



G L O B A L M A R K E T S

## SUMMARY OF INVESTMENT ANALYSIS

**Name of the company:** Gazprom OAO (ADR)

**Ticker (Exchange)/Price of share:** OGZPY (OTC)/19.10 USD

**Sector:** Energy

**Industry:** Oil and gas extraction and exploration

### Description:

**Gazprom OAO** is one of the biggest Russian state companies whose activity is divided among several segments on the energy market, but its mainly focused on extraction and pipeline transportation of natural gas, domestic and export sale of gas and other refined products. The Company and its subsidiaries are also involved in exploration and refining of oil and electric and heat energy generation and sales. **Gazprom OAO is the biggest gas exporter for the European countries.** In February 2009, the Company acquired 51% interest in Naftna Industrija Srbija and 12.5% from Beltransgas and its share in the last grew to 37.5%

### Commentary:

- **Gazprom OAO** is one of the largest producers and suppliers of gas. 2008 was a successful year for the company. In addition to favorable market trends, which enabled Gazprom to boost revenues by 47%, the company showed its ability to efficiently control operating expenses, which rose by a modest 14%. As a result, EBITDA surged by 64%, one of the best results in the industry. Gazprom net profit for 2008 has increased by 12.9 % compared with year earlier. For the period 2005-2008 the company registered remarkable net profit growth by 239 % to 742.9 billion ruble.
- The revenue of the company are guaranteed. Besides the main export to Europe, 65 % of potential revenue of the company are assured from domestic sales, the domestic gas demand has fallen to a lower extent compared with that in Europe.
- European gas consumers have put serious limitations on gas imports in the face of exorbitant gas prices, increasing the load on underground gas storages facilities, which are now just half full. To ensure preparations for the winter heating season, the gas storage sites must be fully filled. The end of summer is the last date to start this work; otherwise, Europe may not be prepared for winter. However, Gazprom data shows that Europe intends to begin replenishing its gas stocks which could shore up gas extraction and sales by Gazprom.
- A rally in European demand for gas, which has been noted by Gazprom, could mean the reversal of the downward trend that has persisted since the start of the year. Gazprom deputy CEO Alexandr Medvedev stated at the beginning of June that the company had registered growth in demand for natural gas from European consumers, for the first time this year. The changes could mean that the trend towards falling demand for gas could soon reverse.
- Between 2012 and 2015, domestic gas prices are expected to grow dramatically, by 35%, which is in line with the government's pre-crisis plans for 2009-2011. Once the Nord Stream gas pipeline goes into operation in early 2011, as planned, gas exports should grow by 10%. By 2013, the capacity of the pipeline is set to double.
- According to BBC **Gazprom OAO is the biggest gas company in the world** which also have a solid state support. In World's Top Performing Energy Companies for 2008 report by Platt's, **Gazprom OAO is ranked on 7th place.**

### Graph:

#### 1-year chart





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**Basic fundamental data:**

Market Capitalization:	101.65 bln USD	P/E (rubles, TTM):	5.12
Beta:	0.94	P/S (rubles, TTM):	1.09
ROA (TTM):	11.05%	P/B (rubles, MRQ):	0.83
ROE (TTM):	17.37%		
EBITD Margin (TTM)	41.50		

**Main competitors:**

Lukoil	El Paso Corporation
Rosneft	ENI Spa
Surgutneftegaz	
Exxon Mobil Corporation	

**Updated at: 23.06.2009**

Sources: [www.bloomberq.com](http://www.bloomberq.com), [www.reuters.com](http://www.reuters.com), [www.nyse.com](http://www.nyse.com), [www.yahoo.com](http://www.yahoo.com); [www.biqcharts.com](http://www.biqcharts.com)

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