

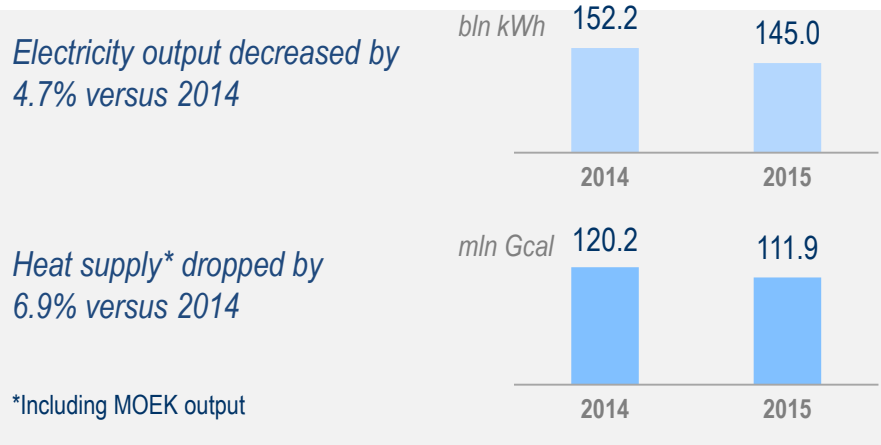
GAZPROM'S POWER GENERATION STRATEGY

Denis Fyodorov

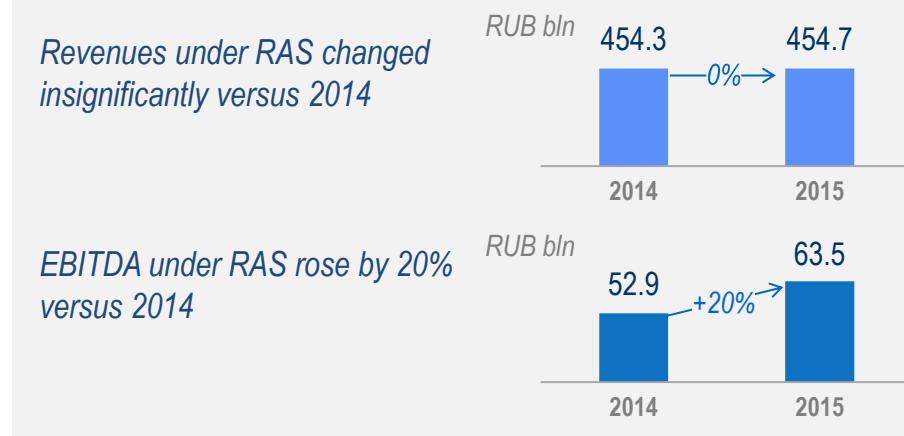
Directorate Head, Gazprom

Director General, Gazprom Energoholding

Operating activities



Financial results



Investments

New units commissioned under CSAs:

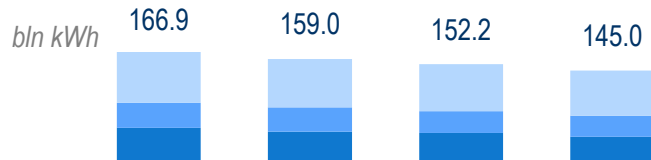
- ✓ Combined cycle gas turbine units at Serov SDPP operated by OGK-2 (420 MW), CHPP-12 operated by Mosenergo (220 MW), and CHPP-20 operated by Mosenergo (420 MW)
- ✓ Reconstructed steam turbine unit, with its capacity increased to 330 MW, at Ryazan SDPP operated by OGK-2

By late 2015, investment program was implemented to 84% in physical terms and 87% in monetary terms

Major events

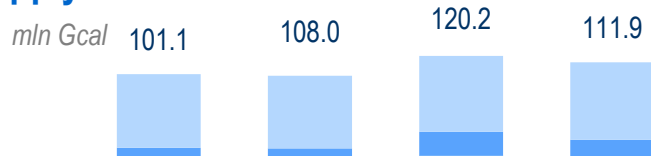
- ✓ Dividend payouts grew to 35% of net profit
- ✓ Gazprom Energoholding assumed functions of sole executive body in Mosenergo and MOEK
- ✓ Stock prices have been growing since early 2016
- ✓ Gazprom Energoholding and Tsentrenergoholding have sold non-core assets in 2015 and 2016

Electricity output



| | 2012 | 2013 | 2014 | 2015 | Changes 2015/2014 |
|-------------|------|------|------|------|-------------------|
| ■ Mosenergo | 61.3 | 58.6 | 56.7 | 54.7 | (3.4%) |
| ■ TGC-1 | 30.4 | 29.3 | 26.4 | 25.8 | (2.3%) |
| ■ OGK-2 | 75.2 | 70.7 | 68.7 | 64.4 | (6.3%) |
| ■ MOEK* | – | 0.4 | 0.4 | 0.1 | (70.5%) |

Heat supply



| | 2012 | 2013 | 2014 | 2015 | Changes 2015/2014 |
|-------------|------|------|------|------|-------------------|
| ■ Mosenergo | 68.4 | 67.6 | 70.3 | 71.7 | 1.9% |
| ■ TGC-1 | 26.4 | 25.3 | 24.3 | 23.0 | (5.4%) |
| ■ OGK-2 | 6.3 | 6.8 | 7.1 | 6.5 | (8.0%) |
| ■ MOEK* | – | 8.3 | 18.3 | 10.7 | (41.5%) |

*MOEK data consolidated since 2013



- Generation by Mosenergo decreased by 3.4% in 2015 versus 2014.
- Heat supply by Mosenergo plants increased by 1.9% in 2015 versus 2014 mostly because of transferring control over several MOEK-owned boiler houses to Mosenergo.



- Electricity generation by TGC-1 (including Murmansk CHPP) dropped by 2.3% versus 2014 due to stagnating electricity consumption and optimized generation process.
- Heat supply by TGC-1 (including Murmansk CHPP) fell by 5.4% versus 2014 due to higher mean temperature during heating period.



- Generation by OGK-2 reduced by 6.3% versus 2014 after adoption of strategy for optimizing capacity utilization of inefficient units (such as Stavropol SDPP, Pskov SDPP, etc.)
- Heat supply by OGK-2 plants declined by 8% versus 2014 mostly owing to abnormally warm winter in Russia

Financial Results (RAS*)

▪ Gazprom Energoholding's revenues of 2015 stood at almost **RUB 455 bln** inclusive of MOEK results.

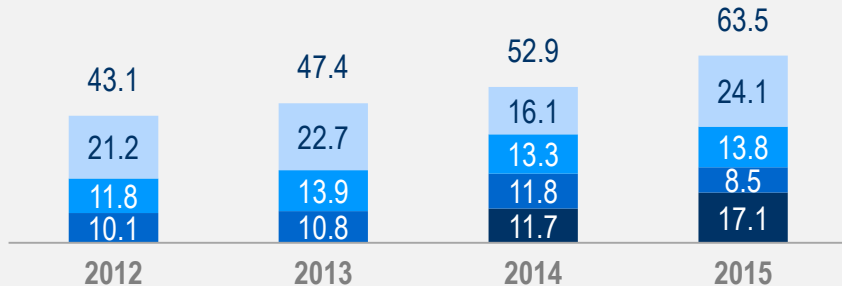
▪ Gazprom Energoholding's EBITDA was **RUB 63.5 bln** showing 20% rise versus 2014.

Main growth drivers:

- commissioning of new efficient capacities at CHPP-12 and CHPP-16 of Mosenergo, cost optimization, and mitigation of losses from revaluation of foreign currency loans;
- higher performance of TGC-1 thanks to optimizing use of fuel and reducing utilization of inefficient units;
- cutting of operating costs in MOEK and income growth from asset sale and disposal.

EBITDA

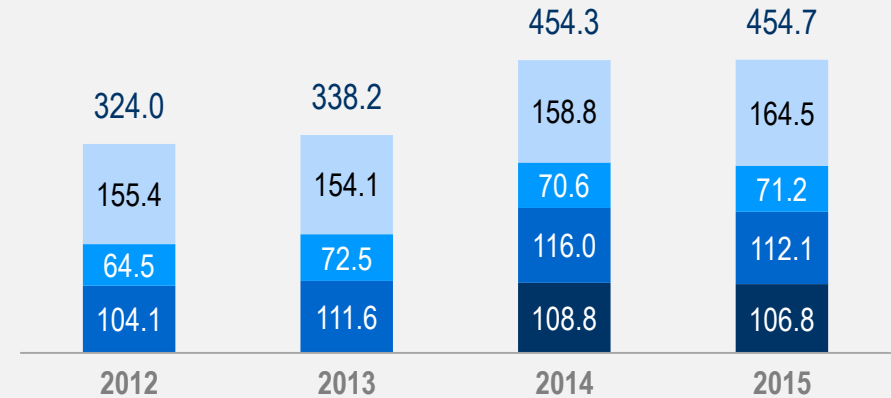
RUB bln



■ MOEK ■ OGK-2 ■ TGC-1 ■ Mosenergo

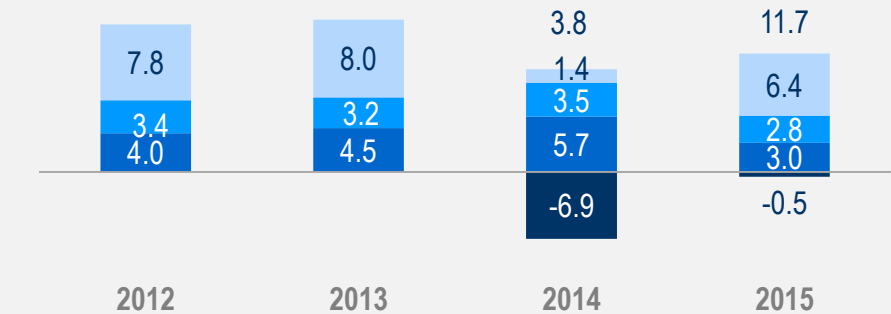
Revenues

RUB bln



Net profit

RUB bln

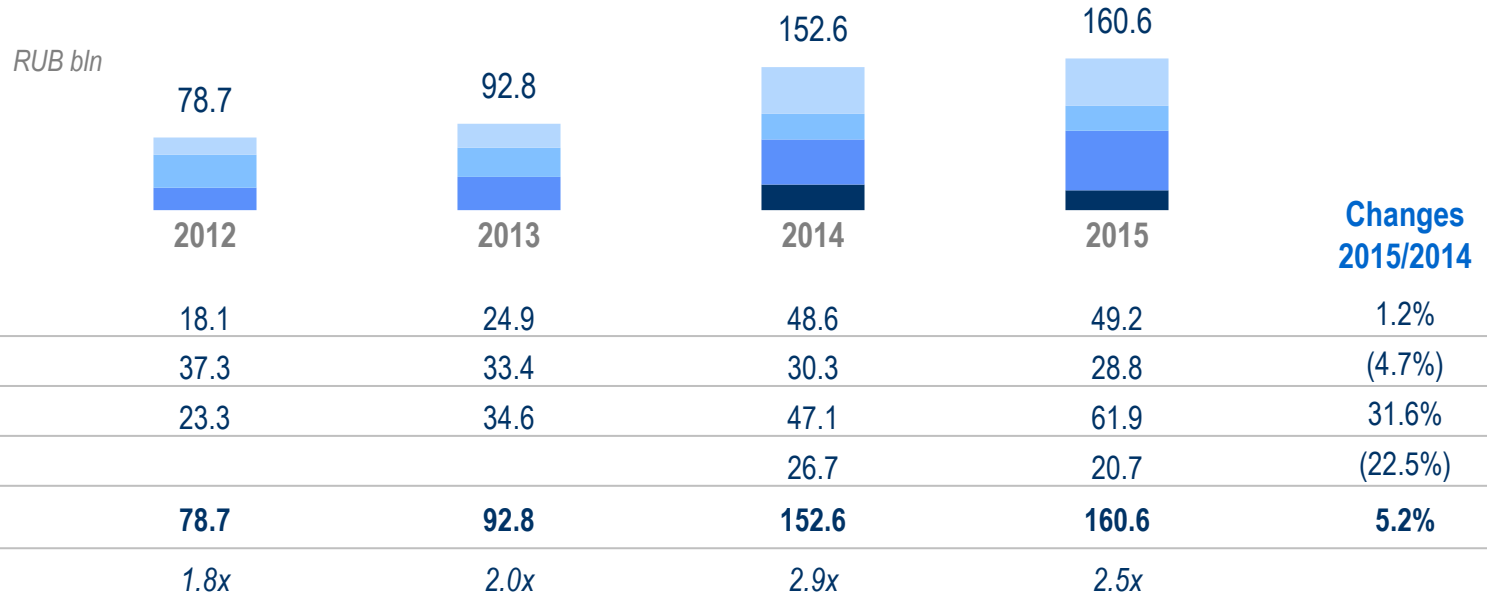


* TGC-1 results under RAS include Murmansk CHPP results (revenues – RUB 6.1 bln, EBITDA – RUB 0.6 bln, net profit – RUB 81 mln)

Gazprom Energoholding's Debt Burden

- In 2015 aggregate debt of Gazprom Energoholding's companies amounted to RUB 160.6 bln, thus surpassing 2014 level by 5.2%
- Rise in debt burden was mainly caused by acquisition of loans for OGK-2

Debt (RAS)



Loans were acquired for investment program and will be paid off in parallel to completion of construction projects under CSAs

* TGC-1 results under RAS include Murmansk CHPP results (debt – RUB 2.9 bln as of December 31, 2015)

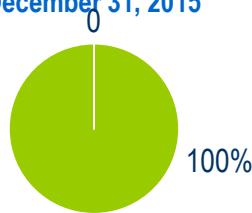
Execution of CSA Investment Program

- Total budget of CSA program exceeds RUB 400 bln, with 87% of it already funded
- Total capacity of newly commissioned facilities is over 7 GW (84% of investment program), around 1 GW of capacities will be put in operation in 2016 at Novocherkassk SDPP and Troitsk SDPP of OGK-2 as well as at Tsentralnaya CHPP of TGC-1

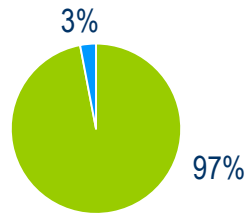
CSA program for capacities commissioning, progress as of December 31, 2015



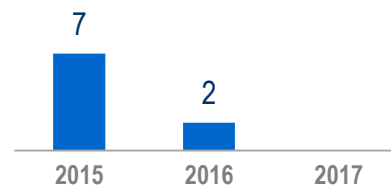
■ Commissioned
■ Planned



CSA program for financing, progress as of December 31, 2015



Unused funds from CSA program, RUB bln incl. VAT

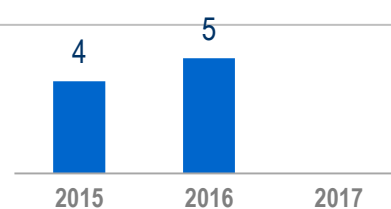
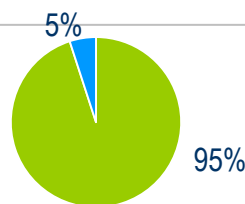
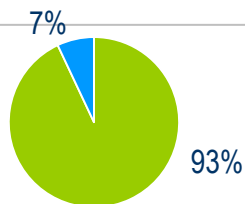


Facilities commissioned in 2015

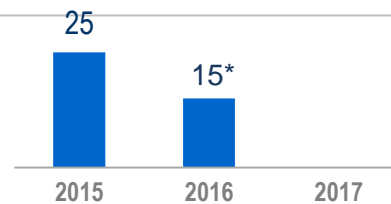
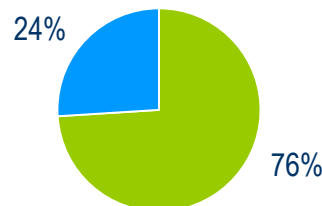
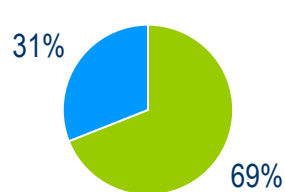
420 MW Combined cycle gas turbine unit at CHPP-20
220 MW Combined cycle gas turbine unit at CHPP-12



■ Commissioned
■ Planned



■ Commissioned
■ Planned



+60 MW Reconstruction of steam turbine unit at Ryazan SDPP
420 MW Combined cycle gas turbine unit at Serov SDPP

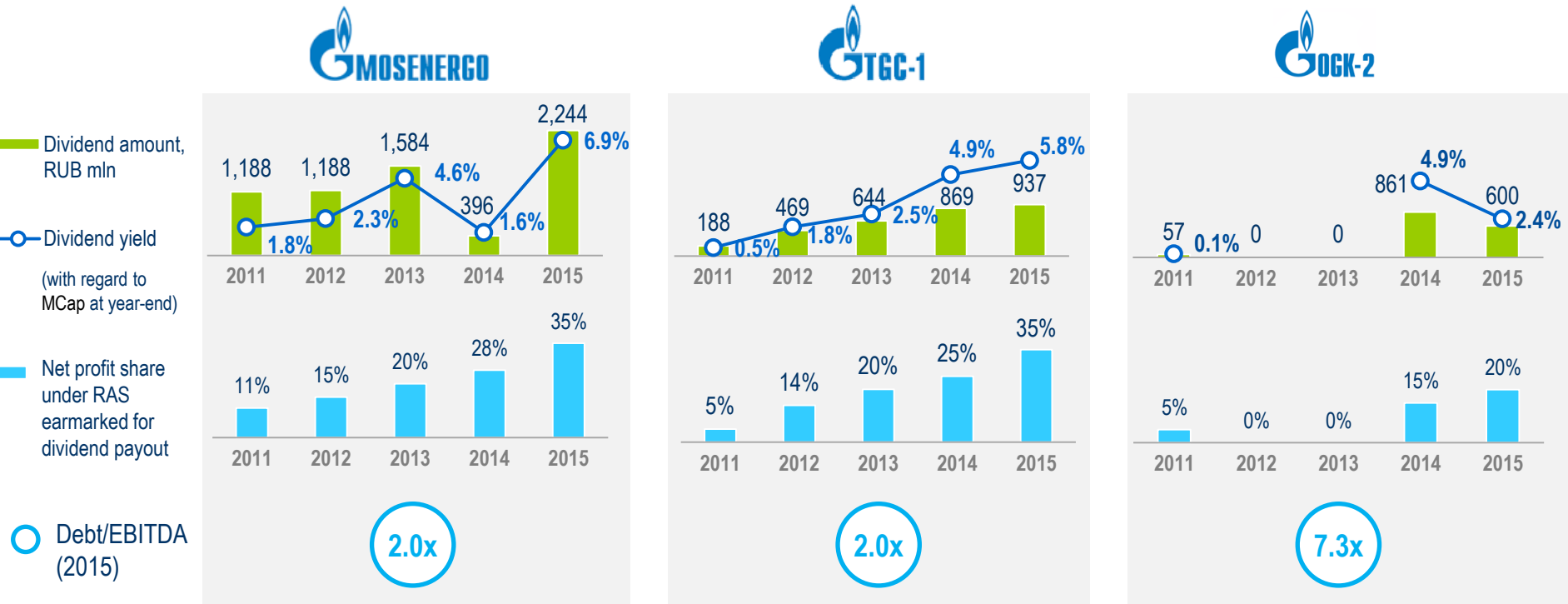
*Exclusive of funds for CCGTU-420 at Grozny TPP

Dividend calculation principle at Gazprom Energoholding

Debt burden | Keeping balance between debt servicing and dividend payout. Income growth upon completion of CSAs

Investment program | Gazprom Energoholding accounts for investments to be made within next 2 to 3 years

Dividends: history / debt burden of Gazprom Energoholding



Net profit share under RAS earmarked for dividend payout is growing annually

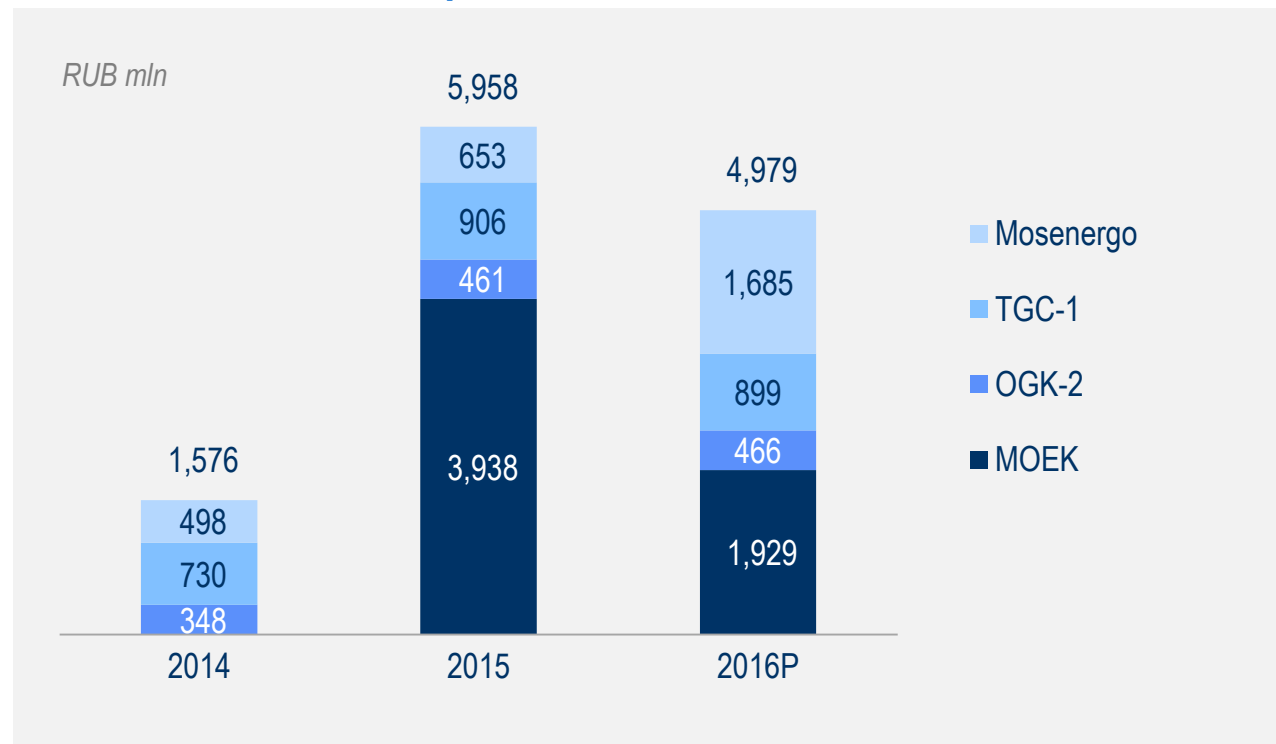
Execution of Cost Reduction Programs

In order to boost value of its power generating assets, Gazprom Group takes steps to raise their operating efficiency and runs cost reduction programs meant to improve financial performance

Optimization measures

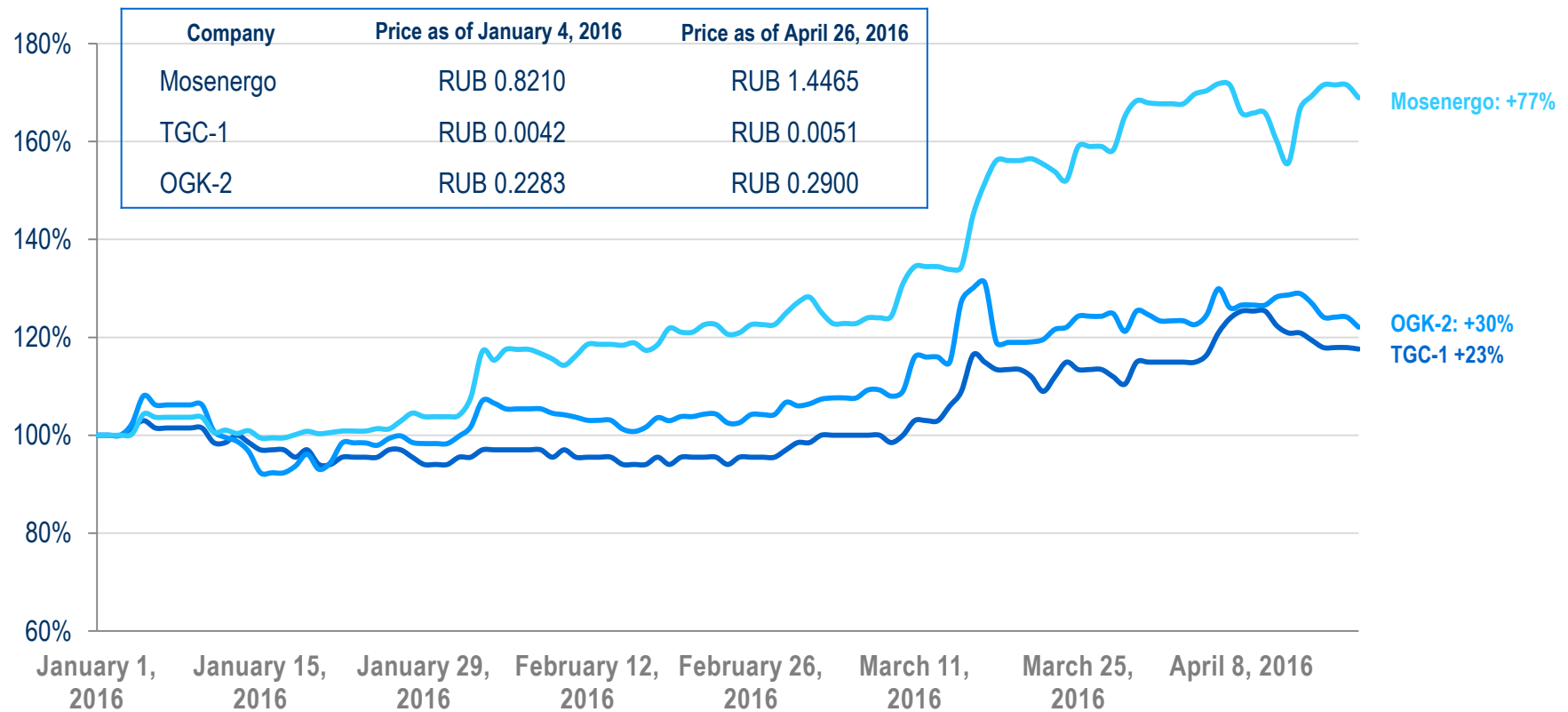
- ✓ Enhancement of asset efficiency
- ✓ Cost reduction
- ✓ Investment spending cuts
- ✓ Import substitution
- ✓ Sale of non-core assets
- ✓ Additional initiatives

Optimization effect



Stock Price Growth

Stock prices of all generating companies of Gazprom Energoholding demonstrate growth since early 2016



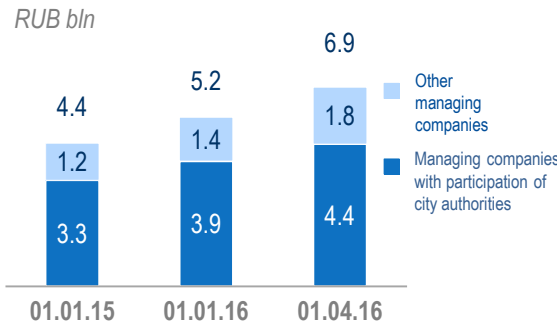
Source: Bloomberg

Main Problems of St. Petersburg Heat Supply Market

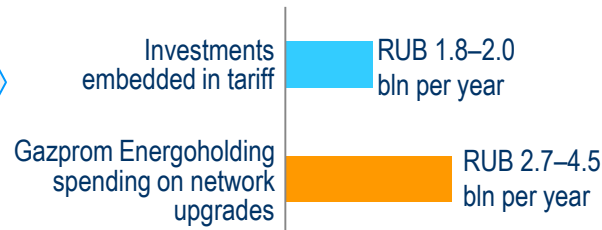
By end of Q1 2016, housing maintenance companies owed RUB 7 bln to TGC-1 for thermal energy

Heating networks of St. Petersburg exhibit high degree of deterioration, and tariff rate fixed by city authorities fails to cover modernization expenses

Overdue debt



Investments in upgrading St. Petersburg heating networks



- Gazprom Energoholding offers different solutions for heat supply problems (subsidies, loans, additional capitalization from city budget, etc.)
- City authorities are unable to take constructive approach and debt continues to grow
- Consumers' pay rate reaches almost 100%, yet payments are made through intermediary city entity – VTsKP

- In order to stop network deterioration, it is necessary to increase investment component in tariff rate for St. Petersburg Heating Grid
- Gazprom Energoholding is negotiating sale of St. Petersburg Heating Grid to city authorities, but negotiating parties are unable to agree on company's value



City authorities need to reconsider approach to heat supply pricing for St. Petersburg Heating Grid (GRR should be increased by at least RUB 3.5 bln) in order to prevent accident rate in heating networks from growing further



Gazprom Energoholding and city authorities need to find common ground on debt settlement by housing maintenance companies

Creation of optimal production capacity structure

Furtherance of cost reduction programs in companies

Gradual transition to vertically-integrated energy holding model

- CSA program completion
- Upgrading of core assets of generating companies
- Decommissioning of inefficient assets
- Sale of non-core assets
- Fuel efficiency and optimal capacity utilization
- Optimization of operating and investment costs
- Upgrading and optimization of Moscow heat supply system
- Acquisition of efficient power generating assets
- Participation in attractive construction projects for generating facilities in Russia and abroad
- Development of energy service business and outsourcing of certain support functions