

Move into the Future with Natural Gas



Move into the Future with Natural Gas



Don't Waste Any Energy, Use It!



In terms of its principles, this maxim of the chemist and energy specialist Wilhelm Ostwald – Nobel laureate, well-known as co-founder of physical chemistry and through his extensive studies of electrical engineering in the present as well as his statements on the future – is neither antiquated, nor inconsistent with the interests of a modern energy supply company.

As seen clearly in the development of the past 100 years: it is not so much the shortage of energy which concerns humankind, but the adverse effects on the environment caused by constantly rising global energy consumption and the enormous increase in costs and prices for the individual consumers.

For these reasons, we favour the efficient utilisation of natural gas as an environmentally friendly source of energy, and we are convinced that the future looks bright for natural gas, also for the next 100 years.



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The year 2008 started off well for the GAZPROM Germania Group. The goals set for the first six months were achieved in full. Thus the dynamic economic development of the past few years is being continued, which did not just pave the way for the extension of the Group's business portfolio, but also for the initiation of new projects in further sectors along the value-added chain of the gas industry.

We regard ourselves as an integral part of the OAO GAZPROM Group, the largest natural gas company in the world. GAZPROM is not only the largest natural gas producer worldwide; it also owns the world's biggest natural gas reserves of any energy group. For many years now, OAO GAZPROM has been reliably and consistently supplying consumers with one-third of all pipeline gas which is sold by the company on the global market. Expertise and experience, as well as sound technical knowledge in all sectors of the gas industry are characteristic of the employees working for this important Russian Group. This also has a specific effect on the business activities of OAO GAZPROM's German subsidiary GAZPROM Germania GmbH.

Judging from both the 18 years of successful performance of the employees working for more than 35 consolidated companies in over 20 European and Central Asian countries and the results achieved in this period, one can rightly say that the GAZPROM Germania Group has become a high-performing, internationally operating gas industry company. The Group companies record revenues with high growth rates in natural gas trading. For many years now, Russian natural gas has been serving as our main as well as secure source of supply. Six years ago now, the foundations were laid for purchasing large quantities of natural gas from the Central Asian countries of Kazakhstan, Turkmenistan and Uzbekistan, and we see good prospects for the future in this respect.

With the initiation and the continuous extension of further business segments, GAZPROM Germania has made good progress towards becoming an integral part of the European energy market. Investments in exploration, production and storage of natural gas serve the purpose of providing sustained supply security and building further trust in our customers. Our participation in modern and efficient natural gas utilisation technologies and techniques clearly demonstrates the Group's commitment to the protection of the environment. To this end, we have entered into partnerships with German and international companies and institutions.

Energy Unites People

In the past, the company's strategic orientation was materially substantiated by investments to the amount of EUR 3.8 billion, of which around EUR 2 billion in Germany.

Our projects strengthen the vertical integration through the development and extension of our business activities along the value-added chain of the gas market. Continued internationalisation in the European and Central Asian business regions and increasing product extension due to the availability of additional sources of energy constitute the solid basis for a sustained business development.

Our current strength in the shareholding acquisition and gas trading business enables us to make investments in future-oriented reserve and infrastructure projects. We are currently planning investments of around EUR 2 billion, in this way reaffirming our contribution to supply European countries with energy. Thus GAZPROM Germania adds the function of asset manager to its business portfolio of a natural gas trading and holding company.

Through numerous and extensive sponsorship activities we maintain an intensive dialogue with the public and assume corporate social responsibility. By assuming this responsibility, we wish to clearly demonstrate that we enter into social commitments beyond the minimum statutory requirements. By doing this, we are building bridges between nations in the dialogue between Germany and Russia. Therefore, our corporate motto is "Energy unites people".

Germany has been supplied with Russian natural gas for 35 years now. Today, this share accounts for almost 40% of the total natural gas consumption. It will continue to rise in the future, even if other sources of supply are developed or gain in importance. We are confident that, also in the next few decades, Russian natural gas will be associated with the concepts of supply security and environmental friendliness for European consumers. For this purpose, we are prepared to assume strategic responsibility and to continue creating the necessary material pre-requisites.



Hans-Joachim Gornig

Managing Director



Natural gas will gain greater importance in future.

The Growing Role of Natural Gas on the Energy Market

Natural gas is an environmentally friendly, efficient and competitive source of energy

Natural gas and electricity have become essential for both daily life and industry. Society must therefore meet a major challenge in future as energy consumption will continue to increase rapidly. According to serious-minded predictions, it will at least double in the next 50 years. Meeting such high demand requires sustainable solutions and thus responsible action by all parties involved.

All primary fossil energy sources will have to be tapped in order to fulfil the growing energy demand. Today, the share of crude oil and natural gas in this respect amounts to worldwide approx. 60% and Europe-wide, to approx. 65%. This share will in fact decrease in future, however, the total consumption will continue to rise. Thus CO₂ emissions will also continue to grow. This results in the challenging task of increasingly utilising those energy sources in future which counteract this trend. One of them is natural gas.

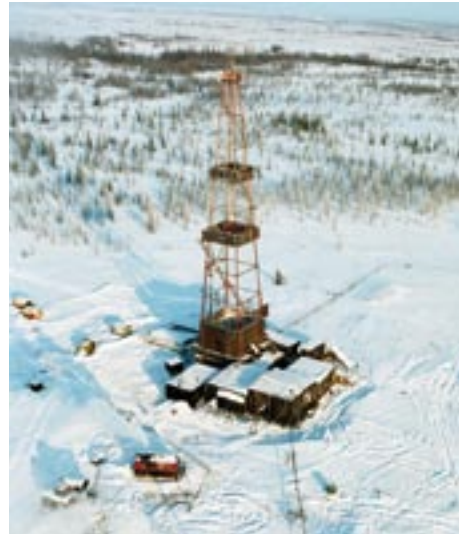
A convincing benefit of natural gas is the manifold, flexible possibilities for its utilisation in any field of business, such as trade and industry, agriculture, the municipal sector and the housing industry, as well as in the production process, the generation of electricity, heat and cold, air conditioning and as a fuel and raw material. Many innovative developments and technologies are associated with the utilisation of natural gas today. Energy saving goals and environmental friendliness can be achieved economically with this energy source. Ultimately, natural gas will be able to bridge the gap to hydrogen. Companies are thus capable of improving their results, enhancing product quality and strengthening competitiveness.



Natural gas on the
European energy
market

The following applies to the German and European energy markets alike: *Natural Gas is a safe, environmentally friendly and cost-effective source of energy.*

Primary energy consumption has not increased in Germany in the last ten years. During this period of time, it ranged between 490 and 500 million tons of hard coal units. Natural gas consumption increased by just under 10%, from around 920 TWh in 1997 to around 1,000 TWh in 2007. Simultaneously, the import price for natural gas tripled. In comparison, the prices for crude oil free German border quadrupled, with the price for coal to feed power plants increasing by approx. 50%. The production of natural gas in Germany showed a slightly decreasing trend in the last few years from around 17 Gm³ to 15 Gm³. Deliveries of foreign gas suppliers are the foundations of the German natural gas industry.



An increase in demand of approx. 30–50% is expected for the European natural gas market by 2030. This will be associated with a decrease in own production as a result of resource depletion as witnessed, for example, in the Netherlands and the UK and growing imports from regions outside Europe. This development requires increased long-term delivery and purchase security in future, as partly already existing today between major European gas companies and important gas producers, e.g. from Russia. Structural changes in the utilisation of natural gas and in purchasing behaviour necessitate attaching greater importance to issues of storage and constructing corresponding technical facilities in both the main countries of utilisation as well as in transit countries.

Practice has shown: the energy industry is no longer a purely national undertaking. The major challenges of providing supply security and guaranteeing climatic protection whilst considering the economical aspects require global solutions and a high degree of competitiveness. As far as Europe is concerned, the strategy of the parties involved must also be oriented on a European level. The companies of the gas industry are demonstrating good approaches in this respect.

In addition to the increasing imports from Russia, new sources of supply will gain in importance for the consumers in Europe in future. As far as reasonable distances are concerned, the Middle East and Western Africa are preferred regions in this respect. More Central Asian gas than in the past will find its way to Europe. New transport routes are already being planned and prepared. Liquefied natural gas will assume greater importance than in the past also in other European countries. An increasing number of LNG receiving and regasification terminals is expected to be built at the marginal seas of Europe.



However, the aggregate of new suppliers alone will not be able to fully satisfy the market growth forecast. Only close and friendly relations between Russia and Europe, based on a historically-developed co-operation and in consideration of the interests of both parties, will enable them to meet the challenges of the 21st century.



“Russia is and remains an important partner and European neighbour with whom we are connected ... through strategically oriented co-operation.”

Frank-Walter Steinmeier – Federal Foreign Minister

Russian Natural Gas Is a Guarantee for Supply Security in Europe

Russia's strategic importance in the energy supply of European countries

Today, Russian natural gas covers more than 25% of the European market. Over 150 Gm³ are currently supplied each year via large transmission pipelines primarily from Western Siberia to 22 countries in Western and Central Europe. This is approximately as much as the other three main exporters Norway, the Netherlands and Algeria together supply to European countries.

More than 40 years ago, Russia started supplying natural gas for utilisation by the energy sector of European countries outside the former Soviet Union, first to Poland and later to the Czech Republic and to Austria. In the mid-70s, Russia commenced its supplies also to Germany, Italy and France, the countries which are still regarded as the main consumers today. Since then, the deliveries have been made on a contractual basis according to time and quantities. This is all the more important as a host of European countries are highly dependent on gas imports, such as Germany, Italy and Poland with around 90%, France and Turkey with almost 100%. The past 40 years have shown: the Russian supplier has always fulfilled its obligations. Therefore, joint projects between producers and consumers will continue to reduce risks and guarantee supply security.

The monopoly for the exports of Russian natural gas is held by the worldwide largest natural gas company, OAO GAZPROM. In February 2008, the company celebrated its 15-year jubilee in the current structure as a joint stock company. During this period of time, the exports to Western and Central Europe were increased by 50%. At the time, there were a dozen purchasing countries; today there are almost twice this number in this region. Future-oriented investments in such projects as the Nord Stream and South Stream pipelines as well as long-term contracts running until 2035 guarantee the stability and security of Russian natural gas deliveries also in the next few decades.



The importance of
the OAO GAZPROM
Group, Moscow –
national and inter-
national aspects

In the past 15 years, OAO GAZPROM has been transformed into a modern energy Group. The main sector – the natural gas industry – is associated with such terms as the world's biggest natural gas producer with 550 Gm³ per annum, operator of a giant natural gas transportation network of more than 150,000 km transmission pipelines, availability of underground natural gas storage facilities with more than three times as much working gas volumes than in Germany. Of key importance are the company's recoverable natural gas reserves of almost 30 Tm³, which enable it to embark on long-term strategies and offer international partners corresponding security for further decades.

OAO GAZPROM has entered into strategic partnerships with a host of important international energy groups. They extend beyond the natural gas sector, since the Group also offers attractive opportunities for co-operation in both the crude oil industry and the power plant sector. This co-operation is aimed at constantly improving the company's efficiency through modern management, innovative technological and technical solutions and meeting the requirements of environmental protection to a growing extent.



The main orientation of the Russian Gas Group to Europe in the past and in the future is unmistakable: huge investments with European partners characterise the Group's business portfolio. In the past, it was the discovery of giant natural gas fields in Siberia and the transportation of natural gas up to the Western border of the former USSR. In the 1990s, great attention was paid to participations in Germany and the construction of the YAMAL pipeline up to the Polish-German border. In December 2007, BASF AG and OAO GAZPROM officially put the Russian natural gas deposit Yuzhno Russkoe into operation. The natural gas field comprising reserves of 600 Gm³ means a higher degree of supply security for Germany and Europe.



In the next few years, the focus will be placed on the Nord Stream and South Stream pipelines which are worth billions of Euros and lead directly into the centres of European natural gas consumption. Each of these investments must be understood as a guarantee for long-term commitment. Europe can and must take advantage of this global competitive edge in future.

GAZPROM Germania is committed to these goals and actively supports the growth strategy of the parent company by developing infrastructure projects in Europe.



GAZPROM Germania is a strong and reliable partner on the European energy market.

The GAZPROM Germania Group

The strategic orientation of the GAZPROM Germania Group

ZGG GmbH, renamed GAZPROM Germania GmbH, originally founded as a holding company of the Germany-based Joint Ventures, has developed into a gas trading and servicing group in the 18 years of its existence and is on a path of dynamic growth. As shareholder of a host of trading and servicing companies, the GAZPROM Germania Group represents the interests of the Group parent company OAO GAZPROM in the member states of the European Union. With its international orientation, extending beyond Germany, the company contributes to the strategy of OAO GAZPROM to consolidate and expand its function as a globally operating, leading energy company.



By order of the Group parent company, the GAZPROM Germania Group, during the period of its existence, has entered into strategic participations in major companies active in the gas industry sector or has founded important Joint Ventures with these companies. These include:

- WINGAS GmbH & Co. KG, Wintershall Erdgas Handelshaus GmbH & Co. KG and Wintershall Erdgas Handelshaus Zug AG, which have been managed jointly with Wintershall Holding AG since their year of foundation,
- since the early 1990s, participation in the largest East German gas transmission company Verbundnetz Gas AG,
- since the beginning of the new millennium, participations in and Joint Ventures with the Centrex Group, an international energy company with experience in the upstream, midstream and downstream sectors of the natural gas industry,
- since 2006, participation in the second biggest Russian natural gas producer OAO NOVATEK.

Economic Development

Sales, revenue,
operating results
of the Group

The development of both the Group and its major subsidiaries and Joint Ventures has taken a very positive course in the past few years.

The sales revenues achieved two-digit growth rates in the past few years. In 2007 they amounted to EUR 7.5 billion.

The most important material product, the sale of natural gas, developed alike. The sale of 465 TWh which was realised in 2007 means, in terms of sales volumes, the second rank among the natural gas companies in Germany.

The result after taxes also increased even though not as strongly as in the previous years. Profit of around EUR 420 million in 2007 is a result that allows further sustained investments in the long-term.

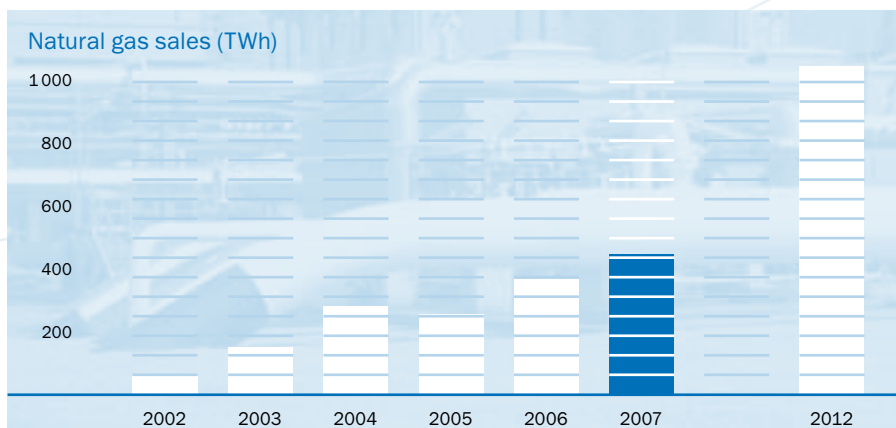
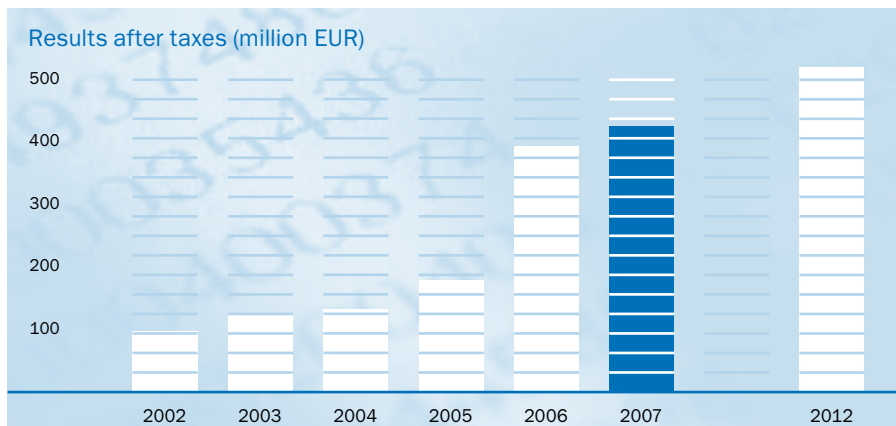
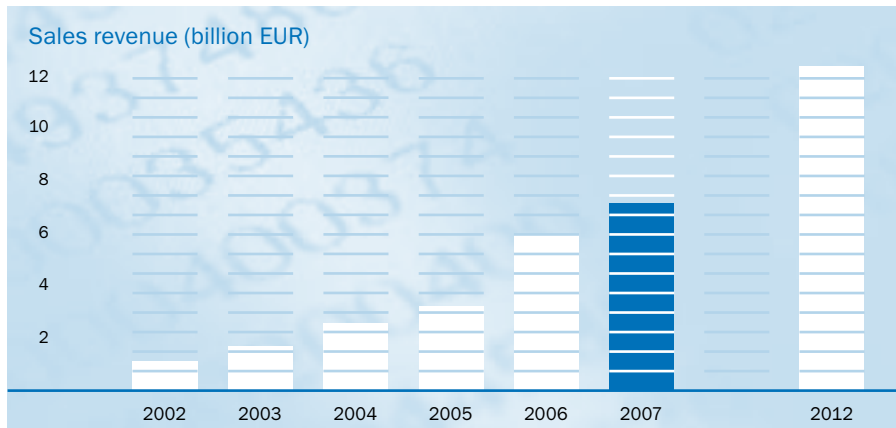
For the medium and long-term future, the company has set itself an ambitious growth objective, which it advances through the active extension of its project activities. For this purpose, its own investment volume is around EUR 2 billion. In consideration of the infrastructure expansion of major participations, this amount is increased to approx. EUR 3.5 billion.

The anticipated operating results will increase the sales proceeds to over EUR 10 billion. During this period of time, the profit is to increase to over EUR 500 million.

Human resources

The generated financial success is closely linked to the commitment of our employees. Our constant growth is secured through specific measures to achieve a well-balanced ratio of new employees and employees with specific professional expertise. Around 250 employees were working in the Group on average in 2007, thereof 120 at the head office in Berlin. The existing co-operation with higher education institutions and universities will be continued and extended in order to win young professionals with an academic background in the technical and commercial field. The company offers young professionals numerous opportunities to gain specific professional expertise.

Financial Results (consolidated) of the GAZPROM Germania Group



Important Subsidiaries and Joint Ventures

The subsidiaries and Joint Ventures manage the operational business based on the strategy as stipulated by GAZPROM Germania GmbH. Within this framework, they are independent in their entrepreneurial decisions. The holding supports their business activities through investment and communicative measures.

Subsidiaries

The 100% subsidiaries were able to extend their positions in their specific markets in the last few years.

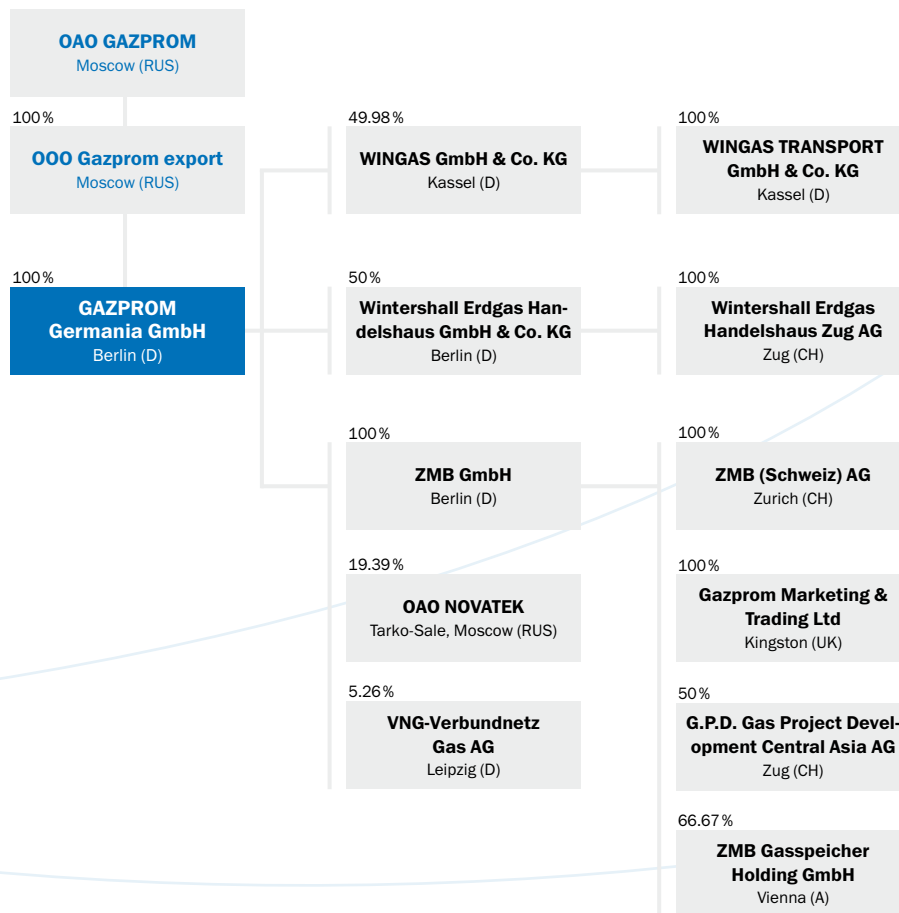
ZMB GmbH ZMB GmbH is the oldest and most important subsidiary of GAZPROM Germania GmbH. The company was founded in 1993 and has gradually embarked on the natural gas trading business. Total sales in 2007 amounted to 164 TWh. ZMB GmbH primarily purchases natural gas from Russia and Central Asian countries. The gas is sold to countries in Eastern Europe and in the CIS. For the first time in 2007, ZMB sold natural gas also in one of its supply countries, Kazakhstan.

After 10 years of very successful trading activities, increasing attention was paid to other sectors along the value-added chain. This relates in particular to upstream activities to expand own reserves, as well as to projects in the midstream and downstream sectors, such as constructing gas storage facilities and power plants. To this end, ZMB GmbH has entered into several participations.



ZMB (Schweiz) AG The natural gas trading company which has been carrying out business under the corporate name ZMB (Schweiz) AG since 2003 has experienced a quick and results-oriented development. The company's core purchase market is the Central Asian region which is rich in natural gas and crude oil. Large quantities are partly purchased from the GAZPROM Germania Group's own production sites in Uzbekistan. With approx. 93 TWh of total sales in 2007, the company contributed to a very positive Group result.

Gazprom Marketing & Trading Ltd Gazprom Marketing & Trading Ltd (GM&T), which was founded in the UK in 1999, focuses its activities on the liberalised UK natural gas market, however, also continues its growth strategy in other countries in North Western Europe. Natural gas sales in 2007 to the amount of 171 TWh means that the volume compared with the previous year has doubled. The entry of GM&T in the end customer market and the founding of several subsidiaries in other countries are of great significance in this respect.



Since 2005, GM&T has also been selling liquefied natural gas (LNG). Sources of supply are traditional countries like Malaysia, Trinidad and Algeria. LNG was primarily delivered to purchasers overseas, among others to the USA, Japan and South Korea.

Within the framework of the extension of the company's business portfolio, energy trading was successfully started in the gas and electricity sectors at several trading hubs in the UK, Belgium, France, the Netherlands and Germany.

[Joint Ventures with Wintershall Holding AG](#)

With the founding of Joint Ventures by GAZPROM and Wintershall in 1990 and the putting into operation of sections of the WINGAS pipeline system, gas-to-gas competition was started in Germany from 1993. The companies have established themselves on the German gas market. With regard to the results achieved, they are a significant factor within the GAZPROM Germania Group.



WINGAS GmbH & Co. KG The WINGAS GmbH & Co. KG gas pipeline network today comprises over 2,000 km. The high supply security is guaranteed not only by stable and contractually agreed long-term natural gas deliveries from Russia, but also by diversified natural gas purchases and the capacities stored in Western Europe's largest underground natural gas storage facility in Rehden with 4.2 Gm³ of working gas. In 2007, the natural gas sales amounted to 250 TWh. Consumers are utilities, gas transmission companies, industrial and power plants. The increase in the share capital of WINGAS from 35% to 49.98% in 2007 further strengthened the position of GAZPROM Germania in this strategic connection.

WIEH GmbH & Co. KG The sales of Wintershall Erdgas Handelshaus GmbH & Co. KG have been stable for many years ranging between 140 and 150 TWh, in 2007 it was 140 TWh. Russian natural gas is primarily purchased from the parent company OOO Gazprom export and sold to the gas transmission companies WINGAS GmbH & Co. KG and Verbundnetz Gas AG (main customers).

Gas sales of the WIEH subsidiary Wintershall Erdgas Handelshaus Zug AG to the amount of 47 TWh in 2007 show consistency and reliability towards consumers in Romania and Bulgaria.



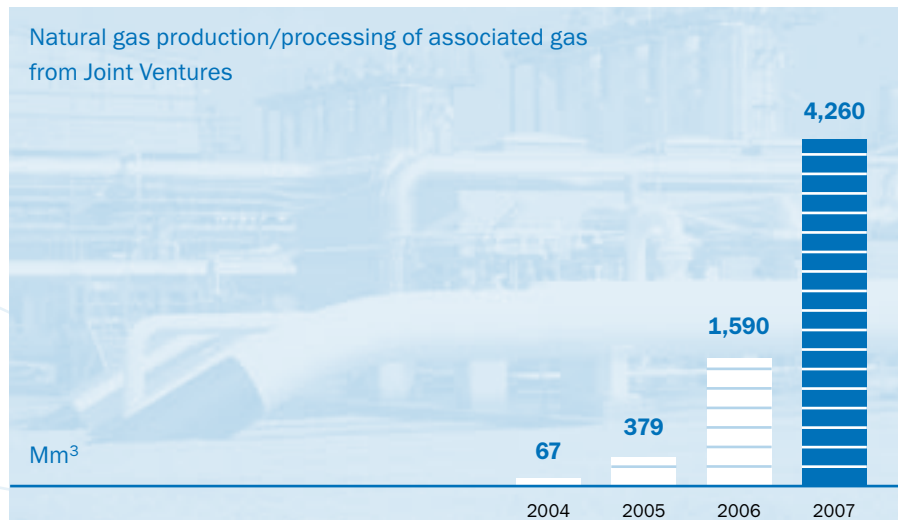
Joint Ventures with Centrex Europe Energy & Gas AG

After ten years of successful gas trading, ZMB GmbH embarked on a qualitatively new path as investor in gas production and storage facilities. In this context, participations were entered into with the worldwide operating energy company Centrex Europe Energy & Gas AG by taking advantage of the company's experience gained in the corresponding sectors of the gas industry.

ZMB Gasspeicher Holding GmbH Participations are held in storage projects overseas through ZMB Gasspeicher Holding GmbH which was founded in 2005, in which ZMB GmbH holds 66.7%.

G.P.D. Gas Project Development Central Asia AG For the purpose of producing and processing natural gas or associated gas and securing natural gas reserves, ZMB GmbH as early as in 2003 acquired a 50% participation in G.P.D. Gas Project Development Central Asia AG. With access to currently 40% of the gas reserves of the natural gas production company GISSARNEFTGAZ (Uzbekistan), GAZPROM Germania strengthened its position in Central Asia.

Both the production of natural gas and the processing of associated gas were commenced immediately after acquiring the shareholding and developed very quickly to the desired production level.



Regional Focuses of Business

More than 35 companies of the Group are active in over 20 countries in Europe and Central Asia today. The trading business is also conducted in other regions through subsidiaries, thus e. g. in the USA and Japan.



- | | | |
|-------------------|------------------|-----------------|
| 1 Great Britain | 9 Czech Republic | 17 Russia |
| 2 France | 10 Slovakia | 18 Georgia |
| 3 Belgium | 11 Hungary | 19 Armenia |
| 4 The Netherlands | 12 Romania | 20 Azerbaijan |
| 5 Switzerland | 13 Bulgaria | 21 Turkmenistan |
| 6 Germany | 14 Ukraine | 22 Kazakhstan |
| 7 Austria | 15 Moldova | 23 Uzbekistan |
| 8 Italy | 16 Turkey | |

Natural Gas Production

The natural gas production activities of the GAZPROM Germania Group are currently focussed on Uzbekistan. Natural gas is produced and associated gas processed, transported and sold in three Uzbek regions. Further exploration and discovery are currently being prepared and implemented.

Natural Gas Purchase Markets of Russia and Central Asia

The most important supply countries for pipeline gas which is sold by the GAZPROM Germania Group are Russia, Uzbekistan, Kazakhstan and Turkmenistan. Natural gas of Western European origin also adds to the supply quantities. In 2007, natural gas was purchased primarily in the three countries which were mentioned first. The Central Asian natural gas reserves exceed the proven reserves in Western Europe and are easily accessible for GAZPROM Germania in terms of logistics.



Natural Gas Sales Markets in Western, Central and Eastern Europe

Natural gas sales vary considerably depending on the region. The main sales territory of the Joint Ventures managed together with Wintershall, is Germany. As regards the other Western European countries, the subsidiaries of GAZPROM Germania GmbH sell natural gas to the UK, Belgium, the Netherlands and France. As regards the Central and



South Eastern European countries, the gas is supplied to the Czech Republic, Bulgaria and Romania. In Eastern Europe the Caucasus Republics are, in particular, supplied with natural gas. Natural gas was also sold in one of the Central Asian countries, Kazakhstan, for the first time in 2007.

The first deliveries of natural gas to Turkish consumers are currently being prepared. Bosphorus Gaz Corporation A.S., Istanbul, in which ZMB GmbH holds shares, was granted an import licence for 750 Mm³ per annum in 2007. Entrance into the markets of further European countries at the import and wholesale level is currently also being prepared.

Natural Gas Storage Facilities in the Centres of Natural Gas Consumption

The Group's ten gas storage projects and the corresponding investments are focussed on the centres of natural gas consumption in Western Europe. The projects currently relate to storage structures in Germany, Austria and Great Britain. In these structures, gas storage facilities have partly been put into operation already or are in the investment phase. Further structures are being explored. In addition, similar projects in South Eastern European countries aimed at supporting further trading activities are currently being prepared.



Social Commitment

Basic Aims of the Sponsorship Activities

The sponsorship activities of GAZPROM Germania have become an essential element and integral part of our corporate philosophy. As a German-based company with Russian roots and European orientation, GAZPROM Germania has been actively promoting the intercultural dialogue between Russia and Germany for many years. A new quality was achieved in 2007. Significant funds are being made available for projects in the fields of health/social welfare, art/culture, youth/education and sport. The financial support is provided for both individuals and organisations. It is oriented to the long-term in order to achieve a lasting effect on the public.



The current volume of project support became possible through the development of the GAZPROM Germania Group into a worldwide high-performing gas industry company.

The company's sponsorship activities are aimed at assuming a level of social responsibility corresponding with our economic development. Particularly as an energy supplier, the company bears considerable responsibility for business and society as this branch of industry could seriously affect the economic, ecological and social processes in various ways.

Areas of Sponsorship

It is our intended goal to serve as a link between Germany and Russia in various areas. Our activities are aimed at promoting performance and creativity, conveying a realistic image of Russia, helping people in need and particularly supporting young people in many different ways. To this end, we have set ourselves long-term goals.



Health care and social welfare

The company's social commitment in this sector particularly should have a lasting effect. It is our aim to help needy people, in particular children and old people, who suffer from serious health problems or who are in dire economic conditions.

Institutions which treat disabled Russian children, such as the Foundation "Rehabilitation of the Child" in St. Petersburg have been supported for many years and will continue to be supported. Female Russian pensioners were granted financial support. We participate in campaigns for the young homeless in Russia. The treatment of seriously ill foreigners in German medical facilities was made possible.

In the longer term – as a new project from 2007 – we intend to support medical facilities for cancer research in Germany. Research tasks are to be realised with the HAROW study, conducted by the Foundation for Men's Health, the results of which will be applied in routine medical care as a treatment method.



Arts and culture

We are primarily supporting artists and other cultural workers from Russia and their performances and presentations in Germany. We regard these sponsorship activities in this sector as an element which is worthy of promotion, as it unites people beyond language barriers, serves to improve the understanding between nations and has a long-lasting, enduring effect.



Exhibitions of works by contemporary painters from Russia, Germany and other countries have become a constant element of our sponsorship activities.

Annual performances of Russian ensembles – ballet, opera, concerts, choirs – have become a tradition – often together with our strategic partner, Wintershall Holding AG. We sponsor performances of both upcoming young artists and internationally well-known ensembles and soloists.

Youth and education

Our participation in the education sector is characterised by a large variety of measures. We pay special attention to children and youth. Here too funds are primarily used for German and Russian or joint projects, however, also e.g. in Sri Lanka. The supported facilities range from kindergardens and schools to universities such as Leipzig University as well as the Bergakademie Freiberg.

Another focus from 2007 on will be our contribution to the Foundation of the ESMT, European Business School of Management and Technology, in Berlin. We are taking advantage of this opportunity to acquaint the students with Eastern European structures and concerns and, in particular, to project the image of the Russian GAZPROM Group in the environment of top German companies in order to strengthen the pan-European orientation of this first-class education facility.



Sport GAZPROM Germania attaches great importance to sponsorship activities in the field of sports. By taking advantage of the phenomenon of sport which is to generate the enthusiasm of people and overcome barriers we wish to give people insights into Russia and the daily life of its people and into the activities of the world's largest gas industry company, OAO GAZPROM.

The motto applicable to art and culture also applies to our sport sponsorship activities: it is our intended goal to promote the performance of both top sportsmen and sportswomen, and, at the same time, of upcoming sportsmen and sportswomen. Our sponsorship activities relate in particular to football, as well as to other types of sport such as ski jumping, ice hockey and volleyball. By promoting children's projects we simultaneously support social concerns such as the prevention of violence.

Since 2007, the focus of our sport sponsorship activities has been on football, with one of the top clubs of the German Bundesliga, FC Schalke 04. We want to utilise the co-operation with Schalke to acquaint people with GAZPROM and the Russian way of life.





*By extending its business portfolio,
GAZPROM Germania supports the strategic
orientation of its parent company.*

Business Portfolio of the GAZPROM Germania Group

The GAZPROM Germania Group is active in the upstream, mid-stream and downstream sectors of the natural gas industry

The GAZPROM Germania Group operates in almost all sectors along the value-added chain of the natural gas industry. Its core business relates to natural gas trading, production and storage. Thus, in the year 2007 alone, investments to the amount of over EUR 700 million were made in Western and Eastern European as well as Central Asian markets to guarantee European supply security.



Exploration of Natural Gas

Paving the way for long-term supply security

The year 2007 has so far been the most extensive for our upstream activities. The target-oriented exploration and production in the North Sea region and in particular in Central Asia continued. The GAZPROM Germania Group thus acquires rights to reserves and the production of natural gas.

Exploration work was started on two blocks in the British sector of the North Sea. Drilling work began on the *Dimple* structure. The commercial recoverability of proven reserves was established on the *Emerald* license block. A commercial gas flow was also proven on the British onshore *Saltfleetby* structure.

The geological exploration of a prospect area in the *Gissar* region of Uzbekistan was commenced. Seismic exploration work, the discovery of deposits and the construction of gas pipelines are planned. Probable reserves are estimated at 100 Gm³.

Securities for
current supply
obligations

Production of Natural Gas

Natural gas from own production sites serves not only to reduce a probable dependency on reserves, but in the course of the global development of natural gas prices on the basis of crude oil prices also partial natural price protection and thus could mean better financial results for the company.

The first natural gas production project referred to the Uzbekistan-based *Shakhpakhty* deposit. Within the framework of a Production Sharing Agreement, the Group has participated in the final exploitation of this deposit with residual reserves to the amount of around 3.8 Gm³ since 2004. The 2007 production rate amounted to 330 Mm³. Production will extend over a total of 12 years.

The second natural gas production project with participation of the GAZPROM Germania Group started in 2007. Natural gas is produced from several deposits in the *Gissar* region mentioned above. Extensive pipeline construction and workover of old wells were carried out in preparation of production. Drilling of new production wells was commenced. In 2007 natural gas production amounted to 1.6 Gm³, in 2008 around 5 Gm³ are planned to be produced.

Reduction in
environmental
pollution

Processing of Associated Gas

With a share of 25%, the GAZPROM Germania Group has participated in an associated gas processing plant on the largest crude oil deposit in Uzbekistan *Kokdumalak* through its Joint Venture G.P.D. since 2005. By utilising flare gas, emissions into the atmosphere can be reduced. In 2006, around 1.4 Gm³ and in 2007 almost 4 Gm³ were thus processed. The bulk of the processed gas is exported, while part of it is re-injected into the deposit in order to increase the crude oil exploitation rate.



Commitment in an important segment of the natural gas industry; INTERCONNECTOR Zeebrugge–Bacton

Sale of Transportation Capacities

With the commissioning of the *INTERCONNECTOR* in 1998 and particularly since the expansion in the Reverse Flow which has been effective since 2005, this strategically important pipeline between Belgium and the UK has a substantial influence on the gas markets between the European mainland and the UK. ZMB GmbH jointly sells the 10% share of OAO GAZPROM in this important undersea gas pipeline together with its subsidiary Gazprom Marketing & Trading. Primarily natural gas of Russian and Central Asian origin is sold via this pipeline.



Development of an important service area of the natural gas industry which is gaining increasing importance

Natural Gas Storage

The constantly growing natural gas consumption in Europe requires measures for increased supply security. Together with other European gas industry companies, GAZPROM Germania is participating in the construction of underground gas storage facilities in order to cover seasonal variations and peak demand periods.

The GAZPROM Germania Group is currently investing in gas storage projects in Germany, Austria and the UK. It is intended to acquire a participation in the construction of a cavern storage facility in Turkey.

In *Germany* the gas storage projects are primarily related to the construction of the Nord Stream pipeline, the first section of which should be completed in 2010 and will have its landing point on the Baltic Sea coast near Greifswald. For this purpose, the geological structure at the *Hinrichshagen* location will be investigated for suitability to serve as a base load storage facility with a probable working gas capacity of 5 Gm³. Similar investigation rights have also been secured for the *Schweinrich* structure. A further project is the *Etzel* cavern storage facility near Wilhelmshaven, where work was started in 2007. Upon completion in 2010, consumers will have access to a peak load capacity of 160 Mm³ of natural gas.

The Group acquired a shareholding of the *Haidach* storage facility in *Austria*. The first stage was put into operation in 2007. After its completion, the storage facility will be the second largest natural gas storage facility in Western Europe with a working gas capacity of 2.4 Gm³.

In the *UK* the GAZPROM Germania Group is investing in the project of the combined base and peak load storage facility of *Saltfleetby*. A storage capacity of 750 Mm³ should be created here on the formerly largest British onshore natural gas field.

Participation in the construction of a cavern storage facility with an initial working gas volume of approx. 400 Mm³ is currently being prepared in *Turkey*.

Natural Gas Trading – the Core Business of the GAZPROM Germania Group

Natural gas trading was, is and remains our core business

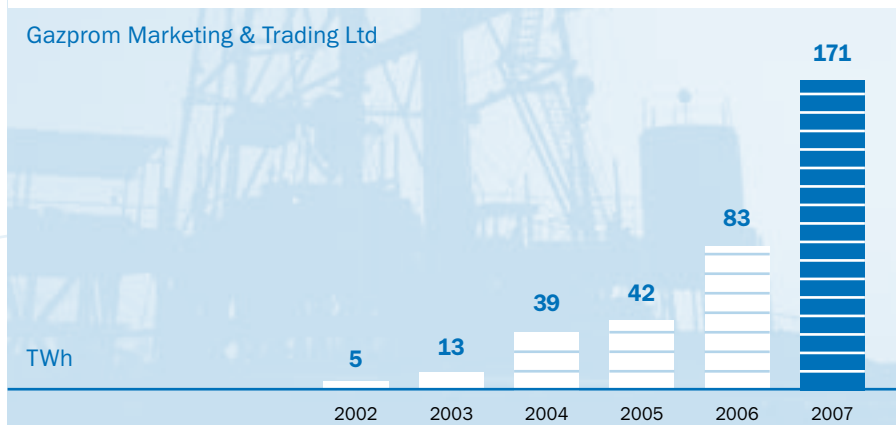
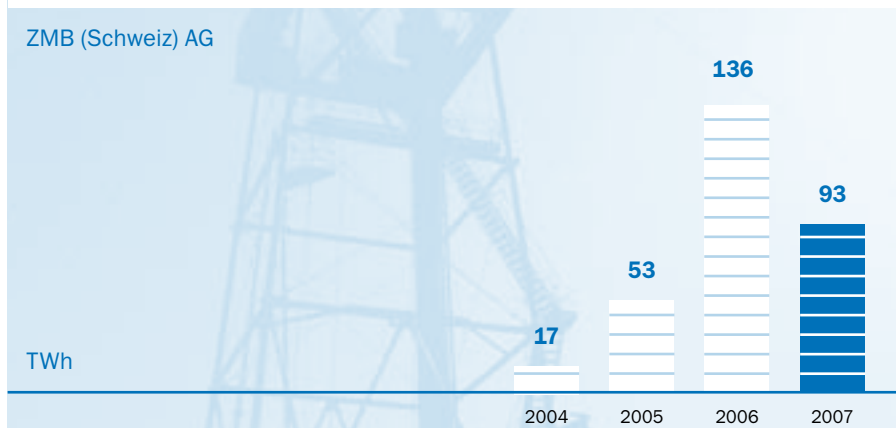
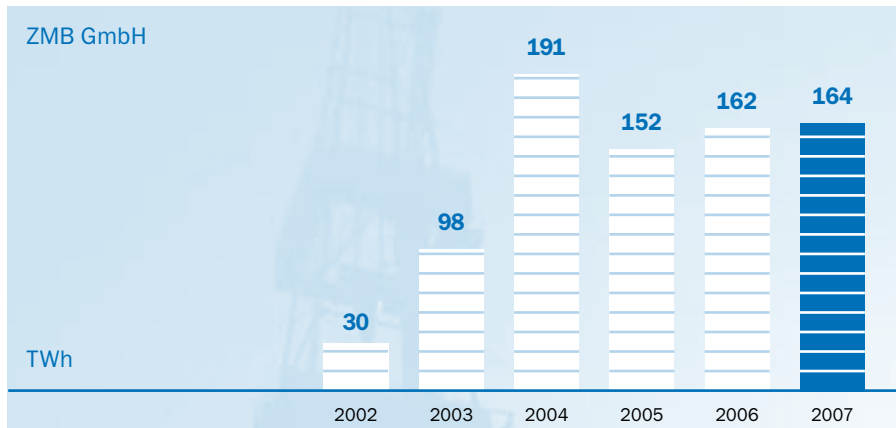
The Group's business was characterised by natural gas trading from the very beginning of its existence, initially through the Joint Ventures with Wintershall, in the first few years also to a lesser extent through ZMB GmbH directly. The natural gas was purchased exclusively from Russia in the first few years.

With the founding of the subsidiary Gazprom Marketing & Trading in the UK, the gas trading business was first extended to the UK, later to other countries in Western Europe, and has developed respectively in two-digit figures in the last few years.

The exploration and development of gas reserves in Central Asian countries also opened up new sales markets, in particular in Eastern Europe. In this context, natural gas sales of ZMB GmbH and its subsidiary ZMB (Schweiz) AG increased substantially.



Natural Gas Sales of the GAZPROM Germania Subsidiaries



The importance of LNG will increase in international gas trading

Liquefied Natural Gas (LNG)

Since 2005, the ZMB subsidiary Gazprom Marketing & Trading Ltd has been trading with liquefied natural gas (LNG). These were the first international activities of the GAZPROM Group in this sector. Thus the Group is following a growing worldwide trend. Both the purchase countries such as the USA, Mexico, the UK, France, Japan and South Korea as well as the supply countries Egypt, Trinidad, Algeria, Malaysia and Oman are highly diversified in terms of regions. Transactions were also entered into with LNG Cargoes in 2007.



Power Plant/Electricity Sector

Entry of GAZPROM Germania into the electricity sector

The GAZPROM Germania Group is intensively verifying opportunities of participating in the construction and operation of gas-fired power plants in Europe. In view of both growing sensitivity and criticism of consumers about emission-sensitive coal power plants and the withdrawal from the nuclear energy programme in Germany, natural gas can contribute to environmentally friendly methods of energy generation.

With the signing of a Memorandum of Understanding for the construction of an 800 MW gas and steam turbine power plant in Eisenhüttenstadt in 2007, the Group opened up a new business field by launching a special project. A further power plant project is in the preparatory stage in Lubmin, at the landing point of the Nord Stream gas pipeline. The GAZPROM Germania Group is also taking advantage of the experience and participation of national and international energy companies. These projects are currently being prepared.



Furthermore, numerous sites are being investigated for their suitability to construct a power plant on them. This also includes sites in Southern and Eastern Europe.

Electricity trading was started in Germany and France in 2007 by Gazprom Marketing & Trading.

Natural Gas as a Fuel

Contribution to
reducing environ-
mental pollution

GAZPROM Germania is prepared to meet the challenges of environmental policies by initiating and participating in special projects related to the utilisation of natural gas as a fuel.

Through the participation in *erdgas mobil GmbH & Co. KG* and in the initiative committee of Berlin-Brandenburg "Das Erdgasfahrzeug" e.V. (Natural Gas Vehicle Association), GAZPROM Germania actively works throughout Germany and in the region for an increasing market acceptance of the environmentally friendly and reasonably priced fuel natural gas.

At Berlin Tegel Airport, a natural gas filling station was put into operation. Valuable expertise has been gained in this respect since December 2005.

The company's employees are currently doing development work regarding the use of natural gas in refitting and retrofitting both new and used vehicles. At the current stage, special experience should be gained in these fields.





GAZPROM Germania is prepared to continue to meet the 21st-century challenges in the energy sector.

Outlook

The GAZPROM Germania Group continues to present itself as a strong and reliable partner on the European energy market

The GAZPROM Germania Group proved its positive development, which has been continuing for many years, also in the first quarter of 2008. This relates to all three important key figures – natural gas sales, net sales revenues and results after taxes. Two-digit growth rates were recorded here compared with the previous year. It is expected that this trend will continue on the basis of old as well as new strengths and will continue in the future.



Sustainable growth in the natural gas trading and participation business will be continued and expanded continuously through the intensive use of existing supply relations and the exploration of new sales regions in Europe as well as in Central Asia.

As regards the exploration and production of natural gas, own reserves are to be sustainably increased. In addition to the exploration of prospective geological structures in the region of the North Sea, this refers in particular to the discovery of new reserves jointly with local partners in Central Asia.

The increase of own underground storage capacities contributes to the timely provision of growing quantities of natural gas. GAZPROM Germania supports the parent company to guarantee a continuous and uninterrupted supply of natural gas.

Parallel to the further strengthening of the efficiency of the Group, social responsibility and our varied cultural and social commitment will also characterise the management of the company. In future, the focus will also be placed on the orientation to our entrepreneurial Russian roots. Sport and health, education and culture provide sufficient opportunities in this respect.

The good profit expectations also for the years to come enable us to make investments of several billion Euros in the next few years. They should further strengthen the stability and economic power of the company and contribute to supply security for the European market.

Consolidation and extension of existing markets

One of the main goals of the Group's further business activities are the consolidation and expansion of the existing sales markets in Western, Central and Eastern Europe. A well-balanced mixture of long-term contracts and short-term purchases and sales create the pre-requisites to achieve this goal and contribute to a continuously successful economic development of the respective companies.



The business fields of the subsidiary Gazprom Marketing & Trading are currently developing very dynamically. The Western European market, in particular the British gas industry, including the natural gas consumers, will profit from this development.

New target regions and projects in the upstream, midstream and downstream sectors of the natural gas industry and in the electricity business

The GAZPROM Germania Group is planning to embark on new target regions and projects in the next few years.

As regards Germany this, through our participation in WINGAS, relates to such important projects as the natural gas pipelines NEL and OPAL branching off from the Nord Stream pipeline to further transport the Russian natural gas into the focus regions of Western and Central Europe. This will also involve an extensive storage facilities construction programme in North Germany.

With the commencement of the first natural gas imports in Turkey, exploration of possible investments along the value-added chain will be intensified. This comprises both the planned construction of storage facilities and the examination of opportunities to launch projects in the electricity sector. This will strengthen the Group's position in this market.



Entry into the Italian gas market, above all in North and Central Italy, is to be achieved through a joint performance with companies of the Centrex Group and the formation of a Joint Venture with Italian partners.

Further exploration and production projects will be initiated in Central Asia. They will enable direct access to reserves and allow an extension of the company's business portfolio.



The tasks on the power plant sector will take on greater dimensions. The increased interest in gas power plants opens up new opportunities for the acquisition of further shareholdings. The envisaged construction of gas and steam turbine power plants (CCPP) in Germany by GAZPROM will also be associated with new and extended tasks for the GAZPROM Germania Group. From this point of view, the endeavours to develop electricity-generating capacities on the European sales market must be regarded as a new business segment.

The Group will continue to develop further new market segments. This relates to both trading with electrical energy and CO₂ certificates.

The GAZPROM Germania Group feels duty bound to the strategic goals of OAO GAZPROM as the world's largest natural gas company and the leading energy group worldwide and supports this development through the consistent extension of its business fields. The growth targets and investment projects add to the company's business activity as a natural gas trader the function of asset manager for OAO GAZPROM in Europe and Central Asia.



The Group is well positioned to continue its successful business development in a challenging competitive environment also in future. The extension and construction of new industrial plants and infrastructure are a commitment to the German and other European partners and take into account their joint desire for growing integration and a reliable energy supply.



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