

Rating Action: Moody's Interfax upgrades ER-Telecom to Baa1.ru from Baa2.ru

Global Credit Research - 17 Dec 2015

Moscow, December 17, 2015 -- Moody's Interfax Rating Agency has today upgraded to Baa1.ru from Baa2.ru the long-term national scale corporate family rating (NSR) of ER-Telecom Holding, CJSC (ER-Telecom), a telecommunications company providing cable TV, high-speed internet access and fixed-telephony services in Russia under the brand dom.ru. Moody's Interfax is majority-owned by Moody's Investors Service (MIS).

Please see ratings tab on the issuer/entity page on moodys.com for information on Global Scale Rating.

RATINGS RATIONALE

The action on the NSR reflects a material improvement achieved in ER-Telecom's financial metrics and operating performance since first-time rating assignment in 2011. Please see MIS's PR for details.

ER-Telecom Holding CJSC (ER-Telecom, ERT) is a telecommunications company providing cable TV, high-speed internet access and fixed-telephony services in Russia under the brand dom.ru. The company's network currently covers around 9.6 million households in 56 cities. ER-Telecom is 73% owned by the Perm Industrial and Financial Group (PIFG), 10% by Baring Vostok Capital Partners, 14.5% by management and 2.5% by other shareholders. In 2014 and first 6 months of 2015 ER-Telecom generated revenue of RUB22.0 billion and RUB 11.0 billion, respectively (USD0.6 billion at the average exchange rate in 2014, and USD192 million at the average exchange rate in the first 6 months of 2015), 62% of which was derived from internet services, 30% from cable TV and 8% from other services including telephony.

The principal methodology used in this rating was Global Pay Television - Cable and Direct-to-Home Satellite Operators published in April 2013. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

Moody's Interfax Rating Agency's National Scale Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs differ from Moody's global scale ratings in that they are not globally comparable with the full universe of Moody's rated entities, but only with NSRs for other rated debt issues and issuers within the same country. NSRs are designated by a ".nn" country modifier signifying the relevant country, as in ".ru" for Russia. For further information on Moody's approach to national scale ratings, please refer to Moody's Rating Methodology published in June 2014 entitled "Mapping Moody's National Scale Ratings to Global Scale Ratings".

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