

**Gazprom**

**Consolidated 1Q 2008 IFRS**

**Financial Results Presentation**



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## **Andrey Kruglov**

**Deputy Chairman of Gazprom's Management Committee,**

**Head of the Department for Finance and Economics**

# Key Highlights from 1Q 2008

- **Record Revenue** growth in 1Q 2008 – up 48% compared to 1Q 2007
- **Adjusted EBITDA<sup>(1)</sup>** increased by 63% compared to 1Q 2007
- **Net Income** increased by 30% compared to 1Q2007
- **Appropriate level of Debt:**
  - Levels of leverage as of the end of the reporting period – debt-to-equity ratio of no more than 40%
  - Total Debt / Adjusted EBITDA of 1,4x down from 1,7x as of the year end
- **Cash on balance sheet<sup>(2)</sup>** of 372 RR billion

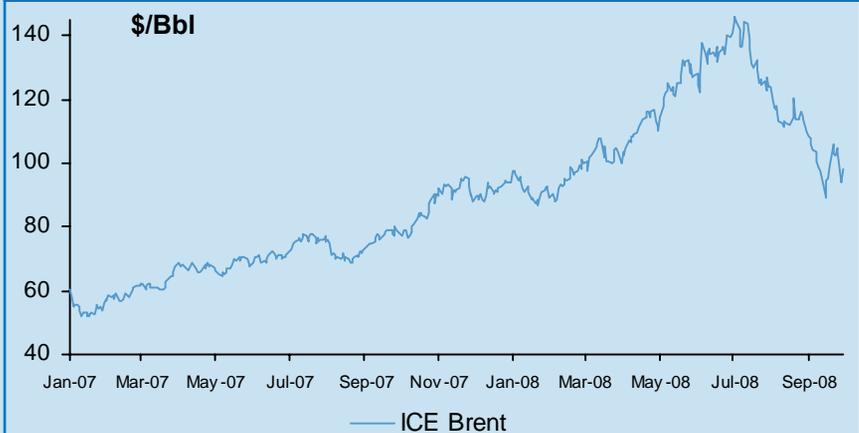
(1) Adjusted EBITDA calculated as operating profit plus depreciation and provisions for impairment of assets (includes provisions for impairment of accounts receivable and prepayments, assets under construction, investments and other long-term assets and inventory obsolescence) except provisions for impairment of accounts receivable and prepayments.

(2) Not including cash equivalents and restricted cash

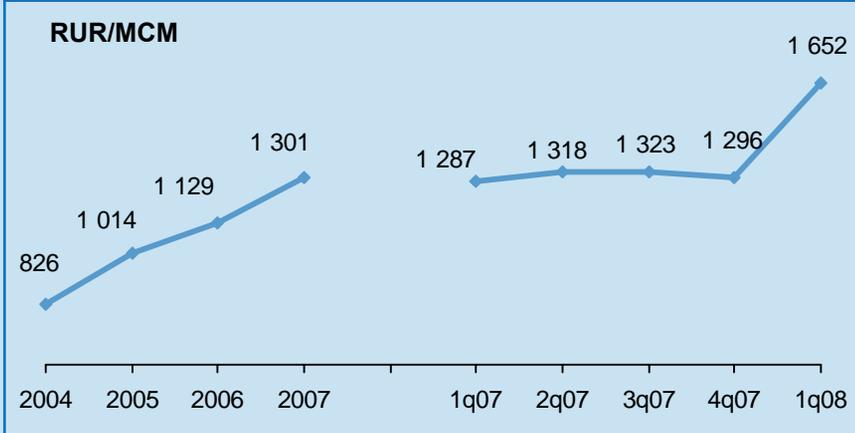
# Market Environment

## Gas Price Growth in Europe and Impressive Price Growth in Russia and the FSU

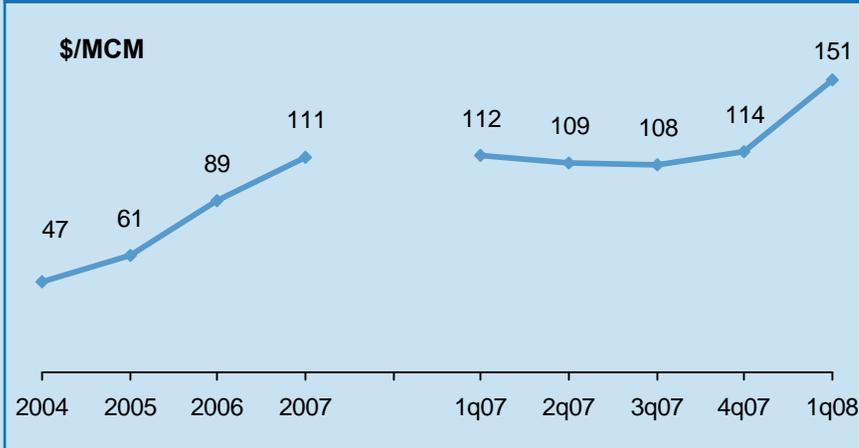
### Crude Price



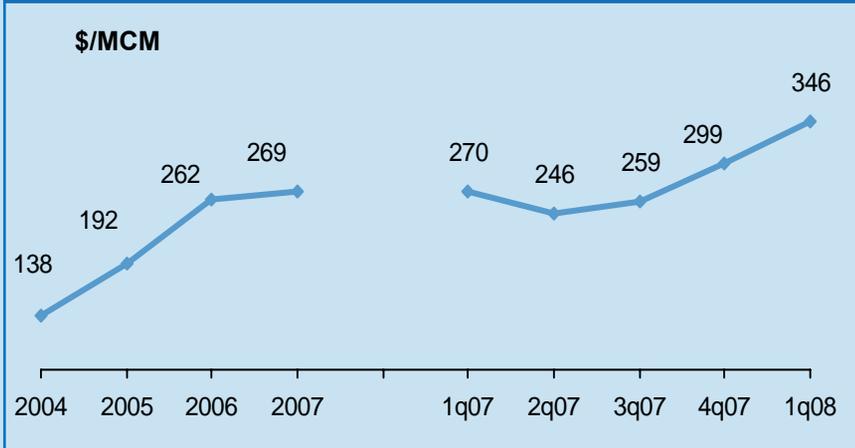
### Average Domestic Gas Price



### Average FSU Gas Price

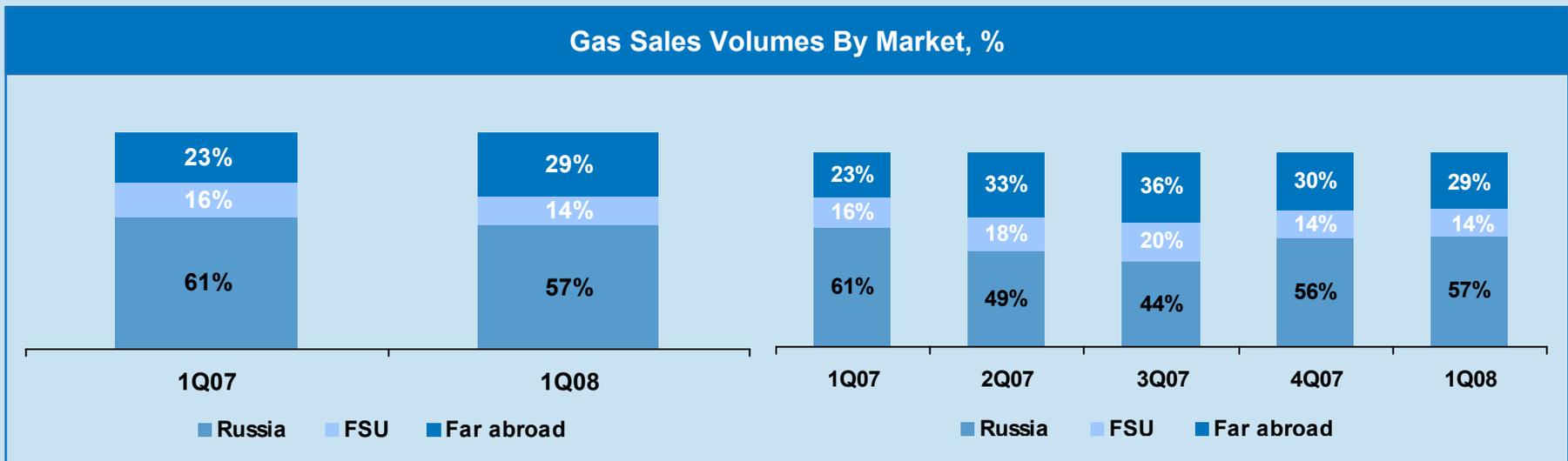
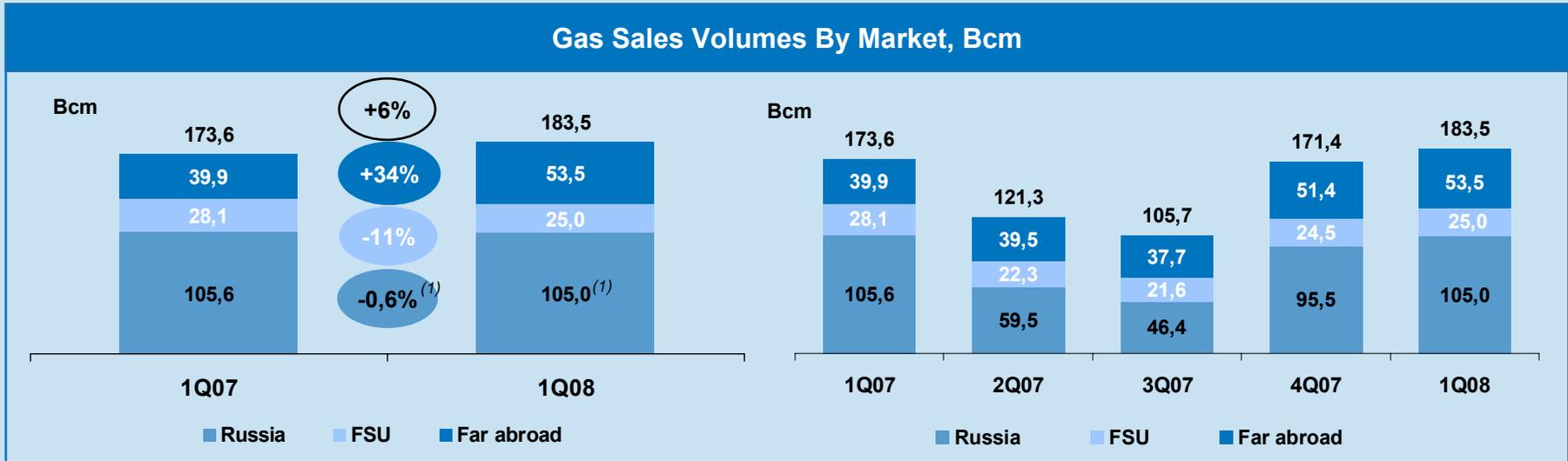


### Average Europe Gas Price



# Operational Results

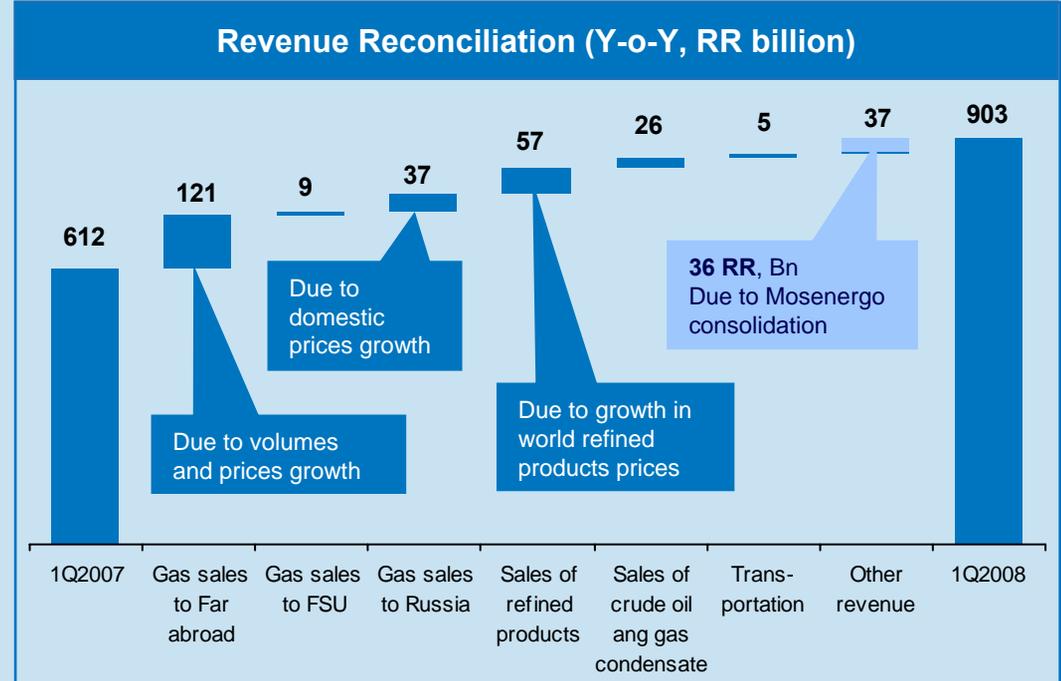
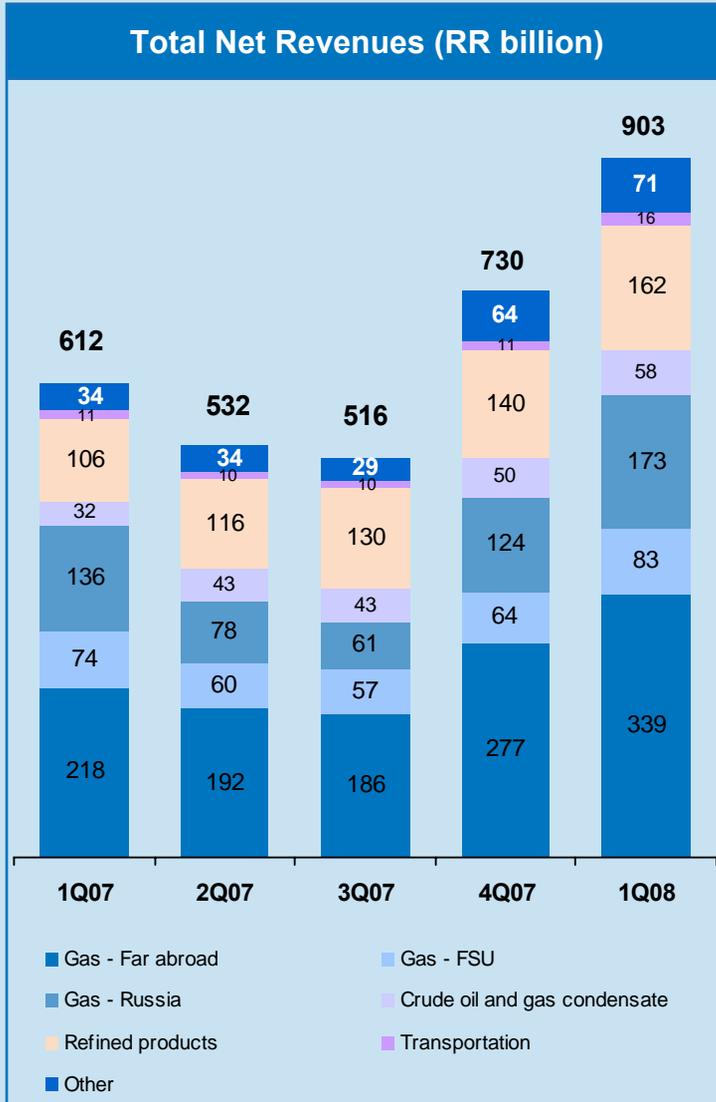
## Strong Demand in Europe Ensured Gas Sales Volumes Growth



(1) Due to Mosenergo consolidation since June 2007.

# Revenues

## Record Revenue Increase

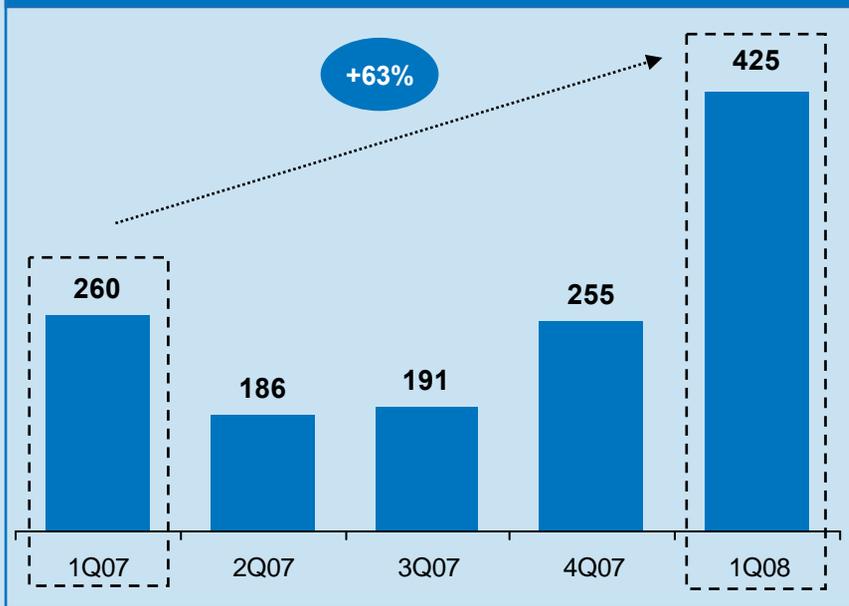


- Comment**
- 1Q 2008 revenues grew 48% compared to 1Q 2007
  - 24% revenue growth since 4Q 2007
  - Other revenue growth y-o-y amounted 109% due to Mosenergo consolidation since June 2007.

# EBITDA and Net Profit

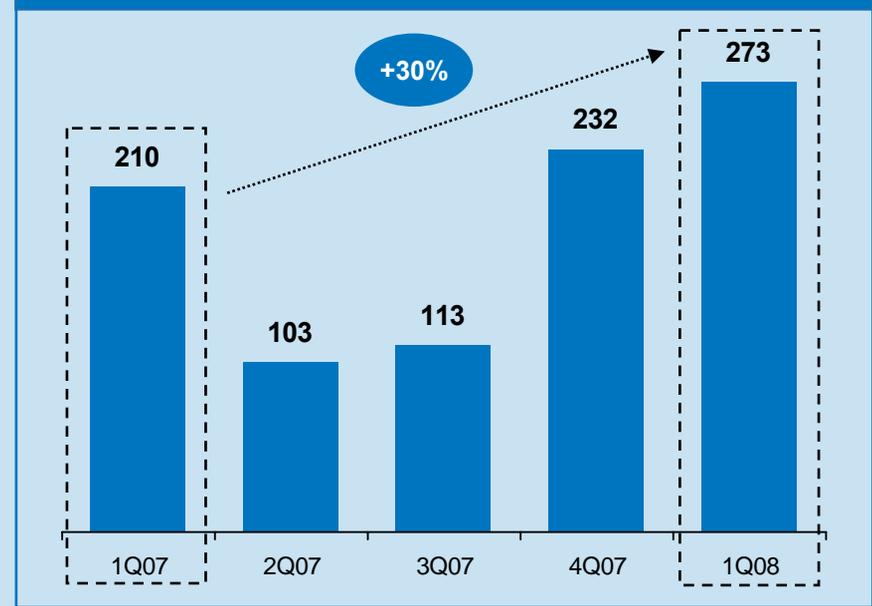
## Maintaining Strong Profitability

Adjusted EBITDA<sup>(1)</sup> (RR billion)



- **Adjusted EBITDA** increased by **63 %** compared to 1Q07
- **Adjusted EBITDA** increased by **67 %** compared to 4Q07.

Net Profit<sup>(2)</sup> (RR billion)



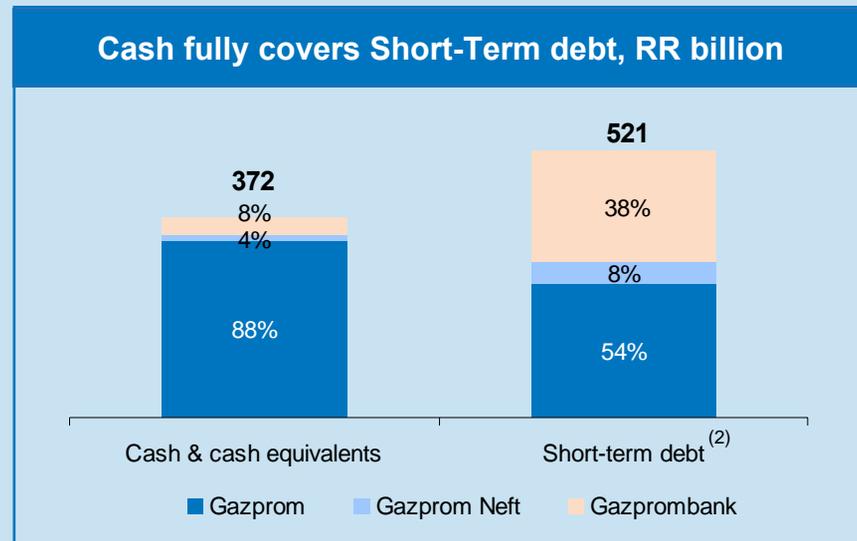
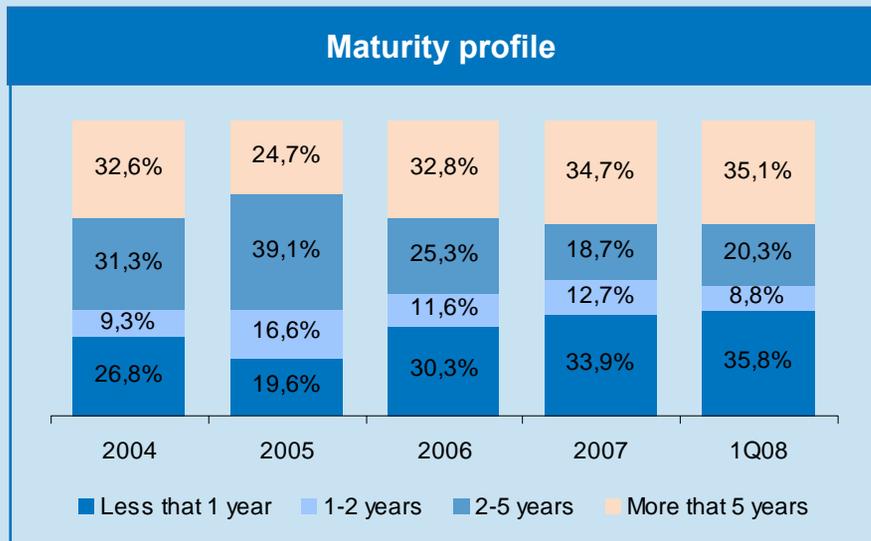
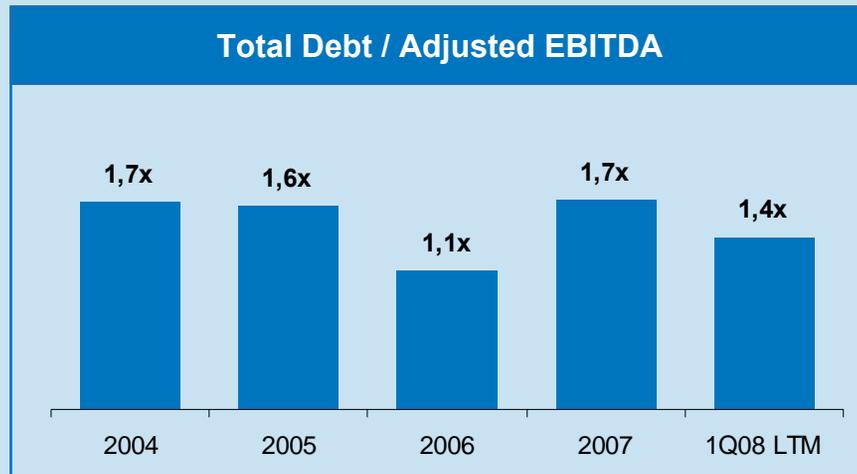
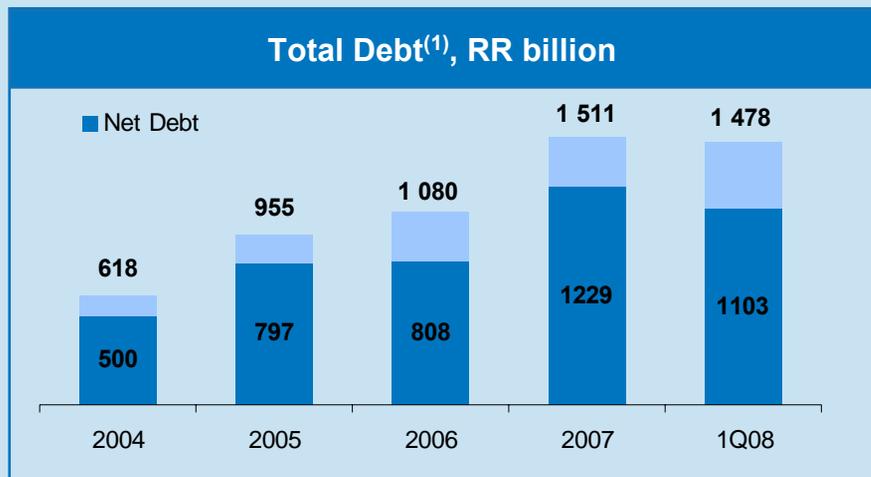
- **30% net income** growth compared to 1Q07.
- **18% net income** growth compared to 4Q07

(1) Adjusted EBITDA calculated as operating profit plus depreciation and provisions for impairment of assets (includes provisions for impairment of accounts receivable and prepayments, assets under construction, investments and other long-term assets and inventory obsolescence) except provisions for impairment of accounts receivable and prepayments.

(2) Net profit attributable to shareholders.

# Debt structure

## Leverage Under Control: Securing Appropriate Level of Debt



(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) Excluding short-term promissory notes payable.

## **Elena Vasilieva**

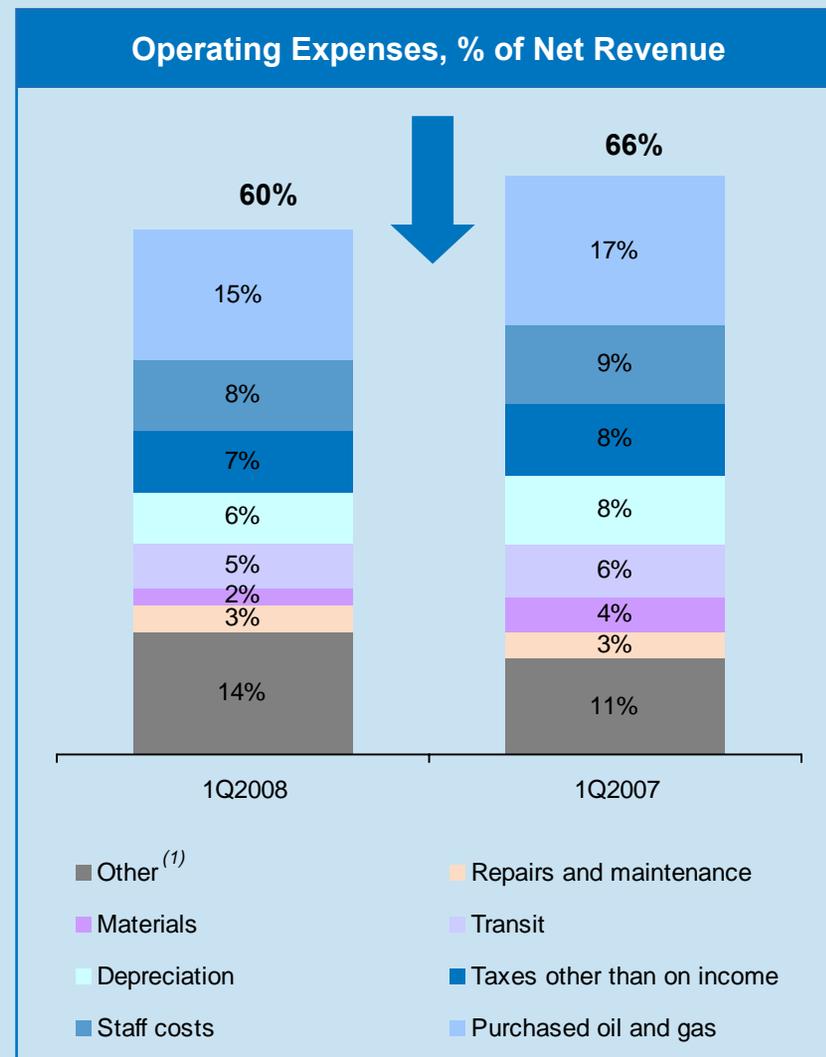
**Deputy Chairman of Gazprom's Management Committee,**

**Chief Accountant**

# Operating Expenses

## Operating Expenses Increase Compared to Revenue Growth

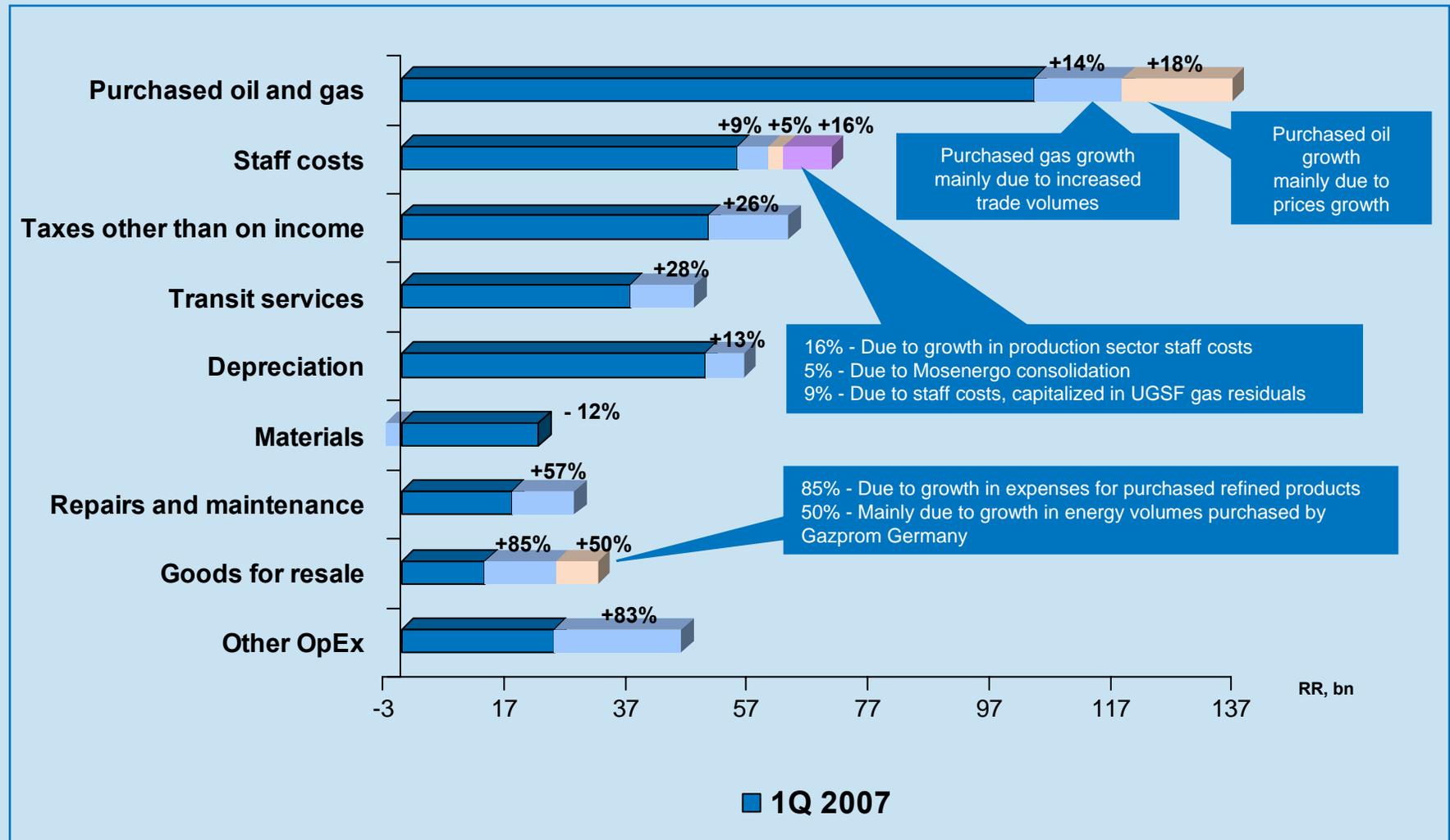
Operating Expenses, RR million	1Q2008	1Q2007	Y-o-Y,% Increase	% of Total increase
Purchased oil and gas	137,348	104,272	32%	24%
Taxes other than on income	63,842	50,509	26%	10%
Staff costs	72,133	55,311	30%	12%
Depreciation	56,409	50,090	13%	5%
Transit of gas, oil and refined products	48,278	37,747	28%	8%
Materials	19,910	22,592	(12)%	(2)%
Repairs and maintenance	28,546	18,131	57%	8%
Cost of goods for resale	32,327	13,734	135%	14%
Electricity and heating expenses	16,854	12,322	37%	3%
Charge for impairment provisions	3,732	996	275%	2%
Social expenses	4,099	3,384	21%	0,5%
Insurance expenses	4,097	3,204	28%	1%
Rental expenses	3,597	4,229	(15)%	(0,5)%
Other operating expenses	46,145	25,212	83%	15%
<b>Total operating expenses</b>	<b>537,317</b>	<b>401,733</b>	<b>34%</b>	<b>100%</b>



(1) Other include: cost of goods for resale, electricity and heating expenses, charge for impairment provisions, social expenses, insurance expenses, rental expenses, other operating expenses

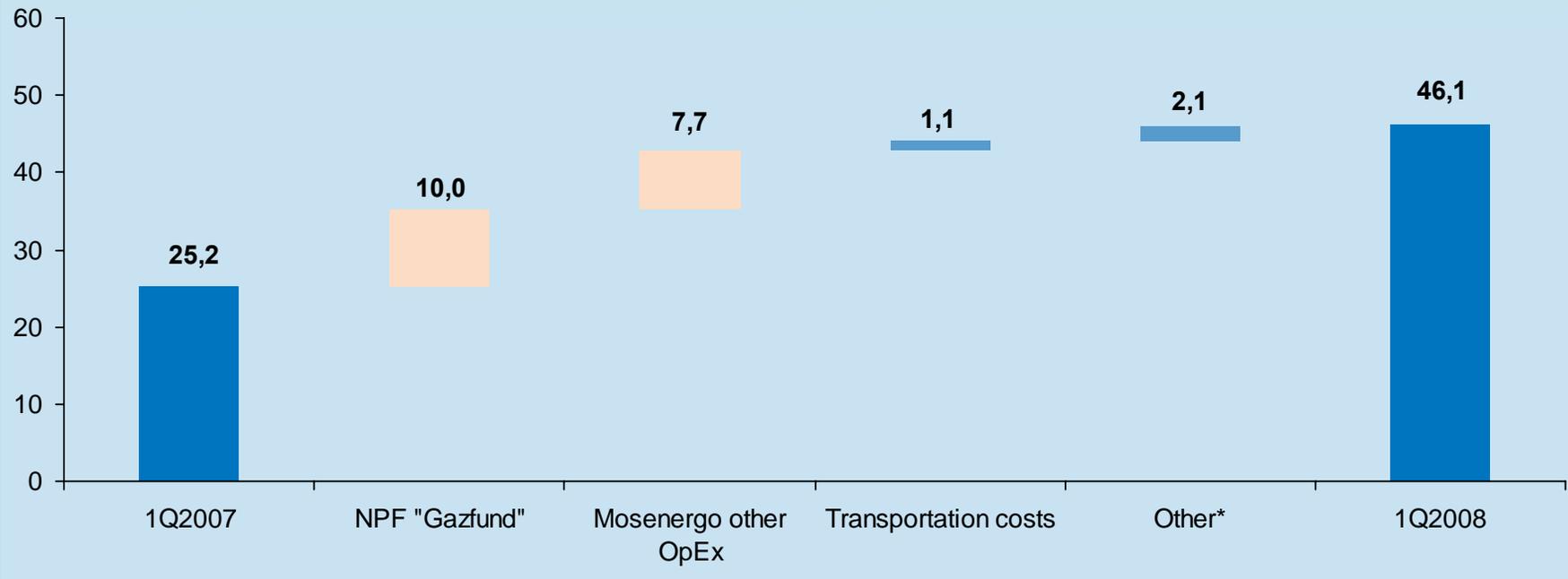
# Operating Expenses – Year- on -Year Comparison

## Breakdown of Major Operating Expense items for 1Q 2008



# Other operating expenses

## Other operating expenses Reconciliation (Y-o-Y, RR billion)



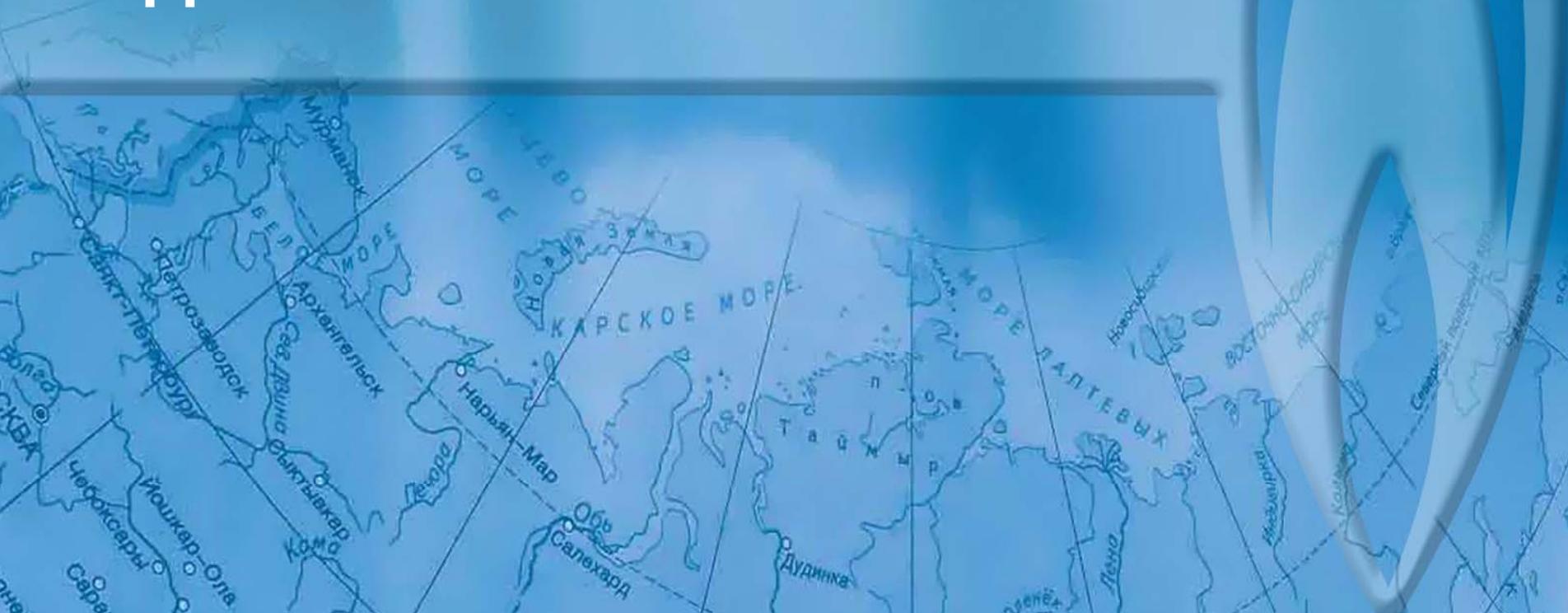
### Other\* include:

- Research and Development
- Security services
- Advertising
- Processing services
- Legal and Consulting services

# Subsequent Events

- From June 2008, Gazprom Group has 5/12 representatives on OAO Gazprombank's Board of Directors. As Gazprom Group has retained significant influence over OAO Gazprombank and its subsidiaries, but lost control of operating and financial policies of the Bank, it will be accounted under the equity method.
- Since April 2008, Gazprom Group has received a total of US\$3,250 mn in loans and bonds with various maturities and interest rates levels, including US\$1,000 mn of syndicated financing from Bank WestLB AG and US\$250 mn under the agreement with ABN AMRO to obtain US\$500 mn of long-term financing.
- In June 2008 the Group acquired the 28,7% interest in TGC-1 prepaid in February 2008.
- In July 2008 the Group obtained a 44,4% interest in WGC-2 and 42,9% interest in WGC-6.

# Appendix



# Financial results – Income Statement (RR million)

Statement of Income, RR million	1Q2007	1Q2008	Change, +/-%
Sales	611,528	902,944	48%
Operating expenses	(401,733)	(537,317)	34%
<b>Operating profit / EBIT</b>	<b>209,795</b>	<b>365,627</b>	<b>74%</b>
Loss from change in fair value of call option	-	(17,423)	-
Deconsolidation of NPF Gazfund	44,692	-	-
Finance items <sup>(1)</sup>	5,379	16,054	198%
Other <sup>(2)</sup>	19,639	16,070	(18%)
<b>Profit before profit tax</b>	<b>279,505</b>	<b>380,328</b>	<b>36%</b>
Profit tax expense <sup>(3)</sup>	(62,368)	(94,278)	51%
Minority interest	(6,825)	(12,611)	85%
<b>Shareholders' profit</b>	<b>210,312</b>	<b>273,439</b>	<b>30%</b>

- Strong revenue growth Q-o-Q (48%)
- Record profit growth of 30%
- Loss from change in fail value of call option to acquire 20% interest in Gazprom Neft is One-off item affecting 1Q 2008 IFRS Results

(1) Finance items include: finance income, finance expense.

(2) Other: share of net income of associated undertakings and jointly controlled entities, gains on disposal of available-for-sale financial assets.

(3) Profit tax expense: current tax expense, deferred tax expense.

# Balance sheet (RR million)

RR million	December 31, 2007	March 31, 2008	Change, RR million	Change, +/(-)%
Total current assets, of which	1,820,078	1,763,541	-56,537	(3%)
Cash and cash equivalents and restricted cash	680,298	387,628	-292,670	(43%)
Accounts receivable and prepayments	704,712	858,572	153,860	22%
Total long-term assets, of which	4,218,783	5,313,100	1,094,317	26%
Property, plant and equipment	3,066,393	3,542,178	475,785	16%
Long-term accounts receivable and prepayments	283,805	402,001	118,196	42%
<b>Total assets</b>	<b>6,038,861</b>	<b>7,076,641</b>	<b>1,037,780</b>	<b>17%</b>
Total current liabilities, of which	1,135,753	1,178,834	43,081	4%
Taxes payable	60,645	120,369	59,724	98%
Short-term interest bearing debt <sup>(1)</sup>	393,219	535,134	141,915	36%
Total long term liabilities, of which	1,089,250	1,343,432	254,182	23%
Long-term interest bearing debt <sup>(2)</sup>	742,943	932,708	189,765	26%
<b>Total liabilities</b>	<b>2,225,003</b>	<b>2,522,266</b>	<b>297,263</b>	<b>13%</b>
Total equity (including minority interest)	3,813,858	4,554,375	740,517	19%
<b>Total liabilities and equity</b>	<b>6,038,861</b>	<b>7,076,641</b>	<b>1,037,780</b>	<b>17%</b>

(1) Short-term interest bearing debt: short-term borrowings and current portion of long-term debt, short-term promissory notes payable.

(2) Long-term interest bearing debt: long-term borrowings, long-term promissory notes payable, restructured tax liabilities.