



Rating Action: OJSC Gazprom

Moody's assigns Gazprom Prime-2 short-term rating

Moscow, July 31, 2009 -- Moody's Investors Service has today assigned a Prime-2 (P2) short-term issuer rating to OJSC Gazprom ("Gazprom"). The outlook is stable.

The P2 short-term rating is in line with Gazprom's Baa1 issuer rating with stable outlook, and also reflects Moody's assessment of Gazprom's current and projected short-term liquidity position.

The P2 rating reflects Moody's belief that Gazprom is able to pay maturing short-term obligations, due to: (i) the company's solid cash reserves; (ii) Gazprom's proven track record of good access to funding, both domestically and in the global debt capital markets (iii) the flexibility of Gazprom's capex programme, which has already been scaled down by 30% to reflect expectations of weaker demand for gas in the short to medium term and could potentially be adjusted further depending on market conditions and the group's cash flow generation; and (iv) expectations of positive free cash flow generation for 2009.

Moody's also notes that while Gazprom's current level of committed undrawn credit lines for an aggregate amount of USD1.6 billion could be viewed as modest given the size of the company's total capital needs, the rating benefits from the company's solid and sizeable cash reserves which the agency expects the company to maintain on balance through continued proactive refinancing and liquidity management.

The stable outlook reflects Moody's expectation that, despite the ongoing weak economic conditions in 2009, Gazprom will continue to maintain solid financial ratios and credit metrics, with a retained cash flow-to-net debt ratio exceeding 30% and debt/total capitalisation below 30% on an adjusted basis. Moody's also expects that Gazprom will continue to maintain solid and transparent liquidity management policies supported by a capex and acquisition strategy that is managed in a disciplined manner.

Moody's regards Gazprom as a government-related issuer (GRI). Thus, its ratings incorporate uplift from Gazprom's Baseline Credit Assessment (BCA) of 11 (on a scale of 1 to 21 and equivalent to Ba1 rating) and take into account Moody's assessment of high implied state support and medium dependence.

Moody's previous rating action on Gazprom was on 3 April 2009, when the agency downgraded the company's unsecured issuer ratings to Baa1 from A3.

The principal methodology used in rating Gazprom is Moody's Global Integrated Oil & Gas methodology (published in October 2005), which can be found at www.moody's.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 Moscow, Russia, OJSC Gazprom is the world's largest gas company. It also owns and operates the world's largest gas transmission pipeline and is the leading exporter of gas to Western Europe.

London
David G. Staples
Managing Director
Corporate Finance Group
Moody's Investors Service Ltd.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Moscow
Victoria Maisuradze
Vice President - Senior Analyst
Corporate Finance Group
Moody's Eastern Europe LLC
Telephone: +7 495 228 6060
Facsimile: +7 495 228 6091

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