



25th world gas conference
"Gas: Sustaining Future Global Growth"

IMPACT OF RUSSIAN GAS PRICES PROVIDING EQUAL PROFITABILITY OF DOMESTIC AND EXPORT SUPPLIES ON THE GAS INDUSTRY DEVELOPMENT

Subtitle of presentation

By: Petr Tarasov , Gazprom JSC

Date: 07.06.2012



Patron



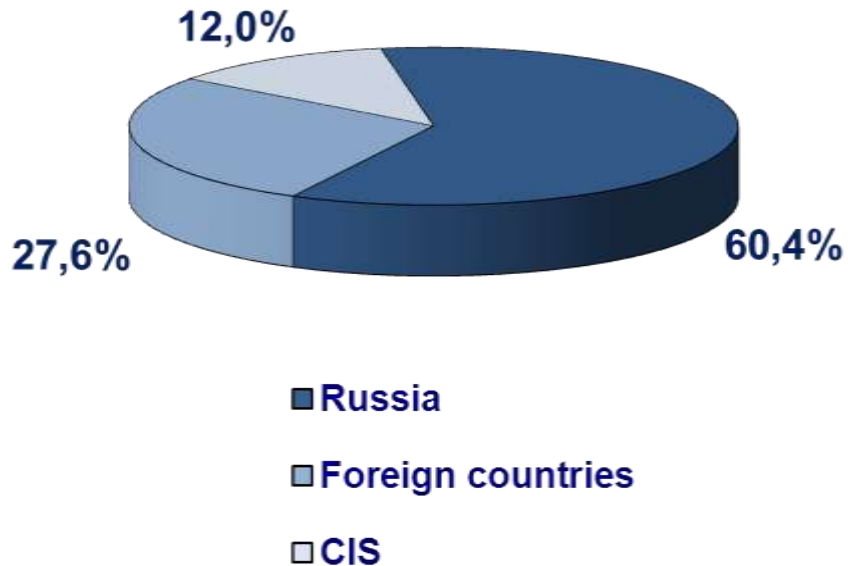
Host



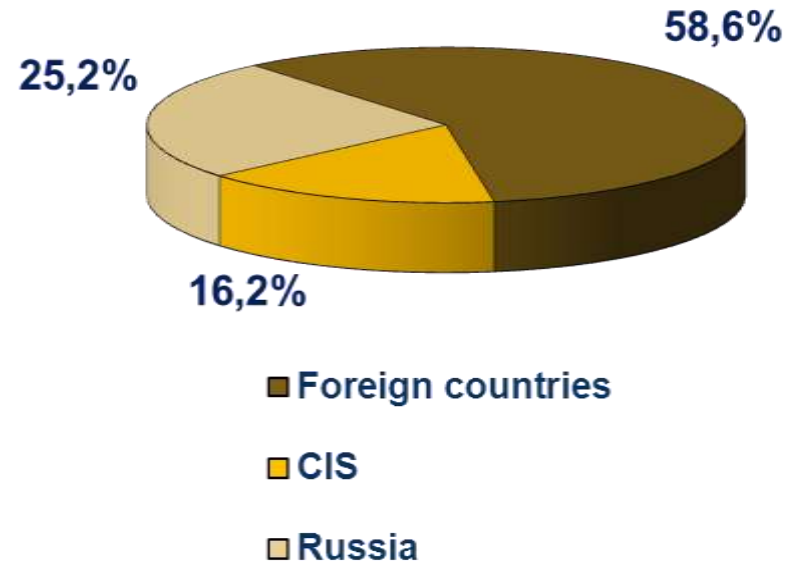
Host Sponsor



Distribution of Gazprom gas sales

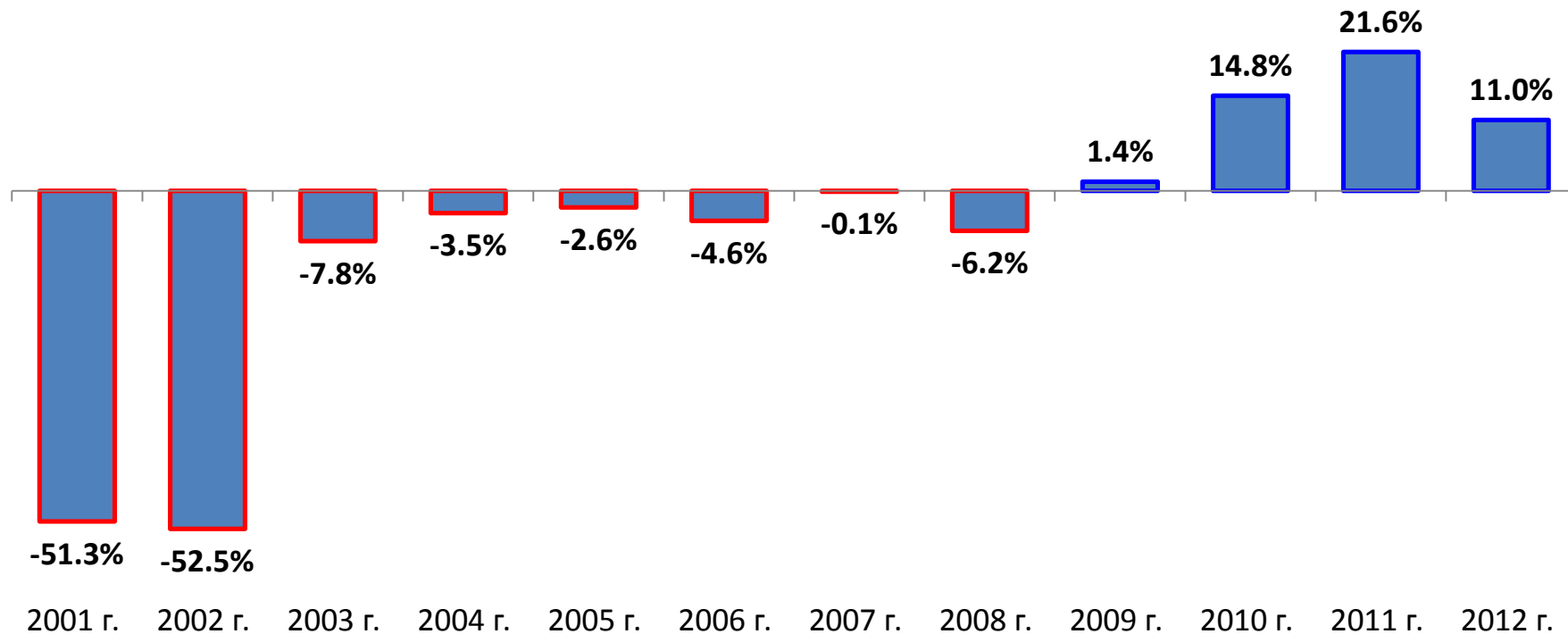


Earning distribution



Domestic market is determinative market for Gazprom

Net income profitability of gas trading in domestic market



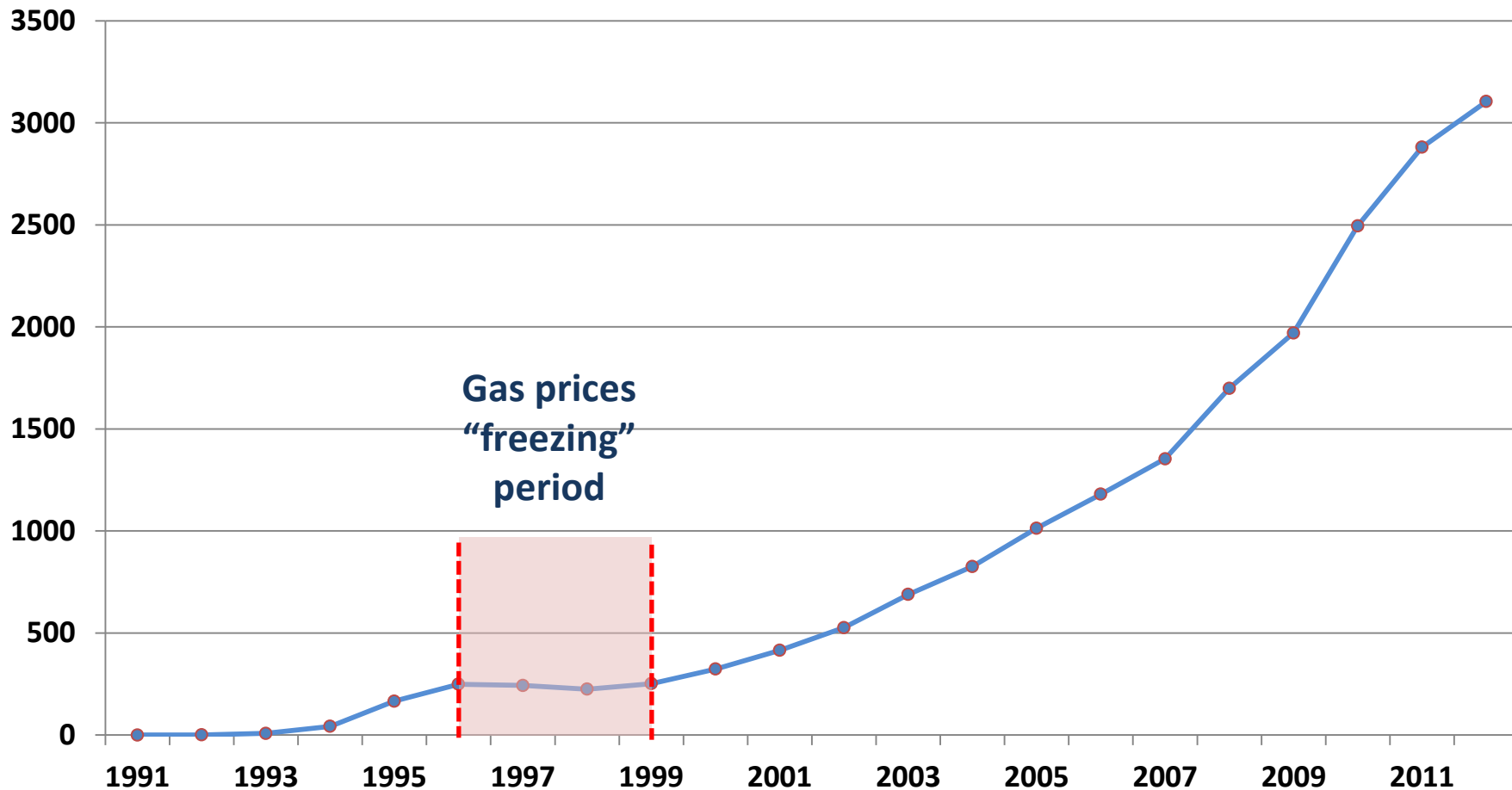
Gas trading in domestic market was unprofitable till 2010



Dynamics of gas prices in Russian market 1991-2012

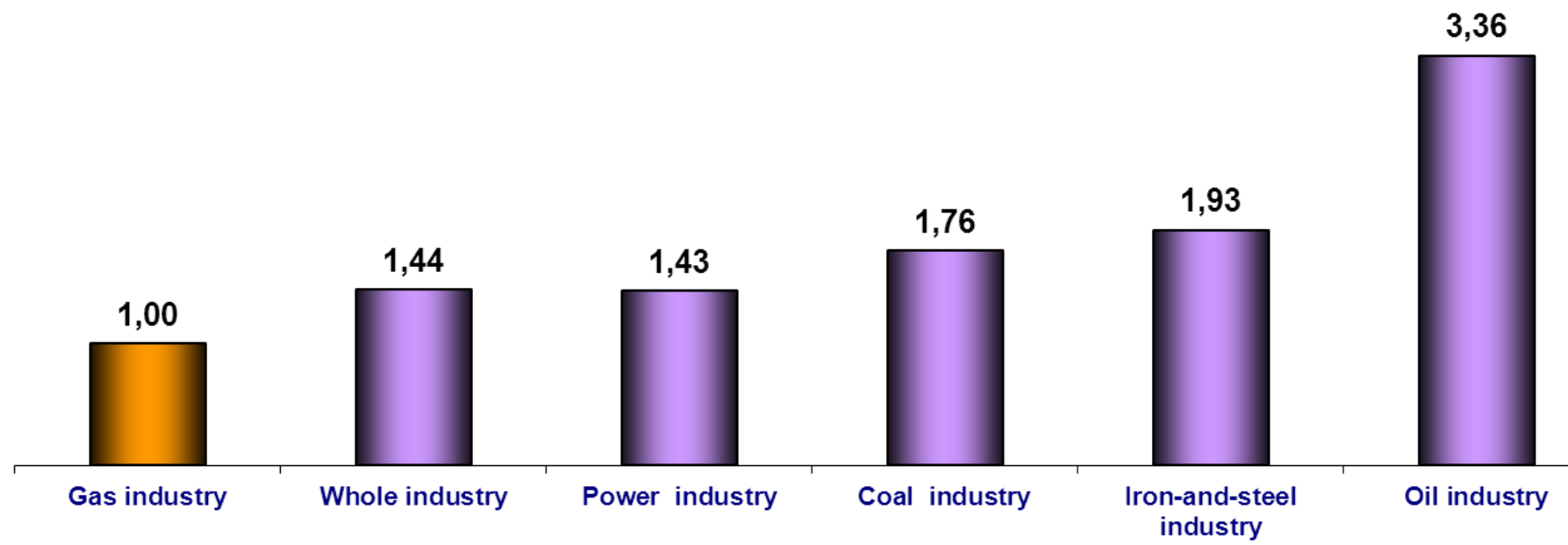


Russian
roubles/1000m³



Since October 1996 till November 1999 the gas prices were "frozen"

GAZPROM Prices growth in different industries by the period 1991-2012



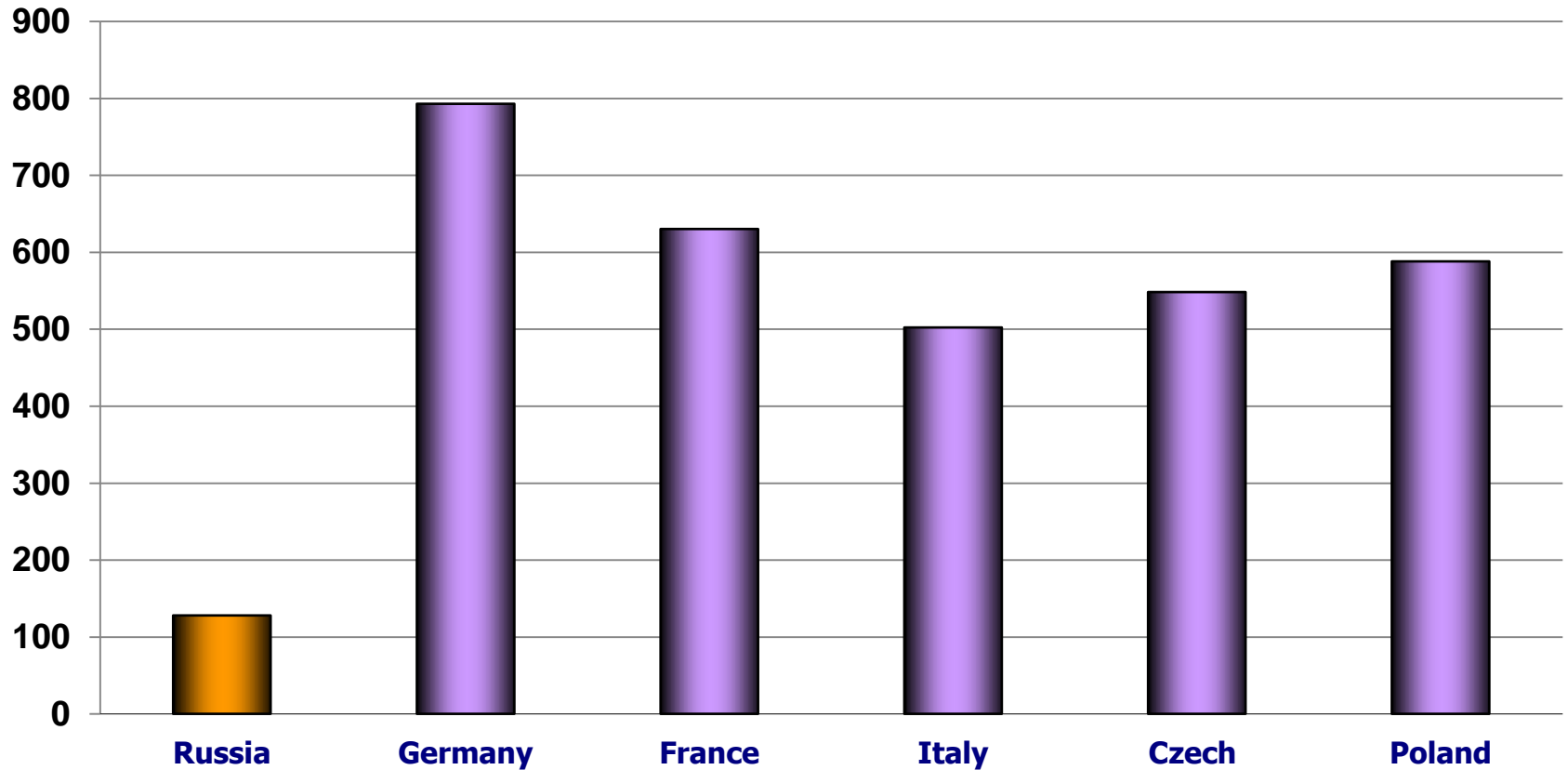
Gas prices growth has a significant lag comparing with prices on other energy sources and raw materials



Gas prices for commercial consumers in Russia and European countries in 2011 (including VAT)

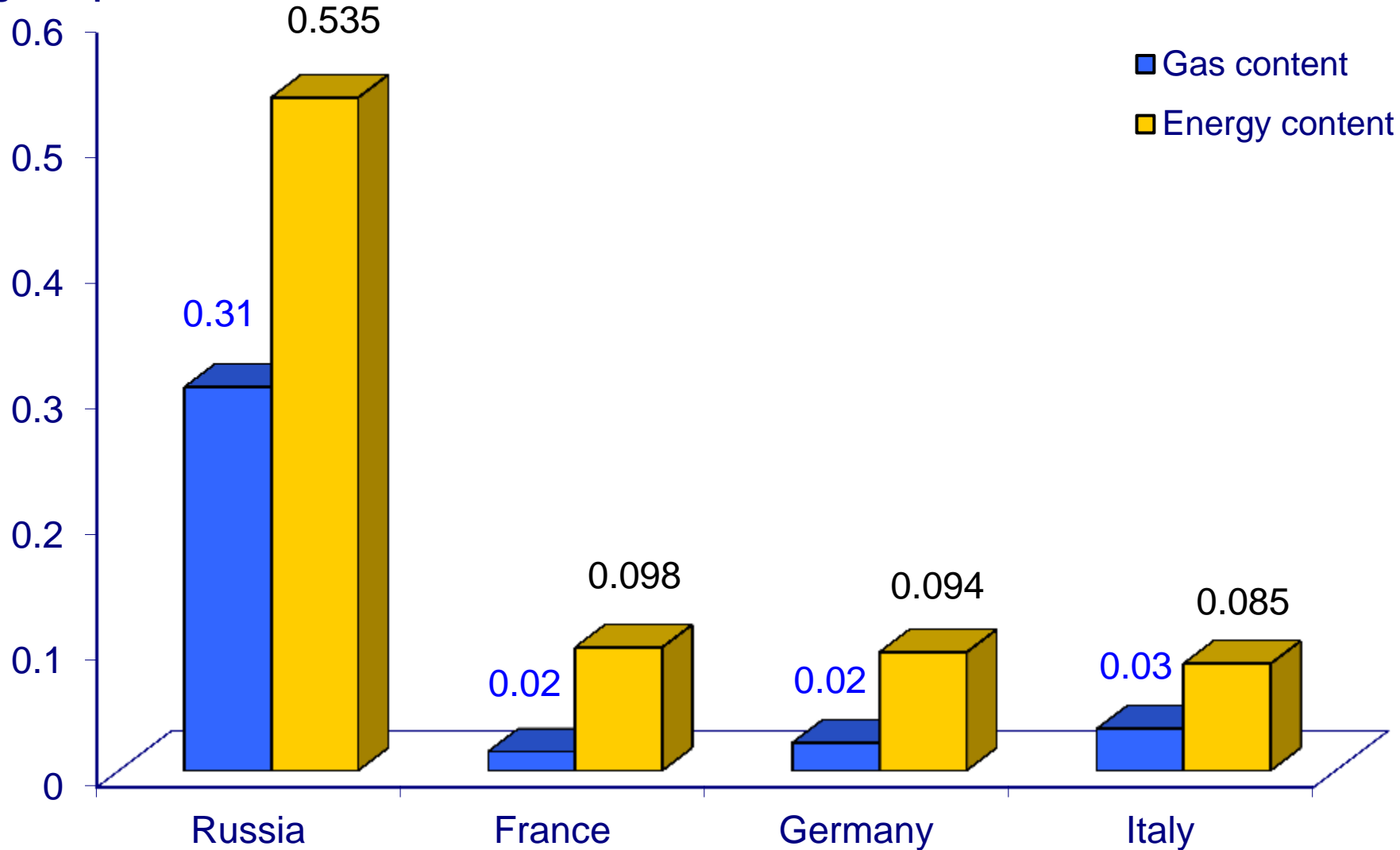


US dollars/1000 m³

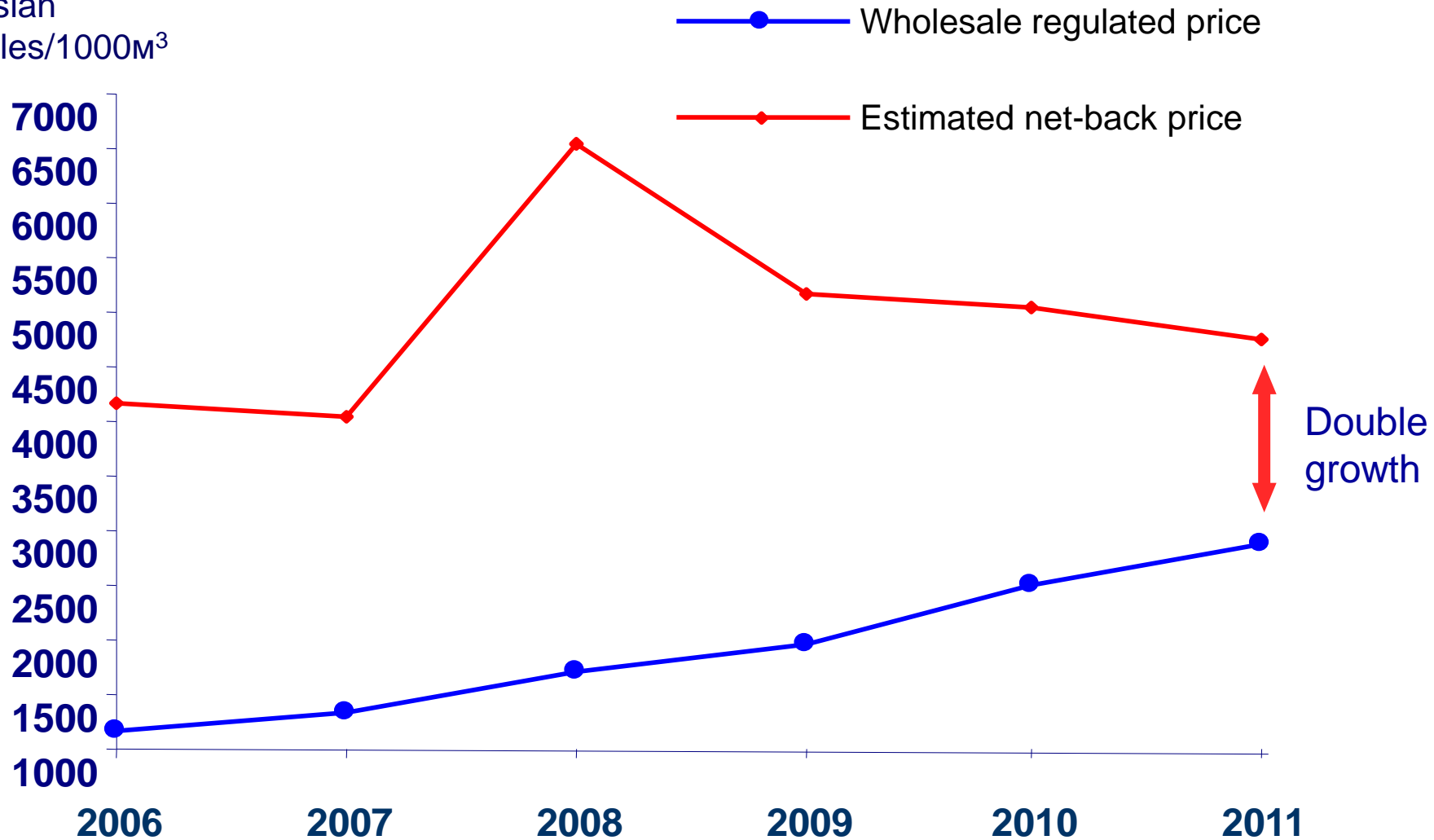


Gas prices in Russia are significantly lower than gas prices in European countries

Kg oil eq./\$



Russian roubles/1000m³



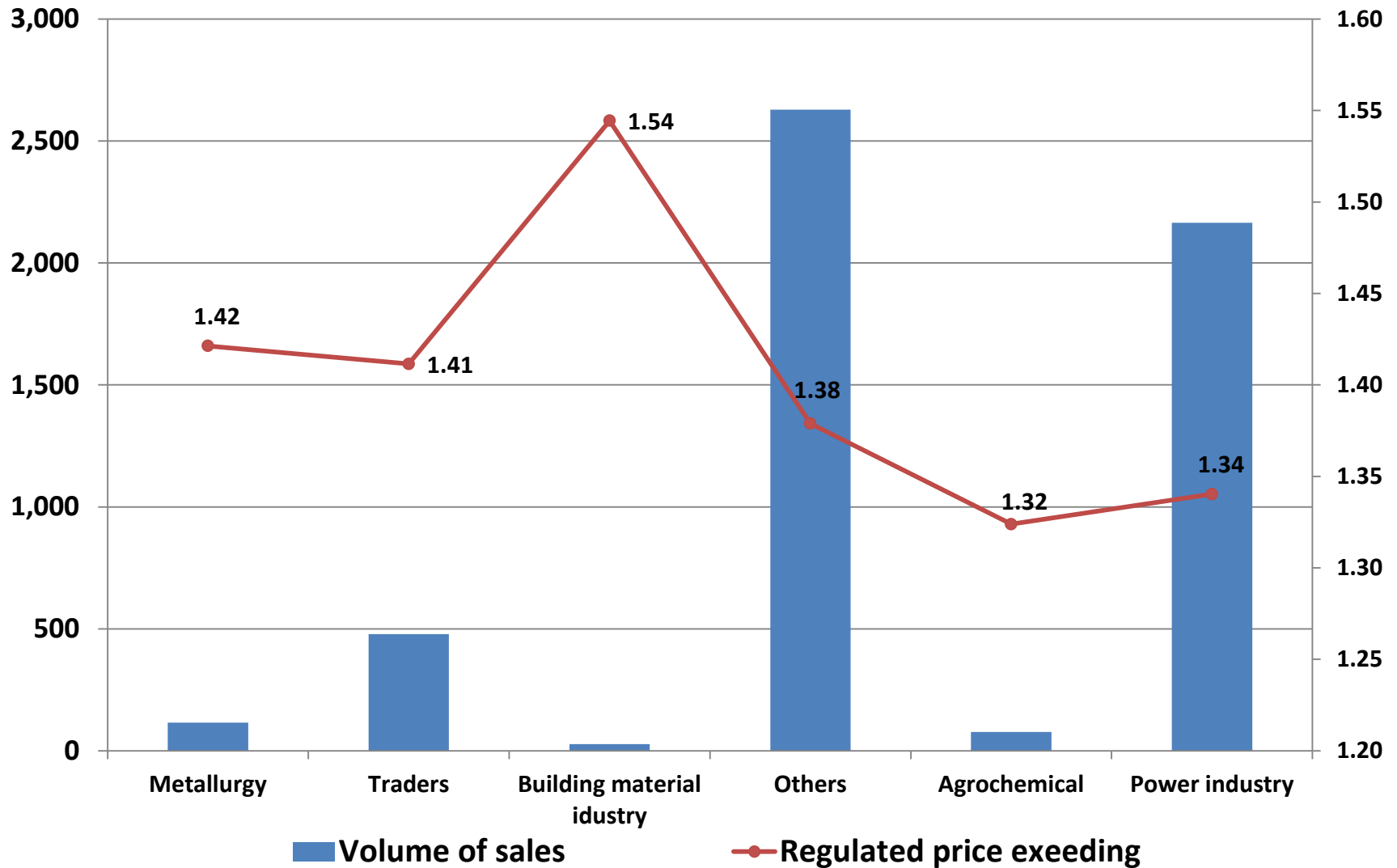
Net-back price in Russia formula:

$$P = (P_{FC} \times (\frac{100\% - C_{cd}}{100\%}) - E_{FC} - \Delta T_{RUS}^{av}) \times K_{diff}$$

Price of foreign countries formula:

$$P_{FC} = (0,2618 \times M + 0,3351 \times G) \times K_{curr}$$

- Significant stagger of domestic gas prices during the year because of European hydrocarbon prices volatility.
- Domestic prices alteration because of currency rate changing. The price formula contain the gas price in far abroad countries that initially is calculated in US dollars.
- Appearance of social problems which are connected with heat supply of population.



- development of the gas market in the Russian Federation;
- reduction of the level of dependence of the natural gas industry economy in foreign natural gas markets;
- formation of rational structure of Russian fuel-energy balance and providing energy security;
- energy intensity reduction of Russian economics, obsolete equipment replacement;
- state budget revenues increase.

- rising of domestic market gas trading efficiency
- gradually domestic gas market transformation to sterling financial resource for investments in maintenance and development of gas supplying;
- expansion of own sources of financing for the Company investment programs;
- elimination of disparities in the supplies volume and revenues from domestic and foreign market activities ratio. (The domestic market supplies account for 60% of total sales, while the revenue from this activity in 2010 accounted approximately to 28% of the proceeds from the gas sales);
- stabilization of development sources of Gazprom