

**Rating Action: Moody's confirms ratings of OJSC Gazprom and OJSC Rosneft and their subsidiaries Gazprom Neft and RIHL; outlook negative**

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Global Credit Research - 01 Jul 2014

London, 01 July 2014 -- Moody's Investors Service has today confirmed the Baa1 ratings of the Government-related Issuers (GRI) OJSC Gazprom (Gazprom) and OJSC Oil Company Rosneft (Rosneft), and the Baa1 ratings of their respective guaranteed debt-issuing subsidiaries. Concurrently, Moody's has confirmed the Baa2 ratings of Gazprom Neft JSC, a subsidiary of Gazprom, and the Baa1 ratings of Rosneft International Holdings Limited (RIHL), a subsidiary of Rosneft, and the respective ratings of their guaranteed debt-issuing subsidiaries. The outlook on all ratings is negative.

Gazprom's Prime-2 short-term rating remains unchanged.

These rating actions follow Moody's confirmation of Russia's Baa1 government bond rating and assignment of a negative outlook on 27 June 2014. For additional information, please refer to the related announcement: [https://www.moody's.com/research/PR\\_301804](https://www.moody's.com/research/PR_301804)

#### RATINGS RATIONALE

The confirmation of Gazprom's and Rosneft's senior unsecured issuer ratings reflects Moody's view that the companies' ratings are closely aligned with that of the sovereign, and that they remain sensitive to changes in sovereign creditworthiness.

The confirmation of Gazprom Neft's Baa2 and RIHL's Baa1 senior unsecured issuer ratings reflects these companies' close operating and financial linkage with their respective parents' ratings.

#### WHAT COULD CHANGE THE RATING UP/DOWN

Upward pressure on all four companies' ratings is unlikely at present, given the negative outlook. Moody's could stabilise the outlook on the ratings if the rating agency were to stabilise the outlook on Russia's government bond rating, provided that there is no material deterioration in the companies' operating and financial performance and liquidity.

Conversely, Moody's would downgrade the ratings of all four companies as a result of a downgrade of Russia. In addition, a re-assessment of the probability that the government will provide extraordinary support to the company in the event of financial distress could cause negative pressure on the ratings of Rosneft and RIHL, considering the Rosneft's (BCA at ba1) lower standalone credit assessment. Moody's also notes Rosneft and RIHL's reliance on refinancing over the next 18 months.

#### PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was the Global Integrated Oil & Gas Industry published in April 2014. Other methodologies used include the Government-Related Issuers: Methodology Update published in July 2010. Please see the Credit Policy page on [www.moody's.com](http://www.moody's.com) for a copy of these methodologies.

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