

1H2010 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

- **Profit for the period⁽¹⁾**
 - **RR 495 bn** in 1H2010 **up 67%** compared to **RR 296 bn** in 1H2009
 - **RR 170 bn** in 2Q2010 **down 12%** compared to **RR 193 bn** in 2Q2009
- **Continued free cash flow⁽²⁾ generation**
 - **2,5x** increase **up** to **RR 320 bn** in 1H2010
 - **RR 56 bn** free cash flow **positive** in 2Q2010
- **Stable operating cash flow generation**
 - **RR 748 bn** in 1H2010 **up 43%** compared to **RR 524 bn** in 1H2009
 - **RR 265 bn** in 2Q2010 **down 9%** compared to **RR 290 bn** in 2Q2009
- **Changes in working capital**
 - **positive** impact of **RR 217 bn** in 1H2010
 - **RR 100 bn** effect of changes in working capital in 2Q2010
- **Leverage easing:**
 - **Net Debt decreased by 29%** as of the end of 1H2010 due to an increase in cash and cash equivalents and a decrease in short-term and long-term loans mostly as a result of deconsolidating the banking subsidiaries of the Group
 - **Net Debt/Adj.EBITDA LTM dropped to 0,8x** as of the end of 1H2010 compared to 1,3x as of the end of 2009

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

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

Comments

- After the deep recession of 2009, Russia has shown a strong rebound to positive GDP growth in 2010 helped by higher oil prices and a better global growth environment
- Russia's low percentage of public debt, low budget deficit and constrained inflation and unemployment put Russia in a strong position vs. developed and developing economies

GDP Growth (%)

	2007	2008	2009	2010	2011	2012
Russia	8.1%	5.6%	(7.9)%	4.2%	4.0%	4.4%
Brazil	6.1%	5.1%	(0.2)%	7.5%	4.5%	4.6%
China	14.2%	9.6%	9.1%	9.9%	8.6%	8.7%
Germany	2.7%	1.0%	(4.7)%	3.0%	1.3%	1.7%
United States	1.9%	0.0%	(2.6)%	2.3%	1.5%	1.9%

Inflation (%)

	2007	2008	2009	2010	2011	2012
Russia	9.0%	14.1%	11.7%	6.7%	7.8%	6.8%
Brazil	3.6%	5.7%	4.9%	4.9%	4.4%	4.7%
China	4.8%	6.0%	(0.7)%	3.0%	3.5%	3.6%
Germany	2.3%	2.6%	0.3%	1.0%	1.1%	1.4%
United States	2.9%	3.8%	(0.3)%	1.4%	1.0%	1.9%

Source: Economist Intelligence Unit

Budget balance (% of GDP)

	2007	2008	2009	2010	2011	2012
Russia	5.4%	4.1%	(5.9)%	(4.8)%	(3.9)%	(3.3)%
Brazil	(2.8)%	(2.0)%	(3.4)%	(2.3)%	(2.4)%	(2.6)%
China	0.6%	(0.4)%	(2.2)%	(2.2)%	(1.7)%	(1.6)%
Germany	0.2%	0.0%	(3.3)%	(3.7)%	(2.5)%	(1.3)%
United States	(1.2)%	(3.2)%	(10.0)%	(9.0)%	(7.0)%	(5.4)%

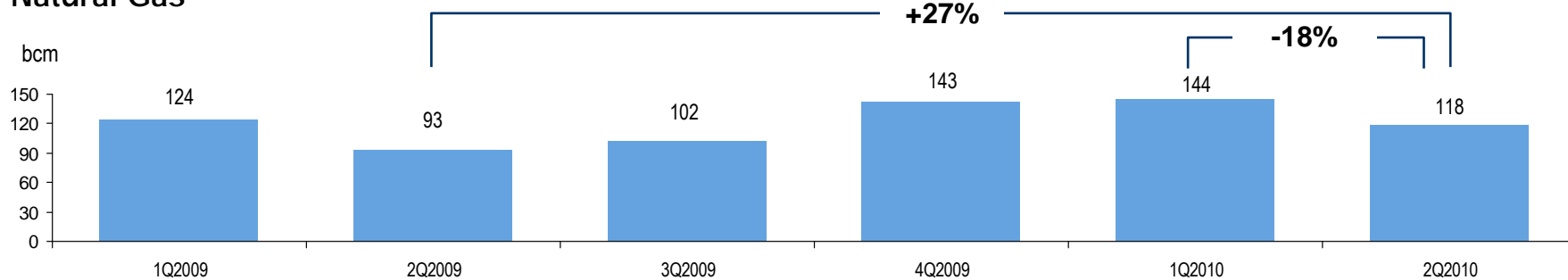
Public debt (% of GDP)

	2007	2008	2009	2010	2011	2012
Russia	7.2%	6.5%	8.3%	9.5%	11.6%	13.8%
Brazil	56.4%	58.6%	59.5%	60.8%	59.0%	57.7%
China	17.3%	15.6%	16.9%	17.5%	17.4%	17.2%
Germany	64.9%	66.1%	73.2%	74.8%	75.9%	74.8%
United States	36.2%	37.7%	53.5%	58.9%	64.8%	68.8%

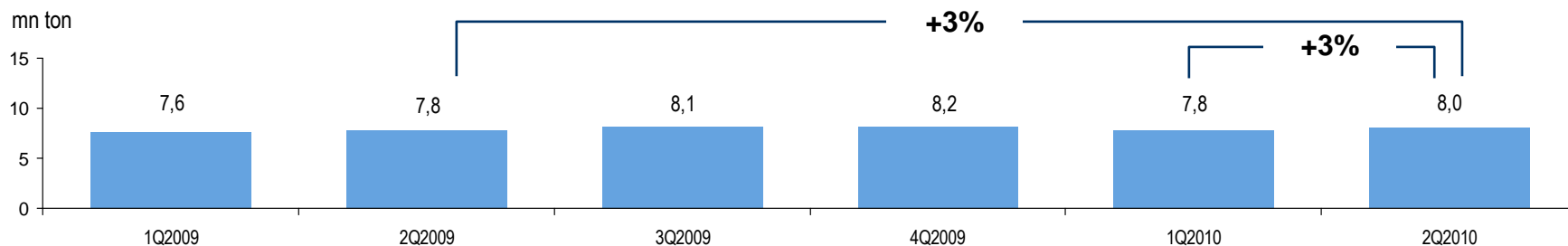
Unemployment (%)

	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%	6.7%	6.7%
China	9.2%	9.2%	9.3%	9.3%	9.2%	9.1%
Germany	8.4%	7.3%	7.5%	7.1%	6.4%	6.0%
United States	4.6%	5.8%	9.3%	9.7%	9.4%	9.0%

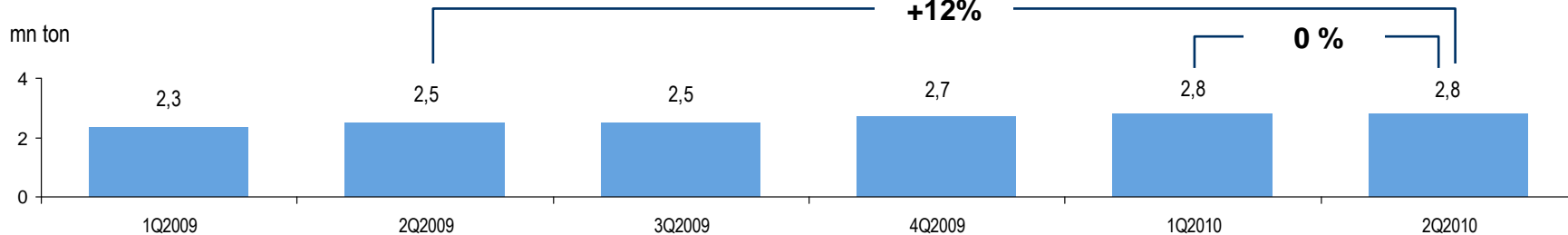
Natural Gas



Crude Oil



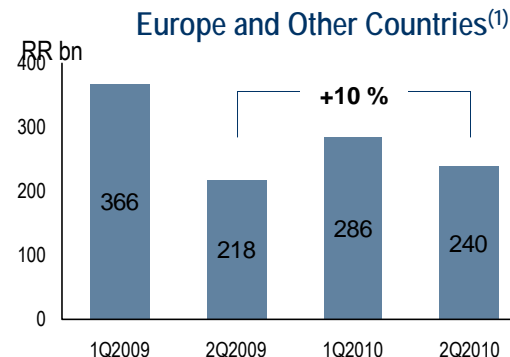
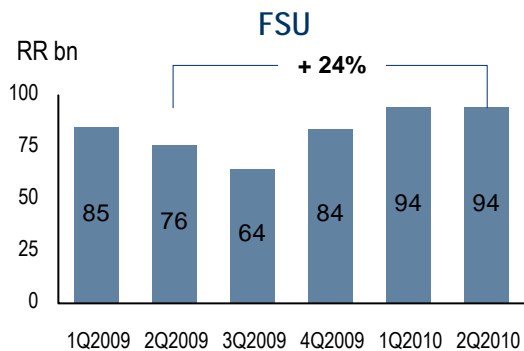
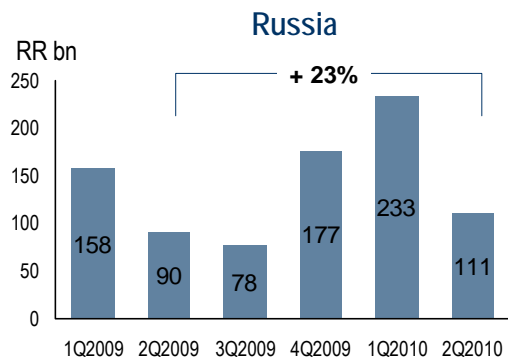
Gas Condensate



bcm	2Q 2010	2Q 2009
Natural gas resources	162,5	131,7
Indigenous gas production	151,5	120,9
Other sources including Central Asian and Azerbaijani gas	10,5	8,1
Gas withdrawn from underground storages in Russia, Latvia and Europe	0,1	2,4
Decrease in the amount of gas within the gas transportation system	0,4	0,3
Natural gas distribution	162,5	131,7
Domestic consumption	87,2	83,6
including needs of the gas transportation system and UGS	9,8	6,0
Gas pumped into UGS in Russia, Latvia and Europe	25,8	3,9
Gas for LNG production (Sakhalin-2)	3,3	1,5
Foreign supplies	31,8	31,4
FSU supplies	14,4	11,3
including Baltic states	0,8	0,8

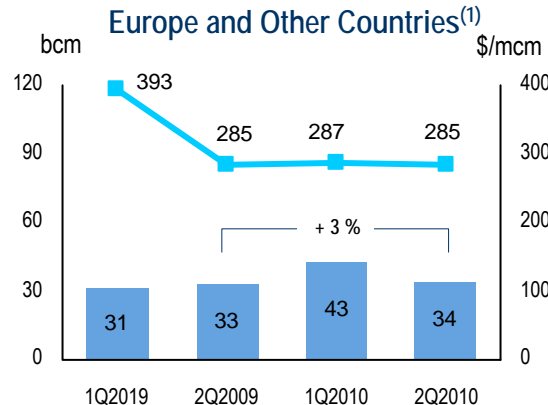
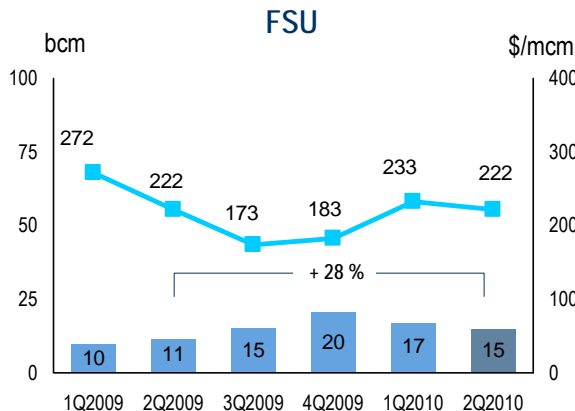
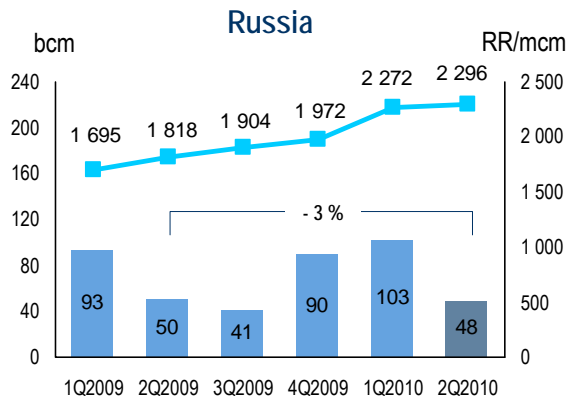
Source: Company data

Net Sales Q-o-Q



Key Message: Net sales in 2Q 2010 are up strongly vs. 2Q2009 in Russia, FSU and Europe

Volumes and Prices Q-o-Q

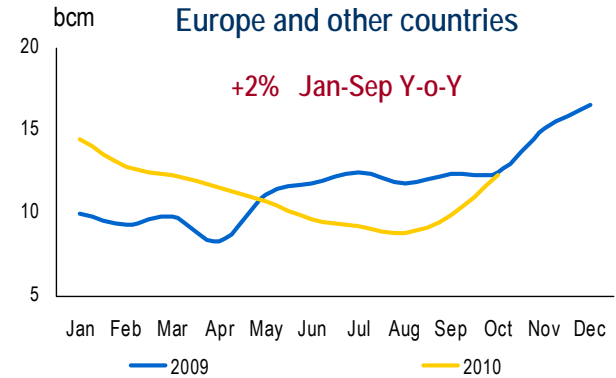
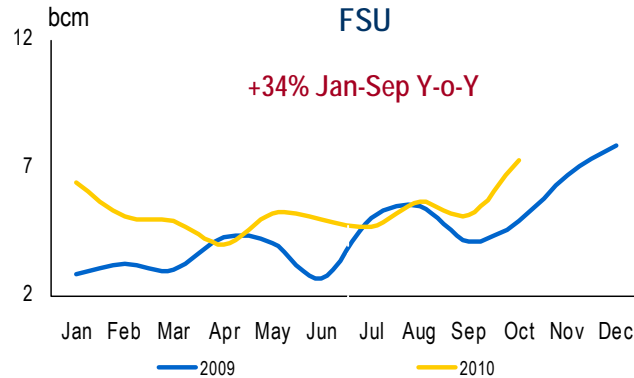
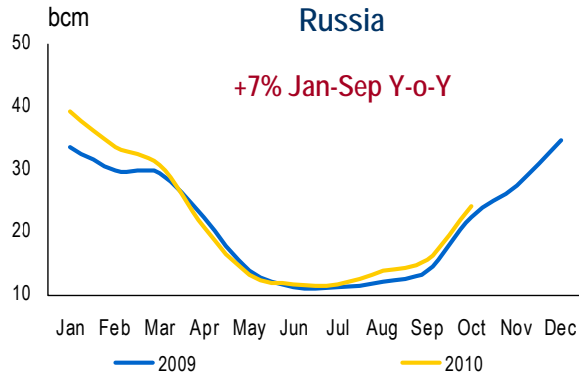


■ Sales Volume — Average Price

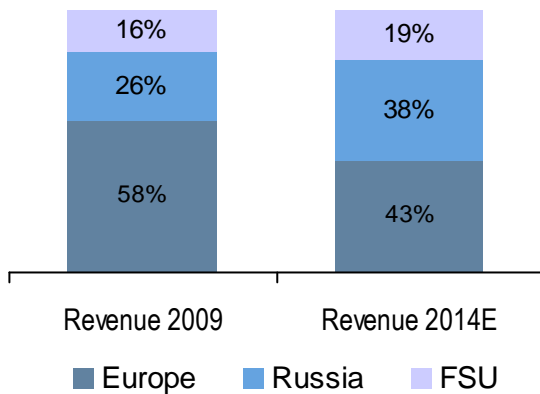
Calculations may diverge due to rounding.

1. Other countries include LNG sales to Japan, United Arab Emirates, Korea, India, Taiwan and China

Monthly Gas Sales Volumes



Gas Sales Breakdown and Price Liberalisation



- In 2010, the market price was introduced to Ukraine with a 100 \$/mcm discount (but not more than 30%), equal to a reduction of the export duty on gas deliveries to Ukraine. The discount to be applied to 30 bcm in 2010 and 40 bcm in subsequent years
- In 2010, a 10% discount to the market price remains for Belarus, Moldova and Armenia
- Price liberalization principles in gas deliveries to the FSU countries are expected to be implemented by 2011(1)
- Significant increase in Russian gas prices is expected due to the liberalization of the domestic market by 2014

European Price Expectations

- Average Long-term price for 2010 is 308 \$/mcm, which is 2% higher compared to 302 \$/mcm in 2009
- Deviation of Spot and Long-term prices on Continental European markets will remain in 2010
- Spot and Long-term prices are expected to reach equilibrium by 2012

Source: Company data
1. Except Armenia

Part 2.



Elena Vasilieva

Deputy Chairman of Gazprom Management Committee
Chief Accountant

Comments

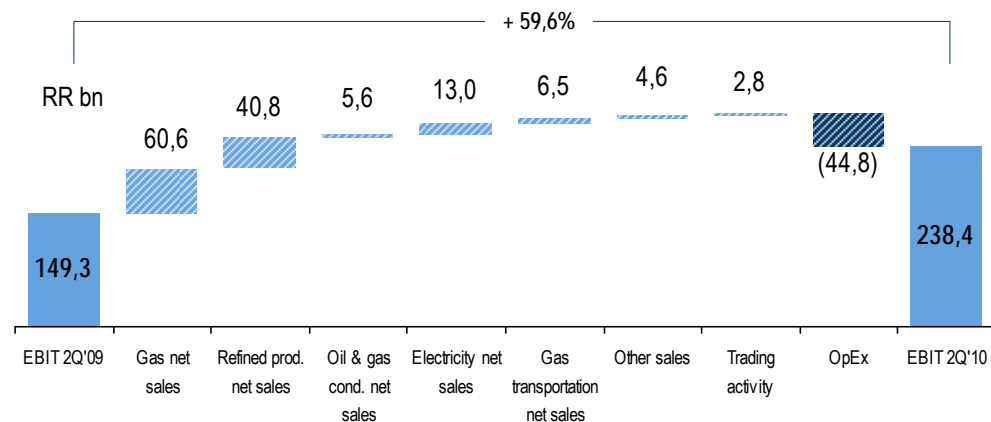
EBIT⁽¹⁾ Y-o-Y reconciliation

- Gas net sales increased by 16% mainly due to an increase in prices and volumes of gas sales in the key markets
- Refined products net sales increased by 33% due to increased world prices, increased volumes and the acquisition of new subsidiaries by Gazprom Neft Group

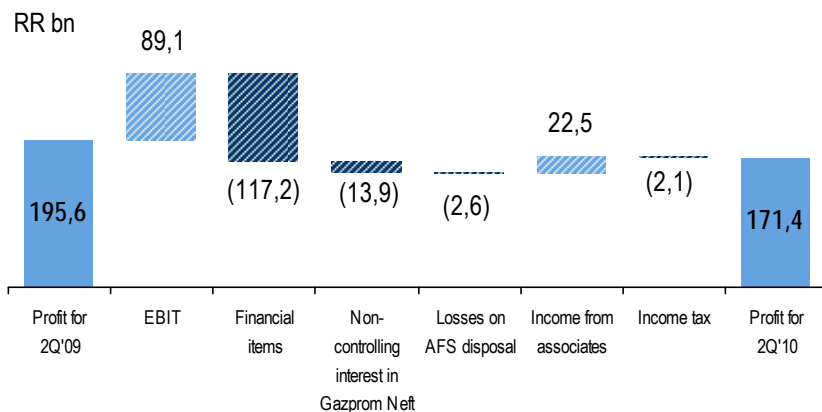
Profit for the period Y-o-Y reconciliation

- The decrease in profit for the period was mainly due to financial items. In 2Q2010 net exchange losses were RR38,3 bn as compared to RR 83,9 bn net exchange gain in 2Q2009

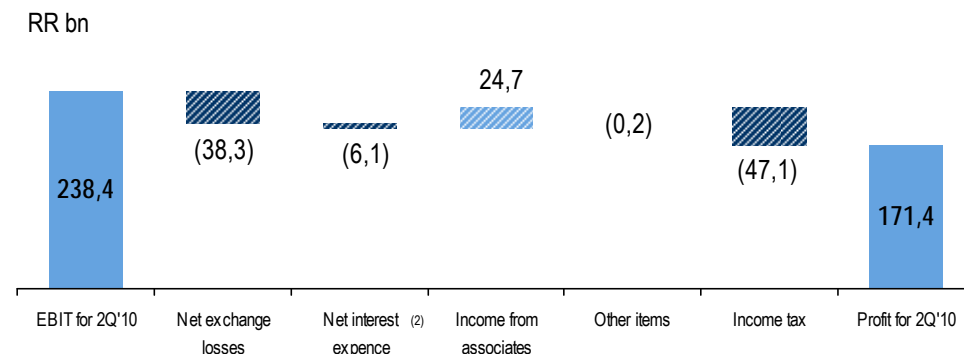
2Q'09 EBIT to 2Q'10 EBIT reconciliation



2Q'09 profit to 2Q'10 profit reconciliation



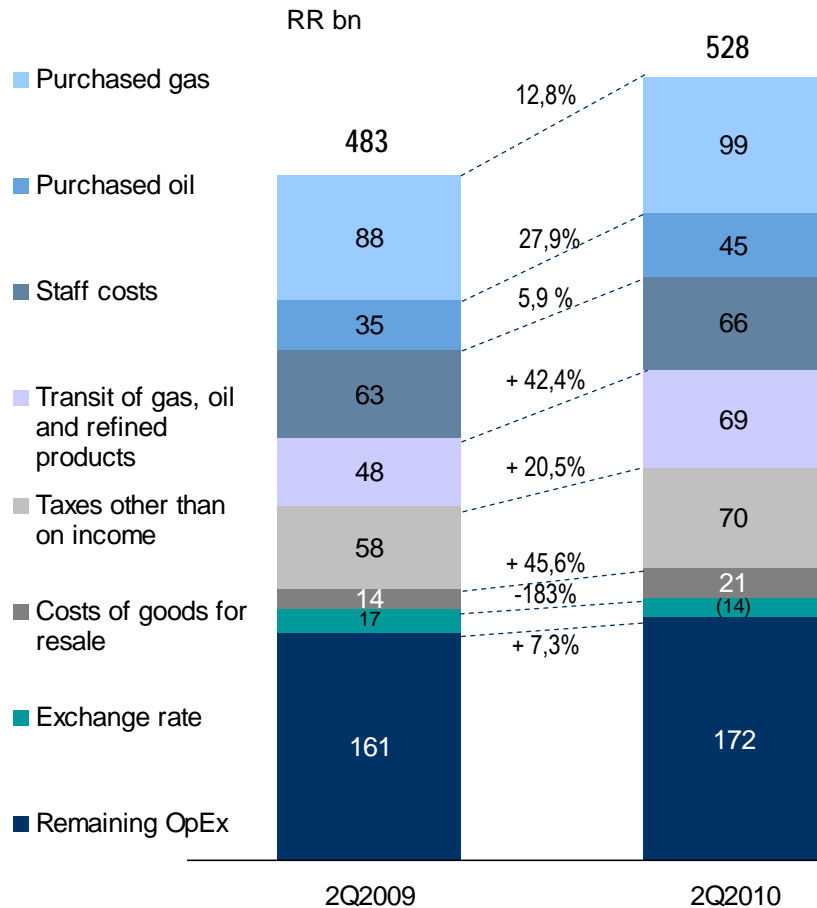
2Q'10 EBIT to 2Q'10 profit reconciliation



1. EBIT: Operating profit

2. Including gains on extinguishment of restructured liabilities

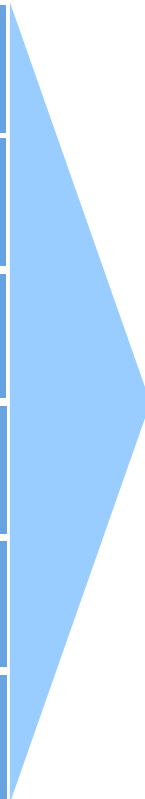
Operating expenses have increased by 9,3% Y-o-Y



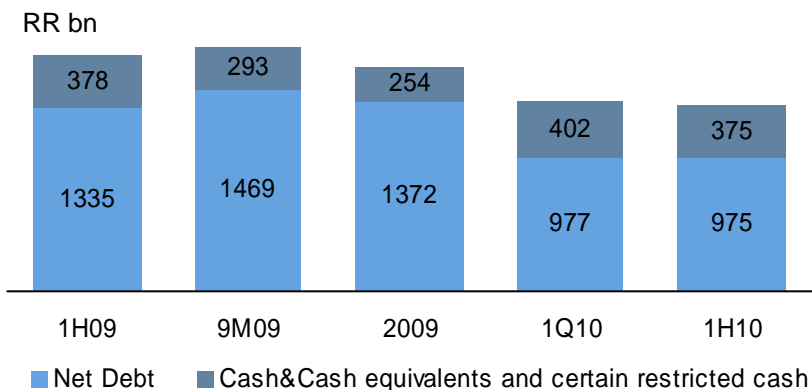
This has been driven by:

- Purchased gas costs grew by 13% mainly due to the increase in gas purchases in Russia
- Purchased oil costs grew by 28% due to oil price and volume growth
- Staff costs have increased mainly because of increased average salaries
- Transit of gas, oil and refined products has increased because of Gazprom Neft Group operations
- Taxes other than on income increased as MET rose by RR 4 bn or by 11%
- Costs of goods for resale grew mainly due to an increase in volumes of refined products purchased by Gazprom Neft Group
- Profit from Exchange rate differences on operating items amounted to RR 14 bn in 2Q2010 compared to a loss of RR 17 bn in 2Q2009. This change was driven by an increase in the RUR/USD exchange rate by 6% and a decrease in the RUR/EURO exchange rate by 4% in 2Q2010 compared to a decrease in the RUR/USD and RUR/EURO exchange rates by 8% and 3% respectively in 2Q2009
- The Remaining increases in OpEx were mainly driven by:
 - RR 3,6 bn growth in charge for impairment provision
 - RR 2,2 bn growth in transportation services
 - RR 1,7 bn growth of electricity and heat power expenses
 - RR 1,7 bn growth of costs for materials
 - RR 1,8 bn growth in other operating expenses

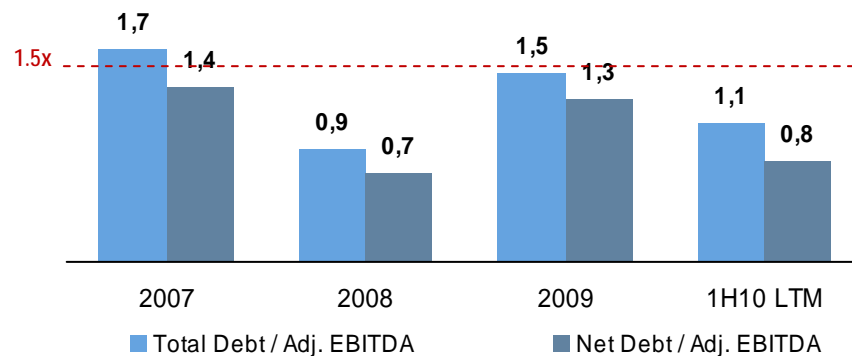
Calculations may diverge due to rounding

2Q2010 Total Changes in Working Capital	Decrease in accounts receivable for gas	RR 70 bn		RR 100 bn Positive impact on the company's cash flow during the period
	Decrease in receivables to customs	RR 46 bn		
	Decrease of loans made	RR 17 bn		
	Increase in accounts payable	RR 12 bn		
	Increase in gas inventories	RR (32) bn		
	Other effects	RR (13) bn		

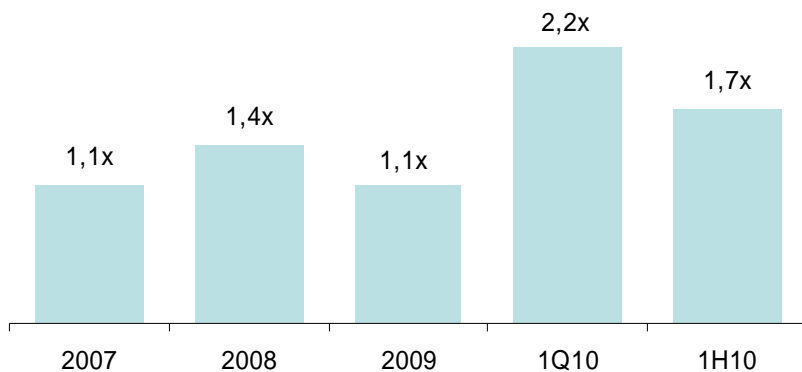
Total Debt ⁽¹⁾



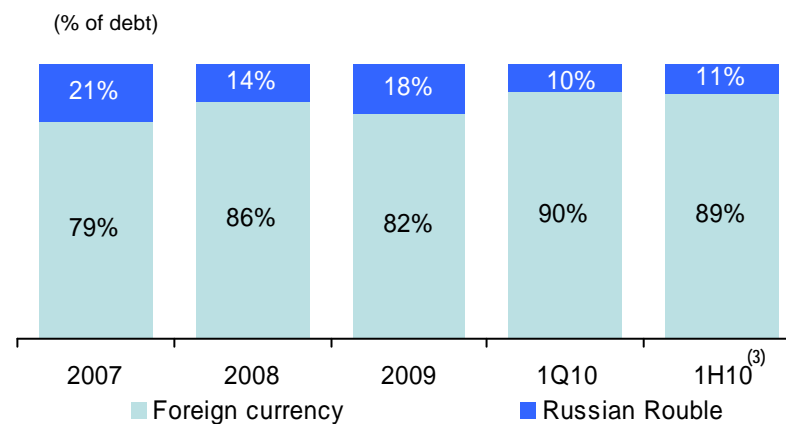
Credit metrics



Operating Cash Flow / Cash Capex

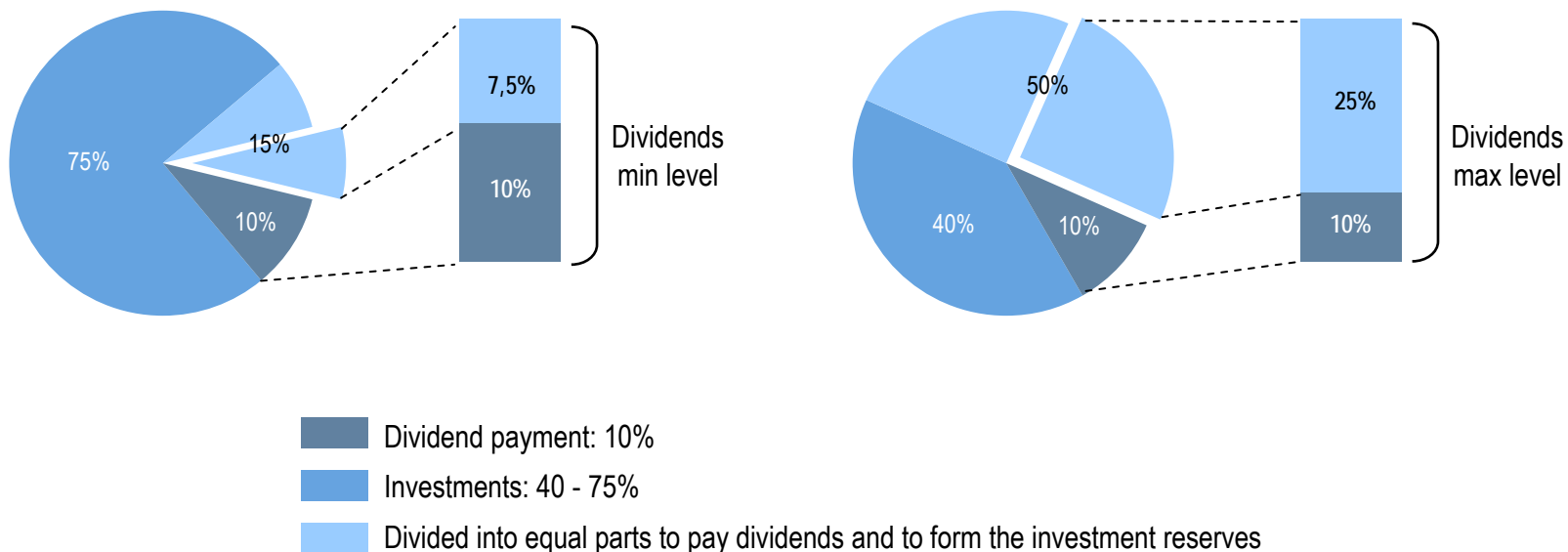


Debt Currency Profile ⁽²⁾



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

Dividend payment will range from 17.5 to 35 per cent of net income
based on parent company net profit (RAS)



✓ According to the dividend calculation, net income may be adjusted by the amount of Gazprom's investment revaluation

Environmental and Social Responsibility – a key focus of senior Gazprom Management

- Natural richness (bio-diversity and traditional ways of life) is the life essence of present and future generations and supports sustainable economic development
- We strive for high economic performance, with the highest care for natural richness and the responsible use of natural resources
- Our operations meet Russia's environmental and energy policy, as well as framework international principles of sustainable development

Environmental Responsibility:

- Coordinating Committee established October 2007
- Environmental Policy focused on:
 - Resource saving
 - Environmental impact mitigation
 - Climate conservation
- Energy & resource efficient technologies to reduce environmental impact

Nord Stream: a case study

- Detailed environmental impact assessment performed prior to construction
- Transnational project regulated by international convention
- Legislated in several nations
- Compliance with rigid environmental standards
- Avoid disruption to Baltic Sea ecosystem:
 - Construction to cease during the herring spawning season
 - Construction to cease during the bird migratory season

Social Responsibility:

- Social responsibility is an integral part of our corporate development
- Our social activity supports culture, sports, education and science
- Gazprom actively participates in social projects:
 - Assists economically disadvantaged people, including in Far North
 - Invests in social infrastructure facilities/construction in Russian Federation

Gazprom to Children: a case study

- Largest social project with > RR 6.7 billion invested from early '07 to early '09
- Support Russia's children and youth:
 - Create environment for spiritual and physical development
 - Engage maximum number of children in sports, arts and culture