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Chapter 1
Gazprom – Joint Stock Company

Total number of Gazprom Group personnel:
459.6 thousand people

State-controlled stake:
over 50% of the shares

Dividends for 2014
(as recommended):
RUB 7.2 per share

What is Gazprom?
Open Joint Stock Company (OAO) Gazprom is a global energy company focused on natural gas, gas condensate and oil exploration, production, transportation, storage, processing and marketing (including gas marketing as a vehicle fuel) as well as thermal and electric power generation and sales.

OAO Gazprom is the successor of the proprietary rights and obligations of State Gas Concern Gazprom, including its rights to use land, subsurface reserves, natural resources as well as rights and commitments under the agreements concluded by the Concern.
Gazprom in Questions and Answers

Gazprom holds the world’s richest natural gas reserves. Its share in the global and Russian gas reserves totals 17% and 72% respectively. Gazprom owns the world’s largest network of gas trunklines (170.7 thousand km long), most of which are tied together into the Unified Gas Supply System (UGSS) of Russia.

In accordance with the Russian Federation President’s Decree of November 5, 1992 the Company is vested with the obligations as follows:

- providing reliable gas supply to consumers in the Russian Federation;
- exporting gas under interstate and intergovernmental agreements;
- pursuing an integrated sci-tech and investment policy with regard to the UGSS upgrade and development;
- building and financing high pressure gas branches in order to gasify rural areas;
- exercising control over the UGSS;
- providing other producers with access to the national gas transmission system.

When was OAO Gazprom founded?
On February 17, 1993 State Gas Concern Gazprom was transformed into Russian Joint Stock Company (RAO) Gazprom pursuant to the Russian Federation Government’s Directive in compliance with the Russian Federation President’s Decree of November 5, 1992. RAO Gazprom was reincorporated into an open joint stock company in 1998.

What companies is Gazprom Group comprised of?
As a vertically integrated energy business, Gazprom Group is comprised of the parent company – OAO Gazprom – and its specialized subsidiaries engaged in gas, oil and other hydrocarbons production, transportation, processing and marketing, underground gas storage, thermal and electric power generation and sales as well as other activities including pipeline system monitoring, equipment supply and repairs, R&D and information processing.

How many people are employed by Gazprom Group?
As of late December 2014 the total number of Gazprom Group’s personnel amounted to 459.6 thousand people.

How was OAO Gazprom privatized?
RAO Gazprom (since 1998 – OAO Gazprom) was privatized fully in line with the Russian privatization laws as well as the Decrees and Directives of the Russian President, and the Resolutions of the Council of Ministers – the Government of Russia.

At the time RAO Gazprom was founded, 100% of the Company’s shares were held by the Russian Federation. As a result of the stock sale between 1993 and 1995, 41% of the shares remained under the state ownership, 10% were acquired by Gazprom in exchange for privatization vouchers, 15% were acquired by the Company’s current and former employees in exchange for vouchers (at least 50% payment) as well as for cash, 32.9% were acquired by residents of 60 Russian regions in exchange for vouchers and 1.1% were handed over to OAO Rosgazifikatsiya. A total of 8.3 million privatization vouchers and around RUB 17 billion were paid for Gazprom’s shares. 1 million 30 thousand Russian citizens became the Company’s shareholders.

What are the rights of Gazprom’s shareholders?
Just like shareholders of other joint stock companies, Gazprom’s shareholders are basically entitled to:

- participate in the General Shareholders Meeting with a voting right on all issues within the General Shareholders Meeting competence;
- receive dividends.

A 2% ownership stake enables the shareholder or a group of the Company’s shareholders to nominate candidates for the Gazprom Board of Directors and Audit Commission as well as to propose items to be included in a shareholders meeting agenda. The shareholder or the group of shareholders possessing
a 10% ownership stake may call for an extraordinary shareholders meeting of Gazprom to be summoned.

In order to efficiently protect the rights and interests of its shareholders, Gazprom was one of the first Russian companies to adopt the Code of Corporate Governance (Conduct) in 2002. The document sets out the basic principles and mechanisms enabling the shareholders to exercise their rights as well as creating conditions for the Board of Directors to efficiently control the activities of Gazprom’s executive bodies, i.e. the Management Committee and the Management Committee Chairman. In addition to the Code requirement for corporate data disclosure to the shareholders, the Board of Directors adopted OAO Gazprom Provision on Information Disclosure.

Does the Company provide financial support to its shareholders?
The Company participates in and arranges numerous charitable and sponsorship events aimed at developing culture, sports, science and education, it also assists socially disadvantaged citizens.

The Company does not provide any direct financial support to its shareholders.

How is OAO Gazprom Management Committee formed?
The Chairman and the Members of the Company’s Management Committee are elected for a 5 year term by the Board of Directors entitled to early termination of their powers.

How is the size of dividends payable on OAO Gazprom shares determined?
The dividend size depends on OAO Gazprom’s net profit calculated under the Russian accounting standards in compliance with the Russian laws and regulations. The net profit is determined by the Company’s operating and financial results.

The Company’s Dividend Policy was approved by the Board of Directors on October 27, 2010.

The Dividend Policy sets out the following procedure for the net profit distribution in a reporting period.

Under the Company’s Articles of Association a part of the net profit is used to form the reserve fund until the latter reaches the size specified in the Articles (7.3% of the authorized capital).

A 10% share of the net profit is reserved for dividend payouts.

40% to 75% of the net profit is reserved for the Company’s investment purposes.

The remaining share of the net profit is divided into equal parts for paying out dividends and forming a reserve for investment purposes.

The net profit intended for dividend payouts may be adjusted for the amount of Gazprom’s financial investments revaluation. This enables the Company to allocate the profit secured by the real cash flow for dividend payouts and investment purposes.

The Dividend Policy contains a provision on the dividend payouts (from 17.5% to 35% of the net profit provided that the reserve fund is formed).
The decision on the payout of annual dividends, including the dividend size and payout method, is adopted by the Shareholders Meeting on the Board of Directors’ recommendation. The size of annual dividends should not exceed the amount recommended by the Board of Directors.

In May 2015 the Board of Directors recommended that the annual General Shareholders Meeting approve the proposal to pay out RUB 7.2 per share in annual dividends based on Gazprom’s operating results for 2014.

Are there any preferred shares issued by Gazprom?
The share emission prospectus did not originally provide for any preferred shares issue. All the shares of Gazprom are ordinary ones.

Who performs independent audit of Gazprom?
An independent auditor of OAO Gazprom is appointed through an annual competitive procedure. The procedure results are considered by the Board of Directors of Gazprom, and the auditor’s candidacy is approved at the annual General Shareholders Meeting.

In May 2015 the Gazprom Board of Directors recommended that the annual General Shareholders Meeting approve FBK as the Company’s auditor for 2015.

FBK is one of Russia’s leading national audit and consulting groups, which provides services in six key areas: audits according to RAS and IFRS; tax and law; valuation; finance, accounting, management and IT-consulting; outsourcing; business education. FBK has partnered Gazprom since 1996 and currently renders services to nearly 80% of its subsidiaries.

Who owns Gazprom shares?
The number of Gazprom’s shareholders in Russia and abroad totals several hundred thousand. The Russian Federation Government controls over 50% of the Company’s shares.

Where can one buy (sell) the Company’s shares?
Gazprom shares can be bought from their legal holder. Shares can be acquired under a sales and purchase agreement drawn up as per the applicable legislation with subsequent re-registration of proprietary rights in a register keeper’s office (depository) at the legal holder’s banking account location. The Company’s shares can also be bought or sold at Gazprombank offices.

Additionally, one can buy or sell Gazprom shares through a professional stock exchange broker. As a rule, such services are offered by investment companies and commercial banks.

What does ADR stand for?
ADR is an American Depositary Receipt publicly traded mostly in foreign stock markets and issued against shares of a non-US company deposited with a US bank. ADR is an instrument of international stock

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<th>OAO Gazprom share capital structure as of December 31, 2014, %</th>
<th>Share</th>
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<tr>
<td>The Russian Federation represented by the Federal Agency for State Property Management</td>
<td>38.37</td>
</tr>
<tr>
<td>OAO Rosneftegaz</td>
<td>10.97</td>
</tr>
<tr>
<td>OAO Rosgazifikatsiya</td>
<td>0.89</td>
</tr>
<tr>
<td>ADR holders</td>
<td>28.05</td>
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<tr>
<td>Other registered persons and entities</td>
<td>21.72</td>
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1. Gazprom – Joint Stock Company

Gazprom’s ADRs. For this purpose the shares are to be deposited with a local custodian bank (currently Gazprombank), and then the Bank of New York Mellon (ADR Program depository bank) issues a relevant amount of ADRs to the shareholder’s account opened with a foreign bank. Since this depositing procedure requires a thorough understanding of the entire process (including respective paperwork, fees and timing), it is more expedient to vest the conversion operation in a securities market professional – a brokerage company or a bank that will take all necessary actions at the shareholder’s request.

At the same time, it is noteworthy that upon receipt of an ADR the shareholder becomes the owner of a foreign security and is liable to the Russian Federation currency laws.

Can a shareholder of Gazprom sell shares in a foreign market? Gazprom’s shares are traded as ADRs in foreign markets. Therefore, in order to be sold in a foreign market, shares are to be converted into ADRs first. It is reasonable to vest the conversion operation in a professional equity market player – a brokerage company or a bank that, at the shareholder’s request, will take all necessary actions.

How can Gazprom shareholder convert his/her ordinary shares into ADRs? Gazprom ADR Program provides any shareholder with the opportunity to convert the Company’s shares into Gazprom’s ADRs. For this purpose the shares are to be deposited with a local custodian bank (currently Gazprombank), and then the Bank of New York Mellon (ADR Program depository bank) issues a relevant amount of ADRs to the shareholder’s account opened with a foreign bank. Since this depositing procedure requires a thorough understanding of the entire process (including respective paperwork, fees and timing), it is more expedient to vest the conversion operation in a securities market professional – a brokerage company or a bank that will take all necessary actions at the shareholder’s request.

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How can Gazprom shareholder convert his/her ordinary shares into ADRs? Gazprom ADR Program provides any shareholder with the opportunity to convert the Company’s shares into ADRs for Gazprom’s shares are issued to ensure the circulation of the Company’s shares by means of the foreign stock markets infrastructure. Before April 18, 2006 one ADR represented 10 shares of Gazprom. Subsequently, the number of the Company’s ordinary shares per an ADR was reduced from ten to four. Since April 18, 2006 it has been possible to convert OAO Gazprom ordinary shares into ADRs and vice versa.

Starting from April 21, 2011 the number of Gazprom ordinary shares per an ADR was reduced from four to two. Previously outstanding shares were automatically converted according to the new ratio. This step allowed to open up access to Gazprom’s ADRs for a wider range of investors and to increase the liquidity of receipts.

At present, Gazprom’s depositary receipts are traded in the London Stock Exchange, the US over-the-counter stock market, the Moscow Exchange, the Berlin and Frankfurt Stock Exchanges as well as the Singapore over-the-counter stock market. As of late 2014, 28.05% of Gazprom’s shares were floating in the form of ADRs.

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Chapter 2

Strategy

The strategic goal of OAO Gazprom is leadership among global energy companies.

What is the strategic goal of Gazprom?
The strategic goal of Gazprom is becoming a leader among global energy companies by conquering new markets, diversifying business activities and ensuring reliable supplies.

At the same time, OAO Gazprom views its mission in maximally efficient and balanced supply of consumers with natural gas, other energy resources and their derivatives.

What principles does Gazprom’s strategy hinge on?
Gazprom’s strategy hinges on the following operating principles:

- enhancing the efficiency of its major business;
- diversifying activities through high-efficiency projects for high value added products;
Why is business diversification a strategic priority for Gazprom?
The Company’s business diversification implies expanding the areas of operations and the range of final products, conquering new markets and developing logistics schemes. All of the above are the prerequisites for global companies to enjoy their strategic and competitive advantages.

What are the strategic projects of Gazprom?
The strategic challenges of OAO Gazprom are met through the execution of the following promising projects:

Developing Yamal Peninsula resources
The Yamal Peninsula is a strategic gas production region for the Company. It is one of the most promising oil and gas bearing provinces in Western Siberia. The Yamal resources development is the largest energy project in the contemporary history of Russia, unparalleled in terms of sophistication. The project is similar to the development of Western Siberian fields in the 1970s in terms of its scale and significance. It lays the foundation required to boost gas production in Russia. Commercial development of the Yamal fields will make it possible to build up regional gas production to 310–360 billion m³ a year by 2030.

There are several dozens of gas, oil, gas and condensate fields discovered onshore and offshore Yamal. Explored reserves of the region’s largest fields, i.e. Bovanenkovskoye, Kharasaveyskoye, Severo-Tambeyskoye, Kruzenshternskoye and Malyginskoye exceed 8 trillion m³ of gas with Gazprom Group as their licensed operator. Bovanenkovskoye, Yamal’s largest gas field, where production started in 2012, was developed at the first phase of the Yamal megaproject.

Eastern Gas Program
Gas resources available in Eastern Siberia and the Far East are sufficient for arranging gas export and meeting long-term needs of Eastern Russia where initial gas resources in place total 52.4 trillion m³ onshore and 14.9 trillion m³ offshore.
2. Strategy

In September 2007 the Russian Industry and Energy Ministry approved the Development Program for an integrated gas production, transmission and supply system in Eastern Siberia and the Far East, taking into account potential gas exports to China and other Asia-Pacific countries (Eastern Gas Program). The Russian Government entrusted OAO Gazprom to act as the Program execution coordinator. The Company started implementing the Program’s provisions prior to its official approval.

New gas production centers have already been set up in Eastern Russia, namely the Sakhalin Region and the Kamchatka Territory, a gas production center is being shaped in the Republic of Sakha (Yakutia), the Irkutsk Region and the Krasnoyarsk Territory are next in turn.

The primary development principles for a gas supply system in Eastern Russia are as follows:

- giving priority to meeting Russian consumers’ demand for gas and maintaining sustainable gas supply throughout Russia by expanding the Unified Gas Supply System (UGSS) eastwards;
- shaping a natural gas market on the basis of competitive pricing among various fuels.

The Sakhalin Island shelf is the main resource base for gas supply to consumers in Russia’s Far East. Gazprom participates in the Sakhalin II project as a major shareholder. The first Russian LNG plant was constructed as part of the project and Russian LNG export commenced.

Sakhalin III is another large-scale project of Gazprom. Here the Company holds licenses for the Kirinsky, Vostochno-Odoptinsky and Ayashsky blocks as well as for the Kirinskoye field, the first gas from which was supplied to consumers in the Far East in 2014.

In September 2010 the Company discovered a new field within the Kirinsky block – the Yuzhno-Kirinskoye field containing 636.6 billion m³ of natural gas. In autumn 2011 the Mynginskoye field containing 19.9 billion m³ of gas reserves was discovered there.

Besides, Gazprom constructed the first startup complex of the Sakhalin – Khabarovsk – Vladivostok gas transmission system (GTS) with a view to develop gas supply to the Khabarovsk Territory and the Sakhalin Region and to arrange gas supply to the Primorye Territory. The annual throughput of the first startup complex totals 6 billion m³. In September 2011 consumers in Vladivostok received first gas.

In 2013 the Final Investment Decision was adopted for the LNG plant construction in Vladivostok with the annual capacity of 10 million t and the possibility for further extension. The project was named Vladivostok LNG and it is currently at the design stage.

In the Republic of Sakha (Yakutia) Gazprom operates in the Chayandinskoye field with gas reserves exceeding 1.4 trillion m³. Gas production will start in 2018. Gazprom constructs the Power of Siberia gas trunkline in order to deliver gas from Yakutia and then from Irkutsk. Gas processing and helium production capacities will be created in the Amur Region.

The Kovyktinskoye field in the Irkutsk Region with the reserves exceeding 2.5 trillion m³ of gas is at the stage of pilot commercial operation.

Geological exploration is underway in the Krasnoyarsk Territory. For instance, a new field – Abakanskoye – was discovered in 2010, the Ilbokichskoye and Novo-Yudokonskoye fields – in 2012, the Vostochno-Imbinskoye field – in 2014.

In the Kamchatka Territory Gazprom finished the pre-development of the Kshukskoye and Nizhne-Kvachkikhskoye fields on the west coast of the Kamchatka Peninsula. The Sobolevo – Petropavlovsk-Kamchatsky gas trunkline has been constructed and gas is now being supplied to the Territory capital. Gasification of settlements located along the Sobolevo –
Petropavlovsk-Kamchatsky gas pipeline route is well underway.

The fields of Eastern Russia feature complex gas composition, high helium content, oil rims and a high condensate factor. These features require a special approach to resources development in the Yakutia, Irkutsk and Krasnoyarsk centers as compared to Western Siberia. Here, it is necessary to fully utilize all components found in the produced gas. The point is not just to produce gas, but to set up a number of gas processing companies in Eastern Russia and export high value added products.

**Pipeline gas supply to China**

Forming large gas production centers in Eastern Siberia and the Far East, building high-capacity transmission corridors makes it possible to establish a new Russian gas export center geared to the Asia-Pacific region.

In spring 2014 Gazprom and China National Petroleum Corporation (CNPC) signed the contract for the Russian pipeline gas supply in the amount of over one trillion m³ to China via the eastern route for 30 years. The contract became the biggest one in the entire history of Russian gas industry and unlocked
2. Strategy

a brand new market with a huge potential for Russian gas. 38 billion m³ of Russian gas will be annually supplied from the Yakutia and Irkutsk gas production centers via the Power of Siberia gas trunkline.

In May 2015 Gazprom and CNPC signed the Heads of Agreement for pipeline gas supply from Russia to China via the western route. The document outlines the main technical and commercial parameters of the future supplies. The western route envisages gas supply to China from Western Siberia’s fields in the amount of some 30 billion m³ of gas.

Developing Russia’s Arctic shelf resources
Russia’s Arctic shelf is considered by OAO Gazprom as one of the most promising regions for discovering new hydrocarbon fields and developing the explored ones.

The initial aggregate hydrocarbon resources of the Russian continental shelf amount to nearly 100 billion t of fuel equivalent, 80% of which is gas. The bulk of hydrocarbon resources are concentrated in the Arctic seas, namely the Barents, Pechora and Kara Seas, with gas and condensate prevailing in the Barents and Kara Seas and oil – in the Pechora Sea.
Gazprom Group holds the development licenses for several Arctic fields, including Shtokman and Prirazlomnoye.

On December 20, 2013 Gazprom started oil production from the Prirazlomnoye field in the Pechora Sea. It is Russia’s first hydrocarbon production project in the Arctic shelf. The recoverable oil reserves of the field exceed 70 million t a year; after 2020 it is planned to recover over 5 million t of oil a year in the Prirazlomnoye field.

The Prirazlomnaya offshore ice-resistant stationary platform secures every process operation in the field – oil drilling, production and storage, end product processing and loading. It is an unparalleled platform designed and constructed in Russia on Gazprom’s request. It is intended for operation under extreme environmental and climatic conditions, meets the most stringent safety requirements and can resist high ice loads.

On April 18, 2014 the first oil cargo of 70 thousand t was offloaded from the Prirazlomnoye field. New Arctic oil was named ARCO (Arctic Oil).

Gas transmission system development in Russia
The Bovanenkovo – Ukhta gas trunkline system is the first element of a multi-line gas transmission system intended to withdraw gas from the Yamal Peninsula fields and convey gas from the Bovanenkovskoye field to the UGSS. The system length will come to nearly 1,240 km. In 2012 the first gas pipeline string was put onstream. At present, the construction of the second string is underway.

The Ukhta – Torzhok gas pipeline became a part of the gas transmission system to convey Yamal gas to the Gryazovets gas transmission hub in Northwestern Russia. The gas pipeline section between Ukhta and Gryazovets was put onstream in 2012.

The Sakhalin – Khabarovsk – Vladivostok gas transmission system (GTS) is a top priority project within the Eastern Gas Program. The project promotes gas supply to the Primorye and Khabarovsk Territories and creates conditions for gas export to consumers in Asia-Pacific countries. In September 2011 the first startup complex facilities of the GTS were put into operation, gas supplies to consumers in Vladivostok were launched.
The Power of Siberia gas trunkline is designed for delivering natural gas from the Yakutia and Irkutsk gas production centers to Russia’s Far East and China. The gas trunkline will cross the Irkutsk Region, the Republic of Sakha (Yakutia) and the Amur Region and in future it will be connected to the Sakhalin – Khabarovsk – Vladivostok GTS. The Power of Siberia construction was launched in September 2014.

The Southern Corridor gas pipeline system will make it possible to supply additional natural gas volumes to Russia’s central and southern regions as well as ensure uninterrupted gas supplies into the TurkStream gas trunkline. The construction of the project Phase 1 – Western Section (Pisarevka CS – Russkaya CS, more than 800 km long) is nearing completion; the construction of Phase 2 – Eastern Section (Pochinki CS – Russkaya CS, more than 1,600 km long) is underway.

Liquefied natural gas
Global gas consumption growth annually averages 2.6% with liquefied natural gas (LNG) being a primary growth driver. LNG has become an integral part of the global gas trade. Liquefied gas deliveries are advantageous due to the market coverage opportunities irrespective of geographic location.

OAO Gazprom implements a phased strategy to expand its presence in the LNG market. Gazprom’s LNG supply efficiently supplements pipeline supply and makes it possible to enter new gas markets.

Gazprom Group has been making efforts to enhance its positions in the LNG market since 2005 through spot trading and exchange transactions. Sakhalin II, the world’s largest complex oil and gas project became the next phase of this strategy, embracing the development of two oil & gas fields offshore the Sakhalin Island, LNG production as well as hydrocarbon export. In 2009 Russia’s first LNG production plant was commissioned within the project. The bulk of the plant’s LNG is marketed under long-term contracts.

In 2014 the volume of Gazprom Group’s LNG sales considerably grew as compared to 2013: 52 LNG cargoes with the total volume of 3.4 million t (4.5 billion m³) versus 24 cargoes with the volume of 1.5 million t (2 billion m³) last year. In 2014 LNG was supplied to Asia-Pacific (primarily to Japan and South Korea) as well as Argentina and Kuwait. The total volume of LNG sales between 2005 and 2014 amounted to 13.1 million t (17.5 billion m³).

In 2014 a long-term contract with GAIL became effective for LNG supply to India in the amount of 2.5 million t a year.

Gazprom aims to speed up new liquefied natural gas (LNG) projects intended to increase the Company’s share in the global gas market. In 2013 Gazprom made a decision to move the Vladivostok LNG project to the investment stage. The plant capacity will amount to 10 million t a year. Asia-Pacific is the LNG target market. Presently the project is at its design stage.

In early 2015 Gazprom decided to bring the Baltic LNG project to its investment stage. The plant capacity will equal 10 million t a year with the possibility of expansion. The plant will be located in the vicinity of the Ust-Luga sea port.

In addition, Gazprom jointly with other shareholders of the Sakhalin II project considers the possibility of extending the LNG production by constructing the third LNG production train of the gas liquefaction plant. The design capacity of such a production train may reach 5.4 million t of LNG a year.

Gazprom Group actively enhances its presence in the sector of LNG marine transportation. Presently, the Group maintains a fleet of six cutting-edge hi-tech LNG carriers – Veliky Novgorod, Pskov, Amur River, Yenisei River, Lena River and Ob River. In 2012
Ob River became the first LNG carrier to complete the world’s first LNG supply via the Northern Sea Route.

**Nord Stream and TurkStream gas pipelines**
The Nord Stream and TurkStream gas transmission projects open fundamentally new routes for Russian gas deliveries to Europe in order to enhance European energy security.

The Nord Stream gas pipeline commissioned in 2011 stretches for 1,224 km across the Baltic Sea from the Portovaya Bay (near Vyborg) to the German coast (near Greifswald). The new gas main ensured up to 55 billion m³ of Russian gas supplies to European consumers every year. The project implementation enabled Gazprom to diversify export flows and directly link Russia’s gas transmission networks with the European gas network.

On December 1, 2014 Gazprom and Turkish Botas signed a Memorandum of Understanding on constructing the TurkStream gas pipeline with the annual capacity of 63 billion m³ of gas from Russia to Turkey via the Black Sea.

**Developing hydrocarbon resources abroad**
Pursuing the diversification policy within the general development strategy, Gazprom carries out geological exploration and develops hydrocarbon fields in such countries as Algeria, Bolivia, Venezuela, Vietnam, Iraq, Kazakhstan, Kyrgyzstan, Libya, Tajikistan, Turkmenistan and Uzbekistan.
Chapter 3
Reserves

According to the Russian classification of reserves:
- Gazprom holds 36.07 trillion m³ of natural gas
- 1.44 billion t of gas condensate
- 1.85 billion t of oil

The value of reserves (as of December 31, 2014):
USD 309.6 billion

What reserves does Gazprom possess?
Gazprom possesses the world’s richest natural gas reserves. Its share in the global and Russian proven gas reserves accounts for 17% and 72% respectively.

Gazprom Group’s A+B+C1 gas reserves totaled 36.07 trillion m³ as of December 31, 2014.

Gazprom annually auditors new fields and adjusts the volume and value of the reserves contained in the fields audited earlier, taking account of the reserve dynamics (cumulative production and growth) as well as changes in gas production costs, taxes and prices.
Gazprom in Questions and Answers

Independent audit of Gazprom Group’s reserves and their value

- audited reserves
- unaudited reserves

USD 309.6 billion

Gazprom’s share in the global gas reserves

94% - AUDITED RESERVES
92% - UNAUDITED RESERVES
90% - OIL

Gazprom’s share in the global gas reserves

17% - GAS
94% - CONDENSATE
92% - OIL

replenishment has been exceeding the level of its gas production. In 2014, as a result of geological exploration activities the Company accrued 822.5 billion m³ of gas. The gas replenishment to extraction ratio amounted to 186%.

What are the latest license acquisitions of Gazprom?
In 2014 pursuant to the Russian Government Directive, Gazprom Group 13 subsurface use licenses were obtained.

What is Gazprom’s strategy for enhancing its mineral resource base?
Gazprom’s strategic objective in relation to its mineral resource base is to maintain parity between reserves buildup and production as well as to provide for expanded reserves replenishment in the long term.

A fundamental document determining OAO Gazprom’s mineral resource base replenishment strategy is the Program for Mineral Resource Base Development in Gas Industry until 2035. The Program aims at securing the Company’s robust performance and expanded replenishment of hydrocarbons. The Program provides for building up the total growth in the explored reserves by 20 billion t of fuel equivalent between 2011 and 2035 through exploration activities.

As of December 31, 2014 an independent audit was performed under the PRMS international standards on Gazprom’s A+B+C1 reserves – 94% of natural gas, 92% of gas condensate and 90% of oil.

According to DeGolyer & MacNaughton’s appraisal, Gazprom Group’s proven and probable hydrocarbon reserves are estimated at 23.5 trillion m³ of gas, 848.6 million t of condensate, 1,210.2 million t of oil and valued at USD 309.6 billion.

Gazprom has recently boosted its geological exploration activities. What are the outcomes?
The major outcome is determined by the fact that in the past ten years OAO Gazprom’s gas reserves
The Yamal Peninsula and Russian northern seas were identified as the long-term strategic priorities in gas production.

Eastern Siberia and the Far East will also be among the key gas production regions through to 2020. Gas production will progress due to the development of the Sakhalin Island offshore fields as well as fields in the Republic of Sakha (Yakutia) and the Irkutsk Region.

In April 2011 the Gazprom Board of Directors approved the updated Program for Hydrocarbon Resources Development on the Russian Federation Shelf until 2030. The Program implementation will enable the Company to annually produce over 200 billion m³ of gas (without regard to gas from Sakhalin II) and some 10 million t of oil from the Russian continental shelf by 2030.

Gazprom’s activities in new regions will help maintain sustainable gas supply in Russia and diversify gas export routes.

It is planned to proceed with gas exploration and production projects abroad in order to expand the Group’s resource base beyond Russia.

![Distribution of Gazprom Group’s natural gas reserves in Russia](image-url)
Chapter 4
Production

Gas production by Gazprom Group:
- 443.9 billion m³ in 2014
- 487.4 billion m³ in 2013
- 487.0 billion m³ in 2012
- 513.2 billion m³ in 2011
- 508.6 billion m³ in 2010
- 461.5 billion m³ in 2009
- 549.7 billion m³ in 2008
- 548.6 billion m³ in 2007
- 556.0 billion m³ in 2006
- 555.0 billion m³ in 2005
- 552.5 billion m³ in 2004
- 547.6 billion m³ in 2003

How much gas did Gazprom produce in 2014?
What is the share of Gazprom in Russian gas production?
In 2014 Gazprom Group produced 443.9 billion m³ of natural and associated gas. Gazprom accounted for 69% of Russian gas production.

Most of Gazprom’s basic fields are at a declining production phase. What does Gazprom undertake to maintain and boost gas production?
A decline in production from basic fields is offset through systematic commissioning of new gas production capacities as well as through higher efficiency of the existing resource base utilization.
Over the period from 2001 to 2013 Gazprom put into operation the Zapolyarnoye (Cenomanian and Valanginian deposits), Bovanenkovskoye, Vyngaikhinskaya, Yety-Purovskoye, Yen-Yakhinskoye and Yuzhno-Russkoye fields as well as the Tab-Yakhinskaya, Pestsovaya and Zapadno-Pestsovaya areas and the second block of the Achimov deposits in the Urengoyskoye field; the Aneryakhinskaya and Kharvutinskaya areas of the Yamburgskoye field, the Nydinskaya area of the Medvezhye field and the Yareyskaya area of the Yamsoveyskoye field. The aggregate annual capacity of these fields exceeds 350 billion m$^3$ of gas.

In October 2012 Gazprom started gas production from the Bovanenkovskoye field in the Yamal Peninsula. The field’s design capacity totals 115 billion m$^3$ of gas per year. In January 2013 the Zapolyarnoye field was brought to its full design capacity, thus becoming the most productive field in Russia with the total annual output of 130 billion m$^3$ of gas.

In addition, Gazprom develops difficult-to-access Achimov deposits in the Urengoyskoye field at the depth of around 4,000 m enabling to extract extra gas amounts. In 2008 OOO Achimgaz, a joint venture of Gazprom and German Wintershall Holding, started production operations within the first pilot block of the Achimov deposits. In 2009 Gazprom commenced independent production within the second pilot block (design capacity – 3.5 billion m$^3$ of gas per year).

With a view to enhance the efficiency of the existing resource base utilization, the Company reconstructs and upgrades gas production facilities. Investments are channeled in upgrading the main process equipment, automation systems as well as power, heat and water supply systems and purification facilities.

**What is the status of Gazprom’s project aimed at the Yamal Peninsula fields development?**

Development of the Bovanenkovskoye gas field, the largest one in terms of gas reserves, was the first step towards the Yamal megaproject implementation. The explored and estimated gas reserves of the field account for 4.9 trillion m$^3$. The projected gas production from the field is to be increased from the current 115 billion m$^3$ to 140 billion m$^3$ per annum in the long term.

In December 2008 Gazprom launched the Yamal megaproject: the first joint of the Bovanenkovo – Ukhta gas trunkline system was welded and
drilling of production wells was initiated in the Bovanenkovskoye field.

In 2009, a unique bridge crossing over the Yuribey River, the Obskaya – Bovanenkovo railroad section, was brought into service to become the world’s longest bridge located beyond the Polar Circle. In February 2011 regular operation was launched all over the railroad to the Karskaya terminal station. This important infrastructure facility is aimed at ensuring year-round, rapid, cost effective and all-weather delivery of cargoes and personnel to the Yamal fields in the severe polar climate.

In October 2012 the Bovanenkovskoye field was commissioned. Nowadays two production facilities with the aggregate design capacity of 90 billion m$^3$ a year operate in the field; once the third production facility is commissioned, the field will reach its full design capacity of 115 billion m$^3$ of gas a year. Along with the Bovanenkovskoye field, the first string of the Bovanenkovo – Ukhta gas trunkline system (GTS) with the length exceeding 1,240 km was commissioned. The second string of the GTS is currently under construction.

**What foreign companies partner Gazprom in the Russian upstream projects? What for and on what basis is it done?**

Gazprom’s strategy to invite partners for hydrocarbon reserves development is aimed at efficient extraction of resources in a complex geological environment and implies asset swapping on a parity basis in order to expand the scope and geographic reach of Gazprom’s businesses.

For instance, such an approach has been applied to the Yuzhno-Russkoye oil and gas field development. In Russian-German joint venture OAO Severneftegazprom – the field licensee – Gazprom owns 50% plus six ordinary registered shares, German BASF SE and E.ON AG – 25% less three ordinary registered shares and three preference non-voting shares each. In exchange for the German companies participation in Severneftegazprom, Gazprom increased its stakes in Wingas joint venture (to 50% less one share), in ZAO Gerosgaz (to 100%) holding 2.93% of OAO Gazprom shares and obtained a 49% stake in Wintershall subsidiary entitled to develop and produce hydrocarbons in Libya under concession agreements.

The Yuzhno-Russkoye field reserves exceed 1 trillion m$^3$, which is, given the present-day volumes of annual gas supply from Russia to Germany, commensurate with exports for 17 years ahead. The field was put into commercial operation in December 2007 and reached its design capacity of 25 billion m$^3$ of gas per annum in 2010.

OOO Achimgaz (a joint venture owned by Gazprom and Wintershall Holding on a par) implements the project for developing the Achimov deposits in the Urengoyskoye field.

Gazprom actively promotes cooperation with foreign companies within the Sakhalin II project. In pursuance of the Protocol signed in December 2006 by OAO Gazprom, Shell, Mitsui and Mitsubishi Corporation, Gazprom joined Sakhalin Energy (Sakhalin II operator) as the principal shareholder.

The shareholding structure of Sakhalin Energy is currently as follows: Gazprom – 50% plus one share, Shell – 27.5% less one share, Mitsui – 12.5% and Mitsubishi – 10%.
In December 2008 the Sakhalin II project started exporting crude oil on a year-round basis and on February 18, 2009 the first Russian LNG plant was put into operation.

In 2009 Gazprom and Petrovietnam entered into the Agreement on Strategic Partnership, stipulating active interaction in oil and gas projects in Russia, Vietnam and in third countries within Gazpromviet. The Nagumanovskoye oil, gas and condensate field in the Orenburg Region as well as the Severo-Purovskoye gas and condensate field in the Yamal-Nenets Autonomous Area were defined as the objects of the companies’ cooperation in Russia.

**How is Gazprom Group’s liquid hydrocarbons production progressing?**

In 2014 Gazprom recovered 35.3 million t of oil and 14.5 million t of gas condensate.

The oil business development is a strategic objective of Gazprom on its way towards becoming a global energy company. Gazprom Group’s oil production hinges on OAO Gazprom Neft. At present it is vested with subsurface use rights for the Novoportovskoye field in northern Yamal-Nenets Autonomous Area, Prirazlomnoye and Dolginskoye fields in the Pechora Sea, the eastern part of the Orenburgskoye field as well as geological explorations licenses for three blocks in the Arctic shelf (Severo-Zapadny, Kheysoveysky and Severo-Vrangelevsky).

Gazprom Neft actively pursues the policy of expanding its international market share. Thus, in February 2009 it acquired a controlling stake in the diversified petroleum company NIS (Serbia). In March 2011 the stake in NIS was increased from 51 to 56.15%. In April the company purchased an oils and lubricants plant in Bari (Italy) with the annual production capacity of up to 30 thousand t of oils and 6 thousand t of lubricants from Chevron Global Energy. In summer 2009 Gazprom Neft acquired a 20% stake in OOO National Petroleum Consortium established by Russian petroleum companies on a
4. Production

parity basis for oil production projects execution in Latin America. One of the projects is Junin-6 located in the Orinoco River heavy oil belt, Venezuela. It is worth mentioning that OAO Gazprom Neft became the leading operator of the project phase 1 among participating companies. Oil has been produced from Junin-6 since autumn 2012.

In January 2010 OAO Gazprom Neft on behalf of the consortium signed a contract to develop the Badra field (Iraq) with some 3 billion bbl of oil. Gazprom Neft is the project operator holding a 30% stake. First oil was produced from the field in late 2013. The large-scale project development started in 2014.

In 2012 the number of Gazprom Neft projects in Iraq increased to three. In August the company signed the agreement on hydrocarbon reserves exploration and development in the Garmian and Shakal blocks in Southern Kurdistan. Gazprom Neft acquired a 40% stake in the Garmian project and 80% – in Shakal.

In early 2013 Gazprom Neft entered another project in Iraqi Kurdistan acquiring an 80% stake in the Halabja
block. All three projects are implemented under the Production Sharing Agreement (PSA) terms.

In late 2013 Gazprom launched oil production from the Prirazlomnoye field. This is the first national project aimed at developing the Arctic resources. The Prirazlomnoye oil field is located 60 km off the Pechora Sea shore. The recoverable oil reserves amount to over 70 million t. The project operations are implemented from the Prirazlomnaya platform designed and built in Russia on Gazprom’s order. The platform intended for operation under extreme environmental and climatic conditions, meets the most stringent safety requirements and can resist heavy ice loads. In April 2014 the first oil cargo was loaded from the platform. In this way, it is the first time that ARCO (Arctic Oil), the new type of Arctic oil produced from the Russian shelf was supplied to the global market.

Following the 2014 results, Gazprom Neft produced 66.3 million t of oil equivalent – 6.4% growth versus 2013.

By 2020 Gazprom Neft is planning to boost its annual production volume to 100 million t of oil equivalent taking into account its subsidiaries’ operating results and shares in affiliated companies. The company also intends to maintain the reserves to production ratio at the current level for at least 20 years with the fields at an early development phase to yield no less than 50% of the produced volume by 2020.

As of December 31, 2014 the A+B+C1 (Russian standards) oil and condensate reserves of Gazprom Group were estimated at 3.3 billion t allowing to ultimately achieve the production levels commensurate with those of the leading oil companies.

Coalbed methane production

In essence, coalbed methane (CBM) extraction is viewed as a key element of OAO Gazprom’s resource base expansion strategy and will ultimately result in emergence of a CBM production industry in Russia. Besides, large-scale deployment of Russian CBM production technologies will minimize accidents at coal mines and considerably improve the environmental situation.

The Russian Federation possesses immense forecast CBM resources – around 84 trillion m³, which is commensurate with one-third of Russia’s forecast natural gas resources.

The Kuzbass region with its forecast methane resources coming to 13 trillion m³ is nowadays considered to be the most appropriate site for commercial production.

Methane resources concentration in certain areas of Kuzbass is comparable to the amount of natural gas in northern Tyumen Region. Geological and commercial advantages of Kuzbass as well as the availability of gas infrastructure and consumers at a distance of just 15 to 150 km predetermine the economic viability of commercial methane production in Kuzbass.

In February 2010 Gazprom commissioned the first Russian CBM production facility in the Taldinskoye field (Kemerovo Region). The produced methane is used for power generation at two gas-fired power stations and as a motor fuel. More than a hundred vehicles are methane-powered at the Taldinsky coal strip mine.

Every year Gazprom produces about 11 million m³ of coalbed methane in the Taldinskoye field. Presently project documents are being prepared for bringing the field into pilot commercial operation.

Natural gas extraction and CBM extraction are completely different processes. The latter anticipates using brand new technologies, it is substantially more labor and capital intensive. The Russian CBM production technology was designed by the Group as well. Over 30 patents were received across the entire process cycle – from exploration to utilization of CBM.
Chapter 5
Transmission

Gas transmission system in Russia:

- 170.7 thousand km of gas trunklines and branches
- 250 gas pipeline compressor stations with 45.9 million kW in capacity
- 22 underground gas storage facilities
How is gas transported in Russia? What is the Unified Gas Supply System of Russia?

Natural gas produced in Russia is pumped into gas trunklines, the most part of which are integrated into the Unified Gas Supply System (UGSS) of Russia. The UGSS is owned by Gazprom and it is the largest gas transmission system in the world. It is a unique complex of gas extraction, processing, transmission, storage and distribution facilities. The UGSS provides for a continuous cycle of gas supply from the wellhead to the end user.

Owing to centralized management, considerable ramification and parallel transmission routes, the UGSS has a substantial reliability margin and is
capable of uninterrupted gas supplies even during seasonal peak load periods. The gas transmission system in Russia is 170.7 thousand km long. 250 compressor stations with gas compressor units totaling 46.1 million kW in capacity are used for gas transmission. The year 2014 saw the commissioning of about 1,277 km of gas trunklines and branches.

How is the gas pipeline operational reliability ensured?

In the 1970s and 1980s, when the gas transmission system was built, Gazprom provided it with a substantial reliability margin. Owning to upgrading and retrofitting of the gas transmission system as well as timely repairs of gas pipelines, the number of breakdowns since 2002 has been reduced.
by more than five times. Fewer breakdowns stem directly from the use of progressive gas transmission system inspection techniques and scheduled preventive maintenance operations, which enable efficient detection of worn out sections and obsolete equipment.

**What is the capacity of Gazprom’s gas transmission system? Is it necessary to boost the throughput?**

The Unified Gas Supply System is almost fully loaded. For instance, in 2014 a total of 627.5 billion m³ was pumped into the UGSS, taking account of natural gas supplied by Gazprom, independent and Central Asian producers.

According to the existing forecasts, gas consumption in the global markets will rise. For example, the Russian Energy Strategy until 2030 envisages that 885 to 940 billion m³ of gas will be produced domestically by 2030. Consequently, the UGSS throughput capacity is to be increased in order to meet the solvent demand of domestic consumers and Russia’s international obligations in relation to natural gas supply.

**Is it true that Gazprom does not grant other gas producers access to the Unified Gas Supply System of Russia?**

No, it is not. Gazprom satisfies all the requests by independent gas producers seeking access to the Unified Gas Supply System (UGSS), unless it cannot be granted for purely technical reasons. The main reason is the limited capacity of the gas transmission system. The interaction between Gazprom and other gas market players is fully in line with the Federal Law on Gas Supply in the Russian Federation, which sets the terms and conditions for granting access to free transmission capacity of the UGSS as well as entitles Gazprom to conclude supply contracts or reasonably deny access. Gazprom grants independent gas producers access to the gas transmission system in case:

- the transmission capacity is available for the period when the producer intends to supply gas;
- the input gas meets the required quality level and technical specifications;
- the supplier has the capacity to funnel gas via supply and branch pipelines to consumers, all fitted with gas metering and quality control facilities.

The requirements for gas directed into the system to be transmitted, and the terms and conditions of access to gas mains are governed by law. In order to simplify access to its gas transmission system, Gazprom improves the Regulation on preparation and issuance of permits for independent entities seeking access to the gas transmission system of OAO Gazprom. OAO Gazprom first opened up its gas transmission system for independent gas producers in 1998.

In 2014 Gazprom rendered gas transmission services to 24 companies not forming a part of Gazprom Group.
In 2014 the share of independent producers in the gas transmission system of Gazprom grew to 121.1 billion m³ (versus 111.4 billion m³ in 2013).

What is the current gas transmission rate for independent gas producers? Who is responsible for setting this rate?

For independent producers, the rate of gas transmission via the trunklines of OAO Gazprom is set by the Russian Federal Tariff Service (FTS). Before August 1, 2006 a single rate was set for transmission of 1,000 m³ per 100 km.

Since August 1, 2006 a new differentiated rate setting methodology has been used, when the rate consists of two components: a charge for conveying 1,000 m³ per 100 km and a charge for using gas mains (RUB per 1,000 m³), which is determined depending on gas entry and exit points in the gas transmission system.

What are underground gas storage facilities needed for?

Underground gas storage (UGS) facilities are an integral part of the Unified Gas Supply System of Russia and are situated in the key gas consumption regions. UGS facilities help smooth out seasonal fluctuations of gas demand, reduce peak loads in the UGSS and provide better flexibility and reliability of gas supply. The network of UGS facilities supplies Russian consumers with over 20% of total gas volumes during a heating season and sometimes over 40% during sharp cold spells. There are 22 underground storage facilities in the Russian Federation with the total working gas capacity of 72 billion m³ and maximum possible daily deliverability at the withdrawal season startup of 770.4 million m³. With the account of four UGS facilities in Belarus and Armenia, Gazprom's working gas capacity amounts to 73.1 billion m³.

On January 31, 2013 Gazprom reached the record daily withdrawal rate in the entire Russian UGS history – 725.2 million m³ a day. The peak withdrawal rate from Russian storages exceeded 40% of gas consumption within the Unified Gas Supply System.

UGS capacity expansion is a strategic objective of Gazprom. UGS facilities created to smooth out seasonal fluctuations are several times less expensive than the respective backup facilities for gas production and transmission. Gazprom expands UGS facilities in order to raise the flexibility and ensure the optimum loading of the system. In September 2013 Phase 1 of the Kaliningrad underground gas storage facility constructed in salt caverns was commissioned.

The construction of the Volgogradskoye and Bednodemyanovskoye UGS facilities, the expansion of the Kaliningradskoye UGS facility and retrofitting of several acting gas storage facilities are underway in Russia. It is planned to start the construction of the Novomoskovskoye and Shatrovskoye UGS facilities along with gas storages in the Republic of Tatarstan.

Gazprom uses UGS facilities in Austria (Haidach), the UK (Vitol owned UGS facility), Germany (Rehden, Katharina and Verbundnetz Gas AG owned UGS facility), the Netherlands (Bergermeer), Serbia (Banatski Dvor) and Latvia (Incukalns). Between 2006 and 2014 Gazprom’s storage capacities in Europe grew from 1.4 to 5.4 billion m³, while the daily deliverability rose from 18.2 to 74.6 million m³.

In 2014 Gazprom went on with the Damborice UGS facility construction project in the Czech Republic.

### Independent producers’ gas conveyed through Gazprom’s gas transmission system

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transmission volume, billion m³</td>
<td>66.5</td>
<td>72.6</td>
<td>81.5</td>
<td>95.8</td>
<td>111.4</td>
<td>121.1</td>
</tr>
</tbody>
</table>
Gazprom in Questions and Answers

The working gas capacity of the UGS facility will total 448 million m³ (daily send-out – 8 million m³), thus making it one of the largest facilities of the kind in the Czech Republic.

Besides, Gazprom is conducting a feasibility study of its possible participation in joint UGS-related projects in France, Romania and Turkey.

UGS facilities provide for securing reliable export supplies of Russian gas.

The operating gas reserve in Russian UGS facilities:

- 2013 – 70.4 billion m³;
- 2014 – 72.0 billion m³.
Gazprom Group’s processing capacities in 2014:
- natural and associated gas – 30.5 billion m³
- unstable gas condensate and oil – 68.1 million t

What companies of Gazprom Group are focused on the extracted feedstock processing?
Gazprom Group’s processing segment is made up of gas and gas condensate processing plants, oil refining capacities of Gazprom Neft. The Group also includes OAO Gazprom Neftekhim Salavat, one of the largest oil refining and petrochemical industrial complexes in Russia and Sibmetakhim, which owns the methanol production plant in Tomsk.

Gas is processed at six plants: the Orenburg Helium Plant, the Astrakhan, Orenburg and Sosnogorsk Gas Processing Plants, the Surgut Condensate Stabilization Plant, and the Urengoy Condensate...
Gazprom in Questions and Answers

Gazprom Group’s hydrocarbon refining and petrochemical capacity in Russia as of 31 December 2014

1. Serbia
   Novi Sad, Oil refinery
   Panchevo, Oil refinery
   7.3

2. Belarus
   Mозырский Oil refinery
   12.0

3. Moscow
   Moscow Oil refinery
   12.5

4. Yaroslavl
   Yaroslavnefteorgsintez
   Gazprom Group’s access to 50% of capacity
   7.5

5. Sosnogorsk
   Sosnogorskiy GPP
   3.0
   1.25

6. Surgut
   Condensate stabilization plant
   12.0

7. Novy Urengoy
   Condensate preparation plant
   13.7

8. Astrakhan
   Astrakhan GPP
   12.0
   7.3

9. Orenburg
   Orenburg GPP
   37.5
   6.26
   Orenburg helium plant
   15.0

10. Salavat
    Omsk Oil refinery
    Monomer plant
    Gas chemical plant
    Oil refinery
    21.6

11. Omsk
    Omsk Oil refinery
    37.5
    Natural and associated gas, bcm
    3.26
    Oil and condensate, million t
    7.0
    Gas condensate, million t
    12.0
    Oil, million t

12. Tomsk
    Methanol plant

The volume of oil refining at Mозырский Oil Refinery is determined by Gazprom Group’s oil supply schedule, approved by the Russian Ministry of Energy, and the scheme to share oil supplies between Gazprom Neft Group’s own refineries and sales to Mозырский Oil Refinery as set out in the Intergovernmental Agreement between Russia and Belarus.

Treatment Plant, and OAO Gazprom Neftekhim Salavat.

Oil refining in Gazprom Group is performed mostly on the premises of Gazprom Neft. Gazprom Neft refines about 80% of produced oil. The Omsk Refinery, the company’s primary oil refinery, is one of the most advanced in Russia and the largest in the world. The company also comprises the Moscow and Yaroslavl Oil refineries as well as the refining complex of Serbian NIS. The aggregate volume of oil refined in 2014 totaled
6. Gas and Liquid Hydrocarbons Processing

43.5 million t. In 2013 all the company’s oil refineries switched to the production of Euro 4 and Euro 5 fuels.

The next stage of modernization is aimed at enhancing the oil refining efficiency – by 2020 it will total 95%, thus allowing the company’s plants to reach the global level in terms of technological equipment.

In 2014 the volume of oil refined at the Omsk Refinery broke a record of 21.28 million t of crude oil. The refining efficiency increased to 93.02%. This is one of the best indicators in the industry.

In 2014 the Moscow Refinery of Gazprom Neft (installed capacity – 12.15 million t per annum) refined 10.76 million t of oil.

Gazprom Neft controls a 50% stake in OAO NGK Slavneft owning the Slavneft-YANOS refinery (installed capacity – 15.2 million t). Gazprom Neft has therefore access to its refining capacities proportionately to the stake held.

Gazprom Neftekhim Salavat, part of Gazprom Group is a unique production complex designed for the full cycle of hydrocarbon feedstock processing, petrochemistry and mineral fertilizer production. The company’s hydrocarbon feedstock processing capacities amount to 10 million t a year. The company’s product range exceeds 120 item names. The companies of Gazprom Neftekhim Salavat are linked by raw material, transport and product flows with gas producing and processing subsidiaries of Gazprom.

Gazprom’s gas chemical sector undergoes expansion as part of the creation of the Novy Urengoy Gas Chemical Complex, which is aimed for producing 400 thousand t of low density polyethylene per annum derived from the processing over 1.4 million t of associated gases per annum at the Urengoy Condensate Treatment Plant. Preparations are underway for constructing the Amur gas processing plant, including helium production facilities in eastern Russia.

In 2014 Gazprom’s companies processed 30.5 billion m$^3$ of natural and associated gas, 68.1 million t of oil and unstable gas condensate.

What are the prospects for associated petroleum gas (APG) utilization in Gazprom?

In order to improve the efficiency of gas utilization, minimize environmental and taxation risks and to benefit from extra volumes of APG and its derivatives sold, Gazprom Group has been tackling the APG utilization challenge since 2008.

The efficient ways of APG utilization in the Group’s fields are primarily being developed in the following areas:

- increasing the share of APG produced at oil, gas and condensate fields to be processed jointly with natural gas by means of creating extra compressor capacities;
- creating power generating units to produce electricity both for process needs and for marketing through the unified power supply system;
- constructing new gas processing plants and subsequently delivering final products to the existing and projected facilities;
- building petrochemical capacities for advanced processing in order to receive high value added products;
- injecting excessive APG volumes into the pay zone to boost oil recovery;
- creating gas chemical capacities for APG processing into liquid hydrocarbons in the regions devoid of a gas transmission infrastructure, first of all, in respect to Eastern Siberian fields.

In 2014 the level of APG utilization at the fields of Gazprom’s gas production subsidiaries averaged some 93.5% (90.9% in 2013, 70% in 2012).
Does Gazprom have processing companies abroad?
Yes, it does. In February 2009 Gazprom Neft acquired a controlling stake in Serbia’s Naftna Industrija Srbije (NIS) that owns two refineries in Pancevo and Novi Sad with the total capacity of 7.3 million t of oil per annum. In autumn 2012 NIS commissioned a light cracking and hydrotreating unit for motor fuels at the Pancevo Refinery. This enabled the company to completely switch to the production of Euro 5 gasoline and diesel starting from 2013.

<table>
<thead>
<tr>
<th>APG volume, billion m³</th>
<th>10.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>APG utilization, %</td>
<td>93.5</td>
</tr>
</tbody>
</table>
Gasification of Russian regions is underway

Chapter 7
Gazprom in Russian Market

307.0 billion m³ in 2005
316.3 billion m³ in 2006
307.0 billion m³ in 2007
287.0 billion m³ in 2008
262.6 billion m³ in 2009
262.1 billion m³ in 2010
265.3 billion m³ in 2011
249.7 billion m³ in 2012
228.1 billion m³ in 2013
217.2 billion m³ in 2014

Gasification level in the Russian Federation:
  53.3% in 2005
  65.4% in 2014

How much gas does Gazprom annually supply to companies and the population in Russia?
In 2014 Gazprom Group sold 217.2 billion m³ of gas from its resources to Russian consumers, 4.8% less than in 2013. The main reasons for the decline in gas supply were natural & climatic conditions as well as an increase in gas supply by independent producers.

How does Gazprom decide on the amount of gas to be supplied to this or that consumer?
When planning gas deliveries to consumers, the Company relies on OAO Gazprom Gas Resources Allocation Procedure taking into consideration export supplies and independent producers’ gas.

In accordance with the said document, OOO Gazprom Mezhregiongaz – the major gas trading company in
Gazprom Group — collects consumer requests for gas deliveries over the next year.

Gas is allocated on the basis of received data. At the same time, the consideration is given to whether consumers have fulfilled their gas payment obligations for previous years. If necessary, Gazprom provides solvent customers with extra gas volumes with due regard to the UGSS technical capabilities and effective export and domestic commitments.

In addition, gas is supplied to new consumers. To secure gas supply, a new consumer files an application form, attaches detailed spreadsheets showing the consumer’s heat and fuel requirements, and a report from a transportation organization on the technical capability to supply gas. A permit to use gas is issued on account of resource availability in Russia’s regions, optimal gas transmission system loading and feasibility of using gas as a fuel.

**At what prices does Gazprom sell gas to Russian consumers? How are these prices set?**

In Russia wholesale prices for gas extracted and supplied by OAO Gazprom and its affiliates are

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**Gazprom’s gas sales to consumer groups in 2014**

- Power industry: 23%
- Metallurgy: 15%
- Agrochemistry: 8%
- Cement industry: 4%
- Utilities: 3%
- Population: 15%
- Others: 24%

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**Length of gas distributions pipelines serviced by Gazprom subsidiaries and affiliated companies, thousand km**

<table>
<thead>
<tr>
<th>Year</th>
<th>Length (thousand km)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>514.2</td>
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<tr>
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<td>544.5</td>
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<tr>
<td>2008</td>
<td>586.87</td>
</tr>
<tr>
<td>2009</td>
<td>611.8</td>
</tr>
<tr>
<td>2010</td>
<td>632.7</td>
</tr>
<tr>
<td>2011</td>
<td>668.6</td>
</tr>
<tr>
<td>2012</td>
<td>654.4</td>
</tr>
<tr>
<td>2013</td>
<td>716.1</td>
</tr>
<tr>
<td>2014</td>
<td>734.0</td>
</tr>
</tbody>
</table>
annually set by the Russian state through the Federal Tariff Service (FTS).

In 2014 the wholesale regulated price for natural gas delivered to Russian consumers averaged RUB 3,673.8 per 1,000 m³ (net of VAT).

Moreover, Government Directive No. 333 of May 28, 2007 entitled Gazprom to supply certain consumers with gas at contract prices within the regulated range with the upper and lower limits set by the FTS.

Gazprom receives revenues from gas sales at the wholesale price. Revenues of gas distribution companies conveying gas to consumers via gas distribution networks are formed through regulated transmission tariffs. Regional gas trading companies receive charges for supply and marketing services rendered.

The retail gas prices for the population are set by administrations of the Russian Federation constituent entities.

Gas pricing for the population has some particular features, i.e. pricing for privileged consumer groups. Besides, if there are no gas meters in apartments, charges are calculated on the basis of established standards.

Gas in Russia is the cheapest and hence the most widely used fuel. The share of gas in the primary energy mix of the Russian economy exceeds 50%. Russia’s top-heavy fuel balance threatens national energy security; with gas being as cheap as it is, other fuel alternatives such as fuel oil, peat and coal tend to stagnate. Cheap gas fails to induce the efficient utilization of this non-renewable natural resource.

Regulated gas prices are undervalued prices. Due to such prices Gazprom is not able to generate enough revenues from gas sales in the Russian market for creating its own source of finance to be invested in constructing new gas production, transmission and storage facilities and maintaining the existing ones for the benefit of Russian consumers. Ultimately such prices hinder the gas industry development and hamper the formation of an efficient structure of the Russian economy. In fact, the companies subsidized by Gazprom have poor incentives to cut operating expenses due to cheap energy supplies. There is no favorable environment for promoting gas- and energy-savings as well as for developing high-tech industries due to cheap gas. The Russian economy is currently the most gas-consuming economy in the world. Unlike many industrial countries where gas is mostly consumed by households, gas is primarily supplied to power generating companies, metallurgical and chemical industries in Russia. Besides, long-term deliveries of cheap gas to Russian export-oriented producers can be viewed upon as unjustified export subsidies.

Thus, for many years the primary sales market – the domestic market – failed to provide sufficient funding to the Company’s new projects for large-scale field development, capacity upgrade and new gas pipelines construction as well as Russian regions gasification.

What is the Russian gas market structure?
The Russian gas market is divided into a regulated sector and a deregulated sector. Gazprom is the main gas supplier for the regulated sector, while the deregulated sector is mostly supplied by independent gas producing and oil companies.

At that, the regulated market sector currently dominates. The Government regulates:

- wholesale natural gas prices, which apply to natural gas sales by OAO Gazprom and its affiliated companies in the domestic market;
- tariff rates for services provided to independent producers and related to natural gas transmission via gas mains and those related to the transmission via gas distribution networks;
- charges for supply and marketing services.
Independent producers sell their gas at deregulated prices, altogether they meet around one-third of Russia’s demand for the ‘blue fuel’. At the same time, the Government stopped regulating the prices of alternative fuels, notably coal and fuel oil, in the early 1990s.

On May 28, 2007 the Russian Federation Government adopted Directive No. 333 on Improving State Regulation of Gas Prices which proclaims a new pricing mechanism for gas supplied by Gazprom. This mechanism contemplates setting a regulated price ceiling (minimum and maximum price levels) for the separate consumer groups. Fixed gas prices set by the Russian FTS are identified as the minimum price levels. The maximum price levels are set forth by the above mentioned Directive of the Russian Federation Government. Excess percentage of the maximum wholesale prices over the fixed regulated prices was set as 10% since January 1, 2011. The right to determine gas prices within these limits is granted to suppliers and buyers. This pricing procedure is applied to new consumers that sign their first supply contract after July 1, 2007 and to natural gas supplies in excess of the contracted volumes. Long-term gas supply contracts play a crucial role in the Russian gas market development.

Long-term contracts are mutually beneficial both for suppliers and prominent gas consumers. The market based pricing method fixed in contracts will allow, as compared to the regulated method, for more flexibility in adjusting prices to gas consumption levels by different industries and to seasonal fluctuations as well as consideration, upon agreement with certain consumers, of such factors as price variations depending on the supply schedules, offtake patterns during a day, a week, etc.

The world gas market development experience shows that long-term contracts can steadily guarantee gas deliveries to the consumer and investments necessary for the gas industry development to the producer.

The balance of interests of natural gas consumers and producers in Russia will be achieved in the process of wider application of market based gas pricing methods along with the state regulation of tariffs for gas transmission services.

**How are natural gas exchange technologies used in Russia?**

Exchange gas trading is an important means of forming market principles and increasing the transparency of pricing in the gas market as well as the possibility of obtaining market indicators for the price formation system.

Past experience shows that 5 to 10% of the industry output should be traded at an electronic platform for the exchange price to become a benchmark contract price.

From December 2006 to 2008 Russian gas market players gained necessary experience in using modern gas exchange technologies at the Electronic Trading Platform (ETP) of OOO Gazprom Mezhregiongaz, a trading company of Gazprom.

The ETP proved its high efficiency in providing independent producers with access to the gas transmission system, meeting extra demand for gas and creating a transparent mechanism for fair gas pricing.

The two-year experiment at the ETP allowed to approbate techniques for spot sales and supplies of actual gas volumes on a day ahead, a week ahead or a month ahead basis. The sales volume exceeded 13.3 billion m³ of gas (of which 7.5 billion m³ was supplied by Gazprom and 5.8 billion m³ – by independent producers) valued at RUB 20.7 billion in total.

Due to the expiry of the experiment term, gas trading sessions at the ETP were terminated on January 1, 2009.

With a view to promote the market pricing, starting with 2013 Gazprom was granted a government
permission to sell up to 17.5 billion m³ of gas at deregulated prices via organized trading platforms (stock exchanges and trading systems).

Since October 2014, Gazprom jointly with the St. Petersburg International Mercantile Exchange (SPIMEX) and Settlement and Depositary Company maintained organized gas trading on a front-month basis at the SPIMEX. From October to December 2014 the first gas was traded here within the Natural Gas section, where Gazprom sold 429.4 million m³ of gas.

With a view to further advance gas exchange trading in the domestic market, Gazprom takes part in improving the regulatory framework governing the operation of the Russian gas market. Gazprom carries out a comprehensive study of the possibilities for promoting the exchange gas supplies to the domestic market as well as gas export amidst the competition with other types of fuel & energy resources and gas suppliers, factoring in the government regulation of the gas industry.

**How does Gazprom perform gasification activities in Russia?**

Gazprom’s participation in the Russian Federation regions gasification is one of the most prominent and socially important aspects of the Company’s activity in the domestic market.

From 2005 to 2014 Gazprom channeled about RUB 242 billion to regional gasification (net of expenditures on construction of gas branches and gas distribution stations being an integral part of the regional gasification process). In 2014 Gazprom allotted RUB 28.8 billion to the Russian Regions Gasification Program. Over the mentioned ten years the Company built 1,802 inter-settlement gas pipelines with the length exceeding 25 thousand km, created favorable conditions for gasification of over 4 thousand boiler houses and 700 thousand apartments and households. As a result, by December 31, 2014 the average gasification level in Russia reached 65.4%: in towns and rural areas – 70.3 and 54.6% accordingly. In 2015 Gazprom is planning to earmark RUB 28.8 billion for the Russian regions gasification.

A well-adjusted system of interaction between OAO Gazprom and Russia’s regional authorities contributes to the successful implementation of the gasification program. This system hinges on cooperation agreements with regions.

In December 2009 a new version of the Concept for the Company’s participation in the gasification of Russian regions was approved. It provides for a multi-faceted approach to the gasification on account of regional gas resources availability, development of existing fields as well as the availability of alternative primary fuels including liquefied and compressed natural gas.

The Concept divides Russian regions into three groups subject to their gas infrastructure maturity level. Out of these three groups Gazprom pays special attention to the gasification of settlements being under-populated and remote from gas mains, which is particularly important in rural areas. In this respect the gasification of each region is carried out on a three-year basis.

In 2014 Gazprom constructed an LNG facility in the Perm Territory – the first self-sustaining LNG supply project implemented within the Russian Regions Gasification Program. It includes a mini LNG plant at the village of Kanyusyata (Karagay District) and three stations for receiving, storing and regasifying natural gas. With the capacity of 19 million m³ per year, the facility will allow for gasifying 2.2 thousand households and switching nine boiler houses to gas.

Gazprom’s large-scale gasification activities are aimed at achieving the maximum economically viable level of gas penetration in Russia. Being currently among the Company’s paramount objectives, gasification of Eastern Siberia and the Far East is carried out simultaneously with gas production and transmission infrastructure creation in these regions.
How much gas does Gazprom sell abroad?
In 2014 Gazprom sold 207.5 billion m$^3$ of natural gas abroad.

What countries does Gazprom supply with gas?
Gazprom is one of the primary suppliers of natural gas to European consumers and accounts for roughly two-thirds of aggregate gas import in Europe. Export deliveries of Russian gas began in the mid-1940s to Poland. In 1967 Russian gas was directed to Czechoslovakia. In 1968 first gas supplies to Western Europe started from a contract with Austrian OMV. In 2014 Russian gas was marketed in more than 30 countries.
In 2014 Gazprom sold a total of 159.4 billion m³ of natural gas beyond the FSU. As of today, beyond the FSU the major buyers of Russian blue fuel are Germany, Turkey and Italy.

In 2014 gas supplies to the CIS and Baltic States accounted for 48.1 billion m³.

**What are Gazprom’s international partners?**
Gazprom’s key international partners are: E.ON, BASF, Wintershall, Verbundnetz Gas, VNG, Siemens (Germany), ENGIE, EDF and Total (France), Eni (Italy), Botas (Turkey), Fortum (Finland), Gasunie and GasTerra (the Netherlands), DONG Energy (Denmark), Statoil (Norway), OMV (Austria), CNPC and PetroChina (China), GAIL (India), Sonatrach (Algeria), PetroVietnam (Vietnam), PDVSA (Venezuela), YPF (Argentina), MOL (Hungary), PGNiG (Poland), SPP (Slovakia), Srbijagas (Serbia), Bulgarian Energy Holding EAD (Bulgaria), Kogas (Korea), Mitsui, Mitsubishi Corporation (Japan) and transnational Shell.

It is not a complete list of the Company’s international partners since Gazprom actively cooperates with

**Gas supplies to Europe in 2014, billion m³**

<table>
<thead>
<tr>
<th>Country</th>
<th>Sales volume</th>
<th>Country</th>
<th>Sales volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>40.3</td>
<td>Netherlands</td>
<td>4.7</td>
</tr>
<tr>
<td>Turkey</td>
<td>27.3</td>
<td>Romania</td>
<td>0.5</td>
</tr>
<tr>
<td>Italy</td>
<td>21.7</td>
<td>Bulgaria</td>
<td>2.8</td>
</tr>
<tr>
<td>Poland</td>
<td>9.1</td>
<td>Denmark</td>
<td>0.4</td>
</tr>
<tr>
<td>UK</td>
<td>15.5</td>
<td>Greece</td>
<td>1.7</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>0.8</td>
<td>Serbia</td>
<td>1.5</td>
</tr>
<tr>
<td>France</td>
<td>7.6</td>
<td>Slovenia</td>
<td>0.4</td>
</tr>
<tr>
<td>Hungary</td>
<td>5.4</td>
<td>Switzerland</td>
<td>0.3</td>
</tr>
<tr>
<td>Slovakia</td>
<td>4.4</td>
<td>Bosnia and Herzegovina</td>
<td>0.2</td>
</tr>
<tr>
<td>Austria</td>
<td>4.2</td>
<td>Macedonia</td>
<td>0.1</td>
</tr>
<tr>
<td>Finland</td>
<td>3.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
foreign companies in executing a broad range of joint projects in addition to gas supplies.

**8. Gazprom in Foreign Markets**

Special attention is paid to the development of market based cooperation with the major countries transiting Russian gas to Europe – Ukraine and Belarus. At present, there is a clear differentiation between contracts for gas supply to Ukraine and contracts for gas transit via its territory. The market principles of relationship are fixed in a five-year gas supply and transit contract signed with Belarus.

The transparency of Gazprom’s relationships with transit countries is beneficial to all parties and is indispensable for securing the reliability of Russian blue fuel deliveries to European consumers.

What is the basis for a high end-consumer gas price in Europe? Does Gazprom have opportunities to sell gas to end consumers abroad?

The price level for European consumers mainly depends on the cost of gas transmission services. Gazprom sells most of its export gas at the border of the importing country to local distributors that subsequently supply it to end consumers. The end-consumer price includes the cost of gas transmission via low pressure pipeline networks maintenance of which is several times more expensive than in Russia, plus taxes.

In 1993 Gazprom and German Wintershall established the Wingas joint venture owning around 2,000 km of pipelines in Germany and Europe’s largest Rehden UGS facility with the capacity of over 4 billion m³. At present, Gazprom holds 50% less one share in the JV.

Under the agreement with Eni, Gazprom Export, a foreign trade subsidiary of Gazprom, was entitled to independently sell over 3 billion m³ of gas in the Italian market.

ZAO Gazprom Armenia supplies gas to the Armenian market and sells it to each and every group of end

**Under what terms and conditions does Gazprom export gas?**

Gazprom exports gas mainly under long-term contracts (up to 25 years) concluded, as a rule, on the basis of inter-governmental agreements.

**Long-term arrangements are the foundation for steady and reliable gas supplies. Only long-term deals can guarantee the producer and exporter’s returns on multibillion dollar investments required for the implementation of large gas export projects, and assure steady and uninterrupted gas deliveries for the importer in the long run.**

**Do Gazprom’s export prices differ from those for the domestic gas consumers?**

Yes, they do. Export supplies are significantly more expensive. For example, in 2014 Russian blue fuel was supplied to Western Europe at the prices approximately 3 times higher and to the CIS and Baltic States – more than two times higher than those for Russian consumers.

**How are Russian gas prices set for the CIS countries?**

In 2006 Gazprom completed a transition to the market based pricing principles for gas consumers in all of the CIS and Baltic countries. As a result, gas prices for the FSU have grown twofold to threefold and gradually reached European levels. At the same time, when generating price offers for each of the countries, Gazprom gives consideration to a degree of their integration into the Company’s gas business.
consumers. Gazprom Kyrgyzstan is responsible for gas sales in Kyrgyzstan.

**What impact does the European gas market liberalization have on Gazprom’s export policy?**
Gazprom’s international business activities are carried out in full compliance with the applicable legislation in the countries of Gazprom Group’s presence.

Recent developments in the European Union legislation aimed at the liberalization of the gas market influenced both organizational issues of the business activities and contracts for gas supplies to the EU member states.

Pursuant to the new regulations, Gazprom’s companies removed the contract provisions that restricted reselling the Russian ‘blue fuel’. In addition, Gazprom believes – and major European energy companies share this opinion – that the basic architecture should be comprised of long-term arrangements for gas supply to secure stability, reliability and predictability of the gas market.

European consumers are committed to the long-term contracts with Gazprom. This is confirmed by the fact that the Company extends export contracts with its western partners. Thus, ENGIE (France) has renewed its contract until 2030, E.ON (Germany) – until 2035, Wintershall (Germany) – until 2030, Gasum (Finland) – until 2026, and Eni (Italy) – until 2035. Contract extensions until 2027 and new arrangements were agreed on with Austrian EconGas, GWH and Centrex. Contracts were concluded with Romanian Conef Energy for the period from 2010 to 2030, Swiss WIEE for the period from 2013 to 2030, German WIEH until 2027, Czech Vernex for the period until 2018, Italian Premium Gas until 2024 and Sinergie Italiane up to 2022.

In 2015 Gazprom and Centrica entered into the agreement for building up gas supply to the UK until 2021.

Besides, Gazprom is alert to the legislative initiatives under consideration in the EU and constantly takes part in discussing the issues that may have a negative impact on the natural gas market and impair the situation for the players. In particular, prohibiting natural gas suppliers from acquisition of large gas transmission projects in which they frequently invested their own funds causes concern as well as the obligations to provide the third parties with access to gas transportation capacities.

This may lead to a lack of funds and an increase in transmission costs and, therefore, have a negative effect on the gas supply reliability.

**Does Gazprom plan to supply pipeline gas to the Asia-Pacific markets?**
In May 2014 Gazprom and China’s CNPC signed a contract for Russian pipeline gas supply to China. The 30-year contract worth some USD 400 billion envisages the export of more than 1 trillion m³ of gas to China.

The mutually beneficial document contains such major provisions as the price formula linked to oil prices and the ‘take-or-pay’ clause.

“The arrangement of Russian pipeline gas supplies is the biggest investment project on a global scale. USD 55 billion will be invested in the construction of

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**Average gas sales price (excluding VAT, excise duties and customs duties), RUB per 1,000 m³**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>2,345.5</td>
<td>2,725.4</td>
<td>2,964.2</td>
<td>3,393.9</td>
<td>3,673.3</td>
</tr>
<tr>
<td>Beyond the FSU</td>
<td>7,420.7</td>
<td>9,186.6</td>
<td>10,104.4</td>
<td>9,680.1</td>
<td>11,299.3</td>
</tr>
<tr>
<td>CIS and Baltic States</td>
<td>6,416.5</td>
<td>7,802.1</td>
<td>8,016.4</td>
<td>7,132.8</td>
<td>8,677.9</td>
</tr>
</tbody>
</table>
production and transmission facilities in Russia. An extensive gas infrastructure network will be set up in Russia’s East, which will drive the local economy forward. Great impetus will be given to entire economic sectors, namely metallurgy, pipe and machine building,” said Alexey Miller, Chairman of the ОАО Gazprom Management Committee after the signing.

Gas from the Yakutia and Irkutsk gas production centers, for which the Chayandinskoye and Kovyktinskoye fields are basic respectively, will be the resource base for supply to China. Gazprom has started pre-developing the Chayandinskoye field in 2015 and first gas will be produced there in late 2018.

Gas will be supplied via the Power of Siberia gas transmission system with the annual design export capacity of 38 billion m³ of gas with the possibility of extension. 1,420 mm pipes designed for the pressure of 100 Ata manufactured in Russia will be mostly used in construction.

In May 2015 Gazprom and the Chinese company CNPC signed the Heads of Agreement for pipeline gas supply from Russia to China via the western route. The document outlines the main technical and commercial parameters of the future supplies. The western route envisages gas supply to China from Western Siberia’s fields in the amount of some 30 billion m³ of gas annually within 30 years.

**What is the place of liquefied natural in Gazprom’s export policy?**

Global gas consumption grows by an average of 2.6% per year, and the bulk of this growth is due to liquefied natural gas (LNG).

LNG has become an integral part of global gas trade. Supplies of liquefied gas offer an advantage in terms of reaching the markets regardless of their geographic location.

Gazprom is implementing a staged strategy of building up its presence in the LNG market. Gazprom’s LNG sales efficiently compliment pipeline supply, making it possible to enter new gas markets.

Expansion of the Group’s presence in the LNG market was initiated in 2005 as part of the spot and swap transactions carried out by Gazprom Marketing & Trading. In 2008, this business was spun off into a separate subsidiary – Gazprom Global LNG. With a view to do business in Asia-Pacific, Gazprom Marketing & Trading Singapore was set up.

Sakhalin II, the world’s largest complex oil and gas project became the next phase of this strategy, embracing the development of two oil & gas fields offshore on the northeastern shelf of the Sakhalin Island (Piltun-Astokhskoye and Lunskoye), oil and gas production and transportation via trans-Sakhalin pipelines, LNG production as well as hydrocarbons export. In February 2009 Russia’s first LNG production plant was commissioned within Sakhalin II. In April 2009 the first Russian LNG carrier came to Japan. In 2010 not only did the Sakhalin LNG plant reach its full design capacity, but it even exceeded it producing over ten million tons of LNG. In 2014 the plant yielded 10.6 million tons of LNG. The bulk of the plant’s output is contracted for the long term.

In 2014 the volume of Gazprom’s LNG sales considerably grew as compared to 2013. During the year 52 LNG cargoes were sold with the total volume of 3.4 million t (4.5 billion m³) versus 24 cargoes with the volume of 1.5 million t (2 billion m³) last year. In 2014 LNG was supplied to Asia-Pacific markets (primarily to Japan and South Korea) as well as to Argentina and Kuwait. The total volume of LNG sales amounted to 13.1 million t (17.5 billion m³) between 2005 and 2014.

In 2014 a long-term contract with GAIL became effective for LNG supply to India in the amount of 2.5 million t a year.
In 2015 a long-term contract was signed, stipulating the supply by Yamal Trade of 2.9 million t of LNG a year from the Yamal LNG project to Gazprom Marketing & Trading Singapore.

With a view to increase its market share, Gazprom aims to speed up new liquefied natural gas (LNG) projects. In February 2013 Gazprom made a decision to move the Vladivostok LNG project to the investment stage. The plant capacity will amount to 10 million t a year. Asia-Pacific is the LNG target market. Presently the project is at its design stage.

In June 2013 the Memorandum of Understanding and Cooperation was inked regarding the construction of an LNG plant (Baltic LNG) with the annual capacity of up to 10 million t of LNG with the potential for expansion in the Leningrad Region. Early in 2015 Gazprom made a decision on moving the Baltic LNG project to the investment stage.

In addition, the possibility of stepping up the production within the Sakhalin II project is being considered by means of constructing the third process train with the capacity of up to 5.4 million t of LNG a year.

Gazprom actively enhances its presence in the sector of LNG marine transportation. Presently, the Group (through Gazprom marketing & Trading) owns a fleet of 6 cutting-edge hi-tech LNG carriers – Veliky Novgorod, Pskov, Amur River, Yenisei River, Lena River and Ob River. In 2012 Ob River became the first LNG carrier to complete the world’s first LNG supply via the Northern Sea Route.
Chapter 9
International Projects

Projects aimed at developing the transnational Eurasian gas transmission system:

- Yamal – Europe gas pipeline
- Blue Stream gas pipeline
- Nord Stream gas pipeline
- South Stream gas pipeline

Hydrocarbon exploration and production worldwide

What gas transmission projects does Gazprom develop in Europe?

**Yamal – Europe gas pipeline**

The transnational Yamal – Europe gas pipeline runs across four countries: Russia, Belarus, Poland, and Germany. The current overall length of the gas pipeline exceeds 2,000 km. There are 14 compressor stations operational, of which three are in Russia, five – in Belarus, five – in Poland, and one – in Germany.

The gas pipeline construction began in 1994. First sections of the pipeline were brought onstream as early as in 1996.
Yamal — Europe gas pipeline
The German end of the project was overseen by Wingas, a joint venture between Gazprom and Wintershall. Russian gas arrives at the Mallnow compressor station in the vicinity of the German-Polish border.

The Polish section of the gas pipeline was built by EuRoPol GAZ, a joint venture owned by Gazprom and Polish PGNiG.

Gazprom is the sole investor and owner of the Belarusian gas pipeline section.

Upon commissioning of the last compressor station in 2006, Yamal – Europe reached the full capacity of 33 billion m³ per annum.

**Blue Stream gas pipeline**
The purpose of the Blue Stream gas main is to directly supply Russian gas to Turkey and bypass transit countries. The 1,213 km long gas pipeline consists of an overland and a submerged section.

The submerged section of Blue Steam is unique in design and construction.

The submerged pipeline rests on the bottom of the Black Sea at depths of up to 2,150 m, i.e. one-third deeper than every known underwater pipeline in the world. Construction was impeded by the unfavorable landscape of the bottom and by the aggressive ground environment saturated with hydrogen sulfide. The submerged section of the pipeline is 393 km long. The gas pipeline was completed in December 2002. In February 2003 commercial gas started flowing through the pipeline. The design capacity of Blue Stream equals 16 billion m³ of gas per annum.

In 2014 Blue Stream conveyed 14.4 billion m³ of gas. In May 2015 the total volume of gas supplied via Blue Stream exceeded 117 billion m³.

**Nord Stream gas pipeline**
The Nord Stream gas pipeline with the annual capacity of 55 billion m³ of gas runs across the Baltic Sea from...
Russia to Western European countries. Nord Stream will constitute a fundamentally new export route for Russian gas. With no transit countries on its way, the gas main is distinguished by zero country risk and low transit costs, while assuring more reliable supplies. The project is also crucial for diversifying export routes and directly link the gas transmission pipelines of Russia with the European gas network.

The gas pipeline construction began in December 2005 when the first joint of the Gryazovets – Vyborg overland section in Russia was welded. Construction of the Nord Stream gas pipeline in the Baltic Sea started in April 2010. The Unified Gas Supply System elements required for gas supplies via Nord Stream were constructed by Gazprom itself.

Gazprom (51%) partners BASF/Wintershall and E.ON AG (15.5% each), Gasunie and ENGIE (9% each) within the project.

Representing the pan-European significance, the Nord Stream project has been included into the list of the top-priority energy projects of the Trans-European Energy Network. The main target markets for gas supplies via Nord Stream are Germany, Denmark, the Netherlands, the UK and France.

The major gas customers of the first gas pipeline string are Wingas, Gazprom Marketing & Trading, E.ON Ruhrgas, ENGIE and DONG Energy.

In November 2011 the gas pipeline’s first string with the throughput capacity of some 27.5 billion m³ per annum was commissioned and commercial gas supplies to European consumers started. In October 2012 the Nord Stream’s second string was commissioned, which made it possible to increase the gas pipeline capacity to 55 billion m³.

**TurkStream gas pipeline**

On December 1, 2014 Gazprom and Turkish Botas signed the Memorandum of Understanding on constructing a gas pipeline with the capacity of 63 billion m³ a year across the Black Sea from Russia to Turkey.
Why does Gazprom purchase gas in Central Asia? Will Gazprom produce gas in Central Asia? How is Central Asian gas transported?

As the groundwork for sustainable gas supply at the required level, Gazprom is looking to tap into new fields in various regions, for example, the Yamal Peninsula and the Arctic shelf. All these areas have exceptionally challenging climatic and geological conditions. Gas will cost much more to extract there compared to other regions.

Therefore, Gazprom is seeking to add natural gas of Central Asian origin to its export portfolio in order to enhance the effectiveness of trading operations.

Cooperation between Gazprom and Central Asian gas producers began in 2001 and now covers gas purchases and transit across Central Asian countries, exploration and production, gas processing at Russian facilities as well as creation and acquisition of fuel and energy infrastructure facilities in Central Asia.

In 2014 Gazprom Group acquired 29.52 billion m³ of Central Asian gas, including 10.98 billion m³ in Turkmenistan, 7.38 billion m³ in Uzbekistan, and 10.95 billion m³ in Kazakhstan. From 2011 purchases of Azerbaijani gas were initiated. In 2014 their amount totaled 0.21 billion m³.

What international hydrocarbons extraction projects is Gazprom involved in?

Developing and utilizing hydrocarbon resources in Central Asia

Uzbekistan. In 2002 Gazprom and NHC Uzbekneftegaz entered into the Agreement on Strategic Cooperation stipulating Gazprom participation in natural gas production projects in Uzbekistan under the production sharing agreement (PSA) terms.

Since mid-2004 Gazprom has been involved in restoring gas production in the Shakhpakhty field under the PSA terms.
accumulated gas production since the start of the follow-up development exceeded 2.8 billion m$^3$. In 2006 Gazprom and NHC Uzbekneftegaz signed the Agreement on Basic Principles for Geological Exploration of Ustyurt Investment Blocks in the Republic. Gazprom International (at that time Gazprom Zarubezhneftegaz) was appointed the project operator. In the course of geological operations the Dzhel gas and condensate field was discovered in the Shakhpakhty block in 2009.

Kazakhstan. In 2002 Gazprom and AO NK KazMunaiGaz set up on a par and registered in Kazakhstan the TOO KazRosGas joint venture engaged in natural gas purchasing, marketing and processing at the OOO Gazprom Dobycha Orenburg facilities.

In 2008 OOO TsentrCaspneftegaz (a joint venture of OAO Gazprom and OAO LUKOIL) discovered a field named Tsentralnoye within the Tsentralnaya geological structure in the Caspian Sea. The field’s aggregate recoverable resources amount to 101.4 million t of oil, 7.5 million t of condensate and 162.1 billion m$^3$ of free and dissolved gas.

Following the agreement between Russia and Kazakhstan, the field will be developed by the Tsentralnaya Oil and Gas Company, a Russian-Kazakh joint venture set up on a par in 2013. The Russian party is represented by Gazprom and LUKOIL, the Kazakh party – by KazMunaiGaz.

Work is underway for obtaining subsurface use licences for the field by both the Russian and Kazakh parties.

In 2010 Russia and Kazakhstan entered into the Intergovernmental Agreement on joint geological survey and exploration of the cross-border Imashevskoye gas and condensate field. Pursuant to the Agreement, Gazprom was identified as the authorized company on behalf of Russia and AO NK KazMunaiGaz – on behalf of Kazakhstan.

In 2011 Gazprom and AO NK KazMunaiGaz identified TOO KazRosGas as the single operator of the Agreement.

Turkmenistan. The relationship between Russia and Turkmenistan in the gas sector is based on the long-term bilateral Agreement of Cooperation in the Gas Industry signed in 2003 and effective for 25 years.

Within the scope of the Agreement OOO Gazprom Export (a Gazprom subsidiary) and Turkmenistan’s national gas trader Turkmenneftegaz concluded a long-term purchase and sale contract for Turkmen natural gas. Turkmen gas is supplied via the Central Asia – Center transit gas pipeline system crossing Uzbekistan, Kazakhstan and Russia. Gazprom acts as the operator of Turkmen gas transit across Uzbekistan and Kazakhstan according to intergovernmental agreements.

The supplements and amendments to the long-term gas purchase and sale contract between OOO Gazprom Export and Turkmengaz State Concern were signed in December 2009. Halted due to an accident at the Central Asia – Center gas pipeline in Turkmenistan, Turkmen gas supplies were resumed in early 2010.


In 2006 Gazprom and the Government of the Kyrgyz Republic signed the Memorandum of Intent to establish a Russian-Kyrgyz joint venture in the oil and gas sector.

In 2007 Gazprom and the Government of the Kyrgyz Republic entered into the Agreement on Basic Principles for Geological Exploration. As part of the
Agreement, Gazprom obtained two licenses for the Kugart and Eastern Mailu-Suu areas.

In 2008 Gazprom and the Government of the Kyrgyz Republic signed the Memorandum of Understanding to develop cooperation within the privatization of a part of the state-owned stake in OAO Kyrgyzgaz. In 2011 Gazprom and the Government of Kyrgyzstan signed two protocols on resumption and promotion of further cooperation.

In April 2014 Gazprom and Kyrgyzgaz entered into the Sales and Purchase Agreement for a 100% stake in KyrgyzgazProm (renamed OOO Gazprom Kyrgyzstan), a wholly-owned subsidiary of OAO Kyrgyzgaz.

Gazprom Kyrgyzstan is the sole importer of natural gas to Kyrgyzstan and owner of the country’s gas transmission and distribution systems.

Tajikistan. The cooperation between the Government of the Republic of Tajikistan and Gazprom is regulated by the Agreement on General Principles for Geological Exploration of Oil and Gas Prospects in the Republic of Tajikistan, signed in 2008.

In 2003 the long-term Agreement of Cooperation in Gas Industry was signed for a period of 25 years. Gazprom EP International is Gazprom’s wholly-owned subsidiary operating the hydrocarbon prospecting and production project in Tajikistan.

By now, drilling of the Shakhrinav-1p ultra-deep prospecting well has been completed. Besides, Gazprom extended licenses for hydrocarbons prospecting and exploration within the Sarykamysh and West Shohambary areas.

Central Asia – Center (CAC) gas pipeline system
The Central Asia – Center (CAC) gas pipeline system is currently the main thoroughfare for gas export from Turkmenistan, Uzbekistan and Kazakhstan via the Russian Federation.
With a view to provide gas transmission capacities for transiting Turkmen, Uzbek and Kazakh gas, the participants of the Uzbekistan – Kazakhstan – Russia transportation chain took steps aimed at securing the reliability of transportation and expanding the CAC GTS as well as concluding mid-term contracts for transit via Uzbekistan and Kazakhstan.

Presently the CAC GTS capacities allow for transporting the whole volume of Central Asian gas purchased by Gazprom Group.

**Developing hydrocarbon fields beyond the FSU**

**Vietnam.** In 2000 Gazprom and PetroVietnam signed the Agreement on conducting geological exploration of block No. 112 offshore Vietnam. Vietgazprom, a joint operating company (JOC) implements the contract. In 2007 the Bao Vang gas & condensate field was discovered within block No. 112, in 2009 – the Bao Den field. Presently development activities are being conducted at block No. 112 under the Oil and Gas Contract conditions with a view to estimate their reserves and commercial significance.

In 2012 PetroVietnam and Gazprom signed an agreement for the latter to join the development project for blocks 05.2 and 05.3 located offshore Vietnam. In 2013 Gazprom and PetroVietnam launched commercial gas production from the Moc Tinh and Hai Thach fields of licensed blocks 05.2 and 05.3 offshore Vietnam, with the recoverable gas and condensate reserves amounting to 35.9 billion m³ and 15.2 million t respectively.

**Venezuela.** In 2005 within the Rafael Urdaneta tender Gazprom obtained two licenses for exploration and development of natural gas fields at the Urumaco I block in the Gulf of Venezuela.

In 2011 Gazprom and Petroleos de Venezuela (PdVSA) signed the Memorandum of Understanding stipulating possible creation of a joint venture for the Robalo gas field development in the Gulf of Venezuela.

In addition, OAO Gazprom holds a 20% stake in the National Oil Consortium (NOC) established by several Russian companies in order to develop the giant Junin-6 heavy oil field in the Orinoco River basin. NOC and PdVSA set up the PetroMiranda joint venture to develop the Junin-6 block. In September 2012 first oil was produced at the Junin-6 block.

**Algeria.** In 2008 Gazprom was announced as the winner of the hydrocarbons exploration and production tender for the onshore El Assel area located in the Berkine Basin of Algeria. Gazprom EP International B.V. is the project operator.

In 2010 hydrocarbon reserves were discovered in the Ordovician deposits. The daily well production rate reached some 39.5 thousand m³ of gas and 75.7 t of oil.

**Bolivia.** In 2008 Gazprom, YPFB and Total E&P Bolivie signed the trilateral Memorandum envisaging the joint assessment of the Azero and Carahuaicho blocks.

The project’s shareholding structure at the stage of exploration in the Acero block is as follows: Gazprom Group (Gazprom EP International) – 50%, Total (Total E&P Bolivie) – 50%.

In 2010 Gazprom Group and Total signed a Farmout Agreement on the geological exploration project for the Ipati and Aquio blocks in Bolivia. Gazprom Group
(represented by Gazprom EP International) holds 20% in the project, Total – 60%, Argentina’s petroleum company Tecpetrol – 20%.

**Iraq.** In 2009 OAO Gazprom Neft as an international consortium operator (share – 30%) won a tender for developing the Badra field in Iraq. In late 2013 first oil was produced in the field, in 2014 the full-scale project development began. Gazprom Neft implements three projects in Iraq. In 2012 the company signed an agreement on prospecting and developing the hydrocarbon reserves of the Garmian and Shakal blocks in Kurdistan’s south. Gazprom Neft acquired a 40% stake in the Garmian project and 80% in Shakal. In early 2013 Gazprom Neft entered into another project in Kurdistan, having acquired an 80% share in the Halabja block. All three projects are implemented under the production sharing agreement (PSA).

Libya. Between 2006 and 2007 as a result of the tender procedures Gazprom obtained the right to explore and develop hydrocarbons in the promising licensed blocks No. 19 (offshore the Mediterranean Sea) and No. 64 (300 km south of Tripoli).

The projects are regulated by the Exploration and Production Sharing Agreements (EPSA) signed with Libya’s National Oil Corporation (NOC). By early 2011, seismic survey had been completed and preparations for exploratory drilling had been made for both projects. Drilling of an exploratory well was conducted at block No. 64, however, after the start of armed hostilities in the region, the well was abandoned.

In 2007 following the asset swap deal with BASF, Gazprom acquired a 49% stake in Libya’s oil concessions C96 and C97 owned by Wintershall. These concessions are governed by the agreements
effective until 2026. The concessions include nine fields with As Sarah as the largest. In 2010 concessions C96 and C97 yielded 1.92 million t of oil, 0.1 million t of condensate and 227 million m$^3$ of gas.

Gazprom is also looking into its potential involvement in oil and gas projects in Argentina, Brazil, Bangladesh, Egypt, Pakistan, Iran, Sri Lanka, Uruguay, the Dominican Republic, Tanzania, Mozambique, Myanmar and some other countries.
Chapter 10
Financial Activities

Financial highlights for 2014:
Gazprom Group’s earnings (net of VAT, excise and other payments) — RUB 5.661 trillion

What are Gazprom’s annual earnings?
In 2014 Gazprom and its subsidiary companies earned RUB 5.661 trillion (according to the Consolidated Accounting Statement prepared in accordance with the applicable Russian laws and regulations).

How much does Gazprom pay in taxes?
Gazprom channels its taxes and other obligatory payments at all levels as required by applicable tax legislation.

Thus, the Company paid RUB 980 billion in taxes and other payments in 2007, RUB 1.1 trillion in 2009, RUB 1.7 trillion in 2011, RUB 1.8 trillion in 2013 and RUB 2.063 trillion in 2014.
Gazprom in Questions and Answers

**Gazprom Group’s tax payments*, RUB billion**

<table>
<thead>
<tr>
<th>Year</th>
<th>Tax Payments, RUB billion</th>
</tr>
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<tbody>
<tr>
<td>2007</td>
<td>980</td>
</tr>
<tr>
<td>2008</td>
<td>1,416</td>
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<td>2012</td>
<td>1,951</td>
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<tr>
<td>2013</td>
<td>1,821</td>
</tr>
<tr>
<td>2014</td>
<td>2,063</td>
</tr>
</tbody>
</table>

*IFRS consolidated financial statements include taxes, customs duties, excise taxes and insurance payments to public funds.

**What does Gazprom spend money on?**
Gazprom commits multibillion investments into the core businesses, thus securing operational reliability of the huge production and technology complex and rapid development of the Company. Neither the current production programs nor the strategic projects are feasible without a pro-active investment policy.

Gazprom’s Investment Program for 2015 stipulates the total volume of investments in the amount of RUB 840.35 billion, including capital investments and long-term financial investments in the amount of RUB 733.13 billion and RUB 107.22 billion respectively.

According to the Investment Program for 2015, capital construction priorities in the upstream and midstream sectors are the following: implementing the program for the comprehensive development of the Yamal Peninsula fields, constructing gas transmission and gas processing capacities using gas from the Yakutia Gas Production Center, inter alia, the Power of Siberia project, constructing the Southern Corridor gas pipeline system and developing the underground gas storage system.

**How does Gazprom spend its money?**
While running their businesses, Gazprom’s subsidiary companies consume over 600 thousand items of materials and equipment, incurring substantial costs. It is obvious that Gazprom’s final operating results directly depend on the procurement policy efficiency.

The lineup of products required by gas industry companies is roughly the same. In this context, with a view to counter the price bargaining power of suppliers, the bulk of materials and equipment should be acquired through a single channel.

In Gazprom Group these functions are charged to a special-purpose subsidiary company – OOO Gazprom Komplektatsiya. It is inexpedient, however, to vest this unit with 100% of procurement, since each member company has its specific features.

Moreover, subsidiaries may have unforeseen needs in this or that product (for instance, in case of emergency), which have to be met in a very prompt manner. That is why, around 80% of Gazprom Group’s current procurement requirements are satisfied via Gazprom Komplektatsiya, with the remainder acquired by subsidiaries independently.
A specialized Department of OAO Gazprom acts as a central body for managing purchases in Gazprom Group. Tender notices are published at the website of OAO Gazprom (www.gazprom.com) in the Tenders section, at www.zakupki.gov.ru and in print media. The annual plan of Gazprom Group’s competitive purchases is also available on the website.

Gazprom has long been focused on domestic manufacturers in its procurement policy. The share of imports in OOO Gazprom Komplektatsiya's purchases is declining: while in 2006 the purchases from beyond the former Soviet Union accounted for 14.7% of the overall procurement, this figure shrank to 9.5% in 2010 and within the recent four years it has averaged about 6%. At present, Gazprom acquires abroad only unique products and those unrivaled in Russia.

Such an approach is favored by Russian manufacturers. For instance, Russia’s leading machine-building companies supply Gazprom with gas compressor units at a far lower price than for customers abroad.

It is worth mentioning that owing to a focus on Gazprom’s promising projects, Russia develops new production facilities and enhances its production technologies. For instance, Gazprom's needs for high-quality large-diameter pipes have triggered their manufacturing at Russia's major pipe plants. It wouldn’t be an exaggeration to say that Gazprom's product orders represent effective investment demand in the domestic industry.

Isn’t Gazprom’s debt burden too heavy?

Gazprom Group's net debt (according to the consolidated financial statements prepared in compliance with the IFRS) as of December 31, 2014 amounted to RUB 1.65 trillion.

Although this figure might seem impressive, in fact it is acceptable among global energy companies commensurate with Gazprom. Firstly, repayment is spaced out for many years ahead – thus, about one-third of the Group’s credit portfolio accounts for the debt with the period outstanding of over five years. Secondly, no company ever engages in large-scale projects entirely on its own. No pragmatic lender would give the Company a cent if they had the slightest doubt about its trustworthiness.

Both domestic and international investors lend eagerly to Gazprom. Even in the unstable financial market environment in late 2014 – early 2015, Gazprom attracted rather favorable investments. Thus, during this period complicated for Russian debtors Gazprom completed three transactions on finance attracting from the international capital market under pre-crisis terms: worth USD 700 million at the rate of 4.3%, worth EUR 390 million and 350 million at EURIBOR +2.75%.

Gazprom pursues a conservative debt management policy. The key debt ratios are commensurate with those of the world's leading oil and gas companies and are comfortable for Gazprom.

For instance, according to the results of 2014 the total debt/EBITDA (earnings before interest, taxes, depreciation, and amortization, adjusted according to changes in provisions for asset depreciation) ratio in the USD equivalent was maintained at a low level – 0.9, the net debt/adj. EBITDA ratio – 0.6. It means that Gazprom can redeem its total debt using the Company's available funds and an operating cash flow generated in less than one year. The Company ensures such results both due to low debt cost and a number of measures taken. In particular, Gazprom is active in developing the centralized cash pooling system that enables mobilization of internal financial resources, thus reducing the circulating capital and the demand for loans and improving the quality of cash management. Moreover, much attention is paid to Gazprom's projects involving project finance.

Gazprom was assigned the highest credit rating by Dagong, China’s biggest independent rating agency.
Is it true that many of Gazprom’s subsidiary companies have no relation to its core business?

Today Gazprom’s policy is to stay focused on its core business, i.e. hydrocarbons production, transportation, storage and processing as well as the power industry development. However, some time ago Gazprom owned a significant share of non-core assets. They were mainly acquired over the 1990s as Russian consumers’ payments for gas supplied by the Company as well as set up in order to carry out major activities. Many Russian consumers practiced non-cash gas payments in allowances, securities or other “cash equivalents”. By now, the major part of non-core assets has been sold out. According to the results of 2014, Gazprom and its subsidiary companies earned RUB 16.08 billion on non-core/ineffective asset sales (RUB 11.36 billion disregarding the Group’s in-house deals).

### OAO Gazprom’s debt structure by term of borrowings, %

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<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
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<td>2-5 years</td>
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<td>42</td>
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<tr>
<td>More than 5 years</td>
<td>35</td>
<td>31</td>
<td>31</td>
<td>21</td>
<td>26</td>
<td>33</td>
<td>32</td>
</tr>
</tbody>
</table>
Why is Gazprom engaged in the power generation business?

In order to become a global energy leader, Gazprom needs to evolve as a company spanning the entire process chain – from production to sales of both primary energy carriers and final products, including electricity.

Gas and power generation business mergers represent a trend nowadays observed all over the world. For instance, the merger of E.ON (energy) with Ruhrgas (gas) and Gaz de France with Suez in Europe resulted in a considerable synergetic effect.
Gazprom in Questions and Answers

Direct involvement of Gazprom as a prominent energy resource supplier in power generation and distribution projects will eventually make it possible to normalize Russia’s fuel mix, work out and implement effective schemes for balanced consumption of coal and gas and thereby prevent wasteful consumption of the blue fuel. It is also important that Gazprom’s participation in the power sector will enable the Company to enjoy significant economic benefits owing to the introduction of the most efficient schemes of power supply to production companies of the Group.

Gazprom’s conversion into a global vertically integrated energy company with significant power assets is needed not only by the Company itself, but by the shareholders as well. Strengthening the Company’s positions in the power industry will allow Gazprom to increase the attractiveness of its shares in the market.

What areas of the power sector is Gazprom involved in?
In April 2007 OAO Gazprom Board of Directors approved the Company’s Power Generation Strategy. In particular, the document stipulates the implementation of measures aimed at enhancing the power sector capitalization in the following areas:

- acquisition of generating companies;
- construction of new efficient capacities and upgrade of the existing ones to decrease the energy intensity of power generation;
- advancement of the power distribution business;
- development of a network company.

What assets does Gazprom own in Russia’s power industry?
Between 2007 and 2008 as a result of the power industry reform in Russia and the participation in additional share issues of generating companies, Gazprom Group substantially achieved its strategic goals to enter the power generation business.

The Group consolidated controlling stakes in OAO Mosenergo, OAO Second Wholesale Generating Company (OGK-2), OAO First Territorial Generating Company (TGC-1) and OAO MOEK (Moscow United Energy Company).

Gazprom Group’s generating companies have significant competitive advantages and complement each other in a seamless way.

Mosenergo is the largest generating company in Russia with a high factor of installed capacity utilization. The company is a national leader in the commissioning of modern combined cycle gas turbines.

MOEK is an infrastructure company supplying heat and hot water to Moscow and its suburbs. Due to OAO MOEK merging with Gazprom Group in 2013 it became possible to reach synergy in terms of fuel costs reduction and shifting loads of MOEK boiler houses to Mosenergo power plants, as well as to enhance the efficiency in managing the heat supply system of the Russian capital.

TGC-1 is the main generating company in Northwestern Russia. The share of hydro power in the company’s installed capacity is above 40%.

Being established through a merger of OAO OGK-2 and OAO OGK-6, OGK-2 is the largest heat generating company in Russia with an installed capacity of some 18 GW. The merger is aimed at a considerable synergetic effect, cost reduction and higher capitalization of the merged company through the optimization and centralization of procurement activities, development of a unified marketing strategy, reduction of redundant functions and administrative personnel, optimization of investments as well as efficient management of fuel costs when distributing loads among power plants.

OGK-2 comprises one of the largest gas-fired power stations in Russia – the Surgut SDPP-1 as well as the
11. Gazprom in Power Industry

Gazprom Group’s generating assets in Russian Federation as of December, 31 2014

Kirishi SDPP, Krasnoyarsk SDPP-2, Novocherkassk SDPP, Pskov SDPP, Ryazan SDPP, Serov SDPP, Stavropol SDPP, Troitsk SDPP, Cherepovets SDPP and Adler TPP.

Power stations of Gazprom Group are located in rapidly developing regions with the solvent consumer demand that guarantees demand for heat and electric power.

The installed capacity of the power stations owned by Gazprom Group’s generating companies makes up some 38 GW or 17% of Russia’s total installed capacity.

Gazprom is the largest owner of generating assets in Russia and is among the top ten power producers in Europe.
What is the structure of Gazprom Group’s power assets?
Gazprom’s generating assets (OAO Mosenergo, OAO TGC-1 and OAO OGK-2) are consolidated on the books of a specialized subsidiary company – OOO Gazprom Energoholding – established as part of OAO Gazprom Power Generation Strategy. This enables to create an effective management system based on unified corporate standards. Gazprom Energoholding is responsible for Gazprom’s power generation strategy development (fuel supplies, heat and power marketing, new generating capacities, etc.). The subsidiary also interacts with state authorities and industry regulators in order to promote a common stance on all the principal matters.

OOO Mezhregionenergosbyt (Gazprom Group-owned company) is one of the Russian energy trade leaders. The company supplies electric power to more than 700 big and medium consumers in 47 Russian Federation constituent entities. It’s hugely represented both at the wholesale and retail electricity markets, providing above 96% of electricity consumed by Gazprom Group affiliates as well as supplying electric power to third-party consumers.

The power facilities of Gazprom Group’s gas production and gas transmission companies are leased out to the corporate network company OOO Gazprom Energo (except for the facilities within the Unified Gas Supply System). At present, OOO Gazprom Energo manages over 10 thousand facilities in 42 constituent entities of the Russian Federation.

How does Gazprom’s power business evolve?
The status of Russia’s major owner of generating assets is also supported by a large-scale investment program. Investment projects are implemented in line with the obligations assumed.

Gazprom Group investment program is one of the largest in the Russian power industry. The generating companies of Gazprom Group implement the investment program in accordance with CSA ensuring a significant cash flow through selling electricity and the capacity of the new power units. The 2007–2017 increment of new capacity in Russia due to the CSA program implementation by the Group’s companies will amount to some 9 GW (over 6 GW of the capacities were commissioned as of December 31, 2014). 905 MW of the new generating capacities in Russia were commissioned by the Group in 2014 as following:

- 420 MW combined-cycle gas turbine unit at CHPP-16 (Mosenergo);
11. Gazprom in Power Industry

- 420 MW combined-cycle gas turbine unit at the Cherepovets SDPP (OGK-2);
- 64.8 MW gas turbine unit at CHPP-9 (Mosenergo).

Special attention is focused on the projects that help increase the efficiency and aim at new gas and coal-fired generating capacities development. Thus, modern combined cycle power units save some 30% of gas if compared to outdated steam power units. At the same time, Gazprom Group’s power investment portfolio has the biggest share of innovative projects (combined cycle technologies, circulating fluidized bed technologies, gas turbine topping units) among all owners of generating assets in Russia. In addition, a program is being developed for upgrading obsolete and decommissioning inefficient equipment.

**Is Gazprom engaged in domestic heat and power supply?**

Gazprom Group’s heat and power generation business is run by a specialized holding company – OAO Gazprom Teploenergo. The Holding implements investment projects for upgrade and rehabilitation of heat supply systems, construction of gas-fired unit-wise boiler houses, cogeneration plants, as well as the grid upgrade and construction. Gazprom Teploenergo currently operates 1,217 heat generating projects of above 8.9 thousand GCal/h total thermal power in 23 Russian regions.

**Does Gazprom participate in power projects abroad?**

Gazprom’s marketing strategy provides for developing the power generation business internationally. Gazprom Group routinely monitors prospective markets for developing its electric power business, particularly, the European market (Germany and the Balkans), as well as the Asian one (Japan, China and Vietnam).

Gazprom implemented one of the major gas-fired projects in Armenia in 2013, i.e. commissioning of a 480 MW unit No.5 at the Hrazdan TPP. It allowed for shrinking the national energy deficit.

In September 2013 OOO Gazprom Energoholding in cooperation with NIS (Gazprom Group-owned company) signed the memorandum on construction of a 208 MW TPP in Pancevo (Serbia). The TPP is intended to supply NIS refinery and HIP Petrohemija petrochemical plant (the NIS strategic partner). In 2015 a joint venture will be set up and an active stage of the project implementation will commence.

Gazprom effectuates electricity deals on foreign trading platforms via Gazprom Marketing & Trading.
To what extent does Gazprom adhere to the commonly accepted principles of nature conservation and environmental protection?

Gazprom runs its business in compliance with the environmental legislation of the Russian Federation, commonly accepted international principles and OAO Gazprom Environmental Policy based on such principles. In 2011 the Board of Directors approved the amended OAO Gazprom Environmental Policy and recommended that Gazprom Group companies adhere to it.

Environmental impact mitigation and natural resource conservation are the mainstays of OAO Gazprom’s...
environmental activities. This is proved by the fact that despite an annually increasing scope of operations, the environmental impact made by OAO Gazprom subsidiary companies remains stably low and keeps declining as measured by a number of indicators. For instance, between 2010 and 2014 air emissions of all the Gazprom Group companies declined by 13.3%, amount of waste – by 19%.

Gazprom pays great attention to preventive environmental protection measures: the Environmental Inspectorate is operational in OAO Gazprom, all corporate project documents are reviewed by OAO Gazprom’s environmental experts.

Gazprom has the Environmental Management System that passed a certification procedure for the international ISO 14001:2004 standard compliance. Det Norske Veritas, an independent certification body, conducted the certification audit. OAO Gazprom Coordinating Committee for Environmental Protection and Energy Efficiency ensures the implementation of the corporate Environmental Policy and conducts the comprehensive evaluation of the Company’s environmental activities.

In 2014 Gazprom held the Year of Environmental Awareness – over 20 thousand events were organized (including 428 events involving nongovernmental organizations) with 362.7 thousand people participating. About a thousand on-the-spot visits and media tours were organized for media representatives, students and schoolchildren. Throughout Russia, over 11.6 thousand ha of territories were cleared of waste, 484 water bodies were rehabilitated, more than 170 thousand trees and bushes were planted.

How much does Gazprom spend on environmental protection? In 2014 Gazprom Group’s expenses associated with nature conservation totaled RUB 48.98 billion. In the past six years the overall costs of Gazprom Group for nature protection made up about RUB 212.74 billion.

What are Gazprom’s energy conservation initiatives? Gazprom’s energy conservation policy generally aims to reduce gas losses and process gas consumption, enhance and optimize operating modes of process facilities as well as introduce new energy saving technologies.

The 2011–2013 Energy Saving Program helped preserve 7.34 million t of fuel equivalent, including 6.13 billion m³ of natural gas and 790.8 million kWh of electricity, that resulted in the prevention of greenhouse gas emissions of more than 23 million t of CO2-equivalent.

By now, the Company adopted the Energy Saving Program over 2014 to 2016. Implementing this Program, Gazprom saved 2.48 million t of fuel equivalent, including over 2 billion m³ of natural gas, 254.6 million kWh of electricity and 237.2 thousand Gcal of heat. The aggregate value of conserved resources came to RUB 7.14 billion measured in 2014 prices. Associated petroleum gas (APG) utilization within Gazprom Group has demonstrated a steady increase – from 55% in 2010 to 93.5% in 2014.

Does Gazprom have any eco-friendly alternative to gasoline? Natural gas represents the most acceptable alternative to petroleum types of fuel due to its economic, resource and environmental characteristics. Compressed (pressurized) and liquefied natural gas used as a fuel enables to significantly enhance the cost effectiveness of road and railway transport and mitigate its environmental impacts.

At present, the Russian fleet of natural gas vehicles (NGV) is made up of nearly 100 thousand units, with 5% owned by Gazprom. The global NGV fleet exceeds 15 million units.

Currently Gazprom Group owns 280 CNG filling stations, including 205 in Russia and 75 in Germany, the Czech Republic, Poland, Slovakia, Belarus, Armenia and Kyrgyzstan. Today, NGV refuelling capacities
are being pushed to Eastern Siberia and the Far East. CNG filling stations have been built in Bratsk. A construction project for a methane filling station in Petropavlovsk-Kamchatsky was prepared, a CNG filling station is being designed in Yuzhno-Sakhalinsk.

Starting from 2012, Gazprom made great efforts to expand the Russian NGV market. A reconstruction schedule has been developed and is now being implemented for the operating CNG filling stations until 2020. Design & survey operations are being carried out and equipment is being purchased for filling stations construction. Work is currently underway on installing compressed natural gas (CNG) modules at the existing filling stations. A Memorandum with Russian Railways has identified the platforms for converting trains to liquefied natural gas (LNG) as well as the construction sites for LNG production facilities and railway vehicle filling stations.

With a view to systematize the Company’s efforts in this area, a special-purpose company – Gazprom Gazomotornoye Toplivo – was set up. The company consolidates all the core assets related to the NGV fuel production and marketing. Cooperation is being developed at all levels of the government, draft legislation has been prepared. Work has been organized for the comprehensive industry development. All key players in the Russian gas motor fuel market are engaged in it, including financial institutions, regional governments, NGV vehicles manufacturers and suppliers, equipment manufacturers and major vehicle fleet operators.

Gazprom by its personal example demonstrates the efficiency of natural gas as a vehicle fuel and actively converts its own vehicle fleet to natural gas. At present 6,522 equipment units of the Group run on natural gas. In 2014 alone Gazprom’s subsidiaries purchased 1,674 gas-fired cars. In 2015 the Company plans to purchase about 3,000 NGVs. It is planned that by 2015 at least 30% of Gazprom Group’s vehicles will run on natural gas, by late 2017 – at least 50%.
Chapter 13
Social Responsibility

Total number of employees: nearly 460 thousand people

Why is Gazprom called a socially responsible Company?
Gazprom’s large-scale activities are of strategic significance for Russia’s economic advancement and concern lots of people. Consequently, the crucial operating principles of Gazprom Group are as follows: pursuing the public interest, maximally contributing to the socioeconomic development of Russian regions, stimulating a favorable business climate throughout the country and supporting decent labor conditions, social and spiritual welfare of the people.

In this regard, the Company strives to secure the sustainable development of its business, paying
Gazprom in Questions and Answers

great attention to both the economic and social aspects. Gazprom steadily pursues the following social responsibility principles: creating new jobs, implementing social programs for its employees, placing a focus on sponsorship and charity, taking environment and education related actions.

How does Gazprom follow the social responsibility principles in practice?

Year on year, Gazprom plays a more active role in social support projects by creating new jobs, rendering assistance to economically disadvantaged people, servicemen, disabled veterans of World War II, implementing social support programs for indigenous peoples of the Far North, making investments in new production and social infrastructure facilities constructed throughout the Russian Federation. Particular attention is traditionally paid to supporting disabled children, orphans and boarding school inmates. The Company annually earmarks funds to build housing, kindergartens, health care centers, etc.

The Company fulfills all of its tax commitments. Furthermore, Gazprom is consistent in gasifying population centers across Russia.

In its sponsorship and charitable activities Gazprom is oriented towards reviving the spiritual and national values, supporting culture, education and science, contributing to the sci-tech progress as well as promoting a healthy lifestyle.

Gazprom’s Christmas and New Year festivals for thousands of children from orphan homes and orphanages have become traditional. The Company renders assistance to the Children’s Radio.

Throughout many years OAO Gazprom has fruitfully cooperated with the Russian Orthodox Church. In particular, under the Company’s support repair and restoration activities at the Convent of St. John of Rila were carried out in St. Petersburg, the construction of a temple began in Salekhard. The Company also continues to render assistance to the Charitable Fund aimed at restoring the Voskresensk New Jerusalem Stavropegial Male Monastery.

Since 2005 for the purpose of preserving the traditions of Russia’s multinational culture, promoting folk arts and fostering corporate identity, Gazprom holds the corporate Fakel Festival bringing together amateur art teams from the Company’s subsidiaries and partner businesses. In May 2015 Sochi hosted the final round of the 6th corporate Fakel Festival that brought together nearly 2 thousand guests and participants from Gazprom’s 37 subsidiaries in Russia and Belarus as well as creative teams from China, France, Germany, Slovenia, Armenia and Kyrgyzstan.

With the support from Gazprom and ENGIE (France) the Masters of World Performing Arts cultural and educational project was held within the Year of Culture in Russia. Concerts and master classes of world’s leading musicians – the French Parisii Quartet and Russian Rachmaninov Trio – took place in three Russian cities – Moscow, St. Petersburg and Vladivostok. In addition, a traditional Arts Festival of Gazprom and CNPC held since 2007 took place in 2014.

With the Company’s sponsorship support, classical music concerts were given by prominent Russian and foreign musicians in Saratov, Astrakhan, Yekaterinburg and Novosibirsk, with renowned performers giving master classes for conservatory and music school students.

Gazprom is active in supporting the development of the national science and is the founder of a number of Russia’s prominent non-profit research institutions and foundations, in particular, the Vernadsky Non-Governmental Ecological Foundation. The Company takes part in the annual awarding of the Global Energy International Prize for outstanding discoveries, inventions and solutions in the energy sector. The Company also implements the projects aimed at supporting the national education and improving the quality of employees’ professional training.
Gazprom pays special attention to the development of sports and the promotion of a healthy lifestyle as well as actively interacts with the Ministry for Sports of the Russian Federation as well as sports federations.

The preparation for holding the XXII Winter Olympic Games and XI Winter Paralympic Games in Sochi was one of the most important national projects. Gazprom actively participated in constructing new sports facilities and the necessary infrastructure. In this way, the following facilities were constructed by the Company in Krasnaya Polyana: the Biathlon and Ski Complex, eight new cableways with the total length of over 17 thousand m and the Mountain Olympic Village for 1,100 skiers and biathletes.

The Company annually holds summer and winter Spartakiada Games for OAO Gazprom’s subsidiary companies and organizations as part of OAO Gazprom policy aimed at supporting sports and physical training in Russia.

Gazprom is the sponsor of the Zenit Football Club, the SKA (St. Petersburg) and the Avangard Hockey Clubs (the Omsk Region). The Company annually participates in financing rhythmic gymnastics, volleyball, chess, biathlon and sailing competitions. Gazprom is an official partner of the 2012–2015 UEFA Champions League; it implements the Football for Friendship international children’s social project.

The support is given to national sport federations, teams and individual athletes (both professionals and amateurs) as well as sports veterans.

**What is the nationwide Gazprom for Children program?**
As a traditional backer of children and youth, in 2007 Gazprom launched its largest social project – Gazprom for Children program.

The program goals include creating conditions for the intellectual, spiritual and physical development of younger generations in a harmonious manner, promoting a healthy lifestyle among the Russian youth, engaging as many children and teenagers as possible in sports, amateur art teams and clubs.

To achieve these goals, Gazprom:

- builds and retrofits sports facilities, versatile outdoor sports grounds;
- purchases the equipment needed for establishing sports and art teams, amateur art clubs;
- engages highly-skilled coaches and instructors to train children and teenagers;
- arranges festivals and sports competitions throughout the country.

Considerable efforts are also made under the Gazprom for Children program to develop the creative potential of younger generations.

Along with holding the traditional festive events for children in Russian regions, the Company funds amateur art teams and clubs involving dozens of thousands of children. All of them have an opportunity to try their skills within the Fakel Festival of amateur art teams and performers annually held by Gazprom. Every year young athletes may prove their sports achievements at summer and winter Spartakiada Games of OAO Gazprom.

1,194 sports and cultural facilities worth a total of RUB 27.8 billion were constructed and reconstructed as part of the Gazprom for Children Program implemented between 2007 and 2014. The total scope of charitable assistance aimed at promoting children’s sports and creativity, purchasing sports equipment and establishing sports clubs and hobby groups has amounted approximately to RUB 1 billion over these years.

**What are Gazprom’s programs to support its personnel?**
As of late 2014, 459.6 thousand people were employed by Gazprom. The Company pays paramount
attention to ensuring most decent labor conditions, providing a variety of social guarantees, benefits and compensations. Traditionally, continuous support is given to industry veterans, with a focus placed on their well-being.

Social and labor relations of employees and the administration are regulated by labor laws, the Industry Agreement for Oil and Gas Industry Organizations and Construction of Oil and Gas Facilities in the Russian Federation over 2014 to 2016, the General Collective Agreement of OAO Gazprom and its Subsidiary Companies for the period from 2013 to 2015 as well as collective agreements of subsidiary companies and organizations. There are a number of other documents in Gazprom regarding education, personnel management as well as health care services for employees and their families.

The most important of them is the Provision on Continuous Vocational Education and Training System for OAO Gazprom Employees. 265.1 thousand people upgraded their skills and passed professional retraining courses in 2014.

A crucial social guarantee is the payment of extra pensions by Gazfond Non-State Pension Fund.

The Corporate Program for Housing Provision is being implemented in the Company with a view to attract young highly-qualified employees and employees, who are of a key importance for the Company. The program is based on the principle of co-financing: at the expense of employees with the involvement of Gazprom funds with the use of a bank mortgage (based on the co-financing principle).

With a view to improve the employees’ operational capabilities and living standards, when developing new oil and gas fields and constructing gas mains in the Far North, the Company has built a system of life support, medical and ecological as well as social and hygienic monitoring for Gazprom Group’s employees and their family members. In order to enhance the effectiveness and accessibility of medical services, especially in field camps, the Company developed a corporate telehealth network.

In order to provide Gazprom’s managerial staff with financial incentives for the Company’s efficient development, Gazprom introduced a financial motivation system for the managers of OAO Gazprom and its major subsidiaries, which includes an annual bonus system and a program for the Company’s managers participation in the Charter capital of the Company.
Chapter 14

Management

The Board of Directors administers general management in the Company, save for those matters that are, under the Federal Companies Act, the prerogative of the General Shareholders Meeting. The Board of Directors assures the advancement of the goals and vision of the Company as set forth in its Articles of Association.

The principal duties of the Board of Directors are to set the Company’s development strategy so as to maximize capitalization and investment appeal, to determine the Company’s asset management policy and to implement efficient controls over the Company’s financial and business performance.

(From the Provision on OAO Gazprom Board of Directors)

The Management Committee is a collective executive body that runs the Company on a day-to-day basis. The Management Committee contributes to the drafting of the Company’s strategies and policies and sees to it that the same are properly implemented; it also oversees compliance with resolutions of the General Shareholders Meeting and the Board of Directors.

The main duties of the Management Committee are to ensure reliable operation of the Unified Gas Supply System (UGSS) and steady gas supply to consumers, to manage the Company’s assets so as to maximize returns, to improve internal controls and risk management, and to advocate the lawful rights and interests of the Company’s shareholders.

(From the Provision on OAO Gazprom Management Committee)
Gazprom in Questions and Answers

VIKTOR ZUBKOV
Chairman of OAO Gazprom Board of Directors, Russian Special Presidential Representative for Cooperation with Gas Exporting Countries Forum

Viktor Zubkov was born on September 15, 1941 in the settlement of Arbat, Kushvinsky District, Sverdlovsk Region.

Education

He graduated from the Faculty of Economics, Leningrad Agricultural Institute.

Viktor Zubkov holds a PhD in Economics.

Professional experience

Viktor Zubkov headed a number of agro-industrial enterprises and specialized departments of local authorities in the Leningrad Region.


ALEXEY MILLER
Chairman of OAO Gazprom Management Committee

Alexey Miller was born on January 31, 1962 in Leningrad.

Education

He graduated from Voznesensky Leningrad Finance and Economics Institute.

Alexey Miller holds a PhD in Economics.

Professional experience

Upon graduation, Alexey Miller was Engineer-Economist at the General Planning Division of the Leningrad Civil Construction Research and Design Institute (LenNIIproekt under the Executive Committee of the Leningrad City Council).


Since 2001 – Chairman of the Management Committee, OAO Gazprom.

Deputy Chairman of OAO Gazprom Board of Directors since 2002.
14. Management

BOARD OF DIRECTORS

Viktor ZUBKOV
CHAIRMAN OF OAO GAZPROM
BOARD OF DIRECTORS, RUSSIAN
SPECIAL PRESIDENTIAL
REPRESENTATIVE FOR
COOPERATION WITH GAS
EXPORTING COUNTRIES FORUM

Alexey MILLER
DEPUTY CHAIRMAN OF
THE BOARD OF DIRECTORS,
CHAIRMAN OF THE
MANAGEMENT COMMITTEE,
OAO GAZPROM

Andrey AKIMOV
CHAIRMAN OF OAO
GAZPROMBANK MANAGEMENT
BOARD, MEMBER OF
OAO NOVATEK BOARD OF
DIRECTORS

Farit GAZIZULLIN

Timur KULIBAEV
CHAIRMAN OF KAZENERGY
(LEGAL ENTITIES ASSOCIATION),
CHAIRMAN OF THE ATAMEKEN
UNION (LEGAL ENTITIES
ASSOCIATION) PRESIDUIUM

Vitaly MARKELOV
DEPUTY CHAIRMAN OF
OAO GAZPROM MANAGEMENT
COMMITTEE

Viktor MARTYNOV
RECTOR OF GUBKIN RUSSIAN
STATE UNIVERSITY OF OIL
AND GAS, PROFESSOR

Vladimir MAU
RECTOR OF THE RUSSIAN
PRESIDENTIAL ACADEMY OF
NATIONAL ECONOMY AND PUBLIC
ADMINISTRATION

Valery MUSIN
HEAD OF THE CIVIL
PROCEDURE DEPARTMENT,
FACULTY OF LAW,
ST. PETERSBURG STATE
UNIVERSITY

Andrey SAPELIN
FIRST DEPUTY
CHAIRMAN – MEMBER
OF VNESHECONOMBANK
MANAGEMENT COMMITTEE

Mikhail SEREDA
DEPUTY CHAIRMAN OF THE
MANAGEMENT COMMITTEE –
HEAD OF THE ADMINISTRATION
OF THE MANAGEMENT
COMMITTEE, OAO GAZPROM
## Chapter 15

### Contacts

#### Contact Information

<table>
<thead>
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<th><strong>Full name:</strong></th>
<th>Open Joint Stock Company Gazprom</th>
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<tbody>
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