

# Multipolar Energy

PJSC Gazprom Annual Report 2015



# Multipolar Energy

Continuous development across all segments of the energy business and expansion of the Company's geographical footprint are among the priority areas for Gazprom's strategy and for consolidating its leadership position among global energy companies.



Gazprom's major competitive advantage is its vast hydrocarbon reserves, including the world's largest natural gas reserves — 36.15 tcm.

The Group's resource base keeps growing due to the right strategy, high success rates of exploration, and the use of advanced technologies. These efforts seek to ensure replacement of hydrocarbon production with commercial reserves and pre-development of the resource base in promising regions. Since 2005, Gazprom has ensured annual growth of gas reserves at the rates significantly exceeding the growth of its production volumes.

The Group carries out exploration in virtually all oil- and gas-bearing regions across Russia, including Western Siberia, the Yamal Peninsula, Eastern Siberia and the Far East, and on the continental shelf.

Yakutia is one of the promising areas for exploration and pre-development of hydrocarbon reserves in Russia's Eastern regions. Gazprom is building a major gas production centre there. It will be based around the Chayandinskoye field containing uniquely vast gas reserves. Over the past few years, large-scale exploration drilling and 3D seismic surveys were carried out at the field. This enabled Gazprom to have the hydrocarbon reserves approved by the State Reserves Commission of the Russian Ministry of Natural Resources and prepare the field for commercial development.

60°27'46" N 112°28'19" E  
**Chayandinskoye field**  
The Republic of Sakha (Yakutia),  
Russia

# Exploration

For eleven years in a row,  
Gazprom's gas reserve replacement volumes  
have exceeded its gas production volumes.



As part of the efforts to expand its geographical footprint, Gazprom is building its resource base abroad.

The Group is actively involved in exploration projects under way in FSU countries, South-East Asia, Africa, the Middle East, Europe, and Latin America.

In particular, Gazprom shows a strong interest in hydrocarbon exploration projects in Bolivia, which ranks third in Latin America in terms of natural gas reserves. In partnership with foreign companies there, Gazprom is involved in the development of high-potential oil and gas blocks Ipati and Aquio, where the Incahuasi field was discovered, and the Azero block.

La recuperación del gas por Gazprom  
excede su extracción  
hace 11 años consecutivos.

# Exploración geológica

19°16'35" N 63°37'36" E  
**Incahuasi field**  
Santa Cruz Department,  
Bolivia



Gazprom's significant production capacity makes the Group the global leader by gas production.

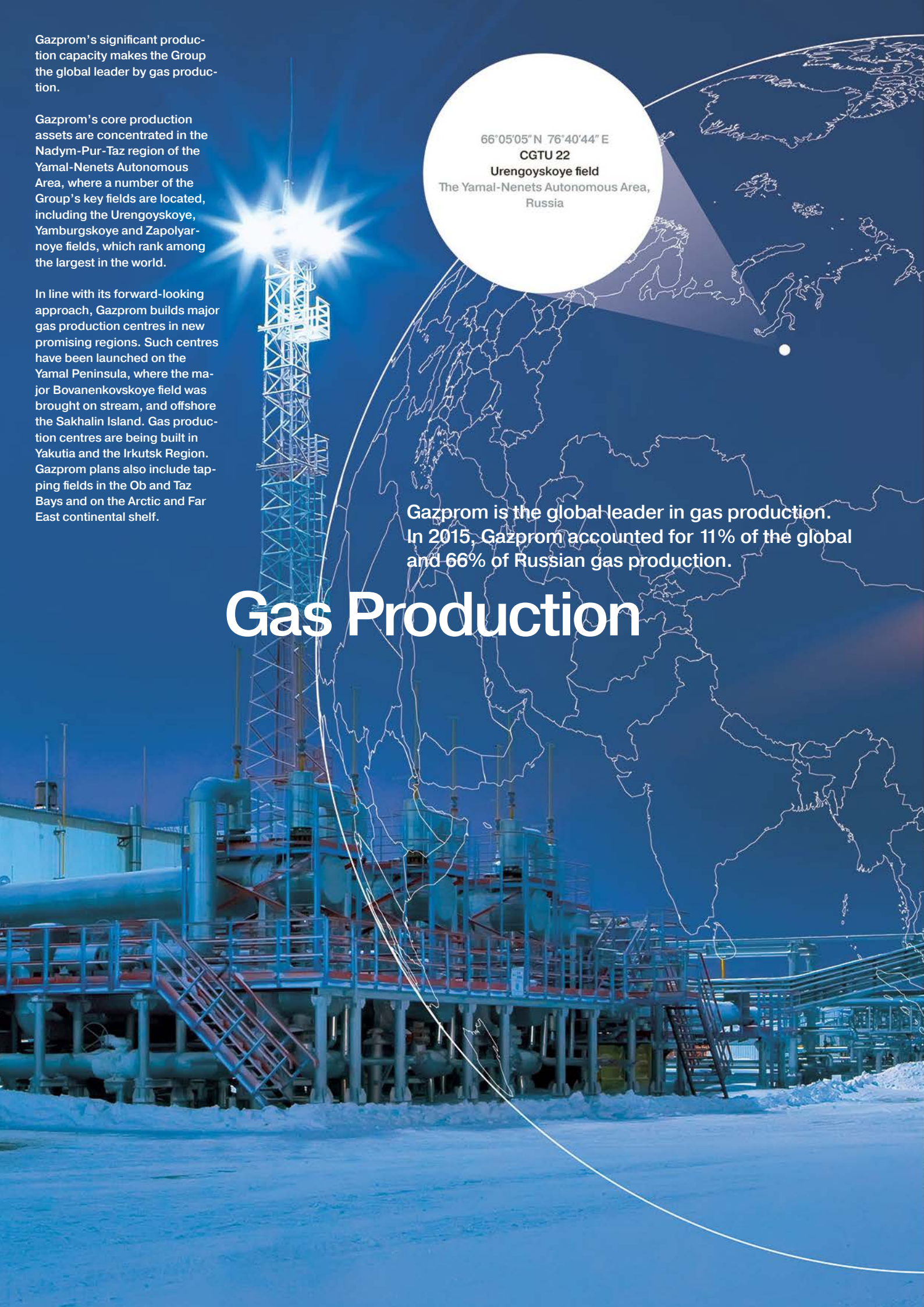
Gazprom's core production assets are concentrated in the Nadym-Pur-Taz region of the Yamal-Nenets Autonomous Area, where a number of the Group's key fields are located, including the Urengoyskoye, Yamburgskoye and Zapolyarnoye fields, which rank among the largest in the world.

In line with its forward-looking approach, Gazprom builds major gas production centres in new promising regions. Such centres have been launched on the Yamal Peninsula, where the major Bovanenkovskoye field was brought on stream, and offshore the Sakhalin Island. Gas production centres are being built in Yakutia and the Irkutsk Region. Gazprom plans also include tapping fields in the Ob and Taz Bays and on the Arctic and Far East continental shelf.

66°05'05" N 76°40'44" E  
CGTU 22  
Urengoyskoye field  
The Yamal-Nenets Autonomous Area,  
Russia

Gazprom is the global leader in gas production.  
In 2015, Gazprom accounted for 11% of the global  
and 66% of Russian gas production.

# Gas Production





Gazprom consistently expands the geography of its operations. In particular, the Group is involved in gas production projects in Vietnam, Serbia, Uzbekistan and in the North Sea.

Since 2013, Gazprom, in cooperation with Petrovietnam, has been producing gas at the Moc Tinh and Hai Thach fields located within license blocks 05-2 and 05-3 on the Vietnamese shelf.

# Thăm dò khai thác khí đốt

Gazprom là công ty hàng đầu thế giới về sản xuất năng lượng khí đốt tự nhiên. Năm 2015, tổng lượng khí đốt Gazprom đã thăm dò khai thác được chiếm 11% tổng khối lượng khí thăm dò và khai thác trên toàn thế giới và chiếm 66% tổng khối lượng khí đốt thăm dò khai thác được tại Nga.

7°31'24"N 107°57'44"E

**Moc Tinh field**  
South China Sea,  
Vietnam





Development of the oil business is one of Gazprom's strategic goals. PAO Gazprom Neft accounts for the bulk of the Group's oil production, operating across Russia's major oil- and gas-bearing regions: the Khanty-Mansi and Yamal-Nenets Autonomous Areas, the Tomsk, Omsk, and Orenburg Regions.

Along with implementing projects in traditional oil producing regions, Gazprom Neft taps fields in new regions. Gazprom Neft Group is producing oil at the Prirazlomnoye field — Russia's only project for hydrocarbon resource development on the Arctic shelf. In 2015, the project produced its one millionth tonne of crude oil.

Tapping hard-to-recover reserves is a key focus area for further development of the oil business. Gazprom Neft strives to use the most advanced methods of enhanced oil recovery and improves technologies to reduce the cost of hi-tech operations. By introducing new technologies Gazprom Neft unlocks new hard-to-recover reserves, specifically, at the Yuzhno-Priobskoye field in the Khanty-Mansi Autonomous Area.

Gazprom is among  
the top four Russian companies  
in terms of oil production volumes.

# Oil Production

61°20'00" N 70°18'50" E  
Yuzhno-Priobskoye field  
The Khanty-Mansi Autonomous Area — Yugra,  
Russia



# انتاج النفط

تعد شركة غازبروم  
واحدة من اكبر اربعة شركات انتاج النفط  
في روسيا.

Gazprom Neft Group is actively involved in hydrocarbon exploration and production projects in Iraq and Venezuela.

In Venezuela, Gazprom Neft Group operates within a consortium of companies to carry out follow-up exploration at the Junin-6 heavy oil field in the Orinoco River basin.

In the Middle East, Gazprom Neft Group is engaged in the development of the Badrah field in Iraq. In 2015, the field produced its one millionth tonne of crude oil. In addition, Gazprom Neft is involved in three projects located in the Kurdish Region of Iraq.

NIS, overseas subsidiary of PAO Gazprom Neft, is engaged in hydrocarbon exploration and production in Serbia, Angola, Bosnia and Herzegovina, Hungary and Romania.

33°00'14"N 46°04'26" E  
**Badrah field**  
Wasit Governorate,  
Iraq



Gazprom operates the world's largest gas transportation system (GTS) — 171.2 thousand kilometres long. It is mostly located within the European part of Russia and Western Siberia, forming a part of Russia's national Unified Gas Supply System (UGSS). Gazprom also owns trunk pipelines in the Russian Far East. Its highly ramified structure and parallel transportation routes ensure high reliability of the GTS and enable uninterrupted gas supplies even during seasonal peak loads.

Gazprom builds new gas transportation facilities to improve the reliability of gas supplies and expand gas infrastructure into Russian regions. Over the last five years, a number of major gas pipelines were commissioned, such as the Bovanenkovo — Ukhta, Ukhta — Torzhok, Sakhalin — Khabarovsk — Vladivostok, Gryazovets — Vyborg, Dzhubga — Lazarevskoye — Sochi pipelines. The Group launched the construction of the Power of Siberia pipeline across Yakutia to the Chinese border near Blagoveshchensk, the Amur Region.

In 2015, Gazprom started the construction of the Ukhta — Torzhok 2 gas pipeline, a key project for the development of the UGSS in the corridor linking the Yamal Peninsula and the south coast of the Gulf of Finland. The pipeline will transport gas to the North-West of Russia to support gas infrastructure expansion and gas supplies to domestic consumers, as well as subsequent exports to Europe.

63°34'00"N 53°42'00"E  
Official ceremony marking  
the welding of the first joint  
of the Ukhta — Torzhok 2  
trunk pipeline  
Ukhta, the Komi Republic,  
Russia

The total length of Gazprom's gas transportation system is equivalent to four times around the equator.

# Gas Transportation



Газпромдун газ транспорттоочу системасынын узундугу  
жер экватордун узундугу нан төрт эсе чоң.

# Газ транспорттоосу

Gazprom diversifies routes for transporting gas to foreign consumers, including by building cross-border gas pipelines. In particular, the North Stream gas pipeline, which crossed the Baltic Sea from Russia to Germany, has considerably improved the reliability of gas supplies to Gazprom's customers in Europe. In 2015, PJSC Gazprom, BASF, Uniper, ENGIE, OMV and Shell signed the Shareholders Agreement on the Nord Stream 2 gas pipeline project.

The Power of Siberia gas pipeline, which is currently under construction, will enable pipeline gas supplies via the eastern route to China, a new market for Gazprom. In 2015, Gazprom signed the Heads of Agreement with the Chinese CNPC, providing for the supply of Russian gas to China via another pipeline route — the western route (the Power of Siberia 2 gas pipeline).

Gazprom owns gas transportation systems in Belarus, Armenia and the Kyrgyz Republic. The Group is responsible for reliable gas supplies in these countries. Specifically, in 2015, construction of the final section of Phase 2 of the Bukhara Gas-Bearing Province — Tashkent — Bishkek — Almaty gas pipeline was started. This gas transportation route is extremely important for meeting the growing demand for gas in the Kyrgyz Republic.

42°51'36" N 74°18'00" E  
Welding of the first joint  
at the final section of Phase 2  
of the Bukhara Gas-Bearing  
Province — Tashkent — Bishkek —  
Almaty gas pipeline  
Sokuluk, the Chuy Region,  
the Kyrgyz Republic



Gazprom's well-developed network of underground gas storage facilities (UGSFs) is crucial for ensuring reliable gas supplies to Russian and foreign consumers. UGSFs reduce the load on the gas transportation system during peak demand periods, meeting shifts in demand for gas.

The Group operates 22 UGSFs in Russia, located in 19 regions. Specifically, Kasimovskoe UGSF in the Ryazan Region is the world's largest gas storage facility constructed in aquifers.

Gazprom consistently builds up its underground storage capacity. By the start of the 2015/2016 heating season, the potential maximum daily capacity of Gazprom's UGSFs in Russia was expanded to a record level of 789.9 mmcm of gas, an increase of 19.5 mmcm over the previous season, the volume comparable to the daily winter consumption in some Russian regions, for instance, the Leningrad region.

In future, the daily capacity of Russian UGSFs will exceed 1 bcm of gas. Seven new gas storage facilities are now at the design and construction stage, with revamp, expansion or upgrade projects implemented on existing UGSFs.

54°54'22"N 41°14'10"E  
Kasimovskoe  
underground gas storage  
facility  
The Ryazan Region,  
Russia

# Underground Gas Storage

Gazprom owns the world's largest underground gas storage facilities.





53°27'00"N 7°50'00"E  
Ettel gas storage cavern  
Lower Saxony,  
Germany

To improve the reliability of gas supplies under export contracts Gazprom has secured access to UGSFs in the FSU and far abroad countries, including Austria, Germany, Latvia, the Netherlands and Serbia. In particular, three UGSFs are operated in Germany — Katharina, Rehden and Ettel. Gazprom also owns underground gas storage facilities in Armenia and Belarus.

Foreign and Russian UGSFs operate in a single mode. When export gas supplies increase in the heating season, foreign UGSFs operate at their maximum capacity to deliver gas to consumers, while Russian gas storage facilities simultaneously ramp-up their throughput.

Gazprom is continuously expanding its gas storage facilities in Europe to achieve an active capacity of at least 5% of annual exports. Construction is underway at Jemgum and Katharina UGSFs (Germany) and Dambořice UGSF (Czech Republic).

Gazprom verfügt über weltweit größte Kapazitäten zur Untergrundgasspeicherung.

# Untergrundgasspeicherung



In its progress towards the strategic goal of leadership among the global energy companies Gazprom operates throughout the value chain, from upstream to downstream in both primary energy sources and end-products, including electricity and heat.

Gazprom's key generating assets are consolidated in its subsidiary Gazprom energoholding, which holds controlling stakes in PAO Mosenergo, PAO MIPC, PAO OGC-2 and OAO TGC-1. Gazprom's power stations are located in 17 Russian regions.

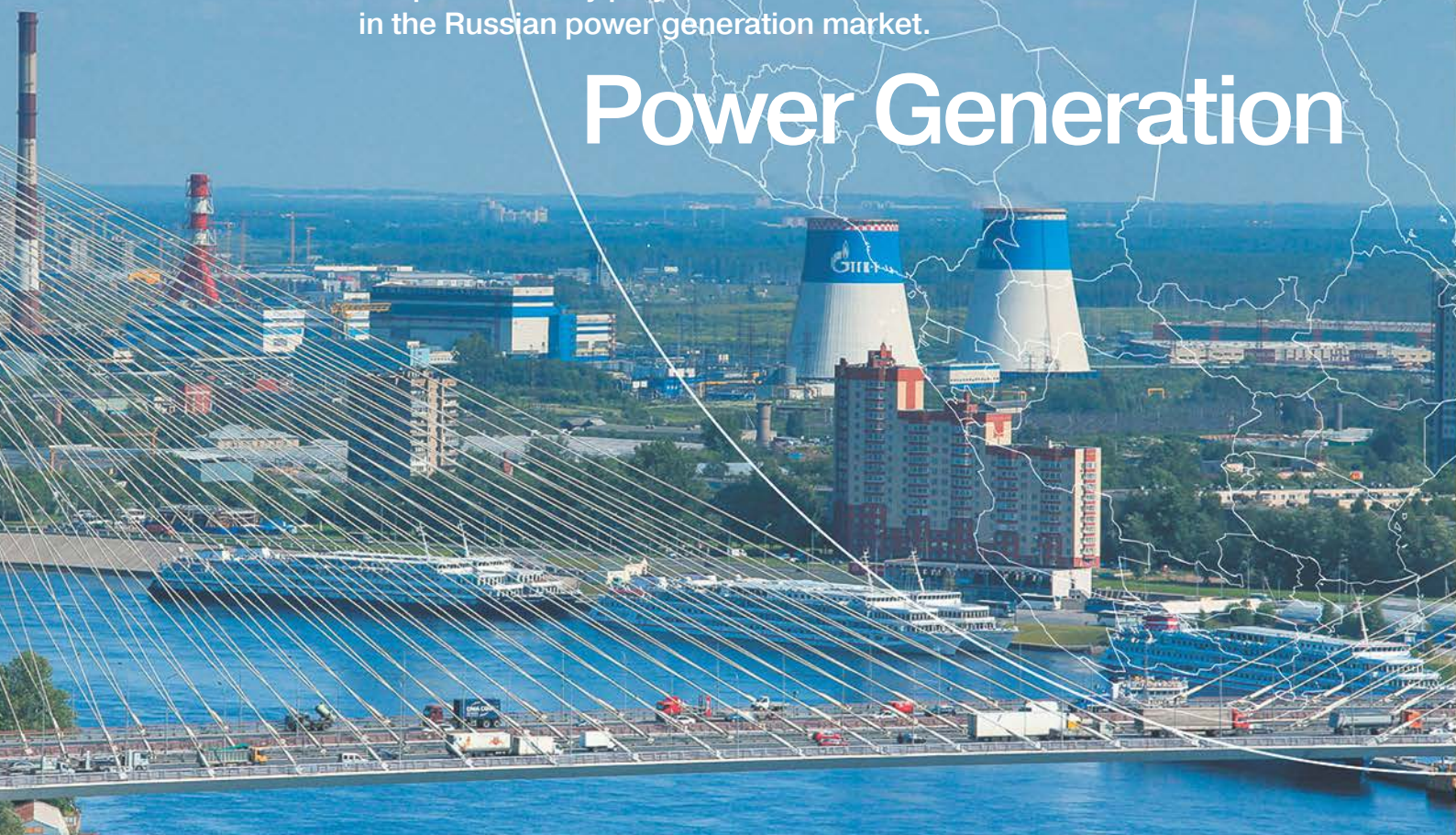
In addition to owning high-capacity assets, Gazprom acts as a major investor in the development of power generation in Russia. Since 2007, the Group has brought online about 7 GW of new capacity, including an 800 MW CCGT unit at the Kirishskaya GRES in the Leningrad Region, a 450 MW CCGT unit at the Pravoberezhnaya CHPP in Saint Petersburg, a 420 MW CCGT unit at the Cherepovetskaya GRES in the Vologda Region, and the 360 MW Adler TPP in the Krasnodar Territory.

In 2015, as many as four new CCGT units were commissioned, with a total capacity of 1,390 MW — at the CHPP-12 and CHPP-20 in Moscow, at the Serovskaya GRES in the Sverdlovsk Region, and at the Ryazanskaya GRES.

59°52'05" N 30°29'34" E  
**Pravoberezhnaya CHPP**  
Saint Petersburg,  
Russia

Gazprom is a key player  
in the Russian power generation market.

# Power Generation





Gazprom's marketing strategy provides for the development of the power generation business in foreign markets. The Group is engaged in power trading at foreign trading hubs and regularly monitors markets with a development potential in the power industry.

Specifically, Gazprom implemented one of the largest gas energy projects in Armenia, having constructed the fifth power unit (with a capacity of 480 MW) at the Hrazdan TPP to meet the demand for electricity in Armenia and the neighbouring countries.

Gazprom energoholding and NIS (which is subsidiary of Gazprom Group) are engaged in the project for the construction of a 208 MW thermal power plant in the Serbian town of Pancevo. The energy generated by the plant will primarily be used to cover the needs of NIS' oil refinery and NIS' strategic partner, HIP Petrohemija petrochemical complex.

40°30'00" N 44°46'00" E

**Hrazdan TPP**

Kotayk Province,  
Armenia

# ԷԼԵԿՏՐՈԱԷՆԵՐՈՒՄԻԿԱ

Գազպրոմ — Ռուսաստանյան էլեկտրաէներգետիկա կան շուկայի առանցքային մասնակից:



Natural gas is the most efficient and environmentally friendly motor fuel. Its use enables a considerable reduction of road transportation costs and extends vehicles' service life. NGVs produce several times less air pollution emissions than vehicles running on gasoline or diesel fuel. Thus, the wide use of gas as motor fuel helps improve the environmental situation, particularly in large cities.

NGV fuel market development is a strategic focus for Gazprom, enabling considerable growth of the Russian natural gas market in the long term. The Group coordinates these efforts with regional administrations across Russia — agreements to promote the use of natural gas as motor fuel have been signed with 45 regions. Close cooperation has been established with the leading manufacturers of gas-powered vehicles, aimed at expanding their product ranges. In addition, Gazprom actively purchases NGVs for own needs.

Gazprom Group is expanding its network of gas filling stations. Specifically, in 2015, two modern CNG filling stations were put into service in Bashkortostan. They are designed in the corporate style, which will be used at all Gazprom's new and upgraded CNG filling stations.

Gazprom's comprehensive efforts gain traction — each year the number of NGVs in Russia grows, driving the sales of natural gas via Gazprom's CNG filling stations.

NGV fuel expands the uses of natural gas produced by Gazprom.

# NGV Fuel

54°44'00" N 55°58'00" E  
Gazprom's CNG filling station  
Ufa, the Republic of Bashkortostan,  
Russia





Gazprom is promoting wider use of natural gas as fuel for road vehicles and water transport in the European market, in Asia and in FSU countries. The Group operates a number of CNG filling stations in Germany and owns gas filling stations in the Czech Republic. In Poland, Gazprom has two stationary LNG filling stations. In addition, work is underway to develop NGV fuel markets in Belarus, Kazakhstan and the Kyrgyz Republic. Cooperation projects have been pursued in the Vietnamese NGV fuel market.



The image shows a tall, illuminated price board for a Gazprom station at night. The board features the Gazprom logo at the top, followed by the text 'GAZPROM SRBIJA'. Below this, there are five fuel options with their respective prices: 'LPG PREGLED BMB95' at 156.9, 'BMB95' at 148.9, 'E500 DIZEL' at 152.9, 'DIZEL D5' at 146.9, and 'AUTO GAS' at 86.4. At the bottom of the board, the word 'Prodavnica' is visible. The background shows a blurred street scene with light trails from passing vehicles.

GAZPROM  
SRBIJA

44°49'00"N 20°28'00"E  
Multi-fuel filling facility  
Gazprom Srbija  
Belgrade,  
Serbia

# Prirodni gas — pogonsko gorivo za vozila

Prirodni gas prerađen u pogonsko gorivo za vozila —  
plasiran od strane kompanije Gazprom —  
proširuje opseg upotrebe prirodnog gasa.







# PJSC Gazprom Annual Report 2015

**Note.** This Annual Report has been formed on the basis of Resolution No. 1 of PJSC Gazprom's Management Committee On Organisation of Work Related to Holding the Annual General Shareholders Meeting dated 28 January 2016.

The terms "PJSC Gazprom", "the Company" used in the Annual Report refer to the parent company of Gazprom Group, i.e. to Public Joint Stock Company Gazprom (until 17 June 2015 — Open Joint Stock Company Gazprom, JSC Gazprom). The terms "Gazprom Group", "the Group" or "Gazprom" imply PJSC Gazprom and its subsidiaries taken as a whole. For the purposes of the Annual Report, the lists of Gazprom Group's subsidiaries, companies classified as joint operations, affiliates and joint ventures were prepared on the basis used in the preparation of PJSC Gazprom's IFRS consolidated financial statements.

Similarly, "Gazprom Neft Group" and "Gazprom Neft" refer to PAO Gazprom Neft 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.

Some operating and financial results in the Annual Report are presented in accordance with IFRS and for Gazprom Group companies as a whole, for the purposes of PJSC Gazprom's IFRS consolidated financial statements for the year ended 31 December 2015 and may differ from similar indicators in PJSC Gazprom's reporting documents prepared under Russian Accounting Standards (RAS).

In this Annual Report, a number of Gazprom's operating and financial results are stated in compliance with the principles for preparing PJSC Gazprom's IFRS consolidated financial statements. At the same time, some results of PJSC Gazprom, its subsidiaries, affiliates and joint ventures 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.

The analysis of financial results should be considered in the context of PJSC Gazprom's audited IFRS consolidated financial statements for the year ended 31 December 2015.

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.



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Company Information
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Responsibility
Corporate Governance
Appendices



**Letter to Shareholders**  
**by the Chairman of PJSC Gazprom's Board of Directors**  
**and the Chairman of PJSC Gazprom's Management Committee**

**Dear  
Shareholders!**

Gazprom has a leadership position in the global energy industry. The Company operates in the gas, oil, and power generation sectors in the Russian and international markets. Gazprom's vast resource base, well-diversified product range, and extensive sales geography enable sustainable simultaneous growth across a number of areas.

This is clearly demonstrated by the Company's overall performance in 2015.

Today, Gazprom is strategically focused on the Asia-Pacific market, where a significant potential for growth in energy demand is concentrated. During 2015, efforts to build an infrastructure supporting Russian gas supplies to China via the eastern route gained strong momentum. Construction started at the Chayandinskoye field, one of the largest gas fields in the East of Russia. Progress has been made on the Power of Siberia pipeline project, an energy bridge supporting long-term cooperation between Russia and China. All priority facilities required to start supplies will be completed strictly on time.

Chinese partners have shown a growing interest in Russian gas. In 2015, the Company signed the Heads of Agreement providing for the supply of gas from Western Siberian fields to China via the western route, the Power of Siberia 2 gas pipeline. A memorandum was also signed on another route, to supply gas from the Russian Far East.

The development of gas resources of Eastern Siberia and the construction of the Power of Siberia pipeline have enabled the implementation of Russia's largest gas processing project. Gazprom has launched the construction of the Amur GPP, which will process 42 bcm of natural gas per year. This facility will be one of the most modern and advanced gas processing plants globally. The plant's marketable products will include components used in gas chemical production and other industries, among them ethane and helium.

2015 was a successful year for the Company in its traditional, European market as well. Demand for Russian gas in the European countries has shown strong growth, with the share of the Company's supplies in total gas consumption in Europe rising to a historical high of 31%. In response to evolving market needs, Gazprom, BASF, Uniper, ENGIE, OMV and Shell took a decision to construct the Nord Stream 2 gas pipeline. The new route will run from Russia to Germany, through the Baltic Sea, and have a capacity of 55 bcm of natural gas per annum. It will eliminate transit risks and significantly improve the reliability of gas supplies to European consumers for decades to come.



Gazprom has already started implementing projects to build the required supporting infrastructure in Russia. The first joint was officially welded on the Ukhta — Torzhok 2 gas pipeline, a key project for the expansion of Russia's national Unified Gas Supply System in the corridor linking the Yamal Peninsula and the Gulf of Finland. The pipeline will enable additional supplies of natural gas to Russia's North-West to support both gas exports via Nord Stream 2 and gas supplies to domestic consumers.

Liquefied natural gas trade is an effective tool of Gazprom's global expansion strategy. The Company will consistently expand its LNG production capacity. In 2015, Gazprom and Shell signed a memorandum on the construction of the third process train at Russia's only LNG plant on Sakhalin. This will boost the plant's design capacity by 50%.

In 2015, Gazprom achieved an important milestone in its power generation business. Two modern combined cycle gas turbine units, with an aggregate capacity of 640 MW, were commissioned in the Moscow Region. This marked the successful completion of Gazprom's major programme to add 2.9 GW of new capacity to supply the Russian capital's energy needs.

Gazprom's activities make a positive contribution to the social and economic development of Russian regions. 2015 marked exactly ten years since Gazprom launched a major programme for expansion of gas infrastructure in Russian regions. Over that period, 27.8 thousand km of gas pipelines have been constructed, bringing natural gas to over 3,700 locations. The gas infrastructure coverage in Russia was increased by 13% to 66.2%. This means improved living standards for millions of people and a significant expansion of Gazprom's sales market.

Dear Shareholders, Gazprom's business strategy helps the Company maintain strong positions in all of its key business segments and sufficient resilience, ensuring that its shareholders can look to the future with confidence.

**Viktor Zubkov**  
Chairman of the Board of Directors

A blue ink signature of Viktor Zubkov, consisting of stylized, flowing letters.

**Alexey Miller**  
Chairman of the Management Committee

A blue ink signature of Alexey Miller, featuring a large, elegant initial 'A' followed by the surname.



# I Company Information



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Increased dividend payments  
in an unfavourable environment

Positive free cash flow  
generated for the past 10 years

Dividends per PJSC Gazprom's share

RUB  
7.89\*

Gazprom Group's profit for the year  
attributable to owners of PJSC Gazprom

RUB  
787.1 bn

Gazprom Group's free cash flow

RUB  
389.9 bn

PJSC Gazprom's dividend yield

5.8%

Gazprom Group's sales

RUB  
6,073.3 bn

Net debt / adjusted EBITDA  
ratio

1.1

Gazprom Group's capital investments

RUB  
1,344.8 bn

For more details see the Financial Performance section

 115–123

\* It is recommended that the dividends payable in 2016 based on operating results of 2015 should amount to RUB 186,784.0 mm.



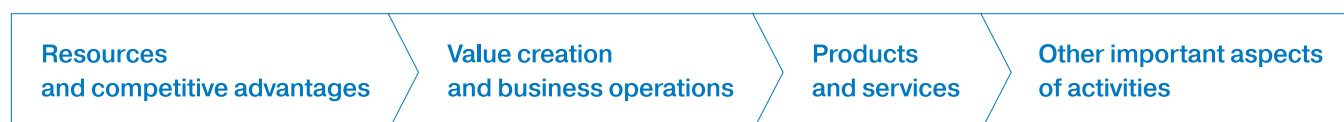
Gazprom Group encompasses all types of activities required to ensure uninterrupted supply of energy to consumers.

Its comprehensive vertically integrated business model complies with Gazprom's strategic goal by enhancing performance, improving reliability of supplies, and using the existing production and R&D capabilities.

All elements of Gazprom Group's business complement one another. At the same time, each element represents a complex system, an aggregate of tangible assets, human resources, accumulated experience and knowledge in relevant areas.

Consumers are the focus of the Gazprom Group's operations. Stable, trust-based relationships with our consumers are the foundation for building long-term business value.

Gazprom Group is a major global energy company whose performance results influence a great number of stakeholders. These stakeholders include shareholders and investors, federal and local authorities of the Russian Federation, EU regulators and other gas market participants, local communities, business partners, NGOs, and employees.



## Mission

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

## Strategic goal

PJSC 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.

## Resources and competitive advantages

### Extensive resource base

### Production assets

### Stable portfolio of long-term contracts for gas supplies and a large geographical footprint

### Reputation as a reliable supplier

### Access to international capital markets on terms acceptable to the Company

### Human resources

### Integrated corporate R&D capabilities

Gazprom Group has extensive hydrocarbon reserves, is engaged in exploration in Russia and abroad, and continuously monitors potential project and asset acquisitions.

Gazprom's essential resources and competitive advantages also include unique Unified Gas Supply System of Russia; a long history of cooperation with foreign partners and a strong reputation as a reliable supplier; highly qualified staff; extensive production, research and design capabilities.

For more details see the [Operations and Marketing](#), [Innovations](#), [Personnel](#) sections

 70–73, 78–82, 110–111, 126–128

## Value creation and business operations

### Exploration and Production

Gazprom Group's upstream operations include exploration and production of hydrocarbons.

Priorities at this stage include further development of the mineral resource base and large-scale reserve replacement. Gazprom strategically seeks to maintain hydrocarbon production volumes fully covered by demand.

### Transportation and storage

Gazprom is both transporting its own gas and provides independent suppliers with access to its gas transportation system (GTS).

Gas is supplied to consumers via Gazprom's gas transportation system and using sea vessels, which transport natural gas in liquefied form.

Gazprom Group expands its existing gas transmission corridors and diversifies gas transportation routes.

### Processing/Refining

Gazprom meets consumer demand for refined and gas- and petrochemical products.

Gazprom Group targets to increase volumes of production with high added value.

### Power generation

Presence in the power generation sector facilitates the entire Gazprom Group's business sustainability over the long term and helps create added value.

One of Gazprom's key objectives in this segment is to achieve synergy from combining its gas, and power and heat generation businesses.

### Marketing

The final value chain element and the main source of the Group's revenue is sales of hydrocarbons and relevant refined products, electricity and heat.

Gazprom seeks to maintain the appeal of its oil and gas and of their refined products to Russian and foreign consumers, as well as to enhance access to end consumers and diversify export revenue sources.

For more details see the [Outlook](#), [Operations and Marketing](#), [Risk Management](#) sections

 59–67, 70–109, 168–171



## Products and services

**Natural gas**

**Gas transportation services**

**Oil**

**Gas condensate**

**Refined products**

**Electric power and thermal energy**

The Group's core products are natural gas, oil, gas condensate, refined products, power and heat, and its core services include transmission of gas supplied by independent producers.

For more details see the Operations and Marketing section

 81–84, 89–109

## Other important aspects of activities

**Contribution to the energy security  
of the Russian Federation**

**Ensuring reliable and stable supplies of gas  
and other high-quality products and services  
to consumers in Russia and abroad**

**Gas infrastructure expansion across Russian regions  
and developing their social and economic potential,  
paying taxes, and contributing to investment activities  
and improved business environment; job creation**

**Ensuring demand for Russian products;  
developing regions and local communities;  
supporting SMEs**

**Staff training and social programmes**

**Involvement in the efforts to improve tax, land,  
natural resources, and environmental protection laws**

**Care for the environment and preservation  
of global natural resources**

**Support for vulnerable groups; constructing  
and developing sports and social and economic  
infrastructure**

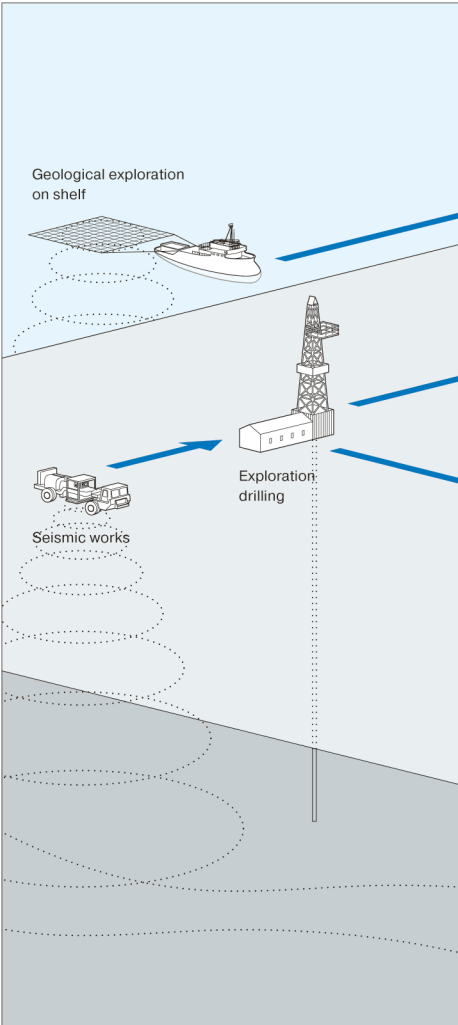
**Support for education, science, culture and sport**

For more details see the Gas Distribution and Gas Infrastructure Expansion,  
Development of NGV Fuel Markets, Environmental and Social Responsibility,  
PJSC Gazprom's Procurement Performance sections

 85–88, 127–145, 154–155, 174, 212–213

Exploration

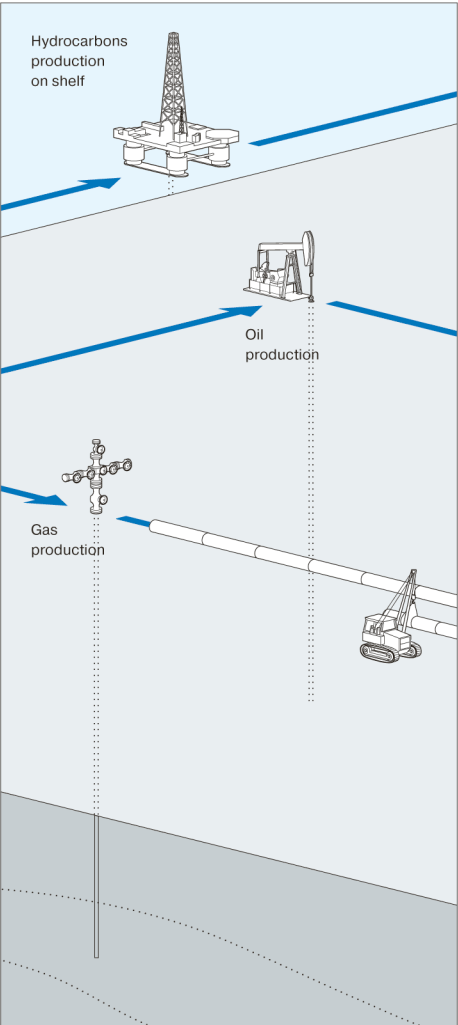
No.1 globally in terms of natural gas reserves	
17 %	Share of global gas reserves
72 %	Share of Russian gas reserves
1.27	Natural gas reserves replacement ratio
1.62	Crude oil and gas condensate reserves replacement ratio
<b>Note.</b> Including the Group's share in the reserves of entities where Gazprom has investments classified as joint operations.	



For more details see the Exploration and Production section

Production

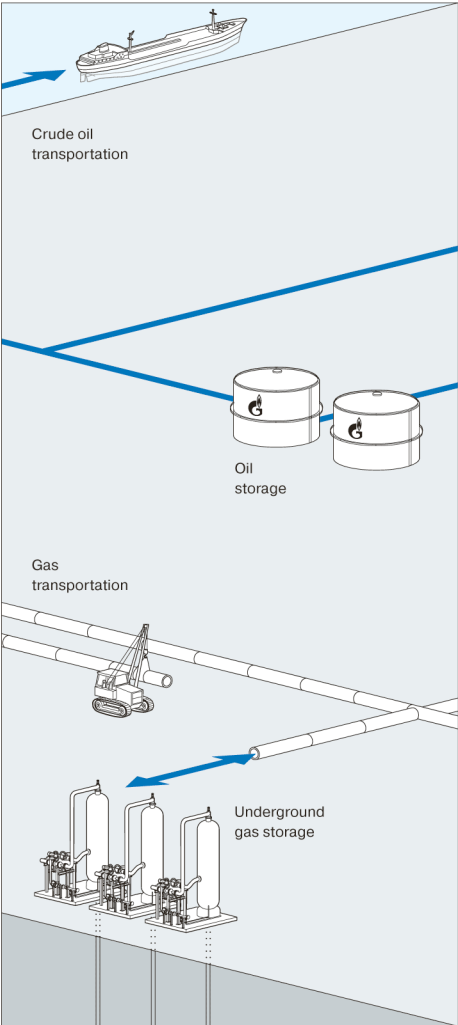
No.1 globally in terms of natural gas production	
11 %	Share of global gas production
66 %	Share of Russian gas production
11 %	Share of Russian oil and gas condensate production
419.5 bcm	Natural and associated gas production in Russia
59.3 mm tonnes	Oil and gas condensate production in Russia
<b>Note.</b> Including the Group's share in the production of entities where Gazprom has investments classified as joint operations.	



For more details see the Exploration and Production section

Transportation and storage

No.1 globally in terms of length and capacity of gas transportation system	
Well-developed network of UGSFs in Russia and access to foreign UGSFs	
171.2 thousand km	Length of trunk pipelines in Russia
602.6 bcm	Gas transported in the GTS network in Russia
73.6 bcm	Aggregate active storage capacity in 26 UGSFs in Russia
5.0 bcm	Accessible active capacity in UGSFs in Europe



For more details see the Transportation and Underground Storage section



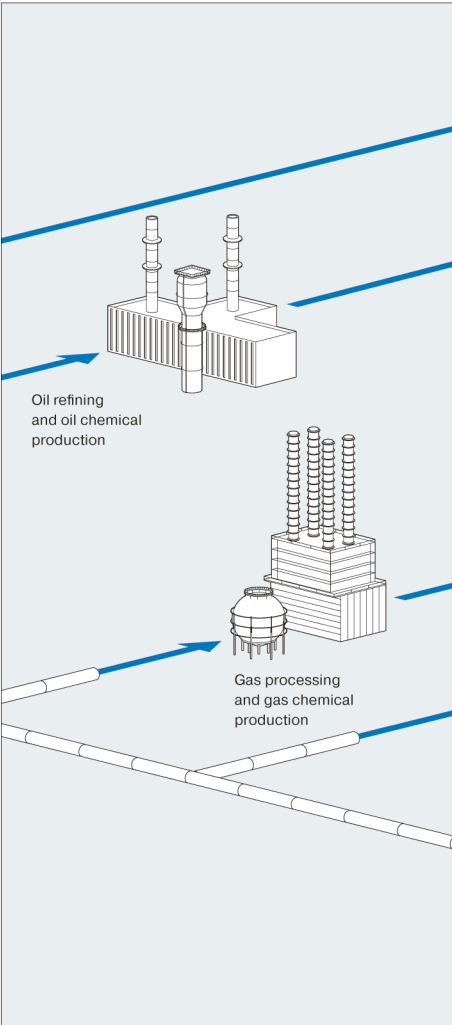
Processing/Refining

No.1 among Russian companies measured by gas processing

Approximately one half of total gas processing in Russia

One of the leaders among Russian oil and gas condensate refining companies

18%	Share of total Russian oil and stable gas condensate refining
31.2 bcm	Natural and associated gas refining
66.8 mm tonnes	Oil and gas condensate refining



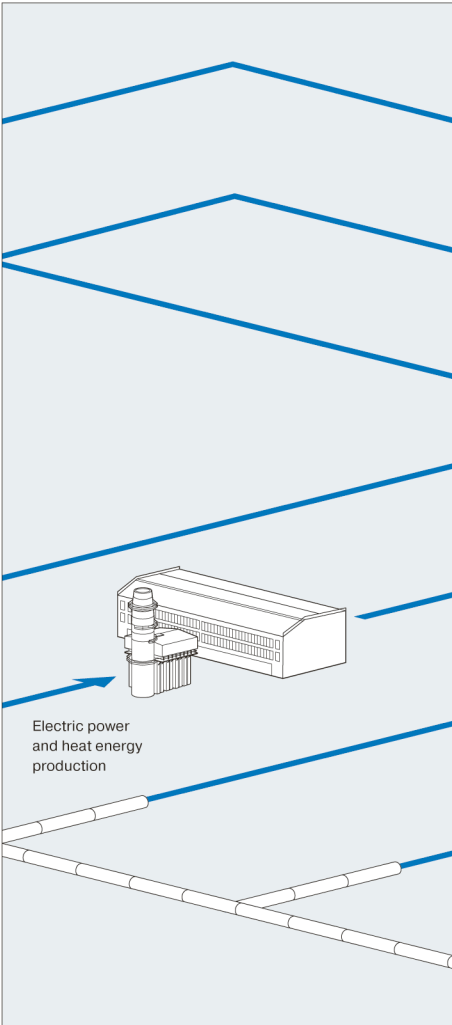
For more details see the Hydrocarbon processing and gas and oil chemistry section

Power generation

No.1 in Russia by installed power generating capacity and electric power output in thermal power generation

The largest Russian heat energy producer

14%	Share in total Russian electric power generation
38.7 GW	Installed power generating capacity at 79 power stations in Russia
147.9 billion kWh	Production of electric power
117.1 mm Gcal	Production of heat



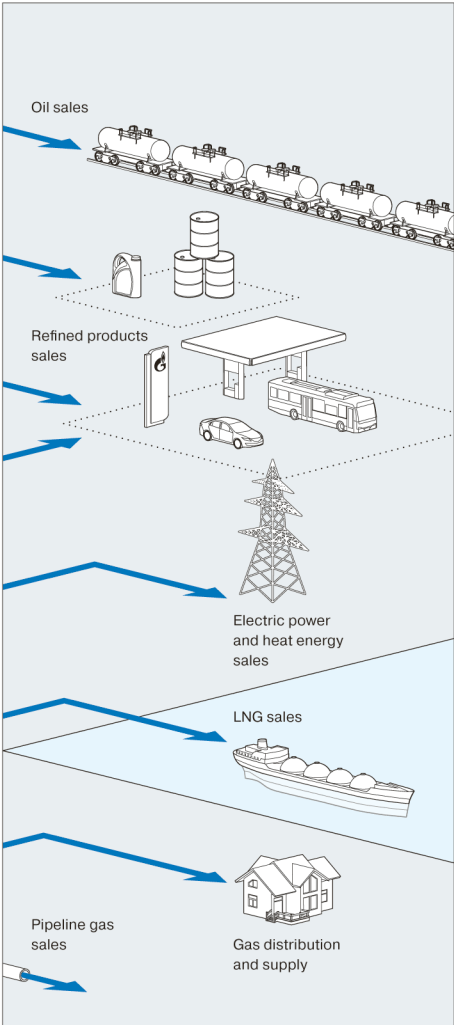
For more details see the Power Generation section

Marketing

No.1 gas exporter to the European market

Major gas supplier to consumers in Russia and FSU countries

30.9%	Share of PJSC Gazprom's gas sales under contracts signed by OOO Gazprom export in the total gas consumption in European far abroad countries
221.2 bcm	Gas sales in Russia
184.4 bcm	Gas sales to far abroad countries
40.3 bcm	Gas sales to FSU countries
69.4 mm tonnes	Refined product sales



For more details see the Gas Distribution and Gas Infrastructure Expansion, Development of NGV Fuel Markets section and the Marketing section

Over the more than 20 years since it was founded in 1993, the Company 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 five 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 is 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 reorganised into Gazprom Russian Joint Stock Company (RAO Gazprom).

### 1994

#### April

Privatisation 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 (JSC 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 was elected Chairman of the Company'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 re-gasification terminal.

#### 21 October

Gazprom Group took control of 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 the Company. 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 JSC 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 was put into operation in Sakhalin.



## 2009

**26 August**

Dzaurikau — Tskhinval pipeline was 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 was launched in the Kemerovo Region.

**29 September**

Sobolevo — Petropavlovsk-Kamchatsky trunk pipeline was 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**

The Company closed the deal to acquire 100% in OAO Beltransgaz, becoming the owner of Belarus GTS.

## 2012

**23 March**

An 800 MW CCGT plant was 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 was 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**

The Company and China's CNPC signed the world's biggest contract for gas supplies — the 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 Russia's Far East and China.

## 2015

**4 September**

PJSC Gazprom and BASF/Wintershall, Uniper, ENGIE, OMV, and Shell groups' companies signed the Shareholders Agreement on Nord Stream 2 project providing for construction of two offshore lines to be laid from Russia to Germany across the Baltic Sea.

**14 October**































































































The Company launched the construction of the Amur GPP, Russia's largest gas processing facility that will be an essential part of the process chain of natural gas supply to China via the Power of Siberia gas pipeline.

**27 October**

The Company launched the construction of the Ukhta — Torzhok 2 gas pipeline designed to supply additional gas to Russia's North-West, to expand the gas infrastructure to domestic consumers and ensure export supplied via Nord Stream 2.

Companies	Operations										Marketing							
	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	Trunk pipeline gas sales	Sales of refined hydrocarbon products	Oil and gas condensate sales	LNG sales	Gas sales to end consumers	Electricity and heat sales	Product sales through the gasoline, CNG filling, gas filling and multi-fuel filling stations	
PJSC Gazprom	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Gazprom Group's major subsidiaries engaged in core business activities																		
ZAO Gazprom Armenia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
OOO Gazprom geologorazvedka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
OOO Gazprom georesurs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
OsOO Gazprom Kyrgyzstan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
OOO Gazprom pererabotka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
OOO Gazprom PHG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
OAQ 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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
OOO Gazprom flot	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
OAQ Daltransgaz	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	



Companies	Operations										Marketing							
																		
OAo Kamchatgazprom	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
PAo Krasnoyarskgazprom		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
ZAO Purgaz	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
OAo Severneftegazprom			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Gazprom EP International B.V.			-	-	-	-	-	-	-	-		-	-	-	-	-	-	
Vostokgazprom Group* (parent company — OAo Vostokgazprom)				-	-	-		-	-	-		-		-	-	-	-	
OOO Sibmetakhim	-	-	-	-	-	-	-	-	-		-		-	-	-	-	-	
OAo Tomskgazprom				-	-	-		-	-	-	-	-	-	-	-	-	-	
Gazprom Germania Group** (parent company — Gazprom Germania GmbH)	-	-	-	-			-	-		-								
Gazprom Marketing and Trading Ltd.	-	-	-	-	-	-	-	-	-	-							-	
Gazprom Global LNG Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	
WINGAS GmbH	-	-	-	-			-	-		-	-	-	-	-	-			-
WIEH GmbH & Co. KG	-	-	-	-	-		-	-	-	-	-	-	-	-	-		-	-
Gazprom mezhregiongaz Group*** (parent company — OOO Gazprom mezhregiongaz)	-	-	-	-	-		-	-	-	-				-				
Gazprom neftekhim Salavat (parent company — OAo Gazprom neftekhim Salavat)	-	-	-	-	-	-					-		-	-	-		-	
Gazprom Neft Group (parent company — PAo Gazprom Neft)				-	-	-			-					-	-	-		
Gazprom energoholding (parent company — OOO Gazprom energoholding)	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	
PAo Mosenergo	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	
OAo TGC-1	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	
PAo OGK-2	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	
PAo MIPC	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	

#### Gazprom 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

#### Companies where Gazprom has investments classified as joint operations

OAo Tomskneft VNK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OOO Juzhno-Priobsky GPP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Blue Stream Pipeline Company B.V.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Erdgasspeicher Peissen GmbH	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Podzemno skladište gasa Banatski Dvor d.o.o.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Salym Petroleum Development N.V.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

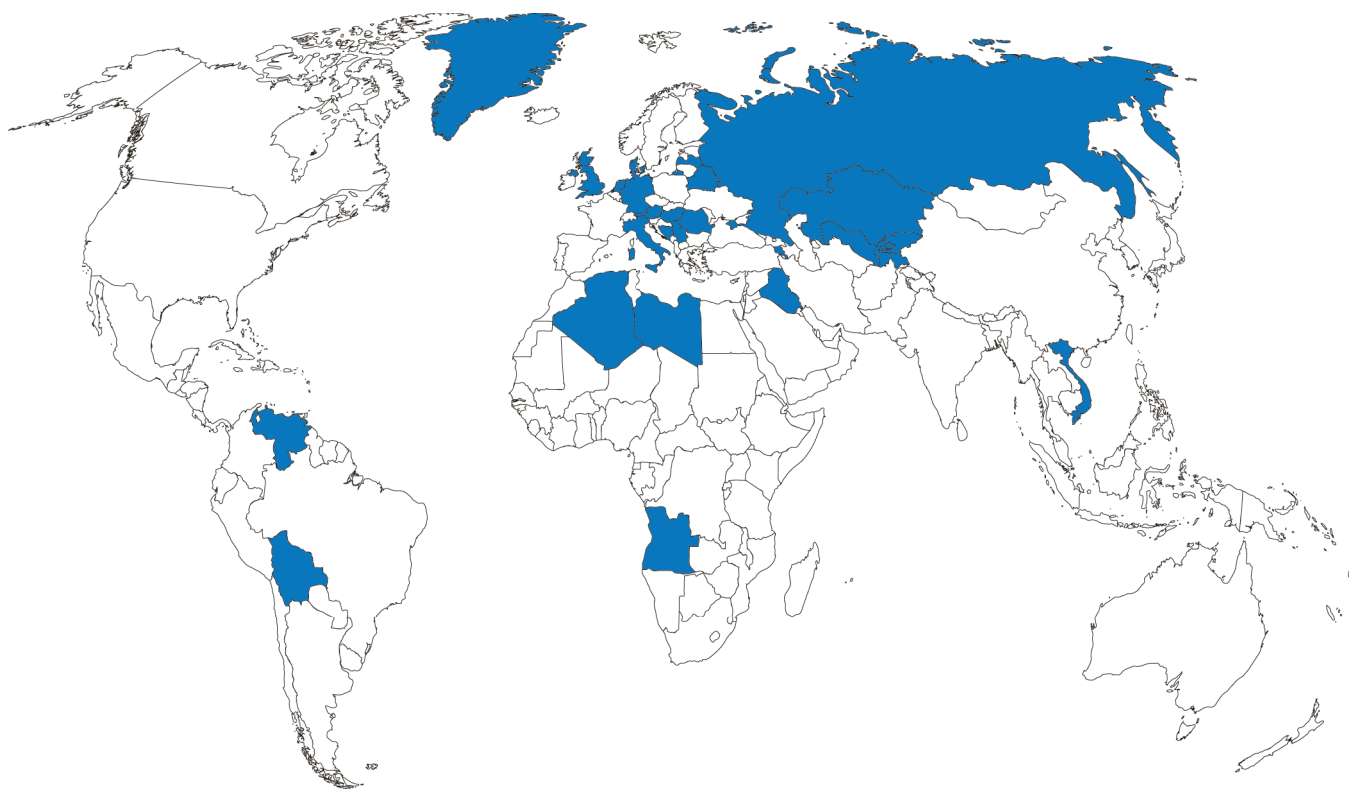
\* OAo Vostokgazprom and its subsidiaries

\*\* Gazprom Germania GmbH and its subsidiaries

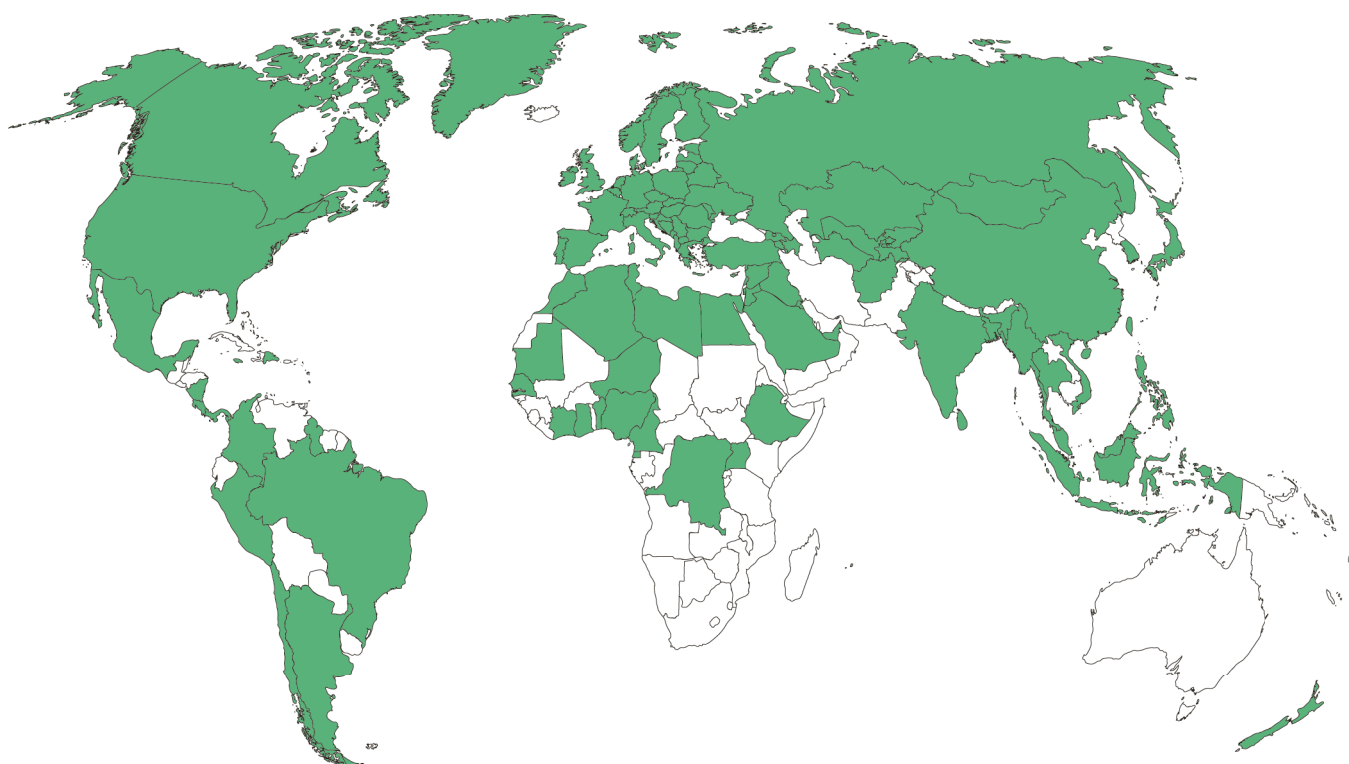
\*\*\* OOO Gazprom mezhregiongaz and its subsidiaries

(in 2015 or as at 31 December 2015)

■ Gazprom Group's operations geography



■ Gazprom Group's marketing geography





Countries		Operations										Marketing									
		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	Trunk pipeline gas sales	Sales of refined hydrocarbon products	Oil and gas condensate sales	LNG sales	Gas sales to end consumers	Electricity and heat sales	Product sales through the gasoline, CNG filling, gas filling and multi-fuel filling stations			
FSU	Russia																				
	Armenia	-	-	-				-	-		-			-	-						
	Azerbaijan	-	-	-	-	-	-	-	-	-	-	-		-	-						
	Belarus	-	-	-			-	-		-	-				-	-					
	Estonia	-	-	-	-	-	-	-	-	-	-			-							
	Georgia	-	-	-	-	-	-	-	-	-	-			-	-						
	Kazakhstan		-	-	-	-	-	-	-	-				-	-						
	Kyrgyzstan		-	-				-	-	-	-			-	-						
	Latvia	-	-	-	-	-	-	-	-	-	-			-	-						
	Lithuania	-	-	-	-	-	-	-	-	-	-			-	-						
	Moldova	-	-	-	-	-	-	-	-	-	-			-	-						
	South Ossetia	-	-	-	-	-	-	-	-	-	-			-	-						
	Tajikistan		-	-	-	-	-	-	-	-	-	-		-	-						
	Turkmenistan	-	-	-	-	-	-	-	-	-	-	-		-	-						
	Ukraine	-	-	-	-	-	-	-	-	-	-			-	-						
	Uzbekistan			-	-	-	-	-	-	-	-	-		-	-						
Europe	Albania	-	-	-	-	-	-	-	-	-	-	-		-	-						
	Austria	-	-	-	-		-	-	-	-	-			-	-						
	Belgium	-	-	-	-	-	-	-	-	-	-	-		-	-						
	Bosnia and Herzegovina		-	-	-	-	-	-	-	-	-			-	-						
	Bulgaria	-	-	-	-	-	-	-	-	-	-			-	-						
	Croatia	-	-	-	-	-	-	-	-	-	-			-	-						
	Cyprus	-	-	-	-	-	-	-	-	-	-	-		-	-						
	Czech Republic	-	-	-	-	-	-	-	-	-	-			-	-						
	Denmark	-	-		-	-	-	-	-	-	-			-	-						
	Finland	-	-	-	-	-	-	-	-	-	-			-	-						
	France	-	-	-	-	-	-	-	-	-	-			-	-						
	Germany	-	-	-	-		-	-	-		-			-	-						
	Greece	-	-	-	-	-	-	-	-	-	-			-	-						
	Hungary		-	-	-	-	-	-	-	-	-			-	-						
	Ireland	-	-	-	-	-	-	-	-	-	-	-		-	-						
	Italy	-	-	-	-	-	-	-	-	-				-	-						
	Macedonia	-	-	-	-	-	-	-	-	-	-			-	-						
	Malta	-	-	-	-	-	-	-	-	-	-	-		-	-						
	Montenegro	-	-	-	-	-	-	-	-	-	-	-		-	-						
	Netherlands		-	-	-	-	-	-	-	-	-			-	-						
	Norway	-	-	-	-	-	-	-	-	-	-	-		-	-						

Countries		Operations													Marketing				
		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	Trunk pipeline gas sales	Sales of refined hydrocarbon products	Oil and gas condensate sales	LNG sales	Gas sales to end consumers	Electricity and heat sales	Product sales through the gasoline, CNG filling, gas filling and multi-fuel filling stations	
	Poland	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Portugal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Romania	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Serbia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Slovakia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Slovenia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Spain	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Sweden	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Switzerland	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Turkey	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	United Kingdom	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Africa	Algeria	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Angola	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Benin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Cameroon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Cote d'Ivoire	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	DRC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Egypt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Equatorial Guinea	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Ethiopia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Ghana	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Libya	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Mauritania	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Mauritius	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Morocco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Niger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Nigeria	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Senegal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Seychelles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Tunisia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Uganda	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Near and Middle East	Afghanistan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Iraq	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Israel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Jordan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Kuwait	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Lebanon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	



Countries		Operations										Marketing									
																					
	Saudi Arabia	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-			
	Syria	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-			
	UAE	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-			
Asia-Pacific	Bangladesh	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-			
	China	-	-	-	-	-	-	-	-	-	-	-				-	-	-			
	India	-	-	-	-	-	-	-	-	-	-	-		-		-	-	-			
	Indonesia	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-			
	Japan	-	-	-	-	-	-	-	-	-	-	-				-	-	-			
	Malaysia	-	-	-	-	-	-	-	-	-	-	-			-	-	-	-			
	Myanma	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-			
	New Zealand	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-			
	Phillipines	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-			
	Singapore	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-			
	South Korea	-	-	-	-	-	-	-	-	-	-	-	-				-	-			
	Sri Lanka	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-			
	Thailand	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-			
	Thaiwan	-	-	-	-	-	-	-	-	-	-	-	-			-	-	-			
	Vietnam			-	-	-	-	-	-	-	-	-			-	-	-	-			
North Armerica	Canada	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-			
	Mexico	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-			
	USA	-	-	-	-	-	-	-	-	-	-	-			-	-	-				
Central and South America	Argentina	-	-	-	-	-	-	-	-	-	-	-		-		-	-	-			
	Bolivia		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
	Brazil	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-			
	Chile	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-			
	Colombia	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-			
	Costa Rica	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-			
	Guyana	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-			
	Nicaragua	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-			
	Panama	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-			
	Peru	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-			
	Venezuela		-		-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Other countries	Dominican Republic	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-			
	Jamaica	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-			
	Maldives	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-			
	Mongolia	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-			

## PJSC Gazprom's Board of Directors (as at 31 December 2015)



**Viktor  
Alekseevich  
Zubkov**

Chairman  
of the Board of Directors

Non-executive director

Born in 1941.  
Postgraduate vocational education.  
Graduate of 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 Chairman of the Company's Board of Directors since 2008.](#)  
[Mr Zubkov holds a 0.000439% stake in PJSC Gazprom.](#)



**Alexey  
Borisovich  
Miller**

Deputy Chairman  
of the Board of Directors

Executive Director

Born in 1962.  
Postgraduate vocational education.  
Graduate of N.A. Voznesensky Leningrad Finance and Economics Institute.  
Candidate of Economics.  
Since 2001 — Chairman of the Company's Management Committee.  
[Has held the position of Deputy Chairman of the Company's Board of Directors since 2002.](#)  
[Mr Miller holds a 0.000958% stake in PJSC Gazprom.](#)



**Andrey  
Igorevich  
Akimov**

Non-executive director

Born in 1953.  
Higher vocational education.  
Graduate of Moscow Finance Academy.  
Since 2002 — Chairman of the Management Board of Joint Stock Bank of Gas Industry Gazprombank (Closed Joint Stock Company); since 2007 — JSC Gazprombank (Open Joint Stock Company); since 2014 — Gazprombank (Joint Stock Company).  
[Has held the position of member of the Company's Board of Directors since 2011.](#)  
[Mr Akimov has no shareholding in PJSC Gazprom.](#)



**Farit  
Rafikovich  
Gazizullin**

Non-executive director

Born in 1946.  
Postgraduate vocational education.  
Graduate of Gorky Institute of Water Transport Engineering.  
Candidate of Philosophy, Doctor of Sociology.  
[Has held the position of member of the Company's Board of Directors since 1998.](#)  
[In 2015, held the position of member of the Audit Committee of PJSC Gazprom's Board of Directors.](#)  
[Mr Gazizullin has no shareholding in PJSC 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: Special counsellor 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 Atameken National Chamber of Entrepreneurs of the Republic of Kazakhstan.

In 2011, held the position of member of the Board of Directors, and Chairman of the Management Board of AO Samruk-Kazyna National Welfare Fund.

[Has held the position of member of the Company's Board of Directors since 2011.](#)

[Mr Kulibaev has no shareholding in PJSC Gazprom.](#)



**Vitaly  
Anatolievich  
Markelov**

Executive Director

Born in 1963.

Postgraduate vocational education.

Graduate of S.P. Korolev Kuibyshev Aviation Institute.

Candidate of Technical Sciences.

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

In 2011, held the position of Director General of OOO Gazprom invest Vostok.

Since 2011 — Deputy Chairman of the Company's Management Committee.

[Has held the position of member of the Company's Board of Directors since 2012.](#)

[Mr Markelov holds a 0.006203% stake in PJSC Gazprom.](#)



**Viktor  
Georgievich  
Martynov**

Non-executive director

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, national research university).

[Has held the position of member of the Company's Board of Directors since 2013.](#)

[Mr Martynov has no shareholding in PJSC Gazprom.](#)



**Vladimir  
Alexandrovich  
Mau**

Non-executive director

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, 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 education).

[Has held the position of member of the Company's Board of Directors since 2011.](#)

[Mr Mau has no shareholding in PJSC Gazprom.](#)



**Alexander  
Valentinovich  
Novak**

Non-executive director

Born in 1971.  
Higher vocational education.  
Graduate of Norilsk Industrial Institute.  
2010–2012: Deputy Minister of Finance of the Russian Federation.  
Since 2012 — Minister of Energy of the Russian Federation.  
[Has held the position of member of the Company's Board of Directors since 26 June 2015.](#)  
[Mr Novak has no shareholding in PJSC Gazprom.](#)



**Mikhail  
Leonidovich  
Sereda**

Executive Director

Born in 1970.  
Higher vocational education.  
Graduate of St Petersburg State University of Economics and Finance.  
Since 2004 — Deputy Chairman of the Management Committee — Head of the Company Administration.  
[Has held the position of member of the Company's Board of Directors since 2002.](#)  
[In 2015, held the position of member of the Audit Committee of the Company's Board of Directors.](#)  
[Mr Sereda holds a 0.000232% stake in PJSC Gazprom.](#)

## Changes in the Board of Directors in 2015

### Alexander Valentinovich Novak

member of the Company's Board of Directors since 26 June 2015.

### Andrey Yurievich Sapelin

member of the Company's Board of Directors until 26 June 2015.

### Valery Abramovich Musin

member of the Company's Board of Directors until 22 December 2015  
(membership terminated on 22 December 2015 owing to death).

The biographical details  
of members of PJSC Gazprom's  
Board of Directors are also  
available on PJSC Gazprom's  
website

 [gazprom.com](http://gazprom.com)





## PJSC Gazprom's Management Committee (as at 31 December 2015)



**Alexey  
Borisovich  
Miller**

Chairman  
of PJSC 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 Chairman of the Company's Management Committee since 2001.  
Term of office — until 30 May 2021.  
Mr Miller holds a 0.000958% stake in PJSC Gazprom.



**Elena  
Alexandrovna  
Vasilieva**

Deputy Chairwoman  
of PJSC Gazprom's  
Management Committee —  
Chief Accountant  
of PJSC Gazprom

Born in 1959.  
Higher vocational education.  
Graduate of N.A. Voznesensky Leningrad Finance and Economics Institute.  
Has held the position of member of the Company's Management Committee since 2001.  
Term of office — until 26 November 2017.  
Ms Vasilieva holds a 0.000281 % stake in PJSC Gazprom.



**Valery  
Alexandrovich  
Golubev**

Deputy Chairman  
of PJSC Gazprom's  
Management Committee

Born in 1952.  
Postgraduate vocational education.  
Graduate of Leningrad Electrotechnical Institute.  
Doctor of Economics.  
Has held the position of member of the Company's Management Committee since 2003.  
Term of office — until 18 April 2018.  
Mr Golubev holds a 0.000232% stake in PJSC Gazprom.



**Alexander  
Nikolaevich  
Kozlov**

Deputy Chairman  
of PJSC Gazprom's  
Management Committee

Born in 1952.  
Higher vocational education.  
Graduate of Moscow State Institute of International Relations of the Ministry of Foreign Affairs of the USSR.  
Has held the position of member of the Company's Management Committee since 2005.  
Term of office — until 17 March 2020.  
Mr Kozlov holds a 0.000232% stake in PJSC Gazprom.



**Andrey  
Vyacheslavovich  
Kruglov**

Deputy Chairman  
of PJSC Gazprom's  
Management Committee

Born in 1969.

Postgraduate vocational education.

Graduate of St Petersburg Technological Institute of the Refrigeration Industry.

Doctor of Economics.

[Has held the position of member of the Company's Management Committee since 2002.](#)

[Term of office — until 19 June 2017.](#)

[Mr Kruglov holds a 0.000322% stake in PJSC Gazprom.](#)



**Vitaly  
Anatolievich  
Markelov**

Deputy Chairman  
of PJSC 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 member of the Company's Management Committee since 2012.](#)

[Term of office — until 22 January 2017.](#)

[Mr Markelov holds a 0.006203% stake in PJSC Gazprom.](#)



**Alexander  
Ivanovich  
Medvedev**

Deputy Chairman  
of PJSC Gazprom's  
Management Committee

Born in 1955.

Postgraduate vocational education.

Graduate of Moscow Institute of Physics and Technology.

Candidate of Economics.

[Has held the position of member of the Company's Management Committee since 2002.](#)

[Term of office — until 26 September 2017.](#)

[Mr Medvedev holds a 0.000232% stake in PJSC Gazprom.](#)



**Sergey  
Fyodorovich  
Khomyakov**

Deputy Chairman  
of PJSC Gazprom's  
Management Committee,  
Director General  
of PJSC Gazprom's  
Corporate Security  
Service Branch in Moscow

Born in 1953.

Postgraduate vocational education.

Graduate of Leningrad Electrotechnical Institute.

Candidate of Economics.

[Has held the position of member of the Company's Management Committee since 2007.](#)

[Term of office — until 15 March 2017.](#)

[Mr Khomyakov holds a 0.000232% stake in PJSC Gazprom.](#)





**Oleg  
Evgenyevich  
Aksyutin**

Head of Department  
(prospective development)

Born in 1967.

Postgraduate vocational education.

Graduate of S.P. Korolev Kuibyshev Aviation Institute.

Doctor of Technical Sciences.

Has held the position of member of the Company's Management Committee since 2008.

Term of office — until 04 November 2018.

Mr Aksyutin holds a 0.000218% stake in PJSC 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 member of the Company's Management Committee since 2008.

Term of office — until 15 June 2018.

Mr Dubik holds a 0.000955% stake in PJSC Gazprom.



**Vladimir  
Konstantinovich  
Markov**

Head of Department  
(relations with the Russian  
Federation authorities)

Born in 1955.

Postgraduate vocational education.

Graduate of Ryazan Radio Engineering Institute.

Candidate of Law.

Has held the position of member of the Company's Management Committee since 2012.

Term of office — until 22 January 2017.

Mr Markov holds a 0.000148% stake in PJSC Gazprom.



**Elena  
Vladimirovna  
Mikhailova**

Head of Department  
(asset management  
and corporate relations),  
Deputy Director General  
for Corporate Relations  
and Asset Management  
at OOO Gazprom  
mezhhregiongaz

Born in 1977.

Higher vocational education.

Graduate of Moscow State Industrial University.

Has held the position of member of the Company's Management Committee since 2012.

Term of office — until 22 January 2017.

Ms Mikhailova holds a 0.000148% stake in PJSC Gazprom.



**Vyacheslav  
Alexandrovich  
Mikhalevich**

Head of Department  
(gas transportation and  
underground storage)

Born in 1965.

Postgraduate vocational education.

Graduate of Bryansk Transport Machine-Building Institute.

Candidate of Technical Sciences.

[Has held the position of member of the Company's Management Committee since 2015.](#)

[Term of office — until 24 September 2020.](#)

[Mr Mikhalevich holds a 0.000424% stake in PJSC Gazprom.](#)



**Sergey  
Frolovich  
Prozorov**

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

Born in 1958.

Higher vocational education.

Graduate of Bryansk Transport Machine-Building Institute.

[Has held the position of member of the Company's Management Committee since 2014.](#)

[Term of office — until 26 November 2019.](#)

[Mr Prozorov holds a 0.000148% stake in PJSC 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 St Petersburg State University.

Candidate of Economics.

[Has held the position of member of the Company's Management Committee since 2002.](#)

[Term of office — until 26 September 2017.](#)

[Mr Seleznev holds a 0.000148% stake in PJSC Gazprom.](#)



**Igor  
Yuryevich  
Fyodorov**

Director General  
of OOO Gazprom  
komplektatsiya

Born in 1965.

Postgraduate vocational education.

Graduate of Leningrad State University and St Petersburg State Academy of Service and Economics.

Candidate of Economics.

[Has held the position of member of the Company's Management Committee since 2007.](#)

[Term of office — until 21 January 2017.](#)

[Mr Fyodorov holds a 0.000136% stake in PJSC 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 member of the Company's Management Committee since 2010.

Term of office — until 29 March 2020.

Mr Cherepanov holds a 0.000148% stake in PJSC Gazprom.

## Changes in the Management Committee in 2015

Members of the Management Committee who were elected in 2015

### **Vyacheslav Alexandrovich Mikhaleiko**

(elected by Resolution of the Board of Directors No. 2606 dated 25 September 2015)

Members of the Management Committee whose powers were terminated in 2015

### **Dmitry Vladimirovich Lyugai**

(powers of member of the Management Committee terminated by Resolution of the Board of Directors No. 2605 dated 25 September 2015).

The biographical details of members of PJSC Gazprom's Management Committee are also available on PJSC Gazprom's website

 [gazprom.com](http://gazprom.com)



# II Strategy



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## Strategic Target Indicators (STIs)

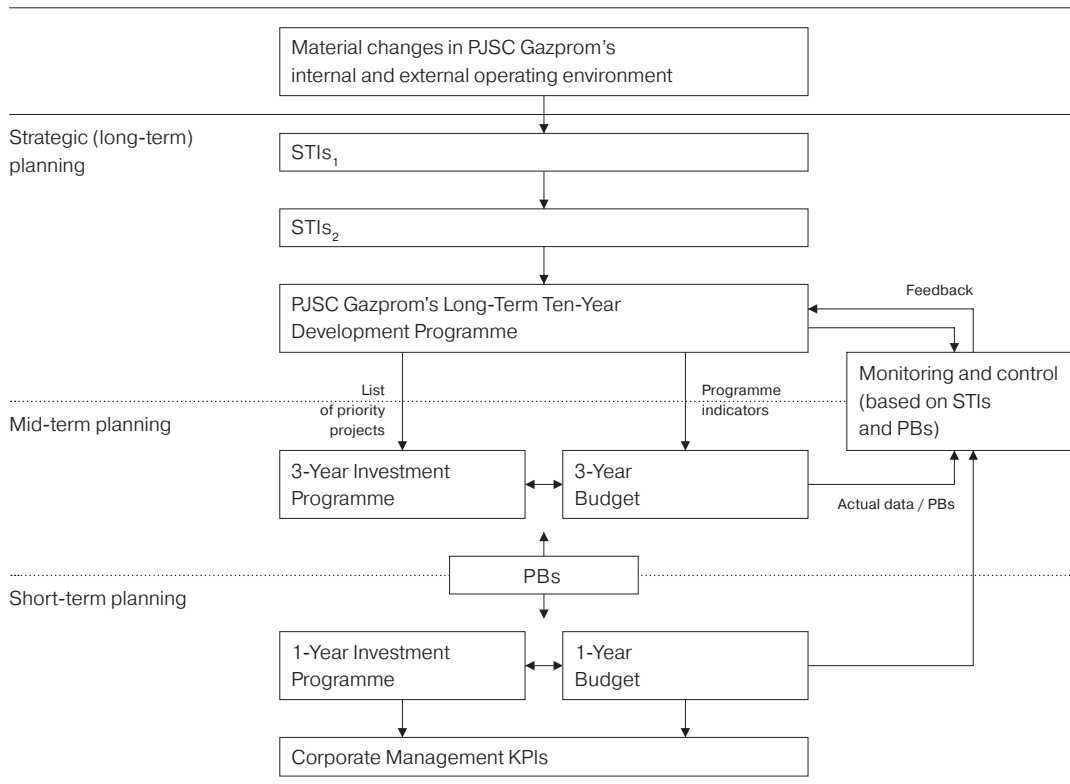
PJSC Gazprom's long-term planning is based on a system of strategic target indicators (STIs) well-balanced across all lines of the Company's business and quantifying its targets in achieving strategic goals. The STI-based long-term planning framework covers the operations of the Company and its key subsidiaries in the gas business. The Company is taking efforts to develop a mechanism to roll out the long-term planning framework to PJSC Gazprom's international operations and its oil and power generation businesses, which will help improve the Group's overall performance.

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

Tier-1 STIs (STIs<sub>1</sub>) are set by the Company's Board of Directors for the end of a ten-year period and provide a basis for developing PJSC Gazprom's Long-Term Development Programme.

Tier-2 STIs (STIs<sub>2</sub>) flesh out STIs<sub>1</sub> 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 STI-based long-, mid-, and short-term planning frameworks



## Long-Term Development Programme

PJSC Gazprom's Long-Term Development Programme is key to the Company's planning over the long term.

The Long-Term Development Programme is developed annually in accordance with JSC Gazprom's Planning Procedures Based on the Strategic Target Indicators (STIs) approved by resolution of JSC Gazprom's Management Committee in June 2006, and incorporating the Guidelines on Long-Term Development Programmes for Strategic Joint-Stock Companies and Federal State Unitary Enterprises, and Open Joint-Stock Companies where the Aggregate Share of the Russian Federation Exceeds 50% (Instruction No. ISh-P 13-2583 of 15 April 2014 by the Government of the Russian Federation). The Programme is subject to approval by the Company's Board of Directors.

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 key objectives of the Long-Term Development Programme of PJSC Gazprom include:

- identifying priority areas for the development of PJSC Gazprom based on insights into trends in the global and Russian energy markets and competition analysis;
- defining development options and prioritising projects for PJSC Gazprom;
- financial and economic evaluation of the Company's development options;
- qualitative and quantitative assessment of PJSC Gazprom's strategic risks;
- drafting recommendations and developing activities to achieve PJSC Gazprom's strategic targets and support its sustainable growth.

**STIs, values at the end of a ten-year period**  
(approved by Resolution of the Board of Directors No. 1528 dated 29 December 2009)

Item	Value
Economic profit growth	Positive
Return on capital (ROC) (return on 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 reserves replacement ratio	At least 100%

When drafting the Long-Term Development Programme, the Company factors in inputs and results provided by business units and subsidiaries of PJSC Gazprom, as well as resolutions by management bodies of PJSC Gazprom, including decisions by the Board of Directors of PJSC Gazprom made in accordance with the Russian Government directives for the government representatives on the Board of Directors of PJSC Gazprom, relating to the Long-Term Development Programme of PJSC Gazprom. The governing documents defining key Russian economy and energy sector development areas are: forecasts of national social and economic development, Russia's Energy Strategy, the General Scheme for the Development of the Gas Industry, key provisions of federal special-purpose action plans for the gas industry, directives and other instructions of the Government of the Russian Federation, as well as other documents regulating development of the fuel and energy sector.



For more details on flagship initiatives aimed at implementation of the Long-Term Development Programme of JSC Gazprom (gas business, 2015–2024) in the reporting year see the Outlook section

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In December 2015, the Long-Term Development Programme of PJSC Gazprom (gas business, 2016–2025) was approved by the Resolution of the Board of Directors (Minutes No. 1053 dated 28 December 2015). The Programme includes updated scenarios of social and economic development forecasts drafted by the Russian Ministry of Economic Development, as well as latest decisions on systemically important high-priority projects such as capacity expansion at the Sakhalin LNG plant, construction of LNG plants in the Primorye Territory and the Leningrad Region, construction of a new Baltic Sea offshore pipeline from Russia to Germany, and construction of a gas processing plant in the Amur Region.

In addition, the document incorporates interim progress data on the Long-Term Development Programme of JSC Gazprom (gas business, 2015–2024), approved by the resolution of the Board of Directors in December 2014. In accordance with resolutions passed by the Board of Directors in 2014–2015, the Long-Term Development Programme of PJSC Gazprom also includes:

- the list of initiatives aimed at improving labour efficiency in the Company, and target labour KPIs set out as approved in March 2015;
- the projected demand for labour including engineering professionals, in particular, university graduates; this forecast is also detailed by Russia's federal district;
- the action plan (list of initiatives) aimed at improving the efficiency and transparency within the Company, as well as at boosting its investment case by ensuring supply of standard quality and affordable fuel and energy resources, and compliance with industrial and environmental safety requirements;
- the action plan (list of initiatives) aimed at planned and scheduled substitution of imported products (work, services) with those of Russian origin, having similar specifications and usability, to be used in investment projects and day-to-day operations.

In accordance with Resolution of the Board of Directors of PJSC Gazprom No. 2629 dated 26 November 2015, the auditor's report on implementation of the Long-Term Development Programme of PJSC Gazprom will be submitted for consideration of the Company's Board of Directors. In 2015, the Company approved a Standard for Conducting an Audit of the Implementation of the Long-Term Development Programme of PJSC Gazprom (Resolution of the Board of Directors of PJSC Gazprom No. 2629 dated 26 November 2015), and in 2016 — the Terms of Reference for Conducting an Audit of the Implementation of the Long-Term Development Programme of PJSC Gazprom (Resolution of the Board of Directors of PJSC Gazprom No. 2683 dated 15 March 2016).

## Mid- and Short-term Planning

Over the medium and short term, investment, financial and operational planning at PJSC Gazprom is streamlined into the budget planning framework.

Budget planning benchmarks are set by the performance benchmarks (PB) system based on the Long-Term Development Programme and fleshing out its indicators for a 1–3-year budgeting period.

Target key performance indicators (KPIs) for corporate management are fixed by the annual budget (financial plan) and the Investment programme of PJSC Gazprom. The KPIs incorporate the Company's most important efficiency and effectiveness criteria and are to be approved by the Board of Directors. The Company's KPI framework is approved by Resolution of the Board of Directors of JSC Gazprom No. 2435 dated 21 October 2014 (Minutes of the Board of Directors' meeting No. 972 dated 21 October 2014) as part of the Regulation on JSC Gazprom's Key Performance Indicators.

In the reporting year, the KPI framework was substantially revised to include requirements of government agencies to enhance the link between executive remuneration and achievement by the Company of particular KPIs developed as recommended by government authorities. The list of corporate executive KPIs was supplemented by the Labour Efficiency indicator (included by Resolution of the Board of Directors of JSC Gazprom No. 2473 dated 27 January 2015; Minutes No. 991 dated 27 January 2015) and the Reduction of Operating Expenses (Costs) indicator (included by Resolution of the Board of Directors of PJSC Gazprom No. 2604 dated 25 September 2015; Minutes No. 1036 dated 25 September 2015) substituting the Reduction of Procurement Costs.

KPI targets for 2015 were set by resolutions of the Board of Directors based on the Company's 2015 budget (financial plan) and the Investment programme, with some of the KPIs subsequently adjusted as per the new version of the 2015 budget (financial plan) and the Investment programme (Minutes of the Board of Directors' meeting No. 1041 dated 21 October 2015). Adjustments to the approved 2015 target KPIs were largely due to the negative impact of factors and macroeconomic conditions used in PJSC Gazprom's budget (financial plan) estimates, which are beyond the corporate executives' control, such as evaluation of the RUB/USD and RUB/EUR exchange rate, collapsing global oil prices, growing tax burden, as well as lower demand for gas and the adjusted Gas Balance in Russia for 2015.

Target and actual corporate executive KPIs for 2015					
KPI	Target value		Actual value	KPI achievement, % of the target	Cause of difference between target and actual KPI values
	Initial	Adjusted***			
Financial and economic KPIs					
per unit costs in Production, RUB/t c.e.	770.12*	924.42	941.08	98	Lower gas production and transportation volumes due to dwindling supplies of natural gas to CIS countries and domestic consumers on the back of weaker demand.
per unit costs in Transportation, RUB/unit of transportation costs, mcm/100 km	61.84*	67.40	68.60	98	
reduction of operating costs (expenses), %	2**	No adjustments	5.64	282	PJSC Gazprom operating costs (expenses) evolution in comparable conditions (adjustments for inflation and the year-average RUB exchange rate).
total shareholder return, TSR	0.10*	No adjustments	0.091	91	PJSC Gazprom's stock performance on ZAO MICEX Stock Exchange.
ROE, %	12*	6	7.71	129	Changes in RUB/USD and RUB/EUR exchange rates.
labour efficiency, RUB thousand/man-hour	71.33*	68.59	77.02	112	PJSC Gazprom's revenue growth outpacing headcount growth.
Industry-specific KPIs					
gas sales by volume, bcm	447.77*	417.18	401.40	96	Dwindling supplies of natural gas to CIS countries and domestic consumers on the back of weaker demand.
major production facilities commissioned	6*	No adjustments	6	100	x
* Resolution of the Board of Directors of JSC Gazprom No. 2491 dated 20 February 2015 (Minutes No. 998 dated 20 February 2015).					
** Resolution of the Board of Directors of PJSC Gazprom No. 2604 dated 25 September 2015 (Minutes No. 1036 dated 25 September 2015).					
*** Resolution of the Board of Directors of PJSC Gazprom No. 2645 dated 25 December 2015 (Minutes No. 1051 dated 25 December 2015).					

\* Resolution of the Board of Directors of JSC Gazprom No. 2491 dated 20 February 2015 (Minutes No. 998 dated 20 February 2015).

\*\* Resolution of the Board of Directors of PJSC Gazprom No. 2604 dated 25 September 2015 (Minutes No. 1036 dated 25 September 2015).

\*\*\* Resolution of the Board of Directors of PJSC Gazprom No. 2645 dated 25 December 2015 (Minutes No. 1051 dated 25 December 2015).

Target corporate executive KPIs for 2016 were approved by Resolution of PJSC Gazprom's Board of Directors No. 2697 dated 24 March 2016 (Minutes No. 1066 dated 24 March 2016).

Target corporate executive KPIs for 2016	
KPI	Target value*
<b>Financial and economic KPIs</b>	
per unit costs in Production, RUB/t c.e.	902.34
per unit costs in Transportation, RUB/unit of transportation costs, mcm/100 km	63.98
reduction of operating costs (expenses), %	2
total shareholder return, TSR	0.10
ROE, %	6
labour efficiency, RUB thousand/man-hour	70.64
<b>Industry-specific KPIs</b>	
gas sales by volume, bcm	439.46
major production facilities commissioned	10

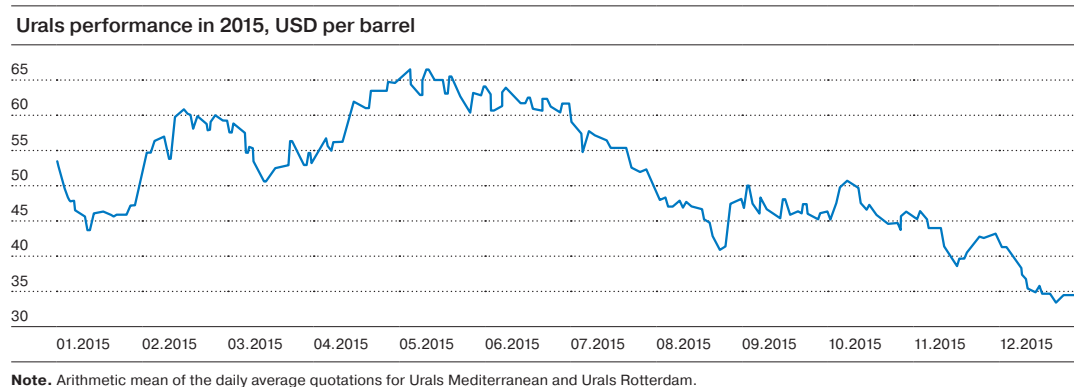
\* KPI values are calculated in accordance with the budget (financial plan) and PJSC Gazprom's 2016 Investment Programme approved by the Board of Directors and may be adjusted under the applicable procedures if the Board of Directors resolves to adopt a new version of such documents.



**Gazprom maintains its strong market positions and growth opportunities in the context of adverse developments in the global financial market.**

### Continued fall in oil prices

In 2015, oil prices continued the downward trend of 2014. Although the rate of decline has significantly slowed down, prices of Brent and Urals from January to December in the reporting year declined by 20% and 22%, respectively.



In 2015, further decline in oil prices was driven by the following key factors:

- production volumes exceeding global consumption rates;
- deceleration of the oil consumption growth in China;
- continuing growth of oil production in some countries notwithstanding depressed prices;
- lifting of Iran sanctions and global expectations of additional supplies from this source;
- OPEC's refusal to introduce production quotas;
- strengthening US dollar (winding up of the Quantitative Easing programme, increase of the Federal Reserve System's key rate, etc.).

All of the above factors put pressure on oil price levels. However, some of the market drivers will help increase oil prices over the medium and long term.

Current energy market price movements have notably resulted in reduced capex of industry majors. According to different agencies, oil and gas companies decreased their capex figures by almost USD 200 bn globally, which will be the key reason for oil and gas supply cuts and will help restore prices in the medium term.

In the long run, oil prices will be primarily driven by depletion of easily accessible reserves and subsequent increase in the cost of production. For example, almost half of recoverable oil reserves is located on offshore and Arctic fields, while unconventional oil production in many markets is also associated with high costs.

This will also help restore oil prices over the medium and long term.

## Weather impact and further decrease in Europe's domestic gas production volumes and prices

### Gas supply and consumption

According to the International Energy Agency data for 2014, natural gas accounts for approximately 22% of primary energy consumption in Europe. Over the last ten years, its share has decreased by two percentage points as compared to 2006, reflecting both the general reduction in consumption of fossil fuels and the growing rates of hydro- and renewable energy consumption across the region. According to the agency, the largest European natural gas consumers are the housing and utilities sector consuming 44%, power and heat production consuming 29%, industry consuming 26%, and the transport sector consuming 1% of gas supplies.

In 2015, the European gas demand was on a marginal increase as compared to the relatively lean previous year. According to tentative data, far abroad European countries consumed 512.8 bcm of gas (a 5.6% increase y-o-y), the key reason behind this increased consumption being more favourable (as compared to the record high temperatures of 2014) weather conditions encouraging gas consumption in the housing and utilities sector.

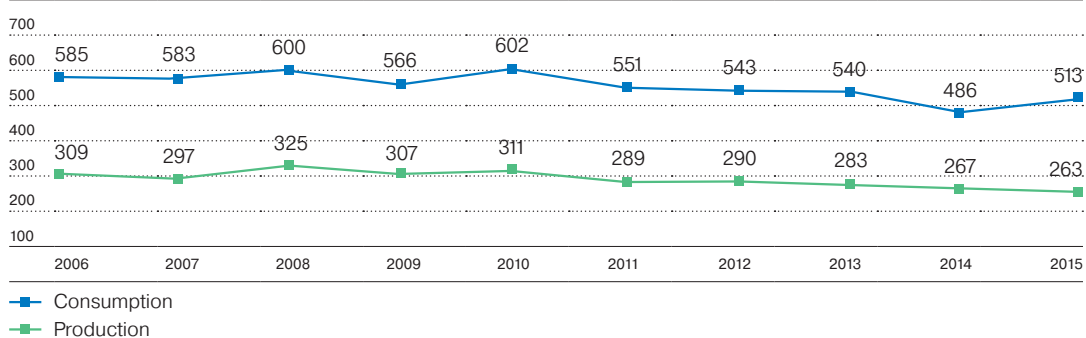
Gas consumption levels are also driven by back-on-track consumption volumes in power generation, supported by lower prices and stronger competitive edge as compared to coal.

In 2015, the industrial production in major European economies was mainly demonstrating an upward trend, also restoring the industrial demand for gas.

The 2015 gas supply profile has lower domestic production and higher import volumes with net withdrawals from gas storage facilities.

European far abroad countries' own gas production output dipped to 262.6 bcm, i.e. a 1.5% decline y-o-y. This decline was largely due to a lower production output in the Netherlands (by 14.5 bcm or 23.1%) caused by reduced quotas capping production on the Groningen gas field. Alternatively, other major producing countries, the UK and Norway, increased their production levels.

Consumption and own production in European far abroad countries, 2006–2015, bcm



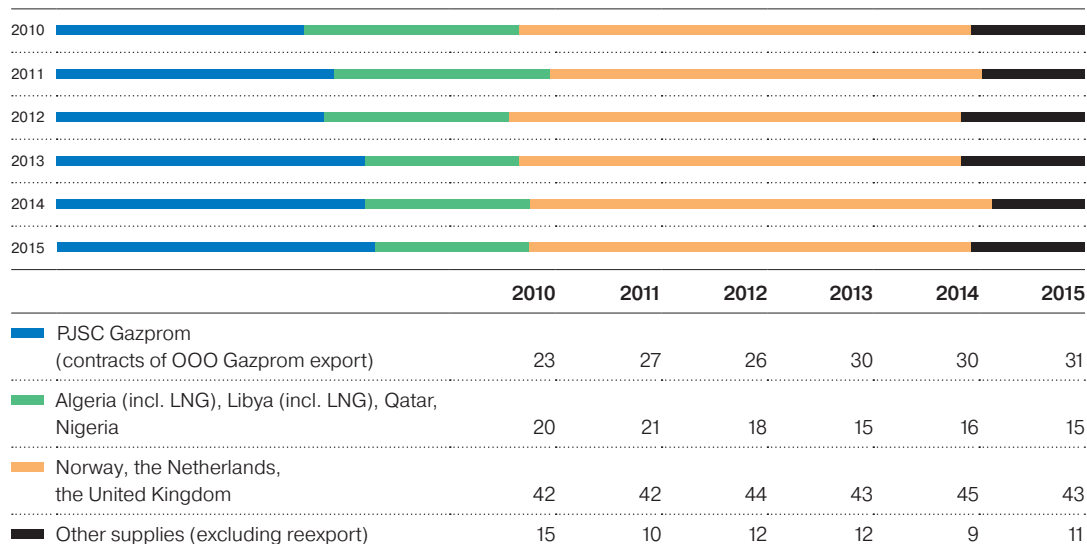
**Note.** Calculated on the basis of International Energy Agency data, natural gas volumes converted to Russian standards (calorific value of 8,850 kcal/cm at 20°C). Data for 2014 may differ from data in Annual Report 2014 due to amendments to international statistics.

In 2015, PJSC Gazprom's sales of natural gas to far abroad European countries under contracts signed by OOO Gazprom export increased by 12 bcm y-o-y (+8.2%) to 158.6 bcm.

For more details on Gazprom Group's sales of natural gas to far abroad European countries in 2015 see the Marketing section

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Natural gas supplies to far abroad European countries, 2010–2015, bcm

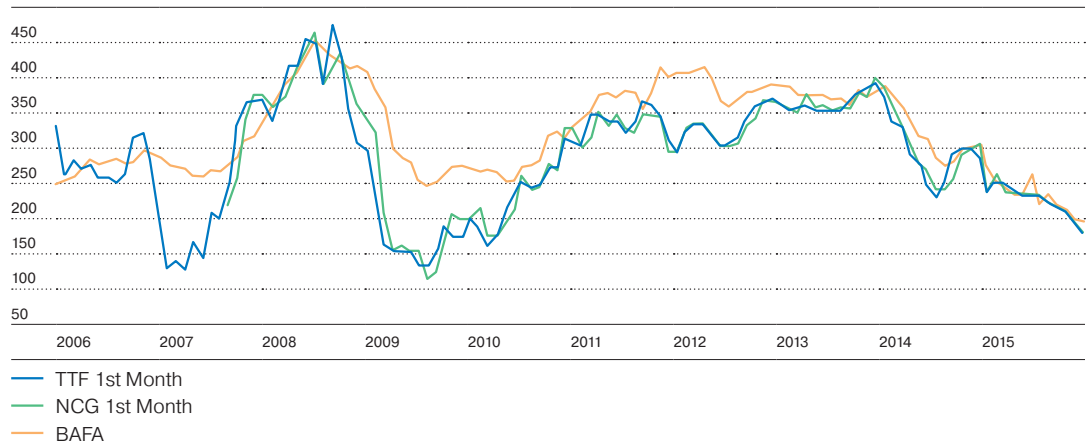


**Note.** Data for 2014 may differ from data in Annual Report 2014 due to amendments to international statistics.

### Prices at gas trading hubs and under long-term contracts of PJSC Gazprom, and Gazprom's first gas auction

In 2015, prices at European trading hubs were declining and highly correlated with prices pegged to the oil product basket. Average price of gas imported to Germany (the price quoted by the Federal Office for Economic Affairs and Export Control (BAFA)) and TTF and NCG prices have become much closer.

Prices at trading hubs in Europe, 2006–2015, USD/mcm



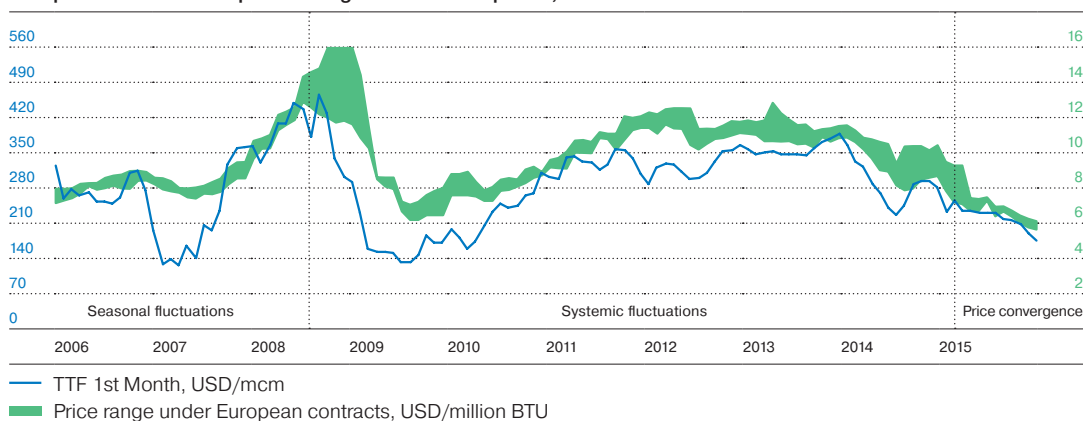
Source: Bloomberg



PJSC Gazprom's weighted average selling price of gas supplied in 2015 through OOO Gazprom export to far abroad European countries, credit and debit notes included, was USD 243.3 per mcm (including gas supplied to compressor stations (CS)).

The price of gas supplied under long-term contracts included delivery to customer as per daily orders. The contract gas price includes the premium for reliability and flexibility of supplies as opposed to the hub-traded gas which is supplied in standard equal lots over the contract term.

Hub prices vs. PJSC Gazprom's long-term contract prices, 2006–2015



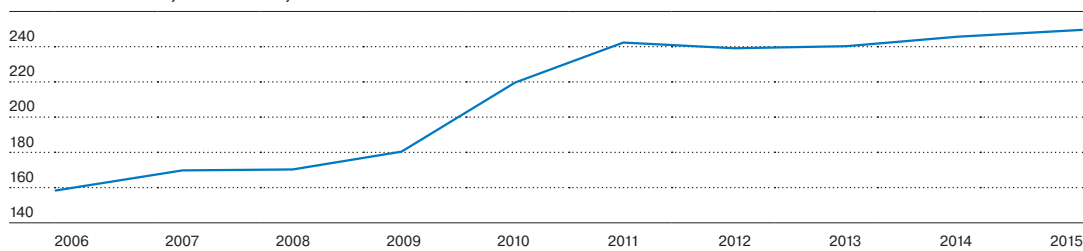
Source: BAFA, Bloomberg, World Bank, IMF, International Energy Agency

In 2015, Gazprom tested a new framework for European gas sales — a gas auction. This selling framework is supposed to become an additional tool complementing long-term contracts. The auction was held in September 2015 for gas volumes to be supplied during the 2015/2016 winter season to a number of delivery terminals in North-Western Europe selected by customers. Based on the auction results, this new auction trading framework may be further used for additional balancing sales if required by market conditions, complementing Gazprom's long-term contract portfolio. In addition, Gazprom is planning to expand its auction locations in future periods.

### Shifts in LNG supplies and a persistent buyer's market

According to estimates, the traded volumes in the global LNG market were 250 mm tonnes in 2015, a 1.7% increase y-o-y (i.e. 4.2 mm tonnes).

Global LNG sales, 2006–2015, mm tonnes



The Asia Pacific market remains the key regional LNG consumer (over 70% of global consumption). Meanwhile, imports to traditional LNG markets — Japan and South Korea — in 2015 dropped 4.2% (or 3.7 mm tonnes) and 10.9% (or 4.1 mm tonnes), respectively.

Lower LNG imports to North East Asia markets were offset by higher volumes imported to other Asia Pacific markets (China, India, Indonesia, Malaysia, Pakistan, Singapore, Taiwan, and Thailand) — up by 7.1%, or 3.9 mm tonnes. Imports to the Middle East saw a considerable growth (85.3%, or 3.4 mm tonnes), as LNG supplies were started to Jordan. In 2015, Gazprom also started to supply LNG to Egypt (2.8 mm tonnes).

During 2015, the LNG market remained a buyer's market. Following a substantial drop in 2014, LNG spot prices in the reporting period remained rather marginal. In 2015, the average LNG spot price was at USD 7.4 per mm BTU in Japanese and South Korean markets, and at USD 6.5 per mm BTU at the NBP. Actual supply prices under long-term contracts went down along with plunging oil prices.

### Growing competition on the Russian gas market

Russia's natural gas consumption in 2015 was 444.3 bcm, down 3.1% y-o-y. Key reasons behind the reduced gas consumption were the unusually mild weather throughout the year, as well as lower production and energy consumption volumes due to the ongoing economic crisis.

**Russia's gas consumption, 2011–2015, bcm**

2011	473.0
2012	466.1
2013	461.3
2014	458.4
2015	444.3

In 2015, natural gas accounted for 52.5% in Russia's energy mix, remaining virtually flat over the last few years. The major consumers of natural gas in the country, including economic sectors and consumer groups, are power and heat generation (37%), household consumers (12%), the housing and utilities sector (9%), the oil industry (8%), and metallurgy (6%).

In accordance with the applicable Russian laws, natural gas is domestically sold at regulated and unregulated prices. PJSC Gazprom is the largest natural gas supplier to the regulated market.

Regulated wholesale gas prices are revised 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. Material factors influencing gas price change indices under this document are macroeconomic conditions embedded therein rather than the real financial position of the regulated entity.

**Change of wholesale regulated gas prices for industrial and household consumers in accordance with the Forecast of the Ministry of Economic Development of the Russian Federation, 2016–2018, annual average increase versus prior year, %**

	2016	2017	2018
An average for all consumer groups	4.9	2.5	3.0
For consumer groups excluding household consumers	4.9	2.5	3.0
For household consumers	5.1	2.4	3.0

Regulated wholesale natural gas prices 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 to be subsequently supplied to households are, on average, 19% lower than those for gas supplied to industrial consumers.

In 2015, the domestic gas market development was influenced by growing competition driven by the increased market share of independent gas producers in production and supplies while PJSC Gazprom's volumes were simultaneously reducing. The current regulatory environment helps drive competition and expand the footprint of independent producers despite the lower demand for natural gas.

**Gazprom's contribution to Russia's gas consumption, 2011–2015**

Item	2011	2012	2013	2014	2015
Russia's gas consumption, bcm	473.0	466.1	461.3	458.4	444.3
Supplies to Russian consumers via Gazprom's GTS (excluding GTS process needs), bcm	362.5	360.0	351.7	353.7	339.4
Share of Gazprom Group's production	290.2	274.7	254.5	237.0	211.2

Independent gas producers supply gas to Russia's domestic market at contract (unregulated) prices, are more price-flexible, and, as a result, supply gas to premium markets in the Russian Federation, actively winning new and largely big (financially reliable) consumers. In addition, independent producers supply gas mostly to industrial consumers operating in wealthy regions. Unlike PJSC Gazprom, independent producers do not have to meet peak demand and, therefore, may build up sustainable production portfolios; they enjoy a lower tax burden leading to fewer minimum costs and higher margin; they also have priority access to PJSC Gazprom's gas transportation system for supplies of dry stripped gas produced by refining associated petroleum gas (APG).

In the reporting year, the unregulated gas market sector expanded due to a drastic increase in gas volumes sold at organised gas trades with one-month delivery deadlines at ZAO SPIMEX. In addition, in October 2015 the exchange hosted gas trades with one-day delivery deadlines. As of now, organised gas trading has a limited influence on PJSC Gazprom's operations due to the small share of hub-traded volumes in the total gas sales. However, should gas sales come close to the cap of 17.5 bcm established by Resolution of the Russian Government No. 323 dated 16 April 2012, the above estimate may be adjusted accordingly.

For more details on Gazprom Group's sales of natural gas in the Russian market in 2015 see the Marketing section

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### Economic growth slowdown in China

One of the most important global economy and energy industry trends of 2015 was further slowdown of the economic growth in China.

According to Chinese government's preliminary estimates, in 2015, China's GDP increased 6.9% y-o-y, the lowest growth rate since 1991. Importantly, for some years, the Chinese economy slowdown has been outpacing the rates forecast by international agencies.

The slowdown also leads to lower growth rates of energy consumption, including for natural gas. According to China's National Development and Reform Commission (NDRC), in 2015, the gas consumption growth amounted to 6% — one of the lowest rates over the last ten years, including the crisis year of 2008. In 2015, LNG imports declined year-on-year for the first time since they started — by 1.1% from 2014.



A key demand driver for natural gas in China is the ongoing reform of the national gas industry, providing for liberalisation and a gradual shift from regulated to market-based gas prices. Specifically, in the summer of 2015, the Shanghai Petroleum and Natural Gas Exchange (SHPGX) started trading and in November 2015 regulated wholesale gas prices were reduced significantly, reflecting changes in global energy markets. Lower regulated wholesale prices make natural gas more competitive versus other energy sources.

The ongoing reform provides for access of third parties to China's existing gas transmission infrastructure and regasification terminals, which can potentially give rise to new gas importers.

In the long run, the volumes of natural gas import to China will also depend on political decisions taken by the country's leadership to manage China's energy mix taking into account changes in the environmental situation, local gas production growth rates, including production from unconventional sources, and the levels of gas prices versus prices of rival energy sources (coal and renewable energy sources).

Other factors such as a new demographic policy and population growth rates will also influence energy consumption in China over the mid- and longer term.

### Lifting of Iran sanctions

The decision to lift economic sanctions against Iran was one of the most prominent developments in 2015. According to a number of foreign agencies, it may lead to a substantial increase in global gas supplies, including to PJSC Gazprom's key markets.

Although Iran has significant export potential, new export projects will inevitably face the consequences of long-sustained underfunding in the industry which will require large-scale foreign investments and technology.

However, oil and gas condensate which may become national export priorities will impede an increase in exports of Iranian gas. In this case, gas will remain an essential energy source for Iran's domestic market, and export gas projects will have limited development potential since national gas consumption growth rates have been outpacing Iran's production volumes.

Network gas export projects will be affected by complicated geopolitical conditions in the region and difficulties of constructing gas transportation facilities in adjacent countries.

### Negative impact of plunging oil prices on unconventional hydrocarbon production

Over the last decades, rising energy resources prices and development of hydrocarbon exploration and production were key reasons behind the growing appeal of unconventional gas production. However, with the decline in oil prices stretching into 2H 2015 and unsatisfactory exploration results in a number of countries, unconventional production did not stir much interest in 2015.

As of now, only North America (mostly, the USA) produces commercially significant volumes of shale gas. The growing shale gas production in the USA has led to a major drop in gas prices on the American market and encouraged gas (LNG) export projects, expected to become operational in 2016. However, an impressive reduction in the absolute difference between natural gas prices on global markets (primarily between the Asian and American markets) over the mid term has greatly affected the economic benefits of purchasing LNG pegged to the US domestic prices, thus undermining the competitive potential of new American LNG projects (pending a final investment decision). Affected by low hydrocarbon prices, the number of operating drilling rigs reduced by more than 60% over the last year. In recent years, some of the US-based hydrocarbon production has been funded by high-margin shale oil projects, which is no longer relevant with the lower oil prices.

Outside the USA, many global oil and gas majors announced their plans to reduce investment in, or exit, shale projects — in particular, in China, Australia, and Eastern Europe. As one would expect, the prospects for shale gas production in Poland and Ukraine proved to be significantly overblown, and, as of now, all international operators have withdrawn from shale gas projects in these countries.

**Mixed developments in 2015 did not bring about any meaningful revision of the long-term outlook for the global energy industry; hence, the outlook for, and the growth strategy of, the Company remained unchanged. In case of further economic deterioration and dropping oil prices in the medium term, PJSC Gazprom's strategy may be adjusted to the new economic environment.**

## Gas Business

Gazprom seeks to maintain its leadership in the global gas industry in the long term. Diversification of Russian natural gas exports is among Gazprom Group's strategy pillars. In order to achieve this goal the Company is transitioning from the European to Eurasian global strategy. In the Russian market, Gazprom strives to maintain its current positions both in terms of gas supply volumes and their reliability, including during the heating season. On traditional European gas markets, the Group intends to keep its share and further strengthen its positions should the market environment become favourable. Gazprom seeks to grow its share of North-East Asia markets the longer term.

To these ends, Gazprom plans to achieve a number of strategic milestones in terms of enhancing its operations in Russia.

- In gas exploration and production, development of new gas production centres in the Yamal Peninsula, on the continental shelf, in 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 go along with production growth and diversification of gas export routes. The existing infrastructure is expected to be used as extensively as possible to ensure reliable supplies. The GTS expansion in Russia's eastern regions and building up of gas storage and LNG production capacities will continue.
- 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.

PJSC Gazprom also intends to continue expansion outside Russia. In November 2015, the Company's Management Committee approved the Growth Strategy for PJSC Gazprom's Foreign Operations whereby all foreign operations should be focused on:

- establishing integrated added value chains, from exploration and production to the end consumer;
- tailoring the foreign project portfolio to corporate requirements to economic efficiency;
- enhancing interfaces with foreign strategic partners and implementation of joint projects aimed to strengthening and developing new competencies;
- eliminating competition of the Group's foreign supplies with Russian gas.

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### Interfaces with foreign partners across the value chain

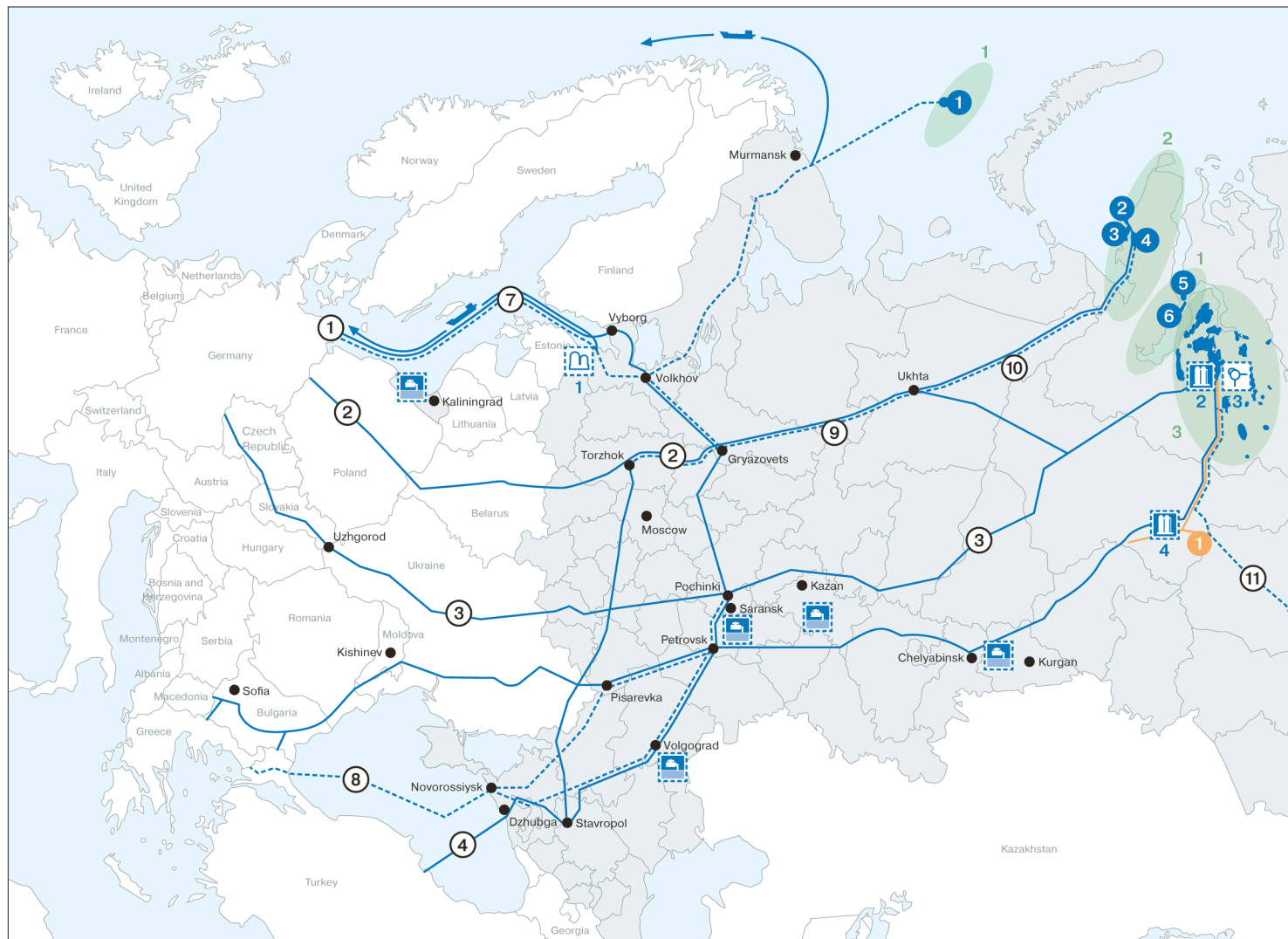
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- In June 2015, PJSC Gazprom and Royal Dutch Shell signed a Strategic Partnership Agreement providing for developing a strategic partnership across all segments of the gas industry, from upstream to downstream, including a possible asset swap.
  - In September 2015, PJSC Gazprom and OMV signed a Term Sheet regarding a possible asset swap, whereby OMV may take part in the project for developing Blocks 4 and 5 in the achimovsk formation of the Urengoykoye OGCF. If the transaction is closed, OMV will acquire a 24.98% stake in the project in exchange for Gazprom gaining an interest in OMV. As of now, Gazprom is assessing OMV's assets to be included in the swap.
  - On 30 September 2015 PJSC Gazprom and Wintershall Holding GmbH completed the asset swap. As a result of the deal, the Group increased its share in European gas trading companies WINGAS, WIEH, and WIEE to 100% and received a 50% stake in Wintershall Noordzee B.V. involved in hydrocarbon exploration and production in the North Sea. This swap enables Gazprom to strengthen its positions in the European gas market. As a result of the deal, Wintershall Holding GmbH received 25.01% in the development of Blocks 4 and 5 in the achimovsk formation of the Urengoykoye OGCF.
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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.



## Development of Gazprom Group's gas business



— Major gas pipelines

- - - Gas pipelines under construction and promising gas pipelines

→ LNG export routes

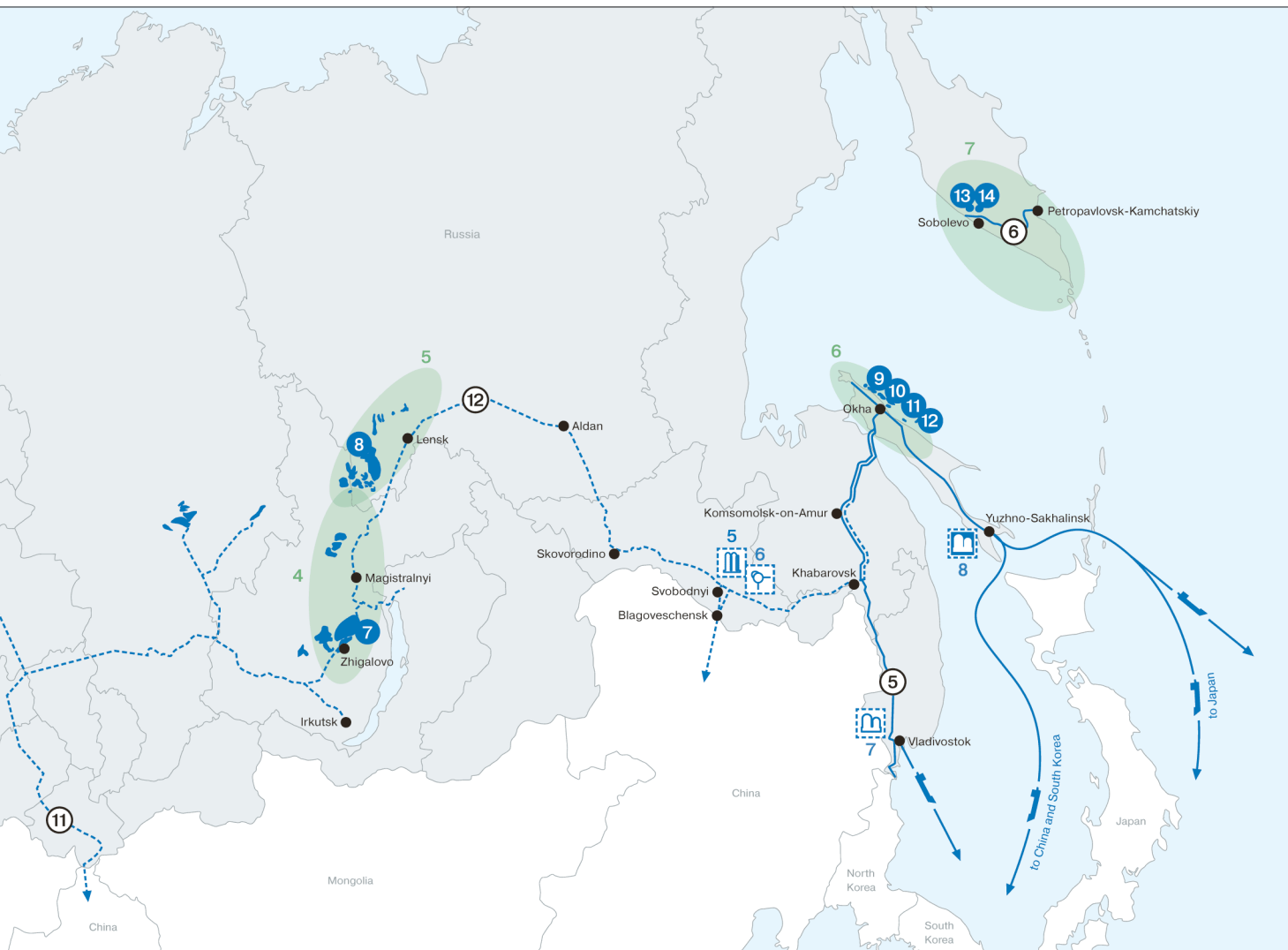
#### Gas production centres

- 1 The Arctic offshore GPC
- 2 Yamal Peninsula GPC
- 3 Nadym-Pur-Tazovsky Area GPC
- 4 Irkutsk GPC
- 5 Yakutsk GPC
- 6 Sakhalin GPC
- 7 Kamchatka GPC

#### Promising fields

- 1 Shtokmanovskoye
- 2 Kharasaveyskoye
- 3 Kruzenshternskoye
- 4 Bovanenkovskoye
- 5 Severo-Kamennomysskoye
- 6 Kamennomysskoye-Sea
- 7 Kovyktinskoye
- 8 Chayandinskoye
- 9 Piltun-Astokhskoye
- 10 Lunskoye
- 11 Kirinskoye
- 12 Yuzhno-Kirinskoye
- 13 Kshuyskoye
- 14 Nizhne-Kvakchikskoye

**Note.** Information provided as at 31 December 2015



#### 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

#### Existing GTSS in the Russian Far East

- ⑤ Sakhalin — Khabarovsk — Vladivostok
- ⑥ Pipeline Sobolevo — Petropavlosk-Kamchatskiy

#### Gas transportation projects

- ⑦ Nord Stream 2 gas pipeline
- ⑧ Turkish Stream gas pipeline
- ⑨ Ukhta — Torzhok 2 gas pipeline
- ⑩ Bovanenkovo — Ukhta gas pipeline (second line)
- ⑪ Power of Siberia 2 gas pipeline
- ⑫ Power of Siberia gas pipeline

#### LNG production and processing projects

- 1 LNG plant in the Leningrad Region (Baltic LNG)
- 2 Upgrade and capacity expansion at the Urengoy Condensate Pre-Transportation Preparation Plant
- 3 Novourengoiysky gas chemical complex
- 4 Upgrade and re-equipment of the Surgut Condensate Stabilisation Plant
- 5 Amur GPP
- 6 Gas Chemical Facility of PAO SIBUR Holding
- 7 LNG plant in the Primorye Territory (Vladivostok-LNG)
- 8 Expansion of LNG plant capacity within the framework of Sakhalin II project

#### UGSF construction and expansion projects

#### Other projects

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

## Exploration and production

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 the 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 long 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-Kamennomysskoye and Kamennomysskoye-Sea fields, the offshore Shtokman field in the Barents Sea).

Gazprom has been building gas production centres in Russia's Eastern regions. The Chayandinskoye oil and gas condensate field is the core field for the future Yakutsk gas production centre, and the Kovyktinskoye gas condensate field is key to the future 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 2014, and the Yuzhno-Kirinskoye gas and condensate field, one of Gazprom's priority projects in gas production over the long term.

For more details on Gazprom Group's key priority field development projects in Russia see Gazprom in Figures 2011–2015 Factbook

## Expansion of gas transportation capacities

Expansion of PJSC Gazprom's gas transportation capacities is planned in tandem and close co-ordination 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, make an efficient and flexible use of PJSC Gazprom's investments, and optimise gas transportation costs.

Apart from greenfield gas transportation projects, Gazprom also performs upgrades and technical re-equipment of its existing gas transportation facilities.

To ensure gas supplies to the domestic market and meet its obligations under export contracts, PJSC Gazprom is implementing a number of gas transportation projects.

Gas pipeline systems Bovanenkovo — Ukhta and Ukhta — Torzhok with the projected carry gas from the Yamal fields.

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### Strategic decisions of the year

- Nord Stream 2 project initiated. PJSC Gazprom and BASF/Wintershall, Uniper, ENGIE (formerly, GDF SUEZ), OMV, and Shell groups' companies signed the Shareholders Agreement for Nord Stream 2 AG, a joint project company responsible for designing, funding, construction, operation, and maintenance of the gas pipeline. The expansion of Nord Stream was explored in 2012. The survey conducted in that year, which makes basis for further Project implementation, confirmed that construction of additional lines is both feasible and environmentally safe.
  - The Company and CNPC signed the Heads of Agreement for pipeline gas supply from Russia to China via the western route.
  - A decision was made to assess possible pipeline gas supplies to China from the Russian Far East.
  - The Turkish Stream structure was optimised (to two instead of four lines), the pipeline construction was suspended.
-



In order to diversify export routes for Russian pipeline gas to PJSC Gazprom's conventional European market the Company initiated the Nord Stream 2 project to enhance the capacity of the existing Nord Stream gas pipeline. The Nord Stream 2 project envisages the construction of two offshore strings with the capacity of 27.5 bcm each, to be laid from Russia to Germany across the Baltic Sea. Western and Central European countries are the project's target markets. Nord Stream 2 gas supplies will be secured by the Gryazovets — Volkhov — Russia's Baltic Sea coast gas pipeline expansion, with pre-FEED and FEED stages underway.

In 2015, PJSC Gazprom explored the construction of a new Black Sea offshore pipeline to Turkey (the Turkish Stream), and of an onshore pipeline further to the Greek border. Due to the seemingly low interest of the Turkish side throughout the year and the mounting tensions between the two countries since November 2015, the struggling project was finally halted.

As part of its efforts to ensure geographic diversification of supply projects, the Company pays much attention to supplying pipeline gas from Russia to China.

Power of Siberia trunk pipeline project to transport gas from Yakutsk and Irkutsk gas production centres to consumers in the Far East and China is on track. This project is pursued to meet the obligations under the 2014 agreement for Russian gas supplies to China via the eastern route. It provides for exports of 38 bcm of gas per year over a 30-year period. The Purchase and Sale Agreement came into full force in May 2015, with eastern route supplies to start within 2019 to 2021.

To ensure supplies of the natural gas produced at Western Siberian fields to China, the new Power of Siberia 2 pipeline system is planned for construction. The parties are currently negotiating the commercial and technical framework of gas supplies.

### Expansion of the underground gas storage system

Gazprom's forward-looking plans provide for further expansion of its UGSF network in Russia, bringing the network's 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 PJSC Gazprom plans to:

- sustain the current UGSF performance through upgrade and re-equipment of the existing UGSFs;
- enhance capacities of the existing UGSFs (Kanchurinsko-Musinskoye UGSF complex, Kasyomovskoye, Nevskoye, Punginskoye, Stepnovskoye, Peschano-Umetskaya, Yelshanskoye, and Krasnodarskoye UGSFs);
- build and expand peak-shaving gas storage capacity in rock salt deposits (Volgogradskoye and Kaliningradskoye UGSFs);
- continue the implementation of well workover programme;
- 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.

To ensure integrated development of regional fields, underground storage facilities for helium concentrate are to be constructed in Russia's Eastern regions.

In terms of international underground gas storage expansion the challenge is to enhance Gazprom Group's UGSF capacities in foreign countries to an active capacity of at least 5% of annual exports by 2030. Own UGSF facilities, i.e. overseas infrastructure facilities with Gazprom Group's stake, are the priority.

For more details on Gazprom Group's key gas transportation projects see Gazprom in Figures 2011–2015 Factbook

For more details on Gazprom Group's priority UGSF projects see Gazprom in Figures 2011–2015 Factbook

## Expansion of gas processing and gas chemical production

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.

PJSC 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 in the Nadym-Pur-Taz region to be 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).

The construction design of the Amur GPP was launched near the town of Svobodny in the Amur Region. Multi-component gas will be delivered to the GPP via the Power of Siberia gas pipeline from the Yakutia and Irkutsk gas production centres constructed by PJSC Gazprom under the Eastern Gas Programme. Commissioning of the first section of the Amur GPP will be synchronised with the launch of gas supplies to China via the Power of Siberia pipeline.

The Amur GPP will be Russia's largest gas processing facilities.

For more details on Gazprom Group's key processing projects see Gazprom in Figures 2011–2015 Factbook

## Expansion of LNG production and trading

To ensure expansion of own LNG production capacity, the third process train of the Sakhalin II project (to 5.4 mm tonnes per annum) and the Baltic LNG project (10 mm tonnes per annum) are implemented.

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### Strategic decisions of the year

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- Agreement on capacity expansion at the Sakhalin II LNG plant is reached. In June, PJSC Gazprom and Shell signed a memorandum on the construction of the third process train at the LNG plant under the Sakhalin II project.
  - Vladivostok-LNG project was postponed.
  - A decision to enter the investment stage was made for the Baltic LNG plant construction project in the Leningrad Region.
- 

Gazprom continues development of the Group's LNG trading capacity. Additional gas volumes are also traded through small-tonnage LNG supplies, supported by additions to production capacity and expanded geography of operations.

For more details see Gazprom in Figures 2011–2015 Factbook

## Oil Business

Gazprom Group's oil business operates through its subsidiary, PAO Gazprom Neft, guided in its operations by the 2025 Development Strategy approved by PAO Gazprom Neft's Board of Directors in 2013.

### Prospecting/exploration and production

Gazprom Neft Group 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 maintained. 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 practices, 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 Yamal-Nenets Autonomous Area is contemplated. Gazprom Neft treats unconventional reserves as a growth opportunity and will expand this asset class as an important component of its portfolio.

### 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.

Refinery upgrades are completed to ensure compliance of products with technical regulations. In addition, projects aimed at raising the processing efficiency and boosting processing depth and yield for light products at Russian facilities are underway. The company continues to refine an upgrade programme for OAO Slavneft-YANOS. In December 2015, upgrades of the catalytic cracking facilities were completed at the Omsk Refinery; the Moscow Refinery upgrades are at the stage of preparation.

### Sales

Gazprom Neft 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 oil products produced by Gazprom Neft Group's refineries via controlled sales channels to cover, to the maximum extent, the entire value chain of the oil business.

### Motor fuel sales

By 2025, Gazprom Neft Group intends to increase its total motor fuel sales in Russia and the CIS, primarily through a 20% growth of the retail channel, with the planned expansion of the filling station network.



### Oil product sales to industrial consumers

To improve oil product sales performance, several premium segments were carved out such as jet fuels, lubricants, bituminous materials, petrochemicals, and bunker fuels.

For the sales business, the company will further boost its sales, increase its market share, market new products, and expand its sales platform. Gazprom Neft's expansion benchmark will be a 30% increase in oil product sales by 2025.

The distribution network of ZAO Gazpromneft — Aero is focused on boosting the sales of jet fuels, further increasing the number of own refuelling facilities, and expanding the airport networks. Bunkering sales are also on the way to growth, despite the planned scale-down of fuel oil at own refineries due to higher conversion ratios, along with expansion of the terminals network and the bunkering fleet in Russia.

## Power Generation Business

Power generation sector is a strategic line of business for Gazprom Group. Gazprom Group's main generating assets are consolidated in 100% subsidiary OOO Gazprom energoholding. 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.

PJSC Gazprom's strategic objectives in Russia primarily focus on the construction of new generating capacity to enhance the performance of the Group's power generation business, as well as increase power and heat output.

The Company treats the power generation segment as one of the strongest drivers of potential growth in global gas consumption. Therefore, the Company continues to constantly monitor relevant business opportunities, including potential acquisitions of shares in foreign power generating assets to ensure additional pipeline gas and LNG supplies. Gazprom energoholding's priority international project is the construction of a thermal power plant (TPP) in Pancevo, Serbia, implemented jointly with NIS. In 2015, a joint venture was set up, and the active implementation phase of the project started.

In addition, Gazprom Group grows its electricity trading and distribution business on the European market via its subsidiary, Gazprom Marketing and Trading Ltd. The trader will be engaged in pursuing contracts for power generating assets, including power offtake agreements, tolling agreements, and energy management services agreements.

# III Performance Results



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## Exploration and Production

The world's largest resource base and a well-developed production infrastructure are among Gazprom's fundamental advantages. The Group's extensive track record in advanced exploration projects has enabled the Company to launch major gas production hubs in new promising, yet untapped Russian regions. Involvement in international projects helps the Group to expand its presence on the global energy market.

Effective replenishment of Gazprom Group's resource base, high concentration of reserves, and low production costs underpin the Group's consistently solid performance today and drive its future dynamic growth going forward.

In terms of explored gas reserves, Gazprom remains a global leader among oil and gas companies, holding 17% of global gas reserves and 72% of Russian reserves.

The bulk of the Group's hydrocarbon reserves is concentrated in its license blocks across Russia. As at 31 December 2015, reserves of Gazprom outside Russia were estimated as insignificant.

According to DeGolyer and MacNaughton, Gazprom Group's proved and probable PRMS reserves as at 31 December 2015 were 23,705 bcm of natural gas, 933.3 mm tonnes of gas condensate, and 1,355.4 mm tonnes of oil, including shares in the reserves of entities where Gazprom has investments classified as joint operations (22.6 bcm of natural gas and 161.4 mm tonnes of oil).

**Gazprom Group's proved and probable PRMS reserves (Including the share in the reserves of entities where Gazprom has investments classified as joint operations)**

	As at 31 December 2014	As at 31 December 2015
Natural gas, bcm	23,510.7	23,705.0
Gas condensate, mm tonnes	848.6	933.3
Oil, mm tonnes	1,374.4	1,355.4
<b>Total, billion t c.e.</b>	<b>30.3</b>	<b>30.6</b>
<b>billion boe</b>	<b>155.5</b>	<b>157.2</b>

Most of Gazprom Group's projects have been audited, totalling 94.0 % of gas reserves, 92.2 % of condensate reserves and 92.4 % of oil reserves attributed to grades A+B+C<sub>1</sub>.

The increase in Gazprom Group's proved and probable PRMS reserves by 0.3 bn t c.e. (or 1.7 bboe) from 2014 is mostly due to the expansion of the audit scope to cover new projects (Parusovoye and Severo-Parusovoye fields) in 2015, and additions to reserves at the Chayandinskoye, Kovyktinskoye, Vakunayskoye, and Tsarichanskoye fields following the new drilling.

## Operations in Russia

### Additions to the reserves base

As at 31 December 2015, Gazprom Group held 267 subsoil licenses to conduct geological surveys, exploration and production of hydrocarbons in Russia. These license blocks aggregately cover the area of 546.9 thousand square km, including 331.3 thousand square km offshore. In addition, companies where Gazprom has investments classified as joint operations, held 35 licenses for blocks with a total area of 22.9 thousand square km.

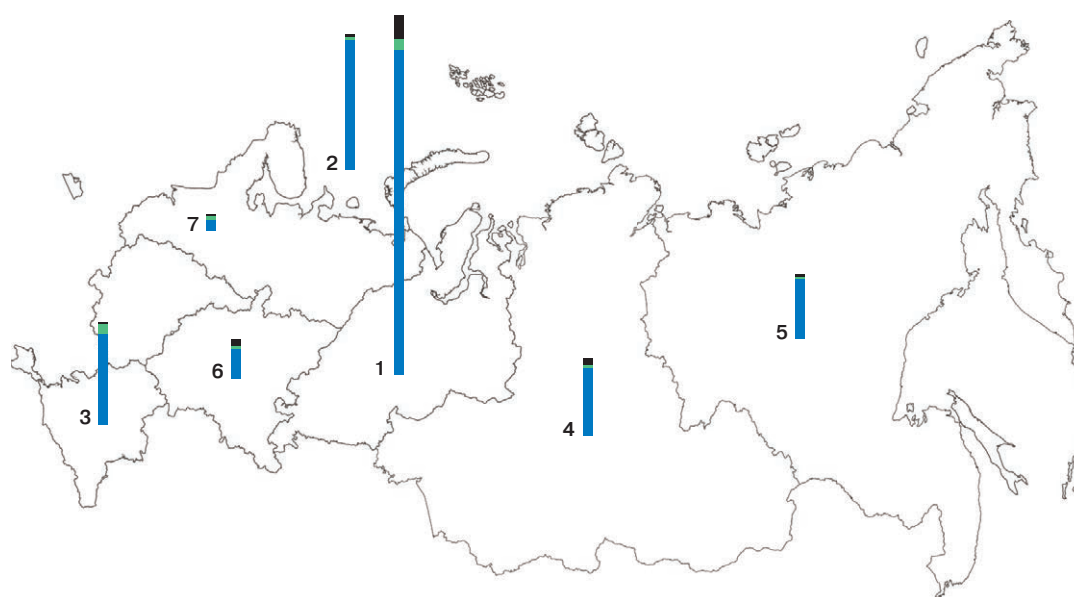
As at 31 December 2015, Gazprom Group's A+B+C<sub>1</sub> hydrocarbon reserves in Russia (including a share in the reserves owned by entities where Gazprom has investments classified as joint operations) were 36,147.3 bcm of natural gas, 1,499.5 mm tonnes of gas condensate, and 2,082.0 mm tonnes of oil, including its share in the reserves owned by entities where Gazprom has investments classified as joint operations in the amount of 26.0 bcm of gas, 3.0 mm tonnes of gas condensate, and 198.2 mm tonnes of oil.

For more details on Gazprom Group's PRMS reserves see Gazprom in Figures 2011–2015 Factbook

The Group's share in A+B+C<sub>1</sub> hydrocarbon reserves of affiliates and joint ventures as at the same date was 1,035.5 bcm of gas, 112.1 mm tonnes of gas condensate, and 566.9 mm tonnes of oil.

**Distribution of Gazprom Group's A+B+C<sub>1</sub> hydrocarbon reserves in Russia as of 31 December 2015**

District	Natural gas, bcm	Gas condensate, mm tonnes	Oil, mm tonnes
<b>1</b> Ural Federal District	21,613.5	695.2	1,541.6
including under development	17,154.1	557.9	1,448.2
<b>2</b> Offshore	7,426.2	161.2	63.2
including under development	169.8	19.0	59.1
<b>3</b> Southern Federal District and North Caucasian Federal District	2,985.3	444.7	8.0
including under development	2,963.7	441.4	1.1
<b>4</b> Siberian Federal District	1,971.6	92.3	205.0
including under development	1,694.6	82.6	158.3
<b>5</b> Far Eastern Federal District	1,402.1	29.6	58.4
including under development	9.8	0.3	–
<b>6</b> Volga Federal District	663.5	56.0	200.2
including under development	643.6	53.7	169.3
<b>7</b> Northwestern Federal District	85.1	20.5	5.6
including under development	81.6	19.8	2.4
<b>Total</b>	<b>36,147.3</b>	<b>1,499.5</b>	<b>2,082.0</b>
including under development	<b>22,717.2</b>	<b>1,174.7</b>	<b>1,838.4</b>





**Breakdown of Gazprom Group's explored gas reserves as at 31 December 2015, %**

Reserves securing stable production rates in areas covered by the existing UGSS	24.7
Reserves in offshore fields	22.4
Reserves in remote fields with poor infrastructure	18.8
Reserves in the fields with declining production rates	15.8
Reserves in deep-lying complex deposits	10.3
Reserves in the Astrakhanskoe field (with environmental restrictions on gas production depth)	8.0

In 2015, Gazprom's reserves in Russia increased by 531.1 bcm of natural gas, 68.5 mm tonnes of gas condensate, and 20.6 mm tonnes of oil as a result of new exploration.

In 2015, exploration efforts focused on Russia's key promising oil and gas regions, including the European part of Russia, Eastern and Western Siberia, and the Far East and Arctic continental shelf.

**Exploration drilling in 2015 by federal district, %**

Ural Federal District	51.1
Siberian Federal District	19.1
Far Eastern Federal District	14.8
Volga Federal District	7.2
Northwestern Federal District	0.5
Offshore	7.3

For details about innovations in exploration, see the Innovations section

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2D and 3D seismic surveys conducted in Russia in 2015 totalled 0.3 thousand linear km and 20.0 thousand square km respectively. In the same period, exploration drilling totalled 143.6 thousand m of solid rock; 43 wells were completed, with fluid flow received from 38 wells. The Company allocated RUB 102.1 bn for the above exploration programmes (inclusive of VAT).

**Gazprom Group's Russian hydrocarbon exploration projects in 2015**

	Gas business		Oil business (Gazprom Neft Group)
	Total	including Far East and Eastern Siberia	
Exploration drilling, thousand m	104.9	33.8	38.7
Completed exploration wells, units	30	12	13
including productive wells	25	10	13
2D seismic surveys, thousand linear km	0.2	–	0.1
3D seismic surveys, thousand square km	18.1	8.4	1.9
Exploration expenses (incl. VAT), RUB bn	82.6	49.7	19.5
Discovered fields	2	–	–
Discovered deposits	8	2	20

The total exploration-based additions to Gazprom Group's reserves represented nearly 50% of the overall increase in Russia.

For more details on licenses for Gazprom Group's major fields see Gazprom in Figures 2011–2015 Factbook

For more details on changes in Gazprom Group's hydrocarbon reserves see Gazprom in Figures 2011–2015 Factbook

In addition, for companies where Gazprom has investments classified as joint operations, exploration drilling stood at 3.2 thousand m, with one exploration well completed and flowing.

As a result of its exploration drilling activities, the Group discovered two fields, Padinskoye in the Yamal-Nenets Autonomous Area (YNAA) and the Naryksko-Ostashkinskoye coalbed methane field in the Kemerovo Region, and 28 new deposits.

A sizeable increase was achieved in gas reserves at the Yuzhno-Kirinskoye (213.2 bcm) and Chayandinskoye (205.0 bcm) fields, and oil reserves at the Vakunayskoye (6.9 mm tonnes) and Tsarichanskoye (4.9 mm tonnes) fields.

The reserves replacement ratio was 1.27 for natural gas, 6.12 for gas condensate, and 0.47 for oil. The exploration success rate in 2015 was 5,149.0 t c.e. per meter of drilled well (excluding companies where Gazprom has investments classified as joint operations).

New licenses obtained in 2015 increased Gazprom Group's A+B+C<sub>1</sub> oil reserves by 4.2 mm tonnes. The Group obtained eight licenses for blocks in the Khanty-Mansi Autonomous Area — Yugra (KMAA — Yugra), with purchase costs totalling RUB 3.25 bn.

As instructed by the Russian President, the Federal Subsoil Resources Management Agency (Rosnedra) revises and updates Russian licenses to harmonize subsoil management rules by 31 December 2016. The Company has arranged for the Group's subsoil users to file subsoil license update applications. As at 31 December 2015, 82 out of the 267 subsoil licenses held by Gazprom Group to conduct geological surveys, exploration and production of hydrocarbons in Russia were updated.

### Field development

As at 31 December 2015, Gazprom Group was developing 138 hydrocarbon fields in Russia.

#### Gazprom Group's hydrocarbon production assets in Russia as at 31 December 2015

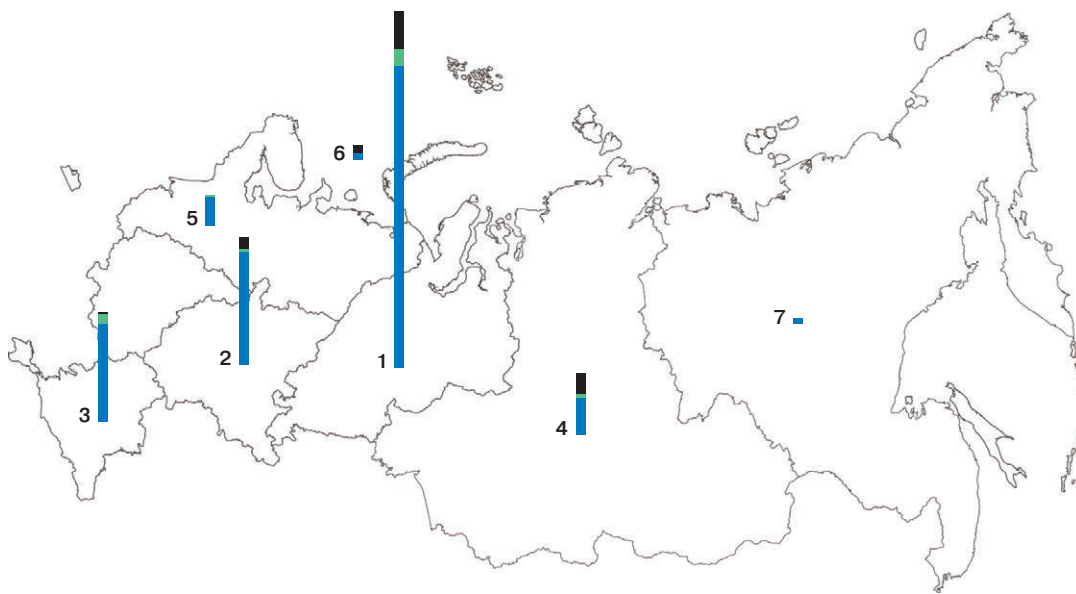
138	fields in development
7,358	gas producing wells
1,119.6 bcm	total design capacity of integrated and preliminary gas treatment units
8,461	oil producing wells

In addition, 41 fields were developed by companies where Gazprom has investments classified as joint operations.

As before, gas production is concentrated in the Nadym-Pur-Tazovsky area (YNAA), accounting for 77% of gas produced by Gazprom Group. Oil reserves are developed mainly in the YNAA and KMAA — Yugra, as well as in the Irkutsk, Omsk, Orenburg, and Tomsk Regions.

Distribution of the Group's hydrocarbon production levels in Russia in 2015

District	Natural and associated gas, bcm	Gas condensate, mm tonnes	Oil, mm tonnes
1 Ural Federal District	385.2	11.0	32.4
2 Volga Federal District	16.2	0.2	2.8
3 Southern Federal District and North Caucasian Federal District	11.2	3.5	0.1
4 Siberian Federal District	3.8	0.4	7.8
5 Northwestern Federal District	2.1	0.1	0.0*
6 Offshore	0.6	0.1	0.9
7 Far Eastern Federal District	0.4	0.0*	0.0*
<b>Total</b>	<b>419.5</b>	<b>15.3</b>	<b>44.0</b>



\* less than 0.05

For more details see the Trends and Developments on Oil and Gas Markets section and the Marketing section

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In 2015, Gazprom Group (excluding the share in production volumes of companies where Gazprom has investments classified as joint operations) cut gas production by 5.7% to 418.5 bcm (including 8.4 bcm of APG) on the back of reduced gas withdrawal by Gazprom's consumers.

The actual maximum daily gas production in areas covered by the UGSS was 1,555.7 mcm of gas in the 2015/2016 autumn/winter season (as compared to 1,456.9 mcm in 2014/2015). Therefore, the decline in annual production volumes did not affect Gazprom Group's ability to meet peak demand by securing the required maximum daily gas production rates.



Hydrocarbon production by Gazprom Group in Russia			
	2013	2014	2015
<b>Natural and associated gas</b>			
Gazprom Group, including the share in production volumes of companies where Gazprom has investments classified as joint operations, bcm	488.4	444.9	419.5
Gazprom Group, bcm	487.4	443.9	418.5
The Gazprom Group share in production volumes of companies where Gazprom has investments classified as joint operations, bcm	1.0	1.0	1.0
Share of Gazprom Group in production volumes of affiliates and joint ventures, bcm	13.0	18.2	25.5
<b>Gas condensate</b>			
Gazprom Group, including the share in production volumes of companies where Gazprom has investments classified as joint operations, mm tonnes	14.7	14.5	15.3
Gazprom Group, mm tonnes	14.7	14.5	15.3
The Gazprom Group share in production volumes of companies where Gazprom has investments classified as joint operations, mm tonnes	–	–	–
Share of Gazprom Group in production volumes of affiliates and joint ventures, mm tonnes	1.3	2.3	4.7
<b>Oil</b>			
Gazprom Group, including the share in production volumes of companies where Gazprom has investments classified as joint operations, mm tonnes	42.3	43.5	44.0
Gazprom Group, mm tonnes	33.8	35.3	36.0
The Gazprom Group share in production volumes of companies where Gazprom has investments classified as joint operations, mm tonnes	8.6	8.2	8.0
Share of Gazprom Group in production volumes of affiliates and joint ventures, mm tonnes	10.2	10.0	9.6

Oil production in the reporting year (excluding the share in production volumes of companies where Gazprom has investments classified as joint operations) totalled 36.0 mm tonnes (up 0.7 mm tonnes y-o-y), including 34.3 mm tonnes produced by Gazprom Neft Group. The increase was driven by growing oil production at deposits in the Orenburg Region (as a result of successful geological and technical activities), and at the Pirazlomnoye and Novoportovskoye fields.

Gas condensate production by Gazprom Group reached 15.3 mm tonnes (up 0.8 mm tonnes y-o-y), driven by production capacity additions at Block 1 and Block 2 of the Urengoyevskoye OGCF achimovsk deposits.

Taking into account the Group's share in production volumes of companies where Gazprom has investments classified as joint operations (1.0 bcm of natural and associated gas and 8.0 mm tonnes of oil), the Group produced 419.5 bcm of natural and associated gas, 15.3 mm tonnes of gas condensate, and 44.0 mm tonnes of oil.

Affiliates and joint ventures produced 25.5 bcm of gas, 4.7 mm tonnes of gas condensate, and 9.6 mm tonnes of oil (adjusted for the share of Gazprom Group). The growth of gas and condensate production is attributable to larger production volumes at the fields operated by OAO Arcticgas, controlled by OOO SeverEnergia, and an increase in the middle of 2015 in Gazprom Neft Group's effective interest in the project from 45.1% to 46.67%. Lower oil production rates are associated with a decline in production by OAO NGK Slavneft and its subsidiaries due to the depletion of fields under development.

In 2015, the Yaro-Yakhinskoye field, OAO Arcticgas' third field development project, was brought on stream.

For more details on the application of new development technologies see the Innovations section

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### Development of Yamal Peninsula fields

In 2015, the Bovanenkovskoye field produced 61.9 bcm of gas (up 19.1 bcm y-o-y), accounting for 14.8% of Gazprom Group's total production. The Group continues production drilling and follow-up exploration activities in the area, with 56.9 thousand m drilled and 39 wells completed in 2015.

As part of the Novoportovskoye field development project, the Group made the first shipment of oil by sea in the winter season, and completed Yamal's first dual production well with horizontal sections of 1 thousand metres.

### Offshore fields development

Offshore hydrocarbon field development is a technically complex task which requires an integrated approach tailored to fit the specific climatic conditions of the concrete offshore area where the field is located. Success of every offshore project depends heavily on the selection of the most suitable development strategies and application of advanced technologies.

The Kirinskoye gas and condensate field in the Okhotsk Sea produced 0.6 bcm of gas in 2015. Production drilling goes on, with 10.2 thousand m drilled in three wells and one well completed. Two exploration wells, each 3.0 thousand m deep, were completed at the Yuzhno-Kirinskoye field.

Prirazlomnoye is currently Russia's only Arctic offshore field to have started commercial oil production. In July 2015, Gazprom Neft commissioned the second production well with a daily flow rate of 1.8 thousand tonnes. In December 2015, the field produced its millionth tonne of oil, and the third production well was put on stream, yielding 1.8 thousand tonnes of oil per day.

Also in the reporting year, the Company updated a reservoir model and developed a seismic model for the Dolginskoye oil field located in the central part of the Pechora Sea.

### Eastern Siberia and the Russian Far East fields development

The Chayandinskoye and Kovyktinskoye fields will be the key sources of gas for the Power of Siberia gas pipeline, which will transport gas from Yakutsk and Irkutsk gas production hubs to consumers in the Far East and China.

In the reporting year, the Group carried out an exploration project at the Chayandinskoye oil and gas condensate field to make preparations for commercial development. In addition, nine production wells were drilled on the pilot oil rim site.

Follow-up exploration activities were continued at the Kovyktinskoye gas condensate field, now in its pilot development phase. A pilot high-pressure membrane unit has been tested at the field since 2013 to separate helium from natural gas.

### Upgrading and technical re-equipment of gas production facilities

In 2015, Gazprom completed its Comprehensive Programme for Upgrading and Technical Re-equipment of Gas Production Facilities for 2011–2015. The Programme was focused on a reliable, safe and cost-efficient operation of Gazprom Group's production assets to achieve and maintain gas production targets.

In the reporting year, activities provided for in the Programme covered the Yamburgskoye, Urengoyevskoye, Medvezhye, Yubileynoye, Yamskovskoye, Vyngapurovskoye, Zapadno-Tarkoskoye, Komsomolskoye and Orenburgskoye fields, as well as Astrakhanskoye and Vyngayakhinskoye gas condensate fields. These activities prevented a gas production decline of 11 mmcm per day during consumption peaks in the 2015/2016 autumn/winter season. This effect was mostly secured by the replacement of booster compressor stations' flow parts, wellhead equipment and well tubing, with overall replacement costs totalling RUB 19.6 bn (inclusive of VAT).

In June 2015, Gazprom adopted the Comprehensive Programme for Upgrading and Technical Re-equipment of Gas Production Facilities for 2016–2020.

In 2015, Gazprom Group reached 82.7% APG utilisation rate in Russia.

### Improved APG utilisation levels

In 2015, APG utilisation reached 95.6% at Russian fields operated by PJSC Gazprom's gas production subsidiaries and 79.6% across Gazprom Neft Group.

The implementation of programmes to improve APG utilisation levels across its production assets is a strategic priority successfully addressed by Gazprom Group.

In the reporting year, OAO Tomskgazprom commissioned a gas compressor station at the Severo-Ostaninskoye oil and gas condensate field with an annual capacity of 250 mmcm to compress APG from the Severo-Ostaninskoye, Ostaninskoye, Mirnoye, Pindzhinskoye and Rybalnoye fields. In its ongoing effort to improve APG utilisation levels, the Company continues the construction of a comprehensive gas treatment unit (CGTU) at the Kazanskoye oil and gas condensate field, as well as an APG transmission pipeline, a gas filling station and a railroad terminal in Kuybyshev of Novosibirsk region.

Having adopted an integrated approach to the design and implementation of APG utilisation improvement projects, Gazprom Neft Group (excluding joint operations) achieved a steady increase in utilisation rates over the last five years (from 55% in 2010 to 79.6% in 2015), with production rates doubling over the same period (from 4.4 to 8.2 bcm per annum). This was made possible, among other things, by the early commissioning of the Yuzhno-Priobskiy gas processing plant. The target set by Gazprom Neft is to increase the utilisation rate to 95% by 2020. Investments in the APG utilisation infrastructure totalled RUB 24.3 bn in 2015 and will be increased in 2016–2018.

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#### Gas processing plant start-up at the Yuzhno-Priobskaya compressor station

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In 2015, Gazprom Neft and PAO SIBUR Holding completed a joint project to construct a gas processing plant at the Yuzhno-Priobskaya compressor station with a feedstock capacity of 900 mmcm per annum. As part of the project, the companies launched a gas dehydration unit and a turbo-expander, arranged for the transportation of natural gas liquids to the point of discharge into the pipeline connecting the Purovsky condensate processing plant and Tobolsk petrochemical plant, and commissioned a number of APG process related facilities to produce dry stripped gas (DSG) and natural gas liquids, with DSG injected into the pipeline link between Demyanka and Khanty-Mansiysk.

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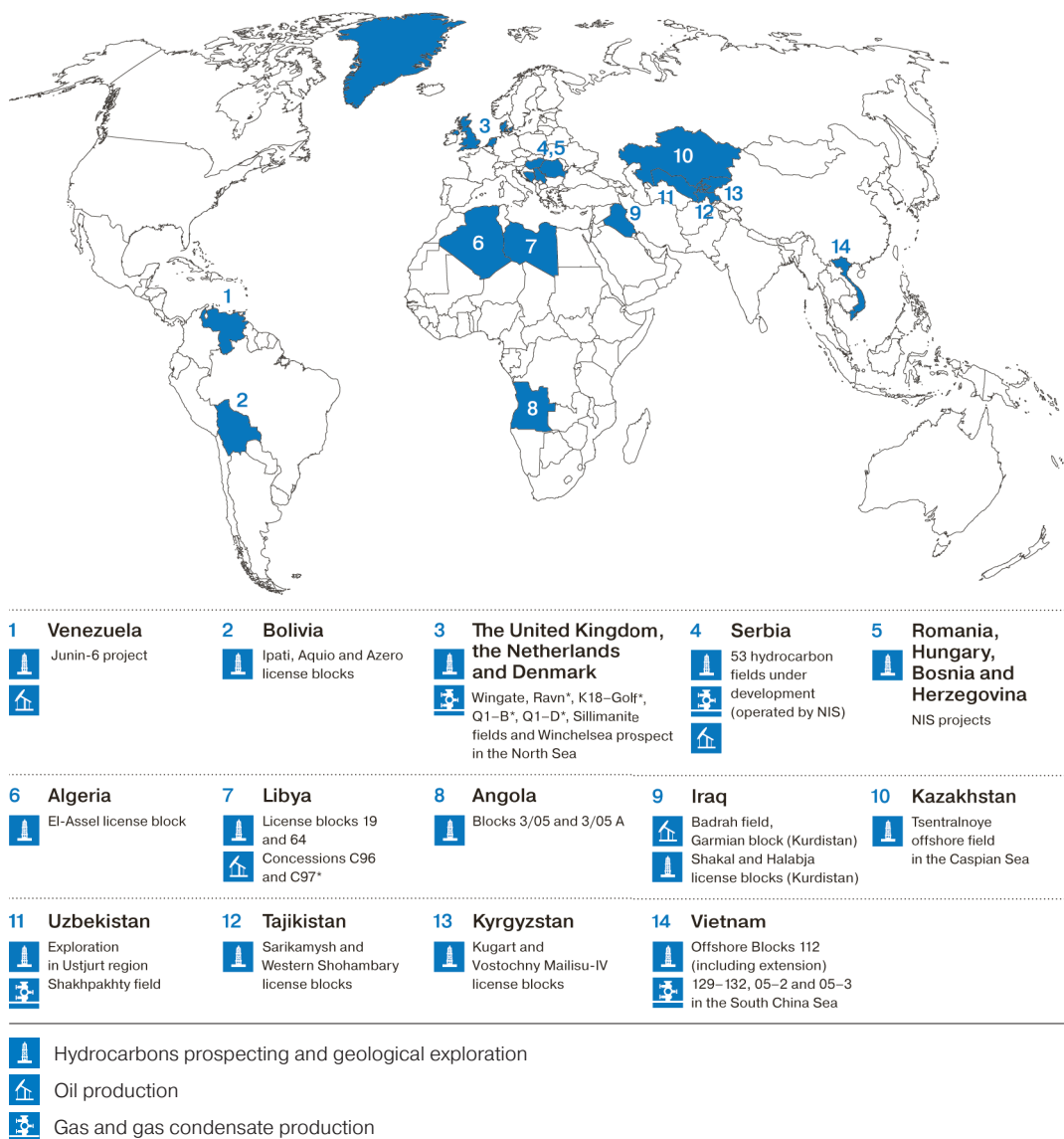
Gazprom Neft actively pursues a number of projects to improve APG utilisation levels, including

- a compressor station, currently under construction at the Ety-Purovskoye field;
- an additional pipeline link and a BCS constructed at the Eastern block of the Orenburgskoye field;
- a 24 MW gas turbine power plant in the Tomsk Region (to supply power to a license block operated by OOO Gazpromneft-Vostok) and a compressor station with an annual capacity of 150–200 mmcm with a 35-km pipeline network (to transport APG to the Myldzhinskaya CGTU operated by OAO Tomskgazprom);
- a soft steam reforming unit piloted at the Krapivinskoye field to process natural gas liquids from APG into gas, which can be used in power generation or supplied to consumers via pipeline;
- the first and most powerful compressor station (256 MW), now under construction at the Novoportovskoye field, to utilise gas through reservoir injections throughout the field operation period;
- a feasibility study of APG utilisation options in its final stages at the Messoyakha project.

## Operations outside Russia

Core activities of Gazprom Group in other countries include oil and gas exploration, hydrocarbon production, and related services, as well as acquisition of oil and gas assets in key regions.

**Gazprom Group's hydrocarbon exploration and production activities outside Russia**



\* Via Gazprom Group's participation in an affiliate.

In the reporting year, Gazprom Group continued prospecting, exploring and developing fields outside Russia in strict compliance with relevant contracts. The geography of current international projects covers the CIS, Europe, Southeast Asia, Africa, the Middle East, and Latin America.

Exploration projects operated by Gazprom Group included exploration drilling in Algeria (8,058 m), Vietnam (8,740 m) and Serbia (11,477 m), seismic surveys in Algeria, and gravity surveys in Kyrgyzstan.



Exploration drilling (two wells totalling 8,740 m) at Blocks 129–132 offshore Vietnam discovered a new field, Than Bien. Water depth at the blocks reaches 1,600 m.

Construction of a 4,150 m well (RSH-3) at the El-Assel license block in Algeria is nearing completion. Earlier, this well confirmed gas presence in Ordovician deposits. The well construction employed the latest technologies, including oriented core sampling in quartzite rock.

Hydrocarbon exploration outside Russia			
	2013	2014	2015
<b>Exploration drilling, thousand m</b>			
gas business	0.9	12.6	16.8
oil business	17.2	5.0	11.5
<b>Completed exploration wells, units</b>			
gas business	1	2	2
including productive wells	1	2	1
oil business	3	3	2
including productive wells	–	2	1
<b>2D seismic surveys, thousand linear km</b>			
gas business	0.2	–	–
oil business	0.2	–	–
<b>3D seismic surveys, thousand square km</b>			
gas business	–	–	0.3
oil business	1.4	1.7	1.1
<b>Exploration expenses (incl. VAT), RUB bn</b>			
gas business	4.2	3.5	14.1
oil business	2.2	1.9	2.2
<b>Note.</b> Consolidated physical results of Gazprom Group's exploration outside Russia include projects operated by subsidiaries of the Group.			

In 2015, Gazprom Group spent RUB 16.3 bn on exploration projects outside Russia.

In addition, the Group holds shares in a number of oil and gas projects that have entered a production phase.

- Blocks 05–2 and 05–3 in Vietnam's part of the South China Sea (49% held by Gazprom Group) produced 1,883.7 mmcm of gas and 435.9 thousand tonnes of gas condensate in 2015 (as compared to 1,786.2 mmcm and 366.4 thousand tonnes, respectively, in 2014).
- The Wingate offshore field in the North Sea (20% financed by Gazprom Group) produced 877.0 mmcm of gas and 5.3 thousand tonnes of gas condensate in 2015 (as compared to 622.4 mmcm and 4.4 thousand tonnes, respectively, in 2014).
- The Shakhpakhty field in Uzbekistan (5% held by Gazprom Group) yielded a total of 357.4 mmcm of natural gas vs. 334.0 mmcm in 2014.
- The Junin-6 project in Venezuela (20% held by Gazprom Neft Group in the Russian segment of the project managed by OOO National Oil Consortium) yielded a total of 0.5 mm tonnes of oil in 2015. Follow-up exploration is underway, with a full-scale development programme currently designed. The consortium continues to carry out the Early Production project.
- The Badrah field in Iraq (30% held by Gazprom Neft Group) produced a total of 1.4 mm tonnes of oil in 2015, with commercial production a level sufficient for the project to pay back.
- The Garmian block in Iraq (Kurdistan) (40% held by Gazprom Neft Group) produced a total of 219.0 thousand tonnes in 2015.

Commercial oil production started at the Garmian block in Iraq (Kurdistan).

NIS, a Serbian subsidiary of Gazprom Neft Group, produced 1.1 mm tonnes of oil and gas condensate and 0.6 bcm of natural and associated gas in the reporting year.

In Libya, Wintershall AG, an affiliated company, produced 0.5 mm tonnes of oil under C96 and C97 concessions in 2015. Low production was due to Force Majeure invoked by the company. Another affiliated company, Wintershall Noordzee (50% held by the Group following an asset swap deal between PJSC Gazprom and Wintershall Holding GmbH), produced 1.2 bcm of gas in 2015, including 0.3 bcm produced after the Group acquired a stake in the company (in Q4 2015).

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#### Expansion into hydrocarbon exploration and production projects in the North Sea

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Following an asset swap deal closed in 2015 by PJSC Gazprom and Wintershall Holding GmbH, the Group acquired a 50% stake in Wintershall Noordzee. This company holds interests in 52 license blocks, operates 25 offshore platforms and has an advanced coordination and control centre in Den Helder (Netherlands). The license blocks feature numerous fields supplying oil and gas to the European markets. As at 31 December 2015, proved and probable reserves of the company were estimated at around 4.45 bcm of gas. The swap deal gave Gazprom Group access to projects with a well-developed gas transmission infrastructure and the latest exploration and production technologies.

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### Major investment projects

In 2013, capital investments on gas production activities was RUB 220.2 bn (2014: RUB 254.9 bn), on oil and gas condensate production — RUB 324.3 bn (2014: RUB 227.4 bn). Most capital investments were associated with the development of Cenomanian-Aptian layers at the Bovanenkovo oil and gas condensate field, and with retrofit, upgrade and expansion of existing capacity, as well as construction of new facilities at the Kirinskoye gas and condensate field and the Yuzhno-Russkoye oil and gas condensate field.

Gazprom Group's capital investments in oil and gas condensate exploration and production were mostly focused on the oil rim development in the Buotubinsky horizon of the Chayandinskoye oil and gas condensate field, construction of an Arctic terminal as part of the Novoportovskoye field development project, and development of the Priobskoye field and Gazprom Neft Group's fields in the Orenburg Region.

Long-term financial investments in oil and gas condensate exploration and production are associated with the Messoyakha project.

During 2015, Gazprom Group commissioned the following facilities in Russia:

- 80 MW BCS at CGTU 1AV (Facility 1) at the Urengoykoye oil and gas condensate field;
- 64 MW Booster Compressor Plant 1 (Second Phase) at the Yuzhno-Russkoye field;
- 36 new gas production wells and 797 new oil production wells. Production drilling totalled 153.2 thousand m of gas wells and 3,163.0 thousand m of oil wells.

In addition, companies where Gazprom has investments classified as joint operations, carried out production drilling for oil in Russia, totalling 789 thousand m of solid rock.

ZAO Achimgaz joint venture (operator of Block 1 at the achimovsk formation of the Urengoykoye oil and gas condensate field) commissioned Facility 4 at CGTU 31. The facility is designed to remove solid particles from gas condensate and separate gas from natural gas liquids. After commissioning, the new facility improved the total capacity of the CGTU by more than 30%.

For more details on Gazprom Group's key priority field development projects in Russia and international projects see Gazprom in Figures 2011–2015 Factbook

## Transportation and Underground Storage

**Gazprom operates and develops the world's largest gas transportation and underground storage infrastructure. Its capacity and geographical coverage fully meet the Company's objectives to secure reliable gas supplies and promptly respond to changes in consumer demand in Russia and abroad.**

### Transportation and underground storage in Russia

Russia's Unified Gas Supply System (UGSS) is a centrally operated system of natural gas processing, transportation and storage. The UGSS incorporates the world's longest network of high-pressure trunk pipelines covering the European part of Russia and Western Siberia. In addition, the Group owns trunk pipelines in the Russian Far East: linking Sakhalin — Khabarovsk — Vladivostok, Oktyabrsky — Khabarovsk, and Sobolevo — Petropavlosk-Kamchatsky.

The trunk pipeline network of the Group secures reliable and uninterrupted gas supplies through close integration of individual pipelines and process and inter-system links between them, multiline sections of large diameter pipelines (1,420, 1,220 and 1,020 mm), and underground storage facilities.

As at the end of 2015, the length of trunk pipelines and connections operated by the Group's gas transportation subsidiaries in Russia totalled 171.2 thousand km. The gas transportation system (GTS) comprises 250 compressor stations equipped with 3,829 gas pumping units with a total capacity of 46.2 thousand MW. In addition, gas is supplied to the GTS via pipelines operated by gas production and processing subsidiaries and OOO Gazprom PHG, measuring 4.7 thousand km overall.

**Breakdown of Russian trunk pipelines by time in service as at 31 December 2015, thousand km**

Less than 10 years (inclusive)	19.9
From 11 to 20 years (inclusive)	19.1
From 21 to 30 years (inclusive)	47.3
From 31 to 40 years (inclusive)	49.2
From 41 to 50 years (inclusive)	23.3
Over 50 years	12.4
<b>Total</b>	<b>171.2</b>

For more details on the supply and distribution of gas transported via Gazprom's Russian GTS, see Gazprom in Figures 2011–2015 Factbook

In 2015, Gazprom's GTS transported 602.6 bcm of gas (as compared to 627.5 bcm in 2014). In 2015, the amount of natural gas consumed for GTS own operational needs was 32.0 bcm (as compared to 32.8 bcm in 2014).

As an owner of the GTS in Russia, PJSC Gazprom leases free pipeline capacity to non-Group companies provided they have a gas production license and a supply contract with gas consumers. Third-party gas is to comply with technical specifications.

**Gas transportation services to non-Group companies via Gazprom's GTS in Russia**

	2013	2014	2015
Gas transported, bcm	111.4	121.1	121.5
including Russian gas	104.3	113.7	113.9
Companies serviced, units	24	24	22

For details about innovations in gas transportation and underground storage, see the Innovations section

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In a continuous effort to improve safety and reliability of the GTS infrastructure and deliver operational excellence, the Group is introducing a GTS Operability and Integrity Management System. By leveraging this System and a dedicated software tool, the Group developed the Trunk Pipeline Linear Section Comprehensive Overhaul Programme for 2016–2020, approved by PJSC Gazprom's Management Committee in 2015.

All GTS overhauls scheduled for the reporting year in relevant targeted integrated repair programmes were completed in full.

#### Diagnostics and overhauls of trunk pipelines in Russia

	2013	2014	2015
<b>Trunk pipeline diagnostics</b>			
Inline inspection, thousand km	22.6	23.5	19.9
Corrosion inspection, thousand km	21.5	18.4	17.9
<b>Overhauls</b>			
Trunk pipelines, km	1,819	1,581	1,441
including pipeline insulation repairs	1,258	974	675
Gas distribution stations, units	309	263	247

Underground gas storage facilities are an integral part of the national UGSS. Storage facilities offset any fluctuations in demand, whether seasonal, weekly or daily, accounting for 20% to 40% of Gazprom's total gas supplies in the heating season. Peak and base load storage facilities improve reliability of the UGSS infrastructure, optimise process parameters and gas transportation costs. Another major function of underground gas storage facilities (UGSF) is to maintain strategic gas reserves in case export transit risks.

In Russia, Gazprom operates 22 UGSF in 26 formations (17 facilities in depleted gas deposits, eight in aquifers, and one in a rock salt deposit). The storage facilities are located in 19 regions.

Their operation is supported by 18 compressor stations with an aggregate capacity of 899.2 MW; production wells total 2,686.

As at 31 December 2015, the Group's UGSFs in Russia had a total active capacity of 73.6 bcm. In 2015, their withdrawal and injection volumes amounted to 24.3 bcm and 27.1 bcm of gas, respectively, including 0.12 mmcm of buffer gas (Nevskoye UGSF and Karashurskoye UGSF). The highest daily capacity of 432.9 mmcm was registered on 8 January 2015. The maximum daily capacity in 2015 increased by 19.5 mmcm y-o-y to 789.9 mmcm. By the 2015/2016 withdrawal season, operating gas reserves in Russian UGSFs had increased to 72.02 bcm, up 0.02 bcm y-o-y.

The growth was driven by the expansion and upgrade of the Kanchurinsko-Musinskoye, Nevskoye and Krasnodarskoye UGSFs.

In 2015, the amount of natural gas consumed for UGSFs own operational needs was 0.3 bcm (as compared to 0.4 bcm in 2014).



### Transportation and underground storage outside Russia

Gazprom Group companies own GTS in Belarus, Armenia and Kyrgyzstan. OAO Gazprom transgaz Belarus is the Group's major gas transportation asset abroad. It supplies natural gas to consumers in Belarus and transports gas to Europe and the Kaliningrad Region. Daily requests of PJSC Gazprom to transport Russian natural gas through Belarus were satisfied in full.

**Key parameters of Gazprom Group's gas transportation infrastructure outside Russia as at 31 December 2015**

	Length, thousand km	Compressor stations, units	Gas injection into GTS in 2015, bcm	
			Total	including transit
Belarus (OAO Gazprom transgaz Belarus and a section of the Yamal — Europe pipeline in Belarus)	7.9	10	64.2	45.4
Armenia (ZAO Gazprom Armenia)	1.6	—	2.3	—
Kyrgyzstan (OsOO Gazprom Kyrgyzstan)	0.7	1	4.6	4.4

Regular inline and corrosion inspections, overhauls and upgrades of gas pipelines ensure safety and reliability of gas transportation in the above countries.

Gas transportation services in foreign countries are provided to Gazprom by a number of companies with a non-controlling participation of the Group. Offshore cross-border pipeline systems constructed with the Group's involvement secured gas supplies under contracts signed by OOO Gazprom export to Northwest and Central Europe (Nord Stream, 39.1 bcm of gas in 2015, up 9.8% y-o-y) and Turkey (Blue Stream, 15.7 bcm in 2015, up 9.0 % y-o-y). The aggregate share of these gas transmission systems in the total volume of gas transit in Europe is about 35%.

#### Sale of non-controlling stakes in foreign gas transportation companies

In accordance with the foreign asset portfolio optimisation strategy, PJSC Gazprom and its subsidiaries are disposing of their interests in gas network operators in Europe and the Baltic countries. In the reporting year, the Group sold its non-controlling interests in the Estonian GTS operator EG Vorguteenus (37.03%) and Interconnector (UK) Ltd. (10%), an operator of the Interconnector, a gas pipeline linking the United Kingdom and Belgium. In December 2015, PJSC Gazprom and the Finnish state-owned Gasonia signed a purchase and sale agreement for a 25% stake in Gasum. The deal was closed in January 2016.

Gazprom's export projects involve active utilisation of gas storage facilities located abroad.

To secure reliable gas supplies by PJSC Gazprom, the Group, acting as a co-investor, uses gas storage capacities in Austria (Haidach), Germany (Katharina and Etzel), Serbia (Banatski Dvor), as well as the capacities of Rehden and Jemgum, owned via WINGAS and passed into Gazprom Group's control in the reporting year. All storage facilities constructed with Gazprom Group's involvement fit into the European framework of energy laws providing for a legal division between network and storage operators and indiscriminate access of all market players to storage capacities.

Several wells were repaired during 2015 at Banatski Dvor UGSF (Serbia) to enhance daily capacity.

Storage contracts for the capacity at UGSFs in Austria, Germany, Hungary, the UK, and the Netherlands were valid throughout 2015. In the reporting year, the gas storage capacity of OOO Gazprom export in European countries totalled 5.0 bcm, with a throughput of 61.5 mmcm per day. In 2015, a total of 2.9 bcm of gas were injected into European UGSFs, while gas withdrawal amounted to 4.1 bcm.

In 2015, the Group acquired the Rehden UGSF (Germany), the largest in Europe.

By acquiring control of WINGAS Gazprom expanded its access to the gas storage capacity lease market in Europe — astora GmbH & Co. KG, a subsidiary of the Group, markets gas storage capacities at the Rehden, Jemgum and Haidach UGSFs and is a major storage capacity seller in Europe, with a c. 25% market share in gas storage. As at 31 December 2015, Gazprom Group operated a total gas storage capacity of 10.5 bcm on the European market.

In foreign Soviet Union countries, Gazprom Group operates three gas storage facilities in Belarus (Pribugskoye, Osipovichskoye and Mozyrskoye), one UGSF in Armenia (Abovanskaya underground gas storage station), and has also access to capacities of UGSF Inchukalinskoe in Latvia. As at 31 December 2015, the operating gas reserves in FSU UGSFs totalled 2.8 bcm, with a throughput capacity of 56 mmcm per day. In the reporting year, a total of 2.5 bcm of gas was injected into the FSU UGSFs, while gas withdrawal amounted to 2.1 bcm.

Foreign and Russian UGSFs operate in a single mode. When export gas supplies increase in the heating season, foreign UGSFs operate at their maximum capacity to deliver gas to consumers, while Russian gas storage facilities simultaneously ramp-up their throughput.

### Major investment projects

In 2015, Gazprom Group's capital investments in gas transportation totalled RUB 420.9 bn (RUB 434.4 bn in 2014).

The bulk of this amount was invested in the UGSS expansion project to supply gas to a new pipeline under the Black Sea, and construction of the Bovanenkovo — Ukhta trunk pipeline.

During 2015, a total of 771.1 km of trunk pipelines and branch connections were commissioned in Russia, along with 4 pipeline compressor stations with a total capacity of 390 MW.

In 2015, capital investments in underground gas storage facilities amounted to RUB 48.5 bn (RUB 15.5 bn in 2014).

The bulk of this amount was invested in the expansion of Punginskoye UGSF, upgrade of Peschano-Umetskaya and Yelshanskoye underground gas storage stations, Sovkhoznoye UGSF, Kanchurinsko-Musinskoye UGSF, retrofit of Moskovskoye UGSF, and production drilling at underground gas storage facilities. In 2015, 0.06 bcm of active capacity came online and five production wells were connected.

The bulk of capital investments in underground gas storage in FSU countries was spent on the expansion and upgrade of Mozyrskoye and Pribugskoye UGSFs in Belarus. In Belarus, 0.035 bcm of active capacity were commissioned and four production wells were connected; 0.025 bcm of active capacity came online and one production well was connected in Armenia.

In European countries, Cavern 4 was commissioned at Katharina UGSF (Germany). The project is continued.

In 2015, the construction of Dambořice UGSF (Czech Republic) was completed and start-up operations commenced. The UGSF to be commissioned in July 2016.

The Jemgum UGSF project, co-financed by WINGAS, has reached its final construction phase.

For more details on Gazprom Group's key gas transportation projects and priority UGSF projects see Gazprom in Figures 2011–2015 Factbook

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

**Gazprom is implementing a large-scale programme of gas infrastructure expansion into Russian regions to improve living standards for millions of people and stimulate industrial development in the country. Consistent efforts are made to expand the Russian NGV fuel market. Gas fuelling infrastructure development and the growing number of gas-powered vehicles enhance the efficiency of the Russian economy through reduction of transportation costs and lower air pollution.**

Gazprom is the leading Russian gas company, ensuring reliability and safety of gas distribution networks. The Group's gas distribution networks are operated by OAO Gazprom gazoraspredele-nie, OOO Gazprom transgaz Kazan and OAO Chechengaz.

As at 31 December 2015, the Group's gas distribution subsidiaries and affiliates owned and operated:

- 746.3 thousand km of gas distribution networks;
- 291 thousand gas pressure reduction stations;
- 91.6 thousand electrochemical protection facilities.

In 2015, 231.3 bcm of natural gas were transported via gas distribution networks of Gazprom Group's gas distribution subsidiaries and affiliates. Gas was supplied to:

- 26.8 million apartments and private households;
- 32.8 thousand industrial facilities;
- 6.9 thousand agricultural facilities;
- 303.6 thousand community facilities.

### Gas infrastructure expansion across Russia

In the reporting year, the Company continued expansion of the Russian gas infrastructure, its key social project.

By early 2016, the gas infrastructure coverage in Russia reached 66.2% on the average (70.4% in urban and 56.1% in rural areas).

As part of the Programme for Expansion of Gas Infrastructure, 87 gas infrastructure and supply facilities with a total pipeline length of 1,275 km were built in 2015 across 34 Russian regions. The Company has arranged for the connection to gas distribution networks of 41.8 thousand households and 263 boiler houses in 206 locations. All of them will be connected to the gas network provided that regional administrations fulfil their obligations to prepare gas consumers for connection to gas supply.

In the reporting year, a self-sustaining LNG facility capable of 100% gas liquefaction was launched in the Perm Territory to supply gas to consumers in the Karagaysky, Sivinsky and Ilyinsky Districts. Following the project completion, 2,237 households and 10 boiler houses were connected to gas supply in remote locations where construction of gas supply and distribution networks is not economically viable.

The Sakhalin Region, Primorye and Khabarovsk Territories are supplied with gas from Sakhalin-1 and Sakhalin-2 projects transported by the Sakhalin — Khabarovsk — Vladivostok trunk pipeline. Plans for the future include connecting the Sakhalin — Khabarovsk — Vladivostok and Power of Siberia gas pipelines to the existing UGSS.

The Power of Siberia gas pipeline will satisfy gas demand in the Amur Region and the Republic of Sakha (Yakutia).

#### Gas infrastructure expansion priorities in the Russian Far East:

- Priority development areas in the Primorye and Khabarovsk Territories;
- Zvezda Shipyard;
- Vostochny Cosmodrome in the Amur Region.

In 2015,  
investments  
in the gas  
infrastructure  
expansion across  
Russia totalled  
RUB 27.6 bn.

The Kamchatka Territory has a fully self-sustaining gas supply system. Since the existing facilities consume all gas produced locally, further expansion of the gas supply infrastructure requires new gas sources.

Apart from low payment collection rates, a major challenge faced by the Programme for Expansion of Gas Infrastructure in Russian Regions is a failure of regional administrations to fulfil their obligations to prepare gas consumers for connection to gas supply.

As at 31 December 2015, overdue payments for natural gas supplied by Gazprom mezhregion-gaz Group totalled RUB 152.1 bn (40% of households), having increased by RUB 25 bn y-o-y. The biggest debtors are the North Caucasian Federal District (RUB 67.4 bn, including RUB 30 bn in the Republic of Dagestan and RUB 11.8 bn in the Chechen Republic) and the Tver Region (RUB 10.6 bn). Investments in subsequent years will depend on the collection of overdue payments for natural gas supplies in relevant regions.

The Programme for Expansion of Gas Infrastructure in Russian Regions for 2016 includes 67 regions and provides for RUB 25 bn in investments.

Under the Programme, the length of branch connections and inter-community gas pipelines will reach 28 thousand km by 2016 provided that tariff rates for gas transportation in gas distribution networks are increased and regional administrations fulfil their obligations to prepare gas consumers for connection to gas supply.

### NGV fuel markets

The Russian motor fuel market primarily offers traditional liquid motor fuels such as gasoline (60.3%) and diesel fuel (37.1%). NGV fuel accounts for about 2.6% of the market (2.1% for liquefied hydrocarbon gases (LHG) and 0.5% for CNG). Gazprom is making consistent efforts to develop the Russian NGV fuel market.

OOO Gazprom gazomotornoe toplivo is a single specialist operator of this strategic line of Gazprom's business. It is owned on a parity basis by a subsidiary of PJSC Gazprom and a company of Gazprombank Group. OOO Gazprom gazomotornoe toplivo brings together potential NGV fuel consumers looking for higher equipment efficiency and manufacturers of cars and engines, as well as develops gas fuelling infrastructure required to launch pilots for conversion of vehicle fleets to natural gas. OOO Gazprom gazomotornoe toplivo is consolidating NGV assets in Russia and neighbouring countries.

Gazprom is the leading Russian company by the number of CNG filling stations. As at 31 December 2015, the Group and OOO Gazprom gazomotornoe toplivo owned 217 CNG filling stations in operation.

In 2015, Gazprom Group sold 435.9 mmcm of CNG as NGV fuel (as compared to 406.1 mmcm in 2014), including OOO Gazprom gazomotornoe toplivo's actual sales of 5.8 mmcm of CNG.

Expansion of the NGV infrastructure is focused mostly on the construction of CNG filling stations and installation of CNG units at conventional filling stations.

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#### Strategic approach to building a CNG filling network in Russia

- Accelerated expansion in priority regions (Moscow and St. Petersburg; the Moscow, Leningrad, Rostov, and Sverdlovsk Regions; the Krasnodar and Stavropol Territories; the Republics of Tatarstan and Bashkortostan);
  - NGV transit corridors;
  - Construction of CNG filling stations targeting specific key consumers, and market development through private investments.
- 

Gazprom Group is involved in the development of an extensive network of gas filling stations. Convenient locations and sufficient capacities of gas stations will help drive the numbers of gas-powered vehicles.

The Group companies and OOO Gazprom gazomotornoe toplivo own 80% of Russian CNG filling stations.



As part of targeted programmes to promote the use of LNG as motor fuel, the Group is considering pilot projects in the following transportation industry segments: railway transport, water transport, farm machinery, quarry machinery, and long-distance road transport.

In 2015, OOO Gazprom gazomotornoe toplivo signed 335 agreements on consumer transition to CNG as motor fuel, 32 cooperation agreements with Russian and foreign manufacturers and major suppliers of gas-powered vehicles, and an agreement with the Government of the Republic of Tatarstan to pursue an investment project to construct a natural gas liquefaction plant and build a cryogenic filling network in the Republic of Tatarstan. The Company has signed nine agreements with regional authorities to develop the gas-powered vehicle market, with 13 more agreements to be signed in the near future. A total of 45 agreements were signed in 2013–2015. In order to grow the gas-powered vehicle market dedicated working groups were established in 36 Russian regions. Two more working groups were set up with Plenipotentiary Representatives of the Russian President in the Volga and Ural Federal Districts. Negotiations with regional authorities are underway to assign the CNG filling network projects a status of Major Investment Projects.

In the reporting year, 3,172 gas-powered vehicles were sold in Russia (vs. 2,283 vehicles in 2014), including 1,184 vehicles sold to subsidiaries of Gazprom Group (vs. 1,674 vehicles in 2014). In order to expand the range of gas-powered vehicles, OOO Gazprom gazomotornoe toplivo signed cooperation agreements with Russia's major vehicle manufacturers (PAO KAMAZ, OOO GAZ Group Management Company, OOO VOLGABUS) accounting for over 90% of all sales of gas-powered vehicles to consumers in Russia. Another car manufacturer, AVTOVAZ, is working on a pilot batch of gas-powered LADA cars.

Gazprom Group plans to expand the use of CNG as motor fuel for its company fleets. The relevant programme run until 2017 is expected to significantly reduce fleet costs through lower fuel and lubricants costs, and also lead to a significant reduction in air pollution.

Gazprom Group companies are also focused on NGV development in foreign markets. New emission restrictions introduced in the Baltic Sea and North Sea, and Euro-6 car emission standards are expected to drive NGV fuel demand in Europe, including both CNG for fuelling buses, municipal vehicles, and passenger cars and LNG for lorries, river and sea vessels.

Gazprom is present on the European CNG and LNG motor fuel markets via subsidiaries of Gazprom Germania GmbH (markets of Germany, Czech Republic and Poland) and NIS (market of Serbia). In 2015, the number of CNG filling stations operated by Gazprom Germania GmbH in Germany and Czech Republic increased to 45. Also in 2015, the second LNG filling station was commissioned in Poland. In the Czech Republic, five CNG filling stations were owned by an affiliated company Vemex s.r.o. as at the end of 2015.

#### CNG sales at Gazprom Group's CNG filling stations outside Russia in 2015

Country	Operating CNG and LNG filling stations as at 31 December 2015, units	Sales, mmcm
<b>European countries</b>		
Germany	35	5.7
Czech Republic	10	1.0
Poland	2	1.9
Serbia	1	0.1
<b>FSU countries</b>		
Belarus	26	20.9
Armenia	8	7.6
Kyrgyzstan	4	3.0

In 2015, OOO Gazprom export supplied small-tonnage LNG mostly to the Polish market. LNG was transported by road from the LNG facilities in Kingisepp (Leningrad Region), Petergof (a district of St. Petersburg) and the Kalinigrad Region. In the reporting period, sales were 22 thousand tonnes. Total supplies in 2016 are expected to reach 40 thousand tonnes.

CNG sales by Gazprom Group companies through own CNG filling stations amounted to 6.7 mmcm in 2015 (vs. 5.5 mmcm in 2014). In addition, 1.0 mmcm of CNG were sold through filling stations operated by Vemex s.r.o. Vemex s.r.o. also supplied 1.6 mmcm of CNG to filling stations operated by third parties. LNG filling stations in Poland sold 1.9 mmcm of gas.

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**Promotion of natural gas as motor fuel — marketing activities abroad**

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- OOO Gazprom gazomotornoe toplivo presented a proposal to develop the NGV fuel market in the member states of the Shanghai Cooperation Organization (SCO) at the 7th meeting of transport ministers of the SCO member states.
  - A joint Russian-Vietnamese company PVGAZPROM Natural Gas for Vehicles LLC was established to produce NGV fuel (a 71% interest is held by Gazprom Group).
  - The Blue Corridor: Eiffel Tour 2015 NGV Rally was organized jointly with E.ON Global Commodities SE. Vehicles powered exclusively by natural gas covered over 7 thousand km across Russia and eight European countries.
  - Expert seminars were arranged jointly with E.ON SE to promote LNG motor fuel in Central and Eastern Europe.
-

## Hydrocarbon Processing and Gas and Oil Chemistry

The hydrocarbon processing segment is a major contributor to Gazprom's business efficiency enhancement. Key goals of the Company in the segment are higher conversion rates and more products with increased added value.

In 2015, Gazprom Group (including its share in the APG processing volumes of Yuzhno-Priobskiy gas processing plant, where Gazprom has investments classified as joint operations) processed and refined 31.2 bcm of natural and associated gas (up 2.3% y-o-y) and 66.8 mm tonnes of crude oil and gas condensate (down 1.8% y-o-y), excluding tolling arrangements. The Group produced 50.9 mm tonnes of oil products (as compared to 53.7 mm tonnes in 2014), 3.3 mm tonnes of LHG (as compared to 3.4 mm tonnes in 2014), and 5.0 mmcm of helium (as compared to 4.0 mmcm in 2014).

For more details on Gazprom Group's hydrocarbon processing/refining capacities see Gazprom in Figures 2011–2015 Factbook

### Gazprom Group's hydrocarbon processing/refining volumes

	2013	2014	2015
Natural and associated gas, bcm	31.5	30.5	31.2
Oil and gas condensate, mm tonnes	66.1	68.0	66.8

### Gazprom Group's output of oil products in 2015, %

Diesel fuel	29
Motor gasoline	24
Fuel oil	17
Jet fuel	6
Lubricants	1
Other oil products	23

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

In 2015, PJSC Gazprom's gas processing and production subsidiaries processed and refined 29.5 bcm of natural gas (down 1.6% y-o-y), 1.2 bcm of APG, and 17.3 mm tonnes of crude oil and unstable gas condensate (up 5.4 % y-o-y).

The drop in natural gas processing volumes against 2014 was due to declining gas production at the fields feeding the Orenburg GPP and Sosnogorsk GPP (Orenburgskoye and Vuktylskoye oil and gas condensate fields). The growth in APG processing volumes was driven by the implementation of APG utilisation improvement projects at the fields operated by OAO Tomskgazprom.

Volumes of unstable condensate processing grew on the back of increased output of liquid hydrocarbons in the achimovsk formation of the Urengoyskoye oil and gas condensate field.

For more details on Gazprom Group's APG utilisation improvement projects see the Exploration and Production section

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### Consolidation of gas processing assets

PJSC Gazprom approved the Action Plan on Consolidation of Gazprom Group's Refining Assets within OOO Gazprom pererabotka. The merger of OOO Gazprom pererabotka with the Orenburg Helium Plant, Orenburg GPP and Astrakhan GPP will streamline operations, improve resource efficiency and resource management processes, and facilitate the development and deployment of more efficient production technologies, and the development of Gazprom Group's processing assets.

## Gazprom Group's hydrocarbon processing and petrochemical capacity as at 31 December 2015



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

\*\* Capacity by non-degassed condensate; degassed condensate capacity is 12.2 mm tonnes.

In October 2015, OOO LUKOIL-Komi began supplying Sosnogorsky GPP with APG from its northern fields through OOO Gas-oil trading under tolling agreements. APG supplies in 2015 totalled 42 mmcm, with 600–700 mmcm of gas planned to be processed annually in 2016–2021. Work is ongoing to arrange for APG deliveries from the Kyrtalskoye field operated by OOO LUKOIL-Komi.



### Oil refining and petrochemistry at Gazprom Neft Group's facilities

In 2015 Gazprom Neft Group refined 43.1 mm tonnes of oil and stable gas condensate (down 0.9% y-o-y).

The decrease in oil refining volumes was associated with lower economic efficiency of refining given the current demand and prices for oil and oil products, as well as an ongoing upgrade project at the catalytic cracking unit at Omsk Refinery. The biggest decline was demonstrated by marine fuel produced by Omsk Refinery. The output of light oil products increased in 2015 year over year.

The decrease in diesel fuel output was driven by shrinking production at OAO Slavneft-YANOS as a result of adding diesel fractions to fuel oil to maintain its quality, and repairs at the distillate hydrotreating unit.

Also in 2015, Omsk Refinery launched a range of new oil products, including MTBE, light gas oil for bunkering purposes, polymer-bitumen binder PBB-130, and aviation gasoline components. Moscow Refinery and OAO Slavneft-YANOS switched over to the production of aviation gasoline to Russian standard GOST 32513.

Certain products with high added value (polypropylene, polymer-modified bitumens, polymer asphalt, bitumen emulsions) are produced by Gazprom Neft Group in partnerships with Russian and foreign partners, including PAO SIBUR Holding, ZAO AMDOR, the French oil group Total, and Titan Group. The Yuzhno-Priobskiy gas processing plant commissioned in 2015 utilised an additional amount of nearly 0.2 bcm of APG (including Gazprom Neft Group's share of 0.1 bcm). Plans for 2016 are to expand its capacity to 0.9 bcm of gas. The plant produces dry stripped gas and natural gas liquids.

### Oil refining, petrochemistry and mineral fertiliser production at Gazprom neftekhim Salavat's facilities

OAO Gazprom neftekhim Salavat produces and sells refined oil and gas products, petrochemicals and mineral fertilisers. The company is a leading Russian manufacturer of certain products, particularly butyl alcohols, styrene, benzene and ethylene.

In 2015, production facilities of Gazprom neftekhim Salavat processed 6.4 mm tonnes of liquid hydrocarbons (2.4 mm tonnes of crude oil and 4.0 mm tonnes of stable gas condensate) and 0.4 bcm of natural gas. The conversion rate reached its maximum of 84.3%.

2015 was unique in that the amount of gas condensate processed exceeded 4 mm tonnes, as oil refining was halved. This was attributable to the availability of additional gas condensate reserves and equipment upgrades that increased the stable gas condensate processing capacity and reduced oil refining. Another driver was a decrease in the refining volumes for Western Siberian oil with a high content of heavy fractions, which will enable increased output of light oil products.

The distillate hydrotreating unit was upgraded to shift to the production of more environmentally friendly products. The share of Euro 5 gasoline in the total gasoline output increased to 100% (vs. 66% in 2014). Starting from 2015, Gazprom neftekhim Salavat's refinery has produced only Euro 5 regular diesel fuel, supported by a sizeable increase in the production of low-viscosity marine fuel. The product range was diversified and extended to include Euro 5 Premium Euro 95 motor gasoline (Type III) and gas condensate distillate (Grade B).

The company completed the second phase of its ethylene and propylene production upgrade project. A hydrogenation reactor unit was commissioned to increase the reaction selectivity with three catalyst beds. Ethylene production grew to 340 thousand tonnes per annum.

In 2015, six products marketed by Omsk Refinery received awards of the Top-100 Russian Products contest.

For more details on the project see the Exploration and Production section

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For details about innovations in hydrocarbon processing and petrochemical products, see the Innovations section



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### Major investment projects

In 2015, Gazprom Group's capital investments for refining/processing totalled RUB 136.3 bn (compared to RUB 135.2 bn in 2014) and were allocated to the following projects:

- Construction of a gas chemical facility near Novy Urengoy;
- Construction and upgrade of refining and petrochemical facilities of Gazprom neftekhim Salavat;
- Construction and upgrade of production facilities at Omsk and Moscow Refineries of Gazprom Neft Group;
- Construction of a stabilisation unit for achimovsk deposit condensate in the Nadym-Pur-Taz region;
- Phase 1 and Phase 2 upgrades at the Astrakhan Gas Processing Plant;
- Construction of the Urengoy — Surgut gas condensate pipeline (Line 2);
- Phase 2 capacity expansion at the condensate pre-transportation preparation plant;
- Construction of the Urengoy — Purpe oil and condensate pipeline;
- Construction of the Urengoy oil pumping station.

During 2015, Gazprom Group commissioned a number of new hydrocarbon processing facilities.

The 508 km — 588.1 km section of the Urengoy — Surgut gas condensate pipeline (second line) was put into operation. The Orenburg GPP completed the retrofit of Phase 3 facilities to process gas from the Karachaganak oil and gas condensate field. A washing and steaming station in Surgut was commissioned.

Omsk Refinery completed the upgrade of a catalytic cracking unit. Moscow Refinery commissioned a new gas fractioning column (GFU-2) to enhance its LHG product mix. Gazprom neftekhim Salavat's refinery completed the upgrade of a distillate hydrotreating unit.

In addition, in 2015, OOO Yuzhno-Priobskiy GPP, where the Group has investments classified as joint operations, commissioned a gas processing plant at the Yuzhno-Priobskaya compressor station. OAO Slavneft-YANOS joint venture commissioned an on-site automated loading station with vapour removal to load light oil products into railway tanks. The station improves industrial and environmental safety and reduces losses.

## Power Generation

**Gazprom meets all of its commitments to put in operation new generating facilities securing reliable power and heat supplies to businesses and households in a number of Russian regions.**

As at the end of 2015, Gazprom accounted for 14% of power generation in Russia.

Gazprom Group is the largest Russian owner of generating assets. Gazprom's power stations account for approximately 16 % (over 38 GW) of the total installed capacity of Russia's Unified Energy System (UES).

The Group's key generating assets are consolidated in its 100% subsidiary OOO Gazprom energoholding, which holds controlling stakes in PAO Mosenergo, OAO TGC-1 and PAO MIPC. The controlling stake in PAO OGK-2 is owned by PAO Centerenergyholding, a subsidiary of OOO Gazprom energoholding. In May 2015, PAO Mosenergo and PAO MIPC transferred to their management company, OOO Gazprom energoholding, powers to act as their sole executive body. These decisions are expected to ensure better management for both companies, as well as eliminate redundancies, and reduce administrative expenses.

In addition, Russian assets of the Group include the Novo-Salavatskaya CHPP.

OAO Mezhtregionenergosbyt, a Gazprom Group company, is a leader of the Russian power trading market. The company operates both on the wholesale and retail power markets, accounting for more than 95% of power supplies to Gazprom Group's subsidiaries. Outside Russia, the Group owns Unit 5 at the Hrazdan TPP through its subsidiary ZAO Gazprom Armenia.

### Generation and distribution of power and heat

According to the UES System Operator, in 2015, power generation in Russia grew by 0.2% y-o-y to 1,026.9 billion kWh. In 2015, the Group generated 147.2 billion kWh of power (down 4.8% y-o-y) and 117.1 mm Gcal of heat (down 6.5% y-o-y) at its generation assets in Russia.

The decrease in power generation by the Group in 2015 was driven by lower capacity utilisation at the initiative of the UES System Operator due to a decline in regional power consumption amidst warm weather, higher utilisation rates at nuclear power stations and load optimisation at low-performing TPPs.

Natural gas dominates the fuel mix of the Group's power stations. A decline in fuel consumption was caused by shrinking power and heat generation in 2015.

#### Volume-based fuel mix of OOO Gazprom energoholding and its subsidiaries in Russia

	2013	2014	2015
Gas, bcm	44.3	41.5	38.2
including Gazprom Group's gas	34.4	28.5	25.5
Coal, mm tonnes	14.1	14.6	14.1
Fuel oil and other fuels, mm tonnes	0.3	0.3	0.3

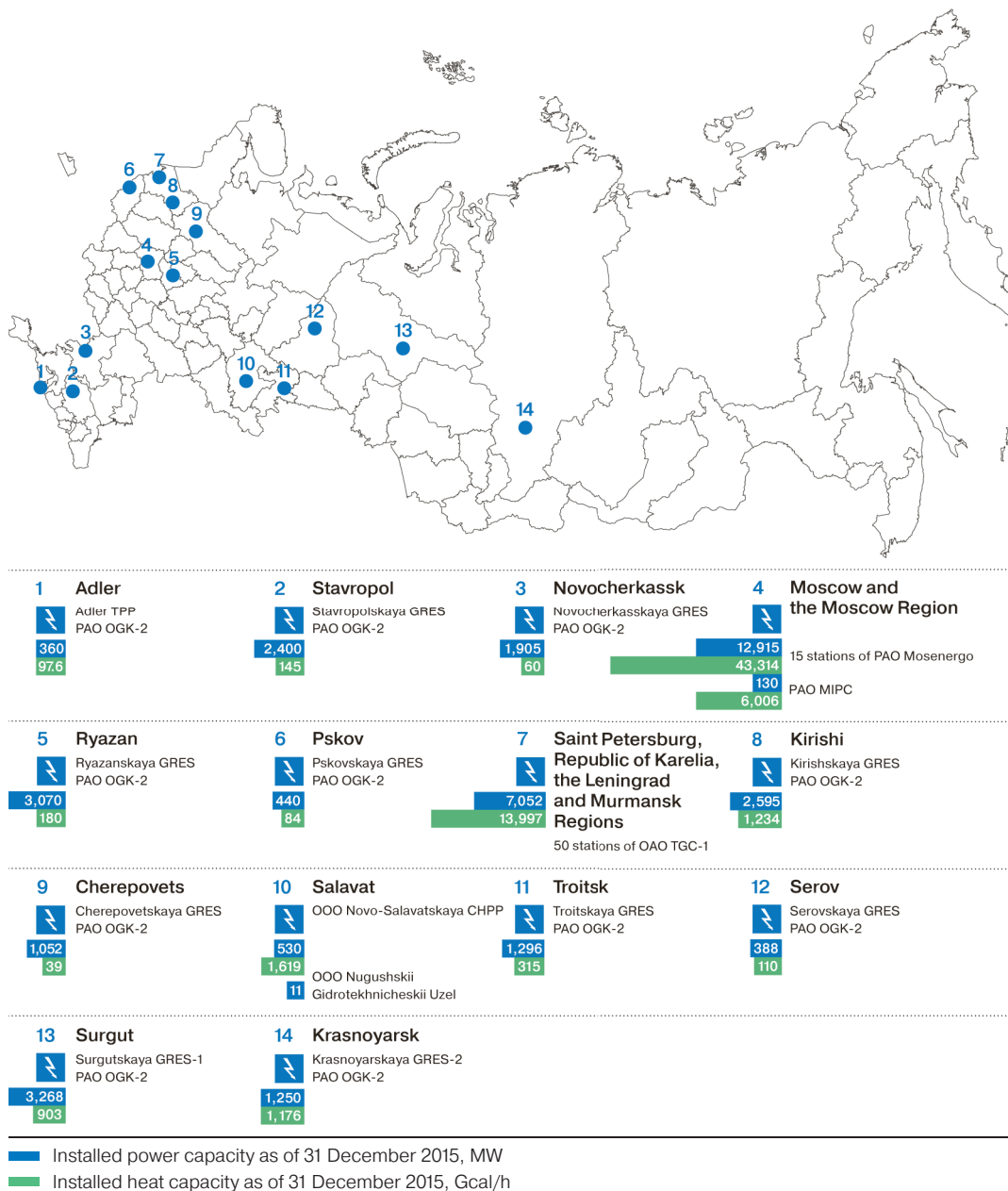
In 2015, Unit 5 of the Hrazdan TPP (Armenia) generated 0.7 billion kWh of electric power (0.9 billion kWh in 2014). The change in power output resulted from different generation modes and lower demand.

Power generation by Gazprom Group in the reporting year totalled 147.9 billion kWh.

#### Power and heat generation by Gazprom Group

	2013	2014	2015
Power generation, billion kWh	162.5	155.4	147.9
Heat generation, mm Gcal	112.5	125.2	117.1

## Gazprom Group's generating assets in the Russian Federation as at 31 December 2015



All power produced by the Group's generating companies in Russia is sold on a fully liberalised wholesale electricity and capacity market. A small portion of generated power is exported to Norway and Finland. To carry out emergency repairs and fulfil power supply obligations under regulated contracts, the Group's generating companies purchase power on the wholesale market for subsequent resale.

In 2015, OAO Mezhhregionenergosbyt sold 5.6 billion kWh (vs. 6.2 billion kWh in 2014) of power to consumers outside the Group. Power sales to the Group companies amounted to 17.6 billion kWh.

According to the Market Council, in 2015, the actual average selling price of electricity for end consumers in the Russian retail power market grew by 5 % in the Wholesale Electricity and Capacity Market (WECM) price zones.



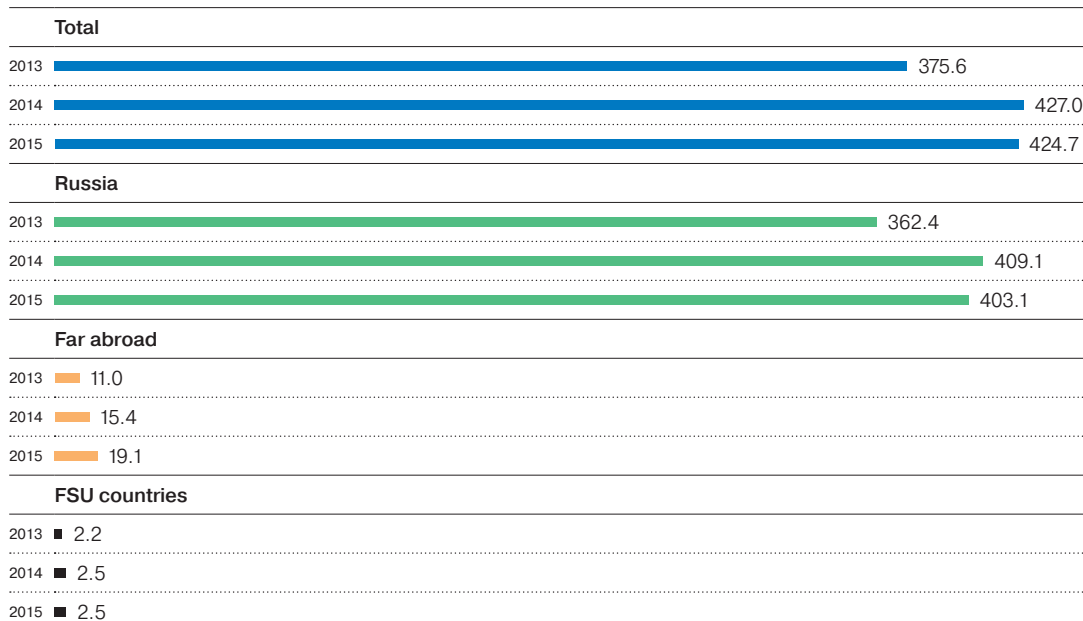
For more details on Gazprom Group's generating capacity and output of power and heat see Gazprom in Figures 2011–2015 Factbook

Power generated by Unit 5 of the Hrazdan TPP is sold on the Armenian market including sales for subsequent export to neighbouring countries.

In 2015, Gazprom Group was also engaged in power trading operations at European trading hubs, totalling 508 TWh. Also in 2015, the Group supplied nearly 1,9 TWh of power to end consumers in the UK, Germany and the Netherlands.

In 2015, Gazprom Group's net revenue from power and heat sales (net of VAT), was RUB 424.7 bn (2014: RUB 427.0 bn).

#### Gazprom Group's net revenue from power and heat sales (net of VAT), RUB bn



#### Capacity market auctions

In an important development, 2015 saw a considerable decline in volatility on the capacity market — it was the first time ever that an auction was held to sell capacity for a three-year period (2017–2019). As a result, all the capacity auctioned by Gazprom energoholding's generating companies was sold out (26.0 GW in the 1st pricing category and 1.2 GW in the 2nd pricing category).

#### Improvements in operating efficiency

In its commitment to increase the shareholder value of its assets Gazprom Group is taking measures to boost their operating efficiency. These efforts are focused on improving financial performance, reducing operating costs, and implementing retrofit and upgrade projects, in particular, the Lean Production Programme and the Shareholder Value Enhancement Programme. The total economic effect of the initiatives implemented in 2015 was c. RUB 6.0 bn, with PAO MIPC accounting for the most part (66%) of this amount.

Generating companies will continue to implement operational excellence programmes in 2016. Cost reduction efforts in 2016 are expected to save c. RUB 5 bn.

## Major investment projects

For details about innovations in power generation, see the Innovations section



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For more details on Gazprom Group's key power generation projects see Gazprom in Figures 2011–2015 Factbook

In 2007–2015, the Group commissioned 7,490 MW of new generating capacity in Russia under the CSAs.

Gazprom Group's investment programme is one of the biggest in the Russian power industry. Capital investments of the Group's generating companies are adjusted to fit into their obligations under capacity supply agreements (CSAs). They are expected to increase their capacity by nearly 9 GW over 2007–2017, with total investments for the same period expected to exceed RUB 400 bn.

The Group's capital investments into power and heat generation and distribution in 2015 totalled RUB 99.0 bn (2014: RUB 82.0 bn).

The bulk of capital investments was channelled to new power unit projects at Troitskaya GRES, Serovskaya GRES, Novocherkasskaya GRES, Ryazanskaya GRES of PAO OGK-2, Tsentralnaya CHPP of OAO TGC-1, and CHPP-12 and CHPP-20 of PAO Mosenergo. Investments were also made into land surveys for a power plant construction project in Pancevo, Serbia, with an installed capacity of about 140 MW and an expansion option to bring capacity to 208 MW.

In 2015 alone, the Group commissioned 1,390 MW of new generating capacity in Russia.

### Capacity commissioned by Gazprom Group's generating companies in 2015

- PAO OGK-2: a 420 MW combined cycle gas turbine at the Serovskaya GRES and a 330 MW steam turbine at the Ryazanskaya GRES.
- PAO MIPC: a 220 MW combined cycle gas turbine at CHPP-12 and a 420 MW combined cycle gas turbine at CHPP-20.

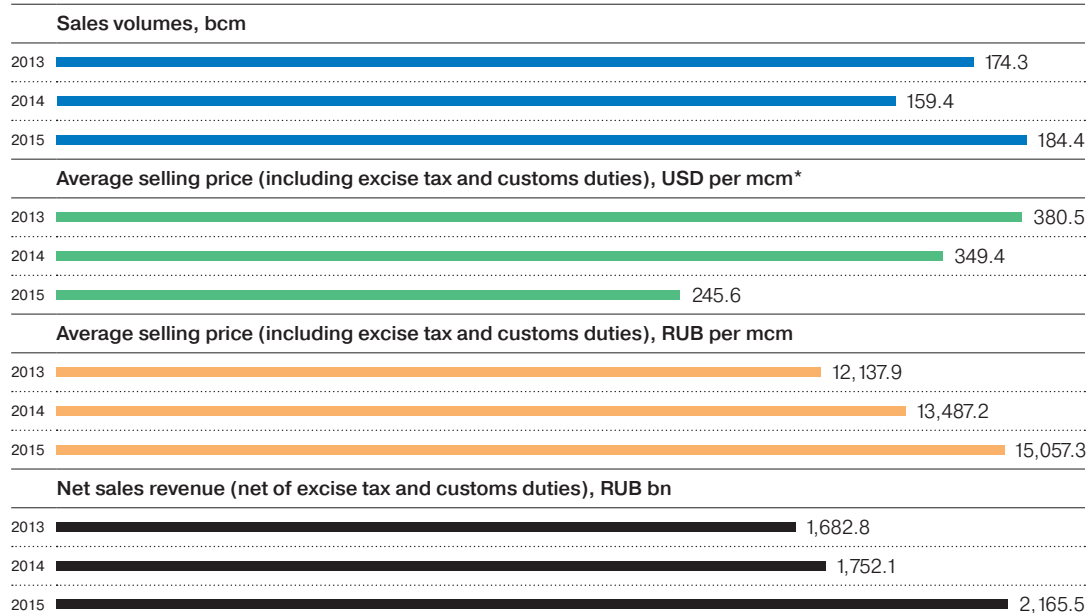
The Russian capacity market auction rules set strict requirements for generating facilities to participate in the auction. Generating companies of Gazprom energoholding take consistent efforts to decommission both physically and functionally obsolete facilities. A major challenge here is replacing heat generation capacity of the decommissioned facilities.

In 2015, the Group decommissioned 267.5 MW of low-performing generating capacity. Plans for 2016–2017 are to decommission 1,185 MW more.

## Marketing

## Far abroad gas markets

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

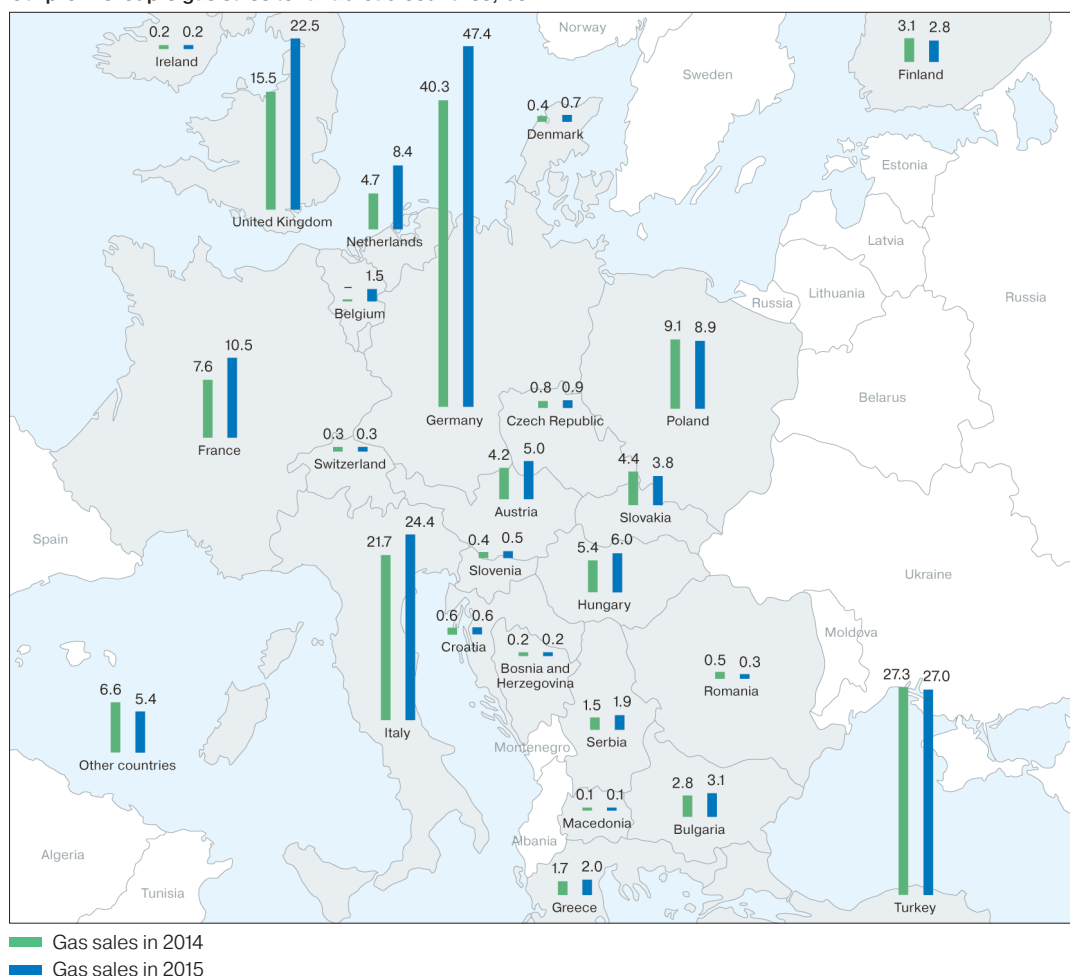


\* Calculated based on the year-average RUB/USD exchange rate.

In 2015, Gazprom Group sold 184.4 bcm of natural gas to far abroad countries, with net sales revenue (net of excise tax and customs duties) reaching RUB 2,165.5 bn, up 23.6% y-o-y.

Natural gas sold to far abroad countries in 2015 accounted for 41% of Gazprom Group's total gas sales (vs. 36% in 2014) and 63% of total net revenue from gas sales (vs. 59% in 2014).

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



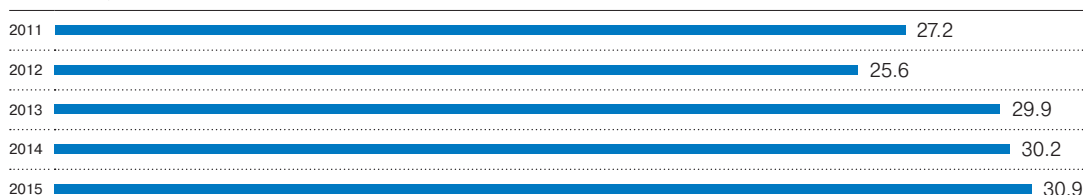
**Note.** Gazprom Group's sales to other countries include LNG sales and sales of gas in Vietnam under the Production Sharing Agreement for offshore gas from Blocks 05-2 and 05-3 in the South China Sea.

## European gas market

PJSC Gazprom is a major supplier of natural gas to the European market. PJSC Gazprom's gas supplies to European countries under the contracts with OOO Gazprom export in 2015 totalled 158.6 bcm, up 12.0 bcm or 8.2% y-o-y.

Since sales under the Company's contracts in 2015 grew faster than demand on the European gas market, the Company increased its share in the natural gas consumption in Europe.

Share of PJSC Gazprom's gas sales under contracts by OOO Gazprom export in the European consumption in 2011–2015, %



**Note.** Figures for 2014 and previous years may differ from the data in Annual Reports of PJSC Gazprom for previous periods since international statistics may be subsequently updated.

For more details see the Trends and Developments on Oil and Gas Markets section

51–58



The weighted average selling price of gas supplied by PJSC Gazprom through OOO Gazprom export to European far abroad countries in 2015, including debit and credit notes, amounted to USD 243.3 per mcm (including gas consumed in operations of compressor stations), down by USD 101.7 (or 29.5%) y-o-y.\*

Amidst significant changes in the European gas market, primarily the development of liquid trading hubs, Gazprom Group will further stick to oil-indexed pricing, as it gives natural gas a competitive advantage versus other energy sources, stabilises the investment cycle and therefore remains relevant. In the current situation, oil products act as a universal deflator in the gas pricing formula, keeping gas prices linked to other commodities. At the same time, the Company strives to increase efficiency of Russian gas exports, maintaining flexibility in relations with its partners. Gas prices linked to quotes at trading hubs accounted for 17.8% of the Company's supply contracts with European countries in 2015 (vs. 16.5% in 2014).

According to the long-term contracts of PJSC Gazprom, each party is entitled to request a revision of the contract price if any material changes occur on respective markets. Contract parties exercise this right as soon as the market situation changes. Negotiations are underway with a number of OOO Gazprom export's customers.

In 2015, in response to the challenges of the evolving energy market, Gazprom piloted gas auctions as a new approach to gas sales in Europe.

The first auction was held in September 2015 for gas deliveries in the 2015/2016 winter season to several distribution hubs in Northwest Europe at the customer's choice. Despite unfavourable conditions on the European gas market, 1.2 bcm of gas were auctioned off to 16 companies, including both existing and new customers of OOO Gazprom export. The success of the gas auction means that this approach may be used in the future to secure balancing sales in addition to the long-term contracts if required by market conditions. The auction supply geography is expected to expand going forward.

Natural gas sales by Gazprom Group's subsidiaries to end customers in the UK, the Netherlands, France, Belgium, Germany, Austria, the Czech Republic, Ireland, Hungary, Macedonia and Romania amounted to 7.1 bcm, a dramatic increase (up by 3.4 bcm) from 2014. The growth was driven by the expansion of a market footprint in Continental Europe and Ireland following the acquisition of control of WINGAS and WIEH by Gazprom Group. WINGAS is a major gas supplier to utilities, industrial and power generation companies, primarily in Germany.

Direct supplies to end consumers increase gas sales margins.

Gas sales to end consumers are also made through associates and jointly controlled companies in Bulgaria, Italy, Romania, Serbia, Slovakia, Turkey, Finland, and the Czech Republic.

In 2015, Gazprom piloted gas auctions as a new approach to gas sales in Europe.

For more details on gas sales volumes to end users in far abroad countries see see Gazprom in Figures 2011–2015 Factbook

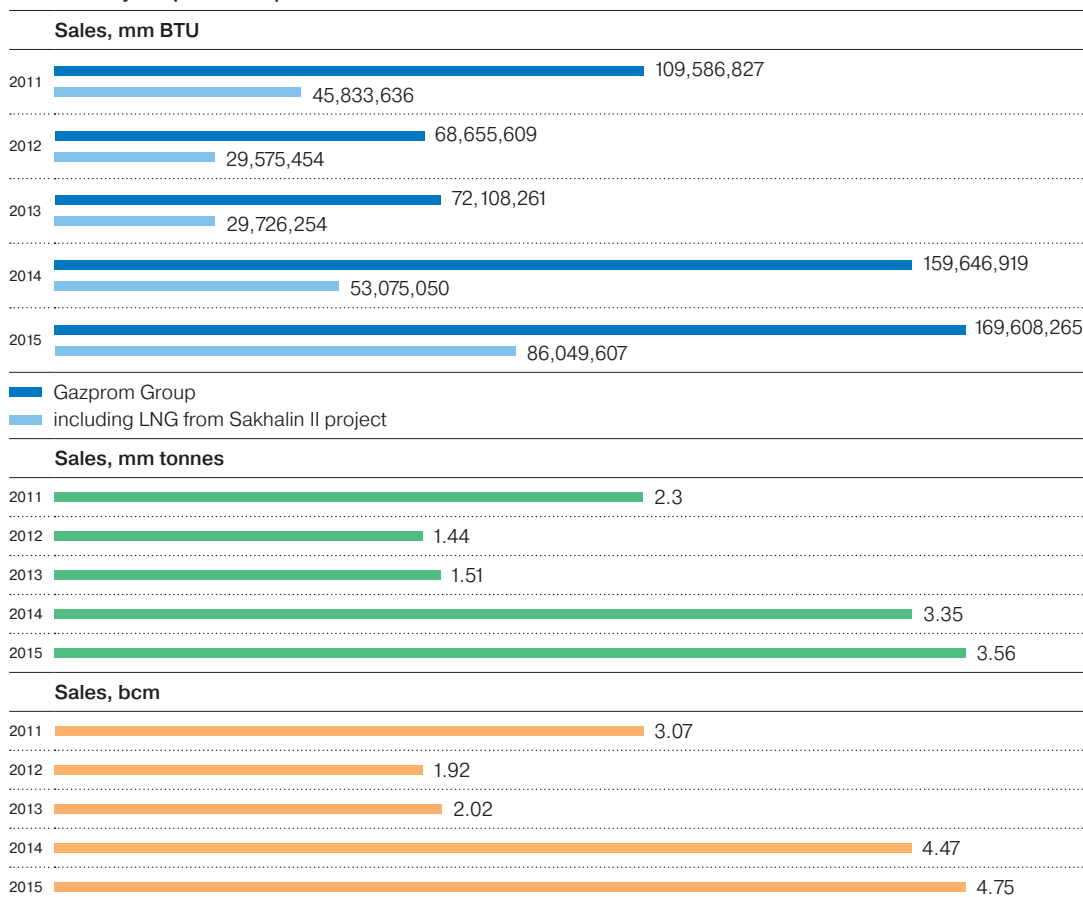
The acquisition of control of WINGAS and WIEH strengthened Gazprom's position as a natural gas supplier in the key German market.

\* In 2015, the weighted average selling price presented in Annual Report 2014 was recalculated following the revision of contract terms.

## LNG sales

In 2015, LNG sales by Gazprom Group grew by 6.2% to 3.56 mm tonnes (4.75 bcm) year-on-year.

**LNG sales by Gazprom Group in 2011–2015**



For more details on Gazprom Group's LNG sales to different countries see Gazprom in Figures 2011–2015 Factbook

Gazprom Group continued to expand its LNG sales geography. In October 2015, Gazprom Marketing & Trading Singapore (GM&TS) and Pavilion Gas signed a 10-year LNG supply contract. Under the contract, Gazprom Group will supply LNG to Singapore and other Asian countries. In 2015, Egypt became yet another country to purchase LNG from Gazprom Group.

In January 2015, GM&TS and Yamal Trade signed a long-term contract to supply LNG from the Yamal LNG Project through a transshipment terminal in Europe. The contract provides for shipments of up to 2.9 mm tonnes of LNG per year and will be effective for more than 20 years.

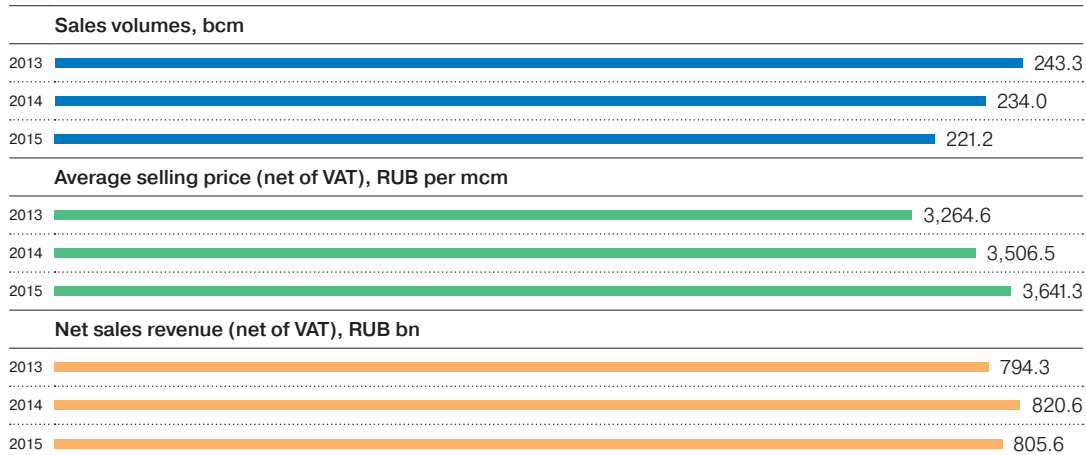
In November 2015, GM&TS, Perenco Cameroon and Société Nationale des Hydrocarbures (SNH) signed a contract giving Gazprom Group an exclusive right to purchase LNG from the floating LNG plant in Cameroon. The 8-year contract provides for up to 1.2 mm tonnes of LNG to be purchased annually.

## Russian gas market

Gazprom is the largest natural gas supplier on the Russian market.

In 2015, Gazprom Group sold 221.2 bcm of gas to Russian consumers, with net sales revenue reaching RUB 805.6 bn (net of VAT), down 1.8% y-o-y. Natural gas sold to Russian consumers in 2015 accounted for 50% (vs. 53% in 2014) of Gazprom Group's total natural gas sales and c. 24% of total net revenue from gas sales (vs. 27% in 2014).

### Gas sales by Gazprom Group in Russia



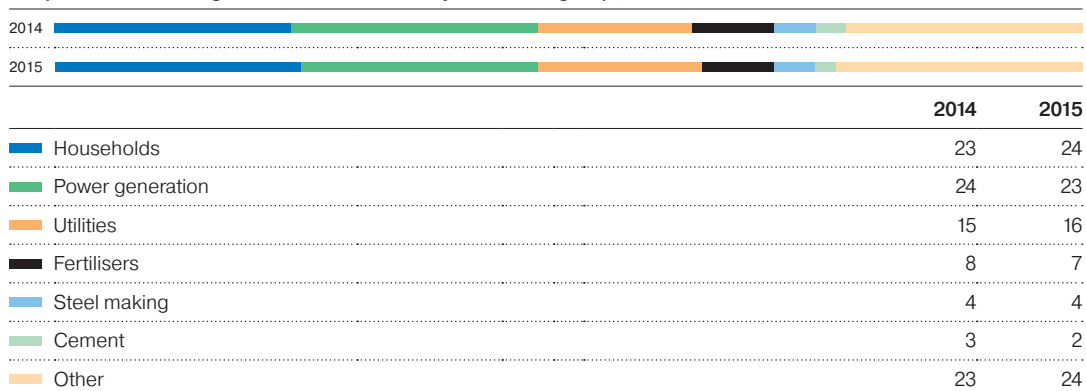
For more details see the Trends and Developments on Oil and Gas Markets section

51–58

In 2015, natural gas consumption in Russia totalled 444.3 bcm, down 3.1% y-o-y. The decrease was driven mostly by abnormally warm weather in the first and fourth quarters of 2015.

Major domestic consumers are the power industry and households. In 2015, Gazprom Group's natural gas supplies to power generators accounted for approximately 23% of its total gas supplies in Russia (excluding intra-group sales), with households accounting for 24%. Moreover, natural gas is heavily used in the steel-making, fertiliser, construction and other industries, as well as by utilities.

### Gazprom's domestic gas sales in 2014–2015 by consumer group, %

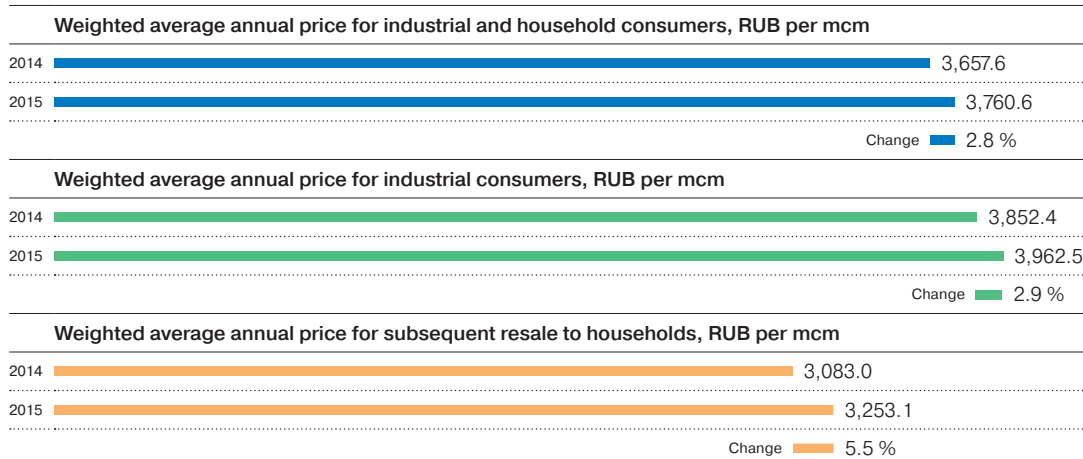


In accordance with applicable Russian laws, end consumers buy gas at regulated prices which are differentiated by consumer group (households vs industrial consumers) and price range based on the relative distance between the gas production region and consumers. In 2015, wholesale gas prices for subsequent resale to household consumers were 19% lower than wholesale gas prices for industrial consumers.

For more details see the Trends and Developments on Oil and Gas Markets section

51–58

#### Weighted average wholesale regulated prices (net of VAT) of PJSC Gazprom's gas for industrial and household consumers in 2014–2015



In order to mitigate the risk of price regulation PJSC Gazprom maintains a dialogue with federal authorities to optimise gas pricing including by establishing sound pricing principles that will ensure economic sustainability for PJSC Gazprom's gas supplies to the domestic market.

Apart from the regulated segment of the Russian gas market, PJSC Gazprom and independent gas producers sell natural gas at market-driven prices through the evolving sales channels on the ZAO Saint Petersburg International Mercantile Exchange (SPIMEX). Gas is traded with one-month or same-day delivery from the Nadym, Vyngapurovskaya, Yuzhno-Balykskaya, or Parabel compressor stations. The Nadym compressor station accounts for 73.3% of total supplies, with the Vyngapurovskaya and Yuzhno-Balykskaya compressor stations supplying 10.2% and 16.5% respectively. The uneven distribution of gas deliveries between the compressor stations is explained by a more favourable location of the Nadym compressor station, having access to a much larger number of regional markets. In 2015, PJSC Gazprom sold 4.3 bcm of gas on the SPIMEX, with the gas trade started in October 2014.

#### FSU gas markets

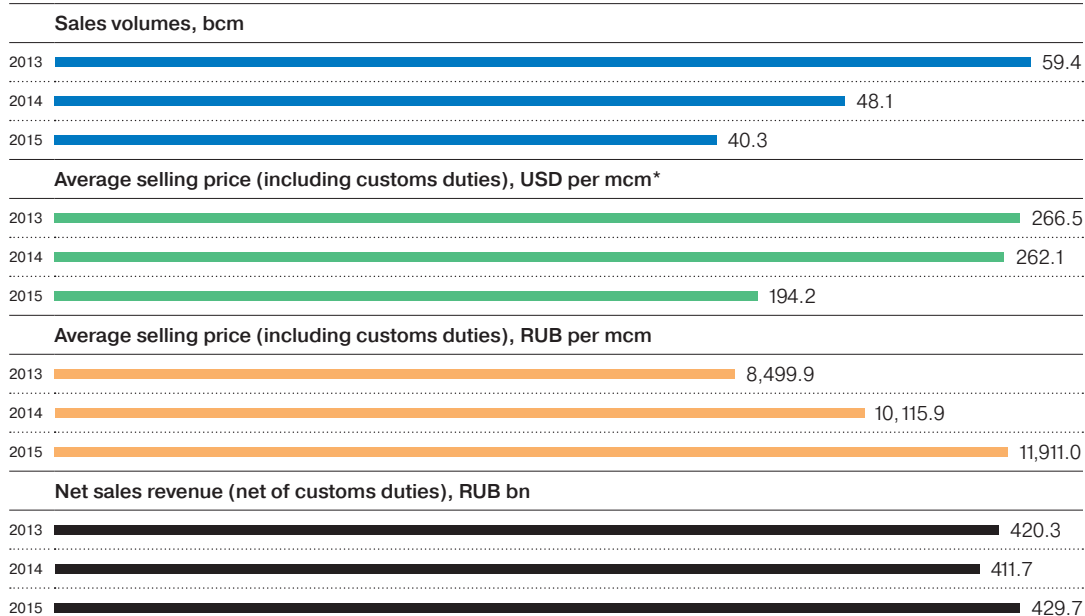
Gazprom Group covers a significant portion of natural gas demand in FSU countries.

In 2015, the Group sold 40.3 bcm of natural gas to FSU countries, with net sales revenue (net of customs duties) reaching RUB 429.7 bn, up 4.4% y-o-y.

Natural gas sold to FSU countries in 2015 accounted for 9% (vs. 11% in 2014) of Gazprom Group's total gas sales and 13% of total net revenue from gas sales (vs. 14% in 2014).



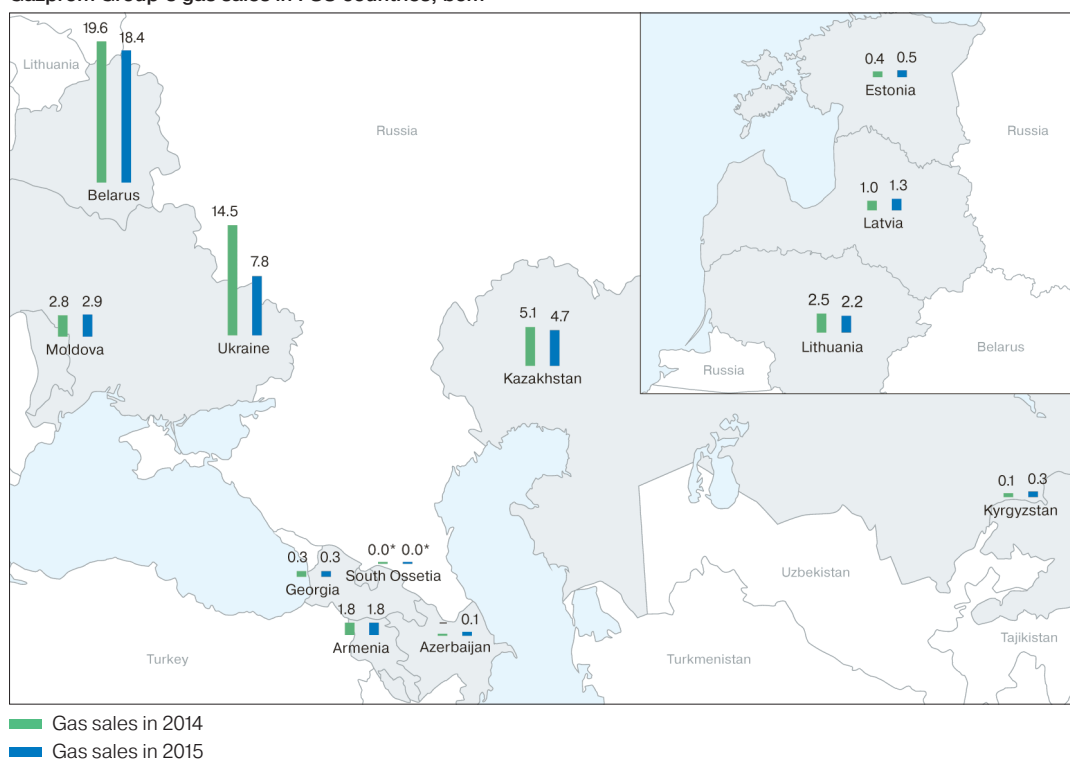
## Gazprom Group's gas sales to FSU countries



\* Calculated based on the year-average RUB/USD exchange rate.

The decrease in gas supplies to FSU countries in 2015 resulted from declines in demand, particularly in Ukraine. Lower gas consumption was driven by an overall economic situation, declining industrial production and a growing share of coal and renewable energy sources in the fuel mix.

## Gazprom Group's gas sales in FSU countries, bcm



\* less than 0.05

With gas demand growing in Azerbaijan, the national government approached PJSC Gazprom with a request to organise gas deliveries to the country. In September 2015, a medium-term gas supply contract was signed with AzMeCo (Azerbaijan).

In 2015, as part of its gas marketing cooperation efforts, Gazprom Group continued to purchase natural gas from Central Asian countries, albeit in smaller amounts. In particular, the Group has significantly reduced gas purchases from Turkmenistan. Price cuts were agreed upon with gas suppliers from Kazakhstan and Uzbekistan to reflect the decline in selling prices on the European gas market.

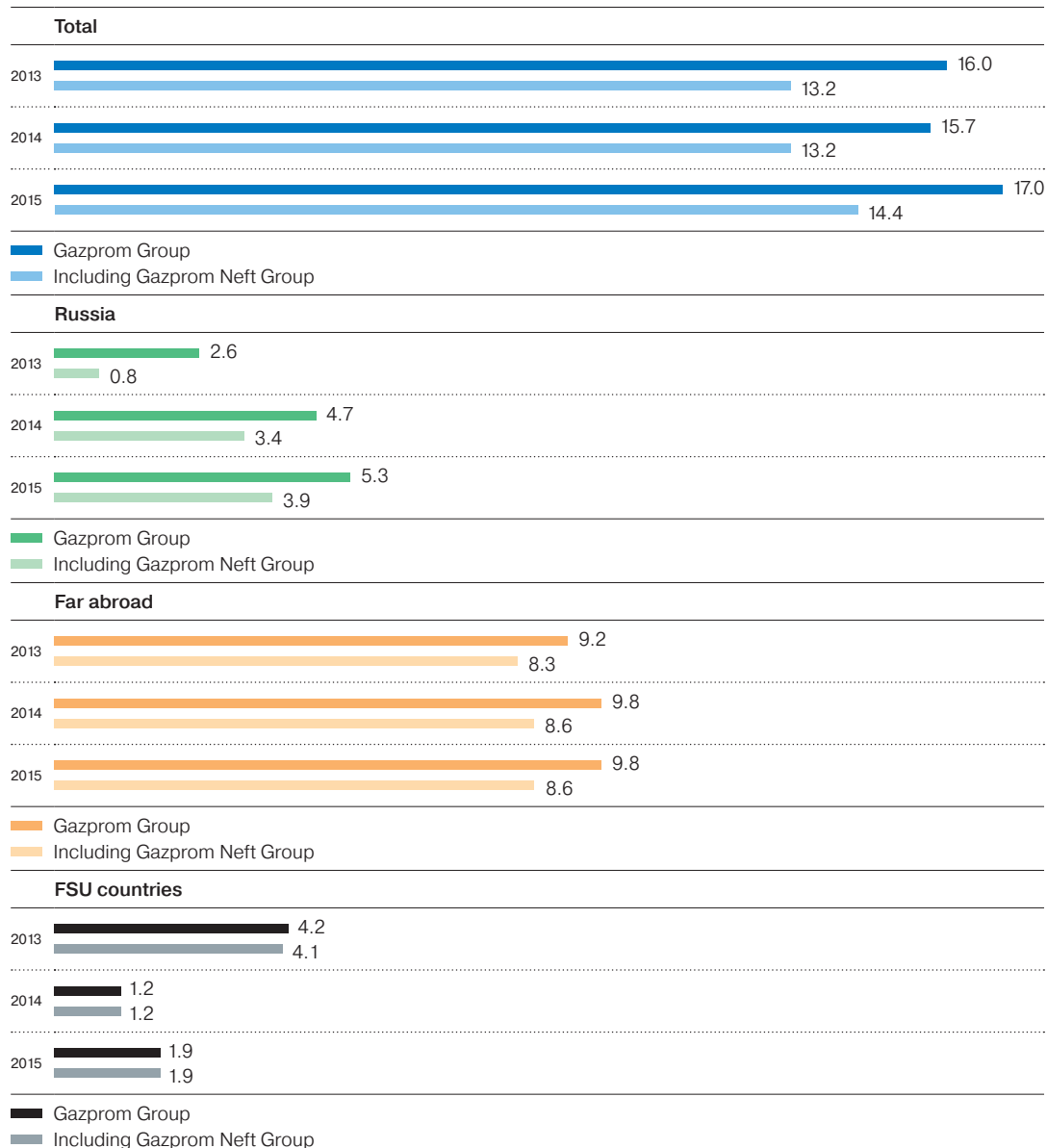
<b>Gazprom Group's purchases of gas in Central Asia and Azerbaijan, bcm</b>			
<b>Country</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>For subsequent supplies to far abroad countries</b>			
Turkmenistan	10.9	11.0	3.1
Uzbekistan	5.7	3.6	3.5
Kazakhstan	11.9	10.9	12.6
Azerbaijan	1.4	0.2	–
Weighted average purchase price on the border of supplying countries, USD per mcm	275.8	259.22	180.39
<b>For subsequent supplies to Southern Kazakhstan</b>			
Turkmenistan	0.3	–	–
Uzbekistan	3.7	3.7	2.9
<b>For subsequent supplies to Kyrgyzstan</b>			
Uzbekistan	–	0.04	0.02
Kazakhstan	–	0.06	0.2

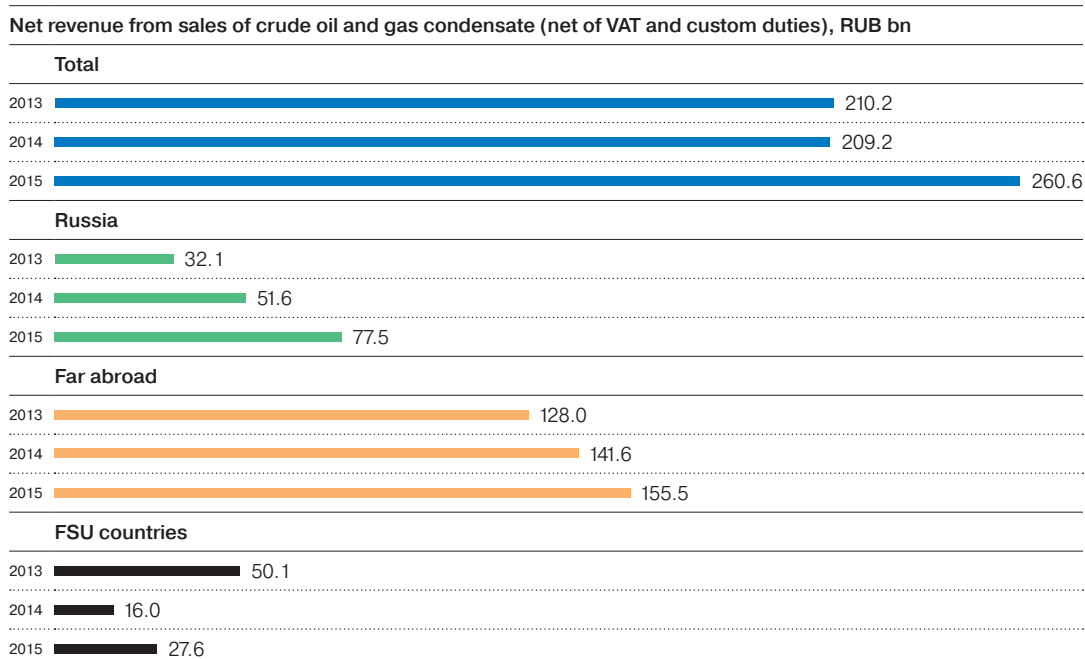
In 2015, Gazprom Group purchased a total of 22.3 bcm of gas from Central Asian countries. No gas was purchased from Azerbaijan in the reporting year.

## Oil and gas condensate sales

In 2015, Gazprom Group sold 17.0 mm tonnes of crude oil and stable gas condensate, with total net sales revenue (net of VAT and customs duties) reaching RUB 260.6 bn.

**Crude oil and gas condensate sales volumes by Gazprom Group, mm tonnes**





The 12.8% growth in sales of crude oil and gas condensate in the Russian market in 2015 was driven by more favourable domestic prices and higher efficiency of trading operations in Russia. Exports to FSU countries grew by 58.3%, driven by the launch of sales to Uzbekistan and higher sales to Mozyr Refinery (Belarus).

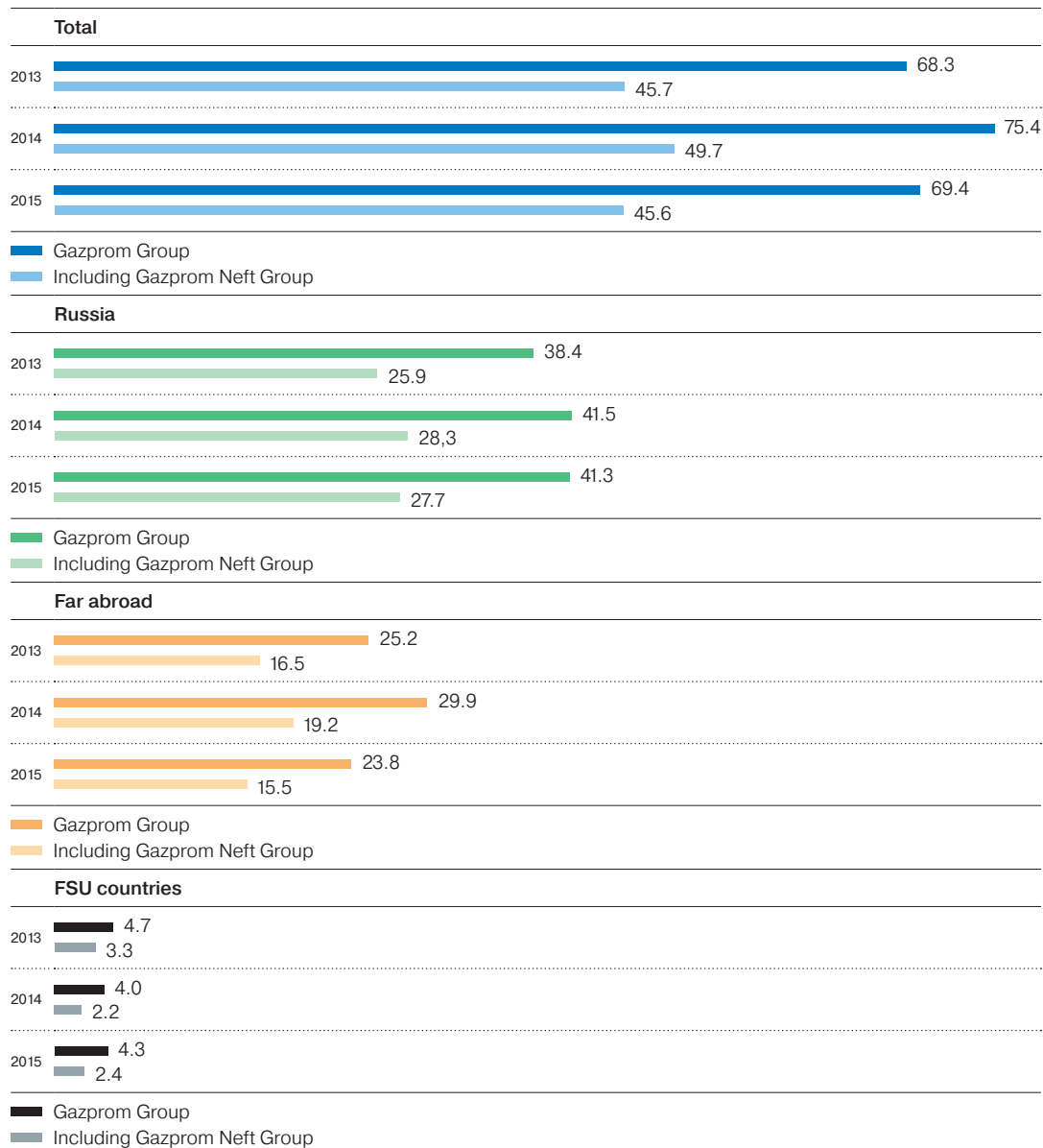
According to PIRA, the price of Urals crude (the arithmetic mean of Urals Mediterranean and Urals Rotterdam prices) showed an upturn in the first half of 2015, averaging more than USD 60 per barrel in May and June 2015. The prices declined towards the year end, with the arithmetic mean in December standing at USD 36.5 per barrel.

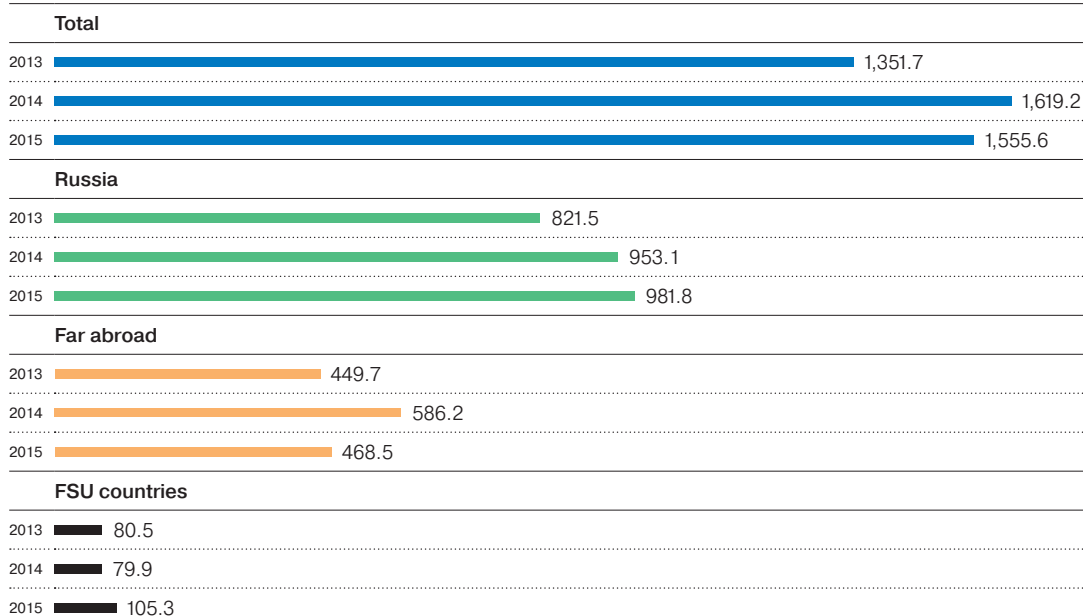


## Refined product sales

In 2015, Gazprom Group sold 69.4 mm tonnes of refined oil and gas products, with net sales revenue reaching RUB 1,555.6 bn (net of VAT, excise tax and custom duties).

Sales volumes of refined oil and gas products by Gazprom Group, mm tonnes



**Gazprom Group's net revenue from sales of refined products (net of VAT, excise tax and customs duties), RUB bn**


Lower sales of refined oil and gas products to far abroad countries in 2015 (down 20.4% y-o-y) were mostly due to lower purchases of oil products in the global market and lower fuel oil output by Gazprom Neft Group. The total sales of refined and petrochemical products in the domestic market were almost flat year-on-year.

**Sales of refined products by Gazprom Group in 2015**

Refined products	Russia	Far abroad	FSU countries
Motor gasoline, mm tonnes	11.5	1.1	1.1
Diesel fuel, mm tonnes	9.2	5.0	1.3
Jet fuel, mm tonnes	2.9	0.6	0.2
Fuel oil, mm tonnes	2.2	6.2	0.2
Lubricants, mm tonnes	0.2	0.1	0.1
Liquefied hydrocarbon gases, mm tonnes	2.5	2.2	0.1
Sulphur, mm tonnes	2.3	2.6	0.3
Gaseous helium, mmcm	2.9	–	0.1
Liquid helium, thousand kg	101.9	212.3	–
Mineral fertilisers, mm tonnes	0.4	0.3	0.0*
Polymers, mm tonnes	0.2	–	0.0*
Other refined oil and gas products, mm tonnes	9.9	5.7	1.0

\* less than 0.05.

Sales of Gazprom Neft Group in premium segments (small wholesale, own network of filling stations, jet fuels, bituminous materials, oils and lubricants and bunker fuels) in 2015 were comparable with the 2014 sales and amounted to 25.7 mm tonnes, due mostly to an increase in oil product sales through filling stations amidst generally negative market trends. As at 31 December 2015, Gazprom Neft Group owned and operated an extensive network of 1,852 filling stations across Russia, FSU countries and Eastern Europe. Sales of oil products through the filling station network in 2015 totalled 10.16 mm tonnes (vs. 9.91 mm tonnes in 2014), or 2.5% y-o-y. The sales growth was driven by an increase in the number of filling stations, both constructed under investment projects and leased, as well as by the marketing campaigns to compensate for lower demand and purchasing power.

Starting from 2013, Gazprom Neft Group has been restructuring its distribution business and was one of the first Russian companies to spin off oil product sales to corporate clients into a separate subsidiary, Gazprom Neft Corporate Sales. In 2015, the company introduced online processing of corporate clients' fuel cards. In 2015, fuel sales to corporate clients exceeded 3 mm tonnes.

During 2015, dollar-denominated global prices for key export products of Gazprom Group were trending downward. In the domestic market, rouble prices for the Group's refined products showed mixed trends.

**By using the latest high-end technologies Gazprom maintains its position as an innovative leader of the global energy market. The Company has traditionally made significant investments in research and development of globally unique solutions.**

In its evolution as a global energy company and a reliable energy supplier, Gazprom focuses on research and application of new knowledge and technology and on continuous improvement of its innovation capabilities. The Group carries out completely unique projects that are strategically important to the Russian economy, and generates innovative solutions, remaining at the same the largest domestic consumer of innovations.

Innovative activities and technological development of the Company are governed by JSC Gazprom's Innovative Development Programme until 2020 approved in June 2011 (Board of Directors' Minutes No. 701 dated 1 June 2011).

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**Technological priorities (key areas of technological development) set by the Innovative Development Programme are as follows:**

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- Hydrocarbon prospecting and exploration technologies, including exploration of unconventional resources;
  - Hydrocarbon development technologies for permafrost and offshore fields;
  - Hydrocarbon production technologies for operating fields;
  - Technologies enhancing the efficiency of trunk pipelines and storage facilities
  - Gas distribution and utilisation technologies;
  - Gas processing and petrochemical technologies.
- 

PJSC Gazprom regularly updates the Innovative Development Programme.

For more details on collaboration with anchor universities, see the Social Projects section. For more details on collaboration with SMEs, see the PJSC Gazprom's Procurement Performance section

 127–128, 145, 174, 210–211

The key objective of the Programme is sustainable technological development of the Company to maintain its position as an innovative leader of the global energy market. The 10-year Programme covers gas, oil and power generation businesses of the Group.

Scientific and research organizations of PJSC Gazprom are key contributors to its effective innovative development. The Company also collaborates with external institutions and research centres, as well as the anchor universities specified in the Innovative Development Programme until 2020, as well as with innovative small and medium-sized enterprises. PJSC Gazprom enhances its technological, innovative and research potential through partnerships with leading international energy companies. In Europe, its research partners are Uniper Holding GmbH, BASF/Wintershall Holding GmbH, VNG-Verbundnetz Gas AG, Siemens AG and EUROPIPE from Germany, N.V. Nederlandse Gasunie (Netherlands), ENGIE (France) and Statoil ASA (Norway). In Asia Pacific, Gazprom fosters research and technology collaboration with KOGAZ (South Korea), CNPC (China), PetroVietnam (Vietnam) and the Agency for Natural Resources and Energy of the Japanese Ministry of Economy, Trade and Industry.

PJSC Gazprom is committed to continuous enhancement of efficiency and improvement of its research and development efforts which are focused on a significant reduction of lead-in periods, most effective use of financial and other resources, and accelerated implementation and roll-out of solutions and technologies developed.

In 2015, Gazprom Group's investments in research and development totalled RUB 9.9 bn (vs. RUB 10.8 bn in 2014).

Another focus of attention in Gazprom is an effective intellectual property management policy, which is consistently improved in line with the best national and international practices, including legal practices. As at 31 December 2015, the Group companies held 2,238 patents (206 of them obtained in the reporting year) and 847 software and database registration certificates (89 obtained in the reporting year).

Starting from 2011, Gazprom Group has carried out over 30 significant research programmes in oil and gas exploration, production, transportation, storage and refining/processing, petrochemistry, and power generation.



## Innovations in exploration

Innovations in prospecting and exploration activities increase overall efficiency and forecasting accuracy in hydrocarbon deposit development.

PJSC Gazprom established a vertically integrated storage system for core materials and reservoir fluid samples. The system provides for a centralised storage and comprehensive study of cores and fluid samples from all exploration and production sites of the Company, as well as coordination of PJSC Gazprom subsidiaries involved in sampling, transportation, study and storage of core materials and reservoir fluid samples.

The Company carried out an assessment of potential resources and a feasibility study of PJSC Gazprom's key exploration sites in the Yamal region (including the Ob Bay and the basin of the Kara Sea), and developed a phased strategy of hydrocarbon development on the Arctic shelf.

A technology was developed for estimation of deep-water (up to 6 km deep) hydrocarbon resources.

Nuclear magnetic resonance (NMR) logging techniques were applied in different geological and technological conditions. The Company developed corporate regulations governing the application of NMR logging in examining oil and gas wells at PAO Gazprom fields, a procedure for processing NMR logging results, and specifications for NMR equipment design and use.

Productivity tests continue at coal deposits of a research site in Kuzbass to increase well flow rates.

In 2015, PAO Gazprom Neft completed the first phase of research at the Bazhenov formation of the Yuzhno-Priobskoye field in the Khanty-Mansi Autonomous Area as part of its long-term programme for the development of unconventional reserves. Four directional wells confirmed the presence of mobile oil in the Bazhenov suite. Fluid flows with different rates were received at all of the wells after hydraulic fracturing.

## Innovations in development and production

To enhance field development efficiency, including in new gas production regions and on the shelf of Arctic seas, Gazprom carried out the following projects.

- The Kirinskoye gas and condensate field was prepared for the production using subsea well completion methods. The implementation of this project improved gas supplies to the Russian Far East.
- The Company devised a new method of developing gas and condensate fields with oil rims. It maintains a constant pressure gradient between gas and oil saturated areas by adjusting gas and oil extraction rates in the process of development. The key feature of this method is a higher oil recovery rate at oil rims and rare instances of non-associated gas breakthroughs to oil well bottomholes.
- Another technology developed by Gazprom ensures stable operation of wells with low reservoir and wellhead pressures and presence of reservoir fluid in their products. The technology relies on distributed compression using modular compression units placed at gas well clusters. Its application increased the period of economically viable life of fields with declining reservoir pressure.
- An alternating water and gas injection technology was developed 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.
- The Company developed and tested technical and biological reclamation solutions for disturbed and contaminated land at the Bovanenkovskoye field. The solutions employ biopharmaceuticals, biopolymers, drilling waste and seeding techniques.

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. At present, membrane units of different manufacturers are being tested in a pilot helium separation plant.

The Company installs automated remote well monitoring and management systems for well clusters and minimally manned gas field infrastructure management systems.

An innovative approach to phased development of stacked reservoirs was introduced at the Bovanenkovskoye oil and gas condensate field in the Yamal Peninsula. The approach uses reservoir pressure in a most efficient way so that an optimal number of directional and horizontal production wells are located on one well cluster site to cover the targeted productive reservoirs.

Comprehensive technological solutions are developed for sub-ice offshore gas production and piloted at the Rusanovskoye and Leningradskoye fields in the Kara Sea.

Innovations in oil exploration and production are focused on the development of hard-to-recover and unconventional reserves, integrated concept design tools, chemical enhanced oil recovery (EOR) techniques and APG utilisation.

- In 2013, an innovative oil development project was carried out at 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 being piloted at the Salym group of fields. Its application will enhance oil recovery by 8% to 25% (depending on geological conditions).
- An innovative hydraulic fracturing technology was introduced at the Priobskoye field. It does not use frac balls and therefore has no restrictions on the number of fractures in a shaft. Thanks to the new technology, Gazprom Neft managed to perform 15 hydraulic fractures in a horizontal well. Its roll-out will help the Company to put new, hard-to-recover reserves on stream.
- In 2015, the first dual production well with horizontal sections of 1 thousand metres was completed at the Novoportovskoye oil and gas condensate field in the Yamal Peninsula. The total length of the well amounted to 4.6 thousand m, with horizontal sections located below 2 thousand m. Drilling of ultra-long dual wells intensifies hydrocarbon production and reduces infrastructure costs.
- The first domestic rotary system designed by OAO Concern CSRI Elektropribor was successfully tested at the Vyngapurovskoye field.
- Boreskov Institute of Catalysis at the Siberian Branch of the Russian Academy of Sciences developed an APG soft reforming technology that was successfully piloted in the Company. The technology is recommended to be used in the Company's subsidiaries to increase APG utilisation levels at small and remote fields.

### Innovations in gas transportation and underground storage

To ensure uninterrupted, reliable gas supplies, Gazprom is continuously improving its gas transportation technologies and equipment.

It continues developing a corporate system for gas pipeline maintenance management, designing advanced diagnostics and repair tools, energy efficient equipment and gas compression technologies.

Another project under development is an energy-saving world-class technology for gas liquefaction with domestic equipment and materials. The technology will be used to build a pilot LNG unit. The Company continues to develop new-generation external and inline inspection techniques based on electromagnetic and acoustic control methods. The new techniques offer higher detection rates and assessment accuracy in steel pipes.

Research is continued into the use of hydrogen-enriched syngas and methane hydrogen fuel mixtures 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 station upgrade projects and for new-type gas turbine units featuring exhaust energy recovery modules.

Optimising solutions are developed to forecast geological risks in the construction of underground gas, oil, and refined products storage facilities in rock salt deposits in the Russian Federation, including in Eastern Siberian regions where helium-containing gas fields are located.

Research is ongoing to develop an energy-saving absorption technology for natural gas transportation and storage in new porous nano materials and metal organic structures.

At the Uvyazovskoye underground gas storage facility constructed in aquifers of the Ryazan Region, treatment of the bottomhole zone with surfactants prevented early flooding and reduced gas withdrawal time by more than 45 days. This was achieved by forming a stable screen separating gas and water in the well, so that no new drilling was needed, saving the Company's costs. The technology was presented at the 27th World Gas Conference in Paris (June 2015).

The throughput capacity of underground storage facilities can be increased by milling the production string and expanding the open shaft. Application of this method at the Kaluzhskoye underground gas storage facility increased the daily throughput rate by almost 7 mmcm of gas (up by 53%) without drilling additional wells.

### Innovations in hydrocarbon processing and petrochemical products

A most promising area of research in natural gas processing is the production of synthetic liquid fuel (SLF), an alternative to the production of gasoline from oil which will minimise investments in the gas transportation infrastructure. This is an area where Gazprom is actively exploring technologies for large-scale SLF production based on the Fischer-Tropsch process and small-scale SLF production based on the use of dual function catalysts to manufacture high-octane gasoline directly at natural gas production sites (marginal and low-pressure wells).

A new membrane cryogenic energy-efficient technology for natural gas processing was developed for the Orenburg helium plant to produce commercial helium, ethane and natural gas liquids. The application of the membrane-based cryogenic technology instead of the conventional cryogenic technology will reduce energy consumption by 60%, capital investments by 50% and operating costs by 12%.

As part of the oil processing and petrochemistry development efforts, PAO Gazprom Neft is involved in the Aluminium Oxide Catalysts for Advanced Oil Refining project, which was assigned a national priority project status in 2015. The project aims at developing catalysts for oil refining to improve motor fuel quality and increase crude conversion rates in the Russian oil refining industry. As part of the project, Omsk Oil Refinery will build a facility to produce cracking and hydroprocessing catalysts. Leading research organisations, including Russian Academy of Sciences institutes, take part in the development of new catalyst technologies.

### Innovations in power generation

The power generation business offers high potential for introduction of most advanced and best available technologies. Key focus areas include technologies for upgrading generation facilities, installation of CCGT units with efficiency of over 55% in TPPs, and introduction of circulating fluidised bed units in the construction and retrofit of coal-fired TPPs.

Projects under development include installation of heat pumps and their co-utilisation with TPPs in large cities, construction and retrofit of coal-fired TPPs, introduction of circulating fluidised bed units and wide use of CCGT units with efficiency of over 55% in construction of new coal-fired TPPs. In particular, the Company is designing an innovative 800 MW CCGT unit based on an existing K-300 steam turbine in a two-boiler single-turbine combination (at the Kirishskaya GRES of PAO OGK-2) and a 660 MW coal-fired power unit (at the Troitskaya GRES of PAO OGK-2). The innovative CCGT unit with the efficiency ratio enhanced from 38% to 55% led to a 32% reduction in specific fuel consumption for electricity generation at the Kirishskaya GRES. The advanced coal-fired power unit at the Troitskaya GRES will make the plant's operation much more efficient and reliable.

The Company is developing an air-cooled condenser for steam turbine plants. This project, completely unique in Russia, aims at significant cost reduction during the construction of power units and is the best solution when water resources are scarce or for applications where space is limited.

PJSC Gazprom uses over 100 self-contained power supply units based on renewable energy sources such as solar batteries or wind turbines to generate power for own operational needs at the Company's facilities.



For many years, PJSC Gazprom has pursued a conservative financial policy, thus maintaining a strong financial position and ensuring the performance of all obligations and the implementation of high-priority investment projects.

### PJSC Gazprom's Financial Policy

For more details on external market conditions having a material effect on Gazprom Group in the reporting year, see the Trends and Developments on Oil and Gas Markets section and the Marketing section

51–58, 102–103

With unparalleled fundamentals and conservative principles underlying the financial policy of PJSC Gazprom, the Company maintains financial resilience, a low debt level and strong liquidity, in an unfavourable market environment.

A major component of the Company's financial policy is a conservative budget capable of withstanding potential risks arising on financial markets. In particular, PJSC Gazprom's budget factors in the risks of lower gas purchases by counterparties, delayed payments for delivered gas supplies, declining prices for crude oil, gas and oil and gas refined products, and a number of other negative factors. The budget policy provides for strict cost ceilings control and, if any material changes occur, the budget is adjusted accordingly during the fiscal year.

Amidst declining global oil prices in 2015, PJSC Gazprom responded to the changing market conditions by adjusting its operations, investments and financial activities.

The Company uses scenario analysis tools to determine the optimal sizes of the budget and Investment Programme for various economic environments.

When developing its Investment Programme, PJSC Gazprom prioritises investment projects, ranking them by their significance and economic effect. The bulk of the Investment Programme is made up of priority projects focused on the Company's strategic goals and improving performance during winter season peak loads. This approach enables the Company to channel its financial resources towards the most important projects and retain flexibility in implementing the Investment Programme.

#### Project categories included in PJSC Gazprom's Investment Programme

- Priority projects, i.e. development investment projects supporting the Company's strategic priorities and included in PJSC Gazprom's Ten-Year Development Programme, as well as projects securing reliable operation at peak loads during the heating season.
- Targeted projects as part of integrated programmes (quota-limited sections of the Investment Programme), i.e. re-vamp, upgrade and retrofit projects at existing production facilities implemented as part of relevant targeted integrated programmes in different business lines of PJSC Gazprom.
- Other projects, covering other investment activity areas, including long-term investments, acquisition of non-current assets, prospecting and exploration projects, and construction of community facilities and infrastructure.

All costs are closely monitored by PJSC Gazprom throughout the implementation of an investment project, from analysis of investment requirements to the actual contract performance. Therefore, the Company's key investment projects are always financed on schedule and in full, even if market trends are negative. When developing its Investment Programme, PJSC Gazprom follows a principle of financing capital investments primarily from the operating cash flow.

The Company is continuously focused on consistent cost optimisation when drafting its budget and Investment Programme, as well as in its procurement activities and performance of contracts.

Other components of the financial policy getting the biggest focus are debt management and mitigation of FX risks. PJSC Gazprom maintains conservative debt ratios and optimises the cost of debt.

Established in 2015 to introduce centralised liquidity management in Gazprom Group, the Group-wide Treasury will exercise better control over financial flows within the Group and make the use of intra-group financial resources more effective.

Despite a challenging market environment, the Company's strong financial position enabled the Board of Directors to propose that the General Shareholders Meeting should increase a final dividend per share for 2015.

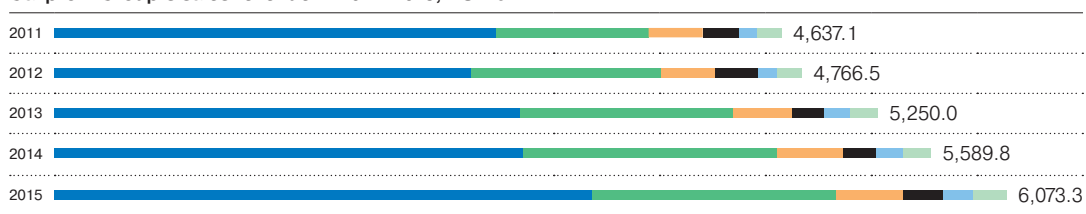
## Revenue

Gazprom Group's sales revenue (net of VAT, excise tax and customs duties) in 2015 grew 8.6% year-on-year to RUB 6,073.3 bn.

The increase was driven by higher revenue from gas sales, which grew by RUB 441.8 bn, or 14.8%, to RUB 3,427.2 bn. Revenue from gas sales accounted for 56% of the Group's total sales revenue.

A significant part of the Group's sales revenue is denominated in foreign currencies (predominantly USD and EUR).

**Gazprom Group's sales revenue in 2011–2015, RUB bn**

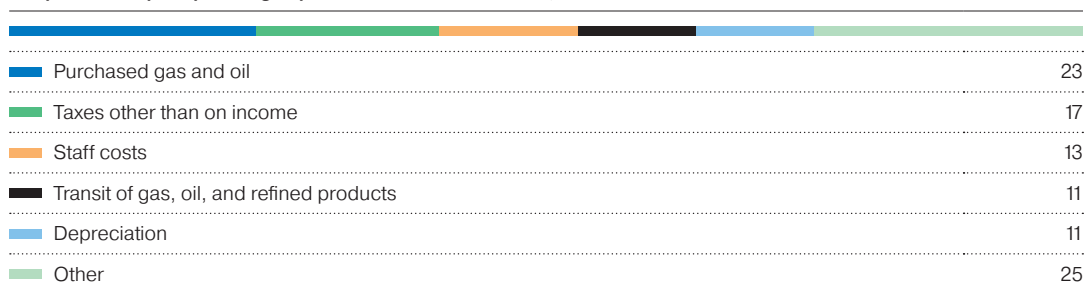


	2011	2012	2013	2014	2015
Net revenue from gas sales	2,814.9	2,657.1	2,971.8	2,985.4	3,427.2
Net revenue from refined products sales	973.0	1,209.2	1,351.7	1,619.2	1,555.6
Net revenue from electric and heat energy sales	344.6	343.5	375.6	427.0	424.7
Net revenue from sales of crude oil and gas condensate	235.4	275.6	210.2	209.2	260.6
Net revenue from gas transportation sales	113.0	125.4	163.3	172.8	194.0
Other revenues	156.2	155.7	177.4	176.2	211.2

## Operating Expenses

In 2015, the Group's operating expenses (excluding net asset impairment provision and other reserves) increased by 17.5% to RUB 4,635.5 bn (2014: RUB 3,943.7 bn). Most operating expenses are out of the Group's control and include taxes and gas transit charges. This growth was driven by higher costs of oil and gas purchases (due to consolidation of results of W & G Beteiligungs-GmbH & Co. KG and WIEH GmbH & Co. KG, and their subsidiaries engaged in gas sales and storage), gas, oil, and refined products transit, as well as by rising labour costs (mostly due higher average salaries).

**Gazprom Group's operating expenses breakdown in 2015, %**



Purchased gas and oil	23
Taxes other than on income	17
Staff costs	13
Transit of gas, oil, and refined products	11
Depreciation	11
Other	25

Gazprom is Russia's major taxpayer. In 2015, taxes accrued by the Group (net of income tax) amounted to RUB 805.1 bn, up by RUB 29.3 bn as compared to 2014. Key factors behind the growth of taxes in the reporting year are as follows:

- A “big tax manoeuvre” of the Russian Government that increased the MET rate for gas condensate and oil;
- An increase in the property tax rate applicable to trunk pipelines and power transmission lines (from 0.7% in 2014 to 1% in 2015).

#### Breakdown of Gazprom Group's taxes other than on income in 2015, %

Mineral extraction tax (MET)	73
Property tax	14
Other taxes	13

### Profit

As a result of operating expenses growth exceeding the growth of sales, in 2015, Gazprom Group's operating profit declined by RUB 82.1 bn, or 6.3% y-o-y, to RUB 1,228.3 bn.

Adjusted EBITDA decreased by RUB 87.9 bn, or 4.5% y-o-y.

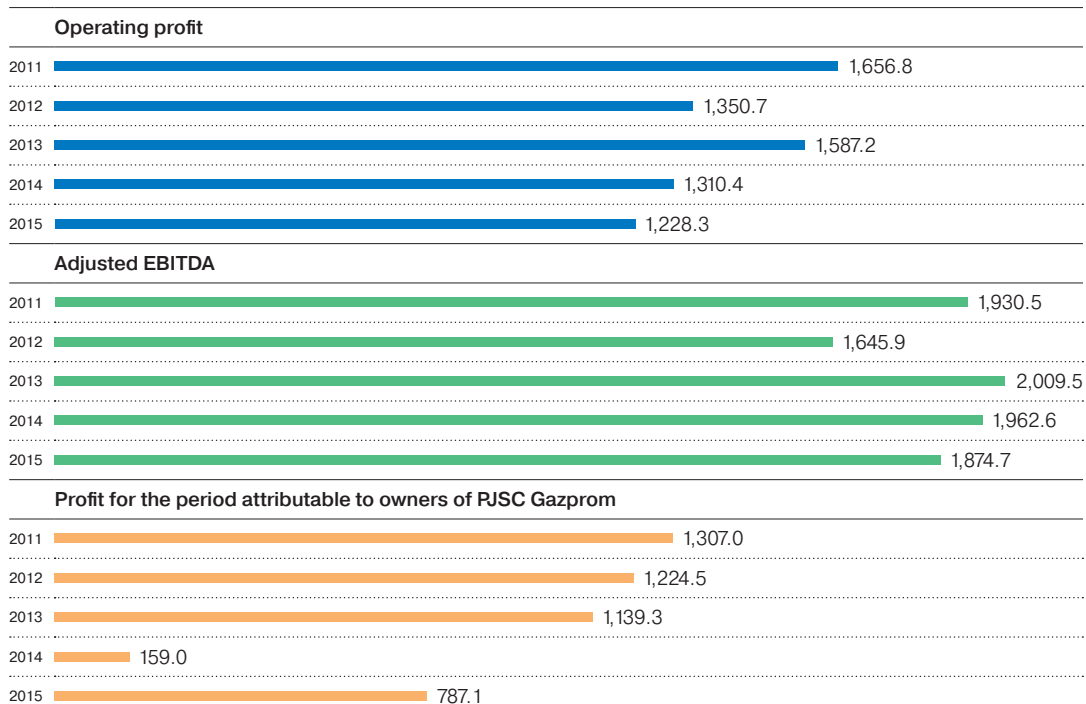
Gazprom Group's adjusted EBITDA margin in 2015 was 30.9%, a marginal decrease y-o-y (35.1 % in 2014).

Income tax in the reporting year totalled RUB 120.0 bn, down 19.8% y-o-y.

The Group's profit for the period attributable to owners of PJSC Gazprom increased five-fold y-o-y, totalling RUB 787.1 bn in 2015. The growth was driven mostly by a low base effect from 2014 when a sharp decline in net profit was caused by non-monetary losses from foreign exchange transactions.

The profit for the period margin attributable to owners of PJSC Gazprom amounted to 13.0% in 2015, having more than tripled y-o-y.

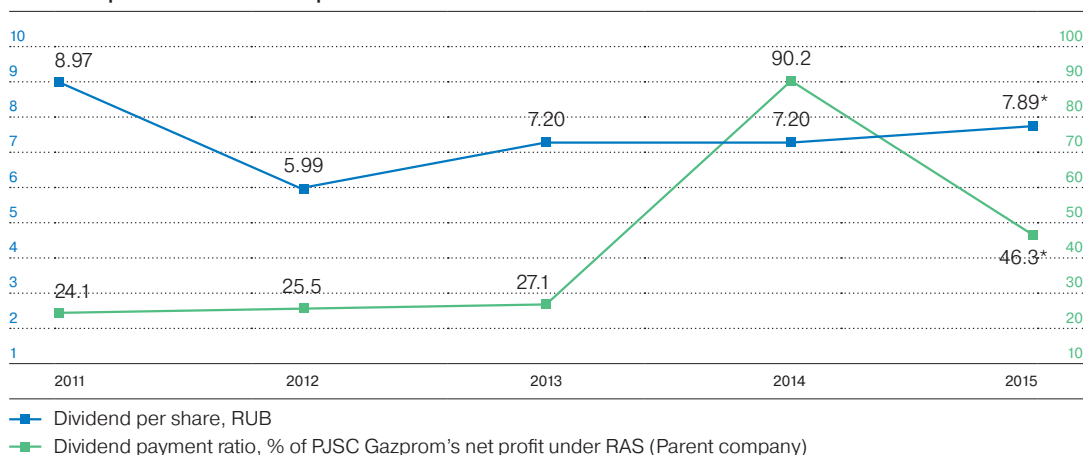
#### Gazprom Group's profit in 2011–2015, RUB bn



## Dividends and Shareholder Returns

For 2015, PJSC Gazprom's Board of Directors recommended to distribute RUB 186.8 bn (RUB 7.89 per share) in dividends.

**Dividends per share of PJSC Gazprom in 2011–2015**



\* Recommended dividends shown for 2015.

Dividends on shares of PJSC Gazprom recommended for distribution for 2015 amount to 23.7% of Gazprom Group's IFRS profit for the period attributable to owners of PJSC Gazprom.

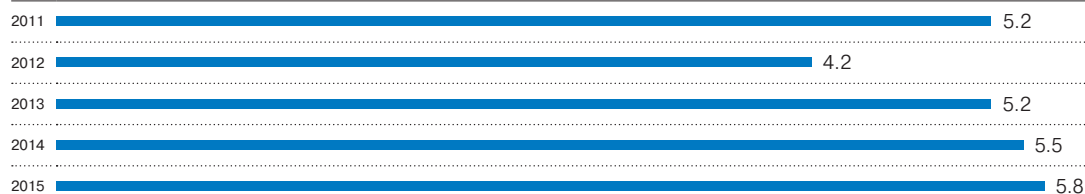
**PJSC Gazprom's dividends paid in 2015 for 2014 as at 31 December 2015**

	Dividends accrued, RUB thousand	Dividends paid, RUB thousand	Outstanding, RUB thousand*	Outstanding/accrued, %
Total	170,449,293	169,886,970	562,323	0.33
including dividends 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 in the register	24,318,994	24,134,145	184,849	0.76
held by individuals and corporate entities whose rights to shares are accounted for by the depository maintaining a nominee holder account with the issuer's register**	80,723,049	80,345,673	377,376	0.47
held by anonymous holders	98	—	98	100.00

\* 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 PJSC Gazprom's 2014 results, PJSC Gazprom paid RUB 80,723,049 thousand in dividends to nominee holders on 30 July 2015 as part of measures taken pursuant to the dividend resolutions of the Annual General Shareholders Meeting dated 26 June 2015. As at 31 December 2015, the nominee holders failed to transfer RUB 377,376,000 in dividends in pursuance of their statutory obligation prescribed by the securities laws of the Russian Federation for reasons beyond their control (clause 8 of Article 42 of Federal Law No. 208-FZ dated 26 December 1995).



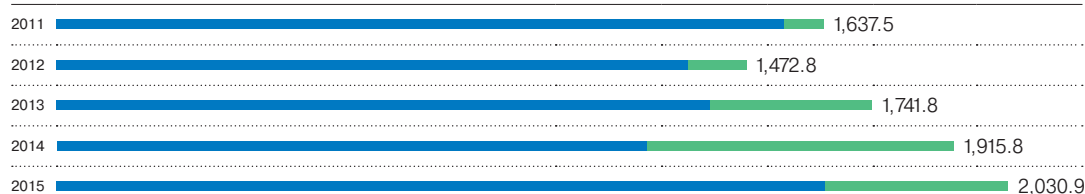
**Dividend yield in PJSC Gazprom in 2011–2015, %**


**Note.** Dividend yield in the relevant period is calculated as a ratio of dividends per share to the share price as at 31 December.

Following 2015, the return on equity amounted to 7.71% while the total shareholder return reached 0.091.

**Cash and Free Cash Flow**

Over the last 10 years, Gazprom Group has generated free positive cash flow. In 2015, the Group free cash flow totalled RUB 389.9 bn

**Gazprom Group's cash from operating activities in 2011–2015, RUB bn**


	2011	2012	2013	2014	2015
Capital expenditures	1,553.1	1,349.1	1,397.2	1,262.1	1,641.0
Free cash flow	84.4	123.7	344.6	653.7	389.9

## Capital Investments

In 2015, capital investments of Gazprom Group increased by RUB 123.5 bn (up 10.1% y-o-y) to RUB 1,344.8 bn (vs. RUB 1,221.3 bn in 2014).

For more details on Gazprom Group's key areas of capital investments in 2015 see the Operations and Marketing section

80, 84, 85, 92, 96

Gazprom Group's capital investments in 2011–2015, RUB bn

	2011	2012	2013	2014	2015
2011	1 351,6				
2012	1 233,2				
2013	1 213,9				
2014	1 221,3				
2015	1 344,8				
	2011	2012	2013	2014	2015
Transportation	740.9	563.8	380.5	434.4	420.9
Production of gas	246.6	232.7	257.4	254.9	220.2
Production of crude oil and gas condensate	79.1	121.2	223.6	227.4	324.3
Refining	115.6	134.2	113.3	135.2	136.3
Electric and heat energy generation and sales	69.5	54.8	77.2	82.0	98.9
Distribution of gas	48.8	47.2	36.1	23.7	26.0
Gas storage	20.0	18.2	23.5	15.5	48.5
All other segments	31.1	61.1	102.3	48.2	69.7

Capital investments of Gazprom Group are fully covered by the operating cash flow.

## Debt Management

The important factor of Gazprom's financial stability is a conservative debt management policy of PJSC Gazprom. Total debt, debt ratios and the average cost of debt are all acceptable to the Group.

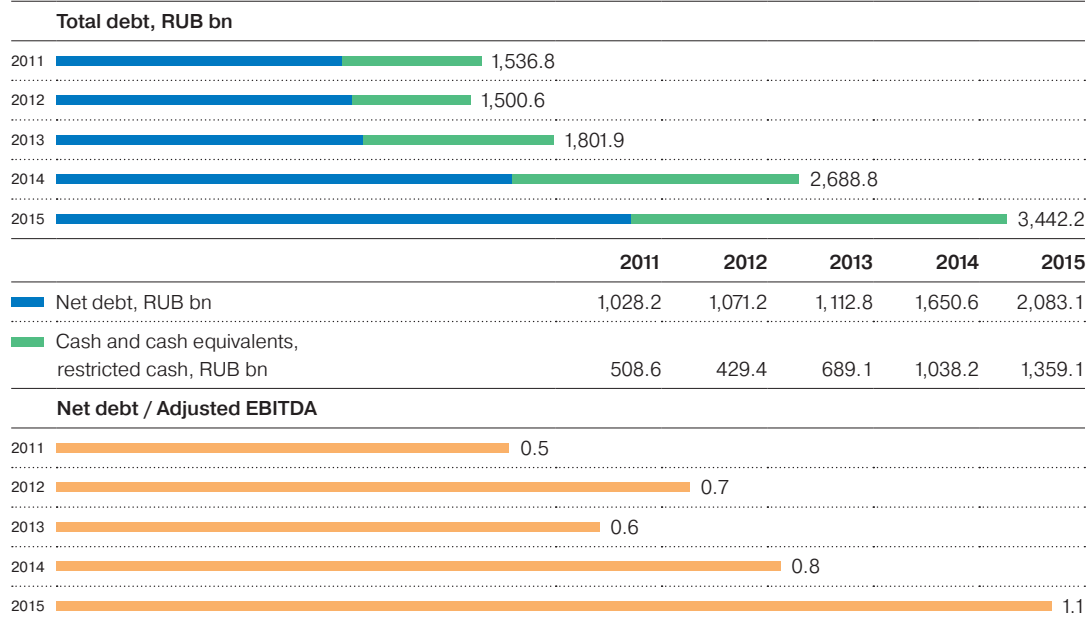
### Debt portfolio

As at 31 December 2015, total debt of Gazprom Group was RUB 3,442.2 bn, up 28.0% y-o-y.

The Group's net debt grew by RUB 432.5 bn, or by 26.2% y-o-y, to RUB 2,083.1 bn as at 31 December 2015 (RUB 1,650.6 bn as at 31 December 2014). Key drivers behind the growth of net debt included changes in FX rates (appreciation of dollar and euro).

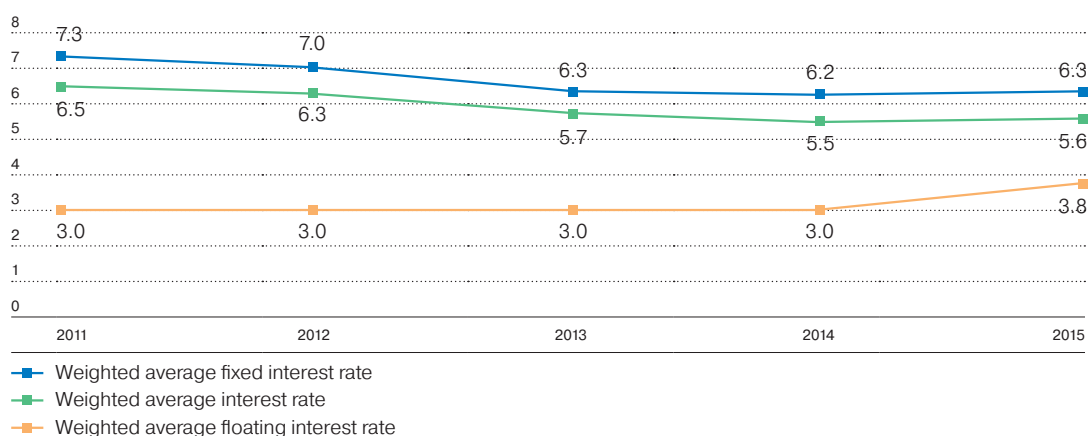
In 2015, the Net Debt / Adjusted EBITDA ratio stood at 1.1.

## Gazprom Group's debt in 2011–2015



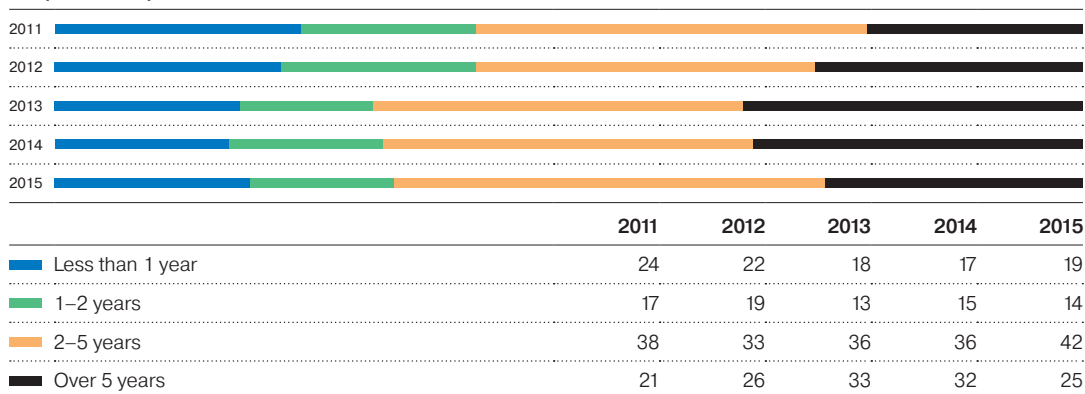
Gazprom Group companies are reliable borrowers on the domestic and international capital markets, able to raise funds at affordable interest rates.

## Cost of Gazprom Group's debt in 2011–2015, %



Gazprom takes a conservative approach towards selecting sources of finance and is effectively using borrowed funds. The Group's debt portfolio is well-balanced in terms of maturity — loans maturing in more than five years account for about a fourth of the portfolio; fixed interest loans totalled 71%.

## Gazprom Group's debt maturities in 2011–2015, %



## Borrowings on international markets

Gazprom raises capital funds on international debt markets, with a number of transactions closed in 2015.

## Gazprom Group's bond issues and large loans on international markets in 2015

Transaction	Date	Size	Interest or coupon rate	Maturity	Value
Loan	January 2015	EUR 350 mm	EURIBOR + 2.75 %	2016	The first bilateral loan agreement between PJSC Gazprom and Intesa Sanpaolo S.p.A. The transaction is important for linking up with credit institutions from Italy and other European countries.
Loan	April 2015	USD 500 mm	LIBOR + 3.25 %	2018	Syndicated loan arranged by J.P. Morgan Europe Limited and involving Asian banks.
Loan	August 2015	USD 1,500 mm	LIBOR + 3.5 %	2020	The first loan provided to PJSC Gazprom by a consortium of Asian banks syndicated by the Beijing branch of China Construction Bank Corporation.
Euro medium-term notes (EMTN)	October 2015	EUR 1,000 mm	4.625 %	2018	One of the three Eurobond issues by Russian issuers in 2015.

PJSC Gazprom keeps looking for new financing sources. In particular, the Company seeks to expand contacts with Asia Pacific financial institutions. In August 2015, a USD 1.5 bn loan was obtained from a consortium of Chinese banks. Besides, the Company negotiates participation of the largest Chinese banks in its projects, including through project financing schemes. Depending on further market development, borrowing can be increased on the domestic market.

For a detailed list of PJSC Gazprom's outstanding bond issues, visit the website

 [gazprom.com](http://gazprom.com)



### Credit ratings

For more details on PJSC Gazprom's credit ratings, visit the website

 [gazprom.com](http://gazprom.com)



Credit ratings assigned to PJSC Gazprom by the largest global rating agencies are comparable with sovereign foreign currency ratings of the Russian Federation.

#### Credit ratings of PJSC Gazprom as at 31 December 2015

Rating agency	Long-term foreign currency credit rating
Standard & Poor's	BB+ (outlook negative)
Fitch Ratings	BBB- (outlook negative)
Moody's	Ba1 (outlook stable)
Dagong	AAA (outlook stable)

In February 2015, China's largest independent rating agency Dagong Global Credit Rating Company Limited (Dagong) assigned PJSC Gazprom its highest credit rating (AAA), outlook stable. According to the agency, key factors underlying the highest rating are strong fundamentals and high financial stability.



# IV Environmental and Social Responsibility

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**Human capital is Gazprom's most valuable resource, providing it with a strong competitive edge in the global energy market. Gazprom is committed to enhancing its employee incentive scheme, focusing on employees' continued professional development and social security.**

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

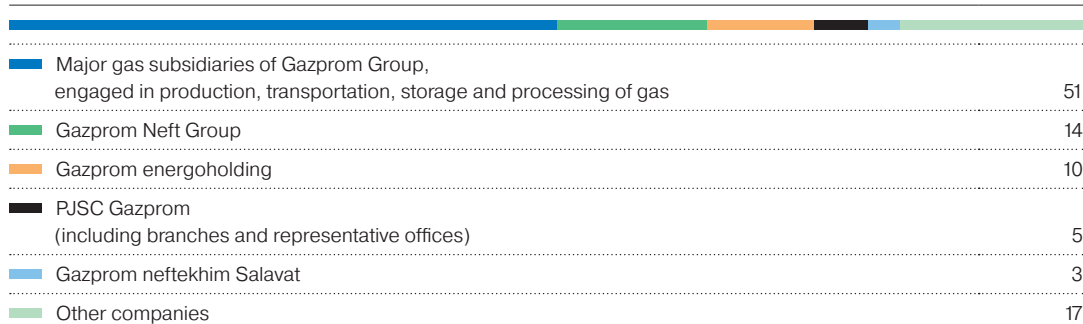
In 2015, regulation of all social and labour relations within Gazprom Group was performed in accordance with the labour laws, the General Agreement between the National Associations of Trade Unions and Employers and the Russian Government, the Industry Agreement for Oil, Gas and Construction Companies, collective agreements, and other local legal acts of Gazprom Group's companies.

### Personnel Structure

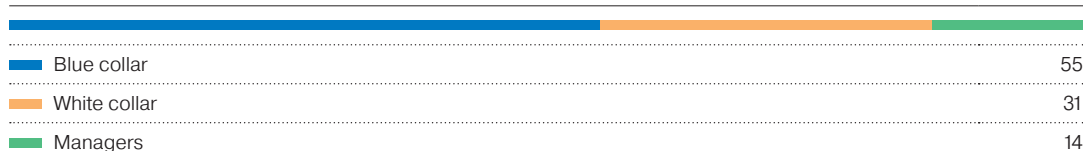
Gazprom Group is one of the major Russian employers.

As of 31 December 2015, the Group's total headcount was 462.4 thousand employees (as compared to 459.6 thousand in 2014), including 26.8 thousand employees in non-resident companies. The headcount grew by 2.8 thousand people, as Gazprom ramped up its production operations.

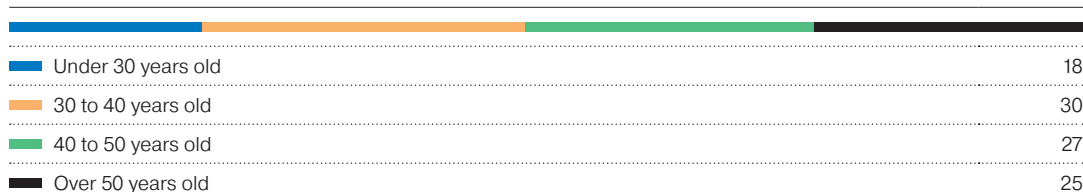
#### Gazprom Group's personnel by Group companies as of 31 December 2015, %



#### Gazprom Group's personnel by category as of 31 December 2015, %



#### Gazprom Group's personnel by age as of 31 December 2015, %



Employee turnover rates in Gazprom Group companies are low. For instance, during the reporting year, they were as low as 3.9% for Gazprom Group and 1.4% for subsidiaries engaged in production, transportation, storage and processing of gas.

### Professional Development and Young Talent Management

In 2015, 294.1 thousand employees of Gazprom Group were trained under career enhancement and retraining programmes.

Gazprom operates a corporate Continuous Vocational Education and Training System 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.

Gazprom runs targeted employee training programmes tailored for specific activities, for example development of offshore hydrocarbon fields, GTS dispatch control, LNG production, use of NGV fuel, use of innovative process equipment, etc. During 2015, Gazprom also provided targeted training based at Gazprom Corporate Institute private educational institution of continuing professional education and Saint Petersburg State University of Economics, offering two-year talent succession training programmes to ensure continuity of management across PJSC Gazprom.

Vocational skills competitions are an effective tool used by Gazprom to incentivise and drive improvements in employee development, and promote transfer of professional skills and knowledge, and cultural exchanges.

#### Vocational skills competition held in 2015

- Computer-Aided Design and Information Technology (hosted by the Saint Petersburg Branch of Gazprom Corporate Institute);
- PJSC Gazprom's Best Corrosion Prevention Expert (hosted by OOO Gazprom transgaz Yugorsk);
- PJSC Gazprom's Best Welder (hosted by OAO Gazprom transgaz Belarus);
- PJSC Gazprom's Best Cable Jointer (hosted by OOO Gazprom transgaz Nizhny Novgorod).

Gazprom makes a special focus on young talent management. In 2015, Gazprom Group recruited 2,553 young university and vocational school graduates. The Group provided internship and pre-graduation practice opportunities to 13,377 university, technical school and college graduates.

#### Development of vocational education

The Company is the founder of two secondary vocational education institutions, Volgograd College of Gas and Oil non-state secondary vocational education institution and Gazprom Vocational School Novy Urengoi private professional educational institution. They offer specialty training in such oil and gas activities as Oil and Gas Fields Development and Operation, Construction and Operation of Gas and Oil Pipelines and Storage Facilities, Oil Refining and Gas Processing, Technological Process and Production Automation, Installation and Operation of Gas Supply Equipment and Systems, etc.

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 2015, PJSC 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 Resources University (University of Mines);
- Kazan National Research Technological University;
- Ukhta State Technical University;
- Bauman Moscow State Technical University;
- Lomonosov Moscow State University;
- National Research University Higher School of Economics;
- Graduate School of Management of St. Petersburg State University;
- Admiral Makarov State University of Maritime and Inland Shipping;
- St. Petersburg-based State Marine Technical University;
- Tyumen State Oil and Gas University;
- Ufa State Petroleum Technological University;
- Ammosov North-Eastern Federal University.

PJSC Gazprom has developed and successfully runs the Young Specialist Training School, a three-step corporate post-graduate training programme designed to ensure targeted selection and better onboarding of new young talent.

### Employee Remuneration

The Remuneration Management Policy for Employees of PJSC Gazprom's Entities sets out unified corporate remuneration standards for Gazprom Group's employees.

The purpose of this policy is to provide a framework for attracting and retaining staff with required qualifications and motivate employees to perform as expected.

The Policy's key objectives are to

- ensure the use of unified corporate remuneration standards for employees;
- maintain real pay levels through indexation of fixed salaries (pay rates) versus the consumer price index growth;
- ensure competitive pay levels for employees at PJSC Gazprom entities versus the market;;
- establish the average monthly pay levels for employees at PJSC Gazprom entities based on unified corporate remuneration standards;
- ensure control over the application of remuneration schemes based on unified corporate reporting on HR costs.

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.

Pursuant to the terms of the General Collective Agreement of PJSC Gazprom and its subsidiaries for 2013–2015, and taking into account the opinion of PJSC Gazprom's Interregional Trade Union, fixed salaries and pay rates of employees at PJSC Gazprom's budgeted entities located within Russia were increased, starting from 1 January 2015, by 6.7% to reflect the forecasted growth of consumer price index as estimated by the Ministry of Economic Development of the Russian Federation.



## Social Policy

PJSC 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 key principle that underlies the implementation of PJSC Gazprom's social policy is the use of social partnership mechanism, i.e. a constructive dialogue between employees and employers on the matters related to the regulation of social and labour relations.

PJSC Gazprom's Interregional Trade Union, which is part of the Russian Oil, Gas and Construction Workers' Union, is the party to the social partnership representing the interests of employees at PJSC Gazprom's subsidiaries and entities.

The key areas of employees' social security are set out in the General Collective Agreement of PJSC Gazprom, and in the collective agreements of Gazprom's subsidiaries, and provide for a range of social support measures offered to employees, including social benefits, personal insurance, and healthcare benefits.

To attract and retain key and highly skilled employees PJSC Gazprom runs a number of special corporate programmes, including

- a corporate housing programme, funded by both employees and the employer through bank mortgage lending facilities (using a co-financing approach); and
- a private pension arrangement run through Non-State Pension Fund GAZFOND.

The success of the Company's social policy is seen in the consistent performance shown by the teams of PJSC Gazprom's subsidiaries and entities and in the adequate staffing levels and skills mix of staff.

**Gazprom is committed to ensuring safe operations. The Company has in place a successful Unified Occupational Health and Safety Management System which meets international standards. 2016 was declared the Year of Occupational Health at Gazprom.**

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

The Company is guided in its activities by the Labour Code of the Russian Federation, Federal Law No. 116-FZ On Industrial Safety of Hazardous Production Facilities, and PJSC Gazprom's Occupational Health and Safety (OHS) Policy (approved in 2009).

The following goals underpin the Company's 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 the Company'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 PJSC 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 around 325 thousand employees.

The basic standards and regulations of the Unified Occupational Health and Safety Management System are regularly reviewed and updated.

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 PJSC Gazprom's headquarters and 26 subsidiaries and is valid until 8 December 2017. The total headcount of PJSC Gazprom's and its subsidiaries' employees who successfully passed the certification process is 228 thousand persons.

To expand certification, the Company has developed PJSC Gazprom's Occupational Health and Safety Management System Implementation and Certification Schedule.

Occupational health and safety governance across PJSC Gazprom is provided by the Deputy Chairman of PJSC Gazprom's Management Committee in charge of Gazprom's operations departments.

The Company has PJSC Gazprom's OHS Committee and OHS Administration.

Pursuant to PJSC Gazprom's Occupational Health and Safety 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 compliance with the requirements of federal and regional laws, and the Company internal OHS documents, including international standards and standards adopted by the Company;
- 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;
- active involvement of the personnel in OHS activities; setting up an environment, including employee incentives, that promotes responsible behaviour by each employee towards their own and other people's safety;

- allocating required financial, physical and technical resources to support the Policy's implementation;
- 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 the Company;
- ensuring regular review, adjustment and improvement, as well as timely communication to the Company's employees and other stakeholders, of PJSC Gazprom's OHS Policy.

In 2015, the Company successfully implemented a range of activities under its OHS commitments, achieving a number of targets.

PJSC Gazprom's OHS objectives for 2015		
Objective	Target	Performance in 2015
Protect the lives and health of PJSC Gazprom's employees	Reduce the fatal injury rate for employees by 50% against 2014	Target achieved. The fatal injury rate for employees reduced by 67%.
Protect the lives and health of PJSC Gazprom's employees during construction of new facilities	No serious injuries to employees during construction of PJSC Gazprom's new facilities	Target achieved. There were no serious injuries to employees during construction of PJSC Gazprom's new facilities.
Protect the lives and health of PJSC Gazprom's employees during road transport activities	Reduce the number of injuries caused by road traffic accidents in the Company (through the fault of the employee or the employer) by 8% y-o-y	Target not achieved. In 2015, 13 people sustained injuries caused by road traffic accidents in the Company (through the fault of the employee or the employer) (as compared to 13 in 2014).
Protect the lives and health of PJSC Gazprom's employees during work at height	Accident Frequency Rate (AFR) reduction for employee injuries caused by falls from height by 8% y-o-y	Target achieved. AFR for employee injuries caused by falls from height reduced by 50%.
Protect the lives and health of PJSC Gazprom's employees during operation of electrical equipment	AFR reduction for electrical injuries to employees by at least 15% y-o-y	Target achieved. Zero AFR for electrical injuries to employees in 2015 (as compared to 0.023 in 2014).
Improve working conditions for employees	Reduction of the number of workplaces with harmful working conditions (the ratio of the number of workplaces with harmful working conditions to the total number of workplaces certified through special assessment of working conditions) by 3% y-o-y	Target achieved. Reduction of the number of workplaces with harmful working conditions by 9% y-o-y (from 30% in 2014 to 21% in 2015).
Improve OHS competences of the Company's employees	Zero injuries caused by inadequate arrangements for hazardous activities	Target not achieved. There were 9 injuries caused by inadequate arrangements for hazardous activities in 2015.
Ensure reliable operation of hazardous industrial facilities	Reduction in the number of incidents at PJSC Gazprom's hazardous industrial facilities by 5% y-o-y	Target achieved. In 2015, the number of incidents at PJSC Gazprom's hazardous industrial facilities was reduced by 19% y-o-y (from 53 in 2014 to 43 in 2015).
Ensuring fire safety at PJSC Gazprom's facilities.	No fires at PJSC Gazprom's facilities	Target not achieved. There were 6 fires in 2015.

Accidents, incidents and fires in PJSC Gazprom's subsidiaries were investigated and learned from, with measures developed to prevent future recurrences.

A major OHS commitment by PJSC 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 the Company's Unified Occupational Health and Safety Management System helped reduce the number of injured in occupational accidents from 159 to 103 people, with the number of emergencies at hazardous industrial facilities brought down from 14 to 12, and the number of incidents down from 65 to 43 between 2011 and 2015.

By Resolution of PJSC Gazprom's Management Committee 2016 was declared the Year of Occupational Health at PJSC Gazprom. The Year of Occupational Health Action Plan was approved containing over 700 activities designed to improve working conditions and protection of the lives and health of PJSC Gazprom's employees, and strengthen the safety culture among them. 112 subsidiaries and over 325 thousand employees are expected to be involved in the activities.

One of the most critical OHS commitments by PJSC Gazprom is to require that suppliers and contractors operating at the facilities of PJSC Gazprom and its subsidiaries comply with the OHS standards and regulations used by the Company. PJSC Gazprom and its subsidiaries have in place access control and safe working practices regulations approved by the heads of PJSC 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 Neft Group benefits from an integrated management system compliant with OHSAS 18001, ISO 14001 and ISO 9001 international standards and covering both environmental safety and occupational and health safety. Gazprom Neft 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 Neft Group also has a Health, Safety and Environment Protection Board in place.

Gazprom Neft is implementing a long-term major initiative to cultivate a strong safety culture, with a strategy and priorities developed for efforts in this area for the coming years, and a new corporate value articulated to highlight commitment to occupational safety: "Goal Zero: No harm to people, facilities and the environment." In addition to the implementation of the said long-term project, numerous activities will be going on throughout 2016 as part of the Year of Occupational Health initiative to improve prevention of occupational injuries and working conditions.

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).

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

**Gazprom is particularly focused on sustainable use of natural resources, making consistent efforts to reduce its environmental impact, and implementing a range of mandatory and voluntary environmental activities.**

Responsibility for environmental protection is essential for a continued and successful business growth, and a key element of the Group's business strategy.

Being a major user of natural resources in Russia, Gazprom makes every effort to ensure compliance with Russian and international environmental protection laws, and goes beyond that by taking voluntary environmental commitments.

The Company's Environmental Policy, which sets out its obligations, including voluntary commitments, and their implementation mechanisms, is the primary document governing PJSC Gazprom's environmental activities.

In 2015, a new version of the Environmental Policy was approved. The document was updated to reflect both the expanding range and geography of operations and changes in Russian environmental laws. The new version of the Environmental Policy sets out additional commitments to environmental safety that the Company undertakes in developing hydrocarbon fields on the Russian continental shelf and Arctic Zone and in minimising the risks of negative impact on the environment, including on particularly vulnerable natural sites and areas and features of high conservation value.

The implementation of the Company's Environmental Policy is managed by PJSC Gazprom's Coordinating Committee for Environmental Protection and Energy Efficiency, which is responsible for integrated management and overall coordination of environmental activities by Gazprom Group companies.

In 2015, PJSC Gazprom's Coordinating Committee reviewed the following matters:

- building a register of the best available technologies ensuring development, treatment, transportation, storage and processing of hydrocarbons in an environmentally friendly way;
- a roadmap for achieving potential reduction of specific fuel and energy consumption for own operational needs at PJSC Gazprom through the introduction of advanced cutting-edge technologies until 2030;
- environmental effectiveness of converting motor vehicles to natural gas;
- implementation of energy-saving initiatives at PJSC Gazprom's subsidiaries through the use of energy service contracts;
- environmental safety of the Power of Siberia pipeline construction project.

### Environmental Management System

The Environmental Management System (EMS), compliant with ISO 14001:2004 international standard, is a key tool to implement the Company's Environmental Policy.

PJSC Gazprom's EMS covers 36 wholly-owned subsidiaries that are engaged in the core activities of exploration, production, transportation, storage and processing of gas and gas condensate or are involved in investment activities.

The Company's permanent Working Group for PJSC Gazprom's EMS Improvement provides an ongoing focus on integrated approach and coordination of efforts of PJSC Gazprom's business units in environmental management.

The Company's Corporate Environmental Targets were set for 2014 to 2016. In 2015, the Company achieved progress towards all Corporate Environmental Targets.



**Achievement of PJSC Gazprom's Corporate Environmental Targets in 2015**

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 5.0%
Reduction of specific emissions of nitrogen oxides into the atmosphere	All subsidiaries engaged in natural gas transportation	Down 15.0 %
Reduction of waste and effluent water discharge into surface water bodies	All subsidiaries	Down 23.9 %
Reduction of disposable waste share	All subsidiaries	Down 18.0 %
Reduction of above-limit impact charges as an integral indicator of negative environmental impact	All subsidiaries	Down 54.7 %
Reduction of specific fuel & energy consumption for own operational needs	All subsidiaries engaged in natural gas transportation	Down 24.6 %

For more details on the environmental management systems in the Group companies, see PJSC Gazprom's Environmental Report and on the official websites of relevant companies



[mosenergo.gazprom.com](http://mosenergo.gazprom.com)  
[ogk2.ru/eng](http://ogk2.ru/eng)  
[tgc1.ru/en](http://tgc1.ru/en)  
[gazprom-neft.com](http://gazprom-neft.com)  
[salavat-neftekhim.gazprom.com](http://salavat-neftekhim.gazprom.com)  
[sakhalinenergy.ru/en](http://sakhalinenergy.ru/en)  
[en.severneftegazprom.com](http://en.severneftegazprom.com)

Gazprom Group companies that are not covered by PJSC Gazprom's EMS have in place their own effective environmental management systems, most of which are certified to ISO 14001:2004. These include OOO Gazprom energoholding and its subsidiaries (PAO Mosenergo, PAO OGK-2, OAO TGC-1), PAO Gazprom Neft, OAO Gazprom neftekhim Salavat, Sakhalin Energy, and OAO Severneftegazprom, with their environmental management systems reflecting the company's profile and having their application specifics.

## Environmental Performance

In 2015, total air pollution emissions made by Gazprom Group's stationary sources in Russia slightly increased y-o-y to 2,830.6 thousand tonnes.

Waste water discharge into surface water bodies was cut by 325.3 mmcm across Gazprom Group, primarily due to reduced process water consumption at Gazprom energoholding's companies. In addition, in 2015, Gazprom Group implemented a range of environmental protection measures focusing on sustainable use of water and addressing pollution of water bodies. 71 waste water treatment systems were put into service, with an aggregate capacity of 293.9 mcm per day. 15 water recycling systems, with an aggregate capacity of 8,773.7 mcm per day, were installed.

The volume of waste generation was up by 2.5% y-o-y due to increased drilling waste at Gazprom Neft Group and OOO Gazprom dobycha Nadym. The proportion of drilling waste utilised and neutralised across Gazprom Group in 2015 reached 88% of the total amount of drilling waste stored at the start of the year and generated and shipped during the year by other companies.

In 2015, the area of land disturbed during the year increased to 58.1 thousand hectares, due to repairs on PJSC Gazprom's GTS pipelining and active implementation of construction projects in Gazprom Neft Group. OOO Gazpromneft — Angara showed the biggest increase, due to its large-scale seismic surveys. At the same time, the amount of reclamation works has grown by 44.4%. Land reclamation activities will be continued in 2016.

**Gazprom Group's environmental impact indicators (Russian operations)**

	2013	2014	2015
Air pollution emissions, thousand tonnes	3,076.4	2,797.6	2,830.6
Waste water discharge into surface water bodies, mcm	4,389.9	4,179.1	3,853.8
Waste generation, thousand tonnes	4,693.7	4,831.4	4,954.0
Area of land disturbed during the year, thousand ha	13.1	15.4	58.1
Area of land rehabilitated during the reporting year, thousand ha	14.0	12.6	18.2

Gazprom Group's subsidiaries and affiliates operating abroad also seek to minimise their environmental footprint.

Gazprom EP International B.V., a single operator of PJSC Gazprom's hydrocarbon field prospecting, exploration and development projects abroad, is making significant efforts to utilise innovative technologies and research including to mitigate environmental impact. Environmental controls are in place at the company's production facilities.

In FSU countries, environmental activities are carried out by the Group's subsidiaries ZAO Gazprom Armenia, OAO Gazprom transgaz Belarus, and OsOO Gazprom Kyrgyzstan.

**Environmental Protection Costs**

In 2015, Gazprom Group's current environmental protection costs in Russia (including operating expenses, service fees and overhaul costs) were almost flat y-o-y.

**Environmental protection costs (Russian operations), RUB bn**

	2013	2014	2015
Total current environmental protection costs	31.46	31.66	32.17
Environmental operating costs and fees for environmental protection services	28.35	27.45	29.21
Overhaul costs for fixed capital assets used in environmental protection	3.11	4.21	2.96
Capital investments into environmental protection and sustainable use of natural resources	24.95	15.58	15.75
Negative environmental impact charges	2.95	1.75	1.79


**Breakdown of Gazprom Group's current environmental protection costs in 2015 (Russian operations), %**

Waste water collection and treatment	52
Protection and remediation of land, and surface and ground waters	15
Waste treatment	14
Ambient air protection and climate change prevention	14
Other activities	5

For more details see  
PJSC Gazprom's Environmental  
Report

In 2015, Gazprom Group's capital investments into environmental protection and sustainable use of natural resources in Russia totalled RUB 15.75 bn, roughly flat y-o-y.


**Gazprom Group's capital investments into environmental protection and sustainable use of natural resources in 2015 (Russian operations), %**



Protection and sustainable use of water	53
Protection and sustainable use of land	32
Ambient air protection	10
Waste utilisation and processing systems; waste utilisation, neutralisation and disposal facilities and sites	4
Other areas	1

In 2015, Gazprom Group paid RUB 1.79 bn of negative environmental impact charges to different level budgets in the Russian Federation, roughly flat y-o-y.

**Gazprom Group's negative environmental impact charges in 2015 (Russian operations), %**



Charges for air pollution emissions	49
Charges for disposal of production and consumption waste	47
Charges for discharge of pollutants into water bodies	4

In addition, Gazprom Group funds environmental activities in foreign countries where it operates, and pays negative environmental impact charges to the respective national budgets if required by applicable local laws.

In 2015, a total of 485 state inspections of Gazprom Group's entities were held. In over 100 inspections (more than 20% of the total) no irregularities have been identified. Out of the total identified cases of irregularities, 39% 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 2015, 384 irregularities were rectified; of them 42 irregularities were revealed based on the results of inspections held in previous years.

In 2015, supervisory authorities imposed a total of RUB 26.2 mm of fines, including RUB 11.7 mm imposed on Gazprom Neft Group's companies.

During 2015, Gazprom Group's companies paid RUB 21.4 mm of fines, including RUB 4.1 mm for previous years.

In 2015, five claims worth, in aggregate, RUB 10.5 mm were brought against the Group companies for environmental damage, including two claims for environmental damage as a result of accidents, worth RUB 3.1 mm. The Group paid a total of RUB 79.6 mm in compensation for environmental damage (including for previous years), including RUB 60.6 mm paid by Gazprom Neft Group companies.

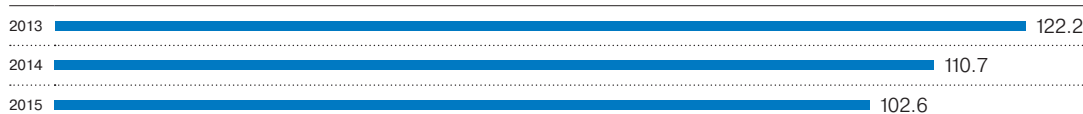
## Corporate Climate Policy

The Company'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 PJSC 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 Russian President's Executive Order No. 752 dated 30 September 2013.

In 2015, greenhouse gas emissions at facilities of PJSC Gazprom and its wholly-owned subsidiaries engaged in exploration, production, transportation, storage and processing of hydrocarbons, totalled 102.6 mm tonnes of CO<sub>2</sub> equivalent, including GHG emissions of gas distribution subsidiaries and subsidiaries supporting the gas supply system's operation that were included in GHG reports for the first time. The emissions reduction was driven by a decrease in the natural gas consumption in compression process, more efficient use of fuel and energy and the implementation of other energy-saving initiatives.

**Greenhouse gas emissions at facilities of PJSC Gazprom and its wholly-owned subsidiaries, mm tonnes of CO<sub>2</sub> equivalent**



Every year, PJSC Gazprom submits to the Federal Service for Hydrometeorology and Environmental Monitoring of Russia (Roshydromet) 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. PJSC Gazprom is involved in preparing materials for Russia's National Communications on Greenhouse Gas Emissions.

Since 2009, the Company has participated in the Carbon Disclosure Project (CDP), a global investor-backed initiative. Starting from 2013, the Company reports more measures and provides additional data on indirect greenhouse gas emissions in its responses to CDP's questionnaires. The greenhouse gas stocktaking system was also implemented in Gazprom energoholding, Gazprom Neft Group, Sakhalin Energy (the Group's affiliate), and other companies.

In 2011–2015, PJSC Gazprom obtained the best scores among Russian oil and gas companies based on the results of its responses to CDP's questionnaires.

Gas flaring reduction projects can greatly contribute to GHG emissions reduction in the oil and gas sector.

For more details see  
PJSC Gazprom's Environmental  
Report

For more details see the  
Exploration and Production  
section

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## Environmental Requirements to Suppliers and Contractors

One of the tools to implement PJSC 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.

The key requirements to construction participants (contractors):

- strict compliance with PJSC Gazprom's Environmental Policy;
- compliance with regulations included in PJSC Gazprom's standardisation system covering environmental protection;
- full implementation of design solutions, including environmental protection measures and initiatives to mitigate negative environmental impact;
- timely document preparation and obtaining of required approvals relating to environmental protection and covering the entire facility to be constructed, upgraded or overhauled.

When executing a contract agreement, PJSC 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.

In 2015, as part of control and supervisory activities covering PJSC Gazprom's construction, upgrade and overhaul projects, PJSC Gazprom's Environmental Inspectorate carried out 218 inspections to check that subsidiaries and contractors comply with environmental requirements, including 74 inspections at high-priority construction projects, 46 at overhaul projects, 56 at upgrade projects, and 42 at other construction projects.

### **Assessment of Gazprom Group's Environmental Performance by Stakeholders**

Most of PJSC Gazprom's investment projects are subject to public consultations in accordance with Russian laws.

Since there are no statutory requirements as to the procedure for such consultations, the Group has in place a corporate standardisation instrument, Recommendations on holding public consultations and public hearings to discuss environmental impact assessment reports related to planned business activities.

The efforts of Gazprom Group companies to improve the environmental situation in the regions of operation have been recognised by numerous awards from federal, regional and local authorities, NGOs, and educational establishments — prizes, diplomas, letters of commendation and recognition, etc.

In 2015, the Company was for the fourth time ranked as Russia's best energy sector company in the CDP's international rating of corporate climate change reporting and strategy.

In 2015, the "Commissioning of PGU-420 at CHPP-16" project by PAO Mosenergo (Gazprom energoholding's subsidiary) won an award of the Government of Moscow for environmental protection efforts in the Best Completed Project Using Green and Energy Saving Technologies category.

In 2015, PJSC Gazprom was ranked second overall in the annual environmental responsibility ranking of major Russian oil & gas companies compiled by the World Wide Fund for Nature (WWF) Russia and CREON Energy consulting group and recognised the best company in the Environmental Impact category.



**Gazprom makes consistent efforts to enhance the use of energy resources, including through the use of advanced technologies and equipment. This helps the Company to cut costs and reduce its environmental footprint.**

The energy efficiency targets of PJSC Gazprom and its major subsidiaries involved in production, transportation, processing, and underground storage of gas are set out in the PJSC 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 PJSC Gazprom's operations based on the government-supported energy-saving policy of the Company and improvements to the energy management system;
- improving energy efficiency of PJSC 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 Company's target levels of energy efficiency performance indicators for 2011–2020 include:

- Achieve the savings target of at least 28.2 mm t c.e. for fuel and energy consumption for own operational needs;
- At least 11.4% reduction of specific natural gas consumption for own operational needs;
- Reduction of greenhouse gas emissions by at least 48.6 mm tonnes of CO<sub>2</sub> equivalent.

In 2015, energy consumption for own operational needs at PJSC Gazprom's key gas production, transportation, processing, underground storage and distribution subsidiaries was 52.7 mm t c.e., including 40.1 bcm of natural gas, 10.42 billion kWh of electricity, and 21.48 mm Gcal of heat energy. Natural gas has the biggest share in energy consumption, accounting for 87.8% of the total amount of fuel and energy consumed in 2015, followed by electricity at 6.4% and heat energy at 5.8%.

The energy-saving programmes and initiatives implemented during 2015 gave actual savings of 2.7 mm t c.e. of fuel and energy, including 2,255.3 mmcm of natural gas, 260.6 million kWh of electricity, and 205.0 thousand Gcal of heat energy. Gas transportation by trunk pipelines accounted for the biggest savings of fuel and energy — 83.7%, gained through the implementation of a vast range of energy-saving initiatives.

**Fuel & energy savings at PJSC Gazprom's key gas production, transportation, processing, underground storage and distribution subsidiaries by segment in 2015**

Segment	Natural gas, mmcm	Electricity, million kWh	Thermal energy, thousand Gcal
Gas, gas condensate, and oil production	315.7	14.9	15.4
Gas transportation	1,906.0	203.3	60.7
Gas underground storage	11.7	0.9	0.0
Gas, gas condensate, and oil processing/refining	17.0	36.8	127.8
Gas distribution	4.9	4.7	1.1
<b>Total</b>	<b>2,255.3</b>	<b>260.6</b>	<b>205.0</b>
<b>Total, thousand t c.e.</b>	<b>2,571.0</b>	<b>84.7</b>	<b>29.3</b>

In 2015, the total fuel and energy savings were RUB 7.8 bn, based on the actual energy prices.

In 2011–2015, the total fuel and energy savings were 12.5 mm t c.e., including 10,445.5 mmcm of natural gas, 1,258.1 million kWh of electricity, and 1,004.8 thousand Gcal of heat energy. The total amount of fuel and energy savings gained over the period exceeded the target by 30.6%.

The following areas offer the greatest savings potential:

- reduction of gas consumption for own operational needs during repairs and scheduled maintenance;
- optimisation of flow modes for trunk pipelines based on advanced modelling;
- reduction of gas losses;
- optimisation of operation modes for electrical equipment;
- improvements to the technical condition of electrical equipment through repairs;
- deployment of variable-frequency drives and motor soft starting technology;
- use of separated gas from degassing units;
- optimisation of well start-ups and production, and process pipelines;
- telemetry-based well logging.

In addition, to further improve energy efficiency the Group launched a number of innovative projects in 2015. These projects include:

- use of waste heat from exhaust gases at compressor stations (the project implemented in OOO Gazprom transgaz Yugorsk based on an energy service contract);
- use of turbo-expanders at gas distribution stations (the project implemented in OOO Gazprom transgaz Tchaikovsky based on an energy service contract);
- use of venting reduction technologies during repairs, in particular, mobile compressor stations;
- use of self-contained power supply units to provide power at remote sites.

In 2016, the Company will continue the implementation of energy-saving programmes and initiatives to achieve even bigger fuel and energy savings.

Companies of Gazprom Neft, Gazprom energoholding and Gazprom neftekhim Salavat are not included in PJSC 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 and developed in compliance with applicable federal laws.

**PJSC Gazprom and its subsidiaries channel significant funds towards construction of cultural and sports facilities, promoting healthy lifestyles and supporting children's creative development, children's arts and science learning. PJSC Gazprom's commitment to social development of the regions where it operates is the Company's fundamental policy.**

PJSC Gazprom and its subsidiaries focus its sponsorship and charity efforts on such areas of public life as sports, culture, education, and science. The Company also supports projects that aim to revive national cultural values.

### Support for renovation of war memorials and military monuments

To mark the forthcoming 70th anniversary of Victory in Great Patriotic War PJSC Gazprom ran a major charity campaign. The Company provided funding to support renovation projects for 67 Eternal Flame Memorials in Russia's Hero Cities and Cities of Military Glory, including Moscow, Saint Petersburg, Volgograd, Tula, Kursk, Rzhev, Grozny, Nalchik, Sevastopol, Kerch and others.

As in previous years, maintenance and renovation services for the Eternal Flame Memorials were provided by Gazprom Group's gas distribution companies. By the date of the Victory Day, 1,240 memorials in 1,135 locations across 56 Russian regions had been renovated.

Some of the memorials provided with gas supply — pipelines were built and gas burners were placed inside eternal flame cauldrons. In particular, 16 memorials in the Bryansk Region had been connected to gas network by the date of the Victory Day.

In the run-up to the 70th anniversary of the Great Victory Day, OAO Gazprom transgaz Belarus renovated 18 memorials and military monuments across the Republic of Belarus.

In addition, charitable assistance was provided for the maintenance of the Seelow Heights war memorial in Germany and for renovation and restoration projects for war grave sites in Latvia.

### Events to celebrate the 70th anniversary of Victory in Great Patriotic War

PJSC Gazprom, in conjunction with OOO Gazprom transgaz Moscow, organised a number of festive events for Great Patriotic War veterans, including a major gala event in Moscow Hermitage Garden and a charity concert themed For the Sake of Life and Love and featuring some of the best known performers and the Tchaikovsky Grand Symphony Orchestra conducted by Vladimir Fedoseyev at the Novaya Opera Theatre of Moscow.

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#### Caring about Great Patriotic War veterans

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The Company provides proper social protection and support to Great Patriotic War veterans from among the retired employees of PJSC Gazprom and its subsidiaries. Veterans get annual financial assistance and are invited to annual corporate events held to celebrate them. They also are involved in programmes providing military-patriotic education to young people.

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In 2015, support was also provided to the Russian Union of Veterans to help organise events to mark the 70th anniversary of Victory in Great Patriotic War.

### Support for vulnerable groups

During the reporting year, significant financial support was provided to vulnerable groups of population. PJSC Gazprom sponsored treatment for children with disabilities and purchases of medicines and medical equipment for clinics and children's institutions, as well special and adaptive equipment. Significant charitable assistance was provided to financially disadvantaged and large families, as well as people with disabilities.

Every year, the Company holds traditional New Year's Eve charity performance for socially disadvantaged children. In 2015, over 1 thousand children from children's homes, boarding schools, orphanages, and other social care institutions based in Moscow and in the Moscow, Bryansk and Vladimir Regions attended the event. A major entertainment performance themed The Mystery of a Charmed Mirror was held for the children, and New Year gifts were given.

### Gazprom for Children programme

Being aware of the central role that the younger generations will play in the country's future, the Company places particular emphasis on projects providing support for the development of children and young people. The Gazprom for Children programme is PJSC 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, 1,302 sports and cultural facilities were built or renovated from 2007 through 2015. The total funding provided to support the facilities, including those currently under construction, amounted to RUB 48.8 bn. Over RUB 1.1 bn were spent over the period on charitable projects to promote children's sports and arts, purchase sports equipment, and launch sports clubs and classes.

### PJSC Gazprom's corporate sports events and festivals

#### Spartakiads

About 2.5 thousand employees from 27 Gazprom's subsidiaries took part in its summer Spartakiad in 2015.

Maintaining the traditions of supporting corporate mass sports and promoting healthy lifestyles at subsidiaries has an important social bearing for all subsidiaries and entities of PJSC Gazprom.

Since 1996, the Company has regularly held winter and summer Spartakiads of the Company, primarily seeking to support and promote healthy lifestyles among employees and their families.

In 2015, PJSC Gazprom held its summer Spartakiad in the Tuapse District of the Krasnodar Territory.

The Spartakiad brought together 27 adult and 16 children's teams. These teams of Gazprom employees competed in six sports: volleyball; kettlebell lifting; field and track athletics; swimming; basketball; and football. Children's competitions were held at Orlyonok Russian Children's Center and covered four sports, including football; table tennis; swimming; and field and track athletics.

#### Flare corporate festival

Gazprom's corporate festival Flare, which brings together groups of amateur performers and individual amateur performers from among the staff of the Company's subsidiaries and entities, has been held since 2003.

The final round of the two-year cycle of the sixth Flare festival was held in Sochi (Krasnaya Polyana) from 17 to 25 May 2015. About 2 thousand guests and participants came to the festival from across 37 subsidiaries of PJSC Gazprom based in Russia, Belarus, Armenia and Kyrgyzstan, as well as performers representing the Company's foreign corporate partners such as CNPC (China) and Comita (Slovenia). Groups of amateur performers from CNPC took part in the festival in various categories for the first time as competitors. PJSC Gazprom's partners introduced special awards for the Festival winners — Young Artist award by Verbundnetz Gas AG (Germany) and Vocal award by ENGIE (France). The Sochi festival included a total of 135 performances in such categories as vocal music with instrumental accompaniment, instrumental music, choreography, vocal performance, variety arts, and folklore.

It was for a reason that Gazprom chose Krasnaya Polyana as the venue for the festival. Festival participants and guests lived and competed in state-of-the-art facilities built for 2014 Winter Olympics and had an opportunity to visit unique Olympic venues and appreciate Gazprom's ambitious project of constructing local energy supply facilities at the Black Sea coast of the Krasnodar Territory.

## Support for sports

### PJSC Gazprom's partnership with the UEFA Champions League

The reporting year marked the end of a three-year cycle of the Company's partnership with the Union of European Football Associations (UEFA), which organises the UEFA Champions League, one of the most spectacular and prestigious tournaments in Europe. A survey run by independent social research firms suggests that the level of awareness for Gazprom brand rose in Europe by 20% during the contract's term. On top of that, the findings show that among respondents who aware of this project of the Company, the positive brand perception was twice as high as among those unaware of its partnership with the UEFA Champions League.

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#### Football for Friendship social responsibility project for children

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The project is run by Gazprom Group companies under a sponsorship contract with the UEFA Champions League.

Football for Friendship is an ambitious international programme expanding its geographical coverage from year to year. Over the three years of its existence, its membership grew threefold from 8 to 24 countries. The number of the programme's fans has grown to over 180 thousand children and adults, including famous athletes, artists and government officials. Since the programme was launched, over 2 thousand children and adults from across 26 European and Asian countries took part in the programme, with more than 150 media events and over 100 sports and municipal festivals held over the period.

The programme seeks to promote values that underpin the well-being of any community, such as friendship, fairness, equality and peace.

As in the previous years, the programme enjoyed in-depth coverage by major national and international media. Over 5,200 news stories in 50 countries around the world covered the project in 2015 alone. Franz Beckenbauer, a world football legend, is the project's Global Ambassador.

The Third International Children's Forum took place in Berlin in 2015 just before the UEFA Champions League final. The forum was attended by children from 24 countries of the world. 2015 was the first year when the project included participants from Asia — Japan and China.

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Encouraged by the success of partnership between the Company and the UEFA Champions League, the parties decided to extend the project. A new sponsorship contract was signed for 2015–2018.

### Collaboration with sports federations and sports clubs

In 2015, PJSC Gazprom sponsored the preparation of Russian national teams for the coming Olympic Games by the Russian Olympic Committee. In the next two years, the Company will keep sponsoring these activities.

PJSC Gazprom continued maintaining close relations with sports federations — the Company acts as the principal sponsor of the Rhythmic Gymnastics Federation of Russia, Volleyball Federation of Russia, Russian Swimming Federation, Russian Chess Federation, Russian Biathlon Union, Russian Canoe Federation, and Federation of Billiard Sport of Russia. A tournament between Russian and Danish national men's teams was held in early 2015 as part of the Davis Cup world team competition of tennis with financial support by the Company.

In the last several years, the Company has been financially supporting Russia's major equestrian competition, Russian Federation President's Cup horse race. Gazprom Group'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 to develop and promote the sailing sports.



Over a number of years, the Company has been supporting the International Football Tournament between Teams of Parliaments, Governments and Region Administrations. This tournament is organised on an annual basis with the support of the Football Union of Russia. Generally, the competition includes over 20 teams from the FSU (including Armenia, Belarus, Kazakhstan, Latvia and Moldova), Governments of Moscow and Saint Petersburg, constituent entities of Russia, and teams of the Federation of Independent Trade Unions of Russia and Russian journalists. In 2015, PJSC Gazprom's team took part in the 19th tournament and won it.

2015 was the year when the preparations were started for the 2016 Silk Way Rally, which is expected to be launched at the Red Square in Moscow on 8 July 2016 to finish at the heart of Beijing in 16 days having covered 10 thousand kilometres. PJSC Gazprom and Chinese CNPC act as General Sponsors of this major international initiative.

In 2015, PJSC Gazprom and its subsidiaries kept providing sponsorship support to Zenit Football Club, Volleyball Club Zenit-Kazan, Fakel-Gazprom table tennis club, and Volgar football club.

#### Energy of Victories nationwide contest among sports journalists

In 2015, the Company, in conjunction with the Russian Olympic Committee, held the fifth nationwide contest among sports journalists Energy of Victories. The contest was first organised by PJSC Gazprom in 2011, as part of the Programme for Construction of Energy, Infrastructure and Sports Facilities by Gazprom Group for the 22nd Winter Olympics in Sochi. Since then, over 1.5 thousand journalists from across Russia and 15 other countries have taken part in the competition.

#### Support for culture and arts

In summer 2015, with the financial support by the Company, 25 Russian cities, including in Siberia and in the Far East, successfully hosted a series of meet-the-poet events with Yevgeny Yevtushenko, themed The Anthology of Russian Poetry and held to mark the Year of Literature and the publication of an anthology of Russian poetry, In Russia a Poet is More Than a Poet.

The Company continued providing sponsorship support to Children's Radio, Russia's only radio station broadcasting exclusively children's content.

In 2015, PJSC Gazprom continued providing charitable aid for the Opera and Ballet Theatre of Primorye (Vladivostok) to help it build its classical repertoire including such ballets as The Nutcracker and Le Corsaire and such operas as Tosca, The Tale of Tsar Saltan and the Story of a Real Man.

PJSC Gazprom, OMV, the Russian Ministry of Culture, and Russian and Austrian Embassies supported the implementation of a cultural and educational initiative, Russian Seasons in Austria and Vienna Classics in Russia. Concerts and master classes by renowned Russian and Austrian musicians and performers were held in Saratov, Astrakhan, Saint Petersburg and Moscow, as well as in Vienna, Salzburg, Linz and Sankt Andrä.

Classical chamber music concerts and master classes by Russian musicians had a resounding success in seven Chinese cities (Nanjing, Beijing, Xi'an, Tianjin, Hefei, Chongqing, and Shanghai), where they were held with financial support of PJSC Gazprom as part of the Festival of Russian Culture in the People's Republic of China.

PJSC Gazprom sponsored the performance of Russian orchestras and the Moscow Synodal Choir as part of the project The Mission of the Orthodox Church in Today's World at Expo Milano 2015 international exhibition in Milan, Italy.

In 2015, Gazprom Group provided support for the First Vladimir Krainev Moscow International Piano Competition. Gazprom was involved in the organisation of final concerts and the gala concert of the competition at the Moscow International House of Music.

### Charitable support for significant environmental projects

The Company provided charitable aid to such not-for-profit organisations as the Amur Tiger Centre and Centre for the Study, Conservation and Recovery of the Far Eastern Leopard in the Russian Far East, which focus on conservation and population growth of rare species included in the Red Data Book of the Russian Federation.

### Support for the Russian Orthodox Church

In 2015, as part of its support for the Russian Orthodox Church, the Company continued financing renovation and restoration projects that were started in 2014 in the Stauropegial Convent of St. John the Baptist (Saint Petersburg), and restoration project at the New Jerusalem (Voskresensky) Monastery (Moscow Region). PJSC Gazprom continued its support for the construction of a cathedral in Salekhard. The Company also supported renovation and restoration projects in the complex of the Saint Alexander Nevsky Monastery (Saint Petersburg).

### Support for education

In 2015, PJSC Gazprom provided RUB 404 mm of charitable aid to higher education institutions.

The Company has long-standing relations with higher education institutions, focused on fostering and improving an environment enabling high quality professional training for specialists. The Company develops partnerships with universities listed in its Innovative Development Programme until 2020 (anchor universities), and with universities that are assigned the status of a Special Partner in the Company's internal documents.

Support provided by the Company to higher education institutions as part of its Innovative Development Programme until 2020 covers the following areas:

- improving education quality through development of educational technologies and improvements to training facilities of universities;
- enhancing the effectiveness of targeted professional training;
- improving educational programmes of universities;
- organising internships for university staff involved in targeted professional training; providing financial support to talented educators; and
- improving career guidance, including developing a framework for on-the-job training of students at the Company's production facilities.

### Sponsorship support for international forums

Over the recent years, the Company has also been a sponsor of the Saint Petersburg International Economic Forum and the Sochi International Investment Forum. As part of its support for science and research, the Company sponsored the Second National Forum of Young Scientists U-NOVIS, held in May 2015 at Tomsk Polytechnic University.

V

# Corporate Governance

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**PJSC Gazprom is committed to the continuous improvement of its corporate governance to ensure the fullest protection of shareholder rights and to make its operations as open and transparent as practicably possible in line with international best practice.**

In November 2014, the Company's current corporate governance standards were benchmarked against the key provisions of the Code of Corporate Governance approved by the Bank of Russia's Board of Directors on 21 March 2014.

The benchmarking showed that the Company's corporate governance practice largely complied with the recommendations of the Code. PJSC Gazprom has a transparent ownership structure. Rights and responsibilities of the Company's shareholders are clearly defined in the Articles of Association and other regulations; PJSC Gazprom'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. PJSC Gazprom timely discloses information required by the laws and internal regulations. Information disclosure is governed by provisions of internal regulations which are put into practice. PJSC Gazprom upholds equal disclosure of information to all stakeholders. Moreover, the Company has a Coordinating Committee for Shareholder and Investor Relations. PJSC Gazprom manages shareholder, investor and analyst relations by hosting various events, such as forums and conferences. Interested-party transactions are approved in accordance with the laws and the Articles of Association.

These documents are available  
on PJSC Gazprom's website

 [gazprom.com](http://gazprom.com)



## Key documents of PJSC Gazprom ensuring protection of shareholder rights

- Articles of Association of Public Joint Stock Company Gazprom;
- Code of Corporate Governance (Behaviour) of JSC Gazprom;
- Code of Corporate Ethics of JSC Gazprom;
- Regulation on the General Shareholders Meeting of JSC Gazprom;
- Regulation on the Board of Directors of JSC Gazprom;
- Regulation on the Board of Directors' Audit Committee of JSC Gazprom;
- Regulation on the Management Committee of JSC Gazprom;
- Regulation on the Chairman of JSC Gazprom's Management Committee;
- Regulation on the Audit Commission of JSC Gazprom;
- Regulation on the Internal Control System of JSC Gazprom;
- Procedures for Documenting of Proposals and Requests of Shareholders Related to the Convocation of the General Shareholders Meeting;
- Dividend Policy of JSC Gazprom;
- Regulation on Information Disclosure of JSC Gazprom;
- Procedure for Shareholders' Familiarisation with Information on JSC Gazprom;
- Regulation on the Hotline for Reporting Incidents of Perceived Fraud, Corruption or Theft in Gazprom Group.

In 2015, the Company continued efforts to improve its corporate governance standards; specifically, measures were taken to ensure compliance with the Code's recommendations that PJSC Gazprom discloses information on the record date for the General Meeting of Shareholders at least seven days prior to such date. Amendments to the Company's Articles of Association were prepared to include in Paragraph 20.2 a provision stipulating that information on the record date for the General Meeting of Shareholders shall be disclosed seven days prior to such date. The new version of the Articles of Association incorporating, inter alia, the above amendments, was approved by the annual General Shareholders Meeting on 26 June 2015 (Minutes No. 1 dated 29 June 2015).

By Resolution No. 2621 dated 6 November 2015, the Board of Directors approved PJSC Gazprom's Regulation on Internal Audit based on the Code's recommendations.



Efforts were continued to further improve incentive schemes for the Company's management. By Resolution No. 2523 dated 15 April 2015, the Board of Directors approved the new version of the Guidelines on Remuneration of the Board of Directors of JSC Gazprom, developed in line with international best practice. In calculating the remuneration amount the Guidelines take into account, inter alia, the Total Shareholder Return and Return on Equity corporate KPIs; they also set out a clearer remuneration structure (the bonus part of remuneration, which is linked to the achievement of KPIs, was put into a separate segment), and the balance between different parts of remuneration was changed, with the base for calculating the bonus part increased to motivate the directors to further improve PJSC Gazprom's performance.

In addition, by Resolution No. 2641 dated 9 December 2015, the Board of Directors approved the Guidelines on Remuneration of Members of the Audit Commission of PJSC Gazprom.

In 2015, a number of other important internal regulations were developed and implemented, including PJSC Gazprom's Risk Management Policy (approved by Resolution of the Board of Directors No. 2619 dated 30 October 2015), and Regulation on Gazprom Group's Risk Management System (approved by Resolution of the Board of Directors No. 2628 dated 26 November 2015).

The list of information (materials) circulated to shareholders ahead of the General Shareholders Meeting was expanded by Resolution of the Board of Directors No. 2547 dated 19 May 2015. The list of information (materials) shall include progress reports on the Long-Term Development Programme of PJSC Gazprom and achievement of approved KPIs.

To improve communication with our shareholders and investors PJSC Gazprom upgraded its corporate website based on the recommendations of The Bank of New York Mellon and insights from a benchmark analysis of the websites of the world's largest companies initiated by the Company.

In accordance with the requirements of Paragraph 70.4 of the Regulation on Information Disclosure by Securities Issuers approved by the Bank of Russia No. 454-P dated 30 December 2014, key principles and recommendations of the Code not fully complied with or not complied with at PJSC Gazprom are listed below, along with the reasons for non-compliance or partial compliance, and the description of corporate governance mechanisms and instruments used by PJSC Gazprom instead (in place) of those recommended by the Code.

**1 The Code recommends that independent directors account for at least one third of the elected members of the board of directors (Paragraph 2.4.3 of the Code).**

In 2015, the Company did not comply with this principle of the Code. The Board of Directors (11 members) was elected by the annual General Shareholders Meeting on 26 June 2015 as proposed by the shareholders. Until 22 December 2015, the Board of Directors included two independent directors who met the independence criteria set by the Code — T.A. Kulibaev and V.A. Musin.

**2 For preliminary discussion of matters referring to supervision over financial and operating performance of the company, it is recommended to set up an audit committee consisting of independent directors (Paragraph 2.8.1, Section 173 of the Code).**

In 2015, the Company did not fully comply with this principle due, in part, to objective reasons (absence of the required number of independent directors on the Board of Directors). The Company has an Audit Committee at the Board of Directors consisting of three members: the Committee Chairman (until 22 December 2015) was independent director V.A. Musin, while other directors were not independent directors in the meaning of the independence criteria set by the Code.

**3 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).**

In 2015, PJSC Gazprom did not comply with this recommendation. The Regulation on the Board of Directors' Audit Committee of PJSC Gazprom does not include such task (function).

However, the Company has in place the Code of Corporate Ethics of JSC Gazprom (current version approved by Resolution of the Board of Directors No. 2309 dated 25 February 2014); and the Corporate Ethics Commission of PJSC Gazprom was set up and operates with its operating procedures approved by JSC Gazprom's Order No. 59 dated 11 February 2014. The Corporate Ethics Commission addresses matters related to present (potential) conflict of interest of PJSC Gazprom's employees, controlled companies or third parties. The Code of Corporate Ethics stipulates a procedure for a conflict of interest disclosure by an employee to his/her immediate superior and a procedure for escalating the matter to the Corporate Ethics Commission of PJSC Gazprom.

Another internal regulation of PJSC Gazprom governing such relations is Order of JSC Gazprom No. 423 dated 4 September 2014 On Approval of the Regulation on the Hotline for Reporting Incidents of Perceived Fraud, Corruption or Theft in Gazprom Group.

**4 For preliminary consideration of matters related to adopting an efficient and transparent remuneration scheme, the Code recommends to set up a remuneration committee comprised of independent directors and headed by an independent director who is not the chairman of the board of directors (Paragraph 2.8.2, Section 179 of the Code).**

**For preliminary consideration of matters related to HR planning (succession planning), professional composition and efficiency of the board of directors, it is recommended to set up a nominations (HR) committee where the majority of members should be independent directors (Paragraph 2.8.3 of the Code).**

**Where setting up a separate nominations committee is not practicable, its functions may be assigned to any other committee at the board of directors, i.e. a corporate governance committee or remuneration committee (Section 185 of the Code).**

In 2015, the Company did not comply with these principles and recommendations of the Code.

However, PJSC Gazprom runs efficient talent management and management incentive schemes that help recruit employees whose professional skills and performance are necessary for the Company to achieve its goals and objectives.

PJSC Gazprom's Board of Directors is actively involved in building an incentive scheme for key executives in PJSC Gazprom and its subsidiaries. The Board of Directors has adopted the following key relevant documents:

- Regulation on the Annual Bonus Scheme for the Management of PJSC Gazprom (approved by Resolution of the Board of Directors No. 927 dated 19 December 2006, with subsequent amendments);
- Regulation on PJSC Gazprom's Key Performance Indicators (approved by Resolution of the Board of Directors No. 2435 dated 21 October 2014, with subsequent amendments);
- Regulation on the Employee Equity Sharing Plan for the Management of PJSC Gazprom (approved by Resolution of the Board of Directors No. 2105 dated 26 December 2012, with subsequent amendments).

**5 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 (Paragraph 3.1 of the Code).**

In 2015, the Company did not comply with this principle of the Code.

At the same time, taking into account the specifics of its business, shareholding structure and a large number of shareholders (over 500 thousand bank accounts), corporate secretary functions are shared between several business units according to their scopes of authority. The established system enables the Company to respond promptly and professionally to any issues that may arise, ensure the protection of shareholder and investor interests in a manner most convenient to the latter, and support shareholders' and investors' interaction with the Board of Directors and other bodies.

Thus, as regards the methodology for assessing compliance with the corporate governance principles set out in the Code, particular emphasis was placed on its key provisions. 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 PAO Saint Petersburg Exchange) applicable to issuers' corporate governance frameworks for the purposes of inclusion of their shares in the first (top) level quotation list (mandatory for PJSC Gazprom to maintain its listing level on the said exchanges).

It should be noted that in 2015 the Central Bank of the Russian Federation was developing the new Regulation on Admission of Securities to Organised Trading, containing, inter alia, a list of requirements to corporate governance that must be complied with for shares to be included in the quotation lists of exchanges. This was one of the factors that impeded the planning and implementation of actions and measures to further improve PJSC Gazprom's corporate governance framework and practice in line with the key provisions of the Code.

In 2016, PJSC Gazprom will take further steps to improve its corporate governance framework and practice, in particular, to increase transparency of the Company's operations and streamline business processes, procedures and internal regulations.

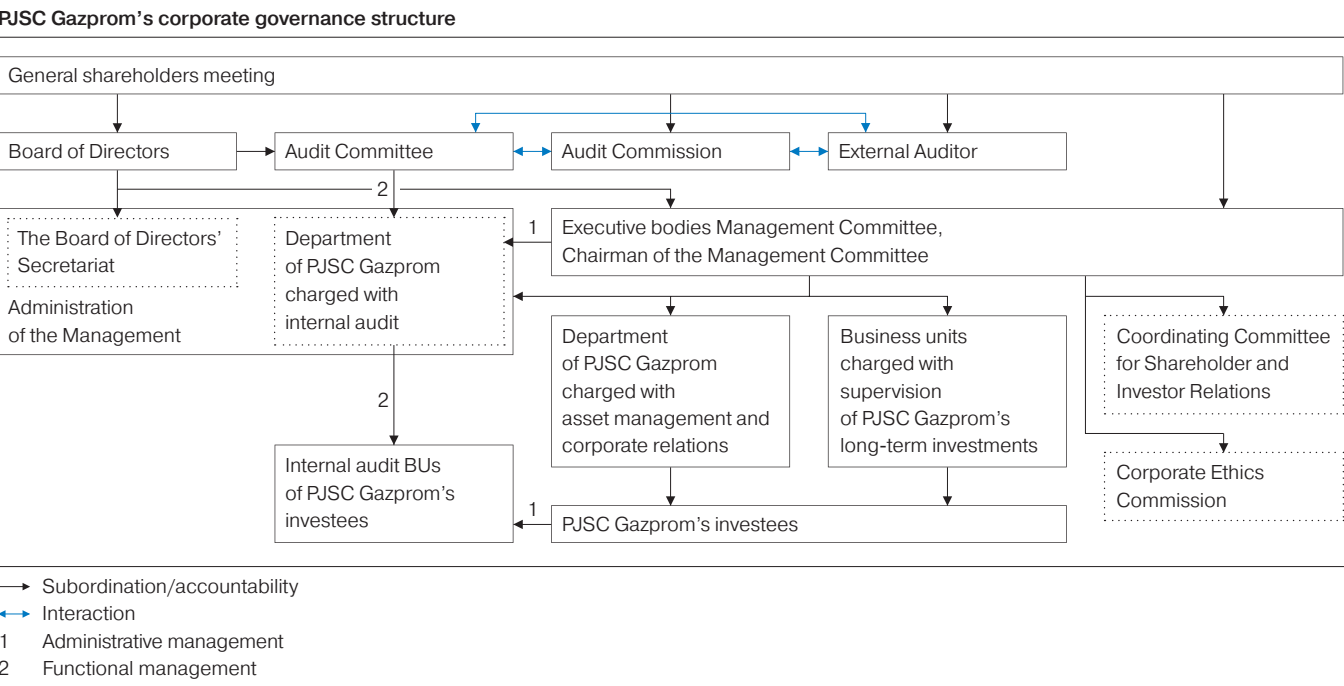
PJSC Gazprom’s corporate governance pillars include management and supervisory bodies: the General Shareholders Meeting, the Board of Directors, the Management Committee, the Chairman of the Management Committee, and the Audit Commission. The Company’s financial and business performance is independently reviewed by an external auditor.

Corporate secretary functions are shared between PJSC Gazprom’s business units according to their scopes of authority. Most such functions are vested in the Board of Directors’ Secretariat which ensures smooth operation of the Board and its committees and commissions, the Administration of the Management Committee, and the department charged with asset management and corporate relations.

Supervision of PJSC Gazprom’s long-term investments in different business lines is the responsibility of various business units of PJSC Gazprom depending on their competence.

The department charged with asset management and corporate relations is responsible for coordination of the activities of, and organisational and methodological support to, representatives of PJSC Gazprom and its subsidiaries in the management bodies of its investees.

In order to maintain a transparent and constructive dialogue with the investment community, PJSC Gazprom has established the Coordinating Committee for Shareholder and Investor Relations. The Committee is led by A.V. Kruglov, Deputy Chairman of PJSC Gazprom’s Management Committee. The Committee also includes heads of business units responsible for the development and implementation of the relevant strategy. Relations with the investment community are governed by the annual plan of the Coordinating Committee.



In 2015, the Board of Directors was focused on creating the conditions to ensure PJSC Gazprom's consistent performance and its continued development as a global energy company; growing its 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 the control and accountability framework of the Company'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 PJSC Gazprom's operations and its development strategy.

The activities of PJSC Gazprom's Board of Directors were governed by the duly approved six-month action plans. In the reporting year, the Board held a total of 66 meetings, including 11 in person and 55 by absentee voting. At these meetings, the Board passed 183 resolutions, including 39 in person and 144 by absentee voting.

PJSC Gazprom's Board of Directors passed key resolutions in major areas of the Company's business.

Breakdown by business line of items reviewed by PJSC Gazprom's Board of Directors in 2015, %

Financial and Business Activity, Investment Activity	30
Strategic Development	28
HR Policy	20
Improved Corporate Governance	18
Audit	4

## Strategic Development

The main strategic documents and development programmes in key areas of the Company's business were adopted by the Board of Directors in previous reporting periods. Thus, at its meetings held in 2015, PJSC Gazprom's Board of Directors reviewed the implementation and adjustment of the earlier adopted strategies and programmes.

The Board of Directors approved the updated Long-Term Development Programme of PJSC Gazprom taking into account the results of its implementation in 2015 and changes in the internal and external environment.

The Board of Directors reviewed and approved the 2014 progress report on the implementation of JSC Gazprom's Innovative Development Programme until 2020.

At a meeting of the Board of Directors discussing the implementation of the strategy for liquefied natural gas (LNG) production and supply, a steadily growing demand in the promising markets of China, India and South-East Asia, as well as the emergence of new LNG importing countries were pointed out as the important factors determining the current situation in the LNG market. Members of the Board of Directors were informed about the Group's progress in growing its LNG trade and implementing projects to expand own production capacity (the third process train of the Sakhalin II project, and the Baltic LNG project), and efforts to sell more gas through low-tonnage LNG supplies.

At a meeting discussing the implementation of the Programme for Expansion of Gas Infrastructure in Russian Regions special attention was paid to the growth of non-payments for supplied gas and the failure by regional administrations to fulfil their obligations to ensure consumers' readiness to receive gas. The Company's Management Committee was instructed by the Board of Directors to continue efforts to expand gas infrastructure across Russia in 2016. OOO Gazprom mezhregiongaz was instructed to present at a meeting of the Board of Directors in 1H 2016 a report on its efforts to reduce Russian consumers' debt for supplied gas.

For more details on the development and updating of the Long-Term Development Programme of PJSC Gazprom, see the Strategy section

47–48

For more details on the Company's innovation performance, see the Innovations section

110–114



Based on the instructions previously given to the Company's Management Committee, the Board of Directors reviewed the results of monitoring the evolution of shale gas industries around the world. The Board of Directors emphasised that falling oil prices reinforced the competitive edge of conventional gas supplies to Europe and the Asia-Pacific, which saw the development of own shale gas production as an alternative to natural gas imports. The meeting instructed the Management Committee to continue monitoring the evolution of shale gas industries around the world.

In 2015, PJSC Gazprom's Board of Directors was specifically focused on import substitution in the gas industry and the development of appropriate measures to step up the Company's efforts in this area. Specifically, the Board of Directors took note of the information about the current efforts to reduce dependence on imports of foreign equipment, including on:

- the approval of the list of key types of products for import substitution and production localisation, as well as subsequent identification, based on the list, of priority areas for further reduction of dependence on imports, with indicative timelines;
- establishing technology partnerships with Russian oil and gas equipment manufacturers;
- the implementation, in cooperation with Russian regions, of the roadmap to promote wider use of locally sourced products and technologies at the Company's facilities, including import-substituting ones;
- the plans to launch shortly a new scheme for cooperation with potential manufacturers of import-substituting products, which implies signing of long-term contracts between PJSC Gazprom and manufacturers for batch production, supply, and maintenance of specific equipment with guaranteed supply volumes;
- the use of technical regulation tools in tackling the issues of import substitution, including corporate and national standardisation, voluntary certification and quality control;
- the signing of the Import Substitution Programme by PJSC Gazprom and the Russian Ministry of Industry and Trade, covering production of industrial products to meet the needs of PJSC Gazprom, its subsidiaries and affiliates, and offering government support to manufacturers, including through cost subsidies and soft lending.

The Company's Management Committee was instructed to provide updates to the Board of Directors on the progress of import-substitution projects on an annual basis.

PJSC Gazprom's Board of Directors also took note of the information about Gazprom Group's procurement activities amid the current market changes, and measures to minimise import purchases. It was noted that signing of long-term contracts with Russian manufacturers for batch production, supply, and maintenance of import-substituting products with guaranteed supply volumes in future years was one of the innovative approaches to regulating the Company's procurement in a way that ensures mitigation of investment and production risks. To ensure a unified approach to selecting Russian manufacturers of import-substituting products to sign long-term contracts and a transparent assessment procedure PJSC Gazprom developed an appropriate methodology. In addition, the Company put in place strict requirements to procurement of imported products that cannot be replaced by Russian substitutes. In particular, measures are taken to create a favourable environment for production localisation within Russia and to attract suppliers, in particular, from the member countries of the Customs Union, the CIS, the Asia-Pacific and BRICS. As a result of the meeting, the Board of Directors approved amendments to the Regulation on the Purchase of Goods, Works and Services by PJSC Gazprom and Gazprom Group. In particular, the document was amended to include sections on the specifics of procurement based on long-term contracts and procurement of foreign products that do not have Russian substitutes.

In the reporting year, the Board of Directors approved the Regulation on PJSC Gazprom's Quality Control System.

For more details on trends and developments in oil and gas markets, as well as Gazprom Group's development prospects, see the Strategy section

 51–67

The Board reviewed new trends in the global energy industry and their potential impact on the structure of the global gas market. To assess the impact of these developments on the global gas market relevant stress scenarios were constructed and analysed under assumptions that the current trends would either remain unchanged or develop in the medium and long term. It was emphasised during the meeting that the reviewed trends would not have a serious negative effect on the positions of Gazprom Group. PJSC Gazprom's Management Committee was instructed to continue monitoring and analysing the prospects for changes in the global gas market structure.

The Board reviewed and approved the Company's efforts to diversify export routes and improve the competitive position of Russian gas. It was emphasised during the meeting that Gazprom Group has a number of competitive advantages over other suppliers. These include a vast resource base, as well as access to offshore and onshore gas transmission corridors enabling efficient supplies to consumers in Europe and the Asia-Pacific.

PJSC Gazprom's Board of Directors took note of the information about the development of the system of natural gas exchange trade. As instructed by the Board of Directors, PJSC Gazprom's Management Committee will continue efforts to further improve the legal and regulatory framework for the Russian gas market, including amendments to the Rules of Organised Trading in the Natural Gas Section of ZAO St. Petersburg International Mercantile Exchange to fully eliminate tax risks for the Company.

PJSC Gazprom's Board of Directors took note of the information about the Company's financial strategy. Attendees of the meeting noted that by pursuing the current strategy Gazprom Group maintains financial stability, has access to sources of financing and a liquidity cushion. It enables the Company to fully meet its obligations to the Russian budget and counterparties, and to achieve its strategic goals under different global economic scenarios.

The Board of Directors took note of the information about PJSC Gazprom's efforts to list its shares on new stock markets. The Company explores potential opportunities to enhance its presence on key exchanges in the Asia-Pacific, including an upgrade to the listing level of its GDRs on the Singapore Exchange and gaining listing on the Hong Kong Stock Exchange. Admission of PJSC Gazprom's securities to trading in the Hong Kong Stock Exchange will benefit the Company in several ways, in particular, by providing wider funding opportunities in the region and boosting the Company's overall investment appeal. Following the meeting, the Board of Directors instructed the Management Committee to continue the efforts to list PJSC Gazprom's shares on new stock markets.

### Financial and business activity, investment activity, and audit

Throughout 2015, PJSC Gazprom's Board of Directors paid considerable attention to matters related to maintaining control over financial and business, and investment activities.

Based on the Company's 9M 2015 results, the Board of Directors approved new versions of PJSC Gazprom's Investment Programme, Budget (Financial Plan), and Cost Optimisation (Reduction) Programme for 2015. The new version of the Investment Programme for 2015 provides for the total investment financing at the level of RUB 1,043.04 bn (an increase of RUB 238.69 bn from the Investment Programme for 2015 approved in December 2014), including long-term financial investments of RUB 363.21 bn and acquisition by PJSC Gazprom of non-current assets for RUB 0.055 bn. Adjustment of the Investment Programme was mostly driven by an increase in long-term financial investments.

In December 2015, the Board of Directors, having reviewed the Company's preliminary results for 2015, approved PJSC Gazprom's Investment Programme, Budget (Financial Plan) and Cost Optimisation (Reduction) Programme for 2016. Members of the Board of Directors were informed that the approved Financial Plan would enable PJSC Gazprom to meet its obligations in full.

For more details on the Company's financial policy, see the Financial Performance section

 115–116

During one of its meetings, the Board of Directors reviewed the information about the Company's financial strategy in the implementation of major projects for the construction of cross-border gas pipelines. The Board's attention was drawn to the fact that PJSC Gazprom is working on a number of strategically important gas transportation projects — Nord Stream 2, Power of Siberia and Power of Siberia 2. Their implementation will help improve the reliability of Russian gas supplies to foreign consumers and establish new export routes. It was noted at the meeting that the financial strategy enables the Company to maintain the high level of financial stability required to implement such ambitious projects, and Gazprom Group is well-positioned to secure financing for the planned cross-border gas transportation projects.

The Company's investor and shareholder relations were also reviewed. The meeting emphasised that PJSC Gazprom would further develop its relations with investors in the United States and Europe and continue the efforts to grow its investor base in the Asia-Pacific. Currently, PJSC Gazprom is considering expanding its presence on the leading exchanges in the Asia-Pacific. The Company is also focused on further improving its corporate governance. As a result of the meeting, the Board of Directors instructed PJSC Gazprom to take further steps to improve investor and shareholder relations.

In 2015, the Board of Directors placed special emphasis on risk management in the Company. Matters related to the corporate risk management system and key risks assessment and update were considered in separate meetings, and the Regulation on Gazprom Group's Risk Management System along with PJSC Gazprom's Risk Management Policy were approved.

A number of ways to enhance audit efficiency were also considered. PJSC Gazprom's Regulation on Internal Audit was approved.

### Improved Corporate Governance and HR Policy

Throughout 2015, the Board of Directors paid great attention to improving the Company's management procedures, and to the HR policy.

A number of resolutions were passed on approval of transactions with, and management of, the property and other assets of Gazprom Group and its subsidiaries (75 resolutions in total). Resolutions were also passed covering procedural matters of the Board of Directors (approval of action plans for the Board of Directors, setting up the Board of Directors' Audit Committee, election of the Chairman of the Board of Directors and Deputy Chairman of the Board of Directors), election and termination of office of the Management Committee's members (four resolutions) and holding of executive positions at other organisations by the Management Committee's members (two resolutions). The Guidelines on Remuneration of Members of the Audit Commission of PJSC Gazprom were approved, along with the new version of the Guidelines on Remuneration of the Board of Directors of JSC Gazprom.

### Remuneration scheme for members of executive bodies and other key employees of PJSC Gazprom

Short-term remuneration of members of PJSC Gazprom's executive bodies (Chairman of the Management Committee, members of the Management Committee) and other PJSC Gazprom's executives is determined by their employment agreements.

PJSC Gazprom has in place a management incentive scheme. The scheme comprises the Annual Bonus Scheme and the Employee Equity Sharing Plan for the Management.

#### Underlying regulations

- Regulation on the Annual Bonus Scheme for the Management of PJSC Gazprom (approved by Resolution of PJSC Gazprom's Board of Directors No. 927 dated 19 December 2006, with subsequent amendments);
- Regulation on PJSC Gazprom's Key Performance Indicators (approved by Resolution of PJSC Gazprom's Board of Directors No. 2435 dated 21 October 2014, with subsequent amendments);
- Regulation on the Employee Equity Sharing Plan for the Management of JSC Gazprom (approved by Resolution of the Company's Board of Directors No. 2105 dated 26 December 2012, with subsequent amendments).

The Annual Bonus Scheme covers the executives of PJSC Gazprom and its key gas production, transportation, underground storage, processing and sales subsidiaries. The Annual Bonus Scheme uses consistent principles and approaches to bonuses based on executives' performance assessment results by linking the amount of remuneration (annual bonus) to the achievement of KPIs. Executives' annual bonus is linked to PJSC Gazprom's performance (achievement of corporate KPIs) and personal contribution of executives (achievement of individual targets).

Performance against each KPI is factored in when calculating the annual bonus for the management. Where a KPI is not achieved, the annual bonus is reduced. Thus, the amount of remuneration is linked to KPIs, and the management is motivated to achieve KPIs.

Starting from 2015, target (planned) and actual KPI values are subject to approval by the Company's Board of Directors on an annual basis.

For more details on corporate KPIs for the management, see the Strategy section

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#### Weight of corporate KPIs for the management in the reporting period bonus, starting from 2015, %

<b>Financial and economic KPIs</b>	<b>70</b>
per unit costs in Production	15
per unit costs in Transportation	15
ROE	20
total shareholder return, TSR	10
labour efficiency	5
reduction of operating costs (expenses)	5
<b>Industry-specific KPIs</b>	<b>30</b>
gas sales by volume	15
major production facilities commissioned	15

The Employee Equity Sharing Plan for the Management aims to provide an extra financial incentive for PJSC Gazprom's management to support the Company's stock performance. In line with the set goal, the Programme provides for the achievement of the following objectives:

- better align the interests of shareholders and the management;
- link the Programme participants' extra income to PJSC Gazprom's share price growth.

The Programme stipulates holding of the Company's shares by executives. Executives can acquire shares at their own cost or with money lent by AO Gazprombank as part of the Programme. AO Gazprombank also provides depositary and broker services under the Programme. As a credit institution, AO Gazprombank performs the operator's functions under the Programme within the framework of its core operations. PJSC Gazprom's executives holding positions of department heads or higher, and the management of subsidiaries are eligible to participate in the Programme. In 2015, 65 executives were eligible to participate in the Programme.

### Remuneration of members of the Board of Directors

Pursuant to the Regulation on the Board of Directors of JSC Gazprom approved by the General Shareholders Meeting (Minutes No. 1 dated 28 June 2002) and the Company's Articles of Association, members of the Board of Directors, during the period of their service, may be remunerated and/or reimbursed for expenses related to the performance of their duties as members of the Board of Directors if so resolved by the General Shareholders Meeting. The amount of such remuneration and/or reimbursement is determined by resolution of the General Shareholders Meeting.

In addition, during the year, members of the Board of Directors of PJSC Gazprom who are full-time employees of the Company are paid salaries attaching to their positions as per the employment agreements.

Remuneration of a member of the Board of Directors for service on a management body consists of three parts: fixed base, additional and bonus. Fixed base remuneration is paid for acting as a member of the 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. The bonus part of remuneration, calculated separately from 2015, is paid for achieving corporate KPIs.

Remuneration of members of PJSC Gazprom's Board of Directors is adjusted to compensate for the negative impact of inflation.

The Guidelines also stipulate that the Board of Directors may recommend the General Shareholders Meeting to reduce remuneration payable to members of the Board of Directors against those calculated in accordance with the Guidelines due to existing economic conditions.

### Remuneration paid to members of the Board of Directors, members of the Management Committee, and Chairman of the Management Committee

Short-term remuneration paid by PJSC Gazprom in 2015 to members of the Board of Directors, members of the Management Committee and the Chairman of the Management Committee (including salaries, bonuses and remuneration for their service on PJSC Gazprom's management bodies) amounted to RUB 3,500,341 thousand. Members of the Board of Directors holding public or civil office receive no remuneration from PJSC Gazprom.

Remuneration of members of the Board of Directors paid by the Company in 2015	
Type of remuneration	Amount, RUB thousand
Remuneration for service on a management body	240,763
Salary	53,957
Bonuses	41,425
Reimbursement for expenses incurred by a member of a management body in connection with his/her duties	—
Other remuneration	16,507
<b>Total</b>	<b>352,652</b>
<b>Note.</b> The amounts are inclusive of personal income tax.	



Remuneration of members of the Board of Directors for service on a management body paid in 2015			
Name	Position	Holding public or civil office	Amount, RUB
Viktor Alekseevich Zubkov	Chairman of the Board of Directors	Holds no such office	25,589,500
Alexey Borisovich Miller	Deputy Chairman of the Board of Directors	Holds no such office	24,806,400
Valery Abramovich Musin*	Member of the Board of Directors, Chairman of the Audit Committee of the Board of Directors	Held no such office	22,300,480
Farit Rafikovich Gazizullin	Member of the Board of Directors, member of the Audit Committee of the Board of Directors	Holds no such office	21,360,760
Mikhail Leonidovich Sereda	Member of the Board of Directors, member of the Audit Committee of the Board of Directors	Holds no such office	21,360,760
Andrey Yurievich Sapelin	Member of the Board of Directors	Holds no such office	20,890,900
Vladimir Alexandrovich Mau	Member of the Board of Directors	Holds no such office	20,890,900
Vitaly Anatolievich Markelov	Member of the Board of Directors	Holds no such office	20,890,900
Timur Askarovich Kulibaev	Member of the Board of Directors	Holds no such office	20,890,900
Andrey Igorevich Akimov	Member of the Board of Directors	Holds no such office	20,890,900
Viktor Georgievich Martynov	Member of the Board of Directors	Holds no such office	20,890,900
<b>Total</b>			<b>240,763,300</b>
* V.A. Musin was a member of the Board of Directors until 22 December 2015.			
<b>Note.</b> The amounts are inclusive of personal income tax.			

Remuneration of members of the Management Committee paid by the Company in 2015	
Type of remuneration	Amount, RUB thousand
Remuneration for service on a management body	–
Salary	1,429,298
Bonuses	1,155,298
Reimbursement for expenses incurred by a member of a management body in connection with his/her duties	–
Other remuneration	118,737
<b>Total</b>	<b>2,703,333</b>
<b>Note.</b> The amounts are inclusive of personal income tax. Income received by members of PJSC Gazprom's Board of Directors who are also members of PJSC Gazprom's Management Committee and full-time employees of the Company for service on the Board of Directors was accounted for in the income received by members of the Board of Directors. Other types of remuneration paid to such members of the Board of Directors and/or reimbursement for their expenses are included in the total remuneration and/or reimbursement for expenses of PJSC Gazprom's Management Committee.	

In addition, PJSC 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 PJSC Gazprom. In 2015, voluntary medical insurance premiums were RUB 7,057 thousand.

The Company maintains liability insurance of members of the 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 errors (omission) committed 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 the Management Committee for damages resulting from unintentional errors (omission) committed by policyholders in their management roles;
- third-party claims against PJSC Gazprom for damages resulting from unintentional errors (omission) committed by members of the Board of Directors and the Management Committee in their management roles (including claims related to PJSC Gazprom's securities and claims initially filed against members of the Board of Directors or the Management Committee).

The single limit of indemnity consists of two parts: part one provides insurance under applicable laws other than Russian laws, covers all countries and offers the most beneficial terms for PJSC Gazprom and members of its Board of Directors and Management Committee; part two provides insurance under Russian laws with insurance terms and conditions as close as possible (to the extent permitted by the legal framework of the Russian Federation) to those of part one.

Insurance premiums paid under the insurance agreement signed in 2015 remained unchanged against 2014 at USD 1.57 mm, while the coverage amount was USD 100 mm.

The insurance coverage under the current agreement for liability insurance of members of PJSC Gazprom's Board of Directors and Management Committee is in line with PJSC Gazprom's requirements and Russian and international insurance standards for this type of insurance in terms of insured risks and indemnity limits.

## Internal Control System

PJSC Gazprom's internal control system is an aggregate of bodies and internal control methods, rules of conduct and acts of employees in achieving PJSC Gazprom's objectives.

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### Internal control system operating principles

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- 1 Interaction;
  - 2 continuous operation;
  - 3 prompt response;
  - 4 accountability;
  - 5 development;
  - 6 separation of duties;
  - 7 compliance;
  - 8 relevance;
  - 9 functionality;
  - 10 cost efficiency.
- 

- The internal control system is designed to provide reasonable assurance that the Company:
- performs efficiently;
  - ensures completeness, timeliness and fairness of all types of PJSC Gazprom's accounts and reports;
  - complies with applicable laws;
  - protects its assets (including information assets).

Internal control is exercised by PJSC Gazprom's Board of Directors, Audit Committee, Audit Commission, executive bodies (the Management Committee and its Chairman), heads of business units and other employees of the Company. PJSC Gazprom's Board of Directors and executive bodies are responsible for creating an appropriate control environment in the Company, embedding an internal control culture, and maintaining high ethical standards at all levels of PJSC Gazprom's operations.

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### Powers and responsibilities of bodies exercising internal control

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- The Board of Directors and the Board's Audit Committee are responsible for establishing a corporate internal control policy.
  - PJSC Gazprom's Audit Commission operates according to its authority determined by the Company's Articles of Association.
  - The Chairman of the Management Committee ensures the development and efficient operation of the internal control and risk management system by approving regulations on internal control procedures and their implementation by the Company's business units according to their line of business.
  - The management and employees of business units in PJSC Gazprom's business lines are responsible for the development, documentation, introduction, implementation, monitoring and improvement of internal control procedures.
  - The Department of PJSC Gazprom charged with internal audit carries out independent and objective assessment of the effectiveness of the internal control system using a risk-based approach and makes recommendations on its improvement.
- 

The internal control system in PJSC Gazprom relies on the principles and approaches set out in the Russian Code of Corporate Governance, as well as Russian and international best practice. Measures aimed at its improvement are developed by the Company taking into account changes in the external environment, legislative requirements and internal audit results.

## Internal Audit

Internal audit in PJSC Gazprom supports the Board of Directors and the Company's management in their efforts to improve PJSC Gazprom's management procedures and boost financial and business performance by applying a structured and consistent approach to analysis and assessment of the risk management system, internal control and corporate governance to gain reasonable assurance that the Company's goals will be achieved. Duties related to organising and conducting internal audits in the Company are assigned to PJSC Gazprom's Department; in PJSC Gazprom's subsidiaries and entities these duties are assigned to internal audit departments of such subsidiaries and entities.

The Department of PJSC Gazprom charged with internal audit is functionally accountable to the Board of Directors' Audit Committee, and administratively accountable to the Chairman of the Management Committee within the Administration of the Management Committee. Head of the Department is appointed and removed from office by the Chairman of the Management Committee upon recommendation of the Deputy Chairman of the Management Committee — Head of the Administration of the Management Committee approved by the Board of Directors' Audit Committee.

Activities of the Department are governed by internal auditors' Code of Ethics (approved by Resolution of the Board of Directors No. 1956 dated 14 March 2012), JSC Gazprom's Internal Audit Development Concept (approved by the Audit Committee on 25 June 2015), Regulation on the Department (approved by the Audit Committee and JSC Gazprom's Order No. 341 dated 23 June 2015), International Standards for the Professional Practice of Internal Auditing, and methodological guidelines on internal auditing of the Federal Agency for State Property Management.

Its key priority is to provide PJSC Gazprom's Audit Committee and management with independent and objective assurances and advice as to the improvement of the Company's performance.

In addition, the Department carries out an objective and independent assessment of PJSC Gazprom's internal control system.

The Department organises and conducts internal audits of PJSC Gazprom's business units, subsidiaries and entities as per the established procedure and in accordance with the Russian and international best practice in internal audit. The purpose of the audits is to identify risks and assess the effectiveness of the Company's significant business lines and processes in terms of:

- achievement of the Company's strategic goals;
- fairness and integrity of information on the Company's financial and business operations;
- efficiency and effectiveness of operations and programmes;
- protection of assets;
- compliance with the requirements of the laws, regulations, policies, procedures and contracts.

Results of internal audits conducted by the Department are used to develop and submit proposals to PJSC Gazprom's management on elimination of violations, irregularities and their causes. Based on these proposals, the Chairman of the Management Committee gives instructions to PJSC Gazprom's business units, subsidiaries and entities aimed at improving the Company's performance. The Department monitors the execution of such instructions.

In December 2015, an external assessment was carried out and the opinion was given on compliance of PJSC Gazprom's internal audit function with the Definition of Internal Auditing, Code of Ethics and International Standards for the Professional Practice of Internal Auditing. In 2016, the Department of PJSC Gazprom charged with internal audit will use the assessment materials to develop an action plan to further improve the internal audit framework.

## Audit Commission

The Audit Commission's authority is set forth in the Federal Law On Joint-Stock Companies and the Company's Articles of Association.

### Key tasks and functions of the Audit Commission

- Monitoring the fairness of PJSC Gazprom's financial and accounting statements and other information on the Company's financial and business operations and condition of its assets;
- control of statutory compliance of PJSC Gazprom's accounting practices and submission of financial statements and information to relevant authorities and shareholders;
- increasing the effectiveness of the Company's asset management and other financial and business operations, mitigating financial and operating risks and improving the internal control system.

The Audit Commission works in conjunction with the Audit Committee. Following an audit of PJSC Gazprom's financial and business operations, the Audit Commission presented its opinion confirming the fairness of data contained in the Company's statements and other financial documents. The Audit Commission has nine members and is elected by the General Shareholders Meeting.

In 2015, remuneration paid to members of the Audit Commission for their service was RUB 13,340 thousand. The amount is inclusive of personal income tax.

### Remuneration paid in 2015 to members of PJSC Gazprom's Audit Commission for service on a body exercising control over financial and business activities

Name	Position	Holding public or civil office	Remuneration paid, RUB
Marina Vitalievna Mikhina	Chairman of the Commission	Holds an office	—
Dmitry Aleksandrovich Arkhipov	Member of the Commission	Holds no such office	3,334,933
Vadim Kasymovich Bikulov	Member of the Commission (Secretary)	Holds no such office	3,334,933
Yury Stanislavovich Nosov	Member of the Commission	Holds no such office	3,334,933
Alexey Anatolyevich Afonyashin	Member of the Commission	Holds an office	—
Irina Mikhailovna Babenkova	Member of the Commission	Holds an office	—
Sergey Revazovich Platonov	Member of the Commission	Holds an office	—
Tatiana Vladimirovna Fisenko	Member of the Commission	Holds an office	—
Alan Fedorovich Khadziev	Member of the Commission	Holds no such office	3,334,933
<b>Total</b>			<b>13,339,732</b>

**Note.** The amounts are inclusive of personal income tax.



## Audit Committee of the Board of Directors

In 2015, the Board of Directors' Audit Committee continued its work. The Audit Committee's functions and tasks are set forth in the Regulation on the Board of Directors' Audit Committee of JSC Gazprom approved by Resolution of JSC Gazprom's Board of Directors No. 2314 dated 25 February 2014.

The Board of Directors' Audit Committee included three members of the Board of Directors: F.R. Gazizullin, V.A. Musin and M.L. Sereda. The Committee was chaired by V.A. Musin (Committee membership terminated on 22 December 2015 owing to death).

The Board of Directors' Audit Committee operated on a schedule, with its meetings held at least quarterly. During the reporting year, the Committee held seven meetings and reviewed 13 agenda items.

In 2015, the Board of Directors' Audit Committee reviewed and approved a number of the Company's draft internal regulations aimed at improving the effectiveness of internal control procedures and risk assessment: JSC Gazprom's Internal Audit Development Concept, PJSC Gazprom's Regulation on Internal Audit, Annual and Forward-Looking Internal Audit Plans, PJSC Gazprom's Risk Management Policy, and Regulation on Gazprom Group's Risk Management System.

Information about the activities of PJSC Gazprom's Department charged with internal audit in the reporting year was presented to the Committee.

## External Auditor

PJSC Gazprom selects its auditor annually by a public tender in accordance with applicable Russian laws.

A public tender for the service contract to audit the Company's accounting (financial) statements, Gazprom Group's consolidated accounting statements and Gazprom Group's consolidated IFRS financial statements for 2015 was announced on 27 February 2015.

The agenda item On the Assessment of Candidates for JSC Gazprom's Auditor Engaged to Audit the Company's Accounting Statements for 2015 was reviewed at the meeting of the Board of Directors' Audit Committee held in person on 15 April 2015.

In 2015, OOO FBK won the public tender among audit firms to conduct statutory annual audit of the Company and was approved as auditor by the annual General Shareholders Meeting on 26 June 2015.

The contract price offered by the winner was RUB 204,000,000 (net of VAT) and was approved by Resolution of the Board of Directors No. 2544 dated 14 May 2015.

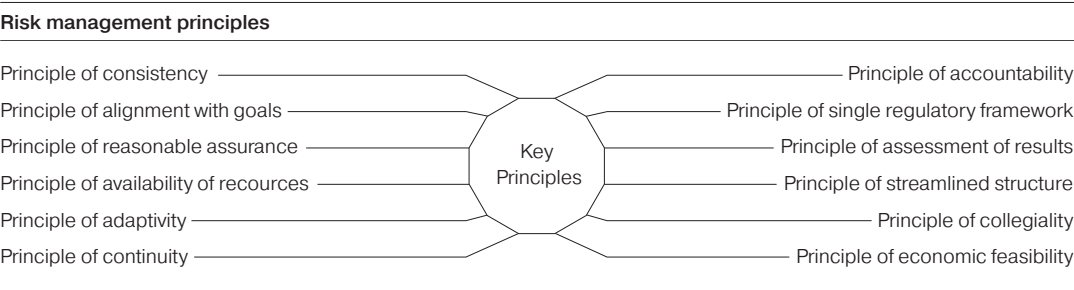
In 2015, OOO FBK provided services to PJSC Gazprom outside the audit contract. In 2015, a fee of RUB 24,683,918.5 (inclusive of VAT) was paid for non-audit services.

Risk Management System

Gazprom has in place an effective risk management system that enables timely identification, analysis and prevention of possible threats and potential losses, thus providing further support for Gazprom Group’s sustainable growth.

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 goals set for PJSC Gazprom by its governing bodies will be achieved.

The risk management framework is based on the following key principles: consistency, alignment with goals; reasonable assurance; adaptability; availability of resources; continuity; collegiality; accountability; assessment of results; streamlined structure; single regulatory framework; economic feasibility.



PJSC Gazprom’s risk management system complies with the principles set forth in the Russian Code of Corporate Governance.

PJSC Gazprom’s risk management system is defined as an aggregate of the organisational structure, internal regulations, corporate culture standards, methodologies and procedures aimed at providing adequate assurances that PJSC Gazprom’s goals will be achieved, and supporting the management and employees of PJSC Gazprom’s business units and subsidiaries in decision making in an uncertain environment. As an integral part of PJSC Gazprom’s corporate governance framework, it covers all management levels and business lines across the Company.

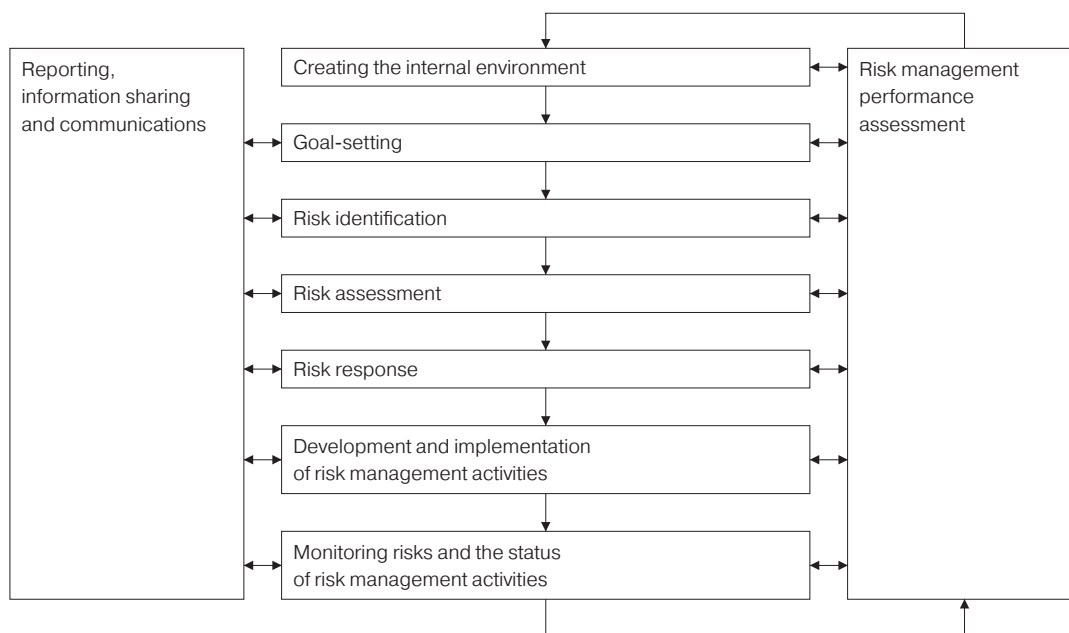
The Board of Directors, the Board’s Audit Committee, the Management Committee and Gazprom Group’s business units and entities are involved in the operation of the risk management system. Risk owners are PJSC Gazprom’s business units, Gazprom Group’s entities or employees responsible for the development, implementation and monitoring of risk management activities. The risk management and internal control systems are interrelated.

- Key tasks of PJSC Gazprom’s risk management function
- Developing a single risk management policy;
  - Coordinating risk management activities;
  - Methodological support for the risk management process.

PJSC Gazprom's business units and subsidiaries are charged with risk identification and assessment, development and implementation of risk management activities, monitoring of risks and activities.

The following components of the risk management system are in place.

#### Components of the risk management system



Creating the internal environment implies building a single risk management infrastructure, ensuring continuity of the risk management process, and embedding a corporate risk management culture.

Goal-setting within the risk management system provides for determining maximum acceptable risk levels.

Risk identification serves to reveal and report threats and risks, both internal and external events that influence the achievement of goals and resolution of tasks.

Each identified risk is assessed. Qualitative, interval and quantitative methods can be used in risk assessment.

For the purposes of risk management, response options are determined: risk aversion (avoidance); acceptance; reduction (mitigation); redistribution (transfer).

Risk management activities are developed so as to gain reasonable assurance that the level of residual risk does not exceed the maximum acceptable risk level.

Monitoring includes assessment of the current risk levels, verification of progress of risk management activities and assessment of residual risk levels.

Risk management performance assessment is based on internal and external assessment and self-assessment.

Risk reporting and sharing of risk information across all management levels follow a standard procedure and approved timelines.

## Key Risk Factors

### Strategic and country risks

#### Risks related to the global economy

An unfavourable economic environment can lead to a slowdown in energy demand and drive the cost of borrowed capital.

**Risk management/mitigation.** To ensure growth of revenue from energy sales PJSC Gazprom diversifies its markets and sales channels and expands the uses of natural gas. To maintain financial stability PJSC Gazprom optimises leverage.

#### European gas market risks

The EU pursues a policy of diversifying its gas supply sources and increasing the share of natural gas exchange trade, which affects PJSC Gazprom as one of the main suppliers of natural gas to the EU countries.

**Risk management/mitigation.** PJSC Gazprom ensures reliable and flexible gas supplies through long-term contracts. In October 2015, OOO Gazprom export held a gas auction to try out a new mechanism of gas sales in Europe. Additionally, to minimise the risk of lower supply levels a set of initiatives continues to be implemented to both build new infrastructure and bolster demand for natural gas, as well as strengthen the Company's position in the sectors with a potential for extra supplies.

#### Political risks

Starting from 2014, Russia is under sanctions imposed by the EU, the United States and other countries over the conflict in Ukraine. The continuation of the conflict is very likely to extend both the list of restrictive measures and the duration of the sanctions.

**Risk management/mitigation.** PJSC Gazprom pursues a policy of ensuring technological independence and import substitution to reduce the impact the economic restrictions imposed/reintroduced against Russia have on the Company.

#### Natural gas transit risks

Gas transit via 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.** A number of measures are taken to reduce reliance on transit countries, including diversification of export routes, expanding access to UGSF abroad, and development of LNG trade.

#### Russian regulatory risks for the gas industry

PJSC Gazprom's operations as a natural monopoly are regulated by Federal Law No. 147-FZ dated 17 August 1995 On Natural Monopolies. The Government holds an interest of over 50% in the share capital of PJSC Gazprom.

**Risk management/mitigation.** A dialogue with government authorities is maintained to improve the pricing policy and taxation of companies in the gas industry; objective supporting cases are prepared to inform decision making by the Board of Directors.



### Unconventional gas development risks

Unconventional gas production has been growing over the last ten years, primarily from shale deposits in the US, along with limited volumes in several other regions around the world.

In North America, it stimulated the development of local LNG export projects, which had a notable effect on the structure of gas consumption.

South America, Europe and South-East Asia remain interested in unconventional gas production; however, the risk that these regions will discontinue gas imports in the mid-term is assessed as insignificant.

**Risk management/mitigation.** PJSC Gazprom continuously monitors the evolution of the shale gas industry and developments in other unconventional hydrocarbons industries around the world.

The monitoring results, including the economics of unconventional gas production and its potential as a competition to PJSC Gazprom in its existing or prospective markets, are reviewed by the Board of Directors on an annual basis, which enables the Company to build an effective region-specific marketing policy relying on different distribution mechanisms.

### Renewable energy risks

Renewable energy output can be expected to grow in some countries, which may squeeze gas consumption in these markets.

**Risk management/mitigation.** The use of natural gas, inter alia, for power generation offers consumers economic, technological and environmental benefits, which, PJSC Gazprom believes, will support natural gas as the most common energy source. In most cases, renewable power generation supplements power generation from other sources and may entail certain risks for the natural gas market if aggressive policies of subsidising renewable energy are maintained at the national and/or supranational level.

### Customs, currency and tax regulation risks

#### Risk of changes in the Russian currency regulation and tax legislation

Given the challenging economic situation in Russia due to volatility in FX and commodity markets and the resulting growth of the government's budget deficit, the risks of changes in currency regulation and tax legislation persist, along with the risk of a heavier tax burden on companies in the fuel and energy sector. Changes in the Russian currency regulation and tax legislation may affect PJSC Gazprom's operations.

**Risk management/mitigation.** Changes in currency regulation and tax legislation are monitored, and relevant requirements are strictly complied with. The Company liaises with government authorities to ensure timely adjustment of its operations in line with changes in Russian laws.

#### 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 and its enactment is postponed to 2017, the risk of additional customs requirements cannot be ruled out if customs authorities make amendments to the rules of customs control and export duty payment.

**Risk management/mitigation.** PJSC Gazprom complies with the requirements of customs laws, tracking proposed amendments to regulations at the earlier drafting stages, and submits its proposals while interacting with government authorities and stakeholders.

## Financial risks

### Foreign exchange, interest rate and inflation risks

High exchange rate volatility coupled with income and expenses denominated in different currencies affect PJSC Gazprom's performance.

**Risk management/mitigation.** To minimise losses from exchange rate volatility, the Company hedges its foreign exchange and interest rate risks.

### Credit and liquidity risks

Delayed or incomplete discharge of contractual obligations by some counterparties entails risks for PJSC Gazprom's operations.

**Risk management/mitigation.** An open policy is pursued to ensure the performance of contractual payment obligations in respect of supplies. Relations with credit institutions are subject to credit risk limits revised on a regular basis and reflecting, inter alia, the credit rating calculated by PJSC Gazprom, its subsidiaries and entities.

## Market risks

With oil being the base product, falling oil prices put a downward pressure on prices for natural gas and energy in general. If oil prices drop even further or remain at the current level over a long period of time, resulting risks may lead to a decline in revenues. There are also volume risks associated with a certain flexibility that buyers have in terms of gas offtake.

**Risk management/mitigation.** These risks are managed by modifying existing, or entering into new, contracts, and by determining approved types of transactions and financial instruments and counterparties to enter into such transactions.

## PJSC Gazprom's operating risks

### Risks of early termination and suspension of subsoil licenses

Non-compliance with the licence agreements exposes PJSC Gazprom to risks of early termination or suspension of subsoil licences for the survey, exploration and production of hydrocarbons.

**Risk management/mitigation.** Regular monitoring, control of compliance with licence requirements and timely amendment of licence agreements minimise the likelihood of licence revocation and suspension.

### Cost risks

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.

**Risk management/mitigation.** Competitive procurement, whereby the suppliers offering goods of adequate quality and submitting the lowest price bids are selected, helps cut the costs of procurement and sourcing of feedstock, materials, spare parts, works and services.

### Facilities risks

The key operations, including hydrocarbon production, transportation, processing/refining and storage, carry process and engineering, natural and climatic risks, as well as risks of adverse actions by personnel or third parties.

**Risk management/mitigation.** The Unified Gas Supply System (UGSS) ensures reliable gas supplies. Stable operation of the system is achieved by implementing advanced and innovative diagnostic methods, carrying out timely overhaul and maintenance, revamping 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

PJSC Gazprom's strategic and financial goals depend on hydrocarbon reserves, and inaccuracies in reserve estimation entail risks for PJSC Gazprom's operations.

**Risk management/mitigation.** Independent reserve estimation procedures have been developed and are implemented in accordance with the Petroleum Resources Management System (PRMS) standards. 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.

### Environmental risks

The key operations, including hydrocarbon production, transportation, refining/processing and storage, carry environmental risks that may lead to legal, financial and reputational implications.

**Risk management/mitigation.** The Company is committed to maintaining its environmental policy, implementing programmes and initiatives to reduce its environmental footprint, carrying out environmental activities, taking out environmental risk insurance, and introducing environmental protection technologies. Most subsidiaries have in place and continuously improve environmental management systems certified to ISO 14001:2004.

PJSC Gazprom has in place the Code of Corporate Ethics, developed with due account for Russian and international best practice in corporate governance. The Code sets forth the Company's underlying corporate values and critical business conduct rules that exclude conflict of interest and corruption.

The Code's provisions are mandatory for PJSC Gazprom's employees (including all members of the Management Committee and the Board of Directors who are PJSC Gazprom's employees) and the Company-controlled corporate entities. For employees of corporate entities with PJSC Gazprom's shareholdings, which are not controlled, and employees of PJSC Gazprom's counterparties the Code's provisions are recommendatory only. The Code contains certain restrictions, including restrictions related to employees' employment with competing companies.

The Company's permanent Corporate Ethics Commission set up in 2014 is authorised to supervise compliance with the Code's requirements and provisions.

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**Information on conflicts of interest of members of PJSC Gazprom's Management Committee and Board of Directors (including those related to their service on management bodies of the Company's competitors)**

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Members of the Management Committee and the Board of Directors, who are PJSC Gazprom's employees, sign up to the Code of Corporate Ethics of PJSC Gazprom. In 2015, the Corporate Ethics Commission received no reports of any conflict of interest of members of the Management Committee and/or the Board of Directors, who are PJSC Gazprom's employees, including conflict of interest related to their service on management bodies of the Company's competitors.

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The Board of Directors regularly reviews matters related to anti-corruption practices in Gazprom Group.

PJSC Gazprom has embedded and fosters a culture of zero tolerance to corruption. PJSC Gazprom's Corporate Protection Service takes consistent, ongoing effort to prevent and identify cases of corrupt practices in Gazprom Group's entities, working in cooperation with subsidiaries' corporate protection units, PJSC Gazprom's departments charged with internal audit, asset management, corporate relations and corporate costs management, and Russian law-enforcement agencies.

Since November 2014, the Company has operated a Hotline to report incidents of perceived fraud, corruption and theft in Gazprom Group. A dedicated support team within the Corporate Protection Service is responsible for the Hotline operation. Information received via the Hotline is analysed to identify signs or instances of corruption in Gazprom Group's entities. Reports received in 2015 do not suggest signs of corruption as defined by Russian laws. Similar arrangements are in place in a number of subsidiaries, such as PAO Gazprom Neft, OOO Gazprom transgaz Surgut, OOO Gazprom invest, OOO Gazprom pererabotka, OOO Gazprom VNIIGAZ and some others.

The Corporate Protection Service and subsidiaries' corporate protection units continuously support contractual work in PJSC Gazprom and its subsidiaries to identify signs of risks related to possible affiliation of executives authorised to make decisions with participants in competitive procurement. In 2015, in the competitive procurement process, 34 cases involving affiliated persons were identified which could have led to a conflict of interest. No contracts were signed with participants in respective competitive procedures.

PJSC Gazprom and its subsidiaries run an effective 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 procurement to ensure value for money, timely and full supply of goods, works or services with the price, quality and reliability required for safe operation of hazardous facilities. Procurement procedures are transparent, standardised, simple and open to the maximum extent possible.

#### Underlying regulations

- Federal Law No. 223-FZ dated 18 July 2011 On the Purchase of Goods, Works and Services by Certain Types of Legal Entities;
- Regulation on the Purchase of Goods, Works and Services by PJSC Gazprom and Gazprom Group Companies (approved by Resolution of JSC Gazprom's Board of Directors No. 1969 dated 19 April 2012, with subsequent amendments).

The share of electronic procurement in the total value of competitive procurement by PJSC Gazprom and its subsidiaries exceeds 95%.

Procurement rules (the Purchase Regulation) 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](http://www.zakupki.gov.ru)), and on PJSC Gazprom's website ([www.gazprom.ru](http://www.gazprom.ru)). Information on procurement, including procurement plans, notices, minutes, details of the number and total price of contracts signed as a result of procurement procedures, including procurement from small and medium-sized enterprises (SMEs), information about signed contracts and their execution, etc. are published in the unified information system and made available to the general public.

In 2015, PJSC Gazprom and its subsidiaries entered into more than 17 thousand contracts worth RUB 1 tn through competitive procurement process and saved over RUB 33 bn.

Gazprom Group's competitive procurement is done in electronic format (except for separate cases) through the Electronic Trading Platform of Gazprombank (ETP-GPB) (Gazprom Group Procurement section) integrated with the unified information system.

In 2015, PJSC Gazprom launched an Automated Electronic Procurement System covering the entire procurement cycle from planning to signing a contract.

Under the Purchase Regulation, PJSC Gazprom is to hold open pre-qualification to compile a Register of potential procurement participants. Starting from 2012, 60 pre-qualifications for various business lines were announced and posted on the Company's website. Pre-qualified entities are included in the Register. As at 1 February 2016, 913 entities were involved in pre-qualification.

As part of pre-qualification procedures, Gazprom Group's central procurement management body (PJSC Gazprom's Department charged with corporate cost management) monitors these entities on a quarterly basis, looking at the following parameters:

- currently performed work (volumes);
- availability of capacity to perform required work (utilisation rate);
- instances of deadline violation, change of price, reduced quality of work, negative references;
- participating in, and winning, PJSC Gazprom's competitive procurement tenders.

As a result of pre-qualification, as at 1 February 2016, the Register included 267 entities who proved their qualification for certain operations, including 86 SMEs.

Procurement participants have a right and opportunity to send to PJSC Gazprom (also anonymously) their proposals as to competitive procurement procedure improvement, remarks or complaints against acts (omission) of the customers, organisers and/or their officers, information on 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 restricted competition in the procurement process. Feedback from potential procurement participants is obtained through the Procurement section of PJSC Gazprom's website. In 2015, over 300 participant communications were received, mostly related to the procurement and pre-qualification procedures; relevant clarifications were provided.



To ensure efficient procurement PJSC Gazprom uses all available tools (estimate standards, actual contract prices, consolidated specific values, market situation review) to set the best initial price of procured goods (works, services) before procurement is announced, and any methods permitted by Russian laws to reduce the price during the procurement, including by extending the bid filing period to involve more bidders, and bargaining on price bids.

For non-competitive procurement, Gazprom Group's central procurement management body and PJSC Gazprom's Budget Committee analyse the pricing procedure and justification of prices of contracts (with changes and amendments) to be signed by PJSC Gazprom, its subsidiaries and other Gazprom Group entities based on the calculation of contract prices (cost of goods, works or services) presented by customers, including in terms of their compliance with the terms and conditions of contracts to be signed. The analysis reveals the potential to reduce prices by an average of 10%–15%.

To support the implementation of the national SME development policy PJSC Gazprom has established and continues collaboration with innovative small and medium-sized enterprises.

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#### Initiatives to expand SMEs access to procurement

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- Implementation of the Pilot SME Partnership Programme (published on PJSC Gazprom's website). The Pilot Programme was approved by the Russian Ministry of Energy, OOO RUSNANO Management Company and "New Technologies in Gas Industry" Association of Equipment Manufacturers. As part of the Partnership Programme, the Register of Participants in PJSC Gazprom's SME Partnership Programme was set up and is maintained on PJSC Gazprom's corporate website. In 2015, the Programme included assessments of innovative SME products' compliance with the corporate requirements, as well as the implementation of pilots to deploy innovative resource-saving and industrial safety equipment and technologies, including GRASYS nitrogen stations, METALCLAY polyethylene pipe coatings, STEKON culverts, Optogan lighting systems, OSPT Reline pile coating, GREENCODE rock shield and other products.
  - To simplify engagement with SMEs and enhance transparency and predictability of business processes related to admission of innovative products for use in PJSC Gazprom the Company built and implemented in June 2015 a "single-window" (one-stop) system to roll out innovative SME products and review innovative proposals submitted by individuals and legal entities.
  - Procurement procedures were simplified to the maximum possible extent, specifically:
    - procurement procedures were shifted to an electronic format by using the capabilities of Electronic Trading Platform of Gazprombank (ETP-GPB) and PJSC Gazprom's Automated electronic procurement system;
    - request for proposal (RFP) form was developed and is currently used, which contains a minimum required list of documents designed to simplify procurement procedure for SMEs;
    - no bid bond requirement is applied to SMEs in procurement of items to which they are eligible.

To simplify small-scale procurement procedure (for an amount of up to RUB 500 thousand), in 2015 an electronic procurement service — Small-Scale Procurement Trading Portal — was developed and launched on the Electronic Trading Platform of Gazprombank (ETP-GPB). Over 2,100 suppliers published their price lists on the Portal, featuring 47,000 items (works and services). The launch of the Trading Portal enabled the establishment of transparent standards and provided non-discriminatory access to small-scale procurement for a wide range of suppliers, primarily SMEs.
  - A list of goods, products and services procured by PJSC Gazprom from SMEs was developed, approved and published in the unified information system.
  - Pursuant to Resolution of the Russian Government No. 1352 dated 11 December 2014 On Peculiarities of Participation of Small and Medium-Sized Enterprises in the Procurement of Goods, Works and Services by Certain Types of Legal Entities, PJSC Gazprom's Procurement Plans, starting with the 2H 2015 Plan, designate procurement procedures accessible exclusively to SMEs. In 2H 2015, PJSC Gazprom had a number of competitive procurement tenders held in electronic format and accessible exclusively to SMEs. Winning bids worth RUB 42.5 bn were announced; as a result, contracts for a total amount of over RUB 4.5 bn were signed in 2015, while the majority of contracts will be signed in 2016.
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In 2015, PJSC Gazprom entered into 1,147 contracts with SMEs worth RUB 12.4 bn. The Company's counterparties include about 700 SMEs.

In accordance with Russian laws, draft 2016 plans for procurement by PJSC Gazprom and individual companies within Gazprom Group of goods, works and services (including innovative and hi-tech products) covered by Decree of the Russian Government No. 2258-r dated 6 November 2015, shall be agreed as per the established procedure with the Federal Corporation for the Development of Small and Medium Enterprise to ensure compliance with the requirements of Russian laws providing for SMEs participation in procurement, including allocation of SME quota in the procurement plan.

PJSC Gazprom's 2015 annual report on procurement of goods, works and services from SMEs by certain types of legal entities is available in the unified information system and on PJSC Gazprom's website

 [gazprom.com](http://gazprom.com)

Since all procurement is carried out to support smooth operation of Gazprom Group companies, the ultimate measure and the indicator of high efficiency of the current procurement system is PJSC 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. Based on the work done and goals set, 2016 priorities include:

- further efforts to improve the procurement system in line with new developments and expanding requirements of Russian laws, with maximum automation and shifting to an electronic format of all stages of procurement procedures within PJSC Gazprom's Automated Electronic Procurement System;
- increasing procurement efficiency, including through controls across the entire procurement cycle (from planning to contract execution) and reducing costs for Gazprom Group.

PJSC 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. The 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 PJSC Gazprom's affairs (a "golden share").

PJSC Gazprom's shareholding structure, %		
Name	As at 31 December 2014	31 December 2015
The Russian Federation represented by the Federal Agency for State Property Management	38.37	38.37
OA O Rosneftegaz*	10.97	10.97
OA O Rosgazifikatsiya**	0.89	0.89
ADR holders***	28.05	27.83
Other registered holders	21.72	21.94

\* As at 31 December 2014 and 31 December 2015, the interest held by the Russian Federation, represented by the Federal Agency for State Property Management, in OA O Rosneftegaz was 100%.

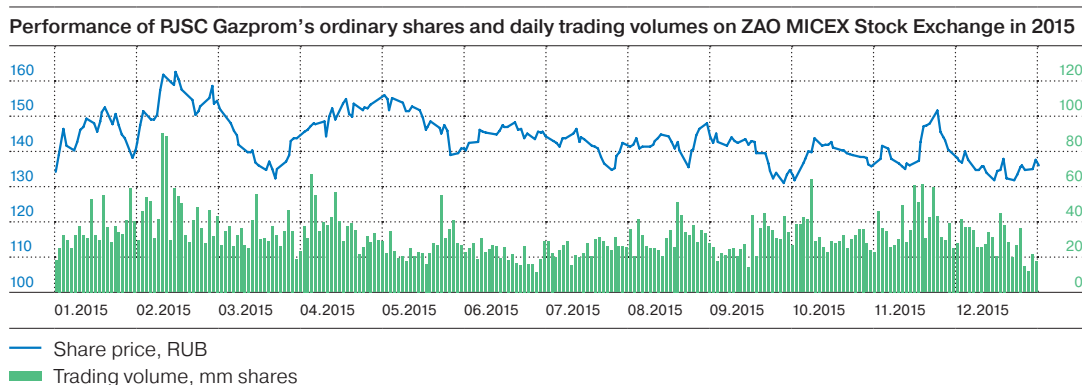
\*\* As at 31 December 2014 and 31 December 2015, OA O Rosneftegaz held 74.55% of shares in OA O Rosgazifikatsiya.

\*\*\* The Bank of New York Mellon issued ADRs on PJSC Gazprom's shares.

Registered stockholders of more than 2% shares in PJSC Gazprom as at 31 December 2015	
Name	Stake, %
The Russian Federation represented by the Federal Agency for State Property Management	38.37
OA O Rosneftegaz	10.97
Gazprom Gerosgaz Holdings B.V. (controlled by PJSC Gazprom)	2.93

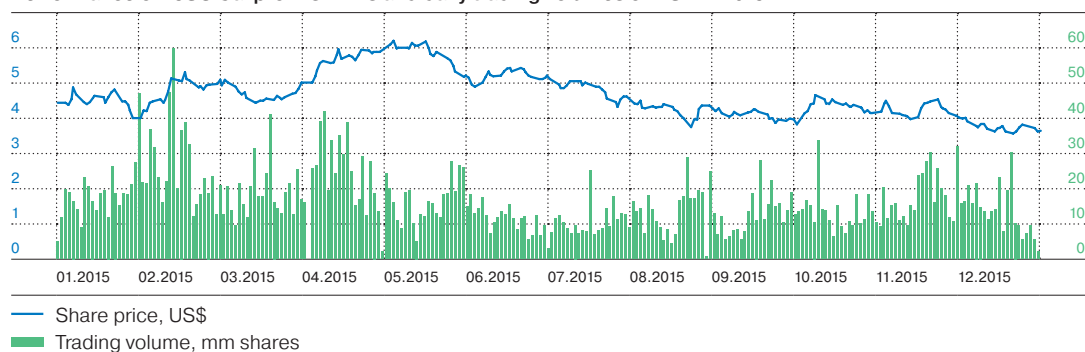
There are no PJSC Gazprom's shares the title to which was transferred to the Company.

PJSC Gazprom's shares were included in the first (top) level quotation list of Russian ZAO MICEX Stock Exchange and PAO Saint Petersburg Exchange.



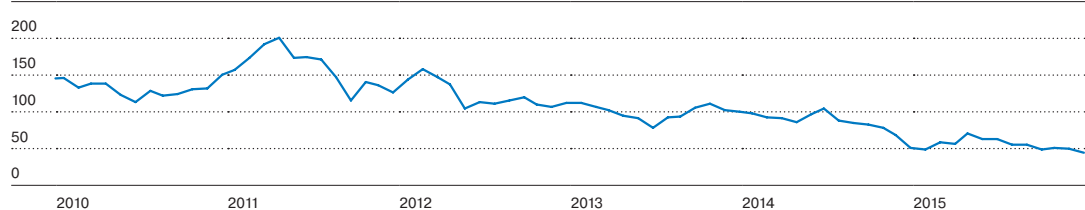
American depositary receipts (ADRs) on PJSC Gazprom's shares are traded on London, Berlin and Frankfurt exchanges, ZAO MICEX Stock Exchange, the US OTC market, and on the Singapore OTC market among qualified institutional buyers (QIBs). London Stock Exchange (LSE) accounts for the bulk of trade in PJSC Gazprom's ADRs.

Performance of PJSC Gazprom's ADRs and daily trading volumes on LSE in 2015



In 2015, PJSC Gazprom's market capitalisation increased by 4% y-o-y; as at 31 December 2015, it was RUB 3.2 tn, or USD 44.2 bn. PJSC Gazprom's average market capitalisation in 2015 also increased by 4% y-o-y in the rouble equivalent to RUB 3.4 tn, or USD 56.2 bn.

PJSC Gazprom's market capitalisation in 2010–2015, USD bn



**Note.** Market capitalisation calculated as the monthly closing price on 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 PJSC Gazprom's shares issued.

The Company builds long-term relations with its shareholders and investors. Regular events are organised to maintain relations with the investment community, including large-scale events such as PJSC Gazprom Investor Day, PAO Gazprom Neft Investor day, and OOO Gazprom energoholding Analyst and Investor Day. During these and other regular events representatives of the investment community are offered an opportunity to ask questions and obtain relevant information on the Group's operations, recent achievements and development strategy directly from the management and representatives of PJSC Gazprom and its subsidiaries.

# VI Appendices



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In 2015, PJSC Gazprom closed no transactions treated as major transactions under the applicable laws of the Russian Federation.

All transactions approved by the General Shareholders Meeting and the Board of Directors and treated as interested-party transactions under the applicable Russian laws are aimed to support business and commercial operations of the Company and its corporate interests.

#### List of Interested-Party Transactions in 2015, approved by PJSC Gazprom's management bodies

Parties are recognised to be interested in transactions listed below if:

- a) members of management bodies of PJSC Gazprom are interested in such transactions as they:
  - hold positions in management bodies of legal entities that are parties to such transactions (paragraphs 1–17, 19, 20, 22–27, 29–37, 39–50, 52–63, 66, 68–77, 79, 81–89, and 91–100),
  - hold positions in management bodies of legal entities that are beneficiaries of such transactions (paragraphs 21, 51, 64, and 77).
  - hold positions in management bodies of OOO Gazprom mezhregiongaz and AO SOGAZ INSURANCE that are parties to such transaction (paragraph 65),
  - hold positions in management bodies of management companies of legal entities that are parties to such transactions (paragraphs 38, 67, 80, and 101),
  - are parties to such transaction (paragraph 78), or
  - are beneficiaries of such transaction (paragraph 90);
- b) the Russian Federation as a shareholder in PJSC Gazprom holding more than 20% of voting shares in the Company is interested in such transactions as it:
  - is a party to such transaction (paragraphs 18, 28, and 102), or
  - owns more than 20% of shares in a legal entity that is a party to such transaction (paragraph 64).

**1** Addendum No. 4 to Private Pension Coverage Agreement No. 10/00 of 21 February 2001 with Non-State Pension Fund GAZFOND (NPF GAZFOND), reflecting amendments and additions to this agreement on:

- updates to the procedure for early payment of old age and disability pensions in accordance with the Federal Law On Insurance Pensions effective since 1 January 2015;
- NPF GAZFOND's obligation to maintain confidentiality and protect personal data processed as part of contractual obligations in accordance with the Federal Law On Personal Data and other statutory regulations adopted thereunder; or
- the obligation to disclose and use information constituting a commercial secret and other confidential information under the non-disclosure agreement between the parties.

Policyholder — PJSC Gazprom. Beneficiaries — employees of the Administration of PJSC Gazprom, foreign representative offices of PJSC Gazprom, the trade union of PJSC Gazprom, and other persons included by resolution of the Chairman of PJSC Gazprom's Management Committee. The addendum shall become effective on the date when signed by the parties. Interested party:

Alexey Miller, Deputy Chairman of the Board of Directors of PJSC Gazprom and Chairman of the Management Committee of PJSC Gazprom.

Approved by Resolution  
of JSC Gazprom Board of Directors  
No. 2482 dated 4 February 2015.

**2** Addendum No. 1 to Private Pension Coverage Agreement No. 7-01/13 of 31 December 2013 with Non-State Pension Fund GAZFOND (NPF GAZFOND), reflecting amendments and additions to this agreement on:

- updates to the procedure for early payment of old age and disability pensions in accordance with the Federal Law On Insurance Pensions effective since 1 January 2015;
- NPF GAZFOND's obligation to maintain confidentiality and protect personal data processed as part of contractual obligations in accordance with the Federal Law On Personal Data and other statutory regulations adopted thereunder; or
- the obligation to disclose and use information constituting a commercial secret and other confidential information under the non-disclosure agreement between the parties.

Policyholder — PJSC Gazprom. Participants: employees of the Administration of PJSC Gazprom, foreign representative offices of PJSC Gazprom, the trade union of PJSC Gazprom, and other persons included by resolution of the Chairman of PJSC Gazprom's Management Committee. Beneficiaries: participants and heirs of the Participants (retired participants). The addendum shall become effective on the date when signed by the parties. Interested party: Alexey Miller, Deputy Chairman of the Board of Directors of PJSC Gazprom and Chairman of the Management Committee of PJSC Gazprom.

Approved by Resolution  
of JSC Gazprom Board of Directors  
No. 2482 dated 4 February 2015.

**3** Loan agreement with OAO Belgazprombank.

Lender — PJSC Gazprom. Borrower — OAO Belgazprombank. PJSC Gazprom extends to OAO Belgazprombank a loan for the rouble equivalent of USD 75,000,000.00 at the exchange rate of the Central Bank of the Russian Federation as at the date of extension of the loan amount (the "loan amount"), and OAO Belgazprombank undertakes to repay the loan amount in full in Russian roubles (the "principal") and pay interest for the use of the loan (the "interest") in the manner and at the time set forth in the agreement. All charges and fees under the agreement are payable in Russian roubles. Interest for the use of the loan amount is charged against PJSC Gazprom on a monthly basis at a fixed rate equal to the refinancing rate set by the Central Bank of the Russian Federation as at the loan extension date. Interest accrual is suspended (no interest is accrued) starting from the date when OAO Belgazprombank reports a loss on an accrual basis for the year to date, which has to be supported by relevant documents. Interest accrual shall be resumed as soon as OAO Belgazprombank has covered for such loss.

The interest rate may be revised as agreed by the parties. The revised interest rate shall not exceed the rate initially set out in the agreement, or the refinancing rate of the Central Bank of the Russian Federation effective as at the date of such revision.

OAO Belgazprombank shall pay the interest on a quarterly basis, but not later than the last business day of the last month of each calendar quarter, on the date of full repayment of the principal by a bank transfer to PJSC Gazprom's account.

Maturity: the loan is to be repaid as a lump sum on the date falling seven years after the loan extension date to the bank account of PJSC Gazprom designated in the agreement. Other payments made by OAO Belgazprombank thereunder may only be payment of interest to PJSC Gazprom.

For improper performance of the terms and conditions of this agreement, the parties shall be held liable under the laws of the Republic of Belarus.

The agreement becomes effective on the date when the loan amount is credited by PJSC Gazprom to OAO Belgazprombank's account and shall be valid until the parties have fully performed their obligations thereunder. Interested party: Andrey Kruglov, member of PJSC Gazprom's collegial executive body.

Approved by Resolution  
of JSC Gazprom Board of Directors  
No. 2509 dated 26 March 2015.

**4** Contract for stock-taking of PJSC Gazprom's fixed assets signed with OAO Druzhba. OAO Druzhba undertakes to arrange and carry out stock-taking of PJSC Gazprom's fixed assets as at 1 October 2014, to be leased to OAO Druzhba as from 1 October 2014, including preparing materials for downsizing of PJSC Gazprom's fixed assets, as instructed by PJSC Gazprom. OAO Druzhba undertakes to conduct stock-taking from 1 October 2014 through 11 November 2014. Contract price: RUB 29,615.00 (net of VAT). The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 1 October 2014. Interested party:

Alexander Kozlov, member of PJSC Gazprom's collegial executive body.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 27 June 2014.

**5** Pre-investment Study Agreement with AO Giprospectgaz. Parties: Customer — PJSC Gazprom, Contractor — AO Giprospectgaz. AO Giprospectgaz undertakes to develop, under the terms of reference for a pre-investment study, the Investment Design for Expanding the UGSS to Increase Gas Supplies to Turkey to 19 bcm per year and deliver the same to PJSC Gazprom. PJSC Gazprom undertakes to accept, and pay for, the deliverables.

Project price is RUB 18,184,271.00 (net of VAT). The services provided for by the project agreement, including their component parts (stages) shall be delivered within the timelines set forth in the Project Timetable. Overall delivery date: 20 November 2015.

The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the agreement apply to the parties from 1 December 2014. Interested party: Sergey Prozorov, member of PJSC Gazprom's collegial executive body.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2596 dated 3 September 2015.

**6** Cash Pooling and Master Account Agreement with AO Gazprombank. AO Gazprombank provides and PJSC Gazprom pays for the Cash Pooling and Master Account service.

Cash pooling means the transfer of funds from the account of the Pool Member to the Master Account.

Disbursement from the Master Account means the transfer of funds from the Master Account to the account of the Pool Member.

Master Account means PJSC Gazprom's account No. 40702810000000000001 with AO Gazprombank under Rouble Bank Account Agreement No. 0001/98 dated 5 January 1998.

Pool Member means a customer of AO Gazprombank which has a bank account with AO Gazprombank (a branch of AO Gazprombank).

The agreement shall become effective on the date when signed by the parties and shall be valid for one year. The agreement is deemed extended for the same term if neither party announces its intention to withdraw therefrom at least two months prior to its expiry date. Interested parties: Alexey Miller, Elena Vasilieva, Andrey Kruglov, Mikhail Sereda, Kirill Seleznev, Andrey Akimov, members of PJSC Gazprom's management bodies.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 27 June 2014.

**7** Research Contract with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). PJSC Gazprom engages Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) to conduct research on

development of a technology for utilisation of dispersed systems to dry the formation and continue water-free operation of wells as part of cyclical operation of underground gas storage facilities in heterogeneous aquifers. Delivery period: from 1 July 2014 through 30 April 2017. Contract price: RUB 12,250,000.00, VAT-exempt pursuant to subparagraph 16, paragraph 3 of Article 149 of the Tax Code of the Russian Federation. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 1 July 2014. Interested party: Viktor Martynov, member of the Board of Directors of PJSC Gazprom.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 27 June 2014.

**8** Agreement No. 2 to the Trademark License Agreement with OOO Gazprom mezhregiongaz dated 15 May 2007 updating the agreement with a new place of business of OOO Gazprom mezhregiongaz and provisions on the state registration of the right to use trademarks. The agreement shall become effective on the date when signed by the parties. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.

Approved by Resolution  
of JSC Gazprom Board of Directors  
No. 2445 dated 21 November 2014.

**9** Contract for stock-taking of PJSC Gazprom's fixed assets signed with OAO Gazprom nef't. OAO Gazprom nef't undertakes to arrange and carry out stock-taking of PJSC Gazprom's fixed assets as at 28 October 2014, to be leased to OAO Gazprom nef't as from 28 October 2014, including preparing materials for downsizing of PJSC Gazprom's fixed assets, as instructed by PJSC Gazprom. OAO Gazprom nef't undertakes to conduct stock-taking from 28 October 2014 through 9 December 2014. Contract price: RUB 1,075.00 (net of VAT). The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 29 October 2014. Interested parties: Alexey Miller, Andrey Kruglov, Nikolai Dubik, Kirill Seleznev, Valery Golubev, Vsevolod Cherepanov, Elena Mikhailova, Mikhail Sereda, members of PJSC Gazprom's management bodies.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 27 June 2014

**10** Contract for gas transportation services in Russia in 2015, signed with TOO KazRosGaz. The contract covers services for organising the transportation of gas owned by TOO KazRosGaz across Russia to be exported from the Russian Federation between 1 January 2015 and 31 December 2015. TOO KazRosGaz engages PJSC Gazprom to arrange the transportation of up to 6,923 mmcm of gas owned by TOO KazRosGaz via the gas transportation system of the Russian Federation. The contract shall become effective on the date when signed by the parties and shall be valid until 31 December 2015. The terms and conditions of the contract apply to the parties from 1 Jan-

uary 2015. Interested parties: Alexander Medvedev, Kirill Seleznev, Valeriy Golubev, members of PJSC Gazprom's collegial executive body.

Approved by the Resolution  
of OAO Gazprom's Annual General Shareholders Meeting  
dated 27 June 2014.

**11** Contract with OOO Gazprom mezhregiongaz. PJSC Gazprom undertakes to supply to OOO Gazprom mezhregiongaz flammable natural gas produced by PJSC Gazprom at the Kirinskoye gas condensate field (the "gas"), to be subsequently sold to consumers in the Primorye Territory and the Sakhalin Region, and OOO Gazprom mezhregiongaz undertakes to accept, and pay for, gas supplied. The scope of supply from 1 January 2015 to 31 December 1025 shall be 663.2 mmcm. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 1 January 2015. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 27 June 2014.

**12** Contract for educational services under the Master of Business Administration in Oil&Gas Business Management programme with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). Parties: Customer — PJSC Gazprom, Contractor — Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) (the "University"). The University undertakes to provide PJSC Gazprom with services of retraining PJSC Gazprom's executives in agreed subjects according to the training plan and for fees set for 2015–2016 (the "Training Plan"), and PJSC Gazprom undertakes to pay for these services. Total contract price in accordance with the Training Plan: RUB 1,200,000.00, VAT-exempt pursuant to subparagraph 14, paragraph 2 of Article 149 of the Tax Code of the Russian Federation. PJSC 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 when the acceptance certificate is signed by the parties. Delivery period: from 2 February 2015 through 29 October 2016. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 2 February 2015. Interested party: Viktor Martynov, member of the Board of Directors of PJSC Gazprom.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2633 dated 1 December 2015.

**13** Contract for educational services with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). Parties: Customer — PJSC Gazprom, Contractor — Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) (the "University"). The University under-

takes to provide PJSC Gazprom with career enhancement services for PJSC Gazprom's executives and specialists in agreed subjects according to the Training Plan and for fees set for 2015 (the "Training Plan"), and PJSC Gazprom undertakes to pay for these services. Total contract price in accordance with the Training Plan: RUB 792,000.00, VAT-exempt pursuant to subparagraph 14, paragraph 2 of Article 149 of the Tax Code of the Russian Federation. PJSC 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 when the acceptance certificate is signed by the parties, subject to the VAT invoice issued by the University. Delivery period: from 16 March 2015 through 4 December 2015. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested party: Viktor Martynov, member of the Board of Directors of PJSC Gazprom.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2632 dated 1 December 2015.

**14** Addendum No. 2 to the Asset Swap Agreement dated 28 May 2007 with Gazprom Germania GmbH, Gazprom EP International B.V., and Wintershall Holding GmbH postponing the date of review of reserves at the Yuzhno-Russkoye oil and gas condensate field to 1 October 2023, and adjusting the annual discount rate of the multiple used to calculate compensation for reviewed reserves to the European inflation rate. Interested parties: Alexander Medvedev, Andrey Kruglov, Andrey Akimov, Vsevolod Cherepanov, members of PJSC Gazprom's collegial executive body.

Approved by Resolution  
of JSC Gazprom Board of Directors  
No. 2416 dated 24 September 2014.

**15** Agreement No. 1 on amending the property lease agreement of 10 November 2014 with OAO Druzhba due to amendments to the list of leased property and lease rate adjustment. Monthly lease rate in December 2014 through August 2015: RUB 6,550,197.00 (net of VAT). The agreement shall become effective on the date when signed by the parties. The terms and conditions of the agreement apply to the parties from 30 November 2014. Interested party: Alexander Kozlov, member of PJSC Gazprom's collegial executive body.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 27 June 2014.

**16** Business travel insurance signed with OAO SOGAZ INSURANCE. The contract provides cover for costs incurred by PJSC Gazprom's employees (the "Insured") on the move. The services provided by OAO SOGAZ INSURANCE (gross insurance premiums written) are capped at RUB 900,000.00. The contract shall become effective on 1 January 2015 and shall be valid until 31 December 2015. Interested parties: Alexey Miller, Andrey Kruglov, members of PJSC Gazprom's management bodies.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 27 June 2014.

**17** Research Contract with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). PJSC Gazprom engages Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) to conduct research on developing a method to reduce coke formation in pyrolysis furnaces using a coke inhibitor. Delivery period: from 12 January 2015 through 11 September 2015. Contract price: RUB 7,500,000.00, VAT-exempt pursuant to subparagraph 16, paragraph 3 of Article 149 of the Tax Code of the Russian Federation. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 12 January 2015. Interested party: Viktor Martynov, member of the Board of Directors of PJSC Gazprom.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 27 June 2014.

**18** Share Purchase Agreement with the Russian Federation represented by the Federal Agency for State Property Management. Seller — the Russian Federation represented by the Federal Agency for State Property Management, Buyer — PJSC Gazprom. The Russian Federation represented by the Federal Agency for State Property Management undertakes to transfer to PJSC Gazprom the title to, and PJSC Gazprom undertakes to accept, and pay for, one ordinary registered book-entry share in Open Joint-Stock Company Chechengaz (OAO Chechengaz) with the par value of RUB 100, representing 0.0002% of its authorised capital (the "Share"). Total Share price: RUB 1.00, VAT-exempt. PJSC Gazprom pays the total Share price as a lump sum by a bank transfer to the account of the Federal Treasury within nine business days from the effective date of the agreement. The title to the Share passes to PJSC Gazprom when a relevant credit entry is made in PJSC Gazprom's account in the share register of OAO Chechengaz. The agreement shall become effective on the 25th day after each and all of the following conditions are met:

- the agreement is signed by the parties;
- PJSC Gazprom's management bodies have approved the transaction to purchase the Share from the Russian Federation represented by the Federal Agency for State Property Management, and shall be valid until the earlier of: (a) the date when the parties have fully performed their obligations; (b) the early termination date.

Interested party: the Russian Federation as PJSC Gazprom's shareholder holding over 20% of PJSC Gazprom's voting shares.

Approved by Resolution  
of JSC Gazprom Board of Directors  
No. 2513 dated 26 March 2015.

**19** Employer-Sponsored Education Agreement with National Research Tomsk Polytechnic University (federal state autonomous educational institution of higher education). Parties: Customer — PJSC Gazprom, Contractor — National Research Tomsk Polytechnic University (federal state autonomous educational institution of higher education) (the "University").



The University undertakes to admit those students in 2015 who have entered into employer-sponsored education agreements with PJSC Gazprom within the quota for employer-sponsored higher education and within the target numbers of admissions sponsored by the federal government, while PJSC Gazprom undertakes to organise internships for those students who have entered into employer-sponsored education agreements in line with the University curricula for relevant branches and major fields of study.

The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested party: Sergey Khomyakov, member of PJSC Gazprom's collegial executive body.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2630 dated 1 December 2015.

**20** Employer-Sponsored Education Agreement with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). Parties: Customer — PJSC Gazprom, Contractor — Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) (the "University"). The University undertakes to admit, on receipt of an application from PJSC Gazprom for employer-sponsored education for 2015, ("PJSC Gazprom's Application"), 184 students who have entered into employer-sponsored agreements with PJSC Gazprom within the quota for employer-sponsored higher education and within the target numbers of admissions sponsored by the federal budget, budgets of constituent entities of the Russian Federation, or local budgets, while PJSC Gazprom undertakes to organise internships for those students who have entered into employer-sponsored education agreements in line with the University curricula.

The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested party: Viktor Martynov, member of the Board of Directors of PJSC Gazprom.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2631 dated 1 December 2015.

**21** Guarantee agreement of the parent company with Yamal Trade Pte. Ltd. Beneficiary — Gazprom Marketing and Trading Singapore Pte. Ltd. PJSC Gazprom agreed to guarantee the performance by Gazprom Marketing and Trading Singapore Pte. Ltd. (the "Company") of its duties and obligations under the agreement for sale and purchase of liquefied natural gas dated 22 January 2015, made between Yamal Trade Pte. Ltd and the Company (the "Agreement") for as long as any project financing debt acquired by OAO Yamal LNG from third party lenders (the "Project Financing Debt") remains outstanding, on the terms set out below:

- a) PJSC Gazprom unconditionally and irrevocably guarantees to Yamal Trade Pte. Ltd and to any of its successors and assigns that the Company will perform all its payment obligations under the Agreement precisely in accordance with the terms and condi-

tions of the agreement as at the time when such payment obligations become effective and due (the "Guaranteed Obligations"), and undertakes, in case of failure by the Company to pay any amount under, or in connection with, the agreement, to pay such amount at request,

- b) if the Guaranteed Obligations become null and void, invalid, unenforceable, ineffective, unlawful or cease to have any legal force for any other reason, PJSC Gazprom undertakes to reimburse Yamal Trade Pte. Ltd for those of its losses that are directly caused by the obligations of the Company set out in the Agreement to pay for batches of liquefied natural gas delivered to, and accepted by, the Company having become null and void, invalid, unenforceable, ineffective, unlawful or cease to have any legal force, provided that the amount to be paid by PJSC Gazprom under item b) does not exceed the amount that would be payable under item a) if such amount that is subject to the relevant claim were covered by the Guaranteed Obligation payable under the guarantee, and
- c) for a claim made on PJSC Gazprom for any amount under the Guaranteed Obligation, if such amount has been paid by the Company under the agreement or by PJSC Gazprom under the guarantee, item b) shall not be applicable to the extent of the amount so paid.

PJSC Gazprom's liability under the guarantee is capped at USD 3, 100,000,000 (the "Guarantee Limit").

At the request of Yamal Trade Pte. Ltd, PJSC Gazprom shall reimburse this company for all duly documented reasonable expenses and costs incurred by Yamal Trade Pte. Ltd as a direct result of the enforcement of its rights under the guarantee due failure by PJSC Gazprom to meet its obligations under the guarantee.

PJSC Gazprom's obligations under the guarantee shall become effective on the date of the first drawdown under any Project Financing Debt and remain valid until the guarantee expiry on the earlier of:

- a) the date of full and irrevocable discharge of the Guaranteed Obligations under the agreement;
- b) the date of full and irrevocable discharge by PJSC Gazprom of (actual or contingent) obligations under the guarantee;
- c) the date when the final amount paid by PJSC Gazprom under the guarantee reaches the Guarantee Limit (net of amounts reimbursed to PJSC Gazprom by Yamal Trade Pte. Ltd in case of double payment for certain Guaranteed Obligations), or
- d) the date on which the Project Financing Debt is fully and irrevocably paid or discharged, as applicable, provided that the termination of the agreement does not relieve PJSC Gazprom from its Guaranteed Obligations assumed before the expiry of the agreement or subject to the guarantee provisions on settlement of the Guaranteed Obligations when receiving payments both from PJSC Gazprom and the Company. The agreement is governed by the English law.

Interested party: Mikhail Sereda, member of the Board of Directors of PJSC Gazprom.

Approved by Resolution  
of JSC Gazprom Board of Directors  
No. 2563 dated 23 June 2015.

**22** Addendum No. 2 to the agreement for exploration, commercial development and operation of the Dolginskoye oil field with OOO Gazpromneft-Sakhalin. Customer — PJSC Gazprom. Operator — OOO Gazpromneft-Sakhalin. The addendum covers termination (as from 6 September 2013) of the agreement for exploration, commercial development and operation of the Dolginskoye oil field with OOO Gazpromneft-Sakhalin made on 12 September 2012 between PJSC Gazprom and OOO Gazpromneft-Sakhalin (the "Agreement"). PJSC Gazprom's debt to OOO Gazpromneft-Sakhalin for the services and activities completed by the time of the agreement termination and for the costs incurred (the "Lists of Services, Activities and Costs") is RUB 283,297,069.27, including VAT ("PJSC Gazprom's Debt"). Debt owed by OOO Gazpromneft-Sakhalin to PJSC Gazprom for geographical information, reports, documents, and other materials on the Dolginskoye oil field (the "Documentation"), the title to which shall be transferred to OOO Gazpromneft-Sakhalin, is RUB 283,297,609.27, including VAT ("OOO Gazpromneft-Sakhalin's Debt").

The Parties agreed to offset the claim of OOO Gazpromneft-Sakhalin for PJSC Gazprom's Debt against the counter claim of PJSC Gazprom for OOO Gazpromneft — Sakhalin's Debt.

After the addendum is signed, the right of claim of OOO Gazpromneft-Sakhalin shall be fully terminated by offsetting PJSC Gazprom's counter claim in line with Article 410 of the Civil Code of the Russian Federation.

Upon offset of similar counterclaims, the remaining OOO Gazpromneft-Sakhalin's Debt amounts to RUB 540.00, including VAT. This outstanding debt shall be paid within 20 business days from the date of the addendum.

The addendum shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations hereunder. Interested parties: Vsevolod Cherepanov, Nikolai Dubik, members of PJSC Gazprom's collegial executive body.

Approved by Resolution  
of JSC Gazprom Board of Directors  
No. 2517 dated 08 April 2015.

**23** Employer-Sponsored Education Agreement with St. Petersburg State University of Economics (federal budget-funded educational institution of higher education). Parties: PJSC Gazprom and St Petersburg State University of Economics (federal budget-funded educational institution of higher education) (the "University").

The University undertakes to admit those students in 2015 who have entered into employer-sponsored education agreements with PJSC Gazprom within the quota for employer-sponsored higher education and within the target numbers of admissions sponsored by the federal government for relevant branches of study and available training opportunities. PJSC Gazprom undertakes to organise internships for those students who have entered into employer-sponsored education agreements in line with the University curricula. The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested party: Alexey Miller, Deputy Chairman of the Board of Directors of PJSC Gazprom and Chairman of the Management Committee of PJSC Gazprom.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2657 dated 19 January 2016.

**24** Contract for gas transportation services signed with OAO Gazprom neft. PJSC Gazprom organises transportation of gas owned by PJSC Gazprom's affiliate, OAO Gazprom neft, across Russia, from Luginetskoye, Novogodneye, Vyngapurovskoye and Muravlenkovskoye fields from 1 January 2015 through 31 December 2015. Contract size in 2015 — 6,427.4 mmcm. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 1 October 2015. Interested parties: Alexey Miller, Andrey Kruglov, Nikolai Dubik, Kirill Seleznev, Valery Golubev, Vsevolod Cherepanov, Elena Mikhailova, Mikhail Sereda, members of PJSC Gazprom's management bodies.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 27 June 2014.

**25** Suretyship Agreement with OAO Gazprom Space Systems. Surety — PJSC Gazprom, Debtor — OAO Gazprom Space Systems. Under the Suretyship Agreement of 23 September 2014, PJSC Gazprom undertakes to UniCredit Bank Austria AG to secure obligations of OAO Gazprom Space Systems under the loan agreement (the "Suretyship"), while OAO Gazprom Space Systems undertakes to pay PJSC Gazprom a fee for the Suretyship.

OAO Gazprom Space Systems shall pay PJSC Gazprom the consideration for the Suretyship in quarterly installments.

The fee for the Suretyship is 0.15 % p.a. of the amount of cash (loan) provided to OAO Gazprom Space Systems, plus VAT at a rate determined under the applicable Russian tax laws.

If OAO Gazprom Space Systems delays payment of the consideration, OAO Gazprom Space Systems shall pay a penalty at the refinancing rate of the Bank of Russia effective as at the date when the penalty is charged, applied to the amount of the non-performed or improperly performed obligation for each calendar day of the delay starting from the date of failure to perform or improper performance by OAO Gazprom Space Systems of its obligations and to the date when such obligations have been properly performed. Payment of the penalty by OAO Gazprom Space Systems does not relieve it of its obligations under the suretyship agreement.

The agreement shall become effective on the date when signed by the parties and shall be valid until OAO Gazprom Space Systems and PJSC Gazprom have fully performed their obligations thereunder. Interested parties: Sergey Khomyakov, Mikhail Sereda, Vitaly Markelov, members of PJSC Gazprom's management bodies.

Approved by Resolution  
of JSC Gazprom Board of Directors  
No. 2504 dated 24 March 2015.

**26** Addendum No. 6 to Loan Agreement No. TCNG-0507 of 29 May 2007, signed with OOO TsentrcaspNeftegaz Lender — PJSC Gazprom, Borrower — OOO TsentrcaspNeftegaz. The addendum covers amendments to the loan agreement extending maturity of the principal and interest. Principal repayment date: not later than 25 December 2015. OOO TsentrcaspNeftegaz shall pay the interest charged under the agreement from 26 December

2009 through the principal maturity date as a lump sum on the date of the principal repayment. The addendum shall become effective on the date when signed by the parties. The terms and conditions of the addendum apply to the parties from 24 December 2014. Interested party: Vsevolod Cherepanov, member of PJSC Gazprom's collegial executive body.

Approved by Resolution  
of JSC Gazprom Board of Directors  
No. 2530 dated 7 May 2015.

**27** Addendum No. 9 to Loan Agreement No. 0608 of 5 June 2008, signed with OOO TsentrcaspNeftegaz Lender — PJSC Gazprom, Borrower — OOO TsentrcaspNeftegaz. The addendum covers amendments to the loan agreement extending maturity of the principal and interest. Principal repayment date: not later than 25 December 2015. OOO TsentrcaspNeftegaz shall pay the interest charged under the agreement from 26 December 2009 through the principal maturity date as a lump sum on the date of the principal repayment. The addendum shall become effective on the date when signed by the parties. The terms and conditions of the addendum apply to the parties from 24 December 2014. Interested party: Vsevolod Cherepanov, member of PJSC Gazprom's collegial executive body.

Approved by Resolution  
of JSC Gazprom Board of Directors  
No. 2529 dated 7 May 2015.

**28** Share Purchase Agreement with the Russian Federation represented by the Federal Agency for State Property Management. Seller — the Russian Federation represented by the Federal Agency for State Property Management. Buyer — PJSC Gazprom. The Russian Federation represented by the Federal Agency for State Property Management undertakes to transfer to PJSC Gazprom the title to, and PJSC Gazprom undertakes to accept, and pay for, one ordinary registered book-entry share in OAO Gazstroy with the par value of RUB 100, representing 0.0002% of its authorised capital (the "Share"). Total Share price: RUB 1.00, VAT-exempt. PJSC Gazprom pays the total share price as a lump sum by a bank transfer to the account of the Federal Treasury within nine business days from the effective date of the agreement. The title to the Share passes to PJSC Gazprom when a relevant credit entry is made in PJSC Gazprom's account in the share register of OAO Gazstroy. The agreement shall become effective on the 25th day after each and all of the following conditions are met:


- the agreement is signed by the parties;
- PJSC Gazprom's management bodies have approved the transaction to purchase the Share from the Russian Federation represented by the Federal Agency for State Property Management, and shall be valid until the earlier of: (a) the date when the parties have fully performed their obligations; (b) the early termination date.

Interested party: the Russian Federation as PJSC Gazprom's shareholder holding over 20% of PJSC Gazprom's voting shares.

Approved by Resolution  
of JSC Gazprom Board of Directors No. 2527  
dated 7 May 2015.

**29** Agreement on termination of Research Contract No. 4163-04-16 of 26 December 2005 with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). Customer — PJSC Gazprom. Contractor — Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) (the "University"). The agreement covers termination of Research Contract No. 4163-04-16 of 26 December 2005 between PJSC Gazprom and the University (the "Agreement") as no longer relevant. The parties may consider themselves not bound by any rights or obligations under the agreement as soon as the termination agreement becomes effective. The agreement shall become effective on the date when signed by the parties. Interested party: Viktor Martynov, member of the Board of Directors of PJSC Gazprom.

Approved by Resolution  
of JSC Gazprom Board of Directors  
No. 2548 dated 19 May 2015.

**30** Trademark Licence Agreement with OAO Gazprom neft. PJSC Gazprom (the "Licensor") grants to OAO Gazprom neft (the "Licensee"), for the term of the agreement, an exclusive license to use the trademarks registered by the National Centre of Intellectual Property (the "patenting authority") with the State Register of Trademarks and Service Marks of the Republic of Belarus (the "State Register"), registered No. 41042 and  registered No. 41043, and owned by the Licensor (the "Licensor's Trademarks") for all goods or services of product classes 01–45 of the International Classification of Goods and Services to which the Licensor's Trademarks apply. The Licensee may use the Licensor's Trademarks throughout the Republic of Belarus (the "Territory"):

- on products, product labels, and packaging;
- when providing services;
- in product or service offers;
- at charity or sponsorship events;
- in cover, business or other documents;
- in advertisements, print media, formal letterheads, billboards, including on office buildings, at 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 workwear and other PPE items;
- on the Internet;
- in the Licensee's (Sublicensees') business name(s);
- in the Licensee's (Sublicensees') print media.

Subject to the Licensor's prior consent, the Licensee may sublicense the Licensor's Trademarks to third parties (Sublicensees) under sublicense agreements. For each trademark used in the Territory, the Licensee/Sublicensees shall pay the Licensor a quarterly trademark licence fee of 300 minimum monthly wages as set by the applicable Russian laws as at the execution date of acceptance certificates, plus VAT at the rate fixed in the applicable Russian laws. The agreement shall become effective in the Territory on the date when the patenting authority makes licence entries in the Republic of Belarus state register of licence agreements, assignment agreements, and agreements for the pledge of rights to intellectual property. The agreement shall be

valid until 27 July 2019. Interested parties: Alexey Miller, Andrey Kruglov, Nikolai Dubik, Kirill Seleznev, Valery Golubev, Vsevolod Cherepanov, Elena Mikhailova, Mikhail Sereda, members of PJSC Gazprom's management bodies.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 27 June 2014.

**31** Donation Agreement with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) (the "University"). The agreement covers PJSC Gazprom's donation of RUB 60,000,000.00 to finance the fire safety action plan for the University buildings and dormitories (the "Purposes"). PJSC Gazprom shall transfer RUB 60,000,000.00 to the University's bank account within the month following the month when the agreement is signed. The University shall only use the money transferred by PJSC Gazprom for the above Purposes. PJSC Gazprom may request the University to report on the use of the funds donated by PJSC Gazprom in accordance with the intended purpose and provide copies of supporting financial documents. PJSC Gazprom may cancel the donation if the University uses the money for any purposes other than the Purposes or changes the Purposes for any reasons without first obtaining PJSC Gazprom's consent. In this case, the University fully refunds the money donated by PJSC Gazprom within one month upon receipt of PJSC Gazprom's request. The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested party: Viktor Martynov, member of the Board of Directors of PJSC Gazprom.

Approved by Resolution  
of JSC Gazprom Board of Directors  
No. 2552 dated 11 June 2015.

**32** Donation Agreement with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) (the "University"). The agreement covers PJSC Gazprom's donation of RUB 101,849,772.00 to finance security services for the University educational buildings and dormitories in 2015 (the "Purposes").

PJSC Gazprom shall transfer RUB 101,849,772.00 to the University's bank account as follows:

- RUB 50,924,886.00 — within 30 calendar days from the date of the agreement;
- RUB 25,462,443.00 — not later than 30 June 2015.
- RUB 25,462,443.00 — not later than 30 September 2015.

The University shall only use the money transferred by PJSC Gazprom for the above Purposes. PJSC Gazprom may request the University to report on the use of the funds donated by PJSC Gazprom in accordance with the intended purpose and provide copies of supporting financial documents. PJSC Gazprom may cancel the donation if the University uses the money for any purposes other than the Purposes or changes the Purposes for any reasons without first obtaining PJSC Gazprom's consent. In this case, the University fully refunds the money donated by PJSC Gazprom within one month upon receipt of PJSC Gazprom's request. The agreement

shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested party: Viktor Martynov, member of the Board of Directors of PJSC Gazprom.

Approved by Resolution  
of JSC Gazprom Board of Directors  
No. 2553 dated 11 June 2015.

**33** Addendum No. 20 to Gas Supply Contract No. 25 Pk-2007 of 13 December 2007 signed with OAO Severneftegazprom setting up the gas price for 2H 2015. The price of gas supplied between 10 am on 1 July 2015 and 10 am on 1 January 2016 (2H of the Supply Year 2015) is RUB 2,373.68 per mcm (net of VAT). The addendum shall become effective on the date when signed by the parties. Interested parties: Alexander Medvedev, Elena Mikhailova, Vsevolod Cherepanov, members of PJSC Gazprom's collegial executive body.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 27 June 2014.

**34** Addendum No.1 to the Trademark License Agreement with OAO Gazprom neft dated 12 November 2012. Licensor — PJSC Gazprom, Licensee — OAO Gazprom neft. The addendum covers amendments to the agreement on the use of PJSC Gazprom's trademarks by OAO Gazprom neft jointly with other trademarks, and updates provisions on the state registration of the right to use trademarks. OAO Gazprom neft has the right to use PJSC Gazprom's trademarks jointly with other trademarks only subject to prior written consent of PJSC Gazprom. The addendum shall become effective on the date when signed by the parties. Interested parties: Alexey Miller, Andrey Kruglov, Nikolai Dubik, Kirill Seleznev, Valery Golubev, Vsevolod Cherepanov, Elena Mikhailova, Mikhail Sereda, members of PJSC Gazprom's management bodies.

Approved by Resolution  
of JSC Gazprom Board of Directors  
No. 2446 dated 21 November 2014.

**35** Research Contract with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). Customer — PJSC Gazprom. Contractor — Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) (the "University"). PJSC Gazprom engages the University to conduct research, in accordance with the Customer's terms of reference, on development of recommendations on monitoring of voltage at external sources of electricity supply to process facilities of PJSC Gazprom.

PJSC Gazprom undertakes to accept, and pay for, this research.

Contract price: RUB 6,313,559.32, VAT-exempt.

Delivery period: from 1 July 2014 through 30 June 2016.

The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 1 July 2014. Interested parties:



Viktor Martynov, Alexander Novak, members of the Board of Directors of PJSC Gazprom.

Approved by Resolution  
of JSC Gazprom Board of Directors  
No. 2505 dated 24 March 2015.

**36** Research Contract with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). PJSC Gazprom engages Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) to conduct research on developing methods for calculation of thermodynamic properties, phase equilibria, viscosity and thermal conductivity ratios of oil, gas condensates, their fractions and products at reservoir and at process conditions based on multi-constant fundamental equations of state for gas condensates from fields of the Yakutsk gas production centred. PJSC Gazprom undertakes to accept, and pay for, this research. Overall delivery period: from 1 July 2014 through 1 July 2017. Contract price: RUB 18,000,000.00, VAT-exempt pursuant to subparagraph 16, paragraph 3 of Article 149 of the Tax Code of the Russian Federation. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 1 July 2014. Interested parties: Viktor Martynov, Alexander Novak, members of the Board of Directors of PJSC Gazprom.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**37** Suretyship Agreement with OAO Gazprom Space Systems. Surety — PJSC Gazprom, Debtor — OAO Gazprom Space Systems.

Under the Suretyship Agreement of 3 September 2013, PJSC Gazprom undertakes to Bank of America, N.A. and Sumitomo Mitsui Finance Dublin Limited to secure obligations of OAO Gazprom Space Systems under the loan agreement (the "Suretyship"), while OAO Gazprom Space Systems undertakes to pay PJSC Gazprom a fee for the Suretyship.

OAO Gazprom Space Systems shall pay PJSC Gazprom the consideration for the Suretyship in quarterly installments.

The fee for the Suretyship is 0.92 % p.a. of the amount of cash (loan) provided to OAO Gazprom Space Systems, plus VAT at a rate determined under the applicable Russian tax laws.

If OAO Gazprom Space Systems delays payment of the fee, PJSC Gazprom may demand that OAO Gazprom Space Systems should pay a penalty at a rate of 1/180 of the refinancing rate of the Bank of Russia effective as at the date when the penalty is charged, applied to the amount of the obligation non-performed or improperly performed obligation for each calendar day of the delay starting from the date of failure to perform or improper performance by OAO Gazprom Space Systems of its obligations and to the date when such obligations have been properly performed.

Payment of the penalty by OAO Gazprom Space Systems does not relieve it of its obligations under the suretyship agreement.

The agreement shall become effective on the date when signed by the parties and shall be valid until OAO Gazprom Space Systems and PJSC Gazprom have fully performed their obligations thereunder. Interested parties: Sergey Khomyakov, Mikhail Sereda, Vitaly Markelov, members of PJSC Gazprom's management bodies.

Approved by Resolution  
of JSC Gazprom Board of Directors  
No. 2566 dated 23 June 2015.

**38** Share purchase agreement with OAO Gazprom gazoraspredelenie (OOO Gazprom mezhrregiongaz is a management company acting as the sole executive body of OAO Gazprom gazoraspredelenie). Parties: Seller — PJSC Gazprom, Buyer — OAO Gazprom gazoraspredelenie. PJSC Gazprom undertakes to transfer to OAO Gazprom gazoraspredelenie the title to, and OAO Gazprom gazoraspredelenie undertakes to accept, and pay for, shares in the following companies:

- 839,000 ordinary registered shares in OAO Birobidzhanoblgaz with a par value of RUB 0.01 each, which is equivalent to 43.2% of its authorised capital, for RUB 55,001,000;
- 21,816 ordinary registered shares in AO Gazprom gazoraspredelenie Volgograd with a par value of RUB 1 each, which is equivalent to 25.5% of its authorised capital, for RUB 922,000,000;
- 5,654,200 ordinary registered shares in OAO Gazprom gazoraspredelenie Voronezh with a par value of RUB 0.005 each, which is equivalent to 25.5% of its authorised capital, for RUB 1,902,000,000;
- 50,380 ordinary registered shares in OAO Gazprom gazoraspredelenie Kursk with a par value of RUB 1 each, which is equivalent to 56.98% of its authorised capital, for RUB 1,202,000,000;
- 7,093,400 ordinary registered shares in OAO Gazprom gazoraspredelenie Nizhny Novgorod with a par value of RUB 0.005 each, which is equivalent to 25.54% of its authorised capital, for RUB 481,000,000;
- 26,146 ordinary registered shares in OAO Kuzbassgazifikatsiya with a par value of RUB 1 each, which is equivalent to 78.4% of its authorised capital, for RUB 158,000,000;
- 7,607 ordinary registered shares in OAO Kurganoblgaz with a par value of RUB 1 each, which is equivalent to 25.5% of its authorised capital, for RUB 51,000,000; and
- 62,970 ordinary registered shares in OAO Tuvgaz with a par value of RUB 100 each, which is equivalent to 100% of its authorised capital, for RUB 22,000,000 (the "Shares").

The price of Shares is estimated by the parties at RUB 4,793,001,000.00. The title to the Shares passes from PJSC Gazprom to OAO Gazprom gazoraspredelenie when a relevant credit entry is made in OAO Gazprom gazoraspredelenie's depository account with AO Gazprombank or in OAO Gazprom gazoraspredelenie's account in the share register of OAO Tuvgaz.

The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.



Approved by Resolution  
of JSC Gazprom Board of Directors  
No. 2576 dated 10 July 2015.

**39** Non-disclosure agreement with South Stream Transport B.V. Parties: PJSC Gazprom and South Stream Transport B.V. PJSC Gazprom and South Stream Transport B.V. undertake:

- to ensure protection of information constituting a commercial secret (the "Information") received from each other, for the purposes of the project for construction of an offshore gas pipeline from the Russian Federation to the Turkish Republic across the Black Sea (the "Project");
- to use the Information strictly for the purposes of the Project;
- not to disclose the Information without prior written consent of the disclosing party unless: the party receiving the Information (the "Receiving Party") is required to fully or partially disclose this Information to competent authorities pursuant to any applicable laws, or court judgement, or government resolutions, orders, instructions or regulations provided that such Information is disclosed to the extent required under applicable laws, and that the Receiving Party has sent the disclosing party a relevant written request for a written consent to disclose such information prior to such disclosure; the Receiving Party can justify the need to disclose the received Information to its employees and officers to perform the Receiving Party's duties under the Project provided that the Receiving Party retains responsibility for ensuring that all persons to which the Information is disclosed comply with its protection requirements.

The agreement shall become effective on the date when signed by the parties and shall be valid until 2021. Interested party: Oleg Aksyutin, member of PJSC Gazprom's collegial executive body.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2655 dated 19 January 2016.

**40** Property Insurance Contract with AO SOGAZ INSURANCE. AO SOGAZ INSURANCE undertakes, for a fee (insurance premium) set out in the Property Insurance Contract (the "Contract") and on occurrence of an event specified in the Contract (an insured event) within the period specified in the Contract (the insurance period) in the territory specified in the Contract (the insurance territory), to indemnify PJSC Gazprom, or any other person to whose benefit the Contract is made (the beneficiary), for losses caused by such event (pay indemnity) in the amount set out in the Contract (the insured amount) provided that the indemnity amount per insured event would not exceed the indemnity limit (sub-limit) set out for AO SOGAZ INSURANCE in the Contract for each insured event. Unless otherwise specifically provided by the Contract, the insurance territory covers the territory and continental shelves of the Russian Federation, the Republic of Belarus, the Republic of Kazakhstan, the Republic of Abkhazia, and the Republic of South Ossetia. Insurance period (contract term): from 00:00 am on 1 July 2015 until 24:00 pm on 30 June 2016 (including both

dates). Total insurance premium: RUB 1,486,980,000.00. Interested parties: Alexey Miller, Andrey Kruglov, members of PJSC Gazprom's management bodies.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**41** Property Insurance Contract with AO SOGAZ INSURANCE. AO SOGAZ INSURANCE undertakes, for a fee (insurance premium) set out in the Property Insurance Contract (the "Contract") and on occurrence of an event specified in the Contract (an insured event) within the period specified in the Contract (the insurance period) in the territory specified in the Contract (the insurance territory), to indemnify PJSC Gazprom, or any other person to whose benefit the Contract is made (the beneficiary), for losses caused by such event (pay indemnity) in the amount set out in the Contract (the insured amount) provided that the indemnity amount per insured event would not exceed the indemnity limit (sub-limit) set out for AO SOGAZ INSURANCE in the Contract for each insured event. Unless otherwise specifically provided by the Contract, the insurance territory covers the territory and continental shelves of the Russian Federation, the Republic of Belarus, the Republic of Kazakhstan, the Republic of Abkhazia, and the Republic of South Ossetia. Insurance period (contract term): from 00:00 am on 1 July 2015 until 24:00 pm on 30 June 2016 (including both dates). Total insurance premium: RUB 6,165,000,000.00. Interested parties: Alexey Miller, Andrey Kruglov, members of PJSC Gazprom's management bodies.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**42** Donation agreement with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). Parties: PJSC Gazprom and Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) (the "University"). The agreement covers a donation of RUB 82,100,000.00 by PJSC Gazprom to the University to:

- ensure high performance of joint projects for the development of educational technologies and the University's training facilities;
- enhance the effectiveness of targeted professional training;
- improve the University's training programmes;
- organise internships for university staff involved in targeted professional training;
- improve career guidance to recruit the best graduate talent coming out of the University to positions at PJSC Gazprom's production facilities, including through the development of an internship framework for the University's students at such facilities; and provide financial support to talented faculty members actively engaged in targeted professional training (the "Purposes").

PJSC Gazprom transfers RUB 82,100,000.00 to the University's bank account within 30 calendar days from the agreement execution date. The University shall only use the money transferred by PJSC Gazprom for the above Purposes. PJSC Gazprom may request the Univer-

sity to report on the use of the funds donated by PJSC Gazprom in accordance with the intended purpose and provide copies of supporting financial documents.

PJSC Gazprom may cancel the donation if the University uses the funds for any purposes other than the Purposes in this agreement or changes the Purposes due to changed circumstances without first obtaining PJSC Gazprom's consent. In this case, the University fully refunds the money donated by PJSC Gazprom within one month upon receipt of PJSC Gazprom's request. PJSC Gazprom may cancel the donation if the University fails to meet its obligation to inform PJSC Gazprom on changes in the University's ownership structure, including beneficiaries (including ultimate beneficiaries) and/or in executive bodies of the University.

The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested parties: Viktor Martynov, Alexander Novak, members of the Board of Directors of PJSC Gazprom.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2658 dated 19 January 2016.

**43** Donation agreement with St Petersburg State University of Economics (a federal budget-funded educational institution of higher education). Parties: PJSC Gazprom and St Petersburg State University of Economics (federal budget-funded educational institution of higher education) (the "University"). The agreement covers a donation of RUB 75,500,000.00 by PJSC Gazprom to the University to:

- ensure high performance of joint projects for the development of educational technologies and the University's training facilities;
- enhance the effectiveness of targeted professional training;
- improve the University's training programmes;
- organise internships for university staff involved in targeted professional training;
- improve career guidance to recruit the best graduate talent coming out of the University to positions at PJSC Gazprom's production facilities, including through the development of an internship framework for the University's students at such facilities; and provide financial support to talented faculty members actively engaged in targeted professional training (the "Purposes").

PJSC Gazprom transfers RUB 75,500,000.00 to the University's bank account within 30 calendar days from the agreement execution date. The University shall only use the money transferred by PJSC Gazprom for the above Purposes. PJSC Gazprom may request the University to report on the use of the funds donated by PJSC Gazprom in accordance with the intended purpose and provide copies of supporting financial documents.

PJSC Gazprom may cancel the donation if the University uses the funds for any purposes other than the Purposes in this agreement or changes the Purposes due to changed circumstances without first obtaining PJSC Gazprom's consent. In this case, the University fully refunds the money donated by PJSC Gazprom within

one month upon receipt of PJSC Gazprom's request.

PJSC Gazprom may cancel the donation if the University fails to meet its obligation to inform PJSC Gazprom on changes in the University's ownership structure, including beneficiaries (including ultimate beneficiaries) and/or in executive bodies of the University. The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested party: Alexey Miller, member of PJSC Gazprom's management body.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2659 dated 19 January 2016.

**44** Guarantee fee agreement with AO Achimgaz.  
Surety — PJSC Gazprom. Debtor — AO Achimgaz.

Under the guarantee agreement made between PJSC Gazprom and Wintershall Vermögensverwaltungs-gesellschaft mbH (the "Company") with respect to the Amended Loan Agreement, PJSC Gazprom undertakes to secure AO Achimgaz's obligations under the Amended Loan Agreement in accordance with, and on the terms of, the guarantee, while AO Achimgaz undertakes to pay PJSC Gazprom a fee for the extended guarantee.

AO Achimgaz agrees to pay the guarantee fee to PJSC Gazprom in quarterly instalments.

The guarantee fee is 0.09% p.a. of 50% of the total outstanding principal owed by AO Achimgaz under the Amended Loan Agreement, plus VAT at a rate determined under the applicable Russian tax laws.

The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations under the guarantee fee agreement. Interested party: Vsevolod Cherepanov, member of PJSC Gazprom's collegial executive body.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2616 dated 9 October 2015.

**45** Property lease agreement with AO Druzhba.

PJSC Gazprom undertakes to provide to AO DRUZHBA, for a fee, for temporary possession and use property owned by PJSC Gazprom and located at Rogozinino, Naro-Fominsk District, Moscow Region, in a fit condition. Monthly lease rate in September 2015 through July 2016: RUB 7,060,931.00 (net of VAT). The agreement shall become effective on the date when signed by the parties and shall be valid until 31 July 2016. The terms and conditions of the agreement apply to the parties from 1 September 2015. Interested party: Alexander Kozlov, member of PJSC Gazprom's collegial executive body.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**46** Donation agreement with National Research Tomsk Polytechnic University (federal state autonomous educational institution of higher education). Parties: PJSC Gazprom and National Research Tomsk Polytechnic University (federal state autonomous educational institution of higher education) (the "University"). The agreement covers a donation of RUB 46,100,000.00 by PJSC Gazprom to the University to:

- ensure high performance of joint projects for the development of educational technologies and the University's training facilities;
- enhance the effectiveness of targeted professional training;
- improve the University's training programmes;
- organise internships for university staff involved in targeted professional training;
- improve career guidance to recruit the best graduate talent coming out of the University to positions at PJSC Gazprom's production facilities, including through the development of an internship framework for the University's students at such facilities; and provide financial support to talented faculty members actively engaged in targeted professional training (the "Purposes").

PJSC Gazprom transfers RUB 46,100,000.00 to the University's bank account within 30 calendar days from the agreement execution date. The University shall only use the money transferred by PJSC Gazprom for the above Purposes. PJSC Gazprom may request the University to report on the use of the funds donated by PJSC Gazprom in accordance with the intended purpose and provide copies of supporting financial documents.

PJSC Gazprom may cancel the donation if the University uses the funds for any purposes other than the Purposes in this agreement or changes the Purposes due to changed circumstances without first obtaining PJSC Gazprom's consent. In this case, the University fully refunds the money donated by PJSC Gazprom within one month upon receipt of PJSC Gazprom's request. PJSC Gazprom may cancel the donation if the University fails to meet its obligation to inform PJSC Gazprom on changes in the University's ownership structure, including beneficiaries (including ultimate beneficiaries) and/or in executive bodies of the University.

The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested party: Sergey Khomyakov, member of PJSC Gazprom's collegial executive body.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2660 dated 19 January 2016.

**47** Share Purchase Agreement with OOO Gazprom gazomotornoe toplivo. Parties: Seller — PJSC Gazprom, Buyer — OOO Gazprom gazomotornoe toplivo. PJSC Gazprom undertakes to transfer to OOO Gazprom gazomotornoe toplivo the title to, and OOO Gazprom gazomotornoe toplivo undertakes to accept, and pay for, 992,073 ordinary registered shares in Open Joint-Stock Company Moscow Gas Refinery Plant, representing 100% of its authorised capital (the "Shares"). Total Share price: RUB 398,000,000.00.

OOO Gazprom gazomotornoe toplivo shall pay the total share price within 10 calendar days from the date of signing the agreement by transferring the funds to the bank account of PJSC Gazprom.

The title to the Shares passes from PJSC Gazprom to OOO Gazprom gazomotornoe toplivo when a relevant credit entry is made in OOO Gazprom gazomotornoe toplivo's account in the share register of Open Joint-Stock Company Moscow Gas Refinery Plant. The agree-

ment shall become effective on the date when signed and shall be valid until the parties have fully performed their obligations. Interested parties: Vladimir Markov, Elena Mikhailova, Vitaly Markelov, Viktor Zubkov, Andrey Aki-mov, members of PJSC Gazprom's management bodies

Approved by Resolution  
of JSC Gazprom Board of Directors  
No. 2556 dated 11 June 2015.

**48** Share Purchase Agreement with ZAO Gazprom Armenia to acquire additional shares. In 2015, PJSC Gazprom acquires 2,188,400 additional ordinary registered shares in ZAO Gazprom Armenia with a par value of AMD 5,026.5 each and a total value of AMD 10,999,992,600.00, at an offering price of AMD 5,026.5 per share, to be paid for in cash for a total of AMD 10,999,992,600.00. The agreement shall become effective on the date when signed and shall be valid until the parties have fully performed their obligations. Interested parties: Valery Golubev, Nikolai Dubik, Oleg Aksyutin, members of PJSC Gazprom's collegial executive body.

Approved by Resolution  
of JSC Gazprom Board of Directors  
No. 2526 dated 6 May 2015.

**49** Gas supply contract with OOO Gazprom mezhregiongaz. OAO Gazprom undertakes to supply to OOO Gazprom mezhregiongaz flammable natural gas, including dry stripped gas, produced by independent producers (the "gas"), to be subsequently sold to consumers in the Russian Federation (except for households), and OOO Gazprom mezhregiongaz undertakes to accept, and pay for, gas supplied. The scope of supply from 1 August 2015 to 31 December 2015 shall be up to 13,492.912 mmcm. The contract shall become effective on the date when signed by the parties and shall be valid until 31 December 2020, and as to payments — until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 1 August 2015. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**50** Addendum amending the Loan Buyout Agreement with respect to the Loan Agreement with Wintershall Vermögensverwaltungsgesellschaft mbH and AO Achimgaz. Parties: PJSC Gazprom, Wintershall Vermögensverwaltungsgesellschaft mbH (the "Company"), AO Achimgaz.

The parties agreed to amend the Loan Buyout Agreement of 6 March 2013 made between PJSC Gazprom, AO Achimgaz and Wintershall Vermögensverwaltungsgesellschaft mbH (the "Loan Buyout Agreement") to reflect the terms of the Amended Loan Agreement.

Among other things, the Amended Loan Agreement changes the currency of the Loan Agreement and converts the amount of outstanding loans repayable by AO Achimgaz from Russian roubles into US dollars. It also increases the amount of the Available Credit Facility and extends its term.

In the Loan Buyout Agreement, the parties determine that in case of default under the Amended Loan

Agreement, PJSC Gazprom and the Company may issue shareholder loans to AO Achimgaz to repay the debt owed by AO Achimgaz under the Amended Loan Agreement.

The amount of the Shareholder Loan shall be equal to at least 50% of the aggregate amount of loans outstanding as that time, and all interest accrued under the Amended Loan Agreement (the "Outstanding Loan Amount" (the "Loan Repayment Right").

The Company grants PJSC Gazprom the right to repay AO Achimgaz's loan in the amount equal to 50% of the Outstanding Loan Amount by providing the relevant amount to AO Achimgaz as a Shareholder Loan for AO Achimgaz to repay 50% of the Outstanding Loan Amount (the "Loan Repayment Right").

PJSC Gazprom has the right to exercise, at any time within 20 banking days from the date of the receipt of a default notice from the Company, the Loan Repayment Right by giving relevant notice to the Company (with a copy to AO Achimgaz) (the "Repayment Notice").

If PJSC Gazprom chooses to exercise its right within the above period: PJSC Gazprom and AO Achimgaz undertake to enter into a Shareholder Loan Agreement under which PJSC Gazprom would provide AO Achimgaz with an amount equal to at least 50% of the Outstanding Loan Amount.

Shareholder Loans shall have the following maturities: if the period from the date of the Repayment Notice to the date 18 months after the Amended Loan Agreement date (the "Loan Repayment Date") exceeds one year — the period from the date of the relevant Shareholder Loan to the Loan Repayment Date; and if the date of the Repayment Notice falls on

- 1) the period within one year before the Loan Repayment Date or
- 2) the period after the Loan Repayment Date, — one year from the date of the relevant Shareholder Loan.

The maturity date of both Shareholder Loans shall fall on the same date.

The pledge agreement, the mortgage agreement and the direct debit agreement between AO Achimgaz and the Company (the "Security Documents") and the guarantee of PJSC Gazprom securing AO Achimgaz's obligations (where applicable), along with all rights of the Company under the Security Documents and the guarantee (where applicable) shall terminate immediately upon the Company's receipt of an amount equal to the Outstanding Loan Amount.

The agreement shall become effective on the date when signed by the parties. The agreement shall be governed by and construed in accordance with English law. Interested party: Vsevolod Cherepanov, member of PJSC Gazprom's collegial executive body.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2616 dated 9 October 2015.

**51** Guarantee Agreement with Wintershall Vermögensverwaltungsgesellschaft mbH related to the Amended Loan Agreement with Wintershall Vermögensverwaltungsgesellschaft mbH and AO Achimgaz. Surety — PJSC Gazprom. Lender — Wintershall Vermögensverwaltungsgesellschaft mbH. Beneficiary: the Debtor (Borrower) — AO Achimgaz.

Given that 50% of shares in AO Achimgaz are owned by OOO Gazprom dobycha Urengoy, PJSC Gazprom issues a guarantee to Wintershall Vermögensverwaltungsgesellschaft mbH securing a timely discharge by AO Achimgaz of all of its payment obligations under the Amended Loan Agreement of 23 July 2012 between the Company and AO Achimgaz, as amended by a relevant addendum (Amended Loan Agreement), and amendments thereto as agreed with PJSC Gazprom. PJSC Gazprom undertakes to pay the Company all amounts covered by the guarantee in accordance with the procedure for claiming a payment under the guarantee. This condition is continuous and covers the entire amount of debt payable by AO Achimgaz under the Amended Loan Agreement despite any intermediate debt repayments or other payments. All amounts paid by AO Achimgaz to the Company under the Amended Loan Agreement reduce PJSC Gazprom's payment obligations under the guarantee by 50% of the total amount paid by AO Achimgaz. The Company shall notify PJSC Gazprom as soon as possible about the amounts paid to it by AO Achimgaz to meet its payment obligations under the Amended Loan Agreement.

Amounts payable by PJSC Gazprom under the guarantee at any time shall not exceed 50% of the amount that AO Achimgaz may be requested to pay under the Amended Loan Agreement, but has not paid yet.

PJSC Gazprom's total liability amount under the guarantee shall not exceed USD 88,500,000 (the "Guarantee Limit").

PJSC Gazprom has no obligation to pay any default interest (under the agreement or by law) on any outstanding amount payable but not paid under the guarantee.

The guarantee shall become effective on the date when signed and shall be valid within one year after the loan repayment date, i.e. 23 January 2017 (the "Guarantee Term").

The guarantee shall terminate on the earlier of the following dates:

- a) when all obligations of AO Achimgaz under the Amended Loan Agreement, or all obligations of PJSC Gazprom under the guarantee are discharged;
- b) on expiry of the Guarantee Term, unless the Company has given PJSC Gazprom Early Guarantee Payment Notice; or
- c) when the aggregate amount paid by PJSC Gazprom under the guarantee reaches the Guarantee Limit. The agreement is governed by the English law. Interested party: Vsevolod Cherepanov, member of PJSC Gazprom's collegial executive body.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2616 dated 9 October 2015.

**52** Pre-investment Study Agreement with AO Giprospeftgaz. Customer — PJSC Gazprom. Contractor — AO Giprospeftgaz.

PJSC Gazprom engages AO Giprospeftgaz to conduct, in accordance with the terms of reference for a pre-investment study, a Consolidated Pre-Investment Feasibility Study for the Project to Construct a Gas Pipeline from the Russian Federation to the Republic of Turkey and Onwards to the Greek Boundary. PJSC Gazprom undertakes to accept, and pay for, the deliverables. Agreement



price: RUB 95,159,935.78 (net of VAT). The deliverables under the agreement, including its component parts (stages) shall be delivered within the timelines set forth in the Project Timetable. Overall delivery date: 30 June 2015. The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the agreement apply to the parties from 5 February 2015. Interested party: Sergey Prozorov, member of PJSC Gazprom's collegial executive body.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2595 dated 3 September 2015.

**53** Pre-investment Study Agreement with AO Giprospeftgaz. Customer — PJSC Gazprom. Contractor — AO Giprospeftgaz.

AO Giprospeftgaz undertakes to conduct, under the terms of reference for a pre-investment study, the Feasibility Study of Gas Supply to China via the Altai Gas Pipeline (up to 60 bcm per year) and deliver the same to PJSC Gazprom. PJSC Gazprom undertakes to accept, and pay for, the deliverables. Agreement price: RUB 19,045,054.80 (net of VAT). The deliverables under the agreement shall be delivered within the timelines set forth in the Project Timetable. Overall delivery date: 01 June 2015. The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the agreement apply to the parties from 28 November 2014. Interested party: Sergey Prozorov, member of PJSC Gazprom's collegial executive body.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2594 dated 3 September 2015.

**54** Pre-investment Study Agreement with AO Giprospeftgaz. Customer — PJSC Gazprom. Contractor — AO Giprospeftgaz.

AO Giprospeftgaz undertakes to conduct, in accordance with the terms of reference for a pre-investment study, a Pre-Investment Feasibility Study for the Project to Construct the Offshore Section of a Gas Pipeline from the Russian Federation to the Republic of Turkey via the Black Sea and deliver the same to PJSC Gazprom. PJSC Gazprom undertakes to accept, and pay for, the deliverables. Agreement price: RUB 198,499,863.11 (net of VAT). The deliverables under the agreement, including its component parts (stages) shall be delivered within the timelines set forth in the Project Timetable. Overall delivery date: 30 June 2015. The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the agreement apply to the parties from 5 February 2015. Interested party: Sergey Prozorov, member of PJSC Gazprom's collegial executive body.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2597 dated 3 September 2015.

**55** Contract for educational services under a post-graduate curriculum in Development of Offshore Oil and Gas

Fields with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) undertakes to provide PJSC Gazprom, between 14 September 2015 and 10 June 2016, with services of retraining PJSC Gazprom's executives and specialists in agreed subjects, and PJSC Gazprom undertakes to pay for these services. Total contract price: RUB 954,000.00, VAT-exempt pursuant to subparagraph 14, paragraph 2 of Article 149 of the Tax Code of the Russian Federation. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 14 September 2015. Interested parties: Viktor Martynov, Alexander Novak, members of the Board of Directors of PJSC Gazprom.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**56** Addendum to the agreement of 5 March 2014 on cooperation in LNG production projects with AO Gazprombank. Parties: Gazprombank (Joint-Stock Company) ("AO Gazprombank"); Public Joint Stock Company Gazprom ("PJSC Gazprom").

- The Addendum covers amendments providing for:
- removing those provisions from the agreement that are related to the terms of AO Gazprombank's participation in companies established to implement LNG projects with a total capacity of up to 10,000,000 tonnes per year in the Baltic Sea and up to 10,000,000 tonnes per year (with an option to increase the capacity to 15,000,000 tonnes per year) near Vladivostok;
  - relevant changes in the responsibilities of AO Gazprombank; and
  - amendments to the agreement to make it a framework agreement.

The addendum shall become effective on the date when signed. Interested parties: Alexey Miller, Elena Vasilieva, Andrey Kruglov, Mikhail Sereda, Kirill Seleznev, Andrey Akimov, members of PJSC Gazprom's management bodies.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2666 dated 29 January 2016.

**57** Surety Contract with PAO Sberbank of Russia. Surety — PJSC Gazprom. Lender — PAO Sberbank of Russia. Beneficiary: Debtor (Borrower) — Limited Liability Company Novourengosky gas chemical complex ("OOO Novourengosky GCC"). PJSC Gazprom shall be jointly and severally liable, together with OOO Novourengosky GCC, for performance by the latter of its obligations to PAO Sberbank of Russia under Loan Agreement No. 5828 of 2 July 2015 between PAO Sberbank of Russia and OOO Novourengosky GCC (the "Loan Agreement") to repay the loan amount (principal) and interest, and:

- to make payments related to early loan repayment (full or partial) before the Loan Maturity Date, i.e. 4 September 2020;



- to pay, in case of delay by OOO Novouren-goy-sky GCC in making any payment under the Credit Facility Agreement, a penalty at the effective floating interest rate under the Credit Facility Agreement increased by one (1) percentage point charged on the overdue amount starting from the date following the date when under the terms of the Credit Facility Agree-ment OOO Novouren-goy-sky GCC shall repay the debt until the date when OOO Novouren-goy-sky GCC fully repays such debt (inclusive);
- to cover PAO Sberbank of Russia's costs related to the recovery of debt owed by OOO Novouren-goy-sky GCC.

The contract shall become effective on the date when signed by the parties and shall be valid until 4 Sep-tember 2023 (inclusive). Interested party: Vladimir Mau, member of the Board of Directors of PJSC Gazprom.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2591 dated 28 August 2015.

**58** Surety Contract with PAO Sberbank of Russia. Surety — PJSC Gazprom. Lender — PAO Sberbank of Russia. Beneficiary: Debtor (Borrower) — Limited Liability Com-pany Novouren-goy-sky gas chemical complex ("OOO Novouren-goy-sky GCC"). PJSC Gazprom shall be jointly and severally liable, together with OOO Novouren-goy-sky GCC, for performance by the latter of its obliga-tions to PAO Sberbank of Russia under Non-Revolving Credit Facility Agreement No. 5827 of 2 July 2015 be-tween PAO Sberbank of Russia and OOO Novouren-goy-sky GCC (the "Credit Facility Agreement") to repay the loan amount (principal) and interest, and:

- to make payments related to early loan repayment (full or partial) before the Loan Maturity Date, i.e. 2 July 2018;
- to pay, in case of delay by OOO Novouren-goy-sky GCC in making any payment under the Credit Facility Agreement, a penalty at the effective float-ing interest rate under the Credit Facility Agree-ment increased by one (1) percentage point charged on the overdue amount starting from the date following the date when under the terms of the Credit Facility Agreement OOO Novouren-goy-sky GCC shall repay the debt until the date when OOO Novouren-goy-sky GCC fully repays such debt (inclusive);
- to cover PAO Sberbank of Russia's costs related to the recovery of debt owed by OOO Novouren-goy-sky GCC.

The contract shall become effective on the date when signed by the parties and shall be valid until 2 July 2021 (inclusive). Interested party: Vladimir Mau, member of the Board of Directors of PJSC Gazprom.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2591 dated 28 August 2015.

**59** Paid services contract with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). Parties: PJSC Gazprom and Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). (the "University").

The University undertakes to provide PJSC Gazprom with services of organising and holding the Eleventh Na-tional Conference of Young Researchers, Specialists and Students "New Technologies in the Gas Industry" (Gas, Oil, Energy) (the "Conference") as specified in the List of Services, and PJSC Gazprom undertakes to pay for these services.

Contract price: RUB 1,143,550.00, plus VAT of RUB 205,839.00. Total contract price including VAT: RUB 1,349,389.00. Within 10 calendar days from the date when signed the agreement, PJSC Gazprom shall transfer a partial payment (down payment) to the University's bank account in the amount of RUB 640,990.00, including RUB 97,778.14 of VAT, against an invoice issued by the University.

Within five calendar days from receipt of the partial payment (down payment), the University shall issue a relevant duly executed detailed invoice to PJSC Gaz-prom. PJSC Gazprom shall pay the remaining amount by transferring it to the University's bank account within a month following the month when the parties sign the acceptance certificate, subject to the invoice issued by the University and with the previously transferred partial payment (down payment) offset against the amount due.

Delivery period: from 20 October 2015 through 23 October 2015.

The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested parties: Viktor Martynov, Alexander Novak, members of the Board of Directors of PJSC Gazprom.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2674 dated 11 February 2016.

**60** Liability Insurance Contract with AO SOGAZ INSU-RANCE. The contract provides for liability insurance of PJSC Gazprom and/or insured persons against damages to third parties ("Third Parties" ("Beneficiaries")) resulting from unintentional errors committed by the insured per-sons in their management roles, in accordance with OAO SOGAZ INSURANCE's Rules for Insuring the Liability of Executives and Management Bodies of Legal Entities dated 29 April 2005. The insured amount (total indemnity limit) is a rouble equivalent of USD 100,000,000.00 at the exchange rate of the Central Bank of Russia 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 2015 (insurance start date) and contin-ues until 24:00 pm on 30 September 2016 (insurance end date). Interested parties: Alexey Miller, Andrey Kruglov, members of PJSC Gazprom's management bodies.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**61** Contract for training services under a higher educa-tion programme with St Petersburg State University of Economics (a federal budget-funded educational insti-tution of higher education). Parties: PJSC Gazprom, St Petersburg State University of Economics (a federal budget-funded educational institution of higher educa-tion) (the "University"), and Alexey Basistiy. The University

undertakes to provide training to Alexey Basistiy under its core education programme, while PJSC Gazprom undertakes to pay for the training of Alexey Basistiy. Terms of training:

- education level (secondary vocational, higher): higher;
- qualification (degree): master;
- code, major field: 38.04.01 Economics;
- programme: Economic Strategy of a Global Energy Company (master degree);
- training form (intramural; intramural/extramural; extramural): intramural.

Alexey Basistiy is to be trained under the curricula and educational programmes of the University in compliance with the federal state educational standard.

Total contract price for the entire period of training of Alexey Basistiy: RUB 400,000.00 (VAT-exempt pursuant to subparagraph 14, paragraph 2 of Article 149 of the Tax Code of the Russian Federation). Contract price for each term of each academic year: RUB 100,000.00 (VAT-exempt pursuant to subparagraph 14, paragraph 2 of Article 149 of the Tax Code of the Russian Federation).

Payment for the training is made by a non-cash transfer from PJSC Gazprom's account for each term as follows:

- for odd-numbered terms of the relevant academic year: not later than 31 October;
- for even-numbered terms of the relevant academic year: not later than 31 March.

Delivery period: from 1 November 2015 through 31 October 2017.

The contract shall become effective on the date when signed and shall be valid until the parties have fully performed their obligations thereunder. The contract shall terminate on 30 September 2015 if Alexey Basistiy is not officially enrolled to the University by that date. Interested party: Alexey Miller, Deputy Chairman of the Board of Directors of PJSC Gazprom and Chairman of the Management Committee of PJSC Gazprom.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2662 dated 19 January 2016.

**62** Contract for training services under a higher education programme with St Petersburg State University of Economics (a federal budget-funded educational institution of higher education). Parties: PJSC Gazprom, St Petersburg State University of Economics (a federal budget-funded educational institution of higher education) (the "University"), and Sergey Bakhtin. The University undertakes to provide training to Sergey Bakhtin under its core education programme, while PJSC Gazprom undertakes to pay for the training of Sergey Bakhtin:

- education level (secondary vocational, higher): higher;
- qualification (degree): master;
- code, major field: 38.04.01 Economics;
- programme: Economic Strategy of a Global Energy Company (master degree);
- training form (intramural; intramural/extramural; extramural): intramural.

Sergey Bakhtin is to be trained under the curricula and educational programmes of the University in compliance with the federal state educational standard.

Total contract price for the entire period of training of Sergey Bakhtin is RUB 400,000.00 (VAT-exempt pursuant to subparagraph 14, paragraph 2 of Article 149 of the Tax Code of the Russian Federation). Contract price for each term of each academic year: RUB 100,000.00 (VAT-exempt pursuant to subparagraph 14, paragraph 2 of Article 149 of the Tax Code of the Russian Federation).

Payment for the training is made by a non-cash transfer from PJSC Gazprom's account for each term as follows:

- for odd-numbered terms of the relevant academic year: not later than 31 October;
- for even-numbered terms of the relevant academic year: not later than 31 March;

Delivery period: from 1 November 2015 through 31 October 2017.

The contract shall become effective on the date when signed and shall be valid until the parties have fully performed their obligations thereunder. The contract shall terminate on 30 September 2015 if Sergey Bakhtin is not officially enrolled to the University by that date. Interested party: Alexey Miller, Deputy Chairman of the Board of Directors of PJSC Gazprom and Chairman of the Management Committee of PJSC Gazprom.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2662 dated 19 January 2016.

**63** Surety Contract with AO Gazprombank. Surety — PJSC Gazprom. Lender — Gazprombank (Joint-Stock Company) ("AO Gazprombank"). Beneficiary: Debtor (Borrower) — Public Joint-Stock Company Gazprom avtomatizatsiya ("PAO Gazprom avtomatizatsiya"). PJSC Gazprom shall be jointly and severally liable, together with PAO Gazprom avtomatizatsiya, for performance by the latter of its obligations to AO Gazprombank under Credit Facility Agreement No. 99/15-R of 2 July 2015 between AO Gazprombank and PAO Gazprom avtomatizatsiya (the "Credit Facility Agreement") to repay the loan amount (Principal) and interest within the loan maturity period set forth in the Credit Facility Agreement. PJSC Gazprom's liability under the contract shall be limited to RUB 5,600,000,000.00. If PJSC Gazprom fails to meet its obligations under the contract, AO Gazprombank may demand payment of a penalty in the amount of 0.03% of the delayed amount for each day of the payment delay. The contract shall become effective on the date when signed and shall be valid until 30 September 2017. Interested parties: Alexey Miller, Elena Vasilieva, Andrey Kruglov, Mikhail Sereda, Kirill Seleznev, Andrey Akimov, members of PJSC Gazprom's management bodies.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2599 dated 25 September 2015.

**64** Surety Contract with VTB Bank (PAO). Surety — PJSC Gazprom. Lender — VTB Bank (Public Joint Stock Company) ("VTB Bank"). Beneficiary: Debtor (Borrower) — Open Joint-Stock Company Gazprom Space Systems (OAO Gazprom Space Systems). PJSC Gazprom shall be secondarily liable, together with OAO Gazprom Space Systems, for performance by the latter of its obligations to VTB Bank under a Loan Agreement between VTB Bank and OAO Gazprom Space Systems (the "Loan

Agreement") to repay the loan amount (principal) and interest within the loan maturity period set forth in the Loan Agreement, and all fines and penalties set forth in the Loan Agreement and the surety contract. PJSC Gazprom's liability under the surety contract shall be limited to EUR 160,000,000.00.

In case of non-performance or improper performance by OAO Gazprom Space Systems of its obligations secured by the suretyship PJSC Gazprom and OAO Gazprom Space Systems shall be held secondarily liable to VTB Bank. PJSC Gazprom shall be liable to VTB Bank to the same extent as OAO Gazprom Space Systems. If OAO Gazprom Space Systems defaults on its payment obligations under the Loan Agreement, PJSC Gazprom shall pay VTB Bank a penalty in the amount of 1% p.a. calculated for each day of the delay and charged on the delayed amount starting from the day following the date of receipt by PJSC Gazprom of a default notice by OAO Gazprom Space Systems for its payment obligations to the date when PJSC Gazprom fully repays such debt (inclusive). The contract shall become effective on the date when signed and shall be valid until the obligations secured by PJSC Gazprom under the surety contract have been fully discharged. Interested parties: Sergey Khomyakov, Mikhail Sereda, Vitaly Markelov, members of PJSC Gazprom's management bodies; the Russian Federation as PJSC Gazprom's shareholder holding over 20% of PJSC Gazprom's voting shares.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2612 dated 29 September 2015.

**65** Environmental (environmental risks) and third party liability insurance contract between PJSC Gazprom, 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 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 geologorazvedka, OOO Gazprom mezhhregiongaz, OOO Gazprom pererabotka, OOO Gazprom PHG, and OOO Gazflot, jointly and severally referred to as the Policyholder, and AO SOGAZ INSURANCE. The contract insures the Policyholder's third party liability arising from its insured activities. Insured activities include onshore and offshore drilling and geological operations, hydrocarbon production, transportation, refining and storage, operation of hazardous facilities, construction, and other associated activities. The insurance covers property interests of the Policyholder arising from their liability for damage to the environment, life, health and/or property of third parties

caused by insured activities, including emergencies (incidents) at hazardous facilities. The aggregate insured amount (total aggregate indemnity limit) payable by AO SOGAZ INSURANCE under Sections 9–11 of the contract is RUB 30,000,000,000.00 for the insurance period. The aggregate insured amount (total aggregate indemnity limit) payable by AO SOGAZ INSURANCE under subparagraph 14.3, paragraph 14 of the contract is RUB 15,000,000,000.00 for the insurance period. These insured amounts (indemnity limits) are applied in excess of the agreed straight deductible. The insured amount (total aggregate indemnity limit) for the Policyholder's liability for injuries to individuals, damage to property of individuals or legal entities, or to environment caused by an emergency situation (including an incident) at hazardous facilities resulting from a terrorist attack or sabotage is set at RUB 100,000,000.00. Each insured event arising from the insured activities in the Russian continental shelf is subject to a straight deductible of RUB 75,000,000.00. Total insurance premium: RUB 791,874,215.97. The contract shall become effective from 00:00 am on 1 November 2015 and shall be valid until 24:00 pm on 31 October 2016. Interested parties: Alexey Miller, Andrey Kruglov, Kirill Seleznev, members of PJSC Gazprom's management bodies.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**66** Addendum No. 1 to Contract for Educational Services under the Master of Business Administration in Oil&Gas Business Management Programme No. 770-420/15 MBA 24 dated 26 February 2015 with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). Customer — PJSC Gazprom. Contractor — Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) (the "University"). The addendum increases the number of PJSC Gazprom's executives to be trained under the MBA in Oil&Gas Business Management, and the contract price. The changes in the training plan and contract price for 2015–2016 (the "Training Plan") cover the number of students, contract price, and timelines.

Terms of payment for additional training per executive. Total contract price in accordance with the Training Plan: RUB 1,800,000.00, VAT-exempt pursuant to subparagraph 14, paragraph 2 of Article 149 of the Tax Code of the Russian Federation.

The addendum shall become effective on the date when signed by the parties. The terms and conditions of the addendum apply to the parties from 7 April 2015. Interested parties: Viktor Martynov, Alexander Novak, members of the Board of Directors of PJSC Gazprom.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2634 dated 1 December 2015.

**67** Share purchase agreement with OAO Gazprom gazoraspredelenie (OOO Gazprom mezhhregiongaz is a management company acting as the sole executive body of OAO Gazprom gazoraspredelenie). Seller — PJSC Gazprom, Buyer — OAO Gazprom gazoraspredelenie. PJSC Gazprom undertakes to transfer to OAO Gaz-

prom gazoraspredelenie the title to, and OAO Gazprom gazoraspredelenie undertakes to accept, and pay for, shares in the following companies:

- 28,033 ordinary registered shares in OAO Gazprom gazoraspredelenie Bryansk with a par value of RUB 0.50 each, which is equivalent to 25.5% of its authorised capital, for RUB 903,000,000.00;
  - 9,633 ordinary registered shares in AO Gazprom gazoraspredelenie Vladimir with a par value of RUB 1 each, which is equivalent to 21.39% of its authorised capital, for RUB 430,000,000.00;
  - 30,342 ordinary registered shares in OAO Gazprom gazoraspredelenie Lipetsk with a par value of RUB 1,500.00 each, which is equivalent to 25.5% of its authorised capital, for RUB 470,000,000.00;
  - 63,988 ordinary registered shares in AO Gazprom gazoraspredelenie Smolensk with a par value of RUB 1 each, which is equivalent to 15.94% of its authorised capital, for RUB 510,000,000.00;
  - 220,320 ordinary registered shares in OAO Gazprom gazoraspredelenie Tambov with a par value of RUB 0.05 each, which is equivalent to 25.5% of its authorised capital, for RUB 491,000,000.00;
  - 20,479 ordinary registered shares in OAO Gazprom gazoraspredelenie Belgorod with a par value of RUB 1 each, which is equivalent to 25.5% of its authorised capital, for RUB 1,601,000,000.00;
  - 26,878 ordinary registered shares in AO Gazprom gazoraspredelenie Orenburg with a par value of RUB 1 each, which is equivalent to 35% of its authorised capital, for RUB 1,800,000,000.00;
  - 6,947 ordinary registered shares in OAO Gazprom gazoraspredelenie Pskov with a par value of RUB 1 each, which is equivalent to 25.5% of its authorised capital, for RUB 151,000,000.00;
  - 263,669 ordinary registered shares in AO Gazprom gazoraspredelenie Saransk with a par value of RUB 1 each, which is equivalent to 25.5% of its authorised capital, for RUB 278,000,000.00;
  - 6,802 ordinary registered shares in OAO Vologda-oblgaz with a par value of RUB 1 each, which is equivalent to 25.5% of its authorised capital, for RUB 39,000,000.00;
  - 99,540 ordinary registered shares in OAO Gazprom gazoraspredelenie Ivanovo with a par value of RUB 0.10 each, which is equivalent to 25.5% of its authorised capital, for RUB 290,000,000.00;
  - 7,621 ordinary registered shares in OAO Gazprom gazoraspredelenie Kaluga with a par value of RUB 1 each, which is equivalent to 25.5% of its authorised capital, for RUB 310,000,000.00;
  - 937,400 ordinary registered shares in AO Gazprom gazoraspredelenie Saratov Region with a par value of RUB 0.02 each, which is equivalent to 25.5% of its authorised capital, for RUB 1,000,000,000.00;
  - 2,652,769 ordinary registered shares in OAO Chely-abinskoblgaz with a par value of RUB 0.01 each, which is equivalent to 26.62% of its authorised capital, for RUB 146,000,000.00; and
  - 1,176,800 ordinary registered shares in AO Sibir-gazservice with a par value of RUB 15.00 each, which is equivalent to 25.5% of its authorised capital, for RUB 130,000,000.00 (the "Shares").
- The price of the Shares is estimated by the parties

at RUB 8,549,000,000.00. The title to the Shares passes from PJSC Gazprom to OAO Gazprom gazoraspredelenie when relevant credit entries are made in OAO Gazprom gazoraspredelenie's depository account with AO Gazprombank. The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2608 dated 25 September 2015.

**68** Contract for stock-taking of PJSC Gazprom's fixed assets signed with OOO Gazprom komplektatsiya. OOO Gazprom komplektatsiya undertakes to arrange and carry out stock-taking of PJSC Gazprom's fixed assets as at 27 October 2015, to be leased to OOO Gazprom komplektatsiya as from 27 October 2015, including preparing materials for downsizing of PJSC Gazprom's fixed assets, as instructed by PJSC Gazprom. OOO Gazprom komplektatsiya undertakes to conduct stock-taking from 27 October 2015 through 9 December 2015. Contract price: RUB 217,224.00 (net of VAT). The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 27 October 2015. Interested party: Igor Fedorov, member of PJSC Gazprom's collegial executive body.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**69** Contract with OOO Gazprom investproject. OOO Gazprom investproject undertakes to provide PJSC Gazprom with analytical, advisory, and management services to build the organisational and contractual framework, originate financing, and monitor the use of funds for, and ensure timely commissioning of facilities under, an import-substitution investment project involving OAO Tomsk Vakhrushev Electromechanical Plant, while PJSC Gazprom undertakes to pay for these services. Delivery period: from 1 July 2015 through 30 June 2018. Contract price: RUB 119,407,539.00 (net of VAT). The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Some terms and conditions of the contract apply to the parties from 1 July 2015. Interested parties: Sergey Khomyakov, Valery Golubev, Andrey Kruglov, Elena Mikhailova, members of PJSC Gazprom's collegial executive body.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**70** Contract for stock-taking of PJSC Gazprom's fixed assets signed with OOO Gazprom mezhregiongaz. OOO Gazprom mezhregiongaz undertakes to arrange and carry out stock-taking of PJSC Gazprom's fixed assets as at 27 October 2015, to be leased to OOO Gazprom mezhregiongaz as from 27 October 2015, including preparing materials for downsizing of PJSC Gazprom's fixed assets, as instructed by PJSC Gazprom. OOO Gaz-



prom mezhregiongaz undertakes to conduct stock-taking from 27 October 2015 through 9 December 2015. Contract price: RUB 2, 150.00 (net of VAT). The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 27 October 2015. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**71** Contract for stock-taking of PJSC Gazprom's fixed assets signed with OAO Vostokgazprom. OAO Vostokgazprom undertakes to arrange and carry out stock-taking of PJSC Gazprom's fixed assets as at 27 October 2015, to be leased to OAO Vostokgazprom as from 27 October 2015, including preparing materials for downsizing of PJSC Gazprom's fixed assets, as instructed by PJSC Gazprom. OAO Vostokgazprom undertakes to conduct stock-taking from 27 October 2015 through 9 December 2015. Contract price: RUB 1,000.00 (net of VAT). The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 27 October 2015. Interested parties: Mikhail Sereda, Kirill Seleznev, Andrey Kruglov, Elena Vasilieva, members of PJSC Gazprom's management bodies.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**72** Contract for stock-taking of PJSC Gazprom's fixed assets signed with OAO Gazprom Space Systems. OAO Gazprom Space Systems undertakes to arrange and carry out stock-taking of PJSC Gazprom's fixed assets as at 27 October 2015, to be leased to OAO Gazprom Space Systems as from 27 October 2015, including preparing materials for downsizing of PJSC Gazprom's fixed assets, as instructed by PJSC Gazprom. OAO Gazprom Space Systems undertakes to conduct stock-taking from 27 October 2015 through 9 December 2015. Contract price: RUB 35,528.00 (net of VAT). The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 27 October 2015. Interested parties: Sergey Khomyakov, Mikhail Sereda, Vitaly Markelov, members of PJSC Gazprom's management bodies.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**73** Contract for stock-taking of PJSC Gazprom's fixed assets signed with AO Centrenergogaz, OAO Gazprom. AO Centrenergogaz, OAO Gazprom undertakes to arrange and carry out stock-taking of PJSC Gazprom's fixed assets as at 27 October 2015, to be leased to AO Centrenergogaz, OAO Gazprom as from 27 October 2015, including preparing materials for downsizing of PJSC Gazprom's fixed assets, as instructed by PJSC Gazprom.

AO Centrenergogaz, OAO Gazprom undertakes to conduct stock-taking from 27 October 2015 through 9 December 2015. Contract price: RUB 29,494.00 (net of VAT). The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 27 October 2015. Interested party: Mikhail Sereda, member of the Board of Directors of PJSC Gazprom.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**74** Contract for stock-taking of PJSC Gazprom's fixed assets signed with PAO Mosenergo. PAO Mosenergo undertakes to arrange and carry out stock-taking of PJSC Gazprom's fixed assets as at 27 October 2015, to be leased to PAO Mosenergo as from 27 October 2015, including preparing materials for downsizing of PJSC Gazprom's fixed assets, as instructed by PJSC Gazprom. PAO Mosenergo undertakes to conduct stock-taking from 27 October 2015 through 9 December 2015. Contract price: RUB 1,155.00 (net of VAT). The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 27 October 2015. Interested parties: Valery Golubev, Kirill Seleznev, Elena Mikhailova, members of PJSC Gazprom's collegial executive body.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**75** Suretyship agreement with OAO Gazprom Space Systems. Surety — PJSC Gazprom. Debtor — OAO Gazprom Space Systems. Under the suretyship agreement, PJSC Gazprom undertakes to PAO VTB Bank to secure obligations of OAO Gazprom Space Systems under the loan agreement (the "Suretyship"), while OAO Gazprom Space Systems undertakes to pay PJSC Gazprom a fee for the Suretyship. OAO Gazprom Space Systems agrees to pay PJSC Gazprom a quarterly fee for the Suretyship.

The fee for the Suretyship is 0.41% p.a. of the amount of cash (loan) provided to OAO Gazprom Space Systems, plus VAT, a rate determined under the applicable Russian tax laws.

If OAO Gazprom Space Systems delays payment of the fee, PJSC Gazprom may demand that OAO Gazprom Space Systems should pay a penalty at a rate of 1/180 of the refinancing rate of the Bank of Russia as at the date when the penalty is charged, applied to the amount of the non-performed or improperly performed obligation for each calendar day of the delay starting from the date of failure to perform or improper performance by OAO Gazprom Space Systems of its obligations and to the date when such obligations have been properly performed.

Payment of the penalty by OAO Gazprom Space Systems does not relieve it of its obligations under the suretyship agreement.

The agreement shall become effective on the date when signed by the parties and shall be valid until OAO Gazprom Space Systems and PJSC Gazprom have



fully performed their obligations thereunder. Interested parties: Sergey Khomyakov, Mikhail Sereda, Vitaly Markelov, members of PJSC Gazprom's management bodies.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2622 dated 6 November 2015.

**76** Contract for educational services with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) undertakes to provide PJSC Gazprom with career enhancement services for PJSC Gazprom's executives and specialists under the programme Modern Paperwork Management and Information Technologies. New Model and Business Image of the Executive Assistant. Organisation of Information Security of Office Administration Functions, from 9 November 2015 through 20 November 2015, and PJSC Gazprom undertakes to pay for these services. Contract price: RUB 28,200.00, VAT-exempt pursuant to subparagraph 14, paragraph 2 of Article 149 of the Tax Code of the Russian Federation. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 9 November 2015. Interested parties: Viktor Martynov, Alexander Novak, members of the Board of Directors of PJSC Gazprom.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**77** Addendum No. 2 to Suretyship Agreement No. 235/09-V-P of 31 December 2009, signed with AO Gazprombank. Parties: PJSC Gazprom and Gazprombank (Joint-Stock Company) ("AO Gazprombank"). Beneficiary — OOO Gazprom komplektatsiya.

The addendum covers amendments to the suretyship agreement: amendments to certain material terms (of which PJSC Gazprom is aware as the Surety) of Facility Agreement No. 235/09-V dated 3 November 2009, signed between AO Gazprombank and OOO Gazprom komplektatsiya (the "Facility Agreement"), due to amendments made to the Facility Agreement; extension of the agreement. Credit facility availability period: until 12 November 2019 (inclusive).

Principal maturity date: 12 March 2020 (inclusive).

Suretyship agreement shall become effective on the date when signed by the parties and shall be valid until 15 June 2020.

The addendum shall become effective on the date when signed by the parties. Interested parties: Alexey Miller, Elena Vasilieva, Andrey Kruglov, Mikhail Sereda, Kirill Seleznev, Andrey Akimov, Igor Fyodorov, members of PJSC Gazprom's management bodies.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2624 dated 5 November 2015.

**78** Non-disclosure agreement with Alexander Novak. Parties: PJSC Gazprom and Alexander Novak (member

of the Board of Directors). Alexander Novak, exercising his powers in accordance with the applicable Russian laws, PJSC Gazprom's Articles of Association, the Regulation on the Board of Directors of OAO Gazprom, and other JSC Gazprom internal documents, undertakes not to disclose information classified as a commercial secret, or other confidential information of the Company or its counterparties.

The agreement shall become effective on the date when signed by the parties and shall be valid for five years after the termination of powers of a member of the Board of Directors.

If the powers of a member of the Board of Directors terminates on the date of the Company's General Shareholders Meeting and the member is re-elected to the Board of Directors for another term on that same day, the agreement shall be valid throughout that member's new term on the Board of Directors plus five years after its expiry date. Interested party: Alexander Novak, member of the Board of Directors of PJSC Gazprom.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2587 dated 31 July 2015.

**79** Paid services contract with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). Parties: PJSC Gazprom and Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) (the "University"). PJSC Gazprom engages the University to organise and hold an international research paper competition among students and young specialists for the 100th anniversary of the underground gas storage industry (the "Competition") under the relevant terms of reference, and undertakes to pay for such services. Contract price: RUB 1,263,068.00, net of VAT (18%) of RUB 227,352.24. Total contract price, including VAT: RUB 1,490,420.24.

PJSC Gazprom pays for the services provided by the University by a bank transfer to the University's account in the month following the month when the acceptance certificate is signed by the parties, subject to the VAT invoice issued by the University.

Delivery period: from 28 August 2015 through 16 November 2015.

The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms of the contract, except for those on disclosing changes in the University's ownership structure to PJSC Gazprom, are applicable to the parties from 28 August 2014. Interested parties: Viktor Martynov, Alexander Novak, members of the Board of Directors of PJSC Gazprom.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2635 dated 12 December 2015.

**80** Contract for stock-taking of PJSC Gazprom's fixed assets signed 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 arrange and carry out stock-taking

of PJSC Gazprom's fixed assets as at 27 October 2015, to be leased to OAO Gazprom gazoraspredelenie as from 27 October 2015, including preparing materials for downsizing of PJSC Gazprom's fixed assets, as instructed by PJSC Gazprom. OAO Gazprom gazoraspredelenie undertakes to conduct stock-taking from 27 October 2015 through 9 December 2015. Contract price: RUB 1,791,754.00 (net of VAT). The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 27 October 2015. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**81** Business travel insurance signed with AO SOGAZ INSURANCE. The contract provides cover for costs incurred by PJSC Gazprom's employees (the "Insured") on the move. Costs of PJSC Gazprom's employees on the move mean expenses incurred due to a sudden illness or accident of the Insured; the need for the Insured to return early in case of death of their close relatives; loss of baggage or documents; the need for the Insured to obtain legal advice on an emergency or a traffic accident occurred during their travel; search and rescue of the Insured in an emergency (a situation that threatens their life or health); the Insured's third party liability occurred when travelling. Limit cost of services provided by AO SOGAZ INSURANCE (gross insurance premiums written): RUB 900,000.00. The contract shall become effective on 1 January 2016 and shall be valid through 31 December 2016. Interested parties: Alexey Miller, Andrey Kruglov, members of PJSC Gazprom's management bodies.


Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**82** Trademark Licence Agreement for the use of international trademarks in the Republic of Austria with Gazprom Austria GmbH. PJSC Gazprom (the "Licensor") grants to Gazprom Austria GmbH (the "Licensee"), for the term of the agreement, an ordinary (non-exclusive) licence to use Licensor-owned international trademarks registered in the International Trademark Register by the International Office of the World Intellectual Property Organisation:

- Gazprom international trademark, international registration number: 807841, international registration date: 22 April 2003;
- international trademark , international registration number: 807842, international registration date: 22 April 2003, hereinafter collectively referred to as the "Licensor's Trademarks", and individually as the "Licensor's Trademark", for all goods or services to which such Licensor's Trademark apply. The Licensee may use the Licensor's Trademarks throughout the Republic of Austria (the "Territory"):
- on products, product labels, and packaging;
- when providing services;
- in cover, business or other documents;
- in advertisements, print media, formal letterheads,

billboards, including on office buildings, at industrial facilities, on workwear and other PPE items, and on exhibits at exhibitions and fairs;



- on the Internet;
- in the Licensee's business name.

For every trademark used (Gazprom, ) in the Territory, the Licensee pays the Licensor a quarterly trademark licence fee of USD 1,000.00 (VAT-exempt in the Russian Federation).

The agreement shall become effective in the Territory on the date when signed by the parties. The terms and conditions of the agreement apply to the parties from 26 June 2015. The agreement is valid until the expiry of the exclusive rights to all of the Licensor's Trademarks and may be subject to extension. The Licensor may unilaterally withdraw from the agreement at any time by written notice to the Licensee. The interested party is Alexander Medvedev, member of PJSC Gazprom's collegial executive body.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**83** Trademark Licence Agreement for the use of trademarks in the European Union with PAO Gazprom Neft. PJSC Gazprom (the "Licensor") grants PAO Gazprom Neft (the "Licensee"), for the term of the agreement, an exclusive license to use Licensor-owned trademarks registered with the Office for Harmonisation in the Internal Market (trademarks and industrial designs):

- trademark  (registration certificate of the Office for Harmonisation in the Internal Market (trademarks and industrial designs) No. 008558488 of 22 November 2013),
- trademark  (registration certificate of the Office for Harmonisation in the Internal Market (trademarks and industrial designs) No. 008558454 of 19 December 2013), hereinafter collectively referred to as the "Licensor's Trademarks", and individually as the "Licensor's Trademark" for all goods or services of product classes 01, 04, 16, 35, 37, 39, 40 and 42 of the International Classification of Goods and Services to which the Licensor's Trademarks apply. The Licensee may use the Licensor's Trademarks throughout the European Union:
- on products, product labels, and packaging;
- when providing services;
- in product or service offers;
- at charity or sponsorship events;
- in cover, business or other documents;
- in advertisements, print media, formal letterheads, billboards, including on office buildings, at 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 workwear and other PPE items;
- on the Internet;
- in the Licensee's (Sublicensees') business name(s);
- in the Licensee's (Sublicensees') print media.

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 in the European Union, the Licensee pays the Licensor a quarterly trade-

mark license fee of 300 minimum monthly wages as set by the applicable Russian laws as at the execution date of acceptance certificates, plus VAT at the rate determined under the applicable Russian laws. Additionally, for each trademark (🔗, 📄) actually used under each sublicense agreement in each EU country, the Licensee pays the Licensor 300 minimum monthly wages as set by the applicable Russian laws as at the date when relevant acceptance certificates are signed for each trademark, plus VAT at the rate determined under the applicable Russian laws. The agreement shall become effective on the date when signed by the parties. The agreement is valid until the expiry of the exclusive rights to the Licensor's Trademarks and may be subject to extension. The Licensor may unilaterally withdraw from the agreement at any time by written notice to the Licensee. Interested parties: Alexey Miller, Andrey Kruglov, Nikolai Dubik, Kirill Seleznev, Valery Golubev, Vsevolod Cherepanov, Elena Mikhailova, Mikhail Sereda, members of PJSC Gazprom's management bodies.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**84** Trademark Licence Agreement for the use of trademarks in the Republic of Serbia with PAO Gazprom Neft. PJSC Gazprom (the "Licensor") grants to PAO Gazprom Neft (the "Licensee"), for the term of the agreement, an ordinary (non-exclusive) licence to use Licensor-owned international trademarks registered in the International Trademark Register by the International Office of the World Intellectual Property Organisation:

- Gazprom international trademark, international registration number: 807841, international registration date: 22 April 2003;
- international trademark 📄, international registration number: 807842, international registration date: 22 April 2003, hereinafter collectively referred to as the "Licensor's Trademarks", and individually as the "Licensor's Trademark", for all goods or services to which such Licensor's Trademark apply. The Licensee is granted the right to use the Licensor's Trademarks in the Republic of Serbia (the "Territory") for all goods and services of product classes 01–45 of the International Classification of Goods and Services to which the Licensor's Trademarks apply:
- on products, product labels, and packaging produced, marketed, sold, presented at exhibitions or fairs or otherwise introduced into the civil law-based trade in the Territory, or stored or transported for this purpose, or imported to the Territory;
- when providing services;
- in cover, business or other documents, including those used to introduce goods into the civil law-based trade;
- in sale or service offers, advertisements and promotional materials, at charity or sponsorship events, in print media, formal letterheads, billboards, including on office buildings, at 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 workwear and other PPE items;

- on the Internet;
- in the Licensee's print media;
- in the Licensee's business name.

For every trademark (Gazprom, 📄) used in the Territory, the Licensee pays the Licensor a quarterly trademark licence fee of 300 minimum monthly wages as set by the applicable Russian laws as at the execution date of acceptance certificates, plus VAT at the rate determined under the applicable Russian laws. The agreement shall become effective in the Territory on the date when signed by the parties. The agreement is valid until the expiry of the exclusive rights to the Licensor's Trademarks and may be subject to extension. The Licensor may unilaterally withdraw from the agreement at any time by written notice to the Licensee. Interested parties: Alexey Miller, Andrey Kruglov, Nikolai Dubik, Kirill Seleznev, Valery Golubev, Vsevolod Cherepanov, Elena Mikhailova, Mikhail Sereda, members of PJSC Gazprom's management bodies.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**85** Career enhancement contract with the Russian Presidential Academy of National Economy and Public Administration (a federal state budget-funded institution of higher professional education) (the "Academy"). PJSC Gazprom engages the Academy to provide career enhancement courses for professional accountants or auditors (Elena Goldobina, Marina Pryanishnikova, Elena Klimenko, and Yulia Antonovskaya) under the New Trends in Taxation, Legal Regulation, Accounting and Finance of Companies programme. Training period: from 14 December 2015 to 18 December 2015. Contract price: RUB 54,000.00, VAT-exempt pursuant to subparagraph 14, paragraph 2, Article 149, Chapter 21 of Part II of the Tax Code of the Russian Federation. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 14 December 2015. Interested party: Vladimir Mau, member of the Board of Directors of PJSC Gazprom.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**86** Research Contract with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). PJSC Gazprom engages Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) to conduct research on development of enhanced hydrocarbon recovery solutions based on multi-flow gas dynamic units. PJSC Gazprom undertakes to accept, and pay for, the research. Overall delivery period: from 1 July 2014 through 30 June 2017. Contract price: RUB 17,423,002.00, VAT-exempt pursuant to subparagraph 16, paragraph 3 of Article 149 of the Tax Code of the Russian Federation. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 1 July 2015.

Interested parties: Viktor Martynov, Alexander Novak, members of the Board of Directors of PJSC Gazprom.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**87** Accident and Health Insurance Contract with AO SOGAZ INSURANCE. The insurance covers property interests of the Policyholder arising from damage to their life and health caused by illness or accident. Total number of Policyholders: 3,088. The aggregate insured amount is RUB 156,075,350,000.00; gross insurance premium written is RUB 40,788,560.00. The contract shall become effective from 00:00 am on 1 January 2016 and shall be valid through 31 December 2016. Interested parties: Alexey Miller, Andrey Kruglov, members of PJSC Gazprom's management bodies.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**88** Research Contract with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). PJSC Gazprom engages Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education) to conduct research on improved natural gas quality control guidelines. PJSC Gazprom undertakes to accept, and pay for, the research. Overall delivery period: from 1 July 2015 through 15 November 2016. Contract price: RUB 14,400,000.00, VAT-exempt pursuant to subparagraph 16, paragraph 3 of Article 149 of the Tax Code of the Russian Federation. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 1 July 2015. Interested parties: Viktor Martynov, Alexander Novak, members of the Board of Directors of PJSC Gazprom.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**89** Property lease agreement with PAO Mosenergo. PJSC Gazprom undertakes to provide to PAO Mosenergo, for a fee, for temporary possession and use property owned by PJSC Gazprom in a fit condition. Monthly lease rate in 27 October 2015 through 31 December 2015: RUB 35,786,293.00 (net of VAT); the monthly lease rate in January 2016 through September 2016 is RUB 7,955,328.00 (net of VAT); the monthly lease rate in 1 October 2016 through 25 October 2016 is RUB 6,415,587.00 (net of VAT). The agreement shall become effective on the date when signed by the parties and shall be valid until 25 October 2016. The terms and conditions of the agreement apply to the parties from 27 October 2015. Interested parties: Valery Golubev, Kirill Seleznev, Elena Mikhailova, members of PJSC Gazprom's collegial executive body.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**90** Life insurance contract with OOO SK SOGAZ ZHIZN' INSURANCE. Parties: PJSC Gazprom and OOO SK SOGAZ ZHIZN' INSURANCE. Insured — Sergey Prozorov. Beneficiaries — the insured or persons they designate as beneficiaries, or successors of the insured. The contract covers voluntary life insurance of the insured as per the Life Insurance Rules approved by the 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 make payouts under claims arising from the insured events as specified in the contract and the Rules, and PJSC Gazprom undertakes to pay the insurance premium as specified in the contract.

Insurance plans:

1. Endowment insurance policies providing coverage against death or living up to a certain age before the policy expires.
2. First-time diagnosis of a critical illness.
3. Total permanent disability.

Insured events: Insured events are listed in subparagraphs 3.2.1 through 3.2.4, paragraph 3.2 of the Rules.

Insured amount per insured: RUB 13,000,000.00.

Insurance premium per insured: RUB 8,538,340.00.

The contract shall become effective from 25 December 2015 and shall be valid through 24 December 2020 or until the later of the policy end dates (inclusive). Interested party: Sergey Prozorov, member of PJSC Gazprom's collegial executive body.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2644 dated 25 December 2015.

**91** Voluntary health insurance contract with AO SOGAZ INSURANCE. On occurrence of an insured event, AO SOGAZ INSURANCE undertakes to organise, and pay for, services to be provided to the insured under voluntary health insurance plans, and PJSC Gazprom undertakes to pay the insurance premium. Total number of Policyholders: 11,133. Total insured amount is RUB 253,758,000,000.00; the total insurance premium is RUB 352,238,600.00. The contract shall become effective on 1 January 2016 and shall be valid through 31 December 2016. The contract covers against any and all events occurring between 00:00 am on 1 January 2016 and 24:00 pm on 31 December 2016. Interested parties: Alexey Miller, Andrey Kruglov, members of PJSC Gazprom's management bodies.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**92** Voluntary health insurance contract with AO SOGAZ INSURANCE. On occurrence of an insured event, AO SOGAZ INSURANCE undertakes to organise, and pay for, services to be provided to the insured under voluntary health insurance plans, and PJSC Gazprom undertakes to pay the insurance premium. Total number of Policyholders: 11,133. Total insured amount is RUB 253,758,000,000.00; the total insurance premium is RUB 1,086,263,400.00. The contract shall become effective on 1 January 2016 and shall be valid through 31 December 2016. The contract covers against any and all events occurring between 00:00 am on 1 January 2016 and 24:00 pm on 31 December

2016. Interested parties: Alexey Miller, Andrey Kruglov, members of PJSC Gazprom's management bodies.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**93** Donation agreement with Lomonosov Moscow State University (a federal budget-funded educational institution of higher education). Parties: PJSC Gazprom and Lomonosov Moscow State University (a federal budget-funded educational institution of higher education) (the "University"). The agreement covers a donation of RUB 5,000,000.00 by PJSC Gazprom to the University to:

- ensure high performance of joint projects for the development of educational technologies and the University's training facilities;
- enhance the effectiveness of targeted professional training;
- improve the University's training programmes;
- organise internships for university staff involved in targeted professional training;
- improve career guidance to recruit the best graduate talent coming out of the University to positions at PJSC Gazprom's production facilities, including through the development of an internship framework for the University's students at such facilities; and provide financial support to talented faculty members actively engaged in targeted professional training (the "Purposes")

PJSC Gazprom transfers RUB 5,000,000.00 to the University's bank account within 30 calendar days from the agreement execution date. The University shall only use the money transferred by PJSC Gazprom for the above Purposes. PJSC Gazprom may request the University to report on the use of the funds donated by PJSC Gazprom in accordance with the intended purpose and provide copies of supporting financial documents.

PJSC Gazprom may cancel the donation if the University uses the funds for any purposes other than the Purposes in this agreement or changes the Purposes due to changed circumstances without first obtaining PJSC Gazprom's consent. In this case, the University fully refunds the money donated by PJSC Gazprom within one month upon receipt of PJSC Gazprom's request.

PJSC Gazprom may cancel the donation if the University fails to meet its obligation to inform PJSC Gazprom on changes in the University's ownership structure, including beneficiaries (including ultimate beneficiaries) and/or in executive bodies of the University.

The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested party: Alexey Miller, Deputy Chairman of the Board of Directors of PJSC Gazprom and Chairman of the Management Committee of PJSC Gazprom.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2663 dated 19 January 2016.

**94** Research Contract with Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education). PJSC Gazprom engages Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of

higher professional education) to conduct research on development of guidelines on determining the composition of hydrocarbons through high performance liquid chromatography. PJSC Gazprom undertakes to accept, and pay for, the research. Overall delivery period: from 1 July 2015 through 28 November 2016. Contract price: RUB 5,880,000.00, VAT-exempt pursuant to subparagraph 16, paragraph 3 of Article 149 of the Tax Code of the Russian Federation. The contract shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. The terms and conditions of the contract apply to the parties from 1 July 2015. Interested parties: Viktor Martynov, Alexander Novak, members of the Board of Directors of PJSC Gazprom.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**95** Corporate event planning agreement with OOO Lazurnaya. Customer — PJSC Gazprom, Contractor — OOO Lazurnaya. PJSC Gazprom engages OOO Lazurnaya to arrange and hold a workshop meeting for administrative employees of PJSC Gazprom and its subsidiaries and entities and undertakes to accept, and pay for, the services.

Agreement price: RUB 1,271,100.00 (net of VAT). Total agreement price, including VAT: RUB 1,499,898.00. PJSC Gazprom pays for the services provided by OOO Lazurnaya by a bank transfer to OOO Lazurnaya's account in the month following the month when the acceptance certificate is signed by the parties, subject to the VAT invoice issued by OOO Lazurnaya.

Delivery period: from 20 October 2015 through 23 October 2015.

The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested parties: Elena Vasilieva, Nikolai Dubik, Alexander Kozlov, members of PJSC Gazprom's collegial executive body.

Approved by Resolution  
of PJSC Gazprom's Board of Directors No. 2690  
dated 16 March 2016.

**96** Property lease agreement with OOO Gazprom komplektatsiya. PJSC Gazprom undertakes to provide to OOO Gazprom komplektatsiya, for a fee, for temporary possession and use property owned by PJSC Gazprom in a fit condition. Monthly lease rate in 27 October 2015 through 31 December 2015: RUB 72,905,322.00 (net of VAT); the monthly lease rate in January 2016 through September 2016 is RUB 203,809.00 (net of VAT); the monthly lease rate in 1 October 2016 through 25 October 2016 is RUB 164,362.00 (net of VAT). The agreement shall become effective on the date when signed by the parties and shall be valid until 25 October 2016. The terms and conditions of the agreement apply to the parties from 27 October 2015. Interested party: Igor Fyodorov, member of PJSC Gazprom's collegial executive body.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.



**97** Property lease agreement with PAO Gazprom Neft. PJSC Gazprom undertakes to provide to PAO Gazprom Neft, for a fee, for temporary possession and use property owned by PJSC Gazprom in a fit condition. Monthly lease rate in 27 October 2015 through 31 December 2015: RUB 65.00 (net of VAT); the monthly lease rate in January 2016 through September 2016 is RUB -30.00 (net of VAT); the monthly lease rate in 1 October 2016 through 25 October 2016 is RUB 24.00 (net of VAT). The agreement shall become effective on the date when signed by the parties and shall be valid until 25 October 2016. The terms and conditions of the agreement apply to the parties from 27 October 2015. Interested parties: Alexey Miller, Andrey Kruglov, Nikolai Dubik, Kirill Seleznev, Valery Golubev, Vsevolod Cherepanov, Elena Mikhailova, Mikhail Sereda, members of PJSC Gazprom's management bodies.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**98** Property lease agreement with OAO Gazprom Space Systems. PJSC Gazprom undertakes to provide to OAO Gazprom Space Systems, for a fee, for temporary possession and use property owned by PJSC Gazprom in a fit condition. Monthly lease rate in 27 October 2015 through 31 December 2015: RUB 351,497.00 (net of VAT); the monthly lease rate in January 2016 through September 2016 is RUB 78,947.00 (net of VAT); the monthly lease rate in 1 October 2016 through 25 October 2016 is RUB 63,667.00 (net of VAT). The agreement shall become effective on the date when signed by the parties and shall be valid until 25 October 2016. The terms and conditions of the agreement apply to the parties from 27 October 2015. Interested parties: Sergey Khomyakov, Mikhail Sereda, Vitaly Markelov, members of PJSC Gazprom's management bodies.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**99** Property lease agreement with DOAO Spetsgazavto-trans, OAO Gazprom PJSC Gazprom undertakes to provide to DOAO Spetsgazavtotrans, OAO Gazprom, for a fee, for temporary possession and use property owned by PJSC Gazprom in a fit condition. Monthly lease rate in 27 October 2015 through 31 December 2015: RUB 484,950.00 (net of VAT); the monthly lease rate in January 2016 through September 2016 is RUB 185,044.00 (net of VAT); the monthly lease rate in 1 October 2016 through 25 October 2016 is RUB 149,229.00 (net of VAT). The agreement shall become effective on the date when signed by the parties and shall be valid until 25 October 2016. The terms and conditions of the agreement apply to the parties from 27 October 2015. Interested party: Sergey Prozorov, member of PJSC Gazprom's collegial executive body.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**100** Agreement with AO Gazprombank. PJSC Gazprom engages AO Gazprombank to execute documents with instructions of PJSC Gazprom signed as determined by PJSC Gazprom. Interested parties: Alexey Miller,

Elena Vasilieva, Andrey Kruglov, Mikhail Sereda, Kirill Seleznev, Andrey Akimov, members of PJSC Gazprom's management bodies.

Approved by the Resolution  
of JSC Gazprom Annual General Shareholders Meeting  
dated 26 June 2015.

**101** Share purchase agreement with OAO Gazprom gazoraspredelenie (OOO Gazprom mezhregiongaz is a management company acting as the sole executive body of OAO Gazprom gazoraspredelenie). Parties: Seller — PJSC Gazprom. Buyer — OAO Gazprom gazoraspredelenie. PJSC Gazprom undertakes to transfer to OAO Gazprom gazoraspredelenie the title to, and OAO Gazprom gazoraspredelenie undertakes to accept, and pay for, shares in the following companies:

- 77,166 ordinary registered shares in OAO Gazprom gazoraspredelenie Yekaterinburg with a par value of RUB 1.00 each, which is equivalent to 79.99% of its authorised capital, for RUB 500,000,000.00;
- 17,775 ordinary registered shares in AO Gazprom gazoraspredelenie Yaroslavl with a par value of RUB 1.00 each, which is equivalent to 25.5% of its authorised capital, for RUB 250,000,000.00;
- 40,512 ordinary registered shares in AO Gazprom gazoraspredelenie Tver with a par value of RUB 0.25 each, which is equivalent to 22.7% of its authorised capital, for RUB 363,000,000.00;
- 12,488 ordinary registered shares in AO Gazprom gazoraspredelenie Orel with a par value of RUB 1.00 each, which is equivalent to 32.91% of its authorised capital, for RUB 160,000,000.00;
- 6,187 ordinary registered shares in AO Gazprom gazoraspredelenie Maykop with a par value of RUB 1.00 each, which is equivalent to 25.5% of its authorised capital, for RUB 350,000,000.00;
- 25,446 ordinary registered shares in AO Gazprom gazoraspredelenie Kirov with a par value of RUB 1.00 each, which is equivalent to 25.55% of its authorised capital, for RUB 460,000,000.00;
- 2,340,000 ordinary registered shares in AO Gazprom gazoraspredelenie Izhevsk with a par value of RUB 10.00 each, which is equivalent to 25.002% of its authorised capital, for RUB 353,000,000.00;
- 14,237 ordinary registered shares in AO Gazprom gazoraspredelenie Veliky Novgorod with a par value of RUB 1.00 each, which is equivalent to 21% of its authorised capital, for RUB 292,000,000.00;
- 385 ordinary registered shares in OAO Beloyarsk-gaz with a par value of RUB 0.20 each, which is equivalent to 15.13% of its authorised capital, for RUB 5,000,000.00; and
- 1,002,200 ordinary registered shares in AO Gazprom gazoraspredelenie Astrakhan with a par value of RUB 19.50 each, which is equivalent to 25.5% of its authorised capital, for RUB 88,000,000.00; and
- 28,896 ordinary registered shares in OAO Altai-kraigazservice with a par value of RUB 1.00 each, which is equivalent to 25.5% of its authorised capital, for RUB 250,000,000.00 (the "Shares").

The price of the Shares is estimated by the parties at RUB 3,071,000,000.00. The title to the Shares in OAO Gazprom gazoraspredelenie Yekaterinburg, AO Gazprom gazoraspredelenie Yaroslavl, AO Gazprom gazoraspre-

delenie Tver, AO Gazprom gazoraspredelenie Orel, AO Gazprom gazoraspredelenie Maykop, AO Gazprom gazoraspredelenie Kirov, AO Gazprom gazoraspredelenie Veliky Novgorod, AO Gazprom gazoraspredelenie Astrakhan, and OAO Altaikraigazservice passes from PJSC Gazprom to OAO Gazprom gazoraspredelenie when relevant credit entries are made in OAO Gazprom gazoraspredelenie's depository account with AO Gazprombank.

The title to the Shares in AO Gazprom gazoraspredelenie Izhevsk and OAO Beloyarskgaz passes from PJSC Gazprom to OAO Gazprom gazoraspredelenie when relevant credit entries are made in OAO Gazprom gazoraspredelenie's depository account with OAO BANK ROSSIYA. The agreement shall become effective on the date when signed by the parties and shall be valid until the parties have fully performed their obligations thereunder. Interested party: Kirill Seleznev, member of PJSC Gazprom's collegial executive body.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2653 dated 29 December 2015.

**102** Share purchase agreement with the Russian Federation represented by the Federal Agency for State Property Management. Parties: Seller — the Russian Federation represented by the Federal Agency for State Property Management. Buyer — PJSC Gazprom. The Russian Federation represented by the Federal Agency for State Property Management undertakes to transfer to PJSC Gazprom the title to, and PJSC Gazprom undertakes to accept, and pay for, one ordinary registered book-entry share in OAO Chechengazprom with the par value of RUB 100, representing 0.000001% of its authorised capital (the "Share"). Total share price: RUB 221.00, VAT-exempt. PJSC Gazprom pays the total share price as a lump sum by a bank transfer to the account of the Federal Treasury within nine business days from the effective date of the agreement.

The title to the Share passes to PJSC Gazprom when a relevant credit entry is made in PJSC Gazprom's account in the share register of OAO Chechengazprom. The agreement shall become effective on the 25th day after each and all of the following conditions are met:

- the agreement is signed by the parties;
- PJSC Gazprom's management bodies have approved the transaction to purchase the share from the Russian Federation represented by the Federal Agency for State Property Management, and shall be valid until the earlier of: (a) the date when the parties have fully performed their obligations; (b) the early termination date.

Interested party: the Russian Federation as PJSC Gazprom's shareholder holding over 20% of PJSC Gazprom's voting shares.

Approved by Resolution  
of PJSC Gazprom's Board of Directors  
No. 2664 dated 29 January 2016.

**Transactions in PJSC Gazprom's Shares  
carried out by Members of PJSC Gazprom's Board of Directors  
and Management Committee in 2015**

<b>Name</b>	<b>Transaction date</b>	<b>Transaction type</b>	<b>Number of PJSC Gazprom's ordinary registered shares</b>
Viktor Zubkov	23 September 2015	Purchase	103,850

**Adoption by entities with a government stake of provisions of the Corporate Governance Code approved by the Bank of Russia's Board of Directors on 21 March 2014** (Instruction of Russian Prime Minister Dmitry Medvedev No. DM-P36-46pr dated 28 May 2014, the Russian Government Instruction No. ISh-P13-5859 dated 31 July 2014)

In pursuance of Resolution No. 2452 dated 27 November 2014 issued by PJSC Gazprom's Board of Directors, a draft action plan on introducing the Code's key provisions into PJSC Gazprom's activities was forwarded to the Federal Agency for State Property Management and the Russian Ministry of Energy to obtain appropriate instructions. This action plan was drafted based on benchmarking the Company's corporate governance standards with the Code's key provisions.

Resolution of PJSC Gazprom's Board of Directors No. 2546 dated 19 May 2015 approved an Action Plan (Roadmap) to Adopt the Corporate Governance Code.

**Approval and audit of Long-Term Development Programmes** (subparagraphs 32, 33 and 34, paragraph 1 of List of Instructions of the President of the Russian Federation No. Pr-3086 dated 27 December 2013)

Work is underway to prepare and conduct annual audits of the implementation of PJSC Gazprom's Long-Term Development Programme. In line with the generic audit standard developed by the Russian Ministry of Economic Development, in December 2015, a Standard for Conducting an Audit of the Implementation of PJSC Gazprom's Long-Term Development Programme was prepared and approved by resolution of the Board of Directors. The auditor's report on the implementation of the Long-Term Development Programme will be submitted for consideration by the Board of Directors in 2016.

**Incorporation into the Long-Term Development Programme of basic HR needs, including in engineering professionals required for the implementation of the Programme's key initiatives** (subparagraph b, paragraph 2 of List of Instructions of the President of the Russian Federation No. Pr-1627 dated 1 July 2014)

PJSC Gazprom's Long-Term Development Programme contains details of the projected HR needs, including in engineering professionals, in particular, university graduates; this forecast is also broken down by Russia's federal district.

**Inclusion of labour efficiency in the list of key management performance indicators to assess the performance of PJSC Gazprom's management** (the Russian Government Directives No. 7389p-P13dated 31 October 2014)

The Labour Efficiency KPI was included in the Regulation on JSC Gazprom's Key Performance Indicators (Resolution of JSC Gazprom's Board of Directors No. 2479 dated 30 January 2015) and the Annual Bonus Scheme KPI list (Resolution of JSC Gazprom's Board of Directors No. 2473 dated 27 January 2015). By its Resolution No. 2491 dated 20 February 2015, JSC Gazprom's Board of Directors approved target (planned), threshold and maximum values of the Labour Efficiency KPI for 2015. These KPI values for 2015 were adjusted by Resolution of PJSC Gazprom's Board of Directors No. 2645 dated 25 December 2015.

**Inclusion of target values for the KPI showing a reduction of operating expenses (costs) by at least 2%–3% annually in the list of key performance indicators for the management to be considered when making remuneration and personnel-related decisions, and alignment of such target value achievement with the remuneration of the management** (subparagraph 5, paragraph 1 of List of Instructions of the President of the Russian Federation No. Pr-2821 dated 5 December 2014, and paragraph 5 of the Russian Government Instruction No. DM-P13-9024 dated 8 December 2014)

The Reduction of Operating Expenses (Costs) KPI was included in the Regulation on PJSC Gazprom's Key Performance Indicators (Resolution of PJSC Gazprom's Board of Directors No. 2607 dated 25 September 2015) and the Annual Bonus Scheme KPI list (Resolution of PJSC Gazprom's Board of Directors No. 2604 dated 25 September 2015), and replaced the Reduction of Procurement Costs KPI.

Resolution of PJSC Gazprom's Board of Directors No. 2604 dated 25 September 2015 approved target (planned) value of the Reduction of Procurement Costs KPI for 2015 at 2% per year.

**Development and approval of a list of regulations governing the joint stock company activities and submission of reports on the implementation of long-term development programmes and achievement of approved key performance indicators** (Instruction of the President of the Russian Federation No. Pr-3013 dated 27 December 2014)

Resolution of the Board of Directors No. 2547 dated 19 May 2015 introduced the submission of reports on the implementation of PJSC Gazprom's Long-Term Development Programme and achievement of approved KPIs among other mandatory materials for preparation for and holding of the annual General Shareholders Meeting of the Company] starting from 2016 (following 2015 reporting year results).

The Company developed and approved as per the established procedure: PJSC Gazprom's Regulation on Internal Audit (Resolution of the Board of Directors No. 2621 dated 6 November 2015), PJSC Gazprom's Risk Management Policy (Resolution of the Board of Directors No. 2619 dated 30 October 2015), Regulation on Gazprom Group's Risk Management System (Resolution of the Board of Directors No. 2628 dated 26 November 2015), Regulations on Procedures for Development and Implementation of PJSC Gazprom's Innovative Development Programme (PJSC Gazprom's Order No. 703 dated 16 November 2015), and Regulations on PJSC Gazprom's Quality Control System (Resolution of the Board of Directors No. 2651 dated 29 December 2015).

Regulations on PJSC Gazprom's investment performance improvement and Regulations on PJSC Gazprom's operational performance improvement and cost reduction were approved in 2016 (Board of Directors' Minutes No. 1063 dated 15 March 2016).

**Scheduled substitution of imported products (work, services) with those of Russian origin, having similar specifications and usability** (the Russian Government Instructions No. DM-P9-87pr dated 25 November 2013, No. AD-P9-9176 dated 12 December 2014, and No. ISh-P13-1419 dated 5 March 2015)

In pursuance of the Board of Directors Resolution No. 2557 dated 11 June 2015 and based on the list of key types of products for import substitution and production localisation for the Company's technology growth, an action plan (list of initiatives) was developed aimed at planned and scheduled substitution of imported products (work, services) with those of Russian origin, having similar specifications and usability, to be used in investment projects and day-to-day operations. The said list of initiatives was approved by PJSC Gazprom's Order in July 2015 and incorporated into PJSC Gazprom's Long-Term Development Programme.



### Implementation of non-core assets disposal programmes (subparagraph c, paragraph 2 of Decree of President of the Russian Federation Vladimir Putin No. 596 dated 7 May 2012)

By Resolution No. 2185 dated 18 June 2013 (Board of Directors' Minutes No. 878 dated 18 June 2013), JSC 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 PJSC Gazprom in the manner prescribed by the law by publishing appropriate open access information on its website. The Programme is also available on a dedicated website for Gazprom Group's non-core asset disposal [www.gazpromnoncoreassets.ru](http://www.gazpromnoncoreassets.ru), the link to which is available on PJSC Gazprom's website in the Asset Disposal section.

The programme comprises three sections: Long-Term Financial Investments (stock, shares), Real Property, and Movable Property.

It provides information on PJSC Gazprom's non-core assets entered in the Non-Core Asset Register, including the asset list, quantity and additional information on each non-core asset (book (depreciated) value, initial selling price (equal to its market value as assessed by an independent valuator), method of sale (primarily a trade sale process), and encumbrances).

The actual cost of sale for the assets disposed of in 2015 under the Programme totalled RUB 3,688.4 thousand. Pre-sale preparation and disposal of non-core assets resulted in the actual cost of sale exceeding the book value by RUB 3,483.8 thousand.

#### Programme implementation in 2015

Asset	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 thousand	Actual cost of sale, RUB thousand (net of VAT)	Actual cost of sale vs. book value, RUB thousand (net of VAT)
0.21% stake in OAO Zapsibgazprom	1173	911902/914702	204.6	343.0	138.4
Motor vehicles and special-purpose machinery (26 units)	1150	914101/911110	0	3,345.4	3,345.4
<b>Total</b>			<b>204.6</b>	<b>3,688.4</b>	<b>3,483.8</b>

### Establishment of Gazprom Group's Group-wide Treasury (paragraph 1 of List of Instructions of the President of the Russian Federation No. Pr-1032 (DSP) dated 7 May 2014)

In pursuance of the Board of Directors' Resolution No. 2425 dated 6 October 2014, Gazprom Group's Group-wide Treasury operations were set up, including:

- the Group-wide Treasury structure was developed and approved to ensure the performance of its key tasks and functions as designated by the Russian Government Directives No. 5110p-P13 dated 8 August 2014;
- regulations governing the Group-wide Treasury operations and cash flow management system were developed and approved in line with the applicable laws;
- a pilot project for physical cash pool allowing centralisation of the subsidiaries' cash flow management function with the parent company was successfully implemented. Work is underway to roll out the positive experience of subsidiaries inclusion in the cash pool. As at 31 December 2015, 20 subsidiaries were participants of the physical cash pool on AO Gazprombank's platform;
- OOO Gazprom Single Settlement Centre was established with a key task to centralise Gazprom Group's settlement function on a single platform.

In accordance with Resolution of PJSC Gazprom's Board of Directors No. 2531 dated 14 May 2015, the results of a review of progress in establishing a Group-wide Treasury for PJSC Gazprom and its subsidiaries and affiliates were submitted to the Ministry of Finance of the Russian Federation and the Federal Financial Monitoring Service in September 2015.

**Labour productivity improvement, creation and upgrade of high-performance workplaces** (paragraph 6, section 2 of the list of initiatives approved by the Russian Government Decree No. 1250-r dated 9 July 2014)

Pursuant to Resolution of the Board of Directors No. 2470 dated 30 December 2014, PJSC Gazprom's Long-Term Development Programme incorporated a list of initiatives aimed at improving labour productivity in the Company, and target labour KPIs, developed in a process approved in March 2015.

**Expansion of SMEs access to PJSC Gazprom's procurement** (Directive of Russian Prime Minister Dmitry Medvedev No. 6362p-P13 dated 24 October 2013, implementing the Action Plan on Expanding SMEs Access to Procurement of Infrastructure Monopolies and State-Owned Companies approved by the Russian Government Decree No. 867-r dated 29 May 2013)

In pursuance of Resolution of the Board of Directors No. 2481 dated 4 February 2015

- amendments were made to the Regulation on the Purchase of Goods, Works and Services by PJSC Gazprom and Gazprom Group companies (Resolution of the Board of Directors No. 2519 dated 15 April 2015) providing for:
  - introduction of additional (on top of bank guarantee and cash security) bid bond terms and granting SMEs optional bid bond terms;
  - PJSC Gazprom's obligation to set a maximum period for payment for work completed at 10 business days after the date of closing documents under a contract with an SME acting as the service provider, and a maximum period of 10 business days from the completion date of obligations secured by a deferred payment if a contract provides for a deferred payment as a security of the supplier's (contractor's, service provider's) obligations.
  - introduction of an option for assignment of claims under contracts between SMEs and PJSC Gazprom in favour of financial and credit institutions (factoring);
- PJSC Gazprom has developed and adopted a mandatory performance measure for the management — the proportion of procurement contracts awarded to SMEs, including procurement of innovative goods (work or services), R&D and technology projects.

**Improvement of PJSC Gazprom's procurement** (the Russian Government Directives No. 4537p-P13 dated 14 July 2015 approved by First Deputy Prime Minister of the Russian Government Igor Shuvalov)

In pursuance of Resolution of PJSC Gazprom's Board of Directors No. 2483 dated 4 February 2015, PJSC Gazprom's Purchase Regulation incorporated a standard prescribing that motor vehicles, agricultural, road-building and utility service vehicles, products of transport machine-building industry and machine-building for food and processing industries, as well as metal products, including large-diameter pipes, shall be primarily purchased from Russian producers, unless such goods or their equivalents are unavailable in the Russian Federation.

(the Russian Government Directives No. 3425p-P13 dated 1 June 2015 approved by First Deputy Prime Minister of the Russian Government Igor Shuvalov)

In pursuance of Resolution of PJSC Gazprom's Board of Directors No. 2579 of 28 July 2015, PJSC Gazprom's Purchase Regulation incorporated a standard prescribing that customers shall enter into coal supply contracts only for a period exceeding one year and directly with coal producers or group members of such coal producers. Similar amendments were made to regulations on the purchase of goods, work and services of PJSC Gazprom's subsidiaries and regulations on the purchase of goods, work and services of subsidiaries of PJSC Gazprom's subsidiaries.

**Disclosure of information on ownership structures, including beneficiaries, by counterparties under existing contracts** (Instruction of Russian Prime Minister Vladimir Putin No. VP-P13-9308 dated 28 December 2011, and Instruction of Russian Deputy Prime Minister Igor Sechin No. IS-P13-80 dated 12 January 2012)

Between 1 January 2013 and 31 December 2015, PJSC Gazprom informed the Russian Ministry of Energy, Federal Tax Service and Rosinfomonitoring of:

- 91,334 existing contracts (with 3,527 contracts signed by PJSC Gazprom and 87,807 contracts signed by its subsidiaries and affiliates directly and/or indirectly controlled by PJSC Gazprom by more than 50% in total);
- changes in the ownership structure and/or executive bodies of PJSC 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 PJSC Gazprom by more than 50% in total.

**Cooperation with Russian higher education institutions** (paragraph 2 of List of Instructions by President of the Russian Federation Vladimir Putin No. Pr-2169 dated 10 September 2014, covering the government's support for Far Eastern priority investment projects and territories of priority development)

PJSC Gazprom liaises with Ammosov North-Eastern Federal University (NEFU) and Far Eastern Federal University (FEFU).

The liaison with NEFU in terms of qualified personnel training is part of the Power of Siberia project and in line with the NEFU Cooperation Agreement entered into in 2013. PJSC Gazprom and NEFU developed their 2015–2016 Programme to improve the quality of education and training.

NEFU is the regular venue for occupational guidance events such as PJSC Gazprom Day or Employment Fair. The events are attended by an average of over 1,000 NEFU students.

Cooperation with FEFU in terms of qualified personnel training will be part of the Company's projects in the Russian Far East.

To enhance the Universities' training facilities and provide methodological support for training programmes of actual importance to the Company, in 2015 PJSC Gazprom provided RUB 29 mm of charitable aid to FEFU, and RUB 40 mm to NEFU.

(Instruction by President of the Russian Federation Vladimir Putin No. PR-883 dated 30 April 2015)

In 2015, PJSC Gazprom and State Marine Technical University of St Petersburg (MTU) entered into a cooperation agreement and a target enrolment agreement, held an Employment Fair of PJSC Gazprom's subsidiaries and entities, and RUB 5 million of charitable aid was provided. The University students took part in the Youth Day held as part of the 5th St Petersburg International Gas Forum. On 1 January 2016, MTU was assigned the status of PJSC Gazprom's Anchor University.

**Preparation of the Concept of Domestic Gas Market Development** (paragraph 8 of the Russian Government Instructions No. AD-P9-5865 of 31 July 2014 on compliance with subparagraph b, paragraph 2, Section 2 of Minutes No. A4-26-368 of the meeting of Russian Presidential Commission for Strategic Development of the Fuel and Energy Sector and Environmental Security dated 4 June 2014)

The Russian Ministry of Energy jointly with the relevant federal authorities, PJSC Gazprom and other oil and gas companies and organisations were invited to file their proposals on adjustment of the General Scheme [for the Development of the Gas Industry through 2035] and the Eastern Gas Programme so as to develop and incorporate the Concept of Domestic Gas Market Development into the General Scheme for the Development of the Gas Industry through 2035.

Taking into account the high importance of updating federal strategic documents that define the key domestic gas market development areas, in 2014–2015, PJSC Gazprom was actively involved in studying draft documents issued by the Russian Ministry of Energy and discussions at task group workshops at the Ministry of Energy regarding the implementation of the General Scheme for the Development of the Gas Industry through 2030 and adjustment of the Programme for an Integrated Gas Production, Transportation and Supply System in Eastern Siberia and the Far East with account for potential exports to China and other Asia Pacific markets. The Company prepared and filed proposals for key gas sector development areas with the federal authorities.

To have an overall review of proposals by gas market participants and work out its own approach to the sector transformation options, in July 2015, PJSC Gazprom set up a temporary task group to assess the efficiency of various scenarios of the draft Concept of Domestic Gas Market Development. The task group deliverables were used to prepare summary data supporting the provisions of the draft Concept of Domestic Gas Market Development and proposals to federal authorities.

**Gas infrastructure expansion across Russia** (Instructions of President of the Russian Federation Dmitry Medvedev No. 007228 dated 27 January 2011, and by Russian Prime Minister Vladimir Putin No. VP-P9-708 dated 5 May 2010)

Construction of the Yurgamysh — Kurgan branch. The Company's units discussed construction timelines for the Yurgamysh — Kurgan section of the Shumikha — Mishkino — Yurgamysh — Kurgan branch incorporating the Kurtamysh branch. PJSC Gazprom's Investment Programme for 2015 approved by Resolution of the Board of Directors No. 2617 dated 21 October 2015 set a RUB 4,611.38 million capital investment limit for the above investment project with the branch to be put into service in 2015. Two phases have already been put into service.

(paragraph 3 of the Instruction of President of the Russian Federation Vladimir Putin No. Pr-2281 dated 2 November 2015)

Connection of the Vostochny Cosmodrome. In pursuance of the instructions for incorporation of the Vostochny Cosmodrome project in PJSC Gazprom's Investment Programme, OOO Gazprom transgaz Tomsk acts on behalf of PJSC Gazprom to organise work and implement the Uglegorsk Branch and Gas Distribution Station investment project. The facility is incorporated in the design and survey plan section of PJSC Gazprom's draft Investment Programme for 2016, with expected design phase completion in 2016.

(Instruction of Russian Prime Minister Dmitry Medvedev No. DM-P9-4196p dated 23 June 2015)

The Volkhov — Segezha pipeline extension towards Kostomuksha, Republic of Karelia. The project is incorporated in the Design and Survey Plan for 2016.

(Instruction of Government Office of the Russian Federation No. P9-31902 dated 25 June 2015)

Natural gas supply to the Ust-Luga industrial area. The matter has been studied, and information is reported to the Russian Government at regular sessions. To improve reliability of the regional gas transportation system and supply gas to potential Leningrad Region consumers, including the Ust-Luga industrial area, work has been done to align and optimise the upgrading of existing and the construction of new gas transportation facilities in the Leningrad Region. A list of priority projects (the Red Chain) has been approved.

(Resolution of President of the Russian Federation Vladimir Putin No. CC-4496/0 dated 16 November 2014 in response to a request by the Kostroma Region Governor)

Implementation of the Galich — Manturovo — Sharya Branch in the Kostroma Region project for gas infrastructure expansion in the Kostroma Region. Terms of reference have been amended; design documentation adjustments are underway in line with the new gas supply and infrastructure expansion scheme in the Kostroma Region.

**Streamlining of the legal framework to improve energy consumers' payment discipline**  
(the Russian Government Protocol Resolution No. 12 dated 12 December 2014)

PJSC Gazprom and the Russian Ministry of Energy worked jointly on the Government Commission on the Socio-Economic Development of the North Caucasus Federal District set up and led by Russian Prime Minister Dmitry Medvedev. The Commission had regular discussions of the matters of gas consumers' payment discipline improvement. Following the discussions, in April 2015 an Action Plan (Roadmap) was signed for each region within the North Caucasus Federal District to set out initiatives to reduce consumers' debt for supplied energy, applicable sanctions and time-lines of such initiatives in the North Caucasus Federal District regions.

(the Russian Government Protocol Resolutions No. 9 dated 18 December 2013 and No. AD-P9-18pr dated 25 January 2015)

PJSC Gazprom and the Russian Ministry of Energy worked jointly to streamline the legal framework and improve payment discipline. These efforts resulted in the adoption of Federal Law No. 307-FZ dated 3 November 2015 On Amendments to Individual Legislative Acts of the Russian Federation for Enhancing the Payment Discipline of Energy Consumers, which specifies the obligation of consumers who enjoy uninterrupted gas supply to provide payment guarantees, and administrative sanctions for a failure to provide such security. The Law also sets higher penalty rates for entities who delay and/or partially fail to pay for supplied gas.



Actual proceeds from non-core asset disposal by PJSC Gazprom and its subsidiaries in 2015 totalled RUB 10.2 billion. (less intra-group transactions — RUB 8.9 billion), including:

- owned by PJSC Gazprom — RUB 7.4 billion (less intra-group transactions — RUB 6.4 billion);
- owned by PJSC Gazprom's subsidiaries — RUB 2.8 billion (less intra-group transactions — RUB 2.5 billion).

Energy resource	2014	2015
<b>Natural gas</b>		
mmcm	22.2	21.7
RUB million (inclusive of VAT)	147.3	149.5
<b>Power</b>		
thousand MWh	112.8	122.5
RUB million (inclusive of VAT)	455.3	556.0
<b>Heat energy</b>		
thousand Gcal	85.1	55.4
RUB million (inclusive of VAT)	132.5	122.4
<b>Motor gasoline</b>		
million litres	2.5	2.1
RUB million (inclusive of VAT)	80.3	71.2
<b>Diesel fuel</b>		
thousand tonnes	2.2	1.9
RUB million (inclusive of VAT)	73.9	68.4
<b>Note.</b> PJSC Gazprom consumes no other energy resources in meaningful quantities.		

Information is available  
on PJSC Gazprom's website

 [gazprom.com](http://gazprom.com)



- Members of PJSC Gazprom's Audit Commission
- Meetings of PJSC Gazprom's Board of Directors in 2015
- Meetings of the Audit Committee of PJSC Gazprom's Board of Directors in 2015
- Debt recovery litigations pending as at 31 December 2015
- List of entities in which PJSC Gazprom holds shares (interest) as at 31 December 2015

ADR	American depository receipt
AFR	Accident Frequency Rate
APG	associated petroleum gas
BAFA	Federal Office for Economic Affairs and Export Control
bboe	billion barrels of oil equivalent
BCS	Booster compressor station
bcm	Billion cubic meters
Brent	Benchmark crude oil sourced from the North Sea
BRICS	Brazil, Russia, India, China and South Africa
CCGT	Combined Cycle Gas Turbine
CDP	Carbon Disclosure Project
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
CNPC	China National Petroleum Corporation
CS	Compressor station
CSA	capacity supply agreement
DSG	dry stripped gas
EBITDA	Earnings before interest, taxes, depreciation, and amortisation
EEU	Eurasian Economic Union
EMS	Environmental Management System
EMTN	Euro medium-term note
EOR	Enhanced oil recovery
ETP-GPB	Electronic Trading Platform of Gazprombank
EU	European Union
Far abroad countries	Foreign countries, except for FSU countries, see the Europe and Other Countries geographical segment in the consolidated IFRS financial statements
FEED	Front End Engineering Design
FSU countries	Former USSR republics, except for the Russian Federation
GDP	Gross domestic product
GFU	gas fractioning column
GHG	Greenhouse gases
GM&TS	Gazprom Marketing & Trading Singapore
GOST 32513	Intergovernmental Standard GOST 32513-2013 Automotive fuels. Unleaded petrol. Specifications.
GPC	Gas production centre
GPP	Gas and/or condensate processing plant
GRES	State district power station
GTS	Gas transportation system
HR	Human Resources
HSE	Health, Safety and Environment
HVA	High value-added
IFRS	International Financial Reporting Standards

IMF	International Monetary Fund
ISO 14001	International environmental management standard
ISO 9001	International quality management standard
KMAA	Khanty-Mansi Autonomous Area — Yugra
LHG	Liquefied hydrocarbon gas
LNG	Liquefied natural gas
LSE	London Stock Exchange
MET	Minerals Extraction Tax
MTBE	Methyl tert-butyl ether
NCG	NetConnect Germany gas hub
NDRC	National Development and Reform Commission
NGO	Non-governmental organisation
NGV	Natural gas vehicle
NMR	Nuclear magnetic resonance
OGCF	Oil and gas condensate field
OHS	Occupational Health and Safety
OHSAS	Occupational Health and Safety Standard
OPEC	Organization of the Petroleum Exporting Countries
OTC	Over-the-counter (market)
PB	Performance benchmark
PRMS	Petroleum Resources Management System
QIB	Qualified institutional buyer
R&D	Research and Development
RAS	Russian Accounting Standards
ROC	Return on capital
ROE	Return on Equity
SHPGX	Shanghai Petroleum and Natural Gas Exchange
SLF	Synthetic liquid fuel
SME	Small and Medium Enterprise
SNH	Société Nationale des Hydrocarbures
STI	Strategic Target Indicator
TSR	Total Shareholder Return
TTF	Title Transfer Facility
UEFA	Union of European Football Associations
UES	Unified Energy System
UGSF	Underground gas storage facility
UGSS	Unified Gas Supply System
UK	United Kingdom
UNFCCC	United Nations Framework Convention on Climate Change
USD	US dollar
VAT	Value Added Tax
WECM	Wholesale Electricity and Capacity Market
WWF	World Wide Fund for Nature
YNAA	Yamal-Nenets Autonomous Area



y-o-y	Year-on-year
ISO 14001 (International Organization for Standardization)	International standard covering environmental management systems
ISO 9001 (International Organization for Standardization)	International standard covering quality management systems
OHSAS 18001:2007 (Occupational Health and Safety Management Systems)	International standard covering occupational health and safety management systems
PRMS (Petroleum Resources Management System)	Global standard for evaluating hydrocarbon reserves and resources
Urals	Russian export blend crude oil

### 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
tonne of oil	Tonne of oil	= 7.33 bbl of crude oil
tonne 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 tonnes 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

### Russian business structures

Abbreviation	Definition
PAO	Public Joint Stock Company
OAO	Open Joint Stock Company
OOO	Limited Liability Company
ZAO	Closed Joint Stock Company
AO	Joint Stock Company

## List of the Foreign Companies Mentioned in the Report

Full name	Short name	Country
ZAO Gazprom Armenia	–	Armenia
OsOO Gazprom Kyrgyzstan	–	Kyrgyzstan
OAD Gazprom transgaz Belarus	–	Belarus
astora GmbH & Co. KG	–	Germany
Azerbaijan Methanol Co LLC	AzMeCo	Azerbaijan
Bank of America, N.A.	–	USA
BASF SE	BASF	Germany
Bloomberg L.P.	Bloomberg	USA
Blue Stream Pipeline Company B.V.	–	The Netherlands
Comita d.d.	–	Slovenia
China National Petroleum Corporation	CNPC	China
China Construction Bank Corporation	–	China
Dagong Global Credit Rating Co., Ltd.	Dagong	China
DeGolyer and MacNaughton	–	USA
EG Vorguteenus AS	–	Estonia
ENGIE S.A.	ENGIE	France
E.ON SE	E.ON	Germany
E.ON Global Commodities SE	–	Germany
Erdgasspeicher Peissen GmbH	–	Germany
EUROPIPE GmbH	–	Germany
Fitch Ratings	–	USA
Gasonia Oy	–	Finland
Gasum Oy	–	Finland
Gazprom EP International B.V.	Gazprom EP International	The Netherlands
Gazprom Germania GmbH	Gazprom Germania	Germany
Gazprom Gerosgaz Holdings B.V.	–	The Netherlands
Gazprom Marketing and Trading Ltd.	–	The United Kingdom
Gazprom Marketing and Trading Singapore Pte. Ltd.	–	Singapore
Interconnector (UK) Ltd.	–	The United Kingdom
Intesa Sanpaolo S.p.A.	–	Italy
J.P. Morgan Europe Limited	–	The United Kingdom
Korea Gas Corporation	KOGAZ	South Korea
La Société Nationale des Hydrocarbures du Cameroun	–	Cameroon
Moody's Investors Service	Moody's	USA
N.V. Nederlandse Gasunie	–	The Netherlands
Naftna Industrija Srbije A.D.	NIS	Serbia
Nord Stream 2 AG	–	Switzerland
OMV Aktiengesellschaft	OMV	Austria
Pavilion Gas Pte Ltd.	–	Singapore
Perenco Cameroon	–	Cameroon

PIRA Energy Group	PIRA	USA
Podzemno skladište gasa Banatski Dvor d.o.o.	–	Serbia
PVGAZPROM Natural Gas for Vehicles LLC	–	Vietnam
Royal Dutch Shell plc.	Shell	The United Kingdom
Sakhalin Energy Investment Company Ltd.	Sakhalin Energy	Bermuda
Salym Petroleum Development N.V.	–	The Netherlands
Siemens AG	–	Germany
South Stream Transport B.V.	–	The Netherlands
Standard & Poor's	–	USA
Statoil ASA	Statoil	Norway
Sumitomo Mitsui Finance Dublin Limited	–	Ireland
The Bank of New York Mellon	–	USA
Total S.A.	Total	France
UniCredit Bank Austria AG	–	Austria
Uniper Holding GmbH	Uniper	Germany
Vemex s.r.o.	Vemex	Czech Republic
Vietnam Oil and Gas Group	PetroVietnam	Vietnam
Vitol S.A.	Vitol	Switzerland
VNG-Verbundnetz Gas AG	VNG	Germany
W & G Beteiligungs-GmbH & Co. KG	–	Germany
WIEE AG	WIEE	Switzerland
WIEH GmbH & Co. KG	WIEH	Germany
WINGAS GmbH	WINGAS	Germany
Wintershall AG	–	Germany
Wintershall Holding GmbH	Wintershall Holding	Germany
Wintershall Noordzee B.V.	Wintershall Noordzee	The Netherlands
Wintershall Vermögensverwaltungs- gesellschaft mbH	–	Germany
Yamal Trade Pte. Ltd	Yamal Trade	Singapore

**Full name**

Public Joint Stock Company Gazprom

**Abbreviated name**

PJSC Gazprom

**Location**

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.com](http://www.gazprom.com)

**E-mail**

[gazprom@gazprom.ru](mailto: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.: +7 812 609 7651

**Investor Relations Office**

Ivan Khromushin

Tel.: +7 495 719 3483

E-mail: [ir@gazprom.ru](mailto:ir@gazprom.ru)

**Auditor to PJSC Gazprom**

Limited Liability Company Financial and Accounting Advisers.

As at the date of approval as the Company's auditor, LLC FBK was a member of the self-regulated organisation of auditors Audit Chamber of Russia Non-Profit Partnership.

Since 6 July 2015, LLC FBK is a member of the self-regulatory organisation of auditors Auditor Association Sodruzhestvo Non-Profit Partnership.

Location and mailing address: 44/1 Myasnitskaya St., Bld. 2 AB, Moscow, 101990, Russian Federation.

Tel.: +7 495 737 5353

**Registrar**

Closed Joint Stock Company, Specialised Registrar —

Register Keeper for Gas Industry Shareholders (ZAO SR-DRAGa).

Location and mailing address: 71/32 Novocheremushkinskaya St., Moscow, Russian Federation, 117420

Tel.: +7 495 719 3929

Fax: +7 495 719 4585

Website: [www.draga.ru](http://www.draga.ru)

This Annual Report is approved by PJSC Gazprom's General Shareholders Meeting  
(Minutes No. 1 dated 30 June 2016),  
pre-approved by Resolution of PJSC Gazprom's Board of Directors No. 2739 dated 19 May 2016  
(Minutes No. 1076 dated 19 May 2016)

Chief executive officer



A.B. Miller

Chief accountant



E.A. Vasilieva







