Public address by Denis Fyodorov, Director General of Gazprom energoholding

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Gazprom in Power Generation

Ladies and gentlemen,

I'm glad to greet you here today. In my presentation I am going to describe the power generation business of Gazprom Group.

Slide 2

Gazprom used Gazprom energoholding as the basis to establish the largest electric power production company in Russia.

Currently Gazprom energoholding includes Mosenergo, TGC-1 and WGC-2, 37 thermal plants and 40 hydro power plants. The geography of the Company's facilities now spreads from the Barents Sea to the Black Sea. Certain electric power plants are also available in Siberia.

Our power plants generate 17 per cent of all electric power produced in Russia. The total installed capacity is 37 GW. The total revenues from generating companies of the Group make 8 per cent of the total revenues by Gazprom.

Slide 3

Generating assets of Gazprom Group rank first in Russia by the installed capacity. The Group owns 37 GW of generating capacities in Russia, and this is 16 per cent of the total installed generating capacity nationwide.

This slide represents the major generating companies in Russia.

Slide 4

Now a few words about the performance of the generating companies within the Group. This slide represents performance indicators of our companies for the recent four years. Information about WGC-6 is placed separately from WGC-2, as the two companies were actually merged only in the last month.

This year we expect the Group to increase its outputs of electric energy compared to the outputs of 2010. Outputs of thermal energy are largely dependent on the weather, and it may slightly decrease during 2011 compared to 2010.

Slide 5

Now a few words about investment projects implementation. The total capacities to be commissioned before 2016 under CSA projects within Gazprom energoholding stand at some

9 GW. I must say that we have already built 3 GW of capacities, and most of other projects are being implemented right now.

As part of our investment program, in addition to the cities of Moscow and Saint Petersburg, we have invested approximately RUB 190 billion to develop generating capacities in various regions nationwide.

Considering the proven principles of implementation and payback of our investment projects that are part of CSAs, they are expected to generate profits of about 12 to 14 per cent. New CSA projects are expected to generate more than 40 per cent of profits by 2015.

I would like to use the following slides as brief description of a number of projects momentous for us.

Slide 6

The following three sides represent some of the most important investment projects in our opinion. Apart from being directly designed to reduce shortages of electric power in their respective regions, these projects are also unique each in its own way.

For example, the Adler combined heat and power station is currently being built under the Olympic facilities construction program approved by the Russian Federation Government. It is designed to supply electric power to both the Olympic infrastructure facilities and the city of Sochi after the Olympics.

The Kirishi SDPS project stipulates construction of a dual-module combined-cycle gas turbine (CCGT) unit to be built as a superstructure on the existing steam turbine of unit 6 of the power plant rated at 300 MW; it is to receive two gas turbines, each rated at 279 MW, with two drum-type utilizer boilers.

In these slides we also show the social, economic and environmental advantages created by our investment projects. These include new jobs, further tax revenues and lower carbon emission thanks to more efficient combustion of fuel.

Slide 7

After the project is implemented to build the power unit for a 240 MW CCGT unit, we will be able to decommission the coal burning part of the power plant that has been in operation for more than 50 years.

The Cherepovets SDPS project stipulates building a 420 MW CCGT unit that will help reduce shortages of electric power in the region and improve reliability of the power plant in general.

Slide 8

The Novocherkassk SDPS is Russia's first project to have adopted the circulating fluidized bed technology. Once implemented, this project will enable combustion of coals with different properties in the boiler. In terms of hazardous air emissions, the project is compliant with both Russian and European applicable requirements.

The Troitsk SDPS project to build a 660 MW power unit is the largest CSA project among all generating companies. Not only commissioning of the new power unit will help considerably

reduce emissions from the existing power units, but it will also help decommission obsolete equipment currently in use.

For the above six projects, we estimate an increase in the revenues to regional budgets from additional tax payments by more than RUB 3 billion annually.

Slide 9

In conclusion I would like to mention future ways to develop the power industry by Gazprom, and in particular, our transactions to expand the company. Last November, we signed a transaction to merge WGC-2 and WGC-6.

This merger resulted in the largest company that now exists in Russia in the heat generation sector.

Another issue of strategic importance for us is a potential transaction to merge assets with KES Holding. Gazprom and Renova Group signed an agreement last July intending to possibly merge their power generation assets.

Work is underway now, assisted by leading international consultants, to assess the two companies' assets and to structure the probable transaction deal. Our request to sanction the transaction is now being examined by the Federal Antimonopoly Service. Hopefully, we can obtain a positive conclusion very soon.

The united company will help strengthen the leading positions of Gazprom in Russia's electric power market, making Gazprom energoholding with its installed capacities of about 53 GW one of the five largest electric power producers in Europe.

Thank you for your attention!