

Press Conference Background
GAZPROM'S POWER GENERATION STRATEGY
June 22, 2011

STRATEGY

Gazprom's Power Generation Strategy was approved by the Company's Board of Directors in April 2007.

Development of the power generation business stipulated, inter alia, acquisition of stakes in generating companies and execution of the projects aimed at new generating capacities construction.

Between 2007 and 2008, as a result of the power industry reform in Russia and participation in additional shares issue by power generating companies Gazprom Group mainly achieved its strategic goals to enter the power generation business.

In late 2009 Gazprom Group finally consolidated its key power generating assets – Mosenergo, TGC-1, WGC-2 and WGC-6 – on the balance of Gazprom energoholding (wholly-owned subsidiary of Gazprom). The idea behind the consolidation was to create an efficient control system operating according to unified corporate standards.

Gazprom Group became the largest power generating assets owner in Russia and is among top ten power generating companies worldwide.

In 2010 the aggregate volume of electric power produced by the Group's major generating companies (Mosenergo, TGC-1, WGC-2 and WGC-6) increased by 6 per cent to 174.6 billion kWh (some 17 per cent of the total amount of power generated in Russia).

Based on the 2010 results, the total proceeds of Gazprom Group's four generating companies (according to IFRS, inclusive of TGC-1 indicators in 2009) increased by 26.3 per cent to RUB 295.9 billion, EBITDA – by 14.5 per cent to RUB 43 billion and the profit – by 49.4 per cent to RUB 20.2 billion.

The bulk of profit is allocated for investment projects execution.

INVESTMENT PROJECTS

Gazprom Group is the largest investor in the Russian power industry.

Investment projects are delivered in compliance with the commitments assumed upon the purchase of generating assets.

Between 2007 and 2010 Gazprom finalized the construction and upgrade projects totally accounting for 2.8 GW of new capacities.

Pursuant to the Russian Federation Government Directive No.1334-r of August 11, 2010, the total amount of Gazprom Group's commitments on construction and upgrade projects (as part of capacity supply agreements (CSA)) exceeds 9 GW (between 2007 and 2016). At the same time, the commitments of all investors to the Russian power industry total some 30 GW.

Brought onstream in late 2010 according to the Russian Federation Government assignment, the second generating unit of the Kaliningrad CHPP-2 (450 MW) is among the prioritized power generating projects of Gazprom.

In 2011 Gazprom is planning to commission over 1.7 GW of new capacities.

The Company is going to start new construction and upgrade activities beyond the CSA commitments, considering a number of promising projects with higher expected rates of return than those of CSA projects.

Gazprom has prepared the program for equipment commissioning/decommissioning at power plants owned by the Group's generating companies. The program also covers projects for reconstruction and upgrade of existing capacities that will enhance the operational and economic performance of equipment and improve the environmental footprint of power plants.

POWER SUPPLY AND POWER DISTRIBUTION ACTIVITIES

Pursuant to the Strategy, Gazprom Group continued its power distribution (Mezhregionenergosbyt) and network operation (Gazprom energo) businesses in 2010 in order to optimize the energy supply to its subsidiary companies.