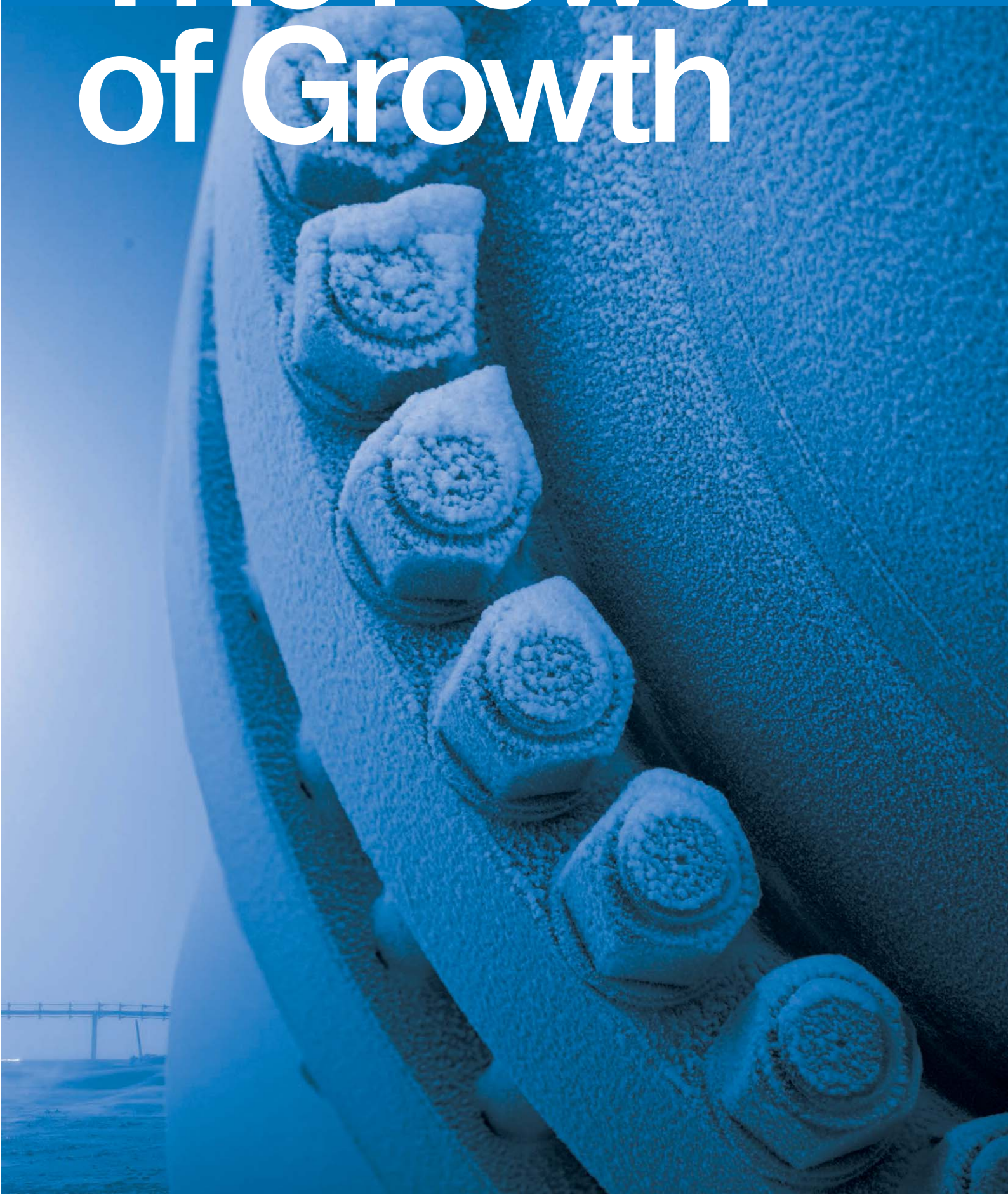


The Power of Growth



Note. This Annual Report has been formed on the basis of Resolution No. 1 of OAO Gazprom's Management Committee On Organization of Work Related to Holding the Annual General Shareholders Meeting dated 29 January 2015.

The terms «OAO Gazprom», «Company» used in the Annual Report refer to the parent company of *Gazprom Group*, i.e. to Open Joint Stock Company Gazprom. «*Gazprom Group*», «the *Group*» or «*Gazprom*» imply OAO Gazprom and its subsidiaries taken as a whole. For the purposes of the Annual Report, the lists of subsidiaries and affiliates were prepared on the basis used in the preparation of OAO Gazprom's consolidated accounting (financial) statements in accordance with the requirements of the Russian legislation.

Similarly, the «*Gazprom нефт Group*» and «*Gazprom нефт*» refer to OAO Gazprom нефт and its subsidiaries, «*Gazprom energoholding*» refers to OOO Gazprom energoholding and its subsidiaries, *Gazprom neftekhim Salavat* refers to OAO Gazprom neftekhim Salavat and its subsidiaries.

In this Report "companies investments to which are classified as joint operations" define OAO Tomskneft VNC and Salym Petroleum Development N.V.

The Annual Report also contains information related to *Gazprom Group's* business activities in the future, based on the forecast and estimates of *Gazprom's* management derived from the current situation. Actual results may differ from the said forecast and estimates due to the effect of various objective factors.

In the report, a number of *Gazprom's* operating and financial results are stated in compliance with the principles for preparing *Gazprom Group's* consolidated accounting (financial) statements in accordance with the Russian legislation (consolidated financial statements of *Gazprom Group*). At the same time, some results of OAO Gazprom and its subsidiaries and affiliates are stated in compliance with the principles for preparing management accounts. Figures calculated using these methods may differ due to differences in methodologies for preparing consolidated financial statements and management accounts.

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Statement of OAO Gazprom's Chairman of the Board of Directors and Chairman of the Management Committee

Dear Shareholder,

Continuous progress is an important distinctive feature of *Gazprom*. By implementing new ambitious projects, entering new markets, launching new products, and introducing new technologies *Gazprom* confidently maintains its position at the vanguard of the global energy industry, building a foundation for sustained success over the coming decades.

This is vividly illustrated by the *Company's* performance in 2014.

By signing the largest contract for the supply of natural gas in the history of the Russian gas sector *Gazprom* has made a spectacular breakthrough to the East. This milestone contract allowed *Gazprom* to penetrate the fast-growing and most promising Chinese market. The signing of the 30-year contract for over 1 tcm of gas to be supplied by the *Company* to Chinese consumers along the «eastern» route, launched the world's largest investment project.

The project to launch the Yakutsk gas production centre, with its huge natural gas reserves, is fully on track. Construction is in full swing on the Power of Siberia pipeline, a key element of the gas supply system in Russia's east and the natural gas artery of the «eastern» route. All these projects provide a huge boost to the social and economic development of Russia's eastern regions and a platform to radically expand gas infrastructure coverage of these areas and create thousands of new jobs.

Given the huge size of the Chinese energy market, *Gazprom Group* is contemplating launching another, «western» route for its gas supplies to China.

Timely measures have been taken to significantly reduce transit risks and improve the reliability of gas supplies to *Gazprom's* traditional export markets— Europe and Turkey. A project was launched to construct a new trunk pipeline under the Black Sea. The pipeline will supply 63 bcm of natural gas per annum, of which up to 47 bcm of gas will be delivered to European consumers. When completed, the project will allow the *Company* to fully abandon the transit route via Ukraine, which is prone to systemic risks.

Gazprom continues development of Russia's Arctic. A new, second gas production site was commissioned at the Bovanenkovskoye field, the biggest deposit in the Yamal Peninsula, the area slated to become the flagship hub of the Russian gas sector. Innovative solutions and state-of-the-art technologies were used in this project, bringing production at the Bovanenkovskoye field to 90 bcm of natural gas annually. This volume is comparable to the aggregate volume supplied by *Gazprom* in the previous year to the three biggest foreign buyers of Russian natural gas— Germany, Italy and Turkey.

Pioneering the Russian Arctic shelf development, *Gazprom* produces oil at the Prirazlomnoye oil field, the only project for development of hydrocarbon deposits in the region. In 2014, oil from the field, a new grade called Arctic Oil, was first shipped to the global market.

Gazprom continues its large-scale programme for expansion of gas infrastructure across Russia. In 2014, the benefits of using natural gas were made available to another 236 towns and villages, to about 30 thousand households. This has made life much more comfortable for local residents, providing solutions to their everyday needs.

Gazprom Group is the biggest investor in the Russian power industry. The *Company* continues adding new generation capacity. In the reporting year, new state-of-the-art power units were commissioned in the Vologda Region and in Moscow. With these additions, *Gazprom* has fulfilled over two-thirds of its obligations to the state in terms of constructing new power generation capacity.

The Sochi 2014 Winter Olympics was one of the year's highlights. *Gazprom* prides itself on its direct contribution to this magnificent sports gala. The energy and sports facilities constructed by *Gazprom* became an integral part of Russia's triumphant performance at the Winter Olympics and will continue offering benefits to Russian citizens for many years to come.

Dear Shareholder,

Commitment to continuous growth, relentless drive for efficiency, and particular focus on innovations and best practices will continue providing a platform for *Gazprom's* sustained success and increasing returns for the *Company's* shareholders.



Viktor A. Zubkov
Chairman of the Board of Directors



Alexey B. Miller
Chairman of the Management Committee

Gazprom Group Results

Operating Results

	2012	2013	2014	Change in 2014/2013
Gas Production in Russia				
<i>Gazprom Group</i> , bcm	487.0	487.4	443.9	-8.9%
Share of the <i>Gazprom Group</i> in the production of affiliates, bcm	12.8	14.0	19.2	37.1%
Gas Condensate production in Russia				
<i>Gazprom Group's</i> production, mm tonnes	12.8	14.7	14.5	-1.4%
Share of the <i>Gazprom Group</i> in the production of affiliates, mm tonnes	1.1	1.3	2.3	76.9%
Crude oil production in Russia				
<i>Gazprom Group's</i> production, mm tonnes	33.3	33.8	35.3	4.4%
Share of the <i>Gazprom Group</i> in the production of affiliates, mm tonnes	19.7	18.8	18.2	-3.2%
Hydrocarbons refining				
Natural and associated gas refining, bcm	32.4	31.5	30.5	-3.2%
Oil and gas condensate refining, mm tonnes	61.5	66.1	68.1	3.0%
Sales of Gas				
Sales of gas in Russia, bcm	249.7	228.1	217.2	-4.8%
Sales of gas in Far Abroad countries, bcm	151.0	174.3	159.4	-8.5%
Sales of gas in the FSU countries, bcm	66.1	59.4	48.1	-19.0%
Production of electricity and heat				
Production of electricity, billion kWh	168.2	162.5	155.4	-4.4%
Production of heat, mm Gcal	102.5	112.5	125.2	11.3%

Financial results

	2012*	2013**	2014	Change in 2014/2013
Sales, RUB mm	5,002,902	5,247,300	5,660,975	7.9%
Profit from sales, RUB mm	1,356,604	1,429,674	1,343,742	-6.0%
Net (loss)/profit, RUB mm	745,722	811,375	(136,849)	x
Capital expenditures, RUB mm	1,200,151	1,131,071	1,084,862	-4.1%

* Figures for 2012 may differ from the respective figures in the Annual Report for 2012 due to the restatement of comparable data in the 2013 financial statements.

** Figures for 2013 may differ from the respective figures in the Annual Report for 2013 due to the restatement of comparable data in the 2014 financial statements.

OAO Gazprom's Results

Financial results

	2012*	2013**	2014	Change in 2014/2013
Revenue (net) from sales of goods, products, work, services (net of VAT, excise taxes and other similar payments), RUB mm	3,659,151	3,933,335	3,990,280	1.4%
Profit from sales, RUB mm	993,207	961,827	921,246	-4.2%
Net profit, RUB mm	556,387	628,144	188,980	-69.9%
Net assets, RUB mm***	7,882,797	8,369,165	9,089,213	8.6%
Net assets per share, RUB	332.98	353.52	383.94	8.6%
Earnings per share, RUB	23.50	26.53	7.98	-69.9%
Year-end dividends per share, RUB	5.99	7.20	7.20****	-

* Figures for 2012 may differ from the respective figures in the Annual Report for 2012 due to the restatement of comparable data in the 2013 financial statements.

** Figures for 2013 may differ from the respective figures in the Annual Report for 2013 due to the restatement of comparable data in the 2014 financial statements.

*** The Net assets figures for 2012 and 2013 differ from the figures in the Annual Report 2012 and Annual Report 2013 due to changes in the established by the legislation method of net assets calculation (Order of the Ministry of Finance of Russia No 84n dated 28 August 2014).

**** It is recommended that the dividends payable in 2015 based on operating results in 2014 should amount to RUB 170,449.3mm.

Financial ratios and market indicators

	2012*	2013**	2014
Return ratios***			
Return on equity	7.06%	7.51%	2.08%
Return on assets	5.54%	5.79%	1.54%
Liquidity ratios***			
Current liquidity ratio	1.70	2.00	1.94
Quick liquidity ratio	1.36	1.63	1.55
Financial stability ratios			
Debt to capital ratio	16.51%	19.12%	23.38%
Market indicators			
Price**** / earnings per share (P/E) (domestic OAO Gazprom's share market)	6.12	5.23	16.33
Average market capitalisation, USD bn*****	124.2	100.1	86.7

* Figures for 2012 may differ from the respective figures in the Annual Report for 2012 due to the restatement of comparable data in the 2013 financial statements.

** Figures for 2013 may differ from the respective figures in the Annual Report for 2013 due to the restatement of comparable data in the 2014 financial statements.

*** Calculated in accordance with the Bank of Russia's Regulation on Information Disclosure by Securities Issuers approved by Order No. 454-P of the Bank of Russia dated 30 December 2014.

**** ZAO Micex Stock Exchange price as of the end of the year.

***** Calculated as the average of the daily closing prices at ZAO Micex Stock Exchange at the exchange rate of the Central Bank of Russia as of the respective date, multiplied by the total number of OAO Gazprom's shares issued.

OAQ Gazprom's Mission

OAQ Gazprom
views its mission
in reliable,
efficient
and balanced
supply
of natural gas,
other energy
resources
and their derivatives
to consumers.

OAO Gazprom's Strategic Goal

OAO Gazprom pursues the strategic goal of establishing itself as a leader among global energy companies by diversifying sales markets, ensuring reliable supplies, improving performance, and utilising R&D capacities.

OAQ Gazprom's Competitive Edge and the Group's Position in the Global Energy Industry

OAQ Gazprom's Competitive Edge:

- an extensive resource base and robust infrastructure of the *Company*;
- unique Unified Gas Supply System of Russia, enabling rapid response to changes in any of its components, includes existing gas, gas condensate and oil and gas condensate fields, trunk pipelines with compressor stations, underground gas storage facilities (UGSFs), gas processing plants (GPPs) and distribution stations that guarantee reliable gas supplies to Russian and foreign consumers;
- vertical integration of the *Company*;
- favourable geographical position between Europe and Asia;
- a long history of cooperation with foreign partners and a strong reputation as a reliable supplier;
- an established portfolio of long-term contracts for gas supplies to European and Asian consumers;
- extensive production, research and design capabilities;
- social policy that makes the *Company* an attractive employer for highly skilled professionals.

The Group's Position in the Global Energy Industry

Exploration and Production

- A global leader in terms of natural gas reserves and gas production
- Rapidly growing oil business

17%	72%	12%	69%
of global gas reserves	of Russian gas reserves	of global gas production	of Russian gas production
1.86	3.0	9%	
gas reserve replacement ratio	crude oil and gas condensate reserve replacement ratio	of Russian oil and gas condensate production	

Gas Transportation and Underground Storage

- World's largest gas transportation system
- A well-developed network of UGSFs in Russia and access to foreign UGSFs

170.7 thousand km	627.5 bcm
of <i>Gazprom's</i> trunk pipelines in Russia	of gas transported in the GTS network in Russia
71.1 bcm	5.4 bcm
of aggregate active storage capacity in 26 UGCFs in Russia	of accessible active capacity in UGSFs in Europe

Processing/Refining

- Approximately one half of total gas processing in Russia
- Leadership among Russian oil and gas condensate refining companies

No. 1

among Russian companies
measured by gas processing

19%

of total Russian oil
and stable gas condensate refining

Electric Power and Heat Generation

- Number one in Russia by installed power generating capacity and power generation
- The largest Russian heat energy producer

15%

of total Russian electricity generation

39 GW

of installed power generating capacity
at 85 power stations in Russia

24%

of total Russian heat supply

Marketing

- Major gas supplier to consumers in Russia and the FSU countries
- Largest gas exporter to the European market
- A player in the global LNG trade
- A major player in the global oil trade
- Increasing refined product sales with a growing share of retail distribution

30.2%

of European gas consumption

3.4 mm tonnes

of LNG sales

75.4 mm tonnes

of refined product sales

13%

of retail distribution of refined products through a network
of gasoline stations in the total refined product sales

Note. Unless indicated otherwise, the data are for 2014 or as at 31 December 2014.

Track Record of the Company

Over the more than 20 years since it was founded in 1993, OAO Gazprom has grown into one of the global energy market leaders.

Gazprom has diversified its core business. In addition to its gas business, the *Group* has been successfully operating in the oil and power markets: it ranks among Russia's top 5 oil companies and is Number One in Russia by installed power and heat capacity.

Gazprom has significantly expanded the geography of its operations. The *Company* entered the promising Asia-Pacific market, launched its operations in the Central Asia, Africa and Latin America, and is a player in the global LNG trade.

Gazprom pioneered the development of the Russian Arctic shelf, launched a fundamentally new gas production centre in the Yamal Peninsula, and started building large-scale gas infrastructure in Russia's East. *Gazprom* was the first in Russia to introduce underwater production technology enabling gas extraction without above-water structures, and joined efforts with its foreign partners to launch Russia's first and only LNG plant.

This success is underpinned by the *Company's* long-term strategy, tight vertical integration and sound governance. This strong track-record provides a firm foundation for *Gazprom's* continued success in competing against global majors, implementing ambitious projects and achieving impressive results.

Milestones

- 1993** 17 February: Pursuant to the Russian Government's Resolution, in furtherance of the Presidential Decree, Gazprom State Gas Concern was reorganized into Gazprom Russian Joint Stock Company (RAO).
- 1994** April: Privatization of RAO Gazprom started.
- 1995** 31 May: RAO Gazprom's first annual General Shareholders Meeting was held.
- 1998** 26 June: Pursuant to the resolution of its General Shareholders Meeting, Gazprom Russian Joint Stock Company (RAO Gazprom) was reorganised into Gazprom Open Joint Stock Company (OAO Gazprom).
- 1999** November: Gas supply started via the Yamal — Europe gas pipeline, running across four countries: Russia, Belarus, Poland, and Germany.
- 2001** 30 May: Alexey Miller elected Chairman of OAO Gazprom's Management Committee.
31 October: Gas production started at the Zapolyarnoye field, one of the largest in the world.
- 2003** 20 February: Commercial gas supplies started via Blue Stream, Russia's first gas export offshore pipeline and the world's deepest undersea pipeline.
- 2005** 2 September: *Gazprom's* first LNG shipment; the gas tanker arrived at a US LNG regasification terminal.
21 October: *Gazprom Group* took control over 75.679% of OAO Sibneft, which laid a foundation for further development of *Gazprom's* oil business.
December: The law prohibited the State from holding less than 50% plus one share in OAO Gazprom. Restrictions were lifted on the acquisition of *Gazprom's* shares by foreign investors.

- 2006** 18 August: *Gazprom's* first LNG shipment to an Asian market, purchased by Japan.
- 2007** 25 April: The Board of Directors approved OAO *Gazprom's* Power Generation Strategy, the implementation of which led to the *Company* becoming Russia's largest power producer.
18 December: The Yuzhno-Russkoye field came on stream, Russia's first international gas production project based on asset swap.
- 2009** 18 February: Russia's first LNG plant put into operation in Sakhalin.
26 August: Dzaurikau — Tskhinval pipeline commissioned, running over the mountainous part of the Greater Caucasus at altitudes of over 1,500 m.
- 2010** 12 February: Russia's first coal bed methane project launched in the Kemerovo Region.
29 September: Sobolevo — Petropavlovsk — Kamchatsky trunk pipeline put into operation, bringing first natural gas supplies to the Kamchatka Territory.
- 2011** 6 June: Dzhubga — Lazarevskoye — Sochi, Russia's first offshore pipeline, was commissioned.
8 September: First section of the Sakhalin — Khabarovsk — Vladivostok gas transmission system, the Far East's first interregional GTS, was inaugurated.
8 November: Commercial gas supplies started via the Nord Stream pipeline, a conceptually new Russian gas export supply route through the Baltic Sea.
25 November: OAO *Gazprom* closed the deal to acquire 100% of OAO Beltransgaz, becoming the owner of Belarus GTS.
- 2012** 23 March: An 800 MW CCGT plant launched at Kirishskaya GRES. It is the largest heat generation plant commissioned in 30 years and Russia's most powerful combined cycle gas turbine unit.
23 October: A new large gas production centre launched in Russia in the Yamal Peninsula. The Bovanenkovskoye field and the first line of Bovanenkovo — Ukhta trunk pipelines came on stream.
- 2013** 15 January: The Zapolyarnoye field reached its full projected capacity of 130 bcm of gas per year, becoming Russia's largest oil producing field.
23 October: *Gazprom* was the first in Russia to produce gas by using an underwater production system without recurring to above-water structures on the Kirinskoye field.
20 December: Oil production started at the Prirazlomnoye field. It is Russia's first ever Arctic shelf project.
- 2014** 21 May: OAO *Gazprom* and China's CNPC signed a 30-year gas supply contract for over 1 tcm.
1 September: Welding of the first joint of Power of Siberia trunk pipeline to transport gas from Yakutsk and Irkutsk gas production centres to consumers in the Far East and China.

Gazprom Group Structure

Companies	Core business activities
OAO Gazprom	
Gazprom Group's major subsidiaries engaged in core business activities	
ZAO Gazprom Armenia	
OOO Gazprom geologorazvedka	
OOO Gazprom georesource	
OOO Gazprom dobycha Astrakhan	
OOO Gazprom dobycha Krasnodar	
OOO Gazprom dobycha Nadym	
OOO Gazprom dobycha Noyabrsk	
OOO Gazprom dobycha Orenburg	
OOO Gazprom dobycha Urengoy	
OOO Gazprom dobycha shelf Yuzhno-Sakhalinsk	
OOO Gazprom dobycha Yamburg	
OOO Gazprom pererabotka	
OcOO Gazprom Kyrgyzstan	
OOO Gazprom PHG	
OAO Gazprom transgaz Belarus	
OOO Gazprom transgaz Volgograd	
OOO Gazprom transgaz Yekaterinburg	
OOO Gazprom transgaz Kazan	
OOO Gazprom transgaz Krasnodar	
OOO Gazprom transgaz Makhachkala	
OOO Gazprom transgaz Moscow	
OOO Gazprom transgaz Nizhny Novgorod	
OOO Gazprom transgaz Samara	
OOO Gazprom transgaz Saint Petersburg	
OOO Gazprom transgaz Saratov	
OOO Gazprom transgaz Stavropol	
OOO Gazprom transgaz Surgut	
OOO Gazprom transgaz Tomsk	
OOO Gazprom transgaz Ufa	
OOO Gazprom transgaz Ukhta	
OOO Gazprom transgaz Tchaikovsky	
OOO Gazprom transgaz Yugorsk	
OOO Gazprom export	
ZAO Gazprom YRGM Development	
ZAO Gazprom YRGM Trading	
OOO Gazprom flot	
OAO Daltransgaz	

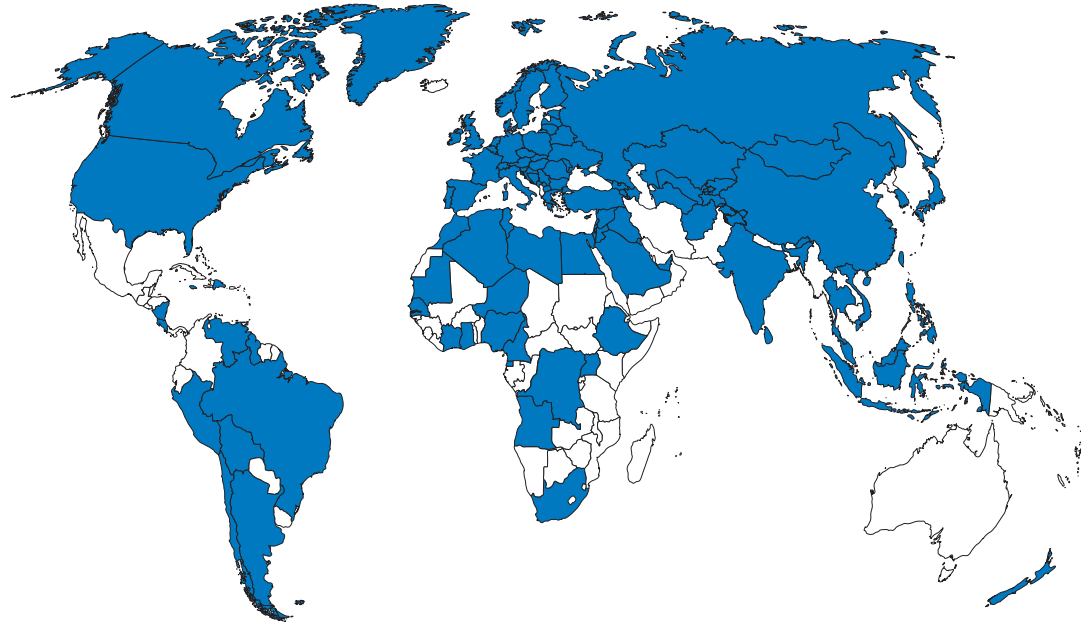
Companies	Core business activities
ОАО Красноярскгазпром	
ЗАО Пургаз	
ОАО Севернефтегазпром	
Газпром EP International B.V.	
Востокгазпром Group* (parent company — ОАО Востокгазпром)	
ООО Сибметакхим	
ОАО Томскгазпром	
Газпром Германия Group** (parent company — Газпром Германия GmbH)	
Газпром Marketing and Trading Ltd.	
Газпром Global LNG Ltd.	
Газпром межрегионгаз Group*** (parent company — ООО Газпром межрегионгаз)	
Газпром нефтехим Салават (parent company — ОАО Газпром нефтехим Салават)	
Газпром нефть Group (parent company — ОАО Газпром нефть)	
Газпром энергохолдинг (parent company — ООО Газпром энергохолдинг)	
ОАО Мосэнерго	
ОАО ТГК-1	
ОАО ОГК-2	
ОАО МИПС	
Газпром Group's subsidiaries engaged in other business activities	air transportation, investment activities, information and technical support, scientific research activities, power transmission, pipe production and sales, design activities, maintenance and repair, trading activities, procurement of materials and equipment, transportation and forwarding services, construction and installation services, and civil engineering
* ОАО Востокгазпром and its subsidiaries	
** Газпром Германия GmbH and its subsidiaries	
*** ООО Газпром межрегионгаз and its subsidiaries	

Operations
Hydrocarbons prospecting and exploration
Gas and gas condensate production
Oil production
Gas transportation
Gas underground storage
Gas distribution
Gas processing
Oil refining
Production of electricity and heat
Oil and gas chemical production

Marketing
Trunk pipeline gas sales
Sales of refined hydrocarbon products
Oil and gas condensate sales
LNG sales
Gas sales to end consumers
Electricity sales

















































































































































Operations and Marketing Geography of the Gazprom Group

Operations	Marketing
Hydrocarbons prospecting and exploration	Trunk pipeline gas sales
Gas and gas condensate production	Sales of refined hydrocarbon products
Oil production	Oil and gas condensate sales
Gas transportation	LNG sales
Gas underground storage	Gas sales to end consumers
Gas distribution	Electricity sales
Gas processing	Product sales through gasoline stations, CNG filling stations, gas filling stations
Oil refining	
Production of electricity and heat	
Oil and gas chemical production	



■ Gazprom Group's operations and marketing geography

Russia		
European countries		
Austria		Cyprus
Albania		Macedonia
Belgium		Malta
Bulgaria		Netherlands
Bosnia and Herzegovina		Norway
UK		Poland
Hungary		Portugal
Germany		Romania
Greece		Serbia
Denmark		Slovakia
Ireland		Slovenia
Spain		Turkey
Italy		Finland

France	  	Czech Republic	   
Croatia	  	Switzerland	 
Montenegro		Sweden	
FSU			
Azerbaijan		Lithuania	  
Armenia	         	Moldova	 
Belarus	     	Tajikistan	  
Georgia	 	Turkmenistan	
Kazakhstan	   	Uzbekistan	  
Kyrgyzstan	    	Ukraine	  
Latvia	  	Estonia	  
Africa			
Algeria	 	Morocco	
Angola		Niger	
Democratic Republic of the Congo		Nigeria	
Ghana		Seychelles	
Egypt		Senegal	
Cameroon		Tunisia	
Cote d'Ivoire		Uganda	
Libya	   	Equatorial Guinea	
Mauritius		Ethiopia	
Mauritania		Republic of South Africa	
Middle East			
Afghanistan		Lebanon	
Israel		UAE	
Jordan		Saudi Arabia	
Iraq	  	Syria	
Kuwait			
Asia-Pacific			
Vietnam	   	Singapore	 
India		USA	 
Indonesia		Thailand	 
Canada		Taiwan	 
China	   	Philippines	
Malaysia	  	Sri Lanka	
New Zealand		Japan	  
South Korea	  		
Central and South America			
Argentina	 	Costa Rica	
Bolivia		Nicaragua	
Brazil		Peru	
Venezuela	 	Chile	
Guyana			
Other countries			
Dominican Republic		Mongolia	
Maldives		Jamaica	

Strategic planning at OAO Gazprom

Gazprom Group's strategy is focused on consolidating its leadership position among major players of the global energy market. To achieve this goal the Company diversifies its sales markets, expands its product portfolio, improves performance and supply reliability, implements ambitious investment projects, and employs advanced technologies.

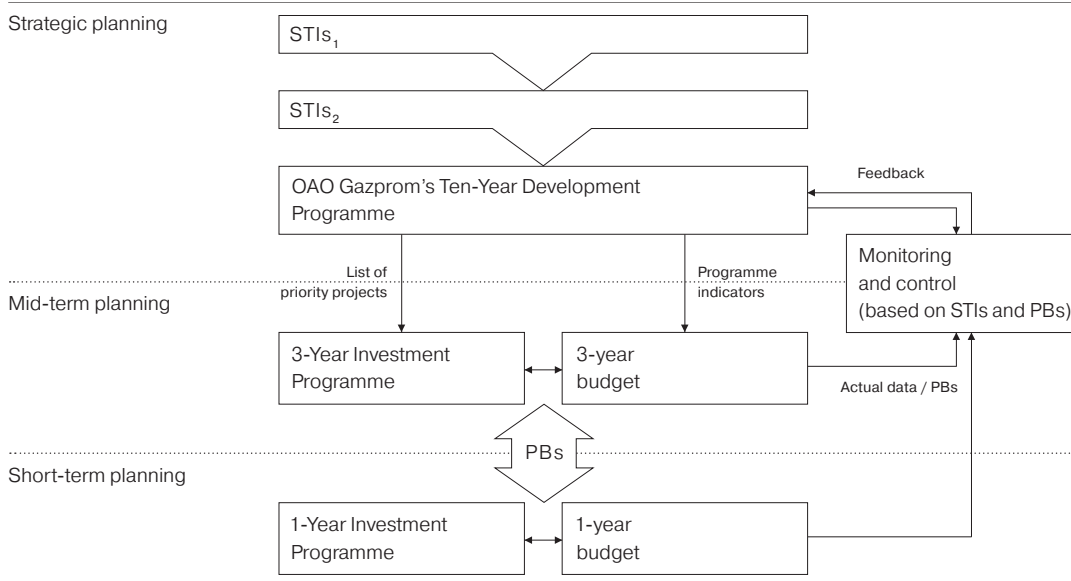
OAO Gazprom's long-term planning is based on a system of strategic target indicators (STIs) well-balanced across all lines of the Company's business and quantifying its targets in achieving strategic goals.

OAO Gazprom's strategic planning framework employs a two-tier STI system.

Tier-1 STIs (STIs₁) are set by the Company's Board of Directors for the end of a ten-year period and provide a basis for developing OAO Gazprom's Ten-Year Development Programme. The list of STIs₁ was approved by the Board of Directors in 2005.

Tier-2 STIs (STIs₂) flesh out STIs₁ for specific lines of business and operations, providing more details on the targets in production, marketing, economy, internal corporate processes, innovations, and HR management.

Interfaces between planning processes at OAO Gazprom



The Programme is developed annually in accordance with OAO Gazprom's Planning Procedures and based on the STIs, and is subject to approval by Chairman of OAO Gazprom's Management Committee. Its purpose is to provide a comprehensive integrated plan ensuring the *Company's* balanced and successful growth, achievement of STIs, and maximisation of systemic economic benefits based on risk and opportunity analysis.

The Programme provides indicators required for budgeting and a list of priority projects for investment planning and is therefore a useful tool for the implementation of OAO Gazprom's long-term development strategy and, at the same time, facilitates the integration of long-, mid- and short-term planning frameworks. The Programme indicators are used as a base for the performance benchmarks (PB) system to flesh out the Programme's indicators for a 1–3 year budgeting period and set benchmarks for budget planning.

In 2014, pursuant to the Russian Government directives, OAO Gazprom's Long-Term Development Programme was also approved by OAO Gazprom's Board of Directors (Resolution of the Board of Directors No. 2463 dated 23 December 2014).

The STI-based long-term planning framework covers the operations of the *Company* and its key subsidiaries in the gas business. The *Company* is taking efforts to develop a mechanism to roll out the long-term planning framework to OAO Gazprom's international operations and its oil and power generation businesses, which will help improve the *Group's* overall performance.

STIs₁ values at the end of a 10-year period (approved by OAO Gazprom's Board of Directors in 2014 as part of OAO Gazprom's Long-Term Development Programme)

Indicator	Value
Economic profit growth	Positive
Return on capital (profitability of capital employed)	At least 6%
Debt/equity ratio (ratio between debt and equity)	Not more than 40%
Gas production and sales volumes	
Gross production of natural gas	Not less than 550 bcm
Sales of natural gas	Not less than 490 bcm
Total gas reserves	Not less than 29 tcm of natural gas
Gas reserve replacement ratio	Not less than 100%

Gas business

Gazprom seeks to maintain its leadership in the global gas industry in the long-term.

In the Russian market, *Gazprom* strives to maintain its current positions both in terms of the amount of gas supplies and their reliability, including during the heating season. The *Group* intends to maintain its share of the traditional European markets. *Gazprom* seeks to grow its share of North-East Asia markets to 10–15% in the longer term.

To these ends, *Gazprom* plans to achieve a number of strategic milestones.

- In gas production, development of new gas production centres in the Yamal Peninsula, on the continental shelf, Eastern Siberia, and the Russian Far East will continue in parallel with measures to sustain production at the existing fields.
- In gas transportation, the development and refurbishment of the Unified Gas Supply System (UGSS) will continue to support production growth. The existing infrastructure is expected to be used as extensively as possible to ensure reliable deliveries. The UGSS expansion in Russia's eastern regions and building up of gas storage and LNG production capacities will continue.
- In gas marketing, the *Company* plans to expand its presence in the more promising markets, including the Asia-Pacific Region, and increase the LNG share in *Gazprom's* export portfolio.
- In gas processing and gas chemical production, the *Group's* development will be driven by the increasing extraction of valuable components from natural gas and associated petroleum gas (APG) and their effective utilisation for further processing into marketable high value-added (HVA) products. Gas processing and gas chemical plants are to be upgraded or constructed from scratch, including in Eastern Siberia and the Russian Far East.

Westward development of gas business

Westward development of gas business covers three key gas markets where OAO *Gazprom* is currently present.

The western (European) part of Russian UGSS is affected by the saturation of utility consumer demand and lower industrial production growth rates due to the country's economic slowdown.

These external factors largely contribute to the fall in consumer demand for natural gas in the European part of Russia.

Besides, there is a risk of substantial drop in demand for Russian gas in certain FSU countries seeking to reduce their reliance on Russian gas supplies by diversifying their energy sources.

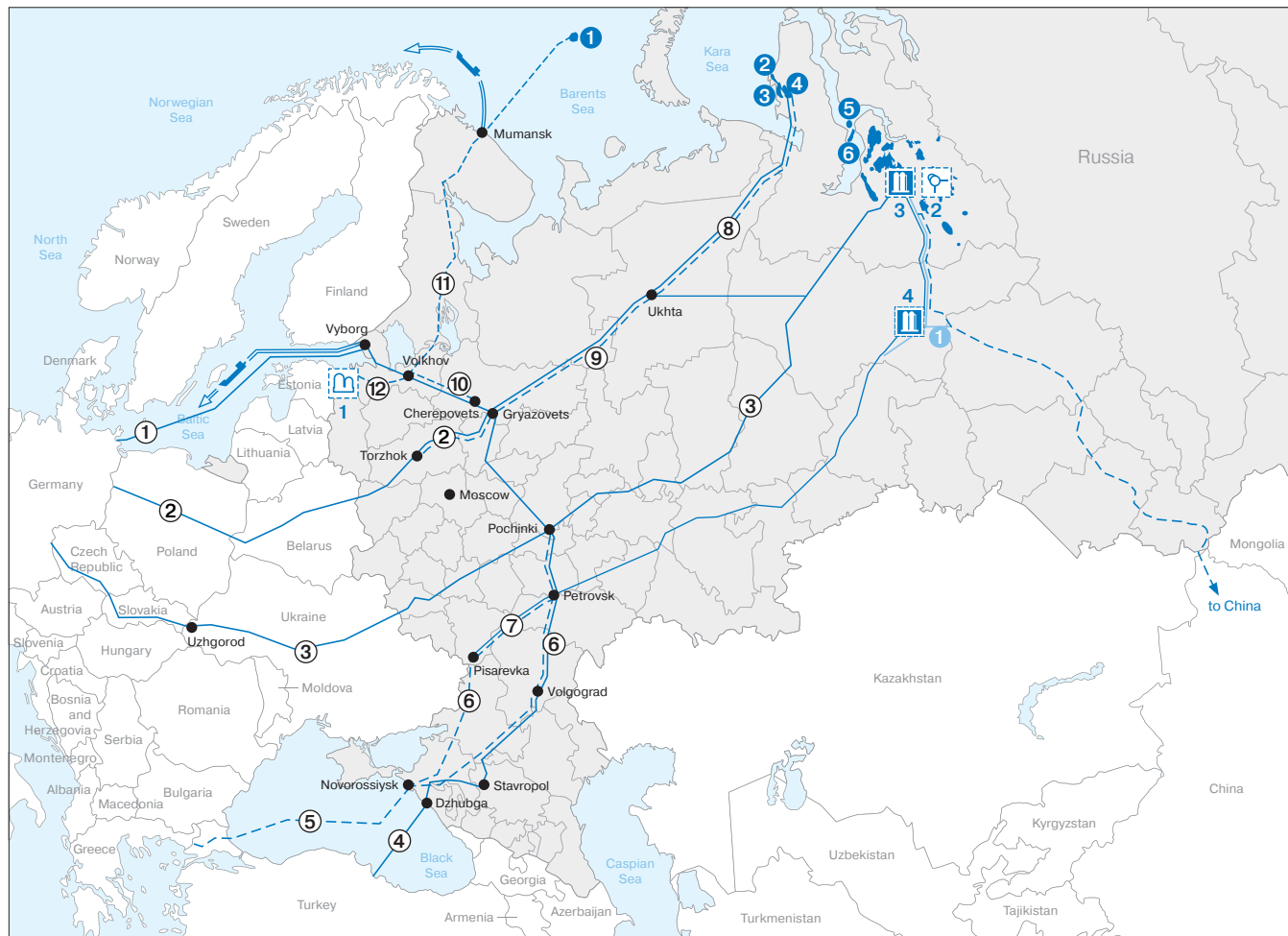
In the context of declining consumer spending, the *Company's* key priority would be to improve supply reliability and continuity through upgrades and technical re-equipment, enhance R&D capabilities of its facilities, cut losses, and save costs across all operations.

Development of new business segments would also contribute to the *Company's* sustainability in a crisis environment: promotion of natural gas as a motor fuel, development of power generation business, expansion of the product range — LNG and synthetic liquid motor fuels.

Goals

- Maintain current positions in the Russian gas market both in terms of gas supplies and their reliability.
- Maintain the current share of gas supplies to the European gas market, or consolidate positions in a favourable market.

Westward development of Gazprom Group's gas business



Key gas export transportation routes

- ① Nord Stream gas pipeline
- ② Yamal — Europe gas pipeline
- ③ Urengoy — Uzhgorod gas pipeline
- ④ Blue Stream gas pipeline

Gas transportation projects

- ⑤ Turkish Stream pipeline
- ⑥ UGSS expansion to support gas supply to the South Stream project
- ⑦ Rehabilitation of the Petrovsk — Pisarevka section of the Urengoy — Novopskov pipeline
- ⑧ Bovanenkovo — Ukhta gas pipeline (second line)
- ⑨ Ukhta — Torzhok gas pipeline (second line)
- ⑩ Gryazovets — Vyborg gas pipeline expansion
- ⑪ Shtokmanovskoye GCF — Murmansk and Murmansk — Volkhov gas pipelines
- ⑫ Pipeline link to the Baltic LNG plant

Promising fields

- ① Shtokmanovskoye
- ② Kharasaveyskoye
- ③ Kruzenshternskoye
- ④ Bovanenkovskoye
- ⑤ Severo-Kamennomysskoye
- ⑥ Kamennomysskoye-Sea

LNG production and processing projects

- ① LNG plant in the Leningrad Region
- ② Novourengovskiy gas chemical complex
- ③ Capacity expansion at the Urengoy Condensate Pre-Transportation Preparation Plant
- ④ Upgrade and re-equipment of the Surgut Condensate Stabilisation Plant

Other projects

- ① Construction of uncompleted sections of the Urengoy — Surgut gas condensate pipeline

Europe remains the key market for Russian export gas supplies. According to global experts, the outlook for long-term gas demand in the region is highly uncertain due to differing views on growth prospects for the Eurozone economy, gas price elasticity, future government policies on subsidising renewable energy, use of cheap coal and introduction of energy saving technologies, and assessment of the impact of the EU's current initiatives towards tougher energy sector regulation.

The European Union had pinned high hopes on shale gas production, particularly in Poland and Ukraine; however, most international players stopped further development in these countries in 2014 after disappointing exploration results.

The gap between the long-term gas demand and gas production in the region is widely varied. Europe's demand for gas imports will be primarily met by pipeline supplies from Russia, Norway and Algeria, as well as LNG supplies.

The current situation in the European gas market is characterised by declining gas consumption due to the stagnation of Europe's industrial sector, unusually warm winters, and replacement of natural gas with cheap coal in power generation.

Nevertheless, despite shrinking export supplies in 2014, *Gazprom* has sustained its share of the European gas market.

Given a decline in Europe's domestic gas production due to gradual depletion of major fields and an anticipated gas demand growth in the near future, the market environment can be expected to favour *Gazprom's* plans of growing gas exports to European countries in the mid-term.

Other drivers of potential build-up of Russian gas supplies to the European market include slowdown in the nuclear sector, wider use of natural gas in the transport sector, and the emergence of new consumer segments (i.e. bunker fuel sector).

OAO *Gazprom* will remain the largest supplier of gas to the European market and maintain its share (of about 30%), or even grow it in a favourable market.

Resource base for westward development

Gas reserves in the conventional hydrocarbon fields will secure domestic gas supplies and gas exports for a longer term (70 years or more of supplies).

One of *Gazprom's* key production objectives is to achieve projected capacity of the existing fields and start developing new fields in the Nadym-Pur-Taz region, and launch production at unique and large fields in the Yamal Peninsula and offshore northern seas to sustain and ramp up hydrocarbon production.

Gazprom consistently adds production capacities in the Nadym-Pur-Taz region and at the Bovanenkovskoye field in the Yamal Peninsula.

Strategic priority production regions over the longer term include the Yamal Peninsula (cenomanian-aptian deposits of the Kharasaveyskoye field, neocomian-jurassic deposits of the Bovanenkovskoye and Kharasaveyskoye fields; Kruzenshternskoye field), and Russian northern seas (fields in the Ob and Taz Bays, primarily the Severo-Kamennomyskoye and Kamennomyskoye-Sea fields, the offshore Shtokman field in the Barents Sea).

Priority projects in gas transportation, hydrocarbon processing, and LNG production

To ensure gas supplies to the domestic market and meet its obligations under export contracts OAO *Gazprom* constructs new and upgrades or re-equips the existing gas transportation facilities.

OAO *Gazprom* continues construction of the Bovanenkovo — Ukhta and Ukhta — Torzhok trunk pipelines that will carry gas from the Yamal fields.

Integrated approach to GTS expansion

Expansion of OAO Gazprom's gas transportation capacities is planned in tandem and close coordination with the development of gas production and storage facilities, and will also take into account the degree of readiness to receive gas shown by new consumers, as well as export projects.

Timelines for commissioning new and upgrading existing gas transportation facilities are scheduled with a long-term perspective and the following considerations:

- their effective utilisation periods;
- maintaining optimal throughput of the existing GTS.

This approach helps prevent introducing excessive capacities, efficiently use the *Company's* investments and optimise gas transportation costs.

The *Company* makes efforts to diversify export routes for Russian gas to the European market. In 2014, existing plans were adjusted due to external factors.

Withdrawal from the South Stream project

In December 2014, the South Stream project in Bulgaria was virtually discontinued — after Bulgaria's Bulgarian Energy Holding EAD, which had been authorised by the Government of Bulgaria to maintain collaboration on the project with OAO Gazprom, took a number of steps aimed at stopping the implementation of the project. In particular, it took steps to halt tender processes for the project; suspend the performance of the contract signed for the gas pipeline engineering, implementation, and construction; refrain from signing any other contracts related to the project implementation; and abstain from voting on the proposed increase in the authorised capital of South Stream Bulgaria AD, a joint venture set up specifically to implement the project. Moreover, Bulgarian Energy Holding EAD was reluctant to follow the corporate procedures required to secure decisions enabling further implementation of the project.

The forced decision by *Gazprom* to stop the implementation of the South Stream project was caused by a number of negative external factors such as:

- the European Commission's pressure on the Bulgarian government and other participating countries to prevent construction for the project;
- conflict between provisions of the EU's Third Energy Package and the earlier bilateral intergovernmental agreements between Russia and the participating countries;
- the Bulgarian government's decision to stop all work on the onshore and offshore sections, which led to both the Bulgarian section and the project in general falling behind schedule.

In December 2014, OAO Gazprom acquired minority stakes in South Stream Transport B. V., the company responsible for the project's offshore section, and became the owner of 100% of its shares.

Construction of Turkish Stream, a new Black Sea offshore pipeline, will ensure Russian gas supplies in the amounts adequate to the rated capacity of the South Stream and fully utilise Russian gas transportation facilities that are currently under construction and were meant for the South Stream project.

Decision on a new pipeline to Turkey

In December 2014, OAO Gazprom and Botas of Turkey signed in Ankara a Memorandum of Understanding on the construction of a new Black Sea offshore pipeline to Turkey. The project is an alternative to the previously contemplated South Stream project.

The annual capacity of the new pipeline's four offshore section lines will be 63 bcm, of which up to 47 bcm are planned to be supplied to the Turkish/Greek border, and the remainder — to Turkish consumers.

To ensure the required resources for gas transportation through the Turkish Stream, projects are underway for UGSS expansion to insure gas supply to the South Stream and rehabilitation of the Petrovsk — Pisarevka section of the Urengoy — Novopskov pipeline.

OAO Gazprom is also currently considering enhancement of the Blue Stream capacity.

In addition, the Comprehensive Programme for Upgrading and Technical Re-equipment of Gas Transportation Facilities for 2011–2015 is currently being implemented in Russia with a focus on:

- ensuring the planned gas transportation volumes;
- ensuring the reliability of gas transport and supplies to consumers at all levels;
- ensuring industrial and environmental safety of gas transportation facilities;
- improving the economic efficiency of gas transportation, including resource and energy savings;

To process the projected volumes of liquid hydrocarbons extracted during natural gas production at gas condensate fields in Western Siberia, the *Company* plans a capacity expansion and upgrade project on the Urengoy Condensate Pre-Transportation Preparation Plant by bringing output up to the rated capacity, construction of achimovsk deposit condensate and oil treatment and transportation facilities, completion of the construction of uncompleted sections of the Urengoy — Surgut gas condensate pipeline, and upgrade and re-equipment of the Surgut Condensate Stabilisation Plant.

OAO Gazprom, under project financing arrangements, continues to implement a project to construct a gas chemical complex near Novy Urengoy, with gases recovered from de-ethanized gas condensate at the Urengoy Condensate Pre-Transportation Preparation Plant used as a key feedstock.

There are ongoing initiatives to improve the quality of products (construction of a pentane-hexane fraction isomerization plant at the Surgut Condensate Stabilisation Plant, refurbishment of the motor fuel production facilities at the Astrakhan GPP to bring sulphur content down to Euro 4 and Euro 5 standards).

In line with the OAO Gazprom's policy of LNG market development and diversification of natural gas export supplies, the *Company* is implementing the Baltic LNG project, an LNG plant in the Leningrad Region. Target markets include the Atlantic region, including European countries not covered by Russian pipeline gas supplies (Spain, Portugal), Latin America, Middle East, India. Also, part of LNG volumes may be delivered to European bunker fuel market.

Eastward development of gas business

Eastward development of the gas business is the *Company's* promising area of development for decades to come. The State Eastern Gas Programme, coordinated by OAO Gazprom, is a key document to guide the gas industry development in Eastern Siberia and the Russian Far East. The Eastern Gas Programme provides for the gas production centres and a unified gas transportation system to be developed in parallel with the construction of gas processing and gas chemical plants, including helium and LNG plants.

The natural resources in the East of Russia are rich enough to support new large gas and oil production centres covering both long-term internal demand from Russia's eastern regions and exports to the Asia-Pacific countries, primarily to China.

Goals

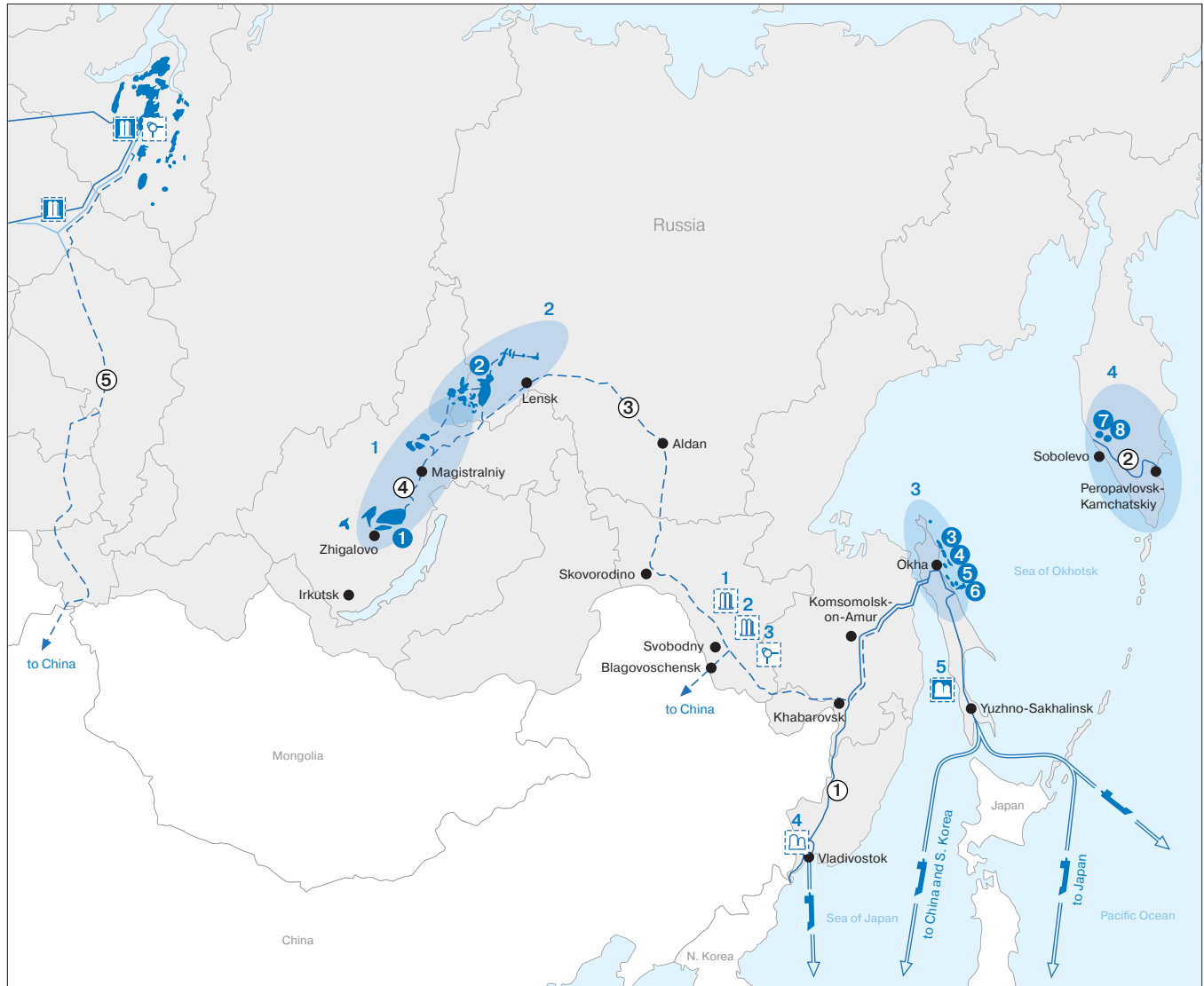
- Satisfy consumer needs in Russian Eastern regions.
- Grow the share of North East Asia markets up to 10–15%.

Eastern Siberia and the Russian Far East currently consume about 12 bcm of gas. Over a third of this volume is the so-called “local consumption” (Krasnoyarsk and Kamchatka Territories, and the Irkutsk Region), not connected with gas supplies via trunk pipelines.

According to forecasts, the aggregate demand for gas from end consumers in Russia’s Eastern regions may reach 17 to 30 bcm per year by 2030. The bulk of this growth is expected to come from Russian regions in the immediate vicinity to the existing or anticipated trunk pipelines, Sakhalin—Khabarovsk—Vladivostok and Power of Siberia.

Vast territories and complex terrain, as well as long distances between industrial centres and low population density imply substantial length of trunk pipelines and distribution networks and the region’s relatively low potential consumption.

Eastward development of Gazprom Group's gas business

**Gas production centers**

- 1 Irkutskiy
- 2 Yakutskiy
- 3 Sakhalin
- 4 Kamchatka

Production

- 1 Kovyktinskoye
- 2 Chayandinskoye
- 3 Piltun-Astokhskoye
- 4 Lunskoye
- 5 Kirinskoye
- 6 Yuzhno-Kirinskoye
- 7 Kshuvsckoye
- 8 Nizhne-Kvakchikskoye

Operating pipelines

- ① Pipeline Sakhalin — Khabarovsk — Vladivostok
- ② Pipeline Sobolevo — Petropavlosk-Kamchatskiy

Gas transportation projects

- ③ Power of Siberia gas pipeline section: the Chayandinskoye oil and gas condensate field — Blagoveshchensk — border with China
- ④ Power of Siberia gas pipeline section: the Kovyktinskoye gas condensate field — the Chayandinskoye oil and gas condensate field
- ⑤ «Western» route of gas deliveries to China

LNG production and processing projects

- 1 GPP
- 2 Helium plant
- 3 Gas Chemical Facility of OAO SIBUR Holding
- 4 LNG plant near Vladivostok
- 5 Expansion of LNG plant capacity within the framework of Sakhalin II project

Note. Data on the map as at 31 December 2014.

In 2014, a milestone contract was signed for natural gas supply to China for up to 38 bcm per year.

Gazprom makes a strong focus on the regional diversification of its business. Enhancing market presence in the Asia-Pacific markets is a priority for *Gazprom Group*. According to estimates, in the short and long term the region will be characterised by high gas consumption growth rates. At the same time, China gas market will account for more than half of growth.

According to various estimates, China demand for gas may reach 450-550 bcm by 2030, or 2.5–3 times the country's current gas consumption (180 bcm in 2014).

Contract for gas supplies to China along the “eastern” route and resumed negotiations on the “western” route

In May 2014, OAO *Gazprom* and CNPC signed a contract for Russian gas supplies to China via the «eastern» route, providing for exports of up to 38 bcm per year over a 30-year period, with a renewal option. In October 2014, OAO *Gazprom* and CNPC signed a Technical Agreement covering the technical aspects of the future supplies. Efforts are being taken to prepare and agree with the Chinese side technical appendices to the Contract, covering various aspects of the construction and operation of the pipeline's cross-border section on the «eastern» route from Russia to China.

After signing the «eastern» route supply contract, OAO *Gazprom* and CNPC also agreed to resume the «western» route negotiations. A series of negotiations resulted in signing, in November 2014, of a Framework Agreement for Russian natural gas supplies to China via the «western» route for up to 30 bcm per year.

OAO *Gazprom* expects to enhance its Asia-Pacific presence by striking a balance between pipeline gas supplies and LNG supplies.

The target markets for OAO *Gazprom*'s LNG projects in the Far East include a number of Asia-Pacific countries, including Japan and South Korea, who are already purchasing LNG from the Sakhalin II project, as well as China, Thailand, Vietnam, Singapore and other countries.

An integrated approach to building its project portfolio will enable *Gazprom* in the nearest term to enter the Asia-Pacific markets with almost simultaneous offers of Russian gas both as LNG and as a pipeline gas.

Resource base for eastward development

Gazprom has been building gas production centres in Russia's Eastern regions.

In 2014, OAO *Gazprom* developed and approved comprehensive action plans to build gas production, transportation and processing facilities to use the gas from Yakutsk and Irkutsk gas production centres. Phased development of the Chayandinskoye oil and gas condensate field, with 1.44 tcm of commercial reserves, which is the major field for Yakutsk gas production centre, is expected to start in Q2–Q4 2018. The Kovyktinskoye gas condensate field, with 2.54 tcm of commercial reserves, will be the major field for the Irkutsk gas production centre. The fields will comprise the resource base for the Power of Siberia pipeline.

The top development priorities to boost output from the Sakhalin gas production centre include Sakhalin III fields: the Kirinskoye oil and gas and condensate field put into commercial development in the reporting year, and the Yuzhno-Kirinskoye gas and condensate field, one of *Gazprom*'s priority projects in gas production over the long-term. As the principal source of natural gas for the Sakhalin — Khabarovsk — Vladivostok GTS, Sakhalin III will support gas supplies to the Russian Far East regions and enable the implementation of the Vladivostok-LNG project.

Priority projects in gas transportation, underground storage, hydrocarbon processing, and LNG production

The contract signed in May 2014 provides for a phased construction of the Power of Siberia pipeline to supply gas to China and to Russian consumers via the “eastern” route. Pursuant to the Framework Agreement signed between OAO Gazprom and CNPC in November 2014, supplies of the gas produced at Western Siberian fields to China via the “western” route in amounts of up to 30 bcm per year with a length of about 2,600 km.

With a view to further enhance the capacities of the Sakhalin — Khabarovsk — Vladivostok pipeline and secure natural gas supplies from the Sakhalin gas production centre to Russian and foreign consumers, ToR for design document adjustment for the Sakhalin — Khabarovsk — Vladivostok Pipeline project were approved.

Efforts are underway in the Amur Region to build gas processing and helium plants that will be supplied with gas feedstock from Yakutsk and Irkutsk gas production centres. Location: Svobodnensky District, Amur Region. Phase 1 is expected to be commissioned at the same time as gas supplies to China via the Power of Siberia pipeline are started.

One of the key projects to strengthen *Gazprom's* positions in the Asia-Pacific LNG markets is Vladivostok-LNG project that provides for an LNG plant construction with a capacity of 10 mm tonnes per year and an enhancement option of up to 15 mm tonnes, near Vladivostok, Primorye Territory. The plant's two phases will be supplied with gas feedstock from the Sakhalin gas production centre. *Gazprom Group* plans to sell LNG from this project under long-term contracts to largest Asia-Pacific markets: Japan, South Korea, China, Taiwan, and others.

In addition, Sakhalin Energy, *Gazprom's* affiliated company, is performing a feasibility study as part of Sakhalin II project to assess the feasibility and desirability of LNG production ramp-up in Sakhalin, and considers potential construction of a new process train similar to the two existing trains, as well as an additional LNG storage and port facilities.

Underground gas storage system expansion in Russia and abroad

Re-equipment, upgrade and enhancement of current storage facilities and construction of new UGSFs is one of *Gazprom's* strategic priorities.

Long-term development goals for the underground gas storage system in the Russian Federation are set in the General Scheme for the Development of the Gas Industry through 2030, developed by the Ministry of Energy of the Russian Federation, and aim to increase the daily withdrawal capacity and operating gas reserves.

The plans for an expanded UGSF network provide for the construction of new UGSFs in Russia and the CIS countries by 2025, bringing the network's aggregate peak daily withdrawal capacity up to 1 bcm. This will help cut gas transportation costs by 10–15% and the cost of gas deliveries to consumers by 5–10%.

To achieve the above goal OAO Gazprom plans to:

- sustain the current UGSF performance through upgrade and re-equipment of the existing UGSFs;
- enhance capacities of the existing UGSFs (Kanchurinskoye, Kasymovskoye, Nevskoye, Punginskoye, Stepnovskoye, and Karashurskoye);
- build and expand peak-shaving gas storage (Volgogradskoye, Kaliningradskoye, Novomoskovskoye);
- build new UGSFs in high consumption regions: Arbuzovskoye in the Volga Federal District, Bednodemynovskoye in the Central Federal District, Shatrovskoye in the Ural Federal District, and explore opportunities for UGSFs construction in the North-Western, Siberian and Far Eastern Federal Districts.

Integrated development of fields in the East of Russia requires a solution to the challenge of lengthy storage of helium. Three principal methods of helium concentrate storage are currently being explored: storage in salt caverns or in small depleted gas fields, or helium return back to a block (section, strata) of the producing field. To store the helium concentrate produced by the Chaynadinskoye field *Gazprom* looks into the opportunity of building an underground storage by using the method of helium return to the field's gas deposits — Khamakha horizon of Yuzhny II and Samanchakitsky blocks.

In underground gas storage expansion internationally the challenge is to enhance *Gazprom Group's* UGSF capacities in foreign countries to an active capacity of minimum 5% of annual exports by 2030. The *Company's* own UGSF facilities, i.e. overseas infrastructure facilities with *Gazprom Group's* stake, are the priority.

Promising business segments

Hydrocarbon prospecting and exploration abroad

Gazprom Group develops its resource base with a view to grow *Gazprom's* global presence and strengthen its position as a global energy major, diversify supply sources and transportation methods, markets, and products/services, become less dependent on the traditional markets' demand by entering new markets, including the related business segments, such as gas motor fuel and power generation. Another priority in hydrocarbon prospecting and exploration abroad is acquisition of expertise to enhance the *Group's* technology and management competences to improve project efficiency in Russia and, specifically, in the continental shelf.

In the mid-term, OAO *Gazprom* seeks to implement prospecting and exploration projects in the fast growing Asian gas markets and local South American markets; participate in shelf and similar projects in conditions similar to the Russian continental shelf and in deep-water projects; and implement projects focused on gas supply to the fast growing Asian markets.

Hydrocarbon prospecting and exploration abroad implies high risks resulting from the current geopolitical situation, different regulatory frameworks and other specifics of the business environment. Besides, a large part of potentially promising hydrocarbon resources is concentrated in underdeveloped and politically unstable countries. In an unstable global economic environment, with sharp oil price fluctuations and growing political risks, investors place increasingly tougher requirements to economics of a project. The above factors complicate the search for international projects with adequate internal rate of return.

Given the situation, OAO *Gazprom* updates its strategy in hydrocarbon field prospecting, exploration and development abroad to optimise current project portfolio and set more conservative performance target.

Launching synthetic liquid motor fuel production

One of the most promising gas chemistry areas is production of synthetic liquid fuel from natural gas as an alternative to gasoline production from oil, minimising gas transportation infrastructure capex. *Gazprom* is actively engaged in creating technologies and equipment for large-scale production of synthetic liquid fuel (SLF), including diesel fuel, based on the Fischer-Tropsch process, as well as small-scale SLF production based on the use of dual function catalysts for production of high-octane gasoline directly at natural gas production sites (marginal and low-pressure wells).

Unconventional gas production

Unconventional natural gas sources (tight gas, coal bed methane, shale gas) in terms of reserve concentration are substantially poorer than conventional gas accumulations, and stable shale gas production requires continuous drilling of new wells. Keen interest in unconventional gas, primarily shale gas, has been lately driven by an unprecedented boom in its production in the United States.

According to most Russian and foreign expert estimates, Russia is rich in geological and technically recoverable unconventional resources (shale gas, coal bed methane, gas hydrates); however, wider use of such sources can only be expected in a longer term.

Shale gas development in Russia is currently of little interest to OAO Gazprom, since the *Company's* conventional gas reserves-to-production ratio is over 80 years with current production rate. Notably, the cost of shale gas production is generally much higher than for conventional fields, and such production may, therefore, be economically viable primarily in countries with inadequate self-sufficiency in energy.

OAO Gazprom continues implementing Russia's first coal bed methane production project in Kuzbass.

To ensure Russia's mineral resource and energy security over a long-term the government has started exploring the potential of unconventional hydrocarbon sources and opportunities for mineral resources base replacement by large-scale involvement in unconventional resource development. The Ministry of Natural Resources and Environment of the Russian Federation resolved to set up a Coordination Centre for study and development of unconventional hydrocarbons and hydrocarbon resources. OAO Gazprom plans to get engaged in the Coordination Centre's activities.

Oil business

Gazprom Group's oil business operates through its subsidiary, OAO Gazprom neft, guided in its operations by the 2025 Development Strategy approved by OAO Gazprom neft's Board of Directors in May 2013. The Strategy draws on and refines the 2020 Development Strategy approved in 2010 and updated in 2012 by OAO Gazprom neft's Board of Directors. The document reiterates the 2020 objectives, refining the ways to achieve them in key business segments (hydrocarbon production, oil refining and oil product sales), and sets maintaining the scale of operations to be achieved by 2020 as the key objective for 2020–2025.

Prospecting/exploration and production

Gazprom neft seeks to rise its hydrocarbon production to 100 mm toe per year by 2020 and maintain this rate through 2025. The current proved reserves-to-production-ratio is expected to be sustained for at least 20 years. To achieve these targets *Gazprom neft* intends to maximise the profitability of the remaining resource extraction at its active production sites through the roll-out of best development optimisation practice, the reduction of the cost of tested production technologies, and the promotion and mass introduction of advanced technologies. A new production centre in the northern part of YNAA and enhanced presence in Russia's Arctic shelf are contemplated.

Gazprom neft treats unconventional reserves as a growth opportunity and will expand this asset class as an important component of its portfolio. Given the overall reduction in the quality of conventional oil resource base and the need to develop deposits with low filtration properties, OAO Gazprom neft started to assess potential commercial development of shale oil resources at the Bazhenov suite, West Siberia.

Oil refining

Implementing refinery facilities upgrade programmes and improvements to operating efficiency remain to be *Gazprom neft's* strategic priorities in its Russian oil refinery business. In 2013, *Gazprom neft* completed phase 1 of the upgrade expected to improve motor oil quality and proceeded to phase 2, designed to boost processing depth and yield for light products at Russian facilities. In accordance with the selected configurations, *Gazprom neft* plans to launch hydrocracking facilities at the Omsk Refinery in 2018 and at the Moscow Refinery in 2019, each with an annual capacity of 2 mm tonnes. Additionally, *Gazprom Neft* plans to construct the following large-scale facilities: a 2 mm tonne flexicoking unit at the Moscow Refinery by 2020, and a 2 mm tonnes coking unit at the Omsk Refinery by 2019. *Gazprom Neft* continues to refine an upgrade programme for OAO Slavneft-YANOS to support, inter alia, the operations of planned advanced refining facilities. Implementation of the scheduled upgrade projects will enable *Gazprom neft* to achieve the following targets in Russia in 2025: oil refining — 40 mm tonnes per year, processing depth — 95%, yield for light products — 80%.

Sales

Gazprom нефт is focused on the following two key sales segments: motor fuel sales through the corporate retail chain and small wholesale channels, and oil products sales to industrial consumers. Each business line has its specific targets; however, the key target for the sales business is to market 100% of the produced oil products to cover, to the maximum extent, the entire value chain of the oil business.

Motor fuel sales

By 2025, *Gazprom нефт* intends to increase its total motor fuel sales in Russia and the CIS to 24.7 mm tonnes. Growth is primarily expected in the retail channel in Russia and the CIS countries, with the sales target set at 15 mm tonnes. Small wholesale sales are expected to reach 9.7 mm tonnes in 2025. To achieve the targets plans are drawn to expand the retail network in Russia and the CIS up to 1,880 filling stations by 2025, with the stations' personnel expenses fully covered by gross revenues from the related business segment.

Oil product sales to industrial consumers

To improve oil product sales performance, *Gazprom нефт* carved out several premium segments such as jet fuels, lubricants, bituminous materials, petrochemicals, and bunker fuels. Tailored strategic plan is developed for each segment.

Power generation business

Power generation sector is a strategic line of business for *Gazprom Group*.

Gazprom's Power Generation Strategy for Russia was adopted in 2007. Enhanced presence in the power generation sector will facilitate the entire *Group's* business sustainability over the long-term and help generate extra revenues. Strategic objectives in the power generation business include:

- diversification of tariff regulation risks;
- fuel mix diversification;
- construction of new facilities;
- operating efficiency improvements.

OAOGazprom's strategic objectives in Russia primarily focus on the construction of new gas-fired facilities to improve efficiency and power and heat output.

Gazprom energoholding's priority international project is the construction of a thermal power plant in Pancevo, Serbia, implemented jointly with NIS. In 2015, a joint venture will be set up, and the active implementation phase of the project will start.

AO Gazprom's Board of Directors

Information about Members
of AO Gazprom's Board
of Directors as of 31 December 2014



**Viktor
Alekseevich
Zubkov**

**Chairman of
the Board of Directors**

Born in 1941, postgraduate vocational education, graduate of the Leningrad Agricultural Institute, Doctor of Economics.

2007–2008: Prime Minister of the Russian Federation.
2008–2012: First Deputy Prime Minister of the Russian Federation.
Since 2012 — Russian Special Presidential Representative for Cooperation with Gas Exporting Countries Forum.
2012–2014 — member of the Board of Directors, Director General, Chairman of the Management Committee of OOO Gazprom gazomotornoe toplivo.
Since 2014 — Deputy Chairman of the Board of Directors of OOO Gazprom gazomotornoe toplivo.
Has held the position of the Chairman of AO Gazprom's Board of Directors since 2008.
Mr. Zubkov has no shareholding in AO Gazprom.



**Alexey
Borisovich
Miller**

**Deputy Chairman of
the Board of Directors**

Born in 1962, postgraduate vocational education, graduate of N. A. Voznesensky Leningrad Finance and Economics Institute, Candidate of Economics.

Since 2001 — Chairman of AO Gazprom's Management Committee.
Has held the position of the Deputy Chairman of AO Gazprom's Board of Directors since 2002.
Mr. Miller holds a 0.000958% stake in AO Gazprom.



**Andrey
Igorevich
Akimov**

Born in 1953, higher vocational education, graduate of the Moscow Finance Academy.

Since 2002 — Chairman of the Management Board of Joint Stock Bank of Gas Industry Gazprombank (Closed Joint Stock Company); since 2007 — AO Gazprombank (Open Joint Stock Company); since 2014 — Gazprombank (Joint Stock Company).
Has held the position of a member of AO Gazprom's Board of Directors since 2011.
Mr. Akimov has no shareholding in AO Gazprom.



**Farit
Rafikovich
Gazizullin**

Born in 1946, postgraduate vocational education, graduate of the Gorky Institute of Water Transport Engineering, Candidate of Philosophy, Doctor of Sociology.

Has held the position of a member of AO Gazprom's Board of Directors since 1998.
In 2014 held the position of a member of the Audit Committee of AO Gazprom's Board of Directors.
Mr. Gazizullin has no shareholding in AO Gazprom.



**Timur
Askarovich
Kulibaev**

Independent Director

(according to the statement made by the director in compliance with the independence criteria set by the Code of Corporate Governance approved by the Board of Directors of the Bank of Russia on 21 March 2014)

Born in 1966, postgraduate vocational education, graduate of M. V. Lomonosov Moscow State University, Candidate of Economics.

2005–2013 — Extraordinary Advisor to the President of the Republic of Kazakhstan.

Since 2007 — Head of the Association of Legal Entities the Kazenergy Kazakh Association of Oil, Gas and Energy Companies. Since 2010 — Chairman of the Presidium of the Legal Entities Association National Economic Chamber of Kazakhstan (Atameken Union).

2011 — member of the Board of Directors, Chairman of the Management Board, AO Samruk-Kazyna National Welfare Fund.

Since 2013 — Chairman of the Presidium of the National Chamber of Entrepreneurs of the Republic of Kazakhstan. Has held the position of a member of OAO Gazprom's Board of Directors since 2011.

Mr. Kulibaev has no shareholding in OAO Gazprom.



**Vitaly
Anatolievich
Markelov**

Born in 1963, postgraduate vocational education, graduate of S. P. Korolev Kuibyshev Aviation Institute, Candidate of Technical Sciences.

2003–2011 — Director General of OOO Tomsk-transgaz (since 2008 — OOO Gazprom transgaz Tomsk).

2011 — Director General of OOO Gazprom invest Vostok. Since 2011 — Deputy Chairman of OAO Gazprom's Management Committee. Has held the position of a member of OAO Gazprom's Board of Directors since 2012. Mr. Markelov holds a 0.006203% stake in OAO Gazprom.



**Viktor
Georgievich
Martynov**

Born in 1953, postgraduate vocational education, graduate of I. M. Gubkin Moscow Institute of the Petrochemical and Gas Industry, Candidate of Geology and Mineralogy, Doctor of Economics.

Since 2008 — Rector of the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). Has held the position of a member of OAO Gazprom's Board of Directors since 2013. Mr. Martynov has no shareholding in OAO Gazprom.



**Vladimir
Alexandrovich
Mau**

Born in 1959, postgraduate vocational education, graduate of G. V. Plekhanov Moscow Institute of National Economy, Doctor of Economics.

2002–2010 — Rector of the State Educational Institution of Higher Professional Education of the Academy of National Economy under the Government of the Russian Federation. Since 2010 — Rector of the Russian Presidential Academy of National Economy and Public Administration (a federal state budget-funded institution of higher professional education). Has held the position of a member of OAO Gazprom's Board of Directors since 2011. Mr. Mau has no shareholding in OAO Gazprom.



**Valery
Abramovich
Musin**

Independent Director

(according to the statement made by the director in compliance with the independence criteria set by the Code of Corporate Governance approved by the Board of Directors of the Bank of Russia on 21 March 2014)

Born in 1939, postgraduate vocational education, graduate of the Faculty of Law, A. A. Zhdanov Leningrad State University, Doctor of Law.

Since 1989 — Head of the Civil Procedure Department of the Faculty of Law, Leningrad State University; since 1992 — St. Petersburg State University; since 2005 — St. Petersburg State University (a federal budget-funded educational institution of higher professional education). Since 2007 — Senior Partner in Russia — UK firm "Musin and Partners". Has held the position of a member of OAO Gazprom's Board of Directors since 2009. In 2014 held the position of the Chairman of the Audit Committee of OAO Gazprom's Board of Directors. Mr. Musin has no shareholding in OAO Gazprom.



**Andrey
Yurievich
Sapelin**

Born in 1965, higher vocational education, graduate of S. Ordzhonikidze Moscow Aviation Institute (Order of Lenin, Order of the October Revolution).

2007–2011 — Head of the Corporate Finance Department — Investment Banking Management, Director of the Industry Department of Bank for Development and Foreign Economic Affairs (Vnesheconombank).
2011–2013 — Deputy Chairman of Bank for Development and Foreign Economic Affairs (Vnesheconombank).
Since 2013 — First Deputy Chairman — Management Committee Member of Bank for Development and Foreign Economic Affairs (Vnesheconombank).
Has held the position of a member of OAO Gazprom's Board of Directors since 2014.
Mr. Sapelin has no shareholding in OAO Gazprom.



**Mikhail
Leonidovich
Sereda**

Born in 1970, higher vocational education, graduate of the St. Petersburg State Economics and Finance University.

Since 2004 — Deputy Chairman of OAO Gazprom's Management Committee — Head of the Administration of OAO Gazprom's Management Committee.
Has held the position of a member of OAO Gazprom's Board of Directors since 2002.
In 2014 held the position of the member of the Audit Committee of OAO Gazprom's Board of Directors.
Mr. Sereda holds a 0.000232% stake in OAO Gazprom.

Changes in the Board of Directors in 2014

Members of the Board of Directors who were elected in 2014

Andrey Yurievich Sapelin

member of OAO Gazprom's Board of Directors (since 27 June 2014).

Members of the Board of Directors whose powers were terminated in 2014

Elena Evgenyevna Karpel

member of OAO Gazprom's Board of Directors (before 27 June 2014).

OAQ Gazprom's Management Committee

Information about Members
of OAO Gazprom's Management
Committee as of 31 December 2014



**Alexey
Borisovich
Miller**

**Chairman
of OAO Gazprom's
Management
Committee**

Born in 1962, postgraduate vocational education, graduate of N. A. Voznesensky Leningrad Finance and Economics Institute, Candidate of Economics.

Has held the position of the Chairman of OAO Gazprom's Management Committee since 2001. Mr. Miller holds a 0.000958% stake in OAO Gazprom.



**Elena
Alexandrovna
Vasilieva**

**Deputy Chairwoman
of OAO Gazprom's
Management Committee —
Chief Accountant
of OAO Gazprom**

Born in 1959, higher vocational education, graduate of N. A. Voznesensky Leningrad Finance and Economics Institute.

Has held the position of a member of OAO Gazprom's Management Committee since 2001. Ms. Vasilieva holds a 0.000281% stake in OAO Gazprom.



**Valeriy
Alexandrovich
Golubev**

**Deputy Chairman
of OAO Gazprom's
Management Committee**

Born in 1952, postgraduate vocational education, graduate of V.I. Ulyanov (Lenin) Leningrad Electrotechnical Institute, Doctor of Economics.

Has held the position of a member of OAO Gazprom's Management Committee since 2003. Mr. Golubev holds a 0.000232% stake in OAO Gazprom.



**Alexander
Nikolaevich
Kozlov**

**Deputy Chairman
of OAO Gazprom's
Management Committee**

Born in 1952, higher vocational education, graduate of the Moscow State Institute of International Relations.

Has held the position of a member of OAO Gazprom's Management Committee since 2005. Mr. Kozlov holds a 0.000232% stake in OAO Gazprom.



**Andrey
Vyacheslavovich
Kruglov**

**Deputy Chairman
of OAO Gazprom's
Management Committee,
Head of Department
(finance and economics)**

Born in 1969, postgraduate vocational education, graduate of the St. Petersburg Technological Institute of the Refrigeration Industry, Doctor of Economics.

Has held the position of a member of OAO Gazprom's Management Committee since 2002.

Mr. Kruglov holds a 0.000322% stake in OAO Gazprom.



**Vitaly
Anatolievich
Markelov**

**Deputy Chairman
of OAO Gazprom's
Management Committee**

Born in 1963, postgraduate vocational education, graduate of S. P. Korolev Kuibyshev Aviation Institute, Candidate of Technical Sciences.

Has held the position of a member of OAO Gazprom's Management Committee since 2012.

Mr. Markelov holds a 0.006203% stake in OAO Gazprom.



**Alexander
Ivanovich
Medvedev**

**Deputy Chairman
of OAO Gazprom's
Management Committee**

Born in 1955, postgraduate vocational education, graduate of the Moscow Physics and Technology Institute, Candidate of Economics.

Has held the position of a member of OAO Gazprom's Management Committee since 2002.

Mr. Medvedev holds a 0.000232% stake in OAO Gazprom.



**Sergey
Fyodorovich
Khomyakov**

**Deputy Chairman
of OAO Gazprom's
Management Committee,
Director General
of OAO Gazprom's
Corporate Protection
Service Branch in Moscow**

Born in 1953, postgraduate vocational education, graduate of V.I. Ulyanov (Lenin) Leningrad Electrotechnical Institute, Candidate of Economics.

Has held the position of a member of OAO Gazprom's Management Committee since 2007.

Mr. Khomyakov holds a 0.000232% stake in OAO Gazprom.



**Oleg
Evgenyevich
Aksyutin**

**Head of Department
(gas transportation
and underground storage)**

Born in 1967, postgraduate vocational education, graduate of S. P. Korolev Kuibyshev Aviation Institute, Doctor of Technical Sciences.

Has held the position of a member of OAO Gazprom's Management Committee since 2008.

Mr. Aksyutin holds a 0.000218% stake in OAO Gazprom.



**Nikolai
Nikolaevich
Dubik**

**Head of Department
(legal support)**

Born in 1971, higher vocational education, graduate of the M. V. Lomonosov Moscow State University.

Has held the position of a member of OAO Gazprom's Management Committee since 2008. Mr. Dubik holds a 0.000955% stake in OAO Gazprom.



**Dmitry
Vladimirovich
Lyugai**

**Head of Department
(prospective development)**

Born in 1962, postgraduate vocational education, graduate of the Tashkent Polytechnical Institute, Doctor of Technical Sciences.

Has held the position of a member of OAO Gazprom's Management Committee since 2013. Mr. Lyugai holds a 0.000148% stake in OAO Gazprom.



**Vladimir
Konstantinovich
Markov**

**Head of Department
(relations with the Russian
Federation authorities)**

Born in 1955, postgraduate vocational education, graduate of the Ryazan Radio Engineering Institute, Candidate of Law.

Has held the position of a member of OAO Gazprom's Management Committee since 2012. Mr. Markov holds a 0.000148% stake in OAO Gazprom.



**Elena
Vladimirovna
Mikhailova**

**Head of Department
(asset management
and corporate relations)**

Born in 1977, higher vocational education, graduate of the Moscow State Industrial University.

Has held the position of a member of OAO Gazprom's Management Committee since 2012. Ms. Mikhailova holds a 0.000148% stake in OAO Gazprom.



**Sergey
Frolovich
Prozorov**

**Head of Department
(arrangement
and management
of industrial facilities
construction)**

Born in 1958, higher vocational education, graduate of the Bryansk Transport Machine-Building Institute.

Has held the position of a member of OAO Gazprom's Management Committee since 2014. Mr. Prozorov holds a 0.000148% stake in OAO Gazprom.



**Kirill
Gennadyevich
Seleznev**

Head of Department (marketing; gas and liquid hydrocarbons processing; development of power and heat generation), Director General of OOO Gazprom mezhregiongaz

Born in 1974, postgraduate vocational education, graduate of D. F. Ustinov Baltic State Technical University and the St. Petersburg State University, Candidate of Economics.

Has held the position of a member of OAO Gazprom's Management Committee since 2002.

Mr. Seleznev holds a 0.000148% stake in OAO Gazprom.



**Igor
Yuryevich
Fedorov**

Director General of OOO Gazprom komplektatsiya

Born in 1965, postgraduate vocational education, graduate of A. A. Zhdanov Leningrad State University and the St. Petersburg State Academy of Service and Economics, Candidate of Economics.

Has held the position of a member of OAO Gazprom's Management Committee since 2007.

Mr. Fedorov holds a 0.000136% stake in OAO Gazprom.



**Vsevolod
Vladimirovich
Cherepanov**

Head of Department (hydrocarbon exploration and production)

Born in 1966, postgraduate vocational education, graduate of M. V. Lomonosov Moscow State University, Candidate of Geology and Mineralogy.

Has held the position of a member of OAO Gazprom's Management Committee since 2010.

Mr. Cherepanov holds a 0.000148% stake in OAO Gazprom.

Changes in the Management Committee in 2014

Members of the Management Committee who were elected in 2014

Sergey Frolovich Prozorov

(elected by Resolution of the Board of Directors No. 2448 dated 27 November 2014)

Members of the Management Committee whose powers were terminated in 2014

Yaroslav Yaroslavovich Golko

(powers of the Member of the Management Committee terminated by Resolution of the Board of Directors No. 2447 dated 27 November 2014)

In 2014, OAO Gazprom's Board of Directors was focused on creating the conditions to ensure OAO Gazprom's consistent performance and its continued development as a global energy company; growing the *Company's* market capitalisation; strengthening its investment appeal; ensuring efficient control over asset management, investment, financial and business activities; improving the effectiveness and transparency of its internal controls; improving controls and accountability framework of OAO Gazprom's management bodies; and securing shareholder rights.

As part of its activities, the Board of Directors was consistently focused on its key objective of determining priority areas for OAO Gazprom's development and its development strategy.

The activities of OAO Gazprom's Board of Directors were governed by the duly approved six-month plans of activities. In 2014, the Board held a total of 63 meetings, including 11 in person and 52 through an absentia vote. At these meetings, the Board passed 174 decisions, including 46 in person and 128 through an absentia vote.

OAO Gazprom's Board of Directors took key decisions in major areas of the *Company's* business.

Strategic Development

In 2014, the Board of Directors approved the Long-Term Development Programme of OAO Gazprom.

It also reviewed the progress in implementing and assessed need for adjustments to the earlier adopted strategies and programmes.

Progress in the implementation of OAO Gazprom's Innovative Development Programme until 2020, in 2013 (meeting held in person on 11 July 2014)

The Board of Directors reviewed and approved 2013 progress report on the implementation of OAO Gazprom's Innovative Development Programme until 2020. During the meeting, the Board of Directors was informed about the amounts allocated by *Gazprom Group* for funding its research and development activities (R&D) and the uses of these funds. It was noted that *Gazprom* continued its efforts to grow the share of domestically produced high-tech equipment in inventory supplies and replace foreign engineering equipment with similar Russian products. In particular, the *Company* completed a joint project with the Gas Compressor Equipment Manufacturers Association to develop a unified 16 MW gas pumping unit (GPU). The solution helps reduce project costs and timelines and improve the efficiency of GPU maintenance and repairs. *Gazprom* has been successfully replacing foreign counterparts by Russian corrosion-resistant subsurface equipment for oil and gas flush production.

The implementation of OAO Gazprom's Innovative Development Programme has been highly successful. For instance, in 2013, as a result of its implementation, specific fuel and energy consumption for own needs was reduced by 2.52%, with specific greenhouse gas (GHG) emissions lowered by 4.25% on a CO₂-equivalent basis.

Progress in expanding the use of natural gas as a motor fuel (meeting held in person on 27 November 2014)

Throughout 2014, the Board of Directors continued to increasingly focus on such strategic area as expanding the use of natural gas as a motor fuel.

According to the information provided by OAO Gazprom's Management Committee, these efforts in the domestic market have focused on the following two key areas:

- building up NGV infrastructure (primarily, constructing new CNG filling stations);
- facilitating the expansion of the gas vehicle fleet.

In 2014, OAO Gazprom carried out design and survey works and arranged construction equipment procurement to develop CNG filling stations network. A reconstruction schedule until 2020 was prepared and is currently implemented to upgrade the existing CNG filling stations. Work is ongoing to install CNG modules at the existing filling stations operated by *Gazprom Group* and

other companies. Under a memorandum signed with OAO Russian Railways, sections of the national railway network were selected to operate locomotives converted to liquefied natural gas (LNG), as well as sites for constructing LNG production facilities and railway vehicle filling stations.

In addition, *Gazprom* has been investing a lot of efforts in growing the number of vehicles running on natural gas. Agreements are signed with regional governments, with the local authorities taking commitments to ensure creation (expansion) of NGV fleets in parallel with the construction of new CNG filling stations. Agreements of intent are also concluded with fleet operators based within the future areas of the CNG filling network expansion to ensure demand for the services of the newly constructed stations, as well as cooperation agreements with Russian and foreign manufacturers and suppliers of NGVs to expand the offering of natural gas vehicles. *Gazprom* actively converts its own vehicle fleet to natural gas and continues to assess options for developing the gas motor fuel segment in foreign markets. OAO Gazprom's Management Committee was instructed to continue promotion of natural gas as a motor fuel both domestically and internationally.

Approval of the Regulation on the *Company's* Key Performance Indicators (meeting held in person on 21 October 2014)

The Board of Directors approved the Regulation on OAO Gazprom's Key Performance Indicators. The document was drafted with due regard to the Methodological Guidelines issued by the Russian Ministry of Economic Development and the Federal Agency for State Property Management, as well as to OAO Gazprom's existing key performance indicators (KPIs).

The Regulation defines the KPI metrics and framework, as well as the main KPI groups, and KPI-related objectives, targets and requirements. The document also establishes KPIs to assess the performance of the management of OAO Gazprom and its subsidiaries, incentivise members of the *Company's* Board of Directors and inform HR decisions. This group of KPIs included, inter alia, such metrics as Total Shareholder Return (TSR) and Return on Equity (ROE), with a total weight assigned in the group being as high as 30%.

The *Company's* marketing policy on low- and large-tonnage LNG external markets (meeting held in person on 26 March 2014)

In 2014, the Board of Directors reviewed the *Company's* marketing policy on low- and large-tonnage LNG external markets.

Currently, the global LNG market demonstrates a sustained growth in demand at an average of 3% a year. This positive trend is observed primarily in the premium fast-growing Asia-Pacific markets. In addition, the *Company* is keen to expand into the emerging markets of South-East Asia, South America and the Middle East, as well as the European markets not yet covered by Russian pipeline gas supplies.

In this situation, to gain a stronger foothold in large-tonnage LNG *Gazprom's* has focused on marketing gas from new projects. In particular, the *Group* is exploring the option to ramp up natural gas supplies from Sakhalin II LNG plant through the addition of a third production train. The LNG plant in Vladivostok started marketing its gas and the Baltic LNG project is under development. By steadily growing its LNG output *Gazprom* will be able to seize a 15% share of the global market by 2030.

The *Group's* marketing policy on low-tonnage LNG supplies provides for the fullest coverage of all potential consumer groups and building an established customer portfolio to secure sales. To promote the use of LNG as a motor fuel *Gazprom* specifically develops collaboration with major European motor freight and passenger transport companies, as well as major retailers with vast vehicle fleets. In addition, the *Group* aims to develop port infrastructures in the regions where LNG is used as a marine fuel and seeks cooperation with the housing and utility sector, and small- and medium-sized industrial consumers.

**Resource base development to ensure gas infrastructure expansion in Russian regions
(meeting held in person on 27 November 2014)**

The Board of Directors took note of the information on the *Company's* progress in developing its resource base to ensure the expansion of gas infrastructure in Russian regions. *Gazprom Group* takes consistent large-scale efforts to develop its mineral resource base. A special focus is made on accelerating preparation of hydrocarbon reserves for commercial development in Eastern Siberia and the Russian Far East, where gas consumption is expected to grow at above the national rate over the next decade. This growth will be driven by new gas chemical and gas processing facilities to be built there, as well as by the expansion of gas infrastructure along the Power of Siberia gas pipeline route. It was also emphasised during the meeting that gas supplies to Russian consumers (with account for intensive gas infrastructure expansion efforts), as well as the *Company's* gas export obligations were fully covered by *Gazprom's* mineral resource base over the long run. The *Company's* relevant business units were instructed to continue their resource base development efforts.

Results of monitoring the evolution of shale gas industries around the world (meeting held in person on 27 November 2014)

OAO Gazprom's Board of Directors paid all necessary attention to the evolution of shale gas industries in various regions of the world. In 2013–2014, production growth slowed at US shale gas deposits, with any other country outside North America showing no progress in tapping shale gas reserves. At the same time, shale oil production in Russia is still unlikely to be economically viable. This is due to the vast existing reserves of conventional gas, whose production costs are considerably lower than the estimated costs of shale gas extraction, as well as to the adverse environmental impacts of shale gas production.

Prospects for changes in the global gas market structure (meeting held in person on 22 April 2014)

OAO Gazprom's Board of Directors took note of anticipated possible changes in the structure of the global gas market.

It was noted during the meeting that the gas industry's development was increasingly affected by efforts to bolster energy security as investment requirements of gas infrastructure expansion grew, as well as by geopolitical issues.

Most of the scenarios considered suggest that in the long run Europe as OAO Gazprom's key market would show increased demand for natural gas as own production would fall. Possible consumption drivers might include the revived role of natural gas in the power sector and a wider use of gas motor fuel by motor vehicles and marine vessels. Increased demand will drive imports of both pipeline gas and LNG.

Another trend assumed in a number of scenarios is growing capex and opex for new international LNG projects. The situation is complicated by government initiatives in a number of countries to restrict LNG exports, which may result in a shortage of natural gas and LNG in the global market.

In this situation, the build-up of gas supplies to Europe and the implementation of LNG projects on the Baltic Sea and in the Russian Far East would allow the *Company* not only to meet the increased demand of European consumers but to offer extra supplies of Russian gas to the premium Asia-Pacific market.

The Company's efforts to apply for patents and secure patent protection for R&D results (meeting held in person on 25 February 2014)

The Board of Directors approved OAO Gazprom's efforts to obtain patents and secure subsequent patent protection for its R&D results. The Board of Directors was informed, inter alia, about the progress in developing OAO Gazprom's patent filing strategy to be subsequently used as a guide in prioritising patent applications and optimising patent application procedures, as well as about the *Company's* efforts in training and improving capabilities of intellectual property specialists.

Competition in the Russian gas market (meeting held in person on 26 March 2014)

It was pointed out during the meeting that a fully functional competitive natural gas market in Russia was in line with the state energy policy and benefited Russian consumers. Positive competition between producers is essential primarily for creating economic conditions that enable reliable gas supplies to consumers. It is OAO Gazprom's consistent stand that level playing field must be provided to each and every player of the Russian gas market.

The existing gas market model has a number of fundamental flaws that prevent further competition, including high share of the regulated segment in the gas market, unsustainable wholesale prices, and interregional cross-subsidies affecting regional gas pricing. However, a real competition for consumers that benefits consumers can only be possible if equal opportunities are offered to all market players, with a simultaneous launch of an organised gas trading platform in Russia and introduction of a commercial gas balancing system.

OAO Gazprom constantly liaises with federal authorities to improve the existing approaches to state regulation of gas prices. The *Company* believes that gas supplies to different regions should be made equally profitable. In addition, proposals were submitted for shifting the gas industry to price and tariff regulation based on reasonable costs and include an economically sound standard rate of margin in wholesale prices.

OAO Gazprom's Management Committee was instructed by the meeting to continue its efforts to improve the *Company's* competitive ability.

Financial and Business Activity, Investment Activity, and Audit

Throughout the reporting year, OAO Gazprom's Board of Directors paid considerable attention to the matters related to maintaining controls over financial and business, and investment activities.

Key parameters of OAO Gazprom's operations in 2014 were approved by the Board of Directors in late 2013 and outlined in the Investment Programme, Budget (Financial Plan) and Cost Optimisation (Reduction) Programme.

Amending OAO Gazprom's Investment Programme, Budget (Financial Plan) and Cost Optimisation (Reduction) Programme 2014 (meeting held in person on 21 October 2014)

Based on the *Company's* 9M 2014 results, OAO Gazprom's Board of Directors approved new versions of the Investment Programme, Budget (Financial Plan), and Cost Optimisation (Reduction) Programme for 2014. Adjustments to the 2014 Investment Programme were primarily due to the need to increase long-term financial investments, as well as investments in OAO Gazprom's top priority strategic gas transportation and production projects.

OAO Gazprom's preliminary results for 2014; performance of the Investment Programme, Budget (Financial Plan), and Cost Optimisation (Reduction) Programme for 2015; and forecasts until 2017 (meeting held in person on 23 December 2014)

During its meeting held in December 2014, the Board of Directors, having reviewed the *Company's* preliminary results for 2014, approved OAO Gazprom's Investment Programme, Budget (Financial Plan) and Cost Optimisation (Reduction) Programme for 2015.

The 2015 Investment Programme was shaped around the need to implement OAO Gazprom's major investment projects within the established timelines. Priority for expenditure on capital construction related to gas production and transportation projects was given to:

- implementing an integrated development programme covering the Yamal Peninsula fields;
- building gas production, transportation and processing capacities that would use gas from the Yakutsk gas production centre, including the Power of Siberia project;
- constructing the Southern Corridor gas pipeline system;
- expanding the underground gas storage system.

Given the signing of the agreement on supplies to China via the "western" route, the budget covers the expenditures on relevant pre-investment studies.

OAO Gazprom's financial strategy in the context of adverse developments in the global financial market affecting Russian businesses (meeting held in person on 21 October 2014)

The Board of Directors reviewed the information about the *Company's* financial strategy in the context of adverse developments in the global financial market. The geopolitical situation around Ukraine and the economic sanctions imposed against Russia by the United States and the European Union affected most of the Russian companies.

In this context, OAO Gazprom believes it should stick to the course outlined in its current financial strategy, which supports the *Company's* financial stability and enables timely response to potential deterioration of the situation.

OAO Gazprom's financial strategy envisages several key areas of activities. One of these is conservative budgeting given the risk that OAO Gazprom's counterparties may reduce their gas withdrawals or fail to pay for deliveries that have already been made. When drafting its Investment Programme, OAO Gazprom prioritises investment projects, ranking them by their significance and economic efficiency. At the same time, the *Company* seeks to finance its capex projects using mostly its own funds.

OAO Gazprom continues to improve the *Group's* centralised liquidity management system and is focused on financial risk management. The *Company* also follows a conservative debt management policy: its debt repayment profile has been significantly extended, with the fixed rate borrowings making up over 95% of *Gazprom Group's* debt portfolio. In addition, the *Company* is considering options for diversifying its sources of finance by tapping Asian capital markets. Efforts continue to maintain capitalisation and improve the liquidity of OAO Gazprom's shares. In June 2014, OAO Gazprom's global depository receipts were listed on the Singapore Exchange and included into its Quotation List. An Asian listing has provided the *Company* with access to new investor segments including pension funds, insurance companies, corporations, family offices and bank management companies.

Pricing prospects in the domestic market, including cross-subsidies between different regions and consumer groups (meeting held in person on 22 April 2014)

The meeting emphasised that *Gazprom*, being the biggest gas supplier to the Russian market, sold the bulk of its gas supplies at regulated prices, which were set at below the sustainable level to bolster the national economy. However, the artificially low regulated prices prevent *Gazprom* from generating enough revenue to build its own funding sources to finance investments into new gas production, transportation and storage projects or maintaining the existing ones for the benefit of Russian consumers.

In recent years, the *Company* has made incremental increases to bring the regulated wholesale prices for industrial consumers to the levels offering the same margins as export supplies. However, the progress towards fair gas pricing and similar margins in the international and domestic markets has been stalled due to decisions taken by executive authorities.

Furthermore, the current performance of gas supplies to the Russian market is under significant pressure from varied margins offered by supplies to different Russian regions. In particular, in accordance with its existing pricing policy, *Gazprom* has to offset the losses from gas supplies

to remote Russian regions with higher revenues from gas sales to consumers located closer to its production sites. In fact, the markets in these high-margin regions are dominated by independent gas producers. They enjoy a number of advantages over *Gazprom*, in particular the ability to sell gas at unregulated prices while enjoying a lower tax burden and zero infrastructure maintenance costs, and offer more flexible sales terms to major and established consumers.

To eliminate cross-subsidies wider divergence from the average gas price growth rate should be allowed in individual constituent regions of Russia. At the same time, tariffs for gas transportation services should rise faster for shorter supply routes. This would help gradually eliminate cross-subsidies and achieve comparable sale margins across regions.

Overall, the development of fair competition in the domestic market requires a significant change such as a shift from the current practice of regulating prices for industrial consumers (with price levels prescribed for each region) to contractual pricing within a regulated band.

OAO Gazprom's Management Committee was instructed by the meeting to continue efforts to improve pricing in the domestic market and eliminate cross-subsidies between different Russian regions.

Improving investor and shareholder relations (meeting held in person on 26 March 2014)

The meeting noted that OAO Gazprom was consistently building productive relationships with investors. The *Company* is committed to becoming more open to investors and shareholders and as transparent as practicably possible, and ensuring protection of the rights and interests of its security holders.

OAO Gazprom is focused on attracting new investors. In a welcome development in the Russian stock market, Moscow Exchange has transferred OAO Gazprom's shares from its Non-Listed Securities Register to Quotation List A, Level 2 (QLA2), which enables a significantly greater number of Russian investors, including funds managing pension savings and insurance reserves, to deal in the *Company's* securities.

Options for transactions involving OAO Gazprom's securities are expanded. In February 2014, Moscow Exchange launched trade in OAO Gazprom's ADRs, which provided professional players of the Russian securities market with access to inter-dealer (exchange-traded) repo transactions in ADRs.

OAO Gazprom will continue to actively develop its interfaces with investors and shareholders. The *Company* intends to accelerate publication of its financial statements and enhance information disclosure, including information about investment projects, in line with best corporate governance practice. The *Company* will continue contributing to reform of Russian legislation to improve the investment climate and protect the rights of investors and ADR holders.

Taxation of the gas industry (meeting held in person on 11 July 2014)

The industry has seen a significant growth in tax burden over the recent years, with regulated prices in the domestic market prioritised by *Gazprom* currently growing at lower rates than its tax burden.

The meeting noted that *Gazprom* successfully fulfilled its government-set task of supporting Russia's energy security. Every year, the *Group* invests considerable amounts to develop new and existing fields and consistently expands the Unified Gas Supply System (UGSS). A stable tax regime is essential for the sustained development of the Russian gas industry. It largely determines predictability of investments to large-scale capital-intensive gas projects. Therefore, the *Company* pro-actively liaises with federal and regional authorities to secure state support for the gas industry.

Progress in implementing urgent measures to improve payment discipline for natural gas supplies (meeting held in person on 23 December 2014)

OAO Gazprom's Board of Directors took note of the information about the progress in implementing urgent measures to strengthen payment discipline for supplies of natural gas to the domestic market.

It was emphasised that *Gazprom* fully met its obligations to Russian consumers, ensuring reliable gas supplies and further expanding gas infrastructures in regions on an annual basis. At the same time, the low payment discipline of Russian consumers remains an issue.

The growth in non-payments has become the main reason for OAO Gazprom scaling back the funding for its 2015 Programme of Gas Infrastructure Expansion in Russian Regions. Heat suppliers and residential customers remain the largest debtors. *Gazprom Group's* companies are taking measures to improve consumers' payment discipline, including the prevention of deliberate bankruptcies among heat supplying companies. Reports of illegal activities by the management of such companies are filed with courts.

Members of the Board of Directors were informed about the large-scale efforts taken across the country and involving law enforcement agencies to disconnect households with unauthorised connections to gas grids.

Intensive efforts are taken to draft proposals on updating existing laws covering gas payments. The Management Committee was instructed by the Board of Directors to continue efforts to improve consumers' payment discipline and repayment of debt for the supplied gas, as well as liaise with authorities to improve applicable Russian laws.

A number of ways to enhance audit efficiency were also considered and a new version of the Regulation on the Board of Directors' Audit Committee of OAO Gazprom was approved in 2014.

To further improve the existing procurement procedures, the Board of Directors adopted the necessary resolutions to amend the Regulation on the Purchase of Goods, Works and Services by *Gazprom Group*.

Improved Corporate Governance and HR Policy

Throughout 2014, the Board of Directors paid great attention to the matters related to improving the *Company's* management procedures and the implementation of corporate HR policy.

Members of the Board of Directors adopted a number of resolutions related to approving transactions with, and management of *Gazprom Group's* property and other assets (77 resolutions in total), and to preparing and holding OAO Gazprom's General Shareholders Meeting.

The results of the audit of the corporate governance practices in entities under the *Company* control were reviewed and a set of corporate governance improvement initiatives was outlined.

Resolutions were adopted covering procedural matters of the Board of Directors, election and termination of office of the Management Committee's members and holding of executive positions at other organisations by the Management Committee's members.

Preventing corporate corruption (meeting held in person on 16 September 2014)

OAO Gazprom's Board of Directors held an ad-hoc meeting to take stock of the initiatives to prevent corporate corruption.

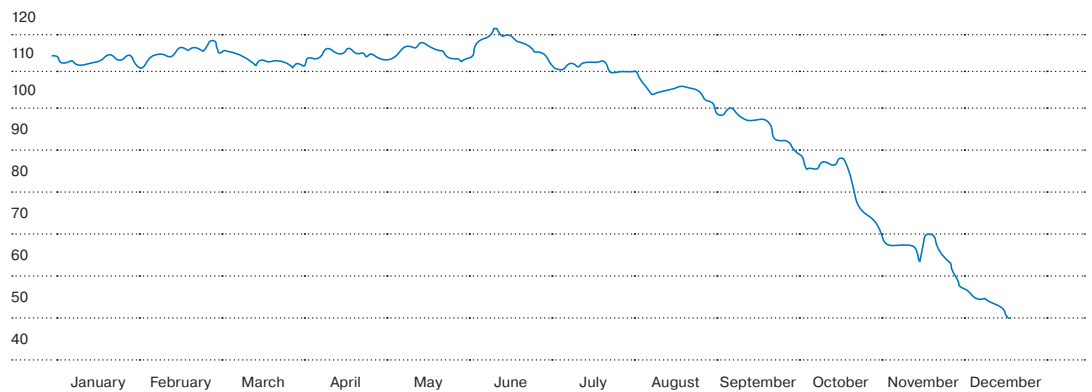
It was noted during the meeting that the *Company's* efforts in this area strictly complied with Russian laws and corporate regulations. OAO Gazprom has developed and continues to improve the required regulatory, administrative, technical and information frameworks to prevent and suppress corruption. Procedures are maintained to screen existing or potential corporate or individual counterparties for possible affiliation with employees of the *Company*, its subsidiaries or affiliates to prevent and eliminate any conflict of interest. OAO Gazprom launched a hotline to receive complaints about any incidents of perceived fraud or corruption, conflict of interest, embezzlement, or unlawful use of property or assets, and breaches of prescribed procurement procedures.

In the challenging environment, *Gazprom* kept its financial stability and ability to run large-scale projects.

Falling oil prices

Oil prices crashed in the second half of 2014, with Brent and Urals losing about 50% of its selling price in the reporting year.

Urals performance in 2014, USD per barrel



Note. Arithmetic mean of the daily average quotations for Urals Mediterranean and Urals Rotterdam.

This sharp decline was driven by many reasons the most significant being:

- deceleration of the oil consumption growth caused by the economic downturn in China, which was the main driving force behind the oil consumption growth in recent years;
- increased oil production and reduced imports of oil and petroleum products by the USA;
- growth of oil production in Iraq and Libya with other OPEC countries' output remaining flat;
- Saudi Arabia's reluctance to cut production to keep oil prices high;
- slowdown of the global economic growth since mid-2014.

Decreasing gas consumption and development of a hybrid pricing model on the European market

Europe, one of *Gazprom's* three core gas markets, saw a substantial drop in demand in 2014. According to tentative data, far abroad European countries consumed 486.0 bcm of gas, i.e. 54.3 bcm less than in 2013 (decrease of 10.1%). The decrease was caused by:

- changed consumption pattern of the European market and the increasing relevance of the weather;
- displacement of natural gas with coal in power generation;
- the EU energy policy aimed at promoting energy saving technologies and standards to reduce all kinds of energy consumption, and at supporting projects involving renewables.

This dramatic reduction in demand was mainly driven by the unusually warm winter of 2013/2014 and mild weather in 2014. Currently, Europe uses gas mainly in the housing and utilities sector. Between 2009 and 2014, its share in natural gas consumption grew from 39.0% to 41.9%. During the reporting year, weather affected performance the most as compared with the previous five years.

Structural changes in demand have a material effect on gas consumption volumes. Gas keeps being gradually pushed out from the power industry where its consumption dropped from 33.4% in 2009 to 25.3% in 2014.

The growth of coal consumption and increasing substitution of gas with coal in the European energy sector after 2011 was for the most part driven by coal prices dropping to their extreme lows due to the excessive coal supply that had accumulated on the global market over the previous years.

In an attempt to diversify their fuel mix, many European countries are consistently pursuing a policy to promote renewable power technologies, including through government subsidies.

Economic and industrial growth hovered just above zero, sometimes going negative, almost in all major European countries in 2014, with only Turkey and UK showing positive growth. Industry as a whole had no impact on gas consumption in the period under review.

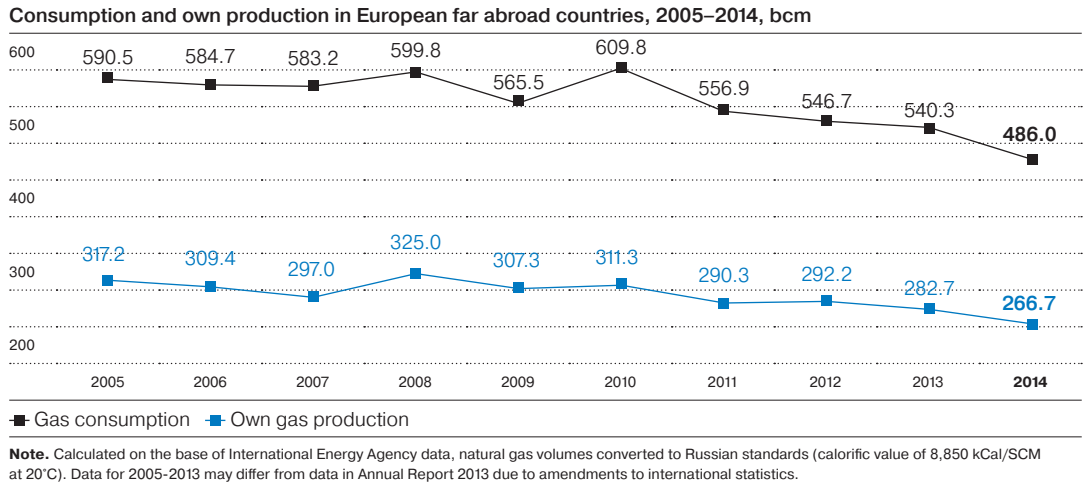
The share of Russian gas in European consumption, including Turkey, was 30.2% and in imports — 64.1%, in line with the previous year.

Exports of non-Russian gas to the European market kept falling. European LNG imports went down by 0.7 bcm (by 1.3%). LNG spot prices in the Asia-Pacific fell to three-year lows by the end of 2014 offsetting the Asian premium, but regained some of the lost ground owing to the negative price trends on European trading hubs.

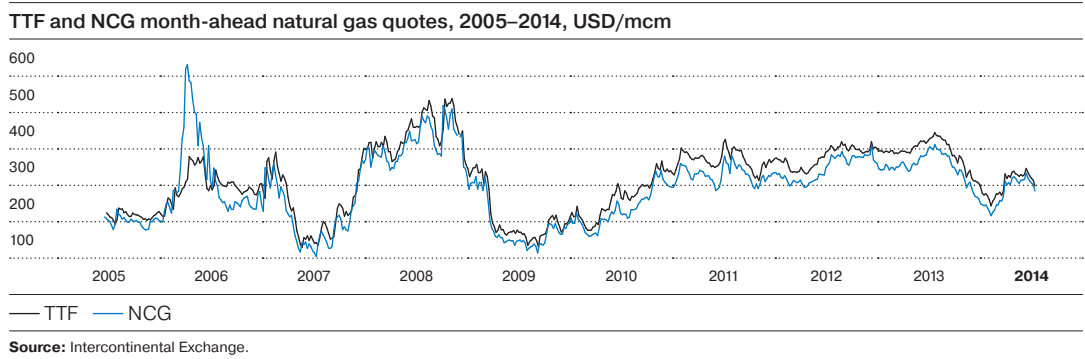
Natural gas supplies to Europe, 2010–2014, bcm					
	2010	2011	2012	2013	2014
Supplies by major gas exporters					
OAQ Gazprom (long-term contracts)	138.6	150.0	138.8	161.5	146.6
Algeria (incl. LNG)	57.3	52.4	46.5	36.6	31.7
Libya (including LNG)	10.3	2.5	6.7	5.7	6.5
Qatar	32.9	43.9	31.3	24.4	23.7
Nigeria	13.5	18.1	12.1	7.0	6.0
Supplies by major European producers					
Norway	115.4	109.4	121.4	114.7	116.8
Netherlands	76.5	72.9	72.6	77.7	63.1
UK	64.5	51.1	43.8	41.2	41.2
Other	100.8	56.6	73.5	71.5	50.4
Total	609.8	556.9	546.7	540.3	486.0

Note. Data for 2010–2013 may differ from data in Annual Report 2013 due to amendments to international statistics.

European far abroad countries' own gas production output dipped by 16.0 bcm to 266.7 bcm, i.e. a 5.6% decline y-o-y. The Netherlands accounted for the larger share, with its output dropping by 14.6 bcm as a result of the government's policy of resource conservation.



The declining petroleum product prices were accompanied by dropping natural gas quotes on European trading hubs. In 2014, average annual month-ahead indices at the Dutch TTF dropped by 17.9% in US dollar terms y-o-y, with the German NCG seeing a 17.6% fall to USD 298.75 per mcm and USD 301.86 per mcm, respectively.



Europe is now using a hybrid pricing model to gradually turn gas prices at gas trading hubs into an industry-wide pricing standard. Hubs are trading through term contracts.

With the development of trading hubs, wholesale prices began to follow the gas supply and demand curve, although they never came to reflect the balance on the European gas market since they still depend on the prices of the prevailing long-term contracts which follow another pricing model. While this dependence persists, long-term contract prices will keep setting caps for hub prices due to the excessive volume of contractual commitments on the European gas market: the aggregate firm commitments of suppliers under long-term contracts are much higher than the actual gas consumption since the majority of these contracts were signed before the 2008 crisis, led by expectations of a constantly growing consumption.

Falling gas consumption, competition from independent producers and the launch of a gas exchange on the Russian market

Russia's total natural gas consumption in 2014 was 458.4 bcm, down 1% y-o-y, with climate and weather being the key factors behind the decline. Almost throughout the reporting year, average monthly ambient temperature far surpassed the average figures of many years before.

Russia's gas consumption, 2010–2014, bcm

2010	460.3
2011	473.0
2012	466.1
2013	461.3
2014	458.4

Economic and political factors became stronger in the second half of 2014: a fresh wave of the financial crisis triggered and accelerated by the political turmoil in Ukraine and by economic sanctions imposed on Russia, led to an overall reduction in gas consumption in the most gas-intensive sectors, i.e. in the power industry, cement industry, metals industry, and agricultural chemistry.

Russia's regulated public segment prevails over the unregulated segment in the gas market. OAO Gazprom is the largest natural gas supplier to the regulated market. A number of regional gas companies are also active in the regulated segment outside the UGSS.

Against the backdrop of falling consumption, independent gas producers increased supplies to consumers bringing the volume of gas supplied to Russian consumers up to 115.8 bcm (up 12.9%) in 2014. In the same year, OAO NOVATEK and OAO NK Rosneft Oil Company delivered around 84% of the total gas supplied by all independent producers to the gas transportation system.

Independent gas producers, enjoying significant advantages over OAO Gazprom in the conditions of domestic gas sales, offer their gas to reliable major consumers in high-income regions (e.g. the Sverdlovsk and Chelyabinsk Regions) at lower than regulated prices. This is leading to increasingly more consumers signing supply contracts with independent producers who are growing their specific weight on the domestic market as a result.

Russia's gas production, 2009–2014, bcm

	Gazprom Group	Companies outside Gazprom Group	Total
2009	461.52	121.42	582.94
2010	508.59	142.19	650.78
2011	513.17	157.57	670.74
2012	487.02	167.41	654.43
2013	487.39	180.82	668.21
2014	443.88	198.19	642.07

Source: CDU TEK and OAO Gazprom.

The more favourable business conditions for independent producers include the following:

- no restrictions on gas prices; opportunity to offer discounts to the regulated price;
- lower costs of gas transportation due to shorter distances;
- lower tax burden, with the mineral extraction tax rates by 1.5x lower for independent producers than for OAO Gazprom;
- priority access to OAO Gazprom's gas transportation system for suppliers of dry stripped gas produced by refining associated petroleum gas (APG).

At the same time, independent producers supply almost no gas to households, while *Gazprom* is bound by social obligations to act as the household supplier of last resort.

Exchange gas trading provides a very useful tool for shaping the market principles and improving pricing transparency on the gas market, as well as an opportunity to register market indicators to form a pricing system. In 2013, in order to form market-driven pricing principles, *Gazprom* was authorised by law to sell up to 17.5 bcm of gas at unregulated prices through organised trading (commodity exchanges and trading systems).

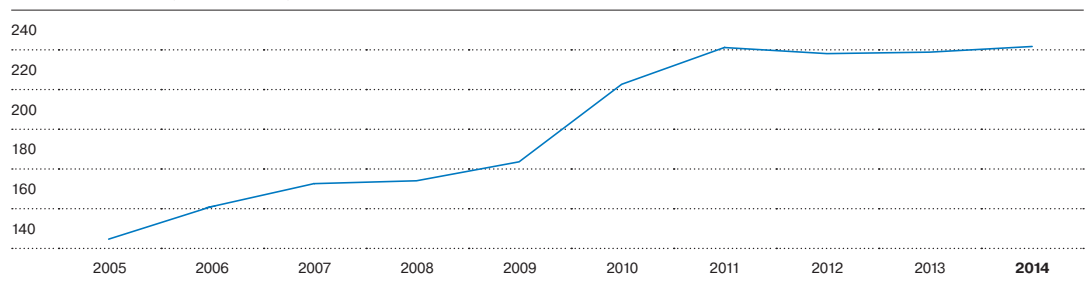
Since October 2014, OAO Gazprom, jointly with ZAO Saint-Petersburg International Mercantile Exchange and ZAO Settlement depository company, arranged an organised natural gas auction with one-month supply deadlines at ZAO Saint-Petersburg International Mercantile Exchange. Between October and December of 2014, the exchange hosted the first gas trades in the Natural Gas section, at which OAO Gazprom successfully sold 429.4 mmcm of gas.

In order to further expand gas exchange trading on the Russian market, OAO Gazprom is contributing to the improvement of the legal and regulatory framework regulating the Russian gas market. *Gazprom Group* is carrying out a comprehensive study to evaluate OAO Gazprom's opportunities to expand gas supplies to the domestic market and exports through exchange trading under the competitive pressure from other fuel and energy resources and other natural gas suppliers in the state-regulated gas sector.

Competing unconventional hydrocarbon producers, LNG market conditions

Today's attention to unconventional gas (primarily shale gas) has been driven by an unprecedented growth in its production in the USA in the recent years. Only the USA and Canada still produce commercially significant volumes of shale gas. None of that is supplied outside North America. In other regions (Europe, China, Australia, Argentina and Saudi Arabia), the shale gas branch is still at its infancy stage. This means zero competition from shale gas in international markets to which OAO Gazprom supplies, or plans to supply, gas from Russia.

Global LNG sales, 2005–2014, mm tonnes



Competition from the North American shale gas may be expected in the medium term, as a number of companies have announced plans to export LNG part of which is to be produced from the USA shale gas.

Over the year, the traded volumes in the global LNG market changed insignificantly and are estimated between 243 mm tonnes and 246 mm tonnes by various experts. In 2014, it was still a buyers' market and will likely remain in this phase in the medium term, given the growing supply:

last year, supplies of LNG started to come from Papua New Guinea and Algeria and in 2016–2020, new LNG projects will come online in Australia and the United States. At the same time, a sharp decline in oil prices in the second half of 2014 pushed down LNG prices in the global market, making less obvious the viability of LNG supplies from new projects at the United States at contract prices pegged to gas price indices.

Against this background, *Gazprom Group* estimates the competitive ability of its own LNG projects (Baltic LNG and a number of projects in the Russian Far East) as fairly strong and intends to proceed with their implementation.

Exploration and Production

The world's largest reserves and powerful production capabilities enable *Gazprom* to successfully operate conventional fields and build new gas production centres that will become the backbone of the Russian gas sector in the future.

Through its active involvement in international exploration and production projects, *Gazprom Group* is gaining invaluable experience for the future development of fields in Russia and abroad.

Gazprom Group's mineral resources are the foundation of its operations and serve as a vital indicator of the *Company's* production and financial growth potential and its ultimate value.

Gazprom Group controls around 17% of the world's gas reserves. OAO *Gazprom* and its subsidiaries own 72% of Russia's explored gas reserves, with 23% attributed to oil companies and independent gas producers and 5% remaining in the unallocated fund. This makes *Gazprom* the global leader among oil and gas companies in terms of explored gas reserves.

The bulk of the *Group's* hydrocarbon reserves is concentrated in its license blocks across Russia.

According to DeGolyer and MacNaughton, *Gazprom Group's* proved and probable PRMS reserves as of 31 December 2014 were 23,487.7 bcm of gas, 848.6 mm tonnes of gas condensate, and 1,210.2 mm tonnes of oil. The current NPV of reserves is USD 309.6bn. Audited projects included *Gazprom Group's* reserves totalling 94% of gas reserves, 92% of condensate reserves, and 90% of oil reserves attributed to grades A+B+C₁.

OAO *Gazprom* and its subsidiaries own 72% of Russia's explored gas reserves.

The increase in PRMS reserves against last year has been due to the audit of reserves at the Khandinsky block of the Kovyktinskoye field and exploration performed at the Chayandinskoye and Semakovskoye fields and *Gazprom neft Group's* fields in Eastern Siberia (Ignyalinsky, Tympuchikansky, Vakunaisky license blocks).

Besides, proved and probable reserves owned by entities where *Gazprom* has investments classified as joint operations were estimated at 23.1 bcm of gas and 164.2 mm tonnes of oil (within *Gazprom Group's* share) and evaluated at USD 6.7bn.

Operations in Russia

Increments to reserves

As of 31 December 2014, *Gazprom Group's* A+B+C₁ hydrocarbon reserves in Russia were 36,074.8 bcm of natural gas, 1,443.9 mm tonnes of gas condensate, and 1,850.9 mm tonnes of oil. The *Group's* interest in its affiliates' A+B+C₁ hydrocarbon reserves as of the above date was: 998.4 bcm of gas; 100.1 mm tonnes of gas condensate; and 777.7 mm tonnes of oil, including the share in the reserves of entities where *Gazprom* has investments classified as joint operations — 26.7 bcm of gas, 3.1 mm tonnes of gas condensate and 202.3 mm tonnes of oil.

The gas reserves of *Gazprom Group* and Russia as a whole allow the required volumes of gas to be produced at discovered fields in the vicinity of well-established infrastructure until 2018 or 2020. In the future, to compensate for falling production at giant major fields resulting from natural depletion and to reverse the negative trend, the *Group* can expand its development operations to include reserves in the Yamal Peninsula (entirely), the Gydan Peninsula, Eastern Siberia, the Far East, Ob and Taz Bays, the near offshore of the Kara Sea, as well as find and explore onshore and offshore large and giant hydrocarbon fields.

A large-scale replacement of the oil resource base requires new centres to be established. Exploration will be concentrated mostly in Eastern Siberia, in the Gydan Peninsula, and in the Orenburg Region in the medium term, and in the north of YNAA, in the south of KMAA – Yugra, in the Tyumen Region, and on the Arctic offshore in the long term. The *Group* has adopted and is implementing the Technological Exploration Strategy to work out methods for preparing economically viable hard-to-recover reserves (Achimovsk layer, Tyumen formation, basement) and unconventional reserves (Bazhen project).

Gazprom's exploration efforts were prominent in all of Russia's oil- and gas-bearing provinces in 2014.

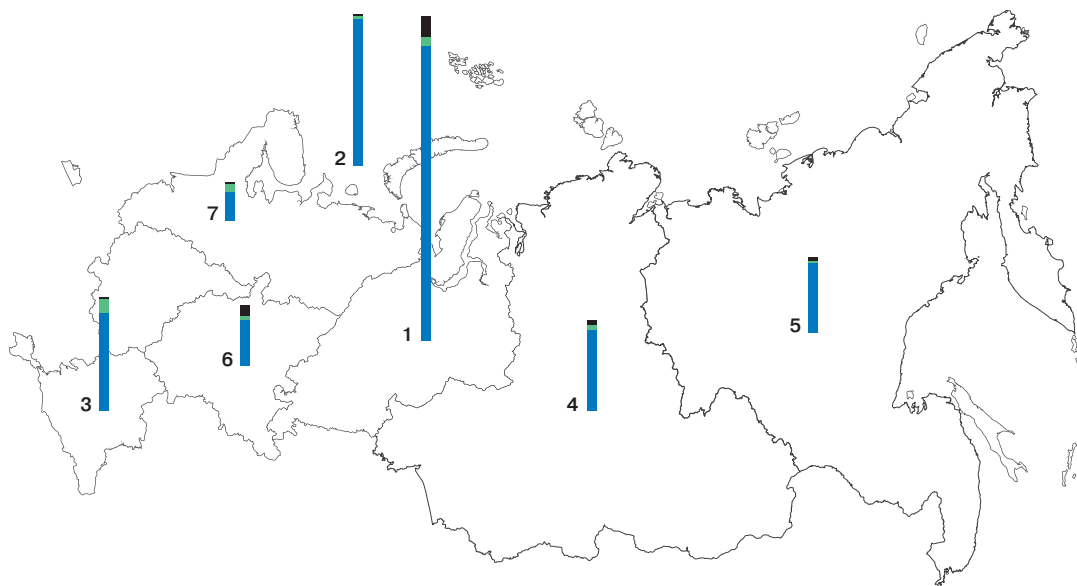
Across Russia, hydrocarbon exploration drilling had a meterage of 165.4 thousand m (including 37.5 thousand m in the Russian Far East and Eastern Siberia); 41 wells were completed, and 31 wells gave an influx. The *Group* performed 2D seismic surveys totalling 6.6 thousand linear km of seismic lines and 3D seismic surveys of 12.6 thousand square km (including 4.9 thousand square km in the Russian Far East and Eastern Siberia). The *Company* allocated RUB 83.7bn for the above exploration (inclusive of VAT).

Gazprom Group's increase in gas reserves due to exploration was 90% of the overall growth in Russia.

The increase in explored gas reserves through exploration reached 822.5 bcm in 2014, with 600.6 bcm at the Astrakhanskoye field, 115.2 bcm at the Yuzhno-Kirinskoye field in the offshore of the Okhotsk Sea, and 47.9 bcm at the Semakovskoye field in the Taz Bay waters. The increase in liquid hydrocarbons resulting from the exploration was 22.3 mm tonnes of oil (mainly at *Gazprom Neft's* fields) and 114.2 mm tonnes of gas condensate, mainly at the Astrakhanskoye and Yuzhno-Kirinskoye fields.

Distribution of Gazprom Group's A+B+C₁ hydrocarbon reserves in Russia as of 31 December 2014

District	Natural gas, bcm	Gas condensate, mm tonnes	Oil, mm tonnes
1 Urals Federal District	22,030.7	675.7	1,454.2
including under development	17,284.0	521.8	1,169.3
2 Shelf	7,168.0	127.0	64.0
including under development	170.4	19.1	60.0
3 Southern Federal District and Northern Caucasian Federal District	2,997.4	447.4	7.9
including under development	2,975.7	444.2	1.0
4 Siberian Federal District	1,911.6	89.5	102.5
including under development	1,673.0	79.8	71.9
5 Far East Federal District	1,197.2	27.3	57.6
including under development	12.2	0.4	–
6 Privolzhsky Federal District	684.1	56.5	159.9
including under development	664.2	54.2	139.2
7 North-Western Federal District	85.8	20.5	4.8
including under development	82.7	19.9	2.4
Total	36,074.8	1,443.9	1,850.9
including under development	22,862.2	1,139.4	1,443.8



The reporting year saw the discovery of the Vostochno-Imbinskoye gas field in the Krasnoyarsk Territory and 30 deposits. The richest deposit was identified in the Jurassic sediments of the Pestsovoye field.

The reserve replacement rate was 1.86 for gas, 11.03 for condensate, and 0.63 for oil. The exploration drilling efficiency in 2014 was 6,919.0 t c.e. per one meter of drilled well.

Licensed activity is an essential driver of the increased mineral resource base. In 2014, licensed operations resulted in a 182.3 bcm of A+B+C₁ gas reserve increase.

Thirteen subsoil licenses were obtained in the reporting year, three of them granted by orders of the Government of the Russian Federation: for the Khandinsky block of federal significance, including part of the Kovyktinskoye field (Khandinsky area) in the Irkutsk Region, for hydrocarbon exploration and production; for the Kheysovsky and Severo-Zapadny offshore blocks of federal significance located in the Barents Sea, for the geological survey, exploration and production of hydrocarbons.

The purchase cost of the blocks totalled RUB 18.4bn.

Hydrocarbon production

As of 31 December 2014, *Gazprom Group* was developing 139 hydrocarbon fields in Russia.

***Gazprom Group's* Russian production assets as of 31 December 2014**

139	fields in development
7,293	gas production wells
1,119.8 bcm	total design capacity of integrated and preliminary gas preparation units
7,604	oil production wells

The Nadym-Pur-Tazovsky oil- and gas-bearing area in the Yamal-Nenets Autonomous Area (YNAA) remains *Gazprom Group's* major gas-producing centre. Oil reserves are developed mainly in the YNAA and the Khanty-Mansi Autonomous Area — Yugra (KMAA — Yugra), as well as in the Tomsk, Omsk, Orenburg, and Irkutsk Regions.

Gazprom Group produces gas in accordance with the current consumer demand. In 2014, gas production declined by 8.9% y-o-y, to 443.9 bcm (including 7.55 bcm of associated petroleum gas). The reduction was mainly caused by the halted gas pumping by Ukraine in Q2 2014, accompanied by declined offtake by Russian and foreign consumers.

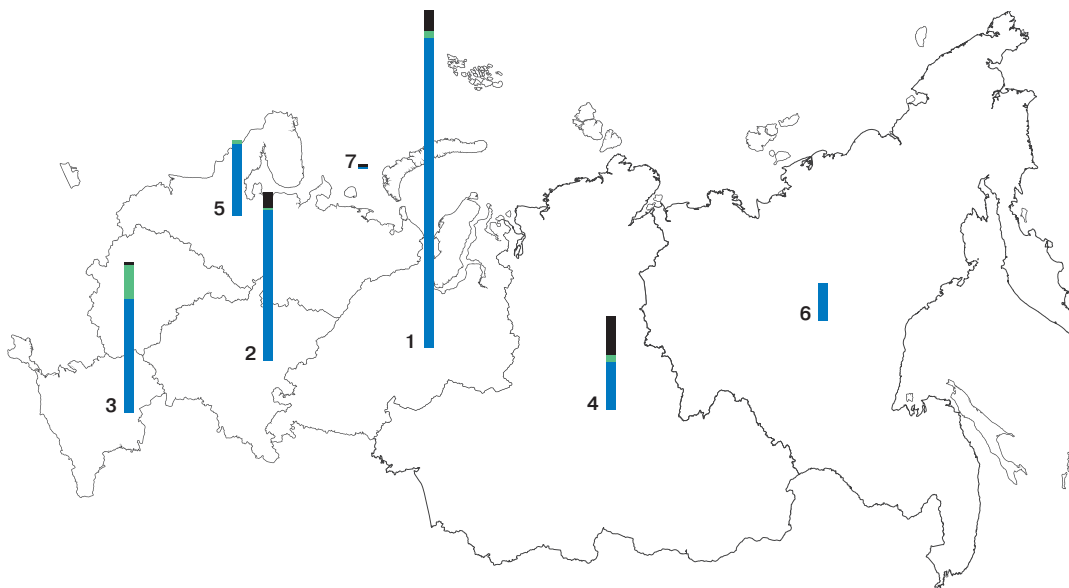
Despite the reduction in annual gas production volumes, the *Group* still had the capabilities to produce 1,690 mmcm of gas per day even during peak consumption in the autumn and winter of 2014/2015.

The *Group* produced 35.3 mm tonnes of oil in the reporting year, a 1.5 mm tonnes increase against 2013, driven by *Gazprom нефть Group's* production capacity enhancement at the Priobskoye field and the Orenburg Region fields (up by 1.4 mm tonnes).

In 2014, 14.5 mm tonnes of gas condensate was produced, a reduction of 0.2 mm tonnes against 2013. Within *Gazprom Group's* share, its affiliates produced 19.2 bcm of gas (up by 5.2 bcm), 2.3 mm tonnes of gas condensate (up by 1.0 mm tonnes), and 18.2 mm tonnes of oil (down by 0.6 mm tonnes). The *Group's* share in the production figures of companies where *Gazprom* has investments classified as joint operations made up 1.0 bcm of gas (flat y-o-y) and 8.2 mm tonnes of oil (down by 0.4 mm tonnes). Such performance was driven by the growing production of gas and gas condensate at OAO Arktikgaz's Samburgsky License Block controlled by OOO SeverEnergia, and declining oil production by other *Gazprom нефть's* affiliates.

Distribution of the Group's hydrocarbon production assets in Russia in 2014

District	Natural gas, bcm	Gas condensate, mm tonnes	Oil, mm tonnes
1 Urals Federal District	409.9	10.3	29.6
2 Privolzhsky Federal District	16.7	0.2	2.4
3 Southern Federal District and Northern Caucasian Federal District	11.2	3.6	0.1
4 Siberian Federal District	3.3	0.3	2.9
5 North-Western Federal District	2.3	0.1	0.0*
6 Far East Federal District	0.4	0.0*	–
7 Shelf	0.1	0.0*	0.3
Total	443.9	14.5	35.3



* less than 0.05

In March 2014, the Group's affiliate OOO Yamal Development (50%-owned by Gazprom), signed an agreement for purchasing from OAO Novatek 20% in Arctic Russia B.V. that owns 49% in OOO SeverEnergiya. The resulting effective equity interest of *Gazprom neft Group* in OOO SeverEnergiya whose subsidiaries are engaged in exploration and production in the YNAA has grown from 40.2% to 45.1%.

New oil and gas production regions

The current production capacity of the Bovanenkovskoye field is comparable to *Gazprom's* total gas supplies to its largest customers —Germany, Turkey and Italy.

Yamal Peninsula

In 2014, at the Bovanenkovskoye field, gas production reached 42.8 bcm, an increase of 20 bcm y-o-y accounting for 9.6% of *Gazprom Group's* total production. In December 2014, the Group commissioned a new gas production site at the Bovanenkovskoye field, which plays a key part in building a major gas production centre in the Yamal Peninsula. A 30-bcmpa comprehensive gas treatment unit (CGTU), a 125 MW booster compressor station (BCS), and 95 wells were commissioned to operation. This drove a 1.5x increase in the field's gas production capabilities, up to 90 bcmpa.

The new gas production site utilises innovative technologies and design solutions. It has an integrated production infrastructure for gas extraction from productive formations at various depths: Cenomanian (520–700 m) and Aptian-Albian (1,200–2,000 m). This saves funds for development and improves the field's operating efficiency.

The summer oil shipment programme was completed (four tankers totalling 101 thousand tonnes), an oil-loading terminal was constructed, and infrastructural construction and installation started at the Novoportovskoye field in 2014.

In 2014, Russia's first Arctic offshore oil, produced by *Gazprom*, was sold in the global markets.

The Arctic offshore

The Prirazlomnoye field is currently the only one on Russia's Arctic offshore to have started oil production. The oil grade is called Arctic Oil (ARCO). Its first four tankers totalling 300 thousand tonnes were shipped in April 2014. A second (injection) well was drilled in the same year.

Eastern Siberia and the Russian Far East

The Kirinskoye Gas Condensate Field (GCF) started commercial operation in October 2014, with the first gas delivered to the Sakhalin—Khabarovsk—Vladivostok trunk gas pipeline, to secure gas supplies to Russian consumers. Stable gas condensate was delivered to the oil and condensate pipeline controlled by Sakhalin Energy, *Gazprom*'s affiliated company. A total of 97.95 mmcm of gas was produced, against the plan of 80 mmcm, with gas condensate production of 15.3 thousand tonnes (13.5 thousand tonnes planned) in 2014.

The Chayandinskoye field in Yakutia produced its first 350 tonnes of oil in May 2014, with the commissioning of the oil rim of the Buotubinsky horizon.

The Kovyktinskoye field is currently at the pilot production stage, with 40.6 mmcm of gas and 2.5 thousand tonnes of gas condensate produced in 2014.

The Chayandinskoye and Kovyktinskoye fields are designated as the resource base for the Power of Siberia gas pipeline.

Development of conventional hydrocarbon reserves in oil and gas production areas with well-developed infrastructure

In 2014, OAO *Gazprom* continued the Comprehensive Programme for Upgrading and Technical Re-equipment of Gas Production Facilities for 2011–2015. The Programme is focused on a reliable, safe, and cost-effective running of *Gazprom Group*'s production assets to achieve planned gas production. RUB 19.5bn were allocated for this purpose in the reporting year (inclusive of VAT). The work was performed at the Yamburgskoye, Urengoyeskoye, Medvezhye, Yubileynoye, Yamsoveiskoye, Vyngapurovskoye, Zapadno-Tarkosalinskoye, Komsomolskoye, Orenburgskoye OGCF, Astrakhanskoye GCF and OOO *Gazprom dobycha Krasnodar*'s fields.

These measures allowed *Gazprom* to prevent a gas production drop by 34.0 mmcm per day during consumption peaks in 2014–2015. The main contributing factors were: replacement of BCS replaceable flow parts, upgrading BCS blowers and gas pumping units (GPU), replacement of wellhead equipment and well tubing, workover of wells by side-tracking and installation of production control systems on wells and flow lines.

APG utilisation increase

Gazprom нефть achieved an APG utilisation rate of 80.5% in 2014.

Gazprom Group is pursuing an energy saving and efficiency policy, continuously expanding its range of relevant technologies. Production operations can benefit greatly from utilising APG to produce electricity independently, including with the use of waste heat recovery (cogeneration).

In 2014, APG utilisation reached 93.5% at fields operated by OAO *Gazprom*'s gas production subsidiaries and 80.5% throughout *Gazprom нефть Group*.

Measures to increase APG utilisation rate were taken in 2014, at OAO Tomskgazprom's fields (Kazanskoye and Myldzhinskoye OGCF) and by *Gazprom нефть Group* companies.

The company used a structured approach to preparing and implementing projects to increase APG utilisation from 55% in 2010 to 80.5% in 2014. It set a target of 95% APG utilisation rate to be achieved by 2020, with an estimate of 81% in 2015 and 90% in 2016.

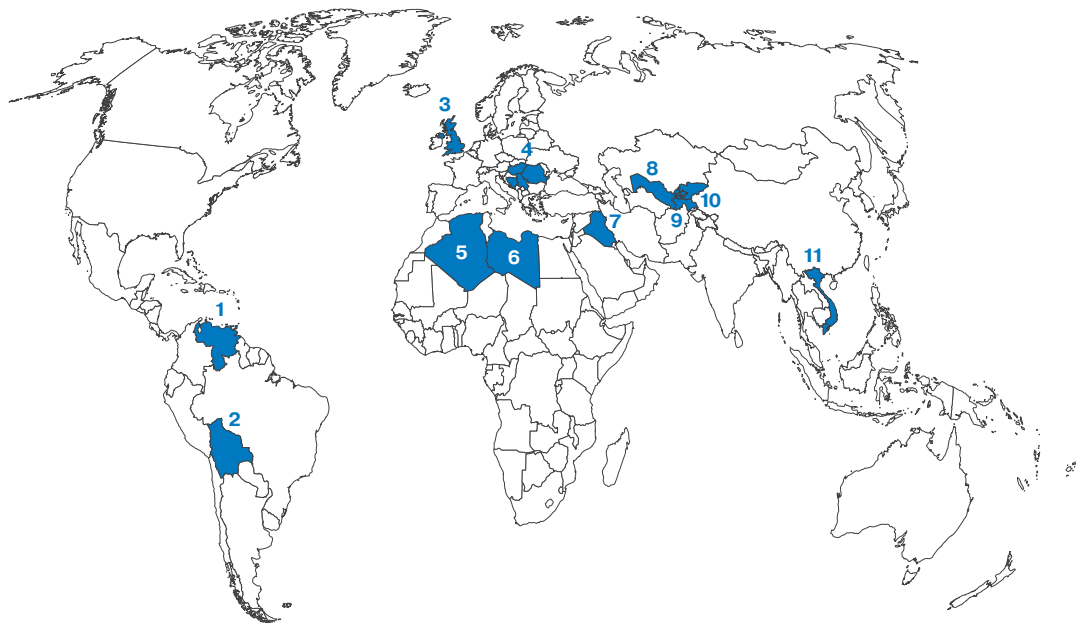
Over RUB 4bn were invested in the APG utilisation infrastructure in 2014. The effect from investments in APG utilisation facility construction and respective technical activities (including soot-free flaring) brought APG flaring payments down to RUB 0.27bn.

A gas processing plant is being constructed jointly with OAO SIBUR Holding at the Yuzhno-Priobskaya compressor station (900 mmcmpa of crude capacity). *Gazprom neft* is building its first and its most powerful compressor station at the Novoportovskoye field to utilise gas through reservoir injections throughout the field operation period.

Overseas business

In the reporting year, *Gazprom Group* continued prospecting, exploring and developing fields overseas, in strict compliance with its contractual commitments. Overseas projects are under way in the CIS, Europe, Southeast Asia, Africa, the Middle East, and Latin America.

Gazprom Group's major hydrocarbon exploration and production overseas projects



1 Venezuela Junin-6 	2 Bolivia License blocks Ipati, Aquio, Azero 	3 United Kingdom Wingate field 	4 Serbia, Romania, Hungary, Bosnia and Herzegovina NIS projects
5 Algeria License block El-Asel 	6 Libya License blocks No. 19 and No. 64 Concessions C96 and C97	7 Iraq Badrah Halabja, Garmian, Shakal	8 Uzbekistan Exploration in Ustjurt region Shakhpakhty
9 Tajikistan License blocks Sarikamysh, Western Shohambary 	10 Kyrgyzstan License area Kugart block Vostochny Mailisu – IV 	11 Vietnam Blocks No. 112 (including extension), No. 129–132, No. 05-2, No. 05-3 	
Hydrocarbons prospecting and geological exploration Oil production Gas and gas condensate production			

As of 31 December 2014, *Gazprom's* hydrocarbon exploration and production portfolio consisted of 38 overseas projects including 17 projects in which the *Group's* subsidiaries acted as operators.

In overseas exploration projects in which the *Group's* subsidiaries acted as operators, exploration drilling completed in Algeria and Serbia and 3D seismic surveys performed in Serbia.

The Shakhrinav-1p prospecting well, with a depth of 6,450 m, was completed in Tajikistan in 2014. It is the deepest well in the entire history of oil and gas drilling in Central Asia. The drilling yielded invaluable data on the complex structure of the area, which offers potential for streamlining design solutions and fine-tuning the reservoir characterisation and directions for further exploration.

In Algeria, drilling of the RSHN-1 prospecting well to a depth of 4,100 m tapped hydrocarbons in Ordovician deposits within the boundaries of Rhourde Sayah North (RSHN) structure.

Hydrocarbon exploration overseas			
	2012	2013	2014
Exploration drilling, thousand m	24.0	18.1	17.6
Completed exploration wells, units	7	4	5
including productive wells	1	1	4
2D seismic survey, thousand linear km	0.7	0.4	–
3D seismic survey, thousand square km	0.4	1.4	1.7
Exploration spending, RUB bn	8.9	6.3	5.4

Note. The consolidated physical results of *Gazprom Group's* exploration overseas include projects in which the *Group's* subsidiaries acted as operators.

In 2014, *Gazprom Group* spent RUB 5.4bn in overseas exploration projects.

With E&P deemed unfeasible, the subsoil user resolved to waive its license for the Urumaco I block (Venezuela).

The *Group* is also involved in a number of oil and gas projects at their production stage:

- the total of 1,786.2 mmcm of gas and 366.4 thousand tonnes of condensate (5.8x and 6.2x the 2013 figures, respectively) were produced at the fields of the 05-2 and 05-3 blocks in Vietnam's offshore in the South China Sea;
- the total of 622.4 mmcm of gas and 4.4 thousand tonnes of condensate (158% and 210% of the 2013 volumes, respectively) were produced by the Wingate offshore project in the North Sea;
- the total of 334 mmcm of gas (105% of the 2013 figure) were produced at the Shakhpakhty field in Uzbekistan.

Under C96 and C97 Libyan oil concessions, Wintershall AG produced 0.4 mm tonnes of oil (against 2.4 mm tonnes of oil and 254 mmcm of gas in 2013). Production declined due to a force-majeure regime instituted by the company in August 2013.

In the reporting year, *Gazprom нефть's* subsidiary NIS (Serbia) produced 1.2 mm tonnes of oil and gas condensate and 0.6 bcm of gas.

Oil production began at the Badra field in Iraq. In 2014, the production volumes totalled 309.5 thousand tonnes. Commercial shipments of oil started. Crude oil is delivered into Iraq's pipelines and directed to the export terminal in Basra (Persian Gulf).

At the Junin-6 project (Venezuela), 262 thousand tonnes of oil were produced in 2014. Basic engineering continued for an oil upgrader (oil quality system) to improve oil quality. In the Russian segment of the project, managed by OOO National Oil Consortium, OAO NK Rosneft Oil Company increased its shareholding up to 80%, while the share of OAO *Gazprom нефть* remained the same at 20%.

Major investment projects

In 2014, gas production capex was RUB 182.3bn; oil and gas condensate production capex was RUB 173.4bn.

Major production capex was made to develop Cenomanian-Aptian layers of the Bovanenkovskoye OGCF, and to implement the Comprehensive Programme for Upgrading and Technical Re-equipment of Gas Production Facilities.

Gazprom Group's capex in exploration and production of oil and gas condensate targeted construction of facilities at the Novoportovskoye and Prirazlomnoye fields, development of the Priobskoye field, *Gazprom neft's* fields in the Orenburg Region and in Iraq.

Commissioned hydrocarbon production facilities in 2014

- Gas Processing Unit 1 with the capacity of 30 bcm of gas per year at the Bovanenkovskoye OGCF;
 - 3 BCS with a total capacity of 219 MW at the Bovanenkovskoye OGCF (125 MW), Vyngayakhinskoye gas production site (64 MW), and the Urengoyskoye OGCF (30 MW);
 - 127 new gas production wells (including 95 wells at the Bovanenkovskoye field) and 828 new oil production wells. Production drilling was 125.6 thousand m of gas wells and 2,948.5 thousand m of oil wells.
-

Long-term financial investments in exploration and production of oil and gas condensate were driven by the increased share in OOO SeverEnergiya and construction of facilities at the Mes-soyakhskoye group of fields.

Transportation and Underground Storage

Transportation and underground storage in Russia

In Russia, *Gazprom* operates a gas transportation system of a unique scale and characteristics, infallibly providing highly reliable supplies. This makes OAO *Gazprom* an attractive energy partner.

Gazprom operates the world's largest gas transportation system.

Its core structures are part of Russia's Unified Gas Supply System that comprises gas production, transportation, processing and underground storage facilities located in the European part of Russia and Western Siberia. Centralised management, highly ramified structure and redundant transportation routes provide substantial robustness, together with efficient and uninterrupted gas supplies.

The *Group* also owns trunk gas pipelines in the Russian Far East: Sakhalin — Khabarovsk — Vladivostok, Oktyabrsky — Khabarovsk, and Sobolevo — Petropavlosk-Kamchatsky.

Stable operation of the gas transportation system is viewed as a high priority by the *Company*. The reliability of the gas transportation system has an impact on OAO *Gazprom*'s financial performance and reputation overseas as well as in Russia.

At the 2014 year-end, the length of the GTS was 170.7 thousand km. The GTS comprises 250 compressor stations including 3,825 GPUs with the total capacity of 46.1 GW. Moreover, gas is supplied to the GTS through gas pipelines of gas production and processing subsidiaries and OOO *Gazprom* PHG, measuring 4.5 thousand km overall.

Gazprom's gas transportation system: reliability pillars

- Inherent design reliability.
- Multiline sections of large diameter pipelines (1,420, 1,220 and 1,020 mm) in key transportation corridors, all operated in the same process conditions.
- A well-developed network of underground gas storage facilities located in key consumption areas.
- Centralised operation and maintenance.
- Inter-system connections and backup gas pumping units (GPUs).
- Well-timed upgrade and overhaul.

Trunk pipeline breakdown by time in service in Russia, thousand km

Time in service	Length	
	as of 31 December 2013	as of 31 December 2014
Less than 10 years (inclusive)	21.1	20.6
From 11 to 20 years (inclusive)	20.0	20.7
From 21 to 30 years (inclusive)	56.5	50.6
From 31 to 40 years (inclusive)	41.7	46.6
From 41 to 50 years (inclusive)	19.7	20.6
Over 50 years	9.9	11.6
Total	168.9	170.7

As the GTS owner, *Gazprom* provides independent suppliers with non-discriminatory access to its gas pipelines, provided that there is available capacity and that the company applying for gas transportation has a gas production license and a gas take-or-pay agreement in place. In 2014, 24 companies outside the *Group* transported gas via *Gazprom's* GTS in Russia. In 2014, volumes of transported gas totalled 121.1 bcm, i.e. a 8.7% growth y-o-y. Competition kept increasing in the gas market in 2014, driven by more favourable business conditions offered to independent producers than to *Gazprom*.

Inflow and distribution of gas transported via <i>Gazprom's</i> GTS in Russia in 2014, bcm					
	Total	Including Far East GTS		Total	Including Far East GTS
System inflow	588.7	3.3	Deliveries to customers in Russia	356.5	3.2
including Central Asian gas	26.4		including Central Asian gas	0.03	
Azerbaijani gas	0.2		Deliveries outside Russia	196.2	
Gas withdrawals from Russian UGSFs	32.7		including Central Asian gas	26.4	
Decrease in GTS reserves	6.1		Azerbaijani gas	0.2	
			Gas pumping to Russian UGSFs	35.1	
			Own process needs of the GTS and UGSFs	33.2	0.04
			Increase in GTS reserves	6.5	0.07
Total	627.5	3.3	Total	627.5	3.3

The highest daily capacity of Russian UGSFs was registered at 725,2 mmcm on 31 January 2014.

The increment of daily capacity of *Gazprom's* UGSFs in 2014 is comparable to daily winter consumption in a large Russian region.

UGSFs are a very important tool used by *Gazprom Group* for dealing with peak consumption and controlling the seasonal inequality of consumption, as well as for keeping supplies flexible and reliable.

During the heating season, the UGSF network covers over 20% of domestic and export gas supplies.

In Russia, *Gazprom Group* operates 22 UGSFs at 26 storage sites: 17 in depleted gas fields, 8 in water-bearing structures and 1 in salt caverns. As of 31 December 2014, the total active capacity of the *Group's* Russian UGSFs reached 71.1 bcm.

UGSFs operate 18 compressor stations comprising 37 compressor shops, 233 gas pumping units (GPUs) with an aggregate installed capacity of 913.6 MW, and 2,685 production wells.

In 2014, 32.7 bcm of gas were withdrawn from, and 35.1 bcm of gas were added to, Russian UGSFs, including 250 mmcm of buffer gas (Nevskoye UGSF, Karashurskoye UGSF). The highest daily capacity of 725.2 mmcm was registered on 31 January 2014.

As compared to 2013, daily capacity grew by 42.6 mmcm. By the 2014/2015 withdrawal season, the operating gas reserve in Russian UGSFs had increased to 72 bcm, by 3 bcm y-o-y. It is the highest UGSF operating gas reserve in the history of the Russian gas sector.

Gazprom carries out prospecting and exploration to build underground storage facilities for natural gas and helium. RUB 554.6 mm were spent for this purpose in the reporting year (inclusive of VAT). Five exploration wells were completed in the saline deposits of the Kireyevskaya area (the Tula Region) for the purpose of UGSF construction. 3D seismic survey covering 50 sq. km was completed at the Blagoveshchenskaya area (the Far East).

33.2 bcm of natural gas were used for own process needs of the GTS and UGSFs in 2014 (40.6 bcm in 2013).

Overhauls and scheduled preventive maintenance of GTS facilities carried out by *Gazprom* on an annual basis aim to make gas supply and transportation more reliable and efficient, and safer from engineering and environmental standpoints. The upgrade and overhaul of these facilities used a priority ranking method based on process flow forecasts, enabling cost reduction and flexible planning.

Gas transportation and underground storage overseas

Gazprom is responsible for uninterrupted gas supplies to Belarus, Armenia and Kyrgyzstan. The Group is continuously expanding its underground gas storage facilities in European countries.

As of 31 December 2014, the Group's companies owned the gas transportation systems of Belarus, Armenia and Kyrgyzstan.

OAo Gazprom transgaz Belarus is the Group's major gas transportation asset abroad. It supplies natural gas to users in Belarus, as well as to Europe and the Kaliningrad Region through transit.

In 2014, the inflow to the 7.9 thousand km GTS operated by OAo Gazprom transgaz Belarus was 65 bcm of gas, including 45 bcm transported via Belarus in transit.

ZAO Gazprom Armenia, a subsidiary of the Group, owns the GTS in the Republic of Armenia, which comprises 1.7 thousand km of trunk gas pipelines. The GTS in Armenia received a total of 2 bcm of gas in 2014.

In July 2014, OAo Gazprom bought a 100% interest in OsOO KyrgyzgazProm importing natural gas to Kyrgyzstan under exclusive license and owning the republic's gas transportation and distribution systems.

The GTS in Kyrgyzstan received a total of 4.3 bcm of gas in 2014, including 4.0 bcm for transit.

Gazprom's gas is also transported via foreign countries by a number of companies in which the Group holds a non-controlling stake. In 2014, c. 35% of the total European gas transit went via offshore cross-border pipeline systems constructed with the support of the Group: Blue Stream (14.4 bcm) and Nord Stream (35.5 bcm). The increase in gas transportation via the Nord Stream was due to new contracts involving the newly commissioned NEL pipeline (an inland westward extension through Germany).

Gazprom uses UGSFs outside Russia to make its gas exports more reliable.

In Europe, the Group as a co-investor has access to the active capacity of UGSFs in Austria (Haidach), Germany (Rehden, Katharina), Serbia (Banatski Dvor), and the Netherlands (Bergermeer). Additionally, the Group rents third-party gas storage capacity from Vitol (UGSFs in Germany and UK), OMV and RAG ES (Austria), MFGK (Hungary). In 2014, Gazprom's European gas storage capacity totalled 5.4 bcm, with a throughput capacity of 74.6 mmcm per day.

In 2014, a total of 4.6 bcm of gas was supplied to European UGSFs, with a total gas offtake of 2.4 bcm. The y-o-y increase of injection volumes was caused by the need to fill own UGSFs and to build up storage capacity due to the higher exposure of Russian gas transit via Ukraine. At the same time, the low offtake was due to mild weather, repairs of the gas transportation infrastructure, and buyers' requests.

According to EU laws and regulations, European gas companies have non-discriminatory access to underground gas storage facilities, including those built involving Gazprom. The capacity of UGSFs built with Gazprom's participation is allotted through auctions open to any company meeting auction requirements and EU laws and regulations. Information concerning available capacity, as well as ongoing and future auctions and their results, is transparent and openly published.

In the FSU countries, the Group's companies own three UGSFs in Belarus (Pribugskoye, Osipovichskoye and Mozyrskoye) and one in Armenia (Abovyanskaya underground gas storage station), in addition to renting capacity in Latvia (Incukalns UGSF). As of 31 December 2014, the operating gas reserve in UGSFs in the FSU countries, owned or rented by the Group, totalled 3.1 bcm, with a throughput capacity of 56 mmcm per day. In 2014, a total of 2.9 bcm of gas was supplied to FSU UGSFs, with a total gas offtake of 2.5 bcm.

A third cavern, the 50 mmcm Katharina UGSF, was commissioned in 2014. The total active capacity of the UGSFs increased by 45% to reach 170 mmcm.

Major investment projects

Gazprom Group's gas transportation capex was RUB 434.4bn in 2014 (up by 14.2% y-o-y). The bulk of capex was used to finance the projects for the construction of the Bovanenkovo—Ukhta gas pipeline system, and for expanding the UGSS to supply gas to the South Stream gas pipeline.

Commissioned gas transportation facilities in 2014

In Russia:

- 1,276.9 km of trunk pipelines and branch connections;
 - 4 CSs on the pipelines with an aggregate capacity of 416 MW (including 2 CSs on the Bovanenkovo—Ukhta trunk pipeline system with an aggregate capacity of 256 MW).
-

Investments in underground gas storage totalled RUB 15.5bn in the reporting year, down by RUB 8.0bn (34.0%) y-o-y.

The major part of capital expenditures in underground gas storage in Russia was used to upgrade gas production facilities at the Peschano-Umetskaya gas underground storage station, gas production facilities and compressors of the Yelshanskoye underground gas storage station, upgrade of the Sovkhoznoye UGSF, technical re-equipment of the Moscow Underground Gas Storage, and to enhance active capacity and daily throughput at the Kasymovskoye UGSF.

Commissioned underground gas storage facilities in 2014

In Russia:

- new 9.6 MW of compressor station capacity at the Nevskoye UGSF;
- 0.7 bcm of active capacity at the Severo-Stavropolskoye and Nevskoye UGSFs;
- connection of 6 production wells at the Severo-Stavropolskoye UGSF.

In the FSU Countries:

- 0.1 bcm of active capacity and connection of three production wells at the Mozyrskoye UGSF.

In Europe:

- a third cavern, the 50 mmcm Katharina UGSF, was commissioned.
-

Gazprom continued the construction of the Katharina UGSF in Germany, as well as the Dam-borice UGSF in the Czech Republic.

The bulk of capital expenditures on FSU UGSFs was spent on the expansion of the Mozyrskoye and Priburgskoye UGSFs in Belarus, and the construction of underground tank No. 25G at the Abovyanskaya underground gas storage station in Armenia.

Gas Infrastructure Expansion and Gas Distribution, Development of NGV Fuel Markets

By implementing a far-reaching gas infrastructure expansion programme, *Gazprom* is creating conditions for economic growth in the majority of Russian regions. Every year, the programme helps to make life safer and more comfortable for millions of people.

In gas distribution, *Gazprom Group's* affiliates and companies under its control operate Russia's largest pool of property assets spanning 70 regions. As of 31 December 2014, the following facilities were in operation:

- 734.0 thousand km of gas distribution networks;
- 273.9 thousand gas pressure reduction stations;
- 97.7 thousand electrochemical protection facilities.

In 2014, 246.7 bcm of natural gas were transported via gas distribution networks owned or rented by the *Group's* gas distribution entities. Gas was supplied to:

- 27 million apartments and private households;
- 31.5 thousand industrial facilities;
- 6.5 thousand agricultural facilities;
- 286.9 thousand utilities.

Expanding gas infrastructure across Russia

One of *Gazprom's* highest business priorities is gas infrastructure expansion across Russian regions, including the Far East and Eastern Siberia. *Gazprom* is implementing a large-scale programme to expand gas infrastructure in 67 Russian regions. The project directly benefits the economic potential of virtually every Russian region and is raising the standard of living for millions of citizens. Moreover, expanding the gas supply system allows of using natural gas as the most sophisticated and clean alternative to other fuels.

As part of the Russian Government's Development Programme for an Integrated Gas Production, Transportation and Supply System in Eastern Siberia and the Far East, the commissioning of the trunk pipeline Sakhalin — Khabarovsk — Vladivostok enhanced gas infrastructure development in the Primorye and Khabarovsk Territories. The General Scheme for Gas Supply and Gas Infrastructure Development of the Sakhalin Region and Primorye Territory was updated. Three inter-community gas pipelines and the Yelizovo GDS were constructed in the Kamchatka Territory. Two inter-community gas pipelines from the Khor GDS were constructed in the Khabarovsk Territory.

In 2014, RUB 28.8bn was invested in the Programme for Expansion of Gas Infrastructure in Russian Regions (inclusive of VAT).

The *Group* completed 105 inter-community gas pipelines in 33 Russian regions, measuring 1.4 thousand km, to connect gas supply to 236 communities, 29.6 thousand households and apartments, and enable a switchover of 200 boiler plants to natural gas.

Also, in the reporting year *Gazprom* constructed an LNG facility in the Perm Territory. The facility is the first self-sustaining LNG supply project implemented within the Programme for Expansion of Gas Infrastructure in Russian Regions. It includes a mini LNG plant at the village of Kanyusyata (Karagay District) and three stations for intake, storage and regasification of natural gas. With a capacity of 19 mmcm per year, the facility will allow of connecting gas supply to 2.2 thousand households and switch nine boiler plants to gas.

The gas infrastructure coverage in Russia reached 65.4% by December 31, 2014: 70.3% in urban and 54.6% in rural areas.

However, most Russian regions are still slow in preparing consumers for gas consumption, while outstanding debt for the gas supplied remains high, which is forcing *Gazprom* to make downward adjustments to investments under the Programme for Expansion of Gas Infrastructure in Russian Regions.

Gazprom is actively involved in the expansion of gas distribution systems in Armenia and Kyrgyzstan. The general scheme of the Programme for Expansion of Gas Infrastructure of Kyrgyzstan Until 2030 provides for connecting gas supply to 411 communities and 845 thousand apartments.

The successful implementation of the Programme will expand gas infrastructure coverage from 22% to 60%. Investments in the upgrade and construction of gas supply facilities will amount to RUB 34bn over a period of three years.

Development of NGV fuel markets

Production and sales of compressed (CNG) and liquefied natural gas (LNG) as motor fuel is a strategic line of *Gazprom's* business. OOO Gazprom gazomotornoe toplivo is a special-purpose company set up outside Russia to develop the gas motor fuel market in the Russian Federation. Targets were determined for the development of the NGV fuel market, which *Gazprom* intends to achieve by focusing on the following key areas:

- coordinated interaction with federal authorities to create a relevant legal framework to encourage the development of the NGV fuel market;
- NGV infrastructure expansion;
- development and implementation of incentives to boost demand for natural gas as motor fuel.

Ten priority regions were selected for the systematic expansion of the LNG and CNG production and distribution infrastructure from 2015 through 2017: the cities of Moscow and St. Petersburg; the Moscow, Leningrad, Rostov and Sverdlovsk Regions; the Krasnodar and Stavropol Territories; the Republics of Tatarstan and Bashkortostan.

Agreements were signed with 35 Russian regions to promote the use of natural gas as motor fuel. In cooperation with regional authorities, the *Group* is planning the locations and technical profile of first-priority production and distribution facilities offering the highest potential.

Gazprom Group owns and operates 205 CNG filling stations in Russia. Throughout 2014, 404.8 mmcm of natural gas were sold as motor fuel, a 28 mmcm (7.4%) growth y-o-y. CNG sales are estimated to grow 10% at the 2015 year-end.

Gazprom Group is also consolidating its NGV assets within the structure of OOO Gazprom gazomotornoe toplivo.

Marketing activities in 2014 to promote the use of natural gas as motor fuel in the European and Russian markets

- Cooperation began with 54 NGV process equipment manufacturers and 7 agreements of intent were signed.
 - 2,170 natural gas-fired vehicles were delivered to the Russian market.
 - The EcoGas fuel trademark was designed and filed for registration.
 - The Blue Corridor 2014: Baltic — Adriatic motor rally was held, during which vehicles covered 6.5 thousand km across 17 countries, using only natural gas as fuel.
 - Volkswagen Scirocco R-Cup race for CNG-fuelled cars was held. All cars participating in the race sported OAO Gazprom's logos. A section of the racing cup took place in Moscow.
-

Gazprom operates in the LNG and CNG motor fuel segments of the German, Czech and Polish markets through its subsidiary Gazprom Germania GmbH. In 2014, the number of CNG filling stations operated by *Gazprom Group's* subsidiaries in those countries increased to 30. The construction of a fixed LNG filling station was completed in Olsztyn, Poland. Another station is under construction in Warsaw. Five stations were owned by *Gazprom's* affiliate Vemex s.r.o. (the Czech Republic). Plans are also being made to develop the NGV fuel market in Bulgaria.

Gazprom Group was also active in the NGV fuel segment in Vietnam, where a joint venture registration is being finalized, PV Gazprom Natural Gas for Vehicles. It is a third Russian-Vietnamese joint venture with *Gazprom's* membership, which testifies to the rapid expansion of Russian-Vietnamese strategic partnership and confirms the implementation of arrangements for using natural gas as motor fuel, which also provide for a switchover of the public transport of the city of Ho Chi Minh to NGV fuel.

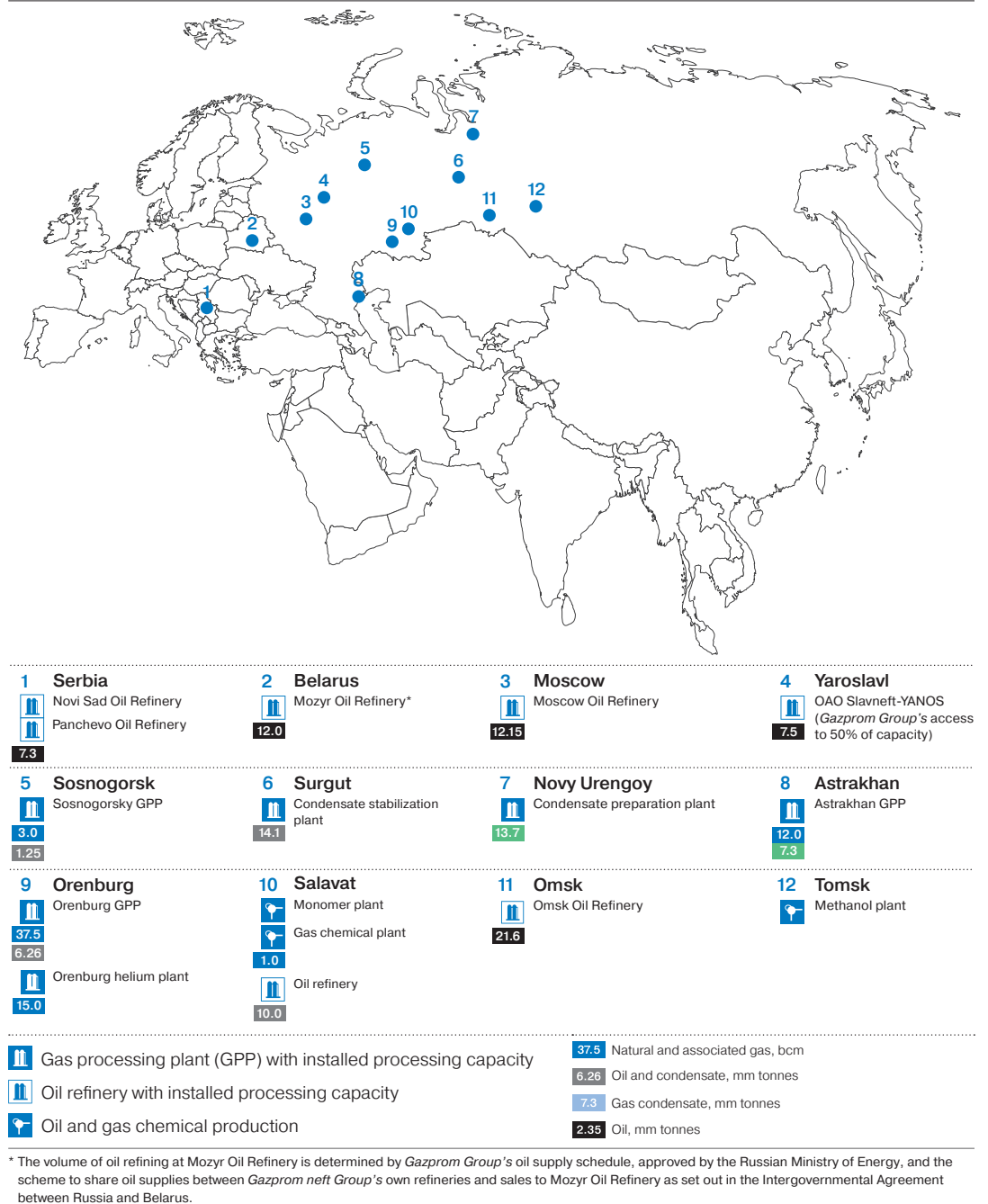
To promote natural gas as motor fuel in global markets, *Gazprom* made arrangements for the development of NGV fuel markets in the FSU countries (the Republics of Belarus, Kazakhstan, Kyrgyzstan).

Hydrocarbon Refining and Gas and Oil Chemistry

Gazprom's prospects as one of the global leaders of the energy industry are closely connected with technological progress in hydrocarbons refining. The Company's goals are in higher conversion rates and higher production output with increased added value.

In 2014, the Group refined 30.5 bcm of natural gas (down 3.2% y-o-y), 68.1 mm tonnes of crude oil and unstable gas condensate (up 3.0% y-o-y), tolling arrangements excluded. The Group produced 53.6 mm tonnes of oil products (against 51.9 mm tonnes in 2013), 3.4 mm tonnes of liquefied hydrocarbon gases (LHG) (against 3.3 mm tonnes in 2013), and 4 mmcm of helium (against 3.6 mmcm in 2013).

Gazprom Group's hydrocarbon refining and petrochemical capacity as of 31 December 2014



Gazprom Group's oil products distribution in 2014

	1	2	3	4	5	6
1 Diesel fuel						30%
2 Motor gasoline						23%
3 Fuel oil						17%
4 Jet fuel						6%
5 Oils						1%
6 Other oil products						23%

Gas and gas condensate processing by Gazprom's gas processing and production subsidiaries

In 2014, OAO Gazprom's gas processing and production subsidiaries refined 30.0 bcm of natural gas (down 3.5% y-o-y), 16.4 mm tonnes of crude oil and unstable gas condensate (up 1.9% y-o-y).

The decrease in gas refining volumes against 2013 was caused by declining gas production at the fields feeding the Orenburg GPP and Sosnogorsk GPP (Orenburgskoye and Vuktylskoye OGCFs).

To boost utilisation of gas refining capacities at the Sosnogorsk GPP, the *Group* and OAO LUKOIL are running a joint project for processing APG from OAO LUKOIL's northern group of fields. In the reporting year, approvals were issued for the process chart of transportation, intake, treatment and refining of associated petroleum gas. Preparations were also carried out for the construction and expansion of the necessary gas transportation facilities.

Unstable condensate refining volumes grew due to increased liquid hydrocarbons production in the achimovsk formation of the Urengoykoye OGCF.

Measures were taken in the reporting year to diversify the product mix and improve product quality.

The Astrakhan GPP implemented proprietary technological solutions to start production of winter diesel fuel. Achieving rated capacity at the new gasoline hydrotreater enables the plant to start producing Euro 4 diesel fuel, while the newly commissioned gasoline fraction isomerisation unit can start producing Euro 5 Premium Euro 95 motor gasoline.

The Orenburg GPP began producing liquefied helium, while the Surgut Condensate Stabilisation Plant (CSP) launched the production of process propane-butane.

Oil refining and petrochemistry at Gazprom *neft* Group's facilities

In 2014, *Gazprom neft Group* refined 43.5 mm tonnes of oil and stable gas condensate (up 2.1% y-o-y).

The increase resulted from a rise in refining output by the Omsk Refinery, where the primary refining unit had completed scheduled maintenance in Q3 2013. Other factors included the lifting of restrictions on dark oil product shipments, a larger share of gas condensate refining, and a respective decline in the share of dark oil products.

Upgrades of production facilities led to increased Euro 5 gasoline and diesel fuel output.

Jointly with its Russian and foreign partners, *Gazprom neft* carried out projects for the production of certain products with high added value, i.e. modified bitumens and polypropylene.

The Moscow Refinery started pilot operation of Russia's first unit for the production of next-generation polymer-modified bitumens under the G-Way Styrelf brand. The unit, built by a joint venture of *Gazprom neft* and the French-based Total, is designed to produce 60 thousand tonnes of polymer-modified bitumens and 7 thousand tonnes of bitumen emulsions annually.

In 2014, *Gazprom* launched the complete cycle of liquefied helium production.

Gazprom, on a parity basis with OAO SIBUR Holding, bought a 50% interest in OOO Poliom, a joint venture operating the facilities of the Omsk Polypropylene Plant. *Gazprom нефть* is to supply to OOO Poliom raw materials (propane-propylene fraction from the Omsk Refinery), and OAO SIBUR Holding is to sell the products made by the joint venture through its distribution chain.

Oil refining, petrochemistry and mineral fertiliser production at *Gazprom neftekhim Salavat* facilities

In 2014, the production facilities of *Gazprom neftekhim Salavat* refined 8.3 mm tonnes of oil and gas condensate (5.5 mm tonnes of oil and 2.8 mm tonnes of gas condensate) at a 79% processing depth.

The reduction of gasoline output was caused by unscheduled shutdowns of conversion units and longer repair time. The production output of HDPE, polystyrene, ethylene and urea was increased.

In 2014, refineries started producing SMT-1 (MDO) low-viscosity marine fuel in accordance with high environmental standards. Also, a declaration of conformity was obtained for Euro 5 regular diesel fuel production facilities.

Major investment projects

Gazprom Group's refining capex increased by 23.5% (RUB 25.7bn) y-o-y to reach RUB 135.1bn.

Commissioning of hydrocarbons processing and gas and petrochemistry production facilities

- Orenburg Helium Plant commissioned an OG-500 helium liquefying unit of 4.2 mm litres per year.
 - Surgut CSP commissioned a condensate stabilisation unit (process lines 8 and 9) of 4 mm tonnes per year.
 - Astrakhan GPP commissioned an isomerisation unit of 300 thousand tonnes per year.
 - *Gazprom нефть's* refineries completed several major upgrades. The Omsk Refinery commissioned a terminal for draining, storing and injecting gas condensate for processing to increase light oil product output. The Moscow Refinery upgraded the AVT-6 primary oil refining unit and commissioned a sulphur granulation unit. OAO Slavneft-YANOS completed an upgrade of several units used in the production of motor gasoline: catalytic cracking, sulphuric acid alkylation, and methyl tertiary butyl ether units.
-

The bulk of the capital expenditures for refining was allocated for the following projects: construction of the Novy Urengoy Gas Chemical Complex, upgrading *Gazprom нефть Group* refinery capacities, modernisation at the Astrakhan Gas Processing Plant, construction of the Urengoy—Surgut gas condensate pipeline (second line), and construction and upgrade of oil refining and petrochemical facilities at *Gazprom neftekhim Salavat*.

Power and Heat Generation

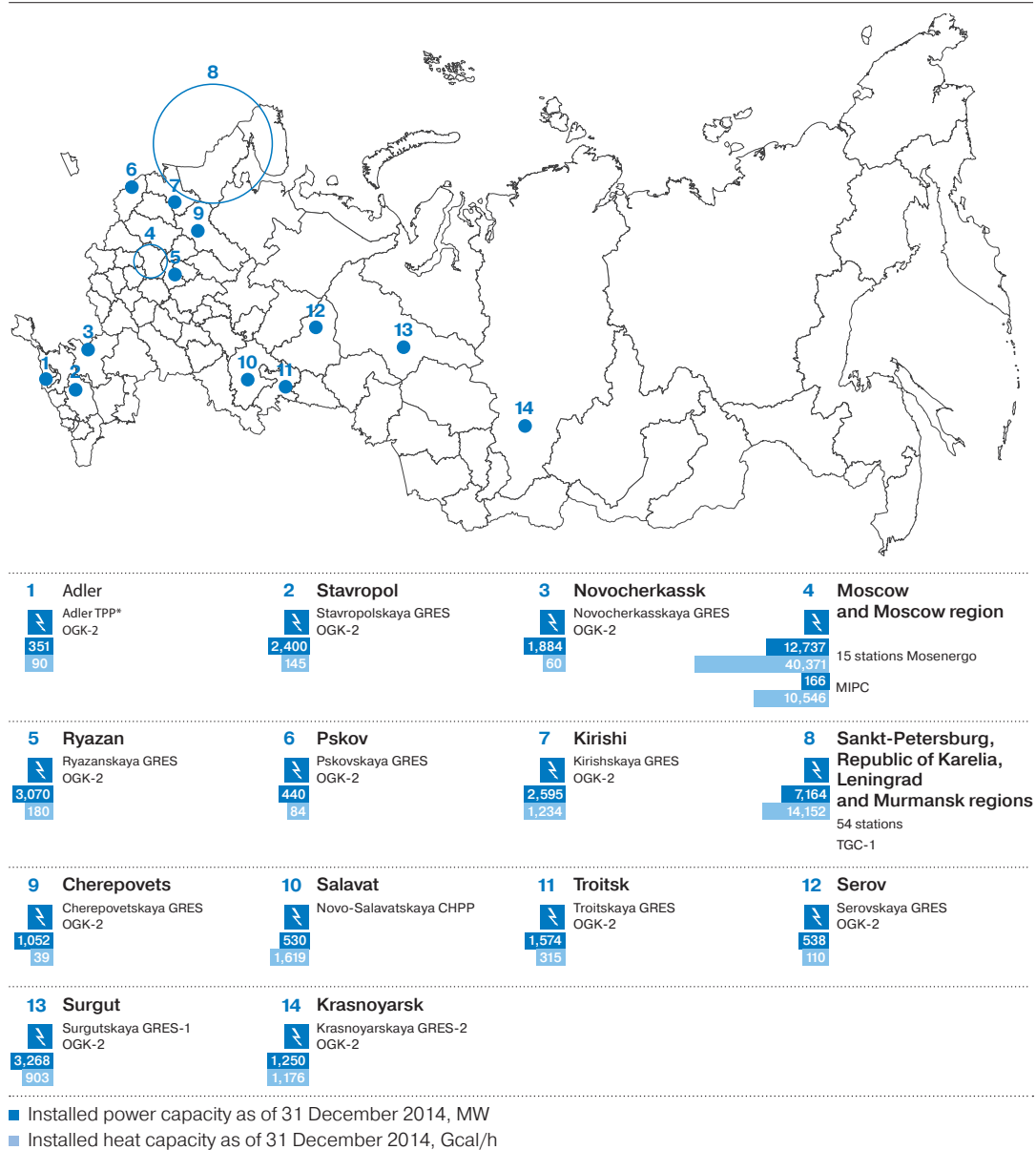
Gazprom Group is the largest Russian owner of generating assets. Gazprom accounts for 15% of power and 24% of heat energy generated in Russia.

The Group's main generating assets are consolidated in OOO Gazprom energoholding, a 100% subsidiary controlling OAO Mosenergo, OAO TGC-1, and OAO MIPC. The controlling stake in OAO OGK-2 belongs to OAO Centerenergyholding, a subsidiary of OOO Gazprom energoholding.

In October 2014 OAO TGC-1 sold Ondskaya HPP with 80 MW of installed capacity.

The Group's Russian assets also include the Novo-Salavatskaya CHPP.

Gazprom Group's generating assets in the Russian Federation as of 31 December 2014



* Due to equipment remarking heat capacity of the station decreased from 227 Gcal/h as of 31 December 2013 to 90 Gcal/h as of 31 December 2014.

OAO Mezhtregionenergosbyt, a *Gazprom Group* company, is one of the leaders in the Russian power trading market. The company is active in power wholesale and retail markets, accounting for more than 95% of power consumed by *Gazprom Group's* subsidiaries.

Outside Russia, the *Group* owns the fifth power unit at the Razdanskaya TPP through its subsidiary ZAO Gazprom Armenia.

Generation and distribution of power and heat

In 2014, according to the Central Dispatching Department of Fuel and Energy Complex (CDU TEK), Russian electric output increased by 0.5% y-o-y to 1,057 billion kWh. Heat energy production increased by 3.7% y-o-y to 530.6 mm Gcal.

The *Group's* 2014 year-end Russian energy production was 154.6 billion kWh of power, or 4.3% less y-o-y, and 125.2 mm Gcal of heat energy, or 11.3% more y-o-y.

The fuel mix of OOO Gazprom energoholding and its subsidiaries by volume		
	2013	2014
Gas, mmcm	44,333	41,508
including <i>Gazprom Group's</i> gas	34,357	28,312
Coal, thousand tonnes	14,076	14,361
Fuel oil and other fuels, thousand tonnes	314	355
including <i>Gazprom Group's</i> supplies	73	121

In the reporting year, optimised workload of inefficient power units and a lower demand for power were the key factors affecting power generation in the regions where the *Group* operates. Heat energy output increased through consolidation of OAO MIPC's results after the *Group* took over control in September 2013.

In 2014, the fifth power unit of the Razdanskaya TPP (Armenia) produced 0.86 billion kWh of electric power, driving *Gazprom Group's* total output in the reporting year to 155.4 billion kWh.

***Gazprom Group's* contribution to the establishment of the charging infrastructure for electric vehicles in Moscow**

As part of constructing a network of charging stations for electric cars, the Moscow Government and OAO Mosenergo reviewed the legal aspects of deploying charging stations and arranged equipment procurement. Approvals are being obtained for connecting charging stations and preparations for construction and installation are under way. A number of charging stations have already been built and are successfully operating.

In 2014, OAO Mezhtregionenergosbyt sold 6.2 billion kWh of power to consumers outside the *Group*.

The power generated by the *Group's* Russian generating companies is sold on the 100% liberalised domestic wholesale power market.

In 2014, power (capacity) end prices increased by 7–8% y-o-y on average.

A small portion of generated power is exported to Norway and Finland. To meet its obligations during equipment shutdowns, including emergency repairs, the *Group's* generating companies purchase additional power and heat on the wholesale market for resale.

The Russian heat energy market is regulated. A new model of the heat energy market exists as a concept, with an approved roadmap providing for the development of a great number of regulations, mechanisms and proposals. Tentative calculations, and draft amendments to the Federal Law On Heat Supply have been prepared.

In 2014, sales of power generated by the 5th power unit of the Razdanskaya TPP (Armenia) were 0.8 billion kWh.

The *Group* also delivered c. 2.9 billion kWh of electric power to end consumers in UK, Germany, and Netherlands (2.3 billion kWh in 2013).

Gazprom Group's power and heat sales revenues (net of VAT and other charges) was RUB 426.8bn (a 13.5% increase y-o-y).

<i>Gazprom Group's</i> revenue from power and heat sales (net of VAT and other charges), RUB bn			
	Total		Russia
2012	340.8		324.0
2013	376.2		363.0
2014	426.8		408.9
	Far abroad countries		FSU countries
2012	11.2		5.6
2013	11.0		2.2
2014	15.4		2.5

Gazprom Group also trades in power on European trading platforms. The total power traded during the reporting year was 339 billion kWh.

Efficiency of operations

In order to increase the shareholder value of its assets, *Gazprom Group* is taking measures to improve their operating efficiency. OAO Mosenergo, OAO TGC-1 and OAO OGK-2 are conducting programmes Lean Production, Efficiency, as well as programmes for enhancing shareholder value, personnel cost optimisation, and upgrading and retrofitting process optimisation.

The following measures provided the greatest benefits in 2014 by value:

- equipment fleet optimisation (OAO OGK-2) — RUB 1,145.2mm;
- measures in the fuel supply department (OAO OGK-2) — RUB 900mm;
- tax optimisation (OAO Mosenergo) — RUB 343mm;
- procurement optimisation (OAO OGK-2) — RUB 334mm;
- reduced consumption of excessive fuel (OAO OGK-2) — RUB 305.9mm;
- sale of non-core assets (OAO TGC-1) — RUB 220mm;
- increasing water utilisation efficiency (OAO TGC-1) — RUB 198mm;
- increasing power generation efficiency (OAO TGC-1) — RUB 171mm;
- investment programme optimization (OAO Mosenergo) — RUB 131mm.

Import substitution

As part of its import substitution efforts, *Gazprom Group* determined the following priorities in the power industry: automated process management systems, heat insulation, gas turbine maintenance, upgrade of gas turbines under contracts with Russian producers.

Moreover, the *Group* is reviewing opportunities to replace equipment made by Western producers with that produced in Asian countries, particularly in China. A number of Chinese producers have been approached as part of these measures.

Major investment projects

Gazprom Group's investment programme is one of the largest in the Russian power industry. The *Group's* generating companies are implementing the investment programme, subject to their obligations under capacity supply agreements (CSA). Completion of the CSA programme by the *Group's* companies is expected to provide c. 9 GW of new generating capacity in Russia in 2007 through 2016.

During 2014, the *Group* commissioned 905 MW of new generating capacity in Russia.

Thus, from 2007 through 2014, the *Group* commissioned 6.1 GW of new capacity under CSAs.

Additionally, *Gazprom* is decommissioning inefficient generating facilities, with 428 MW decommissioned over the reporting period.

During 2014, the *Group* commissioned 905 MW of new generating capacity in Russia.

Commissioning and decommissioning by generating companies in 2014

- PGU-420 power unit commissioning at CHPP-16 of OAO Mosenergo with a capacity of 420 MW.
 - PGU-420 power unit commissioning at Cherepovetskaya GRES of OAO OGK-2 with a capacity of 420 MW.
 - Gas turbine commissioning at CHPP-9 of OAO Mosenergo with a capacity of 64.8 MW.
 - Decommissioning of three 150 MW turbine generators and two boiler plants at Serovskaya GRES of OAO OGK-2.
 - Power unit decommissioning at Troitskaya GRES of OAO OGK-2 with a capacity of 278 MW.
-

Gazprom Group's capex for power and heat generation and distribution during 2014 was RUB 72.7bn, i.e. slightly increased y-o-y (RUB 71.5bn in 2013).

The bulk of capital expenditures was allocated for the construction of steam power units at the Troitskaya GRES (660 MW) and Novocherkasskaya GRES (330 MW) of OAO OGK-2, steam power units at CHPP-12 (220 MW) and CHPP-20 (420 MW) of OAO Mosenergo, and a gas turbine for the combined heat and power plant (100 MW) at Centralnaya CHPP of OAO TGC-1.

Marketing

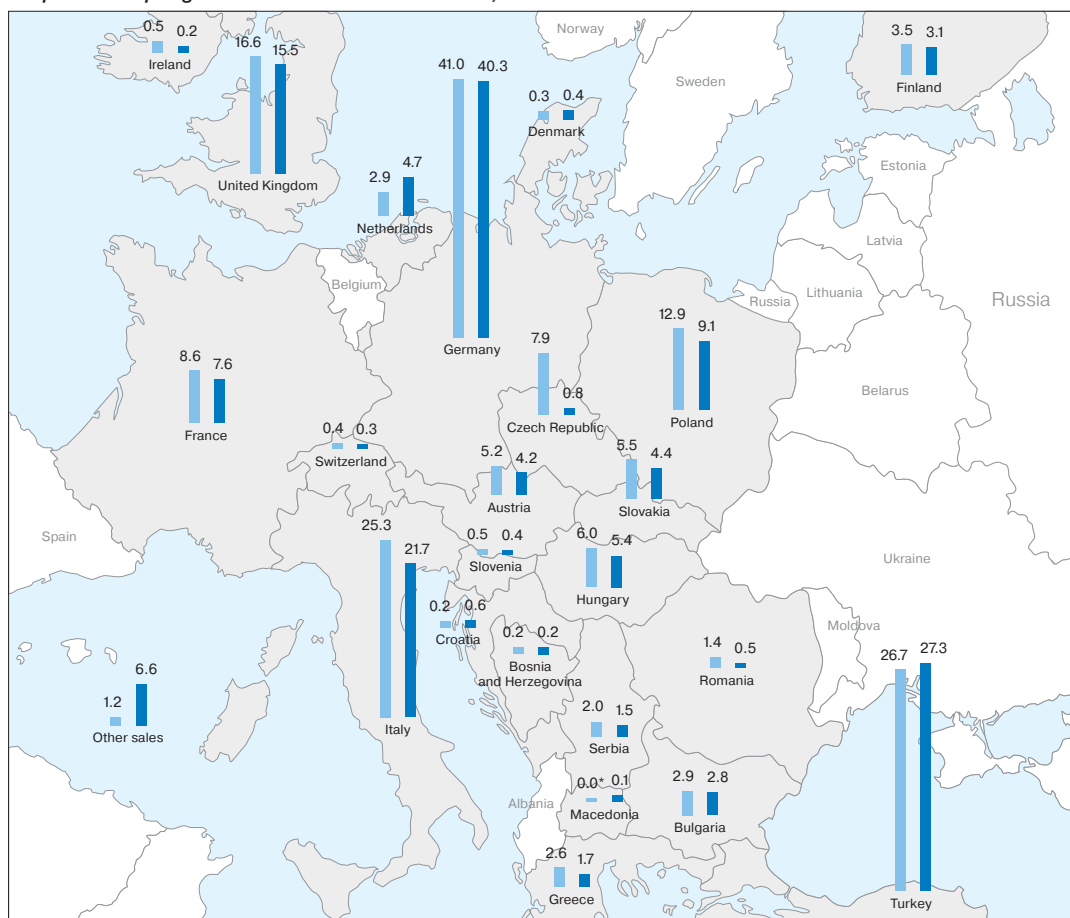
Far abroad gas markets

Gazprom Group's sales of natural gas to far abroad countries

	Sales, bcm	Average selling price (net of customs duties), RUB per mcm	Sales revenue (net of customs duties), RUB bn
2012	151.0	10,104.4	1,525.4
2013	174.3	9,680.1	1,687.3
2014	159.4	11,299.3	1,801.2

In 2014, the Group's revenue from sales of natural gas (net of customs duties) to far abroad countries grew to RUB 1,801.2bn (a 6.8% increase y-o-y), with a 8.5% decrease in the total sales volumes y-o-y (down to 159.4 bcm). In 2014 and 2013, Gazprom Group's natural gas sales to far abroad countries represented approximately 38% of the total natural gas sold and 60% and 59% of the gas sales revenue for the indicated periods, respectively.

Gazprom Group's gas sales to far abroad countries, bcm



■ Gas sales in 2013
 ■ Gas sales in 2014

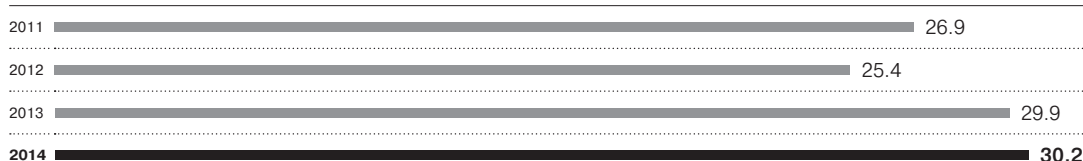
* less than 0.05

European gas market

OAO Gazprom is the only supplier of Russian natural gas to Europe. In 2014, OAO Gazprom's natural gas supplies to the European market under long-term contracts totalled 146.6 bcm of gas, i.e. a 14.9 bcm (9.2%) decrease y-o-y.

European gas consumption decreased to a greater extent than OAO Gazprom's export to the European countries. As a result, The *Company's* share in the European consumption, including Turkey, amounted to 30.2%, in line with the previous year.

Share of OAO Gazprom gas supplies in European gas consumption in 2011–2014, %



Note. Figures for 2013 and previous years may differ from the respective figures in the Annual Report for 2013 due to the adjustment of international statistics.

i
Detailed information is presented in the "Trends and Developments on Oil and Gas Markets" section

Declining oil prices on the global market affected export prices for Russian natural gas in 2014 owing to the specifics of gas pricing which uses reference periods (usually nine months) in indexation formulas for oil-pegged contracts.

In 2014, the weighted average price of natural gas exported by OAO Gazprom to far abroad countries was USD 345.37 per mcm, which is USD 37.19 lower than in 2013 (down 9.7% y-o-y).*

In the context of significant changes in the pricing principles in the European gas market and the development of liquid gas trading hubs, *Gazprom Group* believes that contracts which are subject to oil product indexation are still relevant. In the current situation, oil products act as a versatile deflator in the gas formula, as they do not allow gas prices to highly exceed prices for other raw materials. At the same time, the *Company* continues to work towards increasing the efficiency of Russian gas exports, exercising flexibility in relations with its partners.

In 2014, *Gazprom Group's* subsidiaries sold 3.4 bcm of gas directly to end consumers in the UK, Ireland, France, and the Netherlands. The *Group's* affiliates supplied gas to end consumers in Bulgaria, Germany, Italy, Romania, Serbia, Slovakia, Turkey, the Czech Republic, and Finland.

LNG sales

In 2014, LNG sales rose significantly against 2013, with 52 LNG shipments of 3.4 mm tonnes (4.5 bcm) during the year, against 24 shipments of 1.5 mm tonnes (2 bcm) during the previous year. The *Group's* LNG portfolio growth was mainly the result of increased third-party procurements.

LNG sales by *Gazprom Group*, 2011–2014

	2011	2012	2013	2014
Sales, mm BTU	109,586,827	68,655,609	72,108,261	159,646,919
including LNG from Sakhalin II project	45,833,636	29,575,454	29,726,254	53,075,050
Sales, mm tonnes	2.3	1.44	1.51	3.35
Sales, bcm	3.07	1.92	2.02	4.47

* In 2014 the weighted average price for 2013 was recalculated due to revised contracts conditions came into effect.

In 2014, *Gazprom Group* signed the Basic Terms and Conditions of Liquefied Natural Gas Supply from the Yamal LNG Project, providing for the purchase of up to 2.9 mm tonnes (4 bcm) of LNG per year at a European transloading hub for *Gazprom's* portfolio during 20 years of plateau production. A binding agreement was signed in January 2015.

During 2014, the *Company* also signed an agreement with Pacific Rubiales to purchase for the *Group's* portfolio 0.5 mm tonnes of LNG (0.7 bcm) per year from the world's first floating LNG plant in Colombia from 2016 through 2020. In addition, the *Group* was the winning bidder in Iberdrola S.A.'s tender, procuring 0.4 mm tonnes (0.5 bcm) of LNG per year for its portfolio in 2015 and 2016.

To perform LNG transportation by sea, the *Group* freighted a fleet of 6 gas tankers under medium-term and long-term contracts. In 2014, the *Group's* gas fleet was augmented with two new modern high-tech vessels, Velikiy Novgorod and Pskov. Last year, *Gazprom* also successfully transferred LNG between vessels in the high seas, the first operation of this kind in the *Group's* history.

Russian gas market

In 2014, *Gazprom Group's* natural gas sales to Russian consumers amounted to 217.2 bcm, with gas sales revenue totalling RUB 798.1bn. In 2014 and 2013, *Gazprom Group's* sales in Russia represented 51% and 49% of the total gas sales for the indicated periods, respectively, and approximately 27% of the gas sales revenue.

Gazprom Group's gas sales in Russia, 2012–2014

	Sales, bcm	Average selling price, RUB per mcm	Sales revenue, RUB bn
2012	249.7	2,964.2	740.3
2013	228.1	3,393.9	774.0
2014	217.2	3,673.8	798.1

OAo Gazprom sold 0.4 bcm of gas on the Saint-Petersburg International Mercantile Exchange, opened in October 2014.

Russia's total natural gas consumption in 2014 was 458.4 bcm, down 1% y-o-y. The indicator was most strongly affected by climate and weather factors.

The Russian power industry and households are the major consumers of natural gas in the country. In 2014, *Gazprom Group's* natural gas supplies to generators accounted for approximately 24% of its total domestic natural gas supplies (excluding intercompany sales), with households accounting for 23%. Natural gas is also heavily used in metallurgical, agro-chemical, construction and other sectors, as well as in housing and utilities.

Gazprom's domestic natural gas sales in 2014 by consumer group

	1	2	3	4	5	6	7
1 Power and Heat Generation							24%
2 Metallurgy							4%
3 Agro-chemistry							8%
4 Cement industry							3%
5 Households							23%
6 Housing and utilities							15%
7 Other							23%

i
Detailed information is presented in the "Trends and Developments on Oil and Gas Markets" section

In accordance with the applicable Russian laws, end consumers buy gas at regulated prices which are differentiated between consumer groups (households vs industrial consumers), as well as by price ranges, based on the relative distance from the gas production region to the consumer. Therefore, the regulated wholesale prices for gas supplied to households are 20% to 22% lower than those for gas supplied to industrial consumers. FTS of Russia revises regulated wholesale gas prices in accordance with the Forecast of Social and Economic Development of the Russian Federation prepared by the Ministry of Economic Development of the Russian Federation.

The growth of domestic regulated gas prices is capped by the Forecast of Social and Economic Development of the Russian Federation prepared by the Ministry of Economic Development of the Russian Federation and approved by the Russian Federation Government in September 2014.

Weighted average parameters of changes in domestic natural gas prices for 2015 through 2017, average increase y-o-y, %

	2015	2016	2017
Average regulated wholesale prices for all Russian consumer groups, excluding household consumers	3.5	6.6	4.6
Average regulated wholesale prices for subsequent resale to household consumers	5.8	6.6	5.0

In order to mitigate the risk of government-imposed gas prices, OAO Gazprom interacts with federal authorities in order to streamline gas pricing, including the establishment of basic pricing principles ensuring for OAO Gazprom fixed conditions of domestic gas supplies.

FSU gas markets

Natural gas markets of the FSU countries play a special part in OAO Gazprom's business, as the *Group* is both a supplier and a purchaser of pipeline natural gas there and some of them are gas transit countries for OAO Gazprom and are the *Group's* partners in underground gas storage.

In 2014, *Gazprom Group's* gas sales to the FSU countries were 48.1 bcm. Sales revenue (net of customs duties) was RUB 417.0bn. *Gazprom Group's* gas sales to the FSU countries in 2014 and 2013 accounted for 11% and 13%, respectively, of the total natural gas sales and 14% and 15% of the total gas sales revenue for these periods. *Gazprom Group* covers a significant portion of natural gas demand in the FSU countries. Ukraine and Belarus are the largest consumers.

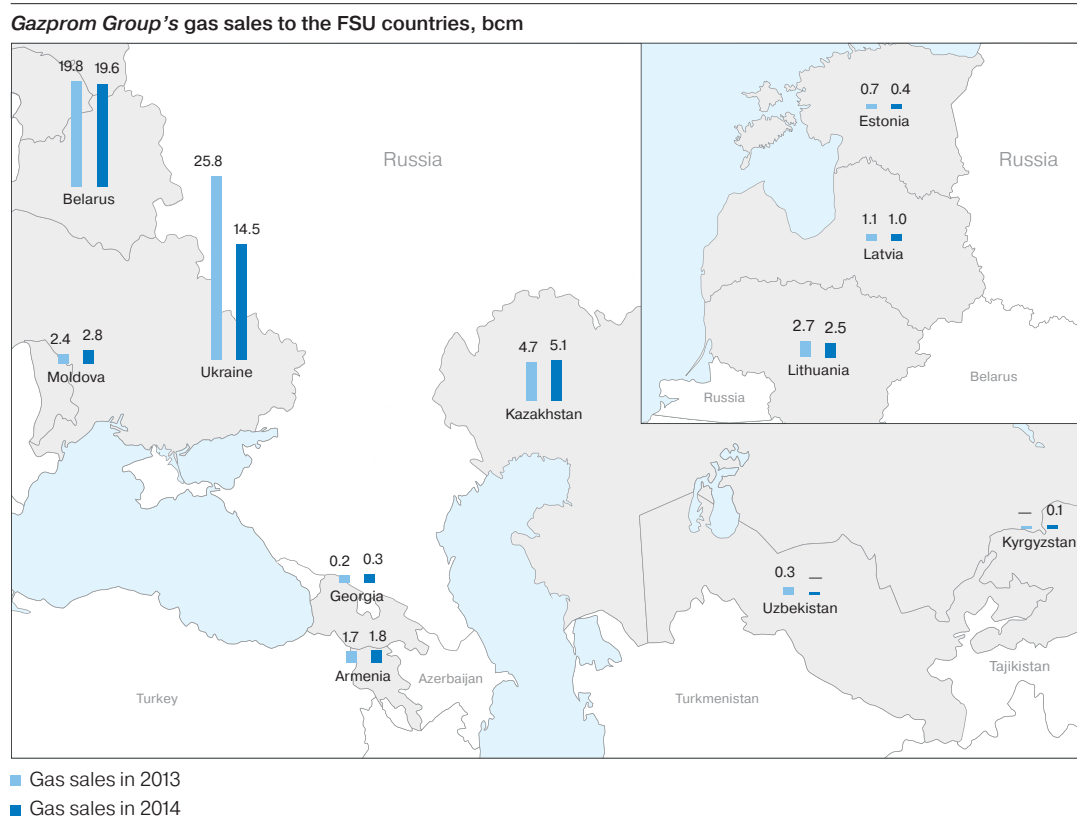
***Gazprom Group's* natural gas sales to the FSU countries**

	Sales, bcm	Average selling price (net of customs duties), RUB per mcm	Sales revenue (net of customs duties), RUB bn
2012	66.1	8,016.4	529.5
2013	59.4	7,132.8	423.5
2014	48.1	8,677.9	417.0

In 2014, natural gas supplies to the FSU countries decreased y-o-y, primarily due to lower offtake by Ukraine in Q2 2014, resulting from the Ukrainian party's being switched to a prepayment method due to payment defaults.

Total gas consumption by the importing FSU countries also decreased due to the general economic situation and further decline of industrial production, as well as increasing share of coal and other energy resources in their fuel and energy mixes.

i
Detailed information is presented in the "Trends and Developments on Oil and Gas Markets" section



In 2014, *Gazprom Group's* share in the total consumption by the FSU countries was 58%. At the same time, as in previous years, in 2014 *Gazprom Group* covered 100% of natural gas demand in Moldova, Latvia, Lithuania and Estonia.

Besides Russia, the FSU countries Turkmenistan, Uzbekistan, Kazakhstan and Azerbaijan are also natural gas exporters. In 2014, the total volume of natural gas exports by these countries was about 77 bcm.

Within the framework of gas marketing cooperation, *Gazprom Group* continued purchasing natural gas from Central Asian countries and Azerbaijan in 2014. *Gazprom Group's* share in natural gas exports from Central Asia and Azerbaijan is 38%. China is another major player in the Central Asian gas market.

Oil and gas condensate sales

In 2014, the *Group's* revenue from sales of crude oil and stable gas condensate was RUB 250.4bn (net of VAT and other charges), with 19.4 mm tonnes sold.

Oil and gas condensate sales volume, mm tonnes			
	Total		Russia
2012	27.7		10.4
2013	21.8		8.4
2014	19.4		8.4
	Far abroad countries		FSU countries
2012	14.8		2.5
2013	9.2		4.2
2014	9.8		1.2

Revenue from sales of oil and gas condensate (net of VAT and other charges), RUB bn			
	Total		Russia
2012	351.0		116.2
2013	273.9		95.8
2014	250.4		92.8
	Far abroad countries		FSU countries
2012	204.6		30.2
2013	128.0		50.1
2014	141.6		16.0

Sales of liquid hydrocarbons to FSU countries declined due to the cancellation of *Gazprom neft's* oil sales to Kazakhstan. The volumes freed up in this way were sold in the domestic market, or supplied to the *Group's* oil refineries in Russia, or exported to far abroad countries. Export sales of liquid hydrocarbons to far abroad countries also grew due to the increased oil production in Russia.

In 2014, c. 95% of OAO Gazprom's stable gas condensate were sold on the domestic market to the *Group* companies (mostly to OAO Gazprom neftekhim Salavat).

According to PIRA, Urals prices (arithmetic mean of Urals Mediterranean and Urals Rotterdam) in 2014 fluctuated between USD 53.4 and USD 112.4 per barrel, decreasing by 51% to USD 53.4 per barrel by the year-end.

In 2014, the oil spot prices in roubles in the Russian market were higher than the average 2013 price by c. 9% (according to Argus). In 2014, prices fluctuated between RUB 12,200 per tonne and RUB 14,900 per tonne, inclusive of VAT (free in pipeline, Nizhnevartovsk) dropping to their extreme lows in November and deviating by 18% from the annual peaks. Although undoubtedly linked to the fluctuations of global prices for energy resources, Russian domestic oil and stable gas condensate prices are, in many aspects, determined by domestic factors such as seasonal supply and demand, refinery downtimes, and price trends on the refined products market, as well as dramatically changing RUB/USD exchange rate.

Refined product sales

In 2014, the total sales of *Gazprom Group's* oil and gas refined products were 75.4 mm tonnes, i.e. a 10.4% increase y-o-y. Revenue from sales of oil and gas refined products reached RUB 1,618.6bn (net of VAT, excise and other charges), i.e. showed a 19.8% increase y-o-y.

Gazprom Group's sales of refined products, mm tonnes

	Total	Russia
2012	63.9	36.1
2013	68.3	38.4
2014	75.4	41.5
	Far abroad countries	FSU Countries
2012	22.6	5.2
2013	25.2	4.7
2014	29.9	4.0

Revenue from sales of refined products (net of VAT, excise and other charges), RUB bn

	Total	Russia
2012	1,192.0	725.2
2013	1,350.7	725.2
2014	1,618.6	952.5
	Far abroad countries	FSU countries
2012	393.5	73.3
2013	449.7	80.5
2014	586.2	79.9

Key drivers of Gazprom Group's refined product sales in 2014

- Increase in the total number of operating filling stations.
- Increase in daily average sales per filling station in Russia was due to rebranding, ad campaign and loyalty programme.
- Expanding airport networks in Russia and globally, including due to cooperation with the Ministry of Defence of the Russian Federation, and the growth of *Gazprom Group's* share in OOO Gazpromneft – Aero Sheremetyevo to 100% in March 2014.
- Bunkering market growth in the Far East and the Black Sea region, expansion of the customer base in Baltic ports.
- Refining output increase.

Sales increased y-o-y in motor gasoline, jet fuel, liquefied hydrocarbon gases, and fuel oil, also accompanied by an increase in sales of mineral fertilisers and polymers. The increase was primarily the result of growth in the output of the refined products and/or an increase in purchases from companies outside the *Group*.

Sales of refined products by Gazprom Group in 2014			
Refined products	Russia	Far abroad countries	FSU countries
Motor gasoline, mm tonnes	11.2	1.3	1.0
Diesel fuel, mm tonnes	9.3	6.2	1.8
Jet fuel, mm tonnes	3.0	0.8	0.1
Furnace fuel oil, mm tonnes	2.9	8.1	0.2
Oils, mm tonnes	0.2	0.1	0.1
Liquefied hydrocarbon gases, mm tonnes	2.9	2.4	0.1
Sulphur, mm tonnes	2.0	3.2	0.3
Gaseous helium, mmcm	2.5	–	0.2
Liquid helium, mm litres	0.2	0.9	–
Mineral fertilisers, mm tonnes	0.3	0.4	0.0
Polymers, mm tonnes	0.2	0.0	0.0
Other oil and gas chemical production products, mm tonnes	9.5	7.4	0.4

In 2014, approximately 13% of *Gazprom Group's* total refined products were sold through *Gazprom нефт Group's* filling stations, reaching 9.9 mm tonnes against 9.2 mm tonnes in 2013. The sales growth was driven by upgrades to, and optimisation of, the *Group's* own network of filling stations, as well as by their improved efficiency and the development of the *Group's* own nationwide brand enjoying high consumer awareness and trust. As of 31 December 2014, *Gazprom нефт Group* owned and operated an extensive network of 1,810 filling stations across Russia, the FSU countries and Eastern Europe.

2014 saw downward movements of global USD prices for *Gazprom Group's* main export items. According to Platts, this decline throughout the year was 10% for fuel oil and 9% for diesel fuel. However, export prices for liquefied hydrocarbon gases on the key export market of Poland remained almost flat with the increase of below 1.5% y-o-y (according to Argus). Depending on the type of transaction (spot or contract deals), sulphur prices on *Gazprom's* key export market of North Africa increased from 16% to 30% y-o-y (according to Argus). According to Fertecon, in 2014 mineral fertiliser prices went down by 1.5–6% for certain fertiliser types and geographical markets.

Prices for the *Group's* oil products behaved differently on the domestic market in 2014. The average ex-refinery price of Ai-92 gasoline was up by 6.8% to RUB 31,350 per tonne; Ai-95 gasoline was up by 4.5% to RUB 32,150 per tonne. Diesel fuel price dropped by 5% to RUB 28,850 per tonne; fuel oil fell 30% to RUB 6,100 per tonne. Domestic LHG prices went up by 25% on average y-o-y, with the FTS of Russia's LHG selling prices in the regulated sales sector (reserved supplies) growing by 9.2%.

Gazprom's leadership in the global energy market is in many respects driven by innovative technologies and equipment widely used by the Company. The Company takes full advantage of its existing R&D capabilities and heavily invests in supporting own R&D projects and technological advancement.

In the modern world, sustainable development and sustained business success are driven by a company's ability to innovate. Therefore, innovations are an essential element of *Gazprom's* corporate culture.

The *Group* is one of the world's largest energy suppliers, and its current achievements are largely due to a wide use of technological advances at all stages of its growth.

By introducing new and unique hydrocarbon production and delivery projects in polar regions, on the shelf of the Okhotsk Sea, in Eastern Siberia and in the Far East, strategically important for the Russian economy, the *Company* drives new innovative and advanced solutions while maintaining its position of the country's largest consumer of innovative products.

The *Company's* long-term innovations planning and management are regulated by the OAO *Gazprom's* Innovative Development Programme until 2020, approved in June 2011. The Programme sets forth and streamlines priority objectives and focus areas covering all aspects of the innovation cycle and sets innovative growth targets for the planning period.

Spanning a ten-year period, the Programme covers gas, oil and power generation businesses and provides for a range of interrelated initiatives to design and introduce new technologies and innovative world-class products and services. The Programme also aims at providing a favourable environment to promote innovative efforts both at OAO *Gazprom* and in related industrial production sectors of Russia. The Programme is the key tool in advancing the *Company's* technology level and supporting its positions of a technology leader in the global energy business.

The *Company's* innovative development priorities include:

- prospecting and development technologies, including developing resources in permafrost areas and on the continental shelf;
- production technologies for operating fields, including at their final development stage;
- technologies enhancing the efficiency of gas trunk pipelines and storage facilities;
- gas marketing and use technologies; and
- gas processing and gas and petrochemistry technologies.

OAO *Gazprom's* R&D Awards

Established in 1998, OAO *Gazprom's* R&D Awards promote technological advancement. Projects nominated for the award are reviewed by a panel composed of experts from OAO *Gazprom* and its subsidiaries, who evaluate the proposed solution's relevance, novelty, knowledge-intensity, and cost efficiency for *Gazprom*, as well its marketability potential, and the extent to which local materials, technologies and equipment are used.

In 2014, projects nominated by OOO *Gazprom VNIIGAZ* and OOO *Gazprom transgaz Yekaterinburg* were noted for their high relevancy and practical implications.

OOO *Gazprom VNIIGAZ* has put in place a system to evaluate performance of circumferential welds in trunk lines based on a unique and unified hierarchy of simulation models and structural strength assessment criteria.

By applying the resulting solutions to the construction of its offshore gas pipelines OAO *Gazprom* was able to keep up with the required construction rates and minimise unnecessary repairs while fully meeting weld strength and reliability requirements.

OOO *Gazprom transgaz Yekaterinburg* designed a technology and unique process equipment for low-tonnage LNG production and storage.

Yekaterinburg's GDS-4 gas distribution station commissioned a 3 t/h LNG production facility.

The company set up mobile and stationary filling stations for gas motor fuel consumers, i.e. motor vehicles and gas turbine locomotives.

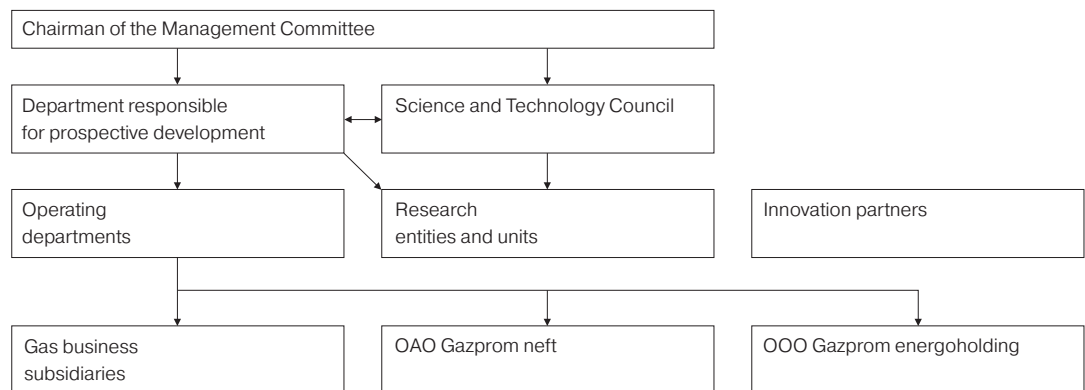
In 2014, the budget of R&D projects ordered by *Gazprom* reached its historical high of RUB 10.82bn.

By applying the project's results the company was able to implement initiatives on independent non-pipeline gas infrastructure expansion in the housing and utilities sector of Staroutkinsk in the Sverdlovsk Region, as well as on backup and independent gas deliveries to socially and strategically important facilities in Kamensk-Uralskiy and Kurgan.

R&D Potential

OAO Gazprom operates an in-house research and development (R&D) system that comprises both research and development organisations and specialised engineering institutes. OAO Gazprom's R&D system dates back to the 1930s–1940s when the first engineering and R&D facilities in this sector were established as the gas industry was taking shape. The key objective of facilities was to provide efficient integrated natural gas production, transportation and utilisation technologies and implement the resulting engineering solutions in projects to achieve high systemic reliability of the nascent gas industry. The stringent safety and efficiency requirements embedded in engineering and design solutions as early as at the research stage are still reliably protecting the Unified Gas Supply System against natural and economic calamities. Since its inception, OAO Gazprom's R&D system has established unparalleled schools of thought in such areas as geology, deposit development, creation of multi-level gas transportation systems, etc.

Managing innovations and R&D



The unique climatic and geological profile of hydrocarbon fields under development and to be developed in Eastern Siberia, in the Yamal Peninsula, and on the Far East and Arctic continental shelf drive the need to invent cost efficient upstream solutions for these regions.

In the modern context, OAO Gazprom's R&D system needs to undertake a large-scale integrated R&D effort to design new technologies and scientifically valid solutions in gas production, transportation, preparation and storage to ensure agility to major trends in the global hydrocarbon market on the whole, and to the moves of its competitors.

Technological Solutions

In the reporting year, in response to emerging technological challenges, *Gazprom* substantially increased its R&D financing, raising it to a historical high of RUB 10.82bn (net of VAT) against RUB 6.8bn in 2013.

AO Gazprom pursues a targeted policy of efficient intellectual property management, which is consistently improved in line with the best national and global practices, including legal practices.

Performance under OAO Gazprom's Innovative Development Programme until 2020 is assessed by measuring, among other indicators, the *Group's* performance in intellectual property management.

As of 31 December 2014, *Gazprom Group's* entities owned 2,131 patents to intellectual property rights (including 218 obtained during the reporting year). 351 patented items were used in our operations in 2014. 33 patented items were used by third parties under license agreements. The economic effect from using patented items in operations exceeded RUB 3.1bn.

Every 10th patent owned by the *Group's* entities was obtained in 2014.

Exploration

New exploration solutions allow more accurate projections of hydrocarbon deposit location. The *Group* has proprietary solutions for modelling pay zones and evaluating potential oil and gas content currently used both in and outside Russia, including in Africa.

In 2014, the following initiatives were implemented to enhance operating efficiency and deposit development forecast accuracy:

- assessment of potential resources and a feasibility study of the key areas for building OAO Gazprom's resource base in the Yamal region (including the Ob Bay and the basin of the Kara Sea);
- a phased strategy toward developing hydrocarbon resources on the Arctic shelf;
- an assessment technology for deep-water hydrocarbon resources (up to 6 km deep);
- guidance on applying reservoir MRI to make well logging more informative;
- forecast of oil and gas pools in understudied areas and stratigraphic units on the shelves of the Barents, Kara, and Okhotsk Seas.

Development

The *Group* has developed unique equipment and technologies for offshore sub-glacial production. The *Group's* innovative solutions also include technologies for deposit operation with minimal human involvement, including systems for remote control and operation of cluster wells, support of gas production sites and biological remediation solutions using biopharmaceuticals and biopolymers.

To enhance field development efficiency, including in new gas production regions and on the shelf of Arctic seas, the *Group*:

- completed the project for the construction of the Kirinskoye gas and condensate field using subsea well completion methods. The project's implementation led to a better supply of energy to the Russian Far East;
- designed a method for developing gas and condensate fields with oil rims that provides for maintaining a constant gradient profile for the reservoir pressure between gas and oil saturated areas of the field as the reserves are depleting by adjusting gas and oil extraction rates. Key factors enhancing development efficiency include higher oil recovery rates for oil rims and lower intensity of nonassociated gas breakthroughs to oil well bottomholes;

- produced a technology to ensure stable operation of wells at low reservoir and wellhead pressures and with their products containing reservoir fluid, based on distributed compression using modular compression units placed at gas well clusters. This technology has increased the period of economically viable life of fields with declining reservoir pressure; and
- developed an alternating water and gas injection technology to retrieve condensate from low pressure reservoirs and oil from oil rims of gas condensate fields using pump ejector systems. The technology was successfully used to boost the output of hydrocarbons.

Gas transportation and underground storage

To ensure highly reliable and smooth gas supplies *Gazprom* is continuously improving its gas transportation technologies and equipment. It continues enhancing own system for managing the operability and integrity of gas pipelines, designing advanced diagnostics and repair tools, as well as energy efficient equipment and gas compression technologies.

In 2014, *Gazprom* completed the development of smart inline inspection pigs using the electromagnetic acoustics (EMA) method. The inspection pig features a novel solution that uses wheel motor-generators that allow adjusting its speed within a given range (regardless of the gas flow speed and the gas pipeline's angle of incidence) and feeding electricity to energy-consuming EMA-converters. The advantages of this solution include the ability to run inspections in any operating conditions of the gas pipeline, at higher-than-usual rates of defect detection in pipe metal. The solution also enables highly accurate assessment of defect parameters.

Gazprom is implementing a project of a simple-cycle gas turbine drive with a unit capacity of 32 MW and net efficiency of 39% to 40% for natural gas transportation. Apart from high energy efficiency, the resulting gas turbine facility will have a low weight and a comparatively lower life cycle cost as compared to existing peers.

The *Company* continues research into the use of hydrogen enriched syngas produced through thermal conversion from natural gas as an additive to fuel gas. The research results are to be used to reduce fuel consumption and exhaust gas toxicity in gas turbine drives of gas pumping units as part of compressor stations upgrade projects and for new-type gas turbine units featuring exhaust energy recovery modules.

Hydrocarbon processing and gas- and petro-chemistry products

Gazprom has designed a membrane helium separation technology for sustainable development of helium-rich resources of Eastern Siberian and Far East fields.

The technology will be used to develop the Chayandinskoye oil and gas condensate field to separate helium concentrate from natural gas and ensure its long-term storage in the productive reservoir.

A new membrane cryogenic energy efficient natural gas processing technology was developed for the Orenburg helium plant to produce commercial helium, ethane and NGL.

The application of the membrane-based cryogenic technology instead of the conventional cryogenic technology will reduce energy consumption by 60%, capex by 50%, and operating costs by 12%.

Power generation

Gazprom Group's generating companies are implementing major innovative projects to design an innovative 800 MW CCGT based on an existing K-300 steam turbine in a two-boiler single-turbine combination (at the Kirishskaya GRES of OAO OGK-2) and a coal-fired power unit with a unit capacity of 660 MW (at the Troitskaya GRES of OAO OGK-2).

The use of the innovative CCGT with the efficiency ratio enhanced from 38% to 55% at the Kirishskaya GRES led to a 32% reduction in specific fuel consumption for electricity generation.

The implementation of an advanced coal-fired power unit at the Troitskaya GRES will make the plant's operation much more efficient and reliable.

Oil business

Innovative efforts by OAO Gazprom neft facilitate progress towards its technological priorities of oil recovery enhancement at depleted fields, developing offshore fields and advancing oil refining and petrochemistry.

In 2013, OAO Gazprom neft completed an innovative project for the development of the Prirazlomnoye field in the Pechora Sea.

The company has developed an alkaline-surfactant-polymer flooding technology to ensure economically viable and energy efficient hydrocarbon production from depleted fields. This technology is currently being piloted at the Salym group of fields. The application of this technology will enhance oil recovery by 8% to 25% (depending on geological conditions).

As part of its oil refining and petrochemical efforts, the Omsk Refinery of (*Gazprom neft Group*) has developed and launched production of M-grade bi-zeolite cracking catalyst to replace imported catalysts at catalytic cracking units of the Omsk and Moscow Refineries.

Cooperation in R&D

Cooperation with higher education institutions

In 2014, OAO Gazprom continued its collaboration with anchor universities supported by the *Group* and listed in the Innovative Development Programme until 2020. This list of nine anchor universities was joined by the Tyumen State Oil and Gas University added as a special partner. On 4 September 2014, OAO Gazprom approved the Regulation on Interaction between OAO Gazprom and Its Subsidiaries with Anchor Higher Education Institutions by its Order No. 422 to secure timely and efficient research and engineering support for its operations by anchor universities. Research and development programmes are being implemented for OAO Gazprom by the Gubkin Russian State Oil and Gas University, Kazan National Research Technological University, National Research Tomsk Polytechnic University, and the National Mineral Resources University (University of Mines).

Cooperation with foreign companies

In 2014, OAO Gazprom continued its R&D cooperation with foreign energy majors including E.ON SE, BASF/Wintershall Holding GmbH, VNG-Verbundnetz Gas AG (Germany); N.V. Nederlandse Gasunie (Netherlands); GDF SUEZ (France), Statoil ASA (Norway), Kogas (South Korea), CNPC (China), Petrovietnam (Vietnam), and the Agency for Natural Resources and Energy of the Japanese Ministry of Economics, Trade and Industry.

During the year, programmes were drafted and signed for R&D cooperation with Statoil ASA and E.ON SE. Programmes for cooperation with GDF SUEZ, Kogas, CNPC, and the Agency for Natural Resources and Energy of the Japanese Ministry of Economics, Trade and Industry have been drafted and are pending approval.

14 meetings of coordination councils and committees, expert teams, and R&D cooperation leaders, and over 70 business meetings and workshops for experts were organised and held to review the results of these efforts and to plan further actions.

Given the positive outcome of this collaboration efforts, OAO Gazprom and its partners are planning to further develop their R&D relations in areas of mutual interest, including:

- helium separation technology in field conditions in Eastern Siberia and the Far East;
- distributed compressing technology to improve operating efficiency of fields at their final development stage;
- utilisation of gas as motor oil;
- harmonisation of national and international standards and regulations for the gas industry, including quality of gas supplied; and
- environmental protection, energy saving and energy efficiency.

Cooperation with innovative small and medium-sized enterprises

OAO Gazprom pursues relations with innovative small and medium-sized enterprises (SMEs) as part of the government's SME support policy.

Pursuant to Directive No. 867-r On Approving the Action Plan (Roadmap) on Improving the Access of Small- and Medium-Sized Businesses to Procurements of Infrastructure Monopolies and State-Owned Companies of the Russian Government dated 29 May 2013, and Resolution No. 2304 On Measures to Ensure Maximum Involvement by Small and Medium-Sized Enterprises to Corporate Procurement Procedures of OAO Gazprom's Board of Directors dated 4 February 2014, the *Group* developed the Pilot Programme of OAO Gazprom's Partnership with Small and Medium Enterprises.

The Programme was agreed with the Russian Ministry of Energy, the association of small and medium-sized entrepreneurs ("New Technologies in Gas Industry" Association of Equipment Manufacturers), and OAO RUSNANO (a development institution) and approved by OAO Gazprom's Order No. 7 dated 15 January 2015.

The Programme provides for a range of initiatives designed to fully engage innovative small and medium-sized enterprises in OAO Gazprom's activities, expand our relations with innovative SMEs, and build a network of qualified and responsible suppliers (contractors, service providers) from among SMEs that supply goods to (or deliver contracts for, or provide services to) OAO Gazprom.

In 2014, OAO Gazprom started building a "single-window" (one-stop) system to streamline its relations with SMEs, and enhance transparency and predictability of business processes related to admission of innovative products to be rolled out in OAO Gazprom.

Relations with innovative SMEs are developed in close contact with OAO RUSNANO, a government-owned development institution. The parties are implementing a programme to boost the demand for innovative and, inter alia, nanotech products in the gas industry.

The following initiatives were implemented under this Programme in 2014:

- assessment of innovative SME products' compliance with the corporate requirements;
- development of technical and regulatory documents to use such products in OAO Gazprom's operations; and
- pilot projects to introduce innovative resource-saving and industrial safety equipment and technologies.

Personnel

A highly professional team is *Gazprom's* vital competitive edge. The *Gazprom Group* stands out for its commitment to the continuous evolution of employee incentive schemes and ongoing training programmes, as well as for its sound social policy.

Gazprom Group complies with the fundamental rights and principles set forth in the International Labour Organisation conventions, such as:

- freedom of association and effective recognition of the right to collective bargaining;
- elimination of all forms of forced or compulsory labour;
- effective abolition of child labour; and
- elimination of discrimination in respect of employment and occupation.

Gazprom adheres to international standards on wages, hours and conditions of work, remuneration for work, social security, holidays with pay, occupational safety, etc.

In 2014, regulation of all social and labour relations within *Gazprom Group* was performed in accordance with the labour laws, the General Agreement between the National Associations of Trade Unions and Employers and the Russian Government, the Industry Agreement for Oil, Gas and Construction Companies, collective agreements, and local legal acts of *Gazprom Group's* companies.

HR management framework

The Human Resources Management Policy of OAO *Gazprom*, its Subsidiaries and Entities is the primary document governing the *Company's* personnel management.

The Policy treats employees as one of the *Company's* key strategic assets supporting its competitive edge and facilitating the successful achievement of its goals.

The Comprehensive Programme for Implementation of Human Resources Management Policy of OAO *Gazprom*, its Subsidiaries and Entities for 2011–2015 is aimed at further improving HR management practices. The Programme's goal is to set key priorities in developing human resources and implement initiatives to build a competitive, highly professional, responsible and close-knit team capable of delivering the *Company's* objectives in an efficient way.

Personnel structure

Gazprom Group is one of the major Russian employers. As of 31 December 2014, the *Group's* total headcount was 459,600 employees, remaining flat y-o-y.

Gazprom Group's personnel by Group companies as of 31 December 2014

1	2	3	4	5	6
1	1				
2	2				
3	3				
4	4				
5	5				
6	6				

Gazprom Group's personnel by category as of 31 December 2014

1	2	3	4
1	1		
2	2		
3	3		
4	4		

Gazprom Group's personnel by age as of 31 December 2014

1	2	3	4
1	1		
2	2		
3	3		
4	4		

The age profile of the *Group's* workforce is balanced, with 18% being under 30 years old and 26% aged 50+.

Employee turnover rates in *Gazprom Group* companies are low. For instance, during the reporting year, they were as low as 2.4% for subsidiaries, engaged in production, transportation, storage and processing of gas.

Professional growth and young talent management

Gazprom operates a further education scheme based on corporate educational institutions and aimed at upgrading employee skills to meet the ever growing operational and performance requirements, roll out new technologies and expand the *Group's* regional footprint.

Gazprom's personnel training and retraining practices allow the *Group* to efficiently manage its personnel's expertise and build up a talent pool capable of achieving innovative growth goals.

In 2014, 265,100 employees of *Gazprom Group* were trained under career enhancement and retraining programmes.

Managing the *Company's* talent pool is one of the top priorities to ensure its successful operation. These efforts are aimed at ensuring that vacant management positions are filled in a timely and orderly manner by highly skilled candidates with management competencies.

The talent pool includes some 14,000 candidates for leadership positions across all management levels. Candidates from the talent pool accounted for over 65% of all appointments to leadership roles.

Gazprom makes a special focus on young talent management.

The *Group's* companies rank among the most attractive employers for young people and undergraduates of major Russian universities (ranking 1st among the Top 100 most preferred employers according to Universum's survey of May 2014).

In 2014, *Gazprom Group* recruited over 2,409 young university and vocational school graduates. The *Group* provided internship and pre-graduation practice opportunities to 10,628 university, technical school and college graduates.

Gazprom has been implementing initiatives to create and improve an environment enabling high quality professional training of specialists in major lines of business. As of 31 December 2014, OAO *Gazprom* had cooperation agreements with some of the leading higher education institutions, including Gubkin Russian State Oil and Gas University, St. Petersburg State University of Economics, National Research Tomsk Polytechnic University, National Mineral Resource University (the University of Mines), Kazan National Research Technological University, Ukhta State Technical University, Federal State Budget Educational Institution of Higher Education M. V. Lomonosov Moscow State University, Bauman Moscow State Technical University, and National Research University Higher School of Economics.

Employee incentive scheme and remuneration

Gazprom Group's employee incentive scheme is a tool for attracting and retaining skilled professionals by offering employees competitive remuneration and recognition.

Current remuneration schemes link fixed salaries and pay rates to qualifications and business skills, and also provide for monthly performance bonuses, premiums and additional allowances for work scope and conditions, annual and ad hoc bonuses.

To assess how competitive its salaries are *Gazprom Group* regularly benchmarks them against the market using the findings of EY's Compensation and Benefits Surveys. *Gazprom Group's* benchmarking found that its salaries were in line with the market rate.

Social security and social partnership

OAO Gazprom's social policy gives the *Company* a competitive advantage, raises its profile in the employment market and aims at attracting highly skilled professionals and retaining them in the *Company* in the longer run.

The concept of social partnership that underlies the corporate social policy provides for various social payments, personal insurance, healthcare, housing and private (supplementary) pensions offered to employees.

The *Company* offers social protection and support to World War II veterans from among the pensioners on the books of OAO Gazprom, its subsidiaries and entities.

The key areas and pillars of the social policy are set out in the General Collective Agreement of OAO Gazprom and in general collective agreements of its subsidiaries.

The *Company* also runs a corporate housing programme to acquire young talent and retain key and young highly skilled employees. The programme is funded by both employees and the *Company* through bank mortgage lending facilities (using a co-financing approach).

Thus, the existing social policy is an effective tool to address employee incentivisation and performance improvement challenges.

Occupational Health

Providing safe and comfortable working environment for every employee is one of *Gazprom's* fundamental operating principles.

The following goals underpin OAO Gazprom's Occupational Health and Safety (OHS) Policy:

- create safe labour conditions and protect the lives and health of employees;
- ensure reliable operation of hazardous industrial facilities;
- reduce the risks of incidents at hazardous industrial facilities;

The Policy's key provisions are implemented via OAO Gazprom's existing Unified Occupational Health and Safety Management System, comprising a set of regulations, activities and guidelines that unify all workflows to promote a safe and healthy working environment. The organisational framework of the Unified Occupational Health and Safety Management System comprises OAO Gazprom, its major gas exploration, production, processing, transportation and underground storage subsidiaries, and its subsidiaries supporting the operation of the Russian UGSS, with a total headcount of 306,000 employees.

Occupational health and safety governance at OAO Gazprom is provided by the Deputy Chairman of OAO Gazprom's Management Committee in charge of OAO Gazprom's operations departments. In 2013, the *Company* set up OAO Gazprom's OHS Committee and OHS Administration.

In 2014, a certification audit of the Unified Occupational Health and Safety Management System was completed at OAO Gazprom's subsidiaries and its headquarters. Based on its results, the *Company* was issued a compliance certificate confirming that its Unified Occupational Health and Safety Management System was compliant with OHSAS 18001:2007 as regards gas, gas condensate and oil production, treatment, transportation, processing/refining, distribution, and storage operations. The certificate covers OAO Gazprom's headquarters and 26 subsidiaries and is valid until 8 December 2017. The total headcount of OAO Gazprom's and its subsidiaries' employees who successfully passed the certification process is 222,000 persons.

Pursuant to OAO Gazprom's Occupational Health and Safety (OHS) Policy, the *Company's* major commitments in this area include:

- reducing the number of emergencies and occupational injury and disease rates on an ongoing basis;
- ensuring the efficiency and continuous improvement of the occupational health and safety management system;
- prioritising actions and initiatives scheduled or being implemented to prevent the adverse impacts from operations on personnel and local population over the response actions required to mitigate such impacts;
- identifying, assessing and mitigating OHS risks;
- implementing OHS management solutions, techniques and tools;
- promoting pro-active involvement of the personnel in OHS activities;
- ensuring continuous improvement of OHS qualifications and competences;
- monitoring compliance with OHS requirements in operations;
- requiring that suppliers and contractors operating at the *Company's* facilities comply with the OHS standards and regulations used by OAO Gazprom.

OAO Gazprom's OHS objectives for 2014 were largely achieved. To make this success possible, in the reporting year, all subsidiaries within the organisational framework of the Unified Occupational Health and Safety Management System developed programmes to improve labour conditions and occupational safety and manage OHS risk exposures, as well as action plans to ensure occupational safety at hazardous industrial facilities.

OAO Gazprom's OHS objectives for 2014		
Objective	Target	Performance in 2014
Reduce the rate (Accident Frequency Rate, AFR) of occupational injuries caused by road accidents	AFR reduction in the <i>Company</i> for injuries caused by road accidents by 5% y-o-y	Target achieved. The number of injured in road accidents was reduced by 38.0%.
Reduce the rate (AFR) of occupational injuries caused by falls from height	AFR reduction in the <i>Company</i> for injuries caused by falls from height by 5% y-o-y	Target achieved. The number of injured due to falls from height was reduced by 38.6%.
Improve working conditions for employees	Reduction of the proportion of workplaces with harmful working conditions (the ratio of the number of workplaces with harmful working conditions to the total number of workplaces certified for safety) by 3% y-o-y	Target achieved. The proportion of workplaces with harmful working conditions was reduced by 19% y-o-y.
Reduce the occupational injury risk	Conformity to safety requirements for all workplaces classified as hazardous based on the results of workplace certification to assess the injury risk	Target achieved. Measures were developed and implemented to bring the existing workplaces classified as Injury Risk Class 3 in compliance with regulatory requirements. Post implementation review was carried out as part of workplace hygiene control procedures.
Ensure workplace compliance with hygiene regulations	Reduction in the number of workplaces classified as harmful on the basis of light and lighting by 20%	Target achieved. The number of workplaces classified as harmful on the basis of light and lighting was reduced by 29.2%.
	Reduction in the number of workplaces classified as harmful on the basis of indoor micro-climate by 5%	Target achieved. The number of workplaces classified as harmful on the basis of indoor micro-climate was reduced by 20.2%.
Improve OHS competences of the <i>Company's</i> employees	Prevention of injuries due to inadequate training	Target achieved. There were no accidents due to inadequate training.
Reduce the number of emergencies at hazardous industrial facilities	Reduction in the number of incidents at hazardous industrial facilities by 5% y-o-y	Target achieved. Incidents at OAO Gazprom's hazardous industrial facilities were reduced by 23.0% y-o-y.

A major OHS commitment by OAO Gazprom consists in reducing the number of emergencies and occupational injury and disease rates on an ongoing basis.

OHS activities carried out by the companies covered by OAO Gazprom's Unified Occupational Health and Safety Management System helped reduce the number of injured in occupational accidents from 230 to 85 people, with the number of emergencies at hazardous industrial facilities brought down from 16 to 8, and the number of incidents down from 140 to 53 between 2009 and 2014.

One of the most critical OHS commitments by OAO Gazprom is to require that suppliers and contractors operating at the facilities of OAO Gazprom and its subsidiaries comply with the OHS standards and regulations used by the *Company*. OAO Gazprom and its subsidiaries have in place access control and safe working practices regulations approved by the heads of OAO Gazprom's subsidiaries. The regulations govern contractor access to their premises and set out procedures for organising and carrying out contracted work on such premises. Contractors are informed of, and advised on the requirements of the Unified Occupational Health and Safety Management

System, as well as the identified risks and changes affecting safety, during induction briefings, at contract execution stage, and when issued permits to perform their tasks (permits-to-work, operations certificates).

Gazprom нефт Group benefits from an integrated management system compliant with OHSAS 18001, ISO 14001 and ISO 9001 international standards and covering both environmental security and occupational and health safety. *Gazprom нефт Group's* operations are aligned with the corporate Health, Safety and Environment (HSE) Policy and coordinated at the Corporate Centre level by the Occupational Safety Department. *Gazprom нефт Group* also has a Health, Safety and Environment Protection Board in place.

At *Gazprom energoholding*, occupational health and safety issues are addressed in line with the requirements of Russian laws and applicable statutory regulations. CEOs of generating companies are responsible for compliance with these requirements, while relevant activities are coordinated by Chief Engineers of subsidiaries and branches (power plants).

ОАО Gazprom's unified goals, operating principles and commitments are also generally reflected in *Gazprom нефтехим Salavat's* existing OHS Policy. They are implemented by the company in line with the requirements of federal, regional and industry-related laws and international standards. During the reporting period, the company deployed and enhanced its Occupational Health and Safety Management System based on OHSAS 18001:2007.

Environmental Protection

Gazprom is committed to sustainable development, which is inseparable from care about the environment. The Company has built an environmental management system compliant with ISO 14001:2004.

Events in the Year of Ecological Culture were held in more than 3,500 cities, towns and settlements in the regions where Gazprom Group operates, both in Russia and abroad.

Responsibility for environmental protection is essential for a continued and successful business growth, and a key element of *Gazprom Group's* business strategy. Being a major user of natural resources in Russia, *Gazprom* makes every effort to ensure strict compliance with Russian and international environmental protection laws, and goes beyond that by taking voluntary environmental commitments.

2014 was the Year of Ecological Culture at OAO Gazprom, launched to show the *Group's* commitment to sustainable development and support the Year of Culture in Russia. 56 of the *Group's* subsidiaries took part in the events held as part of the Year of Ecological Culture. More than 20,000 events were held, including 428 events involving NGOs. The total number of participants reached 362,700 persons.

Selected results of OAO Gazprom's Year of Ecological Culture

- 62,000+ of *Gazprom Group's* employees received environmental training.
- 974 tours and press tours of the *Group's* facilities held for members of the mass media, students and pupils.
- 641 environmental contests held for children and young people.

In regions:

- 11,600 ha of land cleared of rubbish and improved;
 - 11,700 tonnes of rubbish collected and removed;
 - 484 water bodies rehabilitated;
 - 170,000+ trees and shrubs, and 77,000+ flower-beds and flower gardens planted;
 - 42 specially protected natural areas of federal or regional significance provided with support.
-

Environmental management system

OAO Gazprom's Environmental Policy was approved by the Board of Directors in October 2011 and recommended for adoption to *Gazprom Group's* companies. The implementation of the Environmental Policy is managed by OAO Gazprom's Coordinating Committee for Environmental Protection and Energy Efficiency, exercising control over, and providing integrated assessment of, the *Company's* environmental activities.

The Environmental Management System (EMS) is a key tool to implement OAO Gazprom's Environmental Policy, integrating environmental protection management bodies of the parent company and 36 wholly-owned subsidiaries that are engaged in exploration, production, transportation, storage and processing of hydrocarbons are involved in investment activities to develop the Unified Gas Supply System.

OAO Gazprom's EMS was certified to ISO 14001:2004 in 2011. A recertification audit completed in October 2014 by DNV GL, a global independent certification body, confirmed the system's compliance with the standard's requirements.

New Corporate Environmental Targets were set for 2014 to 2016 under OAO Gazprom's EMS.

Achievement of OAO Gazprom's Corporate Environmental Targets in 2014

Corporate environmental target	Entities within the EMS scope	Change against the 2011 baseline
Reduction of methane emissions into the atmosphere (from GTS maintenance/repair operations)	All subsidiaries engaged in natural gas transportation	Down 7.3%
Reduction of specific emissions of nitrogen oxide into the atmosphere	All subsidiaries engaged in natural gas transportation	Down 10.5%
Reduction of waste and effluent water discharge into surface water bodies	All subsidiaries	Down 13.3%
Reduction of disposable waste share	All subsidiaries	Down 10.5%
Reduction of above-limit impact charges as an integral indicator of negative environmental impact	All subsidiaries	Up 97.5%*
Reduction of specific fuel & energy consumption for own operational needs	All subsidiaries engaged in natural gas transportation	Down 21.8%

* Down 26.6%, if the above-limit impact charges additionally charged for 2012–2013 to OOO Gazprom dobycha Noyabrsk are excluded.

A definite progress was achieved in 2014 against the 2011 baseline on five out of six Corporate Environmental Targets approved for OAO Gazprom for 2014–2016.

The overall performance against the target of reducing above-limit impact charges was dragged down by the charges imposed by government supervisory agencies following their inspection of OOO Gazprom dobycha Noyabrsk for the disposal of the drilling waste from drilling operations in 2012 and 2013.

In addition to OAO Gazprom, most companies of *Gazprom Group* have a certified EMS in place. These include OOO Gazprom energoholding and its subsidiaries (OAO Mosenergo, OAO OGK-2, OAO TGC-1), OAO Gazprom neft, OAO Gazprom neftekhim Salavat, Sakhalin Energy, OAO Severneftegazprom, and others.

Environmental performance

Total air pollution emissions made by Gazprom Group's stationary sources in Russia, were cut by 278,800 tonnes y-o-y due to the implementation of a set of initiatives by OAO Gazprom to reduce methane emissions from pipelining, underground storage and processing of natural gas; reduction of emissions from *Gazprom energoholding's* facilities due to reduced power generation; implementation of a range of technology solutions by *Gazprom neft* to improve the efficiency of APG utilisation at its fields; and implementation of programmes to reduce emissions from oil refining operations.

Gazprom Group's environmental impact indicators (Russian operations)

	2011	2012	2013	2014
Air pollution emissions, thousand tonnes	3,124.2	3,410.9	3,076.4	2,797.6
Waste water discharge into surface water bodies, mmcm	5,257.7	4,893.0	4,389.9	4,179.1
Waste generation, thousand tonnes	4,973.8	5,226.5	4,693.7	4,831.4
Area of land disturbed during the year, thousand ha	11.9	14.4	13.1	15.4
Area of land rehabilitated during the reporting year, thousand ha	11.6	9.7	14.0	12.6

The reduction of waste water discharge into surface water bodies across *Gazprom Group* was primarily due to reduced process water consumption at *Gazprom energoholding's* companies. *Gazprom Group* implemented a range of environmental protection measures focusing on sustainable use of water and addressing pollution of water bodies. In 2014, 102 waste water treatment systems were put into service, with an aggregate capacity of 1.37 mmcm per day. 7 water recycling systems, with an aggregate capacity of 547,510 m³ per day, were installed.

The volume of waste generation was up by 137,700 thousand tonnes due to increased drilling waste at *Gazprom нефт Group* and higher volumes of bottom ash waste at OAO OGK-2 as it increased the share of coal in its fuel mix.

Gazprom Group's subsidiaries and affiliates operating abroad are also conscious of their environmental footprint.

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See more in OAO Gazprom's
Environmental Report

Environmental protection costs

In 2014, *Gazprom Group's* current environmental protection costs in Russia (including operating expenses, service fees and overhaul costs) were almost flat y-o-y, totalling RUB 31.66bn.

Environmental protection costs (Russian operations), RUB bn

	2012	2013	2014
Total current environmental protection costs	24.65	31.46	31.66
Environmental operating costs and fees for environmental protection services	22.21	28.35	27.45
Overhaul costs for fixed capital assets used in environmental protection	2.44	3.11	4.21
Capital investments into environmental protection and sustainable use of natural resources	12.89	24.95	15.58
Negative environmental impact charges	1.56	2.95	1.75

Breakdown of Gazprom Group's current environmental protection costs in 2014 (Russian operations)

1	2	3	4	5
1	Ambient air protection and climate change prevention			15%
2	Waste water collection and treatment			45%
3	Waste treatment			20%
4	Protection and remediation of land, surface and ground waters			14%
5	Other activities			6%

In 2014, *Gazprom Group's* capital investments into environmental protection and sustainable use of natural resources in Russia totalled RUB 15.58bn. The reduction of environmental investments against 2013 was due to the completion of environmental activities under the Programme for the Construction of Olympic Venues and Development of Sochi as a Mountain Climatic Resort. The 2014 investment mix was dominated by investments in protection and sustainable use of water and ambient air protection, accounting for 41% and 31% of the total, respectively.

Gazprom Group's capital investments into environmental protection and sustainable use of natural resources in 2014 (Russian operations)

1	2	3	4	5	6
1	Protection and sustainable use of water			41%	
2	Ambient air protection			31%	
3	Protection and sustainable use of land			19%	
4	Production waste utilisation and processing systems			5%	
5	Waste utilisation, neutralisation and disposal facilities and sites			3%	
6	Other areas			1%	

In 2014, *Gazprom Group* paid RUB 1.75bn of negative environmental impact charges to different level budgets in the Russian Federation. The 41% decrease in the amount of charges paid against 2013 was due to the initiatives implemented by *Gazprom нефть Group* to improve APG utilisation at its sites.

Being the most significant aspect of *Gazprom Group's* environmental footprint, air pollution emissions and disposal of production and consumption waste represent the biggest share of the said charges.

Gazprom Group's negative environmental impact charges in 2014 (Russian operations)

1	2	3	
1	Charges for air pollution emissions		50%
2	Charges for discharge of pollutants into water bodies		8%
3	Charges for disposal of production and consumption waste		42%

In addition, *Gazprom Group* funded environmental activities and paid negative environmental impact charges to the national budgets in foreign countries where it operates.

In 2014, a total of 451 state inspections of *Gazprom Group's* entities were held. A total of 416 irregularities were revealed, of which 329 (79%) did not pose any environmental threat and no fines or penalties were imposed. Remedial actions are taken within prescribed timelines to eliminate identified irregularities. During the reporting period, 323 such irregularities were rectified.

In 2014, supervisory authorities imposed a total of RUB 16.3mm of fines, including RUB 10mm imposed on *Gazprom нефт Group's* companies. Out of the said RUB 10mm of fines against *Gazprom нефт Group's* companies RUB 4.8mm were levied against OAO Gazpromneft — Moscow Refinery based on the results of inspections by the Federal Supervisory Natural Resources Management Service (Rosprirodnadzor), the Russian Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor), and the Moscow Inter-District Environmental Prosecutor's Office. The fines were imposed on the refinery as part of the efforts to address the problematic environmental situation in Moscow. The court dismissed as unlawful some of the fines, totaling RUB 1mm, and another RUB 1.3mm of fines are currently being appealed in court (and have not been paid).

In 2014, *Gazprom Group's* companies paid RUB 17.7mm of fines, including RUB 10.9mm for irregularities identified during the reporting period and RUB 6.8mm for previous years.

Corporate Climate Policy

OAO Gazprom's efforts to reduce its climate footprint are guided by Russia's Energy Strategy to 2030, the Russian State Environmental Protection Programme 2012–2020 and the Climate Doctrine of the Russian Federation.

Reduction of greenhouse gas emissions is an essential part of OAO Gazprom's corporate strategy. It helps the *Company* maintain top scores in global sustainability ratings and contribute to the achievement of the national target of no more than 75% from the 1990 emissions level by 2020, approved by Russia President's Executive Order No. 752 dated 30 September 2013.

In 2014, greenhouse gas emissions at facilities of OAO Gazprom and its wholly-owned subsidiaries engaged in exploration, production, transportation, storage and processing of hydrocarbons totalled 110.7 mm tonnes of CO₂ equivalent. The emissions reduction was driven by a decrease in the natural gas consumption in compression process, more efficient use of fuel and energy resources (FER) and the implementation of other energy-saving initiatives.

Greenhouse gas emissions at facilities of OAO Gazprom and its wholly-owned subsidiaries, mm tonnes of CO₂ equivalent

2012	123.8
2013	122.2
2014	110.7

Every year, OAO Gazprom submits to Roshydromet (Federal Service for Hydrometeorology and Environmental Monitoring of Russia) the results of a quantitative assessment of its annual greenhouse gas emissions for the government agency to compile Russia's National Greenhouse Gas Inventory in line with the requirements of the United Nations Framework Convention on Climate Change (UNFCCC) and Russian laws. OAO Gazprom is involved in preparing materials for Russia's National Communications on Greenhouse Gas Emissions.

Since 2009, OAO Gazprom has participated in the Carbon Disclosure Project (CDP), a global investor-backed initiative. Starting from 2013, OAO Gazprom reports more measures and provides additional data on indirect greenhouse gas emissions in its responses to CDP's questionnaires.

The *Company* significantly improved its rankings in the CDP's ratings for the Energy Sector companies vs 2009. In 2011–2014, OAO Gazprom obtained the best scores among Russian oil and gas companies.

Gas flaring reduction projects can greatly contribute to GHG emissions reduction in the oil and gas sector.

OAO Gazprom's greenhouse gas stocktaking system complies with national and international requirements.

The greenhouse gas stocktaking system was also implemented in *Gazprom Group's* subsidiaries such as *Gazprom energoholding*, *Gazprom нефт Group*, and others.

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Detailed information is presented in "Exploration and Production" section.

Environmental requirements to suppliers and contractors

One of the tools to implement OAO Gazprom's Environmental Policy is to factor in environmental aspects when developing technology, material, equipment and contractor services procurement policies.

To ensure environmental safety during construction and operation of production facilities, the *Group's* companies apply most stringent environmental standards to their contractors.

When executing a contract agreement, OAO Gazprom's Environmental Policy and the customer's environmental policies are communicated to the contractor.

Gazprom Group's subsidiaries impose environmental protection responsibilities on contractors in their contracts.

Contractors' environmental activities are monitored as part of existing industrial environmental controls, as well as through the monitoring efforts of the *Company's* Environmental Inspectorate.

Assessment of *Gazprom Group's* environmental performance by stakeholders

Based on the results of the implementation of the plan of activities held as part of OAO Gazprom's Year of Ecological Culture, *Gazprom Group's* entities received more than 350 recognitions including letters of acknowledgement, letters of commendation, and diplomas from stakeholders including government agencies and local authorities, NGOs, universities and schools. *Gazprom's* support for the promotion and development of environmental education and culture in Russia was highly praised by the Federal Supervisory Natural Resources Management Service's Administration in its letter addressed to Alexey B. Miller, Chairman of OAO Gazprom's Management Committee.

A recertification audit completed in 2014 by DNV GL, a global independent certification body, confirmed that OAO Gazprom's EMS met the requirements of ISO 14001:2004 (Compliance Certificate No. 107826-2011-AE-RUS-FINAS, valid until 31 December 2017).

According to a survey by EY, an audit partner, in 2014, OAO Gazprom was ranked as Russia's best energy sector company in the CDP's ratings on corporate climate change reporting and strategy.

Public consultations are mandatory under Russian laws for most of OAO Gazprom's investment projects; however there are no statutory requirements as to the procedure for such consultations. To close this gap in the legal framework, in 2014, a corporate standardisation instrument was drafted, containing recommendations on holding public consultations and public hearings to discuss environmental impact assessment reports related to planned business activities.

A pilot environmental rating project was run in Russia in 2014 at the initiative of WWF Russia and CREON Energy, a Russian advisory firm, with the participation of the National Rating Agency. The *Group's* companies participated in the project among 19 major players of the Russian oil and gas sector. The participants' environmental performance was compared in three categories: "Environmental Management", "Environmental Impact" and "Disclosure/Transparency". Sakhalin Energy and OAO Gazprom were among the winners, ranking No. 2 and No. 3, respectively. Sakhalin Energy won in the "Environmental Management" and "Disclosure/Transparency" categories, while OAO Gazprom was ranked second in the "Disclosure/Transparency" category.

OAO Gazprom is the only company in Russia that has drafted its internal standard covering public hearing procedure.

Energy Saving and Efficiency

Gazprom is committed to consistent reduction of energy consumption for own needs. By leveraging state-of-the-art energy saving technology the Company pursues cost optimisation and make an additional contribution to environmental conservation efforts.

Gazprom pursues a policy of energy saving and improving energy efficiency of its production processes across all operations. The energy efficiency targets of OAO Gazprom and its major subsidiaries involved in production, transportation, processing, and underground storage of gas are set out in the OAO Gazprom's Energy Saving and Energy Efficiency Improvement Concept for 2011–2020, approved by the Company's Board of Directors. The Concept sets out the following key objectives of the energy saving policy:

- maximum realisation of energy-saving potential across all types of operations based on the government-supported energy-saving policy of OAO Gazprom and improvements to the energy management system;
- improving energy efficiency of OAO Gazprom's subsidiaries and entities through the use of advanced technologies and equipment;
- reduction of the environmental impact of operations;

Mid-term and short-term energy saving and energy efficiency programmes are developed to ensure progress towards corporate targets. The goal of the 2014 programme was to improve the energy efficiency of primary and auxiliary production processes by implementing economically sound energy-saving initiatives, reduce energy intensity, and cut the costs of the fuel and energy component in the production costs, with the savings target set at 2.01 mm t c.e. of fuel and energy resources (FER). The energy-saving initiatives implemented during the reporting year gave savings of 2.48 mm t c.e., exceeding the target by 23%.

The energy-saving initiatives implemented in the reporting year helped exceed the FER savings target by 23%.

FER savings breakdown by segment in 2014

Activity	Natural gas, mcm	Electric power, thousand kWh	Thermal energy, Gcal
Gas, condensate, and oil production	289,173.0	9,925.7	15,799.0
Gas transportation	1,740,911.1	206,591.3	64,726.7
Underground gas storage	14,036.3	2,221.5	–
Gas, condensate, and oil processing/ refining	17,021.5	27,641.2	153,276.3
Gas distribution	9,595.6	8,234.1	3,367.4
Total	2,070,737.4	254,613.8	237,169.4
Total, thousand t c.e.	2,360.4	82.8	33.9

Reduced gas consumption for operational needs, GTS upgrades and improvements to GPUs technical condition through repairs accounted for more than 75% of the total reduction of energy consumption in gas transportation, which is the *Company's* most energy-intensive activity.

The goal of the mid-term Energy Saving and Energy Efficiency Programme for 2014–2016 is to further improve the energy efficiency of primary and auxiliary production processes by implementing economically sound energy-saving initiatives, reduce energy intensity, and cut the costs of the fuel and energy component in the production costs.

Companies of *Gazprom нефт*, *Gazprom energoholding* and *Gazprom neftekhim Salavat* are not included in OAO Gazprom's Energy Saving Programme. In accordance with applicable laws, these companies develop their own energy saving and energy efficiency programmes. These programmes are guided by the general principles underpinning *Gazprom Group's* energy saving and energy efficiency policy, which are based on applicable federal laws.

Social Projects

Due consideration for public interest is a guiding principle for *Gazprom's* operations. Living up to its reputation as a socially responsible business, *Gazprom* builds sports and cultural facilities in the regions where it operates, promotes and provides support to sports, science and arts.

OAO Gazprom focuses its sponsorship and charity efforts on such areas of public life as sports, culture, education, and science. The *Company* supports projects that aim to revive national values.

OAO Gazprom's corporate sports events and festivals

Spartakiads

OAO Gazprom holds its annual Spartakiad with the primary goals of promoting healthy lifestyles, and physical and moral strength among employees of OAO Gazprom's subsidiaries and entities, and their children, as well as sharing experience in physical education and mass sports, and maintaining athletic traditions.

The games take place in cities where OAO Gazprom's subsidiaries operate.

The landmark winter games took place in Yekaterinburg from the 1st through the 8th of March 2014. During the week, athletes competed in six sports at eight sports facilities in Yekaterinburg for more than a hundred sets of awards. Adults competed for medals in cross-country skiing, polyathlon, indoor soccer, table tennis and shooting sports. The children's Spartakiad programme included cross-country skiing, ice hockey, table tennis, and indoor soccer. The games brought together 20 adult and 11 children's teams representing 22 subsidiaries of OAO Gazprom.

The 10th Winter Spartakiad brought together 20 adult and 11 children's teams representing 22 subsidiaries of OAO Gazprom.

Flare corporate festival

Gazprom's corporate festival Flare that brings together groups of amateur performers and individual amateur performers from among the staff of OAO Gazprom's subsidiaries and entities has been held since 2003. Best performers are selected during the first round and proceed to the semi-finals. In 2014, the semi-finals (southern zone) took place in October, in Belgorod, and were attended by about 1,500 participants from 19 subsidiaries of OAO Gazprom. Flare's qualifying competition (northern zone) that took place in Khanty-Mansyisk also hosted more than 1,500 participants and guests from 18 subsidiaries of OAO Gazprom.

The Festival's finals are scheduled to be held in May 2015, and will be attended by representatives of 37 of OAO Gazprom's subsidiaries.

Flare is a platform enabling all employees of the *Gazprom Group* and their children to demonstrate their skills, share experience and obtain invaluable guidance from prominent musicians.

A. Permiakova (the Festival's presiding judge, a People's Artist of Russia, a winner of the Russian Government's award, a member of the Presidential Council for Culture and Arts Presidium, Professor, and the Director of the Pyatnitsky Russian Folk Chorus), S. Popov (President of the Russian Dance Union, Vice President of the World DanceSport Federation), S. Milshtein (a member of the International Trumpet Guild), G. Apanayeva (the Administrator and Art Director of the Igor Moiseyev State Academic Folk Dance Ensemble), A. Yarmolenko (the Art Director of the Belarus honoured pop group Syabry), I. Zhiganov (the Art Director of the children's musical theatre Domisolka) shared their skills with Flare's participants.

Flare has outgrown the format of amateur acts. Its level is so high that some of its participants have already moved on to the professional stage.

The contest has three age categories: 5 to 10, 11 to and including 16, and 17+. The Festival's programme comprises vocal performances (folk, pop, classic and jazz vocal), choreography (folk, pop, ballroom and classic dancing), performances of vocal-instrumental and musical ensembles, circus/variety shows and entertainment shows, folklore, and the Young Artist Contest.

Support for children and young people

Gazprom for Children programme

Being aware of the central role that the younger generations will play in the country's future development, the *Group* places particular emphasis on projects providing support for children and young people. The Gazprom for Children programme is OAO Gazprom's key social responsibility project. It aims to create a favourable environment for harmonious intellectual, cultural and physical development of children and young people and get as many of them as possible into sports and arts.

The Programme has covered 73 Russian regions since 2007. As part of the Programme, 1,194 sports and cultural facilities, worth a total of RUB 27.8bn, were built or renovated in 2007–2014. A total of about RUB 1bn was spent over the period on charitable projects to promote children's sports and arts, purchase sports equipment, and launch sports clubs and classes.

In 2014, the *Company* continued providing sponsorship support to Children's Radio, Russia's only radio station broadcasting exclusively children's content.

Support for culture and arts

The Masters of World Performing Arts musical and educational project

The Masters of World Performing Arts musical and educational project was run as part of Russia's Year of Culture with the support of OAO Gazprom and GDF SUEZ of France. Prominent world musicians such as the French Parisii String Quartet and Russian Rachmaninov Trio gave their concerts at the State Hermitage Museum (Saint Petersburg), State Tretyakov Gallery (Moscow), and Opera and Ballet Theatre of Primorye (Vladivostok).

Sponsorship support for classical music concerts

With OAO Gazprom's sponsorship support, classical music concerts were given by prominent Russian and foreign musicians in Saratov, Astrakhan, Yekaterinburg and Novosibirsk, with renowned performers hosting master classes for conservatory and music school students.

OAO Gazprom's Arts Festival

In addition to collaboration on energy projects, OAO Gazprom and China's CNPC have successfully cooperated on cultural and sponsorship projects. OAO Gazprom and CNPC's Arts Festival has been one of the highlights among cultural exchange projects since its inception in 2007. The idea behind the Festival was to establish cross-cultural communications between Russia and China, and facilitate mutual exposure to each other's traditions of national cultures.

Flare Festival's winners have already performed in previous years in Beijing, Lanfang, Xi'an, Dalian and Shanghai. CNPC's performing groups, in their turn, have repeatedly taken part in Flare's events held in Gelendzhik and also performed in Vitebsk, Belarus. 2014 Arts Festival was held in Chengdu, China. The Festival hosted multiple concerts and master classes in singing and dancing.

Support for sports

Collaboration with sports federations

In 2014, the *Company* continued its close collaboration with sports federations. OAO Gazprom acts as the principal sponsor of the All-Russian Rhythmic Gymnastics Federation, Volleyball Federation of Russia, Russian Chess Federation, Russian Biathlon Union, Russian Canoe Federation, Russian Olympic Committee. The *Company* also continued to sponsor equestrian sports events, which sponsorship started in 2011. The *Company's* financial support has also contributed to the success of the annual Nord Stream Race regatta and covered a number of projects run by the Saint Petersburg Yacht Club.

Gazprom's partnership with UEFA Champions League

Gazprom is an official partner of the 2012–2015 UEFA Champion League. This tournament is one of Europe's most prestigious and spectacular competitions. The *Group's* positioning as the League's sponsor is an excellent opportunity to promote its positive image with its European partners and consumers not only as a global energy company but also as a socially responsible business. Furthermore, the event provides an excellent platform to highlight advertising and social responsibility projects through wider media exposure.

Football for Friendship social responsibility project for children

Under the sponsorship contract with the UEFA Champions League, *Gazprom Group* has run Football for Friendship, an international social responsibility project for children pursued as part of the Gazprom for Children programme. The project aims at promoting friendship between children from different countries, fostering tolerance and promoting the principles of equality and healthy lifestyles among children and young people via their love of football. Franz Beckenbauer, a world football legend, is the project's Global Ambassador.

Since early 2014, the *Company* has involved more than 50,000 children and adults from around the world in the initiatives pursued under the project. These include world football stars, European national football federations, officials from various countries, and international mass media.

In 2014, the Second International Children's Forum held as part of *Gazprom's* Football for Friendship global social project took place in Lisbon, Portugal. The event was attended by more than 450 children and teenagers from 16 European countries: Belarus, Bulgaria, UK, Hungary, Germany, Italy, the Netherlands, Poland, Portugal, Russia, Serbia, Slovenia, Turkey, Ukraine, France, and Croatia.

Gazprom's contribution to the construction of Olympic infrastructure and the use of Olympic venues after the 22nd Winter Olympics

Gazprom Group was actively involved in the construction of new sports, power generation and tourist facilities in Sochi.

In 2014, the Olympic infrastructure passed the ultimate test of providing the 2014 Winter Olympics and Paralympics with high quality sports venues and offering a magnificent show to spectators and sports fans from around the world.

Major facilities included in *Gazprom Group's* Olympic Programme, such as the Dzhubga — Lazarevskoye — Sochi gas pipeline, the Adler TPP, a shared skiing and biathlon venue, the mountain Olympic Village for athletes, a motorway to the top of the Psekhako Ridge, and others, had been commissioned by 2014.

The Dzhubga — Lazarevskoye — Sochi gas pipeline ensured reliable and uninterrupted gas supply to Sochi. The natural gas transported via the new pipeline is used by the Adler TPP to generate heat and power. The TPP covered more than a third of the peak load on Sochi's power grid in 2014 and ensured uninterrupted power supply during the Olympics and Paralympics.

The shared complex constructed at the Psekhako Ridge is the first and so far the only Russian skiing and biathlon venue in middle altitude mountains. The mountain Olympic Village at the top of the Psekhako Ridge is uniquely close to the competition and training venue and offers high comfort to athletes. These venues were highly acclaimed by teams, organisers, sports experts, and spectators during the sports events.

Participants and guests of the 2014 international competitions were also welcomed at OAO Gazprom's ski resort Gazprom Mountain Resort, which offered its facilities at the top and the foot of the Psekhako Ridge, including motorways and aerial lifts, hotels, restaurants, fitness centres, and Galaktika entertainment centre featuring an ice rink, a water park, a congress hall, and movie theatres.

After the end of the Games, all sports and tourist facilities were prepared for post-Olympic use.

In 2014, the skiing and biathlon venue was used as a training base for Russian athletes, with team training camps operating both in winter and in summer as the main runs enabled training using roller skis.

The 1,100-capacity mountain Olympic Village designed for skiers and biathlons now operates as Polyana 1389 Hotel & Spa.

Charitable support

In 2014, financial support was provided to children's educational institutions and boarding schools to purchase furniture, appliances, clothes. Significant charitable support was provided to socially vulnerable groups for their members to receive medical treatment and purchase medicines and special medical equipment.

During the reporting year, the *Group* dedicated considerable resources to support disabled or orphaned children and financially disadvantaged or large families. On New Year's and Christmas eve, OAO Gazprom held a charitable event for a thousand children from financially disadvantaged or large families, boarding schools and orphanages.

To celebrate the forthcoming 70th anniversary of Victory in World War II preparations are underway for a charitable project to support Eternal Flame Memorials in Russia's Hero Cities and Cities of Military Glory. Simultaneously, as part of the Sacred Duty all-Russia initiative, gas distribution companies performed maintenance and repair on gas equipment at 1,202 gas systems fuelling Eternal Flame Memorials in 1,097 locations across Russia.

Support for the Russian Orthodox Church

In 2014, as part of its support for the Russian Orthodox Church, the *Company* provided funds to finance renovation and restoration projects pursued by the Church in a number of Russian regions, including on the Stauropegial Convent of St. John the Baptist, Saint Petersburg. Construction of a cathedral in Salekhard was launched with OAO Gazprom's support. During the reporting year, the *Group* also continued support to the Charity Foundation for the Restoration of the New Jerusalem Resurrection Stauropegial Monastery.

Sponsorship support for international forums

Over the recent years, OAO Gazprom has also been a sponsor of the Saint Petersburg International Economic Forum and the Sochi International Investment Forum.

OAO Gazprom focuses strongly on the quality of corporate governance. The *Company* continuously works to improve its corporate governance based on best international practice.

Corporate governance development in OAO Gazprom in 2014

- OAO Gazprom's shares were included on the first (top) level quotation list of Russian ZAO Micex Stock Exchange and OAO Saint-Petersburg Exchange. The first (top) level quotation lists were aligned to the new listing rules.
 - OAO Gazprom was listed on the Singapore Exchange.
 - Regulation on OAO Gazprom's Key Performance Indicators was approved (resolution of OAO Gazprom's Board of Directors dated 21 October 2014). The Regulation defines the metrics and framework of key performance indicators (KPIs), as well as the main KPI groups, and KPI-related objectives, targets and requirements. The Regulation also establishes KPIs to assess the performance of OAO Gazprom's management, incentivise members of the *Company's* Board of Directors and inform HR decisions. This group of KPIs included, inter alia, such metrics as Total Shareholder Return (TSR) and Return on Equity (ROE).
 - As part of the efforts to increase transparency of OAO Gazprom's operations, in 2014, the deadline for circulating information materials to shareholders ahead of the annual General Shareholders Meeting was extended (in 2013, the period was extended from 20 to 30 days ahead of the meeting, and in 2014, to 37 days before the meeting).
 - The Corporate Ethics Commission of OAO Gazprom started its operation. The *Company's* management signed up to the Code of Corporate Ethics of OAO Gazprom; arrangements were made to implement certain Code sections with respect to relatives working together, interaction with competitors and counterparties, and the Commission's procedures for resolving conflict of interest situations of sole executive bodies of entities controlled by the *Company*.
 - Initiatives were completed to launch a Hotline to report incidents of perceived fraud, corruption or theft in *Gazprom Group*.
 - Disposal of non-core/non-performing assets was performed. The total actual revenue received by OAO Gazprom and its subsidiaries from disposal of non-core/non-performing assets in 2014 was RUB 16.08bn including RUB 11.36bn from non intra-group transactions.
 - OAO Gazprom initiated and completed independent corporate governance audits in its subsidiaries whose shares are publicly traded in a regulated securities market and/or who publicly offer(ed) their bonds or other securities. The audit raised the issue of development of a phased action plan to build an optimal corporate governance model, reflecting the *Company's* specifics. Audit results were reviewed at a meeting of OAO Gazprom's Board of Directors.
 - OAO Gazprom's regulations governing the internal control system were refined in terms of the system's operating principles, and key control procedures were defined.
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Corporate Governance Framework of OAO Gazprom

Corporate governance principles

Core corporate governance principles are set forth in the Code of Corporate Governance (Behavior) of OAO Gazprom approved by its General Shareholders Meeting on 28 June 2002.

The *Company's* corporate governance is primarily aimed at ensuring full respect of the rights of all OAO Gazprom's shareholders. Key corporate governance documents of OAO Gazprom rely on fair treatment of shareholders, protection of their rights and interests regardless of their shareholdings.

Key documents of OAO Gazprom to protect shareholder rights

- Articles of Association of Open Joint Stock Company Gazprom (amended in 2014);
 - Code of Corporate Governance (Behavior) of OAO Gazprom;
 - Code of Corporate Ethics of OAO Gazprom (amended in 2014);
 - Regulation on the General Shareholders Meeting of OAO Gazprom;
 - Regulation on the Board of Directors of OAO Gazprom (amended in 2014);
 - Regulation on the Board of Directors' Audit Committee of OAO Gazprom (amended in 2014);
 - Regulation on the Management Committee of OAO Gazprom;
 - Regulation on the Chairman of OAO Gazprom's Management Committee;
 - Provision on the Audit Commission of OAO Gazprom;
 - Regulation on the Internal Control System of OAO Gazprom (amended in 2014);
 - Procedures for Documenting of Proposals and Requests of Shareholders Related to the Convocation of the General Shareholders Meeting;
 - Dividend Policy of OAO Gazprom;
 - Regulation on Information Disclosure of OAO Gazprom;
 - Procedure for Shareholders' Familiarisation with Information on OAO Gazprom;
 - OAO Gazprom's Regulation on Control of Compliance with the Laws on Countering the Unlawful Use of Insider Information and Market Manipulation.
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These documents are available on the website of OAO Gazprom: <http://www.gazprom.ru/investors/documents/> and <http://www.gazprom.com/investors/documents/>

In accordance with the Code of Corporate Governance (Behavior) of OAO Gazprom, the *Company* undertakes to develop corporate conduct rules based on the following principles:

- exercise of the rights of all shareholders attaching to their shareholdings in OAO Gazprom;
- strategic governance by the Board of Directors and its effective supervision over executive bodies, and the Board of Directors accountability to the General Shareholders Meeting;
- reasonable and good faith management of day-to-day operations by executive bodies accountable to the Board of Directors and General Shareholders Meeting;
- prompt disclosure of information about the *Company*, including its financial position, performance, ownership and governance structure;
- effective supervision over financial and operating performance;
- statutory rights of the *Company's* employees, development of partnerships between the *Company* and its employees to resolve social issues and regulate working conditions;
- active cooperation with investors, lenders, and other stakeholders to expand the *Company's* assets and increase the value of OAO Gazprom's shares and other securities.

It is the *Company's* concern to improve corporate governance in its subsidiaries and affiliates and to make their operations open and transparent, as well as to implement core principles set forth in the Code of Corporate Governance (Behavior) of OAO Gazprom.

The *Company* also strives to adhere, to the fullest possible extent, to national and international corporate governance principles. The *Company* offers its shareholders and investors alternative solutions to protect their rights and legitimate interests, as aligned with corporate profiles (vertical integration, business diversification and shareholding structure). Individual aspects of joint-stock company operations are fully governed by Russian laws making it unnecessary to detail them in internal regulations of OAO Gazprom.

Corporate governance structure

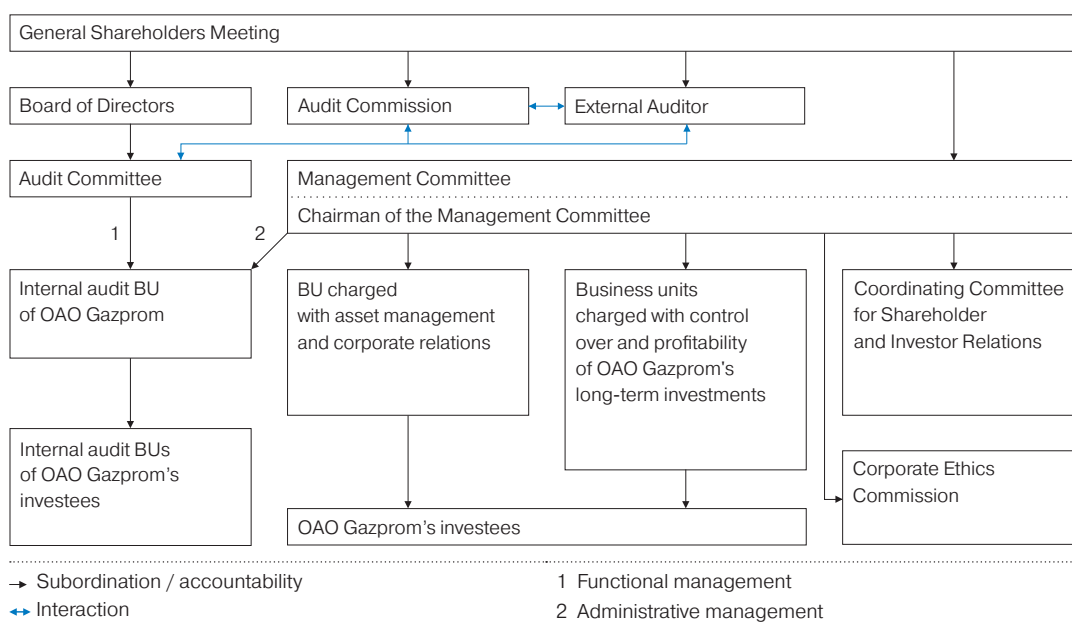
OAO Gazprom's corporate governance pillars include management and supervisory bodies: the General Shareholders Meeting, Board of Directors, Management Committee, Chairman of the Management Committee and Audit Commission. The *Company's* financial and business performance is independently reviewed by an external auditor.

Corporate secretary functions are distributed among OAO Gazprom's business units according to their scopes of authority. Most such functions are vested in the Board of Directors' Secretariat that ensures smooth operation of the Board and its committees and commissions, the Administration of the Management Committee, and the business unit charged with asset management and corporate relations.

Supervision of subsidiaries' and affiliates' performance in different business lines is the responsibility of various business units of OAO Gazprom depending on their competence. The business unit charged with asset management and corporate relations is responsible for coordination of, and organisational and methodological support to representatives of OAO Gazprom and its subsidiaries in management bodies of its investees.

In order to maintain a transparent and constructive dialogue with the investment community, OAO Gazprom has established the Coordinating Committee for Shareholder and Investor Relations. The Committee is led by A. V. Kruglov, Deputy Chairman of the Management Committee and Head of Department. The Committee also includes heads of business units responsible for development and implementation of the relevant strategy. Relations with the investment community are governed by the annual plan of the Coordinating Committee.

OAO Gazprom's Corporate Governance Structure



Major and interested-party transactions

In 2014, OAO Gazprom closed no transactions treated as major transactions under the applicable laws of the Russian Federation.

For OAO Gazprom's transactions closed in 2014 which are treated as interested-party transactions under the applicable laws of the Russian Federation and approved by resolutions of the annual General Shareholders Meeting on 28 June 2013 and 27 June 2014 and the Board of Directors, see the Additional Information section of this Report. All transactions approved by the General Shareholders Meeting and the Board of Directors are in furtherance of the *Company's* business and its corporate interests.

Assessment of OAO Gazprom's Corporate Governance Framework compliance with the Russian Code of Corporate Governance

In November 2014, OAO Gazprom's current corporate governance standards were benchmarked against provisions of the Code of Corporate Governance approved by the Board of Directors of the Central Bank of the Russian Federation on 21 March 2014 (the "Russian Code of Corporate Governance", the "Code").

The benchmarking showed that OAO Gazprom's corporate governance practice largely complied with recommendations of the Russian Code of Corporate Governance. The compliance was also confirmed by an independent comprehensive corporate governance practice audit carried out by qualified professionals.

Results of an independent corporate governance practice audit of OAO Gazprom

The independent audit results prove that OAO Gazprom's ownership structure is transparent, rights and responsibilities of the *Company's* shareholders are clearly defined in the Articles of Association and other internal regulations, the *Company's* shareholders have equal votes, and their voting rights are properly protected. Procedures for convocation, preparation, conduct and closing of General Shareholders Meetings are complied with. Dividends are paid in strict accordance with the laws, protection against asset value dilution is in place. The *Company* timely discloses information required by the laws and internal regulations. Information disclosure is governed by provisions of internal regulations which are put into practice. OAO Gazprom upholds equal disclosure of information to all stakeholders. Moreover, the *Company* has a Coordinating Committee for Shareholder and Investor Relations. OAO Gazprom manages shareholder, investor and analyst relations by hosting various events, such as forums, conferences, etc. Interested-party transactions are approved in accordance with the laws and the Articles of Association.

However, a number of principles and recommendations of the Russian Code of Corporate Governance that are treated as key principles and recommendations under the below described methodology, are not partially or fully complied with at OAO Gazprom.

Methodology of assessment of compliance with the Russian Code of Corporate Governance

Key provisions of the Code include principles and recommendations that correspond to the mandatory requirements of the Russian stock exchanges (ZAO Micex Stock Exchange and OAO Saint-Petersburg Exchange) applicable to issuers' corporate governance framework for the purposes of inclusion of their shares in the first (top) level quotation list (mandatory for OAO Gazprom to maintain its listing level on the said stock exchanges).

Summary of the instances of non-compliance of OAO Gazprom's corporate governance practice to some of the key recommendations of the Russian Code of Corporate Governance

Code's principles and recommendations	OAO Gazprom's corporate governance practice
It is recommended that independent directors account for at least one third of the elected members of the board of directors (section 2.4.3 of the Code).	Current Board of Directors of OAO Gazprom (11 members) was elected by the General Shareholders Meeting on 27 June 2014 as proposed by the shareholders. The Board of Directors includes two independent directors who meet the independence criteria set by the Code (T. A. Kulibaev and V. A. Musin).
For preliminary discussion of matters referring to supervision over financial and operating performance of a company, it is recommended to set up an audit committee consisting of independent directors (section 2.8.1 and 173 of the Code).	The <i>Company</i> partially complies with the principle and recommendation. OAO Gazprom has an Audit Committee at the Board of Directors consisting of three members. The Committee is led by V. A. Musin, an independent director, while other directors are not independent directors in the meaning of the independence criteria set by the Code.
It is recommended that the principal tasks of the audit committee in countering unfair practices of employees or third parties include monitoring of efficient operation of the system of reporting potential bad-faith practices of employees or third parties or other bad faith conduct in the company (section 172 of the Code).	The Regulation on the Board of Directors' Audit Committee of OAO Gazprom does not include such task (function). However, the <i>Company</i> has the Code of Corporate Ethics of OAO Gazprom in place (current version approved by resolution of OAO Gazprom's Board of Directors No. 2309 dated 25 February 2014); Corporate Ethics Commission of OAO Gazprom was set up and operates with its operating procedures approved by OAO Gazprom's Order No. 59 dated 11 February 2014. The Corporate Ethics Commission addresses matters related to present (potential) conflict of interest of the <i>Company's</i> employees or third parties. The Code of Corporate Ethics of OAO Gazprom provides for a procedure for a conflict of interest disclosure by an employee to his/her immediate superior and the procedure for escalating the matter to the Corporate Ethics Commission of OAO Gazprom.
For preliminary discussion of matters referring to efficient and transparent remuneration practice, the Code recommends to set up a remunerations committee consisting of independent directors and led by an independent director who is not the chairman of the board of directors (section 2.8.2 and 179 of the Code). For preliminary discussion of matters referring to talent management (succession planning), qualified staff and efficient performance of the board of directors, it is recommended to set up a committee for nominations (appointments, HR) where most members should be independent directors (section 2.8.3 of the Code). Where setting up a separate nominations committee is not practical, its functions may be charged to any other committee at the board of directors, i.e. a corporate governance committee or remunerations committee (section 185 of the Code).	The Code of Corporate Governance (Behavior) of OAO Gazprom (approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting on 28 June 2002) provides for a nominations and remunerations committee at the Board of Directors, however no such committee is currently in place. However, the <i>Company</i> runs efficient talent management and management incentive programmes that help recruit employees whose professional skills and performance qualities are necessary for OAO Gazprom to achieve its goals and objectives.
The corporate secretary shall ensure efficient ongoing shareholder relations, coordination of shareholder rights and interests protection initiatives, and support efficient performance of the board of directors (section 3.1 of the Code).	Due to a large number of matters related to the preparation and holding by OAO Gazprom of corporate events, large scale and complicated nature of the related matters, and importance of such decisions for the <i>Company</i> , its counterparties, shareholders, investors, and other stakeholders, including the government, corporate secretary functions are currently shared between several business units of OAO Gazprom depending on their competencies.

Summary of the instances of non-compliance of OAO Gazprom's corporate governance practice to some of the key recommendations of the Russian Code of Corporate Governance

Code's principles and recommendations	OAO Gazprom's corporate governance practice
<p>To ensure independence of the internal audit function, its functional and administrative accountability shall be different. It is recommended that the internal audit function be functionally accountable to the board of directors, and administratively accountable directly to the sole executive body of the company (section 5.2.1. of the Code). The internal audit function is recommended to be functionally accountable to the board of directors, meaning that:</p> <ul style="list-style-type: none"> — the board of directors (audit committee) approves internal audit policy (internal audit regulations) that sets the internal audit objectives, tasks and functions; — the board of directors approves (or the audit committee preliminarily reviews) appointments and dismissals and sets remuneration for the head of the internal audit function (section 267 of the Code); 	<p>In accordance with the Regulation on the Internal Audit Department at the Administration of OAO Gazprom's Management Committee (approved by OAO Gazprom's Order No. 455 dated 04 September 2013), the Department is functionally accountable to the Board of Directors' Audit Committee, and administratively accountable to the Chairman of Management Committee within the Administration of the Management Committee. Head of the Department is appointed and dismissed as proposed by Deputy Chairman of Management Committee and Head of the Administration of the Management Committee approved by the Board of Directors' Audit Committee.</p>
<p>Internal audit tasks should also include the preparation and submission to the board of directors and executive bodies of the internal audit performance reports (also including data on assessment of current status, reliability and efficiency of the risk management and corporate governance frameworks) (section 272 of the Code).</p>	<p>The Regulation on the Internal Audit Department at the Administration of OAO Gazprom's Management Committee does not specify such tasks (functions) of the internal audit business unit. In accordance therewith, head of the Department shall ensure submission to OAO Gazprom's Audit Committee and management of regular (at least once a year) reports of implementation of the Annual Audit Plan.</p>

Pursuant to Resolution of OAO Gazprom's Board of Directors No. 2452 dated 27 November 2014, with due account for the benchmarking of the *Company's* corporate governance standards against the Code's key provisions and given that the management can guarantee implementation of such initiatives, a draft Action Plan was prepared to introduce the key provisions of the Russian Code of Corporate Governance into OAO Gazprom's practice. The draft document was submitted to the Federal Agency for State Property Management and the Ministry of Energy with a view to prepare relevant draft guidelines.

Remuneration Scheme for Members of the Board of Directors, Executive Bodies and Other Key Employees

Remuneration scheme for members of executive bodies and other key employees of OAO Gazprom

Remuneration of members of executive bodies and other key employees is linked to OAO Gazprom's performance and their personal performance.

Short-term remuneration of members of executive bodies (Chairman of the Management Committee, members of the Management Committee) and members of the Board of Directors employed by OAO Gazprom is determined by their employment agreements.

OAO Gazprom and its key gas production, transportation, underground storage, processing and sales subsidiaries also have in place an incentive scheme for key managers, including members of executive bodies. The scheme comprises the Annual Bonus Scheme and the Employee Equity Sharing Plan for the Management.

The Annual Bonus Scheme covers executives of OAO Gazprom and its key subsidiaries and uses consistent principles and approaches to bonuses based on performance assessment results by linking the amount of remuneration to the achievement of KPIs.

Underlying regulations for the key managers incentive programme in OAO Gazprom and its key subsidiaries

- Regulation on the Annual Bonus Scheme for the Management of OAO Gazprom (approved by Resolution of OAO Gazprom's Board of Directors No. 927 dated 19 December 2006).
- Regulation on OAO Gazprom's Key Performance Indicators (approved by resolution of OAO Gazprom's Board of Directors No. 2435 dated 21 October 2014), was prepared with due account for methodical guidelines issued by the Ministry of Economic Development of the Russian Federation and the Federal Agency for State Property Management, as well as the KPIs applicable in OAO Gazprom.
- Regulation on the Employee Equity Sharing Plan for the Management of OAO Gazprom (approved by Resolution of the *Company's* Board of Directors No. 2105 dated 26 December 2012).

The total bonus pool is determined based on corporate KPIs that measure the performance of OAO Gazprom and its subsidiaries in the critical lines of business.

Corporate KPIs are grouped into financial and economic KPIs (maximum seven KPIs with a total weight of up to 70% of total KPIs weight), and industry-specific KPIs that reflect the *Company's* profile (maximum four KPIs with a total weight of up to 50% of total KPIs weight).

Corporate KPIs in the Annual Bonus Scheme

KPI	Weight in reporting period's bonus, %	
	2014	Starting from 2015
Financial and economic KPIs		
per unit costs in Production	20	15
per unit costs in Transportation	20	15
ROE	x	20
reduction of procurement costs	20	5
total shareholder return, TSR	x	10
labour efficiency*	x	5
Industry-specific KPIs		
gas sales by volume	20	15
major production facilities commissioned	20	15

* Included in the Annual Bonus Scheme KPI list by resolution of the Board of Directors in 2015.

Target KPI values for 2015 were submitted for approval of the Board of Directors in Q1 2015.

Annual bonus for OAO Gazprom's management is based on their performance against each KPI. Where a KPI is not achieved, annual bonus is lower.

Starting from 2015, target (planned) and actual KPI values are subject to approval by OAO Gazprom's Board of Directors on an annual basis. Where target KPI values approved by the Board of Directors at the year-start are not achieved at the year-end, OAO Gazprom's management shall clarify the reasons for such deviation to the Board of Directors.

Target (planned), threshold and maximum values of the *Company's* key performance indicators for 2015 that are applied to the annual bonus of OAO Gazprom's executives (approved by Resolution of OAO Gazprom's Board of Directors No. 2491 dated 20 February 2015)

KPI	Target value	Threshold value	Maximum value
Financial and economic KPIs			
per unit costs in Production, RUB/t c.e.	770.12	808.63	731.61
per unit costs in Transportation, RUB/unit of transportation costs, mcm/100 km	61.84	64.93	58.75
reduction of procurement costs	10%	–	–
total shareholder return, TSR	0.10	0.05	0.15
ROE	12%	9%	15%
productivity, RUB thousand/man-hour	71.33	70.94	71.72
Industry-specific KPIs			
gas sales by volume, bcm	447.77	425.38	470.16
major production facilities commissioned	6	–	–

Note. KPI values are calculated in accordance with the budget (financial plan) and OAO Gazprom's 2015 Investment Programme approved by the Board of Directors and may be adjusted under the applicable procedures if the Board of Directors resolves to adopt a new version of such documents. For per unit cost values, the threshold value is reached at the maximum permitted costs, and the maximum value—at the minimum costs.

The Employee Equity Sharing Plan for the Management of OAO Gazprom aims at adding a financial incentive to OAO Gazprom's key employees to support the *Company's* stock performance.

The Programme contemplates holding of OAO Gazprom's shares by managers. Managers can acquire shares at their own cost or with money lent by Gazprombank (Open Joint Stock Company), which also administrates the Programme, including depositary and broker services.

OAO Gazprom's manager holding a position of department head or higher and subsidiary managers is eligible to participate in the Programme. In the reporting year, 65 employees were eligible to participate in the Programme.

Managers are offered the same pension plans as other employees of OAO Gazprom's in accordance with applicable local regulations governing non-state pension benefits. Upon becoming eligible to pension benefits provided for by the laws of the Russian Federation, employees become contributors to the Non-state Pension Fund GAZFOND. OAO Gazprom makes contributions to the Non-state Pension Fund GAZFOND for the benefit of its employees.

Remuneration of members of the Board of Directors

Pursuant to the Regulation on the Board of Directors of OAO Gazprom approved by the General Shareholders Meeting (Minutes No. 1 dated 28 June 2002) and OAO Gazprom's Articles of Association, members of the Board of Directors, during the period of their service, may be remunerated and/or compensated for expenses related to the performance of their duties as members of the Board of Directors. Such remunerations and/or compensations are set by resolution of the General Shareholders Meeting.

In addition, during a year, members of the Board of Directors of OAO Gazprom, who are staff members, are paid salaries attaching to their positions as per the employment agreements.

Approaches to determining remunerations of members of the Board of Directors (as set forth by the Guidelines on Remuneration of the Board of Directors of OAO Gazprom, as approved by Resolution of OAO Gazprom's Board of Directors No. 1670 dated 03 November 2010).

Remuneration of a member of the Board of Directors consists of two parts: fixed base and additional.

Fixed base remuneration is paid for acting as a member of the Board of Directors. It is set in accordance with OAO Gazprom's established practice of remuneration payments to members of its Board of Directors.

Additional remuneration is paid to members of the Board of Directors for their additional responsibilities such as acting as Chairman of the Board of Directors, Deputy Chairman of the Board of Directors or for service on committees of the Board of Directors. Additional remuneration takes into account performance against OAO Gazprom's corporate KPIs.

Remunerations of members of OAO Gazprom's Board of Directors are adjusted to compensate for the negative inflation impact.

The Guidelines on Remuneration of the Board of Directors of OAO Gazprom also provide that the Board of Directors may recommend the General Shareholders Meeting to reduce remunerations payable to members of the Board of Directors against those calculated in accordance with the Guidelines due to existing economic conditions.

Remuneration of members of the Board of Directors, members of the Management Committee, and Chairman of the Management Committee

Short-term remunerations paid by OAO Gazprom in 2014 to members of the Board of Directors, Management Committee and the Chairman of the Management Committee (including salaries, bonuses and remunerations for their work in OAO Gazprom's management bodies) were RUB 3, 118, 188 thousand. The amount includes personal income taxes and insurance premiums. Members of the Board of Directors holding public or civil office receive no remuneration from OAO Gazprom.

Remuneration of members of the Board of Directors paid by the <i>Company</i> in 2014	
Type of remuneration	Amount, RUB thou
Remuneration for service on a management body	228,687
Salary	51,899
Bonuses	51,085
Compensation for expenses related to acting as member of a management body	–
Other remuneration	10,380
Total	342,051

Note. The amounts are inclusive of personal income tax.

Remuneration of members of the Board of Directors for service on a management body			
Name	Position	Holding public or civil office	Amount, RUB
Viktor Alekseevich Zubkov	Chairman of the Board of Directors	Holds no such office	24,220,550
Alexey Borisovich Miller	Deputy Chairman of the Board of Directors	Holds no such office	23,494,800
Valery Abramovich Musin	Member of the Board of Directors, Chairman of the Audit Committee of the Board of Directors	Holds no such office	21,172,400
Farit Rafikovich Gazizullin	Member of the Board of Directors, Chairman of the Audit Committee of the Board of Directors	Holds no such office	20,301,500
Mikhail Leonidovich Sereda	Member of the Board of Directors, member of the Audit Committee of the Board of Directors	Holds no such office	20,301,500
Elena Evgenyevna Karpel	Member of the Board of Directors	Holds no such office	19,866,050
Vladimir Alexandrovich Mau	Member of the Board of Directors	Holds no such office	19,866,050
Vitaly Anatolievich Markelov	Member of the Board of Directors	Holds no such office	19,866,050
Timur Askarovich Kulibaev	Member of the Board of Directors	Holds no such office	19,866,050
Andrey Igorevich Akimov	Member of the Board of Directors	Holds no such office	19,866,050
Viktor Georgievich Martynov	Member of the Board of Directors	Holds no such office	19,866,050
Total:			228,687,050

Note. The amounts are inclusive of personal income tax.

Remuneration of members of the Management Committee paid by the Company in 2014

Type of remuneration	Amount, RUB thou
Remuneration for service on a management body	–
Salary	950,316
Bonuses	1,494,237
Compensation for expenses related to acting as member of a management body	–
Other remuneration	54,694
Total	2,499,247

Note. The amounts are inclusive of personal income tax.

Remunerations paid to members of the Board of Directors, who are also members of the Management Committee and staff members of the Company, for service on the Board of Directors were included in the remunerations paid to members of the Board of Directors. Other remunerations paid to members of the Board of Directors, who are also members of the Management Committee and staff members of the Company, for service on the Board of Directors were included in the remunerations paid to members of the Management Committee.

In addition, OAO Gazprom provides voluntary medical insurance to the Chairman of the Management Committee, members of the Management Committee, and members of the Board of Directors employed by OAO Gazprom. In 2014, voluntary medical insurance premiums were RUB 824 thousand.

Liability Insurance of Members of the Board of Directors and the Management Committee

OAo Gazprom maintains liability insurance for members of its Board of Directors (including independent directors but excluding directors who hold public office) and the Management Committee. The insurance covers damages to shareholders, lenders or other persons resulting from unintentional wrongful acts (omission) by policyholders in their management roles.

An insurance agreement with a single limit of indemnity covers the following risks:

- third-party claims against members of the Board of Directors and Management Committee for damages resulting from unintentional wrongful acts (omission) of policyholders in their management roles;
- third-party claims against OAO Gazprom for damages resulting from unintentional wrongful acts (omission) of members of the Board of Directors and the Management Committee in their management roles (including both claims related to OAO Gazprom's securities and claims initially instituted against members of the Board of Directors or the Management Committee).

Single limit of indemnity consists of two parts: part 1 provides insurance with the applicable law other than Russian law, covers all countries and offers most beneficial terms for OAO Gazprom and members of the Board of Directors and the Management Committee; part 2 provides insurance under Russian law and as close as possible (to the extent permitted by the legal framework of the Russian Federation) to the insurance terms of part 1.

In 2014, insurance premiums paid under an insurance agreement were USD 1.57mm, while the coverage amount was USD 100mm.

The insurance coverage under an agreement for liability insurance of members of the Board of Directors and the Management Committee is in line with international insurance standards measured by risks insured and indemnity limits.

Internal Control System and Audit

OAO Gazprom's internal control system is crucial for protection of shareholder and investor interests. It is designed as an aggregate of bodies and internal control methods, rules of conduct and acts of employees in achieving corporate objectives. A consistent internal control system is a tool to improve the *Company's* performance, comply with applicable law requirements and supervise performance of managerial decisions.

Objectives, goals and components of the internal control system, its operating principles, as well as OAO Gazprom's management bodies and persons responsible for internal control are set forth in the Regulation on the Internal Control System of OAO Gazprom approved by Resolution of the Board of Directors No. 2315 dated 25 February 2014.

The internal control system is designed to provide reasonable assurance that OAO Gazprom

- performs efficiently;
- ensures completeness, timeliness and fairness of all types of accounts and reports;
- complies with applicable laws;
- protects its assets (including information assets).

Internal control is exercised by the Board of Directors, Audit Committee, Audit Commission, executive bodies (the Management Committee and its Chairman), business unit managers and other *Company's* employees.

As instructed by Chairman of the Management Committee, with a view to improve internal control and audit in OAO Gazprom and ensure compliance with best Russian and international practices, in 2014, OAO Gazprom's regulations governing the internal control system were refined in terms of its operating principles, and key control procedures were defined. It was established that certain control procedures are developed by business units in line with OAO Gazprom's objectives and approved by the *Company's* internal regulations. It was further established that responsibilities in development, documentation, introduction, implementation, monitoring and improvement of internal control procedures are set out in regulations on business units and job descriptions of OAO Gazprom's employees; and functions of the Audit Committee of the Board of Directors were determined or aligned.

To address the issue of vertical integration of the internal audit in *Gazprom Group* and ensure compliance of OAO Gazprom's internal audit procedures with the International Internal Audit Standards, best Russian and international internal audit practices and recommendations of the Russian Code of Corporate Governance (letter of the Central Bank of the Russian Federation No. 06-52/2463 dated 10 April 2014), in 2015, OAO Gazprom's Internal Audit Development Concept and Regulation of Internal Audit are planned to be developed and approved.

OAO Gazprom's internal control system rests on the principles of interaction, prompt response, compliance, development, relevancy, functionality and cost efficiency.

Audit Commission of OAO Gazprom

The Audit Commission of nine members is elected by the General Shareholders Meeting. The Audit Commission's powers are set forth by the Federal Law On Joint-Stock Companies and by OAO Gazprom's Articles of Association on any matters not provided for by the law.

Key tasks of OAO Gazprom's Audit Commission

- monitor fairness of OAO Gazprom's financial and accounting statements and other information on the *Company's* financial and business operations and condition of its assets;
- control statutory compliance of OAO Gazprom's accounting practices and submission of financial statements and information to relevant authorities and shareholders;
- increase the efficiency of OAO Gazprom's asset management and other financial and business operations, mitigate its financial and operating risks, and improve its internal control system.

The Audit Commission cooperates with the Audit Committee of OAO Gazprom's Board of Directors.

In 2014, remunerations paid for the work of the Audit Commission to its members were RUB 18,562 thousand. The amount is inclusive of personal income tax.

2014 remuneration of members of the Audit Commission for service on a financial and operating performance control body

Name	Position	Holding public or civil office	Remuneration paid, RUB
Nozadze George Avtandilovich	Chairman of the Commission	Holds an office	–
Arhipov Dmitry Aleksandrovich	Member of the Commission	Holds no such office	3,093,630
Bikulov Vadim Kasymovich	Secretary of the Commission	Holds no such office	3,093,630
Nosov Yury Stanislavovich	Member of the Commission	Holds no such office	3,093,630
Nesterova Anna Borisovna	Member of the Commission	Holds no such office	3,093,630
Yugov Alexander Sergeevich	Member of the Commission	Holds no such office	3,093,630
Kuzovlev Mikhail Valerievich	Member of the Commission	Holds no such office	3,093,630
Mikhina Marina Vitalievna	Member of the Commission	Holds an office	–
Antoshin Viktor Vladimirovich	Member of the Commission	Holds an office	–
Total:			18,561,780

Note. The amounts are inclusive of personal income tax.

Audit Committee of the Board of Directors

The Board of Directors' Audit Committee of OAO Gazprom was established by resolution of the Board of Directors and is composed of its members. The Committee's purpose is to support the Board of Directors in supervising the *Company's* financial and business operations.

In 2014, the Board of Directors' Audit Committee of OAO Gazprom consisted of three members of OAO Gazprom's Board of Directors: V. A. Musin (the Chairman), F. R. Gazizullin, and M. L. Sereda.

The Committee is accountable to OAO Gazprom's Board of Directors, and its powers are set forth in the Regulation on the Board of Directors' Audit Committee of OAO Gazprom approved by Resolution of the Board of Directors of OAO Gazprom No. 2314 dated 25 February 2014.

In accordance with the above Regulation, the Committee's priorities are to conduct a preliminary comprehensive review of selected matters reserved to the Board of Directors of OAO Gazprom and prepare recommendations on resolutions for the *Company's* Board of Directors.

The Committee's exclusive functions are to assess proposed auditors for OAO Gazprom, review the auditor's opinion, assess efficiency of internal control procedures and prepare improvement proposals.

The Board of Directors' Audit Committee of OAO Gazprom operates in accordance with a schedule, with its meetings held at least quarterly. During the reporting year, the Board of Directors' Audit Committee of OAO Gazprom held five meetings that discussed 14 items including:

- review of a new version of the Regulation on the Internal Control System of OAO Gazprom;
- review of a new version of the Regulation on the Board of Directors' Audit Committee of OAO Gazprom;
- amendments to the regulations governing the activities of OAO Gazprom's internal control business unit;
- long-term and annual planning of internal control audits;
- development of OAO Gazprom's Internal audit development concept;
- holding a tender to select an audit firm for annual audits of OAO Gazprom;
- assessment of the audit opinion on OAO Gazprom's accounting statements;
- ZAO PricewaterhouseCoopers Audit's information on critical issues of the audits of OAO Gazprom and its subsidiaries.

In addition, the Board of Directors' Audit Committee of OAO Gazprom discussed and approved the 2014 report of the internal audit business unit of OAO Gazprom.

Internal audit business unit of OAO Gazprom

Activities of the internal audit business unit of OAO Gazprom are governed by Russian law, the Articles of Association of OAO Gazprom, resolutions of the management bodies, Professional Ethics Code for Internal Auditors (approved by the Board of Directors' Resolution), Regulation on the Department (approved by the Board of Directors' Audit Committee and OAO Gazprom's Order), and International Standards for the Professional Practice of Internal Auditing.

The business unit is administratively accountable to the Chairman of OAO Gazprom's Management Committee within the Administration of the Management Committee, and functionally accountable to the Audit Committee of the Board of Directors. Its key priority is to provide OAO Gazprom's Audit Committee and management with independent and unbiased assurances and advice as to the improvement of the *Company's* operations. The business unit assists OAO Gazprom in achieving its goals through a consistent systemic approach to evaluation and improvement of risk management, control and corporate governance processes.

The internal audit BU arranges and conducts internal audits of OAO Gazprom's business units, subsidiaries and entities in the established procedure and in accordance with the best Russian and international internal audit practices. Results of such internal audits are used to develop and submit proposals on elimination of irregularities, gaps and their causes to OAO Gazprom's management. Results of internal audits are promptly reported to the Chairman of the Management Committee and, annually, to OAO Gazprom's Management Committee and Audit Committee of the Board of Directors. The BU's proposals inform instructions of the Chairman of the Management Committee issued to OAO Gazprom's business units, subsidiaries and entities to improve the *Company's* performance. The internal audit BU monitors the implementation of such instructions.

In 2014, audits were conducted in OAO Gazprom's business units, subsidiaries and entities to assess efficiency of the internal control of the *Company's* critical business lines and business processes (investment in the form of capital investments, sales and procurement operations, overhaul, etc.) in terms of whether

- the auditees meet their objectives;
- the operations are efficient and profitable;
- assets are protected;
- operations meet the terms and conditions of contracts, legal requirements and local regulations.

Results of such audits were used to prepare internal control improvement recommendations for the Chairman of OAO Gazprom's Management Committee. The Chairman of the Management Committee gave relevant instructions to the managers of business units, subsidiaries and entities as to initiatives required to improve the gaps revealed by audits.

External Auditor

OAO Gazprom selects its auditor annually by a public tender in accordance with the applicable laws of the Russian Federation.

The public tender for a service contract to audit OAO Gazprom's accounting (financial) statements, consolidated accounting statements of *Gazprom Group* and consolidated financial statements of *Gazprom Group* prepared to International Financial Reporting Standards (IFRS) for 2014 was announced on 14 February 2014. Assessment of proposed auditors of the *Company* is a key responsibility of the Board of Directors' Audit Committee of OAO Gazprom.

In 2014, ZAO PricewaterhouseCoopers Audit won the public tender among audit firms to conduct statutory annual audits of OAO Gazprom and was approved as auditor by the annual General Shareholders Meeting of OAO Gazprom on 27 June 2014.

The contract price offered by the winner was equivalent to RUB 255,000,000 (VAT excluded) and was approved by Resolution of the Board of Directors No. 2384 dated 11 July 2014.

To prevent loss of objectivity and, therefore, quality of its audit, ZAO PricewaterhouseCoopers Audit ensures mandatory rotation of its key management during an audit of OAO Gazprom and pursues an employee independence policy.

Corporate Ethics and Anti-corruption Practices

OAO Gazprom has the Code of Corporate Ethics in place, developed with due account for the best Russian and international corporate governance practices. The Code sets forth OAO Gazprom's underlying corporate values and critical business conduct rules that exclude any conflict of interest situations and corruption.

The Code's provisions are mandatory for OAO Gazprom's employees (including all members of the Management Committee and the Board of Directors who are OAO Gazprom's employees) and the *Company*-controlled corporate entities. For employees of corporate entities with OAO Gazprom's shareholdings who are not controlled, and employees of OAO Gazprom's counterparties the provisions are recommendatory only.

Information on conflicts of interest of members of OAO Gazprom's Management Committee and Board of Directors (including those related to their service on management bodies of the *Company's* competitors)

In 2014, all members of the Management Committee and the Board of Directors, who are OAO Gazprom's employees, signed up to the Code of Corporate Ethics of OAO Gazprom. The Code contains certain restrictions, including restrictions related to OAO Gazprom employee's service in competing companies. The Corporate Ethics Commission of OAO Gazprom received no reports of any conflict of interest of members of the Management Committee and/or the Board of Directors, who are OAO Gazprom's employees, including conflict of interest related to their service on management bodies of OAO Gazprom's competitors.

The permanent Corporate Ethics Commission of OAO Gazprom set up by OAO Gazprom's Order No. 59 dated 11 February 2014 is authorised to supervise compliance with the Code's requirements and provisions.

In the reporting year, the Commission arranged for the *Company's* management to sign up to the Code; arrangements were made to implement its certain sections with respect to relatives working together, interaction with competitors and counterparties, and the Commission's procedures for resolving conflict of interest situations of sole executive bodies of entities controlled by the *Company*. At its meetings, the Commission discussed the reported cases.

Pursuant to the laws of the Russian Federation and OAO Gazprom's regulations, OAO Gazprom's Corporate Protection Service and corporate protection units of the subsidiaries work to prevent and reveal cases of corrupt practices in *Gazprom Group*. The work relies on an ongoing interaction with the business units authorised with internal control, corporate costs management, asset management and corporate relations, and Russian law-enforcement agencies. Since 2014, OAO Gazprom has operated a Hotline to report incidents of perceived fraud, corruption and theft in *Gazprom Group*. All reports are closely investigated and examined. No corrupt practices were revealed in the situations reported through the Hotline in the reporting year.

Efficient Procurement in OAO Gazprom

OAO Gazprom and its subsidiaries run an efficient vertically integrated procurement system that relies on the principles of open information, transparency, equal rights, promotion of fair competition, and wider and simpler contractor access to OAO Gazprom's procurement to ensure value for money, timely and full supply of goods, work or services with the price, quality and reliability required for safe operation of hazardous facilities.

Underlying regulations governing procurement in OAO Gazprom and its subsidiaries

- Federal Law No. 223-FZ dated 18 July 2011 On Procurement of Goods, Works and Services by Certain Types of Legal Entities.
 - Regulation on the Purchase of Goods, Works and Services by OAO Gazprom and *Gazprom Group* approved by Resolution of the Board of Directors No. 1969 dated 19 April 2012.
-

OAO Gazprom's procurement procedures are to the maximum extent standardised and simple.

Procurement rules are available in the unified information system in the field of public procurement of goods, works and services for state and municipal needs (www.zakupki.gov.ru), and on OAO Gazprom's website. Information on procurement, including procurement plans, notices, minutes and other is published in the unified information system and on OAO Gazprom's website and is publicly available.

Competitive procurement is generally done in electronic form and mostly through the Electronic Trading Platform of Gazprombank (ETP-GPB) (Procurement by Gazprom Group's Companies section). In 2014, the share of electronic procurement for OAO Gazprom's needs in the total value of competitive procurement under Law No. 223-FZ accounted for 99%. In 2015, OAO Gazprom plans to launch an Automated Electronic Procurement System covering the entire procurement cycle from the planning phase to the performance of a contract.

To build a network of qualified suppliers (contractors, service providers) for the core and most extensive lines of business requiring experience, financial resources, production capabilities and human potential, *Gazprom Group's* central procurement management body is currently engaged in open pre-qualification in accordance with the Regulation on the Purchase of Goods, Works and Services.

Starting from 2012, 53 pre-qualifications were announced on OAO Gazprom's website. *Gazprom Group's* register of potential procurement participants available on OAO Gazprom's website includes 203 entities who proved their qualification for certain operations, including 96 SMEs qualified under the common procedure. The number of pre-qualified SMEs in various business lines makes up to 76% of the total number of entities put on the register in respect of relevant business line.

To improve competition potential suppliers, contractors and service providers are sourced and invited to participate in OAO Gazprom's procurement.

Procurement participants have a right and opportunity to send to OAO Gazprom (also by staying anonymous) their proposals as to competitive procurement procedure improvement, remarks or complaints against acts (omission) of the clients, organisers and/or their officers, information of procurement documents containing unreasonable requirements to the procured item or supplier (contractor), time and terms of supply (delivery of work or service), or other cases of unreasonably limited competition in the procurement process. Feedback from potential procurement participants is through the Procurement section of OAO Gazprom's website. In 2014, over 260 participant calls were received, mostly related to the procurement and pre-qualification procedures; relevant clarifications were provided. A number of complaints against officers of OAO Gazprom's subsidiaries' were passed on to OAO Gazprom's Corporate Protection Service for investigation.

To ensure efficient procurement OAO Gazprom uses all available tools (estimate standards, actual contract prices, consolidated specific values, market situation review) to set the best initial price before procurement is announced, and any methods permitted by the law to reduce the price during the procurement, including by extending the bid filing period to involve more bidders, and bargaining on price bids.

In 2014, OAO Gazprom and its subsidiaries entered into more than 23.5 thousand contracts through competitive procurement worth RUB 817bn and saved over RUB 35bn (or 4.1% of the initial price).

To control procurement from a sole supplier (contractor, service provider) OAO Gazprom has a Budget Committee in place, reviewing price bids to assess whether pricing is reasonable. Such reviews help reveal opportunities for a 10–15% price reduction, which is higher than average cost saving through competitive procurement.

As part of the national SME development policy and pursuant to resolutions issued by Russian Government, OAO Gazprom implements a set of initiatives to widen access for SMEs to the *Company's* procurement. According to 2014 procurement results, OAO Gazprom entered into 1,185 contracts with SMEs to an amount of RUB 3,882 mm, including through competitive procurement, where SMEs, on a common basis, won 93 contracts to a total of RUB 2,835mm, and 1,092 contracts with a sole supplier (contractor, service provider) to the total of RUB 1,047 mm.

Initiatives to expand SMEs access to procurement

- Single-window system was developed for introduction of SMEs' innovative products and results of scientific research, design and technological projects and mutual technology transfer.
 - OAO Gazprom–SME Partnership Programme was approved, including innovative companies.
 - Procurement procedures were simplified to the maximum possible extent and shifted to an electronic format by using the capabilities of Electronic Trading Platform of Gazprombank (ETP-GPB) and OAO Gazprom's Automated electronic procurement system.
 - Request for proposal (RFP) form was developed and is currently used; it contains minimum required list of documents, which simplifies procurement procedure for SMEs.
 - No bid bond requirement is applied to SMEs in procurement of items to which they are eligible.
 - Specifics and priorities were specified for SMEs participating in procurements: the Procurement Regulation was supplemented with section 17, Specifics of Competitive Procurement from SMEs, which, in accordance with the law, will become effective on 01 July 2015 (Resolution of OAO Gazprom's Board of Directors No. 2375 dated 27 June 2014).
 - List of products procured only from SMEs was prepared; it includes over 390 items of goods, works and services.
 - To simplify small procurement procedure (for an amount of up to RUB 500 thousand) an electronic procurement service was developed and launched at the Electronic Trading Platform of Gazprombank (ETP-GPB). The above initiatives will grant access to *Gazprom Group* procurement for medium-sized as well as small businesses.
-

Since the procurement is ultimately necessary for continuous operation of *Gazprom Group*, the ultimate criterion and high efficiency indicator of the current procurement system is OAO Gazprom's performance in terms of gas supply reliability, capacity additions in Russia and abroad, and success of investment projects and programmes, i.e. contribution to national energy security.

i
See more detail in the Innovative Activity section

Stock Market and Capitalisation

OAO Gazprom's charter capital is RUB 118,367,564,500 divided into 23,673,512,900 ordinary shares with a par value of RUB 5 each. State registration number of the issue is 1-02-00028-A. The state registration date is 30 December 1998. There are no preferred shares. The Russian Federation does not have a special right to manage OAO Gazprom's affairs (a "golden share").

OAO Gazprom's shareholding structure, %

Name	As at 31 December 2013	As at 31 December 2014
The Russian Federation represented by the Federal Agency for State Property Management	38.37	38.37
OAO Rosneftegaz*	10.97	10.97
OAO Rosgazifikatsiya**	0.89	0.89
ADR holders***	25.78	28.05
Other holders of record	23.99	21.72

* As at 31 December 2013 and 31 December 2014, the share of the Russian Federation represented by the Federal Agency for State Property Management in OAO Rosneftegaz was 100%.

** As at 31 December 2013 and 31 December 2014, OAO Rosneftegaz held 74.55% shares in OAO Rosgazifikatsiya.

*** The Bank of New York Mellon issued ADRs on OAO Gazprom's shares.

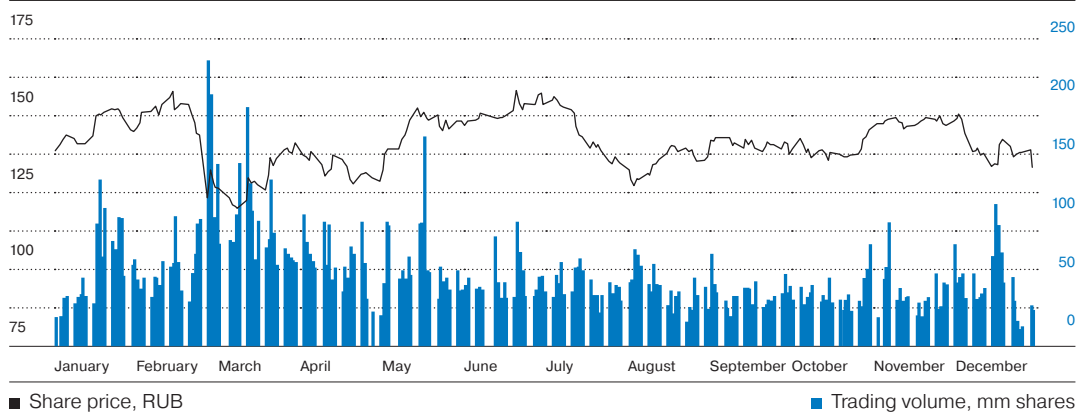
Registered stockholders of more than 2% shares in OAO Gazprom as at 31 December 2014

Name	Stake, %
The Russian Federation represented by the Federal Agency for State Property Management	38.37
OAO Rosneftegaz	10.97
Gazprom Gerosgaz Holdings B.V. (controlled by OAO Gazprom)	2.93

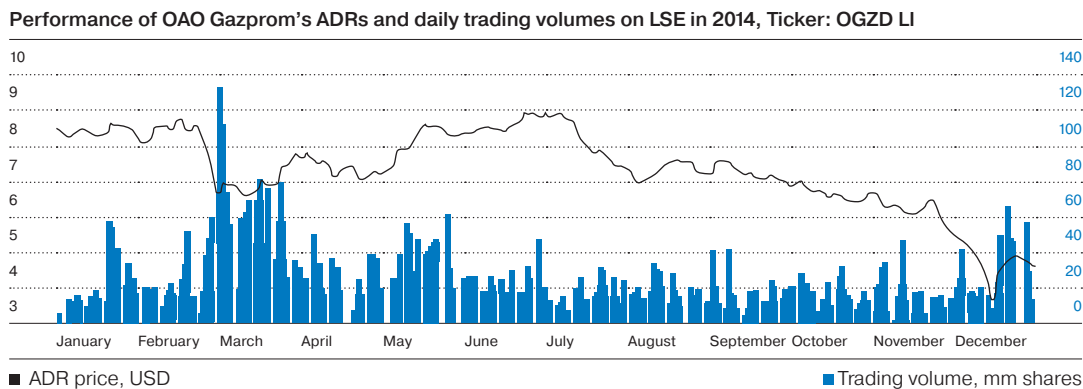
There are no OAO Gazprom's shares the title to which was transferred to the *Company*.

OAO Gazprom's shares were included on the first (top) level quotation list of Russian ZAO Micex Stock Exchange and OAO Saint-Petersburg Exchange.

Performance of OAO Gazprom's ordinary shares and daily trading volumes on ZAO Micex Stock Exchange in 2014, Ticker: Gazp RX



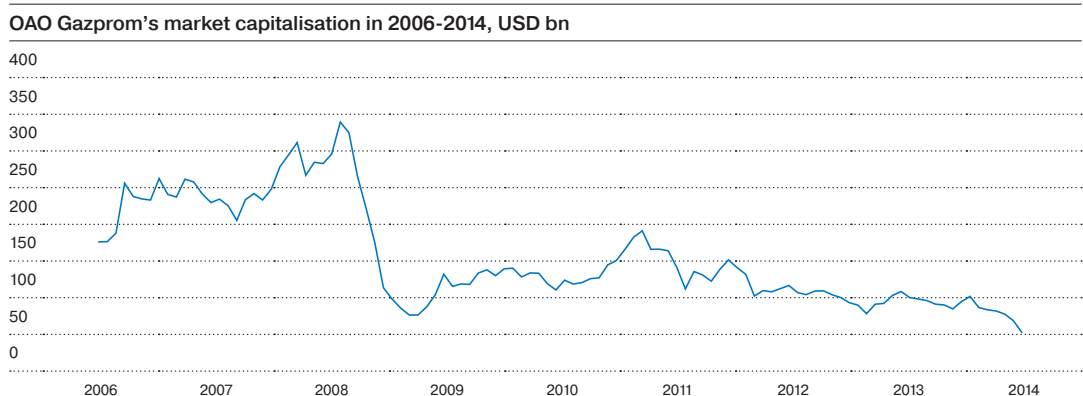
OAO Gazprom's ADRs are traded on London, Berlin and Frankfurt exchanges, with London Stock Exchange (LSE) accounting for the bulk of trade.



A significant amount of OAO Gazprom's ADRs is traded in the US OTC market among qualified institutional buyers (QIBs).

As at 31 December 2014, OAO Gazprom's market capitalisation was RUB 3.08tn, or USD 54.8bn, 6.1% lower y-o-y in the rouble equivalent. In 2014, OAO Gazprom's average market capitalisation increased by 2.5% y-o-y to RUB 3.27tn, or USD 86.7bn. In 2014, the total shareholder returns calculated as the year-end change in capital invested into OAO Gazprom's ordinary shares traded on the ZAO Micex Stock Exchange including dividends paid in the reporting period and excluding their reinvestments were -0.09%.

In October 2014, the *Company* commissioned a survey of OAO Gazprom perception by investors. During the survey, respondents from the investment community shared their opinions on all aspects of the *Company's* operation. The survey also included questions on financial performance: free cash utilisation, costs mix, and investment projects. Respondents made a special focus on corporate governance, progress of the *Company's* investment programme, as well as the *Company's* costs mix, and dividend payments. Feedback on the Investor Relations' performance was positive. Results of the survey of OAO Gazprom's image among investors were reviewed by the Committee for Shareholder and Investor Relations. The issues raised by investors were included in the Board of Directors' discussion topics.



Note. Market capitalisation calculated as the monthly closing price in 2006–2014 at ZAO Micex Stock Exchange at the exchange rate of the Central Bank of Russia as of the respective date, multiplied by the total number of OAO Gazprom's shares issued.

Dividend Policy

In 2010, the Board of Directors approved a new Dividend Policy. Its key change was an increased cap on dividends paid (up to 35% of net profit). Dividends are calculated based on OAO Gazprom's net profit indicated in its RAS annual accounting statements.

The applicable procedure for dividend calculation allows using 17.5%–35% of the *Company's* net profit to pay out dividends, provided the reserve fund is fully established in accordance with the Articles of Association. Net income underlying dividend calculations may be adjusted by the amount of revalued financial investments and essentially similar economic facts of OAO Gazprom's business.

As at 31 December 2014, the reserve fund was fully established.

OAO Gazprom's 2013 performance-based dividends paid as at 31 December 2014

	Accrued, RUB thou	Paid, RUB thou	Outstanding, RUB thou	Outstanding/ accrued, %
Total	170,449,293	170,016,370	432,923	0.25
including on shares:				
held by the Russian Federation represented by the Federal Agency for State Property Management	65,407,152	65,407,152	–	–
held by individuals and corporate entities whose rights to shares are accounted for by the register	24,335,928	24,136,184	199,744*	0.82
held by individuals and corporate entities whose rights to shares are accounted for by the depositary maintaining a nominee holder account with the issuer's register**	80,706,128	80,473,034	233,094*	0.29
held by anonymous holders	85	–	85	100

* No dividends were paid to individuals and corporate entities who provided no data for dividend payment transactions in accordance with clause 5 of Article 44 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995. Dividends accrued on shares held by anonymous holders are paid as soon as title to securities is established.

** Based on OAO Gazprom's 2013 results, OAO Gazprom paid RUB 80,706,128 thousand of dividends to nominee holders on 31 July 2014 as part of measures taken pursuant to the dividend resolutions of the Annual General Shareholders Meeting. As at 31 December 2014, the nominee holders failed to transfer RUB 233,094 thousand of dividends in pursuance of their statutory obligation prescribed by the securities laws of the Russian Federation for reasons beyond their control (paragraph 8 of Article 42 of Federal Law No. 208-FZ dated 26 December 1995).

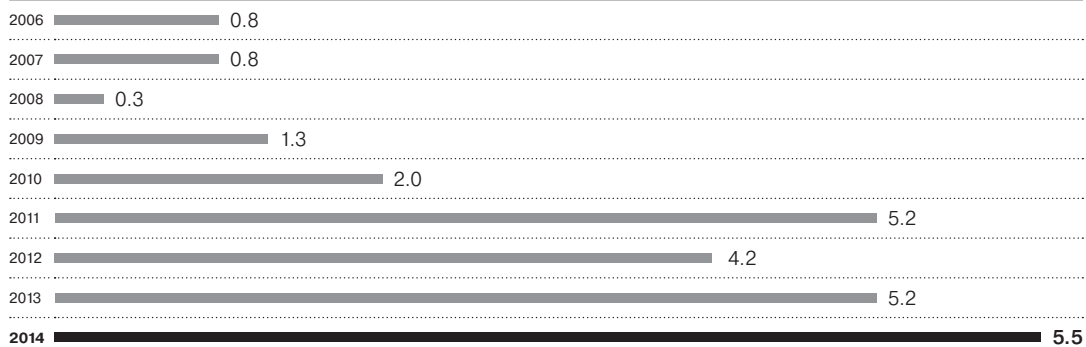
The decision to keep the same dividend rate proves the *Company's* high corporate governance standards.

Based on 2014 performance, the *Company's* Board of Directors recommends to pay RUB 170.4bn of dividends (90.2% of OAO Gazprom's net income in 2014), or RUB 7.2 per share, at the same rate as 2013 performance-based dividends.

The decision shows the *Company's* commitment to a stable shareholder dividend policy and will enable OAO Gazprom to maintain the leadership position among Russian oil and gas state-owned companies in terms of total dividends and dividend paid to the Russian budget.

Dividend yield on OAO Gazprom's shares is comparable to that of leading Russian and foreign companies.

Dividend yield, 2006–2014, %



Note. Dividend yield for the relevant period is calculated as at 31 December of the respective year.

Schedule of OAO Gazprom's dividend payments
(in accordance with amendments to the Federal Law On Joint-Stock Companies made in 2013)

- Dividends shall be paid to nominee holders and trustees, who are professional securities market participants and shareholders of record, within 10 business days from the date when persons entitled to dividends are determined;
 - Dividends shall be paid to other shareholders of record within 25 business days from the date when persons entitled to dividends are determined.
-

Gazprom has consistently focused on risk prevention. The Company has all the resources required to timely identify, assess and neutralise emerging threats and potential negative impacts.

Risk Management System

Acknowledging that its operations are exposed to uncertainties in the form of risks, the Company implements risk management measures to provide adequate assurances that the targets set for OAO Gazprom by its governing bodies will be achieved.

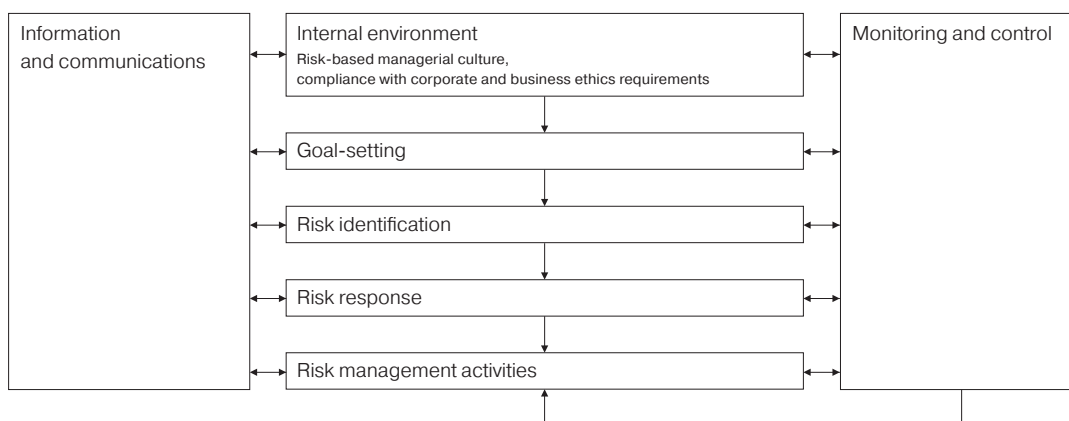
OAO Gazprom's risk management system is defined as an aggregate of the organisational structure, in-house regulations, corporate culture standards, methodologies and procedures aimed at providing adequate assurances that OAO Gazprom's targets will be achieved, and supporting the management and employees at OAO Gazprom's business units and subsidiaries in decision making in an uncertain environment. It covers all levels of the Company's corporate governance and operations.

Goals and objectives of OAO Gazprom's risk management system are to:

- give reasonable assurance that the Company's targets will be achieved, and enhance sustainability and performance by identifying and managing the entirety of risks;
 - reduce the number of contingencies and losses in the course of the Company's operations, and use the resources and potential opportunities as efficiently as possible;
 - improve decision-making on risk responses and improve the use and allocation of resources for risk management activities;
 - provide risk-related information to support managerial decisions;
 - enhance corporate governance at the Company and build trust and confidence in the Company among investors and other stakeholders;
 - ensure security of assets, as well as completeness and reliability of financial statements, management and other reports;
 - ensure compliance with laws and regulations, as well as with the internal policies, rules and procedures.
-

The overall goals are set at the strategic level and inform the strategic target indicators and performance benchmarks in the key areas set for OAO Gazprom's business units and subsidiaries.

Components of the risk management system



Information sharing has been arranged, enabling identification of risks affecting the achievement of goals and design of risk management activities. Monitoring includes the assessment of risk levels and the verification of progress of risk management activities.

Key Risk Factors

Strategic and country risks

Risks related to the growth of the global economy

An unfavourable economic environment can lead to a slowdown in the energy demand and to increased borrowing costs.

Risk management/mitigation. To ensure growth of energy demand OAO Gazprom diversifies its markets and sales channels and implements a debt management policy supporting its financial sustainability, improving its financial position and optimising its debt portfolio.

European gas market risks

OAO Gazprom supplies natural gas to the European Union (EU) Member-States. However, the EU pursues a policy of diversifying its gas supply sources and promoting exchange trade in natural gas.

Risk management/mitigation. Business remains to be based on long-term contracts, which ensure reliability and flexibility of supplies to consumers. A set of initiatives is implemented to both build new infrastructures and bolster demand for gas, as well as strengthen the *Company's* position in the sectors with a potential of extra supplies.

Political risks

The situation in South-East Ukraine prompted the EU, the United States, and other countries to impose limited economic sanctions on the Russian Federation and certain Russian companies. However, if no progress is achieved in resolving the crisis in South-East Ukraine or if the conflict worsens, the sanctions list and restrictive measures are very likely to be expanded.

Risk management/mitigation. Progressive expansion and diversification of sales markets.

Gas transit risks

Gas transit via the FSU countries, in particular Ukraine, is associated with the risk of the counterparties defaulting on their transit obligations, which exposes *Gazprom Group* to the risk of improper performance of its obligations under gas supply contracts.

Risk management/mitigation. The following steps are taken to reduce reliance on transit countries:

- diversification of export routes;
- expanding access to UGSF abroad;
- development of LNG trade.

Russian regulatory risks for the gas industry

OAO Gazprom's operations are regulated by the Federal Law On Natural Monopolies.

Risk management/mitigation. A dialogue with the government authorities is maintained with a view to improve the pricing policy on gas sales in the domestic market.

Risks associated with unconventional gas development

Unconventional gas production is growing in some markets, such as North and South America, and South-East Asia.

Risk management/mitigation. Feasibility and economic viability of unconventional oil and gas production and sales in the global markets are being explored.

Risks associated with renewable energy development

Renewable energy output can be expected to grow in some countries, which may squeeze gas consumption by importer countries.

Risk management/mitigation. The use of gas, inter alia, for power generation offers consumers economic, technological and environmental benefits. In most cases, renewable energy output supplements energy output from other sources, including natural gas.

Customs, currency and tax regulatory risks

Risk of changes in Russian currency regulations and tax legislation

While OAO Gazprom complies with the requirements of currency regulations and tax laws, constantly monitors amendments and alterations to laws and other legal regulatory acts, assesses and forecasts the extent of their potential implications for its operations, the risk of claims from government authorities may not be ruled out.

Risk management/mitigation. Changes in currency and tax laws are monitored, and their requirements are strictly followed in line with the best practices. The *Company* is focused on cooperation with the government authorities to ensure contribution to the energy security of the Russian Federation.

Risks related to changes in Russian rules on customs control and duties

Following the execution of the Treaty on the Eurasian Economic Union (EEU) in May 2014, a new EEU Customs Code is expected to be enacted. Since the Code is not yet finalised, the risk of additional customs requirements can not be ruled out if amendments are made to the rules of customs control and export duty payment.

Risk management/mitigation. *Gazprom Group* is committed to strict compliance with all requirements of customs laws, tracking proposed amendments to regulations at the earlier drafting stages, and submits its proposals while interacting with the government authorities and stakeholders.

Financial risks

Foreign exchange, interest rate and inflation risks

A significant share of revenues is denominated in foreign currencies, while most of the costs are denominated in Russian roubles. Exchange rate fluctuations have an impact on performance.

Risk management/mitigation. Foreign exchange and interest rate risks are hedged by:

- estimating the *Gazprom Group's* net currency position and cash flow balance in terms of currency, volumes and receipt dates;
- maintaining a balance of currencies in the debt portfolio close to the balance of revenue currencies.

Credit and liquidity risks

Gazprom's operations can be negatively affected by delayed or incomplete discharge of contractual obligations by some counterparties.

Risk management/mitigation. A transparent policy is pursued to ensure the performance of contractual payment obligations in respect of supplies. Foreign gas supply counterparties are assigned an internal credit rating. The relations with credit institutions are subject to credit risk limits revised on a regular basis.

Market risks

The key market risk factors include price risks associated with fluctuations of base product prices underlying the export contract prices, as well as volume risks associated with a certain flexibility that buyers have in terms of gas offtake.

Falling oil prices drive down natural gas prices. Revenues may decline if oil prices drop even further or remain at the current level over a long period of time.

Risk management/mitigation. Risks are mainly managed by modifying existing, or entering into new, contracts, and by determining approved types of transactions and financial instruments and, accordingly, counterparties to enter into such transactions.

OAQ Gazprom's operating risks

Subsoil license non-renewal risks

The *Company* explores and produces hydrocarbons under subsoil licenses. Most of its licenses may be suspended, altered or revoked in case of non-compliance with the license agreements.

Risk management/mitigation. The *Company* complies with the license requirements and takes all necessary steps to mitigate the risk of license revocation, suspension or alteration.

Cost risk

Increased prices for equipment, technical devices, spare parts, as well as works and services, which form the actual cost of capital construction projects, constitute one of the most significant investment risks. Such price increases are driven mainly by changes in the foreign exchange rates.

Risk management/mitigation. Competitive procurement, when the suppliers offering goods of adequate quality and submitting the lowest price bids are selected, is used to cut the costs of procurement and sourcing of feedstock, materials, spare parts, works and services.

Facilities risks

The key operations, including hydrocarbon production, transportation, refining and storage, carry a wide range of process and engineering, natural and climatic risks, as well as risks of adverse actions by personnel or third parties, inter alia, due to human error, embezzlement, terrorist attacks or sabotage.

Risk management/mitigation. The Unified Gas Supply System (UGSS) ensures reliable gas supplies. Stable operation of the system is achieved by implementing advanced diagnostic methods, and reconstructing and upgrading existing facilities. Insurance coverage is provided to protect subsidiaries' property interests, which includes property insurance (including offshore facilities), business interruption insurance for GPPs and liability insurance for construction, repair and operation of production facilities.

Hydrocarbon reserve estimation risks

Accuracy of reserve estimates depends on the quality of available information, as well as on interpretation of engineering and geological data.

Risk management/mitigation. The *Company's* reserves estimated under Russian reserves classification standards are recorded in its books only after the annual review and approval by the State Reserves Commission of the Russian Ministry of Natural Resources. Independent reserves estimation procedures have been developed and are implemented in accordance with the PRMS standards.

Environmental risks

Environmental risks, if realised, may have legal implications, including suspension of business, financial costs related to penalties and compensation for damages, and damage to business reputation.

Risk management/mitigation. The *Company* pursues a consistent environmental policy, implements programmes and initiatives to reduce its environmental footprint, finances environmental activities, takes out environmental risk insurance, and introduces advanced environmental protection technologies. Most of subsidiaries have in place and continuously improve environmental management systems certified under ISO 14001:2004.

ADR of OAO Gazprom	American depository receipt issued on OAO Gazprom's shares
APG	Associated petroleum gas
ARCO	Arctic Oil
BCS	Booster compressor station
bcm	Billion cubic meters
Brent	Reference crude oil for the North Sea
BTU	British thermal unit
BU	Business unit
CCGT	Combined Cycle Gas Turbine
CDP	Carbon Disclosure Project
CDU TEK	Central Dispatching Department of Fuel and Energy Complex
Central Asia	Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan
CEO	Chief Executive Officer
CGTU	Comprehensive gas treatment unit
CHPP	Combined Heat and Power Plant
CIS countries	Countries of the Commonwealth of Independent States
CNG	Compressed natural gas
CS	Compressor station
CSA	Capacity supply agreements
CSP	Condensate Stabilisation Plant
Dollars, USD	US dollars
Eastern Gas Programme	Programme to build an integrated gas production, transportation and supply system in Eastern Siberia and the Russian Far East taking account of potential gas export supplies to China and other APR markets, as approved by Order of the Ministry of Industry and Energy of Russia No. 340 of 3 September 2007.
EEU	Eurasian Economic Union
EMS	Environmental Management System
EU	European Union
Far abroad countries	Foreign countries, excluding FSU Countries
FER	Fuel and energy resources
FSU countries	Former USSR republics, except for the Russian Federation
FTS of Russia	Federal Tariff Service of Russia
Gcal	Gigacalorie
GCF	Gas Condensate Field
GDS	Gas distribution subsidiary / Gas distribution station
GHG	Greenhouse gases
GPP	Gas and/or condensate processing plant
GPU	Gas pumping unit
GRES	State district power station
GTS	Gas transportation system
HR	Human Resources
HPP	Heat and power plant

HVA	High value-added
IFRS	International Financial Reporting Standards
ISO	International Organization for Standardization
ISO 14001 (International Organisation for Standardization)	International environmental management standard
ISO 9001 (International Organisation for Standardization)	International quality management standard
KMAA	Khanty-Mansi Autonomous Area — Yugra
KPI	Key performance indicator
LHG	Liquefied hydrocarbon gases
LNG	Liquefied natural gas
MET	Minerals Extraction Tax
MRI	Magnetic resonance imaging
NGO	Non-governmental organization
NGV	Natural gas vehicle
OGCF	Oil and gas condensate field
OHS	Occupational Health and Safety
OHSAS	Occupational Health and Safety Standard
OHSAS 18001:2007 (Occupational Health and Safety Management Systems)	International health and safety standard
OTC	Over-the-counter (market)
PBs	Performance benchmarks
QIBs	Qualified institutional buyers
QLA2	Quotation List A, Level 2
PRMS	Petroleum Resources Management System
R&D	Research and Development
RAS	Russian Accounting Standards
RFP	Request for Proposal
ROE	Return on Equity
SME	Small and Medium Enterprises
STIs	Strategic target indicators
ToR	Terms of Reference
TPP	Thermal Power Plant
TSR	Total Shareholder Return
TTF	Title Transfer Facility
U.K.	United Kingdom
UGSF	Underground gas storage facility
UGSS	Unified Gas Supply System
UNFCCC	United Nations Framework Convention on Climate Change
Urals	Russian export blend crude oil
VAT	Value Added Tax
VMI	Voluntary Medical Insurance
WWF	World Wide Fund for Nature
YNAA	Yamal-Nenets Autonomous Area
y-o-y	Year-on-year

Units of Measurement and Conversion Table

Name	Definition	Conversion
cm of gas	Cubic meter of natural gas measured at 1 atm and 20°C	= 35.316 cubic feet (bcf) of natural gas 1 mcm = 1.154 t c.e.
bbl of oil	Barrel of crude oil	= 0.1364 tonnes of crude oil
bbl of gas condensate	Barrel of gas condensate	= 0.1222 tonnes of gas condensate
BTU	British thermal unit	1 million BTUs = 0.028 mcm of gas = 0.02 tonnes of LNG
t of oil	Tonne of oil	= 7.33 bbl of crude oil
t of gas condensate	Tonne of gas condensate	= 8.18 bbl of gas condensate
t c.e.	Tonne of standard coal equivalent	= 866.6 cm of natural gas, = 0.7 t of gas condensate, = 0.7 tonnes of crude oil

Conventions

Sign	Meaning
x	Data cannot be given
–	Phenomenon is absent
0,0	Less than 0.05

List of the Foreign Companies Mentioned in the Report

Full name	Short name	Country
ZAO Gazprom Armenia	–	Armenia
OcOO Gazprom Kyrgyzstan	–	Kyrgyzstan
OAQ Gazprom transgaz Belarus	–	Belarus
BASF SE	BASF	Germany
Botas Petroleum Pipeline Corporation	Botas	Turkey
China National Petroleum Corporation	CNPC	China
DeGolyer and MacNaughton	–	USA
DNV GL AS	DNV GL	Norway
E.ON SE	–	Germany
EY	–	Great Britain
Gazprom EP International B.V.	–	Netherlands
Gazprom Germania GmbH	Gazprom Germania	Germany
Gazprom Gerosgaz Holdings B.V.	–	Netherlands
Gazprom Global LNG Ltd.	–	Great Britain
Gazprom Marketing and Trading Ltd.	–	Great Britain
GDF SUEZ S.A.	GDF SUEZ	France

Full name	Short name	Country
Iberdrola S.A.	–	Spain
Korea Gas Corporation	Kogaz	South Korea
Magyar Foldgaskereskedo	MFGK	Hungary
N.V. Nederlandse Gasunie	–	Netherlands
Naftna Industrija Srbije A.D.	NIS	Serbia
OMV Aktiengesellschaft	OMV	Austria
Pacific Rubiales Energy Corp.	Pacific Rubiales	Canada
Vietnam Oil and Gas Group	Petrovietnam	Vietnam
PIRA Energy Group	PIRA	USA
RAG ES	–	Austria
Royal Dutch Shell plc.	Shell	Great Britain
Sakhalin Energy Investment Company Ltd.	Sakhalin Energy	Bermuda
Salym Petroleum Development N.V.	–	Netherlands
Statoil ASA	Statoil	Norway
The Bank of New York Mellon	–	USA
Total S.A.	Total	France
Vemex s.r.o.	–	Czech Republic
Vitol S.A.	Vitol	Switzerland
VNG-Verbundnetz Gas AG	–	Germany
Wintershall Holding GmbH	–	Germany
Wintershall AG	–	Germany

List of Interested-Party Transactions in 2014, approved by OAO Gazprom's Governance Bodies

1. Travel costs insurance contract for employees, travelling on business, signed with OAO SOGAZ INSURANCE. The contract provides for insurance coverage for travel costs of OAO Gazprom employees (the «Insured») going on business trips away from their permanent residence. The contract becomes effective on 1 January 2014 and is valid until 31 December 2014. The interested parties include OAO Gazprom's executives A. B. Miller, N. N. Dubik, A. V. Kruglov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28 June 2013.
2. Contract for fixed assets stock-taking signed with OAO Druzhba. The cost of services is RUB 29,467.00 (net of VAT). The time of service delivery is from 1 November 2013 through 31 December 2013. The contract becomes effective on the execution date. The terms and conditions of the contract apply to the parties from 1 November 2013. The interested party is A. N. Kozlov, member of OAO Gazprom's collegial executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28 June 2013.
3. Contract for gas transportation arrangement services within the Russian Federation in 2014, signed with TOO KazRosGaz. TOO KazRosGaz instructs, and OAO Gazprom undertakes to arrange the transportation of up to 6,916 mcm of gas owned by TOO KazRosGaz through the gas transportation system of the Russian Federation. The contract comes into force on the date of its signing by the parties, applies to the parties from 1 January 2014, and is effective until 31 December 2014, and for settlements — until settlements are completed. The interested parties are members of OAO Gazprom's collegial executive body: A. I. Medvedev, K. G. Seleznev, V. A. Golubev. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28 June 2013.
4. Addendum No. 1 to Contract of Suretyship No. 46/10-V-P dated 16 July 2010, signed with OAO GPB. The Surety is OAO Gazprom; the Bank (Lender) is OAO GPB; the Beneficiary: the Debtor (Borrower) is OAO Gazprom Space Systems. Subject-matter: amendments to the Contract of Suretyship: amendments to certain material terms (of which OAO Gazprom is aware as the Surety) of Facility Agreement No. 46/10-V dated 16 July 2010, signed between OAO GPB and OAO Gazprom Space Systems (the "Facility Agreement"), due to amendments to the Facility Agreement; inclusion of certain rights and obligations of OAO GPB and OAO Gazprom in the Contract as follows:
In the event of any changes in OAO GPB's ownership structure, leading to changes in the details of shareholders owning more than 5% of OAO GPB's voting shares and/or changes in the number of shareholders owning less than 5% of OAO GPB's voting shares (except for changes in respect of listed shares), or changes in the structure of OAO GPB's executive body, provided that in each case the relevant news were not published on OAO GPB's official website (www.gazprombank.ru), the Bank shall, within 5 business days of becoming aware of any such change, notify OAO Gazprom accordingly (with supporting documents attached) via an email.
OAO Gazprom may, at its own discretion, refuse to perform the Contract if OAO GPB fails to inform of such changes, making sure, however, that the obligations of OAO Gazprom Space Systems to repay the principal and pay interest for the use of the facility arising out of the Facility Agreement are met. If OAO Gazprom unilaterally withdraws from the Contract on the above grounds (and provided OAO Gazprom meets OAO Gazprom Space Systems' obligations under the Facility Agreement), the Contract is deemed terminated from the date OAO GPB receives from OAO Gazprom a written notice of withdrawal from the Contract, or from any other date specified in such notice.
Amended material terms of the Facility Agreement:
1. Rate of interest on actual outstanding debt:
– 12.5% p.a. on facility tranches issued from the execution date of the Facility Agreement until 30 September 2010 (inclusive);
– 10.5% p.a. on facility tranches issued from 1 October 2010.
2. The loan is disbursed in tranches (the "Tranches"). The last tranche may not be made available later than 52 months from the execution date of the Facility Agreement.
The Addendum comes into force on the date of its signing by the parties.
The interested parties include OAO Gazprom's executives A. B. Miller, M. L. Sereda, E. A. Vasilieva, A. V. Kruglov, K. G. Seleznev, A. I. Akimov, S. F. Khomyakov, V. A. Markelov. Approved by Resolution of OAO Gazprom's Board of Directors No. 2295 dated 27 December 2013.
5. Addendum No. 1 to Contract of Suretyship No. 47/10-R-P dated 16 July 2010, signed with OAO GPB. The Surety is OAO Gazprom; the Bank (Lender) is OAO GPB; the Beneficiary: the Debtor (Borrower) is OAO Gazprom Space Systems. Subject-matter: Amendments to the Contract of Suretyship: amendments to certain material terms (of which OAO Gazprom is aware as the Surety) of Facility Agreement No. 47/10-R dated 16 July 2010, signed between OAO GPB and OAO Gazprom Space Systems (the "Facility Agreement"), due to amendments to the Facility Agreement; inclusion of certain rights and obligations of OAO GPB and OAO Gazprom in the Contract as follows:
In the event of any changes in OAO GPB's ownership structure, leading to changes in the details of shareholders owning more than 5% of OAO GPB's voting shares and/or changes in the number of shareholders owning less than 5% of OAO GPB's voting shares (except for changes in respect of listed shares), or changes in the structure of OAO GPB's executive body, provided that in each case the relevant news were not published on OAO GPB's official website (www.gazprombank.ru), the Bank shall, within 5 business days of becoming aware of any such change, notify OAO Gazprom accordingly (with supporting documents attached) via an email.
OAO Gazprom may, at its own discretion, refuse to perform the Contract if OAO GPB fails to inform of such changes, making sure, however, that the obligations of OAO Gazprom Space Systems to repay the principal and pay interest for the use of the facility arising out of the Facility Agreement are met.
If OAO Gazprom unilaterally withdraws from the Contract on the above grounds (and provided OAO Gazprom meets OAO Gazprom Space Systems' obligations under the Facility Agreement), the Contract is deemed terminated from the date OAO GPB receives from OAO Gazprom a written notice of withdrawal from the Contract, or from any other date specified in such notice.
Amended material terms of the Facility Agreement:
1. Rate of interest on actual outstanding debt:
– 12.5% p.a. on facility tranches issued from the execution date of the Facility Agreement until 30 September 2010 (inclusive);
– 10.5% p.a. on facility tranches issued from 1 October 2010.
2. The loan is disbursed in tranches. The last tranche may not be made available later than 52 months from the execution date of the Facility Agreement.
The Addendum comes into force on the date of its signing by the parties.
The interested parties include OAO Gazprom's executives A. B. Miller, M. L. Sereda, E. A. Vasilieva, A. V. Kruglov, K. G. Seleznev, A. I. Akimov, S. F. Khomyakov, V. A. Markelov. Approved by Resolution of OAO Gazprom's Board of Directors No. 2295 dated 27 December 2013.

6. Trademark License Agreement with "New Technologies in Gas Industry" Association of Equipment Manufacturers. OAO Gazprom (the "Licensor") grants to "New Technologies in Gas Industry" Association of Equipment Manufacturers (the "Licensee") a non-exclusive license to use Газпром, Gazprom and Г trademarks registered with the State Register of Trademarks and Service Marks of the Russian Federation, trademark/service mark certificates No. 228275 dated 19 November 2002, No. 228276 dated 19 November 2002, and No. 220181 dated 3 September 2002 (the "Licensor's Trademarks"), in relation to all goods (work, services) to which the Licensor's Trademarks apply. The Licensee is granted the right to use the Licensor's Trademarks:
- on products, product labels and packaging produced, marketed, sold, presented at an exhibition or fair or otherwise introduced into the civil law-based trade in the Russian Federation, or stored or transported for this purpose, or imported to the Russian Federation;
 - in performing work or delivering services;
 - in cover, business or other documents, including those used to introduce goods into the civil law-based trade;
 - in sale, work or service offers, advertisement and promotional materials, charity or sponsorship events, print media, formal letterheads, billboards, including on office buildings;
 - on the Internet;
 - in the Licensee's print media.
- For every trademark used, the Licensee pays the Licensor a quarterly trademark license fee of 300 minimum monthly wages as set by applicable Russian laws as at the execution date of acceptance certificates, plus VAT at the rate fixed in applicable Russian laws. The Agreement becomes effective on its official registration date with the federal intellectual property agency. The terms and conditions of the Agreement apply to the Parties from 27 June 2014. The interested parties include OAO Gazprom's executives A. B. Miller, I. Yu. Fedorov, V. V. Cherepanov, V. A. Markelov, O. E. Aksyutin. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
7. Contract of Suretyship with OAO Sberbank of Russia and Sberbank (Switzerland) AG, with OAO Gazprom as the Surety, Sberbank (Switzerland) AG as the Facility Agent, and OAO Sberbank of Russia and Sberbank (Switzerland) AG as the Original Lenders. The Beneficiary: the Debtor (Borrower) is OOO NOVOURENGOYSKY GCC. OAO Gazprom irrevocably and unconditionally:
- guarantees to each Lender and Facility Agent (jointly the «Financing Parties») due performance by OOO NOVOURENGOYSKY GCC of its obligations under the Facility Agreement secured by OAO Gazprom and under the Agreement on Indicative Commission Fees;
 - undertakes to each Financing Party that if OOO NOVOURENGOYSKY GCC fails to timely pay any amount under the Facility Agreement secured by OAO Gazprom and the Agreement on Indicative Commission Fees, OAO Gazprom shall, within 10 business days from the date of receipt of a relevant notice from OAO Sberbank of Russia under the Contract of Suretyship, pay such overdue amount as if it were the Principal Debtor; and undertakes, within 10 business days from the date of receipt of the relevant notice, to reimburse each Financing Party for any losses incurred by such Financing Party if any obligation secured by OAO Gazprom is or becomes unenforceable, invalid or ineffective; the amount of reimbursable loss shall then equal the amount that the Financing Party would have otherwise received.
- OAO Gazprom's liability shall be limited to USD 185,000,000.00.
- OAO Gazprom's liability:
- In addition to the claimed amount, OAO Gazprom shall pay to OAO Sberbank of Russia any interest due from OOO NOVOURENGOYSKY GCC under the Facility Agreement secured by OAO Gazprom, unless such interest is included in the claimed amount. The Agreement becomes effective on the execution date and ceases on the date of final, irrevocable and unconditional payment of all amounts payable by OOO NOVOURENGOYSKY GCC to the Financing Parties under the Facility Agreement secured by OAO Gazprom and the Agreement on Indicative Commission Fees, and after all payment obligations of OOO NOVOURENGOYSKY GCC under the Facility Agreement secured by OAO Gazprom and under the Agreement on Indicative Commission Fees are fully performed (whether by OOO NOVOURENGOYSKY GCC or OAO Gazprom). The Agreement shall be governed by the English law.
- The interested party is V. A. Mau, member of OAO Gazprom's Board of Directors. Approved by Resolution of OAO Gazprom's Board of Directors No. 2298 dated 21 January 2014.
8. Contract of Suretyship with OAO GPB. The Surety is OAO Gazprom; the Lender is OAO GPB; the Beneficiaries: the Debtors (Borrowers) are: participants in the Employee Equity Sharing Plan for the Management of OAO Gazprom (the "Plan Participants"). OAO Gazprom undertakes to bear subsidiary liability towards OAO GPB for the performance by each Plan Participant of their obligations to OAO GPB arising out of the Facility Agreements signed between the Plan Participants and OAO GPB.
- The subsidiary liability of OAO Gazprom towards OAO GPB for the performance by each Plan Participant of their obligations to OAO GPB arising out of the Facility Agreements signed between the Plan Participants and OAO GPB is limited to the amount of the loan (principal) and interest. Should OAO Gazprom fail to perform, or improperly perform, its obligations under the Contract of Suretyship, OAO GPB may charge OAO Gazprom a penalty of 0.03% p.a. of the amount of non-performed or improperly performed obligation for each day of delay. The Contract becomes effective from the execution date and is valid until the Plan Participant repays the loan issued under the Facility Agreement signed between the Plan Participant and OAO GPB. The interested parties include OAO Gazprom's executives A. B. Miller, M. L. Sereda, E. A. Vasilieva, A. V. Kruglov, K. G. Seleznev, A. I. Akimov, D. V. Lyugai, V. V. Cherepanov. Approved by Resolution of OAO Gazprom's Board of Directors No. 2244 dated 5 September 2013.
9. Agreement No. 1 to amend the property lease agreement signed on 1 November 2013 with OAO Druzhba due to amendments to the list of leased property and lease rate adjustment. The amount of monthly lease fee in the period from November 2013 to September 2014 is RUB 7,006,996.00 (net of VAT). The agreement becomes effective on the execution date. The terms and conditions of the agreement apply to the parties from 1 November 2013. The interested party is A. N. Kozlov, member of OAO Gazprom's collegial executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28 June 2013.
10. Addendum No. 4 to Contract for Gas Transportation Arrangement Services No. 7NPTr-2010 dated 20 January 2010, signed with OAO Tomskgazprom, due to adjustments to gas transportation volume in 2014. The volume of gas transported in 2014 is 2,994.1 mmcm. The addendum comes into force on the date of its signing by the parties. The terms and conditions of the addendum apply to the parties from 1 January 2014. The interested parties include OAO Gazprom's executives M. L. Sereda, A. V. Kruglov, K. G. Seleznev. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28 June 2013.

11. Addendum No. 6/14 to Contract for Gas Transportation Arrangement Services No. MRGtr-2009/1-003/09 dated 19 January 2009, signed with OOO Gazprom mezhregiongaz, due to adjustments to gas transportation volume in 2014. The volume of gas transported in 2014 is 5,183.6 mmcm. The addendum becomes effective on the execution date. Some terms and conditions of the addendum apply to the parties from 8 October 2013. The interested party is K. G. Seleznev, member of OAO Gazprom's collegial executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28 June 2013.
12. Addendum to amend Joint Venture (Ordinary Partnership) Agreement No. 2/919-99 dated 20 August 1999, signed between OAO Gazprom, OOO Novfintech (Limited Liability Company New Financial Technologies), and OAO Gazprom Space Systems. Subject-matter of the addendum: amendments to Joint Venture (Ordinary Partnership) Agreement No. 2/919-99 dated 20 August 1999, due to the launch of the Yamal-601 satellite construction project, assigning additional responsibilities to OAO Gazprom Space Systems and refining the profit distribution procedure.
 OAO Gazprom Space Systems undertakes to:
 sign an agreement with Thales Alenia Space France (26, Avenue Jean Francois Champollion, Toulouse 31100, France), on behalf of OAO Gazprom, OAO Gazprom Space Systems and OOO Novfintech, for the manufacture, launch and in-orbit turnkey commissioning of the Yamal-601 spacecraft;
 for the Yamal-600 project purposes, ensure that a total of RUB 16,560,000,000.00 in loans is raised to fund the project;
 as part of the Yamal-600 project, provide for the construction of ground infrastructures and insurance coverage for the Yamal-601 spacecraft, including the launch and in-orbit operation, and sign relevant agreements on behalf of OAO Gazprom, OAO Gazprom Space Systems and OOO Novfintech.
 The joint venture's revenue from sales of frequency bands of two Yamal-200 satellites and the Yamal-601 satellite, following its launch and commissioning, shall be used primarily to cover the costs of their operation and to repay the funds borrowed for the Yamal-600 project, according to loan repayment schedules (mandatory payments).
 Profit from sales of frequency bands of the two Yamal-200 satellites and the Yamal-601 satellite, remaining at the disposal of the joint venture after the mandatory payments, shall be distributed between OAO Gazprom, OAO Gazprom Space Systems and OOO Novfintech.
 The distribution of profit from sales of frequency bands of the two Yamal-200 satellites and the Yamal-601 satellite shall be made on a quarterly basis as it is generated as per statements approved by authorised representatives of OAO Gazprom, OAO Gazprom Space Systems and OOO Novfintech. The interested parties include OAO Gazprom's executives S. F. Khomyakov, M. L. Sereda, V. A. Markelov. Approved by Resolution of OAO Gazprom's Board of Directors No. 2317 dated 26 March 2014.
13. Addendum No. 1 to Loan Agreement No. 1 dated 26 December 2011, signed with Gazprom EP International B.V., due to amendments refining the loan purpose and adjusting the loan disbursement procedure and loan maturity dates. Gazprom EP International B.V. shall use the funds provided by OAO Gazprom to finance the performance of its obligations under overseas projects in 2012 to 2015. OAO Gazprom shall disburse the loan in tranches upon a written request from Gazprom EP International B.V., by way of transfer to Gazprom EP International B.V.'s account on the following dates and in the following amounts:
 USD 451,090,000.00 during 2012 ;
 USD 421,450,000.00 during 2013 ;
 up to USD 706,800,000.00 not earlier than 1 March 2014 ;
 up to USD 39,660,000.00 not earlier than 1 February 2015.
 Loan maturity dates:
 USD 74,000,000.00 to be repaid no later than 29 December 2017 ;
 USD 589,000,000.00 to be repaid no later than 31 December 2018 ;
 USD 708,000,000.00 no later than 31 December 2019 ;
 USD 248,000,000.00 no later than 31 December 2020.
 The Addendum comes into force on the date of its signing by the parties.
 The interested parties include OAO Gazprom's executives A. I. Medvedev, A. V. Cherepanov, A. I. Akimov. Approved by Resolution of OAO Gazprom's Board of Directors No. 2361 dated 28 May 2014.
14. Addendum No. 1 to Remote Banking Services Agreement No. A/27-06-2012/1760442793 dated 27 June 2012, signed with OAO BANK ROSSIYA, due to a revised version of the agreement. OAO BANK ROSSIYA provides to OAO Gazprom services related to the operation of the Client-Bank system to support transactions with OAO Gazprom's accounts. The interested party is K. G. Seleznev, member of OAO Gazprom's collegial executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28 June 2013.
15. Addendum No. 7 to Loan Agreement No. 0608 dated 5 June 2008, signed with OOO TsentrcaspNeftegaz, due to amendments extending maturity of the principal and interest. Principal repayment date: not later than 25 December 2014. OOO TsentrcaspNeftegaz shall pay the interest accrued from 26 December 2009 through 25 December 2014 as a lump sum on the date of the principal repayment (25 December 2014). The addendum comes into force on the date of its signing by the parties. The terms and conditions of the addendum apply to the parties from 24 December 2013. The interested party is V. V. Cherepanov, member of OAO Gazprom's collegial executive body. Approved by Resolution of OAO Gazprom's Board of Directors No. 2326 dated 22 April 2014.
16. Addendum No. 5 to Loan Agreement No. CCNG-0507 dated 29 May 2007, signed with OOO TsentrcaspNeftegaz due to amendments extending maturity of the principal and interest. Principal repayment date: not later than 25 December 2014. OOO TsentrcaspNeftegaz shall pay the interest accrued from 26 December 2009 through 25 December 2014 as a lump sum on the date of the principal repayment (25 December 2014). The addendum comes into force on the date of its signing by the parties. The terms and conditions of the addendum apply to the parties from 24 December 2013. The interested party is V. V. Cherepanov, member of OAO Gazprom's collegial executive body. Approved by Resolution of OAO Gazprom's Board of Directors No. 2327 dated 22 April 2014.
17. Contract of Gas Transportation Arrangement Services signed with OAO Gazprom neft. OAO Gazprom provides gas transportation arrangement services for gas owned by OAO Gazprom's affiliate OAO Gazprom neft across the Russian Federation, from Luginetskoye, Novogodneye, Vyngapurovskoye and Muravlenkovskoye fields, and from the Yuzhno-Balyksky gas processing complex, in the period from 1 January 2014 through 31 December 2014. The volume of gas transported in 2014 is 6,451.797 mmcm. The Contract comes into force on the date of its signing by the parties. Some terms and conditions of the Contract apply to the parties from 1 January 2014. The interested parties include OAO Gazprom's executives A. B. Miller, A. V. Kruglov, N. N. Dubik, K. G. Seleznev, V. A. Golubev, V. V. Cherepanov, E. V. Mikhailova. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28 June 2013.

18. Addendum No. 20 to Contract No. 22NPphg/k-2007 dated 23 July 2007 with OAO NOVATEK on adjustments to natural gas pumping and withdrawal volumes, volumes, adjustment of the cost of gas pumping storage. Gas pumping volumes: on short-term conditions (Punginskoye UGSF, Kasymovskoye UGSF, Severo-Stavropolskoye UGSF): 2,110 mmcm in 2013; 1,190 mmcm in 2014; 1,190 mmcm in 2015; on long-term conditions (capacity reservation) (Punginskoye UGSF, Kasymovskoye UGSF): 219 mmcm in 2013; 1,194 mmcm in 2014. Gas withdrawal volumes: Punginskoye UGSF, Kasymovskoye UGSF, Severo-Stavropolskoye UGSF: 47.639 mmcm in 2013; 3,669 mmcm in 2014; 1,190 mmcm in 2015. The addendum comes into force on the date of its signing by the parties. The terms and conditions of the addendum apply to the parties from 1 September 2013. The interested parties include OAO Gazprom's executives K. G. Seleznev, A. I. Akimov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28 June 2013.
19. Interest-free Loan Agreement with OOO Gazprom export. OOO Gazprom export lends up to RUB 3,500,000,000.00 to OAO Gazprom (the «Loan» or «Principal»), and OAO Gazprom undertakes to fully repay the Principal in the manner and time specified in the Agreement. No interest is accrued or paid on the Loan. OAO Gazprom uses the money lent by OOO Gazprom export as working capital. OAO Gazprom undertakes to repay the Loan in full or in part as required by OOO Gazprom export, within 20 calendar days from receipt of the respective notice from OOO Gazprom export. OAO Gazprom may perform early or partial repayment of the Loan, as agreed with OOO Gazprom export. For any delay in the repayment of the Loan, OOO Gazprom export may charge OAO Gazprom a penalty of 0.01% of the overdue amount for each calendar day of delay. If OOO Gazprom export exercises this right OAO Gazprom undertakes to pay the penalty charged not later than 5 business days from the date of OOO Gazprom export's respective written notice. The Agreement becomes effective on the date when the Loan amount is credited to OAO Gazprom's account and continues until the Parties have fully performed their obligations under the Agreement. The Agreement is governed by the applicable Russian laws. The interested party is A. I. Medvedev, member of OAO Gazprom's collegial executive body. Approved by Resolution of OAO Gazprom's Board of Directors No. 2329 dated 22 April 2014.
20. Share purchase agreement with OAO Gazprom neft for the share in the authorised capital of OOO Gazprom neft shelf. OAO Gazprom undertakes to transfer to OAO Gazprom neft the title to, and OAO Gazprom undertakes to accept and pay for the 100% share in the authorised capital of OOO Gazprom neft shelf with the par value of RUB 1,000,000.00. The purchase price of the share in the authorised capital is RUB 2,682,300,000.00 (not VAT taxable). The interested parties include OAO Gazprom's executives A. B. Miller, A. V. Kruglov, N. N. Dubik, K. G. Seleznev, V. A. Golubev, V. V. Cherepanov, E. V. Mikhailova. Approved by the Resolution of OAO Gazprom's Board of Directors No. 2333 dated 13 May 2014.
21. Addendum No. 8 to Loan Agreement No. 0608 dated 5 June 2008, signed with OOO TsentrCaspNeftegaz due to amendments increasing the principal to RUB 2,166,217,000.00. The addendum comes into force on the date of its signing by the parties. The interested party is V. V. Cherepanov, member of OAO Gazprom's collegial executive body. Approved by Resolution of OAO Gazprom's Board of Directors No. 2359 dated 27 May 2014.
22. Donation Agreement with the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) (the «University»). Donation by OAO Gazprom of RUB 94,305,343.00 to the University to pay for security services in the University's buildings and dormitories (the «Purposes»). OAO Gazprom shall transfer RUB 94,305,343.00 to the University's bank account within 30 calendar days after the effective date of the Agreement. The University shall only use the money transferred by OAO Gazprom for the above Purposes. OAO Gazprom may request the University to report on the intended use of the money donated by OAO Gazprom and enclose supporting financial documents. OAO Gazprom may cancel the donation if the University uses the money for any purposes other than the Purposes or changes the Purposes due to any circumstances without first obtaining OAO Gazprom's consent. In this case, the University fully refunds the money donated by OAO Gazprom within a month's time upon OAO Gazprom's request. The Agreement becomes effective on the execution date and continues until the Parties have fully performed their obligations. The interested party is V. G. Martynov, member of OAO Gazprom's Board of Directors. Approved by Resolution of OAO Gazprom's Board of Directors No. 2363 dated 10 June 2014.
23. Addendum No. 52 to Contract of Gas Transportation Arrangement Services No. 22NPTr/k-2004 dated 6 October 2003 with OAO NOVATEK, due to a revised version of the agreement. The Contract covers OAO Gazprom's gas transportation arrangement services for natural flammable gas owned by OAO NOVATEK across the Russian Federation and through the Republic of Kazakhstan, in the period from 1 January 2014 through 31 December 2016. The amount of gas transported is 67,148.535 mmcm in 2014; 50,179.740 mmcm in 2015; 29,736.681 mmcm in 2016. The addendum comes into force on the date of its signing by the parties. The terms and conditions of the addendum apply to the parties from 1 January 2014. The interested parties include OAO Gazprom's executives K. G. Seleznev, A. I. Akimov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28 June 2013.
24. Addendum No. 18 to Gas Supply Contract No. 25 PK-2007 dated 13 December 2007 signed with OOO Severneftegazprom due to adjustment of the gas price in the second half of 2014. In the period from 10 am on 1 July 2014 until 10 am on 1 January 2015 (second half of the 2014 Supply Year), the gas price is RUB 1,527.84 per mcm (net of VAT). The interested parties are members of OAO Gazprom's collegial executive body A. I. Medvedev, E. V. Mikhailova, V. V. Cherepanov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28 June 2013.
25. South Stream Transport B.V. share purchase agreement with Gazprom Germania GmbH. The par value of one South Stream Transport B.V. share is EUR 100. The total value of the shares is EUR 20,599,000.00, representing 50% of the South Stream Transport B.V.'s authorised capital. The purchase price of the shares is EUR 212,574,825.00. The interested parties include OAO Gazprom's executives A. I. Medvedev, A. V. Kruglov, A. I. Akimov. Approved by Resolution of OAO Gazprom's Board of Directors No. 2325 dated 17 April 2014.
26. Bank account agreement with OAO Rosselkhozbank. OAO Rosselkhozbank opens for OAO Gazprom an account in the Russian currency and provides business banking services to OAO Gazprom in accordance with the applicable Russian laws, the Bank of Russia regulations, and the terms and conditions of the agreement. The agreement comes into force on the date of its signing by the parties and is valid for 15 years. The interested parties include the Russian Federation as OAO Gazprom's shareholder holding over 20% of OAO Gazprom's voting shares. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28 June 2013.



27. Bank account agreement with OAO Rosselkhozbank. OAO Rosselkhozbank opens for OAO Gazprom an account in US dollars and provides business banking services to OAO Gazprom in accordance with the applicable Russian laws, the Bank of Russia regulations, and the terms and conditions of the agreement. The agreement comes into force on the date of its signing by the parties and is valid for 15 years. The interested parties include the Russian Federation as OAO Gazprom's shareholder holding over 20% of OAO Gazprom's voting shares. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28 June 2013.
28. Bank account agreement with OAO Rosselkhozbank. OAO Rosselkhozbank opens for OAO Gazprom an account in Euros and provides business banking services to OAO Gazprom in accordance with the applicable Russian laws, the Bank of Russia regulations, and the terms and conditions of the agreement. The agreement comes into force on the date of its signing by the parties and is valid for 15 years. The interested parties include the Russian Federation as OAO Gazprom's shareholder holding over 20% of OAO Gazprom's voting shares. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28 June 2013.
29. Oil Supply Contract with OAO Gazprom neft. The volume of oil to be supplied from 2015 through 2031 is 21,975,000 tonnes. The interested parties include OAO Gazprom's executives A. B. Miller, M. L. Sereda, A. V. Kruglov, N. N. Dubik, K. G. Seleznev, V. A. Golubev, V. V. Cherepanov, E. V. Mikhailova. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
30. Property Insurance Contract with OAO SOGAZ INSURANCE. Insurance covers the period from 00:00 am on 1 July 2014 until 24:00 pm on 30 June 2015 (including both dates). The total insurance premium is RUB 6,868,943,750.00. The interested parties include OAO Gazprom's executives A. B. Miller, A. V. Kruglov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
31. Research Contract with the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). OAO Gazprom instructs, and the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) undertakes to carry out research on the following subject: The Development of Methods for Determining Flaws and Stress-Strain State in Gas Transportation System Facilities in the Course of Their Operation and for Conducting Repair and Maintenance Work Using Contactless Thermal Methods of Quick-Look Diagnostics. Delivery period: from 1 July 2014 through 30 June 2015. The cost of work: RUB 5,500,000.00, VAT exempt pursuant to Sub-Paragraph 16, Paragraph 3, Article 149 of the Tax Code of the Russian Federation. The contract comes into force as of the date of signing by the parties and is effective until the parties have fully performed their obligations. The terms and conditions of the contract apply to the parties from 1 July 2014. The interested party is V. G. Martynov, member of OAO Gazprom's Board of Directors. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
32. Statement of acceptance of the terms and conditions of the Electronic Document Management Agreement signed with OAO GPB. OAO Gazprom declares its accession to the Electronic Document Management Agreement according to the procedure stipulated by Article 428 of the Civil Code of the Russian Federation. The interested parties include OAO Gazprom's executives A. B. Miller, E. A. Vasilieva, A. V. Kruglov, M. L. Sereda, K. G. Seleznev, A. I. Akimov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28 June 2013.
33. Research Contract with the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). OAO Gazprom instructs, and the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) undertakes to carry out research on the following subject: Rationale for the Application of Water-Cut Well Production Techniques (Replacement of Tubing, Gas Lift, Dual Strings, Plunger Lift, Wellhead Eductor Pumps, Wellhead Compressors, Surfactants, etc.) in Cenomanian and Valanginian Wells in the Nadym-Pur-Taz region. Overall delivery period: from 1 July 2014 through 27 July 2015. The cost of work: RUB 82,270,000.00, VAT exempt pursuant to Sub-Paragraph 16, Paragraph 3, Article 149 of the Tax Code of the Russian Federation. The contract comes into force as of the date of signing by the parties and is effective until the parties have fully performed their obligations. The terms and conditions of the contract apply to the parties from 1 July 2014. The interested party is V. G. Martynov, member of OAO Gazprom's Board of Directors. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
34. Agreement on additional contribution of blocks of shares to OOO Gazprom tsentrremont's authorised capital. OAO Gazprom undertakes to transfer to OOO Gazprom tsentrremont a part of its share in the authorised capital of OOO Gazprom podzemremont Orenburg with the par value of RUB 750,139,689.00, representing 99.99% of the authorised capital of OOO Gazprom podzemremont Orenburg ("Share 1"), and OAO Gazprom's share in the authorised capital of OOO Gazprom podzemremont Urengoy with the par value of RUB 504,949,500.00, representing 99.99% of the authorised capital of OOO Gazprom podzemremont Urengoy ("Share 2"), as an additional non-cash contribution to the authorised capital of OOO Gazprom tsentrremont. The price of the property: RUB 2,561,056,000.00, including: Share 1 price of RUB 781,784,000.00; Share 2 price of RUB 1,779,272,000.00. Passing of title to the property: The title to Share 1 and Share 2 passes to OOO Gazprom tsentrremont after the agreement has been certified by a notary. The agreement comes into force on the certification date and continues until the parties have fully performed their obligations. The interested parties include OAO Gazprom's executives A. V. Kruglov, M. L. Sereda. Approved by Resolution of OAO Gazprom's Board of Directors No. 2334 dated 13 May 2014.
35. Principal's Order No. 8 under Agency Agreement No. PNR-14-2010 dated 2 July 2010, signed with OOO Gazprom tsentrremont to subcontract commissioning operations. OOO Gazprom tsentrremont's expenses reimbursable by OAO Gazprom (inclusive of VAT paid by OOO Gazprom tsentrremont to third parties) are limited to RUB 379,789,949.53. OOO Gazprom tsentrremont's fee (including additional fee) is limited to RUB 804,639.72, net of VAT. The interested parties include OAO Gazprom's executives A. V. Kruglov, M. L. Sereda. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
36. Principal's Order No. 7 under Agency Agreement No. PNR-14-2010 dated 2 July 2010, signed with OOO Gazprom tsentrremont to subcontract commissioning operations. OOO Gazprom tsentrremont's expenses reimbursable by OAO Gazprom (inclusive of VAT paid by OOO Gazprom tsentrremont to third parties) are limited to RUB 154,768,280.80. OOO Gazprom tsentrremont's fee (including the additional fee) is limited to RUB 327,898.90, net of VAT. The interested parties include OAO Gazprom's executives A. V. Kruglov, M. L. Sereda. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.



37. Contract of Suretyship with South Stream Transport B.V. OAO Gazprom, without consideration, undertakes the obligation to South Stream Transport B.V. to secure all obligations of OOO Gazprom export (the "Beneficiary") under the gas transportation agreement signed between South Stream Transport B.V. and OOO Gazprom export. The Contract of Suretyship is governed by, and interpreted in accordance with the laws of England. The interested parties include OAO Gazprom's executives A. B. Miller, A. I. Medvedev, O. E. Aksyutin, V. A. Markelov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
38. Research Contract with the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). OAO Gazprom instructs, and the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) undertakes to carry out research on the following subject: The Development of Methods to Determine the Critical Value of Equivalent Carbon Content in High-Strength Tubular Steels By Analyzing Their Propensity to Cold Cracking During Welding. Overall delivery period: from 1 July 2014 through 31 March 2015. The cost of work: RUB 3,500,000.00, VAT exempt pursuant to Sub-Paragraph 16, Paragraph 3, Article 149 of the Tax Code of the Russian Federation. The contract comes into force as of the date of signing by the parties and is effective until the parties have fully performed their obligations. The terms and conditions of the contract apply to the parties from 1 July 2014. The interested party is V. G. Martynov, member of OAO Gazprom's Board of Directors. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
39. Research Contract with the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). OAO Gazprom instructs, and the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) undertakes to carry out research on the following subject: Assessment of Efficiency of Company's Investment Programmes and Projects at the Macroeconomic Level. Overall delivery period: from 1 July 2014 through 30 June 2016. The cost of work: RUB 13,855,000.00, VAT exempt pursuant to Sub-Paragraph 16, Paragraph 3, Article 149 of the Tax Code of the Russian Federation. The contract comes into force as of the date of signing by the parties and is effective until the parties have fully performed their obligations. The terms and conditions of the contract apply to the parties from 1 July 2014. The interested party is V. G. Martynov, member of OAO Gazprom's Board of Directors. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
40. Contract with the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). OAO Gazprom instructs, and the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) undertakes to carry out research on the following subject: The Development and Creation of a Test Bench for Gas Cutting, Welding, Heating Equipment Utilized During Repair and Emergency Response Work. Overall delivery period: from 1 July 2014 through 31 March 2015. The cost of work: RUB 3,385,000.00, VAT exempt pursuant to Sub-Paragraph 16, Paragraph 3, Article 149 of the Tax Code of the Russian Federation. The contract comes into force as of the date of signing by the parties and is effective until the parties have fully performed their obligations. The terms and conditions of the contract apply to the parties from 1 July 2014. The interested party is V. G. Martynov, member of OAO Gazprom's Board of Directors. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
41. Research Contract with the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). OAO Gazprom instructs, and the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) undertakes to carry out research on the following subject: A Study Into the Economic Efficiency of Investments in Long-Range Model Projects and Programs for Utilizing Natural Gas as a Motor Fuel in Major Segments of the Russian Vehicle Transportation Market Factoring in the Global Practice of Their Economic Stimulation. Overall delivery period: from 1 July 2014 through 30 June 2016. The cost of work: RUB 14,000,000.00, VAT exempt pursuant to Sub-Paragraph 16, Paragraph 3, Article 149 of the Tax Code of the Russian Federation. The contract comes into force as of the date of signing by the parties and is effective until the parties have fully performed their obligations. The terms and conditions of the contract apply to the parties from 1 July 2014. The interested party is V. G. Martynov, member of OAO Gazprom's Board of Directors. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
42. Research Contract with the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). OAO Gazprom instructs, and the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) undertakes to carry out research on the following subject: The Development of Proposals on Controlling the Processes of Metal Softening in Heat-Affected Zones While Welding High-Strength Tubular Steels. Overall delivery period: from 1 July 2014 through 31 March 2015. The cost of work: RUB 2,200,000.00, VAT exempt pursuant to Sub-Paragraph 16, Paragraph 3, Article 149 of the Tax Code of the Russian Federation. The contract comes into force as of the date of signing by the parties and is effective until the parties have fully performed their obligations. The terms and conditions of the contract apply to the parties from 1 July 2014. The interested party is V. G. Martynov, member of OAO Gazprom's Board of Directors. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
43. Liability Insurance Contract with OAO SOGAZ INSURANCE. The contract provides for insurance of the liability of OAO Gazprom and/or insured persons for damage caused to third parties through an unintentional fault of the insured persons performing management, in accordance with the OAO SOGAZ INSURANCE Rules for Insuring the Liability of Executives and Management Bodies of Legal Entities dated 29 April 2005. The insured amount (total liability limit) is a rouble equivalent of USD 100,000,000.00 at the exchange rate of the Central Bank of the Russian Federation as of the payment date. The total insurance premium is a rouble equivalent of USD 1,575,000.00. The insurance contract is valid for 1 year (12 months), becomes effective at 00:00 am on 1 October 2014 (insurance period start date) and continues until 24:00 pm on 30 September 2015 (insurance period end date). The interested parties include OAO Gazprom's executives A. B. Miller, A. V. Kruglov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
44. Principal's Order No. 10 under Agency Agreement No. PNR-14-2010 dated 2 July 2010, signed with OOO Gazprom tsentrremont to subcontract commissioning operations. OOO Gazprom tsentrremont's expenses reimbursable by OAO Gazprom (including VAT paid by OOO Gazprom tsentrremont to third parties) are limited to RUB 24,598,280.00. OOO Gazprom tsentrremont's fee (including additional fee) is limited to RUB 52,115.00, net of VAT. The interested parties include OAO Gazprom's executives A. V. Kruglov, M. L. Sereda. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.

45. Addendum No. 2/9992 to Card Account Agreement No. 443 dated 12 November 1998, signed with OAO GPB due to a revised version of the agreement. OAO GPB opens, at OAO Gazprom's request, a card bank account in Russian roubles and/or foreign currencies and provides services for processing transactions on the said account using international payment cards VISA, MASTERCARD, UnionPay, and cards in other payment systems issued to corporate clients. The agreement comes into force on the date of its signing by the parties and is valid for 5 years. The agreement is deemed extended for the same term if neither party declares its withdrawal therefrom at least 2 months prior to its expiry date. The addendum comes into force on the date of its signing by the parties. The interested parties include OAO Gazprom's executives A. B. Miller, E. A. Vasilieva, A. V. Kruglov, M. L. Sereda, K. G. Seleznev, A. I. Akimov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
46. Share Purchase Agreement with the Russian Federation represented by the Federal Agency for State Property Management. The Seller is the Russian Federation, represented by the Federal Agency for State Property Management; the Buyer is OAO Gazprom. The Russian Federation, represented by the Federal Agency for State Property Management undertakes to transfer to OAO Gazprom its title to:
- 1 ordinary registered book-entry share in Joint Stock Company Moscow Gas Refinery Plant (OAO MGRP) with the par value of RUB 100, representing 0.0001% of its authorised capital;
 - 1 ordinary registered book-entry share in Open Joint Stock Company Saranskmeagraigaz (OAO Saranskmeagraigaz) with a par value of RUB 100;
 - 1 ordinary registered book-entry share in Open Joint Stock Company Tuvgaz (OAO Tuvgaz) with the par value of RUB 100, representing 0.002% of its authorised capital;
 - 1 ordinary registered book-entry share in Open Joint Stock Company Kirovgiprogaz (OAO Kirovgiprogaz) with the par value of RUB 100, representing 0.0021% of its authorised capital (the «Shares» and the «Issuers»), and OAO Gazprom undertakes to accept and pay for the said Shares.
- The total price of the Shares: RUB 633.23, VAT exempt.
The Parties determine the purchase price of the Shares in each Issuer as follows:
RUB 204.06 for the share in OAO MGRP;
RUB 175.12 for the share in OAO Saranskmeagraigaz;
RUB 125.48 for the share in OAO Tuvgaz;
RUB 128.57 for the share in OAO Kirovgiprogaz.
OAO Gazprom pays the total price of the Shares as a lump sum by a bank transfer to the account of the Federal Treasury within 9 business days from the effective date of the agreement.
The title to the Shares passes to OAO Gazprom when a relevant credit entry is made in OAO Gazprom's account in the Issuer's share register on OAO Gazprom's depository account (for OAO Kirovgiprogaz's shares) held with the OAO GPB's depository. The Agreement becomes effective on the 25th day after each and all of the following conditions are met:
the Agreement is signed by the Parties;
OAO Gazprom's governance bodies have approved the transaction to purchase the Shares from the Russian Federation represented by the Federal Agency for State Property Management,
and is valid until the earlier of the following dates: (a) date when the parties have fully performed their obligations; (b) early termination date.
The interested parties include the Russian Federation as OAO Gazprom's shareholder holding over 20% of OAO Gazprom's voting shares. Approved by Resolution of OAO Gazprom's Board of Directors No. 2444 dated 18 November 2014.
47. Agreement No. 2 to amend the property lease agreement signed on 1 November 2013 with OAO Druzhba due to amendments to the list of leased property and lease rate adjustment. The monthly lease rate for the period from August 2014 through September 2014 is RUB 6,827,196.00, net of VAT. The agreement comes into force as of the date of signing by the parties. The terms and conditions of the addendum apply to the parties from 31 July 2014. The interested party is A. N. Kozlov, member of OAO Gazprom's collegial executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
48. Contract for Retraining under the post-graduate curriculum Economy and Management at an Oil and Gas Company with the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) («University»). The University undertakes to provide to OAO Gazprom services for retraining of OAO Gazprom managers and specialists under the post-graduate curriculum Economy and Management of an Oil and Gas Company, according to the schedule and training costs (the «Training Plan»), and OAO Gazprom undertakes to pay for the said services. The total cost of the services in accordance with the Training Plan under the contract is RUB 612,000.00, VAT exempt pursuant Sub-Paragraph 14, Paragraph 2, Article 149 of the Tax Code of the Russian Federation. OAO Gazprom pays for the services provided by the University based on the actual number of trainees who have completed all training modules, in the month following the month of execution of the Acceptance Certificate by the parties. Delivery period: from 20 October 2014 to 19 June 2015. The contract comes into force on the date of its signing by the parties and is valid until the parties have fully performed their obligations. The interested party is V. G. Martynov, member of OAO Gazprom's Board of Directors. Approved by the Resolution of OAO Gazprom's Board of Directors No. 2475 dated 30 January 2015.
49. Contract for Retraining under the post-graduate curriculum Development of Offshore Oil and Gas Fields with the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) (the «University»). The University undertakes to provide to OAO Gazprom services for retraining of OAO Gazprom's managers and specialists under the post-graduate curriculum Development of Offshore Oil and Gas Fields, according to the schedule and training costs (the «Training Plan»), and OAO Gazprom undertakes to pay for the said services. The total cost of the services in accordance with the Training Plan under the contract is RUB 954,000.00, VAT exempt pursuant Sub-Paragraph 14, Paragraph 2, Article 149 of the Tax Code of the Russian Federation. OAO Gazprom pays for the services provided by the University based on the actual number of trainees who have completed all training modules, in the month following the month of execution of the Acceptance Certificate by the parties. Delivery period: from 20 October 2014 to 26 June 2015. The contract comes into force on the date of its signing by the parties and is valid until the parties have fully performed their obligations. The interested party is V. G. Martynov, member of the Board of Directors of OAO Gazprom. Approved by Resolution of OAO Gazprom's Board of Directors No. 2476 dated 30 January 2015.

50. Contract of Suretyship signed with OAO GPB. OAO Gazprom undertakes to be responsible to OAO GPB for the performance by OOO Gazprom torgservis ("Principal" or "Debtor") of all its obligations arising out of Bank Guarantee Agreement No. 8856GV/14-R dated 4 March 2014, signed between OAO GPB and OOO Gazprom torgservis, including the obligation of OOO Gazprom torgservis to reimburse to OAO GPB, by way of recourse, amounts paid by OAO GPB to Moscow Interdistrict Inspectorate No. 48 of the Federal Tax Service (the "Beneficiary"). OAO Gazprom's liability is limited to RUB 163,597,921.99. The contract comes into force on the date of its signing by the parties and is valid until 6 June 2015. The interested parties include OAO Gazprom's executives A. B. Miller, E. A. Vasilieva, A. V. Kruglov, M. L. Sereda, K. G. Seleznev, A. I. Akimov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
51. Agreement No. 4 to amend Addendum No. 10 dated 14 July 2008 to Advisory Services Agreement No. 01/0412-1910 dated 1 August 2006, signed with OAO GPB, due to amendments to the Addendum extending the advisory services provided by OAO GPB under the Sakhalin II project. Delivery period: until 30 December 2016. The agreement comes into force on the date of its signing by the parties. The terms and conditions of the addendum apply to the parties from 31 December 2013. The interested parties include OAO Gazprom's executives A. B. Miller, E. A. Vasilieva, A. V. Kruglov, M. L. Sereda, K. G. Seleznev, A. I. Akimov. Approved by the Resolution of OAO Gazprom's Board of Directors No. 2398 dated 28 August 2014.
52. Principal's Order No. 9 under Agency Agreement No. PNR-14-2010 dated 2 July 2010, signed with OOO Gazprom tsentrremont to subcontract commissioning operations. OOO Gazprom tsentrremont's expenses reimbursable by OAO Gazprom (including VAT paid by OOO Gazprom tsentrremont to third parties) are limited to RUB 21,268,726.75. OOO Gazprom tsentrremont's fee (including the additional fee) is limited to RUB 45,060.86, net of VAT. The interested parties include OAO Gazprom's executives A. V. Kruglov, M. L. Sereda. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
53. Contract for fixed assets stock-taking with OAO Vostokgazprom. OAO Vostokgazprom undertakes to provide to OAO Gazprom services related to arranging and carrying out stock-taking of OAO Gazprom's fixed assets as at 28 October 2014, the said fixed assets to be leased to OAO Vostokgazprom from 28 October 2014, including preparing materials for unbundling OAO Gazprom's fixed assets in accordance with OAO Gazprom's instructions. OAO Vostokgazprom undertakes to provide the services from 28 October 2014 through 9 December 2014. The cost of services under the contract is RUB 1,000.00 (net of VAT). The contract comes into force on the date of its signing by the parties and is valid until the parties have fully performed their obligations. The terms and conditions of the contract apply to the parties from 28 October 2014. The interested parties include OAO Gazprom's executives M. L. Sereda, K. G. Seleznev, A. V. Kruglov, E. A. Vasilieva. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
54. Property Lease Agreement with OAO Druzhba. The amount of monthly lease fee in the period from October 2014 to August 2015 is RUB 6,580,773.00 (net of VAT). The agreement becomes effective on the execution date and is valid until 31 August 2015. The terms and conditions of the agreement apply to the parties from 1 October 2014. The interested party is A. N. Kozlov, member of OAO Gazprom's collegial executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
55. Research Contract with the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). OAO Gazprom instructs, and the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) undertakes to carry out research on the following subject: The Development of Methods for Establishing Changes in the Mechanical Properties of Circumferential Welds in Trunk Gas Pipelines Made of High-Strength Steels in the Course of Operations Based on Hardness Measurements. Delivery period: from 1 July 2014 through 31 March 2016. The cost of work: RUB 4,900,000.00, VAT exempt pursuant to Sub-Paragraph 16, Paragraph 3, Article 149 of the Tax Code of the Russian Federation. The Agreement becomes effective on the execution date and continues until the parties have fully performed their obligations. Some terms and conditions of the contract apply to the parties from 1 July 2014. The interested party is V. G. Martynov, member of OAO Gazprom's Board of Directors. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
56. Contract for fixed assets stock-taking with OOO Gazprom komplektatsiya. OOO Gazprom komplektatsiya undertakes to provide to OAO Gazprom services related to arranging and carrying out stock-taking of OAO Gazprom's fixed assets as at 28 October 2014, the said fixed assets to be leased to OOO Gazprom komplektatsiya from 28 October 2014, including preparing materials for unbundling OAO Gazprom's fixed assets in accordance with OAO Gazprom's instructions. OOO Gazprom komplektatsiya undertakes to provide the services from 28 October 2014 through 9 December 2014. The cost of services under the contract is RUB 217,224.00 (net of VAT). The contract comes into force on the date of its signing by the parties and is valid until the parties have fully performed their obligations. The terms and conditions of the contract apply to the parties from 28 October 2014. The interested party is I. Yu. Medvedev, member of OAO Gazprom's collegial executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
57. Foreign Currency Account Agreement with OAO GPB. OAO GPB opens a bank account in Swiss francs and provides transaction services to OAO Gazprom. The agreement comes into force on the date of its signing by the parties. The agreement is valid for 15 years. The interested parties include OAO Gazprom's executives A. B. Miller, E. A. Vasilieva, A. V. Kruglov, M. L. Sereda, K. G. Seleznev, A. I. Akimov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
58. Contract for fixed assets stock-taking with with DOAO Centrenergogaz, OAO Gazprom. DOAO Centrenergogaz, OAO Gazprom undertakes to provide to OAO Gazprom services related to arranging and carrying out stock-taking of OAO Gazprom's fixed assets as at 28 October 2014, the said fixed assets to be leased to DOAO Centrenergogaz, OAO Gazprom from 28 October 2014, including preparing materials for unbundling OAO Gazprom's fixed assets in accordance with OAO Gazprom's instructions. DOAO Centrenergogaz, OAO Gazprom undertakes to provide the services from 28 October 2014 through 9 December 2014. The cost of services under the contract is RUB 29,494.00 (net of VAT). The contract comes into force on the date of its signing by the parties and is valid until the parties have fully performed their obligations. The terms and conditions of the contract apply to the parties from 28 October 2014. The interested party is M. L. Sereda, member of OAO Gazprom's Board of Directors. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.

59. Trademark License Agreement with Gazprom (U.K.) Limited. OAO Gazprom (the «Licensor») grants to Gazprom (U.K.) Limited (the «Licensee») a non-exclusive license to use Газпром and Г logos trademarks registered with the State Register of Trademarks and Service Marks of the Russian Federation, trademark/service mark certificates No. 228275 dated 19 November 2002 and No. 220181 dated 3 September 2002 (the «Licensor's Trademarks») throughout the Russian Federation, in relation to any goods (works, services) to which the Licensor's Trademarks apply. The Licensee, including its standalone business units in the Russian Federation, is granted the right to use the Licensor's Trademarks:
- on products, product labels and packaging produced, marketed, sold, presented at an exhibition or fair or otherwise introduced into the civil law-based trade in the Russian Federation, or stored or transported for this purpose, or imported to the Russian Federation;
 - in performing work or delivering services;
 - in cover, business or other documents, including those used to introduce goods into the civil law-based trade;
 - in sale, work or service offers, advertisement and promotional materials, charity or sponsorship events, print media, formal letterheads, billboards, including on office buildings;
 - on the Internet;
 - in the Licensee's print media;
 - in the Licensee's business name.
- For every trademark used, the Licensee pays the Licensor a quarterly trademark license fee of USD 1,000.00 (net of VAT). The Agreement becomes effective on its official registration date with the federal intellectual property agency. Some terms and conditions of the Agreement become effective on the execution date. The Agreement is valid until the expiry of the exclusive rights to all of the Licensor's Trademarks. The interested party is M. L. Sereda, member of OAO Gazprom's Board of Directors. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28 June 2013.
60. Contract for fixed assets stock-taking with OOO Gazprom mezhregiongaz. OOO Gazprom mezhregiongaz undertakes to provide to OAO Gazprom services related to arranging and carrying out stock-taking of OAO Gazprom's fixed assets as at 28 October 2014, the said fixed assets to be leased to OOO Gazprom mezhregiongaz from 28 October 2014, including preparing materials for unbundling OAO Gazprom's fixed assets in accordance with OAO Gazprom's instructions. OOO Gazprom mezhregiongaz undertakes to provide the services from 28 October 2014 through 9 December 2014. The cost of services is RUB 1,433.00 (net of VAT). The contract comes into force on the date of its signing by the parties and is valid until the parties have fully performed their obligations. The terms and conditions of the contract apply to the parties from 28 October 2014. The interested party is K. G. Seleznev, member of OAO Gazprom's collegial executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
61. Contract for fixed assets stock-taking with OAO Gazprom Space Systems. OAO Gazprom Space Systems undertakes to provide to OAO Gazprom services related to arranging and carrying out stock-taking of OAO Gazprom's fixed assets as at 28 October 2014, the said fixed assets to be leased to OAO Gazprom Space Systems from 28 October 2014, including preparing materials for unbundling OAO Gazprom's fixed assets in accordance with OAO Gazprom's instructions. OAO Gazprom Space Systems undertakes to provide the services from 28 October 2014 through 9 December 2014. The cost of services is RUB 32,528.00 (net of VAT). The contract comes into force on the date of its signing by the parties and is valid until the parties have fully performed their obligations. The terms and conditions of the contract apply to the parties from 28 October 2014. The interested parties include OAO Gazprom's executives S. F. Khomyakov, M. L. Sereda, V. A. Markelov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
62. Contract for fixed assets stock-taking with OAO Centrgaz. OAO Centrgaz undertakes to provide to OAO Gazprom services related to arranging and carrying out stock-taking of OAO Gazprom's fixed assets as at 28 October 2014, the said fixed assets to be leased to OAO Centrgaz from 28 October 2014, including preparing materials for unbundling OAO Gazprom's fixed assets in accordance with OAO Gazprom's instructions. OAO Centrgaz undertakes to provide the services from 28 October 2014 through 9 December 2014. The cost of services is RUB 2,215.00 (net of VAT). The contract comes into force on the date of its signing by the parties and is valid until the parties have fully performed their obligations. The terms and conditions of the contract apply to the parties from 28 October 2014. The interested parties include OAO Gazprom's executives M. L. Sereda, V. A. Golubev. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
63. Contract for fixed assets stock-taking with OOO Gazprom tsentrremont. OOO Gazprom tsentrremont undertakes to provide to OAO Gazprom services related to arranging and carrying out stock-taking of OAO Gazprom's fixed assets as at 28 October 2014, the said fixed assets to be leased to OOO Gazprom tsentrremont from 28 October 2014, including preparing materials for unbundling OAO Gazprom's fixed assets in accordance with OAO Gazprom's instructions. OOO Gazprom tsentrremont undertakes to provide the services from 28 October 2014 through 9 December 2014. The cost of services is RUB 1,540.00 (net of VAT). The contract comes into force on the date of its signing by the parties and is valid until the parties have fully performed their obligations. The terms and conditions of the contract apply to the parties from 28 October 2014. The interested parties include OAO Gazprom's executives A. V. Kruglov, M. L. Sereda. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.

64. Trademark License Agreement with OAO Gazprom neft. OAO Gazprom (the "Licensor") grants to OAO Gazprom neft (the "Licensee") an exclusive license to use the trademarks  and , which are owned by OAO Gazprom and registered in dark blue, blue and white colours or their combination with the State Register of Certificates of Ukraine for Trademarks and Service Marks, No. 132820 dated 27 December 2010 and No. 132821 dated 27 December 2010 (the "Licensor's Trademarks"), in respect of all goods of product classes 01, 04 and 16 as per the International Classification of Goods and Services (the "Nice Classification or ICGS") and all services of ICGS service classes 35, 37, 39, 40, 42, to which the Licensor's Trademarks apply. The Licensee may use the Licensor's Trademarks throughout Ukraine:
- on products to which the Licensor's Trademarks apply, as well as on the labels and packing of such products;
 - in providing services to which the Licensor's Trademarks apply;
 - in product and service offers to which the Licensor's Trademarks apply;
 - in cover, business or other documents;
 - in advertising, including advertisements placed on administrative buildings, industrial facilities, combined filling stations providing related services, retail shops, car washes, coffee shops, tyre and car repair shops, recreational facilities, on public transport, and in the print media;
 - on billboards related to the goods and services to which the Licensor's Trademarks apply;
 - on the Internet.
- The Licensee may sublicense the right to use the Licensor's Trademarks to third parties (the "Sublicensees") under sublicense agreements only with the Licensor's prior consent in writing.
- The Licensee pays the Licensor a quarterly trademark license fee:
- for every trademark used, the amount equivalent to 300 minimum monthly wages as set by applicable Russian laws as at the execution date of acceptance certificates, plus VAT;
- additionally, the following fee is payable for every sublicense agreement signed:
- for every trademark used by a Sublicensee, the amount equivalent to 300 minimum monthly wages as set by applicable Russian laws as at the execution date of acceptance certificates, plus VAT.
- The agreement comes into force on the date of its signing by the parties and is valid until the expiry of the exclusive rights to the Licensor's Trademarks, provided that the Licensor's Trademark certificates are renewed every 10 years in accordance with the Ukrainian law. The interested parties include OAO Gazprom's executives A. B. Miller, A. V. Kruglov, N. N. Dubik, K. G. Seleznev, V. A. Golubev, V. V. Cherepanov, E. V. Mikhailova, M. L. Sereda. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28 June 2013.
65. Research Contract with the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). OAO Gazprom instructs, and the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) undertakes to carry out research on the following subject: Development of a List of Trades, Occupations, and Competence Requirements for Core Business Personnel Engaged in Offshore Exploration, Production and Transportation of Gas, as Well as Recommendations on a Systematic Approach to Such Personnel's Training, Skill Improvement and Retraining. Delivery period: from 1 July 2014 through 30 June 2016. The cost of work: RUB 4,000,000.00, VAT exempt pursuant to Sub-Paragraph 16, Paragraph 3, Article 149 of the Tax Code of the Russian Federation. The Agreement becomes effective on the execution date and continues until the parties have fully performed their obligations. Some terms and conditions of the contract apply to the parties from 1 July 2014. The interested party is V. G. Martynov, member of OAO Gazprom's Board of Directors. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
66. Foreign Currency Account Agreement with OAO GPB. OAO GPB opens a bank account in Chinese yuans and provides transaction services to OAO Gazprom. The agreement comes into force on the date of its signing by the parties. The Agreement is valid for 15 years. The interested parties include OAO Gazprom's executives A. B. Miller, E. A. Vasilieva, A. V. Kruglov, M. L. Sereda, K. G. Seleznev, A. I. Akimov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
67. Foreign Currency Account Agreement with OAO GPB. OAO GPB opens a bank account in Hong Kong dollars and provides transaction services to OAO Gazprom. The agreement comes into force on the date of its signing by the parties. The Agreement is valid for 15 years. The interested parties include OAO Gazprom's executives A. B. Miller, E. A. Vasilieva, A. V. Kruglov, M. L. Sereda, K. G. Seleznev, A. I. Akimov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.

68. Trademark License Agreement with OAO Gazprom neft. OAO Gazprom (the "Licensor") grants to OAO Gazprom neft (the "Licensee") an exclusive license to use the trademarks  and , which are owned by OAO Gazprom and registered in dark blue, blue and white colours or their combination in the Kyrgyz Republic State Register of Trademarks; certificates No. 10310 dated 30 September 2010 and No. 10311 dated 30 September 2010 (the «Licensor's Trademarks») issued by the State Patent Service of the Kyrgyz Republic in respect of all goods of product classes 01, 04 and 16 as per the International Classification of Goods and Services (the «Nice Classification or ICGS») and all services of ICGS service classes 35, 37, 39, 40, 42, to which the Licensor's Trademarks apply. The Licensee may use the Licensor's Trademarks throughout the Kyrgyz Republic, for all goods and services to which the Licensor's Trademarks apply:
- on products, product labels and packaging;
 - in performing work or delivering services;
 - in product, work or service offers;
 - during charity or sponsorship events;
 - in cover, business or other documents;
 - in advertisements, print media, formal letterheads, billboards, including on office buildings, industrial facilities, combined filling stations providing related services, retail shops, car washes, coffee shops, tyre and car repair shops, recreational facilities, on public transport, as well as on clothes and personal protective equipment;
 - on the Internet.
- The Licensee may sublicense the right to use the Licensor's Trademarks to third parties (the «Sublicensees») under sublicense agreements only with the Licensor's prior consent in writing.
- The Licensee pays the Licensor a quarterly trademark license fee:
- for every trademark used, the amount equivalent to 300 minimum monthly wages as set by applicable Russian laws as at the execution date of acceptance certificates, plus VAT;
- additionally, the following fee is payable for every sublicense agreement signed:
- for every trademark used by a Sublicensee, the amount equivalent to 300 minimum monthly wages as set by applicable Russian laws as at the execution date of acceptance certificates, plus VAT.
- The agreement becomes effective on the date of its registration with the Patent Authority of the Kyrgyz Republic and is valid until the expiry of the exclusive rights to all of the Licensor's Trademarks, provided that the registration of the Licensor's Trademarks is renewed. The interested parties include OAO Gazprom's executives A. B. Miller, A. V. Kruglov, N. N. Dubik, K. G. Seleznev, V. A. Golubev, V. V. Cherepanov, E. V. Mikhailova, M. L. Sereda. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28 June 2013.
69. Contract for fixed assets stock-taking with OAO Gazprom gazoraspredelenie (OOO Gazprom mezhregiongaz is a Management Company acting as the sole executive body of OAO Gazprom gazoraspredelenie). OAO Gazprom gazoraspredelenie undertakes to provide to OAO Gazprom services related to arranging and carrying out stock-taking of OAO Gazprom's fixed assets as at 28 October 2014, the said fixed assets to be leased to OAO Gazprom gazoraspredelenie from 28 October 2014, including preparing materials for unbundling OAO Gazprom's fixed assets in accordance with OAO Gazprom's instructions. OAO Gazprom gazoraspredelenie undertakes to provide the services from 28 October 2014 through 9 December 2014. The cost of services is RUB 1,751,884.00 (net of VAT). The contract comes into force on the date of its signing by the parties and is valid until the parties have fully performed their obligations. The terms and conditions of the contract apply to the parties from 28 October 2014. The interested party is K. G. Seleznev, member of OAO Gazprom's collegial executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
70. Customs Broker Liability Insurance Contract with OAO SOGAZ INSURANCE. The amount of cover per claim is capped at RUB 20,000,000.00. The total premium is RUB 250,000.00, VAT exempt pursuant to Sub-Paragraph 7, Paragraph 3, Article 149 of the Tax Code of the Russian Federation. Insurance covers the period from 00:00 am on 1 January 2015 until 24:00 pm on 31 December 2015. The interested parties include OAO Gazprom's executives A. B. Miller, A. V. Kruglov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
71. Contract for Gas Supplies to the Republic of Belarus in 2015 through 2017, signed with OAO Gazprom transgaz Belarus. OAO Gazprom undertakes to sell the following volumes of natural gas to OAO Gazprom transgaz Belarus: 21.0 bcm in 2015; 21.0 bcm in 2016, and 21.0 bcm in 2017. The contract comes into force on the date of its signing by the parties and is valid until 31 December 2017 (inclusive), provided that the following conditions are met:
- the Intergovernmental Treaty between the Russian Federation and the Republic of Belarus on the terms of share purchase in, and subsequent operations of OAO Beltransgaz, dated 25 November 2011, is valid;
 - the Intergovernmental Treaty between the Russian Federation and the Republic of Belarus on the pricing of natural gas supplies to the Republic of Belarus and gas transportation via pipelines located within its territory, dated 25 November 2011, is valid,
 - for settlements — until settlements are completed.
- The terms and conditions of the contract apply to the parties from 1 January 2015. The interested parties are members of OAO Gazprom's collegial executive body N. N. Dubik, O. Ye. Aksyutin. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
72. Contract for Gas Transportation via the Republic of Belarus from 2015 through 2017, signed with OAO Gazprom transgaz Belarus. The volumes of gas transported are as follows:
- via the gas transportation system of OAO Gazprom transgaz Belarus: 14.9804 bcm in 2015; 15.1701 bcm in 2016; 15.1718 bcm in 2017;
 - via the Yamal-Europe pipeline: 33.0 bcm in 2015; 33.0 bcm in 2016; 33.0 bcm in 2017.
- The total estimated cost of services related to gas transportation via the Republic of Belarus in 2015 is USD 570.0m (inclusive of VAT). The contract comes into force on the date of its signing by the parties and is valid until 31 December 2017 (inclusive). The terms and conditions of the contract apply to the parties from 1 January 2015. The interested parties are members of OAO Gazprom's collegial executive body N. N. Dubik, O. Ye. Aksyutin. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
73. Contract with the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). OAO Gazprom instructs, and the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) undertakes, to perform work on the following subject: Development of a Set of Equipment for Injecting Corrosion Inhibitors into Infield Pipelines. Delivery period: from 1 July 2014 through 31 December 2015. The cost of work: RUB 14,049,000.00, VAT exempt pursuant to Sub-Paragraph 16, Paragraph 3, Article 149 of the Tax Code of the Russian Federation. The contract comes into force on the date of its signing by the parties and is valid until the parties have fully performed their obligations. Some terms and conditions of the contract apply to the parties from 1 July 2014. The interested party is V. G. Martynov, member of OAO Gazprom's Board of Directors. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.

74. Accident and Health Insurance Contract with OAO SOGAZ INSURANCE. The total amount of cover is RUB 145,113,800,000.00; the total premium is RUB 37,432,330.00. Insurance covers the period from 00:00 am on 1 January 2015 until 24:00 pm on 31 December 2015 (inclusive). The interested parties include OAO Gazprom's executives A. B. Miller, A. V. Kruglov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
75. Voluntary Health Insurance Contract with OAO SOGAZ INSURANCE. The total number of insured persons is 10,034. The total amount of cover is RUB 229,006,000,000.00; the total premium is RUB 350,000,012.50. Insurance covers the period from 1 January 2015 to 31 December 2015. The Contract covers against any and all events occurring between 00:00 on 1 January 2015 and 24:00 on 31 December 2015. The interested parties include OAO Gazprom's executives A. B. Miller, A. V. Kruglov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
76. Life Insurance Contract with OOO SK SOGAZ ZHIZN' INSURANCE. The Policyholder is OAO Gazprom; the Insurer is OOO SK SOGAZ ZHIZN' INSURANCE. The Insured are: N. N. Dubik, V. V. Cherepanov. The Beneficiaries are: The insured or persons they designate as beneficiaries, or successors of the insured. The contract provides for voluntary life insurance of the insured as per the Life Insurance Rules, as approved by Acting Director General of OOO SK SOGAZ ZHIZN' INSURANCE on 10 November 2011 (the «Rules»), and the contract. OOO SK SOGAZ ZHIZN' INSURANCE undertakes to pay claims arising from the occurrence of insured events in the procedure specified in the contract and the Rules, and OAO Gazprom undertakes to pay the premium in the procedure specified in the Contract.
The contract provides coverage under the following insurance programmes:
1. Endowment policies providing coverage against death or living up to a certain age before the policy expires;
2. Primary diagnosis of a critical illness;
3. Total permanent disability
Insured events: the insured events are listed in Sub-Paragraphs 3.2.1 through 3.2.4, Paragraph 3.2 of the Rules. The amount of cover for the insured persons is RUB 28,028,000.00. The total premium for the insured persons is RUB 18,082,237.00. Insurance covers the period from 25 December 2014 to 24 December 2019 or until the latest of the end dates of the periods of cover (inclusive). The interested parties include OAO Gazprom's executives N. N. Dubik, V. V. Cherepanov. Approved by Resolution of OAO Gazprom's Board of Directors No. 2467 dated 25 December 2014.
77. Foreign Currency Account Agreement with OAO GPB. OAO GPB opens a bank account in Singapore dollars and provides transaction services to OAO Gazprom. The agreement comes into force on the date of its signing by the parties and is valid for 10 years. The interested parties include OAO Gazprom's executives A. B. Miller, E. A. Vasilieva, A. V. Kruglov, M. L. Sereda, K. G. Seleznev, A. I. Akimov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
78. Foreign Currency Account Agreement with OAO GPB. OAO GPB opens a bank account in Kazakh tenge and provides transaction services to OAO Gazprom. The agreement comes into force on the date of its signing by the parties and is valid for 5 years. The interested parties include OAO Gazprom's executives A. B. Miller, E. A. Vasilieva, A. V. Kruglov, M. L. Sereda, K. G. Seleznev, A. I. Akimov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
79. Paid Services Agreement with OAO Lazurnaya. OAO Lazurnaya undertakes to provide to OAO Gazprom services related to arranging and holding a meeting with the heads of office administration and document management functions of OAO Gazprom's branches, representative offices, subsidiaries and entities, and OAO Gazprom undertakes to pay for the said services against an invoice duly executed by OAO Lazurnaya. The cost of services under the contract is RUB 1,244,152.54, net of VAT (RUB 223,947.46). OAO Gazprom pays for the services provided by OAO Lazurnaya by a bank transfer to OAO Lazurnaya's account in the month following the month of execution of an acceptance certificate by the parties. Delivery period: from 13 May 2014 through 17 May 2014. The contract comes into force on the date of its signing by the parties and is valid until the parties have fully performed their obligations. The interested parties are members of OAO Gazprom's collegial executive body E. A. Vasilieva, N. N. Dubik, A. N. Kozlov. Approved by Resolution of OAO Gazprom's Board of Directors No. 2439 dated 23 October 2014.
80. Non-disclosure agreement with A. Yu. Sapelin. A. Yu. Sapelin (member of the Board of Directors), exercising his powers in accordance with applicable Russian laws, OAO Gazprom's Articles of Association, Regulation on the Board of Directors of OAO Gazprom, and other OAO Gazprom's internal documents, undertakes not to disclose information classified as commercial secret, or other confidential information of OAO Gazprom or its counterparties. The agreement comes into force on the date of its signing by the parties and is valid for 5 years after the termination of office of the member of the Board of Directors. If the office of a member of the Board of Directors terminates on the date of OAO Gazprom's General Shareholders Meeting and the member gets re-elected to the Board of Directors for another term on that same day, the Agreement is valid throughout that member's new term in office on the Board of Directors plus 5 years from its expiry. The interested party is A. Yu. Sapelin, member of OAO Gazprom's Board of Directors. Approved by Resolution of OAO Gazprom's Board of Directors No. 2394 dated 08 August 2014.
81. Addendum No. 1 to Bank Account Agreement No. 14.00133 dated 5 May 2014, signed with OAO Rosselkhozbank, covering relations between the parties in the context of accrual and payment of interest on the balance of OAO Gazprom's Russian rouble account with OAO Rosselkhozbank. The addendum comes into force on the date of its signing by the parties and is valid throughout the duration of Bank Account Agreement No. 14.00133 dated 5 May 2014, signed with OAO Rosselkhozbank. The interested party is the Russian Federation as OAO Gazprom's shareholder holding over 20% of OAO Gazprom's voting shares. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
82. Addendum No. 1 to Bank Account Agreement No. 14.00134 dated 5 May 2014, signed with OAO Rosselkhozbank, covering relations between the parties in the context of accrual and payment of interest on the balance of OAO Gazprom's USD account with OAO Rosselkhozbank. The Addendum comes into force on the date of its signing by the parties and is valid throughout the duration of Foreign Currency Account Agreement No. 14.00134 dated 5 May 2014, signed with OAO Rosselkhozbank. The interested party is the Russian Federation as OAO Gazprom's shareholder holding over 20% of OAO Gazprom's voting shares. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
83. Addendum No. 1 to Bank Account Agreement No. 14.00135 dated 5 May 2014, signed with OAO Rosselkhozbank, covering relations between the parties in the context of accrual and payment of interest on the balance of OAO Gazprom's EUR account with OAO Rosselkhozbank. The Addendum comes into force on the date of its signing by the parties and is valid throughout the duration of Foreign Currency Account Agreement No. 14.00135 dated 5 May 2014, signed with OAO Rosselkhozbank. The interested party is the Russian Federation as OAO Gazprom's shareholder holding over 20% of OAO Gazprom's voting shares. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.

84. Contract of Suretyship with UniCredit Bank Austria AG. The Surety is OAO Gazprom. The Original Lender and Facility Agent is UniCredit Bank Austria AG. The Beneficiary: the Debtor (Borrower) is OAO Gazprom Space Systems.
 OAO Gazprom irrevocably and unconditionally:
 guarantees to each Lender, Designated Lead Manager and Facility Agent, hereinafter referred to as the Financing Parties, due performance by OAO Gazprom Space Systems of its obligations under the Facility Agreement secured by OAO Gazprom and under the Agreement on Indicative Commission Fees (hereinafter the "Security Documents");
 undertakes to each Financing Party that if OAO Gazprom Space Systems fails to duly pay any amount under the Security Documents, OAO Gazprom shall, within 10 business days from the date of relevant notice from UniCredit Bank Austria AG, pay such overdue amount as if OAO Gazprom were the principal debtor; and
 undertakes to reimburse each Financing Party, within 10 business days from the date of receipt by OAO Gazprom of relevant notice, for any losses incurred by such Financing Party if any obligation guaranteed by OAO Gazprom is or becomes unenforceable, invalid or ineffective; the amount of reimbursable loss shall then equal the amount that the Financing Party would have otherwise received.
 OAO Gazprom's liability under the contract is limited to EUR 68,200,000.00.
 The contract becomes effective on the execution date and ceases on the date when all amounts payable by OAO Gazprom Space Systems to the Financing Parties under the Security Documents are actually paid, and all payment obligations of OAO Gazprom Space Systems under the Security Documents are fully performed (whether by OAO Gazprom Space Systems or OAO Gazprom). The contract is governed by the English law. The interested parties include OAO Gazprom's executives S. F. Khomyakov, M. L. Sereda, V. A. Markelov. Approved by Resolution of OAO Gazprom's Board of Directors No. 2402 dated 10 September 2014.
85. Amendment Agreement No. 3 to the Tax Consolidated Group Agreement dated 22 March 2012 (the "Contract") with OOO Gazpromavia Aviation company, OOO Gazprom VNIIGAZ, OOO Gazprom gaznadzor, OOO Gazprom gazobezopasnost, OAO Gazprom gazoraspredelenie (OOO Gazprom mezhregiongaz is the Management Company acting as the sole executive body of OAO Gazprom gazoraspredelenie), OAO Gazprom Gazenergoset, OOO Gazprom geologorazvedka, OOO Gazprom dobycha Astrakhan, OOO Gazprom dobycha Nadym, OAO Vostokgazprom, OOO Gazprom invest Vostok, OOO Gazprom invest, ZAO Gazprom invest Yug (OOO Gazprom invest is the Management Company acting as the sole executive body of ZAO Gazprom invest Yug), OOO Gazprom inform, OOO Gazprom komplektatsiya, OOO Gazprom pererabotka, OOO Gazprom podzemremont Orenburg, OOO Gazprom podzemremont Urengoy, OOO Gazprom promgaz, OOO Gazpromtrans, OOO Gazprom transgaz Yekaterinburg, OOO Gazprom transgaz Kazan, OOO Gazprom transgaz Makhachkala, OOO Gazprom transgaz Nizhny Novgorod, OOO Gazprom transgaz Samara, OOO Gazprom transgaz Saint Petersburg, OOO Gazprom transgaz Saratov, OOO Gazprom transgaz Stavropol, OOO Gazprom transgaz Tomsk, OOO Gazprom transgaz Ufa, OOO Gazprom transgaz Ukhhta, OOO Gazprom transgaz Tchaikovsky, OOO Gazprom transgaz Yugorsk, OOO Gazprom tsentrremont, OOO Gazprom export, OOO Gazflot, OOO Gazprom georesource, OAO Tomskgazprom, ZAO Yamalgazinvest (OOO Gazprom invest is the Management Company acting as the sole executive body of ZAO Yamalgazinvest), OOO Gazprom dobycha Krasnodar, OOO Gazprom dobycha Noyabrsk, OOO Gazprom transgaz Krasnodar, OOO Gazprom PHG, OOO Gazprom nef't shelf, OOO Gazprom dobycha shelf Yuzhno-Sakhalinsk, OOO Gazprom dobycha Orenburg, OOO Gazprom dobycha Urengoy, OOO Gazprom mezhregiongaz, OOO Gazprom sera, OOO Gazprom transgaz Surgut, OOO Gazprom dobycha Yamburg, OOO Gazprom transgaz Volgograd, OOO Gazprom transgaz Moscow, ZAO Gazprom YRGM Development, ZAO Gazprom YRGM Trading, OAO Gazprom nef'tekhim Salavat (OOO Gazprom pererabotka is the Management Company acting as the sole executive body of OAO Gazprom nef'tekhim Salavat), OOO Gazprom energo, OOO Sibmetakhim, OOO Temryukmortrans, OOO Gazprom svyaz, OOO Gazprom sotsinvest, OOO GES Surgut, OOO Gazprom engineering, OOO Gazprom capital, OOO Gazprom dobycha Irkutsk, OOO Gazprom investgazifikatsiya, OOO Niigazekonomika, OOO Gazprom nef't Zapolyar'ye (the "TCG Members") to remove certain members from the Tax Consolidated Group (the "TCG"). The Responsible Member of the Tax Consolidated Group is OAO Gazprom. The TCG members are entities in which OOO Gazprom holds at least a 90% interest, owned either directly or indirectly.
 Whereas the Parties have signed the Agreement between them, and whereas
 OOO Gazprom engineering,
 OOO Temryukmortrans,
 OOO Gazprom invest Vostok, and
 OOO GES Surgut
 made known their intention to terminate their membership in the Tax Consolidated Group, the Parties agreed to remove the above entities from the TCG members list.
 The Agreement becomes effective on the first day of the corporate profit tax period following the tax period in which the Agreement is registered with a tax authority. The interested parties include OAO Gazprom's executives K. G. Seleznev, E. V. Mikhailova, M. L. Sereda, A. V. Kruglov, E. A. Vasilieva, I. Yu. Fedorov. Approved by Resolution of OAO Gazprom's Board of Directors No. 2488 dated 13 February 2015.
86. Donation Agreement with the Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). (the "University"). OAO Gazprom's donation of RUB 90,000,000.00 to the University to finance fire safety procedures in the University's buildings and dormitories (the "Purposes"). OAO Gazprom transfers RUB 90,000,000.00 to the University's bank account within 30 calendar days from the Agreement execution date. The University shall only use the money transferred by OAO Gazprom for the above Purposes. OAO Gazprom may request the University to report on the intended use of the money donated by OAO Gazprom and enclose supporting financial documents. OAO Gazprom may cancel the donation if the University uses the money for any purposes other than the Purposes or changes the Purposes due to any circumstances without first obtaining OAO Gazprom's consent. In this case, the University fully refunds the money donated by OAO Gazprom within a month's time upon OAO Gazprom's request. The Agreement comes into force on the date of its signing by the parties and is valid until the parties have fully performed their obligations. The interested party is V. G. Martynov, member of OAO Gazprom's Board of Directors. Approved by Resolution of OAO Gazprom's Board of Directors No. 2364 dated 10 June 2014.
87. Share purchase agreement with OAO Gazprom Gazenergoset for part of the share in the authorised capital of OOO Gazprom Szhizhenny Gaz (Liquefied Gas). OAO Gazprom undertakes to transfer to OAO Gazprom Gazenergoset the title to, and OAO Gazprom Gazenergoset undertakes to accept and pay for, part of OAO Gazprom's share representing 1% of the authorised capital of OOO Gazprom Szhizhenny Gaz (Liquefied Gas) with a par value of RUB 395,000.00 (the «Share»). The asset price: RUB 1,400,000.00. OAO Gazprom Gazenergoset pays for the Share by a bank transfer to OAO Gazprom's bank account within 20 calendar days from the agreement execution date. The title to the Share passes to OAO Gazprom Gazenergoset after the agreement has been certified by a notary. The agreement comes into force on the certification date and continues until the parties have fully performed their obligations. The interested party is E. V. Mikhailova, member of OAO Gazprom's collegial executive body. Approved by Resolution of OAO Gazprom's Board of Directors No. 2458 dated 23 December 2014.

88. Agreement on contribution of a block of shares to OOO Gazprom mezhregiongaz's authorised capital. OAO Gazprom undertakes to transfer to OOO Gazprom mezhregiongaz a part of its share in the authorised capital of OOO Gazprom Szhhzhenny Gaz (Liquefied Gas) with the par value of RUB 39,105,000.00, representing 99% of the authorised capital of OOO Gazprom Szhhzhenny Gaz (the «Share»), as an additional non-cash contribution to the authorised capital of OOO Gazprom mezhregiongaz. The asset price: RUB 212,000,000.00. The title to the Share passes to OOO Gazprom mezhregiongaz after the agreement has been certified by a notary. The agreement comes into force on the certification date and continues until the parties have fully performed their obligations. The interested party is K. G. Seleznev, member of OAO Gazprom's collegial executive body. Approved by Resolution of OAO Gazprom's Board of Directors No. 2458 dated 23 December 2014.
89. Addendum No. 19 to Gas Supply Contract No. 25 Pk-2007 dated 13 December 2007, signed with OAO Severneftegazprom, due to the approval of the volume of gas to be supplied in the period from 1 January 2015 to 1 January 2016 and adjustment of the gas price in the second half of 2015. In the period from 10:00 am on 1 January 2015 until 10:00 am on 1 January 2016 (Supply Year 2015), OAO Severneftegazprom undertakes to supply, and OAO Gazprom undertakes to offtake 9,956,364 mcm of gas. The price of gas supplied between 10 am on 1 January 2015 until 10 am on 1 July 2015 (second half of Supply Year 2015) is RUB 1,600.32 per mcm (net of VAT). The addendum comes into force on the date of its signing by the parties. The interested parties are members of OAO Gazprom's collegial executive body A. I. Medvedev, E. V. Mikhailova, V. V. Cherepanov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
90. Addendum No. 55 to Contract for Gas Transportation Arrangement Services No. 22NPTr/k-2004 dated 6 October 2003, signed with OAO NOVATEK, due to changes in gas transportation volume. The volume of gas to be transported is 51,063.287 mmcm in 2015; 30,651.753 mmcm in 2016; and 1,423.547 mmcm in 2017. The addendum comes into force on the date of its signing by the parties. The interested party is A. I. Akimov, member of OAO Gazprom's Board of Directors. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
91. Contract with OOO Gazprom mezhregiongaz. OAO Gazprom undertakes to supply to OOO Gazprom mezhregiongaz flammable natural gas, including dry topped gas, produced by OAO Gazprom and/or its affiliates (the «Gas») for its subsequent sales to consumers in the Russian Federation. Republic of Dagestan, Kabardino-Balkarian Republic, Karachayev-Republic, Republic of Ingushetia, Republic of North Ossetia (Alania). The following volumes of gas are to be supplied from 1 January 2015 to 31 December 2015: a total of 5,297.2 mmcm in 2015, including: 5,060.5 mmcm within the basic scope of supply and 236.7 mmcm within the additional scope of supply. The Contract comes into force on the date of its signing by the parties and is valid until the parties have fully performed their obligations. The interested party is K. G. Seleznev, member of OAO Gazprom's collegial executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
92. Contract with OOO Gazprom mezhregiongaz. OAO Gazprom undertakes to supply to OOO Gazprom mezhregiongaz flammable natural gas, including dry topped gas, produced by OAO Gazprom and/or its affiliates (the «Gas») for its subsequent sales to consumers in the Chechen Republic, and OOO Gazprom mezhregiongaz undertakes to accept and pay for the gas supplied. The following volumes of gas are to be supplied from 1 January 2015 to 31 December 2015: a total of 1,748.1 mmcm in 2015, including supplies at regulated prices (basic scope of supply). The Contract comes into force on the date of its signing by the parties and is valid until the parties have fully performed their obligations. The interested party is K. G. Seleznev, member of OAO Gazprom's collegial executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
93. Principal's Order No. 12 under Agency Agreement No. PNR-14-2010 dated 2 July 2010, signed with OOO Gazprom tsentrremont to subcontract commissioning operations. OOO Gazprom tsentrremont's expenses reimbursable by OAO Gazprom (including VAT paid by OOO Gazprom tsentrremont to third parties) are limited to RUB 9,840,299.42. OOO Gazprom tsentrremont's fee (including additional fee) is limited to RUB 20,848.09 (net of VAT). The interested parties include OAO Gazprom's executives A. V. Kruglov, M. L. Sereda. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
94. Principal's Order No. 11 under Agency Agreement No. PNR-14-2010 dated 2 July 2010, signed with OOO Gazprom tsentrremont to subcontract commissioning operations. OOO Gazprom tsentrremont's expenses reimbursable by OAO Gazprom (including VAT paid by OOO Gazprom tsentrremont to third parties) are limited to RUB 6,052,385.20. OOO Gazprom tsentrremont's fee (including additional fee) is limited to RUB 12,822.85 (net of VAT). The interested parties include OAO Gazprom's executives A. V. Kruglov, M. L. Sereda. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.
95. Trademark License Agreement with OOO Gazprom gazomotornoe toplivo. OAO Gazprom (the «Licensor») grants to OOO Gazprom gazomotornoe toplivo (the «Licensee») a non-exclusive license to use Газпром, Газпром and trademarks registered with the State Register of Trademarks and Service Marks of the Russian Federation, trademark/service mark certificates No. 228275 dated 19 November 2002, No. 228276 dated 19 November 2002, and No. 220181 dated 3 September 2002 (the «Licensor's Trademarks»), in relation to all goods (work, services) to which the Licensor's Trademarks apply. The Licensee is granted the right to use the Licensor's Trademarks:
- on goods, tags or product packing produced, marketed, sold, presented at an exhibition or fair or otherwise introduced into the civil law-based trade in the Russian Federation, or stored or transported for this purpose, or imported to the Russian Federation;
 - in performing work or delivering services;
 - in cover, business or other documents, including those used to introduce goods into the civil law-based trade;
 - in sale, work or service offers, advertisement and promotional materials, charity or sponsorship events, print media, formal letterheads, billboards, including on office buildings, industrial facilities, transport vehicles, as well as on clothes and personal protective equipment;
 - in the Licensee's (Sublicensees') print media;
 - on the Internet;
 - in the Licensee's (Sublicensees') business name(s).
- Subject to the Licensor's prior consent, the Licensee may sublicense the Licensor's Trademarks to third parties (Sublicensees) under sublicense agreements. For every trademark used, the Licensee/Sublicensees pays the Licensor a quarterly trademark license fee of 300 minimum monthly wages as set by applicable Russian laws as at the execution date of acceptance certificates, plus VAT at the rate fixed in applicable Russian laws. The agreement becomes effective on its official registration date with the federal intellectual property agency. The terms and conditions of the agreement apply to the parties from 27 June 2014. The interested parties include OAO Gazprom's executives V. K. Markov, E. V. Mikhailova, V. A. Markelov, V. A. Zubkov, A. I. Akimov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 27 June 2014.

96. Voluntary Medical Insurance Contract with OAO SOGAZ INSURANCE. The Policyholder is OAO Gazprom. The Insurer is OAO SOGAZ INSURANCE. The Insured are OAO Gazprom's employees, their families, OAO Gazprom's retirees, and their families. OAO SOGAZ INSURANCE undertakes to arrange and pay for the services provided to the Insured under the Voluntary Medical Insurance Plans (the "VMI Plans") upon occurrence of an insured event, in accordance with the VMI Terms and Conditions approved by OAO SOGAZ INSURANCE's Chairman of the Board on 24 August 2009 (the "Terms and Conditions"), and OAO Gazprom undertakes to pay the insurance premium on the dates and in the amount established by the Contract. The VMI Plans follow the basic, additional and special provisions of the Terms and Conditions and list particular services to be provided to the Insured upon occurrence of an insured event. An insured event is the Insured's request, during the term of the contract, for medical help under the VMI Plans from a health provider listed in the VMI Plan or in the extended list of health providers being part of the VMI Plans. The total insured amount for all Insured is RUB 229,006,000,000.00. The total insurance premium paid for all Insured is RUB 1,086,491,300.00. The contract comes into force on 1 January 2015 and is valid until 31 December 2015. The interested parties include OAO Gazprom's executives A. B. Miller, A. V. Kruglov. Approved by Resolution of OAO Gazprom's Board of Directors No. 2510 dated 26 March 2015.

Information on Transactions in OAO Gazprom's Shares carried out by Members of OAO Gazprom's Board of Directors and Management Committee in 2014

Purchase	Transaction date	Transaction type	Number of OAO Gazprom's ordinary registered shares
V. A. Zubkov	11 February 2014	Disposal	233,750
Y. Y. Golko	14 January 2014	Purchase	16,752
	17 January 2014	Purchase	7,300
V. A. Golubev	25 February 2014	Purchase	13,650
	23 June 2014	Purchase	28,374
M. L. Sereda	17 January 2014	Purchase	43,900

Implementation of Presidential and Governmental Directives and Instructions

Implementation of the Investment Programme

(Instruction No. ISh-P13-5361 of 18 September 2009 by I. I. Shuvalov, First Deputy Prime Minister of the Russian Government)

As part of the 2014 Investment Programme approved by the Board of Directors of OAO Gazprom, the actual investment spending in 2014 totalled RUB 1,426.5 bn including capital investment of RUB 707.2 bn, long-term financial investment of RUB 174.3 bn, and acquisition of non-current assets for RUB 545.0 bn.

In terms of capital construction, the Investment Programme focused on:

- constructing facilities at the Bovanenkovskoye field and implementing the Comprehensive Programme for Upgrading and Technical Re-equipment of Gas Production Facilities for 2011–2015;
- implementing gas transportation projects, including construction of the Bovanenkovo — Ukhta trunk pipelines; UGSS expansion to supply gas to the South Stream project, and implementing the Comprehensive Programme for Upgrading and Technical Re-equipment of Gas Transportation Facilities;
- expanding the underground gas storage system in Russia.

Long-term financial investment priorities in 2014 were mainly associated with OAO Gazprom's involvement in the South Stream project, development of gas reserves outside Russia and power generation projects.

The actual amount allocated for OAO Gazprom's Investment Programme in 2014 came at RUB 805.4bn (including RUB 631.1bn of capital investment financing).

Adoption of key management performance indicators

(Instruction No. Pr-1474 of 5 July 2013 by V. V. Putin, President of the Russian Federation)

By its resolution of 21 October 2014, OAO Gazprom's Board of Directors approved a Regulation on Key Performance Indicators for OAO Gazprom.

The document was drafted with due consideration of the Methodological Guidelines issued by the Russian Ministry of Economic Development and Federal Agency for State Property Management.

Total Shareholder Return (TSR) and Return on Equity (ROE) were included in the KPIs to be used to assess the performance of OAO Gazprom's management, providing incentives to members of the Board of Directors and making personnel-related decisions. Methodical guidelines were drafted to measure such KPIs.

The KPI list meets the requirements set by government agencies to the number, structure and weight of KPIs.

OAO Gazprom's Board of Directors also resolved to approve management performance KPIs to be considered when making remuneration and personnel-related decisions (Resolution No. 2436 of 23 October 2014) and amending the Regulation on the Annual Bonus System for the Management of OAO Gazprom (Resolution No. 2437 of 23 October 2014).

Inclusion of labour efficiency in the list of key management performance indicators to assess the performance of the management of OAO Gazprom

(Russian Government Directives of 31 October 2014 No. 7389p-P13)

In December 2014, OAO Gazprom's Board of Directors considered whether to complement the KPIs under the Annual Bonus System with an additional Labour Efficiency indicator with a 5% share in total KPIs. By resolution No. 2473 of 27 January 2015 OAO Gazprom's Board of Directors amended the Regulation on the Annual Bonus System for the Management of OAO Gazprom.

Adaptation by entities with a government stake of the Corporate Governance Code approved by the Bank of Russia's Board of Directors on 21 March 2014

(Instruction No. DM-P36-46pr of 28 May 2014 by D. A. Medvedev, Russian Prime Minister).

In pursuance of Resolution No. 2452 of 27 November 2014 issued by OAO Gazprom's Board of Directors, a draft action plan on introducing the Code's key provisions into OAO Gazprom's activities was forwarded to the Federal Agency for State Property Management and Russian Ministry of Energy to obtain appropriate instructions. This action plan was drafted based on benchmarking OAO Gazprom's corporate governance standards with the Code's key provisions.

Development and implementation of a non-core assets disposal programme

(Section 2c of Decree on Long-Term Government Policies No. 596 of 7 May 2012 by V. V. Putin, Russian President)

By Resolution No. 2185 of 18 June 2013, OAO Gazprom's Board of Directors approved its three-year Non-Core Assets Disposal Programme (from 2H 2013 to 1H 2016). The approval of the programme was disclosed by OAO Gazprom in the manner prescribed by the law by publishing appropriate open access information on its website. The programme comprises three sections: Long-Term Financial Investments (stock, shares), Real Property, and Movable Property.

The actual cost of sale of assets disposed of in 2014 under the Programme totalled RUB 2,780,961 thousand. Pre-sale preparation and disposal of non-core assets resulted in the actual cost of sale exceeding the book value by RUB 2,749,302 thousand.

Programme implementation in 2014					
Asset	Balance sheet item containing the asset as at the reporting date prior to the asset disposal	Balance sheet item (analytics included), containing asset disposal income and expense (91.1xxx/91.2xxx)	Book value of asset, RUB thou	Actual cost of sale, RUB thou	Actual cost of sale vs. book value, RUB thou
51% stake in OAO Gazprom geofizika	1171	912002/914802	24	54,404 plus the upfront sum of 3,000 paid in 2013	57,380
49.62% stake in OAO Gazprom avtomatizatsiya	1171	911902/914702	774	2,626 000	2,625,226
0.09% stake in OOO GazPurInvest (former OOO GazpromPurInvest)	1173	911906/914706	2,377	2,432	55
Motor vehicles and special-purpose machinery (265 units)	1150	914101/911110	28,484	95,125	66,641
Total			31,659	2,780,961	2,749,302

Disclosure of information on ownership structures, including beneficiaries, by counterparties under existing contracts

(Instruction No. VP-P 13-9308 of 28 December 2011 by V. V. Putin, Russian Prime Minister, and Instruction No. IS-P 13-80 of 12 January 2012 by I. I. Sechin, Russian Deputy Prime Minister)

Between 1 January 2013 and 31 December 2014, OAO Gazprom informed the Russian Ministry of Energy, Federal Tax Service and Rosinfomonitoring of:

- 145,289 existing contracts (with 3,810 contracts signed by OAO Gazprom and 141,479 contracts signed by its subsidiaries and affiliates directly and/or indirectly controlled by OAO Gazprom by more than 50% in total);
- changes in the ownership structure and/or executive bodies of OAO Gazprom's counterparties;
- changes in the ownership structure and/or executive bodies of the counterparties of subsidiaries and affiliates directly and/or indirectly controlled by OAO Gazprom by more than 50% in total.

Cooperation with higher education institutions in Eastern Siberia and the Russian Far East

(Item 2 of List of Instructions No. Pr-2169 of 10 September 2014 by V. V. Putin, Russian President, covering the government's support for Far Eastern priority investment projects and territories of priority development)

As part of the Power of Siberia Project, OAO Gazprom liaises with M. K. Ammosov North-Eastern Federal University (NEFU). In 2014, OAO Gazprom and NEFU drafted their joint 2015–2016 programme to improve the quality of education and training offered to employees. On 30 September 2014, NEFU hosted the OAO Gazprom's Day event that included an employment fair participated by OAO Gazprom's subsidiaries. The event was attended by more than 1,000 of NEFU students.

The *Company* plans to cooperate with the university in terms of training qualified personnel for its initiatives in the Russian Far East.

Improvement of title registration procedures in connection with abandoned infrastructural assets of the Fuel and Energy Sector, including abandoned assets of the gas distribution system.

(Section 5 of Minutes No. 12 of 12 December 2014 of the Government Commission on the Socio-Economic Development of the North Caucasus Federal District)

OAO Gazprom forwarded to the Russian Ministry of Energy its proposals on a draft of the Federal Law on Amendments to Certain Regulatory Acts of the Russian Federation (intended to improve the operational safety of gas distribution networks and ensure reliable power supplies to consumers) focusing on the improvement of title registration procedures relating to abandoned infrastructural assets of the Fuel and Energy Sector, including abandoned assets of the gas distribution system.

The draft is intended to amend the Federal Law on Gas Supply in the Russian Federation, Civil and Civil Procedural Codes of the Russian Federation to set a definition for an “abandoned asset of the gas distribution system” and establish a procedure for acquiring title to such asset upon application of the gas distribution company that discovers such asset and whose networks are technologically integrated with the asset. The draft also enables the acquisition of title to an abandoned infrastructural asset of the gas distribution system within five years by prescription.

Expanding Small and Medium Enterprises (SMEs) access to OAO Gazprom’s procurement (Directive No. 6362p-P13 of 24 October 2013 by D. A. Medvedev, Russian Prime Minister, implementing the Action Plan on Expanding SMEs Access to Procurements of Infrastructure Monopolies and State-Owned Companies approved by the Russian Government’s Decree No. 867-r of 29 May 2013)

In accordance with Directives No. 6362p-P13 of 24 October 2013 and in pursuance of the Board of Directors’ Resolutions No. 2324 of 8 April 2014 and No. 2481 of 4 February 2015:

- a single-window regulation has been developed to introduce innovative products and results of SMEs R&D activities;
- a section describing the performance of OAO Gazprom’s procurement system, including SMEs procurements, was included in OAO Gazprom’s Annual Report;
- by Resolution No. 2375 of 27 June 2014, OAO Gazprom’s Board of Directors made amendments to the Regulation on the Purchase of Goods, Works and Services by OAO Gazprom, including amendments peculiarising SMEs procurements.

(Directive No. 7377p-P13 of 7 December 2013 by D. A. Medvedev, Russian Prime Minister, implementing the Action Plan on Expanding SMEs Access to Procurements of Infrastructure Monopolies and State-Owned Companies approved by the Russian Government’s Decree No. 867-r of 29 May 2013)

In accordance with Directives No. 7377p-P13 of 7 December 2013 and in pursuance of the Board of Directors’ Resolution No. 2304 of 4 February 2014:

- B. Miller, Chairman of OAO Gazprom’s Management Committee, signed Order No. 261 on Activities to Expand SMEs Access to Procurement Activities of 6 June 2014.
- by Order No. 7 of 15 January 2015, OAO Gazprom approved its Pilot SME Partnership Programme;
- model life cycle valuation methods have been developed;
- the “product or deliverable life cycle value” order valuation and matching criterion has been developed for procurement activities together with a methodology to value and match orders based on such criterion;

- by Resolution No. 2375 of 27 June 2014, OAO Gazprom's Board of Directors amended the Regulation on the Purchase of Goods, Works and Services by OAO Gazprom and *Gazprom Group* companies to simplify procurement procedures, including SMEs procurements.

Improving OAO Gazprom's procurement policies

(Directive No. 2487p-P13 of 24 April 2014 by I. I. Shuvalov, First Deputy Prime Minister of the Russian Government, implementing the Action Plan on Limiting the Final Price of Goods and Services Offered by Infrastructural Companies While Keeping Their Financial Strength and Investment Attractiveness approved by Order No. 6732p-P9 of 11 November 2013 issued by D. A. Medvedev, Russian Prime Minister)

OAO Gazprom's Board of Directors issued Resolution on Improving OAO Gazprom's Procurement Policies No. 2362 of 10 June 2014.

By its Resolution No. 2392 of 8 August 2014, OAO Gazprom's Board of Directors approved an Action Programme on Improving OAO Gazprom's and its Subsidiaries' and Affiliates' Procurement Policies as approved by the Russian Ministry of Economic Development and Ministry of Energy. A progress report 2014 for the Programme has been forwarded to the Russian Ministry of Energy.

In its Order No. 443 of 24 September 2014, OAO Gazprom approved its Methodology for Calculating Ratios for Reducing Procurement Prices for the Most Critical Procurements in 2014 as approved by the Russian Ministry of Energy and a list of the most critical procurements (goods, works and services) whose prices were to be reduced in 2014.

The methodology was used to calculate reduced prices for the most critical procurements in 2014 which calculation was forwarded to the Russian Ministry of Energy.

Regulating wholesale gas prices

(Instruction No. dm-P13-1196 of 20 February 2014 by D. A. Medvedev, Russian Prime Minister)

OAO Gazprom has prepared proposals on long-term energy pricing policies (as regards gas prices). OAO Gazprom believes that the gas industry's long-term pricing policies must focus on inspiring the reduction of the energy component in the economy while creating appropriate conditions to develop the gas industry and market relations fostering gas supplies.

(Item 1 of Minutes No. AD-P9-60pr of 29 May 2014, meeting held at the office of Russian Deputy Prime Minister A. V. Dvorkovich regarding a Russian gas market model and the need to amend some Russian Government's gas sale decrees)

Proposals on how to regulate wholesale gas prices until 2020 and gas price range targets until 2020 have been prepared. These proposals focus on setting prices that include reasonable expenses and margins corresponding to market return on capital deployed or such margins as ensure adequate sourcing of capital investments to support and develop gas production, transportation and storage activities.

(Minutes No. A4-26-368 of 4 April 2014, Russian Presidential Commission for Strategic Development of the Fuel and Energy Sector and Environmental Security; Instruction No. AD-P9-5865 of 31 July 2014 by A. V. Dvorkovich, Russian Deputy Prime Minister; item 1 of Minutes No. AD-P9-149pr of 2 October 2014)

Jointly with federal executive authorities, OAO Gazprom studied differential gas pricing opportunities towards regulated wholesale price caps offered to large consumers, including procedures for applying, and cases triggering the application of, such prices.

These efforts have resulted in the preparation of a draft forwarded to the Russian Government, amending the State Regulation of Gas Prices, Transportation Service Tariffs and Charges for Connecting Gas Equipment to Gas Distribution Networks in the Russian Federation approved by Resolution of the Russian Government No. 1021 of 29 December 2000, with amendments (if accepted) changing procedures regulating wholesale gas prices offered to individual categories of industrial consumers.

Decisions to reduce procurement costs per unit of output by at least 10% per year during three years in real terms, with these reduction targets to be used as a key performance indicator in assessing corporate and management performance

(subparagraph 1f, List of Instructions No. Pr-846 of 2 April 2011 by D. A. Medvedev, Russian President)

In its Order No. 86 of 30 March 2012, OAO Gazprom approved its Methodology for Calculating the Ratio of Reduction of Procurement Cost per Unit of Output. The Methodology takes account of the approaches recommended by the Russian Ministry for Energy. Final cost cutbacks are consolidated into three groups:

- inventory procurement costs;
- procurement costs related to core operations;
- procurement costs related to investment.

The resulting ratio calculated under subparagraph 1f of List of Instructions No. Pr-846 has been accepted as one of KPIs to assess OAO Gazprom's management performance.

Reduction of procurement costs related to investment

(subparagraph 1f, List of Instructions No. Pr-846 of 2 April 2011 by D. A. Medvedev, Russian President)

The implementation of the instruction has decreased procurements costs incurred under investment projects completed in 2014 by 11.37%.

Arranging on-exchange gas trades

(subparagraph 2c, Section II of Minutes No. A4-26-368 of 4 June 2014, Russian Presidential Commission for Strategic Development of the Fuel and Energy Sector and Environmental Security)

OAO Gazprom, jointly with ZAO Saint-Petersburg International Mercantile Exchange and ZAO Settlement depository company, made adequate arrangements to commence on-exchange natural gas trading at the SPIMEX. On-exchange gas trading is a vital tool to establish market criteria and improve transparency for market gas pricing practices, enabling to obtain market input for the pricing system.

Energy Consumption by OAO Gazprom and its Actual Cost

Energy resource	2013	2014
Natural gas		
mmcm	21.6	22.2
RUB mm (inclusive of VAT)	136.1	147.3
Power		
thousand MWh	84.2	112.8
RUB mm (inclusive of VAT)	333.1	455.3
Heat energy		
thousand Gcal	82.1	85.1
RUB mm (inclusive of VAT)	123.7	132.5
Motor gasoline		
mm litres	2.5	2.5
RUB mm (inclusive of VAT)	76.4	80.3
Diesel fuel		
thousand tonnes	2.1	2.2
RUB mm (inclusive of VAT)	70.7	73.9

Note. OAO Gazprom consumes no other energy resources in significant quantities.

Additional Information for the Annual Report Available on OAO Gazprom's Corporate Website

- Members of OAO Gazprom's Audit Commission
- Meetings of OAO Gazprom's Board of Directors in 2014
- Meetings of the Board of Directors' Audit Committee of OAO Gazprom in 2014
- Debt recovery litigations pending as of 31 December 2014
- List of entities where OAO Gazprom holds shares (interest) as of 31 December 2014

Addresses and Contact Details

Full name

Open Joint Stock Company Gazprom

Abbreviated name

OAO Gazprom

Location

16 Nametkina St., Moscow, Russian Federation
Mailing address: 16 Nametkina St., Moscow, GSP-7, 117997
Tel.: +7 495 719 3001 (for references). Fax: +7 495 719 8333

Website

www.gazprom.ru
www.gazprom.com

E-mail:

gazprom@gazprom.ru

Certificate of Entry in the Unified State Register of Legal Entities

Issued by the Moscow Department of the Ministry of Taxation of the Russian Federation on 2 August 2002, No. 1027700070518
Taxpayer Identification Number (INN): 7736050003

Shareholder Relations Office

Tel.: +7 495 719 2601 Fax: +7 495 719 1494

Investor Relations Office

Andrey V. Baranov
Tel.: +7 495 719 3483 Fax: +7 495 719 3541
E-mail: ir@gazprom.ru

Auditor to OAO Gazprom

ZAO PricewaterhouseCoopers Audit
Member of the Self-Regulated Organisation non-profit partnership Audit Chamber of Russia.
Location and mailing address: 10 Butyrsky Val St., Moscow, Russian Federation, 125047
Tel.: +7 495 967 6000 Fax: +7 495 967 6001

Registrar

Closed Joint Stock Company, Specialised Registrar —
Register Keeper for Gas Industry Shareholders (CJSC SR-DRAGa).
Location and mailing address: 71/32 Novocheremushkinskaya St., Moscow, Russian Federation, 117420
Tel.: +7 495 719 3929 Fax: +7 495 719 4585

This annual report is preliminary approved by the resolution of OAO Gazprom's Board of directors No.2541 dated May 14, 2015

Chairman of the
Management Committee



Alexey B. Miller

Chief Accountant



Elena A. Vasilieva

