



GAZPROM'S POWER GENERATION STRATEGY

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PRIORITIES IN GAZPROM'S POWER GENERATION STRATEGY

In April 2007 the Gazprom Board of Directors approved the Company's Power Generation Strategy

The Strategy pursues the following objectives:

Acquire shares in power generating companies:

Mosenergo, TGC-1, OGK-2, OGK-6, Volzhskaya TGC

Construct new power generating facilities:

Kaliningrad, Adler, Kaunas, Astrakhan, Orenburg

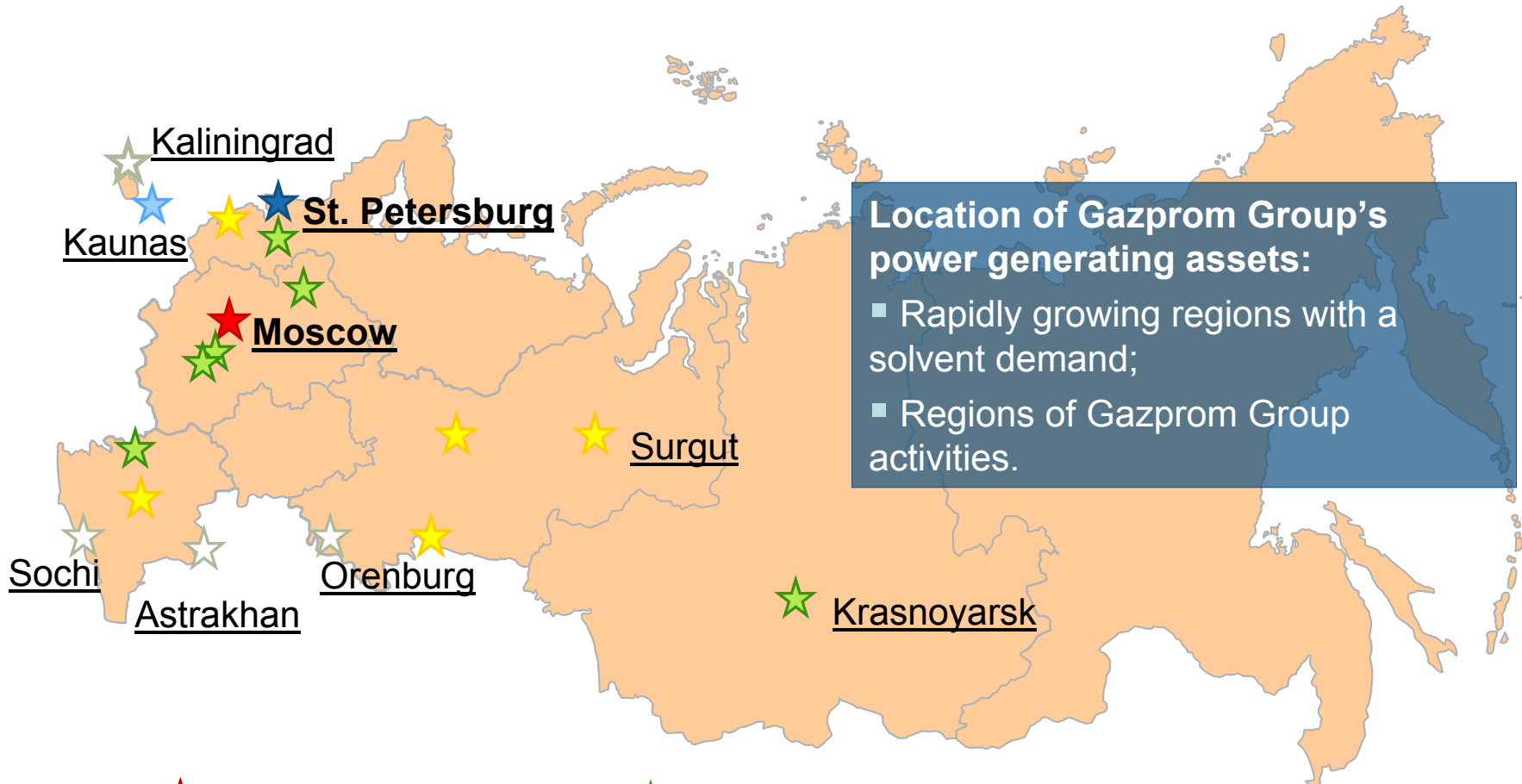
Develop power distribution business:

Mezhregionsbyt, Tyumenenergosbyt, Fortis energy

Develop a subsidiary operator of power supply networks:

Gazpromenergo

GAZPROM GROUP'S ASSETS IN POWER SECTOR

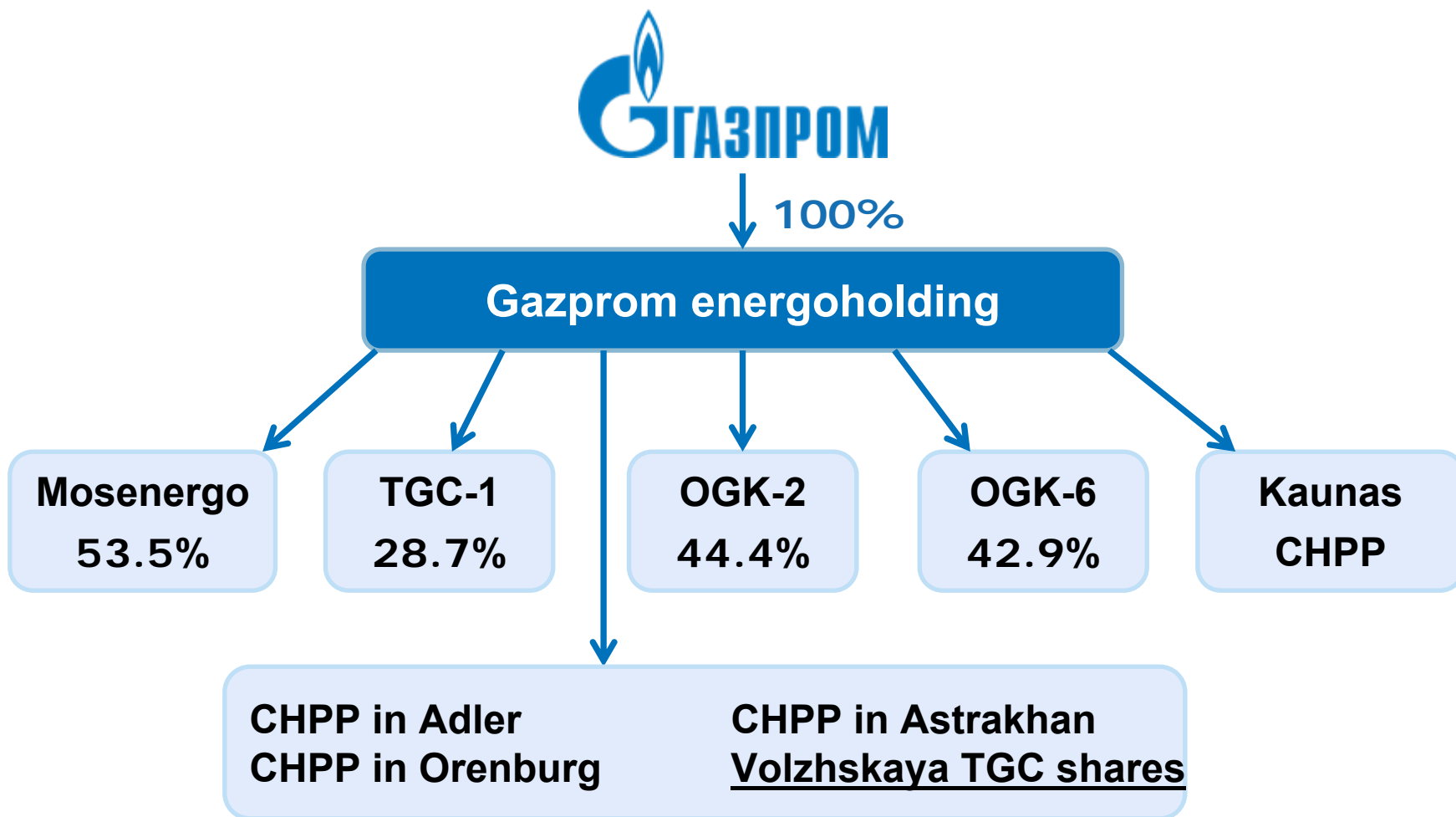


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|----------------------|---|
| ★ Mosenergo – 53.47% | ★ OGK-6 – 60% |
| ★ TGC-1 – 28.7% | ★ Kaunas Combined Heat & Power Plant (CHPP) |
| ★ OGK-2 – 56.6% | ★ New facilities construction |

GAZPROM ENERGOHOLDING AS CORNERSTONE FOR A HOLDING

**Pursuant to the Resolution (No. 1250 dated 12.08.2008)
of Gazprom's Board of Directors,
a stake in TGC-1 (28.7%) shall be consolidated
with a stake in Mosenergo (53.5%) by transferring both stakes to
Gazoenergeticheskaya kompaniya
(since May 2009 – Gazprom energoholding)**

TARGET-ORIENTED ASSET CONSOLIDATION BASED ON GAZPROM ENERGOHOLDING



INVESTMENT PROGRAM OF MOSENERGO

**Mosenergo is the world's biggest heat power producer.
Installed capacity exceeds 12000 MW and 34000 Gcal per hour.**

- **Mosenergo, unlike other companies, executed its investment program in the absence of any liabilities to the market;**
- The amount of investments exceeded RUB 55 million;
- Mosenergo proved to be the leader of Russia's power sector having commissioned three combined-cycle power generating units with a total capacity of 1325 MW within 2007-2008;
- The investment program of Mosenergo is unprecedented in the contemporary history of Russia's power sector if compared to other OGKs and TGCs that commissioned the total of under 500 MW in the past 2 years;
- In 2009-2010 the construction of a combined-cycle plant (CCP-420) will be accomplished at CHPP-26;
- Mosenergo has reserved the equipment required to execute stage 4 of the investment program providing additional capacity of 1260 MW by 2014.

INVESTMENT PROGRAM OF MOSENERGO

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Main challenges:

- In 2009 Mosenergo yielded 30% lower tariffs than those economically viable for the capacity of three new power generating units;
- Year 2009 is forecasted to result in RUB 1 billion shortfall in the income gained from new power generating units of Mosenergo.
- Absence of a heat power market in Moscow.

INVESTMENT PROGRAM OF TGC-1

**TGC-1 is a unique power generating company in the north-western Russia.
Installed capacity exceeds 6300 MW and 15000 Gcal per hour.
St. Petersburg heat supply network is 405 km long.
50% of electric power is generated by hydropower stations.**

- The investment program of TGC-1 provides for commissioning over 2000 MW before 2015;
- Amount of finance exceeds RUB 100 billion;
- It is planned to commission CCP-180 at Pervomaiskaya CHPP-14, high-capacity turbine units at Vasileostrovskaya CHPP-7 and Vyborgskaya CHPP-17 in 2009;
- In 2009 upgraded power generating units were put into operation at Volkhov Hydropower Plant (HPP) and Svetogorsk HPP.

INVESTMENT PROGRAM OF OGK-2

The share of natural gas in the fuel mix of OGK-2 is one of the biggest across the power sector.

The company owns one of the largest gas-fired power stations in Russia – Surgut SDPS-1

Investment program of OGK-2 provides for commissioning over 1 460 MW before 2015:

- A coal-fired power generating unit construction at Troitsk State District Power Station (SDPS), Steam Turbine Unit (STU-660);
- A coal-fired power generating unit construction at Stavropol SDPS, CCP-400;
- A combined-cycle power generating unit at Serov SDPS, CCP-400.

Amount of finance is estimated at over RUB 80 billion.

TECHNICAL CONDITION OF TROITSK SDPS OWNED BY OGK-2

Electric filters in boiler 5 at Troitsk SDPS after reconstruction in 2009



Electric filters in boiler 5 at Troitsk SDPS in 2007

TECHNICAL CONDITION OF TROITSK SDPS OWNED BY OGK-2

**Hydraulic ash removal system
(electric filters)
after reconstruction in 2009**



**Roof (electric filters) at
Troitsk SDPS before disassembly**

INVESTMENT PROGRAM OF OGK-6

The share of coal in the fuel mix of OGK-6 is one of the biggest across the sector.

Installed capacity exceeds 9040 MW.

Investment program of OGK-6 provides for commissioning over 1270 MW before 2015:

- Modernization of SDPS-24 by adding a gas turbine unit (CCP-420);
- Modernization of Kirishi SDPS on the basis of the combined-cycle technology (CCP-800);
- Construction of a coal-fired power generating unit at Novocherkassk SDPS, Circulating Fluidized Bed Boiler (CFBB-330);
- Construction of a coal-fired power generating unit at Cherepovets SDPS, STU-330.

Amount of finance is estimated at over RUB 70 billion.

INVESTMENT PROGRAM OF OGK-6

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Installed capacity exceeds 9040 MW.

Main challenges:

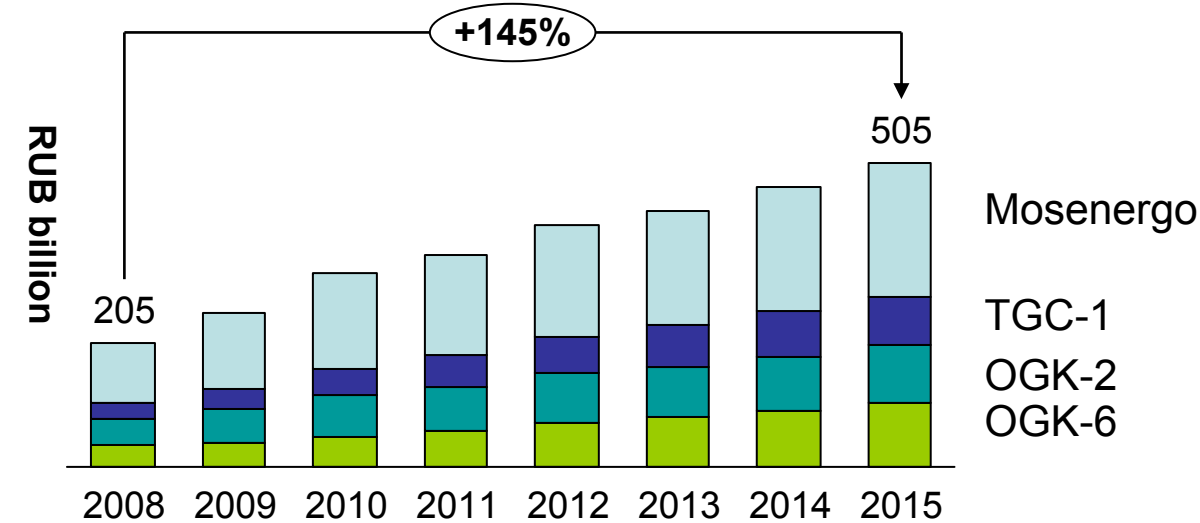
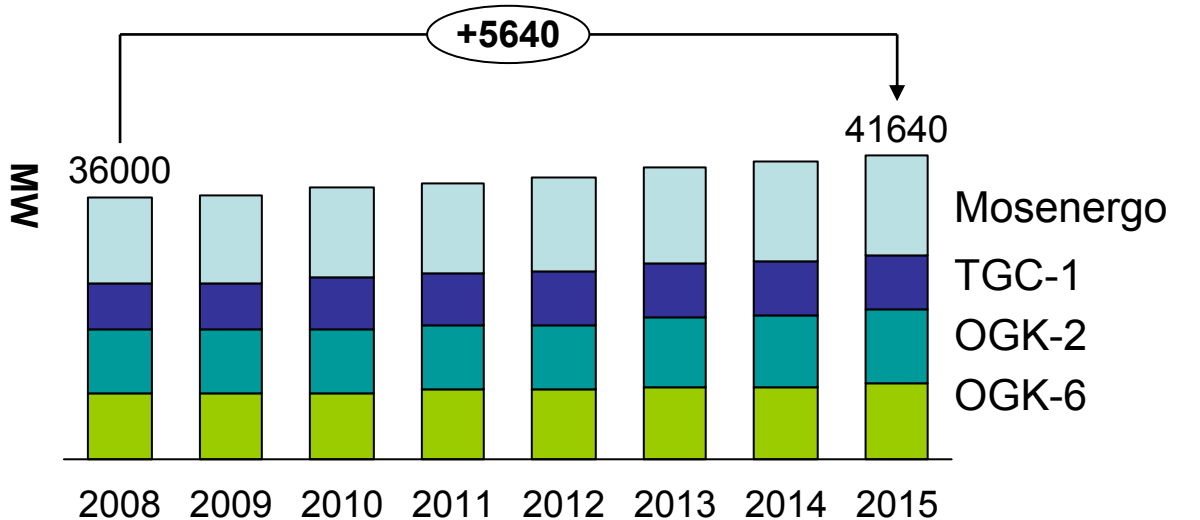
- Funding of the investment program.
- Unique technologies unprecedented in the Russian power sector and applied within **SDPS-24**, **Kirishi SDPS** and **Novocherkassk SDPS** projects may encounter additional challenges.

GAZPROM GROUP ASSETS IN POWER SECTOR

According to 2008 results:

- Electric power output exceeded 180 billion kWh;
- Total revenues – over RUB 200 billion.

GAZPROM ENERGOHOLDING IS RUSSIA'S BIGGEST ENERGY PRODUCER



Installed capacity will increase by 15% to 5640 MW

Revenues will grow 2.5-fold

NEW FACILITIES CONSTRUCTION PROJECTS

- **2nd power generating unit construction at Kaliningrad CHPP-2**
 - Capacity: 450 MW;
 - Indicative value: RUB 23 billion;
 - Commissioning date: 2010;
 - According to the tender results Technopromexport was selected as the primary contractor.
- **Adler CHPP construction**
 - Capacity: 360 MW;
 - Indicative value: RUB 22 billion;
 - Adler CHPP is the biggest power supplier to the Olympic facilities.
 - Results of the tender for awarding EPC contract will be summarized on or before July 1, 2009.

NEW FACILITIES CONSTRUCTION PROJECTS

- **Electric power station for Astrakhan Gas Processing Plant (GPP)**

- Capacity: 246 MW;
- Estimated cost of stage 1 construction: RUB 10 billion;
- Construction period: 2009-2012.

- **Electric power station for Orenburg GPP**

- Capacity: 250 MW;
- Estimated cost: RUB 10 billion;
- Construction period: 2009-2012.

- **Kaunas CHPP expansion**

An additional power generating unit will be feasible due to the upcoming termination of Ignalina Nuclear Power Plant by 2010 leading to a lack of electric power in the region.

GAZPROM ACTIVITIES IN POWER DISTRIBUTION

Incorporation of a power distribution subsidiary – Mezhrefionsbyt – in late 2006 has become the first step on the way to the Company's Power Generation Strategy implementation

Today, Mezhrefionsbyt is:

- **Russia' biggest electric power supplier with the cumulative turnover exceeding RUB 100 billion and cumulative power output – some 85 billion kWh per annum*;**
- **a wholesale electric power market player operating in 20 constituents of the Russian Federation;**

* Including subsidiary companies

GAZPROM ACTIVITIES IN POWER DISTRIBUTION

Incorporation of a power distribution subsidiary – Mezhregionsbyt – in late 2006 has become the first step on the way to the Company's Power Generation Strategy implementation

Mezhregionsbyt assists the Company in achieving the following goals:

- **Optimization of the costs incurred by Gazprom's subsidiaries in relation to power supplies amounting to RUB 500 million in 2008;**
- Preparation (adaptation) of energy services of subsidiary companies for operation in the environment of power sector reforming – arranging tutorials;
- Participation in building the automated systems supporting payment for energy resources, enhancement of the planning and estimation accuracy.

GAZPROMENERGO

Gazpromenergo is a fully-owned subsidiary of Gazprom

- **Operates low- and medium-voltage power supply networks owned by Gazprom Group subsidiaries:**
 - Power supply substations – 741 units;
 - Aerial electric power transmission lines – 3625 km long;
 - Cable electric power transmission lines – 4239 km long.

- **Operates heat supply facilities:**
 - Boiler houses with steam and hot-water boilers – 43 units;
 - Boilers – 195 units;
 - Heat supply networks – 994 km long.

The company's profit exceeded RUB 10 billion.

CONCLUSION

- TGC-1, Mosenergo, OGK-2 and OGK-6 were put under operational control;
- A vertically-integrated asset management company was established – Gazprom energoholding.
- A power distribution subsidiary was established – Mezhhregionsbyt. It has become Russia's largest power distribution company so far;
- A power supply network operator is under development – Gazpromenergo;
- Over 2007-2008 Mosenergo commissioned three combined-cycle power generating units with the total capacity of 1325 MW;
- Despite the financial crisis, Mosenergo continues execution of the CHPP-26 project;
- In 2009 TGC-1 will commission power generating facilities with the capacity amounting to 410 MW;

CONCLUSION

Gazprom is the biggest investor in Russia's power sector

Gazprom's share in power generation facilities commissioning:

- 90% in 2008.
- 50% in 2009.
- 25% in 2010.

The total amount of Gazprom's investments in the domestic power sector has exceeded RUB 140 billion so far



THANK YOU FOR YOUR ATTENTION!