



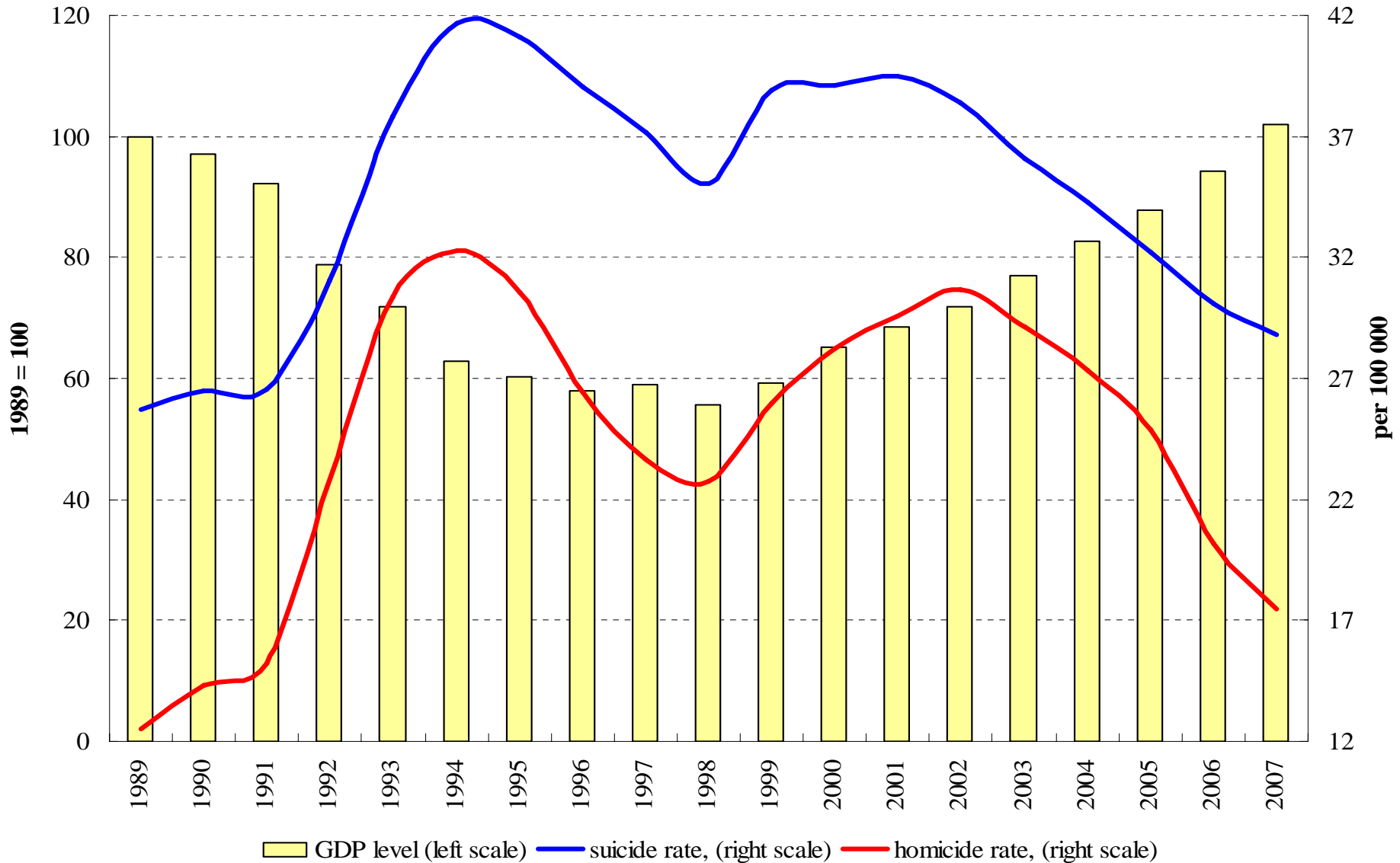
New Russian Government: Where to Go and What to Do?

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OBJECTIVES OF TRANSITION and REALTY

- From Middle developed Socialist country to Well developed Democratic country
- Actually 3 transitions happened:
 - From Socialism to “Early” Democracy
 - From State Ownership to Private and Commercial Interests
 - From the USSR to Russia state
- ❖ Recovery of a Great country may be an inconvenience to anybody?

GDP, suicide and homicide rates, 1989-2007

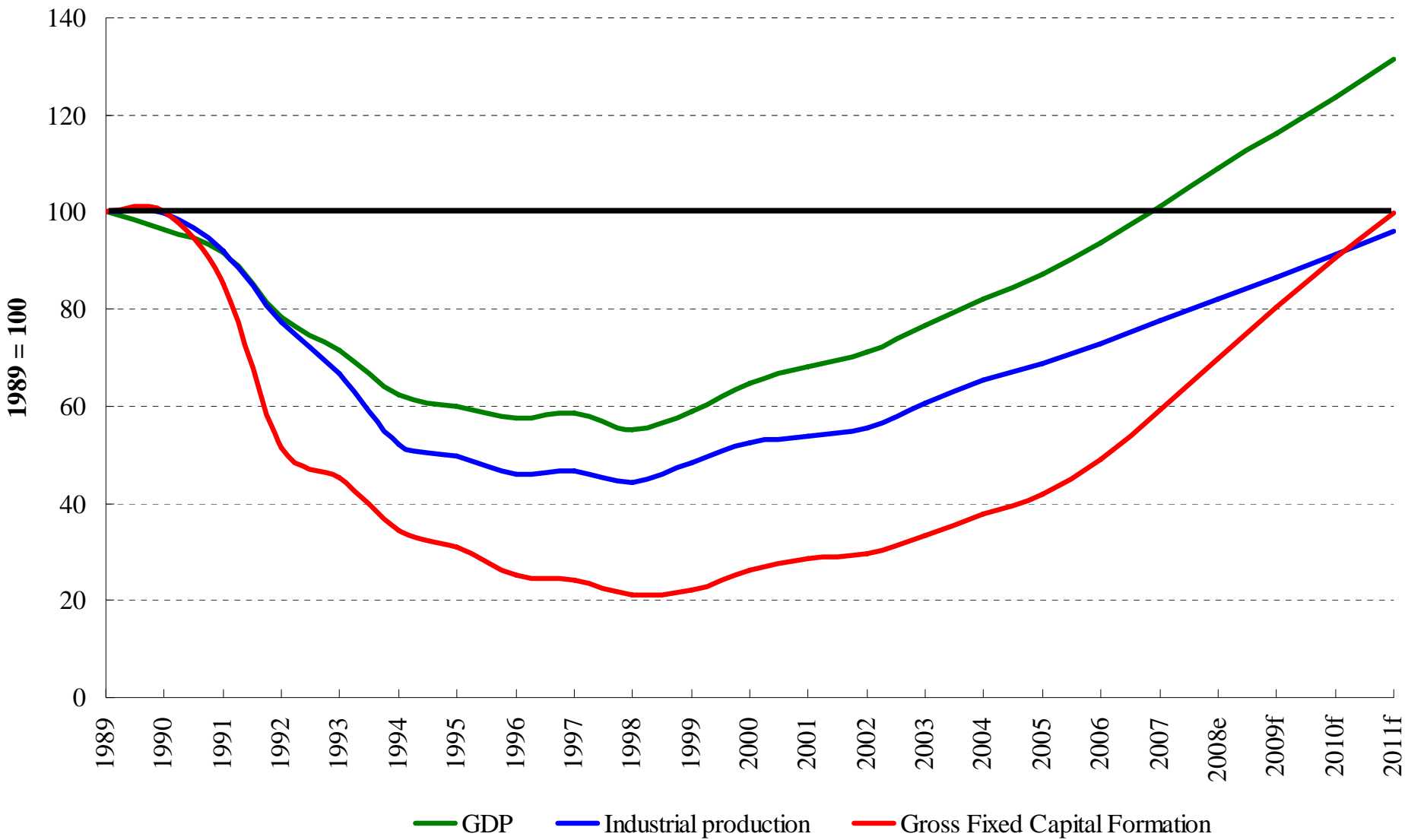


Source: Federal State Statistics Service

Russia by 2008 came from the Terrible crisis

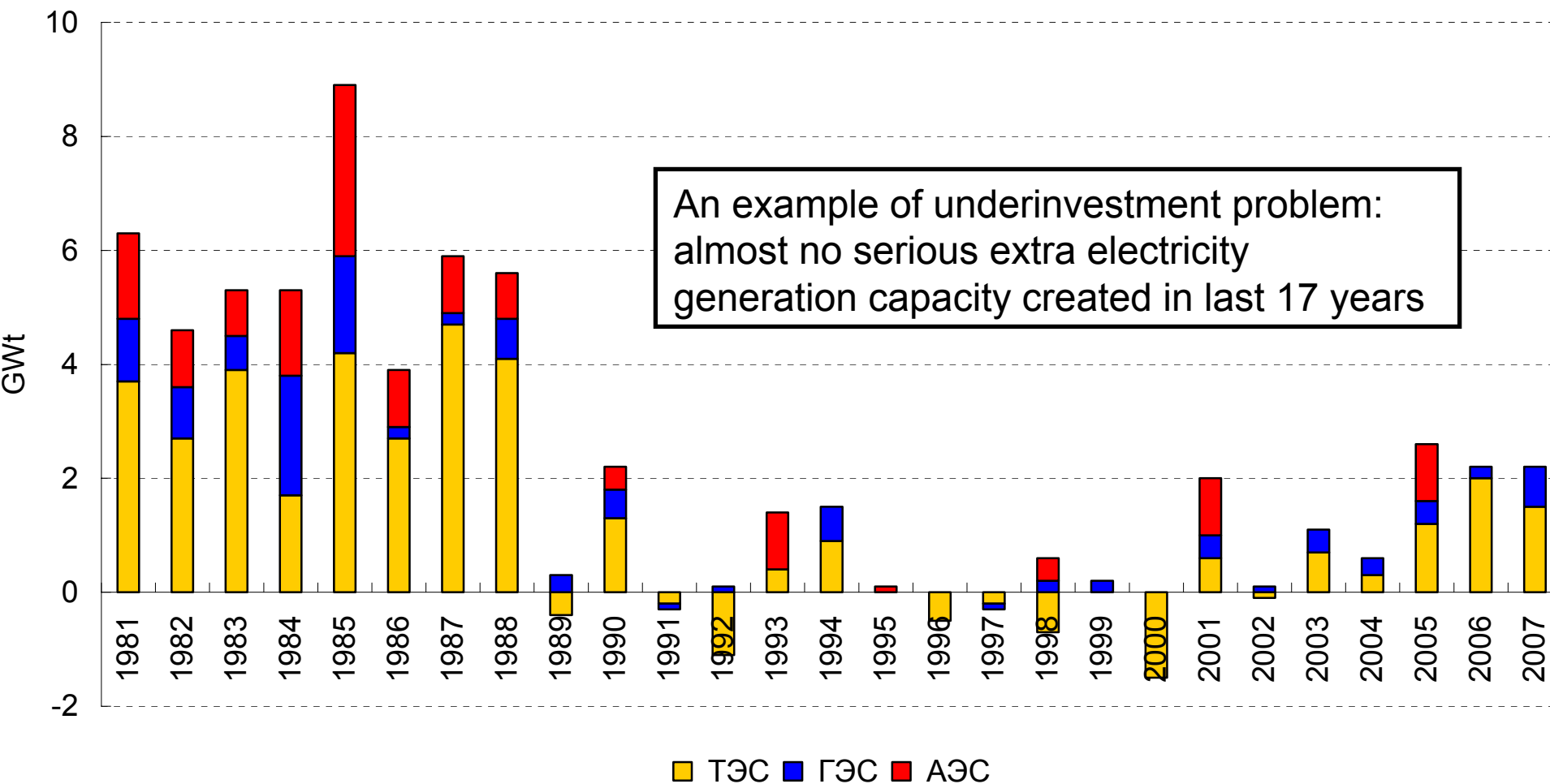
- Minus 43% of GDP by 1999 and two crises
- GDP of 2007 is equal to 1989
- Two decades of underinvestment
- Concentration of Wealth
- Huge regional and social disparity
- Ineffective bureaucracy
- Weak Civil Society
- Emigration of middle class
- Despair and Privatization on the top
- Revival goes against common sense and odds

Russia's long term development, 1989-2011



Source: Federal State Statistics Service, Ministry for Economic Development (forecast)

Electricity: Net Increase in generating capacity



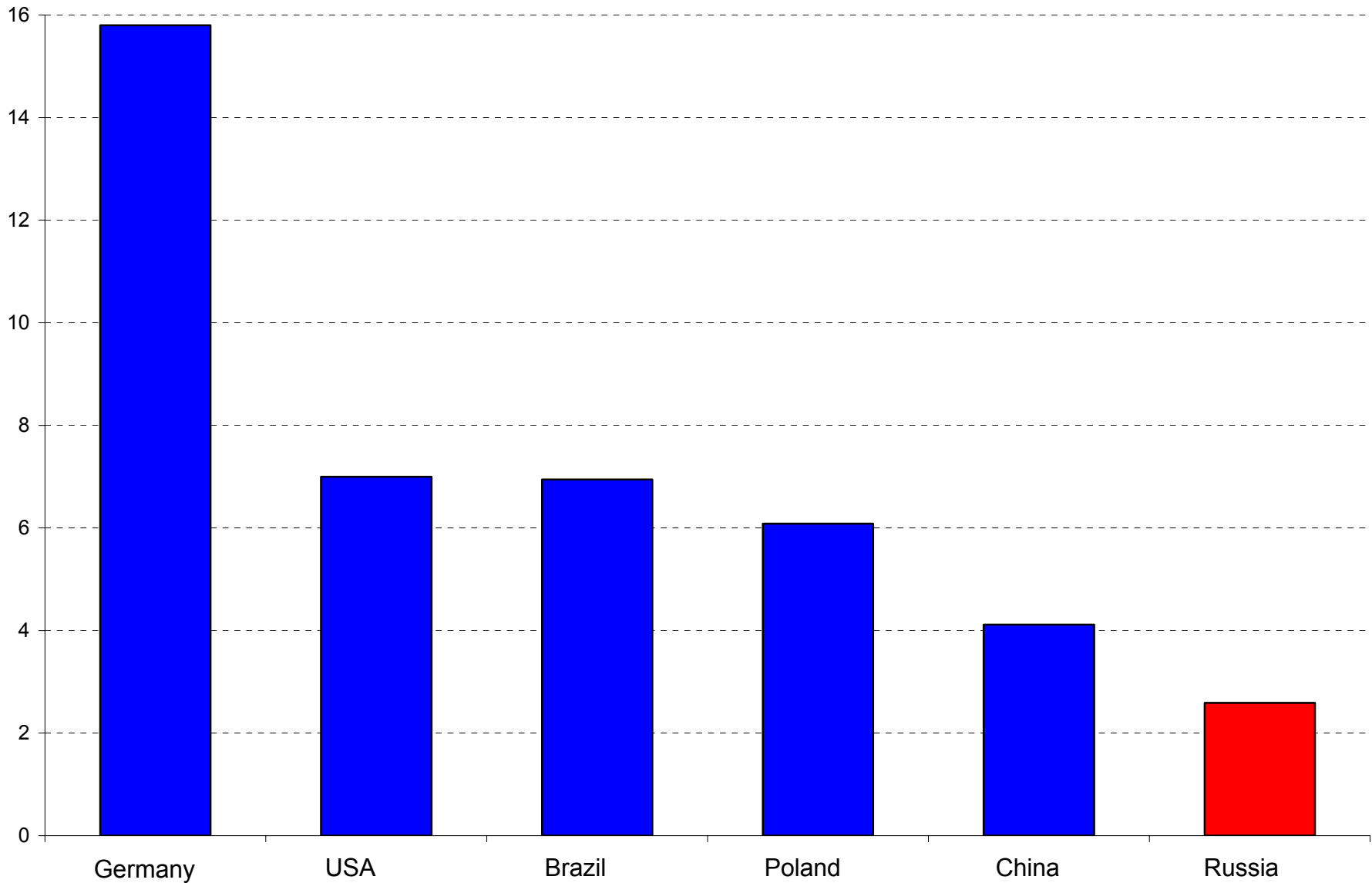
Inequality: income distribution by 20% groups

	Russia	USA	Germany	Poland	Brazil
GDP per capita. (PPP)	12,1	43,4	31,1	14,9	9,1
First (min income)	5,5	5,4	8,5	7,5	2,6
Second	10,2	10,7	11,4	13,7	11,9
Fifth(max income)	46,4	45,8	36,9	42,2	62,1
Gini	0,405	0,408	0,283	0,345	0,58

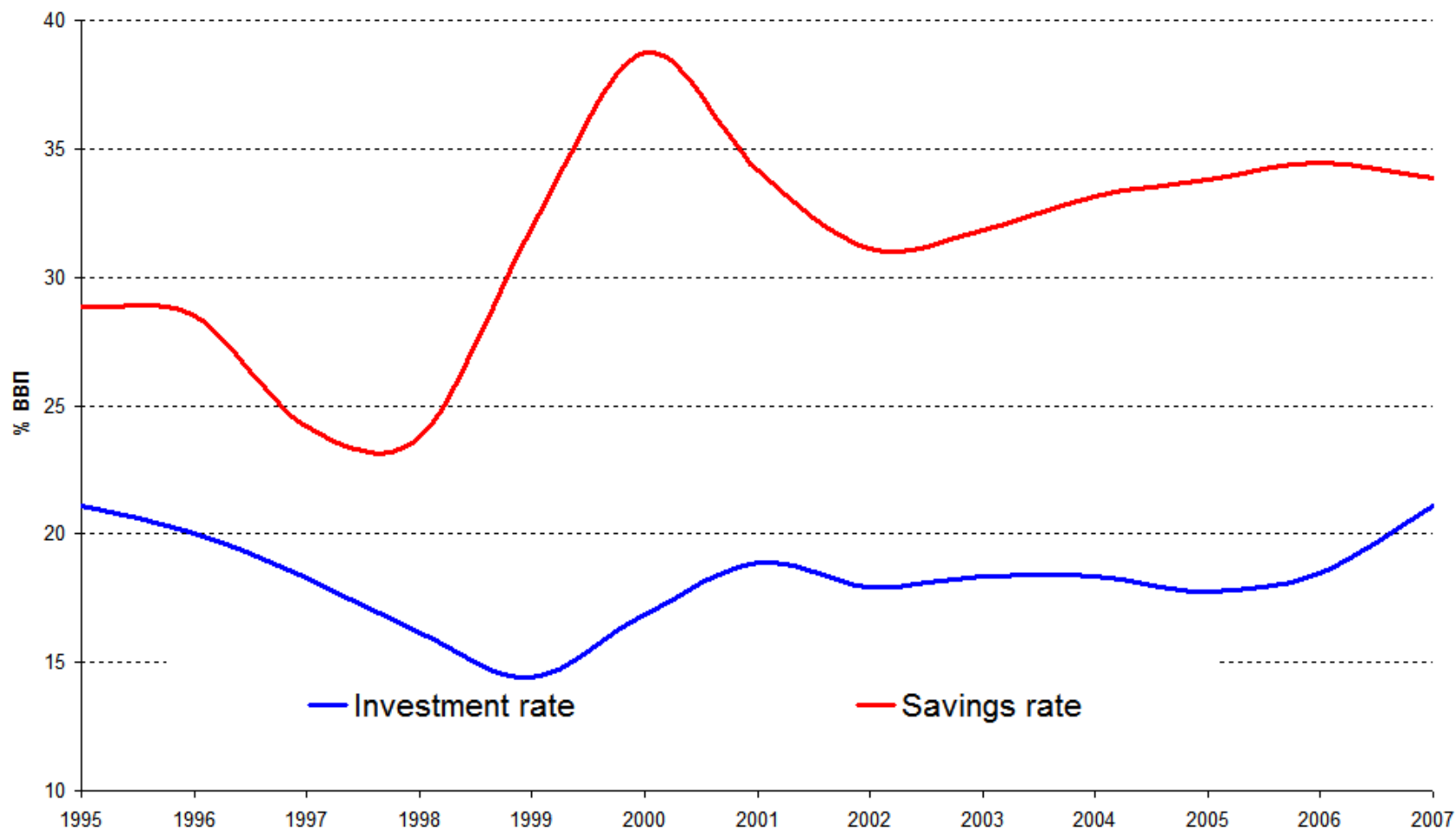
Immediate issues

- Russia needs Modernization Strategy for Decades
- Complex mix of private corporate and state and state corporate investments
- Domestic Savings – over 30%, Investments – 21%
- To utilize National Savings to 25-27% of GDP
- Domestic Financial system is lagging
- Regional policy is still not clear: growth or equality
- More vertical mobility for active young people
- Danger of Inflation is overshadowing
- More Optimism – Football may also be of help

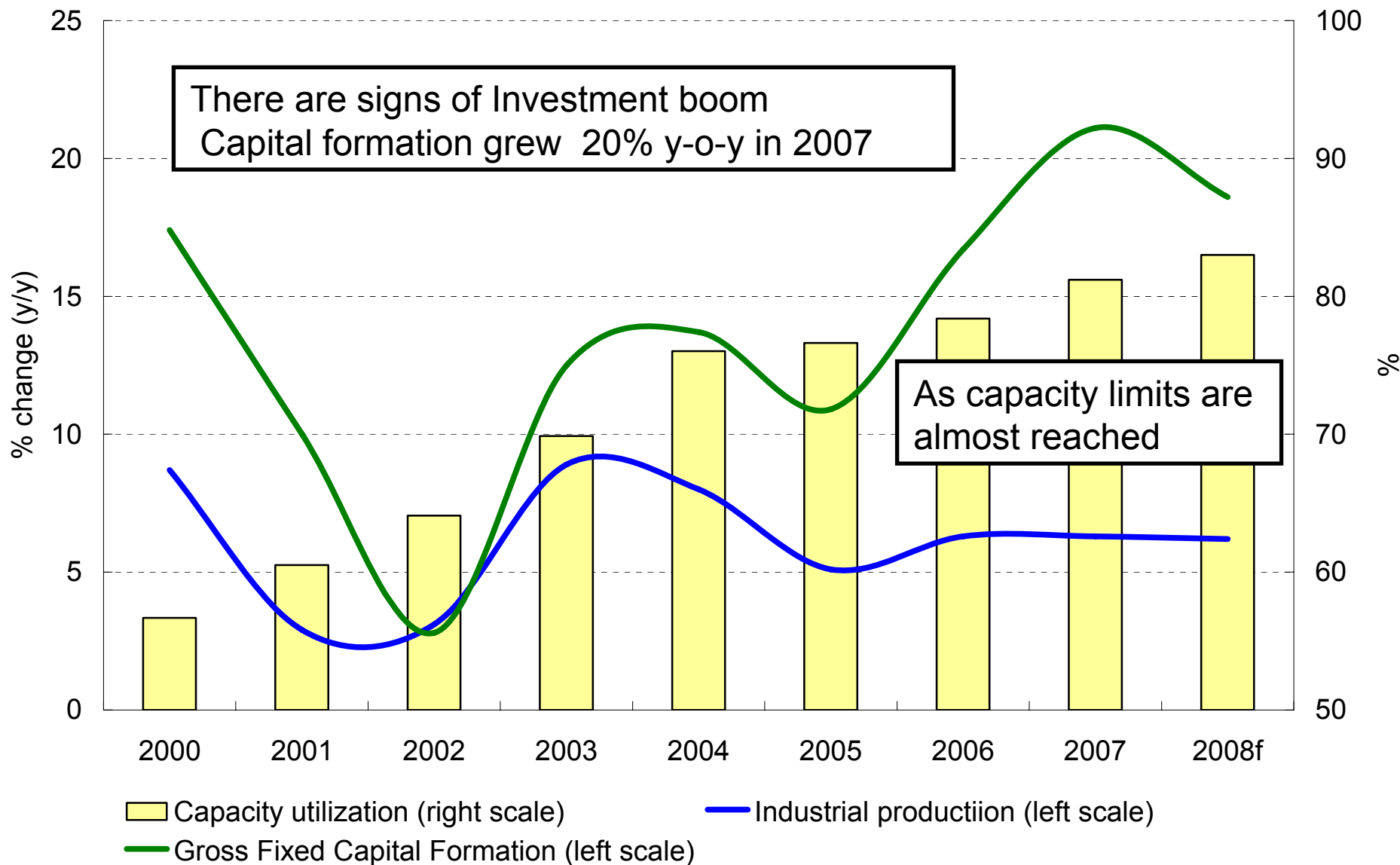
Capital formation % V % GDP growth (avg. 1999-2006)



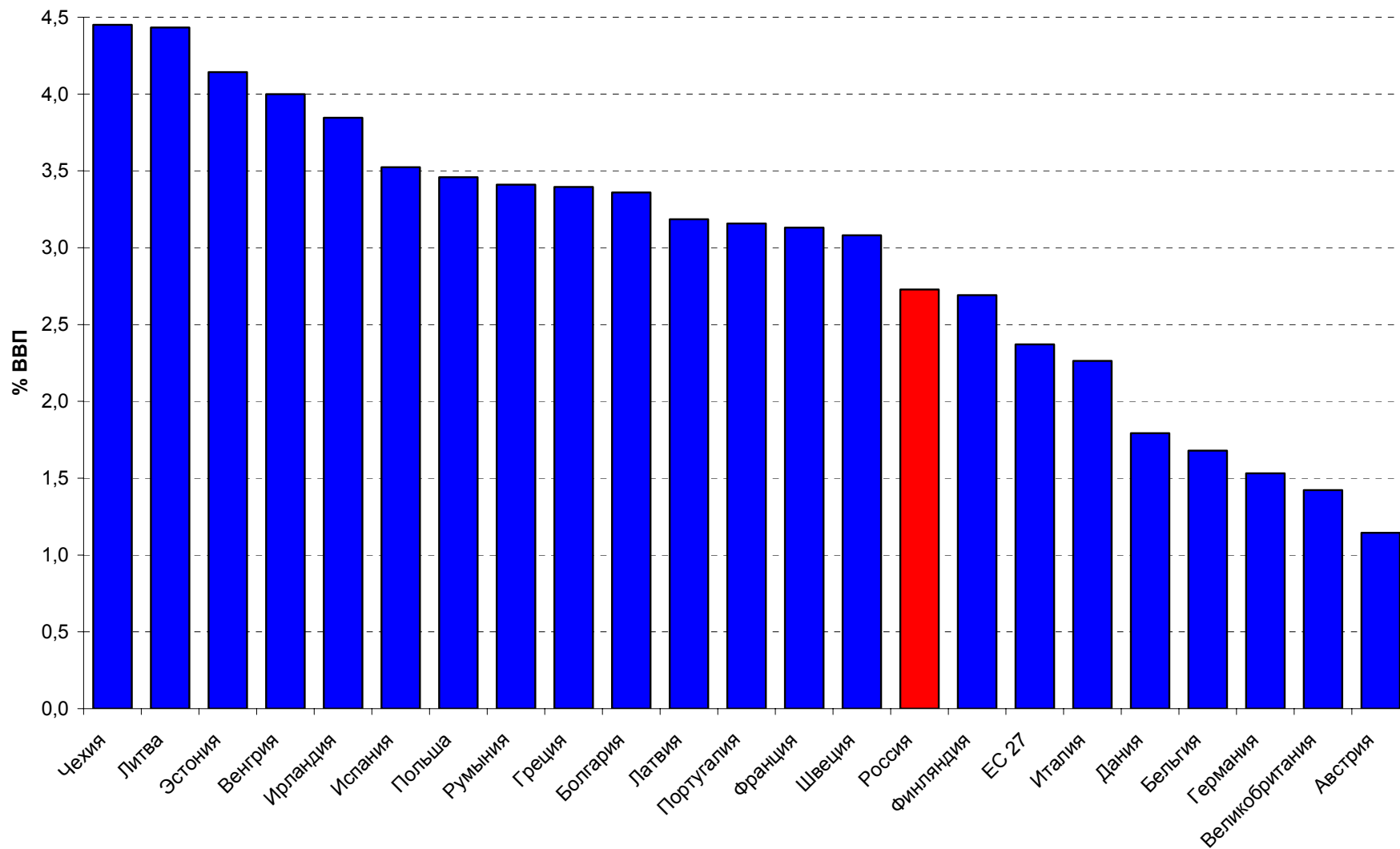
Savings V Capital formation



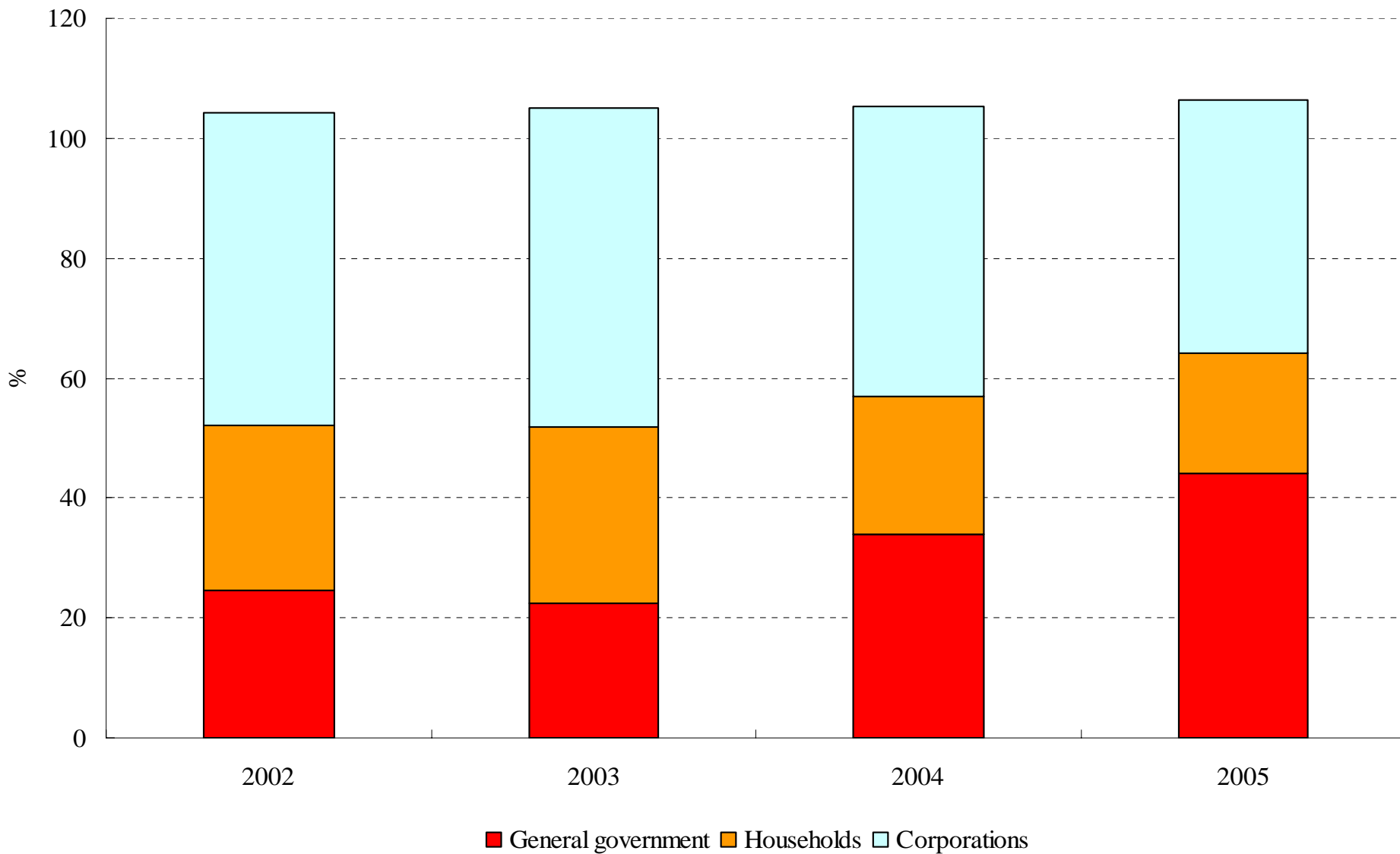
Investment boom, 2000-2008



Share of public investments, % GDP



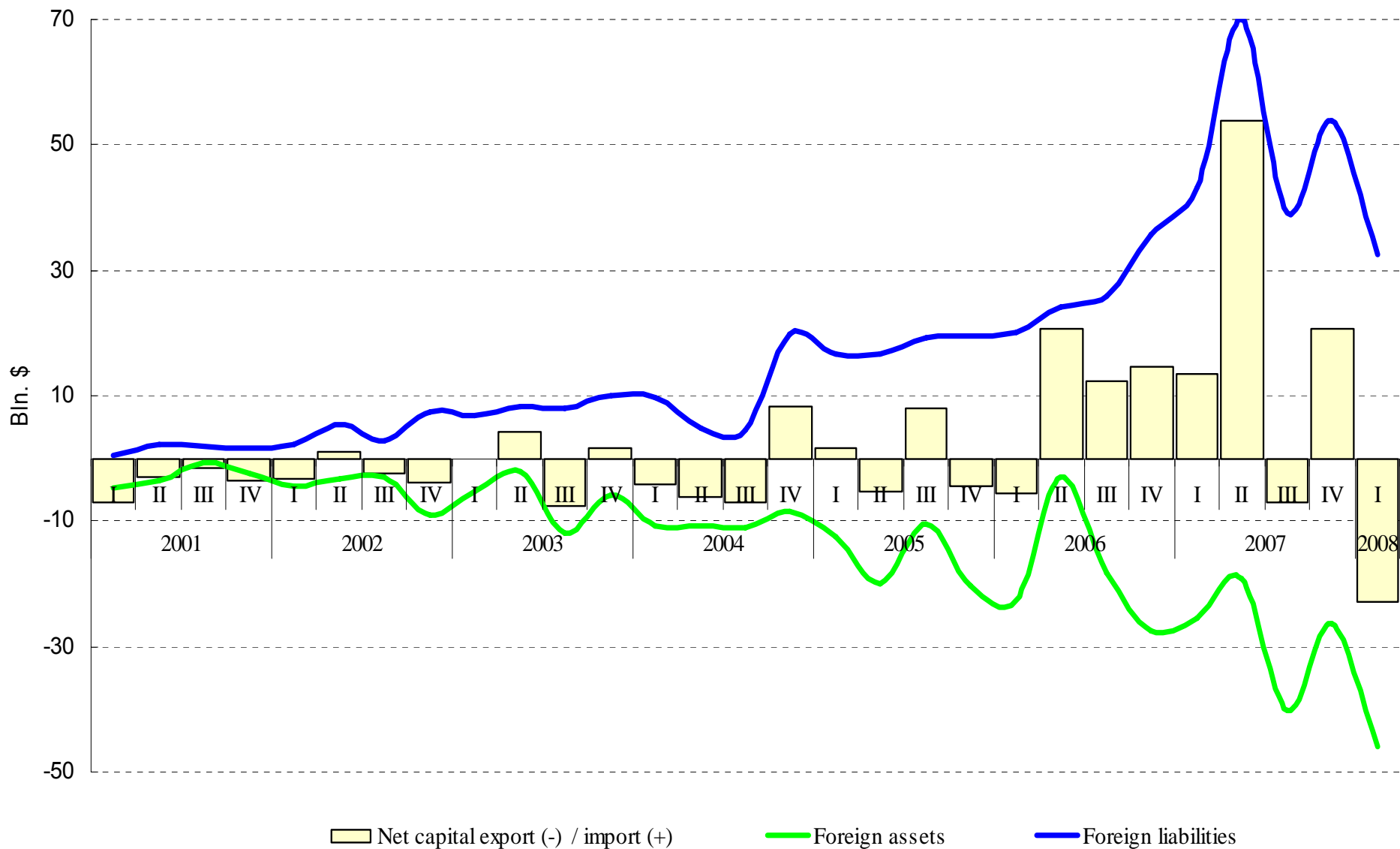
Gross savings*, 2002-2005



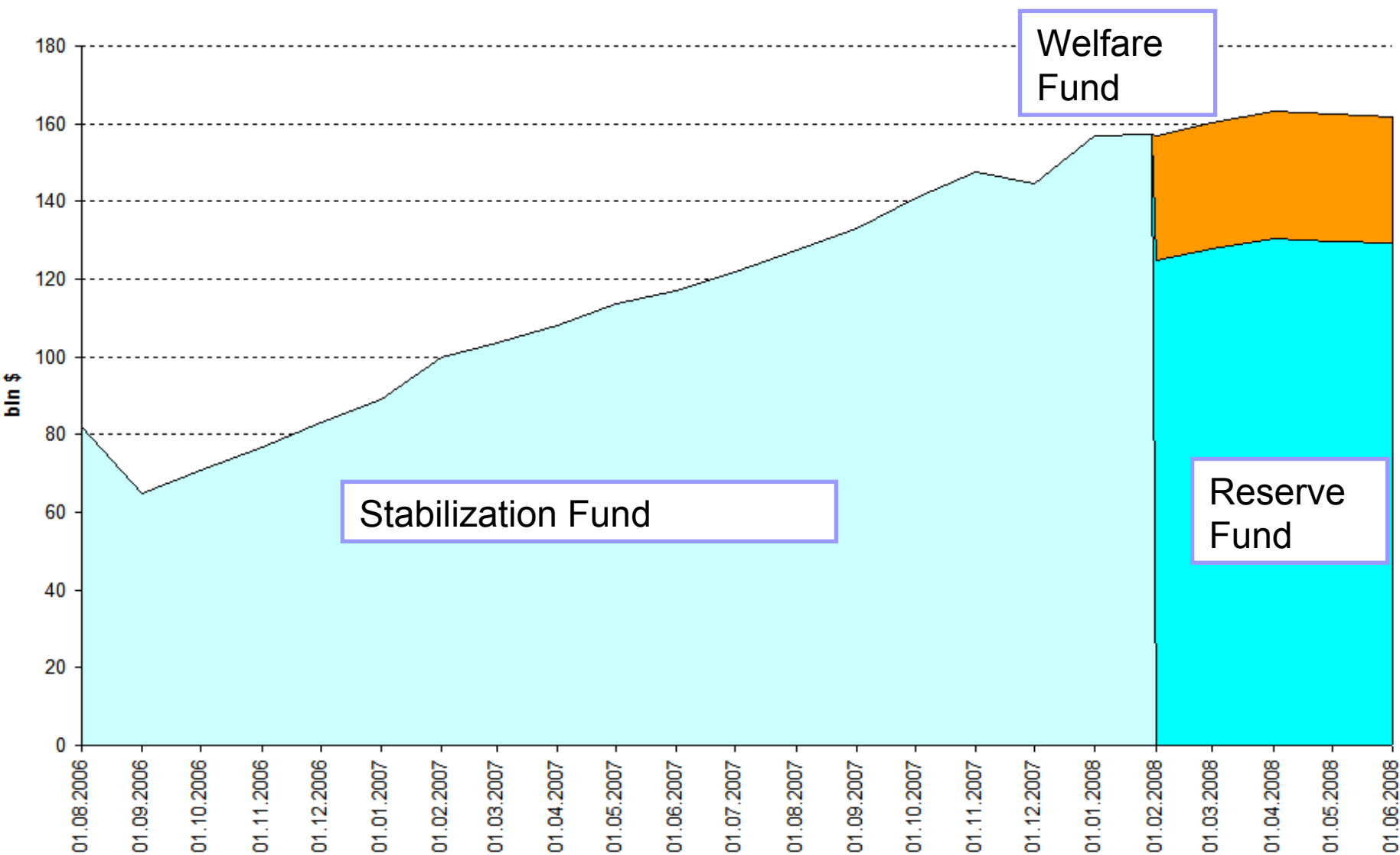
Source: Federal State Statistics Service

* - excluding non-commercial organizations serving households and financial intermediation indirectly measured

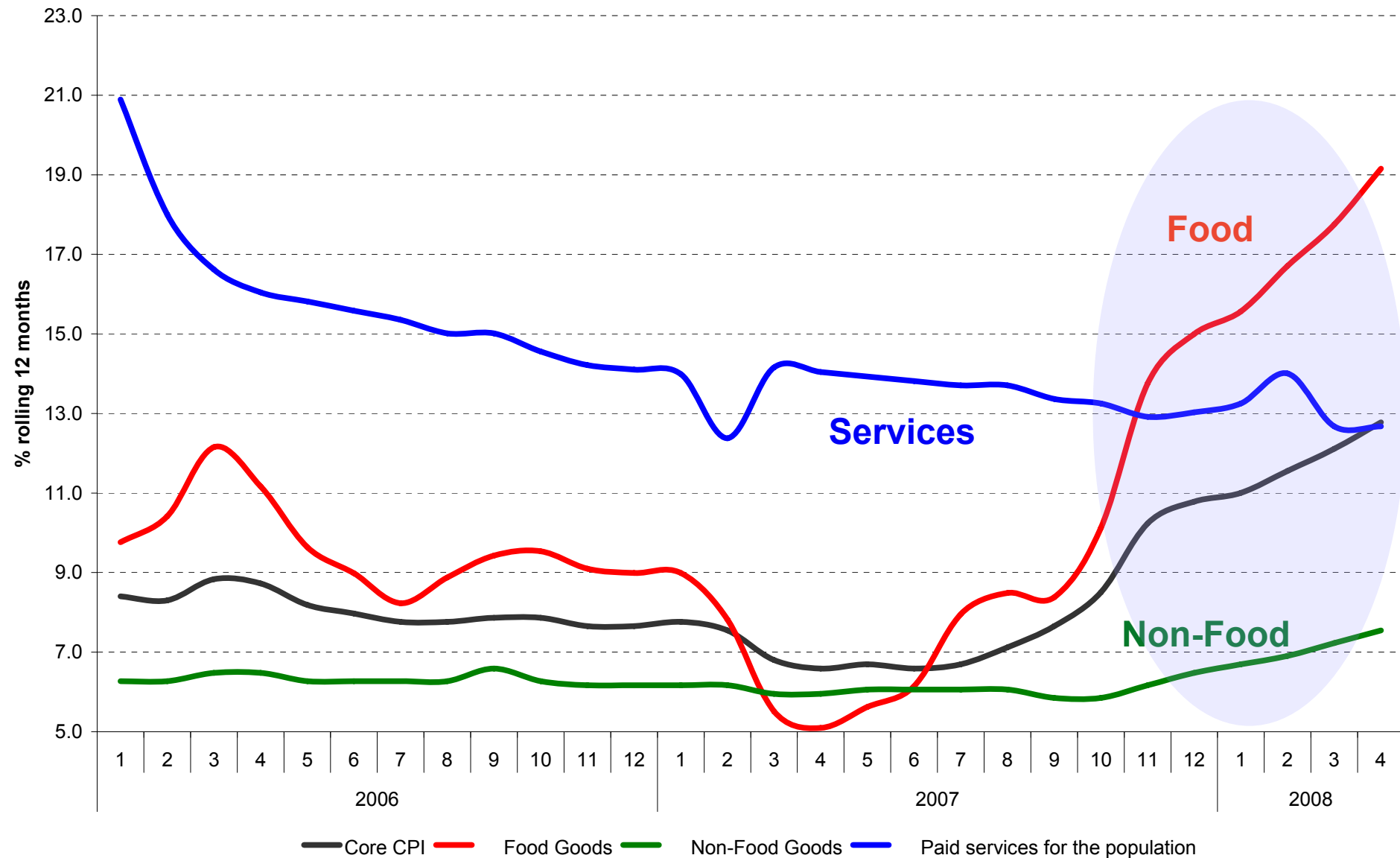
Capital outflow, US\$ bln, 2001-2007



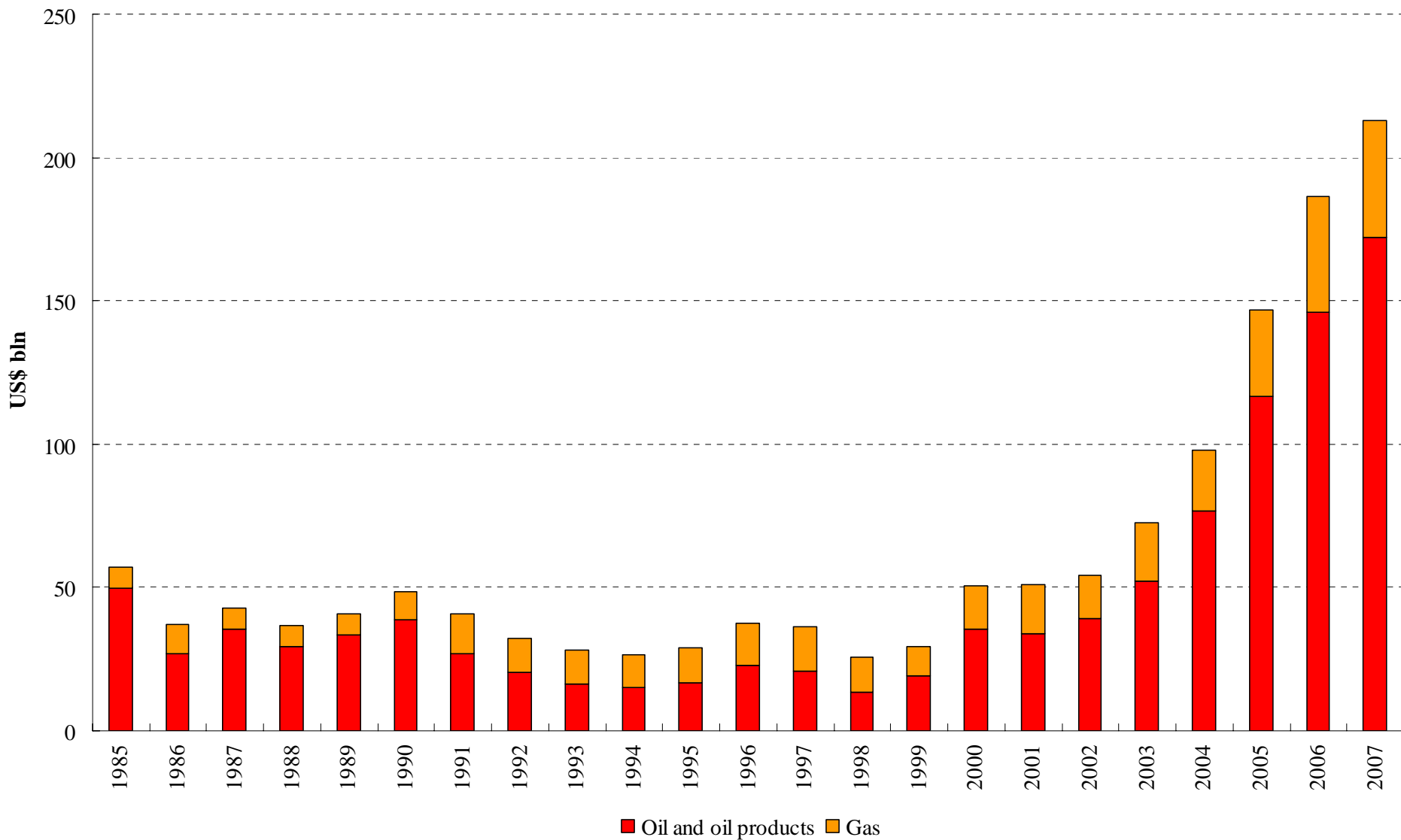
Stabilization Fund and its transformation



CPI components change, 2006-2008



Net export of oil and gas, 1985-2007 (\$ bln)

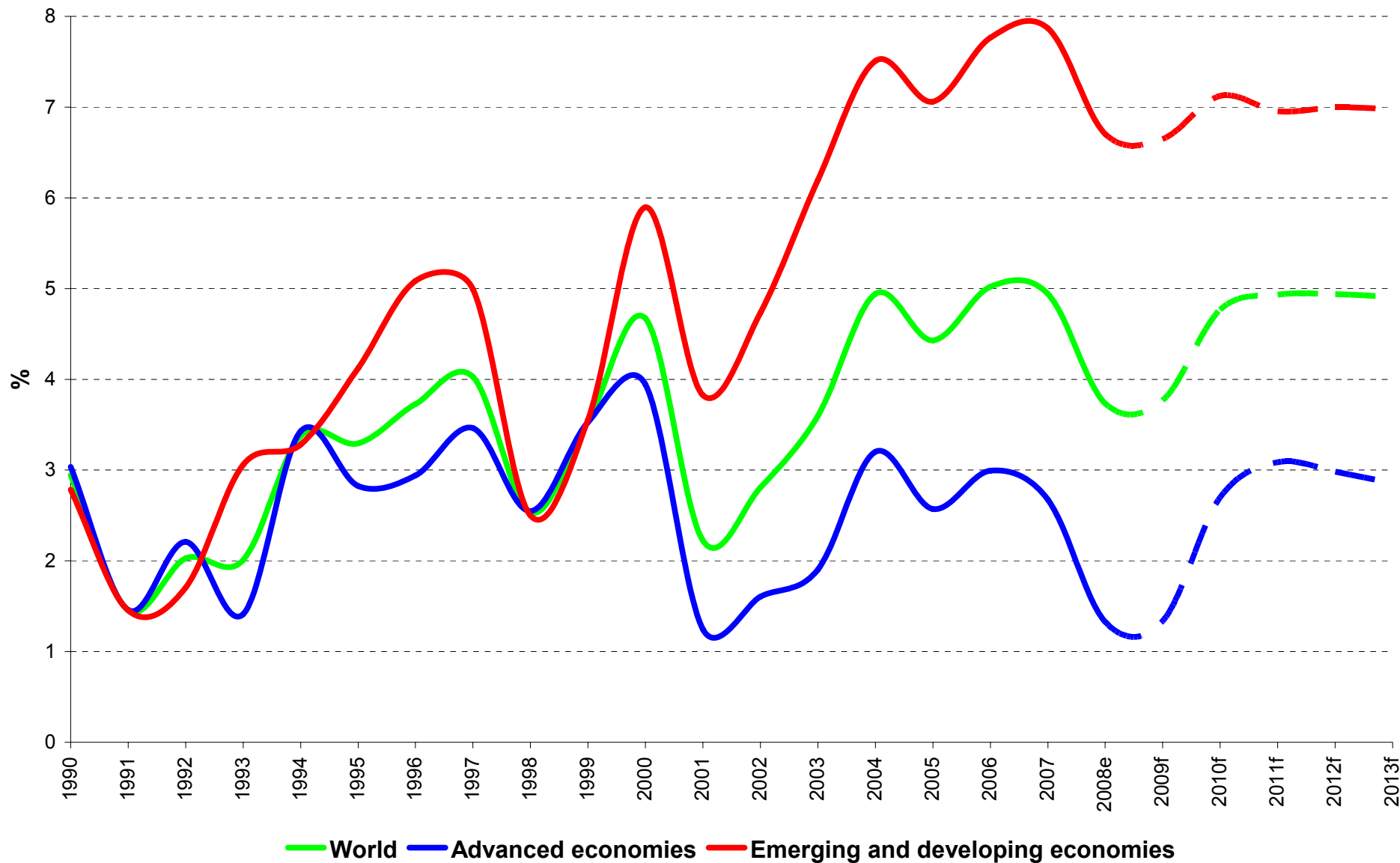


Source: Federal State Statistics Service, BP, IEF estimates

Capital investments by large&mid size enterprises, bln \$

	2005	2006	2007e
Total	95.0	129,9	189,0
Agriculture	2.6	4.7	8.4
Oil and gas	14.6	23.8	33.5
Metallurgy	5,6.	7.4	9.1
Foodstuffs	2.5	3.4	5.0
Engineering industry	2.7	3.3	5.2
Power industry	4.4	5.5	10.0
Construction	5.7	8.8	15.5
Wholesale trade	1.8	2.0	2.9
Retail trade	1.3	2.1	3.7
Transportation	12.8	16.1	17.9
Communications	6.3	7.0	8.3
Other sectors	34.7	45.7	69.6

Global DDP Growth, %, 1990-2013



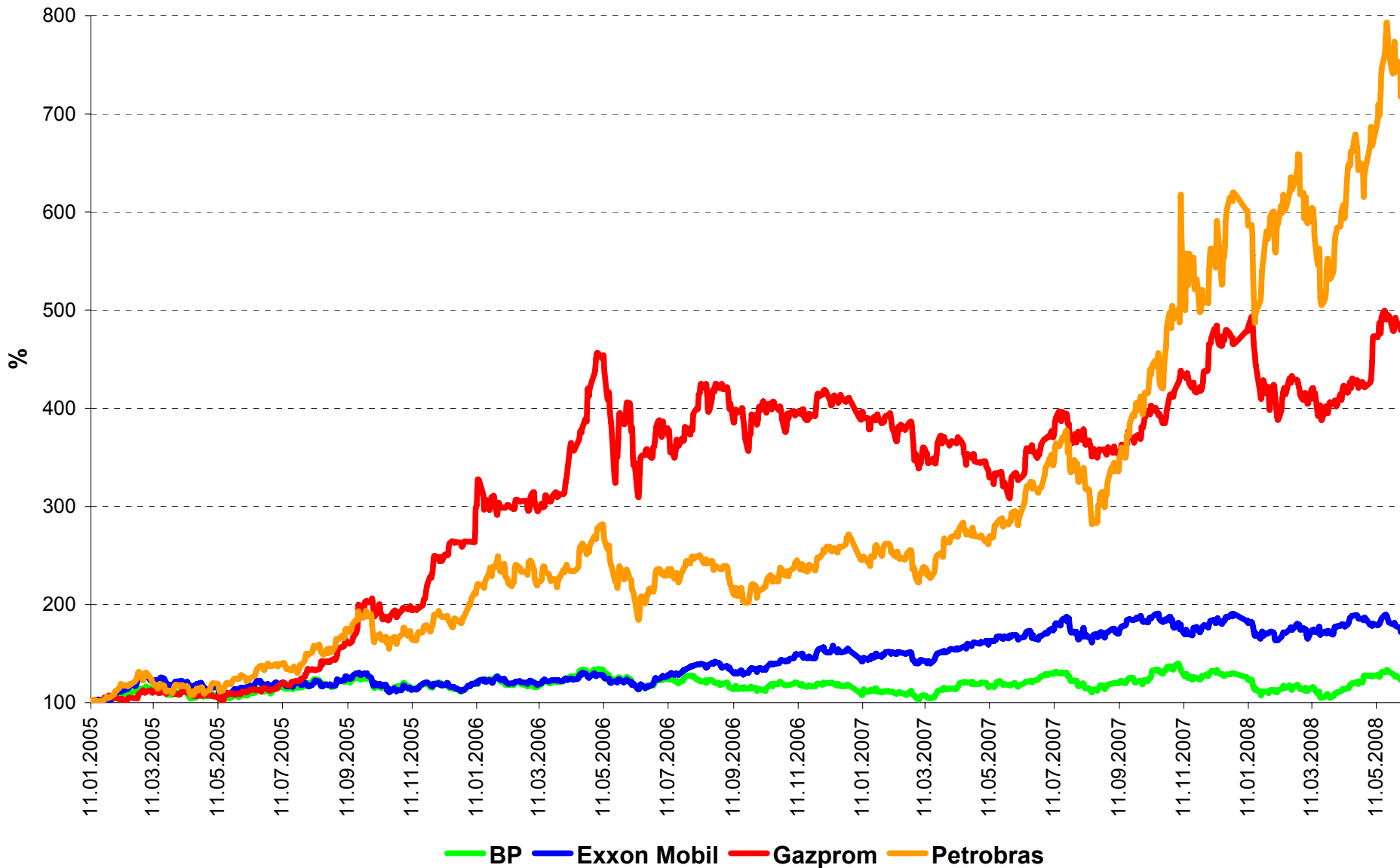
World, USA, Germany, China – average growth rates(%)

	World		USA		Germany		China	
	1986-2002	2003-2006	1986-2002	2003-2006	1986-2002	2003-2006	1986-2002	2003-2006
1) GDP	3,4	4,9	3,0	3,2	2,3	1,2	9,5	10,3
2) Primary energy consumption	1,6	3,3	1,6	0,4	-0,5	-0,4	4,0	11,4
3) Oil consumption	1,4	1,9	1,1	1,0	-0,3	-0,4	6,1	8,8
4) GDP energy intensity (2)-(1)	-1,8	-1,6	-1,4	-2,8	-2,8	-1,6	-5,5	1,1
5) GDP oil intensity (3)-(1)	-2,0	-3,0	-1,9	-2,2	-2,6	-1,6	-3,4	-1,5
Export of goods in real terms	6,3	8,2	7,1	7,0	5,6	6,9	12,2	25,6
Average oil prices (\$ 2005 / barrel)	26,4	50,4						

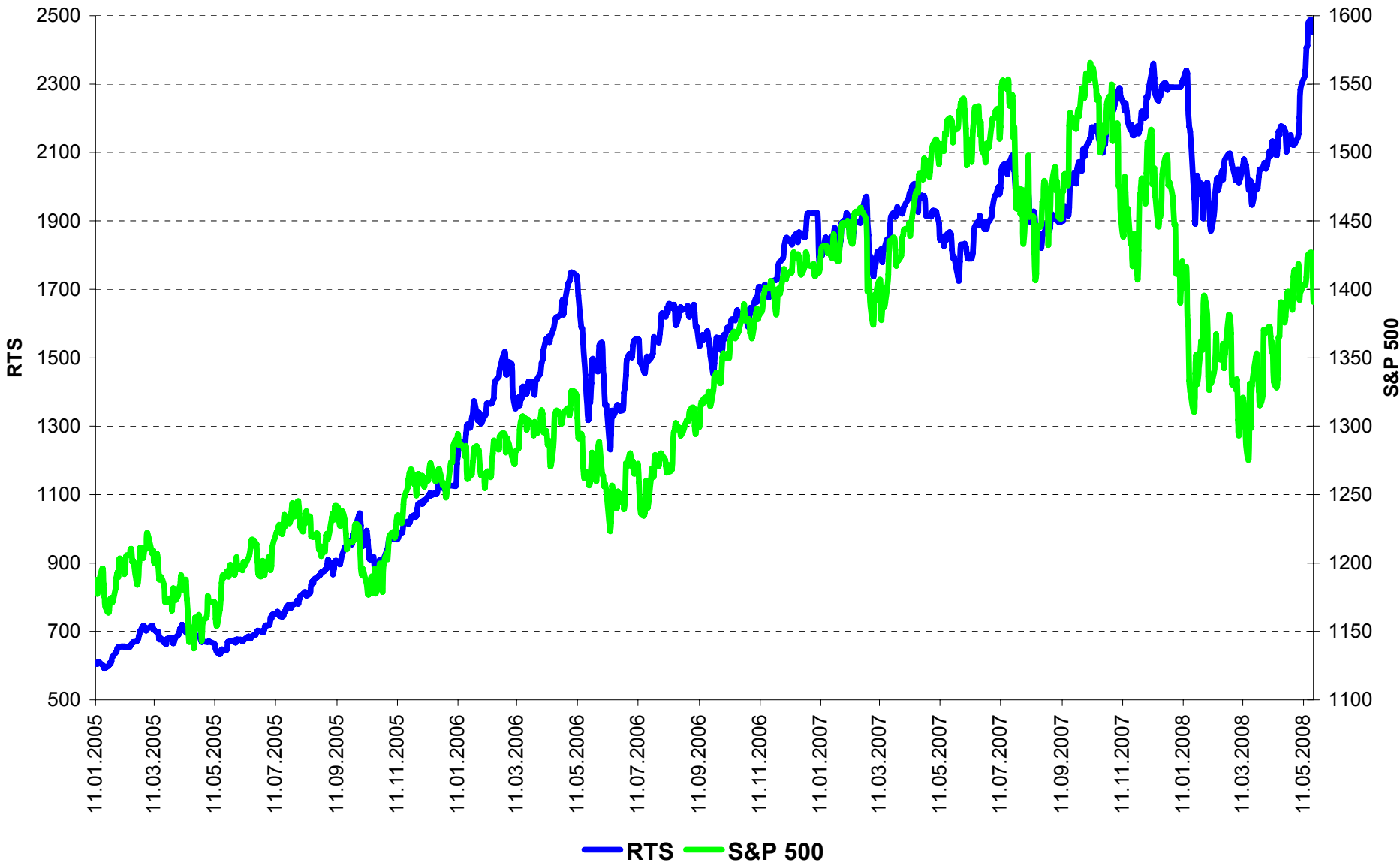
Energy = where to go

- Domestic Energy Consumption goes with Savings
- Energy Strategy to be formatted anew in 2008
- Russia is producing 10.3% of Global Primary Energy - more than a half of it exporting
- Investments in Energy are growing
- Domestic tariffs growth \vee inflation
- More Exploration is urgently needed
- Russia is not a switching power
- Secure transit – de politization is welcome
- Stable export prices incomes are preferable
- To avoid the Third Energy Shock

Oil & Gas Majors stocks prices, %, 2006-2008



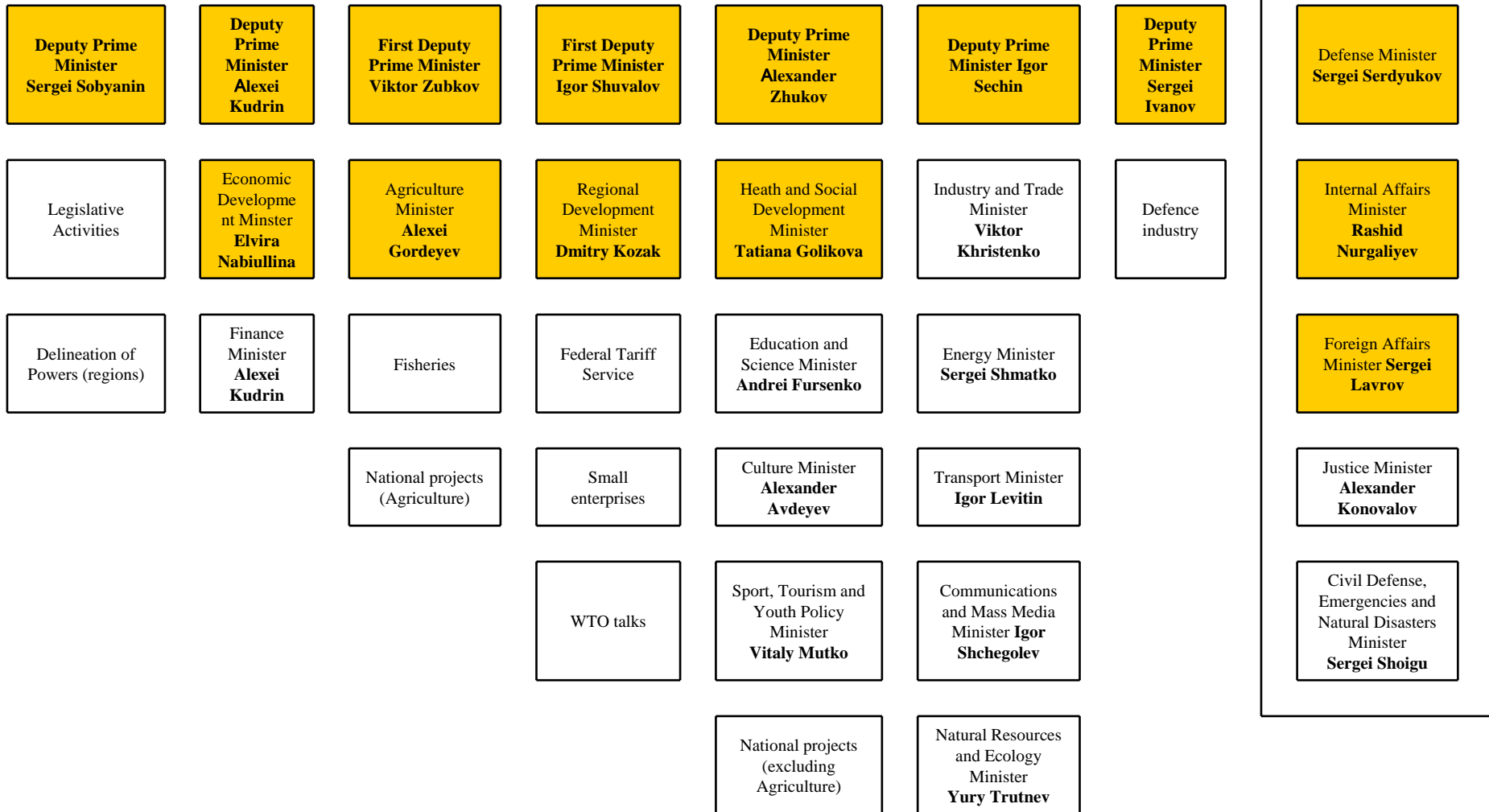
S&P 500 vs. RTS



Russian government structure: May 2008

Prime Minister Vladimir Putin

Presidential responsibilities



Member of the Presidium