

GAZPROM'S POWER GENERATION STRATEGY

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Operating activities*

	2013	2014
Electricity output declined by 4.6%	159.6 bln kWh	152.2 bln kWh
Heat supply dropped by 2.2%	122.7 mln Gcal	120.0 mln Gcal

* Aggregate results of Mosenergo, MOEK, TGC-1 and OGK-2

Investments

New units commissioned as per CSA:

- ✓ Combined cycle gas turbine unit CCGT-420 at Cherepovets SDPP, OGK-2
- ✓ Combined cycle gas turbine unit CCGT-420 at CHPP-16, Mosenergo
- ✓ Gas turbine unit GTU-65 at CHPP-9, Mosenergo

By late 2014 Gazprom Energoholding investment program financing under CSA totaled 87%

Financial results*

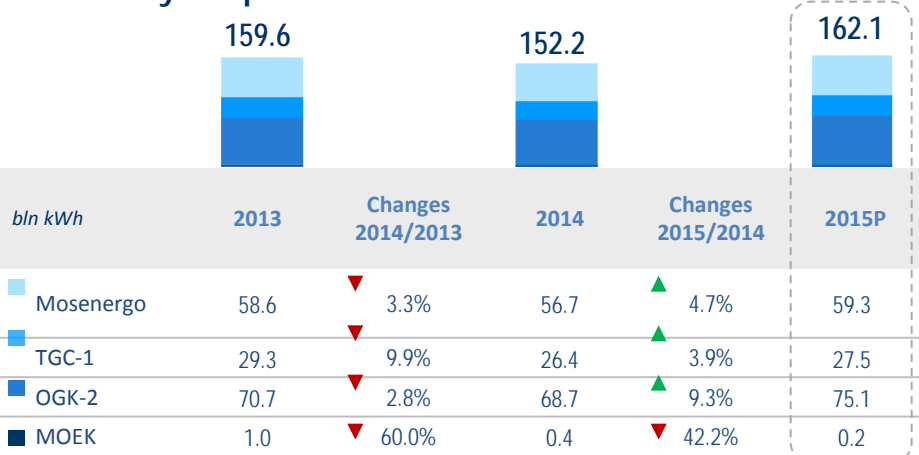
	2013	2014
Proceeds under RAS rose by 0.9%	444.9 RUB bln	448.8 RUB bln
EBITDA under RAS dropped by 14.2%	61.2 RUB bln	52.5 RUB bln

Strategic development

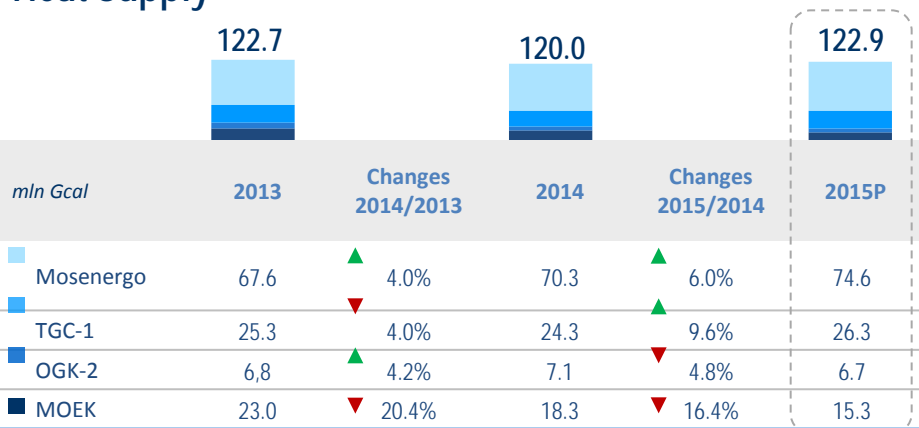
- ✓ Consolidating repair and maintenance holding
- ✓ Arranging thermal insulation manufacture
- ✓ Certification and research center opening

Production Results in 2014

Electricity output*



Heat supply*



- Generation by Mosenergo decreased by 3.3% in 2014 versus 2013 due to balance power flow increase into Moscow free power flow zone
- Heat supply by Mosenergo plants increased by 4.0% in 2014 versus 2013 due to **company's expansion** – 33 MOEK-owned boiler houses were put under its control, supplying heat of 2.8 mln Gcal



- TGC-1 generation declined by 9,9% versus 2013 due to process water shortage, warm weather and unloading company's inefficient facilities
- TGC-1 heat supply reduced by 4,0% versus 2013 due to higher ambient temperatures during heating season

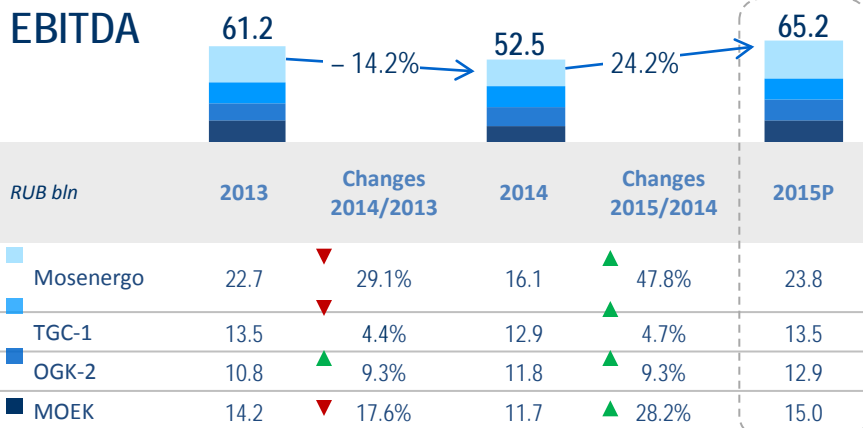


- OGK generation dropped by 2.8% versus 2013 due to executing System Operator assignments, general electricity consumption decrease and unloading company's inefficient facilities
- Heat supply by OGK-2 plants in 2014 increased by 4.2% versus 2013 mostly due to higher thermal load on Adler TPP

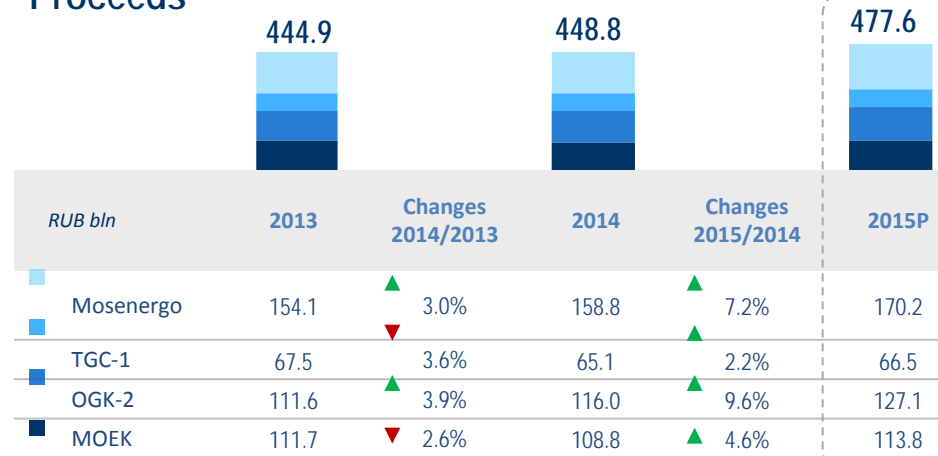
• Performance of Murmansk CHPP, subsidiary of TGC-1, included (electricity output – 17 mln kWh, heat supply – 2 mln Gcal)

Financial Results* (RAS)

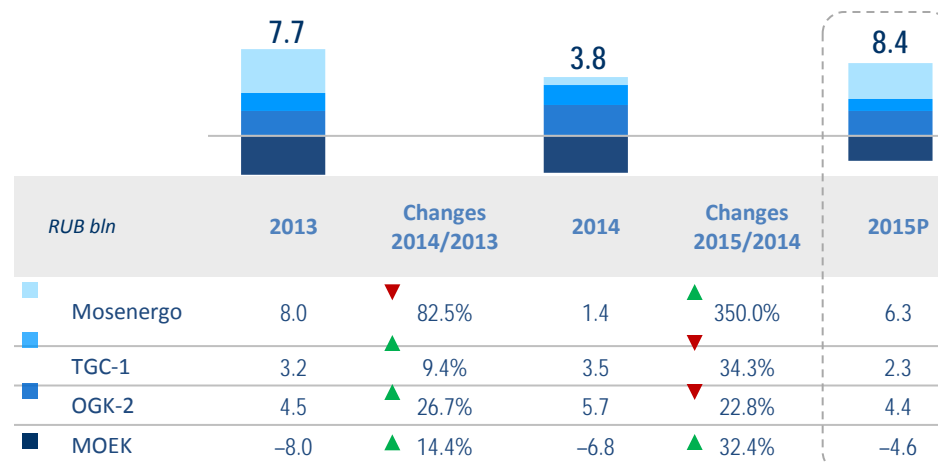
- Gazprom Energoholding proceeds in 2014 amounted to nearly RUB 450 bln inclusive of MOEK results
- Gazprom Energoholding EBITDA dropped by 14.2% due to following:
 - OGK-2 performance decline due to one year deferral of CSA projects commissioning
 - TGC-1 performance decline brought about by CCO shortfall and low prices at day-ahead market in Northwest region
 - Mosenergo performance decline due to losses related to revaluation of exchange rate differences for foreign currency loans (RUB 7 bln)



Proceeds



Net profit

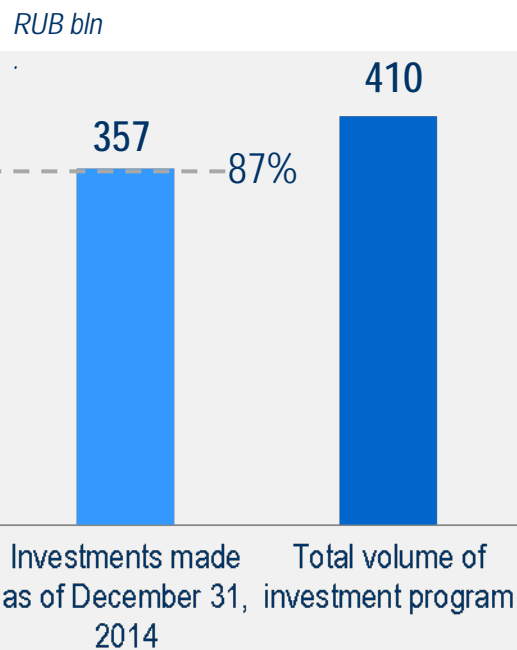


* Management accounting under RAS exclusive of Murmansk CHPP, TGC-1 (proceeds: RUB 5.5 bln, EBITDA: RUB 0.5 bln, net profit: RUB 56 mln)

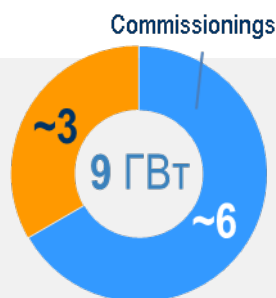
Execution of CSA Investment Program

Total CSA program budget exceeds RUB 400 bln, with 87% invested by late 2014. By now, around 6 GW have been put onstream

Investments as part of CSA



Capacities installed within CSA



In addition, it is planned to construct Grozny TPP (2xCCGT-180) pursuant to the Russian Government Directive No. 238-r dated February 16, 2015.

Due to changes in exchange rates that drove up the costs of imported equipment and ancillary services, increased the value of individual loans and heightened the inflation expectations, the depreciated value of the projects can be raised.

According to provisional estimates, the value of the investment program can be increased to around RUB 450-470 bln.

With a view to provide the even spread of financial burden, Gazprom Energoholding is shifting the deadlines ahead for some CSA facilities.

Facilities commissioned in 2014



420 MW Power unit at CHPP-16

65 MW Power unit at CHPP-9

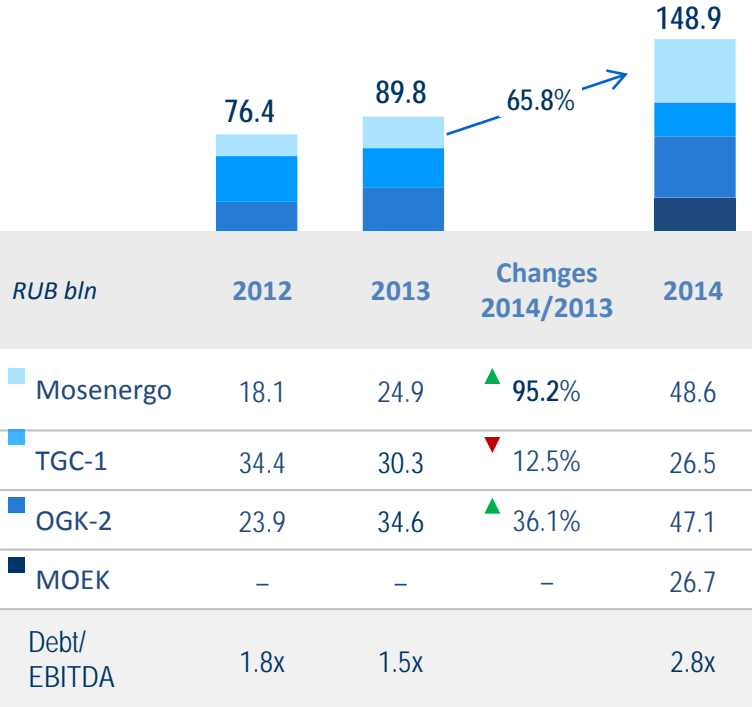


420 MW CCGT unit at Cherepovets SDPP

Gazprom Energoholding Debt Burden

In 2014 aggregate debt of Gazprom Energoholding rose by 65.8% up to RUB 148.9 bln mostly due to adoption of MOEK debt (up RUB 26.7 bln)

Debt* (RAS)



Borrowed funds were allocated to investment programs, indebtedness will reduce while finishing CSA facilities construction

* Management accounting under RAS exclusive of Murmansk CHPP (debt: RUB 3.7 bln)

Way of determining dividend amount by Gazprom Energoholding

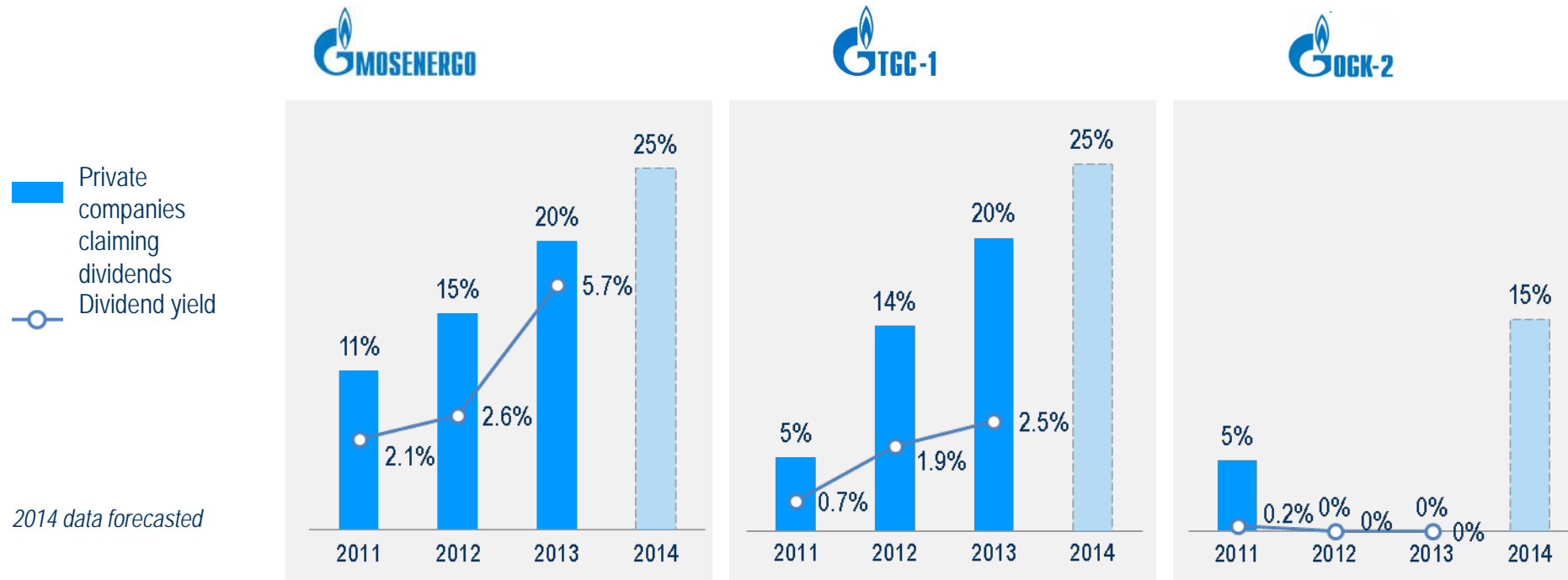
Debt burden

Keeping balance between debt settling and dividend payout.
Profit growth upon completion of CSA

Investment program

Gazprom Energoholding accounts for investments to be made within 2-3 years to come

Dividends: retrospective



Cost Reduction Programs in 2014

Activities meant to upvalue power generating assets of Gazprom Group provide for raising their efficiency and executing cost reduction programs

Improvement procedures

- Raising assets efficiency
- Cost reduction
- Optimizing investments
- Import substitution
- Selling non-core assets
- Other initiatives

Following activities yielded maximum monetary profit in 2014:



- optimizing taxes – RUB 343 mln
- improving investment program – RUB 131 mln



- selling non-core assets – RUB 220 mln
- improving water management – RUB 198 mln
- raising power generation efficiency – RUB 171 mln



- Balance of Plant enhancement – RUB 1,145.2 mln
- fuel supply enhancement – RUB 900 mln
- Improving procurement activities – RUB 334 mln
- reducing burnouts – RUB 305.9 mln

Enhancing MOEK Efficiency

MOEK efficiency enhancement initiatives

- **Fuel saving**
 - Going on with load shift program (RUB 1.5 bln effect expected from next stage)
 - Further shifts provide for financing Mosenergo investment program
- **Sales**
 - Reimbursement of costs for municipal services
 - Reduction of cash gaps in payments for heating
 - Revealing non-authorized heat consumption
- **Technological procedures**
 - Reduction of unrecoverable losses related to hot water supply
 - Acceleration of connecting to heat supply system

Following load transfer was made in 2014:

- | | | |
|---|---|--|
| <ul style="list-style-type: none"> ▪ 6 district boiler houses ▪ 2 local boiler houses ▪ 15 small boiler houses | ➔ | <ul style="list-style-type: none"> – Load shifting totaled 900 Gcal/h in winter and 311 Gcal/h in summer – Shifted output of 3,191 thousand Gcal provides for saving ≈ 200 mln m³ of gas annually |
|---|---|--|

Load transfer in 2014:

Boiler house description	Transferred load, Gcal/h	Gas saving, mln m ³ /year
Winter	900	89
Summer	311	114
Total	1,211	203

Conveyance of inefficient boiler houses to Mosenergo



Cost reduction in MOEK is expected to exceed **RUB 9 bln** in 2015

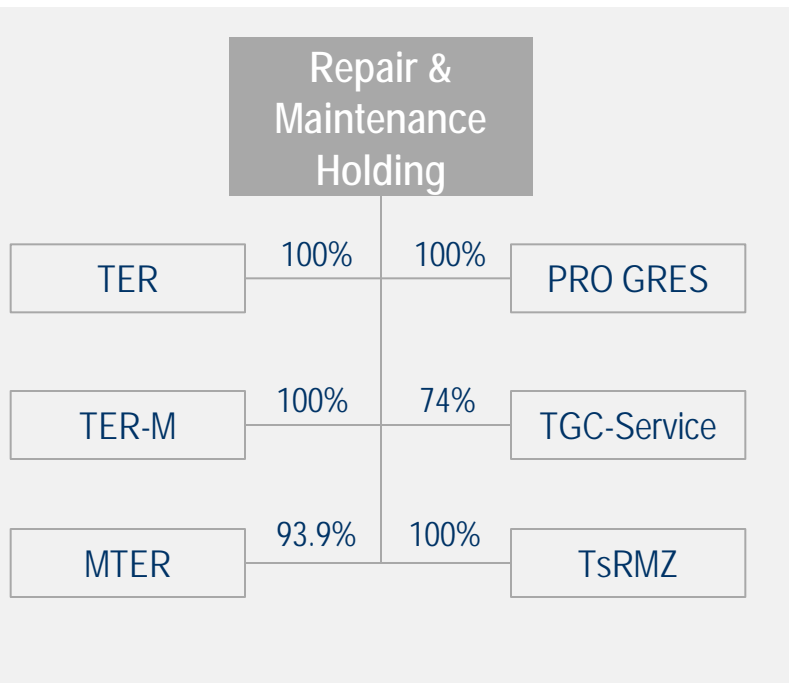
Consolidation of Repair & Maintenance Holding

In 2014 Gazprom Energoholding completed consolidation of repair & maintenance companies

TER, TER-M, MTER, PRO GRES, TGC-Service, TsRMZ joined holding

Applying best practices enables Gazprom Energoholding to enhance quality of repairs, increasing reliability of fulfilling contract obligations as well as reduce production and other costs

Current ownership structure



Advantages of deal for Gazprom Energoholding

- ✓ Better procurement prices and terms of payment for purchased materials and equipment as a result of purchase consolidation
- ✓ Increase in inventory turnover by means of efficient management and centralization of supplies & materials at repair & maintenance holding
- ✓ Higher productivity of repairing personnel and reduction of payroll expenses through joint development of mid-term demand schedule for generating companies
- ✓ Minimization of executive expenses as a result of centralizing administrative and managerial functions and reducing headcount for repair & maintenance holding servicing

Companies of Gazprom Energoholding Group plan to transfer authority of sole executive body to Gazprom Energoholding

Extraordinary Shareholders Meetings of Mosenergo and MOEK dedicated to transferring authority of sole executive body to Gazprom Energoholding are scheduled for May 20



Advantages of transferring authority to sole executive body

- ✓ Integration on part of Gazprom Energoholding Group expected by market
- ✓ Structural changes in companies of Gazprom Energoholding Group
- ✓ Higher corporate management efficiency, lower administration costs
- ✓ Centralization of operational management, implementation of single development strategy
- ✓ Single fundraising center

Key Priorities of Development/ Strategic Growth

Developing optimal structure
of production capacities

Furthering costs reduction
programs at parent companies

Smooth transition to upright-
integrated power energy
holding model

- CSA program completion
- Upgrading capital assets of generating companies
- Inefficient capacities decommissioning
- Non-core assets divestment
- Fuel efficiency and adequate load of facilities
- Operational and investment costs reduction
- Efficiency enhancement for Moscow heat supply system
- Acquisition of efficient power generating assets
- Participation in profitable projects on generating facilities construction in Russia and abroad
- Service activities development and outsourcing certain auxiliary activities