Shorthand record of speech by Vitaly Markelov, Deputy Chairman of Gazprom Management Committee, at Gazprom's Investor Day

Good afternoon, dear colleagues.

I would like to present you the information about the production operations of Gazprom.

Gazprom produces 68 per cent of all gas in Russia and 12 per cent globally. Please note that our production potential exceeds 500 billion cubic meters of gas per year.

As of now, gas production is provided by the following capacities: 7,570 active wells, 191 comprehensive gas treatment units, as well as 71 booster compressor stations.

Gazprom is the largest subsoil user in Russia. On our balance sheet we have 32.8 trillion cubic meters of gas reserves and 1.8 billion tons of liquid hydrocarbons (excluding those of Gazprom Neft). The Company does annual reassessment of its hydrocarbon reserves in accordance with international standards with an independent audit involved.

Gazprom owns the largest gas transportation network in the world. As of the end of 2020, the length of its gas trunklines and branches stood at 176,800 kilometers.

The main mechanism for smoothing seasonal fluctuations in gas consumption is underground gas storage facilities. Their working gas inventories at the beginning of the 2020 withdrawal season amounted to 72.3 billion cubic meters, while their maximum capacity reached 843 million cubic meters per day.

Processing of natural gas and liquid hydrocarbons is one of the important activities of Gazprom. At present, Gazprom's processing complex includes three gas processing plants and four oil and condensate processing plants. In the Russian fuel and energy sector, Gazprom's processing complex ranks first. It ensures the production of 100 per cent of helium, 85 per cent of sulfur, 20 per cent of liquefied petroleum gases, and 5.7 per cent of motor fuels.

The specific feature of the processing of raw materials at Gazprom is that a wide range of hydrocarbons is processed.

Stable gas condensate and high-sulfur liquid hydrocarbons are processed at the Orenburg, Astrakhan, and Surgut Plants. In the Nadym-Pur-Taz region, a construction project is being implemented to create facilities of an alternative scheme, which will allow processing the growing volumes of condensate production from the Achimov deposits. The commissioning of a new condensate stabilization unit at the Urengoy Condensate Treatment Plant is scheduled for this year. As a result, condensate processing capacities will grow by 4 million tons per year.

In addition, the Company is implementing large-scale projects for the construction of the Amur Gas Processing Plant and a processing complex near the settlement of Ust-Luga in the Leningrad Region.

The development of Gazprom's processing complex will make it possible to:

- process valuable components of "wet" gas into products with high added value;
- protect the grocery basket from the volatility of commodity markets;
- diversify gas sales by increasing the production of liquefied natural gases.

The construction of the Amur Gas Processing Plant is being carried out as part of Gazprom's Eastern Gas Program, while feedstock for the Amur Plant is natural gas from the Irkutsk and Yakutsk gas production centers coming through the Power of Siberia gas trunkline.

The Amur Gas Processing Plant is a single technological complex with two major objectives: one is to bring commercial-grade gas in line with the contract specification for its supply to China, while the other objective is to extract valuable components from feedstock, such as ethane, propane, butane, pentane-hexane fraction, and helium, to be sold domestically and internationally.

In terms of feed gas processing, the design capacity of the Amur Gas Processing Plant is 42 billion cubic meters per year, with 38 billion cubic meters of commercial-grade gas to be delivered into the Power of Siberia pipeline. This makes the project the largest gas processing facility in the Russian Federation. The Amur Gas Processing Plant will also include the world's largest helium production unit with an annual output of up to 60 million cubic meters. Also, up to 2.4 million tons of ethane per year and up to 1.5 million tons of propane-butane fraction per year will be extracted during the processing operations.

The first start-up complex will be commissioned this year, and the Plant will reach its full capacity in early 2025.

The project is being implemented on the basis of project financing. The total amount of funds raised will reach EUR 11.4 billion. The project is facilitated by banks from China and Russia, as well as international banks from Germany, France, the Netherlands, Italy, the UK and Japan, with guarantees from export credit agencies of Germany and Italy. Funding is attracted for a period of up to 17 years. The attracted funds will facilitate an uninterruptible financing of the project throughout its entire construction phase.

In the context of the benefits existing in the relevant priority social and economic development area, the Amur Gas Processing Plant received the following preferences: tax incentives for insurance premiums, property tax, and land tax; declarative procedure for VAT refunds; and a free customs zone created.

In pursuance of the strategic focus on the maximum extraction of valuable components from hydrocarbon feedstock, Gazprom has also decided to build a gas processing complex near the Ust-Luga settlement in the Leningrad Region. The plant's feedstock base is ethane-containing gas from the fields of the Nadym-Pur-Taz region. Such gas will be transported through dedicated pipelines of the Unified Gas Supply System.

The project is being implemented by RusKhimAlyans, a joint venture of Gazprom and RusGazDobycha. The plant's capacity in terms of feedstock is 45 billion cubic meters of gas per year. It will annually produce about 3.6 million tons of ethane and up to 1.7 million tons of liquefied petroleum gases. Ethane will be supplied to the Baltic Chemical Complex, while liquefied gases will be exported by sea.

About 18 billion cubic meters of commercial-grade gas will be annually streamed to Russian and European consumers.

Said complex includes an LNG plant with a capacity of 13 million tons per year to be supplied to foreign markets.

To date, a positive conclusion with regard to the project has been received from the Russian State Expertise Agency, and early works have already begun on the construction site. The plant in Ust-Luga is planned to be commissioned with two start-up complexes, with a capacity of 22.5 billion cubic meters of feed gas each.

Now, I would like to say a few words about the implementation of the Program for gas supply and gas infrastructure expansion in Russian regions for 2021–2025.

Gas infrastructure expansion in Russian regions is the highest priority for Gazprom. Last year, Alexey Miller, Chairman of the Gazprom Management Committee, and heads of 67 constituent entities of the Russian Federation signed programs for gas supply and gas infrastructure expansion for 2021–2025. The costs of their implementation have already been included in the investment programs of Gazprom and Gazprom Mezhregiongaz. Thus, by 2026, the volume of gas supplies to Russian consumers will grow by 21.8 billion cubic meters per year.

Gazprom reduces sanctions risks from the use of foreign equipment. For this purpose, the work on import substitution and reduction of the Company's dependence on imported technologies, equipment and services was organized on a systematic basis.

Work is carried out in all areas of the Company's production activities, from geological exploration to hydrocarbon processing, with the goal to master the production of the necessary technologies and equipment. In order to do so, Gazprom has set up interaction with state corporations, large manufacturing enterprises, the military-industrial complex, and leading research and development centers.

The Company has adopted a list of most important types of products for import substitution and localization of production. Reducing this list is the key performance indicator towards said goal. From 2015 onwards up until today, the production of 70 per cent of the items on the list has been mastered. The cumulative economic effect of import substitution in 2016–2020 has already exceeded RUB 50 billion, and, moreover, it is growing every year.

Currently, we continue cooperation in import substitution with Russian enterprises, with major focus being made on the most knowledge-intensive and high-tech areas, such as production of liquefied natural gas and subsea hydrocarbon production.

This way, we have a track record of interaction, the accumulated competencies of Russian enterprises, as well as support from the state. This allows us to speak confidently about the timely and efficient implementation of the promising projects of Gazprom.

As of the end of 2020, the Gazprom Group ranks first in Russia in terms of installed capacity and heat generation. The Group accounts for 13 per cent of Russian electric power generation. The generating assets of the Gazprom Group are consolidated in Gazprom Energoholding, our subsidiary, which is in charge of 78 power plants of Mosenergo, TGC-1, and OGK-2 in 17 constituent entities of our country.

The power business of the Gazprom Group ensures stable cash flows. On the basis of the results of 2020, Gazprom Energoholding is expected to meet the targets set in terms of net profit and EBITDA. The dividend payout based on the results of 2020 is planned to be not lower than that based on the results of 2019.

The Gazprom Group continues its work towards ensuring a reliable power supply for processing assets. This year, the construction of two priority power facilities is slated for completion. The first facility is the Svobodny TPP with a capacity of 160 MW for the Amur Gas Processing Plant, and the second one is the Pancevo TPP in Serbia.

In addition to the designated new construction projects, we carry out the necessary upgrade of the equipment at the existing facilities. On the basis of the selection results for 2022–2026, Gazprom's projects with a total capacity of 2 GW have been selected for upgrade, i.e. they account for 22 per cent of the total volume of the projects selected in the first price zone. The Group intends to further participate in the competitive selection of capacities for modernization for 2027–2031, as well as in the selection related to innovative Russian gas turbine units for 2027–2029.

Green energy is another development area. As a result of a competitive selection, a project of TGC-1 for the construction of a small-scale hydro power plant on the Paz River in the Murmansk Region was selected. The start date for power supply is 2024.

The programs for competitive selection of capacities for modernization and capacity supply agreements for RES are a support mechanism ensuring a guaranteed return on investments. The actual value of return is updated annually and depends on the situation in the financial markets of Russia.

Gazprom is aware of its responsibility for creating safe working conditions and meeting industrial and fire safety requirements. The development of the Integrated System of Process Safety Management forms part of the Company's strategic planning activities.

The implementation of the strategy until 2021 allowed Gazprom to reduce the total number of accidents by 51 per cent against the planned figure of 30 per cent. At the same time, the number of people who suffered in accidents was reduced by 49 per cent, and the number of emergencies and incidents was reduced by 64 per cent.

Last year, a new Process Safety Management System Development Strategy until 2030 was adopted.

The Integrated System of Process Safety Management conforms to the best international practices. In 2020, we received a certificate of its compliance with the requirements of the ISO 45001 international standard.

Gazprom's production activities are sustainable and stable, guaranteeing the reliable operation of the Unified Gas Supply System of Russia and ensuring the required volumes of gas supplies to Russian and foreign consumers. Gazprom is actively developing gas processing and power generation. In the upcoming decade, accelerated gas supply and gas infrastructure expansion in Russian regions will be a new stage in Gazprom's development.

Thank you for your attention.