

Unlocking the Planet's Potential



ОАО Газпром

Annual Report 2013

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Notes

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

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

In this Report "companies investments to which are classified as joint operations" define OAO Toms kneft VNC and Salym Petroleum Development N.V. The Annual Report also contains information related to *Gazprom Group's* business activities in the future, based on the forecast and estimates of *Gazprom's* management derived from the current situation. Actual results may differ from the said forecast and estimates, due to the effect of various objective factors.

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

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

Dear Shareholder,

Gazprom is a global vertically integrated energy company. We have a long track record of success carrying out major projects, implementing unique technology solutions, and diversifying energy supplies – our key performance figures for 2013 have once again convincingly confirmed our leadership.

Gazprom pioneered the development of the Russian Arctic shelf, launching oil production at the Prirazlomnoye oil field last December. For the first time in the history of the global energy industry, an offshore fixed platform is used to develop hydrocarbon deposits on the Arctic shelf. This project provides us with a wealth of invaluable experience that is unique in Russia and will be used in other projects.

Gazprom successfully tried and tested a first-in-Russia underwater production system at the Kirinskoye field (Sakhalin III project). Underwater production systems are efficient, reliable and safe, offering an additional benefit of significantly minimising the environmental footprint. Thus, *Gazprom* contributes to the accelerated technological development of the Russian energy industry.

In addition to being the Russian market leader in terms of installed power capacity, in 2013, *Gazprom Group* became Russia's largest company by installed heat capacity.

The *Group* acquired OAO MIPC, a leading supplier of heat and hot water to Moscow and some cities and towns in the Moscow Region.

During the reporting year, *Gazprom Group* successfully continued the implementation of its infrastructure projects abroad, with significant progress made at the South Stream Project as construction of its Bulgarian and Serbian sections started. At the same time, we continued the construction of the Southern Corridor in Russia, a gas pipeline system to be used, among other things, to deliver gas to the South Stream.

The *Company* took consistent efforts to grow its share of the global LNG market, with decisions taken in 2013 to start construction of LNG plants in the Primorye Territory and the Leningrad Region.

In 2013, for the second year in a row, *Gazprom* made record investments in one of its strategic priority corporate social responsibility projects, expansion of gas infrastructure in Russian regions. This resulted in another 320 communities across the country covered by gas distribution networks, bringing the average gas infrastructure coverage in Russia to 65.3%.

Another major project *Gazprom* has consistently pursued in the Russian market is switching motor vehicles from gasoline to natural gas. In 2013, the project gained significant support from the Government and from the general public. We have established working contacts at all levels of the government to further the project; and draft legislation has been prepared to provide the supporting legal framework. All key players in the Russian gas motor fuel market, including financial institutions, regional governments, equipment manufacturers, and major vehicle fleet operators, have been linked up into a single chain.

We pride ourselves on being a leading example of compliance with environmental legislation and care for nature; in 2013, *Gazprom* became the first major company in the Russian fuel and energy sector to hold the Year of Ecology. Over 70,000 *Gazprom Group's* employees across the country participated in more than 8,000 environmental activities and events, including urban greening, water body clean-up, specially protected natural area support.

In 2013, all *Gazprom нефть's* refineries completed transition to production of class 5 fuels significantly ahead of the deadlines scheduled by the Russian Government, which directly contributed to an improved environment on a national scale.

All these highlights are a testimony of *Gazprom's* successful performance in 2013. With its unyielding focus on set targets and strong commitment to deal with major and complex challenges, the *Company* contributes to an accelerated growth of the Russian economy in general. By growing our own capabilities we work for the benefit of the entire country.

Viktor A. Zubkov

Chairman of the Board of Directors

Alexey B. Miller

Chairman of the Management Committee

Major Results

Gazprom Group Results

Operating Results

	2011	2012	2013	Change 2013/2012
Gas Production in Russia				
<i>Gazprom Group's production, bcm</i>	513.2	487.0	487.4	0.1%
Share of the <i>Gazprom Group</i> in the production of affiliates, bcm	11.3	12.8	14.0	9.4%
Gas Condensate production in Russia				
<i>Gazprom Group's production, mm tons</i>	12.1	12.8	14.7	14.8%
Share of the <i>Gazprom Group</i> in the production of affiliates, mm tons	1.0	1.1	1.3	18.2%
Crude oil production in Russia				
<i>Gazprom Group's production, mm tons</i>	32.3	33.3	33.8	1.5%
Share of the <i>Gazprom Group</i> in the production of affiliates, mm tons	20.5	19.7	18.8	-4.6%
Hydrocarbons refining				
Natural and associated gas refining, bcm	33.2	32.4	31.5	-2.8%
Oil and gas condensate refining, mm tonnes	53.5	61.5	66.1	7.5%
Sales of Gas				
Sales of gas in Russia, bcm	265.3	249.7	228.1	-8.7%
Sales of gas in Far Abroad countries, bcm	156.6	151.0	174.3	15.4%
Sales of gas in the FSU countries, bcm	81.7	66.1	59.4	-10.1%
Production of electricity and heat				
Production of electricity, billion KW·h	173.2	168.2	162.5	-3.4%
Production of heat, mm Gcal	100.2	102.5	112.5	9.8%

Financial results

	2011*	2012**	2013	Change 2013/2012
Sales, RUB mm	4,735,822	5,002,902	5,247,300	4.9%
Profit from sales, RUB mm	1,624,760	1,356,604	1,429,883	5.4%
Net profit, RUB mm	995,371	745,722	811,542	8.8%
Capital expenditures, RUB mm	1,336,913	1,189,102	1,103,135	-7.2%

* Figures for 2011 may differ from the respective figures in the Annual Report for 2011 due to the restatement of comparable data in the 2012 financial statements.

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

OAO Gazprom Results

Financial results

	2011*	2012**	2013	Change 2013/2012
Net sales of goods, products, work, and services (net of VAT, excise taxes and other similar payments), RUB mm	3,534,341	3,659,151	3,933,335	7.5%
Profit from sales, RUB mm	1,191,664	993,207	962,036	-3.1%
Net profit, RUB mm	882,121	556,387	628,311	12.9%
Net assets***, RUB mm	7,539,242	7,884,134	8,370,772	6.2%
Net assets per share, RUB	318	333	354	6.3%
Earnings per share, RUB	37.26	23.5	26.5	12.8%
Dividends per share, RUB	8.97	5.99	7.20****	20.2%

* Figures for 2011 may differ from the respective figures in the Annual Report for 2011 due to the restatement of comparable data in the 2012 financial statements.

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

*** Net assets in the column "2012" are shown based on the data in the column "At the beginning of reporting year", while those in the column "2013" are shown based on the data in the column "At the end of reporting year" in OAO Gazprom's balance sheet as of December 31, 2013.

**** It is recommended that the dividends payable in 2014 based on operating results in 2013 should amount to RUB170,449.3 mm.

Financial ratios and market indicators

	2011*	2012**	2013
Return ratios***			
Return on equity	11.67%	7.06%	7.51%
Return on assets	9.26%	5.54%	5.79%
Liquidity ratios***			
Current liquidity ratio	2.53	1.70	1.99
Quick liquidity ratio	2.21	1.36	1.62
Financial stability ratios			
Debt to capital ratio	16.57%	16.51%	19.12%
Market indicators			
P/E ratio**** (domestic OAO Gazprom's share market)	4.60	6.12	5.23
Average market capitalization, US \$ billion*****	155.2	124.2	100.1

* Figures for 2011 may differ from the respective figures in the Annual Report for 2011 due to the restatement of comparable data in the 2012 financial statements.

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

*** Calculated in accordance with the Regulation on Information Disclosure by Securities Issuers, approved by the order of the Russian Federal Financial Market Service No. 11-46/pz-n dated 04.10.2011.

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

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

Major Events

1

OAO Gazprom signed a Memorandum of Understanding with the Government of the Leningrad Region concerning Baltic LNG, an LNG plant project.

21 June

¶ Detailed information is presented in "Business development prospects" section.

2

OOO Gazprom Energoholding announced as the successful bidder for a (89.9754%) stake in OAO MIPC owned by the Government of Moscow.

13 August

¶ Detailed information is presented in "Electric Power and Heat Generation" section.

3

First stage of the Kaliningradskoye UGSF project, the only salt cavern storage facility in Russia, commissioned.

23 September

¶ Detailed information is presented in "Gas Transportation and Underground Storage" section.

4

Construction of the Bulgarian section of the South Stream pipeline started.

31 October

¶ Detailed information is presented in "Business development prospects" section.

5

The South Stream pipeline construction started in Serbia.

24 November

¶ Detailed information is presented in "Business development prospects" section.



6

Final investment decision taken on Vladivostok-LNG, an LNG plant project in the Primorye Territory.

21 February

▮ Detailed information is presented in "Business development prospects" section.

9

OAO Gazprom signed an agreement with Petrovietnam to set up an NGV fuel production joint venture in Vietnam.

12 November

▮ Detailed information is presented in "Marketing" section.

7

Natural gas production started on the Vietnam shelf.

4 October

▮ Detailed information is presented in "Exploration and Production" section.

10

Oil production started at the Prirazlomnoye oil field, the first project for the Russian Arctic shelf development.

20 December

▮ Detailed information is presented in "Exploration and Production" section.

8

First-in-Russia underwater production system successfully tried and tested at the Kirinskoye field (Sakhalin III project).

23 October

▮ Detailed information is presented in "Business development prospects" section.

11

OAO Gazprom signed a Master Asset Swap Agreement with Wintershall Holding.

23 December

▮ Detailed information is presented in "Exploration and Production" section.



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

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

OAO Gazprom's Competitive Edge:

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

The Group's Leadership in the Global Energy Industry

Exploration and production

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

17%	72%	13%	73%
of global gas reserves	of Russian gas reserves	of global gas production	of Russian gas production
1.33	1.33	9%	
gas reserve replacement ratio	crude oil reserve replacement ratio	of Russian oil and gas condensate production	

Gas transportation and underground storage

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

168.9 thousand km	659.4 bcm
of Gazprom's trunk pipelines in Russia	of gas transported in the GTS network in Russia
70.4 bcm	4.1 bcm
of aggregate active storage capacity in 26 UGCFs in Russia	of accessible active capacity in UGSFs in Europe

Processing/Refining

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

No. 1

among Russian companies
measured by gas processing

19%

of total Russian
oil and stable gas condensate refining

53.5 bcm

of processing
capacities

89.4 mm tonnes

of oil and gas condensate refining
capacities**Electricity**

- Number one in Russia by installed power generating capacity and power generation.

15%

of total Russian
electricity generation

38 GW

of installed
power generating capacity

90

electric power stations
in Russia**Marketing**

- Major gas supplier to consumers in Russia and the FSU countries.
- Largest gas exporter to the European market.
- Entry into foreign natural gas end-consumer markets and development of LNG trading capacity.
- A major player in the global oil trade.
- Increasing refined product sales with a growing share of retail distribution.

More than 70%

of the Russian
gas market

30%

of the supplies
to European end consumers

1.51 mm tonnes

of LNG
sales

68.3 mm tonnes

of refined product
sales










13%

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








Unless indicated otherwise, the data are for 2013 or as at 31 December 2013.

Operations and Marketing Geography

Operations














































































	Hydrocarbon prospecting and exploration
	Gas and gas condensate production
	Coal bed methane extraction
	Oil production
	Gas transportation
	Underground gas storage
	Hydrocarbon processing
	Oil refining
	Electricity and heating energy generation

Marketing

	Trunk pipeline gas sales
	Sales of refined hydrocarbon products
	Oil and gas condensate sales
	LNG sales
	Gas sales to end consumers
	Electricity sales
	Product sales through gasoline stations



Gazprom Group's operations and marketing geography

Russia	              
Europe	
Austria	   
Belgium	
Bosnia and Herzegovina	   
Bulgaria	  
Croatia	  
Cyprus	
Czech Republic	    
Denmark	 
Finland	    
France	  
Germany	     
Greece	 
Hungary	  
Ireland	 
Italy	  
Macedonia	 
Malta	
Montenegro	
Netherlands	     
Norway	 
Poland	 
Portugal	

Romania		Sweden	
Serbia		Switzerland	
Slovakia		Turkey	
Slovenia		UK	
Spain			
FSU			
Armenia		Latvia	
Azerbaijan		Lithuania	
Belarus		Moldova	
Estonia		Tajikistan	
Georgia		Turkmenistan	
Kazakhstan		Ukraine	
Kyrgyzstan		Uzbekistan	
Africa			
Algeria		Mauritania	
Angola		Morocco	
Cameroon		Nigeria	
Democratic Republic of the Congo		Republic of South Africa	
Egypt		Senegal	
Equatorial Guinea		Seychelles	
Ethiopia		Tunisia	
Ghana		Uganda	
Libya			
Middle East			
Afghanistan		Lebanon	
Iraq		Saudi Arabia	
Israel		UAE	
Jordan			
Asia-Pacific			
Canada		Singapore	
China		South Korea	
India		Sri Lanka	
Japan		Taiwan	
Malaysia		Thailand	
New Zealand		USA	
North Korea			
Central and South America			
Argentina		Guyana	
Bolivia		Nicaragua	
Brazil		Peru	
Chile		Venezuela	
Ecuador			
Other countries			
Dominican Republic		Maldives	
Jamaica		Mongolia	

Gas business

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

In the Russian market, *Gazprom* will strive to maintain the positions it currently holds in terms of both gas supplies and their reliability, including during the heating season. The *Group* intends to bolster its presence in foreign natural gas markets. As part of these plans, *Gazprom* aims to gain a market share in North-East Asia and a share of c. 10% to 15% in the global liquefied natural gas (LNG) market while keeping its share of the European market at 2013 level.

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

In gas production, active development of new gas production centres in the Yamal Peninsula, the Russian Arctic Shelf, Eastern Siberia, and the Russian Far East will continue in parallel with further measures to sustain production at the existing fields.

By participating in foreign projects, *Gazprom* aims to expand its resource base outside Russia to consolidate its positions in the global gas markets.

In gas transportation, the development and refurbishment of the Unified Gas Supply System (UGSS) will continue to support production growth. The existing infrastructure is expected to be used as extensively as possible to ensure reliable deliveries. The UGSS expansion into Russia's eastern regions and building up of gas storage and LNG production capacities will continue.

In gas marketing, the *Group* plans to expand its presence in the more promising markets, including in the Asia-Pacific Region, and increase the LNG share in *Gazprom's* export portfolio.

In gas processing and gas chemical production, the *Group's* development will be driven by the increasing extraction of valuable components from natural gas and associated petroleum gas (APG) and their effective utilisation for further processing into marketable high value-added (HVA) products. Gas processing and petrochemical plants are to be upgraded or constructed from new, including in Eastern Siberia and the Russian Far East.

Westward development:

Focus on the European part of Russia, the Former Soviet Union countries, and Europe

For years, the *Company* has been the largest gas supplier to the whole of Western Eurasia, becoming an integral part of the region's energy sector. Western Siberian fields, whose development started over 50 years ago, currently cover demand from Russia, the Former Soviet Union (FSU) and Europe.

Gas pipeline systems transporting gas from Western Siberian fields and other gas production centres comprise the world's largest Unified Gas Supply System (UGSS), covering the entire western Russia.

Westward development of Gazprom Group's gas business



Key gas export transportation routes:

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

Gas transportation projects:

- ⑤- South Stream gas pipeline
- ⑥- Shtokmanovskoye GCF – Murmansk and Murmansk – Volkhov gas pipelines
- ⑦- Gryazovets – Vyborg gas pipeline expansion
- ⑧- UGSS expansion to support gas supply to the South Stream project
- ⑨- Ukhta – Torzhok gas pipeline (second line)
- ⑩- Bovanenkovo – Ukhta gas pipeline (second line)

LNG production and processing projects:

- ① LNG producing plant – Baltic LNG
- ② Capacity expansion at the Urengoy Condensate Pre-Transportation Preparation Plant

Note

As of 31 December 2013.

Gas is exported along the following key gas transportation routes: the Urengoy – Uzhgorod (via Ukraine), Yamal – Europe (via Russia, Belarus, Poland and Germany), Blue Stream (to Turkey via the Black Sea), and Nord Stream (via the aquatory of the Baltic Sea) pipelines. Commercial development of fields in the Yamal Peninsula and the launch of the first line of the Bovanenkovo – Ukhta pipeline have increased the resource base for both domestic natural gas supplies and European gas exports.

Development of the Yamal Peninsula. Development of natural resources in the Yamal Peninsula is aimed at offsetting the declining production at *Gazprom's* key production fields, particularly at the Urengoykoye and Yamburgskoye fields. Total C_1+C_2 reserves of the 9 gas fields and 17 oil and gas/condensate fields that were discovered in the Yamal Peninsula as of 31 December 2013 and on its shelf amount to 14.5 tcm of natural gas, including c. 12.1 tcm in the fields for which *Gazprom Group* holds production licenses.

In terms of C_1+C_2 gas reserves, the Bovanenkovskoye field is Yamal's largest at 4.9 tcm of natural gas.

The projected production capacity of the cenomanian-aptian deposits of the Bovanenkovskoye field is estimated at c. 115 bcm of gas per annum, to be achieved between 2019 and 2021. In the longer-term, gas production from the field is expected to increase to 140 bcm of gas per annum after Neocomian-Jurassic gas condensate deposits are tapped.

A unique next generation gas transportation system, unprecedented in Russia, is being built to transport Yamal gas to Central Russia. The first stage of the Bovanenkovo – Ukhta pipeline and the first line of the Ukhta – Torzhok pipeline with the total length of 2,600 km were commissioned in 2012.

Other longer-term priority projects in natural gas production

- The Yamal Peninsula fields:
 - cenomanian-aptian deposits of the Kharasaveyskoye field, with the projected production capacity of 32.0 bcm of gas per annum;
 - neocomian-jurassic deposits of the Kharasaveyskoye field, with the projected production capacity of 12.0 bcm of gas per annum;
 - Kruzenshternskoye field, with the projected production capacity of 33.0 bcm of gas per annum;
 - Fields in the Ob and Taz Bays (primarily the Severo-Kamennomysskoye and Kamennomysskoye-Sea fields with the projected production capacities of 15.3 and 15.1 bcm of gas, respectively);
 - Barents Sea shelf (the Shtokman gas and condensate field: the projected production capacity is 71 bcm of gas per annum, which can be potentially increased to 95 bcm of gas per annum).
-

The South Stream project. The South Stream project is another milestone in *Gazprom's* strategy to diversify export routes to Europe for Russian natural gas supplies. The new gas pipeline system meeting the latest environmental and engineering standards will significantly enhance security of energy supply throughout mainland Europe.

The South Stream pipeline's offshore section will run under the Black Sea, to the countries of Southern and Central Europe.

The commissioning of the South Stream gas pipeline and first gas supplies using it are scheduled for December 2015, with 15.75 bcm of gas scheduled for delivery in 2016. The gas transportation system's annual throughput will increase to 47.25 bcm of gas in 2017, achieving full design capacity of 63.0 bcm of gas per annum in 2018.

The South Stream project progress in 2013

By early 2013, OAO Gazprom and its European partner companies made final investment decisions, moving to the investment stage of the South Stream project. During the reporting year, shareholders and executive bodies of the joint venture companies focussed on:

- obtaining permits and authorisations;
 - front-end engineering and design (FEED) studies and tender documents on the pipeline's onshore European sections;
 - tenders for the selection of construction contractors and pipe, material and equipment suppliers for the pipeline's offshore section and Bulgarian and Serbian sections;
 - finalising key terms and conditions of contracts for gas transportation in the European sections;
 - promoting options eliminating or minimising the risk that the EU's Third Energy Package would apply to the Project;
 - raising loan financing.
-

For the South Stream pipeline to transport gas at design throughput capacity the Russian gas transportation system needs to be expanded through the construction of extra 2.5 thousand km of the pipeline's linear part and 10 compressor stations (CS) with an aggregate capacity of 1,516 MW. The project will be completed in two stages by 2018.

Capacity expansion at the Urengoy Condensate Pre-Transportation Preparation Plant.

To process the projected volumes of liquid hydrocarbons to be extracted during natural gas production at gas/condensate fields in Western Siberia, we plan a capacity expansion and upgrade project on the Urengoy Condensate Pre-Transportation Preparation Plant, with the production capacity projected to achieve 12 mm tones of unstable condensate per annum by 2015.

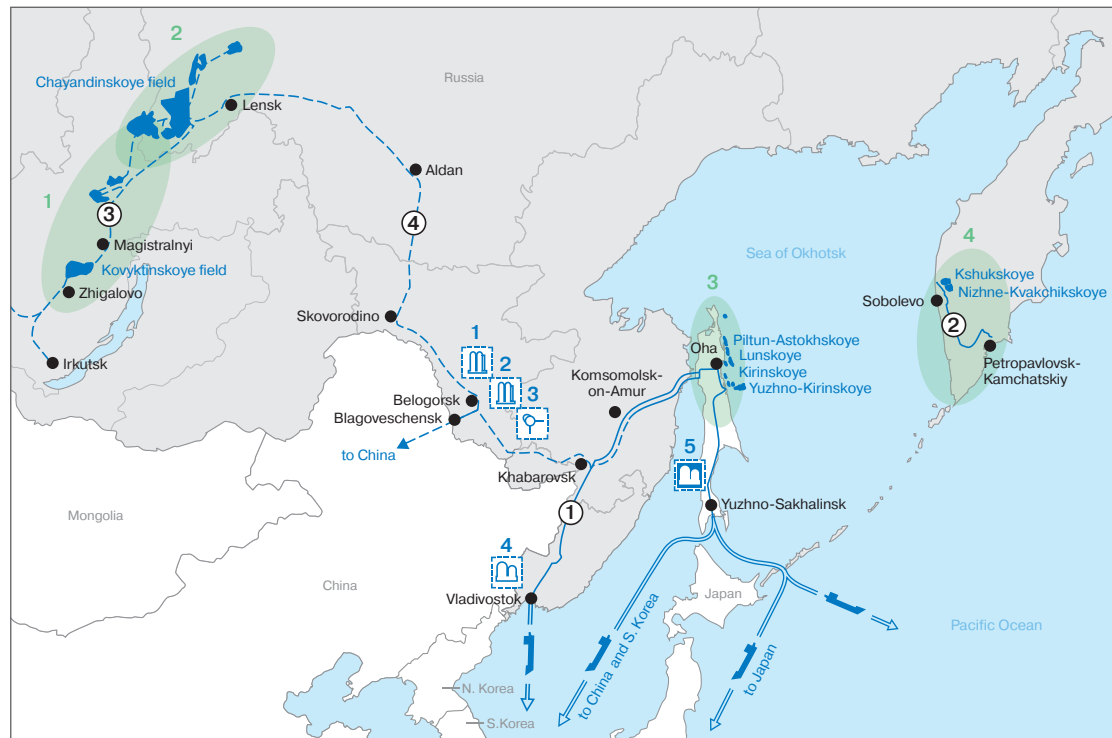
Other priority processing and refining projects

- construct new achimovsk deposit condensate and oil treatment and transportation units;
 - complete the construction of half-constructed sections of the Urengoy – Surgut gas condensate pipeline;
 - expand oil and gas condensate mixture stabilisation capacity at the Surgut Condensate Stabilisation Plant, expand and upgrade the plant;
 - under project financing arrangements continue the implementation of a project to construct a petrochemical complex near Novy Urengoy, with gases recovered from de-ethanized gas condensate at the Urengoy Condensate Pre-Transportation Preparation Plant used as a key feedstock.
-

Baltic LNG. In 2013, *Gazprom Group* started a preinvestment feasibility study exercise to build an investment case for the Baltic LNG project in the Leningrad Region (Investment Case). The project provides for the construction of an LNG plant with a projected annual capacity of up to 10 mm tonnes and gas feedstock to be supplied from the UGSS.

Eastward development:**Focus on Eastern Siberia, the Russian Far East and the Asia-Pacific countries**

In the East of Russia, the *Group* has already set up new gas production centres in the Sakhalin Region and the Kamchatka Territory, with the Yakutsk gas production centre also starting to take shape. Our next projects in the pipeline include Irkutsk and Krasnoyarsk gas production centres. The natural resources in the East of Russia are rich enough to support new large gas and oil production centres covering both long-term internal demand from Russia's eastern regions and exports to the Asia-Pacific countries, primarily to China. The Government-sponsored Eastern Gas Programme, coordinated by OAO Gazprom, is a key document to guide the gas industry development in Eastern Siberia and the Russian Far East.

Eastward development of *Gazprom Group's* gas business

- 1 Irkutskiy gas production center
- 2 Yakutskiy gas production center
- 3 Sakhalin gas production center
- 4 Kamchatka gas production center

Operating pipelines:

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

Gas transportation projects:

- ③- Pipeline from the Kovyktinskoye gas condensate field to Chayandinskoye oil and gas condensate field
- ④- Pipeline Power of Siberia

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

Note

As of 31 December 2013.

The Eastern Gas Programme provides for the gas production centres and a unified gas transportation system to be developed in parallel with the construction of gas processing and petrochemical plants, including helium and LNG plants.

Chayandinskoye field. The core field for the future Yakutsk gas production centre. Its C_1+C_2 gas reserves are estimated at 1.44 tcm.

The field will start producing oil in 2014, while gas production is expected to start in 2017, with the projected production capacity of 25 bcm of gas per annum.

Kovyktinskoye field. The core field for the future Irkutsk gas production centre. Its C_1+C_2 gas reserves stand at 1.56 tcm.

The field is currently at the pilot production stage, with exploration still to be completed by *Gazprom*. Its projected production capacity is c. 35 bcm of gas per annum.

New gas processing and gas chemical plants. The natural gas from major fields in Eastern Siberia has high contents of ethane, propane, saturated hydrocarbons, and helium. Hence, gas processing and gas chemical plants need to be built in parallel with the development of these fields.

The *Group* has plans to build gas processing and helium plants in the Amur Region to support comprehensive processing of natural gas from the Yakutsk and Irkutsk gas production centres. The projects are in the design stage, with principal engineering solutions already developed. The process flow of the gas processing plant will be integrated into the process flow of a petrochemical plant planned to be built by OAO SIBUR Holding.

Power of Siberia gas pipeline. The pipeline will transport the natural gas to be produced by the Yakutsk and Irkutsk gas production centres from Yakutia via Khabarovsk to Vladivostok.

The pipeline will be c. 4 thousand km long, including c. 3,200 km Yakutia – Khabarovsk – Vladivostok section and a c. 800 km long section linking the Yakutsk and Irkutsk gas production centres.

Sakhalin III project. The top development priorities to boost output from the Sakhalin gas production centre include: the Kirinskoye oil and gas/condensate field, the Yuzhno-Kirinskoye gas and condensate field, and the Mynginskoye field (Sakhalin III project).

As the principal source of natural gas for the Sakhalin – Khabarovsk – Vladivostok gas transportation system, Sakhalin III will support gas supplies to the Russian Far East regions and enable the implementation of Vladivostok-LNG project.

In October 2013, Russia's first subsea production system was successfully tried and tested at the Kirinskoye field. The system will produce gas without recurring to offshore platforms and other above-water structures. The field is scheduled to reach its full projected production capacity of 5.5 bcm of gas per annum in 2019 or 2020. The Yuzhno-Kirinskoye and Mynginskoye fields, with an aggregate annual production capacity of 19.3 bcm of gas, are among the *Group's* top priority gas production projects in the longer-term.

Capacity expansion at the Sakhalin II LNG plant. OAO Gazprom has joined efforts with its international partners to explore the case for ramping up natural gas supplies from Sakhalin II LNG plant by constructing a third production line. With pre-FEED already completed, the FEED stage is scheduled for 2014.

Vladivostok-LNG. The project provides for the construction of an LNG plant in the Lomonosov Peninsula near Vladivostok, with an annual production capacity of 10 mm tonnes, which can be potentially increased to 15 mm tonnes per year. The first train is expected to come on-stream in 2018.

The plant will be supplied with gas feedstock from the Sakhalin and (if decision is made to build a third process train) Yakutsk and Irkutsk gas production centres. Asia-Pacific countries, primarily Japan, will be the project's target markets.

Expanding the network of UGSFs in Russia and abroad

In Russia, *Gazprom* operates 26 underground gas storage facilities (UGSFs), which mainly serve to smooth out seasonal fluctuations in gas consumption.

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

The plans for an expanded UGSF network provide for the construction of new UGSFs in Russia and CIS countries by 2020, bringing the network's aggregate peak daily withdrawal capacity up to 1 bcm of gas. This will help cut gas transportation costs by 10–15% and the cost of gas deliveries to consumers by 5–10%.

To support stable gas deliveries under its export contracts *Gazprom* uses UGSFs in European countries. The *Group* is also involved in the construction of new underground gas storage facilities in Europe, including in Germany and the Czech Republic.

Oil business

Upstream

The oil business development strategy envisages the growth of crude oil production to 100 mm tonnes of oil equivalent per annum by 2020, with the achieved level sustained through 2025 and projects beyond Russia representing at least 10% of the total production. To achieve this target the *Group* intends to increase profitability of extracting the remaining resources at its active production sites by introducing cutting-edge technologies and optimizing development processes while reducing the cost of production technologies currently employed.

In Russia, significant prospects for increased hydrocarbon production are linked to the development of oil fields in the north of the Yamal-Nenets Autonomous Area (Novy Port project, OOO SeverEnergia's project together with OAO NOVATEK, Messoyakha project together with Rosneft), and projects on the Pechora Sea Arctic shelf (the Prirazlomnoye and Dolginskoye oil fields) and in the Orenburg Region (Eastern part of the Orenburg oil, gas and condensate field and new license blocks). In addition, Eastern Siberian fields are expected to considerably contribute to the expected production levels: the Kuyumbinsky project (together with Rosneft) and Chonsky project (Tympuchikanskoye, Vakunaiskoye and Ignyalniskoye license blocks). Unconventional reserves such as shale oil, are viewed as an additional opportunity to increase production. The *Group* also plans to expand its international footprint.

Prirazlomnoye oil field. The *Group's* concept for the Russian continental shelf development projects provides for an integrated approach to the development of fields in the Barents, Kara, Pechora Seas and the Sea of Okhotsk. The development of the Prirazlomnoye field in the Pechora Sea is an important element of *Gazprom Group's* oil business growth strategy. The field's C_1+C_2 oil reserves total 72 mm tonnes; the projected production capacity is c. 5.5 mm tonnes, to be achieved after 2020. Oil production at the Prirazlomnoye field started in December 2013.

Oil refining

The *Group's* strategic focus in its Russian oil refining business is on programmes to upgrade its refining capacities and increase their operational efficiency. Capacity upgrades are expected to boost domestic oil refining to 40 mm tonnes per annum by 2025, with a 95% processing depth, and a 77% yield for light products.

The *Group's* modernisation programme is nearing the completion of Stage One, enhancing the quality of its motor fuels. The second stage, designed to increase the refinery yield, provides for launches of hydrocracking facilities, 2 mm tonnes each, at Omsk Refinery (2018) and Moscow Refinery (2019), and other facilities. The *Group* is also developing an upgrade programme for OAO Slavneft-Yaroslavnefteorgsintez to support the operations of planned advanced refining facilities.

Efforts to grow the *Company's* oil refining business outside Russia are focused on seeking opportunities in two key regional markets: Europe and South-East Asia.

Distribution network

The *Group* plans to increase its total sales of motor fuels in Russia and the FSU countries to 24.7 mm tonnes by 2025. To this end, the retail distribution network in Russia and the FSU countries is planned to be expanded to 1,880 gasoline stations by 2025.

The *Group* also plans to develop premium distribution channels: sales of jet fuel, lubricants, bitumen products, petrochemical products, and bunker fuel.

Electricity business

The *Group* is the leader in the Russian electricity market. The growth of *Gazprom's* electricity business is directly linked to the implementation of investment programmes in the electricity and heating energy generation segment. Pursuant to our capacity supply contracts, *Gazprom Group* plans to commission 3.4 GW of new capacities in 2014–2016. The *Company* is also involved in other power station projects in Russia.

The *Group* also explores potential opportunities to pursue electricity projects in other countries.

In recent years, gas-based power generation in Europe has been squeezed by state-subsidised solar and wind energy generation and increased supplies of cheap power station coal from the United States and Columbia. The positive outlook for gas-based power generation is driven by shutdowns of many coal-based power stations across Europe due to tougher environmental regulations, suspended construction of new and retirement of existing nuclear power stations, and growing capabilities of gas-based power stations to balance the energy system. Therefore, *Gazprom Group* is considering acquisition of advanced Combined Cycle Gas Turbine (CCGT) power stations in Europe, with their market value currently much lower than greenfield costs.

Despite the current low margins and the lack of transparent incentives for gas-based utilities, the outlook is strong for the gas-based power generation sector in the Asian electricity markets. For this reason, the *Group* continues monitoring the situation in the Asian electricity markets to identify attractive opportunities.

Board of Directors and Management Committee

OAO Gazprom's Board of Directors

Information about Members of OAO Gazprom's Board of Directors as of 31 December 2013

Chairman of the Board of Directors



Viktor Alekseevich Zubkov

Born in 1941. Graduated from Leningrad Agricultural Institute.

Employment history (last five years):

2009–2012 – First Deputy Prime Minister of the Russian Federation;

since 2012 – Russian Special Presidential Representative for Cooperation with Gas Exporting Countries Forum;

since 2012 – Deputy Chairman of the Board of Directors, Director General, Chairman of the Management Committee of OOO Gazprom gazomotornoye toplivo.

Year of first election to the Board of Directors of OAO Gazprom – 2008.

Mr. Zubkov holds a 0.00098739% stake in OAO Gazprom.

Deputy Chairman of the Board of Directors



Alexey Borisovich Miller

Born in 1962. Graduated from N.A. Voznesensky Leningrad Finance and Economics Institute.

Employment history (last five years):

2009–2013 – Chairman of OAO Gazprom's Management Committee.

Year of first election to the Board of Directors of OAO Gazprom – 2002.

Mr. Miller holds a 0.00095828% stake in OAO Gazprom.

Members of the Board of Directors



Andrey Igorevich Akimov

Born in 1953. Graduated from Moscow Finance Academy.

Employment history (last five years):

2009–2013 – Chairman of the Management Committee of Gazprombank (Open Joint-stock Company).

Year of first election to the Board of Directors of OAO Gazprom – 2011.

Mr. Akimov has no shareholding in OAO Gazprom.



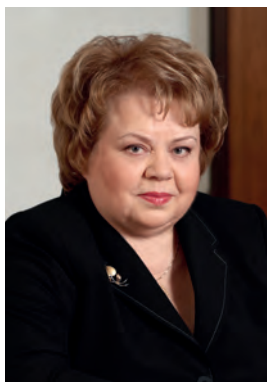
Farit Rafikovich Gazizullin

Born in 1946. Graduated from Gorky Institute of Water Transport Engineering.

Year of first election to the Board of Directors of OAO Gazprom – 1998.

In 2013 – member of the Audit Committee of OAO Gazprom's Board of Directors.

Mr. Gazizullin has no shareholding in OAO Gazprom.



Elena Evgenyevna Karpel

Born in 1944. Graduated from D.S. Korotchenko Kiev Institute of National Economy.

Employment history (last five years):

2009–2013 – Head of the Economic Appraisal and Pricing Department of OAO Gazprom.

Year of first election to the Board of Directors of OAO Gazprom – 2004.

Ms. Karpel holds a 0.00074825% stake in OAO Gazprom.



Timur Askarovich Kulibaev

Born in 1966. Graduated from M.V. Lomonosov Moscow State University.

Employment history (last five years):

2009–2013 – Independent Aide (Extraordinary Advisor) to the President of the Republic of Kazakhstan;

2009–2013 – Head of the Association of Legal Entities the Kazenergy Kazakh Association of oil and energy companies;

2009–2011 – Deputy Chairman of the Management Board, AO Samruk-Kazyna National Welfare Fund;

since 2010 – Chairman of the Presidium of the Legal Entities Association “National Economic Chamber of Kazakhstan (Atameken Union)”;

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

since 2013 – Chairman of the Presidium of the National Chamber of Entrepreneurs of the Republic of Kazakhstan.

Year of first election to the Board of Directors of OAO Gazprom – 2011.

Is an independent director (according to the director, in accordance with the Code of Corporate Conduct recommended by Russia's FSC on April 4, 2002 No. 421/r and the Classification Board members adopted for European companies in 2013 by Institutional Shareholder Services).

Mr. Kulibaev has no shareholding in OAO Gazprom.



Vitaly Anatolievich Markelov

Born in 1963. Graduated from S.P. Korolev Kuibyshev Aviation Institute.

Employment history (last five years):

2009–2011 – Director General of OOO Gazprom transgaz Tomsk;

2011 – Director General of OOO Gazprom invest Vostok;

since 2012 – Deputy Chairman of OAO Gazprom's Management Committee.

Year of first election to the Board of Directors of OAO Gazprom – 2012.

Mr. Markelov holds a 0.00620285% stake in OAO Gazprom.



Viktor Georgievich Martynov

Born in 1953. Graduated from I.M. Gubkin Moscow Institute of the Petrochemical and Gas Industry.

Employment history (last five years):

2009–2013 – Rector of I.M. Gubkin Russian State University of Oil and Gas.

Year of first election to the Board of Directors of OAO Gazprom – 2013.

Mr. Martynov has no shareholding in OAO Gazprom.



Vladimir Alexandrovich Mau

Born in 1959. Graduated from G.V. Plekhanov Moscow Institute of National Economy.

Employment history (last five years):

2009–2010 – Rector of the State Educational Institution of Higher Professional Education of the Academy of National Economy under the Government of the Russian Federation;

since 2010 – Rector of the Federal Budget Institution of Higher Professional Education “Russian Presidential Academy of National Economy and Public Administration”.

Year of first election to the Board of Directors of OAO Gazprom – 2011.

Mr. Mau has no shareholding in OAO Gazprom.



Valery Abramovich Musin

Born in 1939. Graduated from A.A. Zhdanov Leningrad State University.

Employment history (last five years):

2009–2013 – Head of the Civil Procedure Department of the Faculty of Law, St. Petersburg State University;

2009–2013 – Senior Partner in Russia – UK firm “Musin and Partners”.

Year of first election to the Board of Directors of OAO Gazprom – 2009.

In 2013 – Chairman of the Audit Committee of OAO Gazprom’s Board of Directors.

Is an independent director (according to the director, in accordance with the Code of Corporate Conduct recommended Russia’s FSC on April 4, 2002 No. 421/r and the Classification Board members adopted for European companies in 2013 by Institutional Shareholder Services).

Mr. Musin has no shareholding in OAO Gazprom.



Mikhail Leonidovich Sereda

Born in 1970. Graduated from St. Petersburg State Economics and Finance University.

Employment history (last five years):

2009–2013 – Deputy Chairman of OAO Gazprom’s Management Committee –

Head of the Administration of OAO Gazprom’s Management Committee.

Year of first election to the Board of Directors of OAO Gazprom – 2002.

In 2013 – member of the Audit Committee of OAO Gazprom’s Board of Directors.

Mr. Sereda holds a 0.00004689% stake in OAO Gazprom.

Changes in the Board of Directors in 2013

Members of the Board of Directors who were elected in 2013

Viktor Georgievich Martynov

Member of the Board of Directors of OAO Gazprom (since June 28, 2013).

Members of the Board of Directors whose powers were terminated in 2013

Igor Khanukovich Yusufov

Member of the Board of Directors of OAO Gazprom (until June 28, 2013).

OAO Gazprom's Management Committee

Information about Members of OAO Gazprom's Management Committee as of 31 December 2013

Chairman of the Management Committee



Alexey Borisovich Miller

Born in 1962. Graduated from N.A. Voznesensky Leningrad Finance and Economics Institute.

Employment history (last five years):

2009–2013 – Chairman of OAO Gazprom's Management Committee.

Mr. Miller holds a 0.00095828% stake in OAO Gazprom.

Members of the Management Committee



Elena Alexandrovna Vasilieva

Born in 1959. Graduated from N.A. Voznesensky Leningrad Finance and Economics Institute.

Employment history (last five years):

2009–2013 – Deputy Chairwoman of OAO Gazprom's Management Committee –
Chief Accountant of OAO Gazprom.

Ms. Vasilieva holds a 0.00028135% stake in OAO Gazprom.



Valeriy Alexandrovich Golubev

Born in 1952. Graduated from V.I. Ulyanov (Lenin) Leningrad Electrotechnical Institute.

Employment history (last five years):

2009–2013 – Deputy Chairman of OAO Gazprom's Management Committee.

Mr. Golubev holds a 0.00002398% stake in OAO Gazprom.



Alexander Nikolaevich Kozlov

Born in 1952. Graduated from Moscow State Institute of International Relations.

Employment history (last five years):

2009–2013 – Deputy Chairman of OAO Gazprom's Management Committee.

Mr. Kozlov holds a 0.00023233% stake in OAO Gazprom.

**Andrey Vyacheslavovich Kruglov**

Born in 1969. Graduated from St. Petersburg Technological Institute of the Refrigeration Industry.

Employment history (last five years):

2009–2013 – Deputy Chairman of OAO Gazprom's Management Committee, Head of the Department for Finance and Economics of OAO Gazprom.

Mr. Kruglov holds a 0.00032174% stake in OAO Gazprom.

**Vitaly Anatolievich Markelov**

Born in 1963. Graduated from S.P. Korolev Kuibyshev Aviation Institute.

Employment history (last five years):

2009–2011 – Director General of OOO Gazprom transgaz Tomsk;

2011 – Director General of OOO Gazprom invest Vostok;

since 2012 – Deputy Chairman of OAO Gazprom's Management Committee.

Mr. Markelov holds a 0.00620285% stake in OAO Gazprom.

**Alexander Ivanovich Medvedev**

Born in 1955. Graduated from Moscow Physics and Technology Institute.

Employment history (last five years):

2009–2013 – Deputy Chairman of OAO Gazprom's Management Committee,

Director General of OOO Gazprom Export.

Mr. Medvedev holds a 0.00023249% stake in OAO Gazprom.

**Sergey Fyodorovich Khomyakov**

Born in 1953. Graduated from Leningrad Electrotechnical Institute.

Employment history (last five years):

2009–2013 – Deputy Chairman of OAO Gazprom's Management Committee,

Director General of the subsidiary of OAO Gazprom's Corporate Protection Service in Moscow.

Mr. Khomyakov holds a 0.00023233% stake in OAO Gazprom.

**Oleg Evgenyevich Aksyutin**

Born in 1967. Graduated from S.P. Korolev Kuibyshev Aviation Institute.

Employment history (last five years):

2009–2013 – Head of OAO Gazprom's Department for Gas Transportation, Underground Storage and Utilization.

Mr. Aksyutin holds a 0.00021785% stake in OAO Gazprom.



Yaroslav Yaroslavovich Golko

Born in 1961. Graduated from Leningrad Mining Institute.

Employment history (last five years):

2009–2013 – Head of OAO Gazprom's Investment and Construction Department.

Mr. Golko holds a 0.00007708% stake in OAO Gazprom.



Nikolai Nikolaevich Dubik

Born in 1971. Graduated from M.V. Lomonosov Moscow State University.

Employment history (last five years):

2009–2013 – Head of OAO Gazprom's Legal Department.

Mr. Dubik holds a 0.00095448% stake in OAO Gazprom.



Dmitry Vladimirovich Lyugai

Born in 1962. Graduated from Tashkent polytechnical Institute.

Employment history (last five years):

2009–2012 – Deputy Director General of Science of OOO Gazprom VNIIGAZ;

since 2012 – Head of OAO Gazprom's Prospective Development Department.

Mr. Lyugai holds a 0.00014784% stake in OAO Gazprom.



Vladimir Konstantinovich Markov

Born in 1955. Graduated from Ryazan Radio Engineering Institute.

Employment history (last five years):

2009–2011 – Member of the Russian Federation State Duma, Member of the Committee for Energy;

2011 – Deputy Head of OAO Gazprom's Department for Relations with the Russian Federation Authorities;

since 2012 – Head of OAO Gazprom's Department for Relations with the Russian Federation Authorities.

Mr. Markov holds a 0.00014784% stake in OAO Gazprom.



Elena Vladimirovna Mikhailova

Born in 1977. Graduated from Moscow State Industrial University.

Employment history (last five years):

2009–2010 – Deputy Director General for Corporate Relations and Asset Management at OOO Mezhhregiongaz;

2010–2011 – Deputy Director General for Corporate Relations and Asset Management at OOO Gazprom Mezhhregiongaz;

since 2012 – Head of the Asset Management and Corporate Relations Department of OAO Gazprom.

Ms. Mikhailova holds a 0.00014784% stake in OAO Gazprom.



Kirill Gennadyevich Seleznev

Born in 1974. Graduated from D.F. Ustinov Baltic State Technical University and St. Petersburg State University.

Employment history (last five years):

2009–2010 – Head of OAO Gazprom's Department for Marketing and Processing of Gas and Liquid Hydrocarbons, Director General of OOO Mezhregiongaz;

since 2010 – Head of OAO Gazprom's Department for Marketing and Processing of Gas and Liquid Hydrocarbons, Director General of OOO Gazprom Mezhregiongaz.

Mr. Seleznev holds a 0.00014784% stake in OAO Gazprom.



Igor Yuryevich Fedorov

Born in 1965. Graduated from A.A. Zhdanov Leningrad State University and St. Petersburg State Academy of Service and Economics.

Employment history (last five years):

2009 – Director General of OOO Gazkomplektimpex;

since 2009 – Director General of OOO Gazprom Komplektatsiya.

Mr. Fedorov holds a 0.00013608% stake in OAO Gazprom.



Vsevolod Vladimirovich Cherepanov

Born in 1966. Graduated from M.V. Lomonosov Moscow State University.

Employment history (last five years):

2009–2010 – Deputy Director General,

Chief Geologist of Administration of OOO Gazprom dobycha Nadym;

since 2010 – Head of OAO Gazprom's Gas, Gas Condensate and Oil Production Department.

Mr. Cherepanov holds a 0.00014784% stake in OAO Gazprom.

Changes in the Management Committee in 2013

Members of the Management Committee who were elected in 2013

Dmitry Vladimirovich Lyugai

Head of OAO Gazprom's Prospective Development Department

(elected by the Resolution of the Board of Directors No. 2122 dated February 01, 2013)

Members of the Management Committee whose powers were terminated in 2013

Vlada Vilorikovna Rusakova

Head of OAO Gazprom's Strategic Development Department

(powers of Member of the Management Committee terminated by the Resolution of the Board of Directors No. 2121 dated February 01, 2013)

Board of Directors' Report on OAO Gazprom's Development in Priority Areas of Operation in 2013

OAO Gazprom's Board of Directors is focused on developing OAO Gazprom as a global energy company, growing its market capitalisation, strengthening its investment appeal, ensuring efficient control over asset management and the OAO Gazprom's investment, financial and operating activities, improving the effectiveness and transparency of internal controls, and securing shareholder rights.

In 2013, the activities of OAO Gazprom's Board of Directors were governed by the duly approved six-month plans of activities. The Board held a total of 80 meetings, including 10 in person and 70 through in absentia vote.

The Board passed 181 decisions, including 41 in person and 140 through in absentia vote.

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

Strategic development

In February 2013, the Board of Directors discussed implementation of the *Company's* Development Strategy for Gas Chemical and Gas Processing Facilities approved in 2008. The Strategy is based on increasing the rate of extraction of valuable components (ethane, propane, butane and helium) from gas and their further use to produce gas chemical products with high added value.

The Board of Directors approved proposed actions to increase associated petroleum gas (APG) utilisation efficiency. Construction of the Power of Siberia gas transportation system would facilitate inflow of APG from Irkutsk Region and the Republic of Sakha (Yakutia) fields owned by third-party subsoil users.

It was noted during the meeting that development of gas chemical and gas processing facilities is in furtherance of the *Company's* strategic objectives and must ensure high return on capital investments by clear specialisation and concentration of assets.

In 2013, the Board of Directors also discussed energy assets development. It was provided with information on execution of major projects: start-up of the Adler TPP in Sochi in early 2013, ongoing construction of three gas power units in Moscow and coal power units at Troitskaya and Novochoerkasskaya GRESs. Over 50% of obligations assumed by the *Group* upon its entry into the sector were performed making the *Company* a leading electric power producer with installed asset capacity of over 38 GW.

Cost-saving and financial performance improvement programmes are being implemented. Purchasing core assets may be a priority for expanding the energy business as it allows to streamline gas supplies and generating capacity utilisation. In 2013, the Board of Directors passed resolutions required to purchase 89.98% of OAO MIPC.

Implementation of electric power projects outside Russia is also being considered. The Management Committee was instructed to continue strengthening the *Group's* positions in the energy segment on foreign markets.

The Long-Term Development Strategy was reviewed in October 2013. It was noted that *Gazprom's* key strategic objective is to become a global energy leader. This objective is to be achieved by diversification of sales markets and products, increased supplies reliability, improving performance, and the most efficient utilisation of inherent R&D capacities.

Gazprom Group has a number of competitive advantages that include the largest resource and production bases, unique UGSS, deep vertical integration and significant production and R&D capacities. The *Company* benefits from its geographic position between Europe and Asia, the portfolio of long-term gas supply contracts, a very long history of cooperation with foreign partners and its reputation as a reliable supplier.

Special attention was paid to large-scale efforts to strengthen *Gazprom's* positions in the global energy market. Over the last eight years, our gas reserves growth rate has sustainably exceeded our gas production volumes. *Gazprom's* production capacities are c. 600 bcm per year. The Zapolyarnoye field, currently the largest Russian field measured by production, has reached its full projected capacity (130 bcm of gas per year). To maintain high demand prospects, the *Company* is entering new regions, such as the Yamal Peninsula, Eastern Siberia, the Far East, and the continental shelf which will form a platform for domestic gas industry development in the decades to follow. Yamal saw establishment of a new gas production centre based on the Bovanenkovskoye field with the projected capacity of 115 bcm per year, the largest on the peninsula. Gas transportation system is expanding in synch with production capacities development. Trunk gas pipeline systems Bovanenkovo – Ukhta and Ukhta – Torzhok were built for gas transportation from Yamal, and the gas transportation system Sakhalin – Khabarovsk – Vladivostok are to deliver gas to Khabarovsk and Primorye Territories. Another large-scale project, the Power of Siberia, for gas transportation from Irkutsk and Yakutsk gas production hubs is also in the pipeline.

Gazprom Group also continues development of its system of underground gas storage facilities. Daily capacities are increasing substantially; new storage facilities are underway.

The strategy aimed at providing direct access to suppliers and reducing transit risks includes the fully completed Nord Stream project; the South Stream and feasibility study of the Yamal – Europe-2 pipeline are underway. The *Company* is actively entering new markets, including the fast growing Asia-Pacific market. *Gazprom* will increase its presence by streamlining the balance between pipeline gas and LNG deliveries: the Vladivostok-LNG project has already entered the investment stage.

A two-tier system of strategic KPIs for all lines of business underlies *Gazprom's* long-term planning and quantifies *Gazprom Group's* objectives in achieving its strategic goals. Resources are concentrated in the most critical projects.

The chosen way is acknowledged as ensuring the *Group's* balanced and efficient development. Work aimed at cost optimisation, increased labour efficiency, and integration of short- and long-term planning will continue. An action plan to manage risks and improve the competitive position of Russian gas on export markets will also be developed.

In 2013, the Board of Directors discussed proposals and passed resolutions on the following key foreign trade matters:

- Political risks associated with gas supply development and implementing projects abroad, and the progress of the Comprehensive Programme for *Gazprom's* Business Activity on Foreign Markets;
- Structure of foreign assets, policies and possible implications of implementation of the Third Energy Package;
- The *Company's* marketing policy on small- and large-scale LNG external markets.

One of the Board of Directors meetings focused to the shale gas industry. The *Company's* special business units continue to carefully monitor the situation with shale gas production. Currently, shale gas extraction in Russia is unfeasible as the country has high conventional gas reserves with lower production costs. Moreover, shale gas extraction poses environmental risks. Large-scale debate on shale development in mass media promoted natural gas globally, which is another driver boosting *Gazprom's* position as a reliable supplier of such fuel.

The meeting adopted instructions to continue shale gas industry monitoring and revisit the matter in late 2014.

In 2013, the Board of Directors paid much attention to execution of the South Stream project. Upon its transition to the investment stage in November 2012, the gas pipeline construction passed several important stages. In October 2013, the first joint of its Bulgarian section was welded, and November 2013 saw beginning of its Serbian section construction. A tender for selection of pipe suppliers and subsea contractors was organised. A tender for selection of the next, Hungarian, section contractor was held. Construction of the Southern Corridor, a gas pipeline system to be used, among other things, to deliver gas to the South Stream, is underway. First gas supplies via South Stream are scheduled for late 2015. The pipeline is to reach its full capacity in 2018.

The Board of Directors approved actions aimed at preparation for the development of the Chayandinskoye and Kovyktinskoye fields underlying establishment of Yakutsk and Irkutsk gas production centers. Their development is to be in synch with the construction of the Power of Siberia gas transportation system and multicomponent gas processing in the Amur Region.

Exploration is currently underway at the Chaynadinskoye field. The final reserve estimate is to be submitted to the State Commission for Mineral Reserves under the Russian Federation Ministry of Natural Resources and Environment in 2016.

The Kovyktinskoye field is being prepared for construction of exploration wells in 2014. Membrane extraction of helium in field conditions is also to be tested.

The Board of Directors also focused on the use of natural gas as motor fuel. Russian gas motor fuel market development entails significant economic and social benefits. They include reduced automotive transportation costs due to the difference in fuel prices and fivefold reduction of emissions, on the average.

Gazprom is actively expanding the Russian gas motor fuel market. Apart from increased profit, this business line can be used as a platform for establishment of a major natural gas sales market. In 2013, investments in NGV-refuelling compressor stations construction were RUB 1bn. *Gazprom* is simultaneously increasing its fleet numbers running on natural gas.

The *Company* has enhanced its cooperation with federal and regional authorities. For example, the section on gas motor fuel market development has been included into the cooperation agreements by and between the *Company* and Russian regions. The *Company* is contributing to legal and regulatory reforms of gas production and its use as motor fuel. The Management Committee was assigned to continue expansion of natural gas use as motor fuel in Russia jointly with the Russian state authorities.

Financial and business activity, audit, corporate governance, and capitalisation

OAO Gazprom's KPIs for 2013 are fixed in the investment programme, budget (financial plan) and cost optimisation (reduction) programme, all approved by the Board of Directors. The corporate investment policy was reviewed and approved.

OAO Gazprom is a major global energy market player and the leading oil and gas Russian investor. The *Company* ensures the required volume of investments to maintain production since according to law *Gazprom* is responsible for gas supplies to Russian consumers and discharge of the international gas supply commitments.

Greenfield development operations move to hard-to-access regions of Russia located far from the main production sites and having poor infrastructure. Over the last five years, new production facilities at the Bovanenkovskoye field, the Yamal Peninsula, were built from the ground up; production at Kamchatka started. In 2013, preparations were carried out to commission Kirinskoye field in the offshore Okhotsk Sea.

The *Company* also invests heavily in gas transportation and storage projects. Most difficult projects in the regions with unique climate require the most advanced technology. These efforts provide innovative solutions enabling us to achieve significant operating cost savings and minimise environmental impact.

A bulk of *Gazprom's* capex also goes to modernisation and overhaul of its existing gas and oil refineries, and establishing a distribution network across Russian regions. To meet sustainability targets the *Company* implements social projects, e. g. investment in the construction of Olympic venues and infrastructure in Sochi for the XXII Winter Olympics.

Gazprom's investment activities have a considerable impact on the development of industry in Russia, e. g. up to 95% of pipes purchased by the *Company* come from Russian manufacturers. Over the next decade, *Gazprom* will have to address a number of crucial challenges, with key objectives being greenfield development on the Yamal Peninsula, in eastern regions, and offshore northern seas; modernisation and expansion of the Unified Gas Supply System to the East of Russia; construction of new energy transportation routes, and diversification of distribution markets and end products, as well as upscaling of processing depth.

In 2013, the Board of Directors reviewed the progress of corporate governance improvement activities. *Gazprom* improves its corporate governance framework in line with the world's best practices. To increase transparency, the *Group* continues to enhance information disclosure and accelerate publication of documents and announcements.

Mandatory and additional information is disclosed in Russian and English languages in due time. Since investors have a keen interest in the activities of the *Company's* Board of Directors, independent members of the Board hold regular conference calls with, among others, foreign investors. In 2012 and 2013, OAO Gazprom carried out several surveys among foreign investors and shareholders, with their findings analysed and taken into consideration.

In the reporting year, OAO Gazprom conducted a full-scale audit of its corporate governance practice. The audit shows that the *Company* has a transparent ownership structure, shareholders' rights and obligations are clearly defined in the Articles of Association and other constituent documents, and that the *Company's* shareholders have equal votes, and their voting rights are properly protected. Procedures for convocation, preparation, conduct and closing shareholders meetings are complied with; dividends are paid in strict accordance with laws; protection against asset value dilution is in place. Interested party transactions are approved in accordance with laws and the Articles of Association. Audit findings were followed by a list of recommendations to be taken into consideration when planning further activities. OAO Gazprom is recommended to continue improving its corporate governance.

In 2013, the Board of Directors reviewed the steps taken to increase the *Company's* capitalisation. At present, OAO Gazprom's shares are significantly undervalued. OAO Gazprom takes a comprehensive approach to increasing its capitalisation. In 2013, the Order on Arrangements for Improving the Corporate Governance and the Order on Arrangements for Disclosing Information in the Form of Messages were approved which aim to enhance the *Company's* transparency and investment case. To make its operations more open, the *Company* is set to disclose more information. In addition, the OAO Gazprom works to improve disclosure quality and timeliness.

The *Company's* corporate management holds regular conference calls and investor meetings. Direct interaction with the *Group's* management helps the investment community obtain relevant information about the *Company's* development strategy, plans and latest achievements of *Gazprom*. Furthermore, the *Company* is actively involved in reforming Russian legislation to improve the investment climate, and protect the rights of investors and American Depositary Receipts (ADR) holders.

A more transparent dividend calculation methodology and more predictable dividend amounts is another priority. The new corporate Dividend Policy adopted in 2010 clarified the calculation methodology and streamlined the ratio of corporate investments to shareholder revenues. Increasing the share of profit payable as dividend is perceived positively by the investors and keeps the *Company's* shares among the most liquid securities on the Russian market.

The *Company* continues to improve its Dividend Policy. In particular, net IFRS profit may serve as basis to calculate dividends. The Board of Directors instructed to take further steps to increase the *Company's* market capitalisation.

The Board of Directors considered a number of ways to enhance audit efficiency. The new Regulation on the Board of Directors' Audit Committee of OAO Gazprom was approved. The Board of Directors requested an audit of the corporate governance practices at the entities controlled by OAO Gazprom.

To further improve the existing procurement procedures, the Board of Directors adopted the necessary resolution to amend the Regulation on the Purchase of Goods, Works and Services by the *Gazprom Group* in 2013.

The Board of Directors adopted a number of resolutions for approval of transactions and management of the property and other assets of *Gazprom Group* and its subsidiaries:

- approval of interested party transactions (28 resolutions);
- endorsement of the voting position of OAO Gazprom's representatives on boards of directors of other companies (4 resolutions);
- OAO Gazprom's interest in other companies (3 resolutions);
- OAO Gazprom's withdrawal from other companies (1 resolution);
- acquisition or disposal by OAO Gazprom or its subsidiaries of shares or interest in the authorised capital of other companies, including their subsidiaries (20 resolutions).

In 2013, OAO Gazprom's Board of Directors adopted resolutions required to prepare and hold an annual General Shareholders Meeting of OAO Gazprom and resolutions on organising the Board of Directors.

At a separate meeting, OAO Gazprom's Board of Directors reviewed the implementation of the corporate personnel management policy. The *Company* works systemically to enhance its human potential. Overall, *Gazprom's* team is very stable.

Development of an employee incentive scheme is critical to the personnel management policy. The Gazprom Vacancies website was launched to recruit qualified professionals on the open market. Through the website, the *Company* recruited 552 employees, with 140 applicants per vacancy on average. In addition, the subsidiaries annually recruit 1,200 graduates from 200 education institutions. Much attention is paid to professional development. The *Company* has an ongoing training programme that covers c. 120,000 employees per year. An excellent social policy makes *Gazprom* a more attractive employer.

The Management Committee was instructed to further pursue OAO Gazprom's personnel management policy.

The Board of Directors considered launching the Employee Equity Sharing Plan for the Management of OAO Gazprom – the start date has been set and the list of employees has been drafted.

Performance Results





Exploration and Production






Gazprom Group improves production operations in its brownfield regions and actively develops its resource base and new hydrocarbon production clusters on the Yamal Peninsula, in Eastern Russia, and Arctic offshore. The **Company** expands its operations and successfully runs overseas projects.

Major hydrocarbon exploration and production companies



Subsidiaries

In Russia

 OOO Gazprom dobycha Astrakhan
 OOO Gazprom dobycha Nadym
 OOO Gazprom dobycha Noyabrsk
 OOO Gazprom dobycha Yamburg

 *Gazprom нефть Group*
 OOO Gazprom dobycha Krasnodar
 OOO Gazprom dobycha Orenburg
 OOO Gazprom dobycha Urengoi
 OAO Tomskgazprom

 OAO Severneftgazprom
 ZAO Purgaz

 OOO Gazprom Geologorazvedka
 OOO Gazflot

Overseas

 Gazprom EP International B.V.









 *Gazprom нефть Group*



Affiliates

In Russia

 Sakhalin Energy Investment Company Ltd., 50%
 Salym Petroleum Development N.V., 50%
 ZAO Northgas, 50%
 OOO SeverEnergia, 38.46%
 OAO Slavneft, 49.85%
 OAO Tomskneft VNC, 50%

Overseas

 Wintershall AG, 49%



 Hydrocarbon prospecting and exploration

 Gas and gas condensate production

 Oil production

Notes

1. Information as of 31 December 2013.

2. For affiliated entities, investments are shown as the *Group's* total interest in their share capital.

In terms of explored gas reserves, *Gazprom* remains a leader among oil and gas companies globally. The *Group* holds 17% of global reserves and 72% of Russian reserves.

All hydrocarbon reserves controlled by the *Group* are located in Russia. As of 31 December 2013, the *Group's* reserves outside Russia were assessed as insignificant.

The reliability of information on the *Group's* mineral resources are confirmed annually by an independent evaluator. According to DeGolyer and MacNaughton, *Gazprom Group's* PRMS proved and probable reserves as of 31 December 2013, were 23,244.0 bcm of gas; 832.4 mm tonnes of gas condensate; and 1,254.2 mm tonnes of oil. The current NPV of reserves is USD 299.6bn. Of *Gazprom Group's* reserves, 93% of gas reserves, 89% of condensate reserves, and 88% of oil reserves are attributed to grades A+B+C₁.

As of 31 December 2013, proved and probable gas reserves decreased 121.1 bcm, while liquid hydrocarbons increased as follows: gas condensate – 23.7 mm tonnes, oil – 16.5 mm tonnes, all y-o-y.


In 2013, total volumes of proved and probable hydrocarbon reserves were affected by reported production and exploration. Major drivers were: commissioned and audited new projects (Nydinskaya area in Medvezhye field, Yuzhno-Kirinskoye and Tota-Yakhinskoye fields) and reported exploration. The present value of proved and probable reserves was also driven by a new tax regime for MET rates.

Operations in Russia

Increments to reserves

As of 31 December 2013, *Gazprom Group's* A+B+C₁ hydrocarbon reserves in Russia were 35,669.3 bcm of natural gas; 1,381.2 mm tonnes of gas condensate; and 1,814.6 mm tonnes of oil. The *Group's* interest in its affiliates' A+B+C₁ hydrocarbon reserves as of the above date was: 878.9 bcm of natural gas; 83.3 mm tonnes of natural gas condensate; and 746.4 mm tonnes of oil, including the share in the reserves of entities where *Gazprom* has investments classified as joint operations – 27.4 bcm of natural gas, 3.2 mm tonnes of gas condensate and 204.4 mm tonnes of oil.

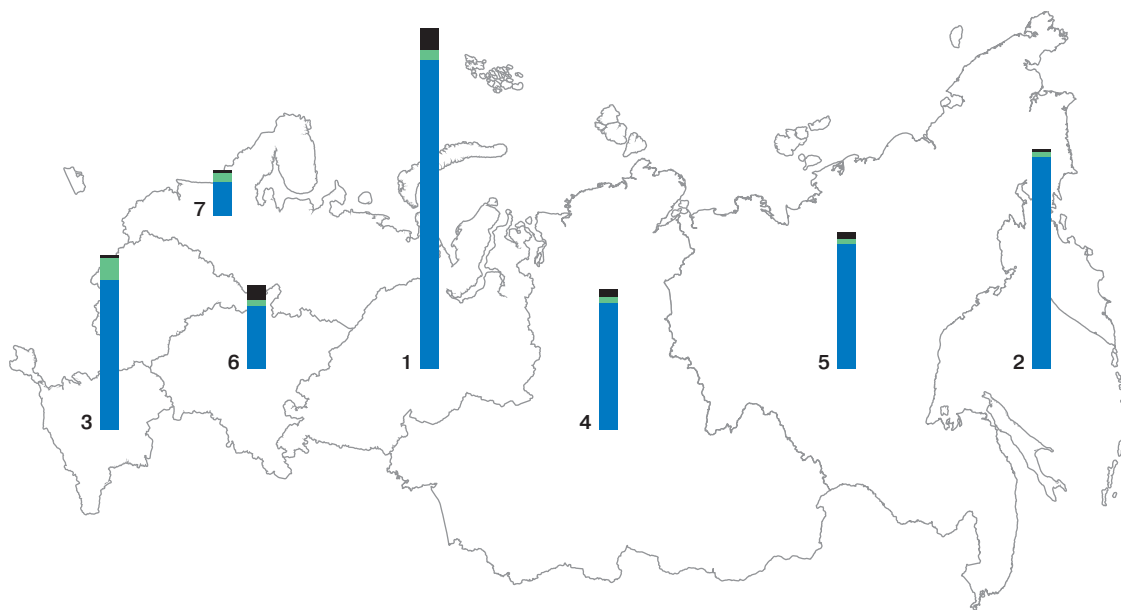
Distribution of *Gazprom Group's* explored gas reserves

1	2	3	4	5	6
					
1	Gas reserves that ensure sustainable production in the area of the UGSS				26.6%
2	Gas reserves in offshore fields				20.4%
3	Gas reserves in remote fields with poor infrastructure				19.4%
4	Gas reserves in the fields with declining production				16.5%
5	Gas reserves in deep and geologically complicated zones				10.4%
6	Gas reserves in the Astrakhan field with environmental restrictions to production				6.7%

Based on this distribution, the reserves preparation to development will be concentrated on deep and geologically complicated reserves and reserves of remote fields.

Distribution of *Gazprom Group's* A+B+C₁ hydrocarbon reserves in Russia as of 31 December 2013

	Gas bcm,	Gas condensate, mln tons	Oil, mln tons
1 Urals District	22,455.1	712.4	1,445.0
2 Shelf	7,005.7	104.3	47.4
3 Southern and Northern Caucasian Districts	2,498.9	371.4	8.0
4 Siberian District	1,729.2	88.3	92.9
5 Far East District	1,197.2	27.3	57.4
6 Privolzhsky District	696.2	56.9	159.1
7 North-Western District	87.0	20.6	4.8
Total	35,669.3	1,381.2	1,814.6



Gazprom Group's increments to reserves from exploration ensures that mid- and long-term hydrocarbon production targets are achieved. Relying upon its production forecast, the *Group* is streamlining its exploration scope and simultaneously improving their efficiency.

In 2013, exploration was in both gas brown fields and green fields where gas production centers are to be built.

In 2013, the *Group* performed a 2D seismic survey in the scope of 1.4 thousand linear km of seismic lines and a 3D seismic survey of 13.3 thousand square km. Exploration drilling had a meterage of 146.4 thousand meters of rock; 53 wells were completed; 37 wells tested hydrocarbon fluids. The cost of exploration operations was RUB 55.5bn (VAT included).

Two new discoveries were made in the reporting year in the Tomsk Region, i.e. the Mangazeyev and Vostochno-Myginskoe fields. Forty new deposits were discovered in the existing fields located mostly in the Yamal-Nenets Autonomous Area (YNAA).

In 2013, exploration operations provided increments to reserves as large as 646.9 bcm of natural gas and 50.3 mm tonnes of gas condensate and oil. The Kovyktinskoye field in the Irkutsk Region (156.5 bcm) and Kruzenshternskoye field offshore Yamal (384.6 bcm) accounted for the bulk of gas reserves increments (by 541.1 bcm).

The reserves replacement rate was 1.33 for natural gas, 0.51 for gas condensate, and 1.33 for oil. The exploration drilling efficiency in 2013 was 5,590.2 t c.e. per one meter of drilled well.

Licensing is another important driver of the *Group's* increments to reserves.

As a result of exploration in 2013, *Gazprom Group* accounted for 65% of total increments to gas reserves in Russia.

In 2013, by virtue of the Russian Government's resolutions, 17 licenses to use subsoil were obtained for geological surveys, exploration, and production on the Kara, Barents, Chukchi and East Siberian seas, including licenses for four fields (i. e. Leningradskoye, Rusanovskoye, Ledovoye, Ludlovskoye) with estimated C_1+C_2 reserves of 2.5 tcm of natural gas and 15 mm tonnes of gas condensate. The prospective and D_1+D_2 resources of these areas are 17.3 tcm of natural gas and 1.3 bn tonnes of liquid hydrocarbons. Under license agreements, a 2D seismic survey of such areas is expected in the scope of 40.5 thousand linear km, and a 3D survey is expected to cover 21 thousand square km. This would help perform detailed analysis of targets and update deposit geological models. Subsoil blocks licensed for use under the Russian Government's resolutions in 2013, were excluded from the PRMS audit as of 31 December 2013.

Discovery of the Novo-Yudokonskoe field in the Krasnoyarsk Territory has initiated a licence for its exploration and production. A license for the South-Pudinsky block in the Tomsk Region was awarded to the *Company* as well.

The total lump-sum payment for all blocks was RUB 70.6bn.

The licensing activities resulted in 484.1 bcm of $A+B+C_1$ gas and 3.6 mm tonnes of condensate increments.

In 2013, OAO Gazprom purchased 92.25% of OAO Kamchatgazprom from OAO Rosneftegaz. OAO Kamchatgazprom holds licenses for the Kshuuskoye field and Kolpakovskaya area on the Kamchatka Peninsula. Acquisition of these assets resulted in 13.7 bcm of natural gas and 0.5 mm tonnes of gas condensate increments to $A+B+C_1$ reserves.

In December 2013, the *Group's* affiliated company, OOO Yamal Development (50%-owned by *Gazprom*), signed an agreement for purchasing from ENI 60% in Arctic Russia B.V. that owns 49% in OOO SeverEnergiya. The resulting effective equity interest of *Gazprom Group* in OOO SeverEnergiya whose subsidiaries are engaged in exploration and production in the YNAA has grown from 24.40% on 20 December 2013 to 38.46%.

Field development

As of 31 December 2013, *Gazprom Group* was developing 131 hydrocarbon fields in Russia.

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

Gazprom Group's Russian production assets as of 31 December 2013

131 Fields in development

7,263 Gas production wells

65 BCS with 5,054.8 MW of installed capacity

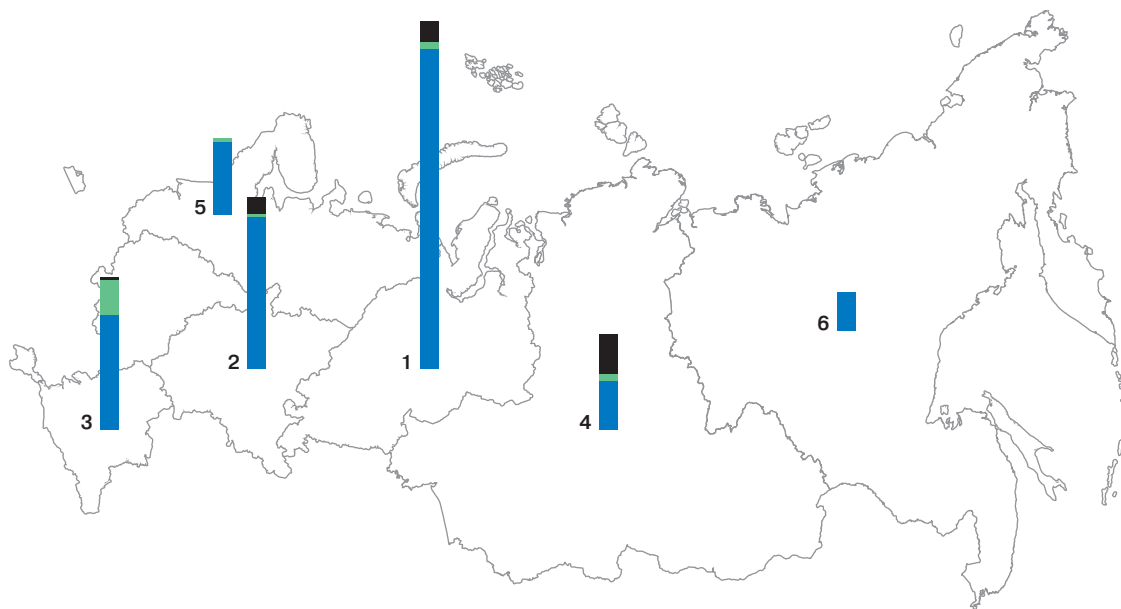
1,099.7 bcm Total nominal capacity of 170 integrated and preliminary gas processing units

7,246 Oil production wells

In 2013, *Gazprom Group* produced 487.4 bcm of natural and associated gas in Russia or 0.4 bcm more than in 2012. *Gazprom Group's* hydrocarbon production assets as of 31 December 2013 could produce 560 to 570 bcm of natural gas annually.

Distribution of *Gazprom Group's* hydrocarbon production assets in Russia in 2013

	Natural gas and APG, bcm	Gas condensate, mln tons	Oil, mln tons
1 Urals District	452.2	10.2	29.2
2 Privolzhsky District	17.3	0.2	1.8
3 Southern and Northern Caucasian District	11.9	3.8	0.1
4 Siberian District	3.4	0.4	2.7
5 North-Western District	2.4	0.1	0.0*
6 Far East District	0.2	0.0*	–
Total	487.4	14.7	33.8



* less than 0.05

Hydrocarbon production by *Gazprom Group* and its affiliates in Russia

	Natural gas and APG, bcm	Gas condensate, mm tonnes	Oil, mm tonnes
2013			
<i>Gazprom Group</i>	487.4	14.7	33.8
Share of the <i>Gazprom Group</i> in the production of affiliates	14.0	1.3	18.8
including the <i>Group's</i> share in the production of entities where <i>Gazprom</i> has investments classified as joint operations	1.0	–	8.6
2012			
<i>Gazprom Group</i>	487.0	12.8	33.3
Share of the <i>Gazprom Group</i> in the production of affiliates	12.8	1.1	19.7
including the <i>Group's</i> share in the production of entities where <i>Gazprom</i> has investments classified as joint operations	1.0	–	8.9
2011			
<i>Gazprom Group</i>	513.2	12.1	32.3
Share of the <i>Gazprom Group</i> in the production of affiliates	11.3	1.0	20.5
including the <i>Group's</i> share in the production of entities where <i>Gazprom</i> has investments classified as joint operations	0.8	–	9.4

Oil produced amounted to 33.8 mm tonnes (an increase of 0.5 mm tonnes y-o-y). After a comprehensive gas treatment unit Valanginian layers of the Zapolyarnoe OGCF (CGTU-1C) reached its projected capacity, gas condensate production jumped to 14.7 mm tonnes (against 12.8 mm tonnes in 2012). Gas volumes produced by affiliates were also on an increase. *Gazprom Group's* share in natural and associated gas production of affiliates was 14.0 bcm of (a 1.2 bcm growth y-o-y). The *Group's* share in liquid hydrocarbons produced by its affiliates was 1.3 mm tonnes of gas condensate (an increase of 0.2 mm tonnes y-o-y) and 18.8 mm tonnes of oil (a decrease of 0.9 mm tonnes y-o-y).

Gazprom Group maintains production from brown fields that entered the stage of declining production and develops hard-to-access deposits in traditional production areas. It also builds new production clusters and improves the efficiency of APG utilisation.

New oil and gas production regions

Yamal Peninsula. The Yamal Peninsula is one of the major regions for the reserve base development of the *Group*.

In 2012, development of the cenomanian-aptian layers of the Bovanenkovskoye field began. It is the largest and best explored field in this region. A 60-bcmpa integrated gas treatment unit and a 250.0-MW booster compressor station were commissioned to operation. In 2013, the field produced 22.8 bcm of gas (against 4.9 bcm in 2012), 40.8 bcm of gas are to be produced in 2014. The projected capacity of 115 bcmpa is expected to be achieved in 2019–2021.

Test production from the Novoportovskoye OGCF in 2013 resulted in production of 16 thousand tonnes of oil (against 6 thousand tonnes in 2012), 90 thousand tonnes are to be produced in 2014.

Novoportovskoye OGCF

Novoportovskoye OGCF is located in the south of the Yamal Peninsula, 360 km northeast of Salekhard. Its area is c. 500 square km. It has 30 deposits. The field is classified as a "large field". The production peak of 8.6 mm tonnes of oil per year will be reached in 2021.

In the Novoportovskoye gas and condensate field eight production wells were drilled in the reporting year; the winter oil shipment to the Payuta terminal was completed; the construction of 400-mtpa central oil gathering and processing facility (COGPF) and the COGPF – Mys Kamen-nyy oil pipeline was in progress.

Offshore. In October 2013, the Kirinskoye GCF in the Okhotsk Sea produced early gas (Sakhalin III Project). This is the first project in Russia that deploys an underwater production system. Commercial gas production from the field will begin in 2014. Gas production in 2014 will be 190 mmcm of gas and 32 thousand tonnes of condensate.

Late in December 2013, the *Group* started production at the Prirazlomnoye offshore field in the Pechora Sea in Russia's Arctic. In 2014, not less than 0.3 mm tonnes of oil are expected to be produced.

The *Group's* offshore projects are executed in strict compliance with national and international HSE standards.

Along with greenfield exploration, *Gazprom* increases efficiency of running old brown fields. This can be achieved through the use of advanced technical solutions and cutting-edge high-reliability equipment designed for operation in extreme ambient conditions.

In 2013, *Gazprom* continued the Comprehensive Programme for Upgrading and Technical Re-equipment of Gas Transportation Facilities and Underground Gas Storage Facilities for 2011–2015. The Programme is focused on a reliable, safe, and cost-effective running of *Gazprom Group's* production assets to achieve planned gas production. 2013 saw RUB 21.0bn (including VAT) spent on upgrading of gas production assets. The work was performed at the Yamburgskoye, Urengoykoye, Medvezhye, Yubileynoye, Yamsoveiskoye, Vyngapurovskoye, Zapadno Tarkosalinskoye, Komsomolskoye, Orenburgskoye OGCF, Astrakhanskoye GCF and OOO Gazprom dobycha Krasnodar's fields.

These measures allowed *Gazprom* to prevent a gas production drop by 42.02 mmcm per day during the peak consumption in 2013–2014. The most efficient actions included replacement of BCS replaceable flow parts, upgrading BCS blowers, upgrading the gas pumping unit (GPU), replacement of wellhead equipment and well tubing, work over of wells by side-tracking and installation of production control systems on wells and flow lines.

Development of hard-to-access and unconventional hydrocarbon resources

Among *Gazprom's* reserves, 10.4% is restricted to deep and structurally complicated deposits.

Hard-to-access deposits (such as achimovsk deposits, post-cenomanian deposits, including the turonian formations) have complicated structure, fluid behaviour, and, in general, low gas and oil recovery factors.

The *Group* develops such reserves in old petroleum-producing areas with well-developed infrastructure (having wells, gas gathering networks, CGTUs, etc.) and primarily at the final phase of development of brown fields, when production assets are underloaded and development of tight low-permeability gas deposits (clastic and carbonate) becomes feasible. To run such projects in an economic manner, it is necessary to find, select, and test technologies of production enhancement, such as multi-phase hydraulic fracturing in nearly horizontal wells, acid treatments, etc.

During the reporting year, *Gazprom Group* continued development of license Blocks 1A and 2A in the achimovsk deposit of the Urengoykoye OGCF (3.8 bcm of gas produced), test production from the turonian formation at the Yuzhno-Russkoye OGCF (48 mmcm of gas produced) and execution of the Senonian project at the Medvezhye field.

Shale oil reserves were analysed as well:

- The first appraisal well to the Bazhenov-Abalaksy stratum was drilled in the Palianovskaya area of the Krasnoleninskoye field in the Khanty-Mansi Autonomous Area. The selected core samples were studied and promising targets were tested to confirm the availability of highly-permeable channels in shale oil deposits;
- Salym Petroleum Development N.V. joint venture (founded on a pari passu basis by OAO Gazprom neft and Shell Salym Petroleum Development B.V.) was preparing a pilot plan for development of the Bazhenov formation at the Verkhne-Salymskoye oil field. The plan includes drilling of five horizontal appraisal wells with multistage hydraulic fracturing in 2014 through 2015.

The *Group* runs its Russian hard-to-access hydrocarbon projects jointly with foreign partners, such as Wintershall Holding GmbH (Block 1A, achimovsk deposits of the Urengoykoye OGCF, Yuzhno-Russkoye OGCF), E.ON (the Yuzhno-Russkoye OGCF), and Royal Dutch Shell plc. (the Salym group of fields).

In December 2013, OAO Gazprom and Wintershall Holding GmbH executed the Master Asset Swap Agreement whereby Wintershall Holding GmbH receives 25.01% in the development and production of Blocks 4A and 5A in the achimovsk formation of the Urengoykoye OGCF. The transaction is scheduled for closing in 2014.

2013 saw continuing execution of an innovative project for production of coalbed methane from Kuzbass coal deposits. Test production of coalbed methane (CBM) was at the Taldynsky coal gas field. Gas flow stimulation by hydraulic fracturing of coal seams was tested in the Naryksko-Ostashkinskaya area. In 2014–2015, the Taldynsky field is scheduled for test production; exploration of the Naryksko-Ostashkinskaya area shall be completed; exploration of the highly-promising the Chaltoksky block and Tutuyasskaya (Raspadskaya) area shall begin.

APG utilisation

One of *Gazprom Group's* priorities is higher efficiency of Associated Petroleum Gas (APG) utilisation; it also complies with a global initiative for low-carbon and energy-efficient economy. *Gazprom* demonstrates sustainable growth of APG use from 59% in 2009 to 82% in 2013.

In 2013, the APG use achieved 90.9% at fields of OAO Gazprom's gas production subsidiaries and 79.5% for *Gazprom нефть Group* (utilisation 14% higher y-o-y). *Gazprom нефть* succeeded in increasing APG utilisation by completing a number of projects, with the Noyabrsk integrated project as the major one – its first phase was completed in October 2012. Besides, in mid-2013 a gas compressor station in the southern license area of the Priobsky deposit was put in operation. *Gazprom нефть* developed a programme to increase the utilisation rate of associated gas for 2014–2016 providing for execution of certain projects that would assist all major assets of the *Company* in achieving the target APG use of 95%.

Gazprom Group's fields are expected to achieve the maximum APG use of 95% by 2016.

APG gives the *Group* additional opportunities for mutually beneficial cooperation with independent producers. *Gazprom Group* established a permanent team to coordinate its liaisons with oil companies during development and subsequent execution of joint APG and NG gathering, treatment, and transportation projects from YNAA fields to *Gazprom's* production facilities. Preparation is underway for the joint project with OAO LUKOIL on processing APG produced in the Komi Republic by the Sosnogorsky GPP.

Gazprom Group's
fields are expected
to achieve
the maximum
APG use of 95%
by 2016.

Overseas operations

As of 31 December 2013, the *Group's* hydrocarbon exploration and production portfolio consisted of 35 overseas projects including 18 projects where the *Group's* subsidiaries were operators.

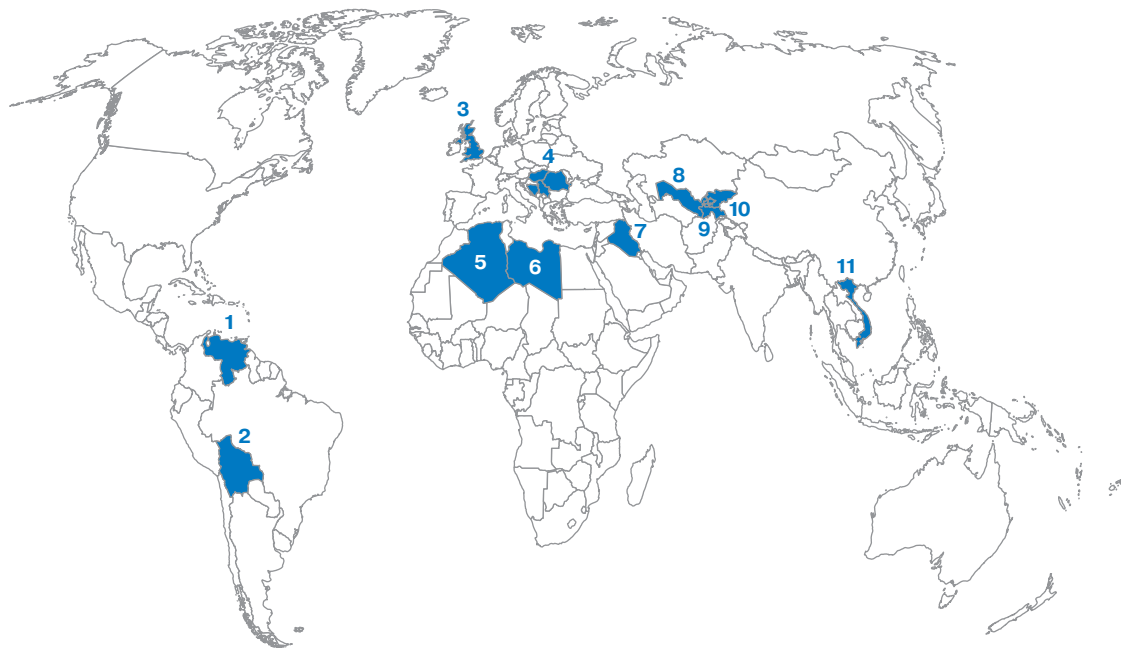
Hydrocarbon exploration overseas	2011	2012	2013
Exploration drilling, thousand m	21.8	24.0	18.1
Completed exploration wells	6	7	4
including productive wells	6	1	1
2D seismic survey, thousand linear km	1.3	0.7	0.4
3D seismic survey, thousand square km	0.7	0.4	1.4

Note

Consolidated results of *Gazprom Group's* exploration overseas include projects where the *Group's* subsidiaries are operators and supervisors.

The Sarikamysh area (Tajikistan), Pannonian basin (Serbia, Romania, and Hungary), and El-Assel area (Algeria) accounted for the bulk of exploration performed overseas with the *Group's* subsidiaries acting as operators.

Other overseas projects of *Gazprom Group's* subsidiaries in exploration drilling were in Bolivia (2.7 thousand m) and in Venezuela under the Junin-6 project (1.3 thousand m).



1 Venezuela Blocks Urumaco-I, Junin-6	2 Bolivia Licence blocks Ipati, Aquio, Azero	3 United Kingdom Wingate field 	4 Serbia, Romania, Hungary, Bosnia and Herzegovina NIS projects
5 Algeria Licence block El-Assef	6 Libya Licence blocks No. 19 and No. 64 Concessions C96, C97 	7 Iraq Badra, Halabja, Garmian, Shakal	8 Uzbekistan Exploration in Ustjurt region Shakhpakhty
9 Tajikistan Licence blocks Sarikamish, Western Shohambary	10 Kyrgyzstan Licence area Kugart, block Vostochny Mailisu – IV	11 Vietnam Blocks No. 112 (including extension), No. 129–132, No. 05-2, No. 05-3 	

Hydrocarbons search and geological exploration

Oil production

Gas and gas condensate production

In 2013, *Gazprom Group* invested RUB 6.3bn (including VAT) in overseas exploration projects.

With E&P deemed unfeasible, the subsoil user resolved to waive its license for the Urumaco II block (Venezuela). Also in 2013, it withdrew from exploration projects in the Equatorial Guinea and Cuba was performed. In order to set grounds for withdrawing from its Libyan projects (License Blocks 19 and 64), *Gazprom* maintains force-majeure regime on the relevant PSAs.

New overseas E&P projects

Bolivia

The Oil Production Services Contract for hydrocarbon exploration and production at the Azero block in the areas reserved for Bolivian State oil and gas company YPFB and constituent documents for the JV with the Bolivian party holding 55% and Gazprom EP International and TOTAL each holding 22.5% were executed. TOTAL EP Bolivie shall act as operator, the contract shall remain in force for 40 years. The Exploration Programme (Phase 1 of five years) provides for magnetotelluric/gravimetric surveys and drilling of two wells.

Iraq

The Halabja PSA has been signed. OAO Gazprom neft shall act as project operator with an 80% interest. One thousand linear kilometres of 2D seismic survey, electromagnetic and geochemical survey and preparatory work for drilling the first exploration well in the block are scheduled for 2014–2015.

The *Group* also participates in a number of petroleum projects that reached their production phase: Wingate field development project in the North Sea. Total production was 0.4 bcm of gas and 2.1 thousand tonnes of gas condensate (against 0.7 bcm of gas and 4.5 thousand tonnes of condensate in 2012). The *Group's* interest in the project at the development phase is 20%; Junin-6 block, Venezuela. Total production was 0.1 mm tonnes of oil. The *Group's* interest in the project at the development phase is 8%; Shakhpakhty field, Uzbekistan. Total production was 0.3 bcm of gas (against 0.3 bcm in 2012). The *Group's* interest in the project is 5%.

In 2013, *Gazprom neft's* subsidiary NIS (Serbia) produced 1.3 mm tonnes of oil and 0.6 bcm of gas.

Under C96 and C97 Libyan oil concessions, Wintershall AG (an affiliated company with the *Group's* participation interest of 49%) produced 2.4 mm tonnes of oil and 0.3 bcm of gas (against 4.1 mm tonnes of oil and 0.6 bcm of gas in 2012). Wintershall AG's production declined rapidly after the company instituted a force-majeure regime in August 2013.

October 2013 saw the start of commercial hydrocarbons production from blocks 05-2 and 05-3 of the development project offshore Vietnam (South China Sea). The *Group* became a 49% holder of the project after the PSA had been executed in 2012. Two GCFs (Mok Tin and Hai Thak) and one oil field (Kim Cuong Tay) were discovered within blocks 05-2 and 05-3. Operations at the Mok Tin field began in 2013. The planned production of 1.98 bcm of natural gas and 614.9 thousand tonnes of gas condensate per year is to be achieved in 2015. The production in 2013 was 305.9 mmcm of gas and 59.4 thousand tonnes of gas condensate.

Under the Master Asset Swap Agreement executed by and between OAO Gazprom and Wintershall Holding GmbH, the *Group* will receive 50% in Wintershall Noordzee B.V. carrying out oil and gas exploration and production in the southern North Sea.

The *Gazprom Group* is considering feasibility of its participation in hydrocarbon exploration projects in East Africa (Mozambique, Tanzania), Eastern Mediterranean (Levantine basin), Croatia (Croatian Adriatic offshore blocks, Pannonian basin); deep-water projects in Angola, South Africa, and the Gulf of Mexico.

Major investment projects

In 2013, gas production capex was RUB 190.6bn (18% lower y-o-y), oil and gas condensate capex – RUB 189.1bn (2.2 higher y-o-y).

Major gas production capex was made to develop cenomanian-aptian layers of the Bovanenkovskoye OGCF, Kirinskoye GCF, and to implement the Comprehensive Programme for Upgrading and Technical Re-equipment of Gas Production Facilities.

Gazprom Group's capital investments in exploration and production of oil and gas condensate were mainly targeted at developing the Prirazlomnoye field, the Novoportovskoye gas and condensate field and eastern part of Orenburgskoye field, drilling new production wells at the Priobskoye field, developing gas condensate deposits at the Zapolyarnoye OGCF in Russia, and field development in Iraq.

Commissioned hydrocarbon production facilities in 2013

- Two CGTUs of 4.25 bcmpa at the Kirinskoye GCF and a CGTU of 1.75 bcmpa at the Yubileynoye OGCF.
- The second start-up CGTU system at the Nizhne-Kvakchikskoye GCF with a production capacity of 0.575 bcmpa.
- Two 20.0 MW GPUs of the BCS at CGTU-1C (phase I) in the Yamburgskoye OGCF.
- 80 new gas production wells, (including 50 wells at the Bovanenkovskoye field) and 778 new oil production wells. Development drilling was 239.7 thousand meters of gas wells and 3.0 mm meters of oil wells.

Long-term financial investments in exploration and production of oil and gas condensate targeted the development of Messoyakhskoye group of fields.

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For more details on the terms of *Gazprom Group's* participation in overseas hydrocarbon E&P projects see: *Gazprom in Figures 2009–2013 Factbook*.


Gas Transportation and Underground Storage

To increase natural gas supply reliability the *Company* consistently develops its gas transportation system and grows its underground gas storage capacity both in Russia and abroad.



Major gas transportation and underground storage companies

Subsidiaries

In Russia

 OOO Gazprom transgas Volgograd
 OOO Gazprom transgas Yekaterinburg
 OOO Gazprom transgas Kazan
 OOO Gazprom transgas Krasnodar
 OOO Gazprom transgas Makhachkala
 OOO Gazprom transgas Moskva
 OOO Gazprom transgas Nizhny Novgorod
 OOO Gazprom transgas Samara
 OOO Gazprom transgas Saint Petersburg
 OOO Gazprom transgas Saratov
 OOO Gazprom transgas Stavropol
 OOO Gazprom transgas Surgut
 OOO Gazprom transgas Tomsk
 OOO Gazprom transgas Ufa
 OOO Gazprom transgas Ukhta
 OOO Gazprom transgas Tchaikovsky
 OOO Gazprom transgas Yugorsk
 OAO Daltransgaz

Overseas



 ZAO ArmRosgazprom
 OAO Gazprom transgas Belarus

 OOO Gazprom UGS

Affiliates

Overseas

 Amber Grid AB, [37%](#)
 Blue Stream Pipeline Company B.V., [50%](#)
 Nord Stream AG, [51%](#)
 SGT EuRoPol GAZ S.A., [48%](#)
 AO Moldovagaz, [50%](#)

 W&G Beteiligungs-GmbH & Co. KG, [50%](#)
 AO Latvijas Gāze, [34%](#)

 Transportaion of Gas

 Underground Storage of Gas

Notes

1. As of 31 December 2013.
2. For affiliates, investments are shown as the *Group's* total interest in their share capital.

Transportation and underground storage in Russia

The Unified Gas Supply System of Russia operates as a single process and business structure. It comprises natural gas and gas condensate fields, underground gas storage facilities (UGSFs), GPPs, gas distribution stations (GDSs), trunk gas pipelines and compressor stations. All these facilities are consecutively interconnected to provide uninterrupted gas production, transportation and supply to consumers.

The *Group's* system of trunk pipelines in Russia is unique. It guarantees highly reliable and smooth gas supplies to consumers.

Gazprom's gas transportation system (GTS): reliability pillars

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

As of 31 December 2013, the length of trunk pipelines and extensions owned by OAO Gazprom and its gas transportation subsidiaries in Russia was 168.9 thousand km. GTS facilities comprise 247 CSs including 3,820 GPUs with a total capacity of 45.9 GW.

Trunk pipeline breakdown by time in service as of 31 December 2013, thousand km

1	2	3	4	5	6
1 up to 10 years (inclusive)					21.084
2 from 11 to 20 years (inclusive)					20.016
3 from 21 to 30 years (inclusive)					56.529
4 from 31 to 40 years (inclusive)					41.703
5 from 41 to 50 years (inclusive)					19.701
6 over 50 years					9.861
Total					168.893

Moreover, gas is supplied to the GTS through gas pipelines of gas production and processing subsidiaries and OOO Gazprom UGS, measuring 4.2 thousand km overall.

Reliable domestic and export gas supplies are also guaranteed by a well-developed network of UGSFs. Underground gas storage facilities are located in major consumption areas and form an integral part of the Unified Gas Supply System. During the heating season, the UGSF network covers over 20% of domestic and export gas supplies. During the 2012/2013 offtake season, peak gas offtake from Russian UGSFs reached 38.3% of gas consumption in Russia and 40.5% of gas produced by *Gazprom Group*.

In Russia, *Gazprom Group* operates 22 UGSFs at 26 storage sites: 17 in depleted gas fields, 8 in water-bearing structures and 1 in salt caverns. As of 31 December 2013, the total active capacity for the *Group's* Russian UGSFs reached 70.4 bcm.

Kaliningradskoe UGSF

Kaliningradskoe UGSF is the first salt cavern gas storage in Russia. In 2013, the *Group* commissioned its first stage: two reservoirs with an active capacity of 54 mmcm and a maximum throughput of 4.8 mmcm per day. The project is still underway. A total of fourteen standalone reservoirs will be built in Kaliningradskoe UGSF, with a total active capacity of 800 mmcm.

UGSFs operate 18 compressor stations that comprise 35 compressor shops, 226 gas pumping units (GPUs) with an aggregate capacity of 856.2 MW, and 2,689 production wells.

In 2013, *Gazprom's* GTS in Russia received 659.4 bcm of gas (in 2012: 666.2 bcm).

In 2013, *Gazprom* commissioned the first stage of Kaliningradskoe UGSF, Russia's only salt cavern gas storage.

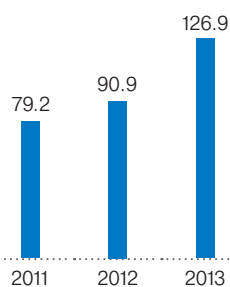
Inflow and distribution of gas transported via Gazprom's GTS in Russia in 2013, bcm

System inflow	621.0	Deliveries to customers in Russia	354.6
including Central Asian gas	29.3	including Central Asian gas	0.04
Azerbaijani gas	1.4	Deliveries outside Russia	220.2
Withdrawals from Russian UGSFs	32.7	including Central Asian gas	29.3
Decrease in GTS reserves	5.7	Azerbaijani gas	1.4
		Addition to Russian UGSFs	38.4
		Own process needs of the GTS and UGSFs	40.6
		Increase in GTS reserves	5.6
Total	659.4	Total	659.4

In 2013, 32.7 bcm of gas were withdrawn from, and 38.4 bcm of gas added to, Russian UGSFs, including 200 mmcm of buffer gas (Nevskoe UGSF). The daily throughput capacity grew by 56.7 mmcm. By the end of the 2013/2014 offtake season, the operating gas reserve in Russian UGSFs rose to 69.0 bcm, by 2.7 bcm y-o-y.

In 2013, the GTS and UGSFs used 40.6 bcm of gas for own process needs (in 2012: 40.9 bcm).

As the GTS's owner, OAO Gazprom provides independent suppliers with access to its gas pipelines, provided that there is available capacity and that the company applying for gas transportation via OAO Gazprom's GTS has a gas production license and a gas take-or-pay agreement in place. In 2013, 24 companies outside the *Group* transported gas via *Gazprom's* GTS in Russia, with a total of 111.4 bcm of gas transported (representing a 16.3% growth y-o-y).

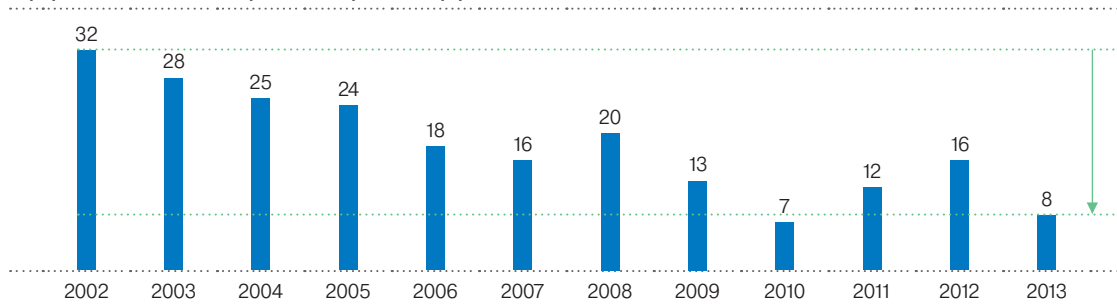
Revenue of Gazprom Group from gas transportation services (VAT excluded), RUB bln

Overhauls and scheduled preventive maintenance of GTS facilities carried out by *Gazprom* on an annual basis aim to make gas supply and transportation more reliable and efficient, and safer from engineering and environmental standpoints.

Diagnostics and overhaul of gas transportation facilities in Russia

	2012	2013
Trunk gas pipeline diagnostics		
Pigging, thousand km	22.32	22.55
Corrosion diagnostics, thousand km	23.0	21.5
Overhaul		
Trunk gas pipelines, km	2,487.29	1,818.79
including coating repairs	1,840.31	1,258.29
GDS, units	327	306
Number of equipment failures		
Total	16	8
Failure per 1,000 km	0.09	0.05

Subject to budget constraints, the *Group* is switching to operational planning based on a new approach to maintaining the technical condition and integrity of GTS facilities. This approach ranks facilities to be overhauled by risk and systemic importance, maximises positive performance by the GTS in terms of integrity and provides for targeted repair planning for less important gas pipelines.

Equipment failures at *Gazprom Group's* trunk pipelines in Russia, 2002–2013

In 2013, eight equipment failures occurred at trunk gas pipelines, or 0.05 failures per 1,000 km, i.e. half as many as a year before.

Gas transportation and underground storage in foreign countries

OAO Gazprom transgaz Belarus is the *Group's* major gas transportation asset abroad. It transports natural gas to Europe and the Kaliningrad Region and provides wholesale supplies to consumers in Belarus. *Gazprom's* control over the operator of the Belarus GTS ensures maximum performance, cost-efficiency and reliability of the transportation corridor.

The total length of gas pipelines operated by OAO Gazprom transgaz Belarus is 7.9 thousand km. Half of them are less than 20 years old. As of 31 December 2013, the company operated 10 compressor stations on the pipelines and 226 gas distribution stations (GDSs).

In 2013, inflow to the GTS operated by OAO Gazprom transgaz Belarus was 69.1 bcm of gas, including 48.8 bcm transported via Belarus in transit, which represents a 4.6 bcm (or 10.3%) growth y-o-y.

To provide for reliable and safe gas transportation via Belarus, 1.2 thousand km of local trunk gas pipelines were pigged in 2013.

ZAO ArmRosgazprom, a subsidiary of the *Group*, owns the GTS in Armenia, which comprises 1.8 thousand km of trunk gas pipelines and 75 GDSs.

Gazprom's gas is also transported via foreign countries by a number of suppliers in which the *Group* holds a non-controlling stake. In 2013, c. 23% of European gas supplies under long-term contracts with OAO Gazprom were made via offshore cross-border pipeline systems constructed with the support of the *Group*: Blue Stream and Nord Stream.

A total of 23.8 bcm of gas was supplied to European consumers (E.ON Global Commodities SE, GDF SUEZ S.A., WINGAS GmbH, Gazprom Marketing & Trading Ltd. and DONG Naturgas A/S) via Nord Stream in 2013 (2012: 11.8 bcm). Among other things, the actual utilisation of Nord Stream capacities by *Gazprom Group* in 2013 was affected by a delay in commissioning of the NEL gas pipeline (the onshore westbound leg in Germany) and restrictions imposed by the energy regulator on OPAL capacities (the onshore southbound leg in Germany). A total of 13.7 bcm of gas was supplied to consumers via Blue Stream in 2013 (against 14.7 bcm in 2012).

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

In Europe, the *Group* has access to the active capacity of UGSFs in Austria (Haidach), United Kingdom (Humbly Grove), Germany (Rehden, Katharina, and Vitol's UGSF), and Serbia (Banatski Dvor). By the start of the 2013 heating season, *Gazprom's* European gas storage capacity totalled 4.1 bcm, with a throughput capacity of 51.0 mmcm per day.

In 2013, a total of 3.9 bcm of gas was supplied to European UGSFs (including buffer gas), while the gas offtake totalled 4.1 bcm due to an unusually cold and long winter.

In FSU countries, *Gazprom* uses UGSFs in Latvia (Inchukalnskoye UGSF), Belarus (Pribugskoye, Osipovichskoye and Mozyrskoye UGSFs), and Armenia (Abovyanskaya UGS station). As of 31 December 2013, the *Group's* gas storage capacity in FSU countries totalled 2.8 bcm of gas, with a throughput capacity of 42.8 mmcm per day. The growth of active UGSF capacity was driven by an increase in the capacity of Mozyrskoye UGSF.

In 2013, a total of 2.5 bcm of gas was supplied to FSU UGSFs, with a total gas offtake of 2.1 bcm.

In 2013, Nord Stream supplied 23.8 bcm of gas to European consumers.

Major investment projects

In 2013, *Gazprom Group's* gas transportation capex decreased by 32.5% y-o-y to RUB 380.5bn. The bulk of capex was used to finance the projects for construction of the Bovanenkovo – Ukhta and the first stage of the Ukhta – Torzhok trunk gas pipeline system, as well as to expand the UGSS to supply gas to the South Stream gas pipeline.

Apart from greenfield gas transportation projects, *Gazprom* also performs upgrades and technical re-equipment of its gas transportation facilities. In 2013, the *Company* upgraded 207.8 km of trunk pipelines (in 2012: 131.8 km) and six GDSs (in 2012: two GDSs) in Russia under the Comprehensive Programme for Upgrading and Technical Re-equipment of Gas Transportation Facilities and Underground Gas Storage Facilities for 2011–2015 and eight GDSs (in 2012: two GDSs) in other countries.

In 2013, long-term financial investment was mainly related to OAO Gazprom's involvement in the construction of the South Stream gas transportation system.

Commissioned gas transportation and underground storage facilities in 2013

- 0.7 thousand km of trunk pipelines and connections.
 - 15 CSs on the pipelines with the aggregate capacity of 1,409 MW.
 - New 40.0 MW compressor station capacity at Sovkhozzone UGSF.
 - 2.2 bcm of active UGSF capacity connected to 42 wells at the Kasymovskoe, Sovkhoznoe, Kalinigradskoe, Severo-Stavropolskoe – UGSFs, Kanchurinsko-Musinsky UGS complex, and the Peschano-Umetskaya gas underground storage station.
-

In 2013, *Gazprom Group's* capex for gas underground storage were RUB 23.5bn (a 29% increase y-o-y).

The money was mainly used to increase the capacity of compressor stations and active capacity of UGSFs – upgrading Sovkhozzone UGSF, gas production facilities of the Stepnovskaya underground gas storage station, gas production and compressor assets of the Yelshanskaya underground gas storage station, and enhancing active capacity and daily throughput at the Kasymovskoye UGSF.

The *Group* continues to build the Kalinigradskoe and Volgogradskoe UGSFs in rock-salt deposits, and the Bednodemyanovskoe UGSF in water-bearing structures, and to search for new storage capacities.

We also continued building up storage capacity outside Russia, with Katharina UGSF construction costs in Germany accounting for most of the capex spent. In 2013, construction of Damborice UGSF was started in the Czech Republic on a depleted oil field.

Gas Distribution and Gas Low Pressure Pipelines Expansion

Gazprom is the only company in Russia to vigorously pursue large-scale expansion of gas infrastructure in the country, a project directly benefiting the economic potential of virtually every Russian region and the quality of lives for millions of citizens.

Gazprom is number one in the Russian gas distribution market. Gas distribution in *Gazprom Group* is covered by OAO Gazprom gazoraspredeleniye, which includes 7 branches, 159 subsidiaries and 10 affiliated gas distribution companies (GDCs), and by OOO Gazprom transgas Kazan. In gas distribution, the *Group's* priority is safe, smooth and accident-free supply of gas to consumers. The *Company* focuses on centralising GDC management through consolidation and implementation of the target "one GDC per Federal District" model to enhance operating performance.

As of 31 December 2013, *Gazprom Group's* subsidiaries and affiliated GDCs owned and serviced 716.1 thousand km of distribution gas pipelines (accounting for about 78% of the total length of Russian gas distribution networks) that transported 248.7 bcm of natural gas to consumers, including:

- 26.7 million households;
- 22.6 thousand industrial consumers;
- 44.5 thousand boiler facilities;
- 255.1 thousand utility consumers.

Gazprom has been consistently consolidating gas distribution assets through its subsidiary OAO Gazprom gazoraspredeleniye to make gas distribution business more reliable, safe and profitable. By consolidating its assets, *Gazprom Group* promotes uniform engineering, economic, financial and accounting policies and uniform approaches to development and safe operation of gas distribution systems.

Consolidating gas distribution assets

In April–May 2013, OAO Gazprom acquired shareholdings in 72 gas suppliers from OAO Rosneftegaz, gaining control for *Gazprom Group* over another 17 companies and access to the gas distribution market in eight Russian regions, including the Amur Region, Jewish Autonomous Region, Republic of Buryatia, Murmansk Region, Krasnoyarsk Territory, Republic of Tuva, Trans-Baikal Territory, and Republic of Khakassia. The deal was closed at RUB 25.9bn.

Gazprom implements a large-scale Programme for Expansion of Gas Infrastructure in Russian Regions. In 2005, OOO Gazprom mezhregiongaz took over the coordination of gas infrastructure expansion in Russia. As part of the Programme, between 2005 and 2013, the average gas infrastructure coverage in Russia grew from 53.3% to 65.3%, including from 60% to 70.9% in urban and from 34.8% to 54% in rural areas.

In 2013, the bulk of RUB 33.9bn allocated to the Programme was used to construct gas distribution networks.

The *Group* completed 170 inter-community gas pipelines, measuring 2.5 thousand km overall and covering a total of 321 communities in 41 Russian regions. Gas supply networks were additionally connected to 72 thousand households (where regional administrations honoured their obligations to set up local gas infrastructure). A total of 400 boiler facilities were switched to gas.

Only eleven regions out of all regions where the *Group* built its gas infrastructure met their obligations in line with implementation schedules set out in gas infrastructure expansion programmes. As a result, in 2014, OAO Gazprom had to cut down its gas infrastructure expansion programme by 18.6% to RUB 27.6bn. Some regions were completely excluded from the programme.

Since 2013, OAO Gazprom has been including projects for construction of NGV-fuelling compressor stations and wider use of NGV into its gas infrastructure expansion programme to develop regional sales markets, with a total of RUB 1 bn invested in such projects in 2013.




Target NGV implementation groups include: municipal transport; public utilities; agricultural industry; and small and medium enterprises. Ten regions drafted their lists of pilot investment projects for the construction of NGV-fuelling stations, conducted feasibility studies, and approved the start of construction. Pilot projects will be launched in regions that already have an NGV implementation experience. The projects will be implemented by OOO Gazprom gazomotochnoe toplivo. Switching from conventional fuels to NGV will help expand the natural gas sales market, and also help contain the growth of public transport fees, save on vehicle operation, and improve the environment.

Gazprom Group is intensively upgrading its facilities and launching new hydrocarbon processing/refining installations. Its strategic goals are in higher recovery of valuable components, higher conversion ratios, and higher added value.

Major hydrocarbon refining and petrochemical companies

Subsidiaries

In Russia

 OOO Gazprom dobycha Astrakhan
 OOO Gazprom dobycha Orenburg
 OOO Gazprom pererabotka

 OOO Sibmetahim

 OAO Gazprom neftekhim Salavat



 Gazprom нефт Group



Overseas


 Gazprom нефт Group




Affiliates


OAO Slavneft, 49.85%

In Russia


 access to OAO Slavneft-Yaroslavnefteorgsintez facilities

 Hydrocarbon processing

 Oil and gas chemistry production

 Production of oils and lubricants

Overseas

 access to OAO Mozyr Oil Refinery facilities (Belarus)

Notes

1. Information as of 31 December 2013.
2. For affiliates, investments are shown as the Group's total interest in their share capital.

Hydrocarbon refining

Gazprom Group's total hydrocarbon refining capacity is 53.5 bcm of natural gas and 89.4 million tonnes of unstable gas condensate and crude oil per year.

Gazprom Group's hydrocarbon refining and petrochemical capacity in Russia as of 31 December 2013



1 Serbia Novi Sad, Oil refinery Panchevo, Oil refinery 7.3	2 Belarus Mozyr Oil refinery (Gazprom Group's access to capacity) 2.56	3 Moscow Moscow Oil refinery 12.15	4 Yaroslavl Yaroslavlnefteorgsintez (Gazprom Group's access to 50% of capacity) 7.5
5 Sosnogorsk Sosnogorskiy GPP 1.25 3.0	6 Surgut Condensate stabilization plant 8.05	7 Novy Urengoy Condensate preparation plant 13.7	8 Astrakhan Astrakhan GPP 12.0 7.3
9 Orenburg Orenburg GPP 6.26 37.5 Orenburg helium plant 15.0	10 Salavat Monomer plant Gas chemical plant 0.95 Oil refinery 10.0	11 Omsk Omsk Oil refinery 21.4	12 Tomsk Methanol plant

Gas processing plant (GPP) with installed processing capacity

Oil refinery with installed processing capacity

Oil and gas chemical production

37.5 Natural and associated gas, bcm

6.26 Oil and condensate, mln tons

7.3 Gas condensate, million tons

2.56 Oil, million tons

In 2013, the *Group* refined 31.5 bcm of natural gas (down by 2.8% y-o-y), 66.1 mm tonnes of crude oil and unstable gas condensate, tolling arrangements excluded (up by 7.5% y-o-y). The *Group* produced 51.9 mm tonnes of petroleum products (against 49.6 mm tonnes in 2012); 3.3 mm tonnes of liquefied hydrocarbon gases (LHG) (against 3.1 mm tonnes in 2012); 3.6 mmcm of helium (2012: 4.9 mmcm).

Gazprom Group's petroleum products distribution in 2013

1	2	3	4	5 6
1 Diesel fuel				31%
2 Gasoline				23%
3 Heating oil				18%
4 Jet fuel				6%
5 Oils				1%
6 Other petroleum products				21%

The decrease in gas refining, production of dry stripped gas and sulphur in 2013 y-o-y was caused by lower production at the Astrakhan GCF, which resulted from delayed refurbishment of the Astrakhan GPP and lower production at the Orenburg OGCF and Vuktylskoye OGCF, i.e. those feeding the Orenburg GPP and Sosnogorsky GPP.

The increase in oil and unstable gas condensate refining in the reporting year was driven by the increased production of gas condensate from valanginian deposits of the Zapolyarnoye OGCF and from the achimovsk formation of the Urengoykoye OGCF, as well as by consolidation of OAO Gazprom neftekhim Salavat on 01 June 2012. A minor 1.6% decrease in output of *Gazprom нефть* was due to scheduled refinery maintenance.

Gasoline and diesel fuel were key drivers of the increased petroleum products output. However, production of heating oil went down due to an increase in the bitumen output driven by the growing demand, and enhanced capacity of the upgraded the Moscow Refinery's bitumen plant.

The reporting year demonstrates a higher production depth at the *Group's* own refineries, including the Omsk Refinery with 91% and OAO Gazprom neftekhim Salavat's refinery with up to 81% conversion (2012: 75%).

Products diversification and quality improvement

In 2013, all Russian *Gazprom нефть's* refineries completed transition to production of ultra-low sulphur class 5 fuels, significantly ahead of the deadlines scheduled by the Russian Government. It became possible through upgrades of production facilities.

Gazprom neftekhim Salavat's refinery also started producing class 5 gasoline. The refinery switched to production of only Euro 5 winter diesel, mastered Arctic diesel production, and virtually suspended production of high-sulphur regular diesel. Strict supervision over the compounding process and minimisation of the viscosity margin caused a decrease in the standard fuel oil output.

The new plant for light hydrocracking and hydrotreating of motor fuels at the Pancevo refinery (Serbia) allowed NIS (a subsidiary) to complete switching to Euro 5 gasoline and diesel production in 2013.

Gazprom нефть continues to actively grow its bitumen business segment. In December 2012, it acquired a bitumen plant in Kazakhstan with the production capacity of up to 280 thousand tonnes per year. The Omsk Oil Refinery feeds the bitumen production. To strengthen the *Group's* position on a rapidly growing bitumen market, in December 2013, *Gazprom нефть* acquired the largest Russian producer of polymer-bitumen binding materials (polymer asphalt) – ZAO Ryazan Petrochemical Experimental Plant (Ryazan), with the production capacity of up to 60 thousand tonnes per year. The Moscow Oil Refinery supplies the plant with a feed for polymer asphalt production. Polymers are supplied by OAO Sibur Holding.

The crude oil production depth at the Omsk Refinery is one of the highest in industry.

Major investment projects

In 2013, the *Group's* capex for refining was RUB 109.4bn (2012: RUB 128.5bn).

Major investments were made in construction of the Novy Urengoy Chemical Complex, upgrading *Gazprom нефт Group* refinery capacities, modernization at the Astrakhan Gas Processing Plant, and construction and modernization of refining capacity and petrochemical by OAO Gazprom neftekhim Salavat.

In 2013, the Moscow Refinery commissioned upgraded diesel fuel and catalytic cracking gasoline hydrotreaters, and an isomerization unit; a diesel fuel hydrotreater was also commissioned at the OAO Slavneft-Yaroslavnefteorgsintez.

Gazprom holds leading positions in the Russian market in installed electric power and heat generating capacities. One of the *Group's* top priorities is to further increase efficiency of electric power and heat generation.

Major electric power and heat generating and supplying companies

Subsidiaries

In Russia

-  OAO Mosenergo
-  OAO TGC-1
-  OAO OGK-2
-  OAO MIPC
-  OAO Mezhtregionenergosbyt

Overseas

-  ZAO ArmRosgazprom
- 
-  Gazprom Germany Group

 Electricity and heating energy generation

 Electricity sales








Note

Information as of 31 December 2013.

Acquisition of
OAO MIPC made
the *Group*
the largest global
heat generator.

The *Group* is the largest Russian owner of generating assets with 38 GW of installed capacity. Acquisition of OAO MIPC made the *Group* the largest Russian and global heat energy producer. *Gazprom* accounts for 15% of electric power and 22% of heat energy generated in Russia.

Installed electric capacity of Russian power companies, GW

<i>Gazprom</i> excl. overseas assets	38.2	
RusHydro	37.4	
Inter RAO UES	33.6	
Rosatom	25.3	
EuroSibEnergo	19.5	
IES Holding	14.7	
E.ON Russia	10.3	

Source: *Gazprom* data, company data and data of OAO SO EES.



1 Adler Adler TPP OGK-2 351 227	2 Stavropol Stavropolskaya GRES OGK-2 2 400 145	3 Novocherkassk Novocherkasskaya GRES OGK-2 1 884 60	4 Moscow and Moscow region 15 stations Mosenergo MIPC 12 262 34 809 193 17 529
5 Ryazan Ryazanskaya GRES OGK-2 3 070 180	6 Pskov Pskovskaya GRES OGK-2 435 84	7 Kirishi Kirishskaya GRES OGK-2 2 595 1 234	8 Sankt-Petersburg, Republic of Karelia, Leningrad and Murmansk regions 55 stations TGK-1 7 238 14 234
9 Cherepovets Cherepovetskaya GRES OGK-2 630 39	10 Salavat Novo-Salavatskaya CHPP 541 1 619	11 Troitsk Troitskaya GRES OGK-2 1 574 315	12 Serov Serovskaya GRES OGK-2 538 110
13 Surgut Surgutskaya GRES-1 OGK-2 3 268 903	14 Krasnoyarsk Krasnoyarskaya GRES-2 OGK-2 1 250 1 176		

Installed power capacity as of 31 December 2013, MW

Installed heat capacity as of 31 December 2013, Gcal/h

The *Group's* major generating assets are consolidated in OOO Gazprom Energoholding, a 100% subsidiary, controlling OAO Mosenergo, OAO TGC-1, and OAO MIPC. OAO OGK-2 is 100%-owned by OAO Tsentrenergoholding, a subsidiary of OOO Gazprom Energoholding.

Acquisition of OAO MIPC was the largest Russian power deal in 2013

In September 2013, OOO Gazprom Energoholding completed acquisition of 89.98% in OAO MIPC and the assets serving to the Moscow heat energy infrastructure and leased from the Government of Moscow by OAO MIPC. The tendered asset value was RUB 98.6bn. OAO MIPC services 227 generating facilities with the total capacity of 17,529.2 Gcal/h, including eight 193.24 MW electric power generation facilities and 130.8 Gcal/h heat energy generation facilities. OAO MIPC supplies heating and hot water to more than 70 thousand buildings, 33.1 thousand of which are blocks of flats. The company operates more than 16 thousand km of heat distribution pipelines.

Acquisition of shares and assets of OAO MIPC would give *Gazprom Group* synergies in reduction of fuel consumption by the Moscow heating system by redirecting loads from OAO MIPC's boilers to OAO Mosenergo's power plants and more efficient heating system management. OAO MIPC and OAO Mosenergo jointly account for 90% of heat energy generated and distributed in Moscow.

OAO Mezhtregionenergosbyt, a *Gazprom Group* company, is a leader in the Russian electric power trading market. Its subscribers include over 700 large and medium electric power consumers in 47 constituent entities of the Russian Federation. The company is active in wholesale and retail electric power markets accounting for more than 96% of electric power consumed by *Gazprom Group's* subsidiaries, and also sells electric power to consumers outside the *Group*.

Construction of new overseas generating assets

In September 2013, OOO Gazprom Energoholding and NIS, the *Group's* subsidiary, signed a memorandum on the construction of the Steam and Gas Thermal Plant of up to 208 MW in Serbian Pancevo. Generated heat energy will be primarily used for NIS' refineries and the petrochemical complex HIP Petrohemija, a strategic partner of NIS. The estimated value of the project is EUR 180mm. The Plant is scheduled for commissioning in 2017.

Acting abroad through its subsidiary, ZAO ArmRosgasprom, *Gazprom* completed one of the largest gas and energy projects in Armenia. In 2011, the 5th energy unit of the Razdan TPP was constructed with addition of gas turbines and driving the installed capacity to 467 MW through utilisation of an advanced gas-fired technology. The power generating unit commissioned in 2013 helped reduce energy shortage in the region.

Generation and distribution of electric power and heat energy

According to the Central Dispatching Department of Fuel and Energy Complex (CDU TEK) of the Ministry of Energy of the Russian Federation, in 2013 Russian electric power output decreased 1.62% y-o-y to 1.053 tn kWh. Heat energy production increased 1.3% y-o-y to 513.8 mm Gcal.

The *Group's* year-end Russian energy production was 161.4 bn kWh of electric power or 3.3% less y-o-y, and 112.5 mm Gcal of heat energy or 11.3% more y-o-y. Minimised workload of inefficient units and a lower demand for electric power were key factors affecting electric power generation in the reporting year. Heat energy output increased by consolidation of OAO MIPC results after the *Group* took over control in September 2013.

In 2013, the 5th energy unit of the Razdan TPP generated 1.1 bn kWh of electric power driving *Gazprom Group's* total energy output in 2013 to 162.5 bn kWh of electric power and 112.5 mm Gcal of heat energy.

The electric power generated by the *Group's* Russian generating companies is sold on the domestic wholesale electric power market and part of it is exported. To cover emergency repairs and regulated contracts during the equipment shutdown periods, the *Group's* generating companies purchase additional electric power and heat energy for resale.

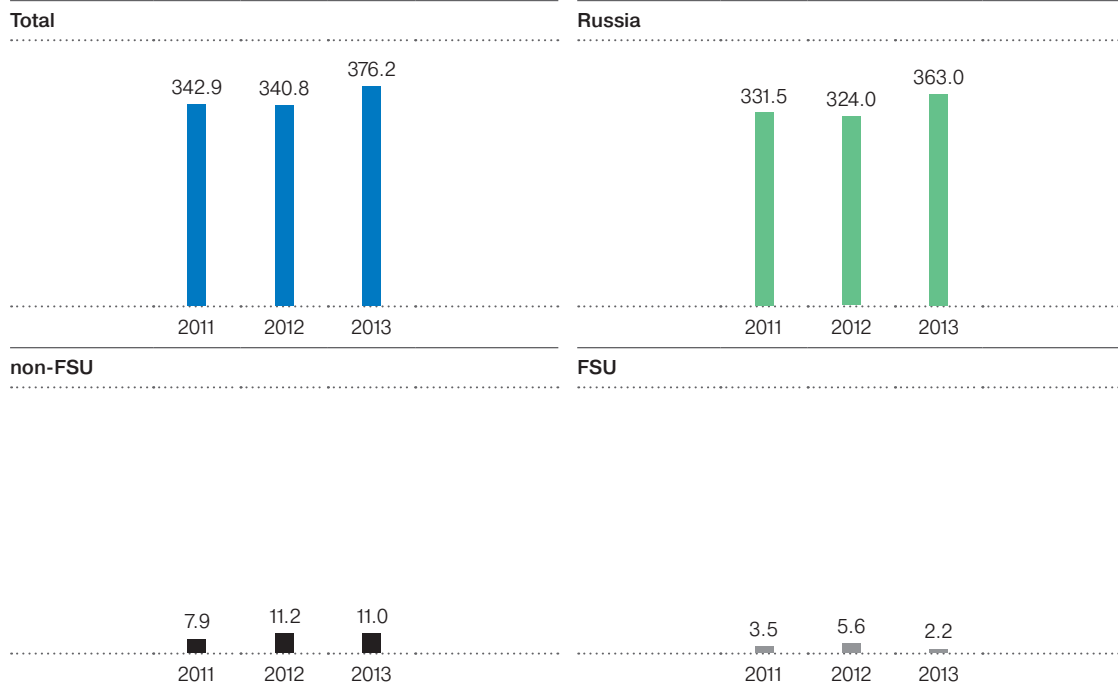
In 2013, OAO Mezhtregionenergosbyt sold 5.6 bn kWh of electric power to consumers outside the *Group*.

Gazprom Group's contribution to establishment of the charging infrastructure in Moscow

In 2013, OAO Mosenergo cooperated with the Government of Moscow in construction of charging stations for electric vehicles and concluded preliminary arrangements on wider utilisation of electric vehicles and construction of the required infrastructure in Moscow.

In 2013 sales of electric power generated by the 5th energy unit of the Razdan TPP (Armenia) were 1 bn kWh. The *Group* also delivered c. 2.3 bn kWh of electric power to its end consumers in UK, Germany, and Netherlands in 2013 (2012: 2.1 bn kWh).

Gazprom Group's electric power and heat sales revenue (VAT and other charges excluded) in 2013 was RUB 376.2bn, a 10.4% increase y-o-y.

Gazprom Group's revenue from electric power and heat energy sales (VAT and other charges excluded), RUB bn

Gazprom Group also trades in electric power on European trading platforms. The total electric power traded during the reporting year was 240 bn kWh.

Efficiency of operations

One of the Gazprom Group's top power generation priorities is to further increase efficiency of electric power and heat generation. The Group's Russian generating companies run a number of cost optimisation programmes and take actions to improve their financial performance:

- Lean Production programme;
- Programme for enhancing shareholder value;
- Personnel cost optimisation;
- Upgrading and retrofitting process optimisation;
- Repair and investment programmes optimisation.

For instance, the cost optimisation programme of OAO OGK-2 in the reporting year included optimisation of loads and fuel balance, as well as procurement upgrading and organisational improvement.

The above programmes and actions generally helped the Group's Russian generating companies reduce their costs by RUB 4.8bn in 2013.

Major investment projects

Gazprom Group is one of the largest investors in the Russian power generating industry. The Group's generating companies implement the investment program, taking account of their obligations under capacity supply agreements (CSA). This secures a substantial cash flow from selling electric power and the capacity of new power generating units. Completion of the CSA programme by the Group's companies is expected to provide c. 9 GW of new generating capacities in Russia in 2007 through 2016, while the total investment programme value for this period is expected to exceed RUB 400bn.

During 2013, the Group put onstream 420 MW of new generating capacities in Russia.

Generating capacities commissioned in 2013

- Two 360 MW power generating units PGU-180 at the Adler TPP (OAO OGK-2) constructed as the Olympic facility according to the Programme for the Construction of Olympic Venues and development of Sochi.
- 29.5 MW hydropower unit No. 5 at the Lesogorskaya HPP (OAO TGC-1).
- 30.5 MW hydropower unit No. 12 at the Svetogorskaya HPP (OAO TGC-1).

The reporting year also saw completion of the heating pipeline from Apatitskaya CHPP to Kirovsk (the Murmansk Region). It was a socially significant investment project aimed at higher heating supply quality and reliability and cutting down the expensive heating oil generation. The largest electric power supplier on the Karelian Isthmus – the Vuoksa HPPs Cascade – was also commissioned after a large-scale upgrade.

Gazprom Group's capex for electric power and heat generation and distribution during the reporting year was RUB 71.5bn (a 37.5% increase y-o-y).

In 2013, the bulk of capital investments was funnelled to the construction of a 660 MW power unit at the Troitskaya GRES, the second stage of the Cherepovetskaya GRES, and a coal-fired generating unit with the use of CFB technology at the Novocherkasskaya GRES (OAO OGK-2), as well as upgrades to CHPP-20 and CHPP-12, and replacement of the first stage of the boiler-turbine shop at the power unit of CHPP-16 of OAO Mosenergo.

While maintaining its leadership in its traditional markets, *Gazprom* is vigorously pursuing new distribution and marketing opportunities.

Major sellers of natural gas, liquid hydrocarbons, refined and petrochemical products

OAO Gazprom

Russia



Overseas



Subsidiaries

Russia

OOO Gazprom mezhregiongaz

Overseas

Gazprom Germania Group

Gazprom нефт Group



Gazprom нефт Group



OAO Gazprom neftekhim Salavat

OAO Gazprom neftekhim Salavat

Affiliates

Overseas

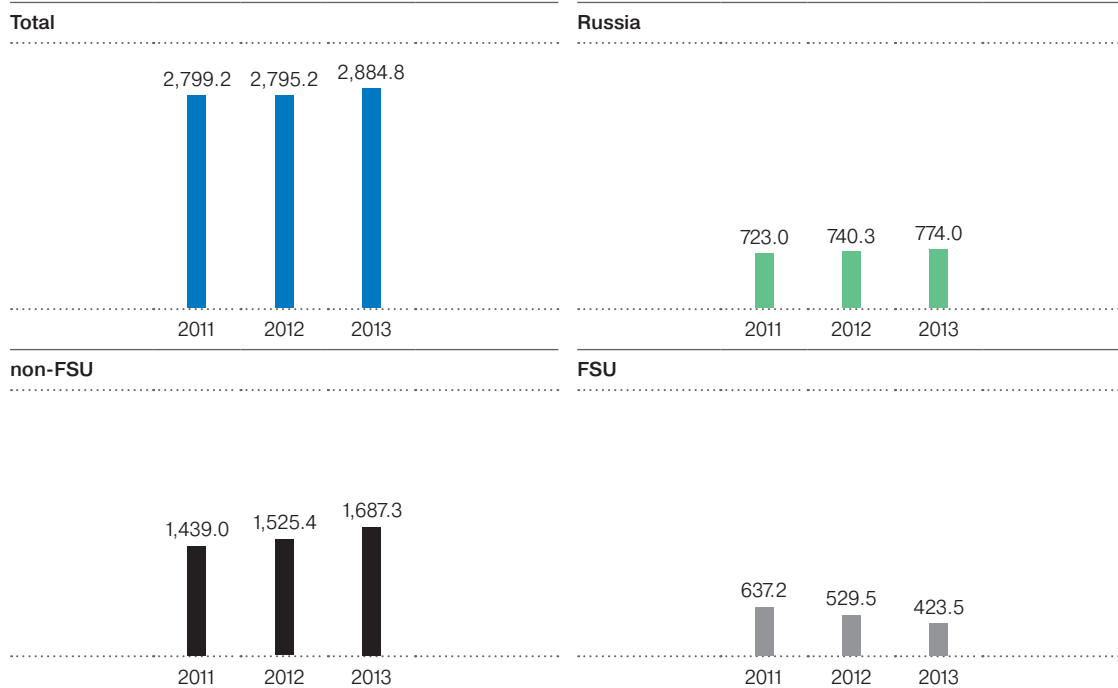
Bosphorus Gaz Corporation A.S., 71%
 Gasum Oy, 25%
 Overgas Inc., 50%
Panrusgas Gas Trading Plc., 40%
PROMETHEUS GAS S.A., 50%
SGT EuRoPol GAZ S.A., 48%
Turusgaz A.S., 45%

W&G Beteiligungs-GmbH & Co. KG, 50%
 Wintershall Erdgas Handelshaus
 GmbH & Co. KG, 50%
AO Latvijas Gāze, 34%
AO Lietuvos Dujos, 37%
AO Moldovagaz, 50%
TOO KazRosGaz, 50%

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

Notes

1. Information as of 31 December 2013.
2. For affiliates, investments are shown as the *Group's* total interest in their share capital.

Gazprom Group's revenue from sales of natural gas (VAT and other charges excluded), RUB bn

Natural gas has been gaining an increasing share of the world energy market in recent years due to the growing global demand for clean fossil fuels. The key drivers of demand in Asia include high GDP and industrial production growth rates, and active substitution of coal, oil products and nuclear power for natural gas. Natural gas consumption in North America has grown in recent years due to low prices, which boosted demand from electrical power generation industry, manufacturing industries, and the transport sector.

In the FSU countries and Russia, the achieved shares of natural gas in primary energy consumption are among the highest globally. For example, in Russia it is between 54% and 55%; in the FSU countries it averages 50%, while in Europe it is approximately 23%. However, the share of gas in energy balance has been declining in the FSU countries in recent years. The share of natural gas in European countries' energy balance has not changed significantly in recent years, while natural gas consumption decreased by 11% in 2010 through 2013 due to deindustrialisation processes and the development of subsidised renewable energy.

European gas market

OAO Gazprom is the only supplier of Russian natural gas to Europe. In 2013, the *Company's* share of the European market (far-abroad countries, including Turkey) was 30% of total gas consumption and 64.3% of total imports. For the EU market these figures were 29.3% and 43.1% respectively.

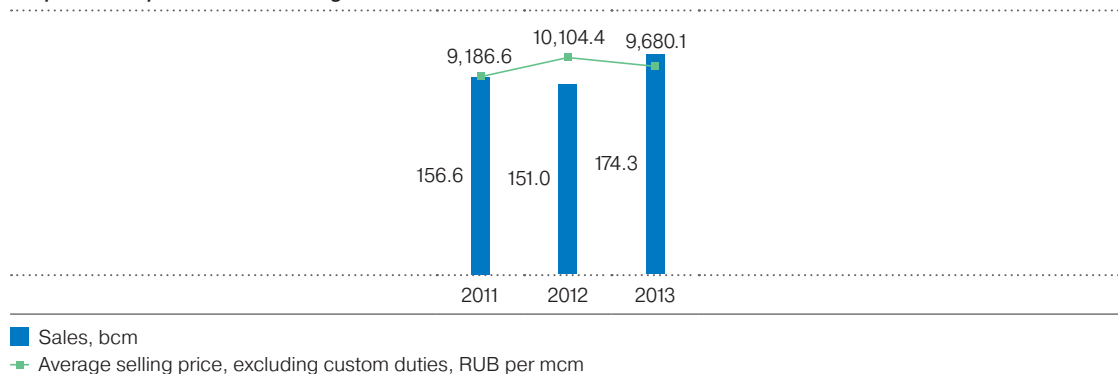
The terms and conditions of existing contracts ensure a balanced demand/supply situation in the market. Still, they do not eliminate the possibility of structural gaps resulting from the strict take-or-pay obligations the end consumers usually have before natural gas importers.

Due to the economic downturn and the declining share of natural gas in power generation, natural gas consumption in the European market decreased by 60.9 bcm in 2010 through 2013. Although the decline was due in no small part to weather conditions, one can state that natural gas consumption in the last three years has been stagnant or falling (at an average rate of 1.5% per year).

In this situation, OAO Gazprom revised the off-take obligations under its take-or-pay contracts, along with prices under its long-term contracts with some European partners. The contract framework system was also continued to adjusted to reflect the existing market conditions and improve the competitive advantage of Russian natural gas supplies. Still, the *Group* kept unchanged the pricing principles for our long-term contracts, including oil-indexed pricing.

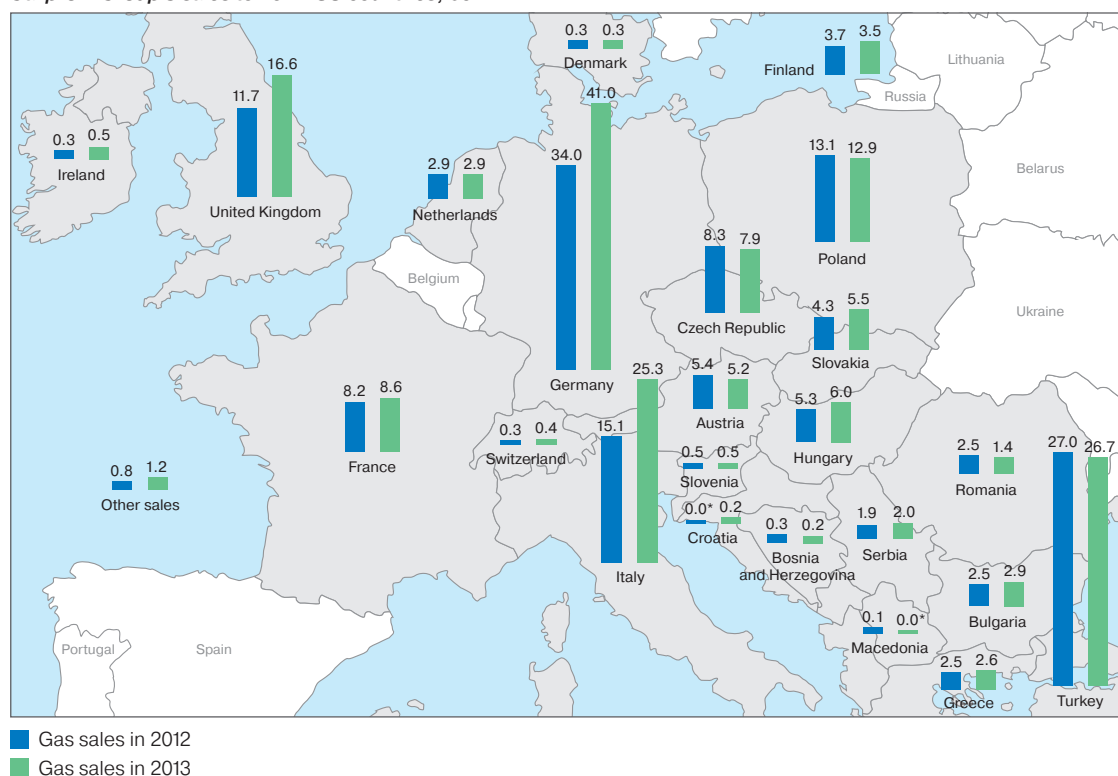
These measures largely contributed to a significant increase in OAO Gazprom's natural gas supplies to the European market under long-term contracts to 161.5 bcm, up 16% y-o-y. In 2013, the weighted average price of natural gas under OAO Gazprom's long-term contracts was USD 387 per mcm versus USD 402 per mcm in 2012 (-3.7% y-o-y).

Gazprom Group's sales of natural gas to non-FSU countries



In 2013, the *Group's* revenue from sales of natural gas to non-FSU countries grew to RUB 1,687.3bn (net of customs duties), with total sales volumes of 174.3 bcm. In 2013 and 2012, *Gazprom Group's* natural gas sales to non-FSU countries represented approximately 38% and 32% of the total natural gas sales, respectively, and 58% and 55% of the gas sales revenue for the indicated periods, respectively.

Gazprom Group's sales to non-FSU countries, bcm



* less than 0.05

In 2013, *Gazprom Group's* subsidiaries sold 3.9 bcm of gas directly to end consumers in the UK, Ireland, France, the Netherlands, the Czech Republic and Slovakia. Via its affiliates the *Group* supplied gas to end consumers in Bulgaria, Germany, Italy, Romania, Serbia, Slovakia, Turkey, Czech Republic and Finland.

The Group increases its participation in European gas trade and storage business

A number of joint ventures have been established in key natural gas consumer countries with the *Group's* participation, including the following major European gas trade and storage companies: WINGAS GmbH (WINGAS) and Wintershall Erdgas Handelshaus GmbH & Co. KG (WIEH) in Germany, Wintershall Erdgas Handelshaus Zug AG (WIEE) in Switzerland.

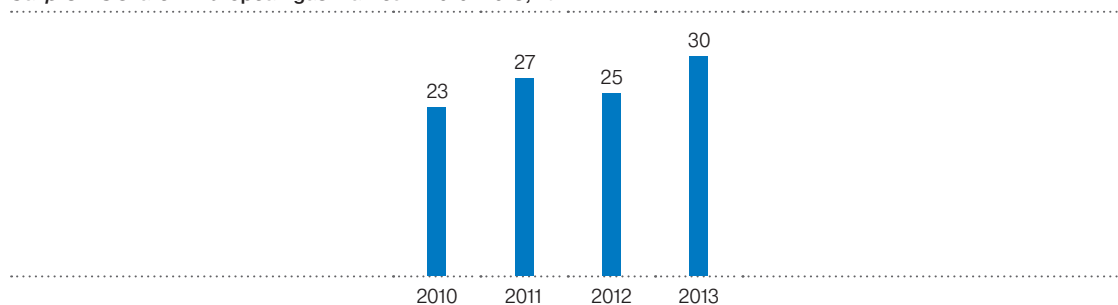
Pursuant to the Master Asset Swap Agreement signed between OAO Gazprom and Wintershall Holding GmbH in December 2013, *Gazprom Group* will increase its interest in WINGAS, WIEH and WIEE to 100%.

WINGAS and its subsidiaries are among the leading natural gas traders and suppliers in Germany with a local market share of over 20% and natural gas supplies to the Netherlands, Belgium, the UK, Austria and other European countries. WIEH is a major wholesale supplier to German gas companies, while WIEE and its subsidiaries are suppliers of natural gas to South Eastern Europe. In 2013, the aggregate sales of natural gas by the said companies totalled approximately 50 bcm.

Besides supplying natural gas, WINGAS has interests in the share capital of major European UGSFs such as Rehden, Haidach and Jemgum, with an aggregate gas storage capacity of over 6 bcm, and it markets via its subsidiary, astora GmbH & Co. KG.

Natural gas supplies to Europe in 2010–2013

	2010	2011	2012	2013
Supplies by major gas exporters				
OAO Gazprom (under long-term contracts)	138.6	150.0	138.8	161.5
Algeria (including LNG)	57.3	52.4	46.5	37.9
Libya (including LNG)	10.3	2.5	6.7	6.2
Qatar	32.9	43.9	31.3	24.8
Nigeria	13.5	18.1	12.1	7.5
Supplies by major European producers				
Norway	115.4	109.4	121.4	115.4
Netherlands	76.5	72.9	43.8	40.9
UK	64.5	51.1	72.6	81.5
Other supplies	100.8	56.6	73.5	62.5
Total	609.8	556.9	546.7	538.2

Gazprom's share in European gas market in 2010–2013, %

Growth potential for European natural gas demand is still limited in the mid-term. European gas consumption declined by 8.5 bcm or 1.6% in 2013 to 538.2 bcm, due primarily to the same factors as in 2012: stagnating industrial production and declining relative economic advantages of using gas for power generation. The housing and utility services sector saw further declines in specific gas consumption due to improved heat insulation of buildings and, indirectly, due to increased efficiency of electric heating devices.

2013 saw continued policies that promote the use of renewable energy sources, including, biofuels, hydro-electric power, and wind power, and provide preferential factors for consumption of energy generated from such sources.

According to the *Group's* estimates, demand in 2014 will continue to be adversely affected by these factors. However, the policies promoting the use of renewable sources of energy may in fact stimulate the demand for the *Group's* natural gas in mid-term, given the unstable renewable power supplies, *Gazprom* is capable of rapidly growing its supplies as was the case in the first half of 2013 during a spell of abnormally cold weather in Europe.

With natural gas primarily used in the housing and utility services sector, gas consumption becomes increasingly dependent on weather conditions. The first half of 2013 saw beneficial influence of weather on consumption as long winter resulted in an increased demand as compared to same period in 2012. Spells of cold weather in Europe in March through April 2013 accelerated the withdrawal of natural gas from storage facilities, which subsequently were replenishing their stock until the year end. However milder weather conditions in Q3 brought gas consumption back to 2012 level, while the unusually warm weather in Q4 resulted in gas consumption declines y-o-y.

In this situation, gas supplies to Europe dropped in 2013. Own production declined to 288.1 bcm. LNG supply remained limited as economies in Asia-Pacific, the Middle East, Latin America and Europe compete for LNG shipments in an attempt to satisfy their growing demand or substitute more expensive oil products. Net LNG imports to Europe in 2013 were 46.6 bcm, while pipeline supplies were 206.1 bcm.

In addition, there are cases when other major natural gas suppliers to the European market are abandoning oil-indexed pricing and link contract prices to spot prices. Simultaneously, they seek to increase the proportion of flexible seller's obligations under contracts with European buyers to enable reducing supply in the case of low market prices, or natural gas shipments to more attractive markets, primarily to premium markets in Asia-Pacific.

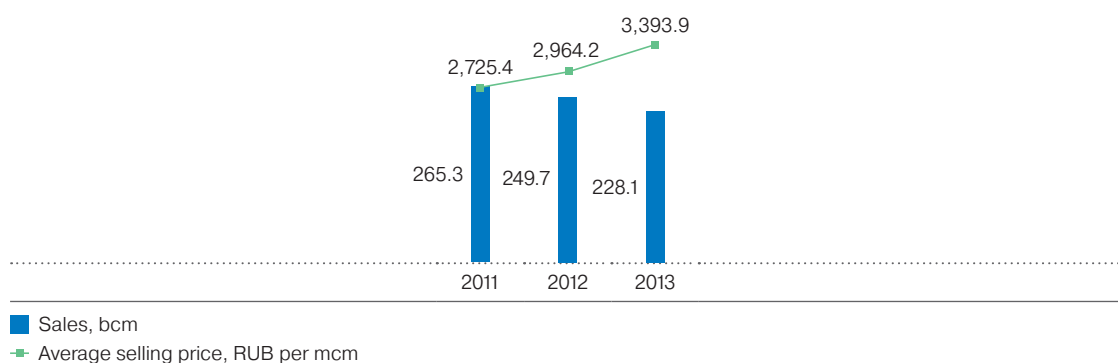
Russian gas market

In 2013, *Gazprom Group's* natural gas sales to Russian consumers amounted to 228.1 bcm, with gas sales revenue totalling RUB 774.0bn.

Gazprom Group's domestic natural gas sales in 2013 and 2012 accounted for approximately 49% and 53% of the total natural gas sales, respectively, and 27% and 26% of gas sales revenue for the indicated periods.

Domestic natural gas market in Russia consists of regulated and unregulated segments. *Gazprom Group* is the largest natural gas supplier to the regulated market. *Gazprom's* sales in the regulated gas market were 216.77 bcm (net of intercompany sales), representing 95% of the total natural gas sales in the domestic market (232.65 bcm in 2012 and 248.15 bcm in 2011).

***Gazprom Group's* gas sales in Russia**



A number of regional gas companies outside the UGSS' scope are also active in the regulated segment.

Regulated wholesale natural gas prices are differentiated between consumer groups (household vs industrial consumers), as well as by price bands based on the relative distance from the gas production region to the consumer. Therefore, the regulated wholesale prices for households are 22% lower than those for industrial consumers. The regulated wholesale gas prices that are currently in effect are set below those which are economically viable.

Weighted average wholesale regulated natural gas prices for industrial and household consumers

	2011	2012	2013
Weighted average annual price for industrial and household consumers ⁽¹⁾ , (RUB per mcm)	2,745.1	2,961.3	3,393.0
Weighted average annual price for industrial consumers ⁽²⁾ , (RUB per mcm)	2,885.0	3,103.7	3,565.7
Weighted average annual price for subsequent sales to households ⁽²⁾ , (RUB per mcm)	2,199.6	2,428.9	2,801.4

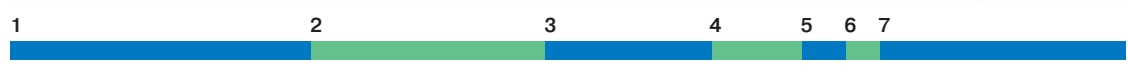
Notes

1. Calculated as the combined weighted average prices for industrial and household consumers for the year indicated. Weighting is based on actual volumes delivered to each price band for household and industrial consumers for 2011, 2012, and for 2013 (exclusive of gas volumes supplied pursuant to Resolution of the Government of the Russian Federation No. 333 On Improving the State Regulation of Gas Prices of 28 May 2007).

2. Weighting is based on actual volumes delivered to each price band for each group of consumers separately, industrial consumers and households for 2011, 2012, and for 2013 (exclusive of gas volumes supplied pursuant to Resolution of the Government of the Russian Federation No. 333 On Improving the State Regulation of Gas Prices of 28 May 2007).

In 2013, natural gas consumption in Russia was 461.28 bcm, down 1% y-o-y on 2012. The Russian electric power industry is the largest consumer of natural gas. In 2013, *Gazprom Group's* natural gas supplied to electricity generating companies accounted for approximately 27% of our total domestic natural gas supplies (excluding intercompany sales). Natural gas is also heavily used in metallurgical, agro-chemical, construction and other sectors, as well as in households (housing and utility services). *Gazprom Group* concludes both long-term and annual gas supply contracts with Russian gas consumers.

Gazprom's domestic natural gas sales in 2013 by consumer group

1	2	3	4	5	6	7
						
1 Electric power						27%
2 Households						21%
3 Housing and utility services						15%
4 Agro-chemistry						8%
5 Metallurgy						4%
6 Cement industry						3%
7 Other						22%

Gazprom Group faces competition from other Russian natural gas producers, the largest of which are OAO NOVATEK, OAO NK Rosneft Oil Company and OAO LUKOIL.

Independent producers enjoy more favourable conditions in terms of natural gas sales to Russian consumers, which is gradually eating away OAO Gazprom's market share in the supply of natural gas in the regions with effective demand from industrial consumers near production sites (the Irkutsk Region, Kostroma Region, Novosibirsk Region, Sverdlovsk Region, Chelyabinsk Region, the Khanty-Mansi Autonomous Area (Yugra), and the Perm Territory) and increasing independent producers' share of the Russian market. In 2011 through 2013, the share of independent producers in Russian gas production increased from 21.8% to 24.96%. However, no independent gas suppliers deliver gas to certain regions of the Central and Southern Federal Districts that are a long distance away from their gas production sites.

In addition, pursuant to Federal Law On Gas Supply in the Russian Federation, OAO Gazprom and its subsidiaries are responsible for uninterrupted and accident-free supply of gas to all Russian consumers regardless of their geographic location and industrial affiliation.

Constraints on OAO Gazprom's competitiveness in the domestic market

Growing tax burden on OAO Gazprom's. The MET rates for natural gas have been on the increase since 2011, climbing to RUB 602 per mcm in 2013 from RUB 147 in 2010. Federal Law No. 263-FZ of 30 September 2013 introduced a formula, effective from 01 July 2014, for calculating the MET rates for natural gas and gas condensate instead of fixed MET rates. The formula takes into account, among other factors, the degree of difficulty of extracting flammable natural gas and/or gas condensate from hydrocarbon deposits, as well as oil and gas prices.

State regulation of OAO Gazprom's pricing and marketing policies. Due to strict state regulation of OAO Gazprom's pricing and marketing policies, independent producers have a significant advantage in domestic gas sales in that they may sell gas at unregulated prices and do not bear infrastructure maintenance costs.

Under the existing wholesale gas pricing model that includes interregional cross-subsidies and gas transportation tariffs, independent producers enjoy a competitive edge in Northern and North-Eastern regions of Russia (with a minimal transportation leg). It results in a regional monopolization and restricts market competition.

To control inflation, maintain consumer demand for goods, and incentivise domestic production the Government of Russia plans to introduce in 2014–2016, a number of additional restrictions on indexing regulated gas prices at which OAO Gazprom supplies natural gas to the domestic market below the previous year's inflation rate. It postpones achieving equal profitability of non-FSU and domestic gas supplies based on pricing principles and price formulas taking into account, among other things, market price quotations of fuel resources comparable with gas. No indexation of gas prices for any consumers except for households is planned for 2014.

The growth of domestic regulated gas prices is capped by the Forecast of Social and Economic Development of the Russian Federation prepared by the Ministry of Economic Development of the Russian Federation and approved by the RF Government in September 2013.

Weighted average parameters of changes in domestic natural gas prices for 2014 through 2016, average increase y-o-y, %

	2014	2015	2016
Average regulated wholesale prices for all Russian consumer groups, excluding household consumers	7.6	2.2	4.9
Average regulated wholesale prices for subsequent resale to household consumers	10.2	3.8	3.3

To increase the effectiveness of domestic sales OAO Gazprom is constantly in discussions with federal executive authorities.

The Government of the Russian Federation received a proposal to allow OAO Gazprom in certain cases and in certain region sell natural gas at prices within a range with predetermined thresholds, rather than strictly at fixed prices. Federal executive authority is preparing amendments to that effect to Resolution of the Government of the Russian Federation No. 1021 On State Regulation of Gas Prices and Transportation Service Tariffs in the Russian Federation of 29 December 2000, which, if accepted, would allow OAO Gazprom to sell natural gas to industrial consumers at prices ranging from threshold maximums to threshold minimums determined under the proposed procedure.

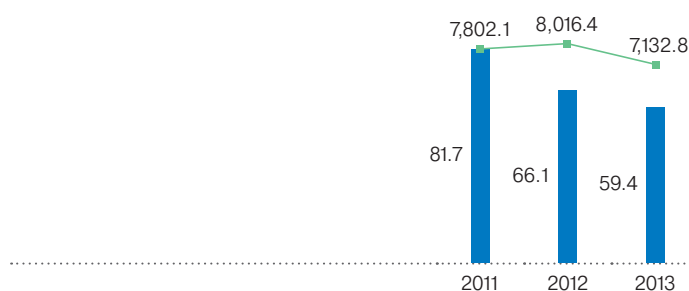
The Commission of the President of the Russian Federation for Strategic Development of the Fuel and Energy Sector and Environmental Security received proposals to speed up the completion of activities to ensure equal profitability of gas supplies to different regions, eliminate cross-subsidies among different consumer categories, and develop an action plan for shifting to gas price and tariff regulation based on reasonable costs and wholesale pricing, as well as economically sound rate of return.

Resolution of the Government of the Russian Federation No. 323 On Natural Gas Trading at Commodity Exchanges and Amendments to the Russian Government's Regulations on State Regulation of Natural Gas Prices and Access to OAO Gazprom's Gas Transportation System of 16 April 2012, enabled OAO Gazprom and its affiliates to sell up to 17.5 bcm of natural gas at unregulated prices at commodity exchanges starting from 2013. Launching exchange trade in natural gas and re-launching trade in physical gas volumes at electronic trading platforms, which was suspended in 2009 and requires a new resolution of the Government for re-launch, are important measures towards the establishment of market pricing principles in the domestic market. Renewal of such trade would help obtain market indicators necessary to improve the natural gas pricing system.

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

In 2013, *Gazprom Group's* gas sales to the FSU countries were 59.4 bcm versus 66.1 bcm in 2012, with gas sales revenue (net of customs duties) at RUB 423.5bn (RUB 529.5bn in 2012). *Gazprom Group's* gas sales to the FSU countries in 2013 and 2012 accounted for approximately 13% and 14%, respectively, of the total natural gas sales and 15% and 19% of the total gas sales revenue for these periods. *Gazprom Group* covers a significant portion of natural gas consumption in the FSU countries. Ukraine and Belarus are the largest consumers.

Gazprom Group's natural gas sales to the FSU countries



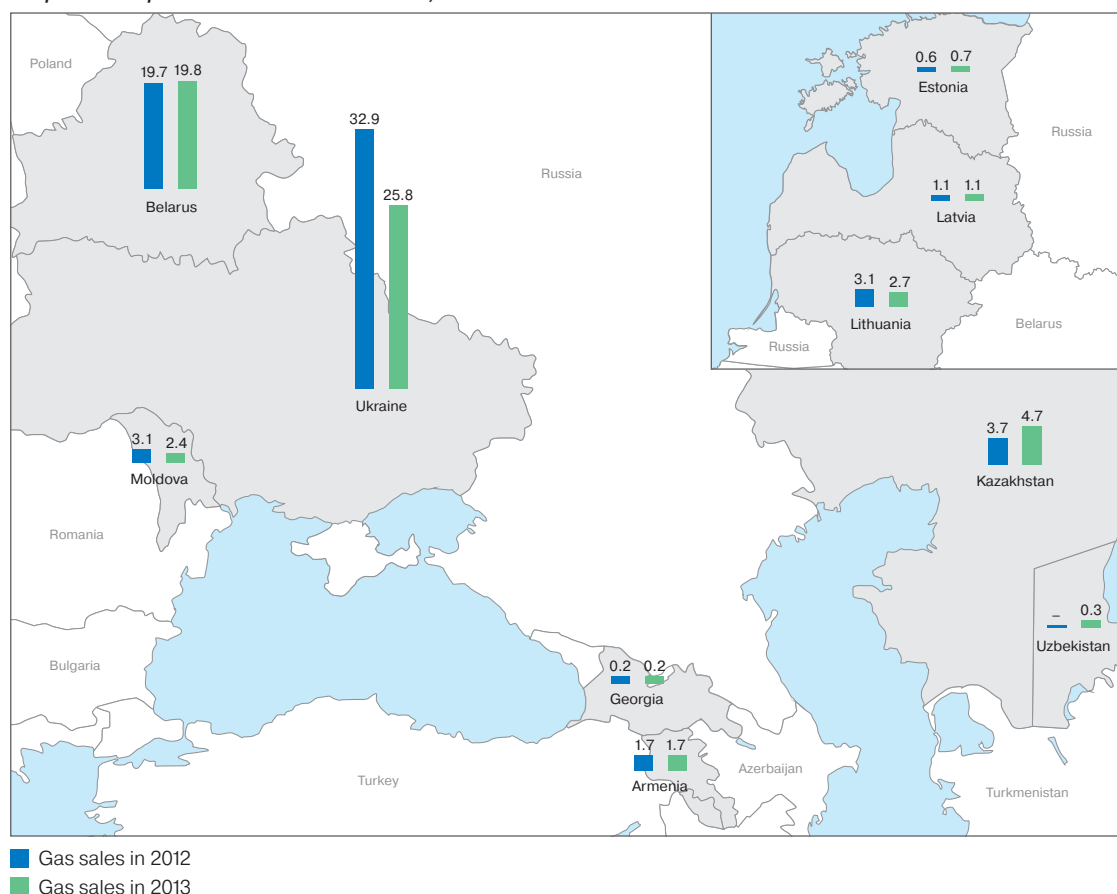
■ Sales, bcm

— Average selling price, excluding custom duties, RUB per mcm

In 2013, natural gas supplies to the FSU countries decreased y-o-y, primarily due to decreased demand in Ukraine and the Baltic states.

Total gas consumption by FSU importing countries also decreased due to general economic conditions and further decline of industrial production, as well as increasing share of coal and other energy resources in their fuel and energy mixes. According to preliminary estimates, gas consumption in those countries declined by 6% or by 5.3 bcm versus 2012 to c. 83.1 bcm.

Gazprom Group's sales to the FSU countries, bcm



■ Gas sales in 2012

■ Gas sales in 2013

In 2013, *Gazprom Group's* share in total consumption by FSU countries was 66% decreasing by 5% or by 8.3 bcm y-o-y.

At the same time as in previous years, *Gazprom Group* in 2013 provided 100% of natural gas consumption in Moldova, Latvia, Lithuania and Estonia.

In addition to Russia are also among FSU countries Turkmenistan, Uzbekistan and Azerbaijan exporting natural gas. In 2013, the total volume of natural gas exports by these countries was approximately 76.5 bcm.

In furtherance of gas marketing cooperation, *Gazprom Group* continued purchasing natural gas in Central Asian countries and Azerbaijan in 2013. *Gazprom Group's* share in exports of natural gas from Central Asia and Azerbaijan is approximately 44%. China is another major player of Central Asian gas market.

***Gazprom Group's* purchases of Gas in Central Asia and Azerbaijan, bcm**

	2011	2012	2013
For non-FSU supplies			
Country			
Turkmenistan	11.2	10.9	10.95
Uzbekistan	8.0	8.7	5.66
Kazakhstan	11.9	11.6	11.87
Azerbaijan	1.5	1.6	1.38
Weighted average gas purchase price at supplier countries' borders, USD per mcm	244.0	278.6	275.8
For supplies to Southern Kazakhstan			
Country			
Turkmenistan	0.3	–	0.3
Uzbekistan	2.4	2.7	3.69

The weighted average gas price at supplier countries' borders is calculated based on contract prices determined by the formula adjusted for fluctuations of market prices on oil products. In 2012 and 2013, increasing or decreasing market prices for oil products in 2011 and 2012, respectively, led to adjustments of weighted average gas prices at supplier countries' borders.

Prospective natural gas markets

North East Asia natural gas markets

Projects to supply up to 68 bcm of Russian natural gas per year to China along the western and eastern routes are among *Gazprom Group's* key business priorities. In March 2013, OAO Gazprom and CNPC signed a Memorandum of Understanding on a Project for Pipeline Natural Gas Supplies to the PRC along the Eastern Route up to 38 bcm per Year. The Memorandum clearly indicates the supplies volumes and the period when the supplies must start, as well as the location of the gas transfer point on the Russian-Chinese border. In September 2013, in furtherance of the agreements set forth in the Memorandum, OOO Gazprom Export and PetroChina International signed the Agreement on Principal Terms of Supplies. It established key non-price conditions of the future sale and purchase contract.

Russian gas supplies to other countries of the region are also being considered.

Liquefied natural gas

LNG marketing is a tool that would allow the *Group* to significantly expand the range of new available markets and increase its export volumes.

Gazprom is developing its LNG business in the Atlantic and Asia-Pacific regions, increasing both short- and long-term LNG volumes and looking for new LNG transportation routes.

In 2013, *Gazprom Group's* LNG sales were 72.1 trillion BTUs (1.5 mm tonnes or 2.0 bcm), including Sakhalin II LNG sales – 29.7 trillion BTUs (0.6 mm tonnes or 0.8 bcm). The bulk of LNG supplies went to the Asia-Pacific. LNG sales grew 5% y-o-y, with *Gazprom Group's* share in the global LNG market remaining at 0.6% in 2013. The current performance is due to the persistent shortage of mid-term global supply and tougher competition for non-contracted LNG volumes.

To enable *Gazprom Group* to purchase additional Sakhalin II LNG supplies, the *Group's* representatives and other Sakhalin Energy shareholders agreed upon a concept of executing framework LNG sales and purchase agreements with the shareholders' trading businesses. The final versions of the framework agreements were approved in October 2013 and necessary authorisation of Sakhalin Energy's Committee of Executive Directors, shareholders and Supervisory Board were obtained in December 2013.

The implementation of OAO Gazprom's new LNG production projects is key to growing its presence in LNG markets. Participation in LNG production projects outside Russia is also under consideration.

Low-tonnage LNG and compressed natural gas (CNG)

Gazprom sees the use of natural gas as fuel for the road, rail and water transport as its new business line in the Russian and European markets.

Target segments of low-tonnage LNG and CNG markets

CNG: road transport (passenger, public and light-to-medium cargo vehicles);

LNG: autonomous gas infrastructure expansion to reach consumers in locations not covered by the UGSS, road (long-range heavy-cargo), marine and rail transport.

The share of LPG and CNG consumption in Russian motor fuel mix does not exceed 3%. Compressed gas has become the most widespread gas motor fuel, accounting for 2.4% of the total fuel mix. CNG consumption was only 0.4%.

Low-tonnage LNG and CNG

Compressed natural gas (CNG) is natural gas compressed in compressor units. Natural gas is usually compressed to 200–250 bar, with a resulting volume reduction of 200–250 times. CNG is used as gas motor fuel instead of oil products due to a number of advantages, primarily its high environmental friendliness and cost efficiency. CNG production is an intermediate stage of LNG production.

Liquefied natural gas (LNG) is natural gas converted into liquid at sub-critical temperatures. LNG is a cryogenic liquid produced from natural gas by cooling it to condensation temperature. In practice, it means that the same volume contains three times more LNG than CNG at 20 MPa.

OOO Gazprom Gazomotornoye Toplivo, a special-purpose company, was appointed as a single operator to develop the gas motor fuel market in the Russian Federation.

As at 31 December 2013, *Gazprom neft Group* operated a network of 206 NGV in Russia, with sales of 377 mm cubic meters of CNG.

In 2013, cooperation memorandums and agreements were signed with a number of major producers and distributors of natural gas vehicles, including OAO KAMAZ, OOO VOLGABUS, OOO MAN Truck & Bus RUS, OOO Iveco Russia, OOO STORK, OAO BELAZ, ZAO Volvo Vostok, OOO Zavod Ispytatelnykh Mashin, OOO IVECO AMT, OOO KKK Traktorniye Zavody, OOO Liebherr-Russland, OOO Scania Rus, Caterpillar, Komatsu Ltd., ZAO Sinara Group, OAO AVTOVAZ, OOO GAZ Group Management Company, and OAO Kirovsky Zavod. Memorandum of Cooperation in the use of gas motor fuel was also signed with OAO Russian Railways.

CNG is also sold through NGV stations by the *Group's* subsidiaries: OAO Gazprom Transgaz Belarus (27 operational NGV stations on the books as of 31 December 2013) and ZAO Arm-Rosgazprom (eight operational NGV stations on the books as of 31 December 2013).

The limits introduced on emissions into basins of the Baltic and North Seas and mandatory transition to Euro-6 automobile fuel standards suggest future high demand for gas motor fuels in Europe. *Gazprom* is also planning to develop the infrastructure for production, transportation and distribution of LNG and CNG as motor fuel.

Gazprom's projects for production of LNG as bunker fuel are coordinated by its subsidiary, OAO Gazprom gazenergoset.

Gazprom is present in the LNG and CNG motor fuel segments of the European market (in the Polish and German markets as at 31 December 2013) via its subsidiary *Gazprom Germania*. In 2013, the number of the *Group's* NGV stations in Europe increased to 23 (due to the construction of new stations and the acquisition, in August 2013, of *Ferngas Nordbayern*, an operator with own 12 filling stations). A pilot project to shift municipal transport to LNG was launched in Olsztyn, Poland, in October 2013. Gas sales through own NGV stations in the European market were 3.2 mmcm of compressed natural gas and 1.1 mmcm of compressed natural gas in 2013 and 2012, respectively. 128 mcm of gas were sold through the LNG filling complex in Poland. CNG was also sold through NGV stations operated by *Gazprom's* affiliates in the markets of the Czech Republic, Finland, and the Baltic states (Latvia, Lithuania and Estonia).

Marketing activities planned for 2013 to promote the use of natural gas as motor fuel

- OAO *Gazprom* and PetroVietnam signed an agreement to establish an NGV joint venture. An integrated action plan for further implementation of the project in Vietnam is ready and is currently being authorized.
- The Blue Corridor 2013: Ganza motor rally was held. The rally started in Saint-Petersburg with 15 natural gas-fuelled cars driving to Hamburg via Northern European countries. The cars returned via Poland and the Baltic states.
- Under an agreement with Volkswagen, signed in April 2013 at Hannover Messe, Scirocco R Cup motor rally for CNG-fuelled cars was held. All cars participating in the rally featured OAO *Gazprom's* firm block.

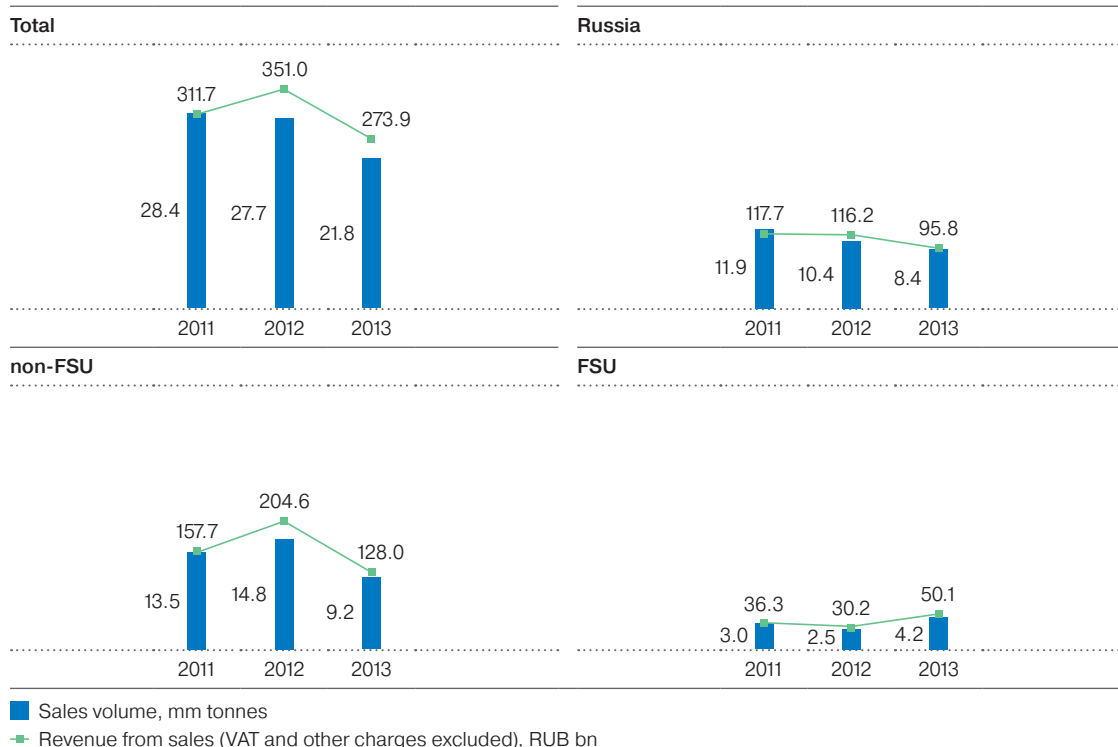
Gazprom Group intends to grow its presence in the European gas motor fuel segment both by constructing and purchasing filling stations, and by making package proposals to major transport companies to shift vehicles to gas fuel, in cooperation with auto makers.

Gazprom Group's companies also consider implementing gas motor fuel projects in non-European markets.

Oil and gas condensate sales

In 2013, the *Group's* revenue from sales of crude oil and stable gas condensate was RUB 273.9bn (VAT and other charges excluded), with 21.8 mm tonnes sold.

Gazprom Group's sales of oil and gas condensate



Higher economic benefits from refining the available crude oil as compared to sales of energy resources in non-FSU markets explains the reduced revenue from sales of crude oil and stable gas condensate and lower volumes sold year-on-year. Besides, the *Group's* deliveries of stable gas condensate to OAO *Gazprom neftekhim* Salavat's refinery were excluded from the aggregate domestic sales due to the company's consolidation since June 2012.

According to PIRA, Urals prices (CIF Med) in 2013 were in the range between USD 96.8 and USD 117.4 per barrel, decreasing by 0.9% to USD 109.1 per barrel by the year-end. According to PIRA's forecast, 2014 will see further decline of 7% in Urals price, to USD 102.8 per barrel.

Dynamics of the price of Urals oil in 2013, USD per barrel



Note

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

Oil price in the Russian market exceeded the average 2012 price by c. 5% (according to Argus). Although undoubtedly linked with fluctuations of global prices on energy resources, Russian domestic oil prices are, in many aspects, determined by domestic factors such as seasonal supply and demand, refineries' downtimes, and price trends of the refined products market.

Performance of OAO Gazprom's SGC sale price is similar to that of oil prices, with growth of up to 5%. Condensate is sold at a price linked either to Russian oil prices or global quotes.

As we implement our own approved oil refining and export programmes, crude oil sales in Russia (excluding supplies under swap contracts) were insignificant. OAO Gazprom sold virtually all its stable gas condensate on the domestic market. The main feedstock was purchased by oil refineries of the *Gazprom neftekhim Salavat* subsidiaries and OAO TAIF.

In 2013, *Gazprom Group's* key oil export markets in terms of non-FSU supplies were North Western, Central European and Mediterranean countries, where Urals grade crude oil was primarily sold. Supplies to FSU countries went primarily to Belarus (to Mozyr Oil Refinery) and Kazakhstan (Pavlodar and Shymkent Oil Chemistry Refinery). Prices for such supplies are calculated using formulas and are linked to the Urals price performance.

Condensate was primarily exported during its surplus periods due to suspended operations at production plants for maintenance.

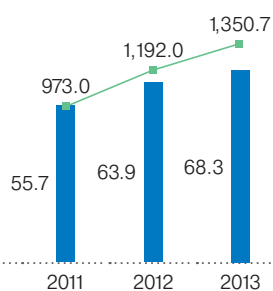
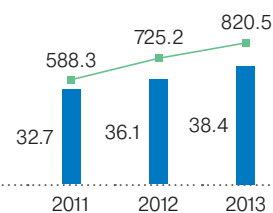
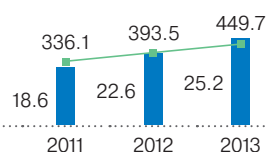
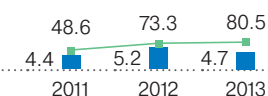
Refined product sales

In 2013, total sales of *Gazprom Group's* oil and gas refined products were 68.3 mm tonnes, up by 6.9% y-o-y. Revenue from sales of oil and gas refined products reached RUB 1,350.7bn (VAT and other charges excluded), up 13.3% y-o-y.

Key drivers of *Gazprom Group's* refined product sales in 2013

- Upgrades and extensions to the distribution network of gasoline stations.
- Increased number of airports and refuelling complexes covered by the *Group's* distribution network (11 own refuelling complexes).
- Increased jet fuel supplies to facilities run by the Ministry of Defence.
- Increased direct-to-vessel bunker fuel sales, including due to the purchase of two new tankers for operation in ports of the Far East and Black Sea.
- Increased sales of branded lubricants.

Gazprom Group's highly diverse product portfolio means high dispersion of prices across product items: from RUB 300 per tonne of sulphur to RUB 70,000 per tonne of polystyrene.

Gazprom Group's sales of refined products**Total****Russia****non-FSU****FSU**

■ Sales volume, mm tonnes

■ Revenue from sales (VAT and other charges excluded), RUB bn

2013 saw growth in prices for the *Group's* oil products. For example, the average ex-refinery price of Ai-92 gasoline increased by 8.7% to RUB 29,370 per tonne; the average ex-refinery price of Ai-95 gasoline was up by 7.8% to RUB 30,770 per tonne; diesel fuel price appreciated by 6.4% to RUB 30,320 per tonne; fuel oil grew 2.9% to RUB 8,917 per tonne; and jet fuel was up 2.3% to RUB 27,867 per tonne. In 2014, this trend will continue due to further increases in excise taxes and the expected depreciation of Russian Rouble.

Under our business planning scenarios for 2014, prices for aromatics and liquefied hydrocarbon gases (LHG) are expected to be lower than the 2013 average levels partially due to declines in oil prices.

The *Group's* refineries produce a wide range of refined oil products: automobile gasoline, diesel fuel, jet fuel, fuel oil, bitumen, ship fuel, oils and lubricants, liquefied hydrocarbon gases (LHGs), and aromatic hydrocarbons. Marketing is product-specific for every group of oil products based on consumption profile.

Marketing profiles for Gazprom Group's selected oil products

- Automobile gasoline and diesel fuels, certain LHGs used as motor fuels, as well as certain types of packaged oils and lubricants are primarily sold via B2C channels with a focus on their end consumer, which requires a well-developed regional distribution network comprising storage and retail sales sites (depots and filling stations).
- Jet fuel, ship fuel, industrial oils and lubricants are primarily sold via B2B channels, which requires a well-developed infrastructure for transportation and further distribution at airports (refuelling complexes), sea and river ports (bunker tankers), industrial enterprises, etc.

To improve oil product sales performance OAO Gazprom нефть spun off several product businesses such as jet fuels, lubricants, bituminous materials, petrochemicals and bunker fuels. The key objectives set for every product business segment are to improve sales performance, expand geographic footprint, and increase the share of premium market segments.

In 2013, the *Group* maintained its leadership in the Russian automobile gasoline supplies, selling 10.5 mm tonnes of gasoline and consolidating its position as one of Russia's largest diesel fuel suppliers, with domestic market sales of 9.3 mm tonnes.

Gazprom Group's position in refined and petrochemical products markets in 2013

Refined and petrochemical products	Share in Russia	Main competitors
Automobile gasoline	30%	OAO Rosneft, OAO LUKOIL
Diesel fuel	28%	
LHGs	41%	OAO LUKOIL, OAO Sibur Holding, OAO NOVATEK
Styrene	28%	OAO Nizhnekamskneftekhim, ZAO Sibur-Khimprom, AO Plastic (Uzlovaya), OAO AZP (OAO Rosneft)
HDPE	7%	OAO Nizhnekamskneftekhim, OAO Kazanorgsintez, OAO LUKOIL
Butyl alcohols	42%	ZAO Sibur-Khimprom, OAO ANHK (OAO Rosneft), OAO Nevinnomysskiy Azot
Urea	8%	OAO SDS Azot, OAO UralChem, OAO EuroChem, OAO KuibyshevAzot, OAO Togliattiazot, OAO Phosagro

In 2013, the Group remained the Russian market leader by volume of gasoline supplies.

In 2013, approximately 13% of *Gazprom Group's* total sales of refined products were through *Gazprom нефт Group's* filling station network, reaching 9.2 mm tonnes versus 8.1 mm tonnes in 2012. The sales were driven by upgrades to, and optimisation of, own network of filling stations, as well as by improved efficiency of the stations. In 2013, in Russia and FSU 50 stations stations were built or purchased, 110 stations were fully refurbished and six stations were rebranded. As of December 31 2013, *Gazprom нефт Group* operated an extensive network of filling stations in Russia, FSU countries and Eastern Europe with a total of 1,747 operating stations.

Given limited domestic sulphur consumption, the bulk of this product is still exported (63% of total sales), with *Gazprom Group's* share of the global market hovering around 10%. In securing sales of the product *Gazprom* faces severe competition. Competitors in traditional markets include producers from Kazakhstan, Canada and the Middle East. The *Group's* sulphur sales in Russia remain under pressure from Kazakh producers.

The bulk of gas- and petrochemical products are also exported (alcohols, urea, styrene, etc.).

In 2013, *Gazprom Group's* gaseous helium sales were 3.0 mmcm; liquid helium sales were 0.8 mm litres.

Innovative Activity

***Gazprom* is a modern technology-driven company with a strong R&D platform capable of developing and implementing proprietary innovative solutions. *Gazprom Group* is one of the leading Russian companies in terms of investments into innovations. Implementation of the Innovative Development Programme allows the *Company* to decrease its costs and improve competitive edge.**

Investments into innovations are *Gazprom Group's* investments into the future of its business – increasing reliability and safety of its process flow, developing the resource base, improving competitive edge and breaking new technological grounds.

The Innovative Development Programme until 2020 approved by Resolution No. 1825 of OAO Gazprom's Board of Directors of 01 June 2011 aims to identify and streamline the *Company's* key innovative areas and objectives. The Programme provides for development and implementation of new technologies, world-class innovative products and services, as well as fostering a favourable environment for innovations both in gas and other related industries of the Russian Federation. The Programme highlights core technological improvement areas, including a set of priorities for gas, oil and electric power businesses which are most lucrative from the investment standpoint.

Key innovative development priorities are as follows: deposit exploration and development methods; gas, gas condensate, and oil processing and transportation in extreme ambient conditions of the Far North and permafrost, Arctic offshore and in areas with severe ice conditions. *Gazprom* is one of technology leaders in responding to such challenges. Significant economic benefits are also expected from hydrocarbons extraction from hard-to-access deposits, liquefaction of natural gas, hydrocarbons processing and GTL.

R&D Potential

OAO Gazprom possesses strong proprietary R&D capacities, including eight R&D facilities, and three design institutes, employing over eleven thousand people.

The history of OAO Gazprom's R&D dates back to 1930s–1940s when the first design offices and R&D facilities in this sector were established along with gas industry formation. The key objective of those offices and institutions was integrated development of efficient natural gas production, transportation and utilisation technologies, and implementation of resulting technical solutions in projects aimed at achieving high systemic reliability of the nascent gas industry.

Stringent requirements to safety and efficiency set as early as at scientific development of technical and design solutions still ensure high sustainability of the Unified Gas Supply System when affected by natural and economic factors.

OAO Gazprom's R&D has established unparalleled schools of thought in such areas as geology, deposit development, creation of multi-level gas transportation systems, etc.

Unique climate and field settings of hydrocarbon deposits developed and scheduled for development in Eastern Siberia, on the Yamal Peninsula, and Far East and Arctic offshores require new solutions to establish profitable production of raw materials in such regions.

Today, OAO Gazprom's R&D needs to deploy large-scale integrated R&D projects to develop new technologies and draft scientifically sound design solutions in gas production, transportation, processing, and refining ensuring the fastest response to key developments in the global hydrocarbon market and competitors.

In 2013, R&D projects on orders from *Gazprom* amounted to RUB 6.8bn (ex-VAT) by value.

Every 10th patent owned by the *Group's* entities was obtained in 2013.

In 2013, R&D projects on orders from *Gazprom Group* amounted to RUB 6.8bn (net of VAT) by value (2012: RUB 7.7bn).

Gazprom engaged over 100 third-party institutions and research centres into its R&D activities. In 2013, R&D orders were placed with 118 providers.

For each of intellectual deliverables, decisions are made on appropriate legal protection, patent eligibility or secrecy order.

OAO Gazprom pursues a targeted policy of efficient intellectual property management with is consistently improved by the best national and global practices, including enforcement.

Intellectual property management performance of *Gazprom Group* is one of efficiency indicators of OAO Gazprom's Innovative Development Programme until 2020 implementation.

As of 31 December 2013, *Gazprom Group's* entities owned 2,035 patents to intellectual property rights (219 of which were obtained during the reporting year). In 2013, 350 patented IP rights were used in production improving performance by over RUB 1.8bn.

Exploration

Technical developments in exploration increase accuracy of hydrocarbon deposit location projections. The *Group* possesses proprietary solutions for modelling pay zones and methods of oil- and gas-bearing prospects evaluation currently used both in the Russian Federation and overseas, including Africa.

Efficiency of exploration and accuracy of hydrocarbon projections are achieved through field modelling, improving analysis of geophysical exploration data and oil- and gas-bearing prospects evaluation, including:

- method for identification of high permeability coal-bearing areas and geodynamical model for the Taldinsky coal gas field;
- analysis of oil- and gas-bearing prospects and economic feasibility of oil and gas development in the Russian Barents Sea;
- ongoing feasibility studies of efficient exploration areas on the Gydan Peninsula oil-and-gas bearing province based on integrated modeling of prospective oil- and gas-bearing series.

Development and production

In production, peerless equipment and technology solutions for offshore sub-glacial production have been developed. The *Group's* innovative developments also include technologies for deposit operations with minimal human presence, including systems for remote control and operation of cluster wells, support of gas production sites and biological remediation solutions using biopharmaceuticals and biopolymers.

Currently, the most promising developments are increasing well productivity through wave exposures of productive strata, and carbon dioxide injection technologies.

For example, an innovative method for stage-based development of multi-layer fields has been developed and implemented at the Bovanenkovskoye OGCF on the Yamal Peninsula. The method allows for rational use of formation pressure and placement of an optimal number of production wells (directional, low-angle and sub-horizontal), covering all necessary productive strata, within a cluster pad.

The *Company* was the first one in Russian oil and gas sector to develop a vertically integrated corporate system of core and fluid samples treatment ensuring centralized regular storage and systematized analysis of core samples from all OAO Gazprom exploration and production facilities and coordinated cooperation of all OAO Gazprom subsidiaries' business units involved into selection, transportation, analysis and storage of core samples for the purposes of increasing accuracy of reserves and subsoil production capacity appraisals.

Gas transportation and underground storage

Gazprom operates cutting-edge gas transportation technologies ensuring the world's best gas supply reliability and continuity. These primarily include unique pipeline condition and integrity management systems, as well as sophisticated pigging methods.

2013 saw continuing development and implementation of smart pigging tools of new generation that based on magneto-electric acoustical method of control, including for pipelines with internal anti-friction coating designed for the pressure of above 10 MPa, as well as new technologies and materials for well protection against corrosion.

To reduce fuel consumption and toxicity of exhaust gases from CPU gas turbine drives, *Gazprom* continues research on using hydrogen enriched syngas produced from natural gas by thermal conversion as additives to fuel gas. The research results are to be used in compressor stations upgrades and in development of new-type gas turbine units with modules for regeneration of exhaust gases energy.

Studies of long-range multi-stage transportation processes and identification of their effective applications in development of Eastern Siberia hydrocarbon resources are continued. Transportation of products from the Sobinskoye OGCF to GPPs with a view to significantly decreasing the pipeline network capex is considered as a pilot project.

The *Group* also possesses technologies necessary for establishing underground gas storage facilities in virtually any suitable geological structures.

Raw hydrocarbons processing and gas- and petro-chemistry products

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

For helium-rich gas fields development in Eastern Siberia the *Company* has been designing a process of an integrated feedstock processing that would result in obtaining LNG and helium through a membrane unit, as well as a process of and technical solutions for helium transportation and storage.

Electric power

The *Group* is implementing major projects of construction of latest-generation CFB coal-fired generating units using radically different coal grades, including low rank coal grades, as well as gas-fired generating units with efficiency of over 50%.

In small-scale power generation the *Group* continues promising research to develop autonomous generating units based on solid polymer fuel cells (with the capacity of up to 10 kW) for cathodic control stations, communication hubs, telemetry, and other consumers.

Gazprom is successfully implementing over 30 agreements and programmes in R&D with both Russian and foreign partners.

2013 saw active cooperation with nine higher education institutions supported by *Gazprom* to develop joint research programmes, continued cooperation with ROSATOM, institutions of the Russian Academy of Sciences and associated industries.

Gazprom continued implementation of domestic technologies and materials for anticorrosion, as well as fireproof and wear-resistant coatings, as well as advanced power saving technologies under the Programme to boost the demand for innovative and, inter alia, nanotech products in the gas industry adopted by OAO Gazprom and OAO RUSNANO. Active research on application of composite pipes was started at *Gazprom's* facilities.

In Europe, *Gazprom's* partners in R&D projects are well-know German companies E.ON SE, BASF / Wintershall Holding, Verbundnetz Gas AG, Siemens AG, Europipe, as well as N.V. Nederlandse Gasunie, a Dutch company; GDF SUEZ, a French company; ENI S.p.A., an Italian company, and Statoil ASA, a Norwegian company.

Cooperation areas cover the whole hydrocarbon production, transportation and processing flows from the well to the consumer.

The following key areas are of mutual interest:

- helium extraction technology in field conditions in Eastern Siberia and the Far East;
- distributed compressing technology to improve operating efficiency of fields in their closing stage;
- gas transportation and underground storage;
- utilisation of gas as motor oil;
- harmonisation of international standards, national standards of the Russian Federation and national standards of oil-and-gas partner countries;
- industrial safety of oil-and-gas facilities, including onshore and offshore facilities beyond the Arctic Circle;
- state-of-the-art dispatcher control techniques and facilities;
- environmental protection, energy saving and energy efficiency.

In particular, in 2013 *Gazprom* continued to improve the ejector unit at German Bernburg UGSF developed and commissioned jointly with Verbundnetz Gas AG based on *Gazprom's* proprietary technology.

Gazprom and Dutch Gasunie have developed an information and analysis system ensuring efficient interaction between European dispatching centres on that gas market. The system has been approved by the UNECE Gas Center.

R&D cooperation with the Korean gas corporation Korea Gas Corporation (KOGAS), the Vietnamese PetroVietnam, the Chinese China National Petroleum Corporation (CNPC) and the Agency for Natural Resources and Energy under the Ministry of Economy, Trade and Industry of Japan is actively developing in Asia-Pacific.

This cooperation facilitates an exchange of best operating practices, an exchange of information on prospects and priorities of global gas industry, identification of topical R&D issues the joint solution of which creates a platform for new international knowledge and technology.

Personnel

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The success of *Gazprom*'s ambitious infrastructure projects largely depends on its workforce skills. The employee incentive scheme, social policy implementation, the *Company*'s commitment to personnel training and development – all of these encourage highly skilled professionals to join and stay.

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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 wages, hours and conditions of work, remuneration for work, social security, holidays with pay, occupational safety, etc.

In 2013, all social and labour relations within *Gazprom Group* were regulated by 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 the *Group* companies.

To ensure sustainable growth, *Gazprom* needs to apply and enhance professional skills of its personnel, streamline their working conditions, and motivate them to perform.

These objectives can be achieved by offering opportunities of professional growth, improving incentive schemes, and providing social security to employees.

Personnel structure

Gazprom Group is a major Russian employer. As of 31 December 2013, the *Group's* total headcount was 459,500 employees, including 27,400 employees in non-resident companies.

Gazprom Group's personnel by Group companies as of 31 December 2013, thousand employees

1	2	3	4	5	6
1 Major upstream and midstream gas subsidiaries of <i>Gazprom Group</i>	228.6				
2 <i>Gazprom нефть</i>	62.8				
3 <i>Gazprom Energoholding</i>	50.8				
4 OAO Gazprom (including branches and representations)	24.1				
5 <i>Gazprom neftekhim Salavat</i>	16.2				
6 Other companies	77.0				

Gazprom Group's personnel by category as of 31 December 2013, thousand employees

1	2	3	4
1 Workers	256.3		
2 Specialists	120.9		
3 Management	61.5		
4 Other employees	20.8		

Gazprom Group's headcount grew in 2013 mainly due to the consolidation of OAO MIPC and an increase in the headcount of *Gazprom нефть Group*.

Employee turnover rates in *Gazprom Group* companies are low. For instance, during the reporting year they were capped at only 2.5% for upstream and midstream gas subsidiaries.

Professional growth and young talent management

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

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

In 2013, 261,800 employees of the *Group* were trained under career enhancement and re-training programmes, with a special focus on young talents.

Gazprom Group's companies rank among the most attractive employers for young people and undergraduates of major Russian universities (ranking 1st among the Top 100 most preferred employers in the Universum rating in May 2013, and according to a September 2012 survey by the Russian Public Opinion Research Centre.

In 2013, *Gazprom Group* recruited over 1,830 young university and vocational school graduates.

Employee incentive scheme

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

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

OAO Gazprom and its major upstream, midstream and downstream gas operations also have in place an incentive scheme for top managers. The incentive scheme includes an annual bonus plan and the Employee Equity Sharing Plan for the Management of OAO Gazprom.

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For detailed information on the age breakdown of *Gazprom Group's* personnel, see: *Gazprom in Figures 2009–2013 Factbook*.

Under the annual bonus plan, rewards are awarded for performance against corporate and personal key performance indicators (KPIs) in the reporting year. The list of KPIs is approved by OAO Gazprom's Board of Directors in the Regulation on the Annual Bonus System for the Management of OAO Gazprom. Corporate KPIs include per unit costs in gas production; per unit costs in gas transportation; gas sales by volume; major production facilities commissioned; and procurement cost cutback.

Moreover, since 2012, remuneration of the *Company's* executives responsible for achieving the targets of OAO Gazprom's Innovative Development Programme until 2020 is linked to their performance against these targets.

In December 2013, the Board of Directors of OAO Gazprom launched the Employee Equity Sharing Plan for the Management of OAO Gazprom. Under the Plan, the management is to hold shares in OAO Gazprom according to their positions. The Plan is aimed at adding a financial incentive to the management of OAO Gazprom and its subsidiaries to support the *Company's* stock performance. Thus, the Plan serves to align the interests of the *Company's* shareholders and the management.

Social security and social partnership

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

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

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

Within the framework of the Strategy for Long-Term Development of the Pension System of the Russian Federation, the *Company* offers non-state pension benefits to its employees under pension agreements with the Non-state Pension Fund GAZFOND.

The *Company* is also running a corporate housing programme to attract young talents and retain its key employees. The programme is co-financed by employees and the *Company* through bank mortgage lending facilities.

Thus, the social policy and social security efforts are the drivers to address employee incentivisation and performance challenges of the *Group*.

Employee life and health are Gazprom's absolute priority. The Company is committed to make their working conditions as safe as possible, first and foremost at hazardous facilities.

OAO Gazprom's Occupational Health and Safety (OHS) Policy is a fundamental document governing the *Company's* relevant efforts. In implementing this Policy, the *Company* is guided by the up-to-date requirements of Russian laws and the internationally accepted standard OHSAS 18001:2007 Occupational health and safety management systems – Requirements.

In 2013, the Policy's key provisions were implemented in OAO Gazprom, its major gas exploration, production, processing, transportation and underground storage subsidiaries, and in subsidiaries supporting the operation of the Russian UGSS, with a total headcount of 304 thousand employees. This organisational framework is covered by OAO Gazprom's Unified Occupational Health and Safety Management System, which comprises a set of regulations, activities and guidelines that unify all workflows to promote a safe and healthy working environment.

Occupational health and safety governance across OAO Gazprom is provided by the Deputy Chairman of OAO Gazprom's Management Committee in charge of OAO Gazprom's operations departments.

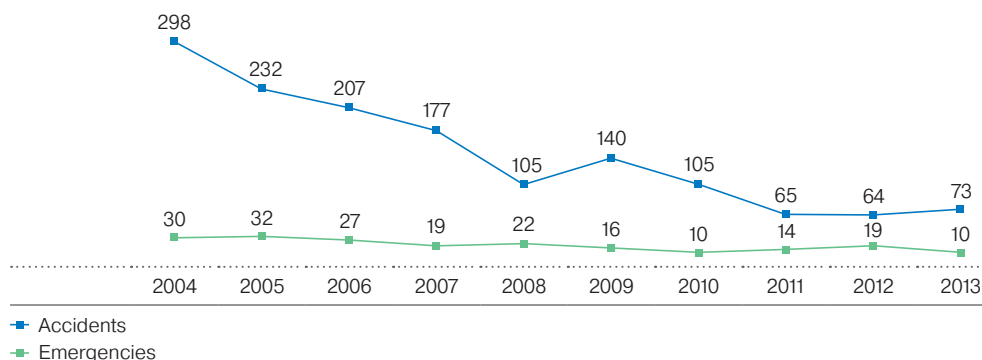
Implementation of OHS commitments by OAO Gazprom in 2013: key areas

Commitment	Implemented in 2013
Top priority measures to prevent adverse impact by operations on personnel and local population	— In September 2013, OAO Gazprom approved its OHS Corrective and Preventive Action Plan for 2013–2014. The Plan provides for quality checks of personal protective equipment (PPE) supplied to OAO Gazprom's facilities, and tests of new PPE and PPE materials.
Ongoing qualification and competence enhancement for management, specialists and other employees	— OAO Gazprom continued implementing its training and re-training programme followed by a competence examination of management, specialists and employees. — All employees of the <i>Company</i> undergo initial training, occupational health knowledge assessment, and occupational safety examinations held for each new employee and then at least every three years.
Compliance by suppliers and contractors operating at the <i>Company's</i> facilities with OAO Gazprom's OHS standards and regulations	— The <i>Company</i> has in place access control and safe working practices regulations approved by heads of the <i>Company's</i> subsidiaries. The regulations govern contractor access to the <i>Company's</i> premises and set out the procedure for organising and carrying out contracted work on the <i>Company's</i> premises.
Active involvement of the personnel in OHS activities; setting up an environment, including employee incentives, that promotes responsible behaviour by each employee of the <i>Group</i> towards their own and other people's safety	— The <i>Company's</i> employees are provided sufficient time and resources to engage in the organisation, planning and implementation of activities that involve appraisal of, and improvements to, the occupational health and safety management system. — Employees of business units may contact their trade union representatives in charge of occupational health to bring forward proposals on how to promote safe working practices, improve labour conditions and encourage responsible behaviour towards their personal and others' safety.

A major OHS commitment by OAO Gazprom consists in reducing the number of emergencies and occupational injury and disease rates on an ongoing basis. These adverse factors being hard to predict, the *Company's* OHS performance should be assessed on a long time horizon.

Over 10 years,
the accident rate
at hazardous facilities
dropped fourfold.

Number of accidents and emergencies at hazardous facilities

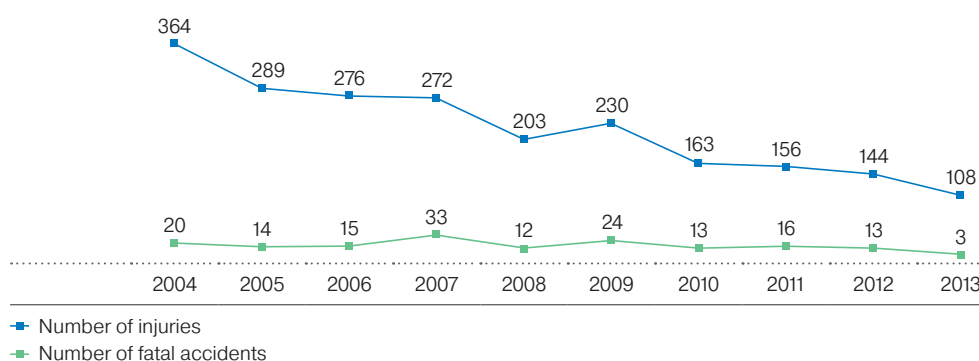


Note

For companies covered by OAO Gazprom's Unified Occupational Health and Safety Management System.

In 2013,
the emergency rate
at hazardous facilities
dropped twofold
year-on-year.

Injured and dead from occupational accidents



Note

For companies covered by OAO Gazprom's Unified Occupational Health and Safety Management System.

In 2013, the *Company* set up OAO Gazprom's OHS Committee and OHS Administration. As part of continuous enhancement of the Unified Occupational Health and Safety Management System, the *Company* consistently builds its corporate OHS standards and trains employees of OAO Gazprom and its subsidiaries as OHS management systems auditor / lead auditor (in line with OHSAS 18001:2007).

In 2008, OAO Gazprom *neft* developed a corporate integrated management system for industrial, environmental and occupational safety, and civil protection. The *Company* is committed to its continuous improvement and based on its voluntary obligations approved in the Corporate Policy for Health, Safety and Environment covering industrial, fire, transportation, environmental and occupational safety, and civil protection identified the business processes requiring constant monitoring. To standardise these processes *Gazprom neft* has developed and implemented relevant standards, as well as regulations to ensure compliance. The company's standards system was developed to take account of the guidance contained in international standards ISO 9001, ISO 14001, and OHSAS 18001.

In OOO 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).

In general, the occupational health and safety run by *Gazprom neftekhim Salavat* also embraces the overall goals, operating principles and commitments applied across OAO Gazprom. They are implemented in line with the requirements of federal, regional and industry-related laws and international standards. Throughout 2013, the company was deploying and enhancing its occupational health and safety management system in conformance with OHSAS 18001:2007 and CIS standard GOST 12.0.230-2007.

Care for the environment has always featured prominently in *Gazprom Group's* activities. OAO Gazprom was the first major company in the Russian fuel and energy industry to launch the Year of Ecology.

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

2013 was the Year of Ecology at OAO Gazprom, launched to show the *Group's* commitment to sustainable development and support the Year of the Environmental Protection in Russia. Over 50 subsidiaries of the *Group* ran 8,213 activities and events across the country, with the participation of over 70,000 *Gazprom's* employees and over 90,000 people additionally involved – children, school and university students, the youth and the public.

Over 160,000 people were involved in the activities and events run as part of OAO Gazprom's Year of Ecology.

Activities and events run as part of OAO Gazprom's Year of Ecology, by area

1	2	3
1 Environmental education		3,159 activities and events
2 Reduction of the negative impact from operations on the environment		2,769 activities and events
3 Maintaining favourable environmental conditions in the areas of operations		2,285 activities and events

Selected results of OAO Gazprom's Year of Ecology for communities and regions

- 4,106 ha of improved land in cities and towns, settlements and recreational areas.
- Over 284,000 planted trees and shrubs; 6,000 flower-beds.
- 187 cleaned water bodies.

i See more in OAO Gazprom's Environmental Report.

Gazprom's subsidiaries and entities received over 300 awards from federal, regional and local authorities, NGOs, and educational establishments: prizes, diplomas, letters of commendation and recognition, etc. To sustain and further develop the initiative OAO Gazprom's management resolved to declare 2014 the Year of Ecological Culture.

Environmental management system

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

The Environmental Management System (EMS) is a key tool to implement OAO Gazprom's Environmental Policy, integrating environmental protection management bodies of the parent company and 29 wholly-owned subsidiaries engaged in exploration, production, transportation, storage and processing of hydrocarbons. In 2011, OAO Gazprom's EMS was certified by Det Norske Veritas, a global independent certification body, and in 2012 and 2013 it successfully passed a compliance audit against the international standard ISO 14001:2004. Phased expansion of OAO Gazprom's EMS scope is planned to include the previously uncovered OAO Gazprom's wholly-owned subsidiaries engaged in core business activities, as well as in support for the Unified Gas Supply System's operation.

In 2013, virtually all *Gazprom Group's* entities providing environmental reporting had certified EMSs in place or demonstrated their compliance with ISO 14001:2004. These include OOO Gazprom Energoholding and its subsidiaries (OAO Mosenergo, OAO OGK-2, OAO TGC-1), OAO Gazprom neft, OAO Gazprom neftekhim Salavat, Sakhalin Energy, and OAO Severneftegazprom.

In 2010, Corporate Environmental Targets were set as part of OAO Gazprom's EMS, with subsidiaries regularly reporting their performance against them to OAO Gazprom. In 2013, updated targets were set for 2014–2016 to reflect the achieved progress towards the earlier targets and the environmental performance of OAO Gazprom's subsidiaries.

Progress in 2013 towards the corporate environmental targets set for OAO Gazprom and its subsidiaries within the EMS scope

Corporate environmental target	Entities for which targets are set	Performance against the 2008 baseline
Reduction of methane emissions into the atmosphere	All subsidiaries engaged in production, transportation, storage and processing of natural gas and condensate	Down 11%
Reduction of specific emissions of nitrogen oxide into the atmosphere (2018 target)	All subsidiaries engaged in gas transportation	Flat
Reduction of waste and effluent water discharge into surface water bodies	All subsidiaries	Down 21%
Reduction of disposable waste share	All subsidiaries	Up 3%
Reduction of above-limit impact charges as an integral indicator of negative environmental impact	All subsidiaries	Down 56%
Reduction of specific gas consumption for own operational needs	All subsidiaries engaged in gas transportation	Down 15%
Implementation of EMS in accordance with the ISO 14001:2004 international standard	All subsidiaries	EMSs are implemented in OAO Gazprom's headquarters and 29 subsidiaries

In general, 2013 saw the achievement of the set corporate targets, except for the reduction of disposable waste share. This was due to large-scale new drilling in hard-to-access areas of the Far North, where the capacity for drilling waste disposal (representing c. 40% of the waste from the subsidiaries within OAO Gazprom's EMS scope) is significantly limited. At the same time, to achieve the set targets OAO Gazprom's subsidiaries are consistently implementing drilling waste neutralisation and disposal solutions as well as selective waste collection and recycling systems converting waste into physical materials and power.

Environmental performance

In 2013, *Gazprom Group's* total air pollution emissions were cut by 334.5 thousand tonnes y-o-y thanks to the implementation of a range of technology solutions by *Gazprom нефть* (including up-grades to flare systems, commissioning of vacuum compressor stations, redirecting flows of associated petroleum gas for utilisation at adjacent facilities), and the resulting lower energy generation by *Gazprom Energoholding*.

***Gazprom Group's* environmental impact indicators**

	2011	2012	2013
Air pollution emissions, thousand tonnes	3,124.15	3,410.85	3,076.4
Waste water discharge into surface water bodies, mmcm	5,257.71	4,892.96	4,389.91
Waste generation, thousand tonnes	4,973.84	5,226.49	4,693.68

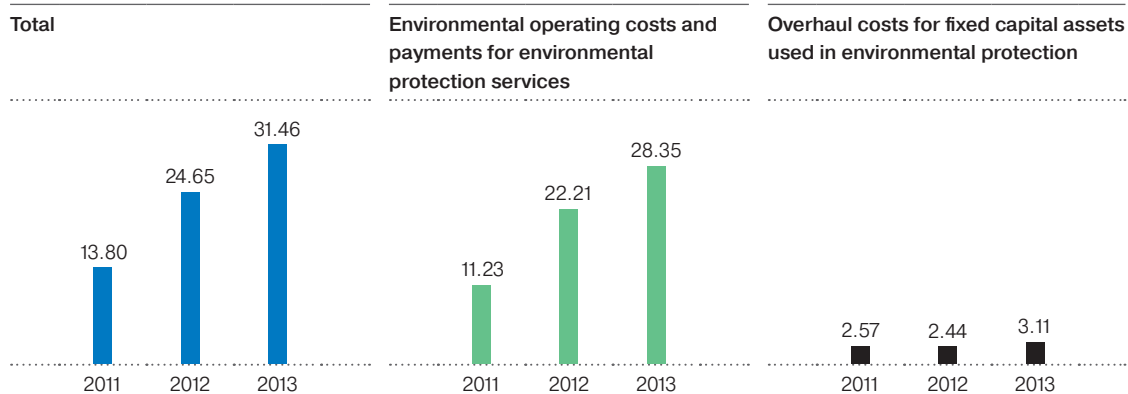
The reduction in waste water discharge and total waste generation was due to reduced energy production at the *Group's* electric power companies. The total area of land rehabilitated by *Gazprom* during 2013 was 13.98 thousand ha.

Environmental protection costs

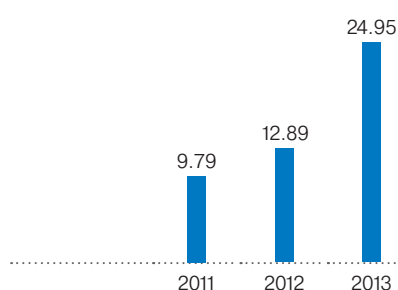
In 2013, *Gazprom Group's* current environmental protection costs were RUB 31.5bn, up 27.6% y-o-y.

Gazprom Group's environmental protection costs, RUB bn

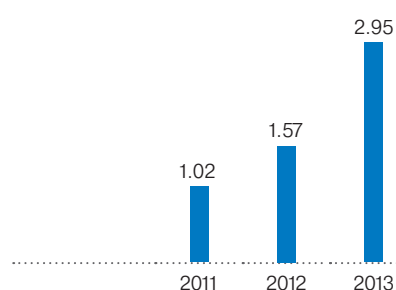
Current environmental protection costs



Fixed investments into environmental protection and sustainable use of natural resources, RUB bn



Negative environmental impact charges, RUB bn




Breakdown of *Gazprom Group's* current environmental protection costs in 2013, RUB bn

1	2	3	4	5
<hr/>				
1	Waste water collection and treatment			16.78
<hr/>				
2	Ambient air protection and climate change prevention			4.86
<hr/>				
3	Protection and remediation of land, surface and ground waters			4.45
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4	Waste treatment			4.14
<hr/>				
5	Other activities			1.23

Operating costs grew mostly due to the accelerated repair of accumulated environmental damage as part of OAO Gazprom neft's clean-up programme covering waste pits and remediation of oil-contaminated or disturbed soils, including the environmental impact of the previous land users.

Gazprom Group's capital investments into environmental protection and sustainable use of natural resources totaled RUB 24.95bn. The increase in OAO Gazprom's investments y-o-y was mostly due to RUB 13.84bn worth of environmental protection measures implemented as part of OAO Gazprom's projects under the Programme for the Construction of Olympic Venues and Development of Sochi as a Mountain Climatic Resort (approved by Russia Government Directive No. 991 dated 29 December 2007). Capital investments into environmental protection and sustainable use of natural resources are mostly in protection and sustainable use of land, representing 60% of the total, or RUB 14,859.36mm.

Gazprom Group's capital investments into environmental protection and sustainable use of natural resources in 2013, by category, RUB bn

1	2	3	4
			
1 Protection and sustainable use of land			14.86
2 Ambient air protection			6.08
3 Protection and sustainable use of water			3.75
4 Other activities			0.26

In 2013, *Gazprom Group* paid RUB 2.95bn of negative environmental impact charges to different level budgets. The amount of charges grew 88.9% y-o-y due to an almost twofold growth of the share thereof in *Gazprom нефть Group*, which was due to the application of multipliers to standard rates for air pollution emission charges for associated petroleum gas (APG) combustion at flare facilities (pursuant to Russia Government Directive No. 7 On Measures Promoting Reduction of Air Pollution due to APG Combustion at Flare Facilities dated 08 January 2009).

Being the most significant aspect of *Gazprom Group's* environmental footprint, air pollution emissions represent the biggest share of the total negative environmental impact charges.

Gazprom Group's negative environmental impact charges in 2013, RUB bn

1	2	3
		
1 Air pollution emissions charges		2.29
2 Charges for disposal of production and consumption waste		0.49
3 Charges for discharge of pollutants into water bodies		0.17

In 2013, a total of 198 state inspections of *Gazprom Group's* entities revealed 279 cases of non-compliance with Russian environmental protection laws. Out of the total cases, 168 (60%) did not pose an environmental threat, so improvement notices were served for them, with no fines or penalties imposed. Corrective measures have been implemented according to the prescribed timetable. In 2013, the *Group* paid a total of RUB 7.75mm of fines and penalties (RUB 6.03mm in 2012).

Corporate Climate Policy

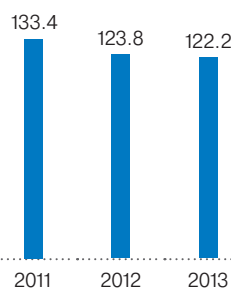
OAO Gazprom's efforts to reduce its climate footprint are guided by the Russia's Energy Strategy to 2030, the RF State programme Environmental Protection, 2012–2020 and the Climate Doctrine of the Russian Federation.

Reduction of greenhouse gas emissions is an essential part of OAO Gazprom's corporate strategy. It helps the *Company* maintain top scores in global sustainability ratings and contribute to the achievement of the national target of no more than 75% from the 1990 emissions level by 2020, approved by Russia President's Executive Order No. 752 dated 30 September 2013.

In 2013, greenhouse gas emissions at facilities of OAO Gazprom and its wholly-owned subsidiaries engaged in exploration, production, transportation, storage and processing of hydrocarbons totaled 122.2 mm tonnes of carbon dioxide equivalent, or 1.6 mm tonnes (1%) less than in 2012.

Emissions reduced due to: the use of energy and resource saving technologies in trunk pipeline overhauls, which prevent outgassing of methane into the atmosphere; lower natural gas consumption for own operational needs; the implementation of other measures under OAO Gazprom's Energy Saving Programme in 2011–2013.

OAO Gazprom's
greenhouse gas
stocktaking system
complies with national
and international
requirements.

Greenhouse gas emissions at facilities of OAO Gazprom and its wholly-owned subsidiaries engaged in exploration, production, transportation, storage and processing of hydrocarbons, mm tonnes of CO₂ equivalent


Every year, OAO Gazprom submits to Roshydromet (Federal Service for Hydrometeorology and Environmental Monitoring of Russia) the results of a quantitative assessment of its annual greenhouse gas emissions for the government agency to compile Russia's National Greenhouse Gas Inventory in line with the requirements of the United Nations Framework Convention on Climate Change (UNFCCC) and Russian laws. In 2013, OAO Gazprom prepared materials for Russia's 6th National Communication on Greenhouse Gas Emissions.

Since 2009, OAO Gazprom has participated in the Carbon Disclosure Project (CDP), a global investor-backed initiative. In its response to CDP's 2013 questionnaire, OAO Gazprom reported more measures, providing additional data on indirect greenhouse gas emissions.

Carbon Disclosure Project (CDP) is a partnership initiative between more than 500 financial organisations all over the world, managing funds worth over USD 60tn. CDP maintains the world's largest greenhouse gas emissions database used for making investment decisions.

The *Company* significantly improved its rankings in the CDP's ratings for the Energy Sector companies, moving up 18 points from 2009 CDP's score level. In 2011–2013, OAO Gazprom obtained the best scores among Russian oil and gas companies.

Greenhouse gas stocktaking system is currently being implemented in *Gazprom Group's* subsidiaries as well.

Gas flaring reduction projects can greatly contribute to GHG emissions reduction in the oil and gas sector.

Environmental requirements to suppliers and contractors

To ensure environmental safety during construction and operation of production facilities *Gazprom Group's* companies apply most stringent environmental standards to their contractors.

Gazprom Group's subsidiaries and entities impose environmental protection responsibilities on contractors in their contracts. When executing contract agreements, customers may impose responsibility for compliance with environmental protection requirements, obtaining all necessary permits, providing environmental reports, and undertaking financial responsibility to remedy failures to comply with the requirements.

Based on the results of its responses to CDP's questionnaires in 2011–2013, OAO Gazprom showed the best scores among Russian oil and gas companies.

i
Detailed information is presented in "Exploration and Production" section.

Approximately 20,000 employees at subsidiaries and contractor companies have improved their knowledge of environmental issues during OAO Gazprom's Year of Ecology.

OAo Gazprom pursues a consistent policy of saving auxiliary energy. Energy saving, implementation of energy-efficient technologies and equipment provide the *Company* with additional economic benefits and reduce environmental impact of operations.

Gazprom pursues a policy of energy saving and energy efficiency of all operations. The priority objectives are reduction of costs and minimisation of environmental damage.

The targets of *Gazprom* and its major subsidiary companies involved in production, transportation, processing, and underground storage of gas are set out in the OAO Gazprom's Energy Saving and Energy Efficiency Improvement Concept for 2011–2020 approved by the *Company*'s Board of Directors.

As required by Russian laws, the Concept establishes energy saving and efficiency key performance indicators for the *Group*'s gas business operations and technology such as gas production, transportation, processing, and underground storage:

- At least 1.2% annual reduction until 2020 of specific specific fuel and energy consumption for own needs;
- At least 11.4% reduction of specific natural gas consumption for technical needs, and gas losses in core operations;
- Reduction of greenhouse gas emissions by at least 48.6 mm tonnes of CO₂ equivalent.

Key long-term objectives of *Gazprom* in energy saving and efficiency, and achievements in 2011–2013

- Maximum energy-saving in all kinds of operations on the basis of the government-supported energy-saving policy of *Gazprom* and improvements to energy management. The total energy saving that can be technically achieved by 2020 is estimated as 28.2 mm t c.e. (including 22.5 bcm of natural gas), of which 7.3 mm t c.e. was already saved in 2011–2013 under the medium-term programme.
- Higher energy efficiency of *Gazprom*'s subsidiaries and entities due to implementation of advanced technologies and equipment: the actual rate of natural gas consumption for own technical needs, and losses in 2011–2013 were 7.96%.
- Reduction of the environmental impact of operations: the actual decrease of greenhouse gas emissions in 2011–2013 was c. 11.2 mm tonnes of CO₂ equivalent.

OAo Gazprom and its subsidiaries involved in gas production, transportation, processing, and storage have successfully reached the performance indicators set for 2013. The total fuel and energy resources (FER) saving is 2.3 mm t c.e. The economic result in the reporting year is estimated RUB 6.3bn.

FER savings breakdown by segments in 2013

Segment	Natural gas, mcm	Electric power, thousand kWh	Thermal energy, Gcal
Gas, condensate, and oil production	238,033.5	6,145.3	22,107.8
Gas transportation	1,642,993.0	256,277.1	55,652.3
Gas underground storage	15,681.0	1,995.2	—
Gas, condensate, and oil processing	15,688.1	21,218.8	137,531.5
Gas distribution	9,894.4	7,744.7	2,635.0
Total	1,922,290.0	293,381.1	217,926.6
Total, thousand t c.e.	2,191.4	95.4	31.1

The greatest FER saving rate (84.7%) refers to gas transportation by trunk pipelines.

The main innovative decisions that consistently reduce energy consumption in gas transportation and reduce costs of these energy-intensive operations, including construction of new trunk pipelines, are as follows:

- Implement and run GPUs with a efficiency not less than 36%;
- Increase working pressure to 11.8 MPa in onshore sections of trunk pipelines and to 22 MPa in the Nord Stream offshore pipeline;
- Use GPUs of manifold-free and modular configuration with modular gas cooling units; upgrade and optimise operation of existing gas air cooling units;
- Implement dry self-acting seals and gas-oil heat exchangers for compressor stations;
- Use high-strength large-diameter pipes with internal smooth coating;

- Apply pipeline hot tapping technology;
- Use variable-speed electric drives on processing equipment;
- Use renewable energy sources for consumers on a pipeline and remote consumers.

Another important trend in raising energy efficiency in 2011–2013 was the use of mobile compressor stations while servicing the pipelines: five gas transportation subsidiaries carried out nine gas re-directions from serviced to operating gas pipelines with the use of mobile compressor stations. These operations saved over 21 mmcm of natural gas in the gas transportation system.

Additional energy efficiency incentives are implemented since 2010 through a bonus programme for employees who demonstrate FER saving.

Energy consumption by Gazprom Group companies

Gas consumption for own needs of major OAO Gazprom subsidiaries involved in gas production, transportation, and underground storage in Russia was 45.9 bcm of gas, costing RUB 125.1bn. Their total electric power consumption for own needs was 15.2 bn kWh (of which c. 8% was own generation). The total thermal energy consumption was 22.6 mm Gcal, of which 78% was own generation. The price of purchased electric power for own needs and thermal power was RUB 38.7bn and RUB 7.6bn, respectively.

FER consumption of gas pipelining by the Group in 2013

Rate		Actual	Target (Order No. 88-e of the FTS of Russia dated 31.03.2011)
Relative reduction of fuel and energy consumption for own needs	Natural gas	87.6%	max. 98.8%
	Electric power	88.5%	max. 98.8%
Specific FER consumption rate for own processing needs		30.33	max. 36.44
		kg c.e./mmcm·km	kg c.e./mmcm·km
Gas lost while processing		3,080.95 mmcm	5,464.7 mmcm

In the reporting period, *Gazprom нефть* continued setting up a permanent energy saving system – the energy management system – that would provide for transition from occasional technical improvements to systemic technology and management solutions.

Following the Energy Saving Plan at Oil Refining Facilities and the Energy Efficiency Plan for Oil and Gas Production, the FER savings achieved by *Gazprom нефть* in 2013 are 0.2 mm t c.e. The total saving was RUB 1.2bn.

Priority tasks of the Russian power generating companies of the *Group* include roll-out of energy-saving technologies, development and application of energy-efficient technologies. For example, in the reporting period energy saving and efficiency programmes were implemented in all companies of *Gazprom Energoholding* – OAO Mosenergo and OAO OGK-2 implemented their medium-term energy saving programmes until 2015, and OAO TGC-1 implemented its Environmental Programme.

***Gazprom* actively supports social projects in the regions where it operates. The *Company* is committed to social responsibility, building new sports facilities, supporting children's arts and sports, and promoting healthy lifestyles as an integral part of its activities.**

OAO Gazprom and its subsidiaries focus their sponsorship and charity efforts on such areas of public life as sports, culture, education, and science. *Gazprom* supports projects that aim to revive national values.

Support for children and young people

Being aware of the central role that the younger generations will play in the country's future development, the *Group* places particular emphasis on projects providing support for children and young people. The Gazprom for Children programme is OAO Gazprom's key social responsibility project. The programme aims to create a favourable environment for harmonious intellectual, cultural and physical development of children and young people and get as many young people as possible into sports and arts.

Forty-five subsidiaries and entities of *Gazprom Group* have been supporting the programme covering 73 Russian regions since 2007. As part of the programme, the *Group* built or renovated 1,028 sports and cultural facilities for a total of RUB 18.77bn in 2007 through 2013. A total of RUB 0.88bn was spent over the period on charitable projects to promote children's sports and arts, purchase sports equipment, and launch sports clubs and classes.

The *Company* is the principal sponsor of Children's Radio, Russia's only radio station broadcasting exclusively children's content.

Over 1,000 children from boarding schools and orphanages attended OAO Gazprom-sponsored New Year gala, where they received presents and saw the Treasure Island musical based on the eponymous novel by Robert Louis Stevenson.

During the reporting year, the *Group* dedicated considerable resources to support disabled or orphaned children and financially disadvantaged or large families.

Key cultural and arts projects

Gazprom's corporate festival Flare brings together groups of amateur performers and individual amateur performers from among the staff of the *Group's* subsidiaries and entities. The festival aims at preserving and promoting Russia's multiethnic cultural traditions, as well as instilling moral and aesthetic values in younger generations. The three-round contest has been held every two years since 2003. The best performers from the first round run within each of *Gazprom's* subsidiaries advance to the second round that takes place at zonal festivals (North and South). The winners then go on to compete in the third and final round. The South Zone semi-finals of the 5th Corporate Festival Flare was held in Astrakhan in autumn 2012, while the North Zone semi-finals took place in Tomsk in February 2013. For the first time in the contest's history, the Festival finals were held outside Russia – in Vitebsk, Belarus, in May 2013, attended by over 1,300 participants from 36 Russian and Belarusian subsidiaries of OAO Gazprom, as well as guests representing the *Group's* international partners such as CNPC (China), OMV AG (Austria), GDF SUEZ (France), and Comita (Slovenia).

In 2013, sponsored by OAO Gazprom and GDF SUEZ, the Mariinsky Theatre directed by Valery Gergiev staged The Rite of Spring at the Théâtre des Champs Élysées in Paris to celebrate the 30th anniversary since the signing of the third contract for Russian gas supplies to France. The reporting year was also the Year of the Russian Federation in the Kingdom of the Netherlands and the Year of the Kingdom of the Netherlands in the Russian Federation. As part of the celebrations, OAO Gazprom acted as a partner of the Russian Classical Music Festival in the Netherlands. Prominent Russian musicians gave their concerts and master classes in Amsterdam, Maastricht, Rotterdam, and the Hague.

OAO Gazprom closely cooperates with Russian sports federations and acts as the principal sponsor of the All-Russian Rhythmic Gymnastics Federation, Volleyball Federation of Russia, Russian Chess Federation, Russian Biathlon Union, Football Union of Russia, Russian Canoe Federation, International Judo Federation, and Football Club Zenit. The *Company* is a financial sponsor of equestrian sports events and provides financial support for ò ('yo') racing team. *Gazprom'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.

Since 1996, *Gazprom Group* has held its annual corporate Spartakiads for employees and children from sports clubs of *Gazprom's* subsidiaries and entities. The Spartakiads primarily aim at promoting healthy lifestyles among *Gazprom's* employees and younger generations. They provide a platform to share experience and best practices in developing physical education and mass sports, as well as maintain athletic traditions. In August 2013, Kazan, the capital of the Republic of Tatarstan, hosted *Gazprom's* Summer Spartakiad. The 10th Summer Spartakiad for Employees and the 5th Summer Spartakiad for Children were attended by c. 2,500 employees and young athletes representing 29 subsidiaries of the *Group*.

The sponsorship agreement with the UEFA Champions League for 2012–2015 stands out among other sports projects run or supported by *Gazprom Group*. The tournament is one of the most popular and prestigious competitions in Europe and as such it provides an excellent platform to highlight *Gazprom Group's* advertising and social responsibility projects through wider media exposure. The *Group's* positioning as the League's sponsor is an excellent opportunity to shape and boost a positive image with its European partners and consumers.

The findings of two separate independent surveys commissioned by *Gazprom Group* and a survey run by the UEFA suggest that the *Group's* image in the European market has been improving. The overall *Gazprom* brand awareness has grown and the proportion of European respondents expressing positive perceptions of the *Company* is also on the rise. This, in turn, proves that the communications strategy chosen by *Gazprom Group* and this particular sponsorship project in general have been successful.

Under the sponsorship contract with the UEFA Champions League, *Gazprom Group* has run Football for Friendship, an international social responsibility project for children pursued as part of the Gazprom for Children programme. The project aims at promoting friendship between children from different countries, fostering tolerance and promoting the principles of equality and healthy lifestyles among children and young people via their love of football. Franz Bekenbauer, a world football legend, is the project's Global Ambassador.

In 2013, the project brought together children from eight countries: Bulgaria, the United Kingdom, Hungary, Germany, Greece, Russia, Serbia, and Slovenia. The project culminated in a forum held in London on the day of the 2012–2013 UEFA Champions League's final game. At the end of the forum, the participants drafted an open letter setting out the project's underlying themes of traditions, peace, friendship, equality, health, justice, and loyalty. The letter was sent to Joseph Blatter, President of the Fédération Internationale de Football Association (FIFA); Michel Platini, President of the Union of European Football Associations (UEFA); and Jacques Rogge, President of the International Olympic Committee (IOC). After the forum, *Gazprom Group* invited the children to the UEFA Champions League's final game at the famous Wembley Stadium.

The Football for Friendship project was widely praised by the international media, which contributed to improving *Gazprom's* image internationally as a socially responsible business.

Support for the 22nd Winter Olympic Games – Sochi 2014

The preparations for the 22nd Winter Olympic Games and the 11th Paralympic Winter Games in Sochi topped the list of Russia's national projects in 2013. *Gazprom Group* was actively involved in the construction of new sports facilities and will continue supporting further development of the Sochi region.

Adler TPP, Sochi's new 'energy heart', was inaugurated in January 2013 as part of the regional programme for overall and energy infrastructure development. The new power plant covers more than one third of the forecast peak load in Sochi's power grid in 2014, including during the Olympics.

The Games' infrastructure was fully commissioned during the reporting year. Among other projects, the ski resort *Gazprom Mountain Resort* significantly increased its transport capacity by launching eight new aerial lifts with a combined length of over 17 thousand metres, including a unique 3S gondola lift, over 5 thousand metres long. The *Group* completed a 16-km motorway to the Psekhako Ridge.

A transport hub was constructed at Alpika-Servis alpine resort, including an interchange station used during the Games and combining downstream loading areas of aerial lifts to the Psekhako and Aibga Ridges. Other facilities commissioned during the reporting year include the 1,297 metre long Aibga-1 aerial lift linking the alpine resort and the bobsleigh-and-luge track, access ways, parking areas and pedestrian crossings between facilities.

All facilities of the Mountain Olympic Village providing combined accommodation for 1,100 skiers and biathletes were commissioned during the reporting year. Part of the Olympic Village – a cluster of cabins for a total of 260 persons – had already been used to accommodate athletes who took part in winter competitions of 2010–2013. A hotel complex and apartment hotels of the Olympic Village were also commissioned during the reporting year.

A number of tourism and entertainment facilities were also commissioned along with the sports, transport and engineering infrastructures. The facilities include, among others, the Galaktika entertainment centre featuring an ice rink, a water park, a three-screen multiplex, an interactive learning club for kids, a congress hall, cafés, and restaurants.

Awareness and education projects

OAO Gazprom has historically supported projects to improve national education and raise the quality of vocational training offered to employees, including through partner higher education institutions identified in *Gazprom's* Innovative Development Programme until 2020: Gubkin Russian State University of Oil and Gas, National Research Tomsk Polytechnic University, Ukhta State Technical University, Kazan National Research Technological University, Lomonosov Moscow State University, Bauman Moscow State Technical University, FINEC (Saint Petersburg State University of Economics), National Mineral Resources University (University of Mines), Graduate School of Management of Saint Petersburg State University, Admiral Makarov State University of Maritime and Inland Shipping and National Research University Higher School of Economics.

The *Group* and its partner universities cooperate in offering training, career enhancement and vocational re-training opportunities and pursue joint technology research projects in the *Company's* priority areas.

Support for the Russian Orthodox Church

In 2013, *Gazprom* provided funds to finance renovation and restoration projects pursued by the Russian Orthodox Church in a number of Russian regions, including on the Stauropegial Convent of St. John the Baptist, Saint Petersburg; Presentation Tolgskiy Convent, Yaroslavl, and Alexander Nevski Monastery, Saint Petersburg (heat supply system renovation). The *Company* helped start a renovation project on the building of the Trinity Cathedral in Yakutsk and provided funds to complete the construction of the Saint Life-giving Trinity Cathedral in Petropavlovsk-Kamchatsky. During the reporting year, the *Group* continued supporting the Charity Foundation for the Restoration of the New Jerusalem Resurrection Stauropegial Monastery.

Support for other high profile events and initiatives benefiting local communities

OAO Gazprom has been a sponsor of the Saint Petersburg International Economic Forum and the Sochi International Investment Forum for several consecutive years. In 2013, the *Company* also sponsored the Baltic Sea Forum discussing environmental issues in the Baltic Sea Region.

Gazprom took part in Channel One Russia's All Together charity telethon and donated funds to support people in the flood-stricken regions of Russia's Far East.

In addition, the *Company* finances urban landscaping and infrastructure improvement projects in a number of major Russian cities, including Omsk, Rostov-on-Don, and Saint Petersburg.

High quality corporate governance is essential for OAO Gazprom. The *Company* is committed to the continuous improvement of its existing corporate governance framework to keep it abreast of the best global practice.

Developments in corporate governance of OAO Gazprom in 2013

- **OAO Gazprom's shares were included into Quotation List A2 of ZAO Micex Stock Exchange.**
Effective 26 December 2013, shares of OAO Gazprom were transferred to quotation list A2 of the list of securities admitted to trading at ZAO Micex Stock Exchange with further inclusion thereof into the first (top) level quotation list as a result of the listing reform including unification of the QLA1 and QLA2. Inclusion of its securities into the top quotation list will allow the *Company* to significantly expand its Russian investor base, primarily through funds managing pension savings and insurance reserves.
- **In 2013, the deadline for disclosure of information to shareholders for the annual General Shareholders Meeting was extended (from 20 days to 30 days prior to the meeting date).**
When the annual General Shareholders Meeting 2014 is prepared, the deadline for disclosure of information is to be extended to over 30 days prior to the meeting date.
- **Actions were taken to increase transparency of OAO Gazprom's operations.**
The *Company* website now contains additional information (in excess of statutory requirements), including the Regulation on the Internal Control System of OAO Gazprom, information on the number of meetings of the Board of Directors and Board of Directors' Audit Committee of OAO Gazprom in 2011 through 2013, the Memorandum of Intent of the Russian Federation as Major Shareholder of OAO Gazprom, information on the Board of Directors members' statutory independence criteria as used by the *Company* in the course of its business, information on directors' compliance with independence criteria, information on the corporate Employee Equity Sharing Plan for the Company Management. In accordance with the best corporate governance practices, English and Russian versions of OAO Gazprom's website were simultaneously updated with new content, including key internal regulations.
- **The powers of the Board of Directors' Audit Committee of OAO Gazprom were expanded.**
According to the new Regulation on the Board of Directors' Audit Committee of OAO Gazprom approved by the *Company's* Board of Directors in 2013, the Audit Committee will take decisions, among other things, on matters of compliance with the Code of Corporate Ethics of OAO Gazprom, improving performance of the Internal Audit Department and considering material constraints for the latter to successfully complete its tasks.
- **OAO Gazprom's Dividend Payment Procedure was approved.**
OAO Gazprom's Dividend Payment Procedure was approved by the resolution of the General Shareholders Meeting on 28 June 2013. It regulates in detail all issues in relation to, among other things, sources, periods and methods of dividend payments to individuals entitled to receive them.
- **The Code of Corporate Ethics of OAO Gazprom was further implemented.**
The *Company's* hotline for employees and third parties on corporate ethics is in operation, requests are also accepted via email. Based on the Code, template codes for entities under the *Company's* control were developed and adapted for limited liability and joint-stock companies. Actions were taken to implement local codes of corporate ethics in the *Company's* subsidiaries and affiliates. The Corporate Ethics Commission of OAO Gazprom was established in February 2014.
- **Disposal of non-core/non-performing assets.**
In 2013, the total revenue received by OAO Gazprom and its subsidiaries from disposal of non-core/non-performing assets was RUB 7.05bn including RUB 4.31bn from non intra-group transactions.
- **Regulation of OAO Gazprom on Control of Compliance with the Laws on Countering the Unlawful Use of Insider Information and Market Manipulation was approved (resolution of the Board of Directors of 25 January 2013).**
The Regulation sets forth general principles of arranging a system of control over OAO Gazprom's compliance with statutory requirements to countering unlawful use of insider information and market manipulation. In accordance therewith, the *Company* has established a compliance unit accountable to the OAO Gazprom's Board of Directors and responsible for controlling compliance by OAO Gazprom and its employees with statutory requirements to countering unlawful use of insider information and market manipulation.
- **Full-scale audit of OAO Gazprom's corporate governance practice was completed.**
Implementation of proposals on improving corporate governance including those provided based on the audit results will help the *Company* establish corporate governance in accordance with the best global practices, improve internal corporate governance communications, foster investor confidence and increase OAO Gazprom's capitalisation.

Corporate Governance Framework of OAO Gazprom

Corporate governance principles

Core corporate governance principles are set forth in the Code of Corporate Governance of OAO Gazprom approved by OAO Gazprom's General Shareholders Meeting on 28 June 2002.

The *Company's* corporate governance is primarily aimed at full respect of the rights of all OAO Gazprom's shareholders. Key corporate governance documents of OAO Gazprom are based on fair treatment of shareholders, protection of their rights and interests regardless of their shareholdings.

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The above documents
are available at
OAO Gazprom's website

Key documents of OAO Gazprom to protect shareholders' rights

OAO Gazprom's Articles of Association;
Code of Corporate Governance of OAO Gazprom;
Code of Corporate Ethics of OAO Gazprom;
Regulation on the General Shareholders Meeting of OAO Gazprom;
Regulation on the Board of Directors of OAO Gazprom;
Regulation on the Board of Directors' Audit Committee of OAO Gazprom;
Regulation on the Management Committee of OAO Gazprom;
Regulation on the Chairman of OAO Gazprom's Management Committee;
Provision on the Audit Commission of OAO Gazprom;
Regulation on the Internal Control System of OAO Gazprom;
Procedures for Documenting of Proposals and Requests of Shareholders Related to the Convocation of the General Shareholders Meeting of OAO Gazprom;
Dividend Policy of OAO Gazprom;
OAO Gazprom's Dividend Payment Procedure;
Regulation on Information Disclosure of OAO Gazprom;
Procedure for Shareholders' Familiarisation with Information on OAO Gazprom;
OAO Gazprom's Regulation on Control of Compliance with the Laws on Countering the Unlawful Use of Insider Information and Market Manipulation.

In accordance with the Code of Corporate Governance of OAO Gazprom, the *Company* assumes the responsibility of developing corporate conduct rules based on the following principles:

- Exercise of the rights of all the shareholders related to their shareholdings in OAO Gazprom;
- Strategic governance by the Board of Directors and its effective supervision over executive bodies;
- Accountability of the Board of Directors to the General Shareholders Meeting;
- Reasonable and fair management of day-to-day operations by executive bodies accountable to the Board of Directors and General Shareholders Meeting;
- Prompt disclosure of information about the *Company*, including its financial position, performance, ownership and governance structure;
- Effective supervision over financial and operating performance;
- Statutory rights of the *Company's* employees, development of partnerships between the *Company* and its employees to resolve social issues and regulate working conditions;
- Active cooperation with investors, lenders, and other stakeholders to expand the *Company's* assets and increase the value of OAO Gazprom's shares and other securities.

Also, it is the *Company's* concern to improve corporate governance in its subsidiaries and affiliates and to make their operations open and transparent, as well as to implement core principles set forth in the Code of Corporate Governance of OAO Gazprom.

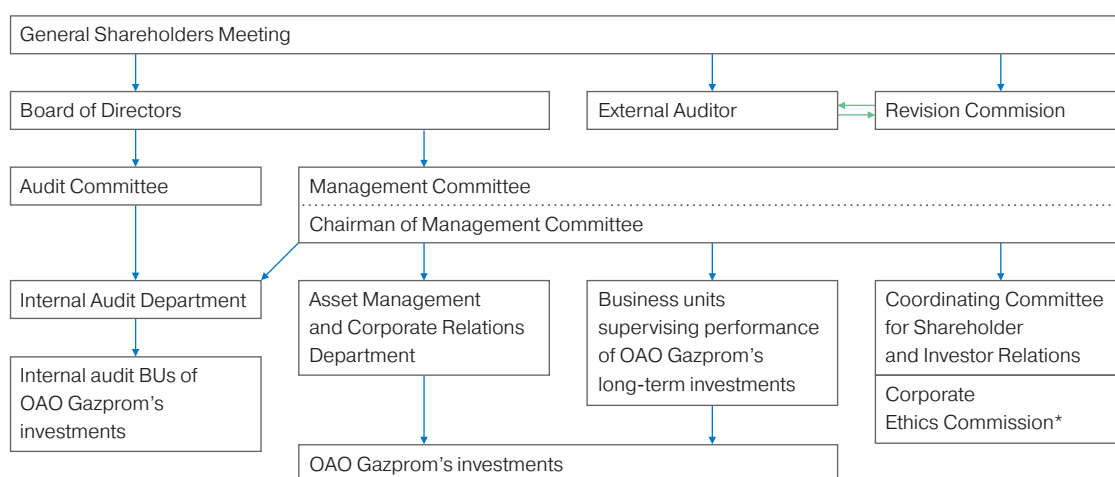
The *Company* also strives to adhere, to the fullest possible extent, to national and international corporate governance principles including those set forth in the Model Code of Corporate Conduct of the FCSM of Russia recommended by FCSM Resolution No. 421/r of 04 April 2002. The *Company* also offers its shareholders and investors alternative solutions protecting their rights and legitimate interests, as aligned with corporate profiles (vertical integration, business diversification and shareholding structure). Individual components of joint-stock company operations are fully regulated by Russian laws making it unnecessary to detail them in internal documents of OAO Gazprom.

OAO Gazprom's corporate governance pillars include management and supervisory bodies: the General Shareholders Meeting, Board of Directors, Management Committee, Chairman of the Management Committee and Audit Commission. The *Company's* business performance is independently reviewed by an external auditor.

Corporate secretary functions are distributed among OAO Gazprom's business units according to their scopes of authority. Most such functions are vested in the Secretariat of the Board of Directors, the Administration of the Management Committee, and the Asset Management and Corporate Relations Department. Supervision of subsidiaries' and affiliates' performance in different business lines is the responsibility of various business units of OAO Gazprom, according to their type of activities. The Asset Management and Corporate Relations Department is responsible for coordination of, and organisational and methodological support to representatives of OAO Gazprom and its subsidiaries in management bodies of its investments.

In order to maintain a transparent and mutually beneficial dialogue with the investment community, OAO Gazprom has established the Coordinating Committee for Shareholder and Investor Relations. Its head is the Deputy Chairman of the Management Committee and the head of the Financial and Economic Department. The Committee also includes heads of business units responsible for development and implementation of the relevant strategy. Relations with the investment community are governed by the annual plan of the Coordinating Committee.

OAO Gazprom's Corporate Governance Structure



→ Subordination / accountability

↔ Interaction

* Established by OAO Gazprom's order of in February 2014

Audit of corporate governance practices

A full-scale independent audit of OAO Gazprom's corporate governance practices was conducted in late 2013. The audit included interviews with the *Company's* employees and officers, as well as review of public information sources and internal documents.

Results of corporate governance practices audit of OAO Gazprom

The audit results prove that OAO Gazprom's ownership structure is transparent, rights and responsibilities of the *Company's* shareholders are clearly defined in Articles of Association and other internal documents, the *Company's* shareholders have equal votes, and their voting rights are properly protected. Procedures for convocation, preparation, conduct and closing of General Shareholders Meetings are complied with. Dividends are paid in strict accordance with the laws, protection against asset value dilution is in place. The *Company* timely discloses information required by the laws and internal documents. Information disclosure is regulated by provisions of internal documents which are put into practice. OAO Gazprom upholds equal disclosure of information to all stakeholders. Moreover, the *Company* has a functioning Coordinating Committee for Shareholder and Investor Relations. OAO Gazprom manages shareholder, investor and analyst relations by hosting various events, such as forums, conferences, etc. Interested party transactions are approved in accordance with the laws and the Articles of Association.

The corporate governance practices audit resulted in recommendations on the following key priorities: shareholders' rights, activities of management and supervisory bodies, information disclosure and corporate social responsibility.

Proposals on further improvement of corporate governance in the *Company* are scheduled for development in 2014, based on audit results.

In 2013, OAO Gazprom also initiated independent corporate governance audits in subsidiaries whose shares are publicly traded in a regulated securities market and/or who publicly offer(ed) their bonds or other securities.

Position of the Board of Directors within OAO Gazprom's Corporate Governance Framework

The Board of Directors is responsible for general management of the *Company's* operations except for matters reserved to the General Shareholders Meeting by the Federal Law On Joint-Stock Companies.

Key tasks of OAO Gazprom's Board of Directors

- Determine the *Company's* development strategy;
- Increase the *Company's* market capitalisation;
- Ensure disclosure of OAO Gazprom's information to shareholders and other stakeholders;
- Establish internal controls;
- Perform regular appraisal of OAO Gazprom's executive bodies and management performance.

Although the Articles of Association do not expressly entitle the Board of Directors to approve terms and conditions of agreements with the Chairman and members of the Management Committee, the Board of Directors is authorised to approve such terms and conditions as the list of matters reserved to it is not exhaustive.

Key powers of OAO Gazprom's Board of Directors

- Approve long-term plans and core programmes of the *Company's* operations, including the annual budget and investment plans;
- Establish the *Company's* executive bodies and early terminate their powers;
- Determine remunerations and compensations for the Chairman and members of the Management Committee, and approve their concurrent holding of executive officer positions in other entities.

Members of the Board of Directors are entitled to receive information from OAO Gazprom which is required to perform their functions. For example, when preparing to the Board of Directors' meeting, a member of the Board of Directors may exercise the right to receive information by requesting additional information on the agenda from the Chairman of the Management Committee. The Chairman of the Management Committee shall provide such requested documents and information within five calendar days upon receipt of this request.

However, the Board of Directors' members should neither abuse their positions and use OAO Gazprom's information received for their personal gain nor allow similar abuse thereof by any other persons.

The Board of Directors' members are liable to the *Company* for losses the *Company* may incur through their unlawful actions (omissions), unless federal laws set forth other grounds for, or amounts of, such liability.

The Board of Directors' members are to inform the *Company* of OAO Gazprom's securities they own and transactions with them. Moreover, members of the Board of Directors are to inform the Board of Directors, Audit Commission and the *Company's* auditor of: legal entities in which they, independently or jointly with their affiliate (affiliates), own 20 or more percent of voting shares (stake, interest); legal entities where they hold executive positions; pending or proposed transactions known to them in which they may be deemed interested parties.

The role of the Board of Directors in improving corporate governance

The Board of Directors plays an important part in determining improvement priorities for the *Company's* corporate governance. The Board of Directors' meetings are regular forums for discussion of matters pertaining to OAO Gazprom's corporate governance, including those related to reports on actions taken and long-term plans.

Corporate governance development on the Board of Directors' agenda in 2010–2013

- **A number of underlying corporate governance documents approved:** Dividend Policy of OAO Gazprom (October 2010), Guidelines on Remuneration of the Board of Directors of OAO Gazprom (November 2010), Professional Ethics Code for Internal Auditors (March 2012), Code of Corporate Ethics of OAO Gazprom (July 2012), Regulation on the Internal Control System of OAO Gazprom (December 2012), Regulation of OAO Gazprom on Control of Compliance with the Laws on Countering the Unlawful Use of Insider Information and Market Manipulation (January 2013), Revised Regulation on the Board of Directors' Audit Committee of OAO Gazprom (May 2013).
- **Various aspects of OAO Gazprom's corporate governance reviewed; performance of the *Company's* executive bodies assessed:** increasing OAO Gazprom's capitalisation (May 2013); boosting performance of OAO Gazprom, including non-core asset management, cost and procurement management (June 2013); complying with statutory requirements to the use of insider information (December 2013), improving OAO Gazprom's corporate governance (December 2013).
- **Resolution passed on independent corporate governance audit of OAO Gazprom's subsidiaries whose shares are publicly traded in a regulated securities market and/or who publicly offer(ed) their bonds or other securities (September 2013).**
- **Resolution passed on preparing amendments to the Guidelines on Remuneration of the Board of Directors of OAO Gazprom (August 2013).**

The Board of Directors is constantly focusing on improvements to internal controls and development of corporate risk management. However, risk management procedures are developed by OAO Gazprom's executive bodies.

The Board of Directors is an important function for the *Company's* asset transactions and OAO Gazprom's relations with its long-term investments.

Meetings of the Board of Directors

The Board of Directors holds meetings in line with its six month work schedule developed based on proposals by the Chairman and Deputy Chairman of OAO Gazprom's Board of Directors, members of the Board of Directors, Management Committee, Chairman of the Management Committee, Audit Commission and auditor.

OAO Gazprom's internal documents establish no regular intervals between the Board of Directors' meetings, although those are held at least (in general, even much more frequently than) once a month. In 2013, 80 meetings were held (of which ten were joint-presence). The quorum of the Board of Directors' meeting is set forth in the Articles of Association and is deemed present if the meeting is attended by more than one half of the elected Board of Directors members for the purposes of agenda items resolutions whereupon are taken by a simple majority vote.

The Board of Directors members are to attend its meetings personally. If no personal attendance is possible, the Board of Directors' member notifies the Board of Directors accordingly, stating reasons that make such attendance impossible. At the same time, the Board of Directors' member may provide a written opinion on the agenda to be discussed. Internal documents provide for no mandatory attendance of the Board of Directors' meetings by independent directors. Still, independent directors actively participate in the Board of Directors' meetings held on matters reserved to it.

Committees of the Board of Directors

The Board of Directors' Audit Committee of OAO Gazprom was established by resolution of the Board of Directors and is composed of its members. The Committee's purpose is to support the Board of Directors in supervising the *Company's* financial and business operations.

The Committee is accountable to OAO Gazprom's Board of Directors, and its powers are set forth in the Regulation on the Board of Directors' Audit Committee of OAO Gazprom approved by Resolution No. 2314 of the Board of Directors of OAO Gazprom on 25 February 2014.

Key functions of the Board of Directors' Audit Committee of OAO Gazprom

- Assess proposed auditors for OAO Gazprom, review the auditor's opinion;
- Provide for independent and unbiased functioning of internal and external auditors;
- Supervise completeness, timeliness and fairness of the financial statements of OAO Gazprom;
- Monitor reliability and efficiency of risk management and internal control systems.

In accordance with the above Regulation, the Committee's priorities are to conduct a preliminary integrated review of selected matters reserved to the Board of Directors of OAO Gazprom and prepare recommendations on making resolutions for the *Company's* Board of Directors. The range of matters to be recommended on by the Committee for resolutions to be taken by OAO Gazprom's Board of Directors was extended in 2013.

Issues reviewed by the Board of Directors' Audit Committee of OAO Gazprom

Issue	Reserved to the Committee in 2013
OAO Gazprom's financial statements	
Internal control system performance	
Risk management system performance	■
Compliance with the Code of Corporate Ethics of OAO Gazprom	■
Internal Audit Department performance	■
Cooperation with OAO Gazprom's Audit Commission	
External audit of OAO Gazprom	

In 2013, the Board of Directors' Audit Committee of OAO Gazprom consisted of three members of OAO Gazprom's Board of Directors: Valery Musin (the Chairman), Farit Gazizullin, and Mikhail Sereda.

The Board of Directors' Audit Committee of OAO Gazprom held six meetings and discussed twelve agenda items in the reporting year, including the draft 2014 work schedule for the Internal Audit Department of the Administration of the Management Committee and the Department's performance report.

No additional special committees of the Board of Directors were established in 2013 since OAO Gazprom has corporate procedures in place ensuring that the Board of Directors may make resolutions on development strategy, recruiting highly skilled professionals for *Company* management and resolving corporate disputes.

Improving the *Company's* long-term performance. Integrated cooperation across all divisions allows the Board of Directors to engage in determining strategic objectives and supervising their achievement. In particular, the Board of Directors approves the list and levels of OAO Gazprom's key performance indicators setting objectives for long-, mid- and short-term planning. Strategic planning and investment functions are distributed between OAO Gazprom's Board of Directors and Management Committee. OAO Gazprom's organisational structure includes dedicated functions responsible for supporting strategic planning and investment processes, including the Prospective Development Department, Investment and Construction Department and Project Operations Department. Strategic planning based on a balanced performance indicator framework allows the Board of Directors to focus on OAO Gazprom's most critical strategic priorities.

Recruiting highly skilled professionals for *Company* management. Well-established HR and executive incentive programmes help OAO Gazprom recruit employees whose professional and performance qualities are necessary for the *Company* to achieve its goals and objectives. OAO Gazprom has in place the Comprehensive Programme for Implementation of Human Resources Management Policy of OAO Gazprom, its Subsidiaries and Entities for 2011–2015. The Programme is aimed at further improving human resources of OAO Gazprom, its subsidiaries and entities. The Coordinating Board composed of employees of OAO Gazprom's business units and heads of functions in subsidiaries and entities is responsible for coordination and general management of the Programme implementation. OAO Gazprom's management incentive plans are aimed at achieving the *Company's* business goals, roll-out of OAO Gazprom's strategic lines of business by ensuring personal commitment of each executive officer. The Regulation on the Annual Bonus System for the Management of OAO Gazprom has been approved by the *Company's* Board of Directors.

OAO Gazprom also has in place the Guidelines on Remuneration of the Board of Directors of OAO Gazprom based on generally accepted corporate governance principles. Adopted standards define matters customarily discussed by the Board of Directors' HR and Remuneration committees.

Resolving corporate disputes, OAO Gazprom's compliance with ethical practices and building confidence within the *Company*. The adopted Code of Corporate Ethics of OAO Gazprom sets forth the principles and rules of employee conduct, regulates relationship within the *Company* and relations between the *Company* and its shareholders and investors, government authorities, entities, individuals and other categories of persons interacting with OAO Gazprom, and promotes harmonised corporate values. The *Company* has a hotline for employees and third parties to ask questions on corporate ethics, requests are also accepted via email. The Code provides for establishment of OAO Gazprom's Corporate Ethics Commission whose key objective is to assist the *Company* in its compliance with principles and rules of business conduct based on corporate values. The Commission's key task is to ensure compliance with the Code requirements and provisions and integrated approach to, as well as coordination of, business units' activities. The Commission was established by virtue of OAO Gazprom's order in February 2014 that also approved the Regulation on the Corporate Ethics Commission.

Role of the Board of Directors in significant corporate actions

Relations with companies that are OAO Gazprom's investments. Subject to approval by OAO Gazprom's Board of Directors are the *Company's* positions on its representatives' votes in management bodies of its investments, including the following matters:

- investment's membership in other entities and termination of such membership;
- contribution of property into an investment by its members;
- investment's property contributions to other entities;
- reorganisation or liquidation of investments.

Transactions. OAO Gazprom has an established procedure for preliminary approval of specific types of material transactions by the Board of Directors. This procedure is a part of the risk management and internal control systems. It has been developed in accordance with OAO Gazprom's Articles of Association, OAO Gazprom's Procedure for Cooperation with Business Companies and Entities where OAO Gazprom Owns over 50% of Shares (stake, interest), other internal documents, as well as corporate governance principles to ensure transparency of the *Company's* business and businesses of its entities where OAO Gazprom owns over 50% of shares (stake, interest).

Transactions approved by the Board of Directors

- Acquisition, disposal or encumbrance of the *Company's* fixed assets with a value of over 0.3% of the book value of OAO Gazprom's assets, as shown in its financial statements as of the last reporting date;
 - Provision of loans, credits, guarantees, pledges and sureties to and/or by the *Company* with a value of over 0.3% of the book value of OAO Gazprom's assets, as shown in its financial statements as of the last reporting date;
 - Purchase, disposal or encumbrance of assets in the form of equity (equity-linked securities and/or equity derivatives), stake or interest in other entities (investments) by OAO Gazprom or its subsidiaries;
 - Contributions of property to investments (limited liability companies, partnerships or cooperatives) by OAO Gazprom or its subsidiaries, except for companies where the sole member is OAO Gazprom or its subsidiary.
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The transaction procedure requires that the Board of Directors be provided with independent appraisals of the market value of such property to pass resolutions approving such transactions.

The Chairman of OAO Gazprom's Management Committee provides the Board of Directors with information on conclusion of approved transactions on a quarterly basis.

Major and interested party transactions

In 2013, OAO Gazprom concluded no transactions deemed major in accordance with the applicable laws of the Russian Federation.

For OAO Gazprom's transactions concluded in 2013 which are deemed interested party transactions in accordance with the applicable laws of the Russian Federation and approved by resolutions of the annual General Shareholders Meeting on 29 June 2012 and 28 June 2013 and the Board of Directors, see the Additional Information section of this Report. All transactions approved by the General Shareholders Meeting and the Board of Directors are in furtherance of the *Company's* business and its corporate interests.

Remuneration and Liability Insurance of Members of the Board of Directors, Management Committee and the Chairman of the Management Committee

Remuneration of members of the Board of Directors, Management Committee and the Chairman of the Management Committee

Short-term remunerations paid by OAO Gazprom in 2013 to members of the Board of Directors, Management Committee and the Chairman of the Management Committee (including salaries, bonuses and remunerations for their work in OAO Gazprom's management bodies) were RUB 2,261,612 thousand. This amount includes personal income taxes and insurance premiums. Members of the Board of Directors holding public or civil office receive no remuneration from OAO Gazprom. Remuneration of members of the Board of Directors is approved by the annual General Shareholders Meeting. Short-term remuneration of the Chairman of the Management Committee, members of the Management Committee and the Board of Directors employed by OAO Gazprom is determined by their employment agreements.

Approaches to determining remunerations of the Board of Directors

(as set forth by the Guidelines on Remuneration of the Board of Directors of OAO Gazprom, as approved by Resolution of OAO Gazprom's Board of Directors No. 1670 of 03 November 2010)

Remuneration of a Board of Directors member consists of two parts: fixed base and additional.

Fixed base remuneration is paid for acting as a member of the Board of Directors. It is set in accordance with OAO Gazprom's established practice of remuneration payments to members of its Board of Directors.

Additional remuneration is paid to members of the Board of Directors for their additional responsibilities such as acting as Chairman of the Board of Directors, Deputy Chairman of the Board of Directors or for work in committees of the Board of Directors. Additional remuneration takes into account performance against OAO Gazprom's corporate KPIs.

Remunerations to members of OAO Gazprom's Board of Directors are adjusted for inflation to compensate for its negative impact. The Guidelines on Remuneration of the Board of Directors of OAO Gazprom also provide that the Board of Directors may recommend the General Shareholders Meeting to reduce remunerations payable to members of the Board of Directors against those calculated in accordance with the Guidelines due to existing economic conditions.

In accordance with Russian laws, OAO Gazprom makes contributions to the Pension Fund of the Russian Federation, Social Insurance Fund of the Russian Federation, Federal Fund of Mandatory Health Insurance. OAO Gazprom calculates such contributions based on payments and other remunerations of its employees including the Chairman of the Management Committee, members of the Management Committee, and members of the Board of Directors employed by OAO Gazprom.

Moreover, OAO Gazprom provides voluntary medical insurance to the Chairman of the Management Committee, members of the Management Committee, and members of the Board of Directors employed by OAO Gazprom. In 2013, voluntary medical insurance premiums were RUB 851 thousand.

Liability insurance of members of the Board of Directors, Management Committee and Chairman of the Management Committee

OAO Gazprom maintains liability insurance for members of its Board of Directors (including independent directors but excluding directors who hold public office) and the Management Committee. The insurance covers damages to shareholders, lenders or other persons resulting from unintentional wrongful actions (failure to act) by policyholders in their management roles.

An insurance agreement with a single limit of indemnity covers the following risks:

- Third-party claims against members of the Board of Directors and Management Committee for damages resulting from unintentional wrongful actions of policyholders in their management roles;
- Third-party claims against OAO Gazprom for damages resulting from unintentional wrongful actions of members of the Board of Directors and Management Committee in their management roles.

In 2013, insurance premiums paid under an insurance agreement were USD 1.57mm, while the coverage amount was USD 100mm.

The insurance coverage under an agreement for liability insurance of members of the Board of Directors and the Management Committee is in line with international insurance standards measured by risks insured and indemnity limits.

Internal Control System and Audit

Objectives, goals and components of the internal control system, its operating principles, as well as OAO Gazprom's management bodies and persons responsible for internal control are set forth in the Regulation on the Internal Control System of OAO Gazprom approved by Resolution of the Board of Directors No. 2091 of 14 December 2012.

The internal control system is designed to provide reasonable assurance that OAO Gazprom:

- meets performance targets;
- ensures completeness, timeliness and fairness of all types of OAO Gazprom's accounts and reports;
- complies with existing laws;
- protects its assets (including information assets).

Internal control applies to the Board of Directors, its Audit Committee, Audit Commission, executive bodies (the Management Committee and its Chairman), Internal Audit Department of the Administration of the Management Committee, as well as other OAO Gazprom's business units and the *Company's* employees.

Audit Commission

The Audit Commission of nine members is elected by the General Shareholders Meeting. The Audit Commission's powers are set forth by the Federal Law On Joint-Stock Companies and by OAO Gazprom's Articles of Association on any matters not provided for by the law.

Key tasks of OAO Gazprom's Audit Commission

- Monitor the integrity of OAO Gazprom's financial and accounting statements and other information on the *Company's* financial and business operations and condition of its assets;
 - Control statutory compliance of OAO Gazprom's accounting practices and submission of financial statements and information to relevant authorities and shareholders;
 - Increase efficiency of the *Company's* asset management and OAO Gazprom's other financial and business operations, mitigate its financial and operating risks, and improve its internal control system.
-

The Audit Commission cooperates with the Audit Committee of OAO Gazprom's Board of Directors.

In 2013, remunerations paid for the work of the Audit Commission to its members were RUB 24,513 thousand. This amount included personal income taxes and insurance premiums.

Internal Audit Department

The Department relies upon laws of the Russian Federation, OAO Gazprom's Articles of Association, resolutions of its management bodies and the Professional Ethics Code for Internal Auditors approved by the Board of Directors' Resolution No. 1956 of 14 March 2012 and the International Standards for the Professional Practice of Internal Auditing.

The department is administratively accountable to the Chairman of OAO Gazprom's Management Committee within the Administration of the Management Committee and functionally accountable to the Audit Committee of the Board of Directors.

The key task of the Internal Audit Department is to provide the Audit Committee and OAO Gazprom's management with independent and unbiased guarantees – conclusions based on internal audit results – and recommendations on improving of the *Company's* business. The Department assists OAO Gazprom in achieving its goals through a consistent systemic approach to evaluation and improving risk management, control and corporate governance processes.

To perform this task, the Department arranges and conducts internal audits of OAO Gazprom's business units, subsidiaries and entities under the established procedure and in accordance with the best Russian and international internal audit practices. Results of such internal audits are used to develop and submit proposals on elimination of violations, deficiencies and their causes to OAO Gazprom's management.

Results of internal audits are promptly reported to the Chairman of the Management Committee and, annually, to the Management Committee and Audit Committee of the Board of Directors. The Department's proposals underlie instructions the Chairman of the Management Committee issues to OAO Gazprom's business units, subsidiaries and entities to improve the *Company's* performance. The Internal Audit Department monitors performance of such instructions.

In 2013, the Internal Audit Department audited OAO Gazprom's business units, subsidiaries and entities to identify risks and evaluate performance of the *Company's* critical business lines and processes.

External auditor

OAO Gazprom selects its auditor annually by a public tender in accordance with the applicable laws of the Russian Federation.

The successful tenderer audits three types of statements:

- OAO Gazprom's (parent company) accounting statements;
- OAO Gazprom's combined RAS accounting statements;
- OAO Gazprom's consolidated IFRS financial statements.

In 2013, ZAO PricewaterhouseCoopers Audit won the public tender and was approved as auditor by the annual General Shareholders Meeting of OAO Gazprom on 28 June 2013. The contract price offered by the winner was equivalent to USD 6,780,000 (VAT excluded). It was approved by Resolution of the Board of Directors No. 2237 of 09 August 2013.

To prevent loss of objectivity and, therefore, quality of its audit, ZAO PricewaterhouseCoopers Audit ensures mandatory rotation of its key management during audit of OAO Gazprom and pursues an employee independence policy.

In 2013, ZAO PricewaterhouseCoopers Audit provided no audit-related services to OAO Gazprom.

Equity Market and Capitalisation

OAO Gazprom's equity is RUB 118,367,564,500 divided into 23,673,512,900 ordinary shares with 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. The *Company* issued no preferred shares.

OAO Gazprom's shareholding structure

Name	As of 31 December 2012, %	As of 31 December 2013, %
The Russian Federation represented by the Federal Agency for State Property Management	38.37	38.37
OAO Rosneftegaz*	10.74	10.97
OAO Rosgazifikatsiya**	0.89	0.89
ADR holders***	26.96	25.78
Other holders of record	23.04	23.99

* As of 31 December 2012 and 31 December 2013, the share of the Russian Federation represented by the Federal Agency for State Property Management in OAO Rosneftegaz was 100%.

** As of 31 December 2012 and 31 December 2013, OAO Rosneftegaz held 74.55% shares in OAO Rosgazifikatsiya.

*** The BNY Mellon issued ADRs on OAO Gazprom's shares.

Registered stockholders of at least 2% shares in OAO Gazprom as of 31 December 2013

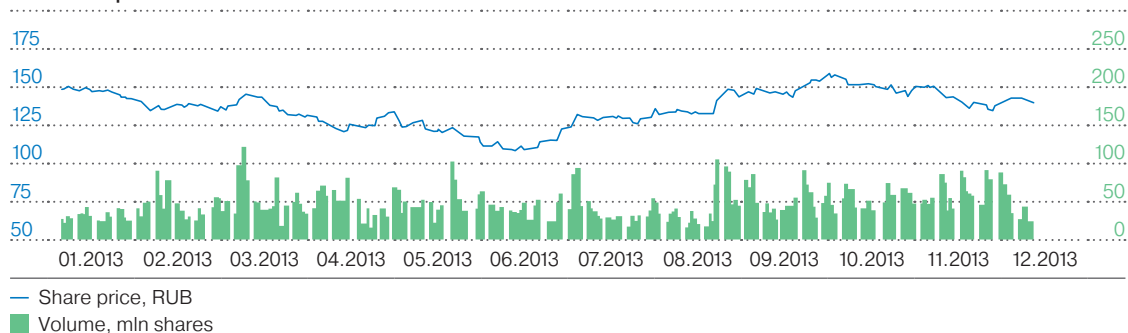
Name	Stake, %
The Russian Federation represented by the Federal Agency for State Property Management	38.37
OAO Rosneftegaz	10.97
Gazprom Gerosgaz Holdings B.V.	2.93

OAO Gazprom's ordinary shares are listed at ZAO Micex Stock Exchange (part of Moscow Exchange Group). They are among the most liquid shares in the Russian stock market and are included into the list of underlying securities for MICEX and RTS indices.

In 2013, ZAO Micex Stock Exchange transferred OAO Gazprom's shares from its Non Listed Securities Register to its Quotation List A, Level 2 (QLA2). The listing reform scheduled for 2014 that includes, among other things, unification of QLA1 and QLA2 and inclusion of OAO Gazprom's securities into the top quotation list will allow the *Company* to expand its Russian investor base, primarily through funds managing pension savings and insurance reserves.

Performance of OAO Gazprom's ordinary shares and daily trade volumes on ZAO Micex Stock Exchange in 2013.

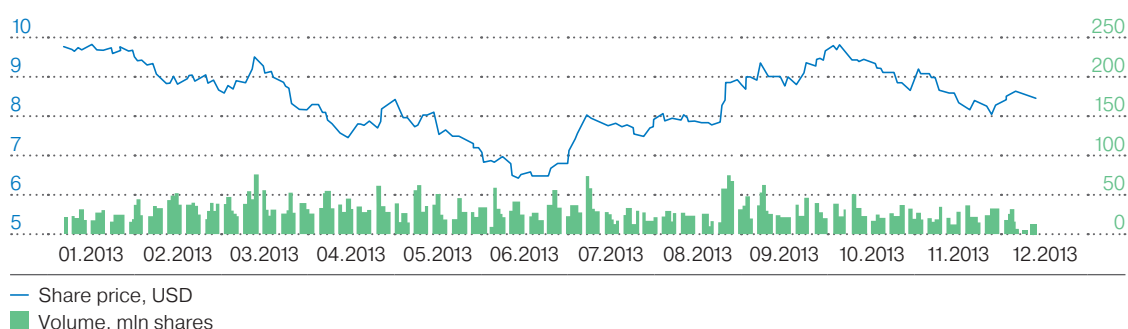
Ticker: Gazp RX



OAO Gazprom's ADRs are traded on London, Berlin and Frankfurt exchanges, with London Stock Exchange (LSE) accounting for the bulk of trade.

Performance of OAO Gazprom's ADRs and daily trading volumes on LSE in 2013.

Ticker: OGZD LI

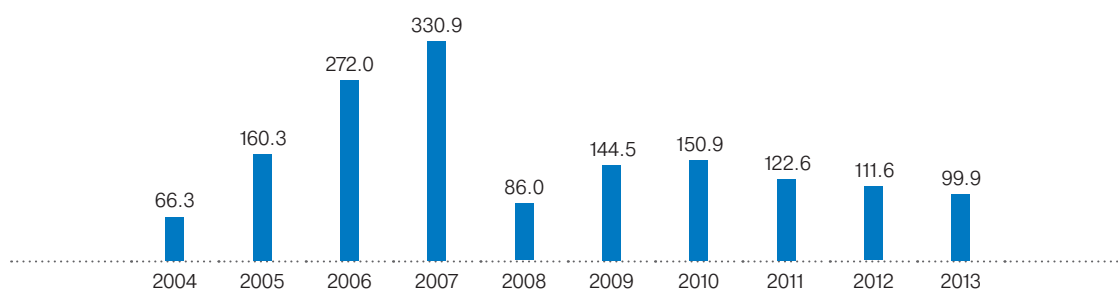


A significant amount of OAO Gazprom's ADRs is traded in the US OTC market among qualified institutional buyers (QIBs).

As of 31 December 2013, OAO Gazprom's market capitalisation was RUB 3.28tn or USD 99.9bn, 3.6% lower y-o-y in the rouble equivalent. In 2013, OAO Gazprom's average market capitalisation decreased by 17.0% y-o-y to RUB 3.19tn or USD 100.1bn. In 2013, the total shareholder returns calculated as the year-end change in capital invested into OAO Gazprom's ordinary shares traded on the ZAO Micex Stock Exchange including dividends paid in the reporting period and excluding their reinvestments were +0.58%.

Restrained increase of gas tariffs in 2014–2015 and further delay of gas pricing liberalisation in Russia resulted in a more modest OAO Gazprom's financial outlook. Increased and diversified MET rates for *Gazprom* and independent gas producers and frequent review of other parameters set by the Government of Russia interfere with modelling of *Gazprom*'s projected growth by the investment community. It increases uncertainty in appraisal of OAO Gazprom's shares fair value. Increased uncertainty, in its turn, results into increased premiums for investors into the *Company*'s shares. Such circumstances were key factors affecting performance of OAO Gazprom's shares during the reporting period. LNG exports liberalised in December 2013 also affected the *Company*'s image among investors. Drivers boosting OAO Gazprom's shares include the *Company*'s operating performance in non-FSU markets where 2013 saw a significant increase of gas sales.

OAO Gazprom's market capitalisation as of 31 December 2004–2013, RUB bn



Dividend Policy

In 2010, the Board of Directors approved the new Dividend Policy. Its key change was an increased cap on dividends paid (up to 35% of net profit). Dividends are calculated based on OAO Gazprom's net income indicated in its RAS annual accounting statements.

The established procedure for dividend calculation allows to use 17.5% to 35% of the *Company's* net profit to pay out dividends provided the reserve fund is fully established in accordance with the Company Articles of Association. As of 31 December 2013, the reserve fund was fully established.

Net income underlying dividend calculations may be adjusted (decreased) by the amount of revalued financial investments and essentially similar economic facts of OAO Gazprom's business.

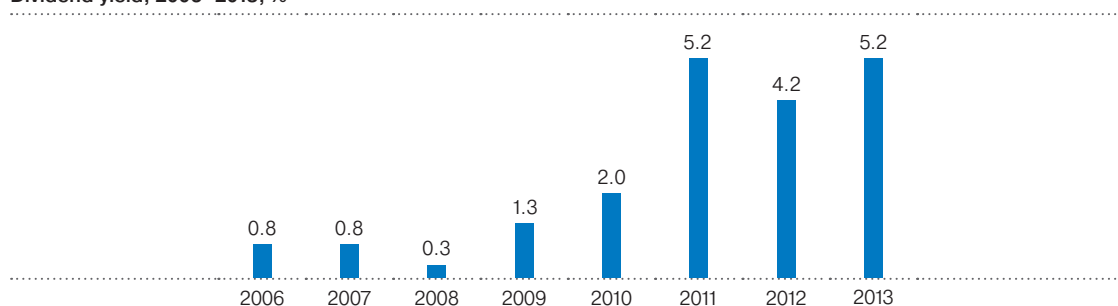
OAO Gazprom's 2012 performance-based dividends paid in 2013

	Accrued, RUB thousand	Paid, RUB thousand	Outstanding, RUB thousand*	Outstanding/ accrued
Total	141,804,342	141,690,095	114,247	0.08%
o/w under the shares:				
owned by the State	54,415,116	54,415,116	–	–
owned by the State-controlled legal entities OAO Rosneftegaz and OAO Rosgazifikatsiya	16,816,073	16,816,073	–	–
owned by individuals and entities (except for State-controlled shares)	70,569,585	70,458,906	110,679	0.16%
owned by anonymous holders	3,568	–	3,568	100%

* No dividends were paid to persons included into the list of persons entitled to receive dividends 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 of 26 December 1995. Dividends accrued on shares owned by anonymous holders are paid out as soon as shareholders' titles to securities are established.

OAO Gazprom's Board of Directors recommends paying out 25% of the net income adjusted for revalued financial investments and similar economic facts of business – RUB 170.4bn or RUB 7.2 per share as dividends for the *Company's* performance in 2013.

Dividend yield, 2006–2013, %



Note

Dividend yield for the relevant period is calculated as of December 31 of the respective year.

Schedule of OAO Gazprom's dividend payments

(in accordance with amendments to the Federal Law On Joint-Stock Companies made in 2013)

- Dividends shall be paid to nominal holders and trustees who are professional securities market participants being shareholders of record, within not more than 10 business days of the date as of which persons entitled to receive dividends are determined;
- Dividends shall be paid to other shareholders of record within not more than 25 business days of the date as of which persons entitled to receive dividends are determined.

Improvements to the risk management system are critical for better management decision-making and execution. *Gazprom* has been consistently streamlining its corporate risk management to identify, assess and respond to threats and their potential adverse implications as early as possible.

Improvements to Risk Management

OAO Gazprom's risk management across its corporate system is defined as continuous cyclical decision-making and execution. This process, which includes risk identification, assessment and response, and follow-up and planning of risk management and monitoring activities, is integrated into the *Company's* overall management routine. It aims to streamline risk levels in line with OAO Gazprom's position and covers all of its operations.

The *Company's* efforts towards vertical integration and diversification of its operations, as well as global progress in corporate governance practices, are driving relevant upgrades in the corporate risk management system.

Risk management evolution: objectives

- Make fully-informed management decisions;
- Promptly respond to critical risks;
- Monitor and mitigate major risks that can materially affect *Gazprom Group's* performance;
- Improve disclosure of *Gazprom Group's* risks;
- Perform fully-informed operational planning and budgeting.

In mid-2011, the Chairman of OAO Gazprom's Management Committee approved the Action Plan on Development of the Corporate System for Major Risks Management. *Gazprom Group* consolidated its approaches to the structure of its risk management system as early as in 2011–2012.

Corporate risk management system development stages and status as of 31 December 2013

Stage 1	
Consolidate approaches	Status
Decision to create a risk management function in OAO Gazprom	Created
Requirements to organisation of management processes in OAO Gazprom and its subsidiaries	Developed and agreed
A model of information flows and interaction at different management levels of <i>Gazprom Group</i> in managing its major risks	
Stage 2	
Design methodology	Status
Identification of major risks categories in OAO Gazprom	Completed; approval procedure underway
Unified major risks codes for <i>Gazprom Group</i> by activity	
A RACI matrix for major risks management	Under development
Major risks management policy and rules in OAO Gazprom	
Stage 3	
Roll out the risk management system across subsidiaries and affiliates	Status
Patterns of interaction between OAO Gazprom and its subsidiaries and affiliates	Under development
Major risks management guidelines for subsidiaries and affiliates	

In 2013, the *Group* continued to enhance its corporate risk management system by designing methodology and setting up the Risk Management System Development Administration. The dedicated function will collect information, identify, describe and assess risks, draft risk reports for the *Company* management, coordinate and provide methodological support to business units and subsidiaries of OAO Gazprom in terms of risk management.

Key Risk Factors

Strategic and country-specific risks

Global economic crisis risks

On the back of continuing global economic upheaval, inveterate budget imbalances, and economic growth slowdown in BRICS countries following a deep global recession, the world remains highly uncertain as to the speed and process of economic recovery. The adverse economic environment may have an adverse impact on the *Group's* operations.

Management / impact on the level of risk. *Gazprom's* policy aims to support its financial stability, raise its financial profile and streamline its debt portfolio so that the *Group* could properly respond to any potential macroeconomic downturn.

European gas market risks

Gazprom is the largest natural gas supplier to Europe. European Union member states are actively liberalising their gas markets to encourage tighter competition and boost spot trading. Liberalisation may lead to a system where long-term contracts are partially discontinued.

The liberalisation policy also implies separation of gas production assets from transportation networks within the EU. This could mean that, unless legally exempted, the *Group* would find itself unable to hold and control the transportation business, and will also constrain investment initiatives in the EU.

Moreover, the EU's energy strategy aims to diversify its energy sources, including towards alternative energy.

To some extent, the disparity between long-term contract prices and spot gas prices also exposes *Gazprom* to short-term risks.

Management / impact on the level of risk. In its operations, *Gazprom* continues to rely on its system of long-term contracts to maximise its revenues and secure supplies to consumers, while actively negotiating with consumers over mutually beneficial arrangements depending on market movements. Discontinuance of a long-term contract system may disrupt the balance of demand and supply in the European gas market and have unpredictable implications, including threaten energy security of importing countries.

To increase its gas supplies to Europe, *Gazprom* has been implementing a set of measures designed to both set up a new infrastructure, and bolster European demand for gas, as well as strengthen the *Company's* position in sectors that may want to consume more Russian gas:

- construction of a gas pipeline under the South Stream Project and implementation of infrastructure projects;
- physical supplies of gas (including LNG) to new European markets;
- promote use of NGV fuels;
- strengthening its positions in gas related markets (primarily in the power market);
- expanding gas supplies to final consumers.

Gazprom views Asia-Pacific markets as its key diversification targets.

Renewable energy risks

A number of developed countries, mostly in Europe, consistently encourage the use of renewable energy sources (wind, solar, biomass, small scale hydro, geothermal and waste heat energy), including through government subsidies to foster the sector.

Hence, the renewable energy output can be expected to grow in these countries, which would displace gas-based power generation from the market and drive down gas consumption by major European importers.

Management / impact on the level of risk. OAO Gazprom is actively committed to raising awareness about economic, production and environmental advantages of gas, including in power generation. To secure supplies, renewable power generation should be supported by generation based on other fuels with high requirements to equipment mobility. From this standpoint, natural gas is the best choice as a fuel to support renewable power generation.

At the same time, *Gazprom* continues its projects intended to diversify operations, including projects to develop Russian and international NGV fuel markets.

Russian regulatory risks for the gas industry

The Russian Federation controls over 50% shares in OAO Gazprom. The government has its representatives on the Board of Directors that approves the financial plan and investment program. The government thereby controls OAO Gazprom's cash flows. Under the Federal Law On Natural Monopolies, *Gazprom's* pipeline gas transportation is regulated as operations of a natural monopoly.

The government regulates:

- wholesale gas prices at which *Gazprom* sells the bulk of its gas on the domestic market;
- tariffs for gas transportation services to independent producers via trunk pipelines;
- tariffs for gas transportation services via gas distribution networks;
- fees for distribution and logistics;
- retail gas prices.

The government is also interested in efficient development of *Gazprom* as the *Company* is a major Russian taxpayer and supplies up to 50% of the country's primary energy resources.

Management / impact on the level of risk. *Gazprom's* strategy is aimed at maintaining mutually beneficial relations with the government to support national energy security and the *Group's* sustainable growth. OAO Gazprom drafts and implements its strategies jointly with government authorities as part of the Energy Strategy of Russia.

In 2010, the Russian Government adopted a directive No. 1205 "On Improvement of Gas Prices State Regulation" which provides that, in the medium term, wholesale gas prices for industrial consumers are regulated based on a gas price formula that provides for a parity between returns on domestic gas supplies and gas exports to be gradually achieved during the transition period and that accounts for the ratios to alternative fuel prices and decreasing coefficients which are determined based on average movement of regulated wholesale gas prices for all consumers during the year, except for population, which is established by the Russian Government and coefficients underlying the differentiation of gas prices by the Russian Federation regions. The actual period of transition to prices that will provide the parity between returns on domestic and export supplies will depend on how prices will move on foreign gas markets and on whether the regulated domestic gas prices will perform in line with forecasts of the Russian Government.

OAO Gazprom continues an active dialogue with the Russian Government on improvements to the Government's pricing policy.

Transit risks

The bulk of natural gas marketed in Europe is supplied via FSU countries, including Ukraine, Belarus and Moldova. Gas transit via these countries carries the risk of their default on transit obligations. This, in its turn, entails the risk that OAO Gazprom will default on its obligations under contracts for gas supply to Europe.

Management / impact on the level of risk. To mitigate its exposure to transit countries, the *Group*:

- phased transition to generally accepted gas pricing principles and mechanisms on a global gas market with regard to gas imported by FSU countries and for their gas transit services;
- implements gas transportation projects intended to diversify its export routes (with the second Nord Stream line commissioned and the South Stream Project continued);
- expands international UGSF opportunities;
- develops LNG sales.

Region and market entry risks

Geographical expansion is a priority in the *Gazprom Group's* growth strategy. The *Group* runs hydrocarbon exploration and production projects in FSU, South America, South-East Asia, Africa and Middle East countries. It also explores new business opportunities in Asia, Africa, North and South America.

Management / impact on the level of risk. The *Group* sets up subsidiaries and joint ventures with foreign partners to gain the required operating experience in new regions. OAO Gazprom's overseas representations work to enhance its relationships with government authorities, companies and organisations in relevant countries and jurisdictions, and to provide information and analytical support to international projects management.

Non-conventional gas production risks

Over the last decades, rising natural gas prices and technological advances have whetted the increased demand for non-conventional sources of natural gas. North American countries are expected to continue building up their output of gas from non-conventional sources in the longer run. Consequently, the North American gas market will cover the local demand for gas. Potential exports from North America may spur global competition.

Non-conventional gas production projects run in various countries, including China, may lower these countries' demand for gas imports.

Management / impact on the level of risk. For an objective assessment of the risk level, OAO Gazprom continuously monitors the trends in non-conventional oil and gas production worldwide, and explores relevant opportunities in global markets. *Gazprom* also keeps its operations and conventional natural gas supplies economically competitive by:

- controlling investment and operating expenses on production;
- perfecting and introducing new technologies to enhance conventional gas production methods.

As Russia has substantial non-conventional gas resources, *Gazprom* is developing relevant exploration and production technologies.

At the same time, perspectives of unconventional gas production are still uncertain as such a production is economically viable only when prices are consistently high and continued investments are required to maintain the formations productivity and it is also associated with significant environmental risks.

Geographical and climatic risks

The climate and geography of *Gazprom's* key regions of presence have a material impact on the *Group's* operations. A considerable portion of *Gazprom's* gas output comes from Western Siberia where harsh climate complicates natural gas production and increases production costs. Gas fields in the Yamal Peninsula and Russian continental shelf will be developed in an even harsher climate.

Short-term climatic changes may also have a certain impact on *Gazprom's* gas sales and revenues: e. g. milder winters may result in lower – and colder and longer winters in higher – gas “take-or-pay” obligations. However, over a number of years, this probability factor will only have an insignificant impact on *Gazprom's* sales and revenues as alternating colder and warmer winters will offset each other.

Management / impact on the level of risk. *Gazprom Group* has been designing and introducing successful processes for harsh climates. The *Group* also develops and implements programmes to enhance operational performance of its production and transportation systems, and the gas transportation network.

The *Group* is also actively engaged in the preparation and implementation of government programs aimed at enhancing the use of energy resources in Russia.

Customs, currency and tax regulatory risks

Risks of changes to currency regulations and tax laws of the Russian Federation

Gazprom is engaged in foreign trade, holds some of its assets and liabilities in foreign currencies and has accounts with foreign banks. While Russia continues to liberalise its currency legislation, the Russian Government and the Bank of Russia are tightening their grip over the foreign exchange market. OAO Gazprom is a major Russian taxpayer that pays federal, regional and local taxes, including the value added tax, profit tax, mineral extraction tax, transport tax, corporate property tax and land tax.

Russian tax laws are often amended or supplemented. Relevant changes affect both overall taxation and individual taxes. Laws that amend the procedure for assessing and paying specific taxes set forth in the Russian Tax Code are enacted every year, which makes it harder for taxpayers to forecast their operations in the mid- and longer term.

Changes to tax laws affecting OAO Gazprom that become effective in 2014

- A formula introduced to assess the Mineral Extraction Tax (MET) on natural gas and gas condensate, in which the MET rate depends on the complexity of natural gas and/or gas condensate production and on oil and gas prices.
 - Corporate property tax cancelled for assets located on the Russian continental shelf, in Russian internal waters and/or territorial seas and used in offshore hydrocarbon field development, including geologic prospecting, exploration and preparatory activities.
 - Transport tax cancelled for offshore fixed and floating platforms, offshore mobile drilling rigs and drillships.
 - New assessment and payment procedure and parameters introduced for the corporate property tax on assets whose cadastral value serves as their taxable base.
 - A new mandatory procedure introduced for pre-trial appeal against any non-statutory acts of tax authorities, and actions or omissions by their officers; new grounds introduced for tax authorities to request taxpayers to provide clarifications, primary and some other documents for desk tax audits.
-

While OAO Gazprom complies with the requirements of tax laws, constantly monitors amendments and alterations to laws and other legal regulatory acts on taxation, assesses and forecasts the extent of their potential implications for its operations, the risk of tax claims against the OAO Gazprom may not be ruled out.

Certain risks are also caused by imperfections of the Russian judicial system and the judicial authorities lacking a uniform approach to certain taxation matters.

Management / impact on the level of risk. The principles underlying OAO Gazprom's operations include good faith and transparency for tax authorities. The OAO Gazprom tracks changes in currency and tax laws and seeks to meet their requirements to the letter, guided by best implementation practices. The *Company* is also committed to mutually beneficial relations with the Russian Government with a view to support national energy security and the *Group's* sustainable growth. Where necessary, OAO Gazprom may also recur to judicial remedies.

A major mid-term objective of *Gazprom Group* is to build an efficient tax risk management system across the *Group*. A centralised database and ongoing monitoring of critical risks in the *Group's* entities will help timely identify such risks and minimise their negative impact at early stages.

Risks related to changes in Russian rules on customs control and duties

The *Group's* hydrocarbon exports are subject to customs regulation. A number of key issues related to natural gas exports were disputed between the *Group* and customs authorities. Among other things, they diverged on how the export customs duty should be paid and refunded, including refunding due to adjustments in the customs value after retroactive changes to prices for natural gas supplied to counteragents. OAO Gazprom/OOO Gazprom Export have litigated some of the disputes in the court as a result the actions of customs authorities have been ruled unlawful.

The existing practice where the customs value is adjusted due to retroactive changes to the price of natural gas sold, confirmed by a number of court rulings in favour of OAO Gazprom, has actually solved the issue of recovering overpaid export customs duties that constitute one third of losses from reassessments. Customs authorities, however, still view this factor as having a negative impact on the federal budget.

In general, the existing procedure, which provides for an export customs duty for exported natural gas to be paid before the gas is transported and assessed based on indicative parameters of the shipment, still carries some risk as the amounts of the duty payable after the actual delivery remain unpredictable. Furthermore, the need to fill out two tax returns – provisional and full – carry the risk that overpaid or unused advance payments will be confiscated to the federal budget three years after they are made. The relevant provisions of the customs law require further legal assessment in so far as they concern customs clearance of regular shipments.

Management / impact on the level of risk. The *Group* seeks to adhere to all requirements of customs laws, track amendments to legal regulatory acts at their earlier drafting stages and bring forward its proposals, which take into account to the gas industry's interests, while interacting with regulatory authorities and related public organisations.

Meanwhile, there remain some issues with the customs duty that arise from the need to pay the duty before the delivery starts, based on expected pricing and volumes and related to the recognition and use of customs duties paid in advance. In this regard, the *Group* continues to cooperate with federal authorities on amendments to the Federal Law On Customs Regulation in the Russian Federation to improve the customs duty payment procedure.

Financial risks

Foreign exchange, interest rate and inflation risks

A significant share of *Gazprom's* revenues is denominated in US dollars or Euros, while most of its costs are denominated in roubles.

A part of OAO Gazprom's debt portfolio falls to syndicated loans from Western banks, with many of these loans having an interest rate based on LIBOR/EURIBOR rates. Therefore, changes in inflation and exchange rates significantly affect *Gazprom's* performance.

Management / impact on the level of risk. *Gazprom* develops a methodological and contractual framework to use hedging instruments in line with the Russian statutory requirements. Starting from 2011, tax accounting of futures contracts, including transactions hedging foreign exchange and other risks are included in OAO Gazprom's Regulation on Tax Accounting Policies, which is approved on an annual basis. Foreign exchange and interest rate risks are naturally hedged by:

- estimating *Gazprom Group's* net currency position and balancing OAO Gazprom's cash flows in terms of currency, volumes and receipt/payment dates;
- maintaining a balance of currencies in OAO Gazprom's debt portfolio close to the balance of revenue currencies.

Credit and liquidity risks

Gazprom's operations can be negatively affected by delayed or incomplete discharge of contractual obligations by some counterparties. In particular, increased gas prices in FSU countries against a rather low paying capacity of end consumers in the region entail a risk of incomplete and/or delayed payments for gas under relevant contracts.

A failure by foreign counterparties to pay for natural gas may expose OAO Gazprom to the risk of administrative sanctions imposed by Russian currency control authorities due to *Gazprom's* incompliance with the currency legislation.

Management / impact on the level of risk. The *Group* implements a transparent policy, enforcing contractual obligations related to payments for gas supplies and defaulters. All counterparties involved in gas supplies to far abroad countries are assigned an internal credit rating (according to the approved Credit Risk Assessment Methodology). Based on counterparties' credit worthiness assessment and Monte Carlo method, credit risk is quantified under CreditVaR.

The key tools used to manage credit risks associated with gas supplies to far abroad countries include the List of Approved Counterparties that are allowed to transact with the *Group*, as well as guarantees to be provided by counterparties with poor credit ratings. The internal credit rating of such counterparties is subject to ongoing monitoring: should a rating materially impair, the relevant contract may be amended to mitigate non-payment risks.

The relations between *Gazprom Group* and credit institutions are subject to credit risk limits fixed on a regular basis.

Market risks

A major share of *Gazprom Group's* revenues is generated by gas exports. Gas is supplied mainly under long-term contracts at prices linked to the global prices for relevant products (oil products, coal, and gas). Therefore, there are risks of failure to achieve revenue targets (export value of commodity) or a negative change in the portfolio value, which are caused by market factors. The key market risk factors include price risks associated with fluctuations of oil product prices and gas indices underlying the export contract prices, as well as volume risks associated with a certain flexibility that buyers have in terms of gas offtake.

A potential drop in oil prices, including that attributable to a potential decrease in US oil imports driven by growing non-conventional hydrocarbon production in the country, also may reduce OAO Gazprom's income.

However, lower oil and oil product prices would make Russian gas exported under oil-product linked contracts more competitive, which may increase the demand for gas in the longer term.

The portfolio contains contracts with different settlement currencies (mainly US dollars and Euros), so revenues may also be affected by foreign exchange risks.

Management / impact on the level of risk. The key method used to quantify market risks associated with gas sales to far abroad countries is Earnings at Risk (EaR) that measures the quantity by which revenues might change over a certain planning horizon. This involves modelling possible portfolio scenarios subject to the current contractual terms, as well as historical trends in price, volume and foreign exchange risk factors.

Risks assessment methodologies are improved to capture new market risk factors and trends in the existing factors.

Market and price risk mitigation steps are taken across a number of areas.

- As Russia's pricing policy evolves by shifting focus from government regulation of wholesale gas prices towards government regulation of gas transportation rates, the share of *Gazprom's* revenues from domestic supplies would increase, mitigating the risks associated with export sales.
- *Gazprom* enters new markets, such as Asia-Pacific or global LNG, which would mitigate the volume and price risks to a certain extent.
- Internal operations are mainly streamlined by modifying existing, or entering into new, contracts, and by determining approved types of transactions and financial instruments and, accordingly, counterparties to enter into such transactions. Currently, most long-term contracts include a "take-or-pay" provision, under which the buyer who fails to take a certain minimum quantity of gas must partially make up for deficiency amounts in future years by purchasing in excess of minimum commitments.

Furthermore, frequent fluctuations of crude oil and product prices and rouble exchange rates provide, to a certain extent, natural hedging of *Gazprom's* currency revenues denominated in roubles.

Operating risks

Subsoil license non-renewal risks

The *Group* explores and produces hydrocarbons under subsoil licenses. Most of its licenses may be suspended, altered or revoked in case of non-compliance with the license agreements.

The subsoil licenses for the *Group's* major fields expire in 2028. Under Russian law, a license can be renewed but the subsoil user has no firm right to renew it.

Management / impact on the level of risk. *Gazprom* complies with the license requirements to mitigate the risk of license revocation, suspension or alteration.

Cost risk

In the years before the crisis, capital construction cost growth rates in the oil and gas sector exceeded inflation rates due to rising prices for raw and other materials, components and services, including prices for metals and gas-pumping units, and well drilling costs, etc.

During the crisis, certain cost items stabilised or even decreased, but accelerated cost growth is still possible in the longer run.

Management / impact on the level of risk. *Gazprom's* supplier selection is made through competitive procurement to conclude direct supply contracts.

Facilities risks

Gazprom Group's key operations, including hydrocarbons production, transportation, refining and storage, carry a wide range of process and engineering, natural and climatic risks, as well as risks of adverse actions by personnel or third parties, including due to human error, embezzlement, terrorist attacks or sabotage.

If they occur, the above risks may materially damage *Gazprom Group's* property interests and reduce *Gazprom's* operating and business performance.

Response to natural and industrial disasters and other adverse events is cost-consuming.

In its investment programmes, *Gazprom* focuses on guaranteed completion (reconstruction) of investment projects, which carries, among other things, construction and installation risks associated with high potential damage.

Management / impact on the level of risk. The UGSS ensures system-wide reliability of gas supplies, which implies that, in case of emergency at any of its components, process and inter-system pipelines may be used to supply gas via other routes.

Stable operation of the system is achieved by implementing advanced diagnostic methods, and reconstructing and upgrading existing facilities.

The Occupational Health and Safety Policy developed, approved and pursued by OAO Gazprom aims to establish safe labour conditions and protect lives and health of employees in OAO Gazprom and its subsidiaries, as well as to support reliability of hazardous operating facilities.

To ensure stable performance of OAO Gazprom and its subsidiaries and minimise emergency response costs (including response to natural and industrial disasters, and other adverse events such as terrorist attacks and sabotage), property interests of OAO Gazprom's subsidiaries are covered by comprehensive insurance policies. The coverage includes property insurance (including offshore facilities), business interruption insurance for GPPs and liability insurance for construction, repair and operation of production facilities. Property insurance is on "against all risks" basis to fully cover loss (including total loss) of, or damage to, property for any reason whatsoever (except for standard exclusions).

Hydrocarbon reserve estimation risks

The *Group's* growth plans rely on the scope and locations of hydrocarbon reserves estimated in line with proven and generally accepted standards.

Accuracy of reserve estimates depends on the quality of available information, as well as on interpretation of engineering and geological data.

However, the regions where the bulk of the *Group's* reserves is located have been extensively explored, which decreases these risks.

Management / impact on the level of risk. *Gazprom Group'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.

Reserve estimation procedures developed and implemented by OAO Gazprom comply with international PRMS standards and involve an independent appraiser.

Gazprom's long and unique track record in the area ensures highly accurate reserve estimates.

Vertical integration and diversification risks

In recent years, *Gazprom* has significantly expanded its petroleum business by purchasing OAO Gazprom *neft* and entered the electric power generation and marketing business. The *Group* is also enlarging its operations in international natural gas markets through new trading techniques and LNG production and marketing.

Any failure to integrate past or future acquisitions may affect the *Group's* business, financial position and performance.

Management / impact on the level of risk. The *Group* is improving its corporate governance structure to diversify financial flows by business line and increase OAO Gazprom's performance as a vertically integrated company.

The organisational structures of gas production, transportation, underground storage and processing subsidiaries are being aligned with OAO Gazprom's corporate requirements, including the approved regulations on employee headcount and corporate control norms.

The existing governance procedures and projects aimed at improving performance of OAO Gazprom and its key subsidiaries are planned to be applied to other companies of the *Group* that have a material impact on *Gazprom's* performance.

Electric Energy and Oil Business Strategies designed, approved and successfully implemented by *Gazprom* aimed to increase *Gazprom's* market value and bring the *Company* to leading positions in electric energy and petroleum businesses.

As part of its Information Technology Strategy, OAO Gazprom is setting up a common information space to increase transparency of corporate reporting, from primary data sources to KPIs and risks.

Land and property registration risks

With its property and lands constantly growing, OAO Gazprom may face third party claims resulting from delays or errors in registration of its real estate and land titles.

The lack of documented real estate and land titles may discourage investors from investing into the oil and gas sector.

Intensive urban development in Russian regions requires OAO Gazprom to mitigate the risk of infractions in the protective zones of the UGSS and power facilities.

Management / impact on the level of risk. OAO Gazprom is actively committed to ensure that its titles to land under operating facilities and to real property are registered without delays.

The *Group* often resorts to legal remedies to protect the interests of OAO Gazprom and its subsidiaries, including legal action to acknowledge and register titles to real estate and land.

Large-scale work is underway to prevent and eliminate infractions in protective zones by creating their maps (charts) and including relevant information in the State Real Estate Cadastre.

OAO Gazprom is also engaged in the drafting of civil law and bills governing land matters. For these purposes, the *Company* regularly holds international conference Managing the corporations' real estate.

Based on the first conference results the resolution which initiates establishing Corporate Owners' Club, an association aimed to formulating, structuring and promoting corporate owners' interests related to real estate management was approved. In October 2013, OAO Gazprom ensured the registration of non-profit partnership for managing the corporations' real estate "Corporate Owners' Club".

Environmental risks

The nature of *Gazprom Group's* business implies natural resource management and, therefore, entails risks of damage to environment, human health and private property due to violation of environmental protection laws.

Damage to environment may entail:

- legal implications, including suspension of business;
- financial costs related to penalties and compensation for damages;
- damage to of business reputation.

Management / impact on the level of risk. *Gazprom Group* pursues a coherent environmental policy, implementing programs, takes actions to mitigate environmental impact, finances environmental activities and introduces advanced resource- and energy-saving and other environmental protection technologies.

OAO Gazprom and most companies of the *Group* have in place and continuously improve environmental management systems certified under ISO 14001:2004.

Environmental aspects are accounted for and assessed throughout lifecycles of facilities of *Gazprom Group's* companies. The *Group* conducts pre-design environmental surveys, assesses environmental impact from planned activities and runs environmental due diligence of projects. Facilities are constructed, operated and decommissioned in line with environmental laws and corporate environmental standards. Environmental monitoring is organised. Another important element of environmental risk management involves the use of the best available technologies in designing, retrofitting and upgrading operating facilities. OAO Gazprom also keeps a register of the best available technologies for the gas industry.

In 2013, OAO Gazprom entered into a comprehensive insurance agreement covering damage to environment and third-party lives, health and property from onshore or offshore exploration and drilling, production, transportation, processing/refining and storage of hydrocarbons, operation of major hazard facilities, construction and other related operations. Therefore, all operations exposed to ecological risks are covered by insurance. Insurance coverage applies to OAO Gazprom and 30 of its subsidiaries, including OOO Gazflot, OOO Gazprom geologorazvedka, OOO Gazprom dobycha shelf, OOO Gazprom neft shelf, etc. The insurance agreement is optional and may be signed in addition to mandatory insurance of liability of hazardous facility owners (under the Federal Law On Mandatory Insurance of Liability of Hazardous Facility Owners for Damage due to Emergencies at Hazardous Facilities). The insurance agreement supersedes all agreements insuring liability of hazardous facility operators previously made by each subsidiary.

Gazprom Group's environmental information is publicly available.

ADR of OAO Gazprom	American depository receipt issued on OAO Gazprom's shares. Equals two ordinary shares of OAO Gazprom
APG	Associated petroleum gas
APR	Asian and Pacific Region includes countries located on continental Asia, America and in the Pacific Ocean zone
Central Asia	Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan
CGPU	Comprehensive gas processing unit
CS	Compressor Station
CSA	Capacity supply agreement
Dollars, USD	U.S. dollars
Far Abroad	Foreign countries, excluding FSU Countries
FSU Countries	Republics of the former USSR, except for the Russian Federation
FTS of Russia	Federal Tariff Service of Russia
Gasification	Construction of low-pressure gas pipelines to ensure gas supply to the ultimate consumers
GDS	Gas distribution subsidiary
GPP	Gas processing plant
GPU	Gas pumping unit
GRES	State district power station
GTS	Gas transportation system
IFRS	International Financial Reporting Standards
LNG	Liquefied natural gas
LSE	London Stock Exchange
MICEX	Moscow Interbank Currency Exchange
RAS	Russian Accounting Standards
Roubles, RUB	Russian roubles
UGSF	Underground gas storage facility
UGSS	Unified Gas Supply System of Russia
VAT	Value added tax
Brent	A reference oil for the various types of oil in the North Sea, used as a basis for pricing
EURIBOR	European Interbank Offered Rate
ISO 14001	International Standard for Ecology Management
LIBOR	London Interbank Offered Rate
OHSAS 18001:2007	International Standard for Occupational Health and Safety Management
Urals	A reference oil used as a basis for pricing for the Russian export oil mixture

Units of Measurement and Conversion Table

Measure	Definition	Correspondence
bcm of natural gas	Billion cubic meters of natural gas as measured at a pressure of one atmosphere and 20°C	= 35.316 billion cubic feet (bcf) of natural gas 1 bcm of natural gas=1.154 tce
barrel of crude oil	–	= 0.1364 metric ton of crude oil
barrel of gas condensate	–	= 0.1222 metric ton of gas condensate
ton of oil	–	7.33 barrels of crude oil
ton of gas condensate	–	= 8.18 barrels of gas condensate
tce	A ton of standard coal equivalent	867 cm of natural gas, 0.7 ton of gas condensate, 0.7 ton of crude oil

List of the Foreign Companies mentioned in the Report

Full name	Short name	Country
AO Latvijas Gaze	–	Latvia
AO Lietuvos dujos	–	Lithuania
AO Moldovagaz	–	Moldova
ZAO ArmRosgazprom	–	Armenia
OA0 BELAZ	–	Belarus
OA0 Gazprom transgas Belarus	–	Belarus
OA0 Mozyr Oil Refinery	–	Belarus
TOO KazRosGaz	–	Kazakhstan
Amber Grid AB	–	Lithuania
Arctic Russia B.V.	–	Netherlands
astora GmbH & Co. KG	–	Germany
BASF SE	BASF	Germany
Blue Stream Pipeline Company B.V.	–	Netherlands
Bosphorus Gaz Corporation A.S.	–	Turkey
Caterpillar Inc.	Caterpillar	USA
China National Petroleum Corporation	CNPC	China
Comita	–	Slovenia
DeGolyer and MacNaughton	–	USA
DONG Naturgas A/S	–	Denmark
E.ON Global Commodities SE	–	Germany
E.ON SE	–	Germany
ENI S.p.A.	ENI	Italy
EUROPIPE GmbH	–	Germany
Ferngas Nordbayern GmbH	Ferngas Nordbayern	Germany
Gasum Oy	–	Finland
Gazprom EP International B.V.	Gazprom EP International	Netherlands
Gazprom Germania GmbH	Gazprom Germania	Germany
Gazprom Gerosgaz Holdings B.V.	–	Netherlands
Gazprom Marketing & Trading Ltd.	–	UK
GDF Suez S.A.	GDF SUEZ	France
HIP Petrohemija	–	Serbia
Komatsu Ltd.	–	Japan
Korea Gas Corporation	Kogas	South Korea
Naftna Industrija Srbije A.D.	NIS	Serbia
Nord Stream AG	–	Switzerland
N.V. Nederlandse Gasunie	Gasunie	Netherlands

Full name	Short name	Country
OMV AG	–	Austria
Overgas Inc.	–	Bulgaria
Panrusgas Gas Trading Plc.	–	Hungary
PetroChina International	–	China
–	Petrovietnam	Vietnam
PIRA	–	USA
PROMETHEUS GAS S.A.	–	Greece
Royal Dutch Shell plc.	–	UK
Sakhalin Energy Investment Company Ltd.	Sakhalin Energy	Bermuda Islands
Salym Petroleum Development N.V.	–	Netherlands
SGT EuRoPol GAZ S.A.	–	Poland
Siemens AG	–	Germany
Statoil ASA	–	Norway
The Bank of New York Mellon	–	USA
Total EP Bolivie	–	France
Total S.A.	Total	France
Turusgaz A.S.	–	Turkey
Verbundnetz Gas AG	–	Germany
Vitol S.A.	Vitol	Switzerland
W&G Beteiligungs-GmbH & Co. KG	–	Germany
WINGAS GmbH	WINGAS	Germany
Wintershall AG	–	Germany
Wintershall Erdgas Handelshaus GmbH & Co. KG	WIEH	Germany
Wintershall Erdgas Handelshaus Zug AG	WIEE	Switzerland
Wintershall Holding GmbH	Wintershall Holding	Germany
Wintershall Noordzee B.V.	–	Netherlands
Yacimientos Petroliferos Fiscales Bolivianos	YPFB	Bolivia

List of Interested Party Transactions in 2013 approved by OAO Gazprom's Governance Bodies

1. Travel costs insurance contract for employees, traveling on business, with OAO SOGAZ. Subject of the contract insurance coverage for travel costs of individuals – employees of OAO Gazprom (hereinafter – the Insured), going on business trips from their permanent places of residence.

OAO SOGAZ upon OAO Gazprom's request issues insurance policies, containing all significant insurance contract conditions, provided for by applicable laws of the Russian Federation, and processed in line with the Rules for insurance coverage of traveling citizens, approved by the Chairman of the Board of OAO SOGAZ on 23.03.2011, per every Insured person. The insurance policy covers all accidents (events) that happen over the period of any business trip of an insured person in a territory, listed by the person in his insurance policy, including accidents (events), occurring as a result of emergencies at production or other facilities; hostilities, maneuvers or any other military activities; civil war, civil commotion of any kind; natural disasters and acts of God; terrorist acts.

Insurance policy categories:

1. Term policy (one trip).
2. Term policy (at least 180 days), covering an unlimited amount of trips, with duration of each trip at least 45 days.
3. Term policy (at least one year), covering an unlimited number of trips with no limitation on the duration of stay for any trip.

Contract comes in force on January 1, 2013 and is effective up to December 31, 2012.

Interested parties are A.B. Miller, N.N. Dubik, A.V. Kruglov, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Board of Directors No. 2100 dated 21.12.2012.

2. Addendum No. 47 to the contract of gas transportation arrangement services No. 22NPTr/k-2004 dated 06.10.2003 with OAO NOVATEK due to adjustments of volumes of gas transportation. The volume of gas transportation in 2012 is 40,401.767 mmcm, in 2013 – 45,124.116 mmcm, in 2014 – 43,591.940 mmcm, in 2015 – 21,631.258 mmcm.

The interested parties are K.G. Seleznev, A.I. Akimov, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

3. Addendum No. 54 to the contract No. 1GLa-2000 dated 16.11.1999 with AO Latvijas Gāze for the natural gas supply to Latvian Republic for 2000–2030 due to distribution of quarterly contractual volume of gas supplies in 2013, and changes in pricing formula for Summer and Winter gas.

The volume of gas delivery 1n 2013 is 1,410 mmcm of which:

- under terms "take-or-pay" – 1,128 mmcm;
- above "take-or-pay" – 282 mmcm.

The basic price for gas from 2013 is settled in the amount of EUR 180 for 1,000 cm. The interested parties are K.G. Seleznev, V.V. Rusakova, E.E. Karpel, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2011.

4. Order No. 12 to the agency contract No. PNR-15-2010 dated 02.07.2010 with ZAO Gazprom invest Yug, concerning contract support for comprehensive installation and

commissioning works. Limited amount of reimbursable by OAO Gazprom expenses (including VAT paid by ZAO Gazprom invest Yug to the third parties) is RUB 21,300,000.00. The limited remuneration fee of ZAO Gazprom invest Yug (including extra fees) is RUB 45,127.11 net of VAT. The interested party is Y.Y. Golko, member of OAO Gazprom's collegiate executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

5. Agreement No. 978-4-50001/2013 on opening a foreign currency account with OAO GPB (OJSC). The Agreement provides for a US dollars bank (settlement) account to be opened by OAO Gazprom with OAO GPB (OJSC) and for settlement and cash services to be provided in line with Russian laws, regulations of the Central Bank of the Russian Federation, customary bank practices and good business practices, the terms of the Agreement and OAO GPB (OJSC)'s rates that were read and accepted by OAO Gazprom. The Agreement becomes effective on the execution date and continues for 15 years. The interested parties include executives OAO Gazprom's executives A.B. Miller, M.L. Sereda, E.A. Vasilieva, A.V. Kruglov, K.G. Seleznev and A.I. Akimov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

6. Agreement No. 840-4-120001/2013 on opening a foreign currency account with OAO GPB (OJSC). The Agreement provides for a US Dollars bank (settlement) account to be opened by OAO Gazprom with OAO GPB (OJSC) and for settlement and cash services to be provided in line with Russian laws, regulations of the Central Bank of the Russian Federation, customary bank practices and good business practices, the terms of the Agreement and OAO GPB (OJSC)'s rates that were read and accepted by OAO Gazprom. The Agreement becomes effective on the execution date and continues for 15 years. The interested parties include executives OAO Gazprom's executives A.B. Miller, M.L. Sereda, E.A. Vasilieva, A.V. Kruglov, K.G. Seleznev and A.I. Akimov, members of OAO Gazprom governance bodies. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

7. Agreement No. № 840-3-110001/2013 on opening a foreign currency account with OAO GPB (OJSC). The Agreement provides for a US dollars bank (settlement) account to be opened by OAO Gazprom with OAO GPB (OJSC) and for settlement and cash services to be provided in line with Russian laws, regulations of the Central Bank of the Russian Federation, customary bank practices and good business practices, the terms of the Agreement and OAO GPB (OJSC)'s rates that were read and accepted by OAO Gazprom. The Agreement becomes effective on the execution date and continues for 15 years. The interested parties include executives OAO Gazprom's executives A.B. Miller, M.L. Sereda, E.A. Vasilieva, A.V. Kruglov, K.G. Seleznev and A.I. Akimov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

8. Agreement No. 840-2-100001/2013 on opening a foreign currency account with OAO GPB (OJSC). The Agreement provides for a US dollars bank (settlement) account to be opened by OAO Gazprom with OAO GPB (OJSC) and for settlement and cash services to be provided in line with Russian laws, regulations of the Central Bank of the Russian

15 years. The interested parties include executives OAO Gazprom's executives A.B. Miller, M.L. Sereda, E.A. Vasilieva, A.V. Kruglov, K.G. Seleznev and A.I. Akimov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

18. Agreement No. 978-7-80001/2013 on opening a foreign currency account with OAO GPB (OJSC). The Agreement provides for a EUR bank (settlement) account to be opened by OAO Gazprom with OAO GPB (OJSC) and for settlement and cash services to be provided in line with Russian laws, regulations of the Central Bank of the Russian Federation, customary bank practices and good business practices, the terms of the Agreement and OAO GPB (OJSC)'s rates that were read and accepted by OAO Gazprom. The Agreement becomes effective on the execution date and continues for 15 years. The interested parties include executives OAO Gazprom's executives A.B. Miller, M.L. Sereda, E.A. Vasilieva, A.V. Kruglov, K.G. Seleznev and A.I. Akimov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

19. Agreement No. 978-6-70001/2013 on opening a foreign currency account with OAO GPB (OJSC). The Agreement provides for a EUR bank (settlement) account to be opened by OAO Gazprom with OAO GPB (OJSC) and for settlement and cash services to be provided in line with Russian laws, regulations of the Central Bank of the Russian Federation, customary bank practices and good business practices, the terms of the Agreement and OAO GPB (OJSC)'s rates that were read and accepted by OAO Gazprom. The Agreement becomes effective on the execution date and continues for 15 years. The interested parties include executives OAO Gazprom's executives A.B. Miller, M.L. Sereda, E.A. Vasilieva, A.V. Kruglov, K.G. Seleznev and A.I. Akimov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

20. Agreement No. 978-5-60001/2013 on opening a foreign currency account with OAO GPB (OJSC). The Agreement provides for a EUR bank (settlement) account to be opened by OAO Gazprom with OAO GPB (OJSC) and for settlement and cash services to be provided in line with Russian laws, regulations of the Central Bank of the Russian Federation, customary bank practices and good business practices, the terms of the Agreement and OAO GPB (OJSC)'s rates that were read and accepted by OAO Gazprom. The Agreement becomes effective on the execution date and continues for 15 years. The interested parties include executives OAO Gazprom's executives A.B. Miller, M.L. Sereda, E.A. Vasilieva, A.V. Kruglov, K.G. Seleznev and A.I. Akimov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

21. Agreement No. 978-4-50001/2013 on opening a foreign currency account with OAO GPB (OJSC). The Agreement provides for a EUR bank (settlement) account to be opened by OAO Gazprom with OAO GPB (OJSC) and for settlement and cash services to be provided in line with Russian laws, regulations of the Central Bank of the Russian Federation, customary bank practices and good business practices, the terms of the Agreement and OAO GPB (OJSC)'s rates that were read and accepted by OAO Gazprom. The Agreement becomes effective on the execution date and continues for 15 years. The interested parties include executives OAO Gazprom's executives A.B. Miller, M.L. Sereda, E.A. Vasilieva, A.V. Kruglov, K.G. Seleznev and A.I. Akimov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

22. Agreement No. 978-3-40001/2013 on opening a foreign currency account with OAO GPB (OJSC). The Agreement provides for a EUR bank (settlement) account to be opened by OAO Gazprom with OAO GPB (OJSC) and for settlement

and cash services to be provided in line with Russian laws, regulations of the Central Bank of the Russian Federation, customary bank practices and good business practices, the terms of the Agreement and OAO GPB (OJSC)'s rates that were read and accepted by OAO Gazprom. The Agreement becomes effective on the execution date and continues for 15 years. The interested parties include executives OAO Gazprom's executives A.B. Miller, M.L. Sereda, E.A. Vasilieva, A.V. Kruglov, K.G. Seleznev and A.I. Akimov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

23. Agreement No. 978-2-30001/2013 on opening a foreign currency account with OAO GPB (OJSC). The Agreement provides for a EUR bank (settlement) account to be opened by OAO Gazprom with OAO GPB (OJSC) and for settlement and cash services to be provided in line with Russian laws, regulations of the Central Bank of the Russian Federation, customary bank practices and good business practices, the terms of the Agreement and OAO GPB (OJSC)'s rates that were read and accepted by OAO Gazprom. The Agreement becomes effective on the execution date and continues for 15 years. The interested parties include executives OAO Gazprom's executives A.B. Miller, M.L. Sereda, E.A. Vasilieva, A.V. Kruglov, K.G. Seleznev and A.I. Akimov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

24. Agreement No. 978-2-30001/2013 on opening a foreign currency account with OAO GPB (OJSC). The Agreement provides for a EUR bank (settlement) account to be opened by OAO Gazprom with OAO GPB (OJSC) and for settlement and cash services to be provided in line with Russian laws, regulations of the Central Bank of the Russian Federation, customary bank practices and good business practices, the terms of the Agreement and OAO GPB (OJSC)'s rates that were read and accepted by OAO Gazprom. The Agreement becomes effective on the execution date and continues for 15 years. The interested parties include executives OAO Gazprom's executives A.B. Miller, M.L. Sereda, E.A. Vasilieva, A.V. Kruglov, K.G. Seleznev and A.I. Akimov. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

25. Contract with TOO KazRosGaz concerning gas transportation arrangement services through the territory of the Russian Federation in 2013. Services for the transportation arrangements of TOO KazRosGaz's gas through the territory of the Russian Federation for its export out of the territory of Russian Federation provide in period from 01.01.2013 up to 31.12.2013 in volume – up to 6,835 Mcm. The rate of payment in 2013 for transportation arrangement of 1000 cubic meters of gas at a distance of 100 km equals to US \$ 2, including all taxes and charges payable on the territory of the Russian Federation, as well as VAT at the statutory rate. The agreement comes into force from the signing date is applicable to the parties effective from 01.01.2013 and up to 31.12.2012, and as for settlements – up to their execution in full. The interested parties are A.I. Medvedev, K.G. Seleznev, V.A. Golubev, members of OAO Gazprom's collegiate executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

26. Addendum No. 3 to the contract No. 7NPtr-2010 dated 20.01.2010 with OAO Tomskgazprom concerning gas transportation arrangement services due to adjustments of volumes of gas transportation in 2013. The volume of gas transportation in 2013 of gas transportation company OOO Gazprom Transgaz Tomsk is 2,987.722 mmcm. The interested parties are A.V. Kruglov, M.L. Sereda, K.G. Seleznev, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

27. Supplementary Agreement No. 1 to Guarantee agreement No. 235/09-V-P dated 31 December 2009 with OAO GPB (OJSC). Beneficiary party is OOO Gazprom komplektatsiya. Amendments to the Guarantee agreement concerning:

- amendments to certain material terms (of which OAO Gazprom is aware as Guarantee) of Loan Agreement No. 235/09-V of 03 November 2009 between OAO GPB (OJSC) and OAO Gazprom komplektatsiya (hereinafter, the Loan Agreement) due to the amendments to the Loan Agreement;
 - prolongation of the term of the Contract;
 - inclusion of certain rights and obligations of OAO GPB (OJSC) and OAO Gazprom in the Contract as follows: In the event of any changes in OAO GPB (OJSC)'s ownership structure, including beneficiaries (end beneficiaries) and/or executive bodies, OAO GPB (OJSC) shall inform OAO Gazprom on such changes in electronic form within 5 business days and attach copies of supporting documents;
- OAO Gazprom may at its own discretion, refuse to perform under the Contract if OAO GPB (OJSC) fails to inform of such changes.

Amended material terms of the Loan Agreement: The credit tranches will be made available on the L/C payment date set by the nominated/confirming bank in a notice to OAO GPB (OJSC) on the expected L/C payment, or set by OAO GPB (OJSC) if OAO GPB (OJSC) accepts L/C documents for payment in accordance with the terms thereof and/or instructions of the applicant.

The credit line shall be available through to and including 15 February 2017.

Date of principal repayment: by and including 15 June 2017.

The Guarantee agreement comes into force from the signing date and is effective up to 15 September 2017. The Supplementary Agreement becomes effective on the signing date. The interested parties are A.B. Miller, M.L. Sereda, E.A. Vasilieva, A.V. Kruglov, K.G. Seleznev, A.I. Akimov and I.Y. Fedorov, members of OAO Gazprom executive bodies of. Approved by the Resolution of OAO Gazprom's Board of Directors No. 2116 dated 15.01.2013

28. Guarantee agreement with GPB (OJSC). Beneficiary party is OAO Avtomatizatsiya. OAO Gazprom is responsible for the fulfillment by OAO Gazprom Avtomatizatsiya of its obligations to GPB (OJSC) in full, arising from the credit agreement No. 447/12-R dated 13.12.2012 between GPB (OJSC) and OAO Gazprom Avtomatizatsiya, concerning opening of credit line, including reimbursement of principal debt and payment of the credit interest for use of loaned funds within the term of the loan according to the credit agreement. OAO Gazprom responsibility is limited to RUB 2,460,000,000. In case of nonperformance or improper performance of supported by the guarantee obligation by OAO Gazprom Avtomatizatsiya OAO Gazprom and OAO Gazprom Avtomatizatsiya are jointly and severally liable to GPB (OJSC). OAO Gazprom is liable to GPB (OJSC) in the same amount as OAO Gazprom Avtomatizatsiya in accordance with terms and conditions of the agreement mentioned above. In case of nonperformance of guarantee agreement obligations by OAO Gazprom, GPB (OJSC) has the right to claim the payment of forfeit in the sum of 0.03% for each day of late payment. Agreement comes into force on the date of signing and is effective up to 12.03.2015. The interested parties are A.B. Miller, M.L. Sereda, E.A. Vasilieva, A.V. Kruglov, K.G. Seleznev, A.I. Akimov, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Board of Directors No. 2134 dated 01.03.2013.

29. Contract with OAO Beltransgaz. OAO Beltransgaz undertakes to provide services to OAO Gazprom by holding a meeting of the Gas Industry Commission for Field Development and Subsoil Use on Gas Offtake in the

2011/2012 Heating Season, Gas Balance, Gas Injection in Summer 2012 and Priority Tasks for the Coming Winter (hereinafter the "Committee Meeting"), and OAO Gazprom undertakes to pay for the services. Place and time of the Committee Meeting: Minsk, Belarus, from 09 April 2012 to 13 April 2012. Number of participants: 80. Service fee and payment method: RUB 1,287,600.00 net of VAT of RUB 257,520.00. Total service fee including VAT is RUB 1,545,120.00. OAO Gazprom shall pay the service fee to OAO Beltransgaz by a bank transfer to the bank account of OAO Beltransgaz within 30 calendar days after the Parties sign an Acceptance Certificate for the services against a relevant invoice issued by OAO Beltransgaz. The Contract becomes effective on the signing date and is effective until the Parties have fully performed their obligations. The terms and conditions of the Contract are applicable to the parties effective from 01.08.2012. The interested parties include N.N. Dubik, O.Y. Aksyutin and Y.Y. Golko, members of OAO Gazprom's collegial executive body. The transaction was approved by the Board of Directors OAO Gazprom in its Resolution No. 2130 of 19 February 2013.

30. Addendum No. 5 to the contract No. MRGtr-2009/1-003/09 dated 19.01.2009 with OOO Gazprom mezhregiongaz concerning gas transportation arrangement services due to adjustments of volumes of gas deliveries in 2013. The volume of gas transportation in 2013 is 1,366.5 mmcm. The addendum comes into force as of the date of signing by the parties. The terms and conditions under points 1 and 2 of section 1 of addendum are applicable to the parties effective from 01.01.2013, and the terms and conditions under point 3 section 1 from 24.01.2013. The interested party is K.G. Seleznev, member of OAO Gazprom's collegiate executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

31. Buy and sell agreement of shares with OAO ROSNFTGAS. OAO ROSNFTGAS undertakes to transfer into ownership of OAO Gazprom and OAO Gazprom takes liability to accept and pay for shares of open joint stock companies named in Russian Federation Government Decree No. 2016-r dated 13.11.2010 (hereinafter – Organizations):

- 6,187 ordinary personal shares of OAO Adiggaz with nominal value of RUB 1.00 each, that is 25.5% of its registered capital, at the price RUB 350,000,000.00;
- 2,896 ordinary personal shares of OAO Altaykrazgazservis with nominal value of RUB 1.00 each, that is 25.5% of its registered capital, at the price RUB 250,000,000.00;
- 495,900 ordinary personal shares of OAO Amurgaz with nominal value of RUB 0.01 each, that is 25.49% of its registered capital, at the price RUB 67,000,000.00;
- 18,938 ordinary personal shares of OAO Arkhangelskoblgaz with nominal value of RUB 0.50 each, that is 26.13% of its registered capital, at the price RUB 54,000,000.00;
- 1,002,200 ordinary personal shares of OAO Astrakhanoblgaz with nominal value of RUB 19.50 each, that is 25.5% of its registered capital, at the price RUB 81,000,000.00;
- 20,479 ordinary personal shares of OAO Belgorodoblgaz with nominal value of RUB 1.00 each, that is 25.5% of its registered capital, at the price RUB 1,600,000,000.00;
- 385 ordinary personal shares of OAO Beloyarskgaz with nominal value of RUB 0.20 each, that is 15.13% of its registered capital, at the price RUB 3,999,998.00;
- 839,000 ordinary personal shares of OAO Biribidganoblgaz with nominal value of RUB 0.01 each, that is 57.4% of its registered capital, at the price RUB 57,000,000.00;
- 28,033 ordinary personal shares of OAO Brainskoblgaz with nominal value of RUB 0.50 each, that is 25.5% of its registered capital, at the price RUB 900,000,000.00;

- 1,808 ordinary personal shares of OAO Buryatgaz with nominal value of RUB 1.00 each, that is 25.5% of its registered capital, at the price RUB 18,000,000.00;
- 9,633 ordinary personal shares of OAO Vladimiroblgaz with nominal value of RUB 1.00 each, that is 21.39% of its registered capital, at the price RUB 430,000,000.00;
- 21,816 ordinary personal shares of OAO Volgogradoblgaz with nominal value of RUB 1.00 each, that is 25.5% of its registered capital, at the price RUB 920,000,000.00;
- 6,802 ordinary personal shares of OAO Vologdaoblgaz with nominal value of RUB 1.00 each, that is 25.5% of its registered capital, at the price RUB 39,000,000.00;
- 5,654,200 ordinary personal shares of OAO Voronezhoblgaz with nominal value of RUB 0.50 each, that is 25.5% of its registered capital, at the price RUB 1,900,000,000.00;
- 454,379 ordinary personal shares of OAO Gazstroy with nominal value of RUB 100.00 each, that is 100% of its registered capital minus one share, at the price RUB 37,000,000.00;
- 2,655 ordinary personal shares of OAO Gatchenagaz with nominal value of RUB 1.00 each, that is 23.5% of its registered capital, at the price RUB 28,000,000.00;
- 599 ordinary personal shares of OAO Gorno-Altaygaz with nominal value of RUB 1.00 each, that is 25.51% of its registered capital, at the price RUB 5,000,000.00;
- 15,647 ordinary personal shares of OAO Daggaz with nominal value of RUB 800.00 each, that is 48.2% of its registered capital, at the price RUB 390,000,000.00;
- 99,540 ordinary personal shares of OAO Ivanovooblgaz with nominal value of RUB 0.10 each, that is 25.5% of its registered capital, at the price RUB 290,000,000.00;
- 5,265 ordinary personal shares of OAO Irkutskoblgaz with nominal value of RUB 1.00 each, that is 25.5% of its registered capital, at the price RUB 79,000,000.00;
- 11,483 ordinary personal shares of OAO Kabbalkgaz with nominal value of RUB 1.00 each, that is 25.5% of its registered capital, at the price RUB 230,000,000.00;
- 42,620 ordinary personal shares of OAO Kalmgaz with nominal value of RUB 27.00 each, that is 25.5% of its registered capital, at the price RUB 520,000,000.00;
- 7,621 ordinary personal shares of OAO Kalugaoblgaz with nominal value of RUB 1.00 each, that is 25.5% of its registered capital, at the price RUB 310,000,000.00;
- 6,956 ordinary personal shares of OAO Karelgaz with nominal value of RUB 1.00 each, that is 25.5% of its registered capital, at the price RUB 83,000,000.00;
- 46,659 ordinary personal shares of OAO Kirovgiprogoz with nominal value of RUB 100.00 each, that is 100% of its registered capital minus one share, at the price RUB 7,000,000.00;
- 25,446 ordinary personal shares of OAO Kirovoblgaz with nominal value of RUB 1.00 each, that is 25.5% of its registered capital, at the price RUB 460,000,000.00;
- 14,127 ordinary personal shares of OAO Kostromaoblgaz with nominal value of RUB 1.00 each, that is 25.5% of its registered capital, at the price RUB 430,000,000.00;
- 528,025 ordinary personal shares of OAO Krasnodarkraygaz with nominal value of RUB 0.04 each, that is 25.5% of its registered capital, at the price RUB 330,000,000.00;
- 26,146 ordinary personal shares of OAO Kuzbassgazifikatsiya with nominal value of RUB 1.00 each, that is 78.4% of its registered capital, at the price RUB 160,000,000.00;
- 7,607 ordinary personal shares of OAO Kurganoblgaz with nominal value of RUB 1.00 each, that is 25.5% of its registered capital, at the price RUB 51,000,000.00;
- 50,380 ordinary personal shares of OAO Kurskgaz with nominal value of RUB 1.00 each, that is 56.98% of its registered capital, at the price RUB 1,200,000,000.00;
- 25,548 ordinary personal shares of OAO Lenoblgaz with nominal value of RUB 3,500.00 each, that is 32.3% of its registered capital, at the price RUB 540,000,000.00;
- 30,342 ordinary personal shares of OAO Lipetskoblgaz with nominal value of RUB 1,500.00 each, that is 25.5% of its registered capital, at the price RUB 470,000,000.00;
- 3,400 ordinary personal shares of OAO Megiongazservis with nominal value of RUB 53.00 each, that is 15% of its registered capital, at the price RUB 5,000,000.00;
- 263,669 ordinary personal shares of OAO Mordovgaz with nominal value of RUB 1.00 each, that is 25.5% of its registered capital, at the price RUB 220,000,000.00;
- 992,072 ordinary personal shares of OAO Moscow Gas Refinery Plant with nominal value of RUB 100.00 each, that is 100% of its registered capital minus one share, at the price RUB 340,000,000.00;
- 28,704 ordinary personal shares of OAO Murmanoblgaz with nominal value of RUB 0.125 each, that is 25.5% of its registered capital, at the price RUB 110,000,000.00;
- 2,844 ordinary personal shares of OAO Nefteyugansksgaz with nominal value of RUB 0.50 each, that is 20% of its registered capital, at the price RUB 54,000,000.00;
- 7,093,400 ordinary personal shares of OAO Nighegorodoblgaz with nominal value of RUB 0.05 each, that is 25.5% of its registered capital, at the price RUB 480,000,000.00;
- 14,237 ordinary personal shares of OAO Novgorodoblgaz with nominal value of RUB 1.00 each, that is 21% of its registered capital, at the price RUB 290,000,000.00;
- 2,846,130 ordinary personal shares of OAO Norilskgazprom with nominal value of RUB 0.125 each, that is 38% of its registered capital, at the price RUB 1,137,000,000.00;
- 1,162,122 ordinary personal shares of OAO Omskoblgaz with nominal value of RUB 1.00 each, that is 70.84% of its registered capital, at the price RUB 460,000,000.00;
- 12,488 ordinary personal shares of OAO Oreloblgaz with nominal value of RUB 1.00 each, that is 32.91% of its registered capital, at the price RUB 160,000,000.00;
- 26,878 ordinary personal shares of OAO Orenburgoblgaz with nominal value of RUB 1.00 each, that is 35% of its registered capital, at the price RUB 1,800,000,000.00;
- 8,825 ordinary personal shares of OAO Penzagazifikatsiya with nominal value of RUB 1.00 each, that is 25.5% of its registered capital, at the price RUB 200,000,000.00;
- 7,472 ordinary personal shares of OAO Primorskiy gaz with nominal value of RUB 1.00 each, that is 25.5% of its registered capital, at the price RUB 87,000,000.00;
- 6,947 ordinary personal shares of OAO Pskovoblgaz with nominal value of RUB 1.00 each, that is 25.5% of its registered capital, at the price RUB 150,000,000.00;
- 32,040 ordinary personal shares of OAO Rostovoblgaz with nominal value of RUB 2,000.00 each, that is 22.546% of its registered capital, at the price RUB 972,000,000.00;
- 2,099 ordinary personal shares of OAO Rostov gas refilling station with nominal value of RUB 1.00 each, that is 41.8% of its registered capital, at the price RUB 50,000,000.00;
- 1,224,540 ordinary personal shares of OAO Razanoblgaz with nominal value of RUB 0.01 each, that is 25.5% of its registered capital, at the price RUB 190,000,000.00;
- 29,426 ordinary personal shares of OAO Samaragaz with nominal value of RUB 1.00 each, that is 25.5% of its registered capital, at the price RUB 230,000,000.00;
- 1,124,929 ordinary personal shares of OAO Saranskmezhraygaz with nominal value of RUB 100.00 each, that is 100% of its registered capital minus one share, at the price RUB 460,000,000.00;
- 937,400 ordinary personal shares of OAO Saratovoblgaz with nominal value of RUB 0.02 each, that is 25.5% of its registered capital, at the price RUB 1,000,000,000.00;
- 13,980 ordinary personal shares of OAO Sakhalinoblgaz with nominal value of RUB 0.20 each, that is 24.56% of its registered capital, at the price RUB 47,000,000.00;
- 77,166 ordinary personal shares of OAO Sverdlovskoblgaz with nominal value of RUB 1.00 each, that is 79.99% of its registered capital, at the price RUB 500,000,000.00;

- 304,700 ordinary personal shares of OAO Sevostgaz with nominal value of RUB 0.01 each, that is 25.5% of its registered capital, at the price RUB 5,000,000.00;
 - 1,176 800 ordinary personal shares of OAO Sibirgazservis with nominal value of RUB 15.00 each, that is 25.5% of its registered capital, at the price RUB 130,000,000.00;
 - 63,988 ordinary personal shares of OAO Smolenskoblbgaz with nominal value of RUB 1.00 each, that is 15.94% of its registered capital, at the price RUB 510,000,000.00;
 - 31,719 ordinary personal shares of OAO Stavropolkraygaz with nominal value of RUB 5.00 each, that is 24.4% of its registered capital, at the price RUB 360,000,000.00;
 - 220,320 ordinary personal shares of OAO Tambovoblbgaz with nominal value of RUB 0.05 each, that is 25.5% of its registered capital, at the price RUB 490,000,000.00;
 - 40,512 ordinary personal shares of OAO Tveroblbgaz with nominal value of RUB 0.25 each, that is 22.7% of its registered capital, at the price RUB 360,000,000.00;
 - 20,728 ordinary personal shares of OAO Tomskoblbgaz with nominal value of RUB 1.00 each, that is 52.25% of its registered capital, at the price RUB 58,000,000.00;
 - 62,969 ordinary personal shares of OAO Tuvgaz with nominal value of RUB 100.00 each, that is 100% of its registered capital minus one share, at the price RUB 25,000,000.00;
 - 53,962 ordinary personal shares of OAO Tulaoblbgaz with nominal value of RUB 1.00 each, that is 34.03% of its registered capital, at the price RUB 1,500,000,000.00;
 - 224,928 ordinary personal shares of OAO Tyumenoblbgaz with nominal value of RUB 0.05 each, that is 25.56% of its registered capital, at the price RUB 140,000,000.00;
 - 2,340,000 ordinary personal shares of OAO Udmurtgaz with nominal value of RUB 10.00 each, that is 25.5% of its registered capital, at the price RUB 350,000,000.00;
 - 52,906 ordinary personal shares of OAO Khabarovskkraygaz with nominal value of RUB 40.00 each, that is 20.55% of its registered capital, at the price RUB 100,000,000.00;
 - 4,174 ordinary personal shares of OAO Khakassgaz with nominal value of RUB 0.50 each, that is 25.5% of its registered capital, at the price RUB 13,000,000.00;
 - 2,652,769 ordinary personal shares of OAO Chelabinskoblbgaz with nominal value of RUB 0.01 each, that is 26.62 % of its registered capital, at the price RUB 210,000,000.00;
 - 17,612 ordinary personal shares of OAO Chitaoblbgaz with nominal value of RUB 0.50 each, that is 25.5% of its registered capital, at the price RUB 110,000,000.00;
 - 710 ordinary personal shares of OAO Uragaz with nominal value of RUB 1.00 each, that is 15% of its registered capital, at the price RUB 18,000,000.00;
 - 17,775 ordinary personal shares of OAO Yaroslavloblbgaz with nominal value of RUB 1.00 each, that is 25.5% of its registered capital, at the price RUB 250,000,000.00;
- The price of Shares is set by the Parties at RUB 25,861,590,218.00

The moment of title transfer for the Shares from OAO ROSNFTGAS to OAO Gazprom is making a credit entry at personal account of OAO Gazprom at depository of GPB (OAO) or at personal account of OAO Gazprom in shareholders register. The agreement comes into force from the signing date and is valid until full and proper fulfillment by the parties of admitted obligations. The interested party is A.I. Akimov, member of OAO Gazprom's Board of Directors. Approved by the Resolution of OAO Gazprom's Board of Directors No. 2140 dated 15.03.2013.

32. Agreement No.1 to the contract to the rental contract No. 667 dated 01.12.2012 with OAO Druzhba due to adjustments of the list of property for lease and rental fees. The amount of monthly lease fee from January to October 2013 is RUB 7,184,389.10 (net of VAT). The terms and conditions of the contract are applicable to the parties effective from 01.01.2013. The interested party is A.M. Kozlov, member of

OAO Gazprom's collegiate executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

33. Addendum No. 55 to the contract for the natural gas supply to Latvian Republic for the period of 2000–2030 No. 1GLa-2000 dated 16.11.1999 with AO Latvijas Gāze due to the prolongation of the existing tariffs for the use of Inchugalinsky PHG to 31.03.2016 and transportation tariffs OAO Gazprom on the territory of Latvia until 31.03.2014. The terms and conditions of the addendum are applicable to the parties effective from 01.04.2013. The interested party is K.G. Seleznev, E.E. Karpel, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012

34. Addendum No. 18 to the contract No. 22NPphg/k-2007 dated 23.07.2007 with OAO NOVATEK due to change of volume of natural gas pumping, storage and withdrawal. The volume of natural gas pumping, storage and withdrawal comprises up to 5,472.949 mmcm. The addendum comes in force as of the date of signing by the parties. The terms and conditions of the addendum are applicable to the parties effective from 01.01.2013. The interested parties are K.G. Seleznev, A.I. Akimov, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

35. Order No. 6 to the agency contract No. PNR-14-2010 dated 02.07.2010 with OOO Gazprom Centrremont, concerning contract support for comprehensive installation and commissioning works. Limited amount of reimbursable by OAO Gazprom expenses to OOO Gazprom Centrremont (including VAT paid by OOO Gazprom Centrremont to the third parties) is RUB 139,169,200.00. The limited remuneration fee of OOO Gazprom Centrremont (including extra fees) is RUB 294,850.00 net of VAT. The interested parties are A.V. Kruglov and M.L. Sereda, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

36. Loan agreement with OOO Gazprom komplektatsiya. OOO Gazprom komplektatsiya lends up to RUB 6,000,000,000.00 to OAO Gazprom (hereinafter "sum of Loan") and OAO Gazprom undertakes to fully repay the Principal (hereinafter the "Principle") and pay interest for use of Loan (hereinafter the "Interest") in the manner and terms specified by the Agreement. OAO Gazprom shall use the money lent by OOO Gazprom komplektatsiya as working capital. OOO Gazprom komplektatsiya shall charge the Interest on a monthly basis at a rate of 1.5% of the debt of Principal per annum. The parties may agree to change the interest rate. Loan maturity date: three years after the first tranche is credited to OAO Gazprom's account. For any delay in principal repayment or payment of interest OOO Gazprom komplektatsiya may charge OAO Gazprom a penalty of 0.001% of the overdue amount for each calendar day of delay. The Agreement becomes effective on the date when the first tranche is credited to OAO Gazprom's account and continues until the Parties have fully performed their obligations under the Agreement. The interested party is I.Y. Fedorov, member of OAO Gazprom's collegial executive body. Approved by the Resolution of OAO Gazprom's Board of Directors No. 2157 dated 30.04.2013.

37. Share purchase agreement with OAO ROSNFTGAS. OAO ROSNFTGAS undertakes to transfer to OAO Gazprom the title to, and OAO Gazprom undertakes to accept and pay for, 23,202,818 ordinary registered shares in OAO Kamchatgazprom with a par value of RUB 100.00 each, representing 92.25% of its share capital (hereinafter the

"Shares"). The Parties agree that the price of the Shares shall be RUB 2,850,000,000.00.

OAO Gazprom shall acquire the Shares on the following terms:

- the price is to be paid on an interest-free basis by equal annual instalments throughout a period of 23 years;
- for any breach of the terms of payment during the instalment period OAO ROSNEFTEGAS will charge OAO Gazprom a fine at a rate calculated based on the refinancing rate of the Central Bank of the Russian Federation as of the payment date set out in the Agreement.

OAO Gazprom shall pay for the Shares by a bank transfer to the bank account of OAO ROSNEFTEGAS under the following schedule:

1. Instalment 1: on the first anniversary of the effective date of the Agreement by transferring RUB 123,913,043.48 to the bank account of OAO ROSNEFTEGAS.
2. Next 21 instalments: on the anniversary of each previous instalment by transferring RUB 123,913,043.48 to the bank account of OAO ROSNEFTEGAS.
3. Instalment 23: on the anniversary of the previous instalment by transferring RUB 123,913,043.44 to the bank account of OAO ROSNEFTEGAS.
4. Where a due date falls on a non-business day, the next business day shall be deemed to the due date for the relevant payment.
5. The date when the relevant amount is debited to OAO Gazprom's bank account shall be deemed to be the date of actual payment.

The title to the Shares passes from OAO ROSNEFTEGAS to OAO Gazprom on the date when a relevant credit entry is made in OAO Gazprom's account in OAO Kamchatgazprom's share register. The contract comes into force as of the date of signing by the parties and is effective until the Parties have fully performed their obligations. The interested party is A.I. Akimov, member of OAO Gazprom's Board of Directors Approved by the Resolution of OAO Gazprom's Board of Directors No. 2154 dated 23.04.2013.

38. Agreement No. 1 to the principal's order No. 5 dated 12.11.2012 to the agency contract No. PNR-14-2010 dated 02.07.2010 with OOO OOO Gazprom Centremont, concerning contract support for comprehensive installation and commissioning works. Limited amount of reimbursable by OAO Gazprom expenses (including VAT paid by OOO Gazprom Centremont to the third parties) is RUB 53,173,800.00. The limited remuneration fee of OOO Gazprom Centremont (including extra fees) is RUB 112,656.35 (net of VAT). The contract comes into force as of the date of signing by the parties. The terms and conditions of the agreement are applicable to the parties effective from 12.11.2012. The interested parties are M.L. Sereda and A.V. Kruglov, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

39. Order of principal No. 8 to the agency contract No. PNR-2-2010 dated 03.06.2010 with ZAO Yamalgazinvest, concerning contract support for comprehensive installation and commissioning works. Limited amount of reimbursable by OAO Gazprom expenses to ZAO Yamalgazinvest (including VAT paid by ZAO Yamalgazinvest to the third parties) is RUB 200,600,000.00. The limited remuneration fee of ZAO Yamalgazinvest (including extra fees) is RUB 425,000 net of VAT. The interested parties are E.A. Vasilieva, Y.Y. Golko, V.K. Markov, members of OAO Gazprom's collegiate executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

40. Additional agreement No. 169 to the gas supply contract No. 25Pk-2007 dated 13.12.2007 with OAO Severneftegazprom due to price fixation for gas in the second half 2013. Price for gas to be delivered from 10:00 01.07.2013 up to 10:00

01.01.2014 equals to RUB 1,394.45 for 1000 cm (net of VAT). The interested parties are A.I. Medvedev, V.V. Cherepanov, E.V. Mikhailova, members of OAO Gazprom's collegiate executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012

41. Addendum No. 56 to the contract No. 1GLa-2000 dated 16.11.1999 with AO Latvijas Gāze for the natural gas supply to Latvian Republic for 2000–2030 due to adjustments of volume of Winter gas pumped in 2013 and total amount of advance payments for Winter gas. Planned volume of Winter gas pumping to UGSF for AO Latvijas Gāze needs in pumping season 2013 will be up to 600 mmcm. The terms and conditions of the addendum are applicable to the parties effective from 01.10.2010. The interested parties are E.E. Karpel, K.G. Seleznev, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

42. Additional agreement № 2 to the life insurance contract No. 001L08F000084/12-751 dated 10.04.2012 with OOO SK SOGAZ-ZHIZN. New insured persons are O.E. Aksyutin, N.N. Dubik, V.A. Markelov, E.V. Mikhailova, and S.F. Khomyakov. Beneficiaries are insured persons or persons appointed by them as beneficiaries, or inheritors of insured persons. The subject for additional agreement is to include new pursuance to the list of the insured under the life insurance contract No. 001L08F000084/12-751 dated 10.04.2012. Total insurance sum for new insured persons is RUB 57,894,377.15. Total insurance premium for new insured persons is RUB 39,414,420.19. Time of the insurance cover for the new insured persons come into force from 01.07.2013 and is active up to 30.06.2018. Interested parties are O.E. Aksyutin, N.N. Dubik, V.A. Markelov, E.V. Mikhailova, and S.F. Khomyakov, members of OAO Gazprom's management bodies. Approved by the Resolution No. 2188 of OAO Gazprom's Board of Directors dated 25.06.2013.

43. Loan agreement with OAO Sberbank of Russia. OAO Sberbank of Russia undertakes to open a credit line for OAO Gazprom for a period from the effective date of the Agreement to and including 17 June 2018. OAO Sberbank of Russia shall grant OAO Gazprom a loan/loans in RUB and/or USD and/or EUR for the period and on the terms set out in the Agreement and loan agreements to be made by the Parties by signing relevant confirmations where the Parties agree on the terms of the relevant loan. The Client undertakes to repay the loan(s) and pay relevant interest. The credit limit (the maximum outstanding amount under the credit line at any point in time) is RUB 60,000,000,000.00. The interested parties include V.A. Mau, member of the Board of Directors of OAO Gazprom. The transaction was approved by the Annual General Meeting of Shareholders of OAO Gazprom on 29 June 2012.

44. Statement with GPB (OAO) conditions of acceptance of the Rules of the certification center of GPB (OAO). The interested party is A.B. Miller, E.A. Vasilieva, A.V. Kruglov, K.G. Seleznev, M.L. Sereda and A.I. Akimov, member of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

45. Addendum No. 48 to the Contract No. 22NPTr/k-2004 dated 06.10.2003 with OAO NOVATEK for gas transportation arrangements services due to rewording of the contract. Subject of the contract is OAO Gazprom provides services for the transportation arrangements of the flammable natural gas over the territory of the Russian Federation, as well as over the territory of the Republic of Kazakhstan in the period from 01.01.2013 up to 31.12.2015. Volumes of gas transportation are: 2013 – 61,925.116 mmcm. Addendum comes into force from the signing date. The terms and conditions of the addendum are applicable to the parties effective from

01.01.2013. The interested parties are K.G. Seleznev, A.I. Akimov, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

46. Agreement on opening line of credit with OAO VTB Bank. OAO VTB Bank undertakes to open a credit line for OAO Gazprom for a 5-year term from the effective date of the Agreement (01 August 2013). OAO VTB Bank shall grant OAO Gazprom a loan/loans in RUB and/or USD and/or EUR for the period and on the terms set out in the Agreements and confirmations where the Parties agree on the terms of the relevant loan. OAO Gazprom undertakes to repay the loan(s) and pay the interest accrued. The credit limit (the maximum outstanding amount under the credit line at any point in time) is RUB 30,000,000,000.00. The term of each loan shall not exceed 90 calendar days including the final maturity date. Interested party – Russian Federation – a shareholder of OAO Gazprom, holding over 20% of voting shares of OAO Gazprom. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

47. Contract with OAO Gazprom gazoraspredelenye. OAO Gazprom gazoraspredelenye undertakes to provide services on partial liquidation of fixed assets of OAO Gazprom, subject to liquidation. The cost of work is RUB 17,724,564.66 (net of VAT). The time of service delivery is 24 months from the signing of contract (13.08.2013). The interested parties are K.G. Seleznev, E.V. Mikhailova, V.K. Markov, members of OAO Gazprom's collegiate executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

48. Paid services agreement with OAO Lazurnay. OAO Lazurnay commits to render during the period from 12.12.2012 up to 15.12.2012 services in organizing and holding the meeting with heads of audit bodies of subsidiaries of OAO Gazprom. The cost of work amounts to RUB 757,500.00. Agreement comes into force from the signing date. The terms and conditions of the agreement are applicable to the parties effective from 12.12.2012. The interested parties are E.A. Vasilieva, N.N. Dubik, A.N. Kozlov members of OAO Gazprom's collegiate executive body. Approved by the Resolution of OAO Gazprom's Board of Directors No. 2195 of dated 16.07.2013.

49. Addendum No. 19 to Contract No. 22NPpkhg/k-2007 of 23 July 2007 with OAO NOVATEK on adjustments to natural gas pumping, storage and withdrawal volumes, adjustment of the cost of gas pumping storage and withdrawal services. Natural gas pumping, storage and withdrawal volumes are up to 4,490 mmcm; volumes of storage and withdrawal (from 01 April 2013 to 31 March 2014) of gas not withdrawn as of 30 April 2013 from Severo-Stavropolskoye UGSF is 32,991 mmcm. Gas pumping in UGSF in 2013 – 2,110.0 mmcm, in 2014 – 1,190.0 mmcm, and in 2015 – 1,190.0 mmcm. Gas withdrawal from UGSF in 2013 – 505.0 mmcm, in 2014 – 1,190.0 mmcm, and in 2015 – 1,190.0 mmcm. The Addendum becomes effective on the signing by the Parties date. The terms and conditions of the Addendum are applicable to the parties effective from 01.04.2013. The interested parties are K.G. Seleznev and A.I. Akimov, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

50. Additional agreement No. 63 to loan contract No. 0608 dated 05.06.2008 with OOO CentrCaspneftegaz due to increase of the sum of the loan up to 2,042,991,000.00. Additional agreement comes into force as of the date of signing. The interested party is V.V. Cherepanov, member of OAO Gazprom's collegiate executive body. Approved by the Resolution of OAO Gazprom's Board of Directors No. 2245 dated 05.09.2013.

51. Software licence agreement with OAO Gazprom transgas Belarus. OAO Gazprom grants OAO Gazprom transgas Belarus, for a consideration, a non-exclusive licence to use Astra-Gas, a software package for ongoing analysis and planning of regular operating modes of gas transmission systems operated by gas producers with historical data banks and data sharing between management levels (Astra-Gas Software Package) (hereinafter the "Software") by installing the Software on a maximum of 52 computers of OAO Gazprom transgas Belarus. OAO Gazprom transgas Belarus shall pay OAO Gazprom a one-off fee of RUB 204,611.43 (not VAT taxable in Russia) for the Software licence. The interested parties include N.N. Dubik, O.Y. Aksyutin and Y.Y. Golko, members of OAO Gazprom's collegiate executive body. The transaction was approved by the annual General Meeting of Shareholders of OAO Gazprom on 28 June 2013.

52. Master agreement on deposit operations with OAO GPB (OJSC). The Agreement sets out the procedure and terms of executing and performing under bank deposit agreements between OAO GPB (OJSC) and OAO Gazprom. The interest on deposits shall be accrued in the deposit currency for the actual number of days the money remains deposited starting from the next day after the date when the money is credited to the deposit account through to and including the date when the money is returned to OAO Gazprom. The Agreement is effective for 5 years from the execution date (12 September 2013). The interested parties include OAO Gazprom's executives A.B. Miller, E.A. Vasilieva, A.V. Kruglov, K.G. Seleznev, M.L. Sereda and A.I. Akimov. The transaction was approved by the annual General Meeting of Shareholders of OAO Gazprom on 28 June 2013.

53. Contract of Suretyship with Bank of America N.A., Sumitomo Mitsui Finance Dublin Limited, Bank of America Securities Limited, with OAO Gazprom as the Surety, Bank of America N.A. and Sumitomo Mitsui Finance Dublin Limited as the Original Lenders, Bank of America Securities Limited as the Facility Agent, and OAO Gazprom Kosmicheskoye Sistemy as the Beneficiary and the Debtor (Borrower).

OAO Gazprom irrevocably and unconditionally:

- guarantees to each Lender, Designated Lead Manager and Facility Agent, hereinafter referred to as the Financing Parties, due performance by OAO Gazprom Kosmicheskoye Sistemy of its obligations under the Facility Agreement secured by OAO Gazprom and under the Agreement on Indicative Commission Fees (hereinafter the "Security Documents");
- undertakes to each Financing Party that if OAO Gazprom Kosmicheskoye Sistemy fails to duly pay any amount under the Security Documents, OAO Gazprom shall, within 10 business days from the date of relevant notice from Bank of America Securities Limited, pay such overdue amount as if OAO Gazprom were the principal debtor; and
- undertakes to reimburse each Financing Party, within 10 business days from the date of receipt by OAO Gazprom of relevant notice, for any losses incurred by such Financing Party if any obligation guaranteed by OAO Gazprom is or becomes unenforceable, invalid or ineffective; the amount of reimbursable loss shall then equal the amount that the Financing Party would have otherwise received.

OAO Gazprom's liability shall be limited to USD 387,400,000.00. The Agreement becomes effective on the signing date and ceases on the date when all amounts payable by OAO Gazprom Kosmicheskoye Sistemy to the Financing Parties under the Security Documents are actually paid, and all payment obligations of OAO Gazprom Kosmicheskoye Sistemy under the Security Documents are fully performed (whether by OAO Gazprom Kosmicheskoye Sistemy or OAO Gazprom). The Agreement shall be governed by the law of England. The interested parties include OAO Gazprom's executive's S.F. Khomyakov, M.L. Sereda and V.A. Markelov. The transaction was approved by the

Board of Directors OAO Gazprom in its resolution No. 2224 of 23 July 2013.

54. Loan Agreement with OAO TGC-1. OAO Gazprom agrees to lend OAO TGC-1 up to RUB 10,000,000,000.00 (hereinafter the "Loan" or "Principal"), and OAO TGC-1 undertakes to fully repay the Principal and pay relevant interest (hereinafter the "Interest") in the manner and on the terms set out in the Agreement. OAO TGC-1 shall use the loan granted by OAO Gazprom to finance its core operations. OAO Gazprom shall charge monthly interest at the rate 8% p.a. of the outstanding Principal. The Parties may agree to change the interest rate.

OAO TGC-1 shall pay interest on a quarterly basis and on the date of full repayment of the Principal. The Loan shall be repaid within three years from the first tranche date.

For any delay in repayment of the principal or payment of interest OAO Gazprom may charge OAO TGC-1 a fine at 0.01% of the overdue amount for each calendar day of delay. The Agreement becomes effective on the date when OAO Gazprom makes the Loan available to OAO TGC-1 and continues until the Parties have fully performed their obligations. The interested parties include K.G. Seleznev, member of OAO Gazprom's collegial executive body. The transaction was approved by the Board of Directors of OAO Gazprom in its resolution No. 2254 of 13 September 2013.

55. Supplementary Agreement No. 12 to the Advisory Service Agreement of 01 August with OAO GPB (OJSC).

Parties: OAO Gazprom as the Company; OAO GPB (OJSC) as the Advisor. Subject-matter: advisory services. Term:

- Phase 1: from 01 February 2012 to 31 July 2012.
- Phase 2: 24 months from the date of OAO Gazprom's written request for Phase 2 services.

Service fee and payment terms:

OAO Gazprom shall pay a service fee to OAO GPB (OJSC) including:

- Phase 1 fee payable upon delivery of Phase 1 by OAO GPB (OJSC) shall be the rouble equivalent of USD 30,000.00 (plus VAT) for each calendar month of Phase 1 delivery;
- Phase 2 fee payable upon delivery of Phase 2 by OAO GPB (OJSC) shall be the rouble equivalent of USD 100,000.00 (plus VAT) for each calendar month of Phase 2 delivery.

The Phase 2 service fee shall be paid every six calendar months from the start date of Phase 2 delivery.

Besides, OAO Gazprom undertakes to reimburse OAO GPB (OJSC) for:

- any documented overheads incurred by OAO GPB (OJSC) on its own behalf and for its own account to an extent of USD 10,000.00 (plus VAT) for each calendar month of service delivery. Any expenses above this limit shall be agreed between OAO GPB (OJSC) and OAO Gazprom in writing.
- service fees paid to third party advisors, including legal, tax, financial and technical advisors, auditors or independent appraisers paid by OAO GPB (OJSC) on its own behalf, but for the account and at written instruction of OAO Gazprom.

The total of third party advisory service fees shall be limited to USD 500,000.00 (plus VAT charged by such third party advisors, if any). Effective date and term of the Supplementary Agreement: the Supplementary Agreement becomes effective on the execution date and continues until the Parties have fully performed their obligations. Terms and conditions of the Supplementary Agreement are applicable to the Parties effective 01 February 2012. The interested parties include OAO Gazprom's executives A.B. Miller, E.A. Vasilieva, A.V. Kruglov, K.G. Seleznev, A.I. Akimov and M.L. Sereda. The transaction was approved by the Board of Directors of OAO Gazprom in its resolution No. 2190/kt of 28 June 2013.

56. Licence Agreement for international trademarks with Gazprom (U.K.) Limited. OAO Gazprom as the Licensor grants Gazprom (U.K.) Limited as the Licensee a non-exclusive licence to use international trademarks owned by the Licensor: **Gazprom** and  (registered by the United International Bureau for the Protection of Intellectual Property, international registration numbers: 807841 and 807842, date of international registration: 22 April 2003) in the United Kingdom of Great Britain and Northern Ireland (hereinafter the "Territory"):

- on products, tags, product packing;
- in performing work or delivering services;
- in cover, business or other documents;
- in advertisements, printed matter, formal letterheads, billboards or exhibits at exhibitions or fairs;
- on the Internet;
- in the Licensee's business name;
- in the Licensee's print media.

The Licensee shall pay the Licensor a quarterly trademark licence fee of USD 1,000.00 (net of applicable VAT). The Agreement becomes effective in the Territory on the signing date. The interested party is M.L. Sereda, member of the Board of Directors of OAO Gazprom. The transaction was approved by the annual General Meeting of Shareholders of OAO Gazprom on 28 June 2013.

57. Confidentiality agreement with member of Board of Directors V.G. Martynov. V.G. Martynov exercising his authorities in compliance with legislation of the Russian Federation, OAO Gazprom Charter, Statutes of OAO Gazprom's Board of Directors and other OAO Gazprom corporate documents undertakes an obligation of nondisclosure of commercial classified information and other confidential information of OAO Gazprom and its contracting parties. The agreement comes into force as of the date of signing by the parties and is effective within 5 years since termination of authorities of a member of OAO Gazprom's Board of Directors. Should the authorities of a member of OAO Gazprom's Board of Directors terminate on the date of OAO Gazprom General Shareholders Meeting and on the same day he is elected to the Board of Directors for a new term, the agreement is in power during new period of exercising his authorities as member of Board of Directors and 5 years from the day of expiring of new term. The interested party is V.G. Martynov, member of OAO Gazprom's Board of Directors. Approved by the Resolution of OAO Gazprom's Board of Directors No. 2256 dated 24.09.2013.

58. Liability insurance contract with OAO SOGAZ. The subject of the contract is insurance of OAO Gazprom and/or insured persons liability against infliction of harm to the third persons in result of unwitting erratic actions of insured persons performing management activity in accordance with "Rules of liability insurance of executive officers and governance bodies of corporate entities" of OAO SOGAZ dated 29.04.2005. The insurance amount (total liability limit) equals to RUB equivalent of US \$ 100,000,000.00 on the exchange rate of Central Bank of Russian Federation on the date of payment. Total insurance premium equals to RUB equivalent of US \$ 1,575,000.00. Insurance contract is effective within one year, coming in force at 00:00 01.10.2013 (date of beginning of Insurance period) and is valid up to 24:00 30.09.2014 (date of termination of Insurance period). The interested parties are A.B. Miller, N.N. Dubik and A.V. Kruglov, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

59. Rental contract with OAO Druzhba. The amount of monthly lease fee effective from November 2013 to September 2014 is RUB 6,932,078.00 (net of VAT). The contract comes into force as of the date of signing and is effective up to 30.09.2014. The interested party is A.N. Kozlov,

member of OAO Gazprom's collegiate executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

60. Contract for fixed assets stock-taking with OAO Gazprom Kosmicheskie Sistemy. The cost of work is RUB 24,396.00 (net of VAT). The time of service delivery is from 29.10.2013 up to 10.12.2013. The terms and conditions of the contract are applicable to the parties effective from 29.10.2013. The interested parties are S.F. Khomyakov, M.L. Sereda, V.A. Markelov, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2011.

61. Contract for fixed assets stock-taking with DOAO Centrenergogaz OAO Gazprom. The cost of work is RUB 29,494.00 (net of VAT). The time of service delivery is from 29.10.2013 up to 10.12.2013. The terms and conditions of the contract are applicable to the parties effective from 29.10.2013. The interested party is M.L. Sereda, member of OAO Gazprom's Board of Directors. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

62. Contract for fixed assets stock-taking with OAO Gazprom nefit. The cost of work is RUB 896 (net of VAT). The time of service delivery is from 29.10.2013 up to 10.12.2013. The terms and conditions of the contract are applicable to the parties effective from 29.10.2013. The interested parties are A.B. Miller, A.V. Kruglov, K.G. Seleznev, N.N. Dubik, K.G. Seleznev, V.A. Golubev, V.V. Cherepanov, E.V. Mikhailova, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

63. Contract for fixed assets stock-taking with OAO Gazprom neftekhim Salavat. The cost of work is RUB 49,562.00 (net of VAT). The time of service delivery is from 29.10.2013 up to 10.12.2013. The terms and conditions of the contract are applicable to the parties effective from 29.10.2013. The interested party is M.L. Sereda, K.G. Seleznev, E.V. Mikhailova, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

64. Contract for fixed assets stock-taking with OOO Gazprom Export. The cost of work is RUB 4,759.00 (net of VAT). The time of service delivery is from 29.10.2013 up to 10.12.2013. The terms and conditions of the contract are applicable to the parties effective from 29.10.2013. The interested party is A.I. Medvedev, member of OAO Gazprom's collegiate executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

65. Contract for fixed assets stock-taking with OOO Gazprom Komplektatsiya. The cost of work is RUB 155,160 (net of VAT). The time of service delivery is from 29.10.2013 up to 10.12.2013. The terms and conditions of the contract are applicable to the parties effective from 29.10.2013. The interested party is I.Y. Fedorov, member of OAO Gazprom's collegiate executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

66. Contract for fixed assets stock-taking with OOO Gazprom Mezhhregiongaz. The cost of work is RUB 1,075.00 (net of VAT). The time of service delivery is from 29.10.2013 up to 10.12.2013. The terms and conditions of the contract are applicable to the parties effective from 29.10.2013. The interested party is K.G. Seleznev, member of OAO Gazprom's collegiate executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

67. Contract for fixed assets stock-taking with OOO Gazprom Centrremont. The cost of work is RUB 1,155 (net of VAT). The time of service delivery is from 29.10.2013 up to 10.12.2013. The terms and conditions of the contract are applicable to the parties effective from 29.10.2013. The interested parties are A.V. Kruglov, M.L. Sereda, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

68. Contract for fixed assets stock-taking with OAO Vostokgazprom. The cost of work is RUB 1,000 (net of VAT). The time of service delivery is from 29.10.2013 up to 10.12.2013. The terms and conditions of the contract are applicable to the parties effective from 29.10.2013. The interested parties are M.L. Sereda, K.G. Seleznev, A.V. Kruglov, E.A. Vasilieva, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

69. Contract of Suretyship with OAO Sberbank of Russia and Sberbank (Switzerland) AG, with OAO Gazprom as the Surety, Sberbank (Switzerland) AG as the Facility Agent, OAO Sberbank of Russia and Sberbank (Switzerland) AG as the Original Lenders, and OOO NOVORENGOYSKY GCC (the Debtor (Borrower)) as the Beneficiary. OAO Gazprom irrevocably and unconditionally:

- guarantees to each Lender and Facility Agent, jointly referred to as the Financing Parties, due performance by OOO NOVORENGOYSKY GCC of its obligations under the Facility Agreement secured by OAO Gazprom and under the Commission Fee Agreement;
- undertakes to each Financing Party that if OOO NOVORENGOYSKY GCC fails to duly pay any amount under the Facility Agreement secured by OAO Gazprom or under the Commission Fee Agreement, OAO Gazprom shall, within 10 business days from the date of relevant notice from OAO Sberbank of Russia given under the Contract of Suretyship, pay such due amount as if OAO Gazprom were the principal debtor; and
- undertakes to reimburse each Financing Party, within 10 business days from the date of receipt by OAO Gazprom of relevant notice, for any losses incurred by such Financing Party, if any obligation guaranteed by OAO Gazprom is or becomes unenforceable, invalid or ineffective; the amount of reimbursable loss shall then equal the amount that the Financing Party would have otherwise received.

OAO Gazprom's liability under the Agreement shall be limited to EUR 265,000,000.

OAO Gazprom's liability:

If OAO Gazprom fails to pay any amount claimed by OAO Sberbank of Russia on or before the due date, OAO Gazprom will have to pay OAO Sberbank of Russia a penalty interest at a rate equal to the penalty interest under the Facility Agreement secured by OAO Gazprom, with such penalty to be charged on the amount of claim starting from the due date of such payment through to the actual date of payment of claim by OAO Gazprom before, on or after the date of the court award.

The Agreement becomes effective on the execution date and ceases on the date of final, irrevocable and unconditional payment of all amounts payable by OOO NOVORENGOYSKY GCC to the Financing Parties under the Facility Agreement secured by OAO Gazprom and the Commission Fee Agreement, and after all payment obligations of OOO NOVORENGOYSKY GCC under the Facility Agreement secured by OAO Gazprom and under the Commission Fee Agreement are fully performed (whether by OOO NOVORENGOYSKY GCC or OAO Gazprom). The Agreement shall be governed by the law of England. The interested party is V.A. Mau, member of the Board of Directors of OAO Gazprom. Approved by the Resolution of

70. Customs representatives' civil liability insurance contract with OAO SOGAZ. Insurance sum is established in the amount of RUB 20,000,000.00 for any insurable event. Total amount of insurance premium is RUB 250,000.00. The contract comes in force at 00:00 01.01.2014 and is effective up to 24:00 31.12.2014. The interested parties are A.B. Miller, N.N. Dubik, A.V. Kruglov, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

71. Additional agreement No. 3 to the life insurance contract No. 001L08F000084/12-751 dated 10.04.2012 with OOO SK SOGAZ-ZHIZN due to incorporation of new persons in the new list of insured persons. New insured persons are E.A. Vasilieva, V.A. Golubev, E.E. Karpel, A.N. Kozlov, A.V. Kruglov, Y.Y. Golko, D.V. Lyugai, A.B. Miller and M.L. Sereda. Beneficiaries are insured persons or persons appointed by them as beneficiaries, or inheritors of insured persons. Total insurance sum for new insured persons is RUB 57,300,000.00. Total insurance premium for insured persons is RUB 37,923,301.00. Agreement come into force from 01.12.2013 and is active up to 30.11.2018. The interested parties are E.A. Vasilieva, V.A. Golubev, E.E. Karpel, E.V. Karpel, A.V. Kruglov, Y.Y. Kolko, D.V. Lyugai, A.B. Miller and M.L. Sereda, members of OAO Gazprom's collegiate executive body. Approved by the Resolution No. 2281 of OAO Gazprom's Board of Directors dated 20.11.2013.

72. Contract for fixed assets stock-taking with GPB (OJSC). The cost of work is RUB 17,500.00 (net of VAT). The time of service delivery is from 31.11.2013 up to 31.12.2013. The terms and conditions of the agreement are applicable to the parties effective from 30.11.2013. The interested party is A.B. Miller, E.A. Vasilieva, A.V. Kruglov, K.G. Seleznev, M.L. Sereda and A.I. Akimov, members of OAO Gazprom's collegiate executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

73. Contract for fixed assets stock-taking with OAO Centrgaz. The cost of work is RUB 1,772.00 (net of VAT). The time of service delivery is from 29.10.2013 up to 10.12.2013. The terms and conditions of the agreement are applicable to the parties effective from 29.10.2013. The interested parties are, M.L. Sereda, V.A. Golubev, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

74. Amendment agreement No. 2 to the Tax Consolidated Group Contract dated 22.03.2012 (20.04.2012 registered by the tax authority on 20.04.2012) with OOO Gazpromavia Aviation Company, OAO Gazprom VNIIGAZ, OOO Gazprom Aviazadzor, OOO Gazprom Gazobezopasnost, OAO Gazprom Gazporaspredeleniye, OAO Gazprom Gazenergoset, OOO Gazprom Geologorazvedka, OOO Gazprom Dobycha Astrakhan, OOO Gazprom Dobycha Nadym, OAO VostokGazprom, OOO Gazprom Invest Vostok, OOO Gazprom Invest Zapad, ZAO Gazprom Invest Yug, OOO Gazprom Inform, OOO Gazprom Komplektatsiya, OOO Gazprom Pererabotka, OOO Gazprom Podzemremont Orenburg, OOO Gazprom Podzemremont Urengoy, OAO Gazprom Promgaz, OOO Gazpromtrans, OOO Gazprom Transgaz Yekaterinburg, OOO Gazprom Transgaz Kazan, OOO Gazprom Transgaz Makhachkala, OOO Gazprom Transgaz Nizhny Novgorod, OOO Gazprom Transgaz Samara, OOO Gazprom Transgaz Saint-Petersburg, OOO Gazprom Transgaz Saratov, OOO Gazprom Transgaz Stavropol, OOO Gazprom Transgaz Tomsk, OOO Gazprom Transgaz Ufa, OOO Gazprom Transgaz Ukhta, OOO Gazprom Transgaz Tchaikovsky, OOO Gazprom Transgaz Yugorsk, OOO Gazprom Tsentrremont, OOO Gazprom Export,

OOO Gazflot, OOO Georesurs, OAO TomskGazprom, ZAO Yamalgazinvest, OOO Gazprom Dobycha Krasnodar, OOO Gazprom Dobycha Noyabrsk, OOO Gazprom Transgaz Krasnodar, OOO Gazprom UGS, OOO Gazprom neft Shelf, OOO Gazprom Dobycha Shelf, OOO Gazprom Dobycha Orenburg, OOO Gazprom Dobycha Urengoy, OOO Gazprom Mezhhregiongaz, OOO Gazprom Sera, OOO Gazprom Transgaz Surgut, OOO Gazprom Dobycha Yamburg, OOO Gazprom Transgaz Volgograd, OOO Gazprom Transgaz Moscow, ZAO Gazprom YRGM Development, ZAO Gazprom YRGM Trading, OAO Gazprom neftekhim Salavat, OOO Gazprom Energo, OOO Sibmetakhim, OOO Temryukmortrans, OOO Gazprom Svyaz, OOO Gazprom Sotsinvest, OOO GES Surgut, OOO Piter Gaz, OOO Gazprom Dobycha Irkutsk, OOO Gazprom capital, OOO Gazprom investgazifikatiy, Research Institute of Economics and Management in the gas industry, OOO GPN – project 2 due to including new members into the Tax Consolidated Group (hereinafter – TCG). Liable member of the TCG – OAO Gazprom. Members of TCG are entities, where OAO Gazprom directly or indirectly has an equity share, with its share in each such entity at least 90%.

New members of TCG.

Considering that the Parties already have the Contract, and that the following entities expressed their intention to join the Contract:

- OOO Gazprom capital,
- OOO Gazprom investgazifikatiy,
- OOO Research Institute of Economics and Management in the gas industry,
- OOO OOO GPN – project 2. –

the parties agreed to add the above entities to the list of TCG members. The Amendment agreement comes into force on the first day of the corporate tax profit period, following the tax period, when it will be registered with tax authorities. Interested parties are K.G. Seleznev, E.V. Mikhailova, V.K. Markov, D.V. Lyugai, V.V. Cherepanov, M.L. Sereda, V.A. Kruglov, E.A. Vasilieva, I.Y. Fedorov, A.I. Medvedev, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Board of Directors No. 2289 dated 18.12.2013.

75. Addendum No. 50 to the contract No. 22NPtr/k-2004 dated 06.10.2003 for gas transportation arrangement services with OAO NOVATEK due to change of volume of gas transportation. The volume of gas transportation in 2013 is 61,958/107 mmcm, in 2014 – 53,412.86 mmcm, in 2015 – 47,561.507 mmcm, in 2016 – 27,568.779 mmcm. The interested parties K.G. Seleznev and A.I. Akimov, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

76. Contract for fixed assets stock-taking with OOO Gazprom gasoraspredeleniye. The cost of work is RUB 1,703,556.00 (net of VAT). The time of service delivery is from 29.10.2013 up to 10.12.2013. The terms and conditions of the agreement are applicable to the parties effective from 29.10.2013. The interested party is K.G. Seleznev, E.V. Mikhailova, V.K. Markov, members of OAO Gazprom's collegiate executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

77. Addendum No. 10/14 to contract No. MRG/pr-2009/1-016/09 dated 39.12.2008 with OOO Gazprom mezhhregiongaz due to changes of volumes of gas deliveries. The volume of gas supply in from 01.01.2014 up to 31.12.2014 is 233,372 mmcm. The interested party is K.G. Seleznev, member of OAO Gazprom's collegiate executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2010

78. Addendum No. 4/14 to the gas supply contract No. S/MRGp2011/1-005/11 dated 17.10.2011 with

OOO Gazprom mezhregiongaz due to changes of volumes of gas deliveries from 01.01.2014 up to 31.12.2014. The volume of gas supply in 2014 is 1840 mmcm. The interested party is K.G. Seleznev, member of OAO Gazprom's collegiate executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

79. Contract of voluntary medical insurance with OAO SOGAZ. The total number of insured persons as of 21.12.2011 is 9,229 people. The total insurance sum is RUB 104,749,000,000.00 the total insurance premium under the contract is RUB 175,033,000.00. The contract comes into force from 00:00 01.01.2014 and is effective up to 24:00 31.12.2014. The interested parties are A.B. Miller, N.N. Dubik, A.V. Kruglov, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

80. Addendum No. 51 to the contract No. 22NPTr/k-2004 dated 06.10.2003 for gas transportation arrangement services with OAO NOVATEK due to change of volume of gas transportation. The volume of gas transportation in 2013 is 62,105,305 mmcm. The terms and conditions of the addendum are applicable to the parties effective from 01.09.2013. The interested parties are K.G. Seleznev, A.I. Akimov, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

81. Additional agreement No. 17 to the gas supply contract No. 25 PK-2007 dated 13.12.2007 with OAO Severneftegazprom due to adjustments of volumes of gas deliveries and prices for gas in 2014. The volume of gas supply in the period from 10:00 01.01.2014 up to 10:00 01.01.2015 (2014 year of supply) OAO Severneftegazprom undertake to supply, OAO Gazprom undertake to offtake 9,961,824 mcm. The price for gas to be delivered from 10:00 01.01.2014 up to 10:00 07.01.2014 equals to RUB 1,455.26 for 1000 cm (net of VAT). The interested parties are A.I. Medvedev, E.V. Mikhailova, V.V. Cherepanov, members of OAO Gazprom's collegiate executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

82. Addendum No. 5/14 to the gas supply contract No. MRG/np-2010 dated 30.07.2010 with OAO Gazprom mezhregiongaz due to changes of volumes of gas deliveries. The volume of gas supply of the population of Kamchatskiy Kray of the Russian Federation (except Sobolevskiy district), except households, in 2014 is 407,7 mmcm. The interested party is K.G. Seleznev, member of OAO Gazprom's collegiate executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

83. Gas supply contract with OOO Gazprom mezhregiongaz. OAO Gazprom delivers to OOO Gazprom mezhregiongaz combustible natural gas including dry topped gas produced by OAO Gazprom and/or its affiliates for its further realization to consumers of Chechen Republic. The volume of gas 2014 is 1,748.1 mmcm. The interested party is K.G. Seleznev, member of OAO Gazprom's collegiate executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

84. 2012 Gas supply contract with OOO Gazprom mezhregiongaz. OAO Gazprom delivers to OOO Gazprom mezhregiongaz combustible natural gas including dry topped gas produced by OAO Gazprom and/or its affiliates for its further realization to consumers of the Russian Federation: Republic of Dagestan, Kabardino-Balcar Republic, Karachaevo-Cherkess Republic, Republic of Ingushetia and Republic of North Ossetia – Alania. The volume of gas supply in the period from 01.01.2014 to 31.12.2014 is 5,331.2 mmcm including:

at the main gas supply – 5,106.5 mmcm; additional gas supply (under conditions established by the Government of the Russian Federation by Decree No. 1021 dated 29.12.2000 with amendments approved by the Government of the Russian Federation by Decree No. 333 dated 28.05.2007) – 224.7 mmcm. The interested party is K.G. Seleznev, member of OAO Gazprom's collegiate executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

85. Contract with OAO SOGAZ concerning accident and disease insurance of employees. Total insurance amount equals to RUB 134,042,875,000.00. Total insurance premium equals to RUB 33,167,560.84. The Contract is effective from 00:00 01.01.2014 up to 31.12.2014 inclusive. The interested parties are A.B. Miller, N.N. Dubik, A.V. Kruglov, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

86. Donation Agreement with the Gubkin Russian State University of Oil and Gas (a federal budget-funded educational institution of higher professional education) (hereinafter, the University). The Agreement provides for a donation of RUB 84,000,000.00 by OAO Gazprom to the University to:

- ensure high performance under joint projects designed to support the University's educational technologies and infrastructure;
- improve the performance under targeted vocational training programmes;
- enhance the University's educational programs;
- provide training for the University's faculty involved in targeted vocational training programmes;
- enhance educational guidance to encourage the University's best graduates to work at operating facilities, including improve of the system of practical training of the University's students at operating facilities, provide financial support to talented faculty members actively involved in targeted vocational training programmes (hereinafter the "Designated Purposes").

OAO Gazprom shall transfer RUB 84,000,000.00 to the University's bank account within 30 calendar days after the effective date of the Agreement. Intended use: the University shall only use the money transferred by OAO Gazprom for the above Purposes. OAO Gazprom may request the University to report on the intended use of the money donated by OAO Gazprom and enclose supporting financial documents. OAO Gazprom may cancel the donation if the University uses the money for any purposes other than the Designated Purposes or changes the Designated Purposes due to any circumstances without first obtaining OAO Gazprom's consent. In this case, the University shall fully refund the money donated by OAO Gazprom within a month's time upon OAO Gazprom's request. The Contract becomes effective on the execution date and continues until the Parties have fully performed their obligations. The interested party is V.G. Martynov, member of OAO Gazprom's Board of Directors. The transaction was approved by the Board of Directors of OAO Gazprom in its resolution No. 2311 of 25 February 2014.

87. Trademark Licence Agreement with Gazprom (U.K.) Limited. OAO Gazprom as the Licensor grants Gazprom (U.K.) Limited as the Licensee a non-exclusive licence to use trademarks owned by the Licensor: **Gazprom** and  registered with the State Register of Trademarks and Service Marks of the Russian Federation, certificates of trademarks (service marks) No. 228275 of 19 November 2002 and No. 220181 of 03 September 2002, throughout the Russian Federation in relation to all goods (work, services) to which the Licensor's Trademarks apply, including:

- on goods, tags or product packing produced, marketed, sold, presented at an exhibition or fair or otherwise

introduced into the civil law-based trade in the Russian Federation, or stored or transported for this purpose, or imported to the Russian Federation;

- in performing work or delivering services;
- in cover, business or other documents, including those used to introduce goods into the civil law-based traded;
- in sale, work or service offers, advertisement and promotional materials, charity or sponsorship events, print media, formal letterheads, billboards, including on office buildings;
- on the Internet;
- in the Licensee's print media;
- in the Licensee's business name.

The Licensee shall pay the Licensor a quarterly trademark licence fee of RUB 1,000.00 plus VAT at the rate fixed in applicable Russian laws. The Agreement becomes effective on its official registration date with the federal intellectual property agency. The interested party is M.L. Sereda, member of the Board of Directors of OAO Gazprom. The transaction was approved by the annual General Meeting of Shareholders of OAO Gazprom on 28 June 2013.

88. Agreement on amendments to additional agreement No. 10 dated 14.07.2008 to the consulting services contract No. 01/0412-1910 dated 01.08.2006 with GPB (OJSC) due to prolongation of time of consulting services delivery by GPB (OJSC) within the "Sakhalin II" project. The time of services delivery is up to 31.12.2013. The agreement comes to force as of the date of signing by the parties. The terms and conditions of the agreement are applicable to the parties effective from 30.06.2012. The interested parties are A.B. Miller, M.L. Sereda, E.A. Vasilieva, A.V. Kruglov, K.G. Seleznev, A.I. Akimov, members of OAO Gazprom's governance bodies. Approved by the Resolution of OAO Gazprom's Board of Directors No. 2009 dated 21.12.2012.

89. Addendum No. 25 to the Contract for the natural gas supply in 2004–2017 No. 6GLI-2004 dated 05.02.2004 with ZAO Kaunas Heat and Power Plant due to extending for 2013 mark up price for gas effective for 2012 and distribution of quarterly contractual volume of gas supplies in 2012. The volume of gas delivery in 2013 is 270 mmcm of which under terms "take-or-pay" – 230 mmcm and above "take-or-pay" – 40,000,000 cm. Agreement comes into force from the signing date and applicable to the parties effective from 01.01.2013. The interested parties are K.G. Seleznev, V.A. Golubev, members of OAO Gazprom's collegiate executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 29.06.2012.

90. Rental contract with OAO Gazprom Gazoraspredeleniye. The amount of lease fee effective until 01.01.2014 is RUB 169,204.00 (net of VAT). The amount of monthly lease fee effective from January to September 2014 is RUB 84,686.00 (net of VAT). The amount of lease fee effective from 01.10.2014 up to 27.10.2014 is RUB 73,686.00 (net of VAT). Agreement comes into force from the signing by the parties date and effective until 27.10.2014. The terms and conditions of the agreement are applicable to the parties effective from 01.11.2013. The interested parties are K.G. Seleznev, E.V. Mikhailova V.K. Markov, members of OAO Gazprom's collegiate executive body. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

91. Loan Purchase Agreement with Wintershall Vermögensverwaltungsgesellschaft mbH (hereinafter Wintershall) and ZAO Achimgaz, with respect to the Loan Agreement between Wintershall and ZAO Achimgaz of 23 July 2012, Subject-matter: the agreement provides that in any event of default (hereinafter "Default") set out in paragraph 12.1 of the Loan Agreement between ZAO Achimgaz and Wintershall of 23 July 2012 (hereinafter the "Loan Agreement") OAO Gazprom and

Wintershall may grant Shareholder Loans to ZAO Achimgaz to cover the debt of ZAO Achimgaz under the Loan Agreement.

Shareholder Loan amount: at least 50% of the aggregate amount of outstanding loans granted to ZAO Achimgaz under the Loan Agreement plus interest accrued (hereinafter the "Outstanding Loan"), and any hedging expenses related to debt repayment under the Loan Agreement calculated as per paragraph 4.4 of the Loan Agreement (hereinafter "Outstanding Hedging Expenses) (hereinafter the "Aggregate Outstanding Amount").

Execution of Shareholder Loan Agreements. Wintershall grants OAO Gazprom the right to repay ZAO Achimgaz's loan to the extent of 50% of the Aggregate Outstanding Amount by issuing a Shareholder Loan to ZAO Achimgaz.

At any time within 20 banking days from the date of Wintershall's notice of Default Event, OAO Gazprom may exercise the above right by giving relevant notice to Wintershall (hereinafter "Repayment Notice").

If OAO Gazprom opts to exercise the above right:

- OAO Gazprom and ZAO Achimgaz agree to execute a Shareholder Agreement under which OAO Gazprom shall grant ZAO Achimgaz a loan of at least 50% of the Aggregate Outstanding Amount;
- Wintershall and ZAO Achimgaz agree to execute a Shareholder Agreement under which Wintershall shall grant ZAO Achimgaz a loan of at least 50% of the Aggregate Outstanding Amount.

Term of Shareholder Loan Agreements: if the period from the date of Repayment Notice to the expiry of three years after the date of the Loan Agreement (hereinafter the "Loan Repayment Date") exceeds one year, the term of the Shareholder Loan Agreement shall be from the date of its signing to the Loan Repayment Date; and if the date of Repayment Notice falls within one year before the Loan Repayment Date or after the Loan Repayment Date, the term of the Shareholder Loan Agreement shall be one year from the date of its signing.

Both Shareholder Loans shall be repaid on the same date.

Interest shall be charged on a daily basis on each Shareholder Loan for each interest period (twelve months) at an annual rate equal to the aggregate of annual MIBOR and the margin set out in the relevant Shareholder Loan Agreement.

OAO Gazprom, Wintershall and ZAO Achimgaz undertake to ensure that the same margin will be used to calculate the interest rate agreed for each Shareholder Loan.

Termination of Security Documents. The Pledge Agreement, the Mortgage Agreement and the Direct Debit Agreement made between ZAO Achimgaz and Wintershall (hereinafter the "Security Documents") shall terminate and all rights of Wintershall under the Security Documents shall immediately cease once Wintershall has received: an amount equal to the Outstanding Loan Amount, and either an amount equal to the Outstanding Hedging Expenses or an amount equal to 50% of the Outstanding Hedging Expenses if OAO Gazprom has provided the relevant amount under the Shareholder Loan Agreement to which it is a party.

The Agreement shall become effective on its execution date.

Applicable law. The Agreement shall be construed and governed in accordance with the law of England. The interested party is V.V. Cherepanov, member of OAO Gazprom's collegial executive body. The transaction was approved by the Board of Directors of OAO Gazprom in its resolution No. 2153 of 23 April 2013.

92. General agreement on general terms and conditions of foreign exchange transactions and forward transactions with OAO Sberbank of Russia. Agreement shall enter into force on the date of signing and is concluded for an indefinite period. The interested party is V.A. Mau, member of OAO Gazprom's Board of Directors. Approved by the Resolution of OAO Gazprom's Annual General Shareholders Meeting dated 28.06.2013.

93. Service Agreement with OAO Druzhba. OAO Druzhba undertook to provide the services related to organising and holding a series of workshop meetings themed The Problems of Autonomous Gas Infrastructure Expansion to Cover Remote Areas and Administrative Centres of the Russian Federation Regions, with OAO Gazprom taking an obligation to pay for such services. Service periods are 11 June 2013 through 16 June 2013; 21 October 2013 through 28 October 2013; and 13 November 2013 through 15 November 2013. The service fee under the agreement is RUB 18,274,406.78 plus VAT of RUB 3,289,393.22. The total cost of services under the agreement is RUB 21,563,800.00 (VAT included).

Payment procedure:

- before 10 June 2013, OAO Gazprom to credit RUB 10,100,000.00 (VAT included) to OAO Druzhba's settlement account as a partial advance payment;
- OAO Gazprom to perform the final settlement for the services rendered by OAO Druzhba by crediting OAO Druzhba's settlement account against the previously made partial advance payment within a month after the Parties sign an Acceptance Certificate for the services against a relevant invoice issued by OAO Druzhba.

The Agreement becomes effective on the execution date and continues until the Parties have fully performed their obligations. The terms and conditions of the Agreement apply to the relations existing between the Parties as from 07 June 2013. The interested party is A.N. Kozlov, member of OAO Gazprom's collegial executive body. The transaction was approved by the Board of Directors of OAO Gazprom in its Resolution No. 2323 of 08 April 2014.

94. Buy and sell agreement of real estate with OOO Gazprom mezhregiongaz. Property holdings: under construction objects of gas distribution network from the output flange automated gas distribution station to the consumers from Zhigalovo Irkutsk region. The cost of real estate is RUB 48,060,169.49 beyond VAT at a amount of RUB 8,650,830.51. The interested party is K.G. Seleznev, member of OAO Gazprom's collegiate executive body. Approved by the Resolution of OAO Gazprom's Board of Directors No. 2008 dated 15.11.2012.

Information on Transactions with OAO Gazprom's Shares carried out by Members of OAO Gazprom's Board of Directors and Management Committee in 2013

Name	Transaction date	Type of transaction	Number of OAO Gazprom's ordinary registered shares
V.A. Zubkov	24.07.2013	purchase	233,750
A.N. Kozlov	20.06.2013	purchase	43,822
D.V. Lyugai	04.12.2013	purchase	35,000
V.A. Markelov	09.07.2013	purchase	140,300
V.K. Markov	27.08.2013	purchase	35,000
A.I. Medvedev	05.06.2013	purchase	8,000
E.V. Mikhailova	16.05.2013	purchase	26,478
	20.05.2013	purchase	22
K.G. Seleznev	27.05.2013	purchase	2,227
S.F. Khomyakov	24.05.2013	purchase	7,888
V.V. Cherepanov	06.12.2013	purchase	32,000

Implementation of Presidential and Governmental Directives and Instructions

Investment Programme (Instruction No. ISh-P13-5361 of 18 September 2009 by I.I. Shuvalov, First Deputy Prime Minister of the Russian Government)

As part of the 2013 Investment Programme approved by the Board of Directors of OAO Gazprom, the actual investment spending in 2013 totalled RUB 1,012.4bn including capital expenditures RUB 790.9bn, long-term financial investment RUB 219.8bn, and acquisition of non-current assets RUB 1.7bn.

In terms of capital construction, the Investment Programme focused on:

- facilities construction at Bovanenkovskoye and Kirinskoye fields;
- implementing gas transportation projects, including construction of the Bovanenkovo – Ukhta and Ukhta – Torzhok trunk pipelines; extension of the unified gas supply system to supply gas to the South Stream project;
- expanding the underground gas storage system in Russia.

Long-term financial investment priorities in 2013 were mainly associated with OAO Gazprom's involvement in the South Stream project, development of gas reserves outside Russia, gas processing and power generation projects, including the acquisition of OAO MIPC shares.

The actual amount allocated for OAO Gazprom's Investment Programme in 2013 came at RUB 1,040.3bn (including RUB 824.9bn of capex financing).

Key management performance indicators (Instruction No. Pr-1474 of 05 July 2013 by the President of the Russian Federation)

As recommended by Rosimushchestvo, in 2013 OAO Gazprom prepared proposals to add Return on Shareholders Investment and Return on Equity indicators to the list of corporate key performance indicators in the Annual Bonus Scheme, to be approved by the Board of Directors in 2014.

Outlining development priorities for the Russian gas industry (para. 3, Section 2 of Minutes of Meeting No. A60-26-170. 23 October 2012, Russian Presidential Commission for Strategic Development of the Fuel and Energy Sector and Environmental Security)

OAO Gazprom prepared, and submitted to A.V. Novak, Russian Minister of Energy, its proposals to adjust the General Scheme for the Development of the Gas Industry through 2030 and the Development Programme for an integrated gas production, transportation and supply system in Eastern Siberia and the Far East taking account of potential gas exports to the Asian-Pacific region.

Improving the mineral extraction tax (MET) rates for natural gas (Instructions Nos. DM-P9-7pr of 13 June 2012 and DM-P9-36pr of 24 September 2012 by D.A. Medvedev, Russian Prime Minister, and Instructions Nos. AD-P9-5934 of 04 October 2012, AD-P9-7060 of 23 November 2012, AD-P2-52 of 10 January 2013, AD-P9-1807 of 25 March 2013, and AD-P9-2929 of 29 April 2013 by A.V. Dvorkovich, Russian Deputy Prime Minister)

OAO Gazprom prepared proposals to improve MET rates for natural gas, including:

- determined MET rate differentiation ratios and rate caps to secure acceptable return on investment projects and ongoing projects of OAO Gazprom for each proposed formula;
- assessed the proposals by the Russian Ministry of Energy and Ministry of Finance and submitted its own proposals as to the formula to calculate MET rates for gas.

Encouraging offshore gas production (para. 1 of Order No. 443-r On key measures for reinforcement of Russia's strategic positions in the global energy industry through 1 January 2016 of 12 April 2012 by the Russian Government; para. 2 and 3 of Order No. 700-r On classification of projects for development of subsoil sections, containing tight oil reserves, classified on reservoir permeability and oil viscosity parameters of 03 May 2012 by the Russian Government; Instruction No. DM-P9-36pr of 24 September 2012 by D.A. Medvedev, Russian Prime Minister, and Instruction No. AD-P9-7115 of 24 November 2012 by A.V. Dvorkovich, Russian Deputy Prime Minister)

OAO Gazprom prepared proposals on measures to encourage gas production in the Russian continental shelf, including:

- prepared, and submitted to the Russian Government, its proposals on the development of the Russian continental shelf with a detailed assessment of the impact by the new taxation system on OAO Gazprom's offshore projects;
- made proposals on development conditions for Prirazlomnoye oil field and Kirinskoye gas and condensate field;
- prepared, and submitted to the Russian Ministry of Energy, financial and economic models for Prirazlomnoye oil field, and Kirinskoye, Shtokmanovskoye, Leningradskoye and Severo-Kamennomysskoye gas and condensate fields;
- designed, and submitted to the Russian Ministry of Finance, its proposals on draft Federal Law No. 577558-5 On Amendments to Part II of the Tax Code of the Russian Federation and Other Statutory Acts of the Russian Federation Related to Gas Production Development in the Russian Continental Shelf.

Expanding gas infrastructure across Russia (Instructions No. 007228 of 27 January 2011 by D.A. Medvedev, Russian President, and No. VP-P9-708 of 05 February 2010 by V.V. Putin, Russian Prime Minister)

OAO Gazprom's business units have reviewed construction timelines for the Yurgamysh – Kurgan branch pipeline that is a section of the Shumikha – Mishkino – Yurgamysh – Kurgan branch with a Kurtamysh branch. Since its construction needs to be accelerated, the *Company* launched concurrent design and construction of the Yurgamysh – Kurgan branch pipeline to make it fully operative in 2014.

OAO Gazprom's 2013 Investment Programme (approved by the Board of Directors in its Resolution No. 2273 of 29 October 2013) provided for RUB 1,774.06bn to be used for Phase 1 of the investment project Mishkino – Yurgamysh – Kurgan branch pipeline with a Kurtamysh branch. OAO Gazprom's 2014 Investment Programme (approved by the Board of Directors in its Resolution No. 2285 of 17 December 2013) set a RUB 2,102.47bn capex limit for the project, with the branch pipeline to be commissioned in 2014.

Higher discipline in gas payments (Minutes No. DM-P9-79pr of Meeting with the Russian Prime Minister of 29 October 2013)

Paragraph 5 (amendments to the Russian Housing Code providing for monthly residential rates to be paid before the tenth day of the current month, and an option to pay for gas and other utility services under a direct contract between the utility company and the consumer): OAO Gazprom suggested to the Ministry of Construction Industry, Housing and Utilities Sector of Russia that payment timelines regulated by the paragraph should be governed by a regulatory act rather than a federal law (Letter No. 06-46 of 21 January 2014)

Paragraph 7 (amendments to certain regulatory acts providing for a 'split' of payments; subsidiary liability of the boiler plant operator and the equipment owner; subsidiary liability of Russian regions and municipalities to gas suppliers; an option to limit gas supplies to bad-faith heat suppliers), OAO Gazprom, jointly with the Russian Ministry of Energy and Nonprofit Partnership Market Council, is working on relevant amendments to draft law No. 348213-6 On Amendments to Certain Regulatory Acts of the Russian Federation for Higher Payment Discipline among Energy Consumers (passed in its first reading).

Promoting the NGV fuel market (List of Instructions by the Russian President following the meeting on enhanced use of NGV fuel (No. Pr-1298 of 14 May 2013), List of Instructions by A.V. Dvorkovich, Russian Deputy Prime Minister (No. AD-P9-4314, as a follow-up of Instructions No. Pr-1298 of 14 May 2013 by the Russian President), and the Comprehensive Action Plan for NGV Fuel Promotion No. 6819p-P9 of 14 November 2013 (as a follow-up of the List of Instructions by the Russian Deputy Prime Minister))

The Russian Emergency Ministry (EMERCOM) and OAO Gazprom are jointly preparing amendments to Federal Law No. 123-FZ Fire Safety Requirements: Technical Rules.

The Russian Ministry of Energy and OAO Gazprom took part in the drafting of the Federal Law On Amendments to the Federal Law On Gas Supply in the Russian Federation and Certain Statutory Acts of the Russian Federation. Their contribution covered:

- leasing out or selling federal or municipal lands for NGV filling stations on a no-bid basis;
- promoting NGV fuel supplies for farming machinery via temporary on-site fuel truck stations;
- removing NGV filling stations from the list of hazardous facilities;
- insuring third-party liability for damage caused by an emergency at a road service facility used as NGV filling stations, with facility owners as policyholders.

The Russian Ministry of Energy of Russia OAO Gazprom jointly prepared a draft directive of the Russian Government on government regulation of LNG price limits.

Disclosure of information on the ownership structure, including beneficiaries, by counterparties under existing contracts (Instruction No. VP-P13-9308 of 28 December 2011 by the Russian Prime Minister, and Instruction No. IS-P13-80 of 12 January 2012 by the Russian Deputy Prime Minister)

Between 1 January 2013 and 31 December 2013, OAO Gazprom informed the Russian Ministry of Energy, Federal Tax Service and Rosinfomonitoring of:

- 212,573 existing contracts (with 4,118 contracts signed by OAO Gazprom and 208,455 contracts signed by its subsidiaries and affiliates directly and/or indirectly controlled by OAO Gazprom by more than 50% in total);
- changes in the ownership structure and/or executive bodies of OAO Gazprom's counterparties;
- changes in the ownership structure and/or executive bodies of the counterparties of subsidiaries and affiliates directly and/or indirectly controlled by OAO Gazprom by more than 50% in total.

Implementation of gas transportation projects

In line with paragraph 5 of Instruction No. VP-P2-4776 of 11 August 2009 by Russian Prime Minister V.V. Putin, OAO Gazprom provides the Russian Ministry of Energy with a monthly update on the progress in the South Stream project, which is then included in the Ministry's report to the Russian Government. Letters Nos. 03/1200/1-599 of 28 March 2013, 03/12-1098 of 28 June 2013, 03/12/3-1608 of 30 September 2013, and 03/12/3-2082 of 20 December 2013.

Decisions to reduce procurement costs per unit of output by at least 10% per year during three years in real terms, with these reduction targets to be used as a key performance indicator in assessing corporate and management performance (subparagraph 1f), List of Instructions No. Pr-846 of 02 April 2011 by the Russian President)

In its Order No. 86 of 30 March 2012, OAO Gazprom approved its Methodology for Calculating the Ratio of Reduction of Procurement Cost per Unit of Output. The Methodology takes account of the approaches recommended by the Russian Ministry for Energy. Final cost cutbacks are consolidated into three groups:

- inventory procurement costs;
- procurement costs related to core operations;
- procurement costs related to investment.

The resulting ratio calculated under subparagraph 1f) of List of Instructions No. Pr-846 will be used as a key performance indicator to assess OAO Gazprom's management performance.

Additional Information for the Annual Report available at OAO Gazprom's Corporate Website

- Members of OAO Gazprom's Audit Commission.
- Meetings of OAO Gazprom's Board of Directors in 2013.
- Meetings of the Audit Committee at the Board of Directors of OAO Gazprom in 2013.
- Debt recovery litigations pending as of 31 December 2013.
- List of entities where OAO Gazprom holds shares (interest) as of 31 December 2013.
- List of shares/interests purchased/sold by OAO Gazprom in 2013, and investments in the registered capital of subsidiaries.

Addresses and Contacts

Full Name

Open Joint Stock Company Gazprom

Abbreviated Name

OAO Gazprom

Location

16 Nametkina St., Moscow, Russian Federation

Mailing Address: 16 Nametkina St., Moscow, GSP-7, 117997

Tel.: +7 (495) 719-30-01 (for references); Fax: +7 (495) 719-83-33

Website

www.gazprom.ru

E-mail

gazprom@gazprom.ru

Certificate of Entry Into the Unified State Register of Legal Entities

Issued by the Moscow Department of the Ministry of Taxes and Fees of the Russian Federation
on August 02, 2002, № 1027700070518

Identification Number of Taxpayer (INN): 7736050003

Shareholder Relations Office

Tel.: +7 (495) 719-26-01. Fax: +7 (495) 719-39-37

Investor Relations Office

Baranov Andrey Vitalyevich

Tel.: +7 (495) 719-25-89. Fax: +7 (495) 719-35-41

E-mail: A.Baranov@gazprom.ru

Auditor to OAO Gazprom

ZAO PricewaterhouseCoopers Audit

Member of the non-commercial partnership "Russian Audit Chamber" (NP RAC),

which is a self-regulatory organization of auditors – registration number 870 in the register of NP RAC members.

The main registration number in the register of auditors and audit organizations – 10201003683.

Location and mailing address: 10 Butyrsky Val, Moscow, Russian Federation, 125047

Tel.: +7 (495) 967-60-00. Fax: +7 (495) 967-60-01

Registrar

Closed joint stock company "Specialized registrar – Holder of gas industry shareholders register" (ZAO SR-DRAGa)

Location and mailing address: 71/32 Novocheremushkinskaya St., Moscow, 117420, Russian Federation

Tel.: +7 (495) 719-39-29. Fax: +7 (495) 719-45-85

This Annual Report is preliminary approved by the resolution of OAO Gazprom's Board of Directors No. 2351 dated May 15, 2014

Chairman of the Management Committee



Alexey B. Miller

Chief Accountant



Elena A. Vasilieva

