

Moody's Interfax upgrades NSR of ROLF to Baa1.ru from Ba1.ru

Moscow, 5 July 2012 - Moody's Interfax Rating Agency has today upgraded to Baa1.ru from Ba1.ru the national scale rating (NSR) of Delance Limited, which is a holding company of ROLF Group, a Russian importer and retailer of foreign-brand cars. The outlook on the rating is stable*.

RATINGS RATIONALE

The upgrade of ROLF's NSR to Baa1.ru reflects substantial **improvement in the company's operating performance and financial profile** on the back of (1) the sustainable recovery of the Russian car market through 2010-11, and (2) a set of performance optimisation measures introduced by management.

As of end 2011, ROLF's revenues rose by 60%, while its adjusted EBITDA reached RUR9.2 billion (USD287 million), double that of 2010. As a result, the company's adjusted EBITDA margin improved to 7.7% from 5.8% in 2010 and negative in 2009. Solid revenues and profitability growth allowed the company to generate positive free cash flow for the second consecutive year, as well as further reduce its adjusted leverage (measured in terms of debt/EBITDA) to a healthy 2.8**x in 2011 from 5.4x in 2010 and -8.5x in 2009. In addition, Moody's notes that ROLF has successfully addressed refinancing risks related to substantial maturities due in the third quarter of 2012 by securing well in advance a number of new long-term bank loans.

The rating action also takes into account a **new financial policy adopted by ROLF** in 2011 that is focused on gradual deleveraging, with the target debt/EBITDA ratio set at 2.0x. Moreover, the company has been building up additional financial flexibility through (1) exercising tight cost control; (2) focusing on the development of its retail business as its core division; (3) increasing its presence in the more profitable premium cars segment as well as taking advantage of its well-developed spare parts and service business, which tends to be less cyclical and thus more resilient to economic downturns; and (4) introducing hedging contracts, which have substantially reduced the company's historically high foreign exchange risk.

Moody's expects that in the next 12-18 months, **ROLF will continue to improve its financial profile** within its prudent financial policy. This improvement is likely to be supported by the ongoing growth of the Russian car market, although this will be at a slower pace than recent years, at slightly below 10% compared with 30% and nearly 40% growth in 2010 and 2011, respectively (according to the Association of European Business (AEB)).

However, Moody's notes that the rating remains constrained by uncertainties over consumer confidence and car demand in Russia, which may be negatively affected by the current volatility in the global financial markets. The ratings also consider ROLF's dependence on Mitsubishi for the supply of competitively priced vehicles, as well as the fact that the company is exposed solely to the Russian market, which has a less developed regulatory, political and legal framework than some other European countries. Another constraint on the ratings is ROLF's lack of geographical diversification across Russian regions, particularly in view of the threat of increasing competition in the attractive foreign-brands car market. However, this factor is to some extent mitigated by the company's leading position in the Russian market.

**Please see ratings tab on the issuer/entity page on moodys.com for information on Global Scale Ratings. company will continue to proactively manage its liquidity, addressing upcoming refinancing issues in a timely manner*

***Calculated according to Moody's methodology*

The stable outlook reflects Moody's view that **in the short to medium term, ROLF will be able to maintain its sound financial and operating performance** while operating within its prudent financial policy.

WHAT COULD CHANGE THE RATING UP/DOWN

Moody's does not envisage positive pressure being exerted on ROLF's rating in the next 12-18 months. However, in the longer term, positive pressure could develop if the company builds a track record of operations while adhering to its prudent strategy and financial policy and maintaining a solid liquidity profile.

Moody's could downgrade the rating in the event of weaker-than-anticipated conditions in the Russian automotive market or if ROLF experiences challenges in executing its strategy that lead to (1) adjusted leverage, i.e., debt/EBITDA, increasing above 4.0x on a sustainable basis; and (2) a deterioration in operating cash flow generation, with retained cash flow (RCF)/debt sustainably in low teens or below; (3) a materially deteriorating liquidity position.

PRINCIPAL METHODOLOGY

The principal methodology used in rating ROLF was "Global Automotive Retailer Industry" rating methodology, published in December 2009. 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 March 2011 entitled "Mapping Moody's National Scale Ratings to Global Scale Ratings".

ABOUT MOODY'S AND MOODY'S INTERFAX

Moody's Interfax Rating Agency (MIRA) specializes in credit risk analysis in Russia. MIRA is a joint-venture between Moody's Investors Service, a leading provider of credit ratings, research and analysis covering debt instruments and securities in the global capital markets, and the Interfax Information Services Group. Moody's Investors Service is a subsidiary of Moody's Corporation (NYSE: MCO).

Delance Limited is the holding company of ROLF Group, the leading importer and retailer of foreign-brand cars in Russia. ROLF has been the exclusive distributor of Mitsubishi cars in Russia since 1998, with the renewed distribution agreement valid until March 2014. ROLF also has dealer agreements with Ford, Mazda, Audi, Hyundai, Mercedes, Renault, Land Rover, Skoda, Toyota and Lexus.