unchanged, at '4', indicating our expectation of average (30%-50%) recovery in the event of a payment default.

The issue rating on LSS' existing RUB2 billion unsecured notes due 2012 is unchanged at 'B', the same level as the corporate credit rating on LSS. The recovery rating on these notes is also unchanged, at '4', indicating our expectation of average (30%-50%) recovery in the event of payment default.

The rating on the proposed notes is based on preliminary information and is subject to our satisfactory review of the final documentation. In the event of

any changes to the amount or terms of the bond, the recovery and issue ratings will be subject to further review.

#### RECOVERY ANALYSIS

The proposed RUB2 billion notes are an unsecured obligation of LSS. We assume that these notes rank pari passu with the CLNs and other unsecured debt issued or guaranteed by LSS. We have pushed back the year of default to 2012 from 2011 to reflect reduced refinancing risk in 2010-2011 on account of the proposed issue.

Downward pressure on the unsecured debt ratings is possible should the share of secured debt in the capital structure increase. Material depreciation of the ruble versus the U.S. dollar could depress estimated recoveries to less than 30%-50%. The recovery prospects are based on a discrete-asset valuation of about RUB13.2 billion (\$380 million). The recovery and issue ratings take into account the unsecured nature of the rated issues and the Russian jurisdiction, which we see as relatively creditor unfriendly.

In addition, the LSS group has about \$58 million equivalent in unrated bank debt.

For full details of our recovery analysis, see "CJSC SSMO LenSpecSMU's Recovery Rating Profile," published Dec. 11, 2009, on RatingsDirect.

#### RATINGS LIST

##### New Rating

CJSC SSMO LenSpecSMU

RUB2 bil. (proposed) notes

Senior Unsecured

B

Russia National Scale

ruA

Recovery Rating

4

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