

# Gazprom's Financial and Economic Policy

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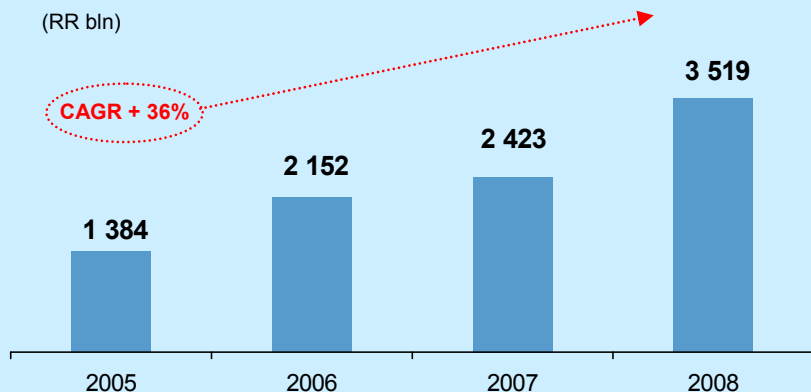


# 2008 Financial Performance

## Record growth of net revenue and operating cash flow

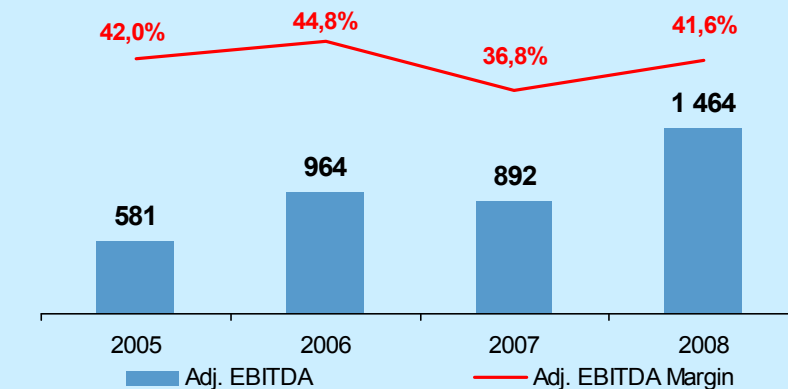
### Net Revenue

(RR bln)



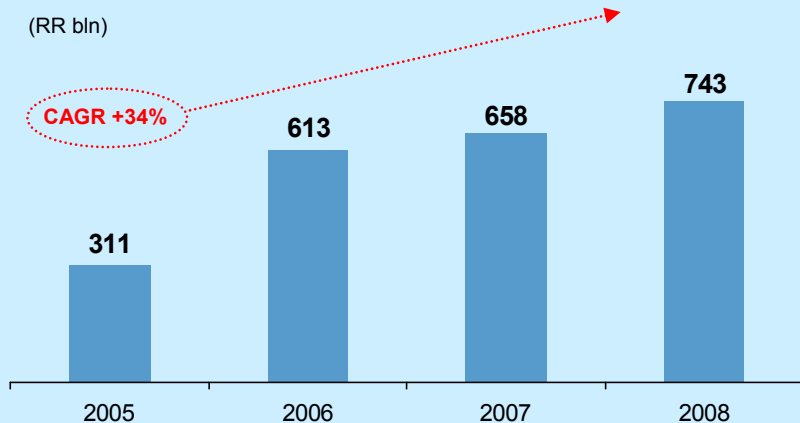
### Adjusted EBITDA <sup>(2)</sup>

(RR bln)



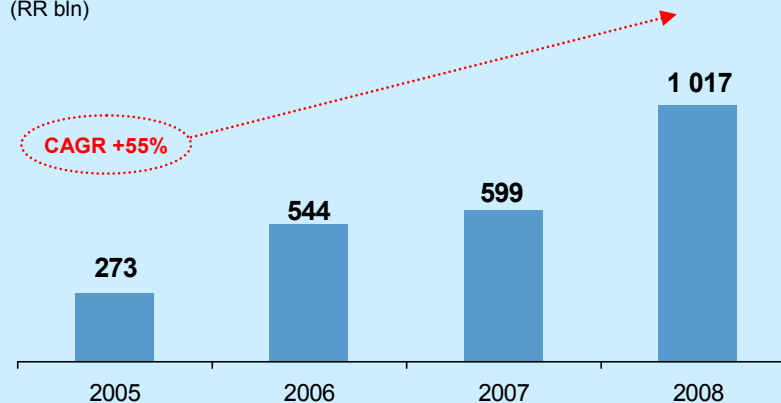
### Net Income <sup>(1)</sup>

(RR bln)



### Cash Flow from Operations

(RR bln)

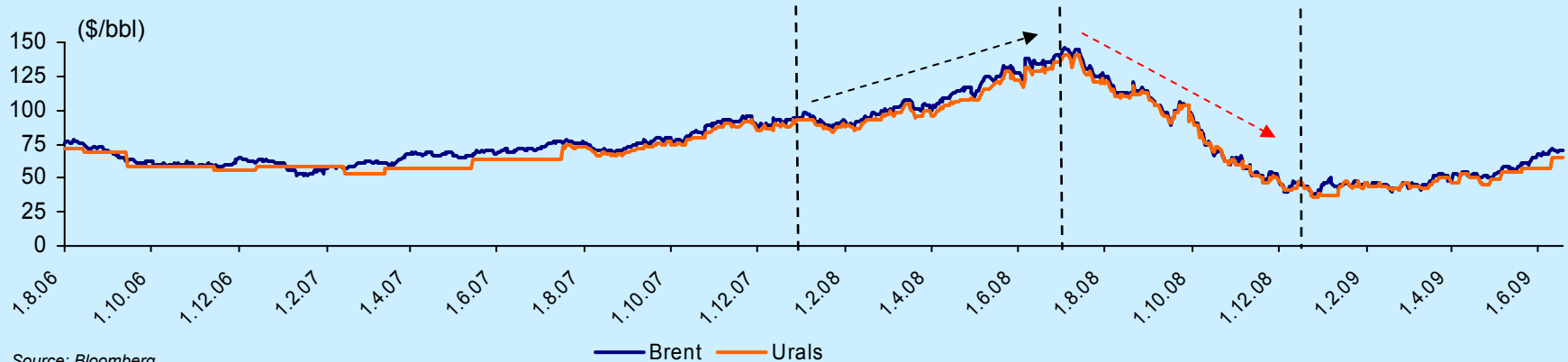


(1) Profit attributable to shareholder of Gazprom.  
(2) Operating profit plus depreciation and provisions for impairment of assets (except for accounts receivables and prepayments provisions).  
(3) CAGR – average compound annual growth rate.

# Market Environment

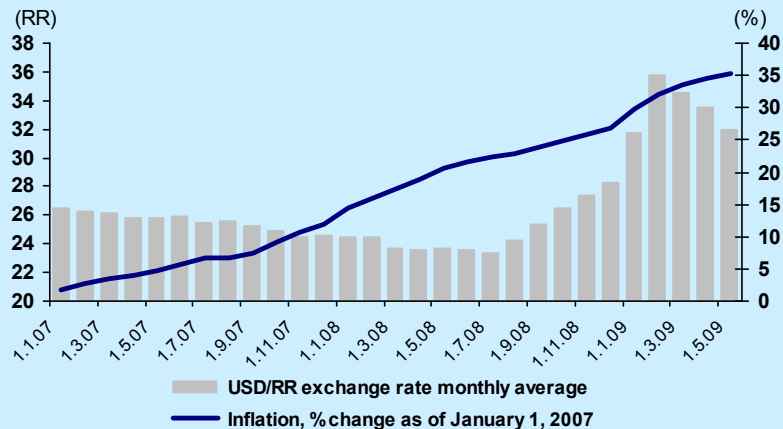
## Gazprom successfully adapted to changes in 2008-2009 market environment

### Crude price



Source: Bloomberg

### Ruble appreciation/depreciation and inflation

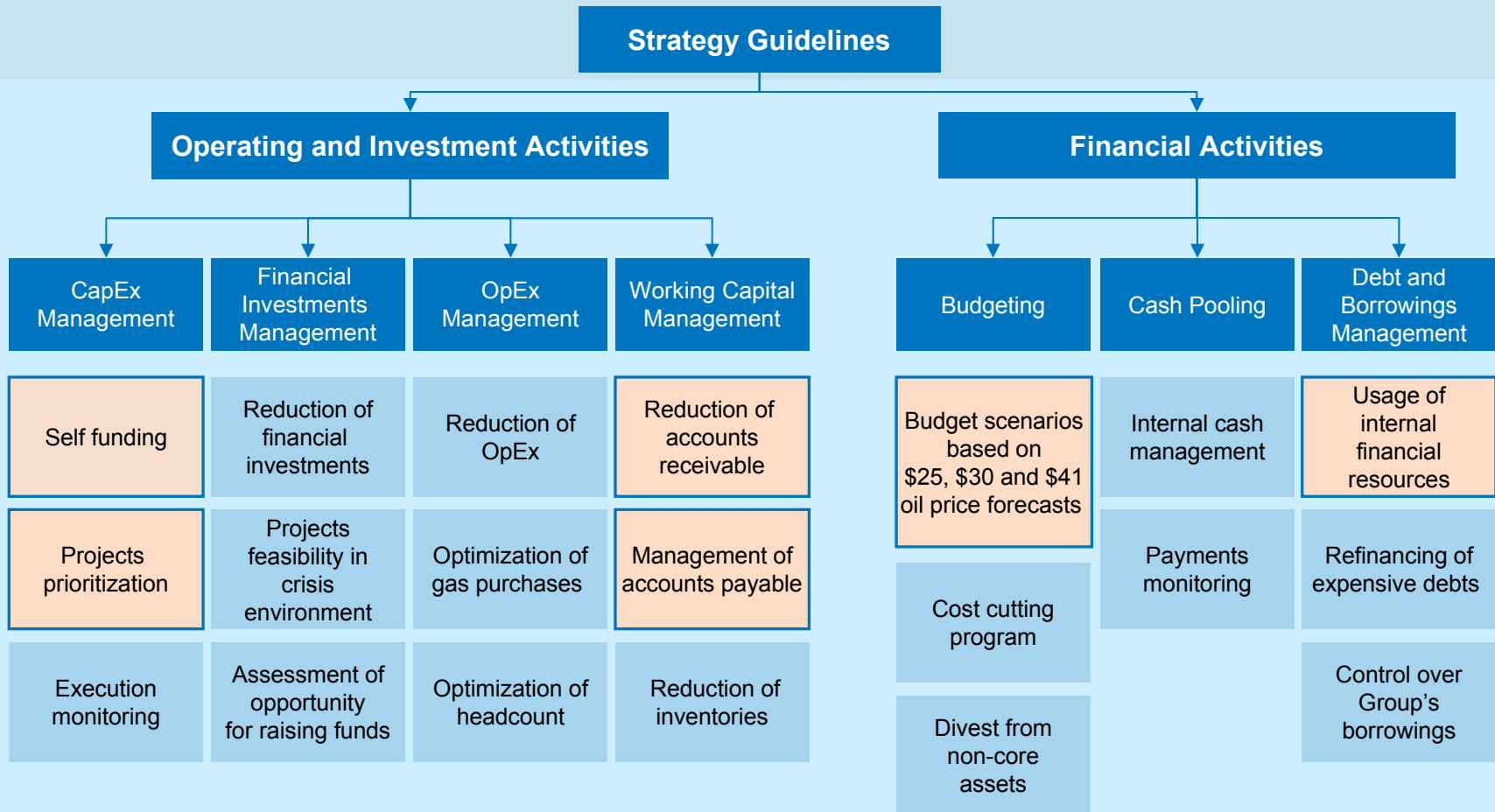


Source: Reuters, Federal State Statistics Service

### Key macro factors

- Oil prices grew steadily in 1H08 reaching **\$146/bbl** in July 2008
- At the end of 1H08 **inflation** in Russia was 8.7%, while **oil prices** surged by more than 40%
- In 2H08 Russian exporters were able to benefit from 25% **ruble depreciation vs USD**

# Financial and Economic Strategy in Times of Market Turmoil\*



**Tightening of operating, investment and financial activities of the Group in the context of world economic turmoil**

\* Program of implementing major financial strategy guidelines to ensure financial stability of the Company in times of growing world financial markets turmoil

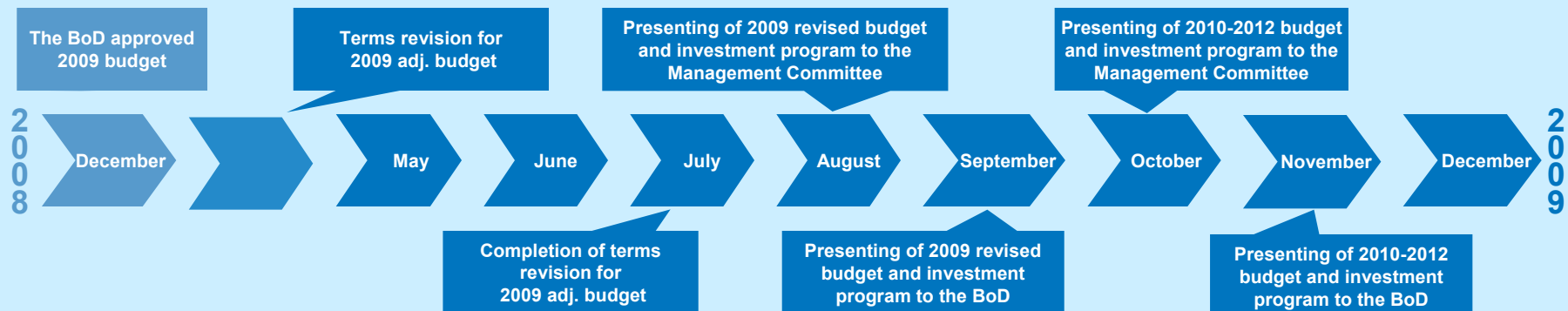
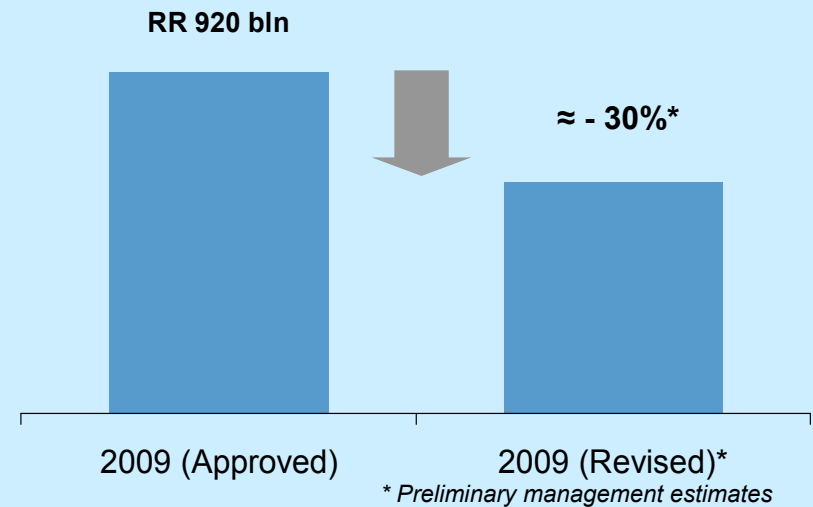
# 2009 Budget

## 2009 Budget terms

	Approved Budget	Alternative budget scenarios		
Oil price	\$ 50/bbl	\$ 41/bbl	\$ 30/bbl	\$ 25/bbl
Ruble exchange rate	RR 31,9/\$	RR 35,1/\$	RR 38,5/\$	RR 41/\$
Investment program	RR 920 bln			
Borrowing program	RR 90 bln	RR 90 bln	RR 90 bln	RR 90 bln

Financial position - steady

## 2009 Investment program <sup>(1)</sup>



(1) Excluding the exercise of the option on Gazprom Neft 20% acquisition

# Investment Projects Prioritization

## Prioritization Based on Strategic Importance

Group 1

Minimum required capex for existing production, transportation and marketing projects maintenance

Group 2

Additional required capex for existing levels of production, transportation, storage and distribution projects maintenance

Group 3

Projects which increase production and transportation volumes, as well as market share in the next 3 years

Group 4

Strategic projects to increase production and transportation volumes in 3-5 years

Group 5

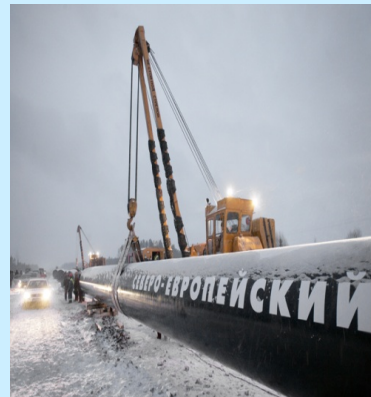
Projects with other liabilities

## 2009 Priority Projects



### Production

- Zapolyarnoye (Valanginian)
- Bovanenkovskoye (Yamal)
- Yamburgskoye (additional wells)
- Kharvutinskaya area (expansion)



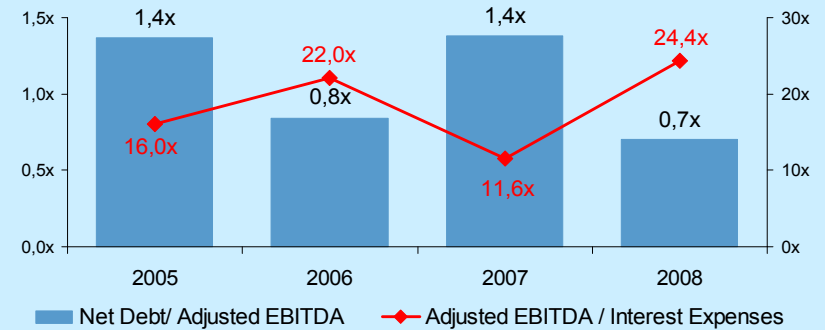
### Transportation

- Nord Stream pipeline
- Pochinki-Gryazovets pipeline
- Bovanenkovo-Ukhta pipeline
- Sakhalin-Khabarovsk-Vladivostok
- Dzhubga-Lazarevskoye-Sochi

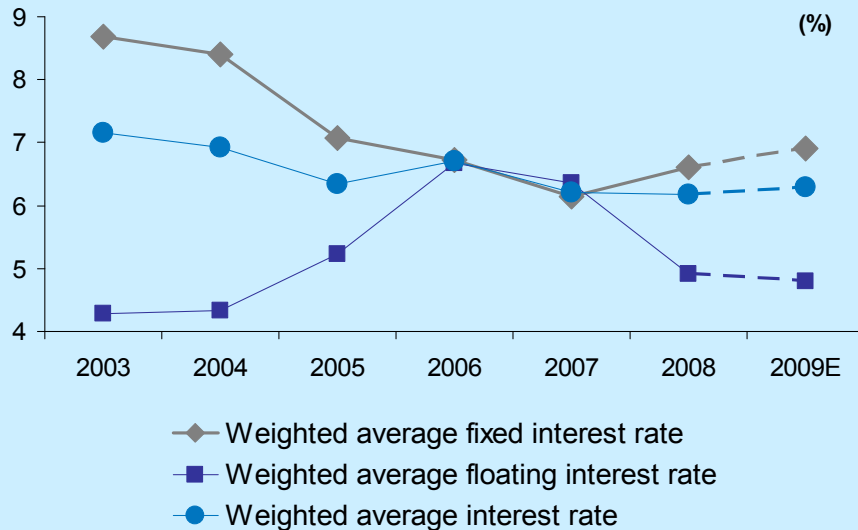
# Debt Strategy

- Extending debt maturity profile
- Debt-to-equity ratio under 40%
- Maintaining ratings at investment grade
- Reducing share of secured debt
- Diversifying debt financing sources and control over cost of debt

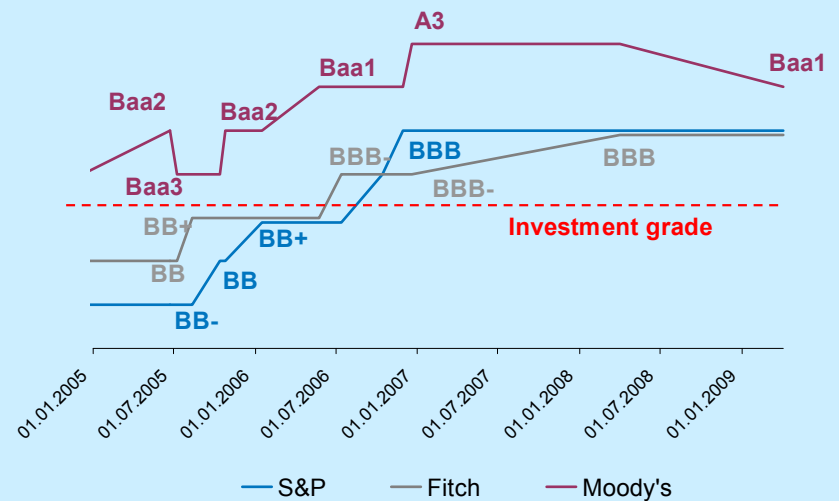
## Credit Metrics



## Cost of Debt Financing <sup>(1)</sup>



## Credit Ratings



(1) Excluding promissory notes.

# Diversifying Sources of Finance

## Multi-currency borrowing system

CHF

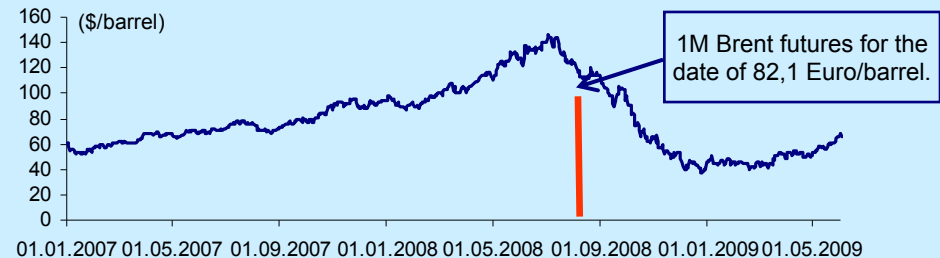
April 2009. 2-year Eurobonds with 9% coupon for the amount of 500 million Swiss francs. Debut issue in the currency.

\$

April 2009. 10-year Eurobonds with 9,25% coupon for the amount of 2,25 billion US dollars.

## Mechanisms of decreasing interest expenses

July 2008. 5-year Eurobonds for the amount of 500 million US dollars with floating interest rate linked to Brent price in Euros. Integrated swap allowed to reduce cost of debt service.



## Project financing



Raising additional debt financing in the amount of under 1,3 billion US dollars for the second phase of the Sakhalin-2 project, transaction-end is planned till the end of the year



Raising project financing in the amount of 3,55 billion euro for the construction of the first line of Nord Stream gas pipeline, transaction-end is planned till the end of the year

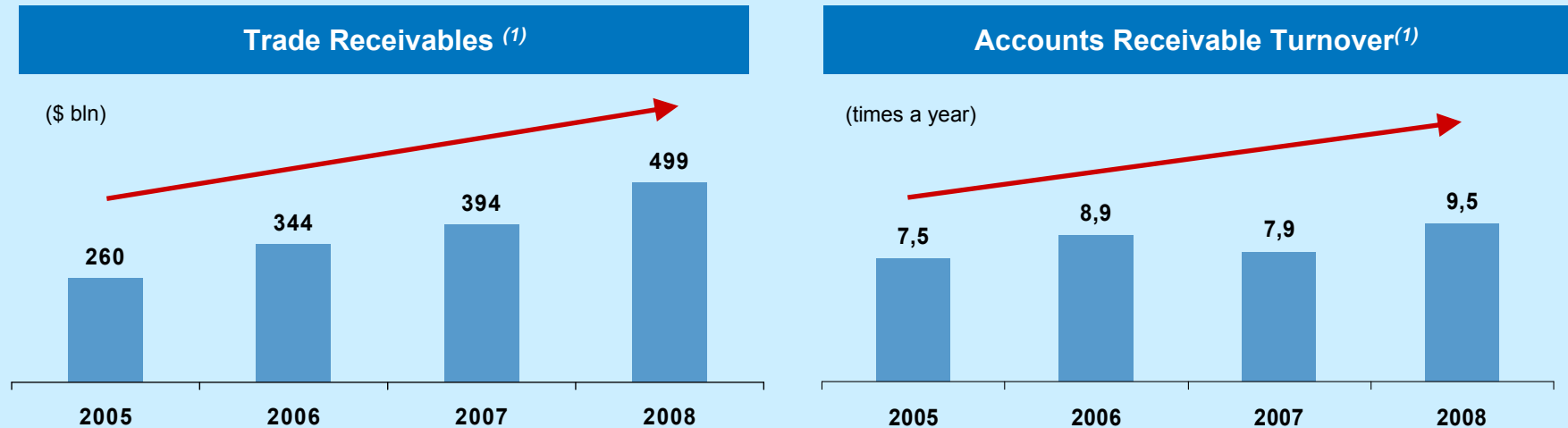


Project financing planned in the amount of under 1,5 billion euro to develop Yuzhno-Russkoye field, transaction-end is planned in 2010



# Working Capital

## Management of Accounts Receivable



### Improvement of accounts receivable turnover and prevention of liquid funds freezing:

- Tightening of FSU payment discipline
- Prepayment for gas delivered to Russian consumers
- Gazprom's reduction of prepayments to suppliers and contractors

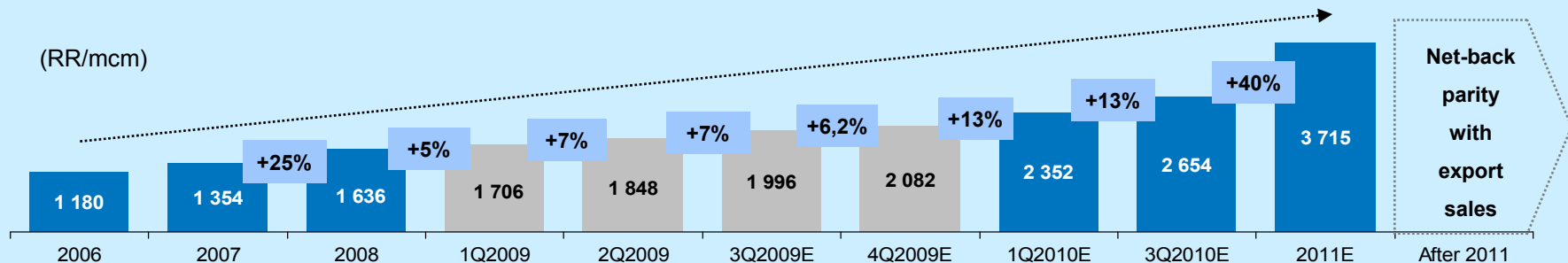
(1) Excluding reserves on bad debt provisions and long-term trade receivables. Data from consolidated financial statements, prepared according to International Financial Reporting Standards (IFRS).

# Domestic Gas Market

## Domestic regulated wholesale gas prices dynamics <sup>(1)</sup>

Switching to quarterly gas price increase in 2009

- average annual price increase rate– **15,9%**  
(instead of **19,6%** as was planned before )
- losses of about **RR 24 bln**

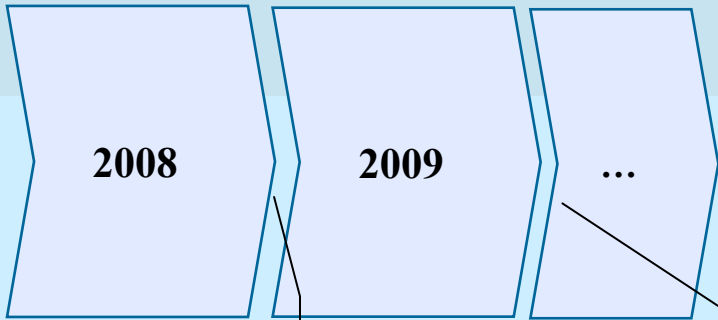


### Key areas of gas pricing improvement:

- Gradual gas prices increase to attain net-back parity and self-funding
- Introduction of new forms of gas prices regulation
- Experiment of gas trade on the electronic trading floor and preparing to its implementation on continuing basis
- Preparing a decision to switch from wholesale gas prices regulation to regulation of its transportation tariffs
- Improvement of gas transportation tariffs

# OAO Gazprom Informatisation Strategy

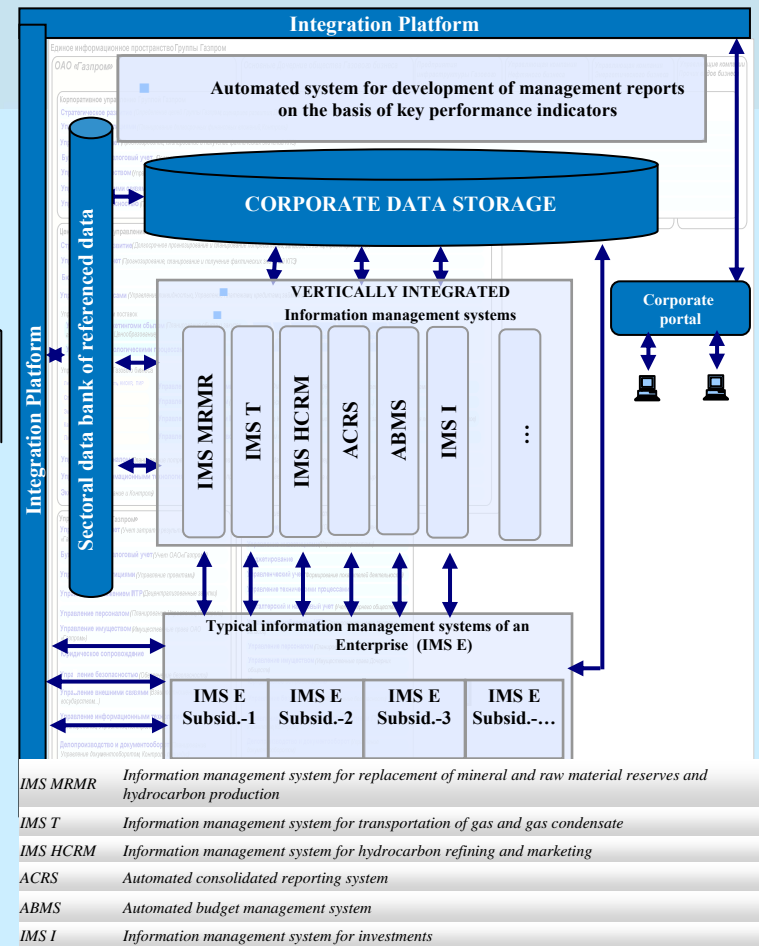
## OAO Gazprom Informatisation Strategy



- Development of functional requirements to target Information management systems
- Introduction of Sectoral data bank of OAO Gazprom referenced data
- Introduction of project management methods
- Development of IT management target system
- Development of IT management standards base

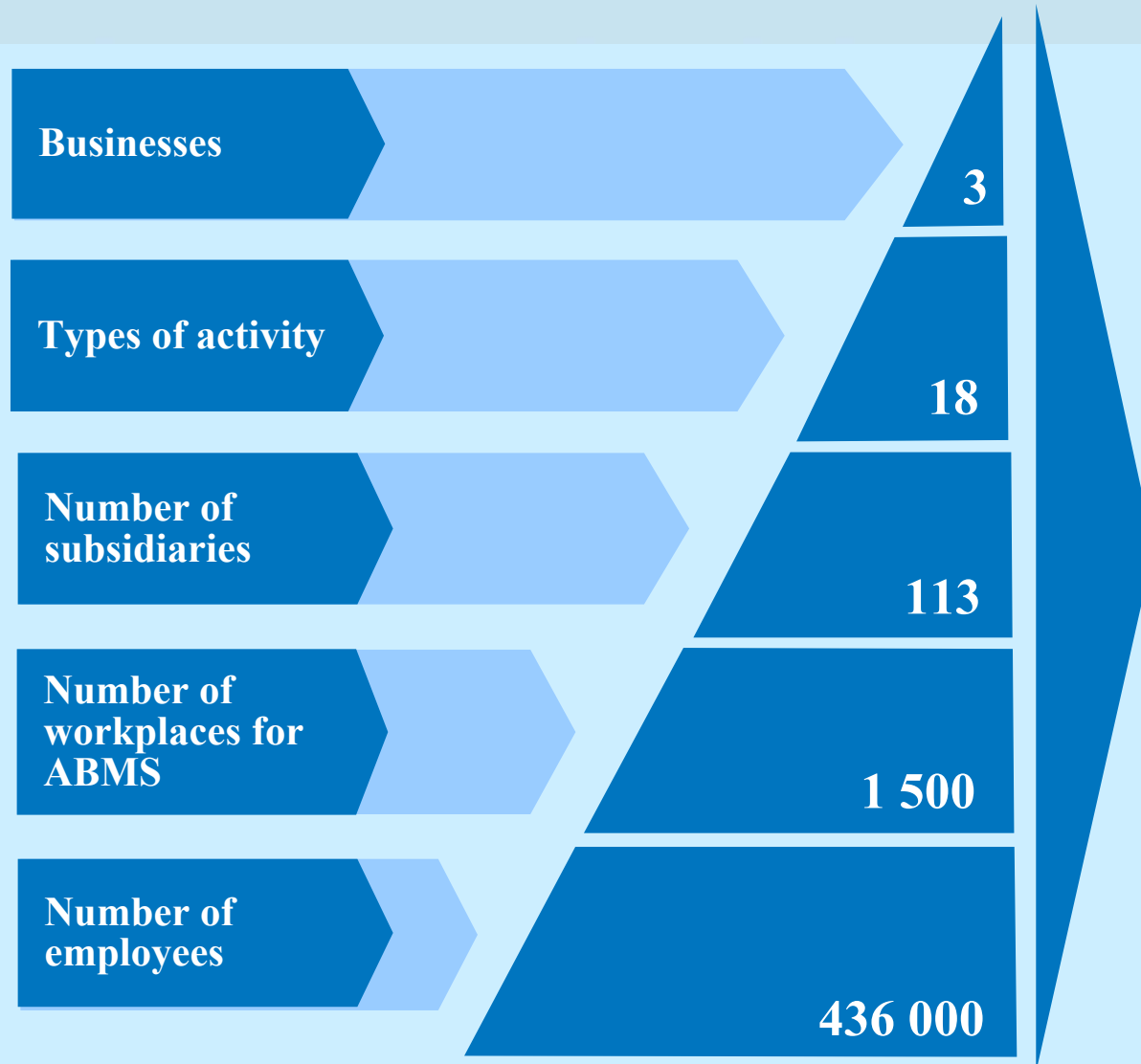
- Operational design of target Information management systems
- Introduction of the Corporate Internet portal
- Introduction of vertically integrated Information management systems
- Introduction of the Information management systems model for "Gas and gas condensate transportation" activity

## OAO "GAZPROM" TARGET SYSTEM IT-ARCHITECTURE



# Automated Budget Management System

An effective tool in management decision-making<sup>(1)</sup>



## Budgeting system requirements

- Integrated budgeting process
- Vertically integrated host system
- System adaptive to changes in business processes
- Moving and flexible planning
- Interrelation with strategic planning

(1) Based on management accounting information

# Conclusion

- **We continue our major operating projects financing**
- **We carry on strict control over expenses**
- **We effectively manage debt and fund raising**
- **We keep reasonable level of working capital**
- **We carry on a dialogue with the Russian Government to preserve previously adopted terms of wholesale gas prices increase and transit to market pricing principles**
- **We cooperate with tax authorities in respect of tax burden reduction as well as customs payments**
- **We manage intergroup liquidity**
- **We improve transparency and corporate governance**

**We continue to move towards becoming a global energy leader**

**THANK YOU FOR  
YOUR ATTENTION!**

