

**Rating Action: Moody's downgrades Transneft to A3; rating on review for possible downgrade**

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**Approximately USD4.3 billion of debt securities affected**

New York, December 15, 2008 -- Moody's Investors Service has today downgraded to A3 from A2 the issuer rating of OAO AK Transneft ("Transneft") and the rating of the senior unsecured loan participation notes, totaling approximately USD4.3 billion, issued by TransCapitalInvest Limited ("TCI"), a special purpose vehicle that has issued notes for the sole purpose of financing loans to Transneft. These rating actions were prompted by Moody's decision to change the outlook on the sovereign ratings of the Russian Federation to stable from positive. The ratings of Transneft and TCI remain on review for possible further downgrade in light of Moody's decision to review its assessment of the default dependence, currently assumed as low, between Transneft, Russia's de-facto monopoly oil pipeline business, and the Russian government -- whose support is factored into the company's rating -- in light of the global financial crisis and sharp fall in commodity prices.

In accordance with Moody's rating methodology for Government Related Issuers (GRIs), the A3 rating of Transneft reflects the combination of the following inputs:

- Baseline credit assessment ("BCA") of 8-10 (on a scale of 1 to 21, where 1 represents the lowest risk and the range from 8 to 10 corresponds to the Baa category)
- Baa1 local currency rating of the Russian government
- Low dependence assessment (now being re-assessed)
- High support

Moody's assessment of Transneft's BCA and the degree of government support remains unchanged at this stage. Thus, the rating action for Transneft solely reflects the impact of the sovereign rating action and Moody's review of the dependence assessment in order to incorporate recent market developments.

As long as the Russian sovereign rating had a positive outlook, Transneft's rating benefited -- in line with Moody's GRI model -- from upward pressure on the sovereign rating. The GRI model outcome for Transneft was thus just marginally below the A2 level following Moody's marginal downward reassessment in July 2008 of the Russian government's support, which was incorporated into Transneft's rating, in line with reassessments made for other Russian GRIs. However, the recent stabilization of the outlook on the sovereign rating has removed this upward pressure and prompted Moody's to downgrade Transneft's rating to A3, which is commensurate with the rating agency's current support assumption.

Given Moody's current assumption of low default dependence between Transneft and its supporting government, the Russian Federation, the review of Transneft's rating will focus on assessing the impact of a possible increase in dependence. Recent events have highlighted the Russian economy's lack of diversification and its critical dependence on oil prices and budget revenues. Therefore, Moody's review will focus, in particular, on the consequences of falling oil prices for the economic and political interrelationship between the financial health and stability of the federal government and that of Transneft. This relationship is captured in Moody's dependence assumption. A material increase in the dependence assumption could result in a smaller uplift of Transneft's rating from the company's BCA. However, Moody's highlights that any downward adjustment to Transneft's rating would be limited to one notch.

The previous rating action on Transneft was implemented on 29 July 2008, when Moody's affirmed Transneft's rating and assigned a (P)A2 rating with a stable outlook to TCI's proposed loan participation notes.

The principal methodology used in rating Transneft is "The Application of Joint Default Analysis to Government Related Issuers", published in April 2005, which can be found at moodys.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies sub-directory. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Credit Policy & Methodologies directory.

Headquartered in the city of Moscow, OAO AK Transneft is fully controlled by the Russian government (the latter owns 100% of its voting shares) and is the largest crude oil transportation company in the world, with a pipeline system of 47,528 km, servicing both Russia's domestic crude oil needs and export operations. In 2007, the company transported crude oil of 463.8 million tonnes. Its 2007, IFRS sales were RUR221.9 billion (around US\$8.7 billion).

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