

1Q2010 IFRS Consolidated Financial Results



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Part 1.



Andrey Kruglov

Deputy Chairman of Gazprom Management Committee

Head of the Department for Finance and Economics

- **Russia** is showing **strong re-bound** and is actually better placed vs. other EM countries
- **Shale gas** and **LNG** are **not as large concern** as investors are pricing in
- **Jan-Jul gas sales volumes** in 2010 are **11%⁽¹⁾ higher** comparing with 2009
- **Normalisation of gas transportation flows** through Russian **UGSS** in 1Q2010 comparing with abnormal 1Q2009
- **Strong operating cash flow generation – RR 483 bn** in 1Q2010 **increase by 106%** comparing with **RR 234 bn** in 1Q2009
- **Leverage easing:**
 - **Net Debt decreased by 29%** as of the end of 1Q2010 due to cash and cash equivalents increase and short-term and long-term loans decrease mostly as a result of Gazenergoprombank reclassification
 - **Net Debt/Adj.EBITDA LTM dropped to 0,8x** as of the end of 1Q2010 comparing with 1,3x as of the end of 2009
- **Profit for the period⁽²⁾** amounted **RR 325 bn** in 1Q2010 **up 213%** comparing with 1Q2009
- **Strong free cash flow⁽³⁾ generation – 9x** increased **up to RR 265 bn** in 1Q2010

1. Preliminary management estimates

2. Profit for the period attributed to owners of OAO Gazprom

3. Free cash flow is calculated as Net cash provided by operating activities minus Capital expenditures

Comments

- After deep recession of 2009, Russia is expected to grow strongly in 2010 led by higher oil prices and a better global growth environment
- With its low budget deficit and minimal level of public debt, Russia is better protected from any adverse market moves than its EM peers

GDP Growth (%)

	2007	2008	2009	2010	2011	2012
Russia	8.1%	5.6%	(7.9)%	4.8%	4.0%	4.4%
Brazil	6.1%	5.1%	(0.2)%	7.8%	4.5%	4.6%
China	13.0%	9.6%	8.7%	9.9%	8.3%	8.6%
Germany	2.5%	1.3%	(5.0)%	1.2%	1.0%	1.8%
United States	2.1%	0.4%	(2.4)%	2.7%	2.0%	2.1%

Inflation (%)

	2007	2008	2009	2010	2011	2012
Russia	11.9%	13.3%	8.8%	6.6%	6.5%	6.3%
Brazil	4.5%	5.9%	4.3%	5.5%	4.8%	4.5%
China	4.8%	5.9%	(0.7)%	3.4%	3.3%	3.7%
Germany	3.1%	1.1%	0.8%	1.2%	1.4%	1.5%
United States	4.1%	0.0%	2.8%	1.1%	1.6%	2.2%

Source: Economist Intelligence Unit, Global Insight, RosStat

Budget balance (% of GDP)

	2007	2008	2009	2010	2011	2012
Russia	5.4%	4.1%	(5.9)%	(3.9)%	(2.4)%	(0.8)%
Brazil	(2.8)%	(2.0)%	(3.3)%	(2.1)%	(1.6)%	(1.4)%
China	0.6%	(0.4)%	(2.2)%	(2.5)%	(2.0)%	(1.8)%
Germany	0.2%	0.0%	(3.1)%	(5.2)%	(4.0)%	(3.1)%
United States	(1.2)%	(3.2)%	(9.9)%	(8.9)%	(7.1)%	(5.8)%

Public debt (% of GDP)

	2007	2008	2009	2010	2011	2012
Russia	5.3%	6.2%	6.3%	8.6%	9.2%	9.3%
Brazil	56.4%	58.6%	60.0%	59.2%	56.9%	54.5%
China	17.3%	15.6%	16.9%	17.7%	18.1%	18.0%
Germany	64.9%	66.0%	72.0%	78.5%	80.6%	80.9%
United States	36.2%	37.5%	47.3%	58.0%	63.8%	68.2%

Unemployment (%)

	2007	2008	2009	2010	2011	2012
Russia	6.1%	6.4%	8.4%	7.9%	7.5%	6.8%
Brazil	9.3%	7.9%	8.1%	7.0%	7.0%	7.0%
China	9.2%	9.2%	9.3%	9.3%	9.2%	9.1%
Germany	9.0%	7.8%	8.1%	7.3%	7.2%	6.9%
United States	4.6%	5.8%	9.3%	9.7%	9.3%	8.6%

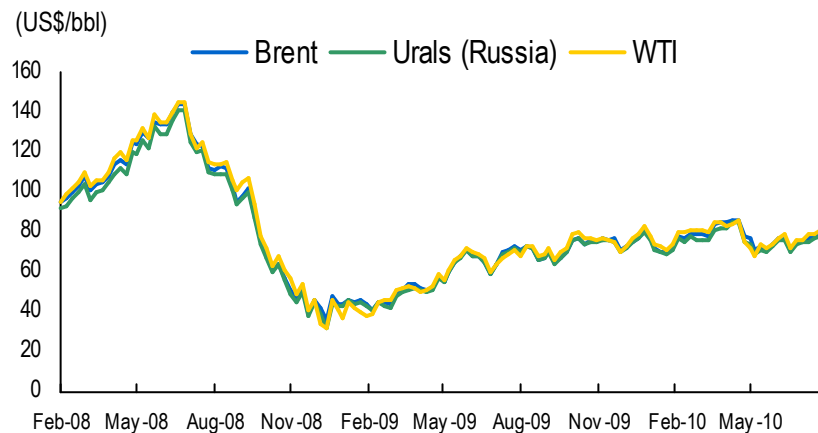
Impact of Shale gas

- European shale gas is likely to be more expensive than US shale gas (drilling costs up to 2-3 times higher vs. US) due to environmental and structural issues:
 - Risk of water pollution with numerous hydrofracs required
 - US shale gas requires much more wells than conventional gas – might be a problem in densely populated Europe
 - Geology risks – European shale gas is still at an early exploration stage

Impact of LNG

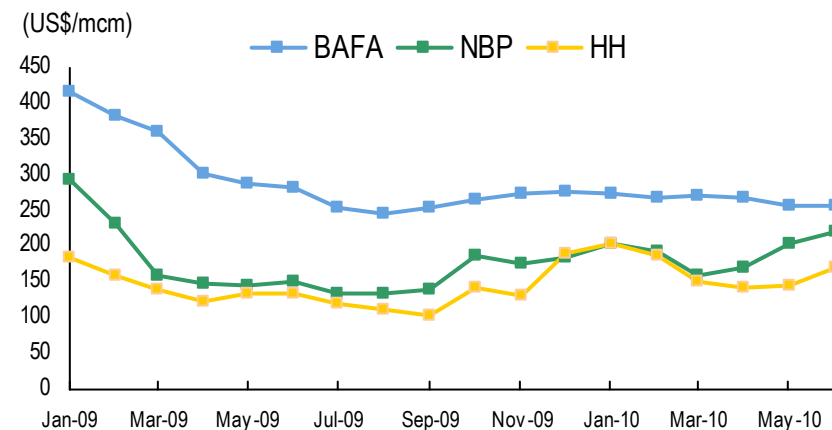
- LNG is primarily replacing declining North Sea gas output rather than competing with the piped gas from Russia/Central Asia and Africa
- LNG volumes arriving to Europe tend to be contracted and do not put much pressure on the spot market
- LNG volumes arriving to Europe this year are rather stable vs. last year (outside UK and Italy)

Oil price performance



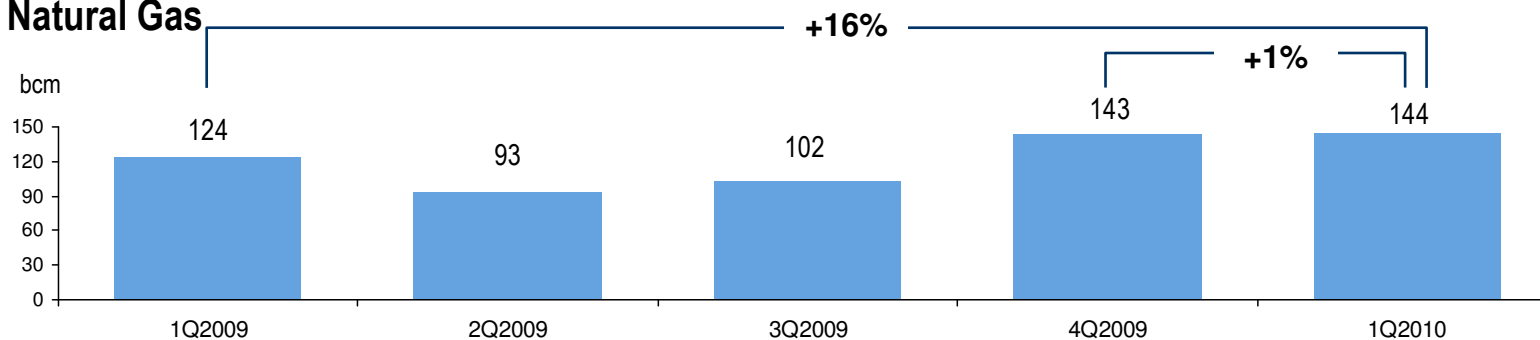
Source: EIU, Business Monitor International, Bloomberg as of 18 August, 2010

Gas price performance

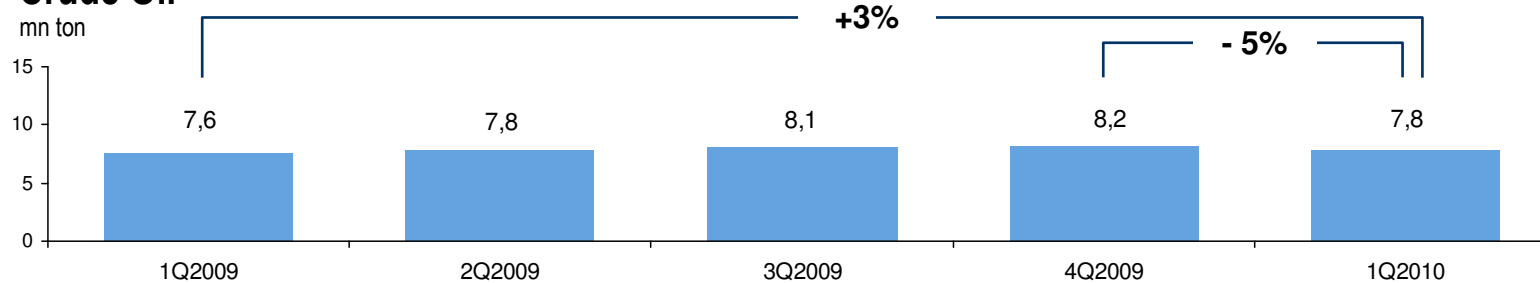


Source: Thomson Reuters DataStream

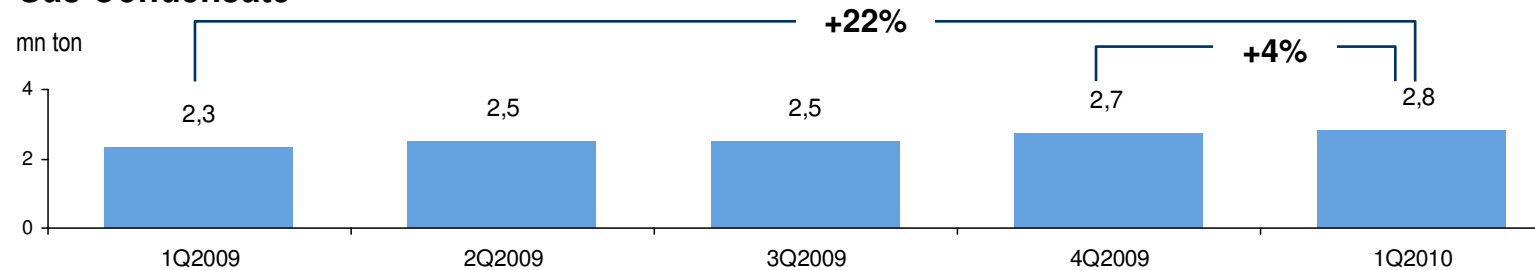
Natural Gas



Crude Oil



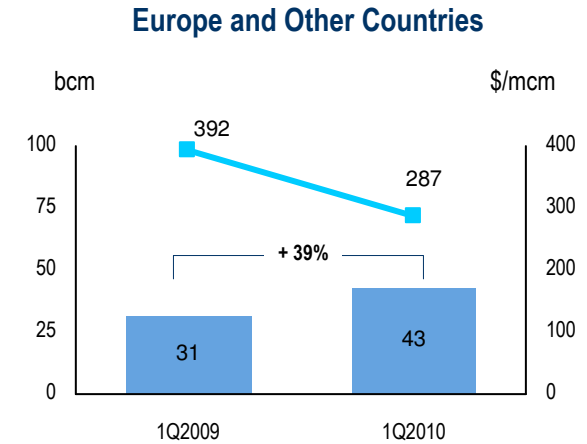
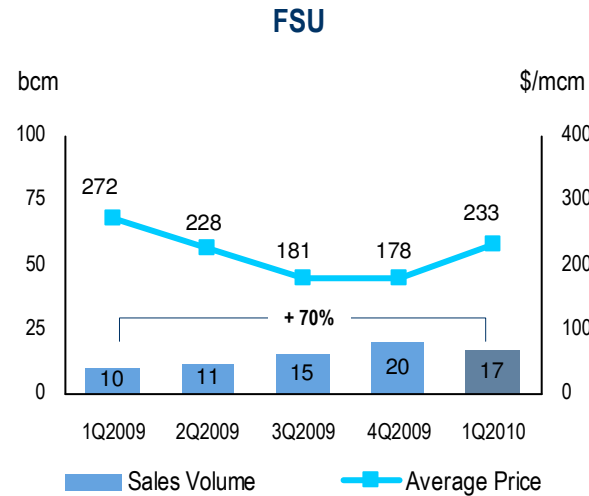
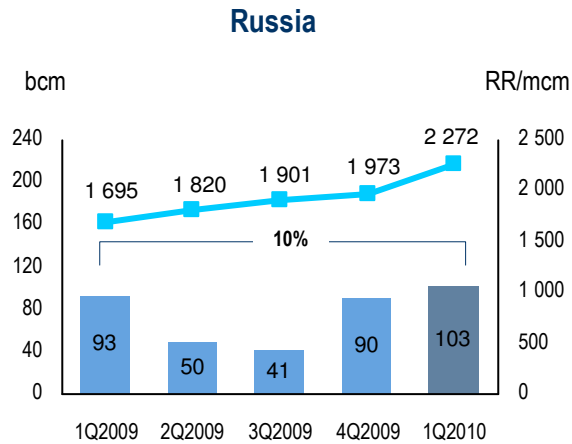
Gas Condensate



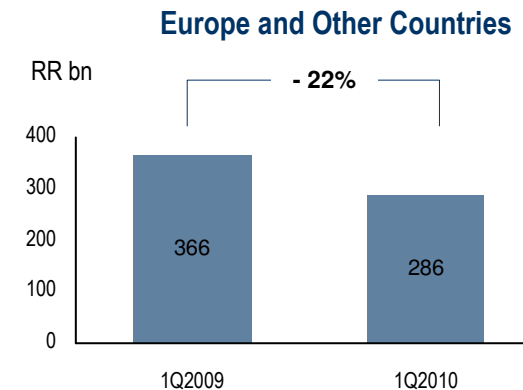
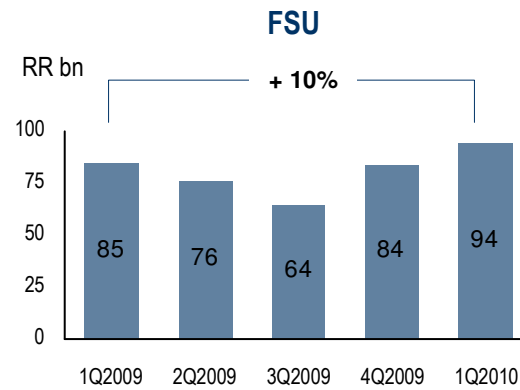
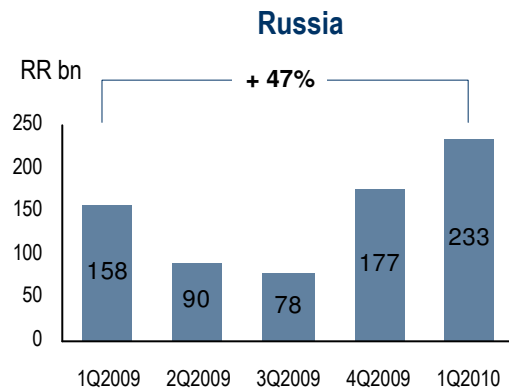
bcm	1Q 2010	1Q 2009
Total amount pumped into the gas transportation system	217,6	179,8
Indigenous gas production	181,8	153,5
Other sources including Central Asian gas	8,2	16,2
Gas withdrawn from underground storages (UGS) in Russia	27,5	10,1
Decrease in the amount of gas within the gas transportation system	0,1	0,0
Total distribution by the gas transportation system	217,6	179,8
Domestic consumption	156,7	140,2
including needs of the gas transportation system and UGS	13,3	9,8
Gas for LNG production (Sakhalin-2)	3,5	0,3
Foreign supplies	56,0	38,9
including FSU and Baltic states	16,6	9,5
Gas pumped into UGS in Russia	1,3	0,2
Increase in the amount of gas within the gas transportation system	0,0	0,2

Source: Company data

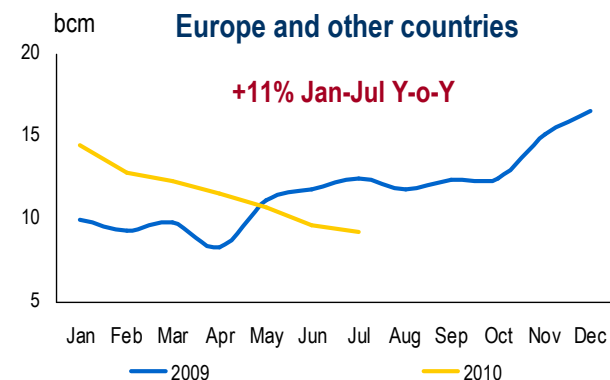
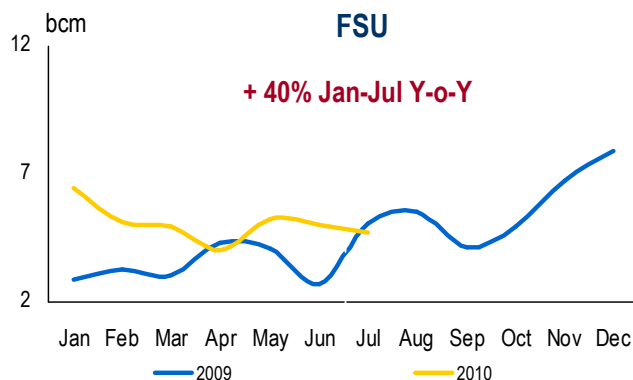
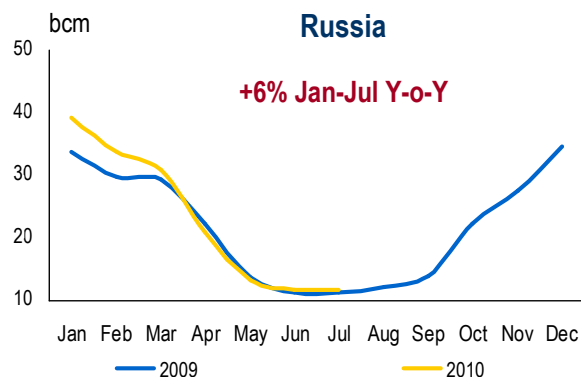
Volumes and Prices Q-o-Q



Net Sales Q-o-Q



Monthly Gas Sales Volumes



Gas Prices Expectations

Russia 2010

Industrial Consumers

- Price increase by 15% was introduced from Jan 1st

Households

- Price increase by 5% was introduced from Jan 1st
- Price increase by 15% was introduced from April 1st

2011

Industrial Consumers

- Price increase by 15% to be introduced from Jan 1st

Households

- Price increase by 5% to be introduced from Jan 1st
- Price increase by 9,5% to be introduced from April 1st

Source: Company data

FSU 2010

- **Ukraine:** market price (100 \$/mcm but not more than 30% discount equal to a reduction of the export duty on gas deliveries to Ukraine. The discount will apply for 30 bcm of gas to be purchased in 2010 and for 40 bcm in subsequent years)

- **Belarus:** 10% discount to market price

- **Moldova:** 10% discount to market price

- **Armenia:** 10% discount to market price

2011

- Fully market price mechanism to be implemented in Ukraine, Belarus, Moldova and Armenia.

Europe and other countries 2010

- Average Long-term price for 2010 is 308 \$/mcm, which is 2% higher comparing with 302 \$/mcm in 2009

- Deviation of Spot and Long-term prices on Continental Europe markets will remain in 2010

2011 - 2012

- Spot and Long-term prices are expected to reach equilibrium by 2012

Part 2.



Elena Vasilieva

Deputy Chairman of Gazprom Management Committee

Chief Accountant

Comments

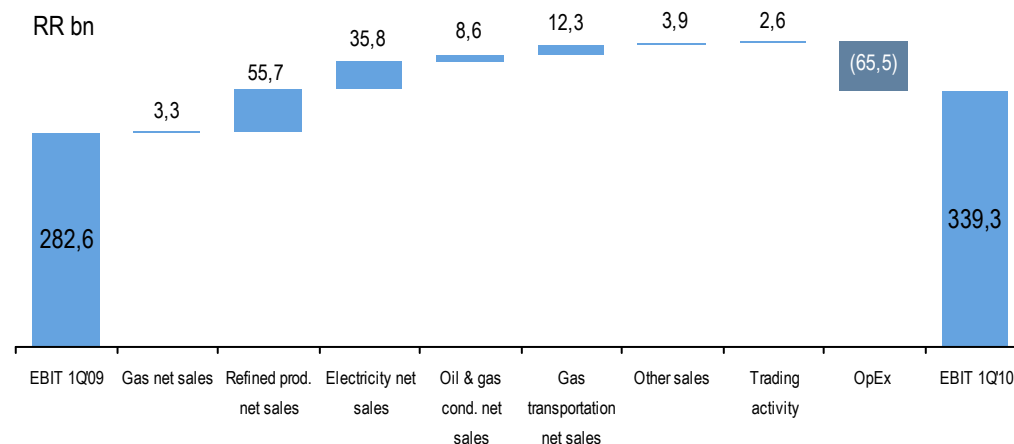
EBIT⁽¹⁾ Y-o-Y reconciliation

- Refined products net sales grew by RR 55,7 bn as a result of world prices growth and due to the increase in volumes sold in 1Q2010. 82% of 1Q2010 net sales of refined products refers to Gazprom Neft Group activity

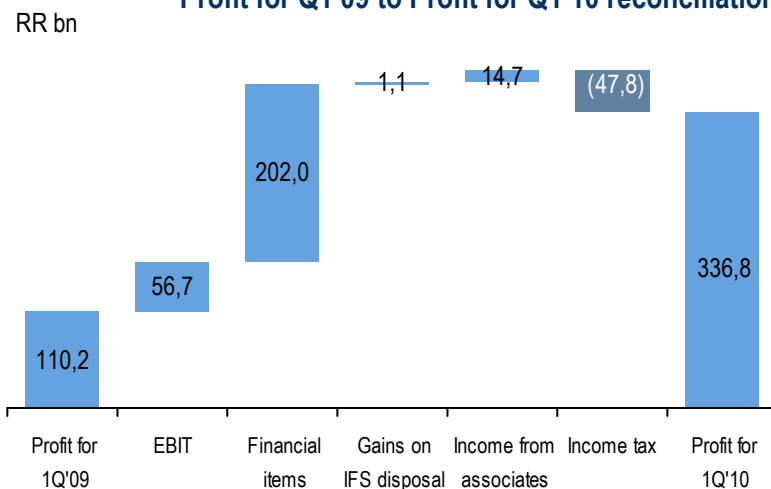
Profit for the period Y-o-Y reconciliation

- Increase of the profit for the period was mainly due to financial items. Exchange losses decreased by 98% compared with the 1Q2009

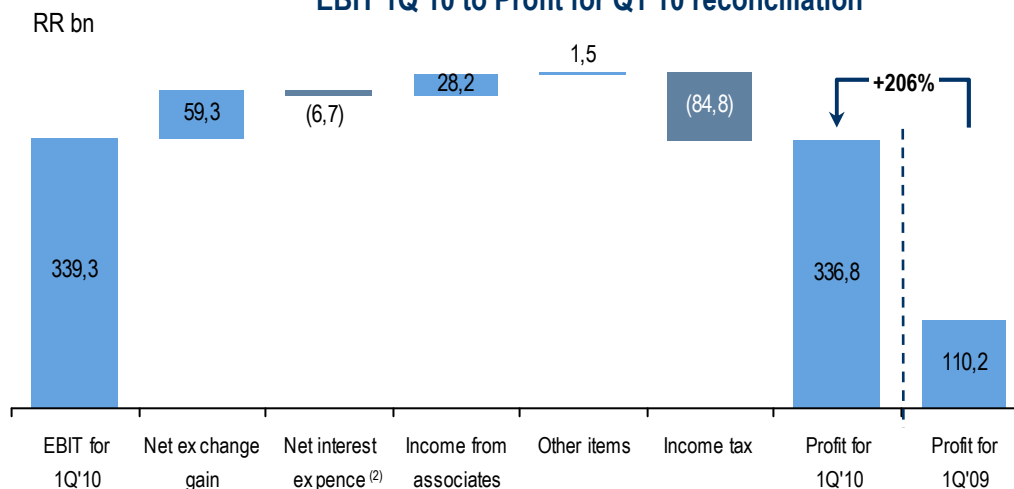
EBIT Q1'09 to EBIT Q1'10 reconciliation



Profit for Q1'09 to Profit for Q1'10 reconciliation



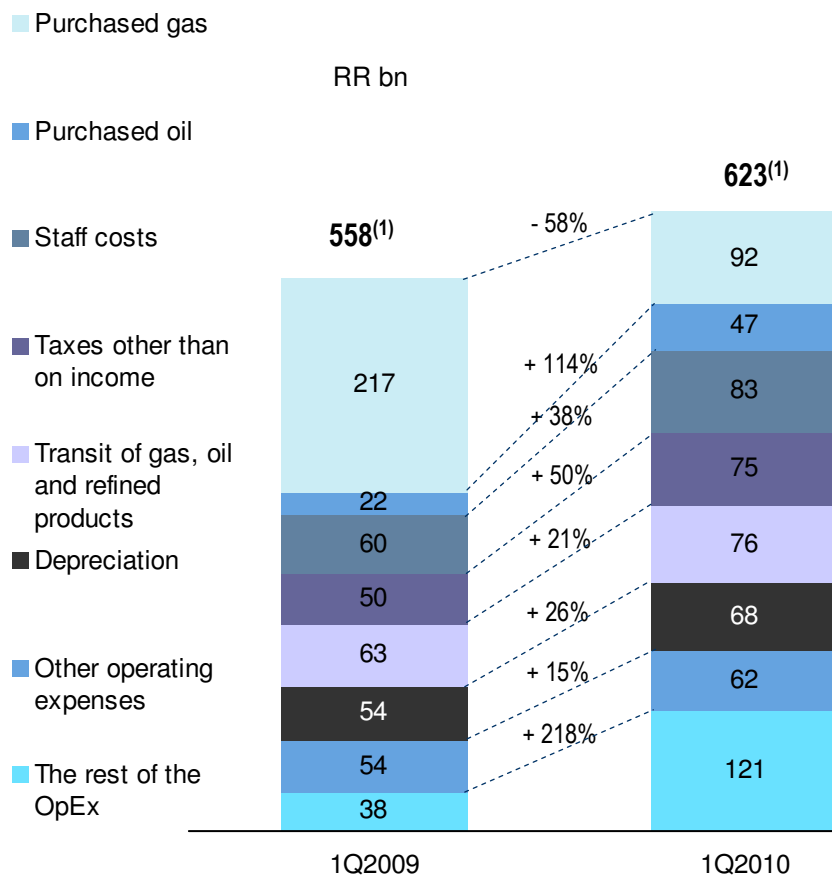
EBIT 1Q'10 to Profit for Q1'10 reconciliation



1. EBIT: Operating profit

2. Including gains on extinguishment of restructured liabilities

Overall increase in operating expenses is 12% Y-o-Y



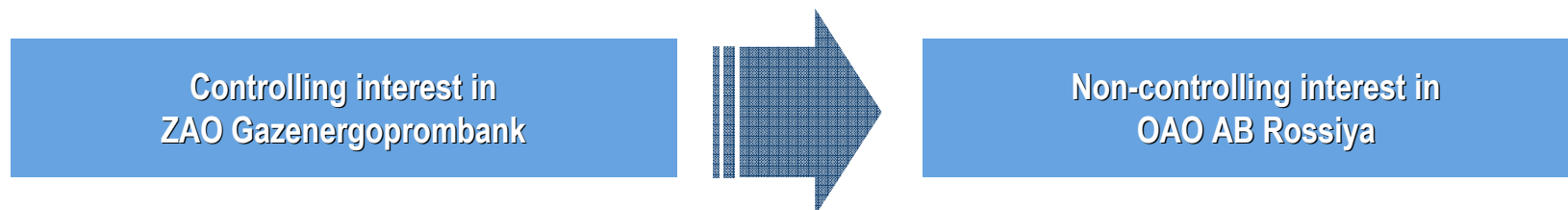
1. Totals may not sum due to rounding

Primary contributors are:

- **Purchased gas** costs have decreased due to the reduction of Central Asian gas price and gas volumes purchased
- **Purchased oil** costs have increased due to oil price and volume growth
- **Staff costs** have increased because of average salaries growth, consolidation of TGC-1 starting from 4Q of 2009 and new assets acquisition by Gazprom Neft
- **Taxes other than on income** went up due to the MET rose by 70% due tax rate increase as a result of world oil prices growth
- **Transit of gas, oil and refined products** has increased because of growth in gas transportation costs through the territory of Ukraine
- **Other operating expenses** grew mainly due to increase of:
 - other operating expenses on electricity transmission by RR 3 bn
 - transportation costs by RR 2 bn
 - research and development costs by RR 1 bn
 - and due to consolidation of RR 2 bn of other operating expenses of TGK-1 from 4Q2009
- Increase of **the rest of the OpEx** mainly has been driven by:
 - exchange rate differences, RR 21 billion in 1Q 2010 against minus RR 53 billion in 1Q 2009
 - repair, operation and maintenance expenses increase mainly because of maintenance services rendered by outside service organizations in the 1Q2010
 - costs for materials up due to fuel costs increase in the segment of "Production and sale of electricity and heat power"
 - growth of electricity and heat power expenses due to increase of electricity consumption

Reorganization in the form of the merger of ZAO Gazenergoprombank to OAO AB Rossiya:

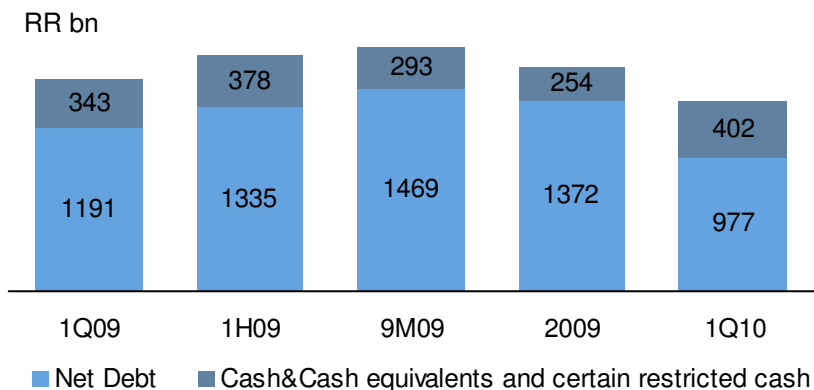
Result for the Group



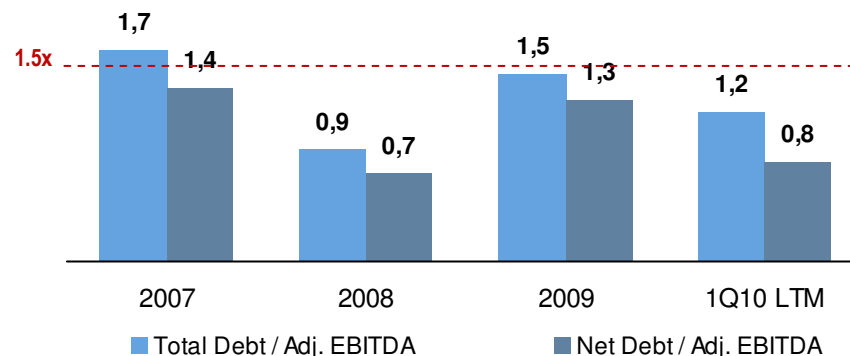
Major Classes of Assets and Liabilities of ZAO Gazenergoprombank, as of March 31, 2010

	RR million
Assets	137,700
Cash and cash equivalents	27,547
Financial assets	49,477
Accounts receivable and prepayments	51,514
Liabilities	121,498
Accounts payable and accrued charges	32,233
Borrowings	79,888
Promissory notes	9,266

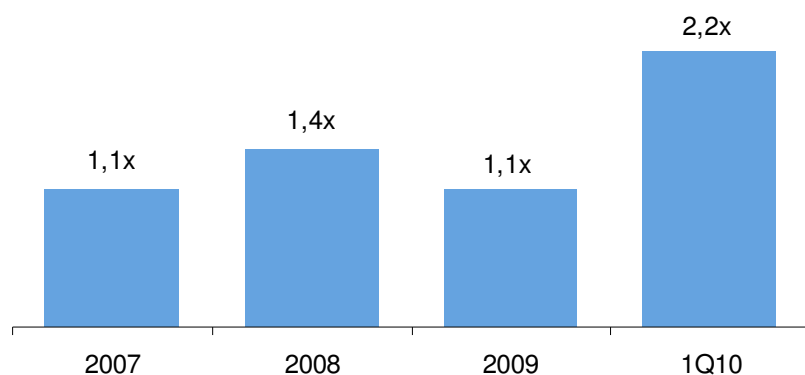
Total Debt (1)



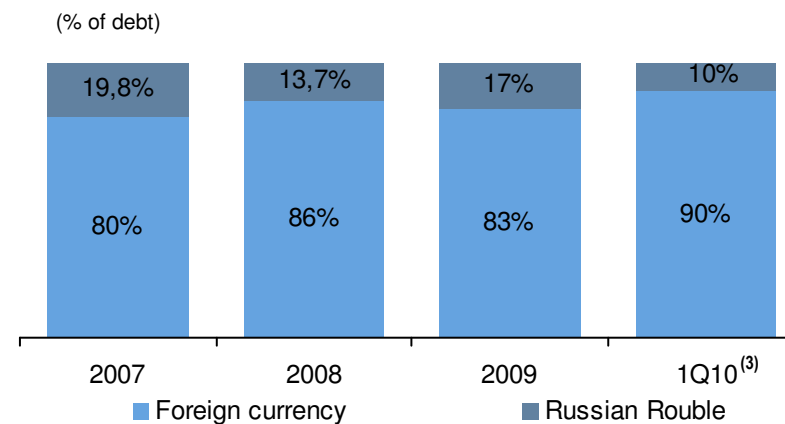
Credit metrics



Operating Cash Flow / Cash Capex



Debt Currency Profile (2)



1. Total debt: short-term borrowings and current portion of long-term borrowings, short-term promissory notes payable, long-term borrowings, long-term promissory notes payable and restructured tax liabilities;
 2. Long term debt + short term debt, excluding promissory notes
 3. Preliminary management estimates

Strong growth of Russian economy in 2010

Company shows strong financial results in 1Q2010

-
- **Recovery in our gas production – Shale gas and LNG impact is overestimated at the moment**
 - **Increase of our crude oil production and electric and heat energy generation**
 - **Increase of our sales volumes and prices**
 - **Growth of our revenue**
 - **Cost control**
 - **Decrease of our debt**
 - **Strong free cash flow generation**