

April 24, 2009

Novosibirsk (City of)

Primary Credit Analyst:

Irina Pilman, Moscow (7) 495-783-4061; irina_pilman@standardandpoors.com

Secondary Credit Analyst:

Felix Ejgel, Moscow (7) 495-783-4060; felix_ejgel@standardandpoors.com

Table Of Contents

Major Rating Factors

Rationale

Outlook

Comparative Analysis

System Support And Predictability

Economy

Management And Organizational Structure

Financial Flexibility And Budgetary Performance

Budgetary Performance Is Adequate, But Beleaguered In 2009

Liquidity, Debt Management, Debt Burden, And Contingent Liabilities

Contingent Liabilities

Novosibirsk (City of)

Major Rating Factors

Strengths:

- Moderate debt
- Rather sophisticated debt management
- Limited contingent liabilities
- Relatively diversified economy

Weaknesses:

- Low financial flexibility and predictability
- Weakening budgetary performance
- Pressure on liquidity due primarily to a recent accumulation of short-term debt

Issuer Credit Rating
BB-/Negative/--
<i>Russia National Scale Rating</i>
ruAA--/--

Rationale

The City of Novosibirsk is the third-largest city in the Russian Federation (foreign currency BBB/Negative/A-3; local currency BBB+/Negative/A-2; Russia national scale rating 'ruAAA').

The ratings are constrained by the city's low financial flexibility and predictability, downside pressures on budgetary performance, and pressure on liquidity due primarily to a recent accumulation of short-term debt.

These constraints are mitigated by moderate debt, rather sophisticated debt management, limited contingent liabilities, and a relatively diversified economy.

Like other Russian local and regional governments, Novosibirsk's financial predictability and flexibility is limited because the central government regulates tax rates and shares, distribution of responsibilities of different layers of government, and their reshuffling, and this system continues to evolve. Novosibirsk's budget flexibility was additionally stressed by the macroeconomic downturn and accelerated capital expenditures, both of which started in 2008.

The city's revenue growth had slowed by the end of 2008, and this negative trend will continue in 2009 due to the contraction of trade and real estate operations, which are among Novosibirsk's biggest tax-generating sectors. Standard & Poor's Ratings Services believes operating revenues will grow only moderately (in nominal terms) in 2009–2010. Novosibirsk's economy and revenue base is rather diversified overall, so the impact of macroeconomic downturn will be less harmful than for many of its Russian peers with highly concentrated tax bases.

The city administration is focused on controlling expenditures to avoid financial performance slippage and to keep debt moderate or low. Management plans to cut capital expenditures and keep operating expenditures at 2008 levels.

In this context, we forecast the operating performance to remain at least breakeven on average in 2009–2010, and the deficit after capital expenditures at less than 5% of total revenues in the medium term.

At 16% of operating revenues as of year-end 2008, Novosibirsk's debt burden remains low in the international context. Despite anticipated new debt accumulation in 2009, it should remain below 20% in the medium term. The city has no guarantees, and doesn't plan to issue any in the near future.

Novosibirsk's location as a transport and logistics hub, and its role as an academic center, will buoy economic growth in the medium term. The city's wealth levels are average for Russia, but low by international standards. The average salary grew by 15.2% in real terms in 2008, but will likely stay at that level in 2009.

Liquidity

We consider Novosibirsk's liquidity to be modest. As of April 1, 2009, the city's cash on accounts stood at Russian ruble (RUR) 1.4 billion (about \$41.7 million), which covered two-three weeks of average 2009 planned monthly operating expenditures. However, 90.5% of this cash was transferred from the upper budgets and is earmarked.

The share of short-term debt (including the share of long-term debt maturing during the year) has increased to a high 72.2% in 2009. Debt repayment due in 2009 amounts to RUR2.7 billion, and consists of a RUR500 million bond issue and RUR2.2 billion in bank loans. This will bring debt service to 13.6% of operating revenues in 2009.

The city plans to refinance this debt with new bank loans, most of them with maturities of more than one year. An agreement with Sberbank has already been reached for a RUR1.1 billion loan. Although the city has no committed credit lines, JSC VTB Bank (BBB/Negative/A-3; Russia national scale 'ruAAA') and several regional banks have expressed their intention to participate in the city auctions for borrowings this year.

We expect that Novosibirsk will obtain the necessary refinancing in time. Our expectations are based on the city's successful management of its debt, as it obtained financing on better-than-average terms in 2008–2009 and earlier.

Outlook

The outlook is negative because of Novosibirsk's higher liquidity risks following short-term debt accumulation in 2008 and its weakening self-financing capacity.

A downgrade is possible if the economic downturn persistently lowers Novosibirsk's revenue growth, leading to structurally weaker self-financing capacity, and to persistently high dependence on short-term debt.

We could revise the outlook to stable if the city manages both: to curb expenditure growth and return to its strong self-financing capacity in line with 2007 levels, and to succeed in reducing the share of short-term debt, gradually reducing debt service to less than 10% of operating revenues.

Comparative Analysis

Novosibirsk's economy is more diversified and growing faster than those of Russian and Ukrainian peers. The city's tertiary sector, in particular, is more developed than those of its peers. Its rapid economic growth is not oil driven, as in many other Russian regions and cities, but is primarily supported by growth in the trade and services sectors (see table 1). Moreover, wealth is increasing, although it only moderately exceeds the Russian average.

The city's budgetary performance improved in 2005-2007 to an average level in an international context, and is now

at the level of its Russian peers. We forecast some weakening, however, in line with the common trend for Russian rated entities.

Novosibirsk's debt level is currently low in an international context, and is not forecast to exceed the moderate level in the medium term. On the positive side, the city is experienced in debt management, and has never defaulted on its debt obligations, in contrast to the City of Nizhny Novgorod (BB-/Stable/--), and the Volgograd Oblast (BB-/Stable/--).

The city's contingent liabilities are lower than those of its peers due to low involvement in the economy, zero guarantees, and low municipal payables.

Novosibirsk demonstrates relatively high financial and operational transparency. Nevertheless, its medium-term investment and financial planning still need improvement.

Table 1

City of Novosibirsk 2008 Peer Comparison							
	Novosibirsk (City of)	Nizhny Novgorod (City of)	Sakha (Republic of)	Surgut (City of)	Tver Oblast	Ufa (City of)	
Issuer credit rating	BB-/Negative/--	BB-/Stable/--	BB-/Stable/--	BB-/Stable/--	B+/Negative/--	BB-/Stable/--	
National scale rating	--/--/--	ruAA/--/--	ruAA/--/--	ruAA/--/--	ruA+/--/--	ruAA/--/--	
Three-year averages, using actual results only							
Operating balance (% of operating revenues)	8.0	9.8¶	5.4	7.4	6.8	8.2	
Balance after capital expenditures (% of total revenues)	3.2	5.4¶	(1.6)	1.4	0.2	1.3	
Capital expenditures (% of total expenditures)	22.4	11.8¶	13.9	22.7	10.5	13.4	
Transfers received (% of total revenues)	29.7	23.3¶	40.6	50.4	27.6	27.9	
2008 (mil. \$)							
Total revenues	1,038.1	687.0	2,435.1	616.2	1,007.1	432.7	
Modifiable revenues (% of operating revenues)	41.7	27.7	9.6	21.0	11.7	35.8	
Direct debt (at year-end)	127.3	12.3	349.7	20.0	168.8	22.1	
Direct debt (% of operating revenues)	15.8	2.1	15.1	3.8	17.4	5.5	
Direct debt (% of GDP)	N/A	N/A	4.0	0.1	2.5		
Tax-supported debt (% of consolidated operating revenues)	15.8	2.1	15.1	4.6	20.5	16.1	
Net financial liabilities (% of consolidated operating revenues)	14.1	2.1	15.1	(1.1)	11.5	15.4	
Interest (% of operating revenues)	1.1	0.1	1.2	0.3	0.5	0.9	
Debt service (% of operating revenues)	2.4	0.4	5.4	1.9	12.0	4.8	
Free cash & liquid assets as % of debt service	71.8	1,672.7¶	6.2¶	295.3	74.9	21.8	

Table 1

City of Novosibirsk 2008 Peer Comparison (cont.)						
Population	1,397,200.0	1,286,433.0¶	951,436.0	291,940.0¶	1,379,542.0	1,028,671.0¶
Unemployment rate (%)	7.4*	0.5¶	9.0	4.7¶	5.1	1.4¶
GDP (nominal) per capita, unscaled	N/A	N/A	10,000.0¶	N/A	4,412.2¶	4,532.6*
GDP per capita (% of national average)	N/A	N/A	121.3¶	N/A	53.5¶	67.0*
GDP (real) growth (%)	8.5*	7.5¶	4.5¶	0.5¶	7.7¶	8.5*
Total revenues (% of GDP)	N/A	N/A	27.9	2.3	15.2	N/A

*Figures for 2006. ¶Figures for 2007. N.A.--Not available. N/A--Not applicable.

System Support And Predictability

The Russian local and regional government (LRG) system remains centralized, with federal government control over major taxes and LRG borrowing. Following recent reforms, there has been a notable improvement in the stability and predictability in intergovernmental relations. System improvements are in place after the completion of major tax reforms, and there is clearer distribution of revenue and expenditure responsibilities between the different levels of government under the framework of interbudgetary reforms. System risks, however, remain high by international comparison, due to weak revenue and expenditure equalization, a nontransparent system of checks and balances, and low LRG accountability.

The system continues to evolve, with reforms still affecting all major areas of LRGs' day-to-day operations and strategic planning, including tax revenues, debt and equalization mechanisms, and responsibilities, accounting, and reporting. These changes create uncertainty in the LRG operating environment, and make planning and budgeting difficult.

Overall, Novosibirsk has benefited from a reallocation of intergovernmental responsibilities and revenue sources as a result of ongoing municipal reform. Federal legislation now allows the city to retain a minimum of 30% of the personal income tax (PIT) collected, which is the city's main source of tax revenues. Previously, the share of PIT that the city could retain was approved annually by the Novosibirsk Oblast (not rated). This change brings increased predictability to the city's revenue base. Moreover, since 2007, the oblast has permitted the city to maintain an additional 3% on top of the 30% introduced by federal legislation. The city therefore kept 33% of PIT revenues for 2008 and got a small increase to 3.4% for 2009.

Economy

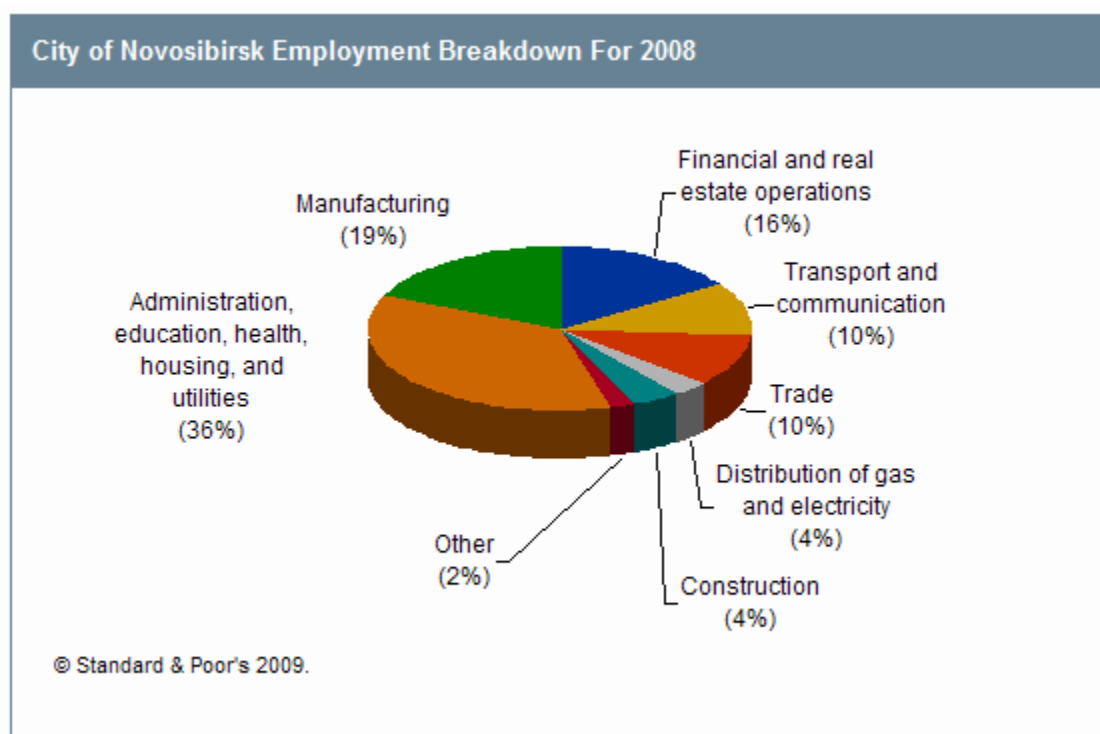
Novosibirsk is Russia's third-largest city, and had a population of 1.4 million in 2008 (almost 1% of Russia's population). The city produces 0.7% of total Russian industrial output, and accounts for 1.4% of national retail trade. It is the only large city in Novosibirsk Oblast, and 53% of the oblast's population lives in the city. Novosibirsk contributes about 80% of the oblast's consolidated revenues. Novosibirsk is an important Siberian transportation and logistics hub, specializing in transit. In addition, the city is the science center of Siberia.

Novosibirsk's population grew 0.5% in 2008 after decreasing over the past four years at an average of 0.5% per

year. Population growth was a result of a threefold increase in immigration and halved difference between birth and mortality year on year. The current slowdown in economic activity, followed by reduced immigration, could temporarily interrupt this positive demographic trend. But in the medium term, it should be restored.

The city's economy is rather diversified in the Russian context, with 75% of total employment in the tertiary sector (see chart 1).

Chart 1



There is no concentration of taxpayers in the city; the 10 largest enterprises contribute about 5% of tax revenues. The largest employer in the city accounts for less than 1.1% of total employment.

Novosibirsk's wealth level is average for Russia, measured in terms of the city's average wage and its rate of growth. A high 31% growth of average salaries in the city was mainly due to the financial intermediation and real estate, administration, transport, and construction sectors, where salaries were above the average level and grew quickly. As these sectors are currently depressed, the city expects no salary growth in 2009. The oblast administration forecasts that the average 2008 wages level will be maintained. In the city, this forecast will be supported by more guaranteed salaries in the public sector and on manufacturing enterprises, related to the Russian Academy of Sciences.

Unemployment is low compared with the rest of Russia, but will likely grow during the economic crisis; immigrants will probably be fired first. Further improvement in wealth levels and in living standards in the medium term are crucial for the city to retain its population and employment and investment attractiveness.

The city has grown quickly over the past four years, but it is generally expected that the economy will slow in

2009–2010. Reduced investment, to 13% in 2008 compared with 31.8% in 2007, will lead to diminished output in 2009–2010. The city forecasts total output will grow by 2.6% in 2009 (mainly thanks to the food industry and trade) by 10%.

Further road construction and modernization of transportation infrastructure are crucial for the city to retain its position as an important Siberian transportation hub and trading center.

The federal government will mainly finance 2009 investments needed to develop the transportation and trade profile of the city, with a minor portion cofinanced by the LRGs. These investments will be used to construct a new bridge and expand Novosibirsk's subway system. Construction of international airport and repair of highways and bridges may be postponed until 2010–2011 if revenue proceeds are low.

Management And Organizational Structure

In 2009, Vladimir Gorodetsky was reelected to a third term as mayor of Novosibirsk. Mr. Gorodetsky is an influential politician, representing the economic and political interests of the Russian municipal sector through his chairmanship of the Association of Cities of Siberia and the Far East of Russia.

The city administration's transparency is high, and its financial and management skills are increasing, in line with improving standards for the country as a whole. Novosibirsk Oblast and the city adopted a three-year budget for 2009–2011, which could add some certainty to their interbudgetary relations. However, the crisis has undermined most important macroeconomic assumptions for a medium-term budget, and the central government has proposed that LRGs focus temporarily on one-year budgets. In the initial version of the 2009 budget, the city prudently provided for a list of expenditures for a potential cut (of RUR5 billion) in case of lower revenues, and an additional RUR2.5 billion curtailment was worked out by the city administration in March 2009. The new, restrained version of the budget will be presented to the city council in May 2009.

Budgeting in the city is more conservative than realistic, as it is for most Russian regions and municipalities, due to planning procedures prescribed in the national budget code. Similar to its peers, the city needs to spell out a realistic investment program and integrate it into the medium-term budget. Management of investment projects also needs improvement.

Financial Flexibility And Budgetary Performance

Financial flexibility is restricted by federal tax and intergovernmental regulations

Since 2005, the limited predictability and flexibility of Novosibirsk's finances have increased somewhat due to the municipal reform (see more in the "System Support And Predictability" section).

Revenues will decline in 2009

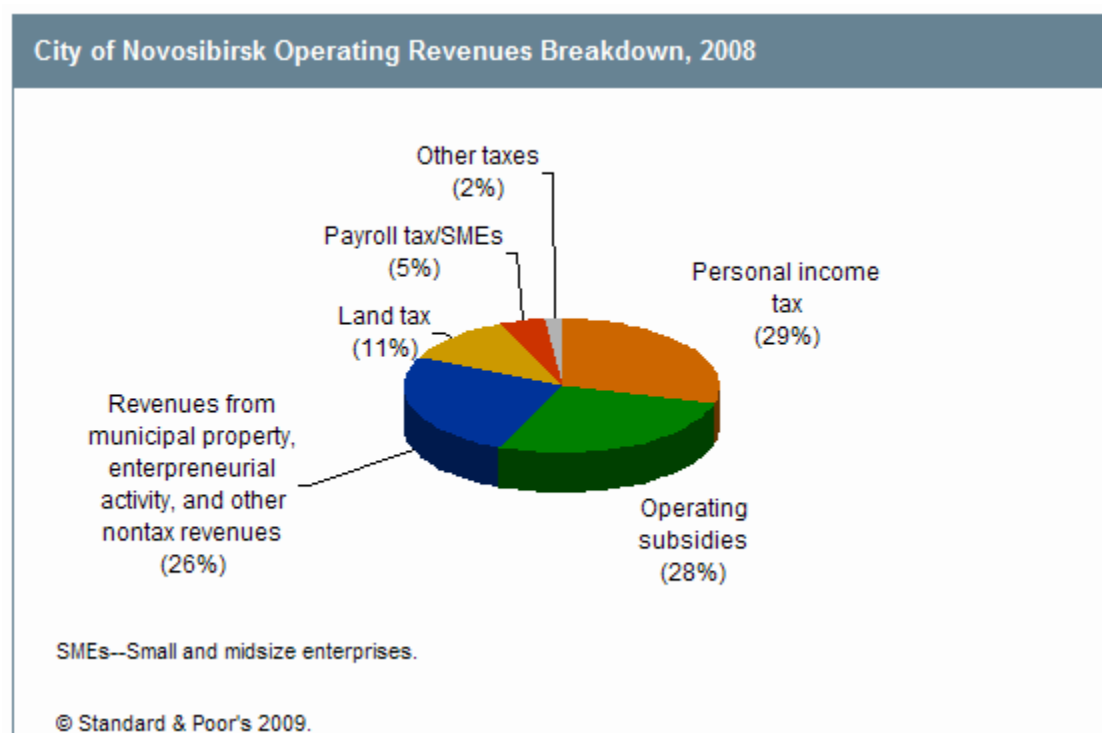
Salaries and assets sales were the main reason for the strong 62% and 31% total revenue growth in 2007 and 2006, respectively. Novosibirsk's total revenues grew only 10% in 2008—hit by the crisis—and may decline by as much as 10% in 2009.

Operating revenues will post only minor (about 3%) nominal growth in 2009, based on stagnation of salaries

during the crisis. At the same time, we expect that the city administration's efforts to maintain the 2008 level of PIT and payroll tax collection, as well as budgeted transfers from upper budgets, will prevent the recession in revenues from deepening more than forecast.

A high proportion of PIT in cities' operating revenues makes them less vulnerable to the cycle, compared with Russian regions, which are dependent on corporate profit tax (see chart 2). Novosibirsk's tax base should be more resilient to the economic downturn, because it is well diversified. Manufacturing, trade, and real estate management provide about 15% of tax revenues each, followed by transport (9.8%) and construction (6.2%).

Chart 2



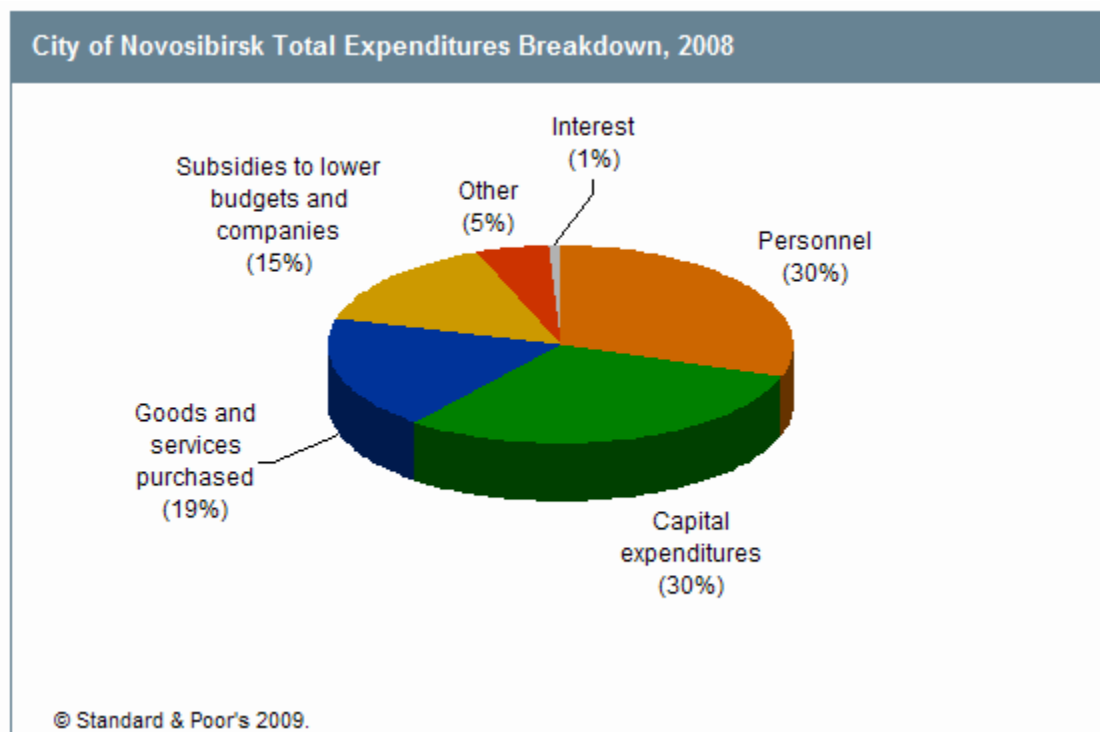
Although the share of modifiable revenues as a percent of operating revenues stood above 40% on average during the four post-reform years, financial flexibility remains low. Real room for maneuver to increase nontax proceeds is rather limited, because rates and tax base definitions are outside the city's competences, and there is no possibility to increase nontax and land tax proceeds.

Capital revenues, consisting of proceeds from selling land and properties, and capital subsidies from the regional and federal budget, have provided some flexibility to total revenues in 2006-2008, but will contract in the next few years. These revenues were very high (up to 24% of total revenues) due to the start of a massive privatization and federal financing of road and transportation infrastructure. Because the real estate market contracted, the city reduced the amount of future revenues from asset sales to 3%-5% of the total budget. However, the city expects to continue receiving federal financing for road and transport enhancement in the city (subway and the third bridge).

Growth of expenditures is under control

Public sector salary increases mandated at the federal level have exerted the main pressure on the city's budget since 2005, after the reallocation of responsibilities in line with Russian municipal reform. These increases drove the share of personnel expenditures to a high 41.2% of operating expenditures on average in 2005-2008, compared with 23.1% in 2004 (see chart 3).

Chart 3



This share may increase by 5%-10% in the future, as the city increased public sector salaries by 20% in December 2008, and plans to reduce other operating expenditures in 2009. The salary increase was lower than the initially planned 30%, and the city banned any increases during 2009.

Personnel and interest payments are rigid as they are highly prioritized by the city administration.

The city already plans to spend about 10%-15% less in a revised version of the 2009 budget. The cuts are related to further optimization of the social infrastructure, and savings on municipal improvements, transportation, and maintenance costs. Additional significant cuts (anything more than 5%) would quickly result in an accumulation of payables at the level of the city and its companies.

The degree of flexibility with capital expenditures used to be higher than with the operating side. But that will be reduced because the city administration plans to cut capital expenditures by almost 25% in the adjusted 2009 budget. Some flexibility to cut capital expenditures will still remain in the short term (additional 10%-15%). In a longer term, however, the flexibility will be restricted by the need to cover a big infrastructure gap.

The city plans to finance bridge and subway construction (with federal financing) as first priorities. Modernization

of the water supply system and road network, and development of a technology park will be postponed if revenue collection and/or federal financing are less than expected.

Budgetary Performance Is Adequate, But Beleaguered In 2009

Novosibirsk's budgetary performance was average in an international context over the past four years, but it may temporarily weaken to a zero operating balance and a minor deficit after capital expenditures in 2009-2010.

Recent growth of surpluses in 2007 followed revenue growth, an effective expenditure-management program, and capital financing from privatization proceeds. By the end of 2008, these proceeds had dried up, and the city had to borrow in the market because expenditures had been already assigned. On the positive side, the administration managed to hold keep 2008 operating-expenditure growth below inflation.

According to our base-case forecast, operating balances are expected to be breakeven on average in 2009–2010. To cover cash shortages during the year, the administration plans to borrow about RUR1 billion from banks for this purpose if soft interbudgetary loans aren't available. The deficit after capital expenditures is unlikely to be more than Standard & Poor's forecast (i.e., less than 5% of total revenues) and will be for refinancing needs rather than for capital program financing.

Liquidity, Debt Management, Debt Burden, And Contingent Liabilities

Increasing liquidity risks

We consider Novosibirsk's liquidity to be modest. As of April 1, 2009, the city's cash on accounts stood at RUR1.3975 billion, which covered two-three weeks of average 2009 planned monthly operating expenditures. Regular operating-expenditure peaks fall in June-July (vacation time) and in the fourth quarter for capital expenditures; while regular revenue peaks are the first month of each quarter.

Debt repayment due in 2009 amounts to RUR2.7 billion. The city plans to refinance this debt by new bank loans with longer-than-one year maturities for most of them (see more in the "Liquidity" section of the "Rationale").

We expect that Novosibirsk will obtain the necessary refinancing in time. Our expectation is based on Novosibirsk's high prioritization of debt service, and proven capacity to attract borrowings in the market on better-than-average terms (see table 2).

Table 2

Interest Rate Dynamics On City of Novosibirsk Borrowings, 2004-2009			
(%)	Average weighted interest rate on municipal loans	National refinancing rate	Official inflation rate
Jan. 1, 2004	19.2	16	12
Jan. 1, 2005	16.7	13	11.7
Jan. 1, 2006	11.49	12	10.9
Jan. 1, 2007	8.99	11	9
Jan. 1, 2008	7.75	10	11.9
Jan. 1, 2009	12.27	13	13.3

Source: City of Novosibirsk.

Novosibirsk has a good debt management record. Servicing significant debt in the past, and working with a large number of banks, the administration has never defaulted on its obligations and enjoys a good reputation among Russian banks for servicing debt in a timely manner.

Debt Burden

Novosibirsk's debt burden remains rather low in an international context, even after it increased to 16% of operating revenues in 2008. Some new debt accumulation is expected in 2009 and the debt ratio may rise to 19%-20% of operating revenues.

As of April 1, 2009, Novosibirsk's direct debt was RUR3.7 billion and consisted (at 40.5%) of two medium-term municipal bonds due in 2009–2010. The rest is represented by several short-term bank loans. We forecast the city's short-term debt will be about 53.6% of direct debt by the end of 2009, bringing the debt service to 13.6% of operating revenues.

The city doesn't have guarantees, and doesn't plan to issue any in the next three years.

Contingent Liabilities

Novosibirsk's contingent liabilities are low due to negligible involvement in the economy, zero guaranteed debt, and insignificant past-due payables of both municipal companies and the city. The city provides subsidies to municipal companies in transport, construction, housing and utilities, and other sectors; these subsidies are part of budget expenditures (see table 3).

Table 3

City of Novosibirsk Municipal Companies' Indicators		
(Mil. RUR)	2008	2007
Operating subsidies	1521.8	923.5
Capital subsidies	659.5	548.5
Past-due payables	382.5	428.7

RUR--Russian ruble.

Reduction of expenditures in 2009 is likely to lead to cuts in subsidies to municipal companies, especially, capital subsidies. This could lead to the companies' payables increasing. That is why we believe Novosibirsk will more closely monitor the municipal sector and will elaborate a management strategy for the sector.

Table 4

City of Novosibirsk Financial Statistics						
(Mil. RUR)	--Year ended Dec. 31--					
	2011f	2010f	2009f	2008	2007	2006
Operating revenues	31,644.0	27,279.0	24,356.0	23,646.6	22,154.8	14,846.2
Operating expenditures	30,803.0	27,206.0	24,605.0	22,071.7	19,605.6	14,002.8
Operating balance	841.0	73.0	(249.0)	1,574.9	2,549.2	843.4

Table 4

City of Novosibirsk Financial Statistics (cont.)						
Operating balance (% of operating revenues)	2.7	0.3	(1.0)	6.7	11.5	5.7
Capital revenues	4,812.0	4,296.0	3,768.0	6,851.2	5,647.6	2,295.9
Capital expenditures (capex)	5,006.0	4,551.0	4,334.0	9,632.0	5,937.3	2,201.8
Balance after capex	647.0	(182.0)	(815.0)	(1,205.9)	2,259.5	937.5
Balance after capex (% of total revenues)	1.8	(0.6)	(2.9)	(4.0)	8.1	5.5
Net budget loans	N.A.	N.A.	N.A.	(42.1)	0.0	(92.7)
Balance after debt repayment and onlending	(2,353.0)	(2,722.0)	(3,515.0)	(1,470.3)	(668.7)	(4,635.0)
Balance after debt repayment and onlending (% of total revenues)	(6.5)	(8.6)	(12.5)	(4.8)	(2.4)	(27.0)
Gross borrowings	2,500.0	2,700.0	3,700.0	2,200.0	740.0	5,032.0
Balance after borrowings	147.0	(22.0)	185.0	729.7	71.3	397.0
Balance after borrowings (% of total revenues)	0.4	(0.1)	0.7	2.4	0.3	2.3
Modifiable revenues (% of operating revenues)	N.A.	N.A.	N.A.	41.7	43.0	49.3
Capex (% of total expenditures)	14.0	14.3	15.0	30.4	23.2	13.6
Operating-revenue growth (%)	16.0	12.0	3.0	6.7	49.2	22.7
Operating-expenditure growth (%)	13.2	10.6	11.5	12.6	40.0	25.8
Direct debt (debt outstanding at year-end)	4,400.0	4,900.0	4,740.0	3,739.5	1,846.0	4,034.4
Direct debt (% of operating revenues)	13.9	18.0	19.5	15.8	8.3	27.2
Tax-supported debt (% of consolidated operating revenues)	13.9	18.0	19.5	15.8	8.3	27.2
Interest (% of operating revenues)	2.2	2.9	2.5	1.1	1.2	3.6
Debt service (% of oper revenues)	11.7	12.2	13.6	2.4	14.5	41.7
Free cash & liquid assets as % operating expenditures	2.1	2.1	2.4	1.8	3.1	3.8
Free cash & liquid assets as % debt service	17.7	16.7	17.5	71.8	19.2	8.5

f--Standard & Poor's forecast. RUR--Russian ruble. N.A.--Not available

Table 5

City of Novosibirsk Economic Statistics					
--Year ended Dec. 31--					
(Mil. RUR)	2010f	2009f	2008	2007	2006
Population	1,400,108.0	1,398,408.0	1,397,200.0	1,390,513.0	1,391,918.0
Population growth (%)	0.1	0.1	0.5	(0.1)	(0.7)

f--City of Novosibirsk forecast. RUR--Russian ruble. N.A.--Not available

Ratings Detail (As Of April 24, 2009)*

Novosibirsk (City of)

Issuer Credit Rating	BB-/Negative/--
<i>Russia National Scale Rating</i>	ruAA/--/--
Senior Unsecured (1 Issue)	BB-
<i>Russia National Scale Rating (2 Issues)</i>	ruAA-

Issuer Credit Ratings History

15-Apr-2009	<i>Foreign Currency</i>	BB-/Negative/--
-------------	-------------------------	-----------------

Ratings Detail (As Of April 24, 2009)* (cont.)		
21-Mar-2008		BB-/Stable/--
26-Mar-2007		B+/Positive/--
23-Mar-2006		B/Positive/--
15-Apr-2009	<i>Local Currency</i>	BB-/Negative/--
21-Mar-2008		BB-/Stable/--
26-Mar-2007		B+/Positive/--
22-Dec-2006		B/Positive/--
21-Mar-2008	<i>Russia National Scale Rating</i>	ruAA/--/--
26-Mar-2007		ruA+/--/--
23-Mar-2006		ruA/--/--
Default History		
None		
Population		1.397 million (as of Jan. 1, 2009; Novosibirsk data)
Per Capita GDP		Not applicable
Current Government		
Mayor Vladimir Gorodetsky represents the party United Russia		
Election Schedule		
Mayoral:		
Last: 2009		
Next: 2014		
City Council:		
Last: April 2005		
Next: April 2010		

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

Additional Contact:

International Public Finance Ratings Europe; PublicFinanceEurope@standardandpoors.com

Additional Contact:

International Public Finance Ratings Europe; PublicFinanceEurope@standardandpoors.com

Copyright © 2009, Standard & Poors, a division of The McGraw-Hill Companies, Inc. (S&P). S&P and/or its third party licensors have exclusive proprietary rights in the data or information provided herein. This data/information may only be used internally for business purposes and shall not be used for any unlawful or unauthorized purposes. Dissemination, distribution or reproduction of this data/information in any form is strictly prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P, its affiliates or its third party licensors, S&P, its affiliates and its third party licensors do not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P, its affiliates and its third party licensors be liable for any direct, indirect, special or consequential damages in connection with subscribers or others use of the data/information contained herein. Access to the data or information contained herein is subject to termination in the event any agreement with a third-party of information or software is terminated.

Analytic services provided by Standard & Poor's Ratings Services (Ratings Services) are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. The credit ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly, any user of the information contained herein should not rely on any credit rating or other opinion contained herein in making any investment decision. Ratings are based on information received by Ratings Services. Other divisions of Standard & Poor's may have information that is not available to Ratings Services. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during the ratings process.

Ratings Services receives compensation for its ratings. Such compensation is normally paid either by the issuers of such securities or third parties participating in marketing the securities. While Standard & Poor's reserves the right to disseminate the rating, it receives no payment for doing so, except for subscriptions to its publications. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1)212.438.7280 or by e-mail to: research_request@standardandpoors.com.