



Efficient Growth



Yamal Megapro

Going beyond the Arctic Circle

Yamal offers vast hydrocarbon reserves. In the challenging Arctic conditions, Gazprom has built from scratch a strong production complex, transportation infrastructure, and a full life-support system. Specifically, Obskaya–Bovanenkovo–Karskaya rail line with the world's longest bridge beyond the Arctic Circle and the first new airport in modern Russia's history were built.

Less Metal for Improved Efficiency

The gas produced in the Yamal Peninsula is delivered to the Unified Gas Supply System (UGSS) of Russia via the Bovanenkovo–Ukhta and Bovanenkovo–Ukhta 2 next-generation trunk gas pipelines operating at a record-high onshore pipeline pressure of 120 atm. This was achieved primarily by using domestic heavy-duty steel pipe commissioned by PJSC Gazprom to significantly reduce the metal intensity of the project and improve gas transportation efficiency.

Gazprom actively develops a new gas production hub in the Yamal Peninsula, which will become the key contributor to the Russian gas industry development in the 21st century.

The peninsula's gas reserves are equivalent to over 100 years of production by Gazprom.

project

Automation

Gazprom uses advanced technical solutions and highly reliable equipment to tap Yamal gas. All production sites across the Bovanenkovskoye field — a core of the Yamal hub — are equipped with advanced automation systems and minimally manned technologies. A particular emphasis is made on ensuring a high level of industrial safety and caring for the Arctic environment.

Environment-friendly Advanced Technologies

When constructing various facilities, Gazprom is primarily concerned with preserving Yamal's unique natural environment. The Company seeks to limit its facilities to a minimum area and uses two-phase thermal piles and insulated pipe for wells to considerably alleviate impacts on the permafrost. Zero-discharge water systems prevent water reservoir and soil pollution.

Power of Siberia is the largest gas transportation system in eastern Russia designed to supply gas from the Irkutsk and Yakutia gas production hubs to Russian consumers in the Far East and to China.

Power of Siberia

An aerial photograph showing a long, straight pipeline under construction through a dense forest. The pipeline is covered in white insulation and runs parallel to a dirt road. The surrounding area is filled with tall, thin trees, and the ground is a mix of brown earth and green foliage. The sky is a clear, pale blue.

A New Dimension of Cooperation

On 2 December 2019, an official ceremony was held to celebrate the start of the first-ever Russian pipeline gas supplies to China, the world's most promising gas market. Gazprom will supply over 1 tcm of gas over the next 30 years to the People's Republic of China via Power of Siberia, which is also a key element of a gas supply system for Russia's eastern regions and their gas infrastructure.

Advanced Technologies

The Power of Siberia gas pipeline was constructed using domestically-produced steel pipe with internal flow coating to reduce pipe roughness and, accordingly, friction, thus making gas transmission less energy-consuming. External insulation coating is made of innovative domestic nanocomposite materials, which ensures high corrosion resistance of the gas pipeline. Unique pipes with enhanced deformation properties to cross active tectonic faults were commissioned by PJSC Gazprom from domestic manufacturers.

Optimised Solutions

The Chayandinskoye field in Yakutia, which was the first to supply gas to Power of Siberia, is operated using minimally manned technologies. Equipment control and operations management are carried out in an automatic mode. The field spans a large area and in order to reduce costs for the construction of power lines at remote gas well pads, independent energy sources (based on renewables) were introduced.

Efficient Use of Resources

Natural gas from eastern fields is rich in valuable components: ethane, propane, butane and helium, used in gas-to-chemicals and other industries. To separate these components from the gas supplied via Power of Siberia, Gazprom is constructing the Amur Gas Processing Plant (GPP), which will become one of the largest GPPs globally in terms of production capacity (42 bcm per year) and an absolute leader in terms of helium output (up to 60 mmcm). Gazprom operates the only helium production facility in Russia, and the launch of the Amur GPP will result in a 13 times increase in helium output for Gazprom, which amounts to a third of the world's current demand for the sun gas.



Power of Siberia

TURKS



TurkStream is a new export gas pipeline stretching from Russia to Turkey across the Black Sea. The first of the pipeline's two strings is intended for Turkish consumers, while the second one carries gas to southern and southeastern Europe. The project has an annual design throughput capacity of 31.5 bcm. Commercial supplies via the gas pipeline commenced in January 2020.



TurkStream

Unique Technology

TurkStream is the first offshore gas pipeline with a pipe diameter of 813 mm installed at a depth of 2,200 m. The pipeline uses 12 m long concrete- and polypropylene-coated pipes designed specifically for the project. TurkStream was installed at a rate of over 6 km per day (less than three minutes per pipe) — a world record for offshore gas pipelines.

Monitoring and Maintenance

Special equipment is used to monitor the pipeline's condition, including inline inspection and cleaning tools, travelling through the pipeline from the Russian to the Turkish coast. High standards of safety, including environmental safety, are observed with continuous environmental monitoring.

Energy Security

According to some experts, the Balkans is Europe's most vulnerable region in terms of energy supply. TurkStream will significantly improve the reliability of gas supplies, which means enhanced energy security for the Balkans and the entire Southern and Southeastern Europe.

Energy Flow

The starting point for feeding gas into TurkStream is the Russkaya compressor station, which maintains the pressure required for transmitting gas over a distance of more than 900 km. In order to successfully resolve this challenge, hi-tech Russian equipment, such as the Ladoga gas pumping units and Iceberg aerial coolers, was installed at the station.

Gazprom is the leader in electricity and heat generation among domestic heat-producing companies.

In 2019, the Group completed an ambitious capex programme to build new generating capacity under capacity supply agreements (CSAs).

A nighttime cityscape featuring a large, illuminated stadium in the foreground and a tall, modern skyscraper on the right. The city lights are visible in the background.

Power Generation

Energy for Growth

The total installed capacity of the Unified Energy System of Russia was over 243.2 GW in 2019 with the share of TPPs at 67.66%. Gazprom energoholding operates over 80 thermal power plants (mostly gas-fired and some coal-fired) with 39 GW and 71.2 Gcal/h of installed electrical and heat capacity, respectively. TPPs are major consumers of energy resources, primarily natural gas. These assets generate an additional economic benefit for Gazprom, with the volume of gas supplies to one large TPP comparable to the volumes supplied to countries such as Slovakia, the Netherlands or Hungary.

New Capacity

By completing the long-term CSA programme, Gazprom has expanded its generating capacities in Russia by 9 GW and improved their efficiency. The introduction of combined cycle gas turbines and circulating fluidised bed technology has helped Gazprom to considerably reduce specific fuel and energy consumption across its heat and electricity generation assets.

A Forward-looking Strategy

Gazprom energoholding will continue evolving as Russia's largest power generation holding with reliable power supplies to consumers, financial stability, steady profit growth and the use of Russian equipment its highest priorities.

Gazprom Energoholding's First Project in Europe

In 2019, the construction of Serbia's first CCGT power plant commenced — Gazprom energoholding's first project outside Russia. CCGT units offer significant economic and environmental benefits, specifically when compared to brown coal-fired plants historically operated in Serbia. CCGT units do not generate huge volumes of waste (coal ash), and there are no particulate matter or sulphur oxide emissions.



rr
generation

GPP in the



A New Business Model

The project is an example of the practical implementation of Gazprom's new business model for monetisation of hydrocarbon reserves. Consolidation of liquefied natural gas (LNG) and ethane production into a single site significantly improves the project's economics, including unit economics, and helps to significantly reduce resource and price risks. The gas remaining after processing and liquefaction will be supplied to the gas transmission system (GTS) of PJSC Gazprom.

Gas-to-Plastic

The ethane-rich natural gas produced by Gazprom from the Nadym-Pur-Taz region in Western Siberia will be used as a feedstock for the facility. Ethane fraction separated at the complex will then go to further processing. The gas chemical plant will produce multiple polyethylene grades which are in demand in other industries.

LNG

The new plant near the seaport of Ust-Luga will be the largest in Northwestern Europe in terms of LNG output: 13 mm tonnes per year.

Baltic

PJSC Gazprom and AO RusGazDobycha finalised the configuration of a project to construct an integrated complex for gas processing and liquefaction near the seaport of Ust-Luga (Leningrad Region). Taking into account AO RusGazDobycha's gas chemical enterprise technologically interconnected with the complex, the project will create a major modern industrial cluster in northwestern Russia. The commissioning of the facilities has been synchronised.

Environment-friendly and Profitable Product

Natural gas-powered vehicles offer significantly improved environmental performance vs vehicles powered by traditional Euro 5 compliant fuels. Natural gas is also 2.5 times cheaper than AI-95 gasoline. Natural gas sales at Gazprom's filling facilities continued to grow, demonstrating a 30% increase in 2019.

Country-wide Filling Network

Gazprom's methane filling network in Russia currently comprises over 300 facilities and grows every year, with a focus on constructing refuelling infrastructure for cars, buses and trucks on federal highways, such as M-1 Belarus, M-4 Don, M-5 Ural, M-7 Volga, M-10 Russia, M-11 Neva and the Central Ring Road.

Accelerated Development

The Company is also running a number of pilot projects for accelerated development of the NGV infrastructure jointly with the administrations of Russian constituent entities, namely in the Belgorod, Kaliningrad, Leningrad and Rostov Regions and the city of Saint Petersburg. In addition to building new gas filling stations, the projects provide for the expansion of NGV fleets and the creation of new service centers for the retrofitting and maintenance of such vehicles.

Operational Needs

Between 2014 and 2019, Gazprom has increased its corporate NGV fleet by 2.7 times to 12.3 thousand, representing more than 50% of Gazprom vehicle fleet suitable for conversion to natural gas.



Natural vehicles

Production and sales of natural gas (methane) as a motor fuel is a strategic priority for PJSC Gazprom.

ООО Gazprom gazomotornoe toplivo is a specialist company established to ensure consistent development of the NGV fuel market.





Social Project

Gazprom has traditionally supported various social initiatives in culture, science, education and promotion of a healthy lifestyle.



Football Projects

Oh Football, You are Peace!

In partnership with the Union of European Football Associations (UEFA), Gazprom runs the Football for Friendship International Children's Social Programme. In 2019, the programme culminated in the events held in Madrid as part of the UEFA Champions League Final official closing events. Over 800 children and adults from Europe, Asia, Africa, South and North America took part in the programme events. Young athletes of Football for Friendship from different countries took part in the most diverse football lesson on the planet and set the Guinness World Record. The International Football for Friendship Coaches Academy, a unique free online platform offering a set of practical exercises, was also launched as part of the project in 2019. The course was developed by training managers and coaches from various football club academies and experts from FIFA's humanitarian activities.

Flames of Victory

Gazprom Group helps preserve the historical memory of the Great Patriotic War. In 2019, the Company made donations for maintaining 62 Eternal Flame memorials in Russia's Hero Cities and Cities of Military Glory. Over the same period, Gazprom's subsidiaries performed maintenance, repairs and renovation of gas equipment and prepared gas infrastructure at 1,331 Eternal Flame memorials for the Victory Day. In some regions, the memorials were connected to the gas grid.

Preserving the Cultural Heritage

Gazprom helps preserve Russia's cultural heritage by restoring the historical look and feel of our cities, returning lost artifacts and sacred objects, restoring pieces and works of art. Gazprom helped complete the restoration of the Imperial Court Church of the Resurrection and the Lyons Hall in the Tsarskoe Selo State Museum and Heritage Site's Catherine Palace. PJSC Gazprom also supported the complete restoration of the Holy Rus by Mikhail Nesterov, which returned to the permanent display of the State Russian Museum. The Company continued a large-scale programme to finance the beautification of Saint Petersburg in 2019. PJSC Gazprom was also an official partner of the 14th Stars on Baikal International Music Festival and a general partner of the Blue Bird Open National Young Talent Competition held by State Television Company Rossiya Channel. The Company also supports cultural and educational programmes of the Russian Orthodox Church.

Helping People around Us

PJSC Gazprom finances costly treatment for people with disabilities and severely ill children and provides charitable support in acquiring specialist medical devices (rehabilitation machines, prosthetics, wheelchairs, electric lifts and required accessories). In December 2019, Gazprom sponsored New Year charity events held in Moscow and Saint Petersburg for children from vulnerable groups.

This Annual Report has been prepared based on Resolution No. 1 of PJSC Gazprom's Management Committee On Organising Activities Related to Holding PJSC Gazprom's Annual General Shareholders Meeting dated 23 January 2020.

The terms "PJSC Gazprom" and the "Company" used in this Annual Report refer to the parent company of Gazprom Group, i.e. to Public Joint Stock Company Gazprom (Open Joint Stock Company Gazprom, JSC Gazprom, before 17 July 2015). The terms "Gazprom Group", the "Group" or "Gazprom" mean an aggregate of entities which includes PJSC Gazprom and its subsidiaries and entities. For the purposes of this Annual Report, the lists of Gazprom Group subsidiaries and entities, associates and joint ventures, as well as entities in which Gazprom has investments classified as joint operations, were prepared based on the principles used in the preparation of PJSC Gazprom's IFRS consolidated financial statements.

Similarly, the terms "Gazprom Neft Group" and "Gazprom Neft" refer to PAO Gazprom Neft and its subsidiaries and entities; "Gazprom energoholding" refers to OOO Gazprom energoholding and its subsidiaries; and "Gazprom neftekhim Salavat" refers to OOO Gazprom neftekhim Salavat and its subsidiaries.

This Annual Report determines some operating and economic metrics in accordance with the IFRS principles for Gazprom Group companies included in the IFRS consolidated financial statements of PJSC Gazprom for the year ended 31 December 2019. Therefore, they may differ from similar metrics used in reports of PJSC Gazprom, which are prepared under Russian statutory requirements.

Moreover, some operating metrics of PJSC Gazprom, its subsidiaries, entities, associates, and joint ventures are determined in accordance with the principles underlying management reporting. Metrics calculated using these methods might be not comparable between each other due to differences in the methodologies used for preparing consolidated financial statements and for management reporting.

Analysis of financial results should be read in conjunction with the audited consolidated financial statements of PJSC Gazprom for the year ended 31 December 2019, prepared in accordance with IFRS.

Among other things, the Annual Report discloses information on the future production and economic activities of Gazprom Group, based on Gazprom management's forecasts and estimates considering the current situation. Actual results may differ from the said forecasts and estimates due to the effect of various objective factors.

Conventions used in the Annual Report



External factors



Results



Goals and plans



Resources and capital



Human capital



Governing bodies



Documents



Information



Additional information sources

PJSC Gazprom Annual Report 2019

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

Dear Shareholders,

In many respects, 2019 was a hallmark year for Gazprom, as the Company implemented strategic projects to diversify its business, strengthen its position in the global energy industry and develop the Russian economy.

In 2019, Gazprom launched the first-ever Russian pipeline gas supplies to China, one of the world's most promising gas markets. Having been commissioned by the Company, the Power of Siberia gas pipeline became the mainstay of a new powerful system of gas exports and gas supply to Russia's eastern regions.

Gazprom finished the construction of TurkStream, a new, high-tech pipeline for exporting gas to Europe, with January 2020 seeing the launch of commercial gas supplies across the Black Sea. The Company also continued the construction of the Nord Stream 2 gas pipeline linking Russia and Germany via the Baltic Sea. Green energy supplies taking low carbon footprint routes are fully in line with the interests of our customers.

In 2019, Gazprom's gas exports to Europe, Turkey and China were 199.3 bcm — one of the best results in the Company's history. The Company continued to live up to its reputation as a responsible supplier by flexibly responding to market demand and offering a wide choice of contract terms to its customers. The extension of contracts for gas transportation across Belarus and Ukraine negotiated in 2019 was also an important factor in this context.

In 2019, Gazprom Group produced over 500 bcm of gas, the highest level for the last eight years starting from 2012.

The Bovanenkovskoye field is becoming an increasingly significant contributor to production, serving as a core asset for the Yamal gas production hub. The Company has already started field infrastructure construction at the Kharasaveyskoye field, another core asset of the Yamal megaproject.

The Yamal Peninsula is a giant gas-bearing basin which will supply Russian and international consumers for more than 100 years.

During the year, the Company continued to actively ramp up the capacity of the Northern Gas Transmission Corridor to the Baltics, in order to supply Yamal gas to Europe, while for the eastern route, the Power of Siberia 2 gas pipeline entered the pre-investment phase in 2020.

Further streams of revenue for the Group in the coming years will include projects for processing and recovering valuable components from natural gas produced in Eastern and Western Siberia. Overall project completion for the Amur Gas Processing Plant (GPP) stood at 55.2% at end-2019, with the first trains to be commissioned as early as 2021, while the Ust-Luga complex is already in early stages of construction.

In 2019, as in previous years, Gazprom fully supplied the domestic demand, as Russia is a priority market for the Company. Gazprom will continue to secure domestic gas supplies in the future, enhancing supply reliability and creating new options. For example, since January 2019, the Kaliningrad Region has been able to draw supplies from an offshore gas receiving terminal and the Marshal Vasilevskiy floating storage and regasification unit. The creation of this alternative supply option has fundamentally improved the energy security of the region.

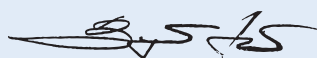
The Company has historically placed a special focus on the expansion of gas infrastructure. This socially significant project covered 66 Russian regions in 2019, focused primarily on rural areas. In total, gas network grew by 1,880 km over the year to cover 305 new locations. As at 1 January 2020, the gas penetration rate in Russia reached 70.1%.

The expansion of gas infrastructure is first and foremost focused on creating the necessary environment to improve the country's quality of life and boost its industrial output. With the support of Russian regional authorities, Gazprom has started work on new gas infrastructure expansion programmes for the five-year term up to 2026.

Another highlight of 2019 is the successful completion of Gazprom Group's large-scale power generation capex programme. Since 2007, Gazprom energoholding companies have built close to 9 GW of advanced generating capacities, including Unit 2 at the Grozny TPP commissioned in summer 2019. Additionally, Gazprom energoholding has commenced the construction of its first international power plant in Pančevo, Serbia.

PAO Gazprom Neft has continued improving its operational performance, consistently ramping up its annual production to the 100 million tonnes of oil equivalent target. The subsidiary will reach this target, among other factors, through further integration with Gazprom Group's operations. Gazprom has decided to use Gazprom Neft's broad experience and expertise to develop complex hydrocarbon deposits.

Dear Shareholders, The Company continues to steadily grow while maintaining a considerable safety margin, improving its efficiency across all business lines and achieving excellence in corporate governance. The headwinds faced by the global economy in 2020 will not prevent PJSC Gazprom from making progress towards its long-term strategic goals.



Viktor Zubkov

Chairman of PJSC Gazprom's Board of Directors



Alexey Miller

Chairman of PJSC Gazprom's Management Committee

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Company Information

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Business Model ³⁶

PJSC Gazprom's Board of Directors ⁴¹

PJSC Gazprom's Management Committee ⁴⁴

The Company's History ⁴⁸

2019 in the Company's History ⁵⁰

Gazprom is one of the world's largest oil and gas companies in terms of reserves, production, and market capitalisation.

Key Figures for 2019

Gazprom Group's net sales revenue

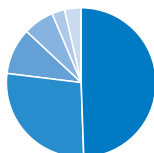
RUB **7,659.6** bn

Natural gas reserves in Russia as at 31 December 2019*

34,899.0 bcm

Gazprom Group's net sales revenue breakdown, RUB bn

■ Net revenue from gas sales	3,800.7
■ Net revenue from sales of refined products	2,111.2
■ Net revenue from sales of crude oil and gas condensate	752.8
■ Net revenue from sales of electricity and heat	518.4
■ Net revenue from sales of gas transportation services	215.3
■ Other revenues	261.2



Natural and associated gas production in Russia**

501.2 bcm

Total headcount as at 31 December 2019

473.8 thousand people

Capital expenditures

RUB **1,818.7** bn

Cost of debt as at 31 December 2019

4.8%

Profit for the year attributable to the owners of PJSC Gazprom

RUB **1,202.9** bn

* Russian classification of reserves. A+B₁+C, gas reserves, including reserves of entities in which Gazprom has investments classified as joint operations.

** Including the Group's share in the production volumes of entities in which Gazprom has investments classified as joint operations.

Mission

Reliable, efficient and balanced supply of natural gas, other energy resources and their derivatives to consumers.

Strategic Goal

Strengthening its leadership among global energy companies by diversifying sales markets, maintaining energy security and sustainability, driving operational efficiencies and leveraging R&D capabilities.

The Company's Ranking Positions and Certification of PJSC Gazprom's Management Systems to Internationally Recognised Standards




- According to the CDP's international rating, Gazprom has been a top player in the energy sector of the Russian investment partnership rating for eight years — a strong position reflecting the effectiveness of the corporate climate policy
- In 2019, PJSC Gazprom became a leader in the Russian Union of Industrialists and Entrepreneurs' Transparency and Responsibility, and Sustainable Development Vector sustainability indices
- PJSC Gazprom is No. 1 in the 2019 Ranking of Russia's Most Attractive Employers according to University Students majoring in Business, Engineering / Natural Science, Healthcare / Medicine, compiled by Universum
- OHSAS 18001:2007 — certificate of compliance for PJSC Gazprom's Unified Occupational Health and Safety Management System (UOHSMS), also covering 58 of its subsidiaries and entities
- ISO 9001:2015 — certificate of compliance for PJSC Gazprom's Quality Management System, also covering 64 of its subsidiaries and entities
- ISO 14001:2015 — certificate of compliance for PJSC Gazprom's Environmental Management System (EMS) covering 34 of its wholly-owned subsidiaries and entities

International and National Sustainability Initiatives PJSC Gazprom has Committed to




- The Universal Declaration of Human Rights (UDHR), adopted by the UN General Assembly on 10 December 1948
- The Declaration on Fundamental Principles and Rights at Work, adopted by the International Labour Organization (ILO) on 18 June 1998
- UN Global Compact Principles
- Transforming Our World: the 2030 Agenda for Sustainable Development, the Resolution adopted by the UN General Assembly on 25 September 2015
- Russian Standard GOST R ISO 26000:2012 — Guidance on Social Responsibility
- Presidential Decree No. 204 On National Goals and Strategic Objectives of the Russian Federation through to 2024, dated 7 May 2018
- Public Non-Financial Reporting Development Concept and the Concept Implementation Plan approved by Russian Government Decree No. 876-r dated 5 May 2017
- Corporate Governance Code approved by the Board of Directors of the Bank of Russia on 21 March 2014
- Anti-Corruption Charter of Russian Business
- Social Charter of Russian Business

Operating Highlights


Natural and associated gas production in Russia, bcm*

2017		472.1
2018		498.7
2019		501.2

Oil production in Russia, mm tonnes*

2017		48.6
2018		48.3
2019		48.0


Gas condensate production in Russia, mm tonnes*

2017		15.9
2018		15.9
2019		16.7




Total hydrocarbon production in Russia, mm boe*

2017		3,550.2
2018		3,720.7
2019		3,741.2

Liquid hydrocarbon processing, mm tonnes**




2017		64.1
2018		67.4
2019		67.1

Electricity generation, bn kWh




2017		156.5
2018		153.2
2019		149.0

Financial Highlights

Net sales revenue, RUB bn

2017		6,546.1
2018		8,224.2
2019		7,659.6




Adjusted EBITDA, RUB bn

2017		1,467.7
2018		2,599.3
2019		1,859.7



Capital expenditures, RUB bn

2017		1,504.6
2018		1,795.9
2019		1,818.7

Free cash flow, RUB bn

2017		-218.8
2018		-22.1
2019		-66.5

Net debt / adjusted EBITDA

2017		1.6
2018		1.2
2019		1.7

Note. Calculated as the ratio of net debt to adjusted EBITDA denominated in Russian roubles.

* Including the Group's share in the production volumes of entities in which Gazprom has investments classified as joint operations.

** Excluding tolling arrangements.

Debt Capital

Total debt, RUB bn

2017	3,266.5
2018	3,863.8
2019	3,863.9

Net debt, RUB bn

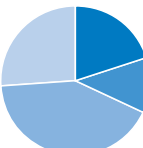
2017	2,397.5
2018	3,014.4
2019	3,167.8

Cash and cash equivalents, RUB bn

2017	869.0
2018	849.4
2019	696.1

Debt maturities as at 31 December 2019, %

Less than 1 year (inclusive)	20
1–2 years (inclusive)	12
2–5 years (inclusive)	42
Over 5 years	26



Credit ratings of PJSC Gazprom

Rating agency	Long-term foreign currency rating	Rating date
Standard & Poor's	BBB– (stable outlook)	27 February 2018
Fitch Ratings	BBB (stable outlook)	15 August 2019
Moody's	Baa2 (stable outlook)	12 February 2019
Dagong	AAA (stable outlook)	30 October 2018
ACRA	AAA (stable outlook)	2 February 2018

Share Capital

Shares are listed on:

the Moscow Exchange — ordinary shares
the London Stock Exchange (LSE) — ADRs

Tickers: GAZP, OGZD

Industry: Integrated Oil and Gas

PJSC Gazprom's shareholding structure as at 31 December 2019, %

The Russian Federation represented by the Federal Agency for State Property Management	38.37
AO ROSNEFTEGAZ*	10.97
AO Rosgazifikatsiya*	0.89
ADR holders**	19.70
Other registered holders	30.07



Dividends

PJSC Gazprom's balanced dividend policy reflects the Company's commitment to achieve long-term growth targets while protecting the rights of shareholders and increasing shareholder returns.

PJSC Gazprom's dividend history and dividend yields, 2015–2019

	2015	2016	2017	2018	2019
Dividend per share***, RUB	7.89	8.0397	8.04	16.61	15.24
PJSC Gazprom's dividend yield****, %	5.8	5.2	6.2	10.8	5.9

* The cumulative share in PJSC Gazprom controlled directly or indirectly by the Russian Federation and calculated by direct addition totals 50.23% and is owned through the full ownership of AO ROSNEFTEGAZ, which also holds a 74.55% stake in AO Rosgazifikatsiya.

** The Bank of New York Mellon issued ADRs on PJSC Gazprom shares.

*** Recommended dividend shown for 2019.

**** Dividend yield for the relevant period is calculated as a ratio of total dividend paid per share for the relevant year to the share price as at 31 December.

Environmental and Social Responsibility

With a relentless focus on sustainable development, PJSC Gazprom is guided by Russian laws and internationally recognised sustainability initiatives.

The Company has published its GRI-compliant sustainability reports since 2008.

Gazprom improved its MSCI ESG rating in 2019.

MSCI ESG rating in 2019

Company	Rating
Shell	A
Gazprom	BBB
NOVATEK	BBB
Chevron	BBB
LUKOIL	BBB
Rosneft	B

Lost-time injury frequency rate (LTIFR) across entities covered by the UOHSMS

2017	0.11
2018	0.17
2019	0.09

Fatal accident rate (FAR) across entities covered by the UOHSMS

2017	1.17
2018	0.57
2019	1.35

Relative greenhouse gas emissions from Gazprom Group's gas operations vs the 2014 baseline, kg of CO₂ equivalent per toe of products sold

2014	275
2019	259
Change 2019/2014	-6%

Gazprom Group's wastewater discharge into surface water bodies vs the 2014 baseline, mmcm

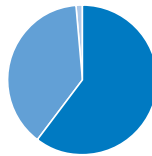
2014	4,179
2019	3,242
Change 2019/2014	-22%

Gazprom Group's waste generation vs the 2014 baseline, thousand tonnes

2014	4,831
2019	3,337
Change 2019/2014	-31%

Gazprom Group's environmental protection costs in Russia in 2019, RUB bn

Current environmental protection costs	32.18
Capital expenditures for environmental protection and sustainable use of natural resources	20.42
Negative environmental impact charges	0.62
Total	53.22



Gazprom Group's Position in the Global and Russian Energy Industry

(in 2019 or as at 31 December 2019)

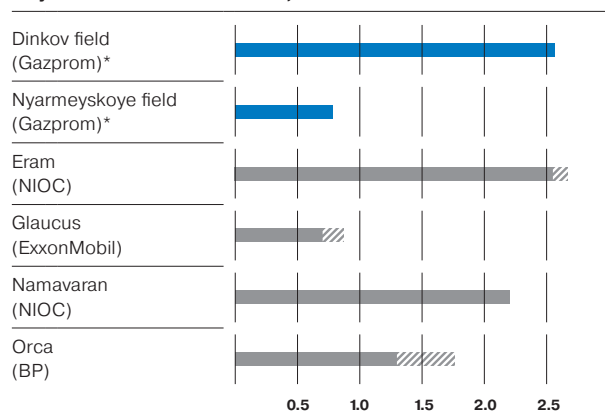
Natural Gas

Gazprom is the global leader by natural gas reserves and gas production, ahead of national oil and gas companies, as well as major global public oil and gas companies.

Exploration

Largest hydrocarbon discoveries globally

Major field discoveries in 2019, bboe



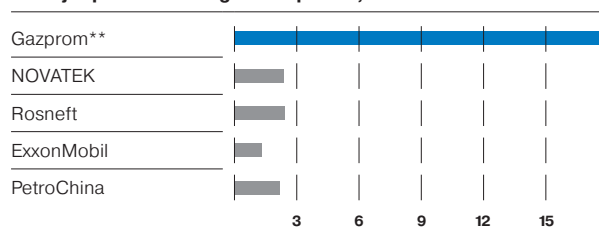
Sources: PJSC Gazprom, data of leading world analytical agencies available as at the time of writing this Annual Report

PJSC Gazprom is the biggest supplier of natural gas to European far abroad countries. Gazprom Group is the absolute leader by sales in the Russian market.

Reserves

No.1 globally by natural gas reserves

Proved natural gas reserves of major public oil and gas companies, tcm



Sources: PJSC Gazprom, Bloomberg, companies' reports

16%

of global natural gas reserves***

71%

of Russia's natural gas reserves***

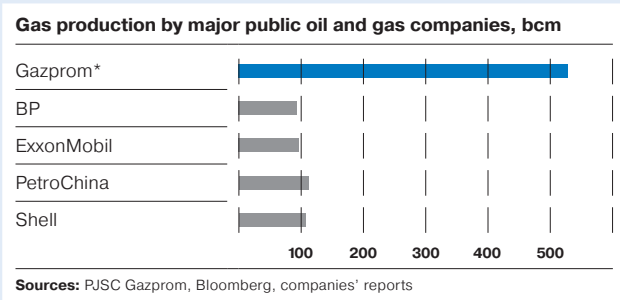
* C₁+C₂ reserves under the Russian classification.

** Gazprom Group's proved natural gas reserves under PRMS, including the share in the reserves of entities in which Gazprom has investments classified as joint operations and excluding the share in the reserves of associates and joint ventures. 92.8% of Gazprom Group's A+B₁+C₁ reserves (as per the Russian Classification of Reserves and Resources) were estimated under PRMS standards as totalling 34.90 tcm. Data on other major public oil and gas companies includes share in the reserves of associates and joint ventures.

*** Including the Group's share in the reserves volumes of entities in which Gazprom has investments classified as joint operations.

Production

No.1 globally
by gas production



12%
of global natural gas production**

68%
of Russia's natural gas production**

Transportation

No.1 globally
by total length
of gas transportation
system (GTS)

175.2 thousand km
total length of GTS in Russia

Processing

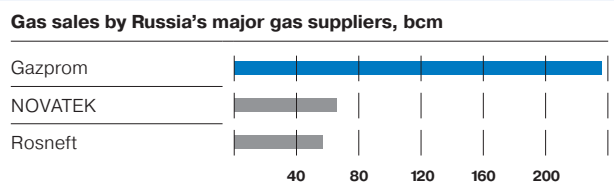
No.1 in Russia
by gas processing
volumes

More than **50%**
of Russia's total gas processing volumes

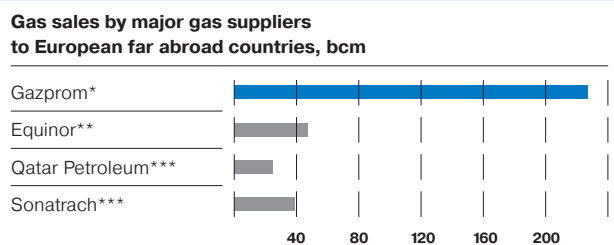
* Natural and associated gas production of Gazprom Group in Russia including the share in the production volumes of entities in which Gazprom has investments classified as joint operations, and including the share in the production volumes of associates and joint ventures for data comparability with major public oil and gas companies.
** Including the Group's share in the production volumes of entities in which Gazprom has investments classified as joint operations.

Marketing

No.1 globally
by gas exports



Source: PJSC Gazprom's IFRS consolidated financial statements



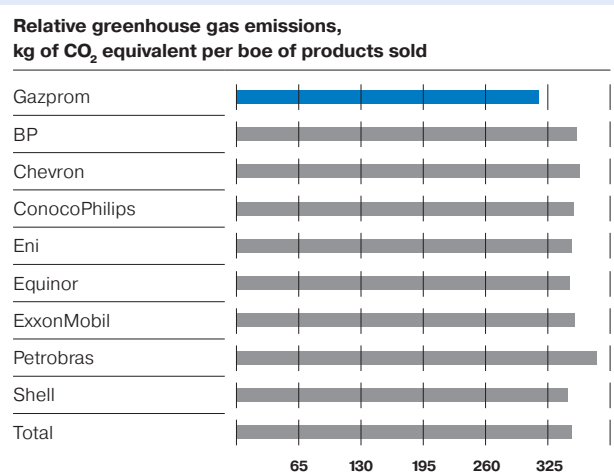
Note. PJSC Gazprom, companies' reports and website data available as at the time of writing this Annual Report. Volumes of natural gas are given according to the Russian standard conditions (calorific value of 8,850 kcal per cu m at 20°C).

35.5%

share of PJSC Gazprom's gas sales under OOO Gazprom export's contracts in the total gas consumption in European far abroad countries****

Carbon Footprint

The lowest products' carbon footprint among the world's largest oil and gas companies



Source: CDP

* IFRS consolidated financial statements.
 ** Excluding volumes of gas sold from the SDFI portfolio.
 *** Sales volumes of joint ventures are taken into account proportionally to share of participation.
 **** Including commodity (gas) repo agreements.

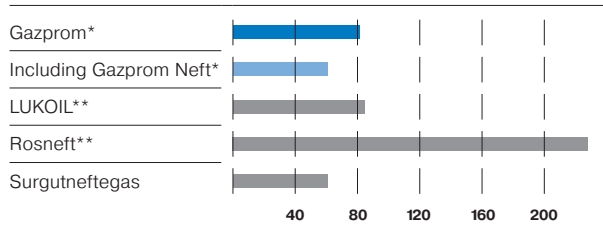
Oil and Gas Condensate

Gazprom Neft is one of Russia's leading oil companies in terms of production and refining of liquid hydrocarbons.

Production

No. 3 in Russia
by oil and gas condensate
production

**Liquid hydrocarbon production in Russia
by largest Russian oil and gas companies, mm tonnes**



Sources: PJSC Gazprom, companies' reports and website data available as at the time of writing this Annual Report

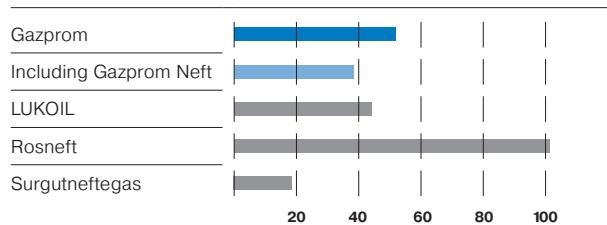
12%

of Russia's oil and gas condensate production***

Processing

No. 2 in Russia
by oil
and stable gas condensate
refining volumes

**Oil and stable gas condensate refining in Russia
by largest Russian oil and gas companies, mm tonnes**



Sources: PJSC Gazprom, companies' reports and website data available as at the time of writing this Annual Report

18%

of Russia's total oil and stable gas condensate
refining volumes

* For data comparability with Russian oil and gas majors, Gazprom Group figures include the share in the liquid hydrocarbon production volumes of associates and joint ventures.

** Including the share in the production volumes of associates and joint ventures.

*** Including the Group's share in the reserves and production volumes of entities in which Gazprom has investments classified as joint operations.

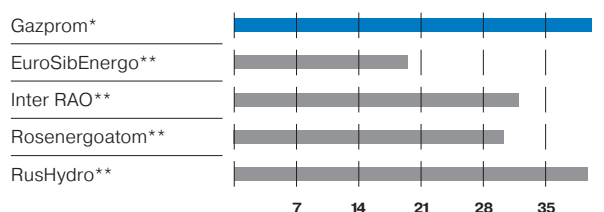
Electricity and Heat Generation

Gazprom Group includes one of Russia's largest power generation holding companies, a market leader by installed capacity in heat generation.

Electricity Generation

No.1 in Russia
by installed
electrical capacity
and electricity output
in heat generation

**Installed electrical capacity
of largest Russian generating companies, GW**



Sources: PJSC Gazprom, companies' reports and website data available as at the time of writing this Annual Report

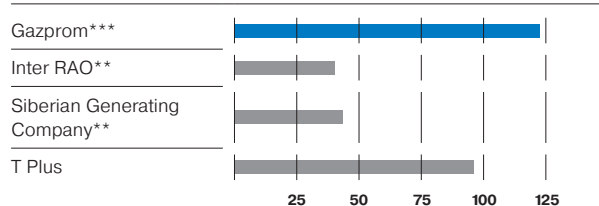
14%

of Russia's total electricity generation

Heat Generation

No.1 in Russia
by heat generation

**Heat generation of largest Russian generating companies,
mm Gcal**



Sources: PJSC Gazprom, companies' reports and website data available as at the time of writing this Annual Report

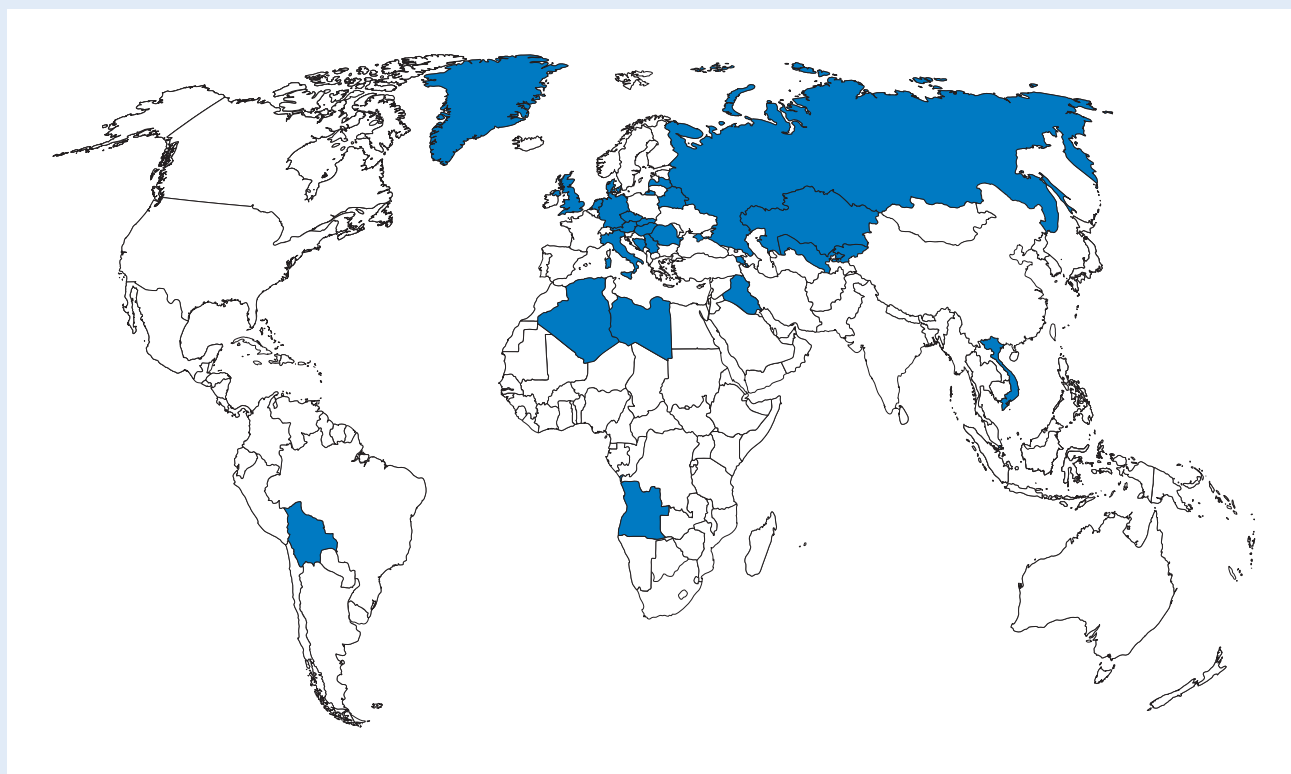
* Installed electrical capacity of Gazprom energoholding and other generating assets of Gazprom Group in Russia and abroad.
** Including subsidiaries.
*** Heat generation by Gazprom energoholding and other generating assets of Gazprom Group.

Operations and Marketing Geography

(in 2019 or as at 31 December 2019)

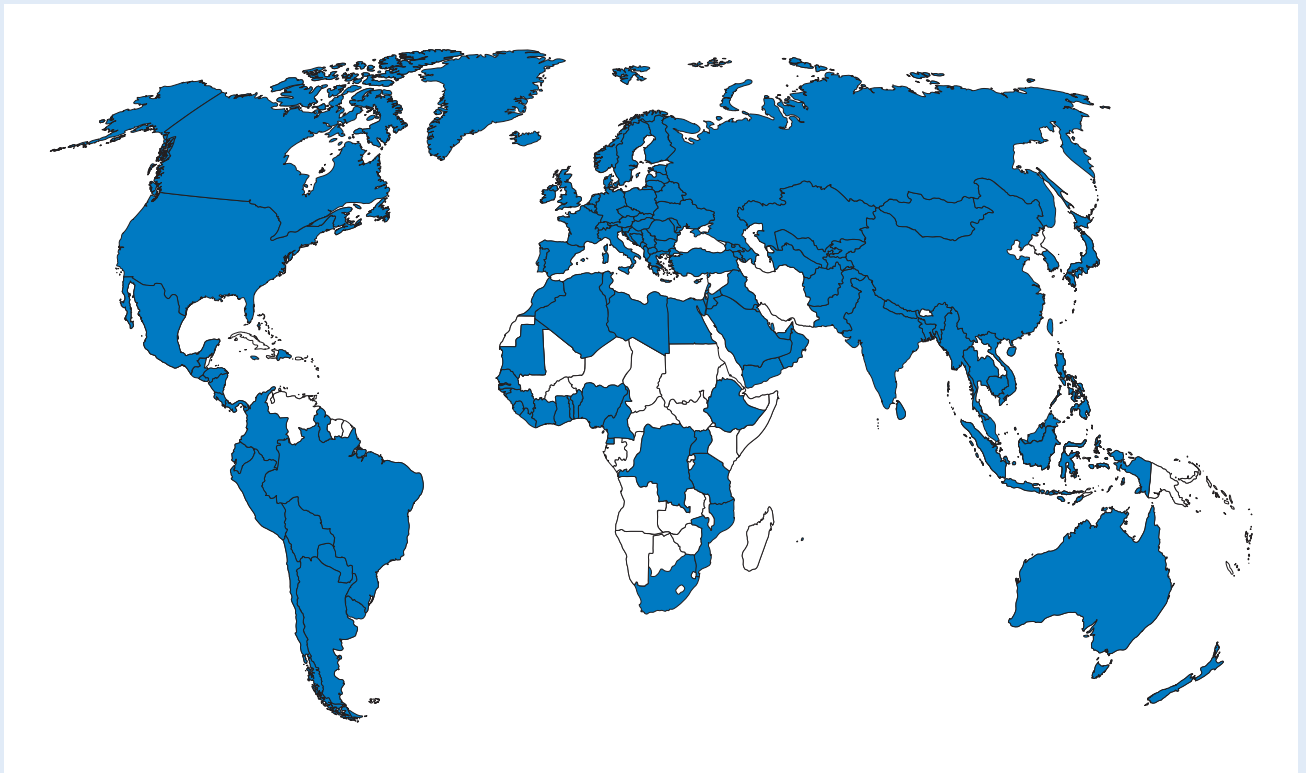
Gazprom operates in more than 20 countries, and its products are supplied to more than 100 markets around the world.

Gazprom Group's Operating Geography



Activity	Russia	FSU countries	Europe	Africa	Near and Middle East	Asia-Pacific	Central and South America
Hydrocarbons prospecting and exploration	■	■	■	■	■	■	■
Gas and gas condensate production	■	■	■			■	■
Oil production	■		■	■	■		
Gas transportation	■	■					
Gas underground storage	■	■	■				
Gas distribution	■	■					
Gas processing	■						
Oil refining	■	■	■				
Production of oil and gas chemical products	■	■	■			■	
Electricity and heat generation	■	■	■				

Gazprom Group's Marketing Geography

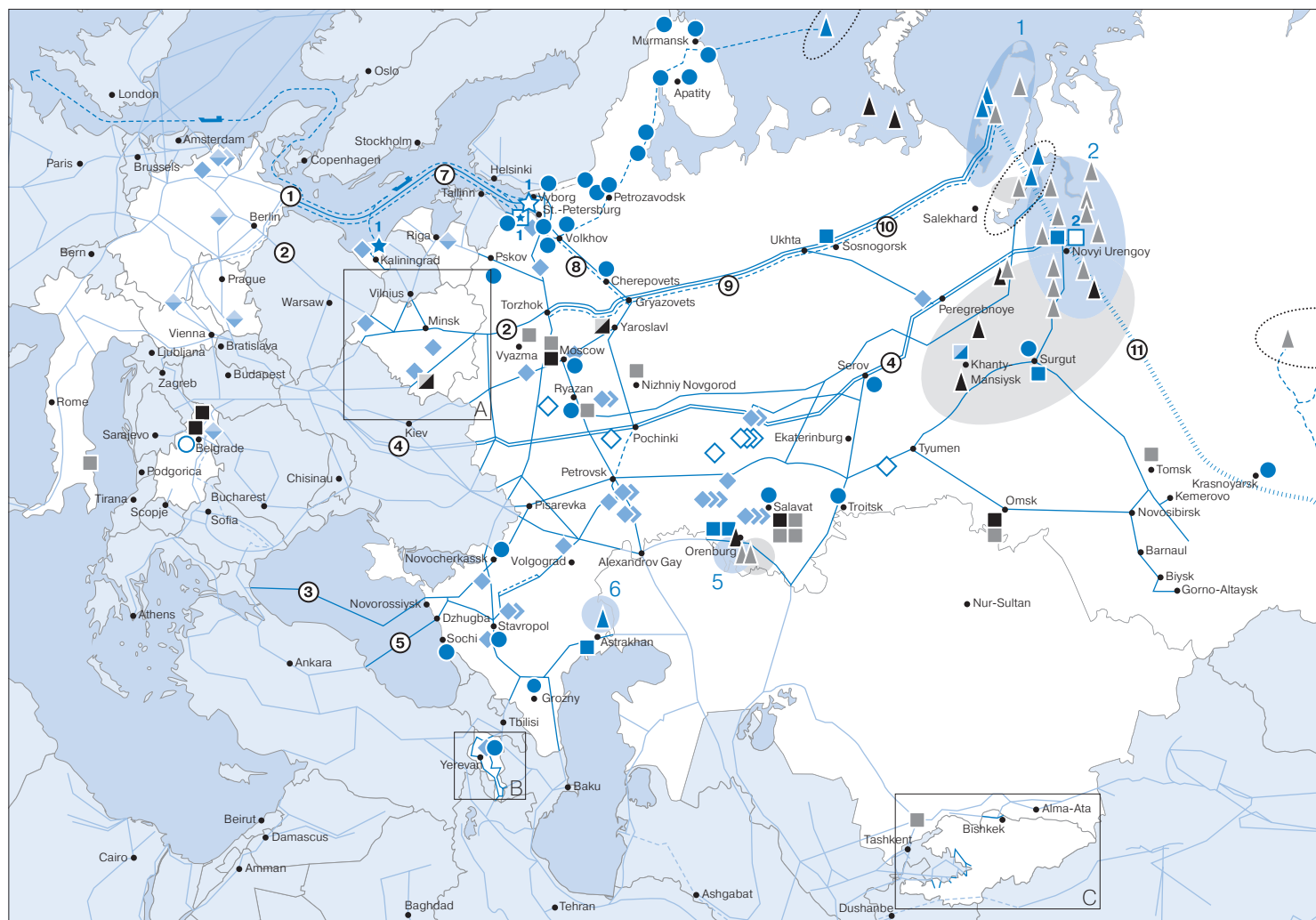


Activity	Russia	FSU countries	Europe	Africa	Near and Middle East	Asia-Pacific	North America	Central and South America
Trunk pipeline gas sales	■	■	■			■		
Gas sales to end consumers	■	■	■					
Oil and gas condensate sales	■	■	■		■	■		
Refined hydrocarbon products sales	■	■	■	■	■	■	■	■
Large scale LNG sales			■			■		
Small scale LNG and CNG sales	■	■	■					
Oil products retail sales	■	■	■					
Electricity and heat sales	■	■	■					



For more details on Gazprom's Operations and Marketing Geography see Gazprom in Figures 2014–2018 Factbook

Gazprom Group's Major Production Assets and Projects in Russia, FSU and European Far Abroad Countries



Largest fields

- ▲ Gas and gas condensate fields
- ▲ Oil fields
- ▲ Oil and gas, oil and gas condensate fields

Major trunk gas pipelines

- Gazprom Group's existing gas pipelines
- Other existing gas pipelines
- - - Gas pipelines under construction and projected gas pipelines
- Projected supply destinations

Gas production centres in operation

- 1 Yamal Peninsula
- 2 Nadym-Pur-Taz region
- 3 Sakhalin
- 4 Kamchatka
- 5 Orenburg
- 6 Astrakhan
- 7 Yakutsk

Projected gas production centres

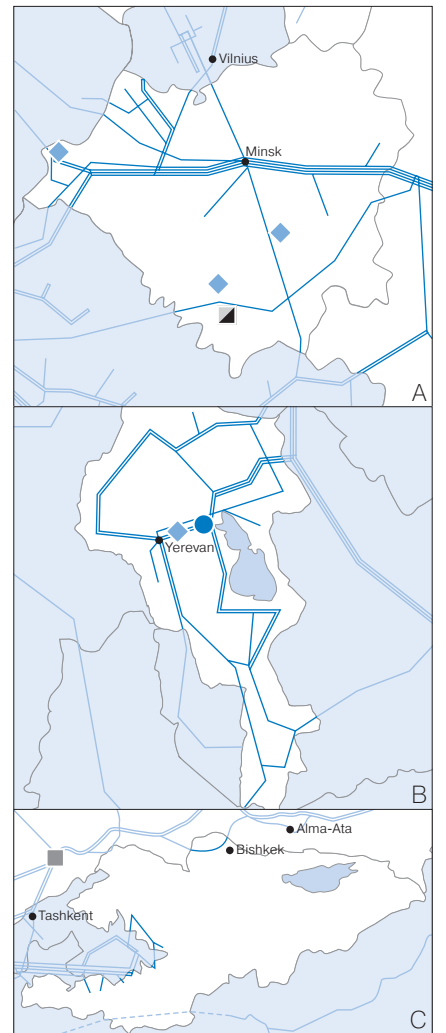
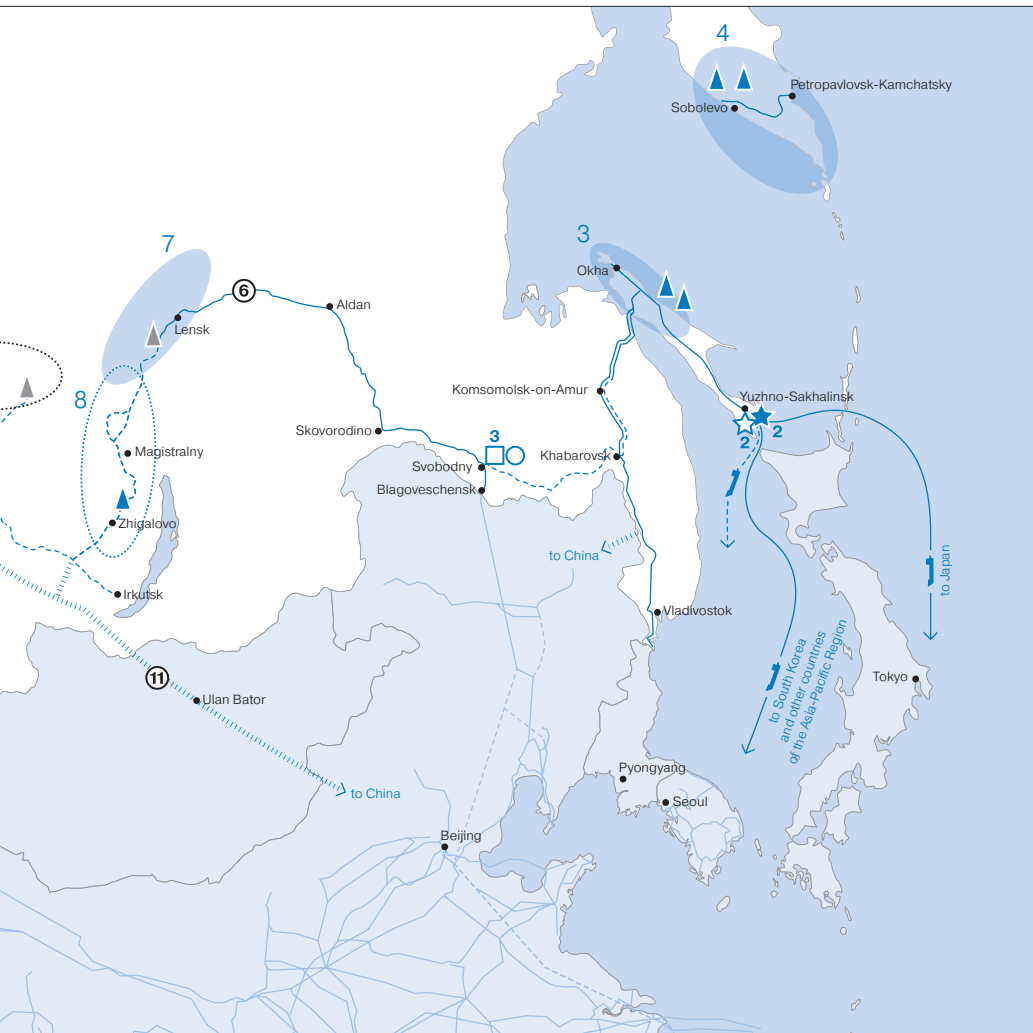
- 8 Irkutsk
- Other
- Existing oil production centres

Underground gas storage facilities

- Existing UGSFs
- Existing UGSFs co-invested by Gazprom Group
- UGSFs under construction and projected UGSFs

Power generation facilities

- Existing power generation facilities
- Power generation facilities under construction and projected power generation facilities



Existing refining/processing and petrochemical assets

- GPPs
- Refineries
- Petrochemical and gas chemical production
- ▤ Gazprom Group's access to the GPP's capacity
- ▤ Gazprom Group's access to the refinery's capacity

Projects in refining/processing, oil and gas chemistry

- ▣ 1 Integrated complex for gas processing and liquefaction near the seaport of Ust-Luga
- ▣ 2 Novourengoysky Gas Chemical Complex
- ▣ 3 Amur GPP

LNG production and regasification assets

- ★ 1 Kaliningrad regasification terminal
- ★ 2 LNG plant, Sakhalin
- ★ 1 LNG production, storage and shipping complex near Portovaya compressor station
- ★ 2 Phase 3 of LNG plant, Sakhalin

LNG supply routes

- ➡ Existing LNG supply routes
- ➡ Projected LNG supply routes

Key gas export routes

- ① Nord Stream gas pipeline
- ② Yamal–Europe gas pipeline
- ③ TurkStream gas pipeline
- ④ Urengoy–Uzhgorod gas pipeline
- ⑤ Blue Stream gas pipeline
- ⑥ Power of Siberia gas pipeline

Gas transportation projects

- ⑦ Nord Stream 2 gas pipeline
- ⑧ Expansion of UGSS' gas transportation capacity at the Gryazovets–Slavyanskaya CS section in the North-West region
- ⑨ Ukhta–Torzhok 2 and Ukhta–Torzhok 3 gas pipelines
- ⑩ Bovanenkovo–Ukhta 2 and Bovanenkovo–Ukhta 3 gas pipelines
- ⑪ Power of Siberia 2 gas pipeline

Business Model

(in 2019 or as at 31 December 2019)

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

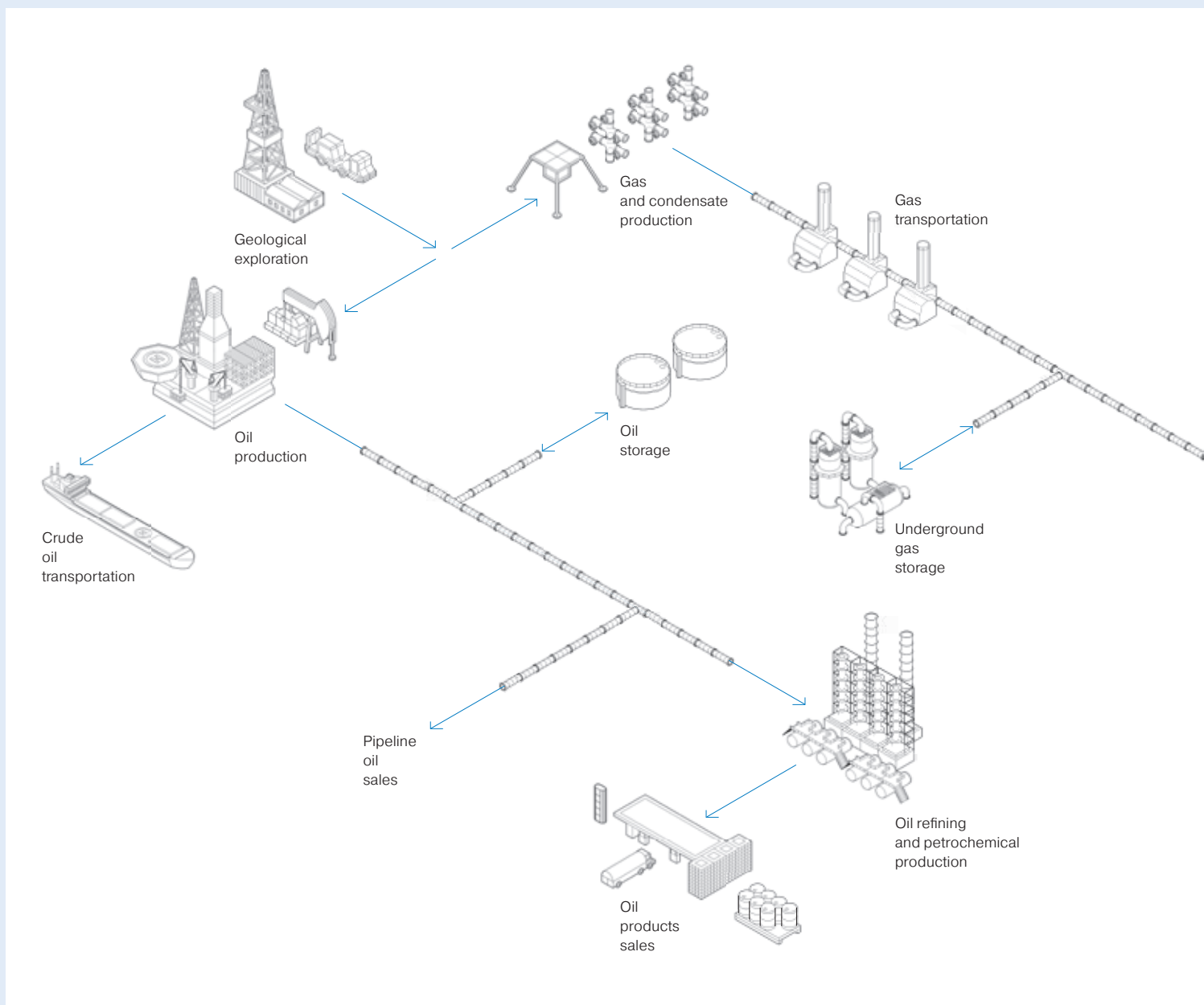
Its comprehensive vertically integrated business model is aligned with Gazprom's strategic goal, driving operational efficiencies, improving reliability of supplies, and leveraging the existing production and R&D capabilities.

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

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

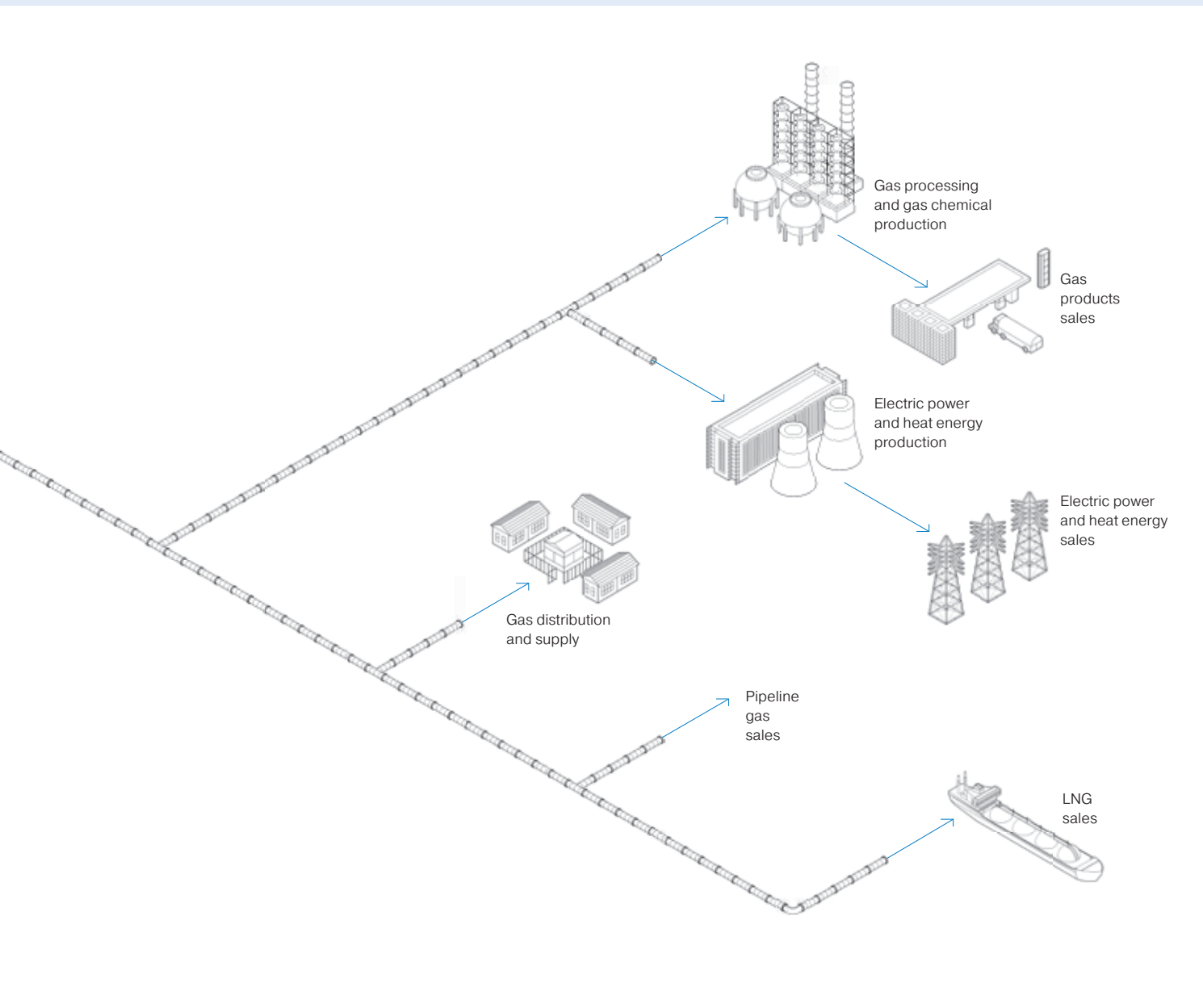
Gazprom Group is a major global energy company whose performance results influence a great number of stakeholders. These stakeholders include shareholders and investors, federal and local authorities of the Russian Federation, EU regulators and other gas market participants, local communities, business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

Production and Marketing of Gazprom Group



Competitive Advantages

- The Company’s Extensive Resource Base and Robust Production Infrastructure
- Unique Unified Gas Supply System (UGSS) of Russia
- Vertical Integration of the Company
- Favourable Geographical Position between Europe and Asia
- Track Record of Cooperation with Foreign Partners and a Strong Reputation as a Reliable Supplier
- An Established Portfolio of Long-term Contracts for Gas Supplies to European and Asian Consumers
- Access to International Capital Markets on Terms acceptable to the Company
- Extensive Production, Research and Design Capabilities
- Social Policy that makes the Company an Attractive Employer for Highly Skilled Professionals



Exploration and Production



Resources and capital

34,899.0 bcm
of natural gas reserves in Russia^{*,**}

3,575.3 mm tonnes
of oil and gas condensate reserves in Russia^{*,**}

7,438
active gas production wells in Russia

7,752
active oil production wells in Russia



Performance highlights

501.2 bcm
of natural and associated gas production in Russia^{**}

64.7 mm tonnes
of oil and gas condensate production in Russia^{**}

1.11
natural gas reserves replacement ratio^{**}



For more details see the [Exploration and Production section](#)

Gas Transportation and Underground Storage



Resources and capital

175.2 thousand km
total length of trunk gas pipelines in Russia

75.01 bcm
of aggregate working gas capacity across 27 underground gas storage facilities in Russia

8.5 bcm
of working gas capacity across 000 Gazprom export's underground storage facilities (UGSFs) by the start of the autumn and winter period 2019/2020^{***}



Performance highlights

679.0 bcm
of gas transported via Gazprom's GTS in Russia, including 132.1 bcm of gas supplied by companies outside the Group



For more details see the [Gas Transportation and Storage section](#)

Processing/Refining



Resources and capital

3 gas processing plants, a helium plant, condensate pretransportation preparation plant, and condensate stabilisation plant in Russia

3 refineries in Russia and 2 refineries abroad

Gas chemical and petrochemical plants



Performance highlights

31.5 bcm
natural and associated gas processing volumes^{****}

67.1 mm tonnes
oil and gas condensate processing volumes^{****}

50.9 mm tonnes
output of oil products^{****}

4.7 mmcm
helium production^{****}

3.7 mm tonnes
LPG production^{****}



For more details see the [Hydrocarbon Processing and Petrochemicals section](#)


* A+B₁+C₁ reserves under the Russian classification.

** Including the Group's share in the reserves and production volumes of entities in which Gazprom has investments classified as joint operations.

*** The additional commercial gas storage contracts valid until 31 March 2021 secured another 3.01 bcm of gas storage capacity at UGSFs in Austria, Hungary and Slovakia.


**** Excluding tolling arrangements.

Power Generation



Resources and capital


40.1^{GW}
total installed electrical capacity
of generating assets in Russia and abroad




Performance highlights

149.0 billion kWh
total electricity generation in Russia
and abroad

122.4 mm Gcal
total heat generation

 For more details see the [Power Generation](#) section


Marketing



Resources and capital

An established portfolio of long-term contracts for gas supplies to European and Asian consumers

Reputation as a reliable supplier




Performance highlights

506.9 bcm
of gas sales

27.3 mm tonnes
of oil and gas condensate sales

70.2 mm tonnes
of refined products sales

 For more details see the [Gas Distribution, Gas Infrastructure Expansion and NGV Fuel Markets](#) section and the [Marketing](#) section

Other Important Aspects of Activities



Resources and capital

Vertical integration of the Company

Access to international capital markets on terms acceptable to the Company

Human capital

Integrated corporate R&D capabilities



Performance highlights

Significant contribution to the energy security of the Russian Federation

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

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

Ensuring demand for Russian products; supporting SMEs

Providing safe working environment for employees

Staff training and social programmes


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

Sustainable use of natural resources, improved energy efficiency of operations, and better environment in Russian regions through extending gas infrastructure to communities and energy and transport facilities

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

Cooperation with indigenous small-numbered peoples of the North

Support for education, science, culture, arts, and sports

 For more details see the sections: [Gas Distribution, Gas Infrastructure Expansion, and Development of NGV Fuel Markets](#); [Marketing](#); [Financial Performance](#); [Innovations and Import Substitution](#); [Environmental and Social Responsibility](#); [Procurement Performance](#); and [Share Capital and Securities Market](#)

Supply Chain

Inventory Procurement

- Gas, energy and liquid hydrocarbons
- Large-diameter pipes
- Processing equipment
- Gas pumping units and components
- Electrical equipment
- Valves and fittings

Procurement of Work and Services

- Construction and installation
- Overhauls
- Well construction (production drilling and associated operations)
- Gas and liquid hydrocarbon transportation and storage
- Maintenance and repair
- Exploration
- FEED services
- Transportation and logistics services
- Lease
- Insurance

Gazprom Group

Products and Services

- Natural gas
- Crude oil and gas condensate
- Refined products
- Electricity and heat generation
- Gas transportation and underground storage services



The Quality Assurance Policy of PJSC Gazprom is available on PJSC Gazprom's website
→ www.gazprom.com



PJSC Gazprom's Board of Directors

(as at 31 December 2019)



**Viktor
Alekseevich
Zubkov**

Chairman of the Board of Directors

Chairman of the Board of Directors' Commission on Strengthening Financial Discipline for Domestic Gas Supplies of PJSC Gazprom

Non-executive director

Born in 1941.

Graduate of Leningrad Agricultural Institute.
Doctor of Economics.

2007–2008: Prime Minister of the Russian Federation.

2008–2012: First Deputy Prime Minister of the Russian Federation.

Since 2012 — Russia's Special Presidential Representative for Cooperation with the Gas Exporting Countries Forum.

2012–2014: member of the Board of Directors, Director General, Chairman of the Management Committee of OOO Gazprom gazomotornoe toplivo.

2014–2019: Deputy Chairman of the Board of Directors of OOO Gazprom gazomotornoe toplivo.

Since 2019 — Chairman of the Board of Directors of OOO Gazprom gazomotornoe toplivo, Chairman of the Board of Directors of OOO Gazprom LNG Technologies

Chairman of the Company's Board of Directors since 2008.



**Andrey
Igorevich
Akimov**

Non-executive director

Born in 1953.

Graduate of Moscow Finance Academy.

Since 2002 — Chairman of the Management Board of Joint Stock Bank of Gas Industry Gazprombank (Closed Joint Stock Company), since 2007 — Gazprombank (Open Joint Stock Company), since 2014 — Gazprombank (Joint Stock Company).

Member of the Company's Board of Directors since 2011.



**Alexey
Borisovich
Miller**

Deputy Chairman of the Board of Directors

Executive director

Born in 1962.

Graduate of N.A. Voznesensky Leningrad Finance and Economics Institute.
Candidate of Economics.

Since 2001 — Chairman of the Company's Management Committee.

Deputy Chairman of the Company's Board of Directors since 2002.



**Timur
Askarovich
Kulibaev**

Independent director

Born in 1966.

Graduate of M.V. Lomonosov Moscow State University.
Candidate of Economics.

Since 2005 — Head of the Association of Legal Entities the Kazenergy Kazakh Association of Oil, Gas and Energy Companies.

Since 2013 — Chairman of the Presidium of the Atameken National Chamber of Entrepreneurs of the Republic of Kazakhstan.

Member of the Company's Board of Directors since 2011.



**Denis
Valentinovich
Manturov**

Non-executive director

Born in 1969.

Graduate of M.V. Lomonosov Moscow State University.
Candidate of Economics.

Since 2012 — Minister of Industry and Trade of the Russian Federation.

Member of the Company's Board of Directors since 2017.



**Viktor
Georgievich
Martynov**

Independent director

Chairman of the Board of Directors' Audit Committee, member of the Board of Directors' Nomination and Remuneration Committee

Born in 1953.

Graduate of the I.M. Gubkin Moscow Institute of the Petrochemical and Gas Industry.
Candidate of Geology and Mineralogy, Doctor of Economics.

Since 2008 — Rector of I.M. Gubkin Russian State Oil and Gas University (a federal budget-funded educational institution of higher professional education, national research university).

Member of the Company's Board of Directors since 2013.



**Vitaly
Anatolievich
Markelov**

Executive director

Born in 1963.

Graduate of S.P. Korolev Kuibyshev Aviation Institute.
Candidate of Technical Sciences.

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

In 2011 — Director General of OOO Gazprom transgaz Tomsk and Director General of OOO Gazprom invest Vostok.

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

Member of the Company's Board of Directors since 2012.



**Vladimir
Alexandrovich
Mau**

Independent director

Member of the Board of Directors' Audit Committee, member of the Board of Directors' Nomination and Remuneration Committee

Born in 1959.

Graduate of the G.V. Plekhanov Moscow Institute of National Economy.
Doctor of Economics.

2002–2010: Rector of the State Educational Institution of Higher Professional Education, the Academy of National Economy under the Government of the Russian Federation.

Since 2010 — Rector of the Russian Presidential Academy of National Economy and Public Administration under the President of the Russian Federation (Federal State Budgetary Educational Institution of Higher Education).

Member of the Company's Board of Directors since 2011.



**Alexander
Valentinovich
Novak**

Non-executive director

Born in 1971.

Graduate of Norilsk Industrial Institute.

2010–2012: Deputy Minister of Finance of the Russian Federation.
Since 2012 — Minister of Energy of the Russian Federation.

Member of the Company's Board of Directors since 2015.



**Mikhail
Leonidovich
Sereda**

Executive director

Member of the Board of Directors' Audit Committee, Chairman of the Board of Directors' Nomination and Remuneration Committee

Born in 1970.

Graduate of the Saint Petersburg State University of Economics and Finance.

Since 2004 — Deputy Chairman of the Management Committee, Head of the Management Committee Administration of the Company.

Member of the Company's Board of Directors since 2002.



**Dmitry
Nikolaevich
Patrushev**

Non-executive director

Born in 1977.

Graduate of the State University of Management, and of the Diplomatic Academy of the Russian Ministry of Foreign Affairs.
Doctor of Economics.

2007–2010: Senior Vice-President of OAO Vneshtorgbank.
2010–2018: member of the Supervisory Board of AO Russian Agricultural Bank, Chairman of the Management Board of AO Russian Agricultural Bank.
Since 2018 — Minister of Agriculture of the Russian Federation.

Member of the Company's Board of Directors since 2016.

There were no Changes to the Board of Directors in 2019

Note. The independent status of members of the Board of Directors is determined in compliance with criteria for assessing independence of members of the board of directors (candidates to the board of directors) set forth in Appendix 4 to the Listing Rules of the Moscow Exchange.



The biographical details of the members of PJSC Gazprom's Board of Directors are also available on PJSC Gazprom's website
→ www.gazprom.com



PJSC Gazprom's Management Committee

(as at 31 December 2019)



**Alexey
Borisovich
Miller**

Chairman of the Management Committee

Born in 1962.

Graduate of N.A. Voznesensky Leningrad Finance and Economics Institute.

Candidate of Economics.

Chairman of the Company's Management Committee since 2001.



**Elena
Viktorovna
Burmistrova**

Deputy Chairwoman of PJSC Gazprom's Management Committee,
Director General of OOO Gazprom export

Born in 1971.

Graduate of Moscow State Linguistic University.

Member of the Company's Management Committee since 2019.

Oversees international business.



**Oleg
Evgenievich
Aksyutin**

Deputy Chairman of the Management Committee — Head of Department (prospective development)

Born in 1967.

Graduate of S.P. Korolev Kuibyshev Aviation Institute.

Doctor of Technical Sciences.

Member of the Company's Management Committee since 2008.

Oversees strategic development, long-term planning, design, development and implementation of the Investment Programme, procurement operations.



**Elena
Alexandrovna
Vasilieva**

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

Born in 1959.

Graduate of N.A. Voznesensky Leningrad Finance and Economics Institute.

Member of the Company's Management Committee since 2001.



**Vitaly
Anatolievich
Markelov**

Deputy Chairman of PJSC Gazprom's Management Committee

Born in 1963.

Graduate of S.P. Korolev Kuibyshev Aviation Institute.
Candidate of Technical Sciences.

Member of the Company's Management Committee since 2012.

Oversees Operations, including hydrocarbon exploration and production, gas transportation and underground storage, hydrocarbon processing, sales of hydrocarbons and refined products in the domestic market; power generation and government relations.



**Famil
Kamil ogly
Sadygov**

Deputy Chairman of PJSC Gazprom's Management Committee

Born in 1968.

Graduate of the S. Ordzhonikidze State Academy of Management.
Candidate of Economics.

Member of the Company's Management Committee since 2019.

Oversees Economics.



**Mikhail
Evgenievich
Putin**

Deputy Chairman of PJSC Gazprom's Management Committee

Born in 1967.

Graduate of A.S. Bubnov Ivanovo State Medical Institute and the S. Ordzhonikidze State Academy of Management.
Candidate of Medical Sciences.

Member of the Company's Management Committee since 2018.

Oversees administrative assistance, inventory and logistics management and healthcare benefits.



**Sergey
Fyodorovich
Khomyakov**

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

Born in 1953.

Graduate of V.I. Ulyanov (Lenin) Leningrad Electrotechnical Institute.
Candidate of Economics.

Member of the Company's Management Committee since 2007.

Oversees HR management and corporate security.



**Sergey
Ivanovich
Kuznets**

Head of Department
(legal support)

Born in 1970.

Graduate of M.V. Lomonosov Moscow State University.

Member of the Company's Management Committee since 2019.



**Sergey
Nikolaevich
Menshikov**

Head of Department
(hydrocarbon exploration
and production)

Born in 1968.

Graduate of M.D. Millionshchikov Grozny Petroleum Institute.
Candidate of Economics.

Member of the Company's Management Committee since 2019.



**Vladimir
Konstantinovich
Markov**

Head of Department
(government relations)

Born in 1955.

Graduate of Ryazan Radio Engineering Institute, the Academy
of Social Sciences attached to the Central Committee
of the Communist Party of the Soviet Union, the Moscow Academy
of Economics and Law.

Candidate of Law, Candidate of Economics.

Member of the Company's Management Committee since 2012.



**Elena
Vladimirovna
Mikhailova**

Head of Department
(asset management
and corporate relations)

Born in 1977.

Graduate of Moscow State Industrial University.

Member of the Company's Management Committee since 2012.



Vyacheslav Alexandrovich Mikhailenko

Head of Department (gas transportation and underground storage)

Born in 1965.

Graduate of Bryansk Transport Machine-Building Institute. Candidate of Technical Sciences.

Member of the Company's Management Committee since 2015.



Gennady Nikolaevich Sukhov

Head of Department (hydrocarbon processing, sales of hydrocarbons and refined products in the domestic market, power generation)

Born in 1961.

Graduate of Saratov Polytechnic Institute.

Member of the Company's Management Committee since 2019.

Changes in the Management Committee in 2019

Members of the Management Committee elected by the Board of Directors in 2019

Name	Number and date of the Board of Directors resolution	Date of election to the Management Committee
Sergey N. Menshikov	No. 3234 dated 20 March 2019	2 April 2019
Elena V. Burmistrova	No. 3237 dated 2 April 2019	1 April 2019
Sergey I. Kuznets	No. 3240 dated 2 April 2019	2 April 2019
Famil K. Sadygov	No. 3247 dated 10 April 2019	15 April 2019
Gennady N. Sukhov	No. 3255 dated 16 April 2019	15 April 2019

Members of the Management Committee whose powers were terminated by the Board of Directors in 2019

Name	Number and date of the Board of Directors resolution	Date of termination of powers of the Management Committee member
Valery A. Golubev	No. 3223 dated 26 February 2019	26 February 2019
Alexander I. Medvedev	No. 3224 dated 26 February 2019	26 February 2019
Vsevolod V. Cherepanov	No. 3225 dated 26 February 2019	26 February 2019
Sergey F. Prozorov	No. 3238 dated 2 April 2019	1 April 2019
Igor Y. Fyodorov	No. 3239 dated 2 April 2019	1 April 2019
Andrey V. Kruglov	No. 3241 dated 2 April 2019	1 April 2019
Kirill G. Seleznev	No. 3254 dated 16 April 2019	12 April 2019



The biographical details of the members of PJSC Gazprom's Management Committee are also available on PJSC Gazprom's website → www.gazprom.com



The Company's History

Over the 25 years since it was founded in 1993, the Company has grown into one of the global energy market leaders.

Gazprom has successfully diversified its core business. In addition to its gas business, the Group has been successfully operating in the oil and power markets, ranking among Russia's top oil companies and number one in Russia by installed heat generation capacity.

Gazprom has significantly expanded the geography of its operations: it entered the high-potential Asia Pacific market, launched operations in the Central Asia, Africa, and Latin America, and is a player in the global LNG trade.

Gazprom pioneered the development of the Russian Arctic shelf, launched a fundamentally new gas production hub in the Yamal Peninsula, and is building large-scale gas infrastructure in eastern Russia. Gazprom was the first in Russia to introduce underwater production technology enabling gas extraction without above-water structures, and teamed up with its foreign partners to launch Russia's first large-scale LNG plant.

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

Milestones

1990s

1993–1998

According to the Russian Government's Resolution dated **17 February 1993**, and pursuant to the Presidential Decree, Gazprom State Gas Concern was reorganised into Gazprom Russian Joint Stock Company (RAO Gazprom).

Privatisation of the Company started in **April 1994**, with the First annual General Shareholders Meeting held on **31 May 1995**.

On **26 June 1998**, pursuant to the resolution of the General Shareholders Meeting, RAO Gazprom was reorganised into Gazprom Open Joint Stock Company.

1999

November

Gas supply started via the Yamal — Europe gas pipeline, running across four countries: Russia, Belarus, Poland and Germany.

2000s

2001

30 May

Alexey Miller was elected Chairman of the Company's Management Committee.

31 October

Gas production started at the Zapolyarnoye field, one of the largest in the world.

2003

20 February

Commercial gas supplies started via Blue Stream, Russia's first gas offshore pipeline and one of the world's deepest undersea pipelines.

2005

2 September

Gazprom's first LNG shipment; the gas tanker arrived at a US LNG regasification terminal.

21 October

Gazprom Group took control of 75.679% of OAO Sibneft, which provided a platform for further development of Gazprom's oil business.

December

The law prohibited the State from holding less than 50% plus one share in the Company. Restrictions were lifted on the acquisition of shares in the Company by foreign investors.

2006

18 August

Gazprom's first LNG shipment to an Asian market, purchased by Japan.

2007

25 April

The Board of Directors approved JSC Gazprom's Power Generation Strategy, the implementation of which transformed the Company into one of Russia's largest electricity producers.

18 December

The Yuzhno-Russkoye field came on stream, Russia's first international gas production project based on asset swap.

2009

18 February

Russia's first large-scale LNG plant was put into operation in Sakhalin.

2010s

2010**12 February**

Russia's first coal bed methane project was launched in the Kemerovo Region.

29 September

The Sobolevo — Petropavlovsk-Kamchatsky trunk gas pipeline was put into operation, bringing first natural gas supplies to the capital of the Kamchatka Territory.

2011**6 June**

The Dzhubga — Lazarevskoye — Sochi, Russia's first offshore gas pipeline, was commissioned.

8 September

First section of the Sakhalin — Khabarovsk — Vladivostok gas transmission system, the Far East's first interregional GTS, was inaugurated.

8 November

Commercial gas supplies started via the first string of the Nord Stream pipeline, a fundamentally new Russian gas export supply route to Europe through the Baltic Sea.

25 November

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

2012**23 March**

An 800 MW CCGT plant was launched at the Kirishskaya GRES. It was the largest heat generation plant commissioned in 30 years, and Russia's most powerful combined cycle gas turbine unit at the time.

23 October

A new major gas production hub was launched in Russia, in the Yamal Peninsula. The Bovanenkovskoye field and the Bovanenkovo — Ukhta trunk gas pipeline came on stream. The transmission corridor was expanded with the new Ukhta — Torzhok gas pipeline.

2013**23 October**

Gazprom was the first in Russia to produce gas by using an underwater production system without recurring to above-water structures on the Kirinskoye field in the Sea of Okhotsk.

20 December

Oil production started at the Prirazlomnoye field in the Pechora Sea. It is Russia's first ever Arctic shelf project.

2014**21 May**

The Company and China's CNPC signed a contract for gas supplies — the 30-year gas supply contract for over 1 tcm is the largest of its kind in the entire history of the Russian gas industry.

2015**14 October**

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

2016**25 May**

The Arctic Gate ("Vorota Arktiki"), a unique oil loading terminal, was commissioned enabling, for the first time ever, year-round oil shipments from the Yamal Peninsula by sea.

16 September

With Gazprom's involvement, commercial production was launched at the Incahuasi field, one of the largest GCFs in Bolivia.

2017**18 January**

Launch events were held for the commissioning of the Bovanenkovo — Ukhta 2 gas pipeline increasing the supplies of gas from the Yamal Peninsula to Russia's UGSS.

2018**5 September**

Work started to install the deep-water section of the Nord Stream 2 gas pipeline.

5 December

The third and final gas production site was commissioned at the core Bovanenkovskoye field. Gazprom commenced the construction of the Ukhta — Torzhok 2 trunk gas pipeline within the Northern Gas Transmission Corridor of Russia's UGSS to supply additional gas to northwestern Russia, expand the gas infrastructure to domestic consumers, and support export supplies via Nord Stream 2.

2019**8 January**

A commissioning ceremony was held in the Kaliningrad Region for an offshore gas receiving terminal and a floating storage and regasification unit, Marshal Vasilevskiy. The alternative, independent offshore route for gas supplies brought the region's energy security to a fundamentally new level.

20 March

The Group commenced the full-scale development of the Kharasaveyskoye field, Gazprom's second core asset in the Yamal Peninsula.

29 March

Gazprom made a decision to participate in the construction of a large integrated complex for gas processing and liquefaction near the seaport of Ust-Luga.

2 December

An official ceremony was held to celebrate the start of the first-ever Russian pipeline gas supplies to China via the Power of Siberia gas pipeline.

2019 in the Company's History

Gazprom launched Russian pipeline gas supplies to China

In December 2019, an official ceremony was held to celebrate the start of the first-ever Russian pipeline gas supplies to China via the eastern route — the Power of Siberia trunk gas pipeline, one of the largest investment projects in the global gas industry. As part of the project, a gas production hub was established in Yakutia, about 2,200 km of gas pipeline were laid, and a cross-border section with a two-line underwater crossing of the Amur River was built jointly with CNPC. Overall project completion for the Amur Gas Processing Plant (GPP) stood at 55.2% at end-2019. The plant is an essential part of the process chain of gas supplies via the Power of Siberia pipeline, and in the reporting year, Gazprom raised an unprecedented EUR 11.4 bn in project financing for the plant construction.

Gazprom launched a new, reliable route for Russian pipeline gas supplies across the Black Sea

In 2019, the Group completed the construction of the TurkStream trunk gas pipeline's offshore section linking Russia and Turkey via the Black Sea, and the onshore transit section of the TurkStream pipeline running across Turkey to its border with Bulgaria. Pipeline gas supplies via the new route commenced **in January 2020**, contributing to the energy and environmental security of Turkey and European countries.

Gazprom continued developing the Yamal gas production hub

In March 2019, the Group commenced the full-scale development of the Kharasaveyskoye GCF, Gazprom's second core asset in the Yamal Peninsula, with explored gas reserves totalling 1.9 tcm (C₁+C₂ categories). The Group's extensive track-record and expertise enable it to implement this complex project within a short timeframe — production start-up is scheduled for 2023.

The resource base of the Yamal gas production hub has also grown. In the reporting year, significant discoveries were made on the Kara Sea continental shelf — the Dinkov and Nyarmeyetskoye fields. In addition, significant growth in gas reserves was achieved through exploration at the Kruzenshternskoye gas condensate field (GCF), located on the Kara Sea continental shelf and in adjacent onshore areas.

Gazprom completed a large-scale investment programme in Russia's power generation

In accordance with capacity supply agreements, the final facility under the CSA programme, Unit 2 at the Grozny TPP, came on stream **in 2019** with a capacity of 184 MW. On the whole, since Gazprom entered the power generation business in 2007 as a result of the CSA programme, the Group has put 9 GW of advanced generating capacities into operation in Russia.

A new record high was achieved for potential deliverability across UGSFs in Russia

By November 2019, the potential maximum daily deliverability at Gazprom's UGSFs had been increased to 843.3 mmcm of gas — a record level for the Russian gas industry.

An alternative, independent gas supply route was launched for the Kaliningrad Region

A commissioning ceremony was held in the Kaliningrad Region **in January 2019** for an offshore gas receiving terminal and a floating storage and regasification unit, Marshal Vasilevskiy. The option of receiving LNG seaborne shipments helps improve the energy security of the region.

The construction of Nord Stream 2 and the expansion of the Northern Gas Transmission Corridor were continued

In the Baltic Sea, the installation of the Nord Stream 2 gas pipeline sections was completed on schedule in the territorial waters of Finland, Sweden and Russia. **As at 31 December 2019**, over 2,300 km of pipe were laid under the Baltic Sea across all sections (94% of the route's total length). The construction of onshore sections in Germany and Russia is nearing completion.

As part of the UGSS expansion project in the North-West region, welding of the 880 km linear section of the pipeline between Gryazovets and Slavyanskaya CS was completed, the starting point of the Nord Stream 2 gas pipeline.

The implementation of the project for construction of a large complex for gas processing and liquefaction near the seaport of Ust-Luga was launched

In March 2019, PJSC Gazprom and AO RusGazDobycha finalised the configuration of their joint project — an integrated complex for gas processing and liquefaction near the seaport of Ust-Luga (Leningrad Region). The complex will have an annual capacity to process 45.0 bcm of ethane-containing natural gas from Gazprom fields in the Nadym-Pur-Taz region, which will be delivered via dedicated gas pipelines. LNG production is expected to total approximately 13 mm tonnes per year. Marketable products will include dry stripped gas, LPG, ethane and pentane-hexane fractions. The complex will be operated by OOO RusKhimAlyans, a joint venture established on a parity basis between a PJSC Gazprom subsidiary and AO RusGazDobycha. Phase 1 of the complex is scheduled to be commissioned in late 2023, Phase 2 — in late 2024.

Gazprom commenced the construction of a cutting-edge civil satellite manufacturer

In November 2019, Gazprom teamed up with State Space Corporation ROSCOSMOS to launch the construction of the first fully integrated enterprise in the history of modern Russia for spacecraft assembly and testing. To meet the needs of Gazprom Group and other customers, the facility launched in Shchelkovo (Moscow Region) will be able to manufacture up to four large and mid-sized communications and remote sensing devices or 100 small batch-produced satellites per year. The facility is scheduled to be commissioned as early as in 2022.

Strategy

Trends and Developments in Global Energy Markets ⁵⁴

Strategic Priorities ⁶²

Gas Business ⁶²

Oil Business ⁶⁸

Power Generation Business ⁷¹

Capex Programmes ⁷³

Long-Term Development Programme and Key Indicators ⁷⁶

Trends and Developments in Global Energy Markets

The projected increase in demand for gas and its growing competitive advantage compared to other fuels create the conditions for strengthening Gazprom's leadership as the largest gas exporter in the global energy market.

Long-Term Outlook for the Global Energy Market

The multi-dimensionality and heterogeneity of modern global energy markets' development make any mid- and long-term outlooks an increasingly difficult task. A global consensus forecast suggests a steady growth of demand for energy around the world and a pivotal role for gas in the global energy mix.

Global economy growth stimulates energy consumption. Global primary energy consumption is estimated to have grown by 2.5% to over 14.5 bn toe in 2019. According to base case forecasts, global energy consumption is expected to grow steadily and may increase by 20% by 2040 from 2019. Two thirds of this growth will come from Asia.

The biggest driver of long-term global energy consumption growth will be the rise of developing Asian economies and the resulting steady energy demand increase. However, this growth could be held back by energy efficiency measures adopted mostly by developed countries in Europe and North America.

This strong energy demand will make Asia the world's largest energy importer: by 2040 the region's import of oil could increase by a third, coal — by more than 50%, natural gas — by 2.5 times from 2019.

By 2040, Asia will be the world's biggest natural gas consumer



Long-term fuel and energy sector development trends to 2040

- Growing population in some economies, primarily in Asia Pacific
- Shifting energy consumption from developed to developing countries
- Growing attention to environmental matters and climate change
- Development of energy saving technologies
- Development of long-distance transportation and storage of energy already produced
- Gradual depletion of conventional oil and gas fields, transition to development of hard-to-recover resources in unconventional collectors and deepwater
- Further development of renewable energy technologies



Factors of uncertainty in global economy development

- Economic growth rates of some countries (especially developing ones)
- Growing energy efficiency of the world economy
- The amount of subsidies for developing power generation technologies (in particular, based on renewable energy sources and hydrogen)
- Political decisions to restrict or ban energy exports from particular countries
- The policies of some countries with regard to nuclear and coal-fired generation
- Restrictions being introduced on and permit prices for greenhouse gas emissions
- The levels of capex to develop new fields
- Development of new technologies in energy production, transportation and consumption that could be disruptive for the global energy industry

A defining trend in the world's energy industry in recent years has been the growing role of natural gas in the global energy mix. Natural gas is the cleanest of fossil fuels. As a clean burning, cost-efficient fuel, natural gas is increasing its presence in the global market as a solid competitor to other fossil fuels — oil and coal.

An important factor that shapes the global energy mix is the growing importance of environmental matters. Natural gas and renewables consumption will experience the fastest growth to 2040, accounting for over 80% of the world's total energy consumption growth.

Whereas in 2019 oil accounted for almost a third of global energy consumption, with gas being number three (with approximately 23%), by 2040 the share of gas in the global energy mix is expected to increase to 25% and it will become a number two energy carrier, overtaking coal.

Until 2040, gas will account for the largest share of the incremental global energy consumption in absolute terms. Global consumption is forecast to exceed 5.5 tcm by 2040.

25%

Expected share of natural gas in the global energy mix by 2040

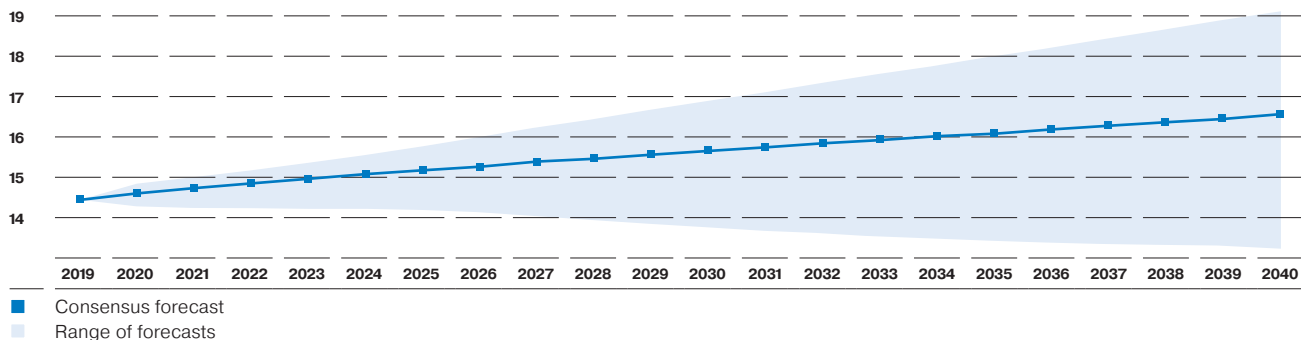


Key drivers of gas consumption growth

- Global population growth, leading to higher gas consumption in the industry, utilities and power generation sectors
- The relative environmental benefits of natural gas compared to other fossil fuels
- Natural gas-fired power plants are dispatchable and can flexibly adjust their load to efficiently balance the grid, especially with the growing share of intermittent renewables in power generation
- Greater focus on transport decarbonisation and incentives to use natural gas as motor fuel



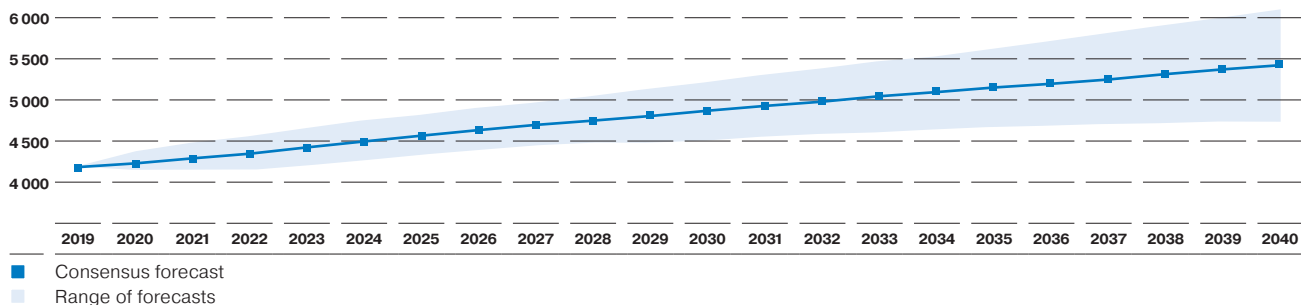
Energy consumption growth forecast to 2040, mm toe



Source: data from leading international and Russian research organisations and institutes



Global natural gas consumption forecast to 2040, bcm



Source: data from leading international and Russian research organisations and institutes

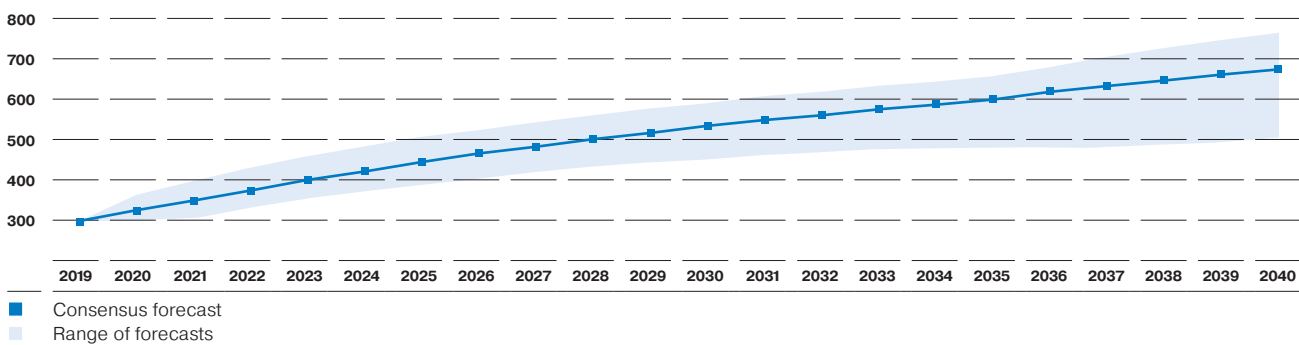
China's natural gas consumption is expected to grow steadily throughout the projection horizon to 2040. An important gas demand growth driver for China will be the government policy towards a cleaner environment. Most of the growth is expected to come from the more developed and denser populated provinces.

China's domestic gas production growth will not be sufficient to satisfy the growing demand for gas. It is therefore expected that China will increase gas imports in the long-term, both by pipeline and as LNG.

Europe is expected to demonstrate milder growth of gas consumption. However, the programmes by a number of European countries to decommission coal-fired and nuclear power plants, and the need to meet emissions reduction targets for the period to 2040 will support the interest to using natural gas in various industries. Despite the weak demand growth, Europe is expected to remain one of the key natural gas import regions due to own production decline. There will be a gradual increase in LNG in the import mix, but pipeline gas will continue to dominate in the European market.



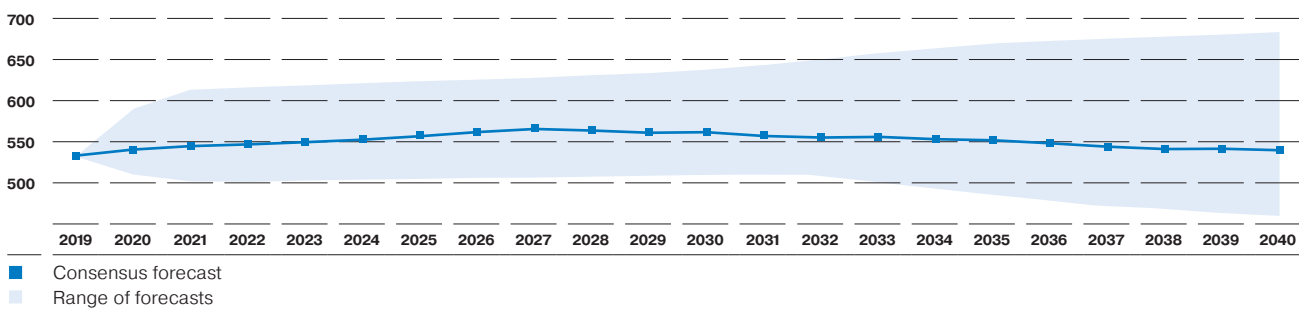
China's natural gas consumption growth outlook to 2040, bcm



Source: data from leading international and Russian research organisations and institutes



Europe's natural gas consumption outlook to 2040, bcm



Source: data from leading international and Russian research organisations and insti

Global Economy and Gas Market Development in 2019

Economic Slowdown and Energy Price Decline

Global economic growth (real GDP on a PPP basis) decelerated to 2.9% in 2019 according to OECD (compared to 3.5% in 2018). The growth was negatively affected by the US–China trade disputes, uncertainty around Brexit and general geopolitical tensions. The biggest contribution to global growth in 2019 came from China and India with 6.1% and 4.9% growth rates respectively.

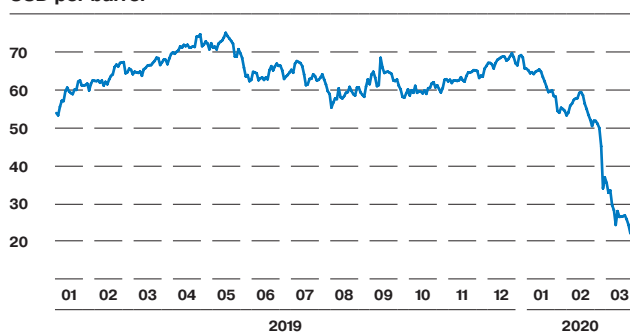
Inflation slowed down and stabilised at low levels in developed countries in 2019. Central banks took measures to support economies by lowering interest rates and resuming quantitative easing programmes.

On the back of the economic slowdown, the average Brent price was down by more than 10% year-on-year to average USD 64.2 per barrel, which had a negative impact on Gazprom Group's revenue and profit. Coal price declined significantly, by 20.9% year-on-year to average USD 67.1 per tonne for 2019.

The spread of the coronavirus from late 2019 and other geopolitical and economic tensions created significant risks in the energy market.



Brent crude oil price in 2019 to early 2020, USD per barrel

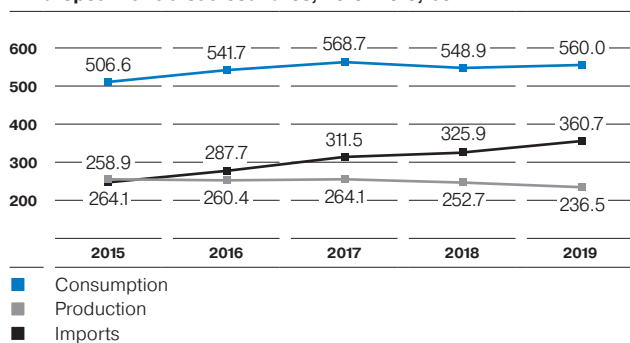


Source: Bloomberg

Natural Gas Production Decline and Growing Imports in Europe



Gas consumption, domestic production and imports in European far abroad countries, 2015–2019, bcm



Note. Calculated based on statistical data, with natural gas volumes converted to Russian standards (calorific value of 8,850 kcal/cu m at 20°C). Figures for 2018 and previous years may differ from the data in Annual Report 2018 since international statistics may have been subsequently updated.

Sources: Eurostat, national statistical offices, IHS Markit and other sources

The natural gas production decline in Europe continued in 2019.

Natural gas consumption in European far abroad countries increased by 11.1 bcm, or 2.0% year-on-year, to 560.0 bcm in 2019. Weather had a significant negative impact on consumption, with the European weather index (cooling and heating degree days) lower than normal and lower than the previous year (92.6% compared to 97.1% in Q1–Q4 2018) due to warm weather in February–March and October–December 2019.

Gas consumption in power generation went up by 6.7 bcm, or 4.0%, with higher consumption in the industrial sector (+1.3 bcm, or +0.9%) and the household sector (+1.9 bcm, or +0.9%). The main contribution to increased natural gas consumption was from reduced nuclear, coal-fired and hydro power generation. The share of power generation in the gas consumption structure increased by 0.6 p. p. from 30.6% in 2018 to 31.2% in 2019.

The economics of gas-fired generation was influenced by high carbon permit prices and low gas hub prices, supporting its competitiveness compared to the coal-fired generation in 2019.

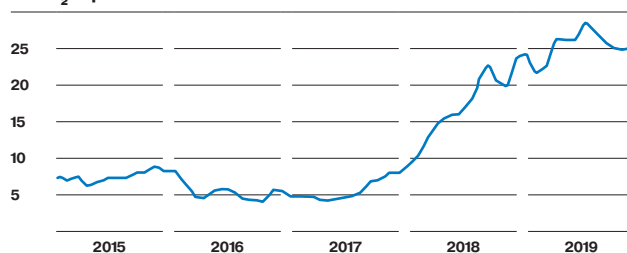


Carbon permit prices in Europe remain high

After a sharp increase in 2018, the EU ETS carbon permit prices stabilised at the level of EUR 22–26 per tonne of CO₂ equivalent in 2019.

The carbon permit price stabilisation at this level is an important factor reinforcing gas competitiveness in the European power sector. Higher permit prices make coal-fired generation less attractive, which, in turn, leads to increased utilisation of gas-fired capacity.

Carbon permit prices in Europe, 2015–2019, EUR per tonne of CO₂ equivalent



Lower economic activity in Europe did not have a negative impact on the demand for gas, offset by a favourable price environment.

An important supply and demand balancing factor was growing gas imports (+34.8 bcm, or +10.7%), primarily as LNG imports (+47.3 bcm, or +69.6%), while pipeline supply was down (–12.5 bcm, or –4.8%). Own production in Europe was down by 16.2 bcm, or 6.4%, with over 45% of the decline coming from Norway and almost 30% from the Netherlands.

PJSC Gazprom's gas sales under OOO Gazprom export's contracts to European far abroad countries were 191.4 bcm in 2019. In addition, the Company had commodity (gas) repo agreements* for 7.6 bcm of gas put in European underground storage facilities (UGSFs). Thus, total supplies to European far abroad countries under OOO Gazprom export's contracts were 199.0 bcm in 2019.

The largest European producers cut down their supplies. With the low spot price environment, Norway undertook lengthy repairs and cut its 2019 supplies by 6.9 bcm, or 5.3% year-on-year.

* The transactions are disclosed in PJSC Gazprom's accounting (financial) statements as borrowings secured by inventories.

Great Britain and the Netherlands also continued their production cuts. Due to more frequent earthquakes, the Dutch government repeatedly capped production at the Groningen field. According to recent reports, continuous production there will be halted by as early as mid-2022. The field will be kept operational until 2026 in order to meet high demand for gas in exceptionally cold winter period. This decision will have a significant effect on the European gas balance, with declining production to be substituted by imports.

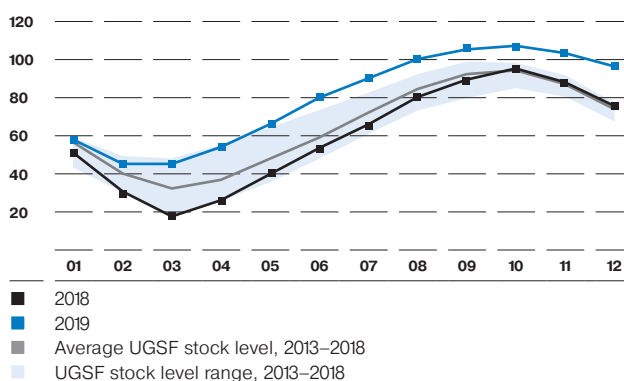
Pipeline and LNG gas supplies from Algeria demonstrated two opposing trends: while there was an overall reduction by 9.6 bcm, or 19.8%, LNG supplies to Europe increased (+3.2 bcm, or +24.6%). Qatar also ramped up LNG supplies to Europe (+8.8 bcm, or +37.8%) while cutting supplies to other regions (–7.4 bcm, or –8.8%).

LNG imports to Europe increased by 47.3 bcm, or 69.6%, primarily through additional US volumes (+14.6 bcm), new volumes from Russian projects (+13.9 bcm), Qatar (+8.8 bcm) and other sources (+10.0 bcm).

Gas volumes in European far abroad countries' UGSFs were higher than in 2018 (+21.1 bcm) and higher than the 2013–2018 average (+23.7 bcm).



European UGSF stock level, bcm



Source: IHS Markit



Breakdown of gas supplies to European far abroad countries by suppliers, 2015–2019, bcm

	2015	2016	2017	2018	2019
Supplies by major gas exporters					
■ PJSC Gazprom	159.4	179.3	194.4	201.9	199.0*
■ Algeria (incl. LNG)	38.1	51.2	49.4	48.5	38.9
■ Qatar	28.6	23.7	24.1	23.3	32.1
■ Other Russian producers (LNG supplies from Russian projects)	–	–	0.1	6.8	20.7
■ United States	–	0.5	2.6	3.7	18.3
■ Nigeria	8.0	9.8	12.6	13.0	16.0
■ Iran	8.1	8.0	9.6	8.1	8.0
Supplies by major European producers					
■ Norway (incl. LNG)	124.5	124.1	134.7	130.9	124.0
■ United Kingdom	44.6	44.9	45.0	43.6	43.3
■ Netherlands	48.9	45.5	39.5	35.0	30.3
■ Other supplies (excluding re-export)	46.4	54.7	56.7	34.1	29.4
Total	506.6	541.7	568.7	548.9	560.0

* Including commodity (gas) repo agreements.

Note. Calculated based on statistical data, with natural gas volumes converted to Russian standards (calorific value of 8,850 kcal/cu m at 20°C). Figures for 2018 and previous years may differ from the data in Annual Report 2018 since international statistics may have been subsequently updated.

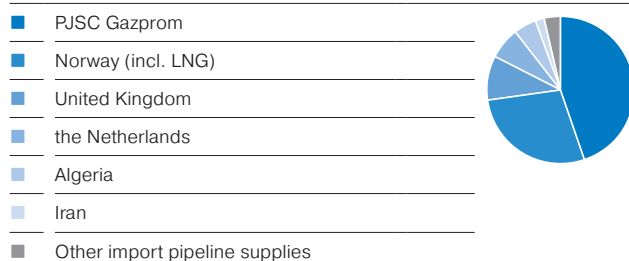
Sources: Eurostat, national statistical offices, IHS Markit and other sources



Breakdown of gas supplies to European far abroad countries by distribution method in 2019



Pipeline supplies



LNG supplies

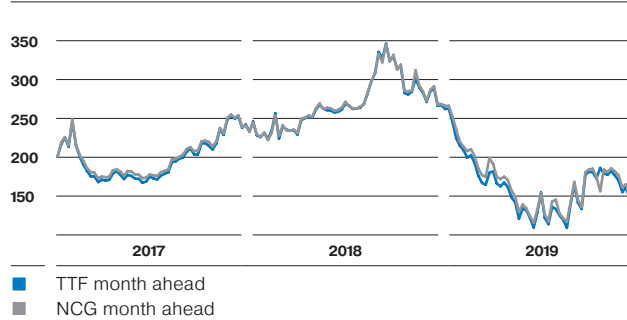


For more details on Gazprom Group's gas sales to European far abroad countries in 2019 see the [Marketing](#) section

The decrease in prices for competing energy sources was echoed by lower prices at Europe's trading hubs. The average TTF month-ahead contract price was down from USD 269.7 per mcm in 2018 to USD 168.1 per mcm in 2019 (-37.7%). The average NCG month-ahead contract price was down from USD 271.9 per mcm in 2018 to USD 172.8 per mcm in 2019 (-36.4%). One of the main reasons of this decline was excess non-contracted LNG supply on the spot market. The downward trend at the main trading hubs continued in January 2020.



Month-ahead gas prices on TTF and NCG, 2017–2019, USD per mcm



Source: Bloomberg

Global LNG Trade Growth

Global net LNG imports continued to rise in 2019, reaching 359 mm tonnes, up 41 mm tonnes, or 12.9% year-on-year. European countries accounted for approximately 90% of the growth, with the UK, France, Spain, the Netherlands and Italy leading the growth.

Europe's share in global LNG imports increased year-on-year from 16% to 24%, while the share of Asia Pacific shrank from 76% to 69%. A significant share of incremental European LNG imports was met by Yamal LNG and US supplies.



Global LNG trade volume, 2015–2019, mm tonnes

2015	248
2016	262
2017	292
2018	318
2019	359

Note. Data for actual LNG deliveries (including boil-off gas), less any re-exports.

Source: IHS Markit

LNG supplies to Europe had an explosive growth from Q4 2018 as a result of large-scale liquefaction facility launches in the US, Australia and Russia, the return of Japan and South Korea to nuclear power generation, and China's economic slowdown in recent years.

The Asia Pacific and Atlantic regions witnessed a decline in spot LNG prices on the back of new liquefaction facilities being brought on stream and the ramp-up to design capacity of previously commissioned projects such as Yamal LNG Trains 2 and 3. An additional negative impact on 2019 LNG imports in Japan, China, South Korea and Taiwan came from the relatively warm weather conditions in the region.

On the back of lower growth in Asia Pacific and new liquefaction facility additions, LNG spot prices in the region were down year-on-year by 44.2% to USD 5.46 per mm BTU, while in North-West Europe they were down by 41.4% to USD 4.67 per mm BTU. The “Asian premium” (difference between spot prices in Asia and Europe) was only USD 0.7 per mm BTU in 2019 compared to USD 2.1 per mm BTU the year before, which was negative for the attractiveness of Asia Pacific as a premium LNG destination.

According to IHS Markit, active liquefaction capacity additions were 36.0 mm tonnes of LNG per year, of which 14.3 mm tonnes of LNG per year came from expansion of existing facilities and 21.7 mm tonnes of LNG per year — from new plants. This is comparable with the liquefaction capacity additions seen in 2018. Further commissioning of facilities for a total of 22.8 mm tonnes of LNG per year is expected in 2020.

Growing Gas Consumption and Imports in China

China is one of the world’s fastest growing gas markets. Responding to growing gas consumption, Chinese companies both actively ramp-up own production and increase gas imports.

According to China’s official data, the country’s gas consumption was 307 bcm in 2019, up 9.4% (almost 27 bcm) year-on-year. The significant increase in 2019 gas consumption was attributable to higher demand from the industry, power generation and utilities, as well as to the national government’s continued policy of growing the share of natural gas in the country’s energy mix.

Over **133** bcm

Natural gas imports to China in 2019

Imports play an important role in meeting China’s gas demand. According to preliminary estimates, China imported over 133 bcm in 2019, up 8 bcm year-on-year. LNG is an important part of China’s gas imports. It is expected, however, that as Russian gas exports through the Power of Siberia pipeline ramp up after it started supplying gas at the end of 2019, the share of pipeline imports in China’s market will grow.



Gazprom’s contribution to covering domestic gas consumption in Russia, 2015–2019, bcm

	2015	2016	2017	2018	2019
Domestic gas consumption in Russia	444.3	456.7	468.0	493.2	481.0
Supplies to Russian consumers via Gazprom’s GTS*	339.4	348.8	351.3	361.7	353.9
incl. Gazprom Group via the GTS (with purchases from independents)	222.0	226.9	231.3	244.1	240.0
Supplies to Russian consumers via Gazprom’s GTS from Gazprom Groups’s production	211.2	210.2	216.3	224.9	221.2

* Excluding GTS process needs

Lower Gas Consumption in Russia and Domestic Market Development Initiatives

Russia’s 2019 total gas consumption was 481.0 bcm, down 2.5% year-on-year.

Natural gas share in Russia’s energy mix was approximately 54% in 2019, remaining virtually flat over the past few years.



Russia’s domestic gas consumption, 2015–2019, bcm

2015	444.3
2016	456.7
2017	468.0
2018	493.2
2019	481.0

The largest consumers of natural gas in Russia include electricity and heat generation companies (35%), household consumers (11%), the oil industry (9%), the housing and utilities sector (8%) and the metals industry (6%).

In Russia, gas is sold and purchased using two different pricing approaches for suppliers, which results in the existence of two gas sales sectors, one with prices fixed by the Government, the other with unregulated prices.

Gas produced by PJSC Gazprom’s subsidiaries is sold mostly at prices fixed by the Government. In accordance with applicable Russian laws, wholesale prices of gas produced by PJSC Gazprom and its affiliates are subject to regulation. These prices are differentiated between consumer groups (households vs industrial consumers), as well as by price zone, based on the relative distance from the gas production region to the consumer.

As per the Forecast of Russia’s Socio-Economic Development drafted by the Russian Ministry of Economic Development and approved by the Government in September 2019, a 3% annual increase in regulated domestic wholesale gas prices is expected in 2020–2024 for all consumer categories, with prices indexed annually on 1 July.

PJSC Gazprom is actively involved in the Russian gas market development, focusing on the areas approved by its Board of Directors in 2017.

To promote market-driven pricing principles, PJSC Gazprom participates in exchange-based gas trade at Saint Petersburg International Mercantile Exchange (AO SPIMEX). PJSC Gazprom's gas volumes sold through the exchange totalled 10.5 bcm in 2019. The key destination areas for PJSC Gazprom's gas supplies are those with predominantly industrial consumers and those located near gas producing regions. The natural gas purchased through exchange-based trading channel was supplied to 36 Russian regions in 2019. Factoring in the costs of purchasing exchange-traded natural gas and the gas transportation costs, the average ratio of exchange-traded gas price to the regulated regional wholesale price remained flat at 99.3% in 2019.

PJSC Gazprom continues to be actively involved in promoting exchange trade in the Russian market, including improvements to trading arrangements for month-ahead and day-ahead gas contracts.

63%

The share of gas produced by Gazprom Group in total gas supplies to Russian consumers via Gazprom's GTS



PJSC Gazprom's role in the Russian gas market development in 2019

Area of development	Initiatives
Improvement of the gas transportation services system	Proposals submitted to the federal authorities on the trunk pipeline gas transportation service tariff calculation methodology, with fixed "entry area — exit area" tariffs
Developing market-based gas pricing approaches	PJSC Gazprom submitted a memorandum to the Russian Government presenting its views on the procedure and timing of abandoning domestic market gas price regulation
	Proposals submitted to the Russian Federal Anti-Monopoly Service on improving the principles of setting gas distribution entity tariffs and distribution fees to address the existing imbalance and prepare to operating in a competitive market environment
	PJSC Gazprom provided active expert input to Resolution of the Government of the Russian Federation No. 1063 dated 17 August 2019 which authorised Gazprom to sell up to 25 bcm of gas through exchange-based trading channel and cancelled the requirement of parity between Gazprom and independent companies in exchange-based gas trading
Developing a common gas market of the Eurasian Economic Union (EAEU)	An initiative is ongoing, jointly with the Russian Ministry of Energy, to study the possibility of applying a two-sector tariff model in the common EAEU market, with separate tariffs for gas transportation to the domestic market and to the common EAEU market, to be reflected in the Common EAEU Gas Market Treaty being developed under coordination of the Russian Ministry of Energy

Gas Business

The strategic goal of Gazprom Group in the gas business is to maintain its leadership among global oil and gas companies by diversifying natural gas and refined products sales markets and forms of distribution, ensuring reliable gas supplies to consumers, driving efficiency and scale of operations, and developing the Company's potential in R&D, technology and human resources.

No significant adjustments were made to PJSC Gazprom's strategy in the reporting year. The time of commissioning of some fields and the timelines of major projects were adjusted to reflect current market environment outlook. PJSC Gazprom and AO RusGazDobrycha made a decision to undertake a joint project — an integrated complex for gas processing and liquefaction near the seaport of Ust Luga.

Gas Exploration and Production

Strategic Priorities

- Building gas production hubs in eastern Russia
- Bringing into development the Yamal Peninsula's unique and large fields
- Bringing into development new fields in the Nadym-Pur-Taz region
- Further exploration of the deposits in deep-lying Achimov and Jurassic sediments and above the Cenomanian sediments in the fields under development in the Yamal-Nenets Autonomous Area
- Bringing into development continental shelf fields in Russian northern seas



Risks affecting the achievement of PJSC Gazprom's strategic goals

- Risks related to the global economy slowdown
- Political risk
- Risks related to changes in government regulation of the gas industry
- Unconventional gas development risks
- Risks related to the development of renewable energy sources
- Market risks



Information on promising projects of Gazprom Group is presented in the [Gazprom in Figures 2015–2019 Factbook](#)

Activities to support the strategic priorities in 2019

Field Development

- Commercial development started at the Chayandinskoye field
- Full-scale development commenced at the Kharasaveyskoye field
- Development of the Cenomanian-Aptian deposits continued at the Bovanenkovskoye field
- Construction of production wells to the cap of the production interval continued at the Yuzhno-Kirinskoye field
- Field construction to develop Blocks 1, 2, 4 and 5 of the Achimov deposits at the Urengoyskoye field continued
- Preparations continued to move the Kovyktinskoye gas and condensate field from pilot development to commercial production phase
- Revamps and retrofits of gas production facilities carried out at the Yamburgskoye, Urengoyskoye, Medvezhye, Bovanenkovskoye, Yubileynoye, Yamsoveiskoye, Zapadno-Tarkosalinskoye, Komsomolskoye, Vyingayakhinskoye, Orenburgskoye and Astrakhanskoye fields.

Resource base development

- Exploration-based gas reserve growth achieved at the levels exceeding production volumes
- Further exploration of the Achimov and Jurassic sediments performed at the Urengoyskoye, Yamburgskoye and other fields in the Yamal-Nenets Autonomous Area
- Feasibility studies of developing deposits above the Cenomanian sediments carried out at the Yuzhno-Russkoye, Medvezhye, Yamburgskoye, Zapolyarnoye, Vyingapurovskoye and other fields in the Yamal-Nenets Autonomous Area



2020 and mid-term objectives in the context of strategic priorities

Project	2020	2021	2022	2023	2024
Cenomanian-Aptian deposits of the Bovanenkovskoye field	Expansion of booster compressor capacity and well commissioning	Expansion of booster compressor capacity and well commissioning	BCS and well commissioning	Well commissioning	Well commissioning
Cenomanian-Aptian deposits of the Kharasaveyskoye field				Start of commercial development	Well commissioning
Chayandinskoye field	CGTU expansion, PGTU and well commissioning	Well commissioning	Booster compressor capacity and well commissioning	PGTU and well commissioning	Ramp-up to design capacity
Kovyktinskoye field			Start of commercial development	CGTU 3, BCS at CGTU 2, and well commissioning	CGTU 1 and well commissioning
Achimov deposits of the Urengoykoye field (Block 1)	Ramp-up to full capacity				
Achimov deposits of the Urengoykoye field (Block 2)	CGTU and well commissioning	Well commissioning	Well commissioning	Well commissioning, ramp-up to full capacity	Well commissioning
Achimov deposits of the Urengoykoye field (Blocks 4 and 5)	Start of commercial development	Well commissioning	Well commissioning	Well commissioning	Well commissioning
Yuzhno-Kirinskoye field				Start of commercial development	Well commissioning
Kirinskoye field	Well commissioning	Completion of field infrastructure expansion to achieve design gas production capacity, commissioning of the onshore processing facility Phase 1 revamped unit			

- Ensuring increased reserves replacement rates
- Further building of new gas production hubs in Russia
- Revamps and retrofits of existing gas production facilities to maintain target gas production levels

Note. Data as at 31 December 2019. Timelines for commissioning and ramp-up may be adjusted subject to the energy market environment.

Expansion of Gas Transportation Capacity

Strategic Priorities

- Comprehensive expansion of gas production, transportation and storage capacity, aligned with export projects and new consumer readiness to receive the gas
- Diversification of gas export routes
- Construction of new gas transportation capacity
- Revamps and retrofits of existing gas transportation facilities

Activities to support the strategic priorities in 2019

- The Power of Siberia gas pipeline commissioned from the Chayandinskoye field to the Chinese border in the Amur region
- The TurkStream gas pipeline commissioned
- GASTRANS d.o.o. Novi Sad, Russian–Serbian joint venture, continued to expand Serbia's gas transmission capacity to transport TurkStream's gas
- Construction of the Ukhta–Torzhok 2 and the Bovanenkovo–Ukhta 2 gas pipelines continued
- Work continued on the Nord Stream 2 project and Russian GTS expansion to ensure supply into Nord Stream 2, including the North-West region's GTS transportation capacity expansion at the Gryazovets–Slavyanskaya CS section
- Revamps of gas transportation infrastructure carried out
- Decommissioning of excess gas transportation capacity continued, 74 km of trunk gas pipeline and four compressor plants with a total capacity of 367.5 MW dismantled



2020 and mid-term objectives in the context of strategic priorities

Project	2020	2021	2022	2023	2024
Power of Siberia gas pipeline (Kovyktinskoye field–Chayandinskoye field section)			Start of phased commissioning		
Sakhalin–Khabarovsk–Vladivostok gas pipeline		Looping of the linear section			
Nord Stream 2 gas pipeline	Commissioning*				
Ukhta–Torzhok 2 gas pipeline	Ramp-up to full capacity				
Bovanenkovo–Ukhta 2 gas pipeline		Ramp-up to full capacity			
Bovanenkovo–Ukhta 3, Ukhta–Torzhok 3 gas pipelines				Start of phased commissioning	

- Construction of gas transportation capacity to ensure diversification of gas export routes (including continued phased commissioning of the Power of Siberia trunk gas pipeline)
- Construction of new gas transportation capacity in Russia to ensure gas supplies to the domestic market and meet obligations under export contracts, including gas transportation capacity intended to carry gas from the Yamal fields to the Nord Stream 2 gas pipeline (including GTS expansion at the Gryazovets–Slavyanskaya CS section)
- Implementation of comprehensive programmes for revamping and retrofitting existing gas transportation facilities
- Decommissioning of excess capacity of the Central Gas Transmission Corridor

* Data as at 31 December 2019. Various alternative options are being explored to complete the construction of the pipeline and put it into operation.

Note. Data as at 31 December 2019. Timelines for commissioning and ramp-up may be adjusted subject to the energy market environment.

Gas Underground Storage

Strategic Priorities

- Maintaining UGSF capacity through revamps and replacement of worn-out and obsolete fixed assets, as well as debottlenecking of UGSFs and the GTS
- Improving the flexibility of Russia’s UGSF system by constructing small peak-shaving gas storage facilities in salt caverns to maintain deliverability rates during increased gas withdrawal periods through to 1 February
- Increasing daily deliverability and operating gas reserves of active UGSFs to satisfy current and projected gas demand
- Expansion of Gazprom Group’s UGSF capacity outside Russia

Activities to support the strategic priorities in 2019

- Carried out facility revamps at the Peschano-Umetskoye, Elshano-Kurdyumskoye, Stepnovskoye, Sovkhoznoye, Kasimovskoye, Shchelkovskoye, Severo-Stavropolskoye and Pungiskoye UGSFs, and Kanchurinsko-Musinsky UGS complex
- Performed washing out of underground reservoirs and construction of facilities to expand the Kaliningradskoye UGSF compressor station, washing out and initial filling of the Volgogradskoye UGSF
- Increased maximum daily capacity by 30.8 mcm through facility construction and well switching at the Punginskoye UGSF, construction of 13 wells at the Sovkhoznoye, Kaliningradskoye and Severo-Stavropolskoye UGSFs and connection of 6 wells at the Sovkhoznoye UGSF, construction of interconnecting jumpers at the compressor plant of the Kanchurinsko-Musinsky UGS complex, and revamping of 42 producing wells at UGSFs in Russia
- Accumulated approximately 8.5 bcm of deliverable gas in OOO Gazprom export’s own UGSFs in Europe by the start of autumn and winter 2019/2020.



2020 and mid-term objectives in the context of strategic priorities

Project	2020	2021	2022	2023	2024
Volgogradskoye UGSF	Capacity commissioning, working gas capacity expansion	Capacity commissioning, working gas capacity expansion	Capacity commissioning, working gas capacity expansion	Capacity commissioning, working gas capacity expansion	
Kaliningradskoye UGSF	Capacity commissioning, working gas capacity expansion	Capacity commissioning, working gas capacity expansion	Capacity commissioning, working gas capacity expansion	Capacity commissioning, working gas capacity expansion	
Udmurtia Reserving Complex		Start of phased commissioning	Capacity commissioning, working gas capacity expansion	Capacity commissioning	Capacity commissioning, working gas capacity expansion
Shatrovskoye UGSF			Start of phased commissioning		Capacity commissioning, working gas capacity expansion

- Revamps and replacement of worn-out and obsolete fixed assets at existing UGSFs
- Construction and expansion of the peak-shaving Kaliningradskoye, Volgogradskoye and Shatrovskoye UGSFs, as well as the Udmurtia Reserving Complex
- Providing UGSF capacity to regions where such capacity is in short supply. The prospective areas for the construction of new UGSFs are Russia’s Northwestern, Siberian and Far Eastern Federal Districts
- Improving the flexibility of Russia’s UGSF system by constructing small peak-shaving gas storage facilities in salt caverns to maintain deliverability rates during increased gas withdrawal periods through to 1 February.

Note. Data as at 31 December 2019. Timelines for commissioning and ramp-up may be adjusted subject to the energy market environment.

Expansion of Gas and Condensate Processing, and Gas Chemical Production

Strategic Priorities

- Construction of new gas processing facilities to support hydrocarbon developments in Eastern Siberia and the Far East
- Processing and transportation of projected volumes of liquid hydrocarbons produced at fields in Western Siberia, the Yamal Peninsula and the adjacent continental shelf of the Kara Sea
- Processing of ethane-containing gas from fields in Western Siberia

Activities to support the strategic priorities in 2019

- Construction of the Amur GPP continued
- Projects continued to enable liquid hydrocarbon transportation from the Nadym-Pur-Taz region
- Started working on a Pre-investment Feasibility Study for Field Construction to Develop Neocomian-Jurassic Deposits of the Kharasaveyskoye and Bovanenkovskoye fields, Transportation and Processing of Liquid Hydrocarbons Produced at Fields in the Yamal Peninsula and the Adjacent Continental Shelf of the Kara Sea
- PJSC Gazprom and AO RusGazDobycha finalised the configuration of their joint project — an integrated complex for gas processing and liquefaction near the seaport of Ust Luga. Funding of the project began



2020 and mid-term objectives in the context of strategic priorities

Project	2020	2021	2022	2023	2024
Projects to enable liquid hydrocarbon transportation from the Nadym-Pur-Taz region	Commissioning				
Amur GPP		Commissioning of the first start-up complex	Commissioning of the second start-up complex	Commissioning of the third start-up complex	Commissioning of the fourth start-up complex
Integrated complex for gas processing and liquefaction near the seaport of Ust Luga*				Commissioning of Phase 1	Commissioning of Phase 2
→ Construction of new gas processing facilities to support hydrocarbon developments in Eastern Siberia and the Far East as well as processing of the projected volumes of liquid hydrocarbons produced at fields in Western Siberia					
→ Revamps of existing facilities					

* A project with PJSC Gazprom's participation.

Note. Data as at 31 December 2019. Timelines for commissioning and ramp-up may be adjusted subject to the energy market environment.

Expansion of LNG Production and Trading

Strategic Priorities

- Expansion of LNG production capacity

Activities to support the strategic priorities in 2019

- PJSC Gazprom and AO RusGazDobycha finalised the configuration of their joint project — an integrated complex for gas processing and liquefaction near the seaport of Ust Luga. Funding of the project began
- Further construction of an LNG production, storage and shipping complex continued near the Portovaya compressor station in the Leningrad Region
- Continued working on a Pre-investment Feasibility Study for an LNG Plant near Vladivostok with an annual capacity of 1.5 mm tonnes of LNG



2020 and mid-term objectives in the context of strategic priorities

Project	2020	2021	2022	2023	2024
LNG production, storage and shipping complex near the Portovaya compressor station	Commissioning				
Integrated complex for gas processing and liquefaction near the seaport of Ust Luga*				Commissioning of Phase 1	Commissioning of Phase 2

- Implementation of LNG projects in Russia

* A project with PJSC Gazprom's participation.

Note. Data as at 31 December 2019. Timelines for commissioning and ramp-up may be adjusted subject to the energy market environment

Oil Business

The strategic goal of Gazprom Group in the gas business is to maintain its status as one of the largest international global oil and gas companies by effective asset portfolio management throughout the value chain and using cutting edge technology, a company that aims to maximise its financial performance while staying committed to high social and environmental responsibility standards.

According to its Development Strategy 2030, PAO Gazprom Neft's key objective is to evolve into a next-generation business and set a benchmark for other global industry players in efficiency, technology and safety.

Oil Exploration and Production

Strategic Priorities

- Efficient development of mature assets
- Developing the resource base of the Yamal Peninsula
- Bringing into development and monetising the uniquely vast liquid hydrocarbon reserves in the Nadym-Pur-Taz region
- Building a hydrocarbon production hub on the continental shelf of the Sea of Okhotsk
- Developing technology for cost-effective development of the Bazhenov formation, Domanic and Paleozoic deposits
- Bringing into development the remaining recoverable reserves that are currently economically unrecoverable, through deployment of new technologies
- Building up the resource base to support production beyond 2025

PAO Gazprom Neft's strategic goals to 2030:

- Maintain liquid hydrocarbon production growth at least in line with the market
- Maximise value creation for each barrel through the effective management of the entire value chain
- Demonstrate leadership in returns on capital employed through effective management of project/asset portfolio with a focus on profit maximisation
- Demonstrate leadership in efficiency, technology and safety setting a benchmark for other global industry players.

Activities to support the strategic priorities in 2019

- Total Gazprom Neft's hydrocarbon production was 96.1 mm toe*
- Development of the Prirazlomnoye oil field and the Novoportovskoye OGCF continued. Implemented year-round oil shipment and transportation from the Novoportovskoye field
- Surface facilities construction started at the Tazovskoye and Severo-Samburgskoye fields
- Development of new oil and gas areas on the Sea of Okhotsk continental shelf continued
- Work to bring into development oil rims, Achimov and Neocomian-Jurassic deposits of Gazprom Group fields continued under long-term risk-based operatorship agreements
- Continued developing technology for cost-effective development of hard-to-recover hydrocarbon reserves
- As part of the national project to create technology for the Bazhenov formation development, the effectiveness of the multistage fracturing technology in horizontal wells was confirmed, and study of Domanic deposits in the Orenburg region, development of technology to trace hydrocarbons in pre-Jurassic intervals, and study of the Achimov formations continued

* Including share in the production volumes of entities in which Gazprom has investments classified as joint operations, as well as associates and joint ventures, and in international projects.



2020 and mid-term objectives in the context of strategic priorities

Project	2020	2021	2022	2023	2024
Novoportovskoye field	Ramp-up to design capacity				
Vostochno-Messoyakhskoye field			Ramp-up to design capacity		
Oil rims in the Nadym-Pur-Taz region's fields (Yen-Yakhinskoye, Zapadno-Tarkosalinskoye, Pestsovoye)		Start of commercial development	Ramp-up to design capacity		
Tazovskoye field		Start of commercial development			
Alexander Zhagrin field	Start of commercial development				
The Chonsky cluster (Tympuchikansky, Ignyalinsky and Vakunaysky licence areas)					Start of commercial development
<ul style="list-style-type: none"> → Driving mature asset performance and implementing enhanced oil recovery programme → Further exploration of blocks on the Sea of Okhotsk continental shelf → Bringing into development previously untapped reserves within oil-rim deposits, and Achimov and Neocomian-Jurassic deposits at Gazprom Group fields → Developing technology for cost-effective development of hard-to-recover hydrocarbon reserves 					

Note. Data as at 31 December 2019. Timelines for commissioning and ramp-up may be adjusted subject to the energy market environment.

Logistics, Refining and Marketing

Strategic Priorities

- Increasing refining depth and light product yields
- Enhancing the efficiency of processing/refining and marketing
- Improving conventional business sustainability through developing petrochemical businesses
- Maintaining leadership and growing market shares in existing and new markets for Gazprom's products

Activities to support the strategic priorities in 2019

- Russian and international refinery upgrade programme continued:
 - Main equipment installation for the catalytic reformer unit and a gas purification unit for catalytic cracking regeneration gases at Omsk Refinery completed
 - An automated fuel loading system at Moscow Refinery commissioned, with preparations under way for the Euro+ combined refining unit commissioning
 - Construction of a new delayed coking unit at Pančevo Refinery in Serbia continued
 - Upgrade programme continued at PAO Slavneft-YANOS (with Gazprom Neft's involvement)
- Product mix was expanded and marketing infrastructure is being further built up
- Ownership interest in Poliom Omsk Polypropylene Plant was increased to 50% as part of the petrochemical sector development
- Construction of a high-tech catalyst plant is under way



2020 and mid-term objectives in the context of strategic priorities

Project	2020	2021	2022	2023	2024
New units at Moscow Refinery (Euro+ combined refining unit)	Start-up and testing completion				
New units at Moscow Refinery (advanced oil refining facility)					Operational availability
New delayed coking unit at Pančevo refinery in Serbia	Start-up and testing completion				
New units at Omsk Refinery (primary refining unit)	Operational availability				
New units at Omsk Refinery (advanced oil refining facility)	Operational availability				
New units at Omsk Refinery (delayed coking unit)	Operational availability				
Catalyst production business in Omsk		Commissioning			
LNG bunkering vessel		Commissioning			

- Continued refinery upgrade programmes and capacity development
- Further expansion of the product mix and marketing infrastructure development
- Catalyst plant construction

Note. Data as at 31 December 2019. Timelines for commissioning and ramp-up may be adjusted subject to the energy market environment.

Power Generation Business

The strategic goal of Gazprom Group in the power generation business is to maintain its leadership in electrical and heat capacity installed in Russia by remaining a reliable supplier of heat and electricity for consumers and delivering sustainable profit growth, while staying committed to high social and environmental responsibility standards.

According to its Power Generation Strategy 2018–2027, Gazprom energoholding is to become:

- Russia's largest power generation holding company, present in related and global markets
- a customer-oriented company ensuring reliable power supply to consumers
- a financially stable company demonstrating steady profit growth and debt reduction
- a company supporting the priority of the import substitution policy and the use of Russian equipment.

Strategic Priorities

- Optimising the generation capacity mix
- Driving operational excellence and cost optimisation
- Constructing new and upgrading existing generating capacity, and decommissioning low-performing facilities
- Driving technological advances
- Diversifying the power business by entering promising markets in Russia and abroad

Activities to support the strategic priorities in 2019

- Commissioned Unit 2 at the Grozny TPP
- Continued construction of the Svobodnenskaya TPP for power supply of the Amur GPP, as well as a CHPP in Pančevo, Serbia for heat supply of an oil refinery operated by NIS (part of Gazprom Neft Group) and electricity sales in the open market
- Participated in tenders for upgrading generating facilities at thermal power plants, with capacity supplies to commence in 2022–2025. The selected projects included facilities of Gazprom Group with a capacity of 1.92 GW, or 14% of the first price zone quota
- Implemented measures to improve operational efficiency and optimise costs
- Decommissioned low-performing generating capacity, 0.03 GW in total
- Optimised generating equipment operation modes
- Acquired AO REP Holding to tap into the power engineering market as part of business diversification



2020 and mid-term objectives in the context of strategic priorities

Project	2020	2021	2022	2023	2024
Svobodnenskaya TPP for power supply of the Amur GPP	Commissioning				
CHP plant in Pančevo, Serbia	Commissioning				
Projects PAO TGC-1 (Verkhne-Tulomskaya HPP-12 upgrade)	Hydroelectric unit commissioning	Hydroelectric unit commissioning	Hydroelectric unit commissioning	Hydroelectric unit commissioning	
Projects PAO TGC-1 (Avtovskaya CHPP-15 revamp)			Turbine unit commissioning*		Turbine unit commissioning*
Projects PAO TGC-1 (Centralnaya CHPP's Power Plant No. 2 revamp)				Water boiler plant commissioning	
PAO OGK-2 projects (Kirishskaya GRES upgrade)			Steam turbine commissioning*		Steam turbine commissioning*
PAO Mosenergo projects (CHPP-22 revamp)		Equipment commissioning			Equipment commissioning*
PAO Mosenergo projects (CHPP-23 revamp)					Turbine unit commissioning*
OOO Novo-Salavatskaya CHPP projects (Novo-Salavatskaya CHPP upgrade)			Turbine unit commissioning*	Turbine unit commissioning*	Turbine unit commissioning*

- Generating fleet upgrades: 15 facilities of PAO TGC-1, PAO OGK-2, PAO Mosenergo and OOO Novo-Salavatskaya CHPP are scheduled for upgrades during the period until 2025, including 9 facilities — until 2024
- Decommissioning of over 2.2 GW of low-performing capacity by 2024
- Implementation of operational efficiency and cost optimisation initiatives

*The facility has been selected through tenders for upgrading generating facilities at thermal power plants.

Note. Data as at 31 December 2019. Timelines for commissioning may be adjusted subject to the energy market environment.



Strategic cooperation with foreign partners

PJSC Gazprom's strategic cooperation with foreign partners takes the form of joint steering committees that focus on priority goals. As at 31 December 2019, there were 17 such committees, including with partners from Germany, the Netherlands, Japan, China, the Republic of Korea, Uzbekistan and other countries.

Joint steering committees' agenda includes review of key cooperation areas, ensuring agreement on objectives and jointly exploring optimal solutions, discussion of topical issues of partner companies' development in the current gas, oil and power market environment, developing plans for the future and monitoring implementation. This form of cooperation offers a comprehensive view of various joint effort areas, maximising opportunities for synergy and flexibility in tackling a shared agenda.

Gazprom Group channels significant funds to investment programmes to develop and maintain its production assets.



Gazprom Group's capital expenditures, RUB bn

Year	Capital Expenditures (RUB bn)
2017	1,504.6
2018	1,795.9
2019	1,818.7
2020*	1,610.0

* Total actual expenditure under the Group's 2020 capex programme (covering gas, oil, electricity, heat generating and other assets) and similar plans of the Group.

Gazprom Group's 2019 capital expenditures were directed mostly towards a number of projects across our business segments, as detailed below.

In gas production:

- Field construction to develop Chayandinskoye field
- Production drilling and field construction to develop the Cenomanian-Aptian deposits at the Bovanenkovskoye field
- Field construction to develop the second pilot block of the Achimov deposits at the Urengoyevskoye field

In oil and gas condensate production:

- Field construction to develop the oil rim in the Botuobinsky horizon of the Chayandinskoye field
- Implementation of Gazprom Neft's projects, including field construction and production drilling at the Novoportovskoye and the Prirazlomnoye fields, participation in auctions for subsoil licences, as well as capex projects for conventional assets



Production drilling for gas in Russia, thousand m

Year	Production Drilling (thousand m)
2017	240.8
2018	304.4
2019	400.8

Change 2019/2018: 31.7%



Production drilling for oil in Russia, thousand m

Year	Production Drilling (thousand m)
2017	2,559.5
2018	2,202.6
2019	2,811.7

Change 2019/2018: 27.7%

In gas transportation:

- The North-West region's UGSS transportation capacity expansion at the Gryazovets-Slavyanskaya CS section
- Construction of the Power of Siberia, Nord Stream 2 and TurkStream trunk gas pipelines
- Construction of loopings at the Gryazovets-Vyborg gas pipeline to connect the second string at the Gryazovets-Volkhov section.



Progress on the Nord Stream 2 gas pipeline project

Installation of gas pipeline sections was completed on schedule in the territorial waters of Finland, Sweden and Russia, including three above-water tie-ins. On 30 October 2019, approval was obtained for the Nord Stream 2 gas pipeline route to run in Denmark’s exclusive economic zone south-east of the island of Bornholm. As at 31 December 2019, over 2,300 km of pipe was laid under the Baltic Sea across all sections (94% of the route’s total length). The construction of onshore sections in Germany and Russia is nearing completion.

Following the signing of the National Defense Authorization Act for Fiscal Year 2020 by U.S. President Donald Trump on 20 December 2019, Allseas vessels left the pipe-laying area on the same day, as the bill contains sanctions against companies involved in the implementation of the Nord Stream 2 and TurkStream projects and laying pipeline at depths of over 100 feet. The offshore pipe-laying operations for the gas pipeline have been suspended, and various alternative options are being explored to complete the construction of the pipeline and put it into operation.

In hydrocarbon processing/refining:

- Construction of the Amur GPP
- Implementation of projects to enable liquid hydrocarbon transportation from the Nadym-Pur-Taz region
- Revamp of the Astrakhan GPP
- Construction and upgrade of Gazprom neftekhim Salavat’s refining and petrochemical facilities (construction of a catalytic cracking complex, a technical sulphur production unit and a hydrogen production unit)
- Construction and upgrades of production facilities at Moscow Refinery (construction of a Euro+ combined refining unit and an elemental sulphur production unit)
- Construction and upgrades of production facilities at Omsk Refinery (construction of a primary refining unit, advanced oil refining facility, delayed coking unit, diesel fuel hydrotreating/dewaxing unit and biological wastewater treatment facilities)
- Construction of a delayed coking unit and revamp of a catalytic cracking unit at Pančevo Refinery in Serbia
- Construction of a catalyst plant in Omsk

In gas storage:

- Expansion and revamp of the Kanchurinsko–Musinsky UGS complex
- Revamps of existing and construction of new facilities at the Kaliningradskoye UGSF
- Expansion of the Punginskoye UGSF
- Revamps of UGSF operating wells in Russia

55.2 %

Overall project completion of the Amur GPP construction by the end of 2019

In gas sales:

- Construction of a 1.5 mm tonnes per year LNG production, storage and shipping complex continued near the Portovaya compressor station in the Leningrad Region
- Expansion of gas infrastructure in Russian regions

In electricity and heat generation and sales:

- Completed construction of Unit 2 at the Grozny TPP
- Construction of the Svobodnenskaya TPP and Pančevo CHPP (Serbia)
- Retrofitting and revamping of generating facilities, maintaining operational reliability and efficiency of equipment, ensuring safety of generating facilities and replacement of worn-out power generating equipment



Gazprom Group’s capex breakdown, RUB bn

	2017	2018	2019	Change 2019/2018
Gas transportation	498.6	640.1	464.2	-27.5%
Gas production	225.2	309.4	437.8	41.5%
Oil and gas condensate production	216.5	308.0	360.2	16.9%
Processing/refining	330.4	257.9	316.0	22.5%
Electricity and heat generation and sales	58.1	72.9	79.0	8.4%
Gas distribution	51.7	39.1	25.8	-34.0%
Gas storage	37.7	19.4	14.3	-26.3%
Other business segments	86.4	149.1	121.4	-18.6%
Total	1,504.6	1,795.9	1,818.7	1.3%



Capacity commissioned by Gazprom Group in 2019

Segment	Facilities commissioned
Gas production	A 12.5 bcm per year CGTU at the Chayandinskoye OGCF
	Three BCS at the Chayandinskoye and Bovanenkovskoye fields, and at Pestsovaya structure of the Urengoyskoye field, with a combined capacity of 244 MW
	1.8 bcm per year capacity added to the CGTU at the second block of the Achimov deposits at the Urengoyskoye OGCF
	151 new gas production wells in Russia
Oil and gas condensate production	Phase 2 facilities of the TL-4 compressor station at the Orenburgskoye OGCF's Eastern block
	A BCS and a gas pipeline at the Urmanskoye field
	A 131 thousand tonnes per year oil treatment unit, installed as part of the investment project for the field construction to develop the oil rim in the Botuobinsky horizon of the Chayandinskoye OGCF
	640 new oil production wells in Russia
Gas transportation	One 128 MW compressor station at the Power of Siberia trunk gas pipeline
	2,279.3 km of new trunk gas pipelines and connections in Russia, including 2,250.9 km of the Power of Siberia trunk gas pipeline
	1,876 km of the two strings of the TurkStream trunk gas pipeline's offshore section and a receiving terminal for the pipeline's offshore section in Turkey
	2 revamped gas pumping units with a combined capacity of 32 MW in Russia
Gas storage	6 new operating wells at the Sovkhoznoye UGSF
	42 operating wells, following revamps at the Stepnovskoye, Kasimovskoye, Shchelkovskoye, Peschano-Umetskoye and Elshano-Kurdyumskoye UGSFs in Russia
Hydrocarbon processing/refining	A propane fraction methanol removal unit with a marketable product drying module at the Surgut Condensate Stabilisation Plant (designed to remove methanol from the propane fraction feedstock)
	A gas purification unit for catalytic cracking regeneration gases at Omsk Refinery
	A revamped diesel fuel hydrotreating unit at Omsk Refinery
	An automated fuel loading system at Moscow Refinery
Electricity and heat generation and sales	Unit 2 at the Grozny TPP with an installed capacity of 184 MW



Investment priorities for 2020

- In gas production — production drilling and field construction at the Chayandinskoye and Kovyktinskoye fields, production drilling and field construction at the Kharasaveyskoye field, plus construction of a connection to the gas transport system, production drilling and field construction at the second pilot block of the Achimov deposits at the Urengoyskoye fields, field infrastructure expansion the Kirinskoye field, production drilling at the Yuzhno-Kirinskoye fields, and construction of an ice-resistant fixed platform at the Kamennomysskoye-Sea gas field
- In oil and gas condensate production — development of the Novoportovskoye and Prirazlomnoye fields
- In gas transportation — continued construction of the Power of Siberia trunk gas pipeline, UGSS transportation capacity expansion at the Gryazovets-Slavyanskaya CS section, construction of the Sakhalin-Khabarovsk-Vladivostok, Ukhta-Torzhok 2 and Bovanenkov-Ukhta 2 trunk gas pipelines
- In gas storage — expansion of the Kanchurinsko-Musinsky UGS complex, revamp of gas production assets at the Elshano-Kurdyumskoye, Peschano-Umetskoye and Stepnovskoye UGSFs, revamp of existing and construction of new facilities at the Kaliningradskoye UGSF
- In hydrocarbon processing/refining — the Amur GPP construction, implementation of projects to enable liquid hydrocarbon transportation from the Nadym-Pur-Taz region (the Urengoy oil pumping station, the Urengoy-Purpe oil and condensate pipeline), Astrakhan GPP revamp, construction of a catalytic cracking complex and a technical sulphur production unit at Gazprom neftekhim Salavat, and projects to boost refining depth at Omsk and Moscow refineries.
- In gas sales — gas infrastructure expansion in Russia and construction of an LNG production, storage and shipping complex near the Portovaya compressor station
- In electricity and heat generation and sales — completing construction of Svobodnenskaya TPP and Pančevo CHPP (Serbia), upgrade of the existing generating equipment, and implementation of a series of projects to ensure the reliability and safety of generating facilities and maintain the heat network infrastructure

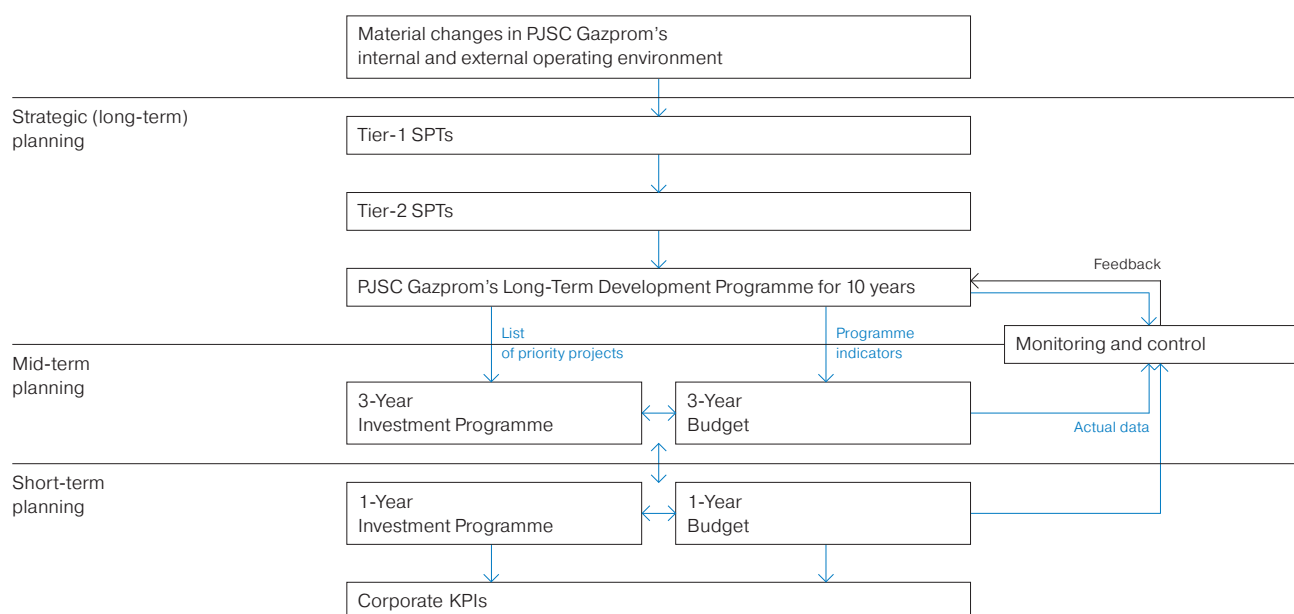


For more details on Gazprom Group's key projects see [Gazprom in Figures 2015–2019 Factbook](#)

Long-Term Development Programme and Key Indicators



Interfaces between SPT-based long-, mid- and short-term planning frameworks



Strategic Performance Targets

PJSC Gazprom's long-term strategic planning is based on a framework of strategic performance targets (SPTs) that are well-balanced across all lines of business and quantify the targets aimed at achieving PJSC Gazprom's strategic goals. Strategic planning identifies growth areas and management decisions, which are detailed at the mid-term and short-term planning levels. Results of the planning process are used as inputs for PJSC Gazprom's budgeting and Investment Programme for the coming year and a three-year period.

Tier-1 SPTs (SPT₁) are set by the Company's Board of Directors for the end of a ten-year planning period and provide a basis for developing PJSC Gazprom's Long-Term Development Programme.

Tier-2 SPTs (SPT₂) flesh out SPT₁ for specific lines of business, providing more details on the targets in production, marketing, economic performance, internal corporate processes, innovation and HR management.



PJSC Gazprom's revised Investment Programme for 2019 was approved by its Board of Directors, Resolution No. 3331 dated 22 October 2019 (Minutes of the Board of Directors' meeting No. 1277 dated 22 October 2019). For more details on the goals and main projects, key areas and timelines see the [Strategic Priorities](#) and [Capex Programmes](#) sections



**SPTs, values for the end of a ten-year period
(approved by Resolution of PJSC Gazprom's Board of Directors
No. 1528 dated 29 December 2009)**

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

Long-Term Development Programme

PJSC Gazprom's Long-Term Development Programme is a key tool for the Company's longer-term planning.

Its purpose is to provide a comprehensive integrated plan ensuring the Company's balanced and successful growth, achievement of SPTs, and maximisation of systemic economic benefits based on risk and opportunity analysis.

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

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

The Long-Term Development Programme is developed annually in accordance with the Company's Planning Procedures Based on the Strategic Performance Targets (SPTs) approved by a resolution of the Company's Management Committee in June 2006, and incorporating the Guidelines on Long-Term Development Programmes for Strategic Open Joint Stock Companies and Federal State Unitary Enterprises, and Open Joint Stock Companies in which the Aggregate Share of the Russian Federation Exceeds 50% (Instruction of the Government of the Russian Federation No. ISh-P13-2583 dated 15 April 2014). Once pre-approved by PJSC Gazprom's Management Committee, the Programme is submitted for approval to the Company's Board of Directors.

PJSC Gazprom's Long-Term Development Programme (2020–2029) was approved by its Board of Directors, Resolution No. 3317 dated 24 September 2019 (Minutes of the Board of Directors' meeting No. 1272 dated 24 September 2019).



Changes in PJSC Gazprom's Long-Term Development Programme in 2019

In 2019, PJSC Gazprom's Long-Term Development Programme was developed with the use of actual performance metrics for 2018, updated forecast of operating, economic and financial performance targets for the Company, and projections made by the Russian Ministry of Economic Development about the country's long-term socio-economic development.

Within the efforts to create a mechanism for rolling out the SPT-based long-term planning framework across international operations, and the oil and power generation businesses, PJSC Gazprom's Long-Term Development Programme (2020–2029) was supplemented with Gazprom Group's Oil Business Development and Gazprom Group's Power Generation Business Development sections.

Russian Government Directives No. 4955p-P13 dated 17 July 2014 provide for audits covering the progress on the Long-Term Development Programme.

In 2019, a progress audit of PJSC Gazprom's Long-Term Development Programme (for 2018–2027, covering the gas business) for 2018 was conducted by OOO FBK. The audit was performed in accordance with the Standard for Conducting a Progress Audit of PJSC Gazprom's Long-Term Development Programme and the Terms of Reference for Conducting a Progress Audit of PJSC Gazprom's Long-Term Development Programme (approved by Resolution of the Board of Directors of PJSC Gazprom No. 3196 dated 25 December 2018). Based on the results of the audit procedures and the audit evidence obtained, the auditor produced a report on the progress audit of PJSC Gazprom's Long-Term Development Programme (for 2018–2027, covering the gas business) for 2018 (No. 4200 dated 27 December 2019) confirming that the actual values achieved against the targets set out in the Programme were fair and that the targets set in PJSC Gazprom's Long-Term Development Programme (for 2018–2027, covering the gas business) were on the whole achieved in 2018.

In line with the Standard for Conducting a Progress Audit of PJSC Gazprom's Long-Term Development Programme, proposals for implementing the auditor's recommendations are submitted for approval to PJSC Gazprom's Board of Directors. Information on the implementation of the auditor's recommendations is included in the Programme as part of its annual update. Proposals for implementing the auditor's recommendations produced following the progress audit of PJSC Gazprom's Long-Term Development Programme for 2018 were approved by Resolution of PJSC Gazprom's Board of Directors No. 3409 dated 29 April 2020.



For more details on the 2019 activities aimed at implementing the Long-Term Development Programme and their timelines see the [Strategic Priorities and Capex Programmes](#) section

Key Performance Indicators

The medium and short term investment, financial and operational planning at PJSC Gazprom is consolidated within the budget planning framework.

Targets for corporate key performance indicators (KPIs) are calculated based on PJSC Gazprom's annual budget (financial plan) and Investment Programme. The KPIs incorporate the Company's most important short-term efficiency and effectiveness metrics and are subject to approval by the Board of Directors.

The Company's KPI framework was approved by Resolution of the Board of Directors of JSC Gazprom No. 2435 dated 21 October 2014 (Minutes of the Board of Directors' meeting No. 972 dated 21 October 2014) as part of the Regulations on JSC Gazprom's Key Performance Indicators. Subsequently, the KPI framework was amended by PJSC Gazprom's Board of Directors to incorporate the instructions issued by government authorities.

KPI targets for 2019 were set by resolutions of the Board of Directors based on PJSC Gazprom's 2019 budget (financial plan) and Investment Programme, with some of the KPIs subsequently adjusted as per the new version of the 2019 budget (financial plan) and Investment Programme.

The adjustments were mainly driven by consolidation of PJSC Gazprom's refining assets, cost reallocation in Production, lower forecast on gas supply to European countries, higher forecast on gas supply to FSU countries and Russian consumers, and lower revenue forecast.



Target and actual values of corporate KPIs for 2019

KPI metric	Target value		Actual value***	KPI achievement, % of the target	Explanation of variance between the target and actual KPI values
	Initial*	Adjusted**			
Financial and economic KPIs					
Per unit costs in Production, RUB/t c. e.	926.5	869.27	873.24	99.5%	Lower gas production actual vs plan by 0.2%
Per unit costs in Transportation, RUB per unit of transportation (mcm/100 km)	69.32	68.12	67.43	101%	Lower actual costs of gas transportation subsidiaries
Reduction of operating costs (expenses), %	2	No adjustments	2.78	139%	Lower controllable operating costs
Total shareholder return	0.10	No adjustments	0.783	783%	PJSC Gazprom's market capitalisation growth
Return on equity, %	6	No adjustments	8.78	146%	Higher FX gains included in finance income
Labour productivity, RUB thousand/ man-hour	81.42	73.16	75.66	103%	Gas purchase expenses lower by 8.3%
Industry-specific KPIs					
Gas sales by volume, bcm	453.288	450.031	453.361	101%	Increased demand for gas and, consequently, higher supplies to the far abroad and FSU countries (except the Baltic states) and Russian consumers compared to the target
Commissioning of priority production facilities	10	10 (list of production facilities adjusted)	7	70%	Weather and lead times of components required for works at gas transportation facilities
Integrated innovation key performance indicator, %	95	No adjustments	111.45	117%	Systematic work on implementation of PJSC Gazprom's Innovative Development Programme and well-organised innovation

* Resolution of PJSC Gazprom's Board of Directors No. 3249 dated 16 April 2019.

** Resolution of PJSC Gazprom's Board of Directors No. 3369 dated 26 December 2019.

*** To be submitted for review by PJSC Gazprom's Board of Directors in Q2 2020.



Target corporate KPIs for 2020

KPI metric	Target value*
Financial and economic KPIs	
Per unit costs in Production, RUB/t c. e.	924.31
Per unit costs in Transportation, RUB per unit of transportation (mcm/100 km)	71.62
Reduction of operating costs (expenses), %	2
Total shareholder return	0.10
Return on equity, %	6
Labour productivity, RUB thousand/man-hour	75.19
Industry-specific KPIs	
Gas sales by volume, bcm	460.321
Commissioning of priority production facilities	5
Integrated innovation key performance indicator, %	95

* To be submitted for review by PJSC Gazprom's Board of Directors in Q2 2020. KPI values were calculated in accordance with PJSC Gazprom's annual budget (financial plan) and Investment Programme for 2020 approved by the Board of Directors, and may be adjusted following the established procedures if the Board of Directors resolves to approve new versions of these documents.



Description of the KPIs is provided in the [Remuneration of Members of Governing and Supervisory Bodies](#) section

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Exploration and Production

Gazprom has the world's largest reserves of natural gas and is the world's leading gas producer. The Group successfully implements production projects in Russia and beyond. In 2019, Gazprom significantly increased the resource base of the Yamal gas production hub, driven by new discoveries, and started developing the Kharasaveyskoye field, another large field on this peninsula. In eastern Russia, Yakutia gas production hub commenced production from its Chayandinskoye anchor field.

PJSC Gazprom maintains its leadership in gas reserves and production among Russian and global public companies of the fuel and energy sector.

In order to replenish its mineral resource base and maintain production of hydrocarbons to match consumer demand, Gazprom Group conducts successful geological and geophysical (G&G) surveys of fields and prospects in Russia and beyond. Over the last 15 years, the reserves replacement ratio has been maintained above 100%.

According to DeGolyer and MacNaughton, Gazprom Group's proved and probable PRMS reserves as at 31 December 2019 were 24,395.5 bcm of natural gas, 1,063.2 mm tonnes of gas condensate and 1,374.8 mm tonnes of oil, including share in the reserves of entities in which Gazprom has investments classified as joint operations (21.2 bcm of natural gas and 153.9 mm tonnes of oil).



Proved and probable PRMS hydrocarbon reserves of Gazprom Group (including share in the reserves of entities in which Gazprom has investments classified as joint operations)

	As at 31 December 2018	As at 31 December 2019
Natural gas, bcm	24,255.1	24,395.5
including proved reserves	17,890.4	17,715.1
Gas condensate, mm tonnes	1,090.2	1,063.2
including proved reserves	759.7	730.2
Oil, mm tonnes	1,335.4	1,374.8
including proved reserves	712.3	707.5
Total, bn boe*	176.1	177.1
including proved reserves	127.5	126.1

* For management accounting purposes, Gazprom Group measures hydrocarbon reserves and production in metric units. In this Annual Report, gas reserves are converted from metric units to barrels of oil equivalent at a ratio of 1,000 cu m to 6.49 boe.



The relevant conversion ratios are provided in the [Glossary](#) section

Most of Gazprom Group's projects have been audited, totaling 92.8% of gas reserves, 95.0% of condensate reserves and 95.7% of oil reserves in A+B₁+C₁ reserve categories.

In addition to the annual production from the fields operated by Gazprom, the key factors behind the changes in reserve estimates under international standards included: bringing more reserves into the audit scope (Kazanskoye, Severo-Vasyuganskoye, Ostaninskoye, Tas-Yuryakhskoye, Malo-Yamalskoye and Blizhnenovoportovskoye fields); reclassification of Turonian deposit at the Yuzhno-Russkoye field to higher-level reserve categories based on actual information from production; and changes in economic factors the Yuzhno-Russkoye field; adjustments of development plan parameters for the Kharasaveyskoye field; further acceleration of the Tazovskoye field development and successful exploration at the Alexander Zhagrin field.

Operations in Russia

Mineral Resource Base

As at 31 December 2019, Gazprom Group's A+B₁+C₁ hydrocarbon reserves in Russia were 34,899.00 bcm of natural gas, 1,569.66 mm tonnes of gas condensate and 2,005.67 mm tonnes of oil, including the share in the reserves of entities in which Gazprom Group has investments classified as joint operations — 23.07 bcm of gas, 2.73 mm tonnes of gas condensate and 192.42 mm tonnes of oil. Gazprom Group's A+B₁+C₁ hydrocarbon reserves total 254.04 bboe.



Factors behind the changes in A+B₁+C₁ natural gas reserves in 2019, bcm

Natural gas reserves as at 31 December 2018		35,195.27
Exploration-based additions to reserves	→	+556.69
Re-estimation	←	-455.40
Acquisition of assets	→	+100.60
Production (including losses)*	←	-499.66
Other factors	→	+1.50
Natural gas reserves as at 31 December 2019		34,899.00

* Excluding dissolved gas.



Factors behind the changes in A+B₁+C₁ gas condensate reserves in 2019, mm tonnes

Gas condensate reserves as at 31 December 2018		1,604.41
Exploration-based additions to reserves	→	+11.72
Re-estimation	←	-39.41
Acquisition of assets	→	+6.32
Production (including losses)*	←	-13.35
Other factors	←	-0.03
Gas condensate reserves as at 31 December 2019		1,569.66

* Any production-driven changes in gas condensate reserves are recognised following conversion into stable gas condensate (C₅₊). In 2019, Gazprom Group produced 16.71 mm tonnes of unstable gas condensate.

71%

Gazprom Group's share of total Russian explored reserves of natural gas



Subsoil licence portfolio as at 31 December 2019

Gazprom Group	
302	licences for geological surveying, exploration and production of hydrocarbons
573.2 thousand square km	total area of licence blocks
Entities in which Gazprom has investments classified as joint operations	
37	licences for geological surveying, exploration and production of hydrocarbons
23.9 thousand square km	total area of licence blocks



For more details on Gazprom Group's licences for major hydrocarbon fields and licensing activities see [Gazprom in Figures 2015–2019 Factbook](#)

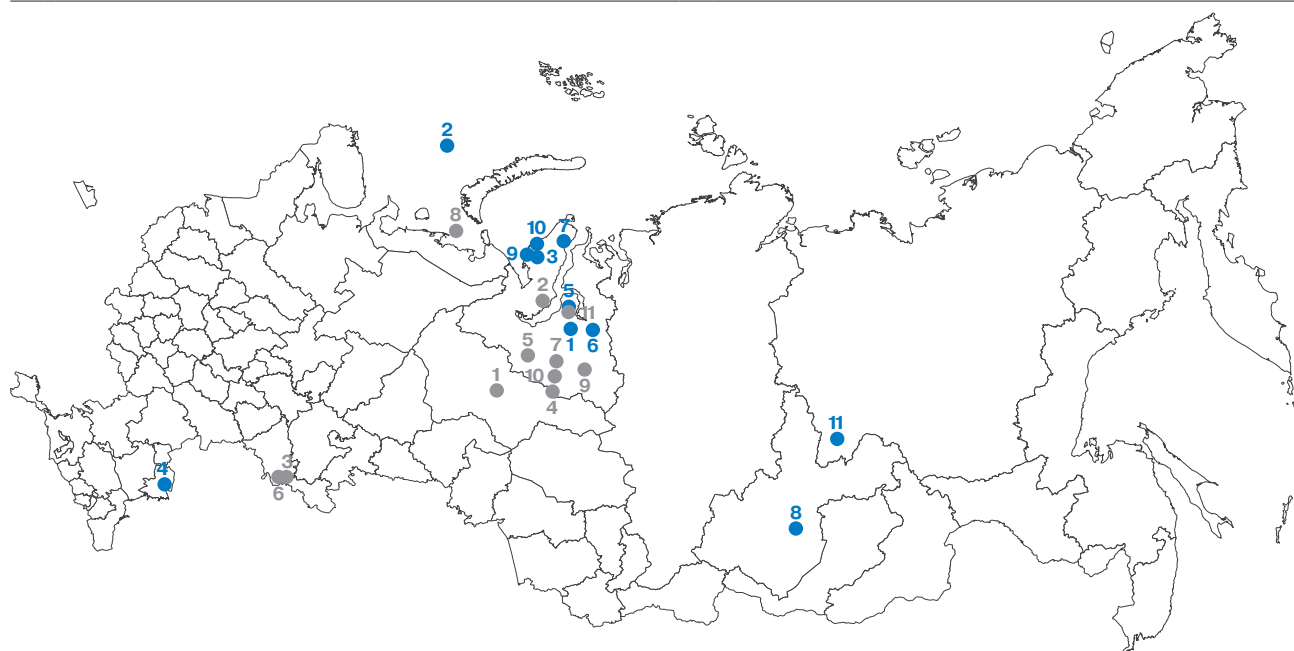


Factors behind the changes in A+B₁+C₁ oil reserves in 2019, mm tonnes

Oil reserves as at 31 December 2018		2,015.71
Exploration-based additions to reserves	→	+28.98
Production (including losses)	←	-47.50
Other factors	→	+8.48
Oil reserves as at 31 December 2019		2,005.67



Gazprom Group's fields in Russia with the largest reserves of natural gas and oil



● The largest fields by natural gas reserves

- 1 Urengoykoye
- 2 Shtokman
- 3 Bovanenkovskoye
- 4 Astrakhanskoye
- 5 Yamburgskoye
- 6 Zapolyarnoye
- 7 Tambeykoye
- 8 Kovyktinskoye
- 9 Kruzenshternskoye
- 10 Kharasaveyskoye
- 11 Chayandinskoye

● The largest fields by oil reserves

- 1 Priobskoye
- 2 Novoportovskoye
- 3 Eastern block of the Orenburgskoye OGCF
- 4 Vyngapurovskoye
- 5 Sutorminskoye
- 6 Orenburgskoye
- 7 Vyngayakhinskoye
- 8 Prirazlomnoye
- 9 Ety-Purovskoye
- 10 Novogodneye
- 11 Yamburgskoye

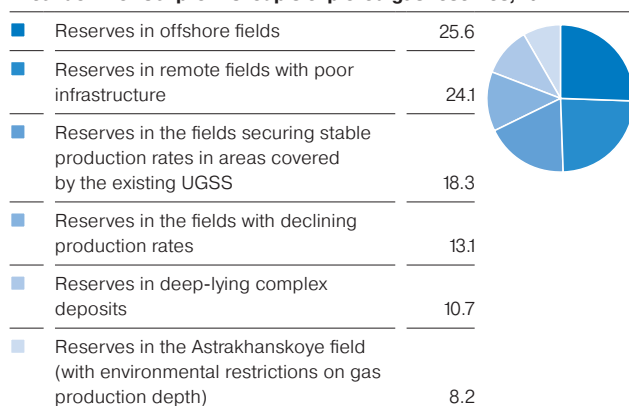
Note. The map shows Gazprom Group's hydrocarbon fields (excluding entities in which Gazprom has investments classified as joint operations) with combined A+B₁+C₁ reserves accounting for over 70% of natural gas and over 55% of oil reserves as at 31 December 2019.

A distinguishing feature of Gazprom Group's mineral resource base is a high concentration of reserves: about 60% of reserves are located in Western Siberia. The region will remain the leading petroleum province until 2025 and beyond.

The Group's share in A+B₁+C₁ hydrocarbon reserves of associates and joint ventures (including share in the reserves of OOO RusGazAlyans, a joint venture between OOO Gazprom dobycha Yamburg and AO RusGazDobycha) as at 31 December 2019 was 1,063.97 bcm of gas, 111.09 mm tonnes of gas condensate and 588.64 mm tonnes of oil, which totals 12.13 bboe.



Breakdown of Gazprom Group's explored gas reserves, %

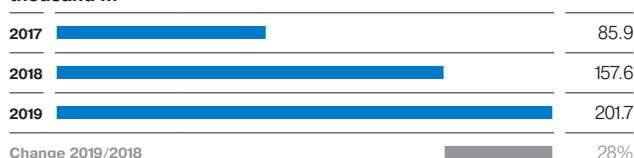


Exploration

In the reporting year, Gazprom Group conducted exploration activities in almost all oil and gas regions of the Russian Federation to ensure commercial reserves replacement for hydrocarbons and prepare the reserve base. Gas exploration was carried out in the UGSS area to maintain production levels at existing fields, on the continental shelf of the Kara and Barents Seas, and the Sea of Okhotsk to ensure reserves growth and formation of strategic reserves, and in Eastern Siberia and the Far East to maintain the existing and create new gas production hubs. Oil exploration activities were mostly concentrated on the Yamal Peninsula, in Eastern and Western Siberia, and the Orenburg Region.



Exploration drilling for gas and oil across Gazprom Group, thousand m



In 2019, the Company completed seismic surveys in Russia: 2D — 15.0 thousand km, 3D — 7.9 thousand square km. Exploration drilling totalled 201.7 thousand m of solid rock, and 41 oil and gas wells were completed, with 39 wells producing flow when tested.

During the year, the Company also used sidetrack drilling for further exploration. Drilling meterage totalled 12.5 thousand m, with two production wells completed.

The Company allocated RUB 116.9 bn for its exploration programmes (inclusive of VAT).

Most of PJSC Gazprom's annual reserve additions in Russia come from exploration

In addition, for entities in which Gazprom has investments classified as joint operations, exploration drilling stood at 74.7 thousand m, with 18 exploration wells completed (14 flowing), and 3D seismic was acquired on 0.9 thousand square km. Further exploration using sidetrack drilling totalled 5.7 thousand m, with two production wells completed.

Total meterage of exploration drilling for gas and oil across Gazprom Group increased by 28% in 2019

Gazprom made four new field discoveries during 2019: the Dinkov gas condensate field and the Nyarmeykoye gas field on the Kara Sea continental shelf, the Yagodnoye and Roshchinskoye oil fields in the Orenburg Region, and 25 new deposits within previously discovered fields in the Yamal-Nenets Autonomous Area, Khanty-Mansi Autonomous Area — Yugra, on the Kara Sea continental shelf, in the Tomsk and Orenburg Regions, and the Republic of Sakha (Yakutia). In addition, entities in which Gazprom has investments classified as joint operations discovered the Chikishev field in the Tomsk Region and two deposits in the Khanty-Mansi Autonomous Area — Yugra.

According to Westwood Global Energy consultancy, the Dinkov and Nyarmeykoye fields are the largest discoveries of the first half of 2019 globally

In 2019, exploration-driven additions to A+B₁+C₁ hydrocarbon reserves in Russia totalled 556.69 bcm of natural gas, 11.72 mm tonnes of gas condensate and 28.98 mm tonnes of oil. Including additions to the reserves of companies in which Gazprom has investments classified as joint operations — 1.95 mm tonnes of oil.



Unique track record of exploration on the Russian continental shelf

Gazprom Group has firmly established itself as the exploration leader on the Russian continental shelf, including the Arctic seas. The Group has gained unique experience in 3D seismic surveys on the continental shelf in various climatic zones. By leveraging advanced technologies and equipment, the Group has reduced exploration risks and can now complete the construction of prospecting, appraisal and exploration wells within one summer navigation season, reducing the time to prepare commercial C₁ reserves by half.

Exploration on the Russian continental shelf was the key driver of the high reserves replacement levels shown by Gazprom Group in 2018 and 2019.



Results of exploration on the Russian continental shelf

Exploration drilling for gas and oil across Gazprom Group, thousand m	
2017	7.8
2018	7.5
2019	7.1
3D seismic, thousand square km	
2017	13.3
2018	3.5
2019	2.4
Exploration-based additions to A+B ₁ +C ₁ natural gas reserves, bcm	
2017	48.9
2018	768.3
2019	408.4*

* Excluding the onshore part of the Kruzenshternskoye GCF.

Significant growth in gas reserves was achieved at the Kruzenshternskoye field, located on the Kara Sea continental shelf and in adjacent onshore areas (+262.9 bcm), the Dinkov and Nyarmeykoye fields on the Kara Sea continental shelf (+135.9 bcm and +67.9 bcm, respectively), and the Ludlovskoye field on the Barents Sea continental shelf (+48.9 bcm).

The exploration success rate in 2019 was 19.4 thousand boe per metre drilled (excluding entities in which Gazprom has investments classified as joint operations).

1.11

Gazprom Group's gas reserves replacement ratio

Re-estimation

Gazprom Group continued revising gas recovery factors (GRFs) under the Russian Classification of Reserves and Resources of Oil and Flammable Gases. Recoverable gas reserves decreased by 516.33 bcm as a result of gas recovery factor (GRF) revision in 2019, with the largest drop in the Yuzhno-Kirinskoye, Zapadno-Tarkosalinskoye, Kharasaveyskoye, Severo-Kamennomysskoye and Rusanovskoye fields. As at 31 December 2019, Gazprom completed the GRF estimation for the fields containing 29% of Gazprom Group's total A+B₁+C₁ reserves. Revision of GRFs for Gazprom Group's other fields in the coming years will continue have a significant impact on the size of its recoverable gas reserves.

Acquisition of Assets

Upon the completion of AO Arcticgas' reorganisation, PAO Gazprom Neft remained the only participant in OOO NOVATEK-Yarsaleneftgaz (which in February 2020 was renamed to OOO Gazpromneft-Yarsale), which holds a subsoil licence for the Malo-Yamalsky licence area, while PAO NOVATEK became the only participant in OOO North-Chaselskoye and OOO Yevo-Yakhinskoye, which hold subsoil licences for the North-Chaselskiy licence area and the Yevo-Yakhinskiy licence area, respectively. Following the reorganisation, PAO Gazprom Neft and PAO NOVATEK continued to jointly control AO Arcticgas. Deal-driven A+B₁+C₁ hydrocarbon reserves growth for Gazprom Group totalled 100.60 bcm of natural gas and 6.32 mm tonnes of gas condensate.

Field Developments

Gazprom Group has unique capabilities to accomplish priority tasks as required for further increase in gas production and fulfilment of its obligations to supply gas to consumers in Russia and abroad.



Gazprom Group's fields in Russia with the largest production of natural gas and oil



● The largest fields by natural gas production

- 1 Zapolyarnoye
- 2 Bovanenkovskoye
- 3 Urengoyskoye
- 4 Yamburgskoye
- 5 Yuzhno-Russkoye
- 6 Yamsoveiskoye
- 7 Astrakhanskoye
- 8 Orenburgskoye

● The largest fields by oil production

- 1 Priobskoye
- 2 Novoportovskoye
- 3 Prirazlomnoye
- 4 Vyngapurovskoye
- 5 Eastern block of the Orenburgskoye OGCF
- 6 Sutorminskoye
- 7 Zapadno-Chatylkinskoye
- 8 Vyngayakhinskoye

Note. The map shows Gazprom Group's hydrocarbon fields (excluding entities in which Gazprom has investments classified as joint operations) with combined production accounting for 70% or more of total natural gas and oil production in 2019.



Gazprom Group's hydrocarbon production assets in Russia as at 31 December 2019

Gazprom Group	
144	fields in commercial development
7,438	gas producing wells
7,752	active oil production wells
Entities in which Gazprom has investments classified as joint operations	
39	fields in commercial development

In 2019, Gazprom Group produced 501.22 bcm of natural and associated gas. Maximum daily production of gas in the autumn and winter of 2018/2019 reached 1,538.6 mmcm.



Maximum daily gas production in the autumn and winter seasons, mmcm

2016/2017	2017/2018	2018/2019
1,535.6	1,512.6	1,538.6



Gazprom Group's natural and associated gas production in the Russian Federation, bcm

Gazprom Group, including the share in production volumes of entities in which Gazprom has investments classified as joint operations	
2017	472.05 1.07
2018	498.68 1.08
2019	501.22 1.08
■ Total ■ Gazprom Group's share in the production volumes of entities in which Gazprom has investments classified as joint operations	
Change 2019/2018	0.5%
Gazprom Group's equity share of production from associates and joint ventures	
2017	27.04
2018	26.92
2019	26.86
Change 2019/2018	-0.2%

The growth in gas production was due to increased natural gas production from the Bovanenkovskoye OGCF, which was further ramped up in the reporting year, the start-up of natural gas production at the Chayandinskoye OGCF to support export supplies to China via the Power of Siberia gas pipeline (natural gas production totalled 0.84 bcm), as well as an increase in APG production.



Gas production from the Bovanenkovskoye OGCF, bcm

2017	82.84
2018	87.45
2019	96.28
Change 2019/2018	10.1%



APG production of Gazprom Group, including share in the production volumes of entities in which the Group has investments classified as joint operations, bcm

2017	11.42
2018	13.94
2019	17.55
Change 2019/2018	25.9%

The increase in associated gas production was driven by Gazprom Neft (mostly from the Novoportovskoye OGCF and the Eastern Block of the Orenburgskoye OGCF) following the commissioning of facilities in 2019 and previous years under the APG Efficient Utilisation Programme (providing for investment projects to build gas infrastructure) as well as organisational and technical improvements at sites with well-developed gas infrastructure. 2019 saw the commissioning of gas infrastructure facilities which increased APG utilisation rate at the Urmanskoye and Shinginskoye fields in the Tomsk Region to 95%, as well as Phase 2 of TL-4 compressor station with a gas pipeline on the Eastern Block of the Orenburgskoye field.



Information about the commissioning of hydrocarbon production capacities in the reporting year is presented in the [Capex Programmes](#) section

APG utilisation level across Gazprom Neft Group in Russia (excluding entities in which the Group has investments classified as joint operations) increased to 89.0% (2018: 78.4%).

PJSC Gazprom's major gas production subsidiaries achieved APG utilisation rates of almost 100%

In 2019, APG utilisation across Gazprom Group's assets in Russia (including share in the production volumes of entities in which the Group has investments classified as joint operations) reached 90.1% (2018: 81.8%).

Revamps and retrofits of gas production facilities carried out under comprehensive programmes ensure reliable, safe and cost-efficient operation of Gazprom Group's gas production assets to maintain target gas production levels, including fields in the declining production phase. Activities under such programmes in 2019 covered the Yamburgskoye, Urengoykoye, Medvezhye, Bovanenkovskoye, Yubileynoye, Yamsoveiskoye, Zapadno-Tarkosalinskoye, Komsomolskoye and Orenburgskoye OGCFs, as well as the Astrakhanskoye GCF and Vyngayakhinskoye gas field. The Group allocated over RUB 13.0 bn (inclusive of VAT) to fund these programmes.

Gazprom Group produced 47.96 mm tonnes of oil, including 46.29 mm tonnes produced by Gazprom Neft Group in 2019.

Production volumes were reduced for a number of Gazprom Neft's fields to meet quotas defined by the Ministry of Energy of the Russian Federation for Gazprom Group under the OPEC+ production cut deal.



Bringing into development the previously untapped reserves within the oil-rim deposits, and Valanginian, Achimov and Neocomian-Jurassic deposits at Gazprom Group fields

Gazprom Neft Group gained access to the following nine fields covered by subsoil licences granted to PJSC Gazprom and its gas production subsidiaries under long-term risk-based operatorship contracts: the Pestsovoye, Yen-Yakhinskoye, Zapadno-Tarkosalynskoye, Chayandinskoye, Yamburgskoye, Orenburgskoye, Urengoykoye, Kharasaveyskoye and Bovanenkovskoye fields. Given Gazprom Neft's extensive expertise, vast experience, and availability of technologies to produce hard-to-recover reserves, this decision will allow Gazprom Group to start targeted development of oil rims and Achimov and Neocomian-Jurassic gas condensate deposits and prepare the fields for full-scale production start-up by the scheduled dates.

Under long-term risk-based operatorship contracts, Gazprom Neft will invest own funds in the asset developments and accept all associated risks, which will consolidate reserves, production and financial results of the projects.

A total of 0.23 mm tonnes of oil was produced under long-term risk-based operatorship contracts in 2019. Annual production of liquid hydrocarbons can potentially reach 10 mm tonnes of oil equivalent.



Oil production by Gazprom Group in Russia, mm tonnes

Gazprom Group, including the share in production volumes of entities in which Gazprom has investments classified as joint operations	
2017	48.63
	7.65
2018	48.28
	7.37
2019	47.96
	7.18
Change 2019/2018	-0.7%
Gazprom Group's equity share of production from associates and joint ventures	
2017	10.91
2018	11.22
2019	11.77
Change 2019/2018	4.9%

The increase in the oil production volumes of associates and joint ventures was driven by higher production from the Vostochno-Messoyakhskoye field, operated by AO Messoyakhaneftegaz (a joint venture between PAO Gazprom Neft and PAO Rosneft), and from the fields operated by AO Arcticgas (a joint venture between PAO Gazprom Neft and PAO NOVATEK).



For more details on Gazprom Group's priority field developments in the Russian Federation see the Strategy section and Gazprom in Figures 2015–2019 Factbook

Gazprom Group produced 16.71 mm tonnes of gas condensate in the reporting year.

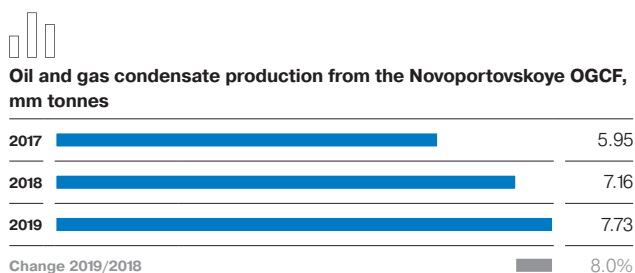


Gas condensate production by Gazprom Group in Russia, mm tonnes

Gazprom Group, including the share in production volumes of entities in which Gazprom has investments classified as joint operations	
2017	15.94
	-
2018	15.93
	-
2019	16.71
	-
Change 2019/2018	4.9%
Gazprom Group's equity share of production from associates and joint ventures	
2017	4.96
2018	4.87
2019	4.74
Change 2019/2018	-2.7%

Higher gas condensate production by Gazprom Group was mainly due to an increase in production from Block 1 of the Achimov deposits at the Urengoykoye OGCF following the signing of a framework agreement between PJSC Gazprom and Wintershall Dea. In the reporting year, the production drilling programme was completed at the Block. AO Achimgaz (a joint venture between OOO Gazprom dobycha Urengoy and Wintershall Dea) has operatorship of the project, while OOO Gazprom dobycha Urengoy is the subsoil user.

The Group continued to ramp up liquid hydrocarbon production from the Novoportovskoye OGCF under the field development project. Logistical arrangements were completed in 2019 to enable year-round oil shipments from the field. The final stage of the project included the deployment of Andrey Vilkitzky icebreaker in the Gulf of Ob for icebreaking support and the launch of Kapitan, the world's first digital Arctic logistics management system.



For more details on the application of new development technologies see the [Innovations and Import Substitution](#) section

Operations Outside Russia

Outside Russia, Gazprom Group carries out oil and gas exploration and development activities, and provides oilfield services related to well construction.

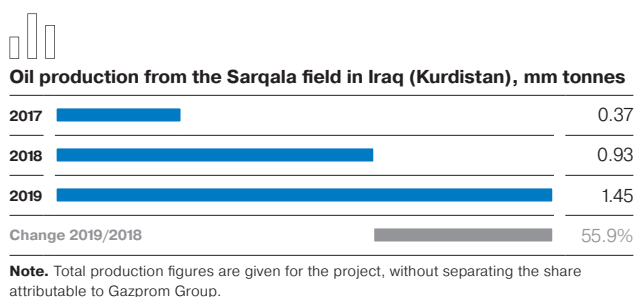
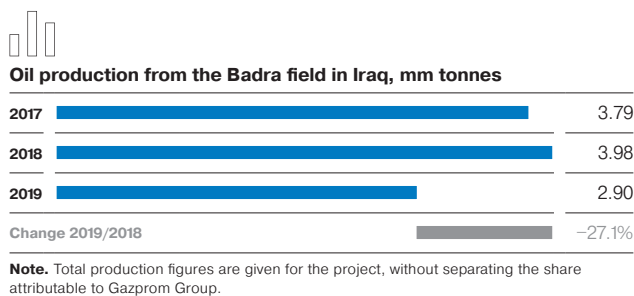
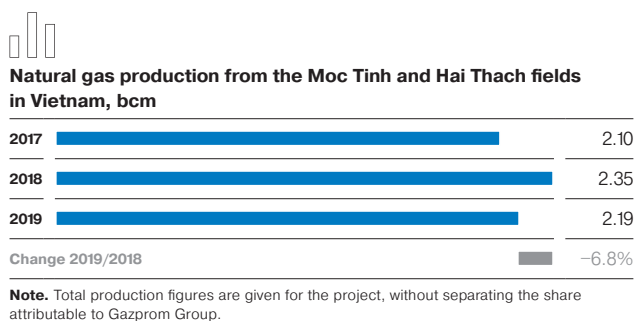
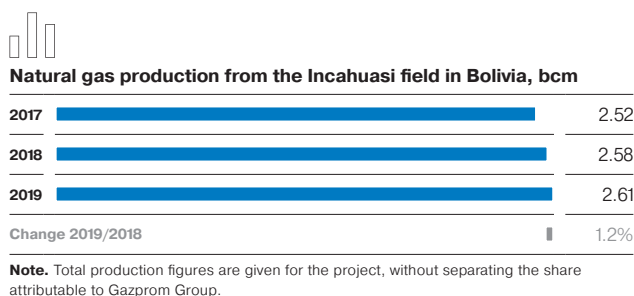
In 2019, Gazprom Group continued exploration activities in Algeria (the El Assel project), Bolivia (the Azero project) and Vietnam (Block 112; Blocks 129–132), as well as in Serbia and Romania (NIS projects).

Exploration campaigns conducted by Gazprom Group on the Group-operated projects were mostly concentrated in Serbia and Romania. Exploration drilling totalled 18.6 thousand m, with seven exploration wells completed (all of them flowing), and 3D seismic was acquired on 0.7 thousand square km. As a result of Gazprom Group’s exploration campaigns, two new deposits were discovered in Serbia.

Under the Agreement of Strategic Cooperation between PJSC Gazprom and AO Uzbekneftegaz, exploration activities were continued on six investment blocks in the Republic of Uzbekistan.

Gazprom Group spent RUB 5.4 bn in 2019 on exploration projects outside Russia (inclusive of VAT).

Gazprom Group also has stakes in a number of oil and gas projects at the production stage. In terms of natural gas and gas condensate production, the largest of them include the projects to develop the Moc Tinh and Hai Thach fields in the South China Sea offshore Vietnam (Gazprom Group interest 49%), and the Incahuasi field within the Ipati and Aquio blocks in Bolivia (Gazprom Group interest 20%). The Badra field development project in Iraq (Gazprom Group interest 30%) and the Sarqala field located within the Garmian block in Iraq (Kurdistan) are the largest by production of oil and APG. In the reporting year, the projects to develop the Incahuasi and Sarqala fields were at the ramp-up stage.



The construction of production facilities (production platform, gas pipeline and production well) was completed at the cross-border Sillimanite field in the British and Dutch sectors of the North Sea (Gazprom Group direct interest 19.9%) in 2019, enabling the field commissioning in 2020. Under a PSA for the Djel gas condensate field signed in 2018, a subsoil licence with applicable permits for the area covered by the PSA was obtained in 2019, and Djel Field Development Plan was approved in accordance with the PSA provisions.

NIS, a Serbian subsidiary of Gazprom Neft, produced 0.89 mm tonnes of oil and gas condensate and 0.46 bcm of natural and associated gas in 2019 (2018: 0.92 mm tonnes of oil and gas condensate and 0.49 bcm of natural and associated gas). Production was mostly concentrated in Serbia, as well as in Angola, Bosnia and Herzegovina and Romania.

In the British, Danish and Dutch sectors of the North Sea, Wintershall Noordzee B.V. joint venture (Gazprom Group interest 50%) produced 0.535 bcm of natural gas and 0.06 mm tonnes of oil and gas condensate (2018: 0.712 bcm of natural gas and 0.06 mm tonnes of oil and gas condensate). The Group's associate Wintershall AG (Gazprom Group interest 49%) still faces challenges due to the ongoing political crisis in Libya, which resulted in limited oil production and exports. In the reporting year, 2.39 mm tonnes of oil and 0.42 bcm of associated gas were produced (2018: 2.15 mm tonnes of oil and 0.31 bcm of associated gas).



For more details on Gazprom Group's prospecting and exploration projects and on performance of associates and joint ventures outside Russia see [Gazprom in Figures 2015–2019 Factbook](#)

In 2019, the Group continued to focus on exploring opportunities for participation in new oil and gas projects.

Under the Agreement of Strategic Cooperation with YPF, PJSC Gazprom is focusing on possible participation in the development of the Vitiacua block in Bolivia. Acquiring interests in Argentina's oil and gas projects is also being considered.

In oil business, Gazprom's targeted regions include the Balkan Peninsula (Serbia, Romania, Bosnia and Herzegovina) and the Middle East. Detailed feasibility studies were completed for several assets in the MENA (Middle East and North Africa) region in 2019.

Gas Transportation and Storage

Gazprom relies on the globally unique Unified Gas Supply System (UGSS) of Russia and the Power of Siberia gas pipeline in transporting gas for export and to supply the needs of Russian consumers. To secure reliable gas supplies Gazprom Group is focused on the continuous development of the GTS — building new, hi-tech gas pipelines and renovating, upgrading and retrofitting the existing pipeline capacity, as well as implementing a programme to decommission excess gas transportation capacity. The highlights of 2019 and early 2020 include the launches of the Power of Siberia and TurkStream gas pipelines.

Gas Transportation in Russia

The UGSS of Russia is a centrally operated system of natural gas production, processing, treatment, transportation and storage. The UGSS incorporates the world’s longest network of high-pressure trunk pipelines covering European Russia and Western Siberia. In addition, the Group owns trunk gas pipelines in the Russian Far East: the Power of Siberia, Sakhalin–Khabarovsk–Vladivostok and Sobolevo–Petropavlovsk-Kamchatsky pipelines. Gazprom’s GTS, which is unique in its size and quality parameters, ensures highly reliable and flexible gas supplies for consumers in Russia and abroad.

During 2019, a total 678.96 bcm of gas were supplied into Gazprom’s GTS in Russia. The decrease from the previous year was driven by the natural gas demand dynamics in Russia and globally.



The combined length of trunk gas pipelines and connections operated by the Group’s gas transportation subsidiaries in Russia as at 31 December, thousand km

2017	172.1
2018	172.6
2019	175.2
Change 2019/2018	1.5%

In December 2019, Gazprom started Russian pipeline gas supplies to China via the Power of Siberia trunk gas pipeline. The pipeline is operated by OOO Gazprom transgaz Tomsk, a subsidiary of PJSC Gazprom. A total of 0.33 bcm of natural gas was supplied via the pipeline in 2019.

The Power of Siberia is a strong enabler for gas infrastructure expansion and economic development in Eastern Siberia and the Far East of Russia



Gas supplies into the Gazprom's GTS in Russia, bcm

2017	672.09
2018	693.07
2019	678.96
Change 2019/2018	-2.0%



Gas consumption for own operational needs of the GTS, bcm

2017	37.48
2018	40.14
2019	37.99
Change 2019/2018	-5.4%



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

	2017	2018	2019	Change 2019/2018
Gas transported, bcm	137.91	136.42	132.12	-3.2%
including Russian gas	130.37	128.27	124.33	-3.1%
Companies serviced	24	25	22	-12.0%

Activities ensuring the reliability and safety of linear sections of trunk gas pipelines (overhauls and scheduled maintenance) are planned and carried out depending on the technical condition and operating risks of the respective facilities.



Inline inspections to diagnose the GTS in Russia, thousand km

2017	22.1
2018	25.1
2019	28.9
Change 2019/2018	15.1%

The GTS Operability and Integrity Management System is in place at PJSC Gazprom to ensure the reliable and safe operation of GTS facilities.



Automation of GTS operability and integrity management processes

Gazprom's Gas and Gas Condensate Transportation Management and Information System (Phase 2) went live in 2019. The project included the automation of collection, processing, storage, and provision of data required for managing the operability and integrity of PJSC Gazprom's gas transportation system facilities.

A plan for the overhaul of linear sections of trunk gas pipelines for 2020 and a Programme for the Overhaul of Linear Sections of Trunk Gas Pipelines of PJSC Gazprom for 2020–2022 were produced using the nameplate, operating and geospatial data loaded into the system.

As the owner of the Russian section of the GTS, PJSC Gazprom leases out free gas pipeline capacity (subject to its availability) to independent companies provided they have documents confirming their ownership of gas supplies or the existence of contractual obligations to buy (sell) gas, and a proof of the customer's readiness to accept the stated gas supplies within the gas delivery period. Independent companies using PJSC Gazprom's GTS are also required to ensure treatment of gas to the applicable standards and technical regulations prior to its transportation, and accounting for gas supplies at custody transfer stations.

The reduced access to the GTS capacity was due to the overall declines in gas production by companies outside Gazprom Group, as well as lower gas supplies to Russian consumers in general.



GTS overhauls in Russia, km

2017	810.1
2018	771.3
2019	782.1
Change 2019/2018	1.4%

Accident rates for linear sections of trunk gas pipelines have decreased by more than half over the last 10 years.

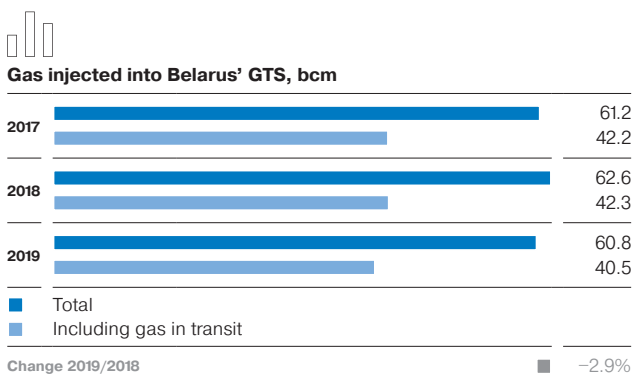


For more details on the diagnostics and overhauls of trunk gas pipelines in Russia and on the number of GTS accidents and technical faults see [Gazprom in Figures 2015–2019 Factbook](#)

Gas Transportation Outside Russia

Gazprom Group companies own the gas transportation systems in Belarus (OAO Gazprom transgaz Belarus), Armenia (ZAO Gazprom Armenia) and Kyrgyzstan (OsOO Gazprom Kyrgyzstan), ensuring supplies of natural gas to consumers in these countries.

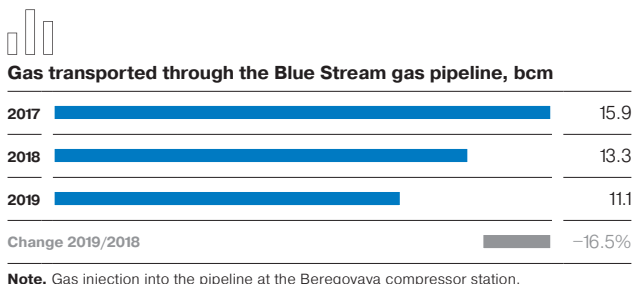
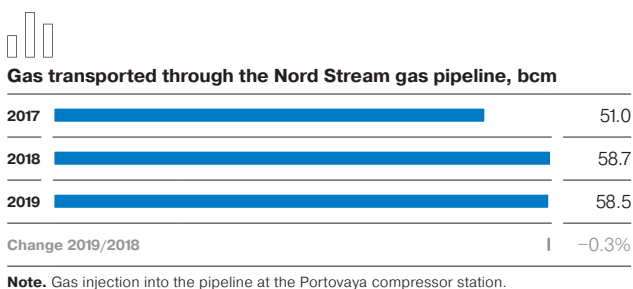
The trunk gas pipelines owned and operated by OAO Gazprom transgaz Belarus, the Group's core gas transportation asset outside Russia, also carry transit supplies of Russian natural gas to European countries and Russia's Kaliningrad Region. Daily requests by PJSC Gazprom to transport Russian natural gas through Belarus were satisfied in full during 2019.



To ensure the reliability and safety of gas transportation, foreign gas transportation subsidiaries of the Group run inline inspections, corrosion diagnostics and overhauls.

Nord Stream (operated by joint venture Nord Stream AG) and Blue Stream (operated by Blue Stream Pipeline Company B.V., which is included in the list of entities in which Gazprom has investments classified as joint operations), offshore cross-border pipeline systems constructed with Gazprom's involvement, secure gas supplies to consumers in Northwest and Central Europe, as well as in Turkey.

For details on key gas export routes of PJSC Gazprom see the [Company Information](#) section



The key drivers of gas pipeline capacity utilisation include demand from European consumers and regulatory restrictions by supervisory authorities on access to pipeline capacity for transit supplies.

EU Gas Directive extension to cross-border offshore gas pipelines to and from third countries

The Directive includes provisions for ownership unbundling, third-party access, and application of tariffs to gas pipelines to and from third countries.

On 23 May 2019, amendments to the EU Gas Directive took effect, in particular, extending the Directive requirements to cover gas pipelines to and from third countries in the territorial seas of the EU member states.

The member state where the first interconnection point with the Member States' gas network is located is responsible for the application of the EU Gas Directive to offshore pipelines from third countries. In particular, such EU member state may now grant derogations from certain provisions of the EU Gas Directive for a period of up to 20 years (with possible extension).

As regards the Nord Stream and Nord Stream 2 gas pipelines, the amendments apply to their sections with length of about 50 km and 54 km respectively in Germany's territorial sea and onshore sections in the areas of responsibility of Nord Stream AG and Nord Stream 2 AG. The EU Gas Directive amendments are effectively applicable to the pipeline operation as from 12 December 2019 when relevant amendments were made to the national laws of Germany.

As permitted by the applicable laws of Germany, Nord Stream AG and Nord Stream 2 AG filed applications, in due time, for the pipeline derogation from the key provisions of the EU Gas Directive for a period of up to 20 years.

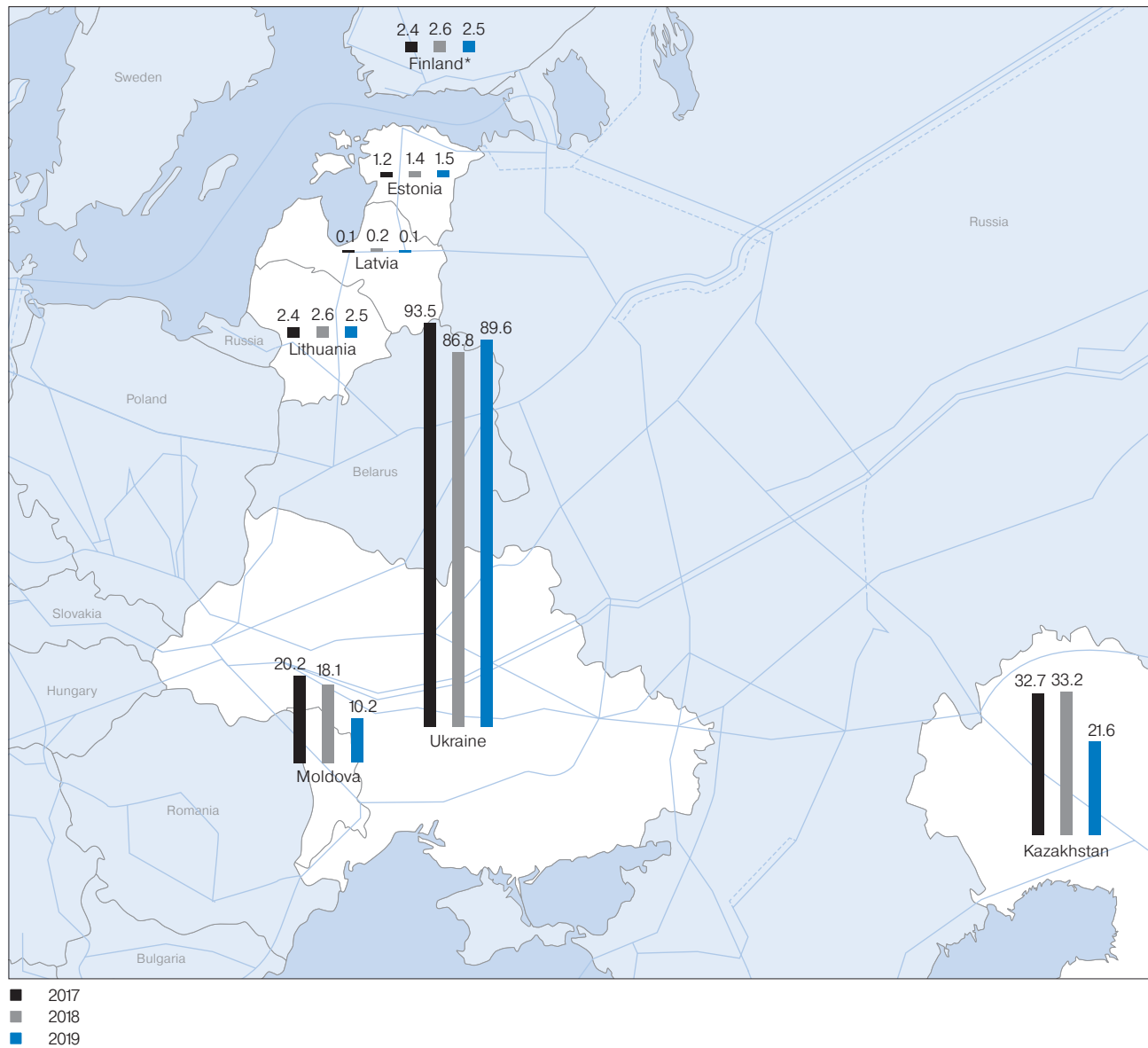
As at 31 December 2019, both strings of the TurkStream trunk gas pipeline's offshore section were filled with gas and ready to start supplies. South Stream Transport B.V., a Gazprom Group subsidiary, is the owner and operator of the trunk gas pipeline's offshore section, as well as the owner of the offshore section's receiving terminal in Turkey.

For more details on profiles of Gazprom Group's gas transportation infrastructure outside Russia see [Gazprom in Figures 2015–2019 Factbook](#)

Under the relevant agreements, gas transportation companies of neighbouring countries provide gas transportation services to PJSC Gazprom.



Gas transportation services provided to PJSC Gazprom in neighbouring countries, bcm



* Through Imatra gas metering station (for supply to Finland).

In the reporting year, documents and agreements were signed to provide for continued gas transit through Ukraine beyond 31 December 2019.



Agreements and documents signed to continue Russian gas transit through Ukraine beyond 31 December 2019

- On 28 December 2019, Gazprom and Ukraine signed an irrevocable amicable agreement to cancel all of Ukraine's ongoing and potential future claims against PJSC Gazprom arising from the 22 January 2016 resolution of the Antimonopoly Committee of Ukraine to impose a fine on PJSC Gazprom
- On 30 December 2019, the following documents were signed:
 - Irrevocable agreement between PJSC Gazprom and NAK Naftogaz Ukraine on the settlement of current gas disputes and key terms and conditions for future natural gas transportation. The document stipulates that all outstanding arbitration and judicial claims between the parties be dropped and that in the future the parties renounce any and all possible claims under the supply and transit contracts dated 19 January 2009. Pursuant to the agreement, seizures and injunctions approved in England and Wales, Luxembourg, the Netherlands and Switzerland for PJSC Gazprom assets as requested of NAK Naftogaz of Ukraine, have been lifted. The court proceedings under the claims of NAK Naftogaz of Ukraine seeking recognition and enforcement of the Stockholm Arbitration Court arbitration award dated 28 February 2018 in the gas transit contract dispute have been terminated in England and Wales, Latvia, Luxembourg and the Netherlands.
 - An agreement between PJSC Gazprom and NAK Naftogaz Ukraine on services to arrange for natural gas transportation through Ukrainian territory. Pursuant to the agreement, NAK Naftogaz Ukraine will act as the transit organiser and assume the associated risks. The transit organiser has the obligation to book gas transportation capacities in Ukraine for a five-year period to transmit a total of 225 bcm of gas, including 65 bcm in 2020 and 40 bcm per year in 2021–2024.
 - Agreement between PJSC Gazprom and OOO Gas Transmission System Operator of Ukraine on physical connection points between the gas transportation systems of Ukraine and the Russian Federation.

Underground Gas Storage in Russia

The network of underground gas storage facilities (UGSFs) is an integral part of Russia's UGSS. Gas storage facilities level off seasonal, weekly and daily fluctuations in gas demand, accounting for 20% to 40% of Gazprom's total gas supplies during the heating season. Peak and base load gas storage facilities improve the reliability of the UGSS infrastructure and optimise technical parameters and capital intensity of gas transportation systems. Gazprom Group's UGSFs are used to manage seasonal fluctuations in gas consumption, support extra gas supplies in the event of cold snaps or technical faults within the UGSS, and ensure reliability of gas exports and long-term reservation.

In Russia, Gazprom Group operates 23 UGSFs in 27 geological structures: 17 in depleted gas reservoirs, 8 in aquifers, and 2 in salt caverns.

By the start of the 2019/2020 withdrawal season, the potential maximum daily deliverability of Russian UGSFs grew by the amount comparable to wintertime daily gas consumption of the Nizhny Novgorod or Rostov Region

As at 31 December 2019, the Group's UGSFs in Russia had an aggregate total gas storage capacity of 75.01 bcm. By the start of the withdrawal season, the potential maximum daily deliverability was increased by 30.8 mmcm from 2018 and totalled 843.3 mmcm of gas. The improved performance was due to the commissioning of the Volgogradskoye UGSF, and the expansion and revamps of the existing gas storage facilities — the Kasimovskoye UGSF and the Punginskoye UGSF.



Potential maximum daily deliverability of Russian UGSFs at the start of the withdrawal season, mmcm

2017/2018	805.3
2018/2019	812.5
2019/2020	843.3
Change	3.8%

As at the start of the 2019/2020 withdrawal season, operating gas reserves in Russian UGSFs amounted to 72.232 bcm.



Gas withdrawn from UGSFs in Russia, bcm

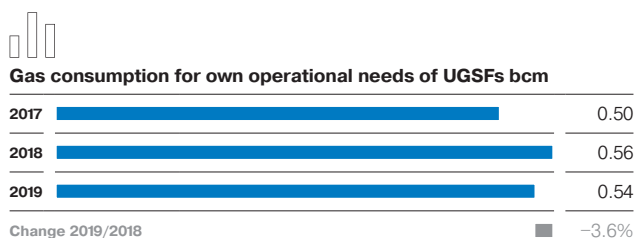
2017	45.48
2018	51.99
2019	40.54
Change 2019/2018	-22.0%



Gas injected into UGSFs in Russia, bcm

2017	44.18
2018	49.49
2019	45.04*
Change 2019/2018	-9.0%

* Including 0.03 bcm of cushion gas injected in the Volgogradskoye UGSF.

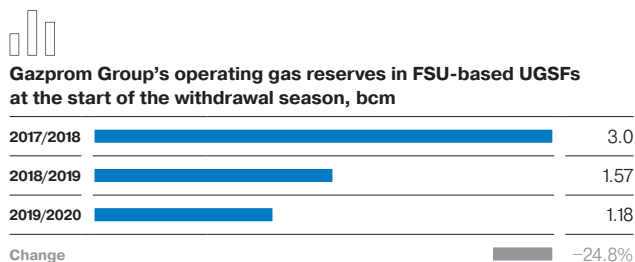


Underground Gas Storage outside Russia

Given the export transit risks, the Group's gas storage facilities are indispensable for building strategic reserves of natural gas. To ensure reliable gas supplies, Gazprom makes extensive use of gas storage facilities located in FSU and far abroad countries.

In the FSU countries, Gazprom operates UGSFs in Belarus (Pribugskoye, Osipovichskoye and Mozyrskoye), in Armenia (the Abovanskaya underground gas storage station), and employs capacities of the Inčukalns UGSF in Latvia during repairs and emergencies.

By the start of the 2019/2020 withdrawal season, the operating gas reserves in FSU-based UGSFs totalled 1.18 bcm. No operating gas reserves were built at the Inčukalns UGSF for the 2019/2020 withdrawal season. A range of measures are being implemented in Belarus to expand the Mozyrskoye UGSF, which will increase the volume of operating gas reserves at the facility from 0.50 bcm at start of the 2019/2020 withdrawal season to 0.65 bcm.



In 2019, Gazprom Group injected 0.96 bcm of gas into FSU-based UGSFs, and withdrew a total of 1.09 bcm.

Gazprom makes extensive use of gas storage facilities located in European far abroad countries: in Austria (Haidach), Germany (Jemgum, Rehden, Katharina and Etzel), Serbia (Banatski Dvor) and the Czech Republic (Dambořice).

By the start of the 2019/2020 withdrawal season, Gazprom's storage capacity contracted by OOO Gazprom export in far abroad European countries totalled approximately 8.5 bcm of working gas. The additional commercial gas storage contracts valid until 31 March 2021 secured another 3.01 bcm of gas storage capacity at UGSFs in Austria, Hungary and Slovakia. As at 31 December 2019, the total volume of operating gas reserves at European UGSFs was 11.7 bcm.

In 2019, a total of 8.2 bcm of PJSC Gazprom's gas were injected into UGSFs in far abroad European countries under OOO Gazprom export contracts (2018: 6.6 bcm). Gas withdrawal totalled 2.2 bcm (2018: 7.2 bcm). This has allowed PJSC Gazprom to meet its obligations to counterparties during repairs at the GTS and avoid penalties for short supplies, as well as earn extra revenue from gas sales. The decrease in gas withdrawal in 2019 as compared to 2018 was due to weather conditions. At the same time, PJSC Gazprom executed transactions to monetise natural gas reserves kept in underground storage at UGSFs in European far abroad countries — the total amount of gas sold under repo agreements was approximately 7.6 bcm.

Gas Distribution, Gas Infrastructure Expansion and NGV Fuel Markets

Gazprom’s ambitious efforts to expand gas infrastructure in Russian regions contributes to their social and economic development and improves living standards. The average natural gas penetration rate in Russia increased 1.3 times to 70.1% from 2005, with the penetration rate in rural areas growing 1.8 times to 61.8%. Use of natural gas in the transport sector (road, rail and waterborne) is a very promising area.

Gazprom Group operates its network in a safe and reliable way while providing corporate control over compliance with industrial safety requirements for the operation of gas distribution systems in Russia.

The Group’s gas distribution networks are operated by AO Gazprom gazoraspredelenie, its subsidiaries and associates, and OOO Gazprom transgaz Kazan.

In 2019, consolidation of gas distribution assets on the books of AO Gazprom gazoraspredelenie continued in Russia through acquiring economically viable gas distribution facilities in strict compliance with the applicable laws. The Group’s activities ensure reliable and safe operation of Russia’s gas distribution systems and maintain their operability to ensure safe, incident-free and uninterrupted gas supply to consumers.

As at 31 December 2019, the Group’s gas distribution subsidiaries and associates owned and operated a total of 802.8 thousand km of gas distribution networks in Russia.

~82%

of all gas distribution networks in Russian regions are owned and maintained by the Group gas distribution subsidiaries and associates

In 2019, Gazprom Group’s gas distribution subsidiaries and associates transported 232.6 bcm of natural gas via their gas distribution networks. Natural gas was supplied to:

- 28.0 million apartments and private households
- 32.8 thousand industrial facilities
- 9.1 thousand agricultural facilities
- 344.0 thousand utility facilities

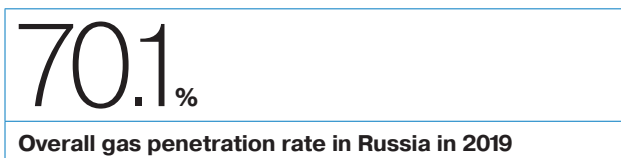
Additionally, the Group’s subsidiaries and entities provide gas distribution services in Armenia (ZAO Gazprom Armenia) and Kyrgyzstan (OsOO Gazprom Kyrgyzstan). In 2019, the Group exited from WIROM GAS S.A., a subsidiary focused on gas distribution in Romania.



For more details on Gazprom Group’s gas distribution business see [Gazprom in Figures 2015–2019 Factbook](#)

Expansion of Gas Infrastructure in Russian Regions

Gazprom Group implements an important national objective of expanding gas infrastructure across Russia: every year tens of thousands of consumers are connected to the gas network.



The Programme for Expansion of Gas Infrastructure in Russian Regions approved for 2019 covered 66 Russian regions, with RUB 34.30 bn allocated to finance capex under the programme.



Procedure for PJSC Gazprom’s involvement in gas infrastructure expansion programmes in Russian regions

Gas supply expansion agreement	Provides a framework for interactions between PJSC Gazprom and the region’s government bodies during the implementation of a gas infrastructure expansion programme in the region
Master plans	Determine key focus areas in gas supply expansion, including use of local resources and an energy saving programme
Proposals from regional administrations	Define the potential coverage of residential gas supply services and identify investment projects in need of gas supply
5-year gas supply expansion programmes	Define the gas infrastructure expansion parameters agreed with regional administrations (timeframe, pipeline lengths, number of consumer connections), investments to be made and financing procedure
Annual synchronisation schedules	Synchronise PJSC Gazprom’s construction with consumer preparations to receive gas
Annual gas infrastructure expansion programmes	Specify annual financing requirements which are subject to consumers meeting their gas connection preparation obligations and dynamics in the outstanding debt for delivered natural gas

In 2019, the gas penetration rate grew by 1.5 p.p. year-on-year and, as at 31 December 2019, reached 70.1% in Russia, 73.0% in urban and 61.8% in rural areas.

Capex projects in off-mains solutions employing natural gas liquefaction technology continued in the Tomsk Region in 2019. Since 2016, the Company has designed six facilities: Kargala, a small-scale LNG production facility (7 tonnes of LNG per hour), and five receiving, storage and regasification stations.

The Programme for Expansion of Gas Infrastructure in Russian Regions for 2020 covers 66 regions, with investments to be made by PJSC Gazprom totalling RUB 39.26 bn.

In 2019, the Group commenced the development of gas supply and infrastructure expansion programmes for Russian regions for 2021–2025.



2017	29.45
2018	36.70
2019	34.30
Change 2019/2018	-6.5%

Note. In accordance with gas infrastructure expansion programmes for each year.

In 2019, the Group completed the construction of 124 gas supply facilities with a total length of 1,880 km. The Company extended gas infrastructure to connect 68.31 thousand households and apartments and 179 boiler houses across 305 locations.



Forward-looking plans for gas infrastructure expansion in Russian regions in 2021–2025

- Preparation and implementation of balanced gas supply and infrastructure expansion programmes, aligned as much as possible with the regional capabilities for consumer connections preparation
- Bringing gas penetration rates to the maximum socially and economically feasible level (full penetration) in 23 regions of the Russian Federation located in the Central (9 regions), Northwestern (1 region), Southern (6 regions), North Caucasian (3 regions), and Volga (4 regions) Federal Districts
- Providing gas connections under social security programmes, primarily in the Far East and North-West regions
- Improving gas infrastructure expansion efficiency through better utilisation of the existing and new gas supply capacity
- Using comprehensive approaches to gas infrastructure expansion, i.e. construction of both pipeline and LNG infrastructure

Use of small-scale LNG to supply consumers located far from trunk gas pipelines is seen as a key focus area in improving gas infrastructure expansion efficiency. Under this approach, LNG is delivered from an LNG plant to a shared storage and regasification system with subsequent gas supply to consumers through local gas distribution networks. Small-scale LNG based gas supply can be a feasible alternative to pipeline network supply where annual gas consumption is under 100 mmcm and the distances between consumers and sources of gas supply are not greater than 400 km.

Small-scale LNG plans for 2020–2025 target primarily the following regions: the Sakhalin, Tomsk, Sverdlovsk, Arkhangelsk, and Amur Regions, Kamchatka Territory, Primorye Territory, and the Republic of Tatarstan. LNG will be primarily used to supply gas to residential consumers and as motor fuel for road, rail and waterborne transport.

Large-scale LNG can also be used to supply gas to regions of the Russian Federation, and the Group is exploring this option to supply gas to Murmansk heat generating facilities through large-scale LNG shipments.

Gas supply and infrastructure expansion programmes for Russian regions for 2021–2025 are expected to be approved with the regions by end-2020.

NGV Fuel Markets

Development of the NGV Fuel Market in Russia

Promoting the use of natural gas as motor fuel in Russia is one of Gazprom Group’s priorities.

The Group is promoting the NGV fuel market (including sales of gas as motor fuel) through OOO Gazprom gazomotornoe toplivo, owned on a parity basis by a subsidiary of PJSC Gazprom and a company of Gazprombank Group.

As at 31 December 2019, there were a total 447 NGV facilities across 67 regions of the Russian Federation. Gazprom Group subsidiaries and OOO Gazprom gazomotornoe toplivo own 299 operating (i.e. commercial gas sales) CNG filling stations with a total capacity of over 2.2 bcm per year, including 239 stations operated by OOO Gazprom gazomotornoe toplivo and 60 by PJSC Gazprom subsidiaries engaged in the Group’s core activities.



Operating CNG filling stations on the books of Gazprom Group and OOO Gazprom gazomotornoe toplivo in Russia as at 31 December, units

2017	271
2018	293*
2019	299
Change 2019/2018	2.0%

* CNG filling stations classified as operating as at 31 December 2018 included 13 stations selling natural gas at the start-up or pilot operation stages (commissioned in 2019).



CNG sales through CNG filling stations of the Group and OOO Gazprom gazomotornoe toplivo in Russia, mmcm

2017	525.9
2018	598.2
2019	779.2
Change 2019/2018	30.3%

CNG sales growth was driven by successful marketing programmes promoting natural gas as motor fuel, incentive programmes to convert vehicles to natural gas, comprehensive efforts to encourage Russian manufacturers to produce NGVs and expand NGV product ranges, as well as NGV infrastructure expansion.

In 2019, the Group promoted the use of NGV fuel with a focus on following key areas: development of gas-filling infrastructure, interaction with Russian automakers and carriers, interaction with state authorities of the Russian Federation.

NGV Infrastructure Expansion

In 2019, Gazprom Group completed the construction of 28 new NGV infrastructure facilities, including one cryogenic filling station (LNG filling and CNG filling points), three areas for refilling mobile NGV-refuelling stations and 23 CNG filling stations (including 11 CNG filling stations built under a pilot project in the Belgorod Region). A total of 17 new CNG filling stations have been commissioned. Another two CNG filling stations were acquired from outside Gazprom Group.

Also in 2019, the Group purchased 1,218 NGVs and 10 vehicles for mobile NGV refuelling.

As a federal NGV retail infrastructure is built out, customers will be able to save on fuel while enjoying the same level of comfort as with conventional filling stations. Convenient locations and adequate capacity of filling stations will further stimulate growth of NGV fleet.

In cooperation with the Federal Road Agency (Rosavto-dor), the Group developed the Master Plan for Developing NGV Infrastructure along the Federal Roads providing for constructing a core network of 181 facilities and setting up so-called transit NGV corridors by 2030 at the existing and projected key highways of Russia.

In 2019, Gazpromneft Marine Bunker continued Russia’s first project to procure an LNG bunkering vessel which will supply gas from the LNG production, storage and shipping complex near the Portovaya compressor station (CS). The vessel commissioning is scheduled for 2021.

Cooperation with Russian Automotive Manufacturers and Carriers

PJSC Gazprom cooperates with automotive manufacturers and shipbuilders under agreements and memorandums on the use of natural gas as motor fuel and expansion of product ranges of vehicles and craft of various categories using natural gas as motor fuel.

In 2019, PJSC Gazprom signed cooperation agreements with UMG, Hyundai Motor Manufacturing Rus, and Alexeev Central Hydrofoil Design Bureau.

Government Relations

To promote the use of natural gas as motor fuel and synchronise NGV infrastructure development on federal highways, PJSC Gazprom maintains interactions with the Executive Office of the Government of the Russian Federation and federal authorities of the Russian Federation. Proposals were drafted on improving the laws to encourage the use of NGV fuels.

In 2019, joint efforts of Gazprom Group and the Russian Ministry of Energy lead to the allocation of RUB 3.5 bn from the Reserve Fund of the Government of the Russian Federation to subsidise NGV infrastructure development in 17 regions.

Pilot projects for NGV fuel market development in the Belgorod and Rostov Regions and Saint Petersburg have emerged as a key focus area with the main goal to drive accelerated building of NGV fuel infrastructure.

Presence in the International NGV Fuel Market

Gazprom Group is also active in the European NGV fuel market, operating through its wholly-owned subsidiary Gazprom NGV Europe, which, as at 31 December 2019, owned NGV fuel infrastructure in Germany and the Czech Republic (64 CNG filling stations) and Poland (1 CNG filling station). CNG is also sold by NIS, a Gazprom Neft Group company, on the Serbian market through its own three CNG filling stations (as at 31 December 2019).

In 2019, Gazprom Group sold 13.8 mmcm of NGV fuel through its own filling stations in Germany, the Czech Republic, Serbia and Poland. Gazprom NGV Europe stopped selling CNG in Poland as from 1 January 2020 due to the divestment of its NGV infrastructure facilities in the country.

In the former Soviet Union (FSU) countries, Gazprom Group subsidiaries own 39 CNG filling stations, which are operated by OsOO Gazprom Kyrgyzstan (4 stations), ZAO Gazprom Armenia (7 stations), and OAO Gazprom transgaz Belarus (28 stations). CNG sales totalled 55.4 mmcm in 2019.

In 2019, the Group continued cooperation with foreign partners from Hungary, Vietnam, Germany, Kazakhstan, China, and South Korea on NGV fuel market development across the following focus areas:

- regulatory framework development and harmonisation
- joint projects outside Russia
- promotion of natural gas as motor fuel
- sharing with partners best practices in NGV fuel use in particular modes of transport, as well as NGV infrastructure development and operation.

2019 saw continued implementation of projects to establish NGV infrastructure in Vietnam. The Group also worked with CNPC to harmonise the Russian regulatory framework for NGV fuel market development with foreign laws to create favourable conditions for fuelling infrastructure development on the international transport route between Europe and China.

More than 20 cars, trucks and buses powered by natural gas took part in the Blue Corridor — Gas into Engines 2019 Rally organised jointly with Uniper. Various events were held along the rally's route to promote natural gas as motor fuel, including 10 round tables attended by more than 600 political and business leaders, and members of the media.



NGV fuel sales by Gazprom Group through own filling stations in far abroad countries, mmcm

2017	12.3
2018	12.9
2019	13.8
Change 2019/2018	7.0%

Hydrocarbon Processing and Petrochemicals

Gazprom has significant reserves of multicomponent gas. Its production and subsequent processing enable the Group to expand its product portfolio. Two gas processing megaprojects are currently in progress — the construction of the Amur GPP in eastern Russia and an integrated complex in the seaport of Ust-Luga in the western part of the country. These projects are the examples of the practical implementation of Gazprom's economic model for comprehensive monetisation of hydrocarbon reserves to diversify revenue sources.

In 2019, Gazprom Group processed 31.47 bcm of natural and associated gas, excluding tolling arrangements, up 1.3% year-on-year. The increase was due to higher natural gas processing volumes at the Astrakhan GPP owned by OOO Gazprom pererabotka.

Gazprom Group's processing of liquid hydrocarbon feedstocks (crude oil, gas condensate and fuel oil) was almost flat year-on-year at 67.13 mm tonnes. The decrease in oil and stable gas condensate processing volumes at Gazprom Neft refineries due to scheduled repairs was offset by increased processing volumes of unstable gas condensate at the Urengoy Condensate Pre-Transportation Preparation Plant and of oil and gas condensate mixture at the Surgut Condensate Stabilisation Plant (CSP) owned by OOO Gazprom pererabotka.

The Group produced 3.66 mm tonnes of liquefied petroleum gas (LPG) and 4.73 mmcm of helium in 2019. A decline in total oil product output by Gazprom Group to 50.85 mm tonnes, combined with an increase in production of fuel oil and some other oil products was caused by maintenance at Gazprom Neft refineries and market conditions.

The monomer and polymer production decrease was due to a turnaround at Gazprom neftekhim Salavat's Monomer plant in accordance with its two-year turnaround cycle. Butyl acrylate production increased primarily because of higher demand from the construction industry.



Gazprom Group's natural and associated gas processing, bcm

2017	30.82
2018	31.06
2019	31.47
Change 2019/2018	1.3%

Note. Excluding tolling arrangements.



Gazprom Group's liquid hydrocarbon processing, mm tonnes

2017	Total	64.06
	Including Russia	60.64
2018	Total	67.40
	Including Russia	63.85
2019	Total	67.13
	Including Russia	63.99

Change 2019/2018 -0.4%

Note. Excluding tolling arrangements.



Gazprom Group's output of oil products, mm tonnes

	2017	2018	2019	Change 2019/2018
Diesel fuel	14.32	15.66	15.51	-1.0%
Motor gasolines	11.71	12.05	11.70	-2.9%
Fuel oil	6.59	6.88	7.17	4.2%
Aviation fuel	3.15	3.55	3.43	-3.4%
Bitumens	2.66	3.12	2.96	-5.1%
Marine fuel	3.37	2.95	2.80	-5.1%
Lubricants	0.48	0.49	0.54	10.2%
Other oil products	6.62	6.70	6.74	0.6%
Total	48.90	51.40	50.85	-1.1%



Gazprom Group's monomer and polymer production, thousand tonnes

2017	419.2
2018	521.4
2019	464.9
Change 2019/2018	-10.8%



Butyl acrylate production, thousand tonnes

2017	68.7
2018	73.5
2019	83.4
Change 2019/2018	13.5%



Gazprom Group's production of mineral fertilisers and relevant feedstocks, thousand tonnes

2017	913.2
2018	836.4
2019	799.7
Change 2019/2018	-4.4%



For more details on Gazprom Group's hydrocarbon processing/refining capacities and output of key products see Gazprom in Figures 2015–2019 Factbook



Gazprom Group's hydrocarbon processing, and gas chemical and petrochemical capacity as at 31 December 2019



● Gas processing plants (GPPs) with installed throughput capacity			● Refineries with installed throughput capacity				
1	Astrakhan	Astrakhan GPP	12.0	1	Serbia	Novi Sad Refinery***	
			7.3				
			2.5				
2	Sosnogorsk	Sosnogorsk GPP	3.0			Pančevo Refinery	4.6
			2.5				
3	Orenburg	Orenburg GPP	37.5	2	Belarus	Mozyr Refinery****	14.0
			6.3				
		Orenburg Helium Plant	15.0	3	Moscow	Moscow Refinery	12.8
4	Khanty-Mansiysk	Yuzhno-Priobskiy GPP*	0.5	4	Yaroslavl	Slavneft-YANOS*	7.5
5	Surgut	Condensate stabilisation plant**	4.0	5	Salavat	Refinery	10.0
6	Novy Urengoy	Condensate pre-transportation preparation plant	13.7	6	Omsk	Omsk Refinery	22.2

■ Installed natural and associated gas processing capacity, bcm
 ■ Installed oil refining capacity, mm tonnes
 ■ Installed unstable gas condensate processing capacity, mm tonnes
 ■ Installed oil and stable gas condensate processing capacity, mm tonnes

* Gazprom Group has access to 50% of capacity.
 ** The plant's deethanised gas condensate production capacity is 12.05 mm tonnes.
 *** Suspended as at 31 December 2019.
 **** Up to 50% of oil supplied by the Group to the refinery. The actual processing volume at the refinery depends on cost-efficiency. In 2019, the Group did not run refining operations under tolling arrangements at the Mozyr Refinery.

Gas and Condensate Processing by Gazprom's Gas Processing and Gas Production Subsidiaries

In 2019, PJSC Gazprom's gas processing and gas production subsidiaries processed 30.60 bcm of natural and associated gas and refined 18.82 mm tonnes of unstable gas condensate and crude oil, excluding tolling arrangements.



A joint project was launched to build a large gas processing and liquefaction complex in Russia

In March 2019, PJSC Gazprom and AO RusGazDobycha finalised the configuration of their joint project to build a large complex for ethane-rich gas processing and LNG production near the seaport of Ust-Luga (Leningrad Region).

The project will process 45 bcm of gas to produce 13 mm tonnes LNG per year. Ethane-rich natural gas produced by Gazprom from the Achimov and Valanginian deposits in the Nadym-Pur-Taz region will be used as feedstock. Marketable products will include dry stripped gas, LPG, ethane and pentane-hexane fractions. Dry stripped gas (about 20 bcm) will be transported by PJSC Gazprom's GTS. Phase 1 of the complex is scheduled to be commissioned in late 2023; Phase 2, in late 2024. The complex will be operated by OOO RusKhimAlyans, a joint venture established on a parity basis between a PJSC Gazprom subsidiary and AO RusGazDobycha.



Natural and associated gas processing by gas processing and gas production subsidiaries, bcm

2017	29.94
2018	30.14
2019	30.60
Change 2019/2018	1.5%

Note. Excluding tolling arrangements.

Gas processing increased due to more efficient utilisation of the Astrakhan GPP (Gas Processing Plant) capacity driven by longer turnaround intervals.

Separated gas processing volumes at the Astrakhan GPP in 2019 were the highest since 2013

In 2019, the Orenburg GPP processed 9.11 bcm of gas from the Karachaganakskoye field (Kazakhstan) under tolling arrangements (2018: 9.49 bcm).



Unstable gas condensate processing and crude oil refining by Gazprom's gas processing and gas production subsidiaries, mm tonnes

2017	17.47
2018	17.75
2019	18.82
Change 2019/2018	6.0%

Note. Excluding tolling arrangements.



Stable gas condensate processing (crude oil refining) by Gazprom's gas processing and gas production subsidiaries, mm tonnes

2017	6.49
2018	6.21
2019	6.65
Change 2019/2018	7.1%

Note. Excluding tolling arrangements.

Liquid hydrocarbon processing increased to all-time high in 2019 at the Urengoy Condensate Pre-Transportation Preparation Plant and Surgut Condensate Stabilisation Plant

A significant increase in unstable gas condensate processing by the Urengoy Condensate Pre-Transportation Preparation Plant and oil and gas condensate mixture by the Surgut Condensate Stabilisation Plant (CSP) came on the back of higher liquid hydrocarbon production from Block 1A of the Achimov deposits at the Urengoykoye oil and gas condensate field (OGCF).

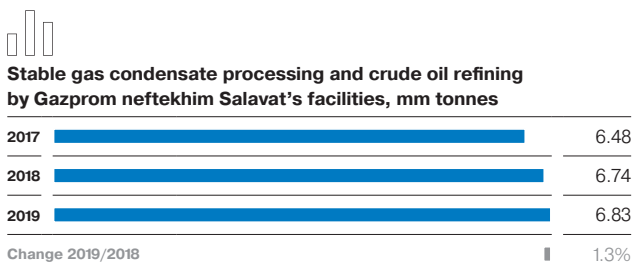


For more details on the project see the [Exploration and Production](#) section

The increase in the primary processing of stable condensate and crude oil was due to shorter downtime in preventive maintenance at the Astrakhan GPP facilities as the plant's diesel fuel hydrotreating unit was revamped in 2018.

Oil Refining, Petrochemicals and Mineral Fertiliser Production at Gazprom Neftekhim Salavat’s Facilities

In 2019, Gazprom neftekhim Salavat’s production facilities refined 6.83 mm tonnes of liquid hydrocarbon feedstocks (including 1.29 mm tonnes of crude oil, 5.41 mm tonnes of stable gas condensate and 0.13 mm tonnes of fuel oil) and processed 0.44 bcm of natural gas.



In 2019, liquid hydrocarbon processing depth at primary and advanced refining units stood at 89.6% (2018: 89.4%). Refining depth growth was supported by increased processing of gas condensate feedstock provided by Gazprom Group and other suppliers. Fuel yield and losses in 2019 remained flat year-on-year with increased refining volumes.

A substantial increase in light product yield from liquid hydrocarbon processing to 75.1% in 2019 (2018: 72.8%) was due to higher share of gas condensate in the petroleum feedstock and the feedstock mix optimisation.

Gazprom neftekhim Salavat exports its products to more than 30 FSU and far abroad countries

Due to the optimised operating modes of gasoline stream units along with a wide use of optimisation systems, commercial motor gasoline yield has hit all-time high while use of an expensive octane improver — methyl tert-butyl ether (MTBE) — was reduced 2.5 times.



Recognition of superior product quality

- Butyl acrylate (acrylic acid butyl ester) produced by Gazprom neftekhim Salavat’s Acrylic Acid Plant was awarded a gold quality mark of the All-Russian Brand (3rd Millennium). Quality Label of the 21st Century competition. Butyl acrylate is used to produce acrylic emulsions utilised as feedstock in the production of paints, varnishes, inks, glues, synthetic latexes, as well as plastic and lubricant additives
- A certificate of conformity and permission to use the Made in Russia mark were granted to unleaded gasoline AI-92-K5 under the Made in Russia voluntary certification system. The manufacturer was included in the Register of Bona Fide Exporters
- Bitumen feedstock and viscous road oil bitumens were registered under REACH

In 2019, Gazprom neftekhim Salavat refinery started producing new products: BND 50/70 viscous road oil bitumen in accordance with GOST 33133-2014 and heating oil with a sulphur content of 0.50%, low ash content, and pour point of 25°C in accordance with GOST 10585-2013.

In 2019, 11 sections of the Monomer plant and 12 process units of the refinery were in turnaround which included diagnostics, inspections, and examination of process equipment and pipelines. The project scope also included measures to improve productivity and efficiency. In 2019, the Gas Chemical Plant, which produces mineral fertilisers, was also in scheduled turnaround which included completion of the first stage of ammonia production facility revamp.



Activities of Gazprom neftekhim Salavat’s R&D Centre

Gazprom neftekhim Salavat has its own Research and Development Centre comprising five specialised laboratories — oil refining, petrochemistry, wastewater, polymer physics, and problem-solving research labs — as well as pilot and test production shop and corrosion inhibitor production shop.

The specialised laboratories are involved in a broad range of activities: pilot runs at production facilities of Gazprom neftekhim Salavat; selection and incoming inspection of analogues for materials; water circulation system corrosion monitoring and corrosion protection; inspection of process units in turnaround; recommendations on optimising chemical and process protection and process modes.

The pilot production shop includes corrosion inhibitor, demulsifier and other agent production facilities and a set of pilot units. The products are used by Gazprom neftekhim Salavat as well as the Astrakhan GPP, Orenburg GPP, and Orenburg Helium Plant.

Oil Refining and Petrochemicals Production at Gazprom Neft Group's Facilities

In 2019, Gazprom Neft Group refined 41.48 mm tonnes of oil and stable gas condensate (a 3.3% decrease year-on-year), and 0.43 bcm of APG supplied to the Yuzhno-Priobskiy GPP as Gazprom Neft Group's equity share of production (2018: 0.43 bcm of APG).



Year	Processing (mm tonnes)
2017	40.11
2018	42.91
2019	41.48

Change 2019/2018: -3.3%

Oil refining decreased in 2019 due to scheduled turnarounds at all refineries fully or partially owned by Gazprom Neft. The turnarounds will ensure trouble-free operation and improve performance of the assets in the near future. Motor gasoline and diesel fuel output decreased due to lower refining volumes and existing demand and price levels. The turnarounds, lower bitumen output, and existing pricing environment in the domestic and international markets resulted in a higher fuel oil output. Vacuum gasoil output was also increased during the scheduled turnaround, which was a key driver behind the growth in other oil product output.



Key focus areas of Gazprom Neft's refineries in improving product quality in 2019

- Development, production start-up and sale of new products with improved quality and environmental performance
- Commercial product standardisation and certification to Russian and international standards
- Quality control automation and implementation of new product control methods and business processes. In 2019, process monitoring system Smotr was deployed across all production facilities of Omsk and Moscow Refineries to automatically monitor deviations of 12.2 thousand process parameters and 5.8 thousand quality parameters from their standard values
- Upgrade and development of laboratory facilities and maintaining the reliability of testing equipment and measuring instruments

Slavneft-YANOS increased production of base oils. In 2019, it started producing a new line of special-purpose low-viscosity base oils for drilling fluids.



Larger stake in OOO Poliom

In order to consolidate Gazprom Neft's position in petrochemical markets, a deal increasing the interest of AO Sibgazpolymer (a joint venture between PAO Gazprom Neft and PAO SIBUR Holding) in OOO Poliom (Omsk) from 50% to 100% was closed in July 2019.

Poliom, a modern plant producing a broad range of polypropylenes, was commissioned in 2013. The plant can produce and ship up to 218.4 thousand tonnes of polypropylene of up to 80 different grades. The plant is integrated into the processes of AO Gazpromneft-ONPZ production site.

Gazprom Neft's refineries carried on the active implementation of major investment projects as part of the second stage of technological and environmental upgrade as well as initiatives to improve product quality.



For more details on Gazprom Neft's refinery upgrade programme see the [Strategic Priorities and Capex Programmes](#) sections



New products launched by Gazprom Neft's refineries in 2019

Plant	Products
Moscow Refinery	Light distillates of catalytic processes in accordance with a STO standard developed by Gazprom Neft
Omsk Refinery	Liquefied petroleum gases for use in the utilities sector in accordance with GOST 20448-2018
	Liquefied petroleum gases for use in road transport in accordance with GOST 27578-2018
	MTBE in accordance with a corporate standard developed by Gazprom Neft
	Low-viscosity marine fuel in accordance with TSU-80 (RMD-80) and TSU-180 (RME-180) (complying with the new MARPOL 2020 requirements)
PAO Slavneft-YANOS	Liquefied petroleum gases of the following fuel grades: PT commercial propane, PA autogas (propane), PBA autogas (propane/butane), PBT commercial propane-butane mixture in accordance with GOST R 52087-2018
	Premium petroleum-derived paraffin wax for matches in accordance with a corporate standard



For more details on the use of new hydrocarbon processing/refining technologies, see the [Innovations and Import Substitution](#) section

Power Generation

In 2019, the Group completed a large-scale power generation programme. In 2007–2019, 9 GW of advanced generating capacities were commissioned. Gazprom is an established leader in electricity generation at heat generation facilities and in heat generation in Russia.

Gazprom Group has established one of the largest vertically integrated power generation holdings in Russia, which has consolidated electricity and heat generating assets, heat transmission and distribution assets, as well as assets in related segments.

Gazprom Group's generating assets are consolidated within its 100% subsidiary, OOO Gazprom energoholding, managing PAO TGC-1, PAO Mosenergo, PAO OGK-2 and PAO MIPC.



Launch of thermal power plant upgrade programme in the Russian electricity market

Resolution of the Government of the Russian Federation No. 43 dated 25 January 2019 On the Selection of Projects to Upgrade the Generating Facilities of Thermal Power Plants set off a major upgrade programme. The programme seeks to upgrade up to 41 GW of obsolete and deteriorated heat generation capacity (about 25% of total). Upgrade projects will be selected every year from 2019 to 2025. The benchmark rate of return under the new upgrade programme will be 14%, with 16-year supply periods under contracts concluded with winners.

The first competitive selection of projects to upgrade TPP generating facilities took place in 2019. The selected projects included facilities of Gazprom Group (15 facilities of PAO TGC-1, PAO OGK-2, PAO Mosenergo and OOO Novo-Salavatskaya CHPP) with a capacity of 1.92 GW, or 14% of the first price zone quota, with capacity supplies to commence in 2022–2025.



For more details on Gazprom Group's projects in power generation see the [Strategic Priorities](#) section

AO Gazprom energosbyt, a Gazprom Group company, is a leader in the Russian electricity market, active in both wholesale and retail segments and providing over 95% of electricity needs of Gazprom Group's subsidiaries.

Outside Russia, Gazprom Group owns Unit 5 at the Hrazdan TPP through its subsidiary ZAO Gazprom Armenia.

16%

Gazprom Group's share in the installed electrical capacity of Russia's Unified Energy System (UES)



Gazprom Group's generating capacity as at 31 December 2019

	Installed electrical capacity, GW	Installed heat capacity, thousand Gcal/h
Gazprom energoholding	38.75	67.32
Other generating assets in Russia	0.90	2.92
Total in Russia	39.65	70.24
Generating assets abroad	0.48	0.03
Total in Russia and abroad	40.13	70.27

The year-on-year change in the installed electrical and heat capacity in 2019 was due to the retirement of obsolete and underperforming generating assets and installed capacity upgrades as well as the launch of Unit 2 at the Grozny TPP.

In December 2019, PAO OGK-2 and AO Yeniseiskaya TGC (TGC-13) entered into an agreement for the sale of the Krasnoyarskaya GRES-2. PAO OGK-2 will continue operating the GRES during the transitional period.



Gazprom Group’s generating capacity as at 31 December 2019



1	Adler	Adler TPP PAO OGK-2	367 63	8	Cherepovets	Cherepovetskaya GRES PAO OGK-2	1,080 39
2	Stavropol	Stavropolskaya GRES PAO OGK-2	2,423 145	9	Moscow and the Moscow Region	15 power stations of PAO Mosenergo PAO MIPC and subsidiaries	12,825 43,211 6,661
3	Grozny	Grozny TPP PAO OGK-2	360	10	Ryazan	Ryazanskaya GRES PAO OGK-2	3,130 213
4	Novocherkassk	Novocherkasskaya GRES PAO OGK-2	2,258 60	11	Troitsk	Troitskaya GRES PAO OGK-2	1,315 210
5	Pskov	Pskovskaya GRES PAO OGK-2	440 117	12	Serov	Serovskaya GRES PAO OGK-2	451
6	Saint Petersburg, Republic of Karelia, the Leningrad and Murmansk Regions	52 power stations of PAO TGC-1 and its subsidiaries	6,918 13,487	13	Surgut	Surgutskaya GRES-1 PAO OGK-2	3,333 903
7	Kirishi	Kirishskaya GRES PAO OGK-2	2,595 1,234	14	Krasnoyarsk	Krasnoyarskaya GRES-2* PAO OGK-2	1,260 976
Other generating assets in Russia			896 2,918	Generating assets abroad			480 28

■ Installed electric capacity, MW
■ Installed heat capacity, Gcal/h

* GRES is operated by PAO OGK-2 until the end of the transition period when it will be turned over for operation to AO Yeniseiskaya TGC (TGC-13).



For more details on capacity commissioned in the power generation segment in 2019 see the Capex Programmes section

Electricity and Heat Generation

According to the UES System Operator, power consumption within the Unified Energy System (UES) of Russia totalled 1,059 billion kWh in 2019 while electricity generation was 1,081 billion kWh, an increase over 2018.

During 2019, the Group generated 148.0 billion kWh of electricity and 122.38 mm Gcal of heat at its generating assets in Russia. The decline in electricity production was due to the equipment load assigned by AO System Operator of the United Power System and the streamlining of the load for inefficient generating capacities. Heat supply decreased due to higher average temperatures during the heating season.

Outside Russia, Gazprom Group generated 1.02 billion kWh of electricity. The year-on-year decrease at Unit 5 of the Hrazdan TPP in 2019 reflected the actual operation modes of Armenia's national power grid.

14%

Gazprom's share in electricity generation in Russia



For more details on Gazprom Group's generating capacity and output of power and heat see [Gazprom in Figures 2015–2019 Factbook](#)



Electricity generation by Gazprom Group, billion kWh

	2017	2018	2019	Change 2019/2018
Gazprom energoholding	150.81	146.56	143.07	-2.4%
PAO Mosenergo	57.87	58.31	60.11	3.1%
PAO MIPC and its subsidiaries	–	–	–	–
PAO OGK-2	63.43	58.92	54.69	-7.2%
PAO TGC-1 and its subsidiaries	29.51	29.33	28.27	-3.6%
Other generating assets in Russia	4.65	4.94	4.93	-0.2%
Total in Russia	155.46	151.50	148.00	-2.3%
Generating assets abroad	1.09	1.69	1.02	-39.6%
Total in Russia and abroad	156.55	153.19	149.02	-2.7%

Note. The table shows power generation, i.e. the amount of electricity generated by power stations.



Heat generation by Gazprom Group, mm Gcal

	2017	2018	2019	Change 2019/2018
Gazprom energoholding	120.77	124.36	115.26	-7.3%
PAO Mosenergo	79.45	82.29	75.37	-8.4%
PAO MIPC and its subsidiaries	9.85	10.17	9.07	-10.8%
PAO OGK-2	6.76	7.01	6.65	-5.1%
PAO TGC-1 and its subsidiaries	24.71	24.89	24.17	-2.9%
Other generating assets in Russia	6.57	6.89	7.12	3.3%
Total in Russia	127.34	131.25	122.38	-6.8%
Generating assets abroad	–	–	–	–
Total in Russia and abroad	127.34	131.25	122.38	-6.8%

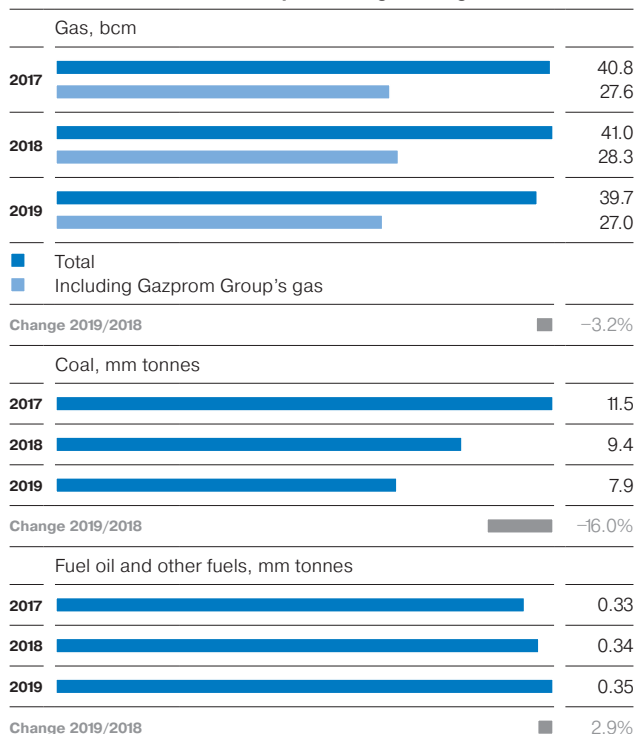
* Heat generation figures include PAO MIPC's subsidiaries OOO TSK Novaya Moskva (merged into PAO MIPC in 2019) and OOO TSK Mosenergo.

Note. The table shows heat supply from TPPs, i.e. the amount of heat supplied by a power station to consumers at the asset ownership/interface boundary points.

Natural gas dominates the fuel mix of Gazprom energoholding. Lower fuel consumption in 2019 was mostly due to reduced electricity and heat generation. Higher consumption of fuel oil was due to a fuel oil replacement programme implemented at CHPPs of PAO Mosenergo.



Volume-based fuel mix of Gazprom energoholding



Diversification of Power Generation Business

Gazprom energoholding is diversifying its power generation business. Towards the end of 2019, it entered the power engineering market by acquired AO REP Holding.



Acquisition of REP Holding

In December 2019, Gazprom energoholding acquired AO REP Holding. As a result, Gazprom energoholding became a major player in the power engineering market. The holding will develop production of equipment for both GTs, including those of PJSC Gazprom, and power generation companies. Leveraging of Nevsky Zavod's potential will enable localisation of power generating equipment, including high-power gas turbines.

Gazprom energoholding companies also provide power plant resources (electricity, heat and water supply to consumers) and infrastructure (unoccupied floor space and land, warehouse facilities and equipment, including for laboratory water tests) to drive SME growth. Projects in renewable energy are also under consideration. International expansion opportunities for the power generation business are also explored to boost sales of the Group's natural gas (in particular, pipeline gas, LNG from Russian projects and from Gazprom Group's trading portfolio, as well as gas from Gazprom's international projects).



Gazprom Group's coal assets

Given a significant share of coal in Gazprom energoholding's fuel mix, Gazprom acquired Angrensor Group in 2016 to diversify the risk of fuel supply shortfalls and optimise its pricing policy in the coal market. The coal company is engaged in mining, processing and marketing of coal from the Ekibastuzsky open pit in the Pavlodar Region of Kazakhstan. Coal production in 2019 was 1.8 mm tonnes. Gazprom energoholding accounts for approximately a third of total coal supplies by the group.

Marketing

In 2019, PJSC Gazprom reaffirmed its status as the largest gas supplier to global markets. In 2019, the Company began pumping Russian gas to China, a market with huge potential for gas consumption growth.

Far Abroad Gas Markets

Far abroad countries, including Europe, are Gazprom's traditional export market offering high profit margins for the Group.

In 2019, Gazprom Group sold 232.4 bcm of natural gas to far abroad countries. Net sales revenue (net of excise tax and customs duties) was RUB 2,490.4 bn. The decrease in sales revenue was mostly due to lower average rouble prices (including excise tax and customs duties) and the declines in volumes of gas sold.

The decrease in sales was due to weather conditions and higher LNG supplies, as well as the economic situation in certain countries (primarily Turkey).



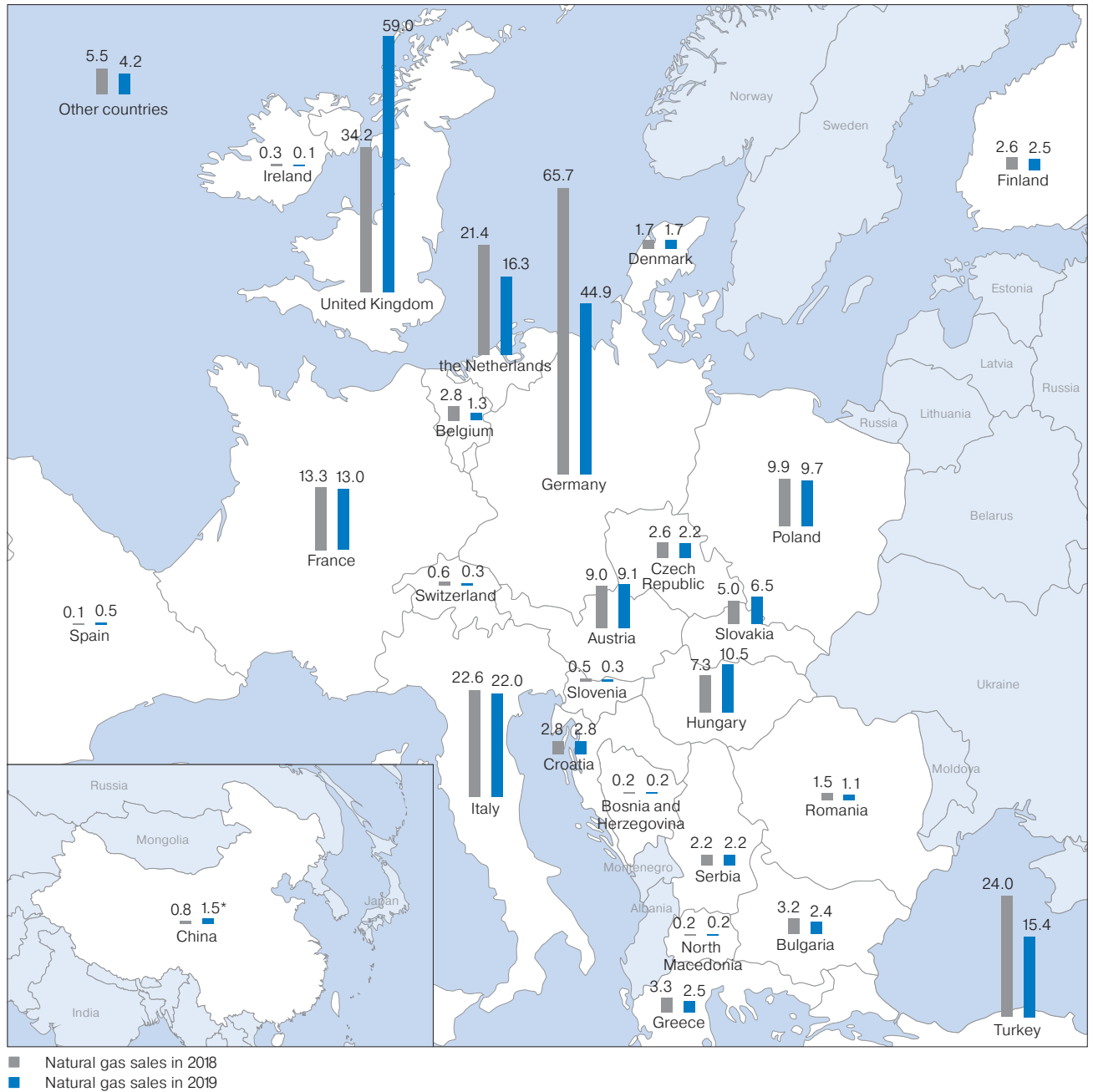
Gazprom Group's sales of natural gas to far abroad countries

Sales volumes, bcm	
2017	242.0
2018	243.3
2019	232.4
Change 2019/2018	-4.5%
Average selling price (including excise tax and customs duties), USD per mcm*	
2017	200.2
2018	246.4
2019	210.6
Change 2019/2018	-14.5%
Average selling price (including excise tax and customs duties), RUB per mcm	
2017	11,670.5
2018	15,499.5
2019	13,613.0
Change 2019/2018	-12.2%
Net sales revenue (net of excise tax and customs duties), RUB bn	
2017	2,221.2
2018	2,951.2
2019	2,490.4
Change 2019/2018	-15.6%

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



Gazprom Group's gas sales to far abroad countries, 2018–2019, bcm



* Including 0.3 bcm via the Power of Siberia trunk gas pipeline.

Note. Gazprom Group's sales to other countries include LNG sales and sales of gas from international hydrocarbon exploration and production projects in which the Group has equity stakes.

Gazprom Group is a key supplier of natural gas to European far abroad countries. In the reporting year, the Group's gas exports were mostly sold to the UK, Germany, Italy, the Netherlands and Turkey.

The bulk of the natural gas sold in far abroad countries is exported from Russia via OOO Gazprom export. In response to changes in the European market, OOO Gazprom export is gradually expanding its business in the short-term gas market, including in gas trading, as well as investing in joint ventures active in European countries, including in end-user markets.



Proprietary electronic sales platform

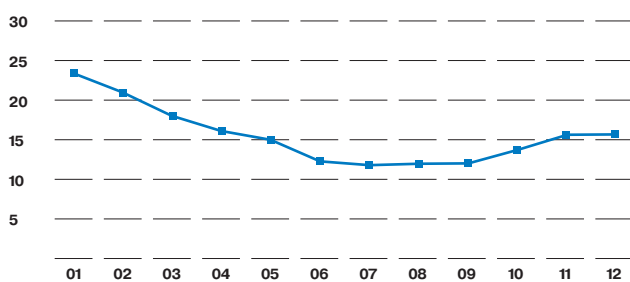
In August 2018, OOO Gazprom export launched its Electronic Sales Platform (ESP) to sell natural gas both on standard market terms and on its own terms. Contracts for gas supply at any delivery point (both at trading platforms or facilities with slow-moving inventories located close to the borders) with delivery periods starting from one day can be offered via the ESP. OOO Gazprom export holds daily trading sessions and offers contracts for the supply of natural gas to various delivery points to pre-qualified companies registered on the ESP.

In 2019, creation of own index, ESPGazEx, marked a new stage in the ESP development.

As at 31 December 2019, 65 companies from Austria, Croatia, the Czech Republic, Denmark, France, Germany, Hungary, Italy, North Macedonia, Romania, Singapore, Slovakia, Slovenia, Switzerland, and the UK were registered with the ESP. In 2019, sales through the ESP reached 15.1 bcm, or 8% of total sales of OOO Gazprom export.

Plans are in place for the further development of the ESP in 2020 by introducing new trading instruments, a limit system, and new types of reporting, developing trading mechanisms and the business processes of trading sessions, integrating with third-party information systems, and implementing electronic digital signatures.

ESPGazEx in 2019, euro/MWh



Note. Monthly ESPGazEx values are calculated as the weighted average price of all deals with delivery in this month closed before the index publication date.

In 2019, Gazprom Group's subsidiaries sold 22.9 bcm of gas directly to end consumers in European far abroad countries.

Gazprom launched Russian pipeline gas supplies to China in 2019.



For more details on gas sales volumes to end consumers in far abroad countries see [Gazprom in Figures 2015–2019 Factbook](#)

Large-scale LNG Sales

One of the priorities of Gazprom Group's gas business is staged implementation of its strategy for LNG production, waterborne transportation and marketing. In 2019, the Group supplied LNG mostly to Asia-Pacific (69% of total supplies). In 2019, China became the key destination for Gazprom Group's LNG supplies: this market accounted for 23% of total supplies (1.16 bcm).

Sakhalin Energy, an associate in which the Group holds 50% plus one share, operates Sakhalin-2 project, producing LNG on Sakhalin Island and selling it to Asia-Pacific. Gazprom Group receives up to 1 mm tonnes of LNG per year from the project under a contract with Sakhalin Energy effective until 2028. The supply portfolio is supplemented with LNG procured from third parties including from the Yamal LNG project under a sale and purchase agreement with Yamal Trade providing for a supply of 2.9 mm tonnes of LNG per year for 20 years and from the floating LNG (FLNG) platform of the Cameroon LNG project under a sale and purchase agreement with Perenco Cameroon whereby Gazprom Group receives all LNG produced by the FLNG project (1.2 mm tonnes per year).

69%

Share of Asia Pacific markets in total LNG supplied from Gazprom Group's trading portfolio in 2019

Large-scale LNG sales from Gazprom Group's trading portfolio to foreign markets totalled 3.78 mm tonnes, or 5.04 bcm, in 2019.



For more details on LNG market trends see the [Trends and Developments in Global Energy Markets](#) section



Large-scale LNG sales by Gazprom Group in foreign countries

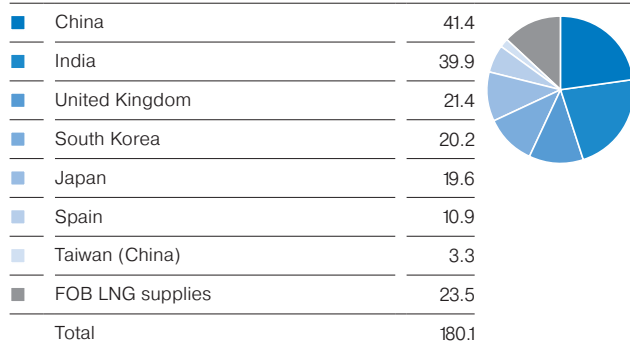
	2017	2018	2019
tn BTU	159.2	185.0	180.1
including LNG from Sakhalin-2	72.9	70.1	60.1
mm tonnes	3.34	3.88	3.78
bcm	4.46	5.18	5.04

Notes:

1. Calculated in accordance with the principles underlying management reporting. Metrics calculated using these methods might be not comparable between each other due to differences in the methodologies used for preparing consolidated financial statements and for management reporting.
2. Calculated using a conversion ratio of 1 BTU = 0.028 mcm of LNG = 0.021 tonnes of LNG.



Large-scale LNG sales in foreign markets in 2019, tn BTU



Notes:

1. Calculated in accordance with the principles underlying management reporting. Metrics calculated using these methods might be not comparable between each other due to differences in the methodologies used for preparing consolidated financial statements and for management reporting.
2. Due to rounding, some totals may not correspond with the sum of the separate figures.



For more details on Gazprom Group's LNG sales to different countries see [Gazprom in Figures 2015–2019 Factbook](#)

Russian Gas Market

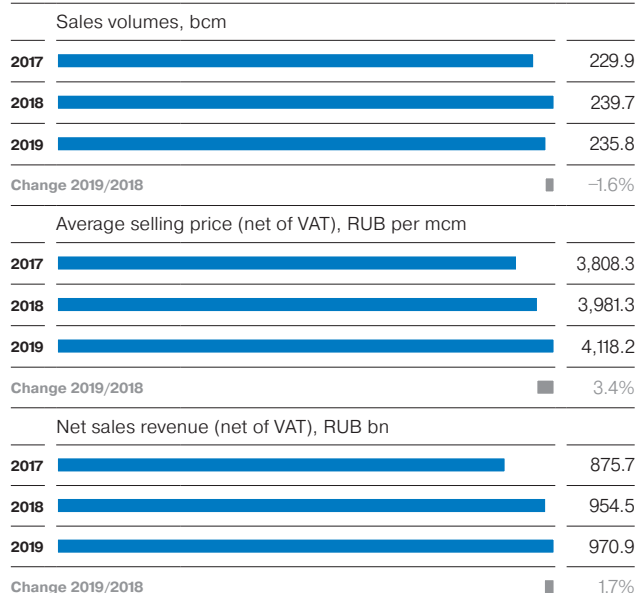
Gazprom is the largest natural gas supplier on the Russian market. In 2019, Gazprom Group sold 235.8 bcm of gas to consumers in the Russian Federation. Net sales revenue (net of VAT) was RUB 970.9 bn. The increase in net sales revenue was mostly due to higher average rouble prices (excluding VAT), which was partially offset by the declines in volumes of gas sold.

The reduction in gas sales volume was a consequence of warmer weather conditions in Q1 and Q4 2019 and was mainly observed for those groups of consumers, whose gas use is of a pronounced seasonal nature: generators, housing and utilities, and households.

During 2019, Gazprom took steps to retain existing consumers and win back lost major consumers by offering them more attractive gas payment terms, as well as capitalise on the opportunities to purchase gas through exchange-based gas trades at Saint Petersburg International Mercantile Exchange (AO SPIMEX) for resale to consumers.



Gas sales by Gazprom Group in Russia



For more details on Russian gas market trends see the [Trends and Developments in Global Energy Markets](#) section

In accordance with applicable Russian laws, end consumers buy gas at regulated prices which are differentiated between consumer groups (households vs industrial consumers), as well as by price zone, based on the relative distance from the gas production region to the consumer.



Weighted average wholesale regulated prices (net of VAT) of PJSC Gazprom's gas for industrial and household consumers, RUB per mcm

Weighted average annual price for industrial and household consumers*	
2017	3,988.5
2018	4,117.2
2019	4,224.8
Change 2019/2018	2.6%
Weighted average annual price for industrial consumers**	
2017	4,202.3
2018	4,316.4
2019	4,423.7
Change 2019/2018	2.5%
Weighted average annual price for subsequent resale to households**	
2017	3,512.9
2018	3,640.0
2019	3,734.4
Change 2019/2018	2.6%

* 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 zone for household and industrial consumers, respectively (exclusive of gas volumes supplied pursuant to Resolution of the Government of the Russian Federation No. 333 dated 28 May 2007 On Improvement of State Gas Price Regulation).

** Weighting is based on actual volumes delivered to each price zone for each group of consumers separately, household and industrial consumers, respectively (exclusive of gas volumes supplied pursuant to Resolution of the Government of the Russian Federation No. 333 dated 28 May 2007 On Improvement of State Gas Price Regulation).

FSU Gas Markets

Gazprom Group covers a significant portion of natural gas demand in FSU countries. In 2019, the Group sold 38.7 bcm of natural gas to FSU countries, with net sales revenue (net of customs duties) totalling RUB 356.1 bn. The increase in net sales revenue was mostly due to higher volumes of gas sales.

In the reporting year, agreements were reached to deliver additional commercial gas supplies to Kazakhstan in July–December 2019. During the repair period at the Armenian NPP, gas withdrawals increased in Armenia to replace the corresponding generating capacity. In 2019, efforts to resume Russian gas supply to Georgia resulted in a new natural gas supply contract signed for 2019–2020 with AO Georgian Oil and Gas Corporation, providing for a sale of up to 0.2 bcm of gas per year.

Gazprom Group buys natural gas in Turkmenistan, Kazakhstan and Uzbekistan under contracts with local counterparties. In 2019, the weighted average purchase price for Central Asian gas increased marginally year-on-year.



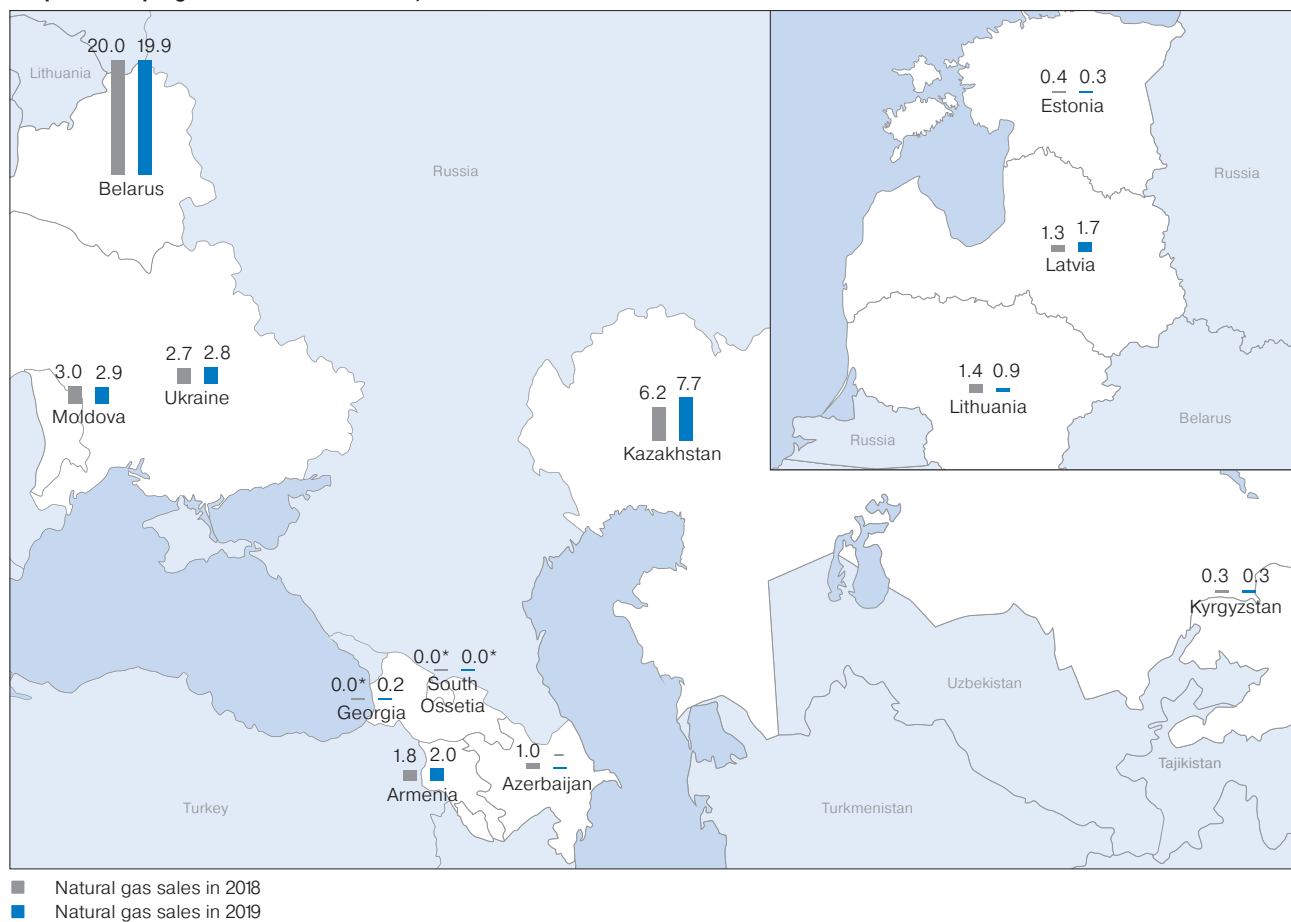
Gazprom Group's gas sales to FSU countries

Sales volumes, bcm	
2017	35.0
2018	38.1
2019	38.7
Change 2019/2018	1.6%
Average selling price (including customs duties), USD per mcm	
2017	158.4
2018	162.6
2019	157.4
Change 2019/2018	-3.2%
Average selling price (including customs duties), RUB per mcm	
2017	9,237.0
2018	10,225.9
2019	10,175.9
Change 2019/2018	-0.5%
Net sales revenue (net of customs duties), RUB bn	
2017	292.8
2018	348.6
2019	356.1
Change 2019/2018	2.2%

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



Gazprom Group's gas sales in FSU countries, bcm



Gazprom Group's purchases of gas in Central Asia, bcm

	2017	2018	2019	Change 2019/2018
For subsequent supplies to far abroad countries				
Turkmenistan	-	-	4.0	X
Uzbekistan	5.5	3.8	4.9	28.9%
Kazakhstan	13.8	12.3	11.3	-8.1%
Weighted average purchase price on the border of supplying countries, USD per mcm	121.6	133.1	136.3	2.4%
For subsequent supplies to Southern Kazakhstan				
Uzbekistan	1.7	2.9	2.7	-6.9%
For subsequent supplies to Kyrgyzstan				
Uzbekistan	0.0*	0.0*	0.0*	-
Kazakhstan	0.3	0.3	0.3	-

* Less than 0.05.

Oil and Gas Condensate Sales

In 2019, Gazprom Group sold 27.27 mm tonnes of crude oil and stable gas condensate. Net sales revenue (net of VAT and customs duties) reached RUB 752.8 bn, an increase over 2018 driven mostly by higher crude oil sales volumes.

Sales were up year-on-year mostly due to Gazprom Neft ramping up production and exports from the Novoportovskoye and Vostochno-Messoyakhskoye fields, and lower refining volumes at Gazprom Neft's refineries.



Net revenue from sales of crude oil and gas condensate (net of VAT and customs duties), RUB bn

Total	
2017	539.9
2018	734.9
2019	752.8
Change 2019/2018	2.4%
Russia	
2017	71.4
2018	64.6
2019	62.2
Change 2019/2018	-3.7%
Far abroad countries	
2017	438.7
2018	631.6
2019	648.7
Change 2019/2018	2.7%
FSU countries	
2017	29.8
2018	38.7
2019	41.9
Change 2019/2018	8.3%



Crude oil and gas condensate sales volumes, mm tonnes

Total	
2017	27.59 23.72
2018	25.55 21.10
2019	27.27 23.21
Change 2019/2018	6.7%
Russia	
2017	4.26 2.76
2018	2.66 1.15
2019	2.62 1.19
Change 2019/2018	-1.5%
Far abroad countries	
2017	21.61 19.25
2018	21.15 18.30
2019	22.94 20.31
Change 2019/2018	8.5%
FSU countries	
2017	1.71 1.71
2018	1.74 1.65
2019	1.71 1.71
Change 2019/2018	-1.7%

Note. Excluding intra-group sales.

Sales of Refined Products

In 2019, Gazprom Group's sales of refined oil and gas products increased to 70.18 mm tonnes due to increased sales to far abroad countries. Net sales revenue amounted to RUB 2,111.2 bn (net of excise tax, VAT, and customs duties). The decrease in net sales revenue was mainly due to lower average selling prices for refined products sold by Gazprom Neft in far abroad countries, as well as lower sales in Russia and FSU countries.



Net revenue from sales of refined products (net of excise tax, VAT, and customs duties), RUB bn

Total	
2017	1,687.1
2018	2,179.8
2019	2,111.2
Change 2019/2018	-3.1%
Russia	
2017	1,115.1
2018	1,394.1
2019	1,355.1
Change 2019/2018	-2.8%
Far abroad countries	
2017	454.3
2018	641.0
2019	629.8
Change 2019/2018	-1.7%
FSU countries	
2017	117.7
2018	144.7
2019	126.3
Change 2019/2018	-12.7%



Sales volumes of refined oil and gas products, mm tonnes

Total	
2017	65.96
	43.34
2018	68.86
	45.81
2019	70.18
	45.32
Change 2019/2018	1.9%
Russia	
2017	40.83
	27.82
2018	43.18
	29.57
2019	43.12
	28.51
Change 2019/2018	-0.1%
Far abroad countries	
2017	20.85
	12.39
2018	21.31
	13.22
2019	23.51
	13.93
Change 2019/2018	10.3%
FSU countries	
2017	4.28
	3.13
2018	4.37
	3.02
2019	3.55
	2.88
Change 2019/2018	-18.8%

Note. Excluding intra-group sales and sales of helium.



Sales of refined products by Gazprom Group, mm tonnes

	2017	2018	2019	Change 2019/2018
Diesel fuel	15.89	17.20	17.36	0.9%
Motor gasoline	13.39	13.64	13.53	-0.8%
Fuel oil	5.78	6.46	7.00	8.4%
Sulphur	5.31	5.24	6.46	23.3%
LPG	3.70	4.10	4.25	3.7%
Aviation fuel	3.60	3.94	3.98	1.0%
Mineral fertilisers	0.89	0.86	0.81	-5.8%
Lubricants	0.41	0.48	0.48	-
Polymers	0.11	0.11	0.10	-9.1%
Other refined, petrochemical and gas chemical products	16.88	16.83	16.21	-3.7%

Note. Excluding intra-group sales and sales of helium.



Sales of helium by Gazprom Group

Gaseous helium, mmcm	
2017	3.32
2018	3.42
2019	3.63
Change 2019/2018	6.1%
Liquid helium, tonnes	
2017	289.6
2018	260.1
2019	214.6
Change 2019/2018	-17.5%

Note. Excluding intra-group sales.

The increase in Gazprom Group's sales of refined products to far abroad countries in 2019 was mainly due to higher sales of sulphur, motor gasolines and fuel oil as this geographical segment offers higher sales margins compared to sales in the domestic market and the FSU countries.

The decrease in total helium sales was due to lower production and processing volumes of helium-rich gas at the Orenburgskoye OGCF. The increased share of gaseous helium in the total supplies of marketable helium was due to higher demand for the gaseous product in the domestic market. OOO Gazprom pererabotka's liquid helium production capacity at the Orenburg Helium Plant was fully utilised, and the output of marketable liquid helium did not decrease. In turn, liquid helium filling and regasification capacities were utilised to match consumer demand for liquid and gaseous products.

Electricity and Heat Sales

In 2019, Gazprom Group's net electricity and heat sales (net of VAT) were flat year-on-year at RUB 518.4 bn. Lower production and sales of heat and electricity in Russia and other FSU countries were offset by increased capacity sales and higher competitive (unregulated) electricity prices in Russia. In particular, the weighted average selling price of electricity produced by Gazprom energoholding's generating companies in the first price zone of the wholesale market increased at the day-ahead market by 4.0% year-on-year.

Russian wholesale electricity and capacity market is one of the world's largest

Electricity produced by the Group's Russian generating companies is mainly traded competitively within price zones of the Russian wholesale market, with a small portion exported to Norway and Finland.



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

2017	503.8
2018	522.1
2019	518.4
Change 2019/2018	-0.7%

Sales of Gas Transportation Services

In 2019, Gazprom Group’s net revenue from sales of gas transportation services (net of VAT) amounted to RUB 215.3 bn.

The year-on-year decline was due a reduction in services provided.

In 2019, the average regulated tariffs charged to independent companies for services related to gas transportation via PJSC Gazprom’s trunk pipelines comprising the UGSS amounted to RUB 65.20 per mcm/100 km. The tariff rate was set by the FTS of Russia back in 2015 and, despite the repeated annual requests by PJSC Gazprom to the FAS of Russia to change the gas transportation rates, setting economically sound tariffs, the FAS of Russia has been reluctant to adjust them.



Gazprom Group’s net revenue from sales of gas transportation services (net of VAT), RUB bn

2017	235.1
2018	225.7
2019	215.3
Change 2019/2018	-4.6%

Innovations

Gazprom aims for technology leadership in the industry. The Group is applying primarily domestic hi-tech equipment meeting the best world standards and invests in research and development. Engaging Russia-based R&D organisations is a significant part of this process.

In its evolution as a global energy company and a reliable energy supplier, Gazprom focuses on research and application of new knowledge and technology, as well as on continuous improvement of its innovation capabilities and acceleration of innovation to address a number of strategic, technological, and economic challenges that such leadership involves.

PJSC Gazprom's Innovation Engine

PJSC Gazprom's Innovative Development Programme until 2025 approved by Resolution of PJSC Gazprom's Board of Directors No. 3099 dated 17 April 2018 (Minutes No. 1196 dated 17 April 2018) is a fundamental instrument for longterm planning and management of innovations embedded into Gazprom's strategic development planning. The Programme covers gas, oil and power generation businesses of the Company. PJSC Gazprom, PAO Gazprom Neft, OOO Gazprom energo-holding, and other subsidiaries and associates implement R&D programmes (plans) to achieve the technology and organisational priorities set out in the Programme.

Gazprom has in place an extensive innovation management framework. The R&D Committee of PJSC Gazprom serves as a platform to discuss all matters related to R&D performance at PJSC Gazprom and its subsidiaries through comprehensive review and collective decision making driven by the principles of openness, fairness, and independence while balancing the interests of Operations, Economics, and Prospective Development. In order to enable the implementation of R&D products, as well as innovations developed by third parties, a standing Commission for Innovative Product Implementation and a single-window system have been set up and are operating successfully at PJSC Gazprom.

As part of its Corporate Framework for Management of Innovations at Subsidiaries of PJSC Gazprom, PJSC Gazprom focuses on further use (roll-out) and commercialisation of R&D results and protected intellectual property that deliver a positive and meaningful impact for PJSC Gazprom as well as on reviewing and following up compliance of its subsidiaries' innovation efforts with Russian laws and internal documents of PJSC Gazprom.

Intellectual Property Management

PJSC Gazprom has designed and successfully maintains an intellectual property management framework, which is essentially intended to determine company-wide principles governing the creation, legal protection, registration, commercialisation, and monitoring of the use of intellectual property across Gazprom Group, as well as to provide incentive schemes encouraging employees of Gazprom Group entities to create intellectual property.

In 2019, PJSC Gazprom approved its Patent Strategy until 2025, an instrument regulating decision making on the best patenting method for developed technical and/or technology solutions based on their development grounds, R&D capabilities and geography.

In 2019, PJSC Gazprom and its subsidiaries filed more than 300 patent applications. A total of 260 patents were granted for previously filed applications, including 4 foreign patents (patent protection in Japan, Canada, Australia and Turkmenistan). Russian Federation Patent No. 2691724 (patent owner: OOO Gazprom dobycha Yamburg) for Foam Agent for Fire Extinguishing in Arctic Conditions was included by Rospatent (Federal Service for Intellectual Property) into the top 10 most interesting utility patents in 2019.

RUB 33 bn
Economic effect from the use of patented items in operations in 2017–2019



Number of patents held by PJSC Gazprom and its subsidiaries and their use in operations

Total number of patents as at 31 December	
2017	2,365 427
2018	2,555 441
2019	2,674 459

■ Total
 ■ Including those used in operations

Economic effect from the use of patented items in operations, RUB bn	
2017	8.0
2018	10.3
2019	14.5

Cooperation in Science and Technology

Cooperation with Russian and global companies, external institutions, research centres and anchor universities is vital for stronger and better innovation at PJSC Gazprom.

Russian research partners of PJSC Gazprom include RUSNANO, Rosatom, the Skolkovo Foundation, leading research organisations of the Russian Academy of Sciences, Russia’s largest pipe manufacturers and innovative SMEs. Foreign partners, including Wintershall Dea, OMV, Uniper, VNG, and Gasunie, participate in joint projects with PJSC Gazprom and work together with the Company under science and technology cooperation programmes. These projects include an international R&D project carried out jointly with German and Austrian companies to test the possibility of safe storage of methane and hydrogen mixtures in UGSFs.



Gas Science and Innovations booth at the InGAS Stream 2019 – Innovations in the Gas Industry exhibition

In 2019, Gazprom set up the Gas Science and Innovations booth at the InGAS Stream 2019 – Innovations in the Gas Industry specialist exhibition held as part of the 9th St Petersburg International Gas Forum.

The booth showcased the capabilities and achievements of corporate science of PJSC Gazprom as a global energy company focused on the search for, development, and implementation of innovations.

PJSC Gazprom collaborates with 13 anchor universities across seven Russian regions to implement targeted R&D and talent training programmes for Gazprom Group.

Innovation Performance

The Group allocates significant amounts for its annual R&D budgets, and R&D results are applied in its priority projects.

The Group’s R&D efforts aim to develop and implement high-tech equipment and sophisticated engineering complexes unrivalled in the world, as well as to create advanced R&D solutions.



Total spending on R&D projects commissioned by Gazprom Group (net of VAT), RUB bn

2017	8.2
2018	9.0
2019	12.1



Actual economic effect from the use of R&D results in the Group entities, RUB bn

2017	12.3
2018	12.3
2019	10.5

Gas Business



Technology priorities in the gas business

- Hydrocarbon field exploration and appraisal, including development of unconventional resources
- Brownfield enhancement
- Hydrocarbon development on the continental shelf
- Greenfield development
- Efficiency enhancement of trunk gas pipelines, and diversification of gas distribution methods
- Enhancement of gas storage
- Enhancement of gas and gas condensate processing
- LNG production
- Gas marketing and utilisation

Hydrocarbon exploration and production yielded the best R&D results in 2019.

The ongoing deployment of Russian software solutions was continued under a roadmap to reduce reliance on foreign software in hydrocarbon exploration and production. In 2019, part of the new software was tested and piloted, with proposals prepared on its deployment for applications in field exploration and development.

Gas transportation technologies and equipment are also improved. In particular, knowledge-intensive technologies were widely used in 2019 in the construction of the Power of Siberia trunk gas pipeline, the Company's strategic project.

A silica gel adsorbent system with unique performance was developed and deployed to prepare natural gas for transport by the TurkStream trunk gas pipeline. The system is capable of simultaneous dehydration and NGL removal to ensure the high quality of pumped gas.



Selected brownfield enhancement solutions developed in 2019

Field	Innovative R&D project outcomes	Legal protection
Yamburgskoye and Zapolyarnoye OGCFs	A range of innovative solutions were developed and implemented to minimise the risks associated with man-made, environmental and geoenvironmental incidents by using management information systems at PJSC Gazprom's gas production facilities in the Extreme North environment	The developed technical solutions are protected by 19 Russian patents
Urengoykoye OGCF	Russia's first high-tech complex was commissioned to produce and refine heavy hydrocarbon feedstock from low-permeability reservoirs of the Achimov deposits using advanced R&D, technology and energy-saving solutions	The developed technical solutions are protected by 10 Russian patents



State-of-the-art knowledge-intensive technologies and equipment used in the construction of the Power of Siberia trunk gas pipeline

Project specifics requiring advanced knowledge-intensive technologies and equipment	Technologies and equipment
<ul style="list-style-type: none"> — The pipeline route passes through swampy, mountainous, seismically active, permafrost, and rocky areas with extreme environmental conditions — The absolute lowest air temperatures along the Power of Siberia route range from -62°C in the Republic of Sakha (Yakutia) to -41°C in the Amur Region 	<ul style="list-style-type: none"> → Domestically-produced steel pipe with internal flow coating, including pipe with enhanced deformation properties → External insulation coating is made of innovative domestic nanocomposite materials, which ensures high corrosion resistance of the gas pipeline → Pipes crossing active tectonic faults can withstand high seismic activity and ground displacements → Special engineering solutions for pipe installation → Unattended cycloidal electric actuators with backup batteries for use with shutoff and control valves on trunk gas pipelines. Over 100 actuators were supplied for the Power of Siberia gas pipeline project in 2019

Oil Business



Technology priorities in the oil business

- Driving mature asset performance
- Development of multiphase fields
- Production from low-permeability reservoirs
- Effective and safe shelf operations in ice conditions
- Development and production of catalysts for refining processes

Innovative development in the oil business includes the E&P and refining segments and aims to overcome the technological challenges preventing the achievement of strategic objectives.

Developments in the E&P segment of the oil business target problems associated with production declines at mature fields and higher share of new (more difficult to develop) types of fields in the production portfolio.

The construction of high-tech catalytic facilities in Omsk entered an active phase, with contracts awarded for main and auxiliary equipment. The project seeks to develop and subsequently launch production of catalytic cracking, hydro-treatment, and hydrocracking catalysts. A next-generation FCC catalyst AV-Neo was produced in 2019 with subsequent commercial loading into two units of Omsk Refinery. A diesel fuel hydrotreatment catalyst was developed with loading scheduled for the first half of 2020. Catalytic cracking gasoline hydrotreatment catalyst production technology was tested.



Selected innovations in E&P developed in 2019

Project	Development results
Implementation of a package of technologies to improve well productivity	<p>Two horizontal wells were drilled with multistage fracturing at the Yamburgskoye field in 2019 to optimise well design</p> <p>A self-learning computer programme was developed jointly with IBM and the Skolkovo Institute of Science and Technology to keep a wellbore within a productive reservoir by adjusting the well path</p> <p>A new digital machine-learning tool was developed for real-time analysis of drilling parameters: vibration, rate of penetration, RPM, and weight on bit, which vary depending on the formation properties. Real-time identification of rock composition is enabled by analysing these parameters. As the programme is self-learning, prediction of changes in rock composition is done more accurately with each metre drilled. A prediction accuracy of 70% has been achieved, with plans to bring it up to 90%</p>
Development of surfactant-polymer flooding technology	<p>Various formulations were tested on core samples to identify cheaper alternatives to Shell's expensive agents used in a pilot project at the Zapadno-Salymskoye field.</p> <p>Two promising surfactant-polymer formulations produced by PAO SIBUR Holding were selected for single-well testing at the Kholmogorskoye field. Also in 2019, a conceptual model for piloting at the above field was developed and design work was commenced</p> <p>The surfactant-polymer flooding technology testing project was underway at the Sutorminskoye field. Gazprom Neft Science and Technology Centre's partner in the project is China's Daqing Oil, a subsidiary of CNPC</p>
Development of unconventional oil production technologies	<p>The Bazhenov Technology Centre (a subsidiary of PAO Gazprom Neft) completed a 19-stage fracturing of the Bazhenov formation in a well with a horizontal wellbore length of 1.5 thousand m. This is the project's most technically complex well. All wells commissioned within the projects produced commercial amounts of oil. For commercial deployment of the range of technologies to develop the Bazhenov formation, well drilling costs need to be reduced to RUB 8.5 thousand per tonne of oil produced. In 2019, well drilling costs were reduced by 32% to RUB 12.1 thousand per tonne of oil produced.</p>

Power Generation Business



Technology priorities in the power generation business

- Increasing efficiency in power generation
- Reducing the environmental footprint of operations
- Implementing advanced engineering solutions

Gazprom energoholding designs and implements innovative technologies for electricity and heat generation at power stations.

In 2019, the construction of Unit 2 at the Grozny TPP was completed. The plant's total installed electrical capacity is now 360 MW. The new Unit 2 with a capacity of about 184 MW comprises a gas turbine and generator by Siemens. The Grozny TPP units were built with extensive use of domestically-produced systems and equipment: automation, protective relaying, mechanical-draft dry cooling towers, emission monitoring system, gas conditioning and water treatment system components, and electrical switchgear equipment.

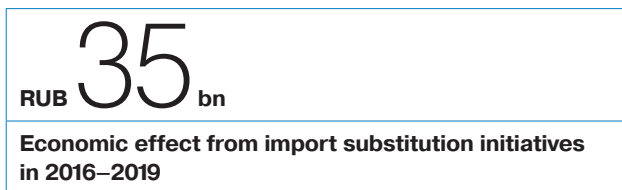


For more details on PJSC Gazprom's innovation engine and innovations see [Gazprom Group's Sustainability Reports](#) published on an annual basis

Import Substitution

Growing the share of Russian products used in Gazprom Group’s operations and encouraging the development of Russian alternatives to critical imported products are some of the key initiatives being taken to address the risk associated with using foreign equipment and technologies in the context of economic and technology sanctions.

An action plan has been implemented since 2015 to address the challenges of import substitution and identify the Company’s needs for import substituting equipment and technologies. The economic effect from the deployment of import substituting equipment and technologies is estimated annually. PJSC Gazprom Corporate Import Substitution Plan was developed and approved in 2018. The plan was updated in 2019.



Economic effect from deploying import substituting equipment and technologies at PJSC Gazprom’s facilities in 2016–2019

Segment	Economic effect, RUB bn	Initiatives with the largest economic effect
Hydrocarbon production	16.4	Using Russian-made hydrogen sulphide-resistant downhole equipment for operation at a pressure of 70.0 MPa (production launched in 2017)
Gas transportation	14.0	Development of drive repair technology for foreign-made gas pumping units by a Russian company using domestically made components (the technology was implemented in 2018)
Other	4.6	Purchasing Russian materials and components to replace foreign alternatives



Summary of PJSC Gazprom’s updated Corporate Import Substitution Plan

- The corporate plan spans the period until 2025 with due consideration for the key technology focus areas outlined in the industry’s Import Substitution Plan* updated in 2019
- The plan covers the gas, oil, and power generation businesses
- The plan details measures for planned and phased substitution of foreign products with competitive Russian counterparts in the operations of Gazprom Group companies as well as for the creation of favourable environment for the development of national manufacturing base and domestic supply networks

* Import Substitution Plan for Mechanical Engineering in the Petroleum Industry approved by Order of the Ministry of Industry and Trade (Minpromtorg) of Russia No. 1229 dated 16 April 2019.

In 2019, PJSC Gazprom’s import substitution strategy was focused on prioritising Russian equipment and components in PJSC Gazprom’s procurement. A total of 28 audits of Russian companies were conducted to check their readiness to produce import substituting products, and 9 testing laboratories and centres were audited to evaluate their capabilities for product certification testing. A total of 310 such audits were completed between 2015 and 2019.

Launching Production of New High-tech (Including Import Substituting) Products by Russian Businesses

Gazprom engages Russian industrial companies and research institutions to manufacture high-tech and import substituting products and materials including through collaboration with Russian regional governments under respective roadmaps. The purpose of these roadmaps is to launch production of products listed in PJSC Gazprom’s Corporate Import Substitution Plan and the List of Priority Products for Import Substitution and Production Localisation to Promote the Technological Development of PJSC Gazprom.

A total of 20 roadmaps were being implemented across 25 Russian regions in 2019

Since 2017, the Company has been using a tripartite cooperation arrangement (PJSC Gazprom, the Russian Ministry of Industry and Trade, and regional governments) whereas roadmaps are signed with regional industrial complexes. As at 31 December 2019, these roadmaps were signed with the governments of five Russian regions.



The benefits of tripartite roadmaps as a new cooperation mechanism to engage regional industrial complexes

- A series of consistent initiatives aimed at developing high-tech (including import substituting) products, as well as state support for participating businesses from the Russian Ministry of Industry and Trade
- No binding agreements and no investments in the initiatives from PJSC Gazprom
- The participants may receive subsidies from the Russian Ministry of Industry and Trade and PJSC Gazprom may consider entering into long-term contracts for the supply of developed products

PJSC Gazprom cooperates with more than 50 businesses from adjacent industries under these roadmaps. Many of these companies are certified suppliers for the petroleum industry and supply equipment to PJSC Gazprom. High-tech (including import substituting) products produced by Russian businesses are primarily used in gas production and transportation, including at the Chayandinskoye field and the Power of Siberia trunk gas pipeline.

Long-term Contracts as a Framework for Import Substitution Projects

In 2019, the Company continued to sign long-term contracts with Russian manufacturers for mass production, supply, maintenance, service and repair of import-substituting products against guaranteed future supplies. The signed contracts include a contract to supply radio relay communication equipment that can substitute foreign radio relay stations used by PJSC Gazprom’s networks and a long-term contract for the manufacture, supply, maintenance, service and repair of equipment and other components of subsea production systems.



Import substituting products produced and supplied under long-term contracts with Russian industrial companies as at 31 December 2019

- Casing and tubing pipes for hostile environments
- Special-purpose ball valves
- Axial-flow anti-surge and control valves
- Complete modular TAKAT compressor packages
- Microporous silica gel adsorbent and moisture-resistant microporous silica gel adsorbent to prepare natural gas for trunk gas pipeline transportation
- Longitudinally welded steel pipes and connections for subsea and onshore gathering pipelines
- LNG-powered shunting locomotives
- Equipment and other components of subsea production systems (subsea casing head systems, Christmas trees, 20" and 30" connection systems, and tubing hangers)
- Radio relay communication complexes

In 2019, PJSC Gazprom's import substituting product procurement regulations were amended, in some cases by concluding long-term contracts, to incorporate lessons learned.



Key amendments to the Regulations on the Procurement of Goods, Works and Services by PJSC Gazprom and Gazprom Group companies related to import substituting product procurement, including procurement under long-term contracts (Resolution of PJSC Gazprom's Board of Directors No. 3337 dated 19 November 2019)

- Amendments and clarifications to the general procedure for signing long-term contracts with Russian suppliers of import substituting products without competitive bidding based on a resolution of the Steering Committee for Import Substitution, Manufacturing Localisation and Inventory Management
- Maximum term of long-term contracts extended to 10 years
- Clarification that in situations where several potential suppliers were preliminarily evaluated for readiness to manufacture products for PJSC Gazprom, the contract shall be awarded to the supplier with the highest readiness index

The Company will continue signing long-term contracts with Russian suppliers: launching another seven types of import substituting products using this mechanism was considered in 2019.

Development of High-tech Import Substituting Products for Subsea Production Systems Used in Hydrocarbon Development

In 2019, Russian companies implemented new manufacturing technologies and produced prototypes of equipment for offshore field development with subsea production systems as a result of R&D under the State Programme of the Russian Federation for the Development of Shipbuilding and Equipment for Offshore Upstream Operations for 2013–2030.

The Subsea Production Complexes expert group of the Science and Technology Council for Petroleum Equipment Development under the Ministry of Industry and Trade (Minpromtorg) is led by a representative of PJSC Gazprom

The research and coordination committee implementing the state programme approved seven R&D project to be put out to tender by Minpromtorg in 2020.

The city of Saint Petersburg and PJSC Gazprom continued implementing a cooperation agreement signed in 2017 on the establishment of an industrial cluster focused on high-tech solutions to develop the World Ocean's resources. Under this agreement, the Cluster for High-tech Solutions to Develop the World Ocean's and Arctic Resources (established with PJSC Gazprom's participation) and the Committee for Power and Utilities of Saint Petersburg developed a programme for 2020–2024 providing for the establishment of related infrastructure, training of skilled personnel and launching production of competitive products not inferior to foreign counterparts.

Also in 2019, a subsidiary of PJSC Gazprom signed a long-term contract with AO Almaz–Antey Air and Space Defence Corporation for the mass production of subsea production equipment. Pursuant to the contract, required advance payments have been made and one of the corporation's plants was equipped to launch the production of the equipment. The plant was retrofitted, and the construction of an advanced assembly and testing facility is underway.



For more details on PJSC Gazprom's import substitution initiatives see [Gazprom Group's Sustainability Reports](#) published on an annual basis

The Company demonstrated a solid financial position and maintained leverage at a comfortable level in 2019. This was achieved despite the negative impact of external environment factors, including through consistent operational and capital expenditures optimisation and exploring additional revenue sources.



PJSC Gazprom's mid-term financial policy priorities

Positive free cash flow generation	The Company's main growth drivers are strategic projects to be launched in 2020–2024, with the capex for these projects spread evenly throughout this period. This approach will ensure the Group's financial stability even in an adverse commodity and financial market environment.
Dividend payments out of free cash flow	<p>To meet its new Dividend Policy, the Company intends to expand its free cash flow generation potential by both operational performance enhancement and opex and capex optimisation.</p> <p>The Company has a clear investment project prioritisation system based on strategic importance and performance measures. Key strategic projects and projects securing gas balance in peak periods have the highest financing priority. Financing of other projects is subject to budget constraints.</p> <p>A restructuring of the investment and construction business unit was undertaken in 2019, creating conditions for a transition to a central contractor-based model and wider use of EPC contracts. More efficient project implementation is also driven by broader use of project financing.</p>



PJSC Gazprom's mid-term financial policy priorities (continued)

Increasing performance efficiency	<p>PJSC Gazprom's annual budgeting process establishes strict spending limits for the Company and its subsidiaries, while cost optimisation opportunities are explored on an ongoing basis at implementation stage.</p> <p>At the same time, PJSC Gazprom keeps improving the budgeting process of Group companies and strengthening spending control. KPI system implementation in subsidiaries helped discover excess liquidity reserves, cost reduction and net profit increase opportunities. Starting from 2020, the Group has plans to begin reviewing and approving consolidated budgets of its gas and power business sub-holdings, i.e. Gazprom mezhregiongaz Group, Gazprom energoholding Group, Gazprom export Group. The new approach will improve sub-holdings' business process transparency and operational and investment performance control.</p> <p>A significant positive effect in cost savings is achieved through PJSC Gazprom and Group companies' annual operational efficiency improvement and cost reduction programmes. Plans for 2020 include optimisation of design-stage project cost estimates, driving cost reduction in procurement, and energy saving and energy efficiency initiatives.</p> <p>Group companies widely use banking support of procurement contract execution, which drives spending efficiency.</p>
Liquidity management	<p>The Company accumulates sufficient cash, cash equivalents and bank deposits on its balance sheet to guarantee that Gazprom Group fulfils its obligations at all times.</p> <p>A key source of liquidity is centralised cash management across Gazprom Group. PJSC Gazprom continues to develop a centralised real cash pooling system that allows for optimal intra-group liquidity redistribution, reducing external borrowing requirements of Group companies and providing additional income from depositing idle cash.</p> <p>As at 31 December 2019, the cash pooling system had 481 participants, including 41 overseas entities. Intra-group liquidity consolidated in PJSC Gazprom's master accounts increased by 1.8 times, from RUB 289.7 bn as at 31 December 2018 to RUB 509.7 bn as at 31 December 2019, intra-group loans issued by Gazprom Group entities were RUB 9.9 bn as at 31 December 2019.</p>
Debt management	<p>The Company pursues a conservative debt management policy and intends to maintain the Net debt (including bank deposits)/EBITDA ratio in the comfortable range of 1 to 2, as well as maintain a balanced debt portfolio structure with predominantly long-term debt.</p> <p>Broader use of project financing helps diversify financing sources, maintain a lighter balance sheet and drive investment programme efficiency. The Company is engaged in a systematic effort to optimise the debt portfolio structure, manage repayment schedules and reduce borrowing costs, including through refinancing.</p>
Improving tax administration	<p>Gazprom is one of Russia's major taxpayers. The Company implements a tax monitoring mechanism aimed at increasing transparency of operations of Gazprom Group entities, reducing fiscal load, and managing operational risks and costs.</p>
Building a stronger investment case, driving capitalisation	<p>The Company aims to further develop investor and shareholder engagement, enable their direct dialog with management, and increase transparency, including through better disclosure and better financial and non-financial reporting.</p>



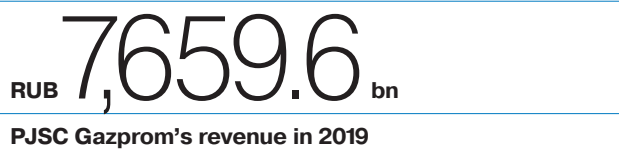
PJSC Gazprom IFRS Consolidated Financial Statements is available on PJSC Gazprom's website → www.gazprom.com



Revenue

Gazprom Group's sales revenue (net of VAT, excise tax, and customs duties) amounted to RUB 7,659.6 bn in 2019. It was down year-on-year, primarily driven by lower net sales of gas.

A significant part of the Group's sales revenue is denominated in foreign currencies (mostly in US dollars and euros).



Net sales revenue, RUB bn

	2017	2018	2019	Change 2019/2018
Net revenue from gas sales	3,340.6	4,303.7	3,800.7	-11.7%
Net revenue from sales of refined products	1,687.1	2,179.8	2,111.2	-3.1%
Net revenue from sales of crude oil and gas condensate	539.9	734.9	752.8	2.4%
Net revenue from sales of electricity and heat	503.8	522.1	518.4	-0.7%
Net revenue from sales of gas transportation services	235.1	225.7	215.3	-4.6%
Other revenues	239.6	258.0	261.2	1.2%
Total	6,546.1	8,224.2	7,659.6	-6.9%



Variation analysis of net sales revenue in 2019, RUB bn

Net sales revenue in 2018	8,224.2
Change in net revenue from sales of natural gas to far abroad countries	← -460.8
Change in net revenue from sales of natural gas to FSU countries	→ +7.5
Change in net revenue from sales of natural gas in the Russian Federation	→ +16.4
Retroactive gas price adjustments	← -66.1
Change in net revenue from sales of crude oil and gas condensate to far abroad countries	→ +17.1
Change in net revenue from sales of crude oil and gas condensate to FSU countries	→ +3.2
Change in net revenue from sales of crude oil and gas condensate in the Russian Federation	← -2.4
Change in net revenue from sales of refined products to far abroad countries	← -11.2
Change in net revenue from sales of refined products to FSU countries	← -18.4
Change in net revenue from sales of refined products in the Russian Federation	← -39.0
Change in net revenue from sales of electricity and heat	← -3.7
Change in net revenue from sales of gas transportation services	← -10.4
Change in other revenues	→ +3.2
Net sales revenue in 2019	7,659.6

Operating Expenses

Gazprom Group's operating expenses amounted to RUB 6,387.1 bn in 2019. They were up year-on-year, driven by higher staff costs, foreign exchange differences on operating items and depreciation. The change in staff costs was mainly due to the recognition of income from a change in provision for post-employment benefits in 2018 caused by the retirement age increase under the Russian law.

The Group's operating expenses as a percentage of sales increased from 75% in 2018 to 83% in 2019.

Gazprom is one of Russia's major taxpayers. Taxes payable by the Group (net of income tax), totalled RUB 1,409.2 bn in 2019, down RUB 89.1 bn year-on-year. They were down year-on-year, predominantly driven by a decrease in the KGP coefficient value in the MET formula for gas and oil price decline.

RUB 6,387.1 bn
PJSC Gazprom's operating expenses in 2019



Operating expenses breakdown, RUB bn

	2017	2018	2019	Change 2019/2018
■ Taxes other than income tax	1,246.1	1,498.3	1,409.2	-5.9%
■ Purchased gas and oil	1,236.2	1,468.9	1,403.6	-4.4%
■ Staff costs	682.1	600.8	749.7	24.8%
■ Depreciation	613.2	648.0	715.2	10.4%
■ Transit of gas, oil and refined products	593.3	650.8	665.6	2.3%
■ Foreign exchange rate differences on operating items	-14.5	-28.0	78.3	X
■ Other	1,340.7	1,342.4	1,365.5	1.7%
Total	5,697.1	6 181.2	6 387.1	3.3%



Breakdown of taxes other than on income, RUB bn

	2017	2018	2019	Change 2019/2018
■ MET	915.2	1,163.9	1,115.0	-4.2%
■ Property tax	154.6	162.9	148.6	-8.8%
■ Other taxes	176.3	171.5	145.6	-15.1%
Total	1,246.1	1,498.3	1,409.2	-5.9%

Profit

In 2019, Gazprom Group’s operating profit amounted to RUB 1,119.9 bn, adjusted EBITDA was RUB 1,859.7 bn. Both of them were down year-on-year, primarily due to lower global oil and gas prices, as well as lower gas sales to European far abroad countries. Gazprom Group’s adjusted EBITDA margin went down to 24% in 2019.

Income tax in the reporting year was RUB 357.5 bn. Effective tax rate increased to 22.0% (2018: 17.5%).

The Group’s profit attributable to the owners of PJSC Gazprom totalled RUB 1,202.9 bn in 2019. It was down year-on-year, mostly due to lower operating profit, partly offset by foreign exchange gains due to the strengthening of the rouble in 2019. The profit margin attributable to the owners of PJSC Gazprom was 16% in 2019.



Profit margin, %

	2017	2018	2019
Adjusted EBITDA margin	22	32	24
Margin on the profit for the year attributable to the owners of PJSC Gazprom	11	18	16



Variation analysis of profit attributable to the owners of PJSC Gazprom in 2019, RUB bn

Profit for 2018 attributable to the owners of PJSC Gazprom	1,456.3
Change in sales revenue	← -564.6
Change in operating expenses	← -205.9
Net gain (loss) from commodity trading activity at high-liquidity European trading hubs	← -43.0
Change in net financial income (expense)	→ +610.0
Change in share of profit of associates and joint ventures	← -25.4
Change in income tax	← -33.9
Other factors	→ +9.4
Profit for 2019 attributable to the owners of PJSC Gazprom	1,202.9

RUB 1,859.7 bn

PJSC Gazprom’s adjusted EBITDA for 2019



Profit, RUB bn

	2017	2018	2019
Operating profit	871.4	1,930.0	1,119.9
Change 2019/2018			-42.0%
Adjusted EBITDA	1,467.7	2,599.3	1,859.7
Change 2019/2018			-28.5%
Profit for the year attributable to the owners of PJSC Gazprom	714.3	1,456.3	1,202.9
Change 2019/2018			-17.4%

Capital Expenditures

Gazprom Group’s capital expenditures amounted to RUB 1,818.7 bn in 2019.

Transportation, Gas Production and Refining segments account for the bulk of the Group’s capital expenditures. The high share of the Transportation segment in the total capital expenditures is due to the concurrent implementation of a number of major gas transportation projects. With Gazprom’s capex mostly denominated in Russian roubles, its investment activities are less exposed to external factors.

Total actual expenditure under the Group’s Investment Programme for 2020 (covering gas, oil, electricity generating, heat generating, and other assets) and similar plans of the Group was RUB 1,610.0 bn.

RUB 1,818.7 bn

Gazprom Group’s capital expenditures in 2019



For more details on Gazprom Group’s key capital expenditures in 2019 and investment priorities for 2020 see the [Capex Programmes](#) section



Capital expenditures, RUB bn

	2017	2018	2019	Change 2019/2018
Gas transportation	498.6	640.1	464.2	-27.5%
Processing/refining	225.2	309.4	437.8	41.5%
Gas production	216.5	308.0	360.2	16.9%
Oil and gas condensate production	330.4	257.9	316.0	22.5%
Electricity and heat generation and sales	58.1	72.9	79.0	8.4%
Gas distribution	51.7	39.1	25.8	-34.0%
Gas storage	37.7	19.4	14.3	-26.3%
Other segments	86.4	149.1	121.4	-18.6%
Total	1,504.6	1,795.9	1,818.7	1.3%

Note. Capital expenditures are shown as reported in the segment information of PJSC Gazprom’s IFRS consolidated financial statements.

Cash and Free Cash Flow

According to Gazprom Group’s financial policy, capital expenditures are covered by the operating cash flow.

Net cash from operating activities totalled RUB 1,709.4 bn in 2019. It was up year-on-year, mostly driven by higher cash driven by decrease in short-term deposits in working capital.

Net cash from operating activities remained lower than cash capital expenditures in 2019 as the Company was passing the peak of its investment cycle.

PJSC Gazprom is developing the Group’s centralised cash flow and liquidity management system.

481 participants

in Gazprom Group’s real cash pooling system as at 31 December 2019



Cash and free cash flow, RUB bn

Net cash from operating activities	
2017	1,187.0
2018	1,617.4
2019	1,709.4
Change 2019/2018	5.7%
Cash capital expenditures	
2017	1,405.8
2018	1,639.5
2019	1,775.9
Change 2019/2018	8.3%
Free cash flow	
2017	-218.8
2018	-22.1
2019	-66.5

Debt Management

As at 31 December 2019, Gazprom Group’s total debt was RUB 3,863.9 bn, while its net debt amounted to RUB 3,167.8 bn.

The weighted average interest rate decreased to 4.8% as at 31 December 2019 (5.1% as at 31 December 2018). As at 31 December 2019, 80% of debt matured in one year or later.

In 2019, the Group’s Net debt (adjusted)/adjusted EBITDA ratio stood at a comfortable level of 1.3.

1.3

Net debt (adjusted)/adjusted EBITDA in 2019

PJSC Gazprom has investment-grade credit ratings from Standard & Poor’s, Fitch Ratings and Moody’s credit rating agencies. The credit rating from Moody’s is one notch above the sovereign rating of the Russian Federation. These ratings are a credible external recognition of the Group’s high credit-worthiness and financial stability. Gazprom Group companies are reliable borrowers in the domestic and international capital markets, able to raise funds on favourable terms.



Leverage as at 31 December

Net debt/adjusted EBITDA	
2017	1.6
2018	1.2
2019	1.7
Net debt (adjusted)/adjusted EBITDA	
2017	1.4
2018	0.9
2019	1.3

Note. Calculated with net debt and adjusted EBITDA denominated in Russian roubles.



Total debt as at 31 December, RUB bn

	2017	2018	2019	Change 2019/2018
Net debt	2,397.5	3,014.4	3,167.8	5.1%
Cash and cash equivalents	869.0	849.4	696.1	-18.0%
Total	3,266.5	3,863.8	3,863.9	0.0%



Net debt as at 31 December, RUB bn

	2017	2018	2019	Change 2019/2018
Net debt (adjusted)*	2,068.0	2,216.8	2,491.4	12.4%
Deposits within current and non-current assets	329.5	797.6	676.4	-15.2%
Total	2,397.5	3,014.4	3,167.8	5.1%

* Defined in the Dividend Policy of PJSC Gazprom approved by PJSC Gazprom's Board of Directors in 2019 (Resolution No. 3363 dated 24 December 2019) as the sum total of the funds borrowed less cash and cash equivalents (including deposits within other current and non-current assets).

Gazprom successfully raises capital on international debt markets, making informed decisions when selecting its sources of financing and prudently using the borrowed funds. The Group borrows mainly in foreign currency: ca. 21% of its debt is denominated in US dollars and 48% in euros. This is due to a number of factors including lower interest rates on overseas markets and their larger capacity as compared to rouble-denominated instruments. Considering the gradual increase of interest rates in US dollars in 2019 and persisting negative interest rates in euros, the share of euro-denominated borrowings in the Group's debt portfolio has been rising. On top of that, Gazprom Group's debt currency profile reflects its prevailing foreign currency revenues, creating a natural hedge for debt servicing: if the Russian rouble depreciates against the US dollar/euro, higher payments on external debt in the rouble equivalent will be offset by the growing rouble equivalent of foreign currency revenues.



Gazprom Group's cost of debt, %

	2017	2018	2019
Weighted average fixed interest rate	6.3	6.0	5.8
Weighted average floating interest rate	3.6	2.9	3.3
Weighted average interest rate	5.6	5.1	4.8

Rouble-denominated borrowings in the debt portfolios of Gazprom Group's subsidiaries account for nearly 24% of the Group's total debt.

The Group's debt portfolio is well-balanced in terms of maturity, with borrowings maturing in more than five years account for over a quarter of the portfolio.



For details on bond issues outstanding as at 31 December 2019 see the [Share Capital and Securities Market](#) section



Debt maturities as at 31 December 2019, %

	2017	2018	2019
Less than 1 year (inclusive)	27	15	20
1-2 years (inclusive)	15	16	12
2-5 years (inclusive)	33	43	42
Over 5 years	25	26	26

Environmental and Social Responsibility

Personnel 140

Occupational Safety 145

Environmental Protection 150

Energy Saving and Energy Efficiency 155

Social Projects 158

The most important strategic tool of Gazprom is its personnel — a professional workforce aiming for the highest performance. The key drivers of the Company’s consistently high profile as an employer include its responsible social policy, ample opportunities for fulfilling potential and upgrading skills.

PJSC Gazprom strictly complies with the requirements of Russian labour laws. The Company’s local regulations are aligned with Conventions of the International Labour Organisation and international standards regulating employee pay, hours, working conditions, remuneration for work, social security, and holidays with pay.

Personnel Structure

As at 31 December 2019, the total headcount of the Group was 473.8 thousand employees, including 26.8 thousand employees in entities registered abroad.

Higher headcount at Gazprom Group in 2019 was due to the implementation of strategic gas production and transportation projects and the growth of the Group’s operations in oil and power generation businesses.



Total headcount of Gazprom Group as at 31 December, thousand people

2017	469.6
2018	466.1
2019	473.8
Change 2019/2018	1.7%

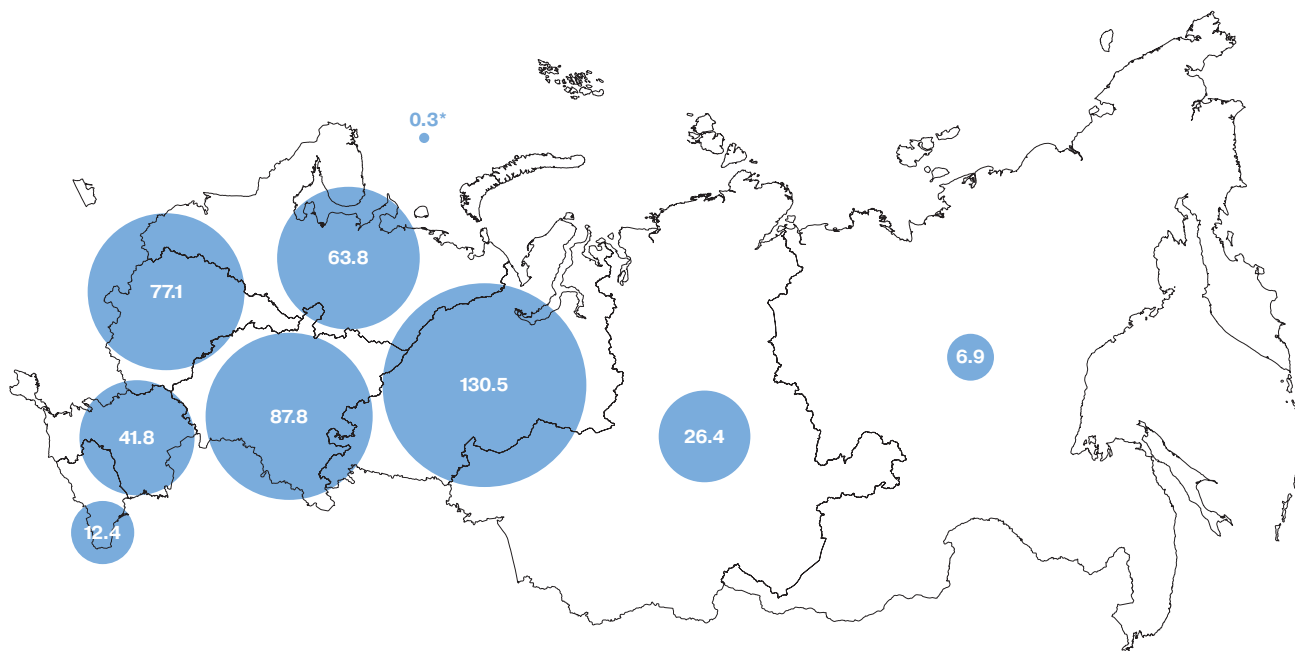
Note. Excluding entities in which Gazprom has investments classified as joint operations.

0.65%

the share of Gazprom Group personnel in the total number of employed Russian citizens



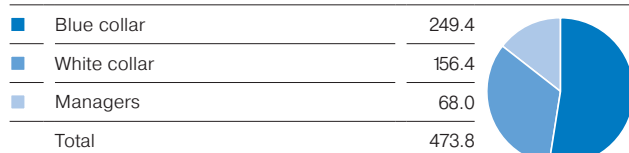
Gazprom Group's workforce in Russia breakdown, as at 31 December 2019, thousand people



* Employees involved in projects to develop hydrocarbon deposits on the Russian continental shelf.



Gazprom Group's workforce by category as at 31 December 2019, thousand people



Note. Excluding entities in which Gazprom has investments classified as joint operations.



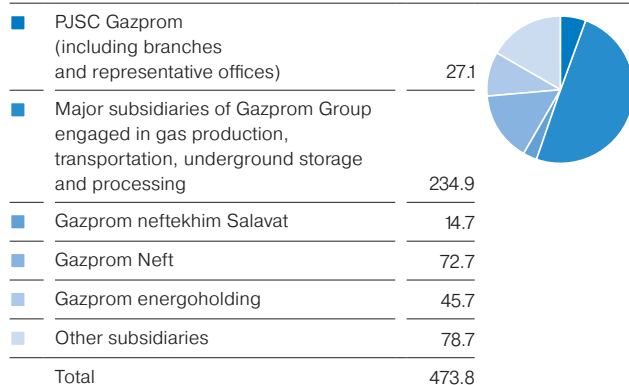
Gender balance of Gazprom Group's workforce as at 31 December 2019, thousand people



Note. Excluding entities in which Gazprom has investments classified as joint operations.



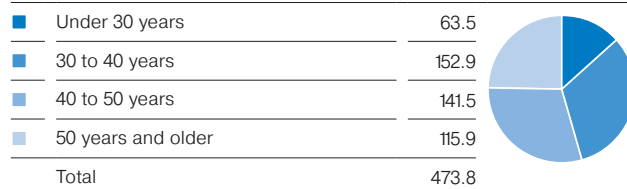
Gazprom Group's workforce by entity as at 31 December 2019, thousand people



Note. Excluding entities in which Gazprom has investments classified as joint operations.



Age balance of Gazprom Group's workforce as at 31 December 2019, thousand people



Note. Excluding entities in which Gazprom has investments classified as joint operations.



For more details on Gazprom Group's personnel see [Gazprom in Figures 2015–2019 Factbook](#)



Employee turnover rate across Gazprom Group entities, %

Year	Gazprom Group	including major subsidiaries of Gazprom Group engaged in gas production, transportation, underground storage and processing
2017	4.7	1.3
2018	5.6	2.1
2019	5.8	2.4

Notes:

- The following grounds for resignation are taken into account in calculating the employee turnover rate: clauses 3, 6, 7, 9, Article 77 of the Labour Code of the Russian Federation. Only clause 3, Article 77 of the Labour Code of the Russian Federation was taken into account in calculating the employee turnover rate before 2018.
- Excluding entities in which Gazprom has investments classified as joint operations.



Gazprom Group's workforce profile as at 31 December 2019

Year	Employees with a higher education degree, %
2017	49.4
2018	51.1
2019	52.0

Year	Candidates of Sciences
2017	2,654
2018	2,531
2019	2,522

Year	Doctors of Sciences
2017	141
2018	172
2019	159

Year	Mean age, years
2017	41.6
2018	41.3
2019	41.4

Note. Excluding entities in which Gazprom has investments classified as joint operations.

Young Talent Management

To develop a promising talent pool of the most capable students motivated to fulfill their professional potential, Gazprom Group companies consistently collaborate with schools and universities. The Group actively engages with educational organisations in targeted training of specialists. In order to build a quality educational process Gazprom Group companies organise onsite practice for research and teaching staff, assist educational organisations in developing and aligning educational programmes, enhancing laboratory and training facilities, organising internships for students and engaging Gazprom Group specialists in teaching activities.



Collaboration with educational organisations in 2019

- 24 schools, located in 5 federal districts of the Russian Federation, participated in the Gazprom Classes project*
- 13 anchor universities cooperated with PJSC Gazprom and its subsidiaries*
- 24 anchor departments of PJSC Gazprom and its subsidiaries were running in universities*
- 10,081 students of higher education institutions has internships at Gazprom subsidiaries
- 2,051 target students of PJSC Gazprom and its subsidiaries studied at universities*
- 15 job fairs were held in educational organisations
- PJSC Gazprom's Day was held at Gubkin Russian State Oil and Gas University

* As at 31 December 2019.



Graduates hired by Gazprom Group entities

Year	University and vocational school graduates hired by Gazprom Group companies, people
2017	3,238
2018	2,931
2019	2,896

Year	Share in the total number of employees hired by Gazprom Group companies, %
2017	6.0
2018	5.0
2019	5.0

In order to reduce the induction period for young talent and enhance their skills in line with chosen career paths, subsidiaries run dedicated development programmes, and PJSC Gazprom runs a three-stage post-graduate training programme, the Young Specialist Training School.



Young talent management in 2019

- 194 people were trained at Gazprom's Young Specialist Training School workshops
- More than 200 employees from 51 subsidiaries of PJSC Gazprom, as well as students from PJSC Gazprom's partner universities attended the 13th All-Russian Conference of Young Scientists, Specialists and Students New Technologies in the Gas Industry (gas, oil, energy) hosted by Gubkin Russian State Oil and Gas University
- Employees representing 36 subsidiaries of PJSC Gazprom took part in PJSC Gazprom's Best Young Employee contest

In order to involve young people in solving the industry's R&D challenges, subsidiaries run regular workshops and conferences for young scientists and specialists.

Employee Training and Development

To facilitate the upgrading of professional skills, the Company has in place PJSC Gazprom’s Continuous Vocational Education and Training System, which ensures that Gazprom’s employees are trained throughout their professional life under corporate training programmes.

The Continuous Vocational Education and Training System includes mandatory (for admission to perform works at hazardous production facilities of PJSC Gazprom), special-purpose (proactive) and regular (skill upgrading) trainings.

Training is conducted by the Company’s educational organisations, PJSC Gazprom subsidiaries’ work-study centres, as well as at leading Russian universities. Training is also organised at production facilities and training centres of foreign companies partnering with PJSC Gazprom.



Year	Number of employees (thousand people)
2017	342.9
2018	381.1
2019	456.2
Change 2019/2018: 19.7%	

A considerable increase in the number of employees who were trained under career enhancement and retraining programmes was driven by active development and implementation of distance learning solutions. The use of these platforms helps ensure prompt delivery of relevant information to employees, conduct on-the-job training and streamline training costs.

Over 180 thousand employees
were trained in 2019 using distance learning solutions

Gazprom runs targeted employee training programmes tailored for specific activities, such as development of hydrocarbon fields on the continental shelf, GTS dispatch control, LNG production, use of innovative process equipment, and a wide range of talent pool building programmes.



Targeted training programmes for Gazprom Group employees developed in 2019

- Professional Risk Management in the Oil and Gas Business — Effective Management Methods, a career enhancement programme
- A set of career enhancement programmes on compliance with the Code of Corporate Ethics of PJSC Gazprom, including Corporate Ethics at PJSC Gazprom, an online training course
- Gazprom MBA — Management of Innovative Development Programmes and Projects, a retraining programme
- Career enhancement programmes on preventing and combating corruption

In 2019, for the first time ever, the Company implemented an Oil and Gas Trading full-year eight-module retraining programme, a unique joint programme run by Gubkin Russian State Oil and Gas University and Gazprom Corporate Institute (piloted 24 graduates). Under the new Professional Risk Management in the Oil and Gas Business — Effective Management Methods programme, two workshops were conducted in 2019, attended by 26 employees of Gazprom Group entities.

Remuneration and Social Security

The Company has in place the Remuneration Management Policy for Employees of PJSC Gazprom Entities, which sets out uniform corporate remuneration standards for Gazprom Group employees. Its purpose is to provide a framework for attracting and retaining people with required skills, and motivate employees to perform as expected.



Key objectives of the Remuneration Management Policy for Employees of PJSC Gazprom Entities

- Adopting unified corporate employee remuneration standards
- Maintaining real pay levels reflecting the consumer price index growth
- Ensuring competitive pay levels for employees of PJSC Gazprom entities based on market wage rate assessment
- Establishing an average monthly pay level for employees of Gazprom Group entities based on uniform corporate remuneration standards
- Monitoring application of remuneration systems based on the uniform corporate reporting on HR costs

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



Staff costs of Gazprom Group, RUB bn

2017	682.1
2018	600.8
2019	749.7
Change 2019/2018	24.8%

To maintain the real value of pay in accordance with the General Collective Bargaining Agreement of PJSC Gazprom and its subsidiaries, the salaries and wages of employees at entities included in the budgeting system of PJSC Gazprom and located in Russia were increased by 4.6% on 1 January 2019.



Increase of employee fixed salaries and pay rates in PJSC Gazprom and its budgeted subsidiaries and entities in Russia, %

From 1 January 2017	From 1 January 2018	From 1 January 2019
5.0	3.7	4.6

Moreover, the pay rates of workers whose pay is based on the Unified Wage Scale were increased by 15% on 1 October 2019 to maintain competitive salaries at PJSC Gazprom subsidiaries.

The interests of Gazprom Group employees are represented by Gazprom’s Interregional Trade Union, which is part of the Russian Oil, Gas and Construction Workers’ Union.

The Company’s social policy provides it with a competitive advantage in the employment market, seeks to additionally motivate employees for strong and sustainable performance, and aims to form stable professional teams.



Key aspects of employees’ social security

Social benefits	Social benefits provide for necessary social security of both all the Company employees and certain employee groups (employees of subsidiaries located in regions of the Far North and equated localities, young talent, families with many children, employees supporting dependant children with disabilities, etc.)
Voluntary medical insurance	Voluntary medical insurance programmes provide for comprehensive medical services for employees, retirees and their families (including rehabilitation treatment) by leading healthcare providers, including medical and preventive treatment facilities of Gazprom Group
Housing programme	The Company has in place a corporate housing programme funded by both employees and the employer through bank mortgage lending facilities (using a co-financing approach). Operational needs based participation in the programme allows the Company to retain key employees for longer periods
Private pension plans	In accordance with the Long-Term Development Strategy of the Pension System in the Russian Federation, the Company provides a private pension arrangement, which is part of the employee long-term incentive scheme and provides for post-employment social benefits. The arrangement is run through Non-State Pension Fund GAZFOND

The mechanism of social partnership in the form of a dialogue between employees and employers on social and labour relations is central to implementing our social policy, with its key aspects set out in the General Collective Bargaining Agreement of PJSC Gazprom and its entities and in the collective bargaining agreements of its subsidiaries.

Gazprom’s social policy is implemented mainly through long-term programmes which facilitate attracting and retaining of duly qualified and experienced employees.

To better incentivise and drive improvements in employee development, promote transfer of skills and knowledge, and cultural exchanges, Gazprom holds regular vocational skills competitions.

Starting from 2018, vocational skills competitions are held as part of Labour (vocational skills) Festivals in even-numbered years.



Gazprom Group’s social expenses, RUB bn

2017	34.5
2018	42.8
2019	45.1
Change 2019/2018	5.4%



For more details on employee training, the incentive scheme and social benefits see [Gazprom Group’s Sustainability Reports](#) published on an annual basis

Gazprom puts the health and safety of its employees at the top of its agenda by consistently improving its safety management system and monitoring risks and challenges to its stable operations.

In its activities, the Company is guided by its Occupational Health, Industrial, Fire and Traffic Safety Policy.



Objectives relating to occupational health, industrial, fire and traffic safety are to:

- create safe working conditions and protect the health and safety of employees
- reduce the risks of accidents and incidents at hazardous industrial facilities
- reduce the risks of traffic accidents resulting from operating activities
- ensure fire safety



For more details on commitments relating to occupational health, industrial, fire and traffic safety set out in PJSC Gazprom's Occupational Health, Industrial, Fire and Traffic Safety Policy see PJSC Gazprom's website

→ www.gazprom.com



Unified Occupational Health and Safety Management System

The Company has in place a Unified Occupational Health and Safety Management System (UOHSMS). It is a part of PJSC Gazprom's integrated management system developed and introduced to manage OHS risks and meet the Company's objectives and commitments under its Occupational Health, Industrial, Fire and Traffic Safety Policy.

In 2019, the list of the Company's industrial safety goals was supplemented with efforts to reduce the risk of traffic accidents resulting from operating activities

The scope of the UOHSMS covers PJSC Gazprom, its major gas exploration, production, processing, transportation, underground storage and energy subsidiaries, as well as subsidiaries supporting the operation of the Russian UGSS, with a total headcount of around 319 thousand employees.



UOHSMS improvements in 2019

- Road traffic safety obligations were revised and included into PJSC Gazprom’s Occupational Health, Industrial, Fire and Traffic Safety Policy
- Procedure of occupational safety risk assessment integrated into the risk management and internal control system of PJSC Gazprom (STO Gazprom 18000.1-002-2020 “Unified Occupational Health and Safety Management System. Hazard Identification and Risk Management for Occupational Safety”) was developed
- Procedure for setting goals, developing programmes and activity plans in occupational safety, and monitoring their implementation (STO Gazprom 18000.1-003-2020 “Unified Occupational Health and Safety Management System. Setting Goals, Developing Programmes and Monitoring Programme Implementation”), was updated
- Procedure for organising and conducting audits of the Unified Occupational Health and Safety Management System in PJSC Gazprom was updated (STO Gazprom 18000.3-004-2020 “Unified Occupational Health and Safety Management System. Organisation and Conduct of Audits”) was updated
- Procedure for identification of the root causes of occupational safety incidents and their analysis in order to develop and implement measures to prevent such incidents (STO Gazprom 18000.4-008-2019 “Unified Occupational Health and Safety Management System. Root Cause Analysis. Procedure for Incident Identification and Development of Preventive Measures”) was developed
- Occupational safety leadership workshops were organised for the executive management of PJSC Gazprom and its subsidiaries
- Corporate requirements for behavioural safety audits (R Gazprom 18000.3-009-2019 ‘Unified Occupational Health and Safety Management System. Behavioural Audit. Guidelines”) were established
- Operational control over compliance with industrial safety requirements when operating gas and gas condensate processing facilities, gas distribution and consumer networks, oil production, transportation and processing facilities, as well as over compliance with requirements when operating power generation facilities was enhanced

In 2014, the UOHSMS was certified to OHSAS 18001:2007 and is annually audited for compliance with this international standard by relevant organisations while also being expanded to cover more subsidiaries of PJSC Gazprom.

The UOHSMS is planned for certification to ISO 45001:2018 in 2020



Number of PJSC Gazprom’s UOHSMS certified subsidiaries as at 31 December

2017	51
2018	56
2019	58
Change 2019/2018	3.6%



Average headcount of PJSC Gazprom’s UOHSMS certified subsidiaries, thousand people

2017	266.4
2018	275.3
2019	275.3
Change 2019/2018	–

In the reporting year, corporate requirements to the UOHSMS were reviewed to comply with ISO 45001:2018. The UOHSMS is planned for certification to ISO 45001:2018 in 2020.

Outcomes of OHS Activities

Gazprom makes consistent efforts to prevent injuries, occupational diseases, accidents, incidents and fires.

Based on the identified critical and material risks, PJSC Gazprom develops and approves its industrial safety targets for the year, and develops programmes to achieve the annual targets while all its subsidiaries and entities develop programmes to improve labour conditions and action plans to ensure occupational safety at hazardous industrial facilities.

Pre-FEED and design documents are reviewed by internal experts for compliance with statutory regulations and PJSC Gazprom’s requirements to occupational safety.

Compliance with the Company’s OHS standards and regulations by suppliers and contractors operating at the facilities of PJSC Gazprom and its subsidiaries is an essential requirement of occupational safety. In its activities, the Company engages suppliers and contractors who share the principles set out in PJSC Gazprom’s Occupational Health, Industrial, Fire and Traffic Safety Policy.



Industrial safety incidents at hazardous production facilities of entities covered by the UOHSMS

2017	26
2018	16
2019	10
Change 2019/2018	-37.5%



Fires at facilities of entities covered by the UOHSMS

2017	4
2018	3
2019	2
Change 2019/2018	-33.3%



Accidents across entities covered by the UOHSMS

2017	49
2018	63
2019	37
Change 2019/2018	-41.3%

2019 saw a significant reduction in the number of injuries caused by accidents and the number of man-made incidents and fires, as compared to previous years. However, the number of accidents with fatalities increased to six (three in 2018) with seven employee deaths, including four employees at gas and condensate processing facilities. OOO Gazprom pererabotka conducted a number of investigations to identify the root causes, followed by the development of technical, organisational, and HR improvement measures.



For more details on the Unified Occupational Health and Safety Management System see PJSC Gazprom's website
www.gazprom.com



Number of injuries and fatalities resulting from accidents and injury rates in entities covered by the UOHSMS

Injuries	
2017	61
2018	89
2019	47
Change 2019/2018	-47.2%
Fatalities	
2017	6
2018	3
2019	7
Change 2019/2018	133.3%
Lost time injury frequency rate (LTIFR)*	
2017	0.11
2018	0.17
2019	0.09
Change 2019/2018	-47.1%
Fatal accident rate (FAR)**	
2017	1.17
2018	0.57
2019	1.35
Change 2019/2018	136.8%

* Lost time injuries/total hours worked by all employees × 1,000,000.
 ** Fatalities/total hours worked by all employees × 100,000,000.

A plan that included organisational and technical measures to ensure fire safety was implemented in the reporting period. The plan consisted of 53 measures and resulted from a root cause analysis of, and contributing factors to, fires that happened in the previous periods. The Company continuously improves the performance of professional emergency response services and fire safety units that maintain and protect PJSC Gazprom's facilities.

Occupational Health and Safety at Gazprom Group Entities Outside the UOHSMS

Gazprom Group has in place the Occupational Health and Safety Management System across its oil, power generation and petrochemical businesses.



Accidents across Gazprom Group entities outside the UOHSMS

Gazprom Neft	
2017	36
2018	29*
2019	33
Change 2019/2018	13.8%
Gazprom energoholding	
2017	16
2018	18
2019	8
Change 2019/2018	-55.6%
Gazprom neftekhim Salavat	
2017	2
2018	-
2019	2

* Number of people injured in accidents across Gazprom Neft in 2018 has been adjusted from the number published in the 2018 Annual Report due to the fact that 6 accidents were found not to be production-related as a result of their investigation.



Lost time injury frequency rate (LTIFR) across Gazprom Group entities outside the UOHSMS

Gazprom Neft	
2017	0.33
2018	0.26
2019	0.26
Change 2019/2018	-
Gazprom energoholding	
2017	0.25
2018	0.28
2019	0.12
Change 2019/2018	-57.1%
Gazprom neftekhim Salavat	
2017	0.14
2018	-
2019	0.13

Note. Lost time injuries/total hours worked by all employees × 1,000,000.



Number of people injured in accidents across Gazprom Group entities outside the UOHSMS

Gazprom Neft	
2017	36
2018	29
2019	34
Change 2019/2018	17.2%
Gazprom energoholding	
2017	16
2018	18
2019	8
Change 2019/2018	-55.6%
Gazprom neftekhim Salavat	
2017	2
2018	-
2019	2



Fatal accident rate (FAR) across Gazprom Group entities outside the UOHSMS

Gazprom Neft	
2017	0.92
2018	0.89
2019	1.56
Change 2019/2018	75.3%
Gazprom energoholding	
2017	1.57
2018	-
2019	-
Gazprom neftekhim Salavat	
2017	6.97
2018	-
2019	-

Note. Fatalities/total hours worked by all employees × 100,000,000.


Occupational health and safety management structure at Gazprom Group entities outside the UOHSMS

Subsidiary	Occupational health and safety management	Governance bodies and responsibilities	Certification
Gazprom Neft	Vertically integrated industrial and environmental safety, occupational safety, and civil protection management system	<ul style="list-style-type: none"> — Occupational Safety Department (coordinates activities at the corporate centre level) — Expert Council on Occupational Safety (engages production functions in occupational safety issues) 	ISO 14001
Gazprom energoholding	Occupational health and safety management in line with the requirements of Russian laws and applicable statutory regulations	<ul style="list-style-type: none"> — Managing directors of Gazprom energoholding Group companies (coordinate activities) — Chief engineers of Gazprom energoholding Group companies and their branches, structural subdivisions (responsible for occupational safety) 	—
Gazprom neftekhim Salavat	Occupational Health and Safety Management System	<ul style="list-style-type: none"> — Deputy General Director — Chief Engineer, Environmental, Health and Safety Department (coordinates activities) — Division managers (responsible for occupational safety) 	OHSAS 18001:2007 / ISO 45001:2018, GOST 12.0.230-2007



For more details on industrial safety across Gazprom Group see [Gazprom Group's Sustainability Reports](#) published on an annual basis

Gazprom sets a good example as environmentally conscious company efficiently using green technologies throughout the process chain. While steadily developing, the Group has the lowest carbon footprint across the world's largest oil and gas companies. Gazprom's Environmental Policy is based on the aspiration to maintain favorable environment for the benefit of present and future generations.

Environmental responsibility is a key element in Gazprom Group's sustainable development strategy, based on the corporate Environmental Policy (approved by Resolution of the Company's Management Committee No. 21 dated 21 May 2015) and effective environmental management system.

Environmental Policy

The Environmental Policy of PJSC Gazprom reflects current trends in environmental protection, energy efficiency and climate impact mitigation. It defines obligations and mechanisms of following these trends, such as: ensuring environmental security, including the development of hydrocarbon fields on the continental shelf and in the Arctic zone of the Russian Federation; mitigating environmental risks, including the impact on particularly vulnerable natural sites and areas of high conservation value. PJSC Gazprom's Environmental Policy was recommended by the Board of Directors for adoption across Gazprom Group entities.

To reduce its environmental impact and maintain its competitive edge in the global market, Gazprom pursues a targeted policy of reducing greenhouse gas (GHG) emissions. The Company implements the Programme for Expansion of Gas Infrastructure in Russian Regions and consistently works on developing NGV fuel markets, as well as on reducing its carbon footprint.



The Environmental Policy is available on PJSC Gazprom's website
→ www.gazprom.com





Gazprom Group’s efforts to reduce its carbon footprint

- The Corporate GHG Emissions Management System has been implemented
- Pipeline gas supplies via new routes (Nord Stream, TurkStream) have the lowest carbon footprint among the existing routes of natural gas supplies to Europe
- Since the trend towards low-carbon energy sources has strengthened the role of hydrogen in the energy sector, PJSC Gazprom is running hydrogen projects to demonstrate how natural gas can be used in low-carbon power generation, such as production and use of methane-hydrogen mixtures for own energy needs and development of innovative technologies using natural gas to produce CO₂-free hydrogen
- Gazprom Group supports the use of alternative energy sources in financially and technically challenging circumstances, particularly in remote or isolated areas with poor access to technology. Gazprom Group uses renewable energy sources and secondary energy resources to generate power. In 2019 Gazprom Group facilities used 2,358 generating units based on renewables and secondary energy resources, such as hydro power turbines, turboexpanders, thermal power generators, solar modules and panels, wind and solar generators. The total electricity produced by the generating units was 11.7 billion kWh
- Gazprom continued conversion of own equipment to natural gas. By the end of 2019, the number of NGVs in the Gazprom Group vehicle fleet suitable for conversion to natural gas reached 55%

PJSC Gazprom’s climate policy and strategy on management of GHG emissions and reduction of man-made impact on the environment meets the requirements of the Russian Federation for energy efficiency, energy saving and environmental protection.

PJSC Gazprom participates in international environmental initiatives and ratings, living up to its environmental commitment to the international community. In particular, PJSC Gazprom has been a voluntary partner within the Guiding Principles on Reducing Methane Emissions across the Natural Gas Value Chain since 2018. Along with PJSC Gazprom, the project has found support of 21 major international energy companies.

Since 2018, PJSC Gazprom has been conducting independent annual audits (certifications) of corporate reporting on GHG emissions

Participation of PJSC Gazprom in the international Carbon Disclosure Project (CDP) on GHG emissions disclosure is an important part the Company’s efforts to improve transparency of its activities and a factor driving its investment case.



Recognition of Gazprom Group’s environmental performance by stakeholders

- According to the CDP’s international rating, PJSC Gazprom has been a top player in the energy sector of the Russian investment partnership rating for eight years — a strong position reflecting the effectiveness of the corporate climate policy
- In 2019, PJSC Gazprom became a leader in the Russian Union of Industrialists and Entrepreneurs’ Transparency and Responsibility, and Sustainable Development Vector sustainability indices

Rating results are used by the Company to improve its public reporting, corporate responsibility and sustainability.



For more details on the Corporate Climate Policy, methane emissions and the carbon footprint of natural gas supplies see [Gazprom Group’s Sustainability Reports](#) and [PJSC Gazprom’s Environmental Reports](#) published on an annual basis

Environmental Management System

The Environmental Management System (EMS) is a key tool to implement the Company’s Environmental Policy. The EMS covers PJSC Gazprom’s business units, the Environmental Inspection Service, and 34 wholly-owned subsidiaries engaged in core activities: gas and condensate exploration, production, transportation, storage, and processing, or capital project management.

In 2019, PJSC Gazprom’s EMS underwent an independent recertification audit, receiving a certificate of compliance with ISO 14001:2015, valid until December 2020

Corporate Environmental Targets are set and environmental activities are grouped into focused programmes within PJSC Gazprom’s EMS and based on an annually updated list of significant environmental aspects. The Company’s Corporate Environmental Targets are set for three-year periods.

In 2019, PJSC Gazprom met all its Corporate Environmental Targets for 2017–2019.



Achievement of PJSC Gazprom’s corporate environmental targets in 2019

Nº	Corporate Environmental Target	Progress against the target (vs the 2014 baseline)
1	Reduction of methane emissions (when making gas transportation system repairs)	Down 13.1%
2	Reduction of specific emissions of nitrogen oxides	Down 5.0%
3	Reduction of waste and effluent water discharge into surface water bodies	Down 28.2%
4	Reduction of landfill share	Down 52.9%
5	Reduction of above-limit impact charges as an integrated negative environmental impact indicator	Down 7.5%
6	Reduction of specific fuel & energy consumption for own operational needs	Down 0.4%

In order to further improve performance, PJSC Gazprom’s Corporate Environmental Targets for 2020–2022 were approved in 2019, with the 2018 indicators adopted as a new baseline. PJSC Gazprom’s Integrated Environmental Programme for 2020–2024 was developed and approved in the reporting year in order to implement measures aimed at achieving the Corporate Environmental Targets.

The Gazprom Group companies not covered by PJSC Gazprom’s EMS also have in place their own effective, business-specific environmental management systems.

The decrease in wastewater discharge into surface water bodies across Gazprom Group is attributed to the transfer of treatment facilities by the Troitskaya GRES, a branch of PAO OGC-2, to the books of the Troitsk Administration. The share of clean and treated as per standards wastewater in the total volume discharged into surface water bodies was 97.3%.

The decrease in waste generation was due to lower Class 5 (mostly bottom ash) waste levels at Gazprom energo-holding’s facilities due to the fuel mix shift to natural gas.



For more details on the environmental management systems in the Group companies see PJSC Gazprom’s Environmental Report or information on the companies’ official websites

Environmental Performance and Environmental Protection Costs

The highest reduction of air pollutant emissions was registered for sulphur dioxide due to replacement of coal and fuel oil with natural gas in the fuel mix of Gazprom energoholding.



Reduction of specific GHG emissions in the gas business

Implementation of the Roadmap for the GHG Management System at Gazprom Group Companies until 2020 and Looking Forward to 2030 helped reduce specific GHG emissions in the gas business according to plan: from 0.275 tonnes of CO₂ equivalent per toe of products sold in 2014 to 0.259 tonnes of CO₂ equivalent per toe of products sold in 2019. Key Roadmap activities included reduction of fuel gas consumption, prevention of gas venting when making trunk gas pipeline repairs, and reduction of methane emissions in production processes.

100%

of Gazprom Group subsidiaries and entities covered by environmental reporting have adopted the greenhouse gas stocktaking system

The area of land disturbed by construction was smaller in the reporting year due to the completion of construction by OOO Gazprom dobycha Urengoy and by OOO Gazprom dobycha Nadym. At the same time the area of rehabilitated land increased year-on-year. Supported by rehabilitation plans, these activities will continue into 2020.



Gazprom Group's environmental performance in Russia

	2017	2018	2019	Change 2019/2018
Air pollutant emissions, thousand tonnes	2,795.9	2,894.0	2,862.7	-1.1%
carbon oxide	529.9	594.1	596.4	0.4%
nitrogen oxides	313.6	328.6	307.7	-6.4%
sulphur dioxide	262.7	276.2	221.5	-19.8%
hydrocarbons (including methane)	1,495.7	1,497.8	1,542.6	3.0%
GHG emissions, mm tonnes of CO ₂ equivalent	233.8	240.0	236.5	-1.5%
Wastewater discharge into surface water bodies, mmcm	3,905.3	3,658.4	3,241.8	-11.4%
including clean and treated as per standards	3,781.7	3,579.5	3,152.7	-11.9%
Waste generation, thousand tonnes	4,130.3	3,555.1	3,337.1	-6.1%
Area of land disturbed in the reporting year, thousand ha	42.2	25.8	22.9	-11.2%
Area of land rehabilitated during the year, thousand ha	19.6	15.8	17.7	12.0%

Note. Excluding entities in which Gazprom has investments classified as joint operations.

Lower current environmental protection costs in the Russian Federation in 2019 mainly resulted from changes in recording current operating costs within environmental protection at OOO Gazprom neftekhim Salavat and, overall, had no negative impact on environmental protection efforts.

The decline in capital expenditures on environmental protection was due to the completion by Gazprom Neft of a number of capital-intensive hydrocarbon exploration and production projects in 2018.



For more details on the capacities commissioned during the reporting year to increase APG use see the [Exploration and Production](#) section



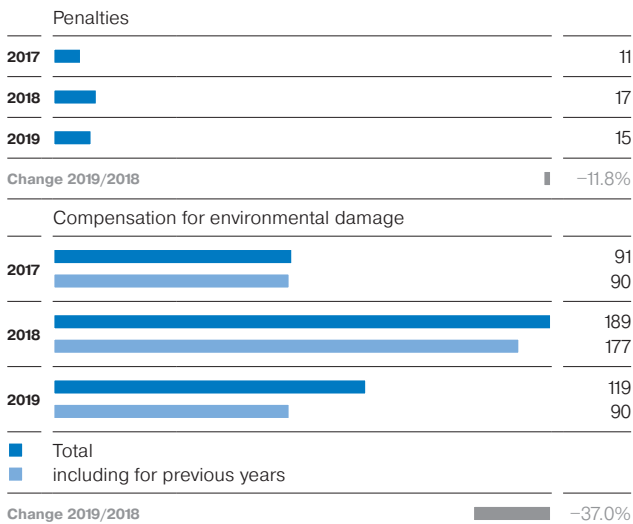
Gazprom Group's environmental protection costs in Russia, RUB bn

	2017	2018	2019	Change 2019/2018
■ Current environmental protection costs	34.47	39.15	32.18	-17.8%
■ Capital expenditures for environmental protection and sustainable use of natural resources	35.58	29.19	20.42	-30.0%
■ Negative environmental impact charges	0.77	0.62	0.62	-
Total	70.82	68.96	53.22	-22.8%

Note. Excluding entities in which Gazprom has investments classified as joint operations.



Penalties and compensation for environmental damage in Russia by Gazprom Group, RUB mm



Note. Excluding entities in which Gazprom has investments classified as joint operations.

Gazprom Group’s subsidiaries operating abroad are also committed to minimising their environmental footprint in strict compliance with both local regulations and PJSC Gazprom’s Environmental Policy.

Gazprom EP International B.V., a single operator of PJSC Gazprom’s projects focused on prospecting, exploration and development of hydrocarbon fields outside the Russian Federation, is using innovative technology and research specifically aimed at minimising the environmental footprint.

In the FSU countries, PJSC Gazprom operates through its subsidiaries — OAO Gazprom transgaz Belarus, ZAO Gazprom Armenia, and OsOO Gazprom Kyrgyzstan. From the date their assets were acquired by PJSC Gazprom, these companies have been putting much focus on upgrading production facilities and enhancing environmental management systems in line with PJSC Gazprom’s corporate standards and ISO 14001. In the reporting year, OAO Gazprom transgaz Belarus conducted a number of activities to reduce air pollutant emissions, including the replacement of less sophisticated boilers at the Syanno gas distribution station, the replacement of boiler combustion equipment with adjustments to off-gas fume collection piping at the Minskaya CS, reduction of gas venting when conducting repairs or maintenance of pipeline valves at the Orsha CS and the Orshanskaya CS. In addition to these activities, the subsidiary optimised its production waste management practices to reduce landfill waste.

In 2019, operations of PJSC Gazprom’s subsidiaries outside Russia did not have a significant environmental impact.



For more details on Gazprom Group’s environmental performance and environmental protection costs see [PJSC Gazprom’s Environmental Report](#)

Saving and making the most of fuel and energy is an important element of Gazprom’s sustainability and a tool for streamlining its operations. In addition to economic, these efforts have a tangible environmental effect.

Gazprom works consistently to save energy and improve its energy efficiency in accordance with the Energy Efficiency and Energy Saving Policy approved in 2018.



For more details on PJSC Gazprom’s energy saving efforts see PJSC Gazprom’s website

→ www.gazprom.com



The Energy Efficiency and Energy Saving Policy of PJSC Gazprom is available on PJSC Gazprom’s website

→ www.gazprom.com



Commitments to continuously improve energy efficiency, save natural energy resources and further reduce GHG emissions at its production facilities are met by the Company in full and considered a top priority.



Key commitments in PJSC Gazprom’s Energy Efficiency and Energy Saving Policy

- Consistently improve energy efficiency
- Save natural energy resources
- Further reduce GHG emissions from production facilities

PJSC Gazprom achieves its energy saving and energy efficiency improvement objectives through energy saving initiatives run across all subsidiaries engaged in natural gas transportation, production, processing, underground storage and distribution, as well as in OOO Gazprom energo.



Fuel and energy consumption, mm t c.e.

2017	60.86
2018	65.03
2019	63.13

Change 2019/2018 -2.9%

Note. Fuel and energy consumption rates have been converted to t c.e. using the following ratios: 1 mcm of gas = 1.155 t c.e.; 1 thousand kWh = 0.325 t c.e.; 1 thousand Gcal = 0.143 t c.e.



Fuel and energy savings, mm t c.e.

2017	3.63
2018	3.56
2019	3.94

Change 2019/2018 10.7%

Note. Fuel and energy saving rates have been converted to t c.e. using the following ratios: 1 mcm of gas = 1.155 t c.e.; 1 thousand kWh = 0.325 t c.e.; 1 thousand Gcal = 0.143 t c.e.



Fuel and energy consumption by type

Natural gas, mmcm	
2017	46,416
2018	49,870
2019	48,272

Change 2019/2018 -3.2%

Electricity, million kWh	
2017	12,497
2018	12,958
2019	12,887

Change 2019/2018 -0.5%

Heat, thousand Gcal	
2017	22,312
2018	22,565
2019	22,642

Change 2019/2018 0.3%



Fuel and energy savings by type

Natural gas, mmcm	
2017	3,014
2018	2,952
2019	3,287

Change 2019/2018 11.3%

Electricity, million kWh	
2017	331
2018	364
2019	330

Change 2019/2018 -9.3%

Heat, thousand Gcal	
2017	268
2018	236
2019	253

Change 2019/2018 7.2%

6.2%

fuel and energy savings in 2019

9.3 bcm

natural gas savings under the energy saving programmes in 2017–2019

RUB 13.5 bn

value of PJSC Gazprom’s fuel and energy savings under the Energy Saving Programme in 2019



Value of fuel and energy savings, RUB bn

2017	11.6
2018	12.0
2019	13.5

Change 2019/2018 12.5%

Note. Calculations are based on the actual energy prices in respective period.



For more details on fuel and energy consumption and savings across all segments by the subsidiaries covered by PJSC Gazprom’s energy saving programmes see the Environmental Report and Gazprom Group’s Sustainability Reports published on an annual basis

As natural gas consumed by trunk gas pipelines accounts for the largest share of the fuel and energy consumption mix of the subsidiaries covered by PJSC Gazprom's energy saving programmes, key energy saving and energy efficiency improvement initiatives, such as deploying energy efficient equipment, are focused on natural gas.



Key energy saving and energy efficiency improvement initiatives under PJSC Gazprom's energy saving programmes in 2019

- Optimising operation modes for power generating equipment at operating facilities
- Upgrading smart lighting, heating, and ventilation systems
- Replacing and upgrading gas pumping units to improve efficiency
- Reducing fuel gas consumption by replacing the flow channels at centrifugal gas compressors
- Reducing gas losses during well surveys and repairs on linear sections of trunk gas pipelines

During the reporting year, PJSC Gazprom implemented an extensive set of initiatives to improve its energy management system: internal audits, continuous training of PJSC Gazprom specialists in energy efficiency and energy saving. In 2019, PJSC Gazprom also certified its corporate Energy Management System for compliance with ISO 50001:2018.



For more details on the Corporate Climate Policy see [Gazprom Group's sustainability reports and environmental reports published on an annual basis](#)

Gazprom Neft, Gazprom energoholding and Gazprom neftekhim Salavat are not covered by PJSC Gazprom's energy saving programmes, as they have their own energy saving and energy efficiency programmes compliant with federal laws and corporate requirements of Gazprom Group.

21 bcm

gas savings planned for 2020 under the Energy Efficiency Programme

In 2019, Gazprom energoholding's energy efficiency programme helped to save 1.6 mm t c.e. of fuel and energy worth RUB 7.4 bn.

The economic effect from Gazprom Neft's energy saving programme was RUB 2.0 bn worth of fuel and energy.



For more details on energy saving programmes run by Gazprom Neft, Gazprom energoholding and Gazprom neftekhim Salavat see their respective websites, [PJSC Gazprom's Environmental Report](#), or [Gazprom Group's Sustainability Reports published on an annual basis](#)

Supporting culture, art, education, healthcare and promoting sports is an integral part of Gazprom’s operations. The Group supports a large number of respective projects every year.

In order to promote social and economic development, Gazprom Group undertakes a significant number of charity and sponsorship initiatives. While most of the Group’s social investments are in Russia, the geography of its operations enables it to support certain social, cultural and sports initiatives abroad.



For more details on the social initiatives of PJSC Gazprom and its subsidiaries and entities see [Gazprom Group’s Sustainability Reports](#) published on an annual basis or the [Social Responsibility](#) section of PJSC Gazprom’s website → www.gazprom.com



Charitable Activities

Gazprom Group’s charitable activities are aimed at supporting the social and economic development of Russian regions, strengthening its business image and improving partnership relations in the regions of operation.

Over **3,000**

charitable projects and initiatives financed by Gazprom Group companies in 2019



PJSC Gazprom’s charitable expenditures, RUB bn

2017	27.3
2018	35.0
2019	27.7

Note. In accordance with the annual accounting (financial) statements of PJSC Gazprom.

PJSC Gazprom and its subsidiaries consistently provide significant support to science, art, environmental, healthcare, physical education and sports initiatives. A significant amount of investments is allocated for construction and renovation of sports and social infrastructure facilities, participation in restoration projects aimed at preserving the historical and cultural heritage and implementation of programmes to support indigenous minorities of the Russian North. A special emphasis is placed on preserving the historical memory of the Great Patriotic War.

In 2019 PJSC Gazprom supported the launch of Russia – My History historical parks in Surgut and Chelyabinsk

Key charity efforts of PJSC Gazprom and its subsidiaries and entities in 2019

The Gazprom for Children Programme	
Support for beautification and restoration of War Memorials in Russia and FSU countries	Donations for maintaining Eternal Flame memorials in Russia's Hero Cities and Cities of Military Glory
	Maintaining a gas infrastructure for Eternal Flame memorials, including connecting both existing and new Eternal Flame memorials to the gas grid instead of using gas cylinders
	Support for beautification of War Memorials
	Restoring and renovating memorials and war grave sites
Supporting healthcare	Supporting construction and renovations of medical facilities
	Supporting medical projects run by Dmitry Rogachev National Research Centre of Paediatric Haematology, Oncology, and Immunology
Supporting vulnerable groups	Financing charity events for children from foster, low-income, and large families, and children from care institutions
	Assistance in holding charity events for elderly people
	Financing treatment courses for people with disabilities and severely ill children
	Financing of projects aimed at providing comprehensive support to people with disabilities, including those related to creating the environment for their social and cultural rehabilitation and unlocking their creative potential
	Charitable support in acquisition of pharmaceuticals and medical devices
Support for victims of natural disasters and environmental catastrophes	
Support for preserving cultural and historical heritage and reviving cultural and spiritual values	Participation in financing the Russia — My History initiative (an initiative for designing historical parks illustrating the history of the country and its individual regions in a multimedia format using state-of-the-art technology)
	Supporting church construction and renovation and restoration of religious sites and church complexes
	Support for exhibition projects aimed at the preservation of cultural and historical heritage
	Supporting the cultural education programmes run by the Russian Orthodox Church
	Supporting research expeditions as well as expeditions dedicated to memorable dates in the history of Russia
Supporting culture and the arts	Assisting restoration projects in the Tsarskoye Selo State Museum-Preserve and the Chinese Palace in Oranienbaum, part of the Peterhof State Museum-Reserve
	Financial support for theatres, museums and musical groups
	Support musical education and artistic projects for children
Supporting indigenous minorities of the Russian North	
Supporting education	Running the Gazprom Classes project
	Financial support for educational institutions with a particular focus on schools (renovation projects, provision of equipment and specialised classrooms)
	Support for awareness-raising projects
	Supporting city science festivals for schoolchildren
Supporting sports	Supporting the athletes' training programmes
	Supporting sports events and competitions, including children's and youth competitions
Supporting organisations whose projects focus on environmental protection and population growth of rare animal species	
Supporting veteran organisations	

34 locations
21 across Russian regions
 were covered by the Gazprom for Children Programme in 2019



Gazprom for Children Programme

The Programme aims to contribute a positive effect in the intellectual, cultural and physical development of children and teenagers and involve as many of them as possible in sports. PJSC Gazprom is the only Russian company with such an ambitious social project.

Since the start of the Programme in 2007, 1,821 various facilities have been built in Russia.

In 2019, the Group completed the construction of 164 sports facilities under the Programme:

- 10 capital construction projects, including a large public indoor fitness and health facility (Avangard Hockey Academy), two fitness and health facilities with swimming pools in the Khabarovsk Territory and one in Voronezh
 - 154 outdoor sports fields, including 13 school stadiums and 141 multi-courts
- In 2019, 37 infrastructure projects were under construction.

PJSC Gazprom supported the complete restoration of the Holy Rus painting by the outstanding artist Mikhail Nesterov from the permanent exposition of the State Russian Museum



Restoration projects implemented in 2019 in the Tsarskoe Selo State Museum and Heritage Site, which were financed by PJSC Gazprom

- The Imperial Court Church of the Resurrection in the Catherine Palace opened to visitors. The Company has provided financial support for the restoration of the church since 2015
- The restoration of the Lyons Hall in the Catherine Palace was completed. The ornate plafond, lapis-lazuli mosaic panels, braided trims and silk walls and curtains have been restored. The project was implemented with financial support from PJSC Gazprom and the ENGIE Foundation of France
- A large-scale restoration project titled The Private Space of Catherine II was launched to revive eight interiors in the Zubov Wing of the Catherine Palace

Over 100 artifacts from the Beijing Palace Museum (Gugong) (China) collection were presented at an exhibition in the Moscow Kremlin Museums supported by PJSC Gazprom

Employees from across Gazprom Group entities are actively involved in charitable activities. Employees join voluntary service, directly participate in repair and restoration, provide targeted assistance, implement environmental initiatives and revive arts patronage traditions.

Gazprom Group’s gas distribution entities cleaned up and prepared for the Victory Day in 2019 1,331 Eternal Flame memorials



Football for Friendship International Children’s Social Programme

The Programme aims is to support children’s and youth sports, promote a healthy and active lifestyle and build respect among the younger generation for national and cultural diversity.

The reporting year saw the eighth season of the Programme. From 20 May to 2 June, Viktor Zubkov, Chairman of PJSC Gazprom’s Board of Directors, attended the UEFA Champions League Final official closing events in Madrid. Over 800 children and adults from Europe, Asia, Africa, South and North America took part in the events. On the eve of the finals, young athletes of Football for Friendship from different countries took part in the most diverse football lesson on the planet and set the Guinness World Record.

The International Football for Friendship Coaches Academy was also launched as part of the project in June 2019. The Academy is a unique free online platform offering a set of practical exercises aimed at improving the skills of coaches from youth teams, physical education teachers and football club coaches. The training course was developed by the authors of sports and humanitarian educational programmes of the Football for Friendship project — training managers and coaches of football clubs’ academies of different countries and experts from FIFA’s humanitarian programmes. By the end of 2019, the Academy had trained more than 4,000 people.

Sponsorships

PJSC Gazprom, its subsidiaries and entities sponsor sports federations, clubs and professional tournaments, act as partners in many significant cultural, social and business events held both in Russia and abroad.

Sponsorship projects help Gazprom Group entities effectively inform the public about their production activities, efforts to support a large number of initiatives in education, culture, sports, promotion of a healthy lifestyle and responsible attitude towards the environment. Sponsored business events (forums and congresses) are held with the participation of top state officials and attract participants from many countries.

Over 180 projects and events sponsored by Gazprom Group companies in 2019

Key sponsorship efforts of PJSC Gazprom and its subsidiaries and entities in 2019

Supporting sports	Partnerships with UEFA
	Sponsoring the Russian Olympic Committee and Russian national teams in competition preparation and participation
	Sponsoring sports federations and sports clubs
	Sponsoring competitions and sports events
	Sponsoring the Energy of Victories national sports journalism festival contest
Supporting cultural and art projects	Sponsoring Children’s Radio
	Sponsoring exhibition projects
Sponsoring business events	



Sponsoring the Sound of a Beautiful Past. Russian Porcelain from the Hermitage exhibition in the Vietnam National Museum of History in Hanoi

Expanding the geography of international cultural cooperation, Gazprom EP International, a subsidiary of the Group, supported the Sounds of a Beautiful Past exhibition of Russian porcelain in the Vietnam National Museum of History in 2019, organised by the State Hermitage, the Vietnam National Museum of History, the Imperial Porcelain Factory (Russia) and the G m Chu Đ u Porcelain Factory (Vietnam). The project was one of the key cultural events of Russia–Vietnam bilateral year 2019/2020. The concept of the exhibition is remarkable in that it combines historical heritage and contemporary art, conveying their deep relationship. Contemporary art forms and aesthetics symbolise progress and innovation, values that Gazprom Group fully shares.



Major business forums supported by PJSC Gazprom and its subsidiaries and entities in 2019

- 9th St Petersburg International Gas Forum
- Sochi International Investment Forum
- 23rd St Petersburg International Economic Forum
- 5th Eastern Economic Forum in Vladivostok
- 10th Gaidar Forum, Russia and the World: Values and Virtues
- Russian Energy Week International Forum 2019
- Global Manufacturing and Industrialisation Summit held in Yekaterinburg
- 5th International Arctic Forum Arctic: Territory of Dialogue



Sponsoring sports federations and sports clubs, as well as competitions and sporting events in 2019

Sport	Sponsorship recipient
Football	Zenit, Tom, Volgar and Orenburg clubs
Ice hockey	SKA, Avangard and Vityaz clubs
Volleyball	Volleyball Federation of Russia and the Zenit-Kazan, Zenit-Saint Petersburg, Fakel and Gazprom-Yugra clubs
Basketball	Zenit and Khimki clubs
Rhythmic Gymnastics	Rhythmic Gymnastics Federation of Russia
Swimming	Russian Swimming Federation
Biathlon	Russian Biathlon Union
Kayaking and canoeing	Russian Canoe Federation
Billiards	Federation of Billiard Sports of Russia
Tennis	St. Petersburg Ladies Trophy WTA women’s tournament, St. Petersburg Open ATP men’s tournament
Table tennis	Fakel-Gazprom club
Auto racing	Silk Way International Rally
Sailing sports	Nord Stream Race — an offshore regatta for the Baltic region champion teams; Bronosec Sailing Team, Saint Petersburg Yacht Club
Aeronautics	24 th International Balloon Meet, which involves the Russian Hot Air Balloon Championship (Russia, Velikiye Luki)
Handball	SEHA Gazprom League, a handball association in Southeast Europe

Corporate Governance

**Letter to Shareholders
by the Chairman of PJSC Gazprom's
Board of Directors** ¹⁶⁴

**PJSC Gazprom's Corporate Governance Compliance
Report, including Statement of Compliance
with the Corporate Governance Principles Set Out
in the Russian Corporate Governance Code** ¹⁶⁵

PJSC Gazprom's Corporate Governance Model ¹⁶⁹

**Board of Directors' Report on PJSC Gazprom's
Development in Priority Business Areas** ¹⁷⁷

**Remuneration of Members of Governing
and Supervisory Bodies** ¹⁸⁰

**Liability Insurance of Directors, Officers
and the Company** ¹⁸⁵

**Shareholdings of Members of the Board of Directors
and Management Committee and Transactions
with PJSC Gazprom Shares** ¹⁸⁶

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Risk Management and Internal Control ¹⁹¹

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**Ensuring Compliance of Operations
with Legal Requirements** ²⁰¹

Share Capital and Securities Market ²⁰⁷

Letter to Shareholders by the Chairman of PJSC Gazprom's Board of Directors

Dear Shareholders,

In 2019, PJSC Gazprom maintained its course on strategic priorities and posted strong operational and financial performance while also focusing on corporate governance.

Gazprom continued its efforts to develop corporate ethics policies and implement the Code of Corporate Ethics of PJSC Gazprom across over 300 controlled entities at the second and subsequent levels of ownership.

In 2019, the Company made a number of important corporate governance decisions aligned with the interests of its shareholders and longer-range growth targets.


First and foremost, these decisions were aimed at structural shifts and staff changes. Over the course of the year, Gazprom significantly modified the organisation of PJSC Gazprom's Administration, announcing a number of new appointments to some key positions. These large-scale changes are intended to enhance the overall efficiency of the Company and eliminate overlapping functions across business units.

In December, the Board of Directors approved the new Dividend Policy of PJSC Gazprom, which places the utmost focus on dividend accrual simplicity and transparency. The new formula is based on the Group's IFRS net profit adjusted for five non-cash items. The Company expects to increase its dividend payout ratio to 50% of adjusted IFRS net profit within a three-year period.

Investors have positively responded to the steps taken by the Company: PJSC Gazprom finished the year as Russia's largest company by market capitalisation.

In 2020, the Company is planning to further increase its transparency, maintain a dialogue with the investment community and enhance corporate governance practices across its controlled entities. The Company is also developing a long-term top management incentive programme tied to PJSC Gazprom's share performance.

Dear Shareholders, the Board of Directors will continue to be actively involved in the life of the Company. Gazprom will use a prudent, responsible and ethical approach to address its business objectives in the best interests of its shareholders and society at large.



Viktor Zubkov

Chairman of PJSC Gazprom's Board of Directors

PJSC Gazprom's Corporate Governance Compliance Report, including Statement of Compliance with the Corporate Governance Principles Set Out in the Russian Corporate Governance Code



Key documents of PJSC Gazprom ensuring protection of shareholder rights

- Articles of Association of Public Joint Stock Company Gazprom (amended in 2019)
- Code of Corporate Governance of PJSC Gazprom
- Code of Corporate Ethics of PJSC Gazprom (amended in 2019)
- Dividend Policy of Public Joint Stock Company Gazprom (approved in 2019)
- Regulations on the General Shareholders Meeting of PJSC Gazprom (amended in 2019)
- Regulations on the Board of Directors of PJSC Gazprom (amended in 2019)
- Induction Programme for First-Time Elected Members of the Board of Directors of PJSC Gazprom (approved in 2019)
- Regulations on the Audit Committee of JSC Gazprom's Board of Directors (amended in 2019)
- Regulations on the Nomination and Remuneration Committee of PJSC Gazprom's Board of Directors (amended in 2019)
- Regulations on the Management Committee of PJSC Gazprom (amended in 2019)
- Regulations on the Chairman of the Management Committee of PJSC Gazprom
- Regulations on the Audit Commission of JSC Gazprom, new version
- Procedure for Documenting Shareholder Proposals and Requests Related to the Convocation of the General Shareholders Meeting of PJSC Gazprom
- Procedure for Providing Information about PJSC Gazprom to Shareholders
- Regulations on Information Disclosure by PJSC Gazprom
- Regulations on Monitoring Compliance with Laws on Countering the Illegal Use of Insider Information and Market Manipulation at PJSC Gazprom (approved in 2019)
- Anti-Corruption Policy of PJSC Gazprom
- Regulations on the Hotline for Fighting Fraud, Corruption and Embezzlement at Gazprom Group



PJSC Gazprom's Articles of Association and other internal documents are available on PJSC Gazprom's website
→ www.gazprom.com



PJSC Gazprom's activities are based on key generally accepted principles of corporate governance, which meet, inter alia:

- key recommendations of the Corporate Governance Code approved by the Board of Directors of the Bank of Russia on 21 March 2014 and recommended by the Bank of Russia as a guidance for all publicly traded joint stock companies (the "Russian Corporate Governance Code" or the "Code")
- listing rules of Russian stock exchanges
- corporate governance guidance of the federal executive authorities of the Russian Federation
- Russian and international best practices.

PJSC Gazprom's Board of Directors believes that compliance with the principles and recommendations set out in the Russian Corporate Governance Code, is key to the Company's long-term growth and stronger investment case.

In accordance with the requirements of paragraph 70.4. of the Regulations on Disclosing Information by the Issuers of Issue-Grade Securities No. 454-P approved by the Bank of Russia on 30 December 2014, key principles and recommendations of the Russian Corporate Governance Code not fully complied or not complied with at PJSC Gazprom are listed below, along with the description of corporate governance mechanisms and tools used by PJSC Gazprom instead of those recommended by the Russian Corporate Governance Code. PJSC Gazprom includes in the key provisions of the Code principles and recommendations that correspond to the mandatory requirements of Russian stock exchanges (PAO Moscow Exchange and PAO Saint Petersburg Exchange) applicable to issuers' corporate governance for the purposes of inclusion of their shares in the first (top) level quotation list, which are mandatory for PJSC Gazprom to maintain its top listing on these exchanges.

1 The Code recommends that independent directors constitute at least one third of the elected members of the board of directors

(paragraph 2.4.3 of the Code)

In 2019, the Company did not comply with this principle of the Code.

The Board of Directors of PJSC Gazprom (11 members) was elected by the Annual General Shareholders Meeting on 28 June 2019 from among the nominees proposed by shareholders.

The Board of Directors included three independent directors, who were determined to be independent by Resolution of the Board of Directors of PJSC Gazprom No. 3287 dated 25 June 2019, as part of the procedures set forth in the listing rules of Russian stock exchanges and the Russian Corporate Governance Code. As part of discussing the matter of Determining certain nominees to PJSC Gazprom's Board of Directors as independent nominees to PJSC Gazprom's Board of Directors, PJSC Gazprom's Board of Directors passed a resolution determining Timur Kulibaev, Viktor Martynov and Vladimir Mau to be independent nominees to PJSC Gazprom's Board of Directors although Timur Kulibaev and Vladimir Mau met the formal criteria of being related to PJSC Gazprom, Vladimir Mau and Viktor Martynov met the formal criteria of being related to the state, and Viktor Martynov met the formal criteria of being related to PJSC Gazprom's significant counterparty, as it does not affect their ability to make impartial and independent judgements in good faith considering their professional experience, knowledge and business reputation.

2 To preview matters of supervision over the company's financial and business performance, the Code recommends to set up an audit committee comprised of independent directors

(paragraph 2.8.1, Recommendation 173 of the Code)

To preview matters of adopting an effective and transparent remuneration scheme, the Code recommends to set up a remuneration committee comprised of independent directors and headed by an independent director who is not the chairman of the board of directors

(paragraph 2.8.2, Recommendation 179 of the Code)

To preview matters of talent management (succession planning), professional composition and efficiency of the board of directors, the Code recommends to set up a nomination (appointments and HR) committee, predominantly comprised of independent directors

(paragraph 2.8.3 of the Code)

Where setting up a separate nomination committee is not practicable, its functions may be assigned to any other committee of the board of directors, i.e. a corporate governance committee or a remuneration committee

(Recommendation 185 of the Code)

In 2019, PJSC Gazprom partially complied with these principles of the Code due in part to objective reasons related to an insufficient number of independent directors on the Board of Directors. At the same time, independent directors Viktor Martynov and Vladimir Mau represent the majority in the composition of the Board of Directors' Audit Committee and the Board of Directors' Nomination and Remuneration Committee formed by the Board of Directors of PJSC Gazprom in the reporting year, and Mikhail Sereda who sits on both Committees, is not a member of the Management Committee of PJSC Gazprom. An independent director, Viktor Martynov, serves as Chairman of the Audit Committee of the Board of Directors.

This approach complies with the Moscow Exchange Listing Rules, according to which, if for objective reasons it is impossible for all committee members to have the status of independent director, independent directors must be a majority of committee members, and the remaining committee members may be members of the Board of Directors who are not the sole executive body and/or members of the issuer's collective executive body.

PAO Moscow Exchange and PAO Saint Petersburg Exchange confirm the compliance of PJSC Gazprom's corporate governance with the listing rules of stock exchanges, as required to maintain the shares on the first (top) level quotation list.

PJSC Gazprom continuously improves its corporate governance system. When shaping approaches to enhancement of its corporate governance, PJSC Gazprom primarily refers to its role in the national and global economy as a leader in the global energy market and the national capital market.

In 2018, following a scheduled independent audit of the corporate governance, PJSC Gazprom developed a Further Corporate Governance Enhancement Plan of PJSC Gazprom for 2018–2019. All scheduled and a number of unscheduled corporate governance enhancement activities have been completed by PJSC Gazprom in the reporting year.

The Company continues to enhance its corporate governance standards in line with recommendations of independent experts who conduct scheduled independent audits of PJSC Gazprom's corporate governance practice.

PJSC Gazprom heavily relies on the Russian Corporate Governance Code in enhancing its corporate governance system

Enhancement of PJSC Gazprom's corporate governance standards

Focus area	Progress in 2019	Plans for 2020
Strategic planning	PJSC Gazprom's Long-Term Development Programme approved by the resolution of PJSC Gazprom's Board of Directors in 2019, expanded to the oil and power generation businesses of Gazprom Group.	
Shareholder rights	<p>PJSC Gazprom's Articles of Association and the Regulations on the General Shareholders Meeting of PJSC Gazprom stipulate procedures for electronic voting at the General Shareholders Meeting.</p> <p>A new version of the Dividend Policy of PJSC Gazprom was approved.</p> <p>PJSC Gazprom's quasi-treasury shares were sold (2.93% and 3.59% of the authorised capital of PJSC Gazprom).</p>	Launch electronic voting at the General Shareholders Meeting.
Governing bodies	<p>The Regulations on the Board of Directors of PJSC Gazprom were supplemented by provisions on identifying and preventing conflicts of interest of Board members.</p> <p>Performance of PJSC Gazprom's Board of Directors, the Audit Committee, and the Nomination and Remuneration Committee was duly assessed by means of a written survey (questionnaires) covering their composition and profile, activities, and key functions (the performance assessment was recommended by the Russian Corporate Governance Code).</p> <p>The Induction Programme for First-Time Elected Members of the Board of Directors of PJSC Gazprom was approved.</p>	<p>Obtain the National Rating of Corporate Governance.</p> <p>Continue with the National Anti-Corruption Plan for 2018–2020, including annual retraining for eligible employee categories.</p>
Corporate ethics	<p>The Code of Corporate Ethics of PJSC Gazprom was amended in order to extend its provisions to members of PJSC Gazprom's Board of Directors.</p> <p>The Code compliance clause for the Company's contracts with counterparties was drafted.</p> <p>The standards of corporate ethics were extended to members of boards of directors at entities controlled by PJSC Gazprom.</p> <p>Employees of such entities started taking ethical awareness tests on a regular basis.</p>	Enhance corporate ethics standards at controlled entities, including the extension of restrictions to members of their boards of directors, as well as regular training of their employees followed by final knowledge tests.

■ Under the Further Corporate Governance Enhancement Plan of PJSC Gazprom for 2018–2019.

Enhancement of PJSC Gazprom's corporate governance standards (continued)

Focus area	Progress in 2019	Plans for 2020
Insider information protection	A new version of the Regulations On Monitoring Compliance with Laws on Countering the Illegal Use of Insider Information and Market Manipulation at PJSC Gazprom was approved. The new version sets forth a general monitoring profile for monitoring compliance of PJSC Gazprom with the requirements of Federal Law No. 224-FZ On Countering the Misuse of Insider Information and Market Manipulation and Amending Certain Laws of the Russian Federation dated 27 July 2010 and with relevant regulations adopted thereunder.	Further improvement of safeguards to protect insider information, including: <ul style="list-style-type: none"> — drafting a new version of the Regulations on Access to Insider Information of Joint Stock Company Gazprom and Maintaining its Confidentiality — development of internal controls to identify and prevent misuse of insider information and/or market manipulation.
Information disclosure		Hold public hearings on the draft Gazprom Group's Sustainability Report 2019.
Shareholder and investor relations	The practice of interfacing with the investment community and shareholders was continued at conferences, meetings in the offices of Company, in a conference call format, as well as during the Investor Day. Targeted meetings of independent directors (Vladimir Mau and Viktor Martynov) with investors were held, including meetings on matters pertaining to the environment, environmental protection, and corporate governance. Dedicated foreign roadshows on corporate governance were conducted.	Conduct a survey of ADR holders on possible corporate governance enhancement measures. Continue meetings of independent directors with investors and management on the environment, environmental protection and corporate governance.

PJSC Gazprom's Corporate Governance Model

The corporate governance model in place at PJSC Gazprom relies on Russian laws, the requirements of Russian stock exchanges applicable to issuers whose shares have been included in the first (top) level quotation list.

The Company's Corporate Governance Model ensures robust corporate governance while protecting the interests of shareholders and maintaining the highest standards of disclosure.

This model also implies the establishment and continuous operation of an effective risk management and internal control system and provides for a clear division of roles and responsibilities and a performance assessment framework for each governing body of PJSC Gazprom. In addition, PJSC Gazprom's corporate governance model and practice reflect particularly high levels of transparency and commitment to shareholder interests.

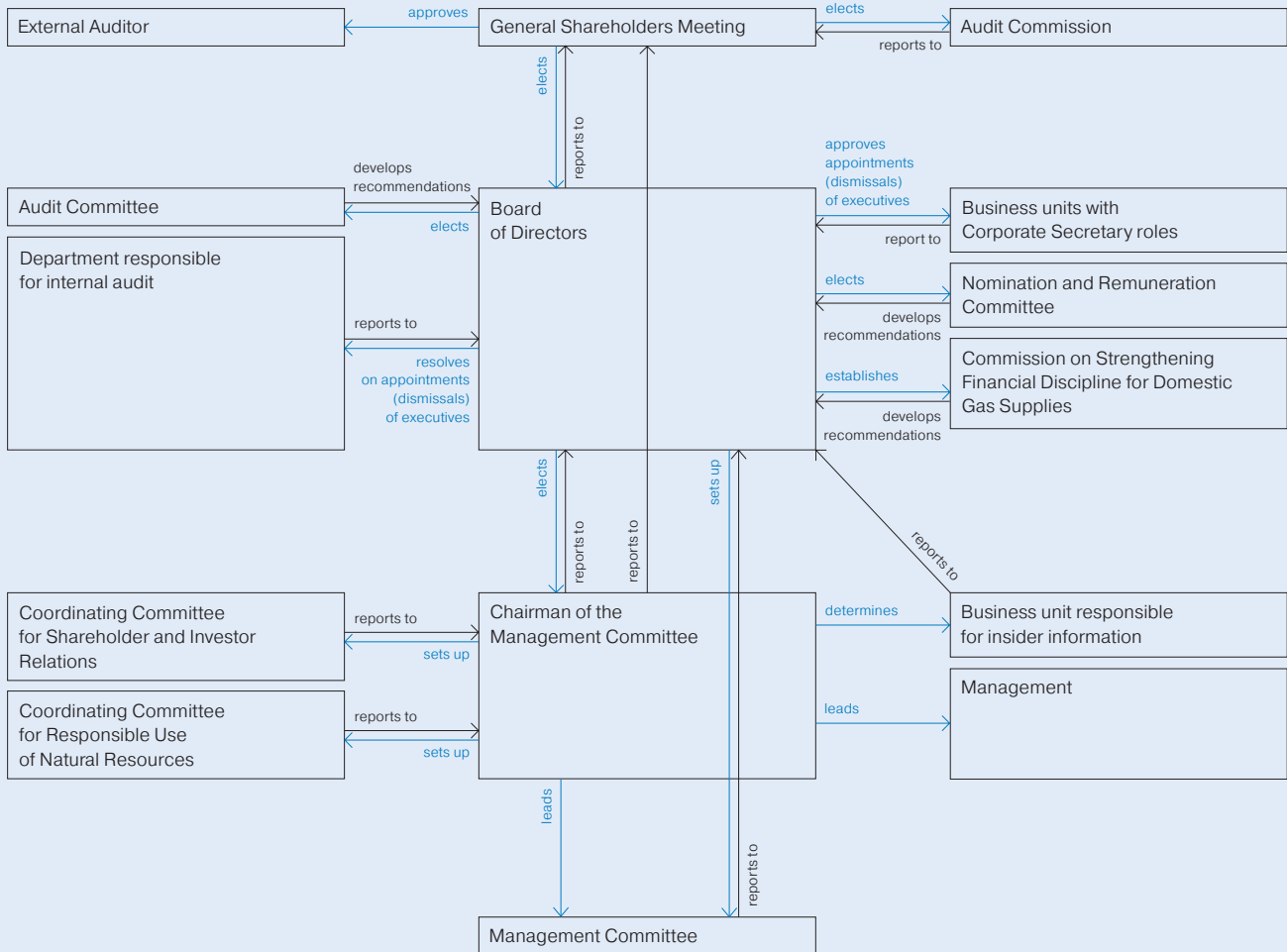


Significant aspects of the Company's corporate governance model and practices

Priority of shareholder rights and interests	Informational transparency
Strategic decisions at PJSC Gazprom are made with due consideration of their impact on all shareholders	The Company consistently keeps its investors and shareholders informed of all key events and intentions. PJSC Gazprom fosters an ongoing dialogue with shareholders, diverse investor groups and analysts
Strategic governance of the Company by the Board of Directors	Effective supervision over the executive bodies by the Board of Directors; accountability of governing bodies to shareholders
	Balanced and efficient internal audit and risk management
	Division of roles and responsibilities in Company management



PJSC Gazprom's Corporate Governance Structure



The basic principles of the Company's corporate governance are set forth in the Code of Corporate Governance of PJSC Gazprom, the new version of which was approved by the General Shareholders Meeting of PJSC Gazprom on 30 June 2017.

PJSC Gazprom's corporate governance pillars include governing and supervisory bodies: the General Shareholders Meeting, the Board of Directors, the Management Committee, the Chairman of the Management Committee and the Audit Commission.

The Audit Committee of PJSC Gazprom's Board of Directors and the Nomination and Remuneration Committee of PJSC Gazprom's Board of Directors have been established under PJSC Gazprom's Board of Directors. Their purpose is to preview the most important matters of PJSC Gazprom's business reserved to the Board of Directors.

Financial and business operations of the Company are reviewed by an independent external auditor.

The Department of the Management Committee Administration is responsible for internal audit, performs an impartial assessment of internal controls and develops improvement recommendations.

In order to maintain a transparent and constructive dialogue with the investment community, PJSC Gazprom has in place the Coordinating Committee for Shareholder and Investor Relations (set up by JSC Gazprom's Order No. 292 dated 17 November 2008). Relations with the investment community are governed by the annual plan of the Coordinating Committee.

PJSC Gazprom has in place the role of Corporate Secretary (Resolution of the Board of Directors No. 2817 dated 30 September 2016). The functionality of the Corporate Secretary is distributed, to the extent recommended by the Russian Corporate Governance Code, among several business units of the Company, in line with the regulations governing their functions as approved by the Board of Directors.

PJSC Gazprom also has in place the Coordinating Committee for Responsible Use of Natural Resources. The Company's environmental management system covers different levels of management, from the Board of Directors to branches and production facilities of its subsidiaries. To ensure an integrated approach and coordinate the environmental management activities of PJSC Gazprom's business units, PJSC Gazprom has in place a permanent Working Group for EMS Enhancement.

General Shareholders Meeting

General Shareholders Meeting is the supreme governing body of PJSC Gazprom and is held on an annual basis. Any General Shareholders Meeting other than the Annual General Shareholders Meeting shall be deemed extraordinary.



Annual General Shareholders Meeting held on 28 June 2019

- Held in person (in the form of joint attendance of shareholders to discuss agenda items and pass resolutions on matters put to vote)
- Location — Saint Petersburg
- The quorum required to pass resolutions on all the agenda items was present
- Resolutions were passed on the following agenda items

The Meeting approved PJSC Gazprom's Annual Report, the Company's annual accounting (financial) statements, dividend amount (RUB 16.61 per share), the dividend record date — 18 July 2019, deadline to receive dividends for the nominee shareholders and trustees who are professional security traders recorded in the Register of Shareholders — 01 August 2019, and for the rest of the registered shareholders — 22 August 2019. Limited Liability Company Financial and Accounting Consultants was approved as PJSC Gazprom's auditor. Amendments to PJSC Gazprom's Articles of Association, the Regulations on the General Shareholders Meeting of PJSC Gazprom, the Regulations on the Board of Directors of PJSC Gazprom, the Regulations on the Management Committee of PJSC Gazprom were also approved.

The Meeting resolved to distribute PJSC Gazprom's profit for 2018 and pay remuneration to members of PJSC Gazprom's Board of Directors and Audit Commission holding no public office in the amount stipulated by the Company's internal documents.

The Meeting elected a new Board of Directors and Audit Commission of PJSC Gazprom, and also resolved on invalidation PJSC Gazprom's Dividend Payout Procedure.

The voting power at General Shareholders Meetings is attributed to holders of the Company ordinary shares. Any shareholder may participate in a General Shareholders Meeting in person or by proxy. A General Shareholders Meeting is duly constituted if attended by the shareholders holding in aggregate more than a half of voting shares.

The responsibilities of the General Shareholders Meeting include, inter alia, amending PJSC Gazprom's Articles of Association, approving annual reports and the Company's auditor, distributing profit, electing members to the Board of Directors and the Audit Commission, making decisions on reorganisation or liquidation of PJSC Gazprom and on increase or decrease of the Company's charter capital.

In 2019, PJSC Gazprom held its Annual General Shareholders Meeting on 28 June.

PJSC Gazprom held no extraordinary General Shareholders Meetings in 2019.

PJSC Gazprom's Board of Directors

The Board of Directors is responsible for the general management of PJSC Gazprom's operations, excluding matters reserved to the General Shareholders Meeting. The Company's Board of Directors is elected by the General Shareholders Meeting until the next Annual General Shareholders Meeting.

The Board of Directors determines the Company's business priorities, approves the annual budget and investment programmes, makes decisions on convening General Shareholders Meetings and setting up executive bodies of PJSC Gazprom, develops recommendations on per share dividend payouts, and resolves other matters reserved to the Board of Directors by PJSC Gazprom's Articles of Association.



Performance assessment of PJSC Gazprom's Board of Directors and its committees

As recommended by the Russian Corporate Governance Code, the performance of PJSC Gazprom's Board of Directors, Audit Committee, and Nomination and Remuneration Committee has been assessed in-house on an annual basis since 2018.

The assessment is carried out through a written survey (questionnaires) covering the following key areas:

- composition and profile
- activities
- key functions.

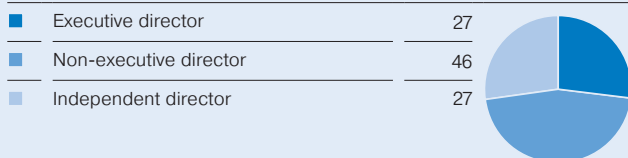
The assessment results are reviewed at the Board of Directors' meeting.

Based on the 2019 self-assessment, the Board of Directors and its committees were highly praised with no comments made to challenge their activities

The Board of Directors of PJSC Gazprom has a well-balanced composition to ensure the performance of their tasks for the benefit of all shareholders and the Company as a whole.



Composition of the Board of Directors by status, %



The activities of PJSC Gazprom's Board of Directors are governed by the duly approved six-month activity plans. In 2019, the Board of Directors held a total of 55 meetings, including 13 meetings held in person and 42 meetings held in absentia. At these meetings, the Board of Directors passed 166 resolutions, including 48 resolutions in person and 118 resolutions in absentia.

In 2019, the share of items related to enhancing the corporate governance on the Board's agenda was higher than in 2018. During the reporting year, members of the Board of Directors were actively involved in its activities — the overall attendance rate for both in-person and in-absentia meetings was 99%.



Approval of the Induction Programme for First-Time Elected Members of the Board of Directors of PJSC Gazprom (Resolution of the Board of Directors No. 3304 dated 7 August 2019)

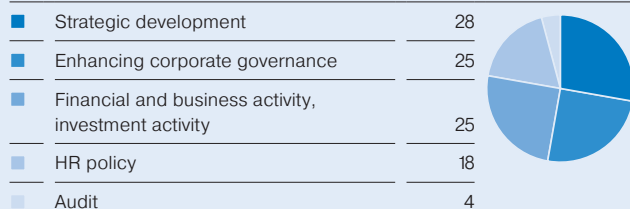
Key provisions	The Programme describes the induction of first-time elected members of PJSC Gazprom's Board of Directors and the procedure for providing information on PJSC Gazprom's activities, including documents and materials required to resolve matters reserved to PJSC Gazprom's Board of Directors.
Meaning	The Bank of Russia recommends that companies develop such programmes and deems them a pre-condition for a fair self-assessment of a board of directors' performance. The concept of an induction programme (an orientation process) for new directors complies with the G20/OECD international corporate governance principles. Since shareholders participate in governing PJSC Gazprom indirectly, through their elected members of the Board of Directors, the adoption of the document is also aimed at exercising shareholder rights.

Committees of the Board of Directors

The committees' priorities are to conduct holistic previews of selected matters reserved to the Board of Directors of PJSC Gazprom and develop recommendations on resolutions for the Board of Directors.



Matters reviewed by PJSC Gazprom's Board of Directors in 2019, by line of business, %



The full list of agenda items reviewed by PJSC Gazprom's Board of Directors in 2019 is available on PJSC Gazprom's website
 → www.gazprom.com



PJSC Gazprom has in place internal controls to monitor the execution of instructions given by PJSC Gazprom's Board of Directors

Audit Committee of the Board of Directors

In 2019, the Audit Committee of PJSC Gazprom's Board of Directors continued its work. The Committee reports to the Board of Directors and operates as set forth in the Regulations on the Audit Committee of JSC Gazprom's Board of Directors approved by Resolution of the Board of Directors of the Company No. 2314 dated 25 February 2014 (with subsequent amendments approved by Resolution No. 3333 of the Board of Directors of PJSC Gazprom dated 29 October 2019).

Committee is primarily responsible for: reviewing the Company's financial statements for completeness, accuracy and reliability; reviewing the reliability and effectiveness of the risk management and internal control system; assurance of independence and fairness of the internal and external audit; assessment of proposed Company's auditors and reviewing the auditor's opinion.



Composition of the Board of Directors' Audit Committee in 2019

- Committee Chairman:
Viktor Martynov (independent director)
- Committee members:
Mikhail Sereda, Vladimir Mau (independent director)

The Audit Committee of PJSC Gazprom's Board of Directors addressed the specific planned activities, meeting at least on a quarterly basis. In 2019, the Committee held 9 meetings, including 2 meetings held in person. In 2019, the Committee reviewed the information of OOO FBK on the most important audit matters pertaining to PJSC Gazprom and its subsidiaries, the external auditor's reports on ensuring an independent and robust external audit, as well as on the corporate risk management system of PJSC Gazprom, risk assessments and regular updates.

The key relevant recommendations made by the Committee to the Board of Directors concerned compliance and alignment with provisions of the Russian Corporate Governance Code. External and internal audits were determined to have been duly conducted, with no comments made.



The full list of matters reviewed by the Audit Committee of PJSC Gazprom's Board of Directors in 2019 makes part of the Additional Information for the Annual Report available on PJSC Gazprom's website

→ www.gazprom.com



The Audit Committee maintained close contact with the external auditor OOO FBK, the Audit Commission, and PJSC Gazprom's Internal Audit Department, as well as PJSC Gazprom's department charged with risk management and internal control.

Nomination and Remuneration Committee of the Board of Directors

In 2019, the Nomination and Remuneration Committee of PJSC Gazprom's Board of Directors continued its work. The Committee reports to the Board of Directors and operates as set forth in the Regulations on the Nomination and Remuneration Committee of JSC Gazprom's Board of Directors approved by Resolution of the Board of Directors of the Company No. 2819 dated 30 September 2016 (with subsequent amendments approved by Resolution of the Board of Directors of PJSC Gazprom No. 3329 dated 17 October 2019).



Composition of the Board of Directors' Nomination and Remuneration Committee in 2019

- Committee Chairman:
Mikhail Sereda
- Committee members:
Vladimir Mau (independent director),
Viktor Martynov (independent director)

In 2019, the Committee held 16 meetings, including 2 meetings held in person. The Committee reviewed the following matters: election of members of PJSC Gazprom's Management Committee; approval of the Company's actual 2018 KPI values for the purposes of the Annual Bonus Scheme for the Management of PJSC Gazprom, as well as target (planned), threshold, and maximum KPI values for 2019; remuneration of members of PJSC Gazprom's Board of Directors and Audit Commission; assessment of the Board of Directors' and its committees' performance, etc.



The full list of matters reviewed by the Nomination and Remuneration Committee of PJSC Gazprom's Board of Directors in 2019 makes part of the Additional Information for the Annual Report available on PJSC Gazprom's website

→ www.gazprom.com



Commission on Strengthening Financial Discipline for Domestic Gas Supplies

PJSC Gazprom's Board of Directors pays particular attention to strengthening financial discipline for gas supplies in the domestic market and measures taken to ensure repayment of overdue debt owed by consumers.

For additional coordination of efforts undertaken by PJSC Gazprom to improve the situation with regard to payments for gas deliveries, the Commission on Strengthening Financial Discipline for Domestic Gas Supplies operates on a permanent basis at PJSC Gazprom's Board of Directors. The Commission develops recommendations to the Board of Directors on PJSC Gazprom's policy on strengthening financial discipline for domestic gas supplies, improving coordination between the Company and the federal and regional executive authorities to increase financial discipline for domestic gas supplies, monitoring the debt owed by consumers in Russian regions and developing measures to reduce this debt, and improving the laws on consumer payments for supplied natural gas.

The Commission has 5 members. Commission Chairman: Viktor Zubkov, Chairman of PJSC Gazprom's Board of Directors; Commission Secretary: Nikolai Kruglikov, Head of the Secretariat of PJSC Gazprom's Management Committee Administration.

The Commission operates on a permanent basis. In 2019, the Commission held three meetings which discussed the most pressing matters of strengthening financial discipline for domestic gas supplies and specifically supplies to certain regions of the Russian Federation.

The Commission's activities will continue into 2020. Scheduled agenda items are to include handling of the current arrears for natural gas supplied by PJSC Gazprom to regions of the Russian Federation and in the industry context, as well as improving legislation to strengthen financial discipline for natural gas supplies to consumers.

Corporate Secretary

In 2019, the functionality of the Corporate Secretary was distributed, to the extent recommended by the Russian Corporate Governance Code, among the following business units of PJSC Gazprom:

- Directorate at the Department of PJSC Gazprom's Management Committee Administration (Dmitry Pichugin)
- Secretariat of PJSC Gazprom's Management Committee Administration (Nikolai Kruglikov)
- Department Directorate of PJSC Gazprom (Alexey Finikov)
- Department Directorate Division of PJSC Gazprom (Maksim Babich)



For more details on the functions of the Corporate Secretary at PJSC Gazprom see PJSC Gazprom's website
 → www.gazprom.com



Key functions of the Corporate Secretary

- Ensuring the Company's communication with regulators, stock exchanges, the registrar, and other professional security traders on matters related, inter alia, to the security market development, share capital monitoring, depositary receipt programme support and development, and security issuance in new stock markets
- Involvement in the organisation of the General Shareholders Meeting
- Ensuring operation of the Board of Directors and its committees
- Involvement in the implementation of the information disclosure policy
- Shareholder and investor relations
- Involvement in corporate governance enhancement
- Ensuring safekeeping of corporate documents
- Ensuring and monitoring the execution of procedures aimed at exercising shareholder rights
- Notifying the Board of Directors about detected violations of the law and internal documents when the Corporate Secretary is responsible for ensuring relevant compliance



For more details on distribution of the Corporate Secretary functionality across the Company's business units see PJSC Gazprom's website (information is available in Russian only)
 → www.gazprom.ru



Heads of business units of PJSC Gazprom having the Corporate Secretary functionality report on relevant performance to the Company's Board of Directors. They are appointed and removed from office by the Chairman of PJSC Gazprom's Management Committee upon approval of PJSC Gazprom's Board of Directors.

Business units of PJSC Gazprom having the Corporate Secretary functionality are guided by applicable Russian laws, the Regulations on the Board of Directors of PJSC Gazprom, regulations on business units concerning corporate secretary functions, approved by PJSC Gazprom's Board of Directors (Resolution No. 2817 dated 30 September 2016, Resolution No. 3339 dated 19 November 2019).

In 2019, the Corporate Secretary functions were performed in full. In particular, the business units of PJSC Gazprom having the Corporate Secretary functionality were directly involved in the implementation of decisions of the Annual General Shareholders Meeting, including the on dividend payouts, in preparation of proposals to enhance information disclosure processes, as well as in the development of corporate governance standards. No violations of the law and internal documents when the Corporate Secretary is responsible for ensuring relevant compliance were detected.



For more details on enhancement of the Company's corporate governance standards see PJSC Gazprom's Corporate Governance Compliance Report, including Statement of Compliance with the Corporate Governance Principles Set Out in the Russian Corporate Governance Code

Executive Bodies

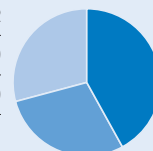
Day-to-day operations of PJSC Gazprom are managed by the Chairman of the Management Committee (sole executive body) and the Management Committee (collective executive body). They are responsible for implementing resolutions passed by PJSC Gazprom's General Shareholders Meeting and the Board of Directors and are accountable to them.

The Chairman and members of the Management Committee are elected by the Board of Directors for a five-year term. The matters reserved by PJSC Gazprom's Articles of Association to the Management Committee include drafting of the annual budget, investment programmes, future and current activity plans, preparing reports, gas flow management, and monitoring Russia's Unified Gas Supply System.



Composition of the Management Committee by tenure of its members in the governing body as at 31 December 2019, %

■ 1 year or less	42
■ 1–7 years (inclusive)	29
■ Over 7 years	29



Note. Distributed according to the number of full years of service as a member of the Management Committee as at 31 December 2019.

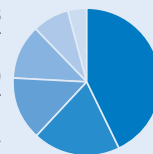
In 2019, the Management Committee of PJSC Gazprom was refreshed by more than 30%

In 2019, the Management Committee held a total of 22 meetings (11 meetings held in person and 11 meetings held in absentia). At these meetings, the Management Committee passed 49 resolutions, including 36 resolutions passed in person and 13 resolutions passed in absentia.



Matters reviewed by PJSC Gazprom's Management Committee in 2019, by line of business, %

■ Corporate governance	43
■ Preview of business priorities, strategy and budget of PJSC Gazprom	19
■ Reliable operation of the UGSS and consumer gas supplies	14
■ Forward-looking plans and key business activity programmes of PJSC Gazprom	12
■ PJSC Gazprom's internal regulations on matters reserved to the Management Committee	8
■ Other matters reserved to the Management Committee	4



Audit Commission

The Audit Commission's authority is set forth in the Federal Law On Joint-Stock Companies and PJSC Gazprom's Articles of Association. The Audit Commission operates under the Regulations on the Audit Commission of JSC Gazprom approved by the Resolution of JSC Gazprom's Annual General Shareholders Meeting (Minutes No. 1 dated 28 June 2013).

Key roles of the Audit Commission:

- Monitor the fairness of presentation of PJSC Gazprom's financial and accounting statements and other information on PJSC Gazprom's financial and business operations and condition of its assets
- Supervise statutory compliance of PJSC Gazprom's accounting practices and of submission of its financial statements and information to relevant authorities and shareholders
- Prepare proposals on enhancing the Company's asset management and other financial and business operations of PJSC Gazprom, mitigate financial and operational risks, and improve internal controls

The Audit Commission is accountable to the General Shareholders Meeting and coordinates its activities with the Audit Committee of the Board of Directors.

Following an audit of PJSC Gazprom's financial and business operations, the Audit Commission presented its opinion confirming the fairness of data in the Company's statements and other financial documents.

The Audit Commission of nine members is elected by the General Shareholders Meeting.



Members of the Audit Commission elected by the General Shareholders Meeting on 28 June 2019

Name	Year of birth	Position as at 31 December 2019
Ivan Bezmenov	1980	Director of Department, the Ministry of Economic Development of the Russian Federation
Vadim Bikulov	1957	Deputy Department Head — Head of Directorate at Department of the Management Committee Administration, Secretary of the Audit Commission of PJSC Gazprom
Alexander Gladkov	1969	Department Director, the Russian Ministry of Energy
Margarita Mironova	1964	First Deputy Head of the Management Committee Administration — Department Head of the Management Committee Administration, Chairwoman of the Audit Commission of PJSC Gazprom
Yury Nosov	1963	Member of the Audit Commission of PJSC Gazprom
Karen Oganyan	1974	Department Head, PJSC Gazprom
Sergey Platonov	1966	Deputy Department Director, the Russian Ministry of Finance
Evgeny Stolyarov	1985	Director of Department, the Ministry of Transport of the Russian Federation
Tatiana Fisenko	1961	Department Director, the Russian Ministry of Energy

Board of Directors' Report on PJSC Gazprom's Development in Priority Business Areas

In 2019, the activities of PJSC Gazprom's Board of Directors were aimed at creating the environment to maintain consistent performance and development of PJSC Gazprom as a global energy company, increasing PJSC Gazprom's capitalisation and improving its investment appeal, ensuring efficient control over asset management, investment and financial and business operations, improving the performance and transparency of internal governance mechanisms, enhancing internal controls and accountability of the Company's management bodies, and protecting shareholder rights.

Strategic Development

Most PJSC Gazprom's strategic documents and development programmes on priority business areas had been adopted by its Board of Directors in prior periods. That is why the members of PJSC Gazprom's Board of Directors primarily focused on matters related to implementation and annual adjustment of previously adopted strategies and programmes during the Board meetings held in 2019.



Key strategic development matters reviewed by the Board of Directors in 2019

Agenda items	Material discussion points	Instructions and approved documents
Updated PJSC Gazprom's Long-Term Development Programme and Gazprom Group's strategic planning framework	<ul style="list-style-type: none"> — PJSC Gazprom's existing planning system provides an optimal combination of modern Russian and international best practice in strategic planning — The planning system is continuously improved taking into account worldwide best practice and methodologies — To ensure optimal development of PJSC Gazprom in the context of internal and external changes, the Long-Term Development Programme is updated and approved by the Board of Directors on an annual basis 	→ PJSC Gazprom's Long-Term Development Programme (2020–2029) was approved
Amendment of PJSC Gazprom's Investment Programme and budget (financial plan) for 2019	<ul style="list-style-type: none"> — In accordance with the new version of the Investment Programme for 2019, total actual expenditure was RUB 1,322.58 bn (down by RUB 3.142 bn from the level approved in December 2018), including: <ul style="list-style-type: none"> — RUB 962.23 bn — capital construction plan — RUB 179.86 bn — long-term investment plan — RUB 180.49 bn — non-current asset acquisition plan — Total funding of the new version of PJSC Gazprom's Investment Programme for 2019 is RUB 1,339.25 bn — Adjustment of the parameters for the Investment Programme for 2019 was due to investment project portfolio optimisation — The new version of the budget (financial plan) for 2019 has no budget deficit and will ensure that all PJSC Gazprom's liabilities are covered in full 	→ The new versions of PJSC Gazprom's Investment Programme and budget (financial plan) for 2019 were approved



Key strategic development matters reviewed by the Board of Directors in 2019 (continued)

Agenda items	Material discussion points	Instructions and approved documents
Efficient use of funds allocated for R&D, progress in the implementation of PJSC Gazprom's Innovative Development Programme until 2025, and approval of the 2018 report on PJSC Gazprom's updated Innovative Development Programme until 2025	<ul style="list-style-type: none"> — The annually developed PJSC Gazprom's R&D Programme includes initiatives aimed at implementation of technological and organisational priorities of the Company's innovative development set forth in PJSC Gazprom's Innovative Development Programme until 2025 — The programme of R&D projects carried out for PJSC Gazprom by research institutes of the Russian Academy of Sciences is under way — R&D cooperation with Russian research institutes and universities (on four R&D programmes), companies from related industries and international partners is in progress 	<ul style="list-style-type: none"> → The 2018 progress report on PJSC Gazprom's Innovative Development Programme until 2025 was approved → The integrated innovation key performance indicator for 2019 was approved
Approval of the integrated innovation key performance indicator for 2019	<ul style="list-style-type: none"> — in 2018, Gazprom Group implemented 279 R&D-generated solutions (excluding the oil and power generation businesses), with a total expected economic effect of over RUB 204 bn 	
Progress on PJSC Gazprom's programmes for expansion of gas infrastructure in the constituent entities of the Russian Federation, including its economic model, alignment with regional programmes for converting the housing and utilities sectors to gas, as well as extension of gas grid coverage in the Krasnoyarsk Territory	<ul style="list-style-type: none"> — Consistent expansion of gas infrastructure in Russian regions is one of Gazprom's priorities in the domestic market — The average gas penetration in Russia is steadily growing and reached 68.6% as at 1 January 2019 (an increase of 15.3 p.p. compared to 2005) — In 2019, the Gas Infrastructure Expansion Program covered 66 constituent entities of the Russian Federation, with plans to complete construction of approximately 1,700 kilometers of gas pipelines — Issues related to extending gas grid coverage in the Krasnoyarsk Territory were also considered 	<p>The Management Committee was instructed to:</p> <ul style="list-style-type: none"> → continue implementing the gas infrastructure expansion programs in the constituent entities of the Russian Federation → ensure that the programs for gas supply and gas infrastructure expansion in Russian regions for 2021–2025 are drawn up on the basis of outlooks for gas consumption and plans for preparing consumers to receive gas as confirmed by regional administrations.
Progress of import substitution initiatives in 2018, approval of 2018 progress report on PJSC Gazprom's corporate import substitution plan, inclusion into that plan of an integrated performance indicator to assess the outcomes of action items of that plan, and measures to incentivise the use of Russian-made equipment and technology in Gazprom Group's operations	<ul style="list-style-type: none"> — PJSC Gazprom's corporate import substitution plan is being implemented successfully, with import substitution effect growth rate higher in 2018 than in 2017 (47.9% vs 16.3%) — The corporate import substitution plan now includes an integrated performance indicator to assess the outcomes of action items of that plan — Measures to stimulate the introduction of Russian-made equipment and technologies in Gazprom Group's operations have been proposed 	<ul style="list-style-type: none"> → The 2018 progress report on the Corporate Import Substitution Plan of PJSC Gazprom



Key strategic development matters reviewed by the Board of Directors in 2019 (continued)

Agenda items	Material discussion points	Instructions and approved documents
Approval of the Dividend Policy of PJSC Gazprom	<ul style="list-style-type: none"> — According to the new Dividend Policy, dividends will be calculated on the basis of adjusted profit for the period attributable to the owners of PJSC Gazprom in accordance with the IFRS financial statements, with adjustments for a number of non-cash items — Including a complete list of adjustments into the document increases transparency of dividend calculation and makes payouts to the shareholders and investors more predictable, in line with existing best practice — It is planned to reach the target payout level within three years, with dividends of not less than 30% based on the results for 2019, not less than 40% for 2020, and not less than 50% for 2021 and subsequent years — Approval of the proposed version of the Dividend Policy will meet the requirements of the Russian Government and reinforce PJSC Gazprom's investment case 	→ The new Dividend Policy of PJSC Gazprom was approved

Also in 2019, the Board of Directors continued to monitor implementation of the Company's major investment projects, paid due attention to strategically important areas of PJSC Gazprom's activities (promoting natural gas (methane) as a vehicle fuel, shareholder and investor relations, risk management and internal control), the prospects, opportunities and threats for the Company related to shale gas and LNG industry development, and assessment of the impact of 2019 events on the long-term outlook for the global energy market.

**Financial and Business Activity,
Investment Activity, Audit**

Throughout 2019, PJSC Gazprom's Board of Directors exercised control over financial and business activities as well as investment activities of Gazprom Group, including review of reports on the results of procurement activities (on a quarterly basis), and made decisions related to transaction approval and the management of the property and other assets of PJSC Gazprom and its subsidiaries.

Reflecting the changes in the legislation and the Company's internal documents, the Board of Directors approved amendments to the documents governing the internal audit function, i.e. the Regulations on the Board of Directors' Audit Committee, Regulations on Internal Audit of PJSC Gazprom, and the Internal Auditors' Code of Ethics.

Corporate Governance Improvement and HR Policy

Throughout 2019, the Board of Directors paid close attention to the HR policy and initiatives aimed at enhancing the effectiveness of corporate governance. In addition to the matters reviewed on an annual basis, such as analysis of the Company's HR policy and incentive scheme efficiency, the progress in KPI achievement by top managers, introduction of professional standards, assessment of the Board of Directors' and its committees' performance, in 2019 the Board of Directors also discussed the matter of PJSC Gazprom's transition to predominantly using Russian-made software. Following the meeting, the Management Committee was instructed to present for approval by the Board of Directors a 2018–2021 action plan for PJSC Gazprom's transition to predominantly using Russian-made software, to incorporate relevant initiatives in PJSC Gazprom's Long-Term Development Programme, and to ensure the adoption of this approach by the subsidiaries directly and/or indirectly controlled by the Company by more than 50% in total.

Remuneration of Members of Governing and Supervisory Bodies



Documents defining remuneration of members of PJSC Gazprom's governing and supervisory bodies

- Regulations on the Guidelines on Remuneration of the Board of Directors of JSC Gazprom (approved by Resolution of the Board of Directors No. 2523 dated 15 April 2015)
- Regulations on Remuneration of the Audit Commission of PJSC Gazprom (approved by Resolution of the Board of Directors No. 2641 dated 9 December 2015, as amended)
- Regulations on the Annual Bonus Scheme for the Management of PJSC Gazprom (approved by Resolution of JSC Gazprom's Board of Directors No. 927 dated 19 December 2006, as amended)
- Regulations on PJSC Gazprom's Key Performance Indicators (approved by Resolution of JSC Gazprom's Board of Directors No. 2435 dated 21 October 2014, as amended)

Remuneration Scheme for Members of the Management Committee and Other Executives of PJSC Gazprom

Remuneration of PJSC Gazprom's Management Committee members (including the Chairman of the Management Committee) and other executives of the Company (including the remuneration of PJSC Gazprom's executives who are also members of the Company's Board of Directors, which is not related to their service on the Board of Directors) is determined by their employment agreements and is short-term. Members of the Management Committee are not remunerated for their service on PJSC Gazprom's Management Committee.

Remuneration paid by PJSC Gazprom to its executives creates sufficient incentives for them to work effectively. The Annual Bonus Scheme for the Management of PJSC Gazprom is an important component of the remuneration system for PJSC Gazprom's executives, including members of the Management Committee.

The Annual Bonus Scheme covers executives of PJSC Gazprom and its key gas production, transportation, underground storage, processing and sales subsidiaries.

Executives' annual bonus is linked to PJSC Gazprom's performance (achievement of corporate KPIs and personal contribution of executives — achievement of individual targets).

The annual bonus payable to members of PJSC Gazprom's Management Committee (excluding the Chairman of the Management Committee) comprises two components — corporate (80%) and individual (20%). The corporate component is linked to PJSC Gazprom's performance, while the individual component is determined based on the achievement of individual targets. The annual bonus payable to the Chairman of the Management Committee only comprises the corporate component.



Amendments to the Regulations on the Annual Bonus Scheme for the Management of PJSC Gazprom (Resolution of PJSC Gazprom's Board of Directors No. 3370 dated 26 December 2019)

- Coordination of the composition, calculation methods and target value of the integrated innovation key performance indicator with federal executive authorities was introduced
- The list of positions included in the Company's Annual Bonus Scheme (due to organisational and staff changes in PJSC Gazprom) and key performance indicators of subsidiaries (due to consolidation of processing assets) was updated

As per the Annual Bonus Scheme, remuneration is linked to the achievement of corporate KPIs. Planned and actual values of corporate KPIs are approved by PJSC Gazprom's Board of Directors on an annual basis.

To determine the amount of actual payments, a corporate correction factor reflecting the actual KPI achievement level is applied to the corporate and individual components of the annual bonus. If the KPIs are not achieved, the amount of the annual bonus is reduced, which establishes a link between the KPIs and the amount of remunerations, as well as executives' personal motivation to achieve the KPIs. There are no plans to change the terms of executives' eligibility for the Annual Bonus Scheme and approaches to calculating the bonus in 2020.

In 2019, PJSC Gazprom paid the annual bonus for 2018 taking into account the corporate correction factor of 123.75%.



Corporate KPIs for 2019 to be used in the Annual Bonus Scheme

KPI	Description	Weight in the reporting period bonus
Financial and economic KPIs		70%
■	Per unit costs in Production Total costs of gas production subsidiaries divided by the total volume of gas, unstable gas condensate and oil production	15%
■	Per unit costs in Transportation Total costs of gas transportation subsidiaries divided by the total transportation volume	15%
■	Reduction of operating costs (expenses) Reduction of operating costs (expenses) in the reporting year	5%
■	Total shareholder return Estimated shareholder's income for the reporting year from share price growth and dividend received	10%
■	Return on equity Ratio of net income to average annual shareholders' equity	20%
■	Labour productivity Total revenue from sales of products, proceeds from work done and services provided, revenue from sales of goods purchased for resale less expenses on such purchased goods, divided by total man-hours worked by full-time employees and external part-time employees	5%
Industry-specific KPIs		30%
■	Gas sales by volume PJSC Gazprom's gas sales by volume, including both its own gas and purchased gas, excluding sales to PJSC Gazprom's subsidiaries for own operational needs, as well as the volumes purchased and sold in far abroad countries	10%
■	Commissioning of priority production facilities Completion of activities related to commissioning of priority production facilities (as per the approved list)	10%
■	Integrated innovation key performance indicator Sum of scores reflecting the achievement of KPI targets, with application of weights allocated to each of the KPIs: — Patents obtained in the reporting year — Reduction of relative rates of GHG emissions expressed as CO ₂ equivalent — Share of R&D costs in revenue — Assessment of the quality of design/annual implementation of the Innovative Development Programme	10%
■	KPIs established in pursuance of Russian Government directives	



For more details on calculating the progress against corporate KPIs in 2018, as well as the explanation of variance between target and actual KPI values see PJSC Gazprom's Annual Report 2018

→ www.gazprom.com



Members of PJSC Gazprom's governing bodies and other executives of the Company are also eligible for long-term post-employment payments. These payments comply with the applicable laws, PJSC Gazprom's local regulations, and the procedure which is applicable to all employees of the Company, and comprise private pension plans provided by Non-State Pension Fund GAZFOND, and one-off payments upon retirement made by PJSC Gazprom.

The Company also provides voluntary medical insurance.

Remuneration for Service on a Governing Body

Pursuant to the Regulations on the Board of Directors of PJSC Gazprom approved by the Annual General Shareholders Meeting (Minutes No. 1 dated 30 June 2016, as amended) and PJSC Gazprom's Articles of Association, the General Shareholders Meeting may resolve to remunerate and/or reimburse members of the Board of Directors during the period of their service for expenses incurred by them as members of the Board of Directors. The amount of remuneration and/or reimbursement is determined by the General Shareholders Meeting.

Members of the Board of Directors holding public or civil office in the Russian Federation receive no remuneration from PJSC Gazprom.

Approaches to determining the amount of remuneration to members of the Board of Directors are set forth by the Regulations on the Guidelines on Remuneration of the Board of Directors of JSC Gazprom (approved by Resolution of the Board of Directors of JSC Gazprom No. 2523 dated 15 April 2015).



Remuneration of members of PJSC Gazprom's Board of Directors

- Fixed base remuneration for service on the Board of Directors
- Additional remuneration for additional responsibilities such as acting as Chairman of the Board of Directors, Deputy Chairman of the Board of Directors, or serving on committees of the Board of Directors
- Bonus component for achieving corporate key performance indicators (KPIs)

The Regulations also stipulate that the Board of Directors may recommend the General Shareholders Meeting not to pay remuneration to members of the Board of Directors or pay a lower remuneration calculated under the Regulations.

Remuneration of Members of the Board of Directors and Members of the Management Committee



Remuneration of members of PJSC Gazprom's Board of Directors, RUB thousand

	2017	2018	2019
Remuneration of members of PJSC Gazprom's Board of Directors paid by PJSC Gazprom*	370,339	346,971	367,684
Including by type of remuneration:			
Remuneration for service on a governing body	245,486	210,708	227,258
Salary	64,775	71,986	76,225
Bonuses	49,594	53,897	53,821
Commission fees	—	—	—
Other remuneration	10,484	10,380	10,380
Insurance premiums paid by PJSC Gazprom**	56,581	50,178	52,727
Total	426,920	397,149	420,411

* The amounts are inclusive of personal income tax.

** In line with Russian laws, PJSC Gazprom pays insurance premiums under mandatory pension insurance, mandatory social insurance in case of temporary disability or a maternity leave, mandatory medical insurance, and industrial accident and occupational disease insurance, which the Company calculates based on the amount of remuneration and other payments.



**Remuneration of members of the Board of Directors for service on a governing body paid in 2019
(in accordance with Resolution of the Annual General Shareholders Meeting dated 28 June 2019, Minutes No. 1)**

Name	Position	Holding public or civil office	Remuneration paid, RUB	
			Total	Including additional remuneration for additional responsibilities while serving on the Board of Directors, or serving on committees of the Board of Directors
Viktor Zubkov	Chairman of the Board of Directors	Holds no such office	32,234,760	5,926,500
Alexey Miller	Deputy Chairman of the Board of Directors	Holds no such office	31,247,010	4,938,750
Andrey Akimov	Member of the Board of Directors	Holds no such office	26,308,260	–
Timur Kulibaev	Member of the Board of Directors	Holds no such office	26,308,260	–
Denis Manturov	Member of the Board of Directors	Holds an office	–	–
Vitaly Markelov	Member of the Board of Directors	Holds no such office	26,308,260	–
Viktor Martynov	Member of the Board of Directors, Chairman of the Board of Directors' Audit Committee, member of the Board of Directors' Nomination and Remuneration Committee	Holds no such office	28,613,010	2,304,750
Vladimir Mau	Member of the Board of Directors, member of the Board of Directors' Nomination and Remuneration Committee, member of the Board of Directors' Audit Committee	Holds no such office	27,625,260	1,317,000
Alexander Novak	Member of the Board of Directors	Holds an office	–	–
Dmitry Patrushev	Member of the Board of Directors	Holds an office	–	–
Mikhail Sereda	Member of the Board of Directors, Chairman of the Board of Directors' Nomination and Remuneration Committee, member of the Board of Directors' Audit Committee	Holds no such office	28,613,010	2,304,750
Total			227,257,830	16,791,750

Note. The amounts are inclusive of personal income tax.



Minutes No. 1 of the Annual General Shareholders Meeting dated 28 June 2019 are available on PJSC Gazprom's website (information is available in Russian only)
→ www.gazprom.ru





Remuneration of members of PJSC Gazprom's Management Committee, RUB thousand

	2017	2018	2019
Remuneration of members of PJSC Gazprom's Management Committee paid by PJSC Gazprom***	2,445,656	2,551,450	1,331,825
Including by type of remuneration:			
Remuneration for service on a governing body	–	–	–
Salary	861,443	1,035,748	821,064
Bonuses (including the annual bonus)	1,532,323	1,475,344	479,583
Commission fees	–	–	–
Other remuneration (including short-term benefits related to healthcare)	51,890	40,358	31,178
Insurance premiums paid by PJSC Gazprom***	396,416	413,804	204,504
Total	2,842,072	2,965,254	1,536,329

* The amounts are inclusive of personal income tax.

** Income received by members of PJSC Gazprom's Board of Directors who are also members of PJSC Gazprom's Management Committee and full-time employees of the Company for service on the Board of Directors was accounted for in the income received by members of the Board of Directors. Other types of remuneration paid to such members of the Board of Directors and/or reimbursement for their expenses are included in the total remuneration and/or reimbursement for expenses of PJSC Gazprom's Management Committee.

*** In line with Russian laws, PJSC Gazprom pays insurance premiums under mandatory pension insurance, mandatory social insurance in case of temporary disability or a maternity leave, mandatory medical insurance, and industrial accident and occupational disease insurance, which the Company calculates based on the amount of remuneration and other payments.



PJSC Gazprom's voluntary medical insurance premiums paid for members of the Management Committee and executives who are also members of the Company's Board of Directors, RUB thousand

	2017	2018	2019
	12,781	12,420	10,632

From 2017 to 2019, PJSC Gazprom paid no reimbursement to members of the Board of Directors or members of the Management Committee for expenses incurred while serving on a Company's governing body.

From 2017 to 2019, the Company did not provide any loans to members of PJSC Gazprom's Board of Directors or members of its Management Committee.

Remuneration of Members of the Audit Commission

To calculate the remuneration of a member of the Audit Commission, the Company uses, inter alia, a personal contribution factor which reflects the member's attendance at the meetings of the Audit Commission and additional responsibilities as Chairman of the Audit Commission.

Members of the Audit Commission holding public or civil office receive no remuneration.



Remuneration of members of PJSC Gazprom's Audit Commission for serving on a financial and business performance supervisory body paid in 2019 (in accordance with Resolution of the Annual General Shareholders Meeting dated 28 June 2019, Minutes No. 1)

Name	Position	Holding public or civil office*	Remuneration paid, RUB
Margarita Mironova	Chairwoman of the Commission	Holds no such office	5,289,204
Alexander Gladkov	Member of the Commission	Holds an office	–
Yury Nosov	Member of the Commission	Holds no such office	4,068,618
Karen Oganyan	Member of the Commission	Holds no such office	4,068,618
Alexandra Petrova	Member of the Commission	Holds an office	–
Sergey Platonov	Member of the Commission	Holds an office	–
Oksana Tarasenko	Member of the Commission	Holds an office	–
Tatiana Fisenko	Member of the Commission	Holds an office	–
Vadim Bikulov	Member of the Commission (Secretary)	Holds no such office	4,068,618
Total			17,495,058

* As at the date of payment.

Note. The amounts are inclusive of personal income tax.

Liability Insurance of Directors, Officers and the Company

PJSC Gazprom has insured the liability of its directors (excluding directors holding public office), officers and the Company since 2008. Under the liability insurance contract, shareholders, creditors or other third parties are compensated for damages incurred as a result of in-scope errors (omissions) by PJSC Gazprom's key executives. The importance of the liability insurance programme for directors, officers and the Company is driven by the integration of PJSC Gazprom's activities into the global economy, the implementation of the external financial borrowing programme and the need to cover risks for the Company's property interests. The policy terms in 2019 remained the same as in 2018.

The insurance coverage under the current liability insurance policy is in line with PJSC Gazprom's needs and international insurance standards in terms of risk coverage and indemnity limits.



Liability insurance programme for directors, officers and the Company in 2019

Insurance coverage	USD 100 mm
Insurance premium	USD 900 thousand
Persons insured	Members of the Company's Board of Directors (excluding directors who hold public office) and Management Committee, as well as heads of PJSC Gazprom's Departments who are not members of the Company's Management Committee
Risks insured	<ul style="list-style-type: none"> — Risk of third-party claims against the insured for losses arising from unintentional errors made by the insured in their management roles — Risk of third-party claims against PJSC Gazprom for losses arising from unintentional errors made by the insured in their management roles: claims related to PJSC Gazprom securities; claims initially made against the insured

Shareholdings of Members of the Board of Directors and Management Committee and Transactions with PJSC Gazprom Shares

As at 31 December 2019, members of the Board of Directors, members of the Management Committee and the Chairman of the Management Committee had a 0.010577% stake in PJSC Gazprom (direct ownership).

The Employee Equity Sharing Plan for the Management of PJSC Gazprom aims to provide an extra financial incentive for PJSC Gazprom's executives to support PJSC Gazprom share performance.

PJSC Gazprom's executives holding positions of department heads or higher, and the management of subsidiaries engaged in core activities are eligible to participate in the Programme. As at 31 December 2019, 68 executives were eligible for the Programme.



Terms of the Employee Equity Sharing Plan for the Management of PJSC Gazprom (set out in the Regulations on the Employee Equity Sharing Plan for the Management of PJSC Gazprom approved by Resolution of JSC Gazprom's Board of Directors No. 2105 dated 26 December 2012, as amended)

- Executives hold Company shares
- Executives can acquire shares at their own cost or with loans granted by AO Gazprombank as part of the Programme
- AO Gazprombank also provides depositary and broker services under the Programme



Direct ownership of PJSC Gazprom shares by members of the Board of Directors, members of the Management Committee and the Chairman of the Management Committee as at 31 December 2019

Name	Position	Shareholding in PJSC Gazprom, %
Members of the Board of Directors		
Viktor Zubkov	Chairman of the Board of Directors	–
Alexey Miller	Deputy Chairman of the Board of Directors, Chairman of the Management Committee	0.000958
Andrey Akimov	Member of the Board of Directors	–
Timur Kulibaev	Member of the Board of Directors	–
Denis Manturov	Member of the Board of Directors	–
Vitaly Markelov	Member of the Board of Directors, member of the Management Committee	0.006203
Viktor Martynov	Member of the Board of Directors, Chairman of the Board of Directors' Audit Committee, member of the Board of Directors' Nomination and Remuneration Committee	–
Vladimir Mau	Member of the Board of Directors, member of the Board of Directors' Audit Committee, member of the Board of Directors' Nomination and Remuneration Committee	–
Alexander Novak	Member of the Board of Directors	–
Dmitry Patrushev	Member of the Board of Directors	0.001013
Mikhail Sereda	Member of the Board of Directors, Chairman of the Board of Directors' Nomination and Remuneration Committee, member of the Board of Directors' Audit Committee	0.000232



Direct ownership of PJSC Gazprom shares by members of the Board of Directors, members of the Management Committee and the Chairman of the Management Committee as at 31 December 2019 (continued)

Name	Position	Shareholding in PJSC Gazprom, %
Members of the Management Committee*		
Oleg Aksyutin	Deputy Chairman of the Management Committee — Head of Department	0.000218
Elena Burmistrova	Deputy Chairwoman of the Management Committee	–
Elena Vasilieva	Deputy Chairwoman of the Management Committee — Chief Accountant	0.000281
Mikhail Putin	Deputy Chairman of the Management Committee	0.000313
Famil Sadygov	Deputy Chairman of the Management Committee	–
Sergey Khomyakov	Deputy Chairman of the Management Committee	0.000232
Sergey Kuznets	Member of the Management Committee, Head of Department	–
Vladimir Markov	Member of the Management Committee, Head of Department	0.000148
Sergey Menshikov	Member of the Management Committee, Head of Department	0.000169
Elena Mikhailova	Member of the Management Committee, Head of Department	0.000217
Vyacheslav Mikhaleenko	Member of the Management Committee, Head of Department	0.000424
Gennady Sukhov	Member of the Management Committee, Head of Department	0.000169

* For shareholdings of executive directors see the Members of the Board of Directors section of this table.



Transactions with PJSC Gazprom shares by members of PJSC Gazprom's Board of Directors and Management Committee in 2019

Name	Transaction date	Transaction type	Number of ordinary registered shares of PJSC Gazprom involved in the transaction
Andrey Akimov	04 April 2019	Purchase	2,043,220
	05 April 2019	Purchase	2,138,950
	08 April 2019	Disposal	4,182,170

Internal audit assists in achieving PJSC Gazprom's goals through applying a holistic consistent approach to assessment and improvement of risk management, control and corporate governance processes.

To improve the internal audit function and in accordance with Directive of the Russian Government for persons representing interests of the Russian Federation No. 3984p-P13 dated 24 June 2015, PJSC Gazprom developed and approved the Regulations on Internal Audit of PJSC Gazprom in 2015 (Resolution of the Board of Directors No. 2621 dated 6 November 2015, amended versions No. 3212 dated 1 February 2019 and No. 3335 dated 29 October 2019).

These Regulations determine the goals, objectives, status, powers and liability of the Internal Audit Department of PJSC Gazprom, as well as the scope of internal audit.

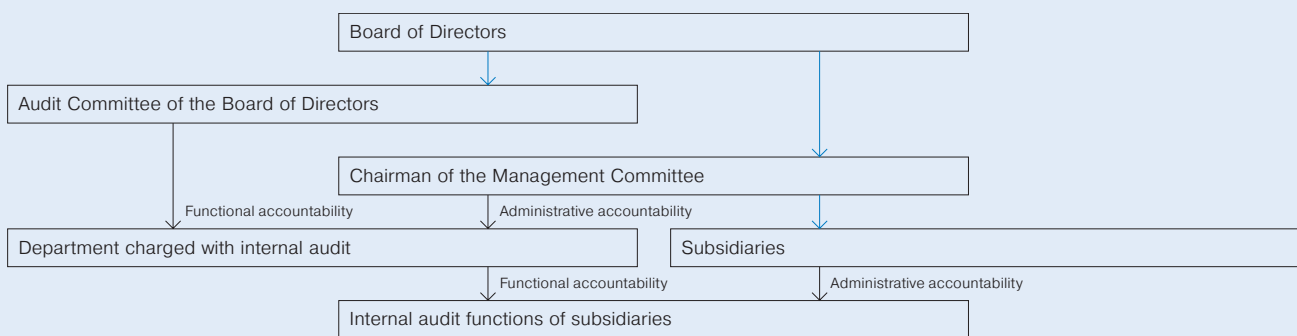
Pursuant to the Regulations, the internal audit at PJSC Gazprom is organised by the relevant Department, a business unit of PJSC Gazprom, and by internal audit units — at PJSC Gazprom subsidiaries and entities.

The key priority of the Department is to provide the Board of Directors (through the Audit Committee of the Board of Directors) and management of PJSC Gazprom with independent and unbiased assurances and advice as to the improvement of the Company's operations.

The Department has administrative subordination to the Chairman of PJSC Gazprom's Management Committee within the Management Committee Administration and functionally reports to the Board of Directors (through the Board of Directors' Audit Committee). The Head of Department is appointed and dismissed by the Chairman of the Management Committee of PJSC Gazprom. The Audit Committee of the Board of Directors is responsible for preliminary approval of candidates for the position of the Head of Department, extension of their term and their dismissal.



Internal audit system of PJSC Gazprom



—> Subordination
 —> Accountability

In 2019, the documents of PJSC Gazprom regulating the internal audit function were updated

The Department's organisation is coordinated with the Audit Committee and approved by the Chairman of the Management Committee. The Department consists of three Directorates.

Activities of the Department are governed by the Regulations on Internal Audit of PJSC Gazprom, the Internal Auditors' Code of Ethics (approved by Resolution of the Board of Directors No. 1956 dated 14 March 2012, as amended by Resolution No. 3334 dated 29 October 2019), JSC Gazprom's Internal Audit Development Concept (approved by the Board of Directors' Audit Committee on 25 June 2015), Regulations on the Department (approved by the Board of Directors' Audit Committee and PJSC Gazprom's Order No. 419 dated 23 June 2016, as amended by Order of PJSC Gazprom No. 163 dated 22 March 2017), International Standards for the Professional Practice of Internal Auditing, and internal audit guidelines of the Federal Agency for State Property Management.

PJSC Gazprom's internal audit meets the corporate governance principles set out in the Russian Corporate Governance Code (Recommendations 263–273).



Amendments to PJSC Gazprom's internal audit regulations made in 2019

Document	Amendments
Internal Auditors' Code of Ethics	Provisions ensuring that PJSC Gazprom's internal auditors are independent and unbiased were updated.
Regulations on Internal Audit of PJSC Gazprom	Definitions of the mission and basic principles of internal audit were introduced, sections on ensuring that the internal auditors are independent and unbiased and local regulations for PJSC Gazprom's internal auditors were updated.
Regulations on the Audit Committee of PJSC Gazprom's Board of Directors	Sections regulating the Committee's activities within the risk management and internal control system of PJSC Gazprom were updated.

In December 2015, an external assessment was carried out and the opinion was issued on the compliance of PJSC Gazprom's internal audit function with the Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing.

The Department also has in place and implements an Internal Audit Quality Programme covering all aspects of internal audit.

The internal audit function conducts annual performance assessments (self-assessments) with results reported to the Audit Committee of the Board of Directors.

In 2019, the following internal audit matters were reviewed at the meetings of the Board of Directors' Audit Committee:

The Department is responsible for organising and conducting internal audits at business units, subsidiaries and entities of PJSC Gazprom in accordance with the established procedure and Russian and international best practices for internal audit. The Department conducted its 2019 audits to identify risks and assess the performance for the Company's significant business segments and processes based on:

- achievement by the auditees of their objectives
- efficiency and effectiveness of operations
- protection of assets
- compliance of operations with the terms and conditions of contracts, legal requirements and local regulations.

Results of internal audits conducted by the Department are used to develop and submit proposals to PJSC Gazprom's management on elimination of violations, irregularities and root causes. Based on the proposals made by the Department, the Chairman of the Management Committee gives instructions to business units, subsidiaries and entities of PJSC Gazprom, aimed at improving PJSC Gazprom's performance. The Department monitors the execution of such instructions.

- Report on the performance of PJSC Gazprom's Department of the Management Committee Administration in 2018
 - Amending the Regulations on Internal Audit of PJSC Gazprom
 - Amending the Internal Auditors' Code of Ethics of PJSC Gazprom
 - Amending the Regulations on the Audit Committee of PJSC Gazprom's Board of Directors
 - Drafting the 2020 Activity Plan of PJSC Gazprom's Department of the Management Committee Administration
- The 2020 Internal Audit Plan was approved by the Order of PJSC Gazprom.

The External Audit Policy for PJSC Gazprom, its subsidiaries and entities approved by PJSC Gazprom's Board of Directors (Resolution of the Board of Directors of PJSC Gazprom No. 2847 dated 15 November 2016) sets forth key principles of organising and conducting external audits of PJSC Gazprom and its subsidiaries and entities, the auditor selection procedure and criteria, as well as approaches to ensuring the auditor's compliance with the principles of independence and absence of a conflict of interest.

PJSC Gazprom, its subsidiaries and entities provide the auditor with all assistance necessary for conducting a timely and full audit

PJSC Gazprom selects its auditor annually by a public tender in accordance with applicable Russian laws. Assessment of potential auditors is one of the main duties of the Audit Committee of PJSC Gazprom's Board of Directors.



Bid assessment criteria for entering into an audit service contract

- Price criterion:
 - Contract price
- Non-price criteria:
 - Quality profile of the service to be procured
 - Bidder qualification, including the track record in auditing accounting (financial) statements, consolidated accounting statements, and consolidated IFRS financial statements, as well as availability of the bidder's personnel with a certain qualification level

OOO FBK won the public tender for the service contract to audit PJSC Gazprom's accounting (financial) statements, Gazprom Group's consolidated accounting statements, and Gazprom Group's consolidated IFRS financial statements for 2019 and 2020.

The contract price for auditing PJSC Gazprom's accounting (financial) statements, Gazprom Group's consolidated accounting statements, and Gazprom Group's consolidated IFRS financial statements for 2019 offered by the winner was RUB 210,000,000 (exclusive of VAT) and was approved by Resolution of the Board of Directors No. 3274 dated 21 May 2019.

By resolution of PJSC Gazprom's Annual General Shareholders Meeting held on 28 June 2019, OOO FBK became an approved auditor responsible for auditing PJSC Gazprom's accounting (financial) statements, Gazprom Group's consolidated accounting statements, and Gazprom Group's consolidated financial statements for 2019.

OOO FBK also provided audit services to the Company in 2017 and 2018.

OOO FBK provided other audit-related services to PJSC Gazprom outside the audit contract in 2017–2019.



The contract price for auditing accounting (financial) statements, approved by the Board of Directors (exclusive of VAT), RUB thousand

2017	208,000
2018	195,000
2019	210,000



The fee paid by the Company to the auditor for other audit-related services outside the audit contract (inclusive of VAT), RUB thousand

2017	20,917
2018	44,284
2019	3,661

Gazprom has in place an effective risk management and internal control system which helps achieve corporate goals and optimise business process management to ensure the Group's sustainable development.

PJSC Gazprom has developed an effective risk management and internal control system (RMICS) which helps promptly identify, evaluate and respond to potential events, circumstances, and internal and external factors that may influence the achievement of its goals.

Risk Management and Internal Control System

The Company acknowledges that its operations are exposed to uncertainties such as risks, and implements measures to provide adequate assurance that the goals set for PJSC Gazprom by its governing bodies are achieved.

The RMICS is an integral part of PJSC Gazprom's corporate governance and is embedded into the planning and project management systems, and occupational health and safety management programmes. The RMICS covers all operations of PJSC Gazprom and Gazprom Group entities, as well as all management levels, business segments and risks across PJSC Gazprom and Gazprom Group entities.



Principles of RMICS organisation and operation

- Consistency (integration)
- Comprehensiveness
- Alignment (with goals)
- Reasonable assurance
- Agility and development
- Relevance and availability of resources
- Continuity (of operation)
- Interaction and collective decision-making
- Accountability
- Separation of duties
- Assessment of results
- Streamlined structure and promptness
- Single regulatory framework
- Economic feasibility
- Three lines of defence



Implementation of the three lines of defence principle in PJSC Gazprom's RMICS

First line of defence	
Risk management and internal control at the business process level	Implemented by business process owners in business units of PJSC Gazprom (Gazprom Group entities)
Second line of defence	
Development of a unified risk management and internal control policy, providing its implementation guidelines, and coordination of risk management and internal control activities at business units of PJSC Gazprom (Gazprom Group entities)	Implemented by the risk management and internal control unit and risk management and internal control centres
Third line of defence	
Internal assessment of the RMICS performance	Performed by a business unit of PJSC Gazprom (Gazprom Group entities) responsible for duly organising and conducting internal audits



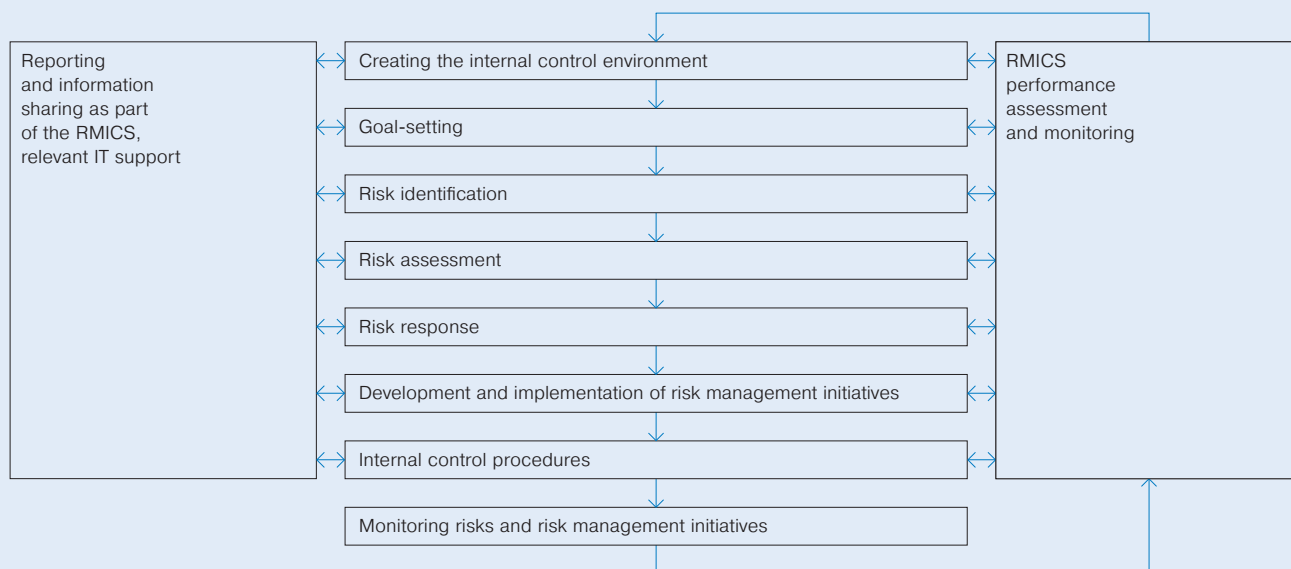
Key RMICS participants and their key risk management and internal control functions

PJSC Gazprom's Board of Directors	<ul style="list-style-type: none"> — Approves the internal documents of PJSC Gazprom, which define the policy of PJSC Gazprom in setting up risk management and internal control processes — Establishes upper tolerable and threshold limits of risks for PJSC Gazprom and Gazprom Group — Reviews matters pertaining to RMICS organisation, functioning and effectiveness
Risk management and internal control unit	<ul style="list-style-type: none"> — Ensures implementation of the uniform risk management and internal control policy of PJSC Gazprom and Gazprom Group entities, provides implementation guidelines — Coordinates risk management and internal control activities at business units of PJSC Gazprom (Gazprom Group entities) — Develops, approves and ensures updating of PJSC Gazprom's local regulations and guidelines on risk management and internal control — Defines guides to handling risk management processes and internal control procedures
Owners and co-owners of risks	<ul style="list-style-type: none"> — Implement risk management stages — Provide risk reports — Select risk response options and develop and implement risk management measures — Ensure the implementation of risk management measures
Owners and co-owners of internal control procedures	<ul style="list-style-type: none"> — Ensure the implementation, execution and continuous monitoring of the effectiveness of internal controls — Provide reporting on internal controls

PJSC Gazprom's RMICS is aligned with the principles of the Russian Corporate Governance Code

Risk management and internal control activities provide for continuous functioning of the system's components.

RMICS structure



Risk response options (management methods) used by Gazprom Group entities

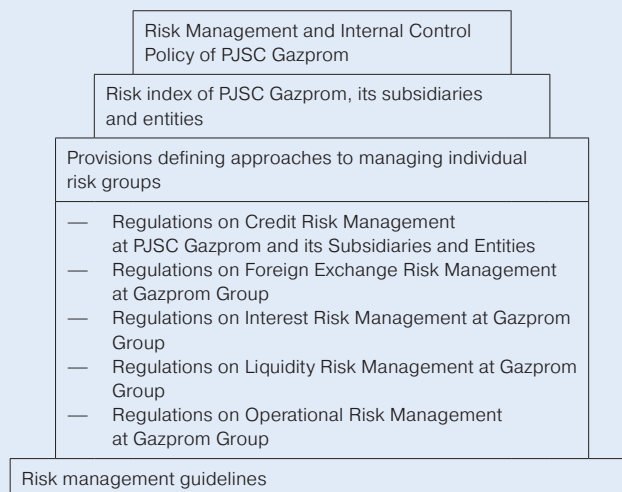
- Evasion (avoidance) of risk, abandonment of measures/activities causing risk, abandonment of possible sources of risk
- Risk mitigation (reduction) — implementation of measures and activities aimed at reducing the level of risk
- Redistribution (transfer) of risk — sharing the risk with the other party or parties, insurance
- Risk adoption (retention) — absence of actions commonly taken within other risk response options, self-insurance, hedging

In 2019, PJSC Gazprom, its subsidiaries and entities implemented risk management and internal controls in key focus areas, continued to improve the legal framework and guidelines and develop RMICS local regulations. They also organised and coordinated activities aimed at introducing and enhancing risk management systems at subsidiaries and entities of PJSC Gazprom, improved and formalised the processes of gathering and consolidating information on risks and the processes of preparing and submitting regular risk reports. To achieve the targets, PJSC Gazprom has in place an operating Department responsible for implementation of the uniform risk management and internal control policy of PJSC Gazprom and Gazprom Group entities.

In addition, risk management automation was continued and employees were retrained in risk management and internal controls in 2019.



Chain of RMICS internal regulations



Key Risk Factors

In 2019, the key risk factors identified for the Company remained largely unchanged. PJSC Gazprom conducts assessments of the possible impact of short- and medium-term consequences of the COVID-19 outbreak on its operations, including financial and market risk ratios, as well as risks associated with PJSC Gazprom's operations.

Strategic and country risks

Risk	Description	Risk management/mitigation
Risks related to the global economy	An unfavourable economic environment can lead to a slowdown in energy demand and drive the cost of borrowed capital	To ensure growth of energy sales, PJSC Gazprom considers numerous markets and distribution channels and expands the uses of natural gas. To maintain its financial stability, PJSC Gazprom optimises its leverage
European gas market risks	The EU pursues a policy of diversifying its gas supply sources and increasing the share of natural gas exchange trade, which affects PJSC Gazprom as one of the main suppliers of natural gas to the EU countries	To mitigate the risk of lower supply levels, a set of initiatives continues to be implemented to both build new infrastructure and bolster demand for natural gas, as well as strengthen PJSC Gazprom's position in the sectors with a potential for extra gas supplies
Political risk	Starting from 2014, Russia is under sanctions imposed by the EU, the United States and other countries	PJSC Gazprom pursues a policy of ensuring technology independence
Natural gas transit risks	Gas transmission via third countries is associated with the risks of the counterparties defaulting on their transit obligations, as well as uncertainty about the future conditions of transit contracts, which exposes Gazprom Group to the risk of improper performance of its obligations under gas supply contracts	A number of measures are taken such as diversification of export routes, expanding access to UGSFs abroad, and development of LNG trade
Russian regulatory risks for the gas industry	PJSC Gazprom's operations are regulated by Federal Law No. 147-FZ On Natural Monopolies dated 17 August 1995	PJSC Gazprom is engaged in intensive dialogue with government authorities to improve the pricing and tariff policy; objective supporting cases are prepared to inform decision making by PJSC Gazprom's Board of Directors
Unconventional gas development risks	Shale gas appeals mostly to countries with limited conventional gas reserves and resources; however, the risk that these countries will reduce gas imports in the mid-term is assessed as insignificant	PJSC Gazprom continuously monitors the evolution of the shale gas industry and developments in other unconventional hydrocarbons industries around the world. The monitoring results, including the economics of unconventional gas production and its potential as a competition to PJSC Gazprom in its existing or prospective markets, are reviewed by the Company's governing bodies on a regular basis, which enables PJSC Gazprom to efficiently implement its marketing policy in respective regions taking into account various gas sales channels
Risks related to the development of renewable energy sources	Renewable energy output can be expected to grow in some countries, which may squeeze gas consumption in these markets	The use of natural gas, inter alia, for electricity generation offers consumers economic, technological, and environmental benefits, which, PJSC Gazprom believes, will support natural gas as common energy source. In most cases, renewable electricity generation supplements other sources and may entail certain risks for the natural gas market if subsidising renewable energy is maintained at national and/or supranational levels

Customs, currency and tax regulation risks

Risk	Description	Risk management/mitigation
Risk of changes in the Russian currency regulation and tax legislation	Currency regulation and tax legislation risks persist, along with the risk of a heavier tax burden on companies operating in the fuel and energy sector. Changes in the Russian currency regulation and tax legislation, as well as tax legislation changes in the countries in which Gazprom Group has a presence may affect the operations of PJSC Gazprom and Gazprom Group entities	Changes in currency and tax laws are consistently monitored. PJSC Gazprom liaises with government authorities to ensure timely adjustment of its operations in line with changes in Russian and international laws
Risks related to changes in Russian rules on customs control and duties	Customs authorities may introduce additional customs requirements if the rules of customs control and export duty payment are amended	PJSC Gazprom complies with the requirements of customs laws and communicates with government authorities

Financial risks

Risk	Description	Risk management/mitigation
Foreign exchange and inflation rate risks	Potential cash flow reduction due to adverse change in foreign exchange rates. High exchange rate volatility coupled with income and expenses denominated in different currencies affect PJSC Gazprom's performance. The current inflation rate has no significant influence on PJSC Gazprom's financial position	PJSC Gazprom ensures the optimal ratio of assets and liabilities denominated in foreign currency, calculates earnings considering the foreign exchange risk, and forecasts exchange rates to develop a forecast balance. To minimise losses from exchange rate volatility, PJSC Gazprom hedges its foreign exchange and interest rate risks
Credit and liquidity risks	Delayed or incomplete discharge of contractual obligations by some counterparties entails risks for PJSC Gazprom's operations	Relations with credit institutions are subject to credit risk limits revised on a regular basis and reflecting, inter alia, the calculated credit rating. Performance of contractual obligations is monitored and credit quality of counterparties is assessed with the adoption of measures to reduce risks in case of low creditworthiness

Market risks

Risk	Description	Risk management/mitigation
Market price and size risks	If oil prices and gas exchange quotations drop and/or maintain at current levels for a long time, resulting risks may lead to a decline in revenues. There are also volume risks associated with a certain flexibility that buyers have in terms of gas withdrawal	These risks are managed by adjusting contract terms and conditions or entering into new contracts, determining approved types of transactions and financial instruments and counterparties to enter into such transactions

PJSC Gazprom's operating risks

Risk	Description	Risk management/mitigation
Risks of early termination and suspension of subsoil licences	Non-compliance with licence agreements exposes PJSC Gazprom to risks of early termination or suspension of subsoil licences for survey, exploration and production of hydrocarbons	Regular monitoring, control of compliance with licence requirements, and timely amendment of licence agreements minimise the likelihood of licence revocation and suspension
Risks of failure to reach the peak gas withdrawal capacity at UGSFs	Failure to reach necessary gas supply volumes in the context of a steep increase in gas consumption	UGSFs are tested to confirm their maximum daily deliverability
Risk of power outages at UGSS facilities	Internal and external factors may lead to power outages at UGSS facilities	PJSC Gazprom implements comprehensive programmes to enhance reliability of power supply facilities, insure equipment and create reserves to cover potential losses
Risks related to occupational health, industrial and fire safety	PJSC Gazprom's performance depends on its occupational health, industrial and fire safety practices	PJSC Gazprom has in place and operates the UOHSMS integrated into its management system to manage OHS risks and meet the objectives and commitments relating to occupational health, industrial and fire safety
Cost risks	Increased prices for equipment, technical devices, components, as well as works and services, which form the actual cost of capital construction projects, constitute an investment risk	Entering into contracts for performance of works (provision of services, supply of inventory) with a fixed price, and relevant monitoring during the execution of contracts help reduce the cost risks of investment activities
Facilities risks	The key operations, including hydrocarbon production, transportation, processing/refining, and storage, carry process and engineering, natural and climatic risks, as well as risks of adverse actions by personnel or third parties	The Unified Gas Supply System (UGSS) ensures reliable gas supplies. Stable operation of the system is achieved by implementing advanced and innovative diagnostic methods, carrying out timely turnaround and maintenance, revamping and upgrading existing facilities. Insurance coverage is provided to protect Gazprom Group entities' property interests, which includes property insurance (including offshore facilities), business interruption insurance, and liability insurance for construction, repair and operation of production facilities
Hydrocarbon reserve estimation risks	PJSC Gazprom's strategic and financial goals depend on hydrocarbon reserves. Thus, inaccurate reserve estimation bears potential risks for PJSC Gazprom's operations	Reserve estimation procedures have been developed and are implemented, including in accordance with international standards. Gazprom's reserves estimated under Russian reserves classification standards are recorded in its books after the annual review and approval by the State Reserves Commission of the Russian Ministry of Natural Resources
Environmental risks	The key operations, including hydrocarbon production, transportation, processing/refining, and storage, carry environmental risks (risks of environmental pollution, non-compliance with environmental regulations) that may lead to legal, financial and reputational implications	<p>PJSC Gazprom implements a uniform Environmental Policy, programmes and initiatives to reduce its environmental footprint, takes out voluntary environmental liability insurance, introduces best available innovative technology for mitigating the environmental impact.</p> <p>PJSC Gazprom has developed and operates an efficient EMS integrating environmental controls of both PJSC Gazprom and Gazprom Group entities. Efforts taken by PJSC Gazprom help maintain high levels of environmental risk manageability</p>

Climate risks

Risk	Description	Risk management/mitigation
Climate change risk	Identification and assessment of climate risks are central to PJSC Gazprom's commitment to adapting to climate change	PJSC Gazprom's risk mitigation measures include expanding gas infrastructure across Russian regions to reduce GHG emissions, implementing energy saving and carbon footprint reduction initiatives, and adapting to possible climate changes



Procurement principles followed by Gazprom Group

Creating conditions for timely and full supply to Gazprom Group of goods, works and services, and identification of a supplier (contractor, service provider) who is able to both meet the customer's needs in due time and show strong performance and comply with price, quality and reliability requirements	Ensuring safe operation of hazardous UGSS facilities	Procurement transparency
Equality, fairness, non-discrimination, no unreasonable and restrictive business practices towards bidders	Targeted and cost-efficient spending, and implementation of measures to reduce the customer's costs	No restriction of access to bidding
Fostering competition between bidders	Ensuring the balance of costs related to organising and conducting competitive procurement and expected economic benefits	



Documents regulating procurement procedures at PJSC Gazprom and its subsidiaries

- Federal Law No. 223-FZ On Procurement of Goods, Works and Services by Certain Types of Legal Entities, dated 18 July 2011 (the "Federal Law On Procurement")
- A new version of the Regulations on the Procurement of Goods, Works and Services by PJSC Gazprom and Gazprom Group Companies (approved by Resolution of PJSC Gazprom's Board of Directors No. 3168 dated 19 October 2018, as amended)

Gazprom Group runs an effective vertically integrated procurement system.

The role of PJSC Gazprom's Central Procurement Office is assigned to its Department established to implement the uniform procurement policy of Gazprom Group in accordance with the principles set forth in the Regulations on Procurement.

Procurement activities include cost optimisation through the use of procurement procedures ensuring the selection of counterparties on a competitive basis, evaluation of initial (highest) prices of goods, works and services, as well as prices of contracts concluded with sole suppliers (contractors, service providers).

Procurement by PJSC Gazprom and its subsidiaries is public, transparent, standardised, and straightforward to the maximum possible extent

In line with the Federal Law On Procurement, information on procurement, including procurement plans, notices and competitive procurement documentation, minutes, information on signed contracts and their execution, information on the number and total price of contracts signed as a result of procurement procedures are published in the Unified Information System of public procurement of goods, works and services for state and municipal needs (UIS, www.zakupki.gov.ru).

Except for the information access to which is legally restricted, the above mentioned information is available to the general public.



Procurement methods used by Gazprom Group

I	Competitive procurement
—	Bidding — tender, auction, request for proposal, request for quotation
—	Competitive selection other than bidding
II	Non-competitive procurement
—	Marketing research
—	Procurement through the Trading Portal
—	Non-alternative procurement
—	Procurement through participation in bidding
—	Procurement from a sole supplier (contractor, service provider)



The share of online procurement in the total value of competitive procurement by PJSC Gazprom and its subsidiaries, %

2017	98.7
2018	99.3
2019	99.8



Total price of contracts awarded by PJSC Gazprom and its subsidiaries through a competitive procurement process, RUB bn

	2017	2018	2019
	427.9	584.1	520.1
	(more than 15 thousand contracts)	(more than 18 thousand contracts)	(more than 16.9 thousand contracts)



Savings by PJSC Gazprom and its subsidiaries following a competitive procurement process, RUB bn

2017	20.3
2018	22.1
2019	19.6

Note. Savings are defined as the difference between the initial (highest) and final contract prices including the cost of the procurement process, as well as evaluation of initial (highest) prices of goods, works and services.

~ RUB **20** bn

of annual savings of PJSC Gazprom and its subsidiaries come from competitive procurement

To maintain procurement business processes, Gazprom Group uses PJSC Gazprom's Automated Electronic Procurement System (AEPS, <https://zakupki.gazprom.ru>) covering the entire procurement cycle from planning to signing and executing a contract.

Gazprom Group's online procurement is arranged through the Electronic Trading Platform of Gazprombank (ETP-GPB) (the Gazprom Group Procurement section at https://etpgpb.ru/pao_gazprom/) integrated with the UIS and the AEPS. ETP-GPB is included in the list of electronic platform operators complying with the requirements set out in the Federal Law On Procurement, including requirements to procurements accessible to small and medium-sized enterprises (SMEs).

In 2019, the Company complied with the targets for the share of procurement from SMEs set by the Russian Government

The Regulations on Procurement provide for PJSC Gazprom's pre-qualification process to compile a Register of Gazprom Group's potential bidders.



Entities within the pre-qualification system and entities included in the Register of Gazprom Group's potential bidders

	As at 1 February 2018	As at 1 February 2019	As at 1 February 2020
Total	451	530	668
including SMEs	179	292	461

As part of the pre-qualification process, Gazprom Group’s Central Procurement Office monitors participating entities on a quarterly basis, in particular, to assess instances of deadline violation, change of price, lower quality of work, negative references.

69%

the share of SMEs among entities included in the Register of Gazprom Group’s potential bidders as at 1 February 2020

In the course of their procurement activities PJSC Gazprom and its subsidiaries use all available levers not conflicting with Russian laws to optimise the initial price of procured goods (works, services).



Methods and tools used by PJSC Gazprom and its subsidiaries to optimise the initial price of procured goods (works, services)

Before the tender is announced

One or more methods used:

- comparable market prices
- per unit rates
- cost method
- rate method
- design estimates
- R&D estimates
- price calculation based on external factors
- price calculation for long lead engineering goods

During the tender

- Extension of deadlines to attract more bidders
- Submission of new business and price offers

In case of procurement from a sole supplier, prior to signing a contract, Gazprom Group’s Central Procurement Office and PJSC Gazprom’s Budget Committee review the price rationale of contracts and supplementary agreements and typically identify an opportunity to reduce the price by 10%–20%.



Enhancing access for small and medium-sized enterprises (SMEs) to PJSC Gazprom’s procurement opportunities

Pursuant to resolutions issued by the Russian Government, PJSC Gazprom implements a number of activities to enhance SMEs’ access to the procurement process of PJSC Gazprom.

- A List of Goods, Works and Services to be procured by PJSC Gazprom from SMEs was developed, approved and published in the UIS
- PJSC Gazprom’s Procurement Plan designates procurement opportunities accessible exclusively to SMEs
- Draft plans for procurement by PJSC Gazprom and individual Gazprom Group companies of goods, works and services (including innovative and high-tech products) set forth by Russian Government Decree No. 2258-r dated 6 November 2015 are duly agreed with Russian Small and Medium Business Corporation to ensure compliance with the applicable Russian laws providing for involvement of SMEs in procurement, including allocation of the SME quota in the procurement plan
- PJSC Gazprom involves innovative SMEs under its Innovative Development Programme until 2025

To roll out innovative SME products and review innovative proposals coming from individuals and legal entities, the Company operates a One-Stop System (www.oknogazprom.ru), managing the whole process of submitting innovative proposals to be used in PJSC Gazprom’s operations, from submission to the final decision.

Workshops are held on PJSC Gazprom’s relations with innovative SME providers.

In 2019, PJSC Gazprom’s procurements from SMEs determined pursuant to Resolution of the Russian Government No. 1352 On Specifics of Participation of Small and Medium-Sized Enterprises in the Procurement of Goods, Works and Services by Certain Types of Legal Entities, dated 11 December 2014 (including the amounts paid) accounted for 38.8% of the aggregate annual contract values, including 24.8% from procurements accessible exclusively to SMEs. PJSC Gazprom complies with the targets for the share of procurement from SMEs set by the Russian Government.

In 2019, the aggregate value of contracts signed by Gazprom Group with SMEs included in the Unified Register of Small and Medium-Sized Enterprises (<https://ofd.nalog.ru>) amounted over RUB 380 bn, including 5.5 thousand contracts worth over RUB 122 bn through competitive procurements accessible exclusively to SMEs. SMEs accounted for more than half (59%, or 13.6 thousand) of the total number of Gazprom Group’s suppliers of goods, works and services contracted in 2019.



PJSC Gazprom's 2019 annual report on procurement of goods, works and services by certain types of legal entities from SMEs has been duly published in the Unified Information System (information is available in Russian only)

→ www.zakupki.gov.ru



and on PJSC Gazprom's website (information is available in Russian only)

→ www.gazprom.ru



The list of goods, works and services procured by PJSC Gazprom from SMEs has been published in the UIS (information is available in Russian only)

→ www.zakupki.gov.ru



For more details on the One-Stop System see PJSC Gazprom's website (information is available in Russian only)

→ www.gazprom.ru



For more details on the procurement system at PJSC Gazprom and its subsidiaries see [Gazprom Group's Sustainability Report](#) published on an annual basis

Ensuring Compliance of Operations with Legal Requirements

Legal support of PJSC Gazprom's operations is inextricably linked to relevant legal regulation and is focused on the Company's objectives:

- Achieving efficient financial and business performance
- Ensuring the completeness, timeliness and fairness of all types of accounting and reporting at PJSC Gazprom, as well as other information to be disclosed under applicable laws
- Complying with applicable laws;
- Preventing and countering corruption
- Protecting PJSC Gazprom's assets (including data assets)



Key legal efforts of PJSC Gazprom and its subsidiaries and entities

- Protection of rights and legitimate interests in administrative and judicial proceedings
- Contract work and legal protection of PJSC Gazprom's trademarks in the Russian Federation and abroad, accounting and disclosure of information about the Company affiliates
- Legal support of international business
- Improvement of the legislative and regulatory framework
- Legal support of the activities of PJSC Gazprom's governing bodies and of interaction between PJSC Gazprom and its subsidiaries and other entities in respect of which the Company has proprietary and corporate rights
- Legal support of dedicated projects to protect interests and reputation during mergers and acquisitions, restore and strengthen corporate control over property investments, as well as in interactions with law enforcement agencies

Legal regulation is exercised in accordance with the Constitution of the Russian Federation, Federal Law No. 69-FZ On Gas Supply in the Russian Federation, dated 31 March 1999; Federal Law No. 116-FZ On Industrial Safety of Hazardous Production Facilities, dated 21 July 1997; Federal Law No. 7-FZ On Environmental Protection, dated 10 January 2002; Federal Law No. 174-FZ On Ecological Expertise, dated 23 November 1995; Federal Law No. 256-FZ On Safety of the Fuel and Energy Complex, dated 21 July 2011, and other federal laws and regulations of the Russian Federation, as well as international laws, treaties and agreements.

Anti-Corruption Efforts

PJSC Gazprom has developed and adheres to the anti-corruption framework while effective local regulations adopted as part of anti-corruption measures help foster negative sentiment towards corrupt conduct, prevent or resolve conflicts of interest, and prevent unlawful behaviour.



Russian anti-corruption statutory regulations guiding PJSC Gazprom

- Federal Law No. 273-FZ On Combating Corruption, dated 25 December 2008 (the new version dated 16 December 2019)
- Federal Law No. 79-FZ On Prohibiting Certain Categories of Persons from Opening and Keeping Bank Accounts (Deposits), Keeping Cash and Securities with Foreign Banks Outside the Russian Federation, and Possessing and/or Using Foreign Financial Instruments, dated 7 May 2013 (the version dated 1 May 2019)
- Federal Law No. 230-FZ On Control over Expenditures of Public Officials and Other Persons to Match Their Income, dated 3 December 2012 (the version dated 3 August 2018)
- Federal Law No. 432-FZ On Amending Certain Laws of the Russian Federation to Improve Russian Anti-Corruption Law dated 16 December 2019
- Presidential Decree No. 557 On Approving the List of Positions within the Federal Public Service Requiring Disclosure by Federal Public Servants of Information on Their Income, Property and Property Liabilities, as well as on Income, Property and Property Liabilities of Their Spouses and Underage Children, dated 18 May 2009 (the version dated 31 December 2019)
- Presidential Decree No. 378 On the National Plan to Combat Corruption for 2018–2020, dated 29 June 2018



International anti-corruption regulations PJSC Gazprom has committed to

- United Nations Convention against Corruption (ratified by Federal Law No. 40-FZ dated 8 March 2006)
- United Nations Convention against Transnational Organized Crime (ratified by Federal Law No. 26-FZ dated 26 April 2004)
- Criminal Law Convention on Corruption of the Council of Europe and non-member states (ratified by Federal Law No. 125-FZ dated 25 July 2006)

PJSC Gazprom’s anti-corruption practices comply with the main international and Russian regulations.



Responsibilities of PJSC Gazprom’s governing bodies in preventing and combating corruption

PJSC Gazprom’s Board of Directors	<ul style="list-style-type: none"> — Organises and is responsible for the general supervision of PJSC Gazprom’s activities in preventing and combating corruption — Regularly reviews reports from the Company’s executive bodies on corruption prevention and combating activities
Chairman of the Management Committee	<ul style="list-style-type: none"> — Allocates powers, responsibilities and accountability for preventing and combating corruption between Deputy Chairmen of the Management Committee and the Company’s business units — Ensures measures aimed at implementing the principles and requirements of the Anti-Corruption Policy, including appointments of persons responsible for the development, implementation and supervision of anti-corruption procedures
Audit Committee of the Board of Directors	<ul style="list-style-type: none"> — Prepares proposals on enhancing anti-corruption internal controls at PJSC Gazprom



Set of PJSC Gazprom’s anti-corruption documents

Documents approved by PJSC Gazprom’s Board of Directors

- Anti-Corruption Policy of PJSC Gazprom — PJSC Gazprom’s primary anti-corruption document
- Code of Corporate Ethics of PJSC Gazprom
- Risk Management and Internal Control Policy of PJSC Gazprom

Documents approved by instructions and orders of PJSC Gazprom

- Regulations on the Corporate Ethics Commission of PJSC Gazprom
- Regulations on the Hotline for Fighting Fraud, Corruption and Embezzlement at Gazprom Group
- Procedure for a Conflict of Interest Disclosure and Conflict of Interest Resolution
- Procedure for reporting offences with signs of corruption committed by employees, counterparties or third parties, which have become known to an employee, and for dealing with allegations of corruption
- Procedure for reporting cases when an employee is incited to commit offences, and for reviewing such reports
- Procedure for protecting whistle blowers who have reported offences relevant to the Company’s operations

The Board of Directors and executive bodies of PJSC Gazprom are involved in preventing and combating corruption.

The process of preventing and revealing corrupt practices at Gazprom Group is being improved. The Company implements the Anti-Corruption Plan for 2018–2020 approved by PJSC Gazprom’s Board of Directors (Resolution of the Board of Directors No. 3194 dated 18 December 2018).

Anti-corruption is a constant focus for PJSC Gazprom’s management

Compliance with Corporate Ethics

PJSC Gazprom has adopted its Code of Corporate Ethics developed with due account for Russian and international corporate governance best practices.

The document details PJSC Gazprom's corporate values and determines the fundamental rules of business conduct stemming from such values, which rule out any conflicts of interest or corrupt practices and, in particular, impose restrictions on nepotism, employee engagement with PJSC Gazprom's competitors, their serving on elected government bodies, acceptance of gifts.

The Code specifies the procedure to be followed by employees in the event of a conflict of interest, declares zero tolerance for corrupt conduct, and establishes the obligation of managers and employees to notify the employer of any corrupt offers made to them. The Code also affirms environmental responsibility and non-discriminatory principles, and establishes implementation and supervision practices on compliance with corporate ethics standards.



Employee penalties for non-compliance with the Code of Corporate Ethics of PJSC Gazprom

- Social condemnation
- Public censure
- Forfeiture of bonuses (in line with internal documents)
- Disciplinary sanctions (if there are signs of a disciplinary offence)

The Code provisions are mandatory for PJSC Gazprom's employees and legal entities under its control and optional for employees of PJSC Gazprom affiliates which are not under its control, and for PJSC Gazprom's counterparties.

In 2019, the Code was amended to cover members of PJSC Gazprom's Board of Directors in order to promote the enhancement of corporate governance and introduce the best practices of the Russian financial market. The Regulations on the Board of Directors of PJSC Gazprom were supplemented by provisions on identifying and preventing conflicts of interest of Board members (Clause 5.5, Article 5 of the Regulation). The amendments to the Regulations were approved by the Resolution of PJSC Gazprom's Annual General Shareholders Meeting dated 28 June 2019 (Minutes No.1). In addition, the standards of corporate ethics were extended to members of boards of directors at entities controlled by PJSC Gazprom.

The Code compliance clause for the PJSC Gazprom's contracts with counterparties was drafted

In the reporting year, measures were taken to implement codes of corporate ethics in controlled entities of the second and subsequent levels of ownership (through controlled companies of the first level of ownership). According to the reporting data from subsidiaries, codes of corporate ethics have been introduced in their subordinate investees.

In 2019, over 300 companies were involved in introducing codes of corporate ethics across PJSC Gazprom controlled entities

PJSC Gazprom and its subsidiaries organise regular awareness days to communicate to their employees the effective rules of business, including anti-corruption corporate ethics. In 2019, employees of PJSC Gazprom's Administration were enrolled in the Corporate Ethics at PJSC Gazprom online training course followed by final knowledge tests.

The standing Corporate Ethics Commission of PJSC Gazprom, which also considers cases of employee conflicts of interest, is responsible for the implementation of the Code of Corporate Ethics, which is one of the Company's anti-corruption standards.



Corporate Ethics Commission's performance in 2019

Focus areas	Performance highlights
Reviewing reports on an ongoing basis as required by the applicable Russian laws with the involvement of dedicated business units and subsidiaries, if required	→ All the reports received by the Commission were reviewed at meetings held in the reporting year
Revealing the signs of a conflict of interest in sole executive bodies of entities controlled by PJSC Gazprom, and making recommendations on preventing and/or mitigating possible negative effects of identified conflicts of interest	→ New heads of 40 companies controlled by PJSC Gazprom were asked to fill in a conflict of interest questionnaire. The survey results were reviewed at a Commission meeting → The Commission identified one nepotism-related conflict of interest with the head of an entity controlled by PJSC Gazprom. The conflict of interest situation was resolved
Arranging annual activities to ensure that the Company's management, including employees who are members of PJSC Gazprom's Board of Directors and Management Committee, sign written commitments to comply with the Code provisions in the prescribed form	→ All relevant managers of PJSC Gazprom have signed and submitted to the Commission for safekeeping written commitments to comply with the Code

During the reporting period the Commission held 7 meetings and reviewed 18 matters, including those related to queries made by employees of PJSC Gazprom and its subsidiaries.

The Commission's performance is reported to the Chairman of PJSC Gazprom's Management Committee on an annual basis. The Chairman of PJSC Gazprom's Management Committee may impose sanctions stipulated by the Code at his own initiative or at the Commission's suggestion, or at the initiative of the violator's immediate superior.

In 2019, no conflicts of interest were identified for members of the Board of Directors, Management Committee or the Chairman of the Management Committee of PJSC Gazprom

Updates regarding the Code and the Commission are promptly posted on PJSC Gazprom's intranet server.

Preventing and Revealing Corrupt Practices

PJSC Gazprom's Corporate Security Service and corporate security departments of PJSC Gazprom's subsidiaries prevent and reveal corrupt practices at Gazprom Group as prescribed by Russian laws and regulations of PJSC Gazprom. This work relies on an ongoing cooperation with departments responsible for internal audit, procurement, asset management and corporate relations, PJSC Gazprom's risk management and internal control unit and with law enforcement agencies of the Russian Federation.

Since November 2014, PJSC Gazprom has operated a Hotline to report incidents of perceived fraud, corruption and embezzlement in Gazprom Group. Similar arrangements are in place at several PJSC Gazprom's key subsidiaries. Employees of PJSC Gazprom's Corporate Security Service and corporate security departments of subsidiaries review the received information (via digital communication channels, telephone or post, as well as reports made in person), including anonymous, to reveal preconditions for, and instances of, corruption at Gazprom Group.



Performance of the Corporate Security Service's Hotline in 2019

- More than 900 reports were received (mainly via e-mail), of which most reports were not directly related to the purpose and objectives of the Hotline and only 81 reports concerned possible violations of Russian laws at Gazprom Group
- The majority of reports concerned possible violations of procurement rules; complaints related to gas sales to end consumers (primarily, households); possible fraudulent activities by third parties and other violations
- Following the investigation of these reports the Service did not identify any instances of corruption (as defined by Article 1 of Federal Law No. 273-FZ On Combating Corruption, dated 25 December 2008, as amended and supplemented)
- Investigation results were communicated to relevant business units of PJSC Gazprom, the Company's subsidiaries and entities



Contact details of the Hotline for fighting fraud, corruption and embezzlement at Gazprom Group are available on PJSC Gazprom's website
→ www.gazprom.com



PJSC Gazprom adheres to the key principles of combating corruption, fraud and elimination of conflicts of interest in procurement, and takes measures to prevent relevant violations. As part of enhancing the uniform procurement system PJSC Gazprom approved the Programme to Improve the Procurement Management in 2019, the implementation of which provides, inter alia, for ongoing review of members of tender committees for their affiliation with bidders and possible private gain from certain tender results, including at the stage of compiling a list of possible committee members.



Anti-corruption framework for preventing and avoiding bad procurement practices

- Anti-corruption clauses of procurement contracts provide for disclosing counterparties' ultimate beneficiaries
- The annual procurement plan is publicly available
- A dedicated collective body, the Tender Committee, is established to summarise the competitive bidding and marketing research results. Gazprom Group closely monitors the membership of the Tender Committee to avoid any conflict of interest. Members of the Tender Committee who have vested interests in the procurement process results or are bidders' employees or management shall withdraw (with a corresponding entry made in the minutes) and abstain from voting on the matter. Votes of the interested Tender Committee members are not taken into account when counting the votes following the procurement procedure. The Tender Committee's decisions on the winning supplier (contractor, service provider) are guided by the principles of fair, equal and objective treatment of the bidders based on the bid assessment and comparison criteria set out in the tender documentation (a request for quotation notice)
- Corporate entities and officers engaged in arranging and conducting procurements bear administrative liability for violating the procedure for procuring goods, works and services, as prescribed by Article 7.32.3 of the Russian Federation Code of Administrative Offences
- In order to protect the rights of bidders to challenge the actions of the customer (organiser) pursuant to the Federal Law On Procurement, the Provisions on Procurement provide for a 10-day period during which no contract may be awarded following a tender
- Bidders have the right and opportunity to propose to PJSC Gazprom (including anonymously) improvements to bidding procedures, comments and complaints regarding actions/omission of customers, organisers and/or their officers, inform about unreasonable requirements to procurement items, suppliers (service providers), deadlines and terms of delivery of goods (performing work, rendering services) in the tender documentation, as well as about other unreasonable restrictions of competition during the procurement process. The feedback form for potential bidders is available in the Tenders section of PJSC Gazprom's official website

Subsidiaries gather and consolidate information on measures taken to comply with the requirements and restrictions established by codes of corporate ethics regarding the amount of entertainment expenses, business gift expenses, charity and other activities involving corporate risk exposure.

Corporate security departments of subsidiaries send quarterly reports on anti-corruption efforts and any revealed cases with indirect signs of corruption to PJSC Gazprom's Corporate Security Service and inform the Service of decisions made following the investigation of such cases.



The Anti-Corruption Policy of PJSC Gazprom is available on PJSC Gazprom's website

→ www.gazprom.com



Countering the Illegal Use of Insider Information and Market Manipulation

Under Russian statutory requirements, PJSC Gazprom counters the illegal use of insider information, has the rules regulating access to its insider information and protection of confidentiality of such information, and determines the framework of monitoring compliance with the relevant laws.

PJSC Gazprom has a business unit responsible for compliance with insider laws and regulations.



Duties of the business unit responsible for insider information

- Monitors changes in the laws on countering the illegal use of insider information and market manipulation
- Updates the Company's local regulations
- Updates relevant sections of PJSC Gazprom's website
- Updates insider lists
- Communicates with the Bank of Russia as regulator and with stock exchanges; sends updated insider lists to market operators as requested
- Notifies individuals of their inclusion in and removal from the Company's insider list
- Informs insiders, including PJSC Gazprom's employees, of the applicable legal requirements on a regular basis; sends Information for Insiders, which is updated in line with changes in legislation and/or PJSC Gazprom's local regulations, to the individuals included in PJSC Gazprom's insider list
- Monitors compliance with the laws on countering the illegal use of insider information

PJSC Gazprom's Board of Directors approved a new version of the Regulations on Monitoring Compliance with Laws on Countering the Illegal Use of Insider Information and Market Manipulation at PJSC Gazprom in 2019 (Resolution No. 3338 dated 19 November 2019). The document provides for the duty of the responsible unit to monitor compliance with laws on countering the illegal use of insider information and market manipulation.

In 2019, no violations of insider information laws involving the Company or its employees were identified

Development of insider information protection safeguards will continue into 2020.



Plans for 2020 to improve safeguards protecting insider information

- Draft and approve a new version of the Regulations on Access to Insider Information of Joint Stock Company Gazprom and Maintaining its Confidentiality, incorporating instructions and recommendations of the Bank of Russia
- Develop and approve internal controls to identify and prevent illegal use of insider information and/or market manipulation in pursuance of Russian laws



All information required to perform the duties of preventing illegal use of insider information and market manipulation, as well as information on the legal consequences of illegal use of PJSC Gazprom's insider information by an insider and/or market manipulation is available on PJSC Gazprom's website

→ www.gazprom.com



The steps taken in 2019 to enhance corporate governance and dividend policy were recognised by the investment community. At year-end, the US dollar-denominated price of the Company shares increased by 87% and PJSC Gazprom became the No.1 company in the Russian stock market in terms of capitalisation. Creating conditions for capitalisation increase, strengthening and developing a constructive dialogue with shareholders and investors are our top near-term priorities.

Shareholding Structure

PJSC Gazprom's charter capital is RUB 118,367,564,500 divided into 23,673,512,900 ordinary registered shares with a par value of RUB 5 each. State registration number of the issue is 1-02-00028-A. The state registration date is 30 December 1998. The Company has no preferred shares.

As the major shareholder of PJSC Gazprom, the Russian Federation holds a more than 50% controlling stake (including direct and indirect ownership). The Russian Federation does not have a special right to manage PJSC Gazprom's affairs (a "golden share").



PJSC Gazprom's shareholding structure, %

	As at 31 December 2018	As at 31 December 2019
The Russian Federation represented by the Federal Agency for State Property Management	38.37	38.37
AO ROSNEFTEGAZ*	10.97	10.97
AO Rosgazifikatsiya*	0.89	0.89
ADR holders**	24.13	19.70
Other registered holders	25.64	30.07

* As at 31 December 2018 and 31 December 2019, the cumulative share in PJSC Gazprom directly or indirectly controlled by the Russian Federation totals 50.23% and is owned through the full ownership of AO ROSNEFTEGAZ which also holds a 74.55% stake in AO Rosgazifikatsiya.

** The Bank of New York Mellon issued ADRs on PJSC Gazprom shares.



The Memorandum of Intent of the Russian Federation as the Major Shareholder of PJSC Gazprom regarding PJSC Gazprom shares is available on PJSC Gazprom's website

→ www.gazprom.com



According to the Memorandum of Intent of the Russian Federation as the Major Shareholder of PJSC Gazprom, the Planned Forecast (Programme) for the Privatisation of Federal Property and the 2020–2022 Federal Property Privatisation Guidelines (approved by Decree of the Russian Government No. 3260-r dated 31 December 2019), there are no plans to dispose of any PJSC Gazprom shares owned by the federal government. In 2019, the Company received no information on any special agreements between PJSC Gazprom's shareholders.

472,162 shareholders

included in the list of persons entitled to participate in PJSC Gazprom's Annual General Shareholders Meeting in 2019

As at 31 December 2019, there were no PJSC Gazprom shares the title to which was transferred to the Company. At the same time, as at the said date, PJSC Gazprom subsidiaries held 29 million ordinary shares in the Company representing 0.1% of the total number of ordinary shares of PJSC Gazprom.

The key reason behind the reduction of the ADR holders' stake in PJSC Gazprom in 2019 was the conversion of ADRs into ordinary shares through the sale of the Company quasi-treasury shares in November 2019. Moreover, the reduction of the ADR stake was influenced by the increasing appetite of global investors for shares in Russian companies, largely driven by infrastructure improvements in the Russian securities market and by most international funds buying shares of public Russian companies having obtained direct access to trading on the Moscow Exchange.



Sale of PJSC Gazprom quasi-treasury shares in 2019

In July and November 2019, PJSC Gazprom subsidiaries divested 2.93% and 3.59% of their shares in PJSC Gazprom (in the form of ordinary shares and ADRs) through the Moscow Exchange trading platform, for total amounts of RUB 139 bn and RUB 188 bn, respectively. The chosen transaction profiles made it possible to avoid share price correction, which is typical for a standard secondary offering. For example, the deviation of the offering price from the weighted average bookbuilding price when a block of shares was sold in November 2019 was only 1.8%, which is a strong showing.

While Gazprom share prices continued to grow in 2019, both transactions were carried out in view of increasing the Company's capitalisation. As a result of the offering, the free float of the Company shares increased, which is confirmed by the valuation of the Moscow Exchange and is a positive signal for the market.

The sale of 3.59% of PJSC Gazprom shares in November 2019 became the largest secondary offering in the Russian market since 2007

Stock Market and Capitalisation

PJSC Gazprom shares are included in the first (top) level quotation list of the Moscow Exchange and the Saint Petersburg Exchange.

50%

PJSC Gazprom shares in free float as at 6 February 2020 (according to the Moscow Exchange)

In October 1996, the Company listed depositary receipts on the London Stock Exchange (LSE). The ADRs certifying the rights to PJSC Gazprom ordinary shares under foreign law were issued by The Bank of New York Mellon as depositary bank. An ADR stands for two PJSC Gazprom shares. ADRs on PJSC Gazprom shares are traded on the London, Berlin and Frankfurt exchanges, the Moscow Exchange, the US OTC market, and on the Singapore OTC market among qualified institutional buyers (QIBs). The London Stock Exchange accounts for the bulk of trade in PJSC Gazprom ADRs. PJSC Gazprom explores opportunities to expand on Asia Pacific exchanges.

PJSC Gazprom’s market capitalisation in 2019 increased significantly to RUB 6.1 tn as at 31 December 2019, or USD 98 bn (RUB 3.6 tn or USD 52.3 bn as at 31 December 2018). 2019 saw a notable increase in the average daily trading in PJSC Gazprom ordinary shares on the Moscow Exchange and in ADRs on PJSC Gazprom ordinary shares on the London Stock Exchange. PJSC Gazprom’s capitalisation dynamics and the volume of trading in shares and ADRs on the Company shares were largely driven by increased dividend payouts and the announcement of a new Dividend Policy being drafted to provide for the payout ratio of 50% of the adjusted IFRS net profit of Gazprom Group. In addition, investors followed other events related to the Company’s operations, including progress in the construction of export gas pipelines and the sale of two blocks of shares in PJSC Gazprom owned by its subsidiaries.

PJSC Gazprom share price growth in 2019 largely outperformed the MOEX Russia Index over the same period



Note. Market capitalisation is calculated as the daily rouble-denominated closing share price on the Moscow Exchange multiplied by the total number of PJSC Gazprom shares issued.

The total shareholder return was 0.783 in 2019, due to an increase in the market value of the Company shares.

PJSC Gazprom shares are on the list of underlying securities for stock indices, including the MSCI Russia, MSCI Emerging Markets, FTSE Russia IOB, STOXX All Europe 100, as well as indices of leading Russian stock exchanges.

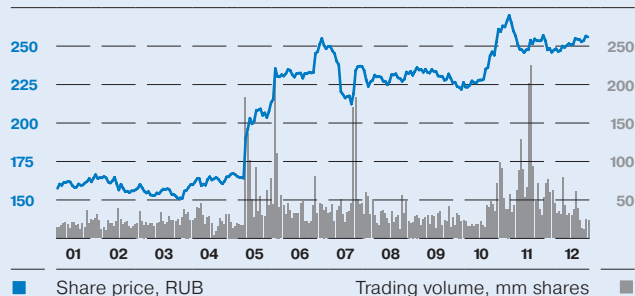


Main indices of Russian exchanges which include the stock of PJSC Gazprom

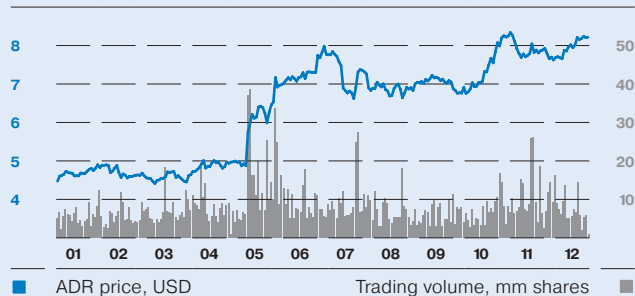
Index	PJSC Gazprom's share and DR index weight as at 31 December 2019
MSCI Russia	18.04%
MSCI Emerging Markets	0.71%
FTSE Russia IOB	19.57%
MOEX Russia Index (IMOEX)	14.37%
MOEX Blue Chip Index (MOEXBC)	17.69%
MOEX Broad Market Index (MOEXBMI)	14.38%
MOEX Oil and Gas Index (MOEXOG)	14.54%
RTS Index (RTSI)	14.37%
RTS Oil and Gas Index (RTSOG)	14.54%
MOEX — RSPP Responsibility and Transparency Index	15.00%
MOEX — RSPP Sustainability Vector Index	4.90%



PJSC Gazprom ordinary share price performance and daily trading volumes on the Moscow Exchange in 2019



PJSC Gazprom ADR price performance and daily trading volumes on the LSE in 2019



Dividend Policy

In 2019 PJSC Gazprom's Board of Directors approved a new Dividend Policy of PJSC Gazprom (Resolution of the Board of Directors No. 3363 dated 24 December 2019). The document harmonises the interests of the Company's major shareholder, the Government of the Russian Federation, minority shareholders, and the Company's development priorities. One of its key principles is a transparent dividend calculation method, with the new formula based on the Group's IFRS net profit adjusted for five non-cash items.

The approval of the PJSC Gazprom's new Dividend Policy is one of the most significant corporate events of 2019

The new Dividend Policy provides for a gradual increase of the lowest dividend payout ratio from 30% to 50% within a three-year period. In addition, a leverage threshold has been set, which, if reached, may trigger a decision by the Company's Board of Directors to reduce dividends. This threshold, which is introduced to maintain financial stability, is 2.5x of the Adjusted Net Debt/Adjusted EBITDA ratio.



PJSC Gazprom's dividend history in 2015–2019

	2015	2016	2017	2018	2019
Dividend per share*, RUB	7.89	8.0397	8.04	16.61	15.24
Dividend payout ratio, share of PJSC Gazprom's net profit under RAS (parent company), %	46	46	190	42	55
Dividend payout ratio, share of Gazprom Group's IFRS profit attributable to the owners of PJSC Gazprom, %	24	20	27	27	30
PJSC Gazprom's dividend yield**, %	5.8	5.2	6.2	10.8	5.9

* Recommended dividend shown for 2019.

** Dividend yield for the relevant period is calculated as a ratio of total dividend paid per share for the relevant year to the share price as at 31 December.

For 2019, PJSC Gazprom's Board of Directors recommended to distribute dividends of RUB 15.24 per share. Dividend payouts will total RUB 360.8 bn.

Therefore, dividends on PJSC Gazprom shares recommended for distribution for 2019 will amount to 30% of Gazprom Group's IFRS profit for the year attributable to the owners of PJSC Gazprom. Due to the negative impact on the dividend calculation basis of adjustments for non-cash items provided for by the new Dividend Policy, it was decided not to take them into account in calculating the 2019 dividends.



Items adjusting the IFRS profit for the year attributable to shareholders of PJSC Gazprom, used in determining the basis for dividend calculation (Clause 3.1 of PJSC Gazprom's Dividend Policy)

- Foreign exchange gain (loss) included in finance income and expenses
- Foreign exchange rate differences on operating items
- Impairment loss (reversal of impairment loss) on fixed assets and construction in progress
- Impairment loss (reversal of impairment loss) on investments in associates and joint ventures
- The difference between the share in profits of associates and joint ventures and proceeds from associates and joint ventures

50%

of the adjusted IFRS net profit will be paid to shareholders for 2021



The Company's full dividend history is available on PJSC Gazprom's website
→ www.gazprom.com





PJSC Gazprom's dividends paid in 2019 for 2018 as at 31 December 2019

	Accrued, RUB thousand	Paid, RUB thousand	Unpaid, RUB thousand*	Unpaid to accrued, %
Total	393,217,049	392,565,849	651,200	0.17
including dividends on shares:				
held by the Russian Federation represented by the Federal Agency for State Property Management	150,890,965	150,890,965	–	–
held by individuals and corporate entities whose rights to shares are accounted for in the register	55,982,946	55,612,794	370,152	0.66
held by individuals and corporate entities whose rights to shares are accounted for by the depository maintaining a nominee holder account in the issuer's register**	186,342,826	186,062,090	280,736	0.15
held by unidentified persons	312	–	312	100.00

* No dividend payouts were made to individuals or corporate entities who had failed to provide clear payout details as per clauses 8 and 9 of Article 42 of Federal Law No. 208-FZ On Joint Stock Companies dated 26 December 1995. Dividends accrued on shares held by unidentified persons are paid out as soon as the title to securities is established.

** PJSC Gazprom paid out RUB 186,342,826 thousand in dividends to nominee holders on 1 August 2019 in execution of the Annual General Shareholders Meeting's resolutions on dividend payouts based on PJSC Gazprom's 2018 results, which was held on 28 June 2019. As at 31 December 2019, the amount of dividends nominee holders failed to transfer as prescribed by the securities laws of the Russian Federation for reasons beyond their control (clauses 8 and 9 of Article 42 of Federal Law No. 208-FZ dated 26 December 1995) totalled RUB 280,736 thousand.



PJSC Gazprom's dividends paid in 2019 for 2015–2017, RUB thousand

Shareholder category	Unpaid as at 1 January 2019	Paid in 2019	Reinstated in 2019 as retained earnings upon expiry of the limitation period	Unpaid as at 31 December 2019
Corporate entities*	4,803	61	1,457	3,285
Individuals*	531,429	20,063	166,007	345,359
Nominee holders**	343,645	58,908	86,209	198,528
Holders unidentified as at the time of accrual***	418	–	119	299
Total	880,295	79,032	253,792	547,471

* No dividend payouts were made to individuals or corporate entities who had failed to provide clear payout details as per Federal Law No. 208-FZ On Joint Stock Companies dated 26 December 1995.

** The nominee holders who failed to transfer dividends as prescribed by the securities laws of the Russian Federation for reasons beyond their control (clauses 8 and 9 of Article 42 of Federal Law No. 208-FZ dated 26 December 1995).

*** Dividends accrued on shares held by unidentified persons are paid out as soon as the title to securities is established.

Credit Ratings

Credit ratings assigned to PJSC Gazprom by Standard & Poor's and Fitch, are comparable with sovereign foreign currency ratings of the Russian Federation, while Moody's rating is one notch above the sovereign rating.

The Company provides rating agencies with access to all information necessary for a comprehensive and reliable evaluation of Gazprom Group's creditworthiness and possible risks.

In 2019, Moody's and Fitch upgraded their credit ratings for PJSC Gazprom, while the rating assigned by Standard & Poor's remained unchanged.

Gazprom Group companies are reliable borrowers in the domestic and international capital markets, able to raise funds on favourable terms.

PJSC Gazprom has investment grade ratings from three international agencies – Standard & Poor's, Moody's and Fitch



For more details on PJSC Gazprom's credit ratings see PJSC Gazprom's website
→ www.gazprom.com



Credit ratings of PJSC Gazprom

Rating agency	Long-term foreign currency rating	Rating date
Standard & Poor's	BBB- (stable outlook)	27 February 2018
Fitch Ratings	BBB (stable outlook)	15 August 2019
Moody's	Baa2 (stable outlook)	12 February 2019
Dagong	AAA (stable outlook)	30 October 2018
ACRA	AAA (stable outlook)	2 February 2018

Borrowing on International and Russian Capital Markets

The borrowing market capacity driven by international and Russian capital markets can meet PJSC Gazprom's needs in debt financing, which are aligned with the Investment Programme developed to incorporate major strategic projects.

In December 2019, Gazprom Group project financing for construction of the Amur GPP in the total amount of EUR 11.4 bn.

PJSC Gazprom raises funds in the international capital markets through the EMTN (Euro Medium Term Note) Programme. Additionally, the Company places rouble bonds.

The EMTN Programme is a revolving multi-currency credit line for up to USD 40 bn (the maximum outstanding principal amount).

As at 31 December 2019, there were 21 Eurobond issues outstanding for the total amount of USD 9.05 bn, EUR 5.75 bn, CHF 1.75 bn and GBP 1.35 bn. The issuer is Gaz Capital S.A. (Luxembourg), a special-purpose vehicle. The JBIC-guaranteed JPY 65 bn bond issue was made in 2018, has a maturity of 10 years and a 1.01% coupon rate. The issuer was GazAsia Capital S.A. (Luxembourg), a special-purpose vehicle.

PJSC Gazprom foreign currency-denominated bonds are historically purchased by a wide range of investors with different country and institutional backgrounds.



Major loans raised by PJSC Gazprom in 2019

Type	Transaction date	Amount	Interest rate or coupon	Maturity date
Loan	27.12.2018*	EUR 500 mm	EURIBOR+1.6%	27.12.2023
Club loan	21.02.2019	EUR 500 mm	EURIBOR+1.65%	21.02.2024
Loan	03.07.2019	EUR 1,500 mm	EURIBOR+2.1%	30.06.2024

* Withdrawal made in January 2019.



PJSC Gazprom's outstanding Eurobond issues placed under the EMTN Programme as at 31 December 2019

Amount	Placement date	Maturity date	Coupon, %	ISIN
USD 1.2 bn	28.04.2004	28.04.2034	8.625	XS0191754729
USD 1.3 bn	07.03.2007	07.03.2022	6.51	XS0290580595
USD 1.25 bn	16.08.2007	16.08.2037	7.288	XS0316524130
USD 0.6 bn	23.11.2011	23.01.2021	5.999	XS0708813810
USD 1.0 bn	19.07.2012	19.07.2022	4.95	XS0805570354
USD 0.8 bn	06.02.2013	06.02.2020	3.85	XS0885733153
USD 0.9 bn	06.02.2013	06.02.2028	4.95	XS0885736925
EUR 1.0 bn	21.03.2013	20.03.2020	3.389	XS0906946008
EUR 0.5 bn	21.03.2013	21.03.2025	4.364	XS0906949523
GBP 0.5 bn	25.09.2013	25.09.2020	5.338	XS0974126186
EUR 0.75 bn	26.02.2014	26.02.2021	3.6	XS1038646078
EUR 1.0 bn	17.11.2016	17.11.2023	3.125	XS1521039054
CHF 0.5 bn	30.11.2016	30.11.2021	2.75	CH0346828400
USD 0.75 bn	23.03.2017	23.03.2027	4.95	XS1585190389
GBP 0.85 bn	06.04.2017	06.04.2024	4.25	XS1592279522
CHF 0.5 bn	19.07.2017	19.07.2022	2.25	CH0374882816
EUR 0.75 bn	22.11.2017	22.11.2024	2.25	XS1721463500
CHF 0.75 bn	06.03.2018	06.03.2023	1.45	CH0404311711
EUR 0.75 bn	21.03.2018	21.03.2026	2.5	XS1795409082
EUR 1.0 bn	16.11.2018	24.01.2024	2.949	XS1911645049
USD 1.25 bn	11.02.2019	11.02.2026	5.15	XS1951084471



PJSC Gazprom's outstanding Eurobond issues placed outside the EMTN Programme as at 31 December 2019

Amount	Placement date	Maturity date	Coupon, %	ISIN
JPY 65 bn	18.02.2018	18.02.2028	1.01	JP90B0049BP6



PJSC Gazprom rouble bonds outstanding as at 31 December 2019

Size, RUB bn	Placement date	Maturity date	Callability	Coupon, %	Registration number	Issuer
15.0	27.11.2013	21.10.2043	If the coupon rate reaches or exceeds 10%	Calculated by issuer with formula*	4B02-19-00028-A	PJSC Gazprom
15.0	27.11.2013	21.10.2043	If the coupon rate reaches or exceeds 10%	Calculated by issuer with formula*	4B02-20-00028-A	PJSC Gazprom
15.0	15.02.2017	03.02.2027	07.02.2024	8.9	4B02-05-36400-R	OOO Gazprom capital**
15.0	15.02.2017	03.02.2027	07.02.2024	8.9	4B02-06-36400-R	OOO Gazprom capital**
5.0	27.02.2018	15.02.2028	18.02.2025	7.15	4B02-01-36400-R	OOO Gazprom capital**
5.0	27.02.2018	15.02.2028	18.02.2025	7.15	4B02-02-36400-R	OOO Gazprom capital**
10.0	27.02.2018	15.02.2028	18.02.2025	7.15	4B02-03-36400-R	OOO Gazprom capital**
10.0	27.02.2018	15.02.2028	18.02.2025	7.15	4B02-04-36400-R	OOO Gazprom capital**
10.0	31.07.2018	12.07.2033	22.07.2025	8.10***	4B02-07-00028-A	PJSC Gazprom
15.0	31.07.2018	23.06.2048	22.07.2025	8.10***	4B02-22-00028-A	PJSC Gazprom
15.0	31.07.2018	23.06.2048	22.07.2025	8.10***	4B02-23-00028-A	PJSC Gazprom
15.0	06.06.2019	02.06.2022	–	7.99	4B02-01-36400-R-001P	OOO Gazprom capital**
15.0	18.07.2019	11.07.2024	–	7.80	4B02-02-36400-R-001P	OOO Gazprom capital**

* $K_i = (CPI - 100\%) + 1\%$, where:

K_i means the interest rate for the i th coupon period, but not less than 0.01% per annum

CPI means the consumer price index calculated for the Russian Federation and expressed as percentage year-on-year

** Special-purpose subsidiary for raising funds in the Russian financial market.

*** The interest rate is for the 1st to 14th coupon period. Starting from the 15th coupon period, the interest rate is determined according to paragraph 9.3 of the Resolution on Securities Issue.



For more details on PJSC Gazprom's bond issues see PJSC Gazprom's website
→ www.gazprom.com



Shareholder and Investor Relations

PJSC Gazprom securities are among the most liquid financial instruments in the Russian market. The Company's investor base comprises several thousand institutional investors, including major foreign investors, such as investment funds, pension funds, banks, and insurance companies, as well as private investors. Investors based in the United States, the UK, and mainland Europe remain the largest minority holders of PJSC Gazprom shares and ADRs.

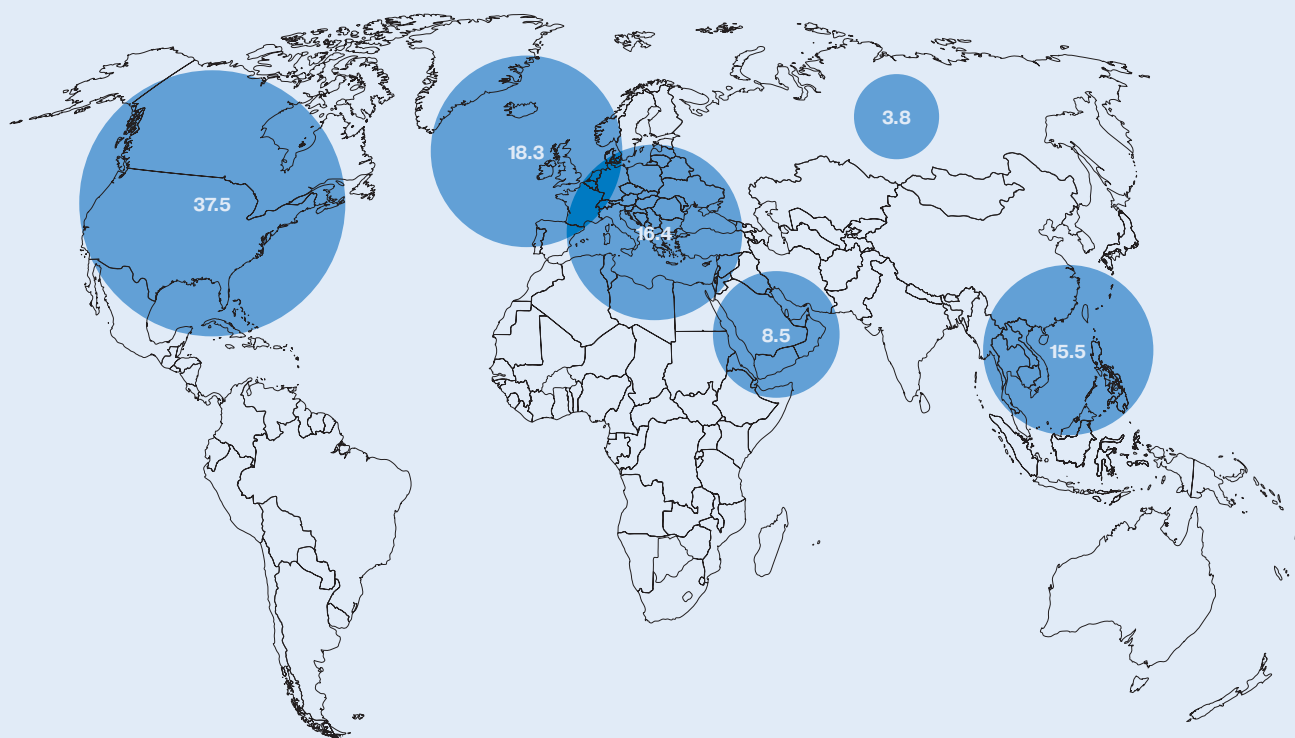
PJSC Gazprom uses numerous tools to maintain its shareholder and investor relations. This is a systematic effort balanced by event format, accessibility for a wide range of investors and geographic diversification.

Largest Russian and foreign investment banks publish regular analyst reports on PJSC Gazprom shares. As at the end of 2019, all analysts recommended to "buy" ("over-weight") or "hold" ("neutral").

PJSC Gazprom intends to further streamline its relations with existing and potential investors and shareholders to develop a meaningful dialogue with the investment community, increase the Company's capitalisation, and reduce the cost of new borrowings.



Geography of institutional investors in PJSC Gazprom shares and ADRs as at December 2019, %



Source: Investor Update



Measures aimed at maintaining relations with the investment community

- Gazprom Investor Day, the largest annual event for investors
- Conference calls dedicated to the publication of Gazprom Group's IFRS consolidated financial statements involving the Company's management (based on the publication of quarterly and annual IFRS statements)
- Meetings of Gazprom's management and authorised representatives with investors and shareholders in the Company's offices in Moscow and Saint Petersburg
- Participation of the Company's representatives in international investor conferences held in Russia and abroad and organised by leading investment banks (according to the annual Investor and Shareholder Relations Plan approved by the Chairman of PJSC Gazprom's Management Committee)
- Targeted investor meetings (roadshows) in the regions with the highest concentration of existing and potential investors — holders of PJSC Gazprom ADRs and shares, and investors in debt instruments (held on a regular basis and timed to coincide with major Company events)
- Daily interfaces with investment bank analysts, shareholders and investors to keep them informed about the most important provisions of the development strategy adopted by PJSC Gazprom and its major subsidiaries and the situation and performance in key markets, as well as to provide information and answers to their questions
- Investment community visits to Gazprom Group's production facilities
- Round tables attended by representatives of Gazprom Group, independent international experts and analysts as well as investors
- Meetings of independent members of Gazprom's Board of Directors with the Company's major shareholders in Russia and abroad
- Targeted meetings and conference calls with investors on environmental protection, industrial safety and corporate governance
- Annual final meeting of the Company's management with investment analysts to summarise the preliminary results for the reporting year



2019 highlights in shareholder and investor relations

Date	Event
February	Investor Day in Hong Kong (26 February) and Singapore (28 February)
1 April	Publication of PJSC Gazprom's 2018 RAS Financial Statements
29 April	Publication of the 2018 Annual Financial Report under FSA requirements, including the 2018 IFRS Financial Statements, a conference call with investors
30 May	Publication of PJSC Gazprom's Q1 2019 IFRS Financial Statements, a conference call with investors
May–June	Press briefings of PJSC Gazprom's top management on the 2018 results
6 June	Publication of PJSC Gazprom Annual Report 2018
28 June	PJSC Gazprom's Annual General Shareholders Meeting
July	Investor and analyst visits to TurkStream facilities in Anapa (Russia) and Kiyikoy settlement (Turkey), a roundtable discussion on the European gas market
29 August	Publication of PJSC Gazprom's Q2 2019 IFRS Financial Statements, a conference call with investors
26 September	Publication of Gazprom Group's Sustainability Report 2018
29 November	Publication of PJSC Gazprom's Q3 2019 IFRS Financial Statements, a conference call with investors
17 December	Meeting of the Coordinating Committee for Shareholder and Investor Relations
20 December	Meeting of PJSC Gazprom's management with investment analysts to summarise the 2019 preliminary results


Guidance for PJSC Gazprom shares in 2019

Company	Guidance, end of 2018	Guidance, end of 2019	Change
Alfa-Bank	–	Buy	–
ATON	Buy	Buy	No adjustments
BCS	Buy	Hold	Downgrade
Veles Capital	Hold	Buy	Upgrade
VTB Capital	Buy	Hold	Downgrade
Gazprombank	Buy	Hold	Downgrade
Uralsib	Buy	Buy	No adjustments
Bank of America Merrill Lynch	Hold	Buy	Upgrade
Deutsche Bank	Buy	Termination of coverage	–
Citigroup	Buy	Buy	No adjustments
Goldman Sachs	Buy	Buy	No adjustments
HSBC	Buy	Hold	Downgrade
JP Morgan	Hold	Buy	Upgrade
Morgan Stanley	Buy	Buy	No adjustments
Raiffeisenbank	Buy	Hold	Downgrade
Renaissance Capital	Buy	Buy	No adjustments
Sberbank CIB	Buy	Hold	Downgrade
SOVA Capital	Buy	Hold	Downgrade
UBS	Hold	Hold	No adjustments
Wood & Company	Buy	Buy	No adjustments



Contact details of investment analysts regularly covering PJSC Gazprom are available on PJSC Gazprom's website
 → www.gazprom.com



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Major and Interested Party Transactions

In 2019, PJSC Gazprom closed no transactions treated as major transactions under the applicable laws of the Russian Federation.

For details of transactions closed by PJSC Gazprom in the reporting year and treated as interested party transactions under the applicable laws of the Russian Federation see the Report on PJSC Gazprom's Interested Party Transactions in 2019 approved by Resolution of PJSC Gazprom's Board of Directors No. 3435 dated 21 May 2020 and available on the web pages used by PJSC Gazprom for information disclosure: www.gazprom.com and www.e-disclosure.ru.



The Report on PJSC Gazprom's Interested Party Transactions in 2019 is available on PJSC Gazprom's website
→ www.gazprom.com



The Report on PJSC Gazprom's Interested Party Transactions in 2019 is available on PJSC Gazprom's page on the website of Interfax – Centre for Corporate Information Disclosure (information is available in Russian only)
→ www.e-disclosure.ru



Disposal of Non-core Assets by PJSC Gazprom, its Subsidiaries and Entities

Actual proceeds from non-core asset disposal by PJSC Gazprom, its subsidiaries and entities in 2019 totalled RUB 336.61 bn, including VAT (excluding intra-group transactions — RUB 333.47 bn), including:

- those owned by PJSC Gazprom — RUB 5.59 bn (excluding intra-group transactions — RUB 3.61 bn)
- those owned by PJSC Gazprom's subsidiaries and entities — RUB 331.02 bn (excluding intra-group transactions — RUB 329.86 bn).

Implementation of Presidential and Governmental Directives and Instructions

Disclosure of Information on Ownership Structures, including Beneficiaries, by Counterparties under Existing Contracts

(Instruction of Prime Minister of the Russian Federation Vladimir Putin No. VP-P13-9308 dated 28 December 2011, Instruction of Deputy Prime Minister of the Russian Federation Igor Sechin No. IS-P13-80 dated 12 January 2012)

From 1 January 2019 to 31 December 2019, PJSC Gazprom informed the Russian Ministry of Energy, Federal Tax Service and Federal Service for Financial Monitoring (Rosinfomonitoring) of:

- 59,546 existing contracts (with 3,695 contracts signed by PJSC Gazprom and 55,851 contracts signed by subsidiaries or associates directly and/or indirectly controlled by PJSC Gazprom by more than 50% in total)
- changes in the ownership structure and/or executive bodies of PJSC Gazprom's counterparties
- changes in the ownership structure and/or executive bodies of the counterparties of subsidiaries and associates directly and/or indirectly controlled by PJSC Gazprom by more than 50% in total.

On Developing (Updating) Internal Documents that Govern KPI Setting and Remuneration for PJSC Gazprom's Management

(Russian Government Directives No. 9054p-P13 dated 2 October 2019)

PJSC Gazprom's Board of Directors passed Resolution No. 3358 dated 24 December 2019. The employment agreement with the Chairman of PJSC Gazprom's Management Committee was amended to include provisions on personal accountability for untimely or inaccurate disclosure of information on the implementation of the Russian Government Directives.

On Submitting Information on Holding Assets Located in the Russian Federation Through Foreign Legal Entities by Joint Stock Companies to the Russian Ministry of Economic Development

(Russian Government Directives No. 5945p-P13 dated 25 August 2017)

Pursuant to the Directives and the letter by the Russian Ministry of Economic Development, information was provided to the Ministry regarding PJSC Gazprom's holding of assets located in the Russian Federation through foreign legal entities as at 31 December 2018.

On Creating Unified Treasury Offices of Parent Companies, Subsidiaries and Associates

(Russian Government Directives No. 1796p-P13 dated 26 March 2015)

Letters were sent to the Russian Ministry of Finance and Federal Service for Financial Monitoring containing the findings of a review towards creating unified treasury offices of PJSC Gazprom, its subsidiaries and associates.

On Developing the Rules of Non-discriminatory Access to Gas Transportation Services and Rules of Connection to Trunk Gas Pipelines

(Instructions of the Government of the Russian Federation No. P9-29283 dated 29 May 2019, No. P9-41395 dated 25 July 2019)

Pursuant to the Instructions, comments and proposals were submitted in due time to the Federal Antimonopoly Service and the Department of Industry and Infrastructure of the Government of the Russian Federation on draft Resolution of the Russian Government On Approval of the Rules of Non-Discriminatory Access to Trunk Pipeline Gas Transportation Services, Rules of Non-Discriminatory Access to Underground Gas Storage Services, Rules of Connection (Technological Tie-In) to Trunk Gas Pipelines, and on Repealing Some Acts of the Government of the Russian Federation. The draft rules of access to trunk gas pipelines developed by PJSC Gazprom were also updated.

On Establishing Engineering Units and R&D Centres on Russky Island (Vladivostok)

(List of Instructions of President of the Russian Federation Vladimir Putin No. Pr-1849 dated 10 October 2018 issued following the Eastern Economic Forum held on 11–13 September 2018)

A lease contract was signed between OOO Gazprom 335 and the Far Eastern Federal University for the premises located at 10 Ajax Bay, bld. P, Russky Island, Vladivostok, the Primorye Territory, to accommodate the engineering centre.

Charitable Funds and Sponsorship Support

(Instruction of President of the Russian Federation Vladimir Putin No. Pr-250 dated 9 February 2018 on providing RUB 150 mm financial support to build a block of apartments for rehousing families from ramshackle homes in the Elshanka village, Saratov Region)

Pursuant to the Instruction, PJSC Gazprom channelled RUB 75 mm in 2018 and a further RUB 75 mm in 2019 under a donation agreement to build a block of apartments with integrated and attached premises located at 2 Moskovskoye Shosse, Saratov, Saratov Region, for rehousing families from ramshackle homes in the Elshanka village in Saratov's Leninsky District.

(Instruction of Deputy Prime Minister of the Russian Federation Vitaly Mutko No. VM-P9-70pr dated 3 August 2019 (minutes of the meeting in Tulun, Irkutsk Region) On Assisting in Restoration of Areas Affected by the Flood in the Irkutsk Region in 2019)

PJSC Gazprom provided charitable support in the amount of RUB 20 mm to purchase training equipment and laboratory training equipment for teaching STEM subjects for ungraded municipal schools affected by floods in the Irkutsk Region in 2019. The funds were channelled under a donation agreement to the Irkutsk regional branch of the All-Russia Non-Government Organization "Russian Red Cross".

At the meeting in Irkutsk on 6 September 2019, the Government of the Irkutsk Region approved the construction of a fitness and health facility with an ice rink and a multi-purpose sports hall in Tulun instead of the sports facility with a swimming pool in Nizhneudinsk mentioned in the minutes of the meeting dated 3 August 2019. A report was sent to Deputy Prime Minister of the Russian Federation Vitaly Mutko (No. 01-677 dated 10 October 2019) on the readiness to construct the facility (estimated commissioning time — Q3 2021), with funding to be provided by PAO Gazprom Neft.

(Instruction of Prime Minister of the Russian Federation Dmitry Medvedev No. DM-P8-7713 dated 10 September 2019 on financial assistance to Turkmen-Russian general education school named after Alexander Pushkin in Ashgabat)

To assess the possibility of assistance, PJSC Gazprom sent a request to the school administration dated 24 September 2019 to obtain a cost estimate for the major remodelling, information on the amount and prices of computer equipment to be purchased and the cost of subsequent scheduled refurbishment. The requested information had not been provided to PJSC Gazprom in 2019, and this was communicated in a report dated 7 October 2019 sent to Prime Minister of the Russian Federation Dmitry Medvedev. The charitable support will be provided to the school in 2020.

(Instruction of President of the Russian Federation Vladimir Putin No. Pr-438 dated 13 March 2019 as regards the construction of a fitness and health facility in the village of Tissi-Akhitli, Tsumadinsky District, Republic of Daghestan)

A report dated 10 October 2019 was sent to Minister of Sports of the Russian Federation Pavel Kolobkov on PJSC Gazprom's readiness to construct in 2020 a (larger) multifunctional sports facility according to the design agreed with the administration of the Tsumadinsky District, Republic of Daghestan. The Russian Ministry of Sports supported PJSC Gazprom's decision in its letter dated 22 October 2019. In accordance with the letter of the Executive Office of the Government of the Russian Federation dated 11 March 2020, PJSC Gazprom will report to the Russian Government on the implementation of the Instruction by 23 November 2020.

Procurement

(Russian Government Directives No. 584p-P13 (DSP) dated 26 January 2019)

PJSC Gazprom's Board of Directors passed Resolution No. 3262 dated 14 May 2019 On Updating the Corporate Import Substitution Plans With Respect to Radiation, Chemical and Biological Protective Equipment, pursuant to paragraph 1 of which PJSC Gazprom's Board of Directors in its Resolution No. 3337 dated 19 November 2019 approved respective amendments to the Regulations on the Procurement of Goods, Works and Services by PJSC Gazprom and Gazprom Group Companies.

(Russian Government Directives No. 4111p-P13 dated 08 May 2019)

PJSC Gazprom's Board of Directors passed Resolution No. 3300 dated 7 August 2019 On Expanding the Use of Factoring in the Performance of Contracts for the Supply of Goods (Performance of Works, Provision of Services), pursuant to which PJSC Gazprom's Board of Directors in its Resolution No. 3337 dated 19 November 2019 approved respective amendments to the Regulations on the Procurement of Goods, Works and Services by PJSC Gazprom and Gazprom Group Companies.

(Russian Government Directives No. 1519p-P13 dated 20 February 2019)

PJSC Gazprom's Board of Directors passed Resolution No. 3257 dated 14 May 2019 On Developing Programmes to Improve the Procurement Management, pursuant to which:

- PJSC Gazprom's Programme to Improve the Procurement Management was approved
- Communication of the Directives to PJSC Gazprom's subsidiaries was undertaken
- PJSC Gazprom's subsidiaries approved their Programmes to Improve the Procurement Management.

On Signing a Concession Agreement for Financing, Construction and Operation of Obskaya–Salekhard–Nadym Common Access Railway Transport Infrastructure

(Sub-paragraph v, paragraph 4 of Russian Government Decree No. 1663-r dated 8 August 2018)

PJSC Gazprom signed a coordination agreement with the Federal Agency for Rail Transport.

Gas Infrastructure Expansion and Gas Supply to Regions

(Paragraph 3 of Instruction of President of the Russian Federation Vladimir Putin No. Pr-2579 dated 29 December 2016 on taking measures to supply the required amount of PJSC Gazprom's natural gas to the Far Eastern Petrochemical Complex)

PJSC Gazprom approved a List of Activities to align the commissioning of production, transportation and distribution capacity of the Sakhalin gas production hub. As part of its implementation work is ongoing to carry out the Sakhalin–Khabarovsk–Vladivostok Trunk Gas Pipeline project (Phase 1) with construction to be completed in 2021.

(Instruction of President of the Russian Federation Vladimir Putin No. Pr-94 dated 20 January 2014 on including revamps of the Dedilovskaya, Novotul'skaya, Yasnogorsk and Severo-Zadonskaya gas distribution stations (GDS) into PJSC Gazprom's GDS Revamp and Retrofit Programme for 2014–2017 and construction of two new GDS in the Uzlovsky and Zaoksky districts of the Tula Region starting in 2014)

Work to revamp the Novotul'skaya, Severo-Zadonskaya and Yasnogorsk GDS and construct two new GDS in the Uzlovsky and Zaoksky districts of the Tula Region has been arranged. The 2020 capital construction plan has the following capital expenditures limits by facilities:

- Yasnogorsk GDS — RUB 464.88 mm for start of construction
- Severo-Zadonskaya GDS — RUB 550.64 mm for partial commissioning.

Construction of the Novotul'skaya GDS Phase 1 has been completed, start-up and testing is under way. The Dedilovskaya GDS revamp is not feasible, as gas supply to the Uzlovaya industrial park is to be provided through construction of a gas pipeline from the Novomoskovskaya-1 GDS according to the general plan of gas supply in the Tula Region developed based on proposals from the region's administration.

Construction of two new GDS in the Uzlovsky and Zaoksky districts of the Tula Region is carried out under OOO Gazprom mezhregiongaz's Investment Programme.

(Instruction of President of the Russian Federation Vladimir Putin No. Pr-2609 dated 5 November 2011 on including the Connection Pipeline and GDS in Balakovo project into PJSC Gazprom's Investment Programme)

The Connection Pipeline and GDS in Balakovo (Saratov Region) project was included into PJSC Gazprom's Investment Programme for 2020 with planned commissioning in 2022.

(Paragraph 3 of the List of Instructions of President of the Russian Federation Vladimir Putin No. Pr-2281 dated 2 November 2015 on including the construction and commissioning of the Connection Pipeline and Ulegorsk GDS project into PJSC Gazprom's Investment Programme for 2017)

Implementation of the Connection Pipeline and Ulegorsk GDS project is under way since 2019, with works to be completed by Q3 2020 according to the project plan.

Pricing in the Russian Gas Market

(Instruction of Deputy Prime Minister of the Russian Federation Dmitry Kozak No. DK-P9-218pr dated 14 November 2019)

As part of implementation of the Instruction, the Company continued with efforts aimed at maintaining the status quo in the regulation of PJSC Gazprom's business, resisting regulation of the Company's investment activities (draft law On Amending the Federal Law On Natural Monopolies and Article 29 of the Federal Law On Power Generation), and excluding from the draft Federal Law On the Framework of Government Regulation of Prices (Tariffs) the provisions that would have a negative regulatory effect on the Company's business.

(Instruction of Deputy Prime Minister of the Russian Federation Dmitry Kozak No. DK-P9-6882 dated 11 October 2018 on the government regulation of tariffs for gas transportation by trunk pipelines (connection pipelines))

Work continued with the federal authorities to amend paragraphs 4 and 7 of the Framework of Gas Pricing and Government Regulation of Gas Prices, Gas Transportation Service Tariffs and Fees for Technological Connection of Gas Equipment to the Gas Distribution Networks in Russian Federation, approved by Resolution of the Russian Government No. 1021 dated 29 December 2000, to eliminate the ambiguity of tariff setting approaches for regulated entities with regard to trunk pipeline gas transportation services.

Implementation of the Programme to Dispose of PJSC Gazprom's Non-core Assets

(Sub-paragraph v, paragraph 2 of Decree of President of the Russian Federation Vladimir Putin No. 596 dated 7 May 2012)

Pursuant to sub-paragraph v, paragraph 2 of Decree of President of the Russian Federation Vladimir Putin No. 596 dated 7 May 2012, PJSC Gazprom has an ongoing initiative of non-core asset optimisation and disposal.

Pursuant to Russian Government Directives No 4863p-P13 dated 7 July 2016 and No. 6604p-P13 dated 18 September 2017, and Russian Government Decree No. 894-r dated 10 May 2017, as well as to improve non-core asset disposal, PJSC Gazprom adopted the Programme to dispose of PJSC Gazprom's Non-core Assets (Resolution of the Board of Directors No. 2810 dated 27 September 2016, Minutes of the Board of Directors' meeting No. 1098 dated 27 September 2018, and Resolution of the Board of Directors No. 3066 dated 16 January 2018, Minutes of the Board of Directors' meeting No. 1180 dated 16 January 2018).

In 2019, PJSC Gazprom was disposing of non-core assets as part of this Programme, Action Plan for the Disposal of PJSC Gazprom's Non-Core Assets for 2019 (versions approved by resolutions of the Board of Directors No. 3204 dated 28 December 2018 and No. 3367 dated 26 December 2019) as well as the Register of PJSC Gazprom's Non-Core Assets (versions approved by resolutions of the Board of Directors No. 3204 dated 28 December 2018 and No. 3367 dated 26 December 2019).

The Register of PJSC Gazprom's Non-Core Assets has a List of PJSC Gazprom's Non-Core Assets Subject to Disposal section and three subsections: Long-Term Financial Investments, Real Property, and Movable Property (Motor Transport, Special Vehicles, Equipment, etc.).

The information on PJSC Gazprom's non-core assets subject to disposal and included in the Register of PJSC Gazprom's Non-Core Assets contains, among other things: the asset list, quantity; information on each non-core asset — asset description, type of activity associated with the asset, its book (depreciated) value, initial selling price (equal to its market value as assessed by an independent valuator), method of sale (primarily an auction), and encumbrances.



Implementation of the Programme, Action Plan, and Register of PJSC Gazprom's Non-Core Assets in 2019

No.	Asset	Inventory number (if applicable)	Balance sheet item containing the asset as at the reporting date prior to the asset disposal	Balance sheet item (analytics included), containing asset disposal income and expense (91.1xxx/91.2xxx)
1	99.9918% of shares in OAO Centrgaz	–	1170	911902/914702
2	Facilities of a gas pressure and flow control station (10 inventory items), located at Block 196, Nogliki Forestry Area, Nogliki Municipal District, Sakhalin Region	10 inventory items	1150	911110/914101
3	Premises, located at 2 Polyustrovsky avenue, bld. A, Saint Petersburg	005652	1150	911110/914101
4	19 apartments of PJSC Gazprom (18 in Moscow and 1 in Velsk, Arkhangelsk Region)	19 inventory items	1150	911110/914101
5	Gazpromshelf replenishment tanker	351789	1150	911110/914101
6	5-bedroom detached house, plot No. 127a, without a garage, for maintenance staff in an accommodation camp	550958	1150	911110/914101
7	Assets under construction — 64 residential houses and utility infrastructure located at Saratovskaya rural locality, Goryachy Klyuch town, Krasnodarsky Region	–	1210	901910/903910
8	149 items of movable property (motor transport and special vehicles)	149 inventory items	1150	911110/914101

Total for 2019

The approval of the Programme, Register, and Plan was disclosed by PJSC Gazprom in the manner prescribed by the law by publishing appropriate open access information on its website. The current Programme and Register are also available on a dedicated website for Gazprom Group's non-core asset disposal, www.gazpromnoncoreassets.ru, the link to which is available on PJSC Gazprom's website in the Asset Disposal section.

Pursuant to the Russian Government Directives and under the Programme to dispose of PJSC Gazprom's Non-core Assets, the Board of Directors reviewed and took into account quarterly reports on the disposal of PJSC Gazprom's non-core assets in 2019 (resolutions of the Board of Directors No. 3256 dated 14 May 2019, No. 3285 dated 18 June 2019, No. 3311 dated 21 August 2019, and No. 3345 dated 29 November 2019).

The actual realised value of PJSC Gazprom's non-core assets disposed of in 2019 under the Programme, Action Plan for the Disposal of PJSC Gazprom's Non-Core Assets, and Register of PJSC Gazprom's Non-Core Assets was RUB 2,455,094.95 thousand (inclusive of VAT). Pre-sale preparation and disposal of non-core assets resulted in the actual realised value exceeding the book value by RUB 708,435.35 thousand.

Book value of asset, RUB thousand	Actual realised value, RUB thousand (inclusive of VAT)	Actual realised value vs book value, RUB thousand	Reason for difference between the actual realised value and book value
807,067.01	1,906,000.00	1,098,932.99	The asset disposed through an auction with a starting price not less than its market value as assessed by an independent valuator
107,275.84	198,305.08	91,029.24	The asset disposed through an auction with a starting price not less than its market value as assessed by an independent valuator
12,715.85	49,999.20	37,283.35	Result of pre-sale preparation and disposal of assets
105,906.78	122,877.62	16,970.84	Each asset disposed through a competitive process with a starting price not less than its market value as assessed by an independent valuator
629,113.33	115,000.00	-514,113.33	The asset disposed after several rounds of a competitive process with a starting price not less than its market value as assessed by an independent valuator
5,841.00	6,450.00	609.00	The asset disposed through a competitive process with a starting price not less than its market value as assessed by an independent valuator
77,991.43	24,000.00	-53,991.43	The asset disposed after several rounds of a competitive process with a starting price not less than its market value as assessed by an independent valuator
748.36	32,463.05	31,714.69	The assets disposed through an auction with a starting price no less than their market value as assessed by an independent valuator
1,746,659.60	2,455,094.95	708,435.35	

Energy Consumption by PJSC Gazprom and its Actual Cost

Energy resource	2017	2018	2019
Natural gas			
mmcm	5.8	6.5	8.2
RUB mm (inclusive of VAT)	37.4	43.5	55.4
Electricity			
thousand MWh	58.8	64.1	77.6
RUB mm (inclusive of VAT)	315.0	357.9	447.5
Heat			
thousand Gcal	78.3	77.5	69.4
RUB mm (inclusive of VAT)	143.8	158.8	148.9
Motor gasoline			
mm litres	0.9	1.4	1.3
RUB mm (inclusive of VAT)	33.9	56.4	57.9
Diesel fuel			
mm litres	0.6	1.1	1.1
RUB mm (inclusive of VAT)	20.4	43.2	50.7

Note. The reported data are for facilities managed by PJSC Gazprom. Power consumption by facilities placed under third parties' management is not taken into consideration. PJSC Gazprom consumes no other energy resources in significant quantities.

Additional Information for the Annual Report available on PJSC Gazprom's Corporate Website

- Meetings of PJSC Gazprom's Board of Directors in 2019
- Meetings of the Audit Committee of PJSC Gazprom's Board of Directors in 2019
- Meetings of the Nomination and Remuneration Committee of PJSC Gazprom's Board of Directors in 2019
- Debt Recovery Litigations Pending as at 31 December 2019
- List of Entities in which PJSC Gazprom Holds Shares (Interest) as at 31 December 2019



The information is provided on PJSC Gazprom's corporate website
→ www.gazprom.com



Name	Definition	
A	ADR of PJSC Gazprom	American Depositary Receipt issued for PJSC Gazprom shares
	AEPS	Automated Electronic Procurement System
	AI-92-K5	Grade of gasoline
	APG	Associated petroleum gas
	Asia Pacific	The Asia-Pacific region, which includes countries of mainland Asia, America and Pacific Ocean Area
B	BCS	Booster compressor station
	Brent	Benchmark grade of crude oil produced in the North Sea
C	CCGT plant	Combined cycle gas turbine plant
	Central Asia	Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan
	CGTU	Comprehensive gas treatment unit
	CHPP	Combined heat and power plant
	CNG	Compressed natural gas
	CS	Compressor station
	CSA	Capacity supply agreement
E	EAEU	Eurasian Economic Union
	EBITDA	The sum of operating profit, depreciation, impairment loss or reversal of impairment loss on financial assets and non-financial assets, less changes of allowance for expected credit losses on accounts receivable and impairment allowance on advances paid and prepayments
	EMS	Environmental Management System
	ETP-GPB	Electronic Trading Platform of Gazprombank
	EU	European Union
	European far abroad countries	25 EU countries (excluding Latvia, Lithuania, and Estonia), such non-EU countries as Turkey, Norway, and Switzerland, and the Balkan states of Albania, Bosnia and Herzegovina, North Macedonia, and Serbia
F	FCC	Fluid catalytic cracking
	FAR	Fatal accident rate
	Far abroad countries	Foreign countries other than FSU countries, comprising the geographic segment Europe and other countries as defined in PJSC Gazprom's IFRS consolidated financial statements
	FAS of Russia	The Federal Antimonopoly Service of Russia
	FSU countries	Former Soviet Union republics, except for the Russian Federation
	FTS of Russia	The Federal Customs Service of Russia
G	GAZP	Gazprom ticker, the Moscow Exchange
	GCF	Gas condensate field
	GHG	Greenhouse gases
	GOST R ISO 26000:2012 (Russian standard)	Social responsibility standard
	GPP	Gas and/or condensate processing plant
	GRES	State district power station
	GRF	Gas recovery factor

Name	Definition
G GTS	Gas transportation system
H Hydrocarbon reserves (categories A+B ₁ +C ₁)	Explored reserves under Russian classification of reserves with a high degree of geological exploration, which correspond to the previously accepted categories A+B+C ₁ (for oil, gas and gas condensate reserves there is a recovery factor calculated on the basis of geological and technological factors)
I IFRS	International Financial Reporting Standards
ISO 14001	International Organisation for Standardisation, the international environmental management standard
ISO 26000	International Organisation for Standardisation, the international standard providing guidelines for social responsibility
ISO 45001	International Organisation for Standardisation, the international standard for management systems of occupational health and safety
ISO 50001	International Organisation for Standardisation, the international standard for Energy Management Systems
ISO 9001	International Organisation for Standardisation, the international quality management standard
K KPIs	Key Performance Indicators
L LNG	Liquefied natural gas
LPG	Liquefied petroleum gas
LSE	London Stock Exchange
M MARPOL	The International Convention for the Prevention of Pollution from Ships
MENA	Middle East and North Africa region
MET	Mineral extraction tax
N NGV fuel	Natural gas vehicle fuel
O OGCF	Oil and gas condensate field
OGZD	Gazprom ticker, the London Stock Exchange
OHSAS 18001:2007	Occupational Health and Safety Management Systems, the international standard for occupational health and safety management systems
P PRMS	Petroleum Resources Management System, an international standard for hydrocarbon reserve classification and reporting
PSA	Production sharing agreement
R R&D	Research and Development
RAS	Russian Accounting Standards
REACH	EU regulation Registration, Evaluation, Authorisation and Restriction of Chemicals
S SME	Small and medium enterprises
SPIMEX	Saint Petersburg International Mercantile Exchange
SPTs	Strategic Performance Targets
T The Eastern Gas Programme	The programme of building an integrated gas production, transportation, and supply system in Eastern Siberia and the Far East, taking into account potential gas exports to China and other Asia-Pacific countries, approved by Order of the Ministry of Economic Development of the Russian Federation No. 340 dated 3 September 2007
toe	Tonne of oil equivalent
TPP	Thermal power plant
U UES	Unified Energy System
UGSF	Underground gas storage facility
UGSS	Unified Gas Supply System of Russia
UIS	Unified Information System of public procurement of goods, works and services for state and municipal needs
UOHSMS	Unified Occupational Health and Safety Management System
USD	United States (US) dollars
V VAT	Value added tax

Units of Measurement and Conversion Table

Name	Definition	Conversion ratios
cu m of gas	A cubic metre of natural gas measured at 1 Pa pressure and 20°C, with a calorific value of 8,850 kcal per cu m	1,000 cu m of gas = 6.49 barrels of oil equivalent = 0.885 tonnes of oil equivalent
BTU	British thermal unit	1 mm BTU = 0.028 mcm of LNG = 0.021 tonnes of LNG
tonne of oil	Tonne of oil	= 7.33 barrels of oil = 7.33 barrels of oil equivalent = 1 tonne of oil equivalent
tonne of gas condensate	Tonne of gas condensate	= 8.18 barrels of gas condensate = 8.18 barrels of oil equivalent = 1 tonne of oil equivalent

Conventions

Sign	Meaning
–	Not observed
0.0	Value less than 0.05

List of Foreign Companies Mentioned in the Report

Full name	Short name	Country
ZAO Gazprom Armenia	–	Armenia
OsOO Gazprom Kyrgyzstan	–	Kyrgyzstan
OAO Gazprom transgaz Belarus	–	Belarus
OOO Gas Transmission System Operator of Ukraine	–	Ukraine
AO Uzbekneftegaz	–	Uzbekistan
Allseas Group S.A.	Allseas	Switzerland
Bank of America Merrill Lynch	–	USA
Bloomberg L.P.	Bloomberg	USA
Blue Stream Pipeline Company B.V.	–	The Netherlands
BP p.l.c.	BP	United Kingdom
China National Petroleum Corporation	CNPC	China
Chevron Corporation	Chevron	USA
Citigroup Inc.	Citigroup	USA
ConocoPhillips	–	USA
Dagong Global Credit Rating Company Limited	Dagong	China
Daqing Oil	–	China
DeGolyer and MacNaughton	–	USA
Deutsche Bank AG	Deutsche Bank	Germany
ENGIE S.A.	ENGIE	France
Eni SpA	Eni	Italy
Equinor ASA	Equinor	Norway
Exxon Mobil Corporation	ExxonMobil	USA
Fitch Ratings	–	USA
GASTRANS d.o.o. Novi Sad	–	Serbia
N.V. Nederlandse Gasunie	Gasunie	The Netherlands
GazAsia Capital S.A.	–	Luxembourg

Full name	Short name	Country
Gaz Capital S.A.	–	Luxembourg
Gazprom EP International B.V.	–	The Netherlands
Gazprom NGV Europe GmbH	Gazprom NGV Europe	Germany
HSBC Holdings plc	HSBC	United Kingdom
International Business Machines Corporation	IBM	USA
IHS Markit Ltd.	IHS Markit	United Kingdom
Investor Update Limited	Investor Update	United Kingdom
Japanese Bank for International Cooperation	JBIC	Japan
JP Morgan Chase & Co	JP Morgan	USA
Moody's Investors Service	Moody's	USA
Morgan Stanley International Limited	Morgan Stanley	USA
MSCI Inc.	MSCI	USA
Naftna Industrija Srbije a.d.	NIS	Serbia
National Iranian Oil Company	NIOC	Iran
Nord Stream AG	–	Switzerland
Nord Stream 2 AG	–	Switzerland
OMV Aktiengesellschaft	OMV	Austria
Perenco Cameroon S.A.	Perenco Cameroon	Cameroon
PetroChina Company Limited	PetroChina	China
Petróleo Brasileiro S.A.	Petrobras	Brazil
Qatar Petroleum	–	Qatar
Raiffeisen Bank International AG	Raiffeisen Bank	Austria
Renaissance Capital Limited	Renaissance Capital	United Kingdom
Royal Dutch Shell plc.	Shell	United Kingdom
Sakhalin Energy Investment Company Ltd.	Sakhalin Energy	Bermuda
Siemens AG	Siemens	Germany
Sonatrach Group	Sonatrach	Algeria
South Stream Transport B.V.	–	The Netherlands
SOVA Capital Limited	SOVA Capital	United Kingdom
Standard & Poor's	–	USA
The Bank of New York Mellon	–	USA
The Goldman Sachs Group, Inc.	Goldman Sachs	USA
TOTAL S.A.	Total	France
UBS Group AG	UBS	Switzerland
Uniper SE	Uniper	Germany
Verbundnetz Gas	VNG	Germany
Westwood Global Energy Limited	Westwood Global Energy	United Kingdom
Wintershall AG	–	Germany
Wintershall Dea GmbH	Wintershall Dea	Germany
Wintershall Noordzee B.V.	Wintershall Noordzee	The Netherlands
WIROM GAS S.A.	–	Romania
Wood & Company Financial Services, a.s.	Wood & Company	Czech Republic
Yacimientos Petroliferos Fiscales Bolivianos	YPFB	Bolivia
Yamal Trade Pte. Ltd.	Yamal Trade	Singapore

Contacts

Full Name

Public Joint Stock Company Gazprom

Abbreviated Name

PJSC Gazprom

Location

Moscow, Russian Federation

Address

16 Nametkina St., GSP-7, Moscow,
117997, Russian Federation

Postal address:

BOX 1255, Saint Petersburg,
190900, Russia

Delivery address:

156 Moskovsky Av., Bld. A, Saint Petersburg,
196105, Russian Federation

Phone:

+7 495 719 3001

Fax:

+7 495 719 8333, +7 812 413 7333

Website

www.gazprom.com

E-mail

gazprom@gazprom.ru

Certificate of entry into the Unified State Register of Legal Entities

by the Moscow Department of the Ministry of Taxation
dated 2 August 2002
OGRN 1027700070518

Taxpayer Personal Identification Number (INN)

7736050003

Contact for Shareholders

Phone:

+7 812 609 7657

(for shareholders of PJSC Gazprom)

Contact for Investors

Phone:

+7 812 609 4129

Fax:

+7 812 609 4334

E-mail:

ir@gazprom.ru

Auditor

Limited Liability Company Financial and Accounting
Consultants (OOO FBK) OOO FBK is a member
of the self-regulated organisation of auditors Auditor
Association Sodruzhestvo.

Location:

44/1 Myasnitskaya St., Bld. 2 AB, Moscow,
101990, Russian Federation

Phone:

+7 495 737 5353

Website:

www.fbk.ru

Registrar

Joint Stock Company Specialised Registrar —
Register Keeper for Gas Industry Shareholders (AO DRAGa)

Location and postal address:

71/32 Novocheryomushkinskaya St., Moscow,
117420, Russian Federation

Phone:

+7 495 719 4044

Website:

www.draga.ru

