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OAO Gazprom headquarters

Chapter 1

Gazprom – Joint Stock Company

What is Gazprom?

Total number of personnel:
400.6 thousand people

State-controlled stake:
50.002 % of the shares

Dividends for 2010
(recommended by the Board of Directors):
RUB 3.85 per share

What is Gazprom?

Open Joint Stock Company (OAO) Gazprom is one of the world's largest energy companies engaged in natural gas, gas condensate and oil prospecting, production, transmission, processing and marketing both inside and outside Russia as well as in power generation.

OAO Gazprom is the successor of the proprietary rights and obligations of State Gas Concern Gazprom, including its rights to use land, subsurface reserves, natural resources as well as the rights and commitments under the agreements concluded by the Concern.

Gazprom holds the world's richest natural gas reserves. Its share in the global and Russian gas reserves amounts to 18 % and 70 %, respectively.

Gazprom owns the gas trunklines tied together into the Unified Gas Supply System (UGSS) of Russia.

In accordance with the Russian Federation President Decree of November 5, 1992, the Company is vested with the obligations as follows:

- providing reliable gas supply to consumers in the Russian Federation;
- exporting gas under interstate and inter-governmental agreements;
- pursuing an integrated sci-tech and investment policy with regard to the UGSS upgrade and development;
- building and financing high pressure gas laterals in order to gasify rural areas;
- control over the UGSS;
- providing other producers with access to the national gas transmission system.

When was OAO Gazprom founded?

On February 17, 1993 State Gas Concern Gazprom was transformed into Russian Joint Stock Company (RAO) Gazprom pursuant to the Russian Federation Government Directive and following the Russian Federation President Decree of November 5, 1992. RAO Gazprom was reincorporated into an open joint stock company in 1998.

What companies is Gazprom Group comprised of?

Gazprom Group as a vertically integrated energy company is comprised of the parent company – OAO Gazprom and its subsidiaries engaged in gas, oil and other hydrocarbons extraction, transmission, processing and marketing, underground gas storage, heat and power generation and distribution as well as other activities including pipeline systems monitoring, oil and gas wells drilling, equipment supply, R&D, information processing and banking services.

Exploration and production. This sector covers more than 20 subsidiary companies engaged in hydrocarbon fields exploration and development.

Transmission. Transmission of natural gas is vested in 18 subsidiary companies conveying gas by Russian gas trunklines. Seasonal and peak gas demand is met with the use of 25 underground gas storage facilities located in the Russian Federation and operated by OOO Gazprom UGS.

Gas processing. Gas, gas condensate and oil processing is carried out at six gas and condensate processing plants of OAO Gazprom as well as by OAO Gazprom neft and OAO Gazprom neftekhim Salavat.

Marketing and gas distribution. Natural gas is sold in the domestic market primarily by OOO Gazprom mezhregiongaz through 50 Russian regional gas marketing companies and their affiliates.

Since the late 1990s Gazprom has been acquiring stakes in gas distribution companies that own and operate medium and low pressure gas transmission networks used for gas delivery to ultimate consumers. OAO Gazprom gazoraspredeleniye manages the assets.

Gazprom's products are exported via the wholly owned subsidiary OOO Gazprom export.

Ancillary activities. Gazprom Group comprises structural units performing activities that are ancillary to the core businesses. Such activities include construction, repair, upgrading and monitoring of the Unified Gas Supply System; process communications; power generation; and R&D.

Is Gazprom's structure optimal or should it be improved?

Any large corporate structure is continuously changing according to the company's development logic. Gazprom is not an exception.

The corporate structure of OAO Gazprom undergoes reform for improvement purposes.

The completed phase one of the reform was targeted at improving the parent company's management

techniques, regulatory procedures and budgeting system.

Phase two, which is underway, aims at enhancing the efficiency of OAO Gazprom as a vertically integrated company and streamlining the core businesses management structure of its subsidiaries. While pursuing these objectives, individual activities were concentrated within specialized wholly owned subsidiaries of OAO Gazprom.

The intra-corporate reform activities primarily centered upon Gazprom's gas production and transmission companies. Underground gas storage capacities that used to be part of those are now consolidated within a specialized subsidiary – OOO Gazprom UGS. While the Group's processing companies were integrated within OOO Gazprom pererabotka, well operation maintenance was vested in OOO Gazprom severpodzemremont and OOO Gazprom yugpodzemremont. OOO Gazprom tsentrremont (consolidates repair and maintenance assets), OOO Gazprom inform (an integrated IT services subsidiary) and OOO Gazprom dobycha shelf were set up.

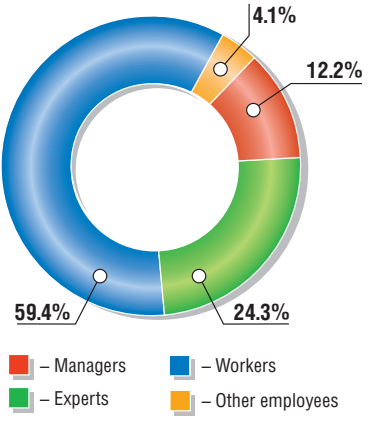
In order to improve the investment efficiency, wholly owned specialized subsidiaries OOO Gazprom invest Zapad, OOO Gazprom invest Vostok and OOO Gazprom invest Yug were established.

It is further planned to complete the consolidation of maintenance services.

The restructuring helps to unbundle cash flows in production, transmission, processing, underground storage and marketing of gas and liquid hydrocarbons as well as to significantly enhance costing transparency in its businesses.

In furtherance of the intra-corporate governance system reform aimed at the Company's structural transparency and visual identity of OAO Gazprom both in Russia and abroad, basic wording principles for subsidiaries' names have been developed. The principles stipulate that a subsidiary's name contains the parent company's name – Gazprom.

Personnel structure of Gazprom Group's major gas production and transmission companies in 2010



How many people are employed by Gazprom Group's companies?

As at the end of December 2010 the total number of Gazprom Group's personnel amounted to 400.6 thousand people.

How was OAO Gazprom privatized?

RAO Gazprom (since 1998 – OAO Gazprom) was privatized fully in line with the Russian Federation privatization laws as well as the Decrees and Directives of the Russian Federation President, and the Resolutions of the Russian Council of Ministers – the Government.

The Decree to transform Concern Gazprom into a joint stock company was considered by the Presidium of the Russian Supreme Council on October 26, 1992. At the time RAO Gazprom was founded, 100 % of the Company's shares were held by the Russian Federation.

As a result of the shares distribution held between 1993 and 1995, 41 % remained under the state ownership, 10 % were acquired by Gazprom in

exchange for privatization vouchers, 15 % were paid by the Company's current and former employees in vouchers (at least 50 % payment) and in cash, 32.9 % were acquired by the residents of 60 Russian regions in exchange for vouchers, and 1.1 % were handed over to OAO Rosgazifikatsiya. 8.3 million privatization vouchers and around RUB 17 billion were paid for Gazprom's shares. 1.03 million Russian citizens became the Company's shareholders.

What are the rights of Gazprom's shareholders?

Just like shareholders of other joint stock companies, Gazprom's shareholders are basically entitled to:

- participate in the General Shareholders Meeting with a voting right on all issues within the General Shareholders Meeting competence;
- receive dividends.

A 2 % ownership stake enables a shareholder or a group of the Company's shareholders to nominate candidates for the Gazprom Board of Directors and Audit Commission as well as to bring forward the shareholders meeting agenda items. A shareholder or a group of shareholders possessing a 10 % ownership stake may call for an extraordinary shareholders meeting of Gazprom to be summoned.

In order to facilitate efficient protection of its shareholders' rights and interests, Gazprom was one of the first Russian companies to adopt the Code of Corporate Governance (Conduct) in 2002. The document sets out the basic principles and mechanisms enabling shareholders to exercise their rights as well as creating conditions for the Board of Directors to efficiently control the activity of Gazprom's executive bodies, i.e. the Management Committee and the Management Committee Chairman.

In addition to the Code requirement for corporate data disclosure to the shareholders, the Board of Directors has adopted OAO Gazprom Provision on Information Disclosure.

Does the Company provide financial support to its shareholders?

The Company participates in and arranges numerous charitable and sponsorship events aimed at developing culture, sports, science and education, it also assists socially disadvantaged citizens.

The Company does not provide any direct financial support to its shareholders.

How is OAO Gazprom Management Committee formed?

The Chairman and the Members of the Company's Management Committee are elected for a 5 year term by the Board of Directors entitled to early termination of their powers.

How is the dividend amount on OAO Gazprom shares determined?

The dividend amount depends on OAO Gazprom's net profit calculated under the Russian accounting standards in compliance with the Russian laws and regulations. The net profit is determined by the Company's operating and financial results.

OAO Gazprom Dividend Policy was approved by the Board of Directors on October 27, 2010.

The Dividend Policy provides for the following distribution procedure for the net profit in a reporting period.

In compliance with the Company's Articles of Association a share of the net profit is channeled to form the reserve fund unless it reaches the size specified in the Articles of Association (7.3 % of the authorized capital).

A share of the net profit in the amount of 10 % is used for dividend payouts.

40 to 75 % of the net profit is retained for the Company's investment purposes.

The remaining share of the net profit is divided into equal parts to pay out dividends and to form the reserve for investment purposes.

The net profit intended for dividend payouts may be adjusted for the amount of OAO Gazprom's financial investment revaluation. This enables the Company to allocate the profit secured by the real cash flow for dividend payouts and investment purposes.

The Dividend Policy contains a provision on the dividend payouts: from 17.5 to 35 % of the net profit (provided that the reserve fund has been replenished).

The decision on the annual dividend distribution, as well as the amount and method is adopted by the Shareholders Meeting on the Board of Directors recommendation. The annual dividend payments should not exceed the amount recommended by the Board of Directors.

In May 2011 the Gazprom Board of Directors recommended that the Shareholders Meeting approve the proposal to pay out RUB 3.85 per share in annual dividends based on Gazprom's operating results in 2010. This is the record dividend amount over the history of OAO Gazprom.

Are there any preferred shares issued by Gazprom?

The share emission prospectus did not originally provide for any preferred shares issue. All the shares of Gazprom are ordinary ones.

Who performs independent auditing of OAO Gazprom?

An independent auditor of OAO Gazprom is appointed through an annual tendering procedure. The procedure results are considered by the Board of Directors of Gazprom, and the auditor's candidacy is approved at the Annual General Shareholders Meeting.

In May 2011 the Gazprom Board of Directors put forward the candidacy of ZAO PricewaterhouseCoopers Audit, the winner of the tender for the selection of the 2011 auditing company, to be approved by the General Shareholders Meeting of OAO Gazprom.

ZAO PriceWaterhouseCoopers Audit was selected as the auditor of OAO Gazprom for 2010 according to the decision by the Company's Annual General Shareholders Meeting dated June 25, 2010.

OAO Gazprom and ZAO PricewaterhouseCoopers Audit started cooperating in 1995. ZAO PriceWaterhouseCoopers Audit performs:

- audit of OAO Gazprom (parent company) Accounting Statements prepared in accordance with the applicable Russian laws and regulations;
- audit of Gazprom Group Annual Consolidated Accounting Statements prepared in accordance with the applicable Russian laws and regulations;

OAO Gazprom share capital structure as of December 31, 2010, %

	Share
The stake controlled by the Russian Federation	50.002
● The Russian Federation represented by the Federal Agency for State Property Management	38.373
● OAO Rosneftegaz	10.740
● OAO Rosgazifikatsiya	0.889
ADR holders	27.570
Other registered persons and entities	22.428

- audit of Gazprom Group Annual Consolidated Accounting Statements prepared in accordance with the International Financial Reporting Standards.

Who owns Gazprom shares?

Gazprom is Russia's largest joint stock company with several hundred thousand registered shareholders domiciled both in Russia and abroad. The state is the largest shareholder of Gazprom. In mid-2005 state-owned OAO Rosneftegaz acquired 10.74 % of OAO Gazprom shares providing the Russian Federation with a controlling stake (50.002 %) in the share capital of OAO Gazprom. This reinforced state control of the Company having strategic significance for the national economy.

Between 2009 and 2010 German E.ON divested its 6.5 % stake in OAO Gazprom. In 2009 E.ON Ruhrgas yielded a 2.7 % stake to Gazprom Group in exchange for the right allowing E.ON to enter the Yuzhno-Russkoye field. In late 2010 E.ON sold a 2.7 % stake of OAO Gazprom to Vnesheconombank placing 0.8 % in the open market.

Where can one buy (sell) OAO Gazprom shares?

OAO Gazprom shares can be bought from their legal holder. Shares can be acquired under a purchase and sale agreement drawn up in accordance with the applicable legislation with subsequent re-registration of proprietary rights in the register keeper's office (depository) at the share owner's banking account location. The Company's shares can also be bought or sold at Gazprombank offices.

Additionally, one can buy or sell Gazprom's shares through a professional stock exchange broker. As a rule, such services are offered by investment companies and commercial banks.

What does ADR stand for?

ADR is an American Depositary Receipt publicly traded in foreign stock markets and issued against shares of a non-US company deposited with a US bank. ADR is an instrument of international share trading. ADRs for Gazprom's shares are issued to ensure circulation of the Company's shares in foreign markets. Before April 18, 2006 one ADR represented 10 shares of OAO Gazprom. Subsequently, the number of OAO Gazprom ordinary shares per ADR was reduced from ten to four. Since April 18, 2006 it has been possible to convert OAO Gazprom ordinary shares into ADRs and vice versa.

Starting from April 21, 2011 the number of OAO Gazprom ordinary shares per ADR was reduced from four to two. Previously outstanding shares were automatically converted according to the new ratio. This step allowed to open up the access to Gazprom's ADRs for a wider range of investors, increase the receipts liquidity and will contribute to long-term growth in the Company's market value.

At present, Gazprom's ADRs are listed on the London Stock Exchange, traded in the US over-the-counter stock market and on European stock exchanges, namely the Berlin and Frankfurt Stock Exchanges. As at the end of 2010, about 27.57 % of Gazprom's shares were floating in the form of ADRs.

Is it allowed for a shareholder of OAO Gazprom to sell shares to a foreigner?

Yes, it is. There are currently no legislative restrictions on foreign ownership of OAO Gazprom shares.

How can a shareholder of Gazprom convert his ordinary shares into ADRs?

OAO Gazprom ADR Program provides any shareholder with an opportunity to convert the Company's shares into Gazprom's ADRs. Thus, the shares are to be deposited with a local custodian bank (currently Gazprombank), and then the Bank of New York Mellon (ADR Program depository bank) issues a relevant amount of ADRs to the shareholder's account opened with a foreign bank. Since this depositing procedure requires a thorough understanding of the entire

process (including respective paperwork, fees and timing), it is more expedient to vest the conversion operation in a professional equity market player – a brokerage company or a bank that, at the shareholder's request, will take all necessary actions.

At the same time, it is noteworthy that upon receipt of an ADR the shareholder becomes the owner of a foreign security and is liable to the Russian Federation currency laws.

Can a shareholder of Gazprom sell shares in a foreign market?

Gazprom's shares are traded as ADRs in foreign markets. Thus, in order to be sold in a foreign market, shares are to be converted into ADRs first. It is reasonable to vest the conversion operation in a professional equity market player – a brokerage company or a bank that, at the shareholder's request, will take all necessary actions.

Constructing Nord Stream gas pipeline. Castoro 6 vessel

Chapter 2
Strategy

The strategic goal of OAO Gazprom is leadership among global energy companies

What is the strategic goal of OAO Gazprom?

The strategic goal of OAO Gazprom is becoming a leader among global energy companies by conquering new markets, diversifying business activities and ensuring supply reliability.

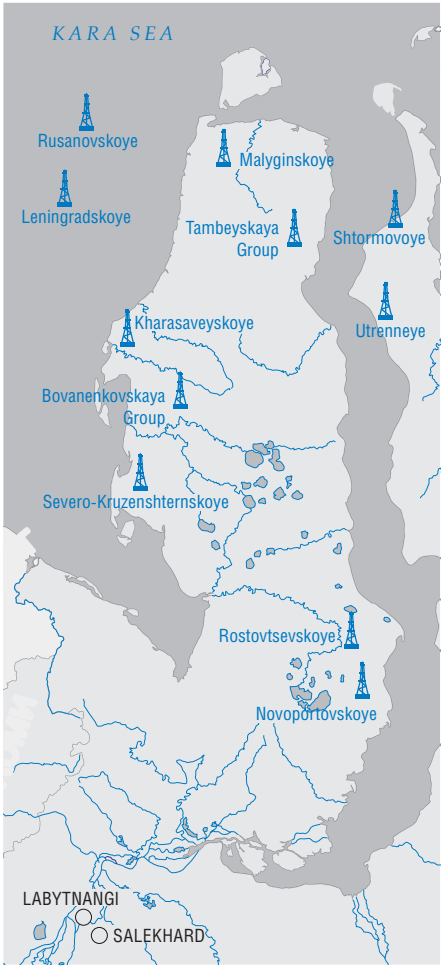
At the same time, OAO Gazprom views its mission in maximally efficient and balanced supply of consumers with natural gas, other energy resources and their derivatives.

What principles does Gazprom's strategy hinge on?

Gazprom's strategy hinges on the following operating principles:

- enhancing the efficiency of its major business;
- operations diversification through high-efficiency projects ensuring the creation of high value added products;

The Yamal Peninsula fields layout



- meeting the interests of all OAO Gazprom shareholders;
- raising the Company's market capitalization and credit ratings;
- improving the corporate governance;
- enhancing financial and economic transparency;
- personal responsibility of the leadership for managerial decision making;
- minimizing the specific adverse environmental impact from technological causes.

Why is the business diversification a strategic priority for Gazprom?

The Company's business diversification implies expanding the areas of operations and the range of final products, conquering new markets and developing the logistics schemes. All of the above are the prerequisites for global companies to enjoy their strategic and competitive advantages.

As Gazprom's Management Committee Chairman Alexey Miller noted, "The strategy of Gazprom is top-down integration in natural gas and diversification in related and high value added products. The present-day structure of the global hydrocarbon business is dominated by universal oil and gas companies. Concentrating the capital and creating an integrated infrastructure result in lower overall costs and greater profit growth."

What are the strategic projects of Gazprom?

The strategic challenges of OAO Gazprom are met through the execution of the following promising projects:

Developing the Yamal Peninsula resources

The Yamal Peninsula is a strategic gas production region for OAO Gazprom. It is one of the most promising oil and gas bearing provinces in Western Siberia. The Yamal resources development is nowadays Russia's largest energy project unique with its complexity. The project is similar to development of Western Siberian fields in the 1970s in terms of its scale and significance. It lays the foundation required to boost gas production in Russia. Commercial development of the Yamal fields will allow for building regional gas production up to 310–360 billion m^3 by 2030.

There are 32 gas, oil and gas condensate fields discovered onshore and offshore Yamal. Explored reserves of the region's largest fields, i.e.

Bovanenkovskoye, Kharasaveyskoye, Severo-Tambeyskoye, Kruzenshternskoye and Malyginskoye exceed 7.8 trillion m^3 with Gazprom Group as their licensed operator. Yamal's largest Bovanenkovskoye gas field will be developed at the first phase of the Yamal megaproject implementation.

The Eastern Gas Program

Gas resources available in Eastern Siberia and the Far East are sufficient for arranging gas export and meeting long-term needs of Eastern Russia where initial gas in place totals 52.4 trillion m^3 onshore and 14.9 trillion m^3 offshore.

In September 2007 the Russian Industry and Energy Ministry ratified the Development Program for an integrated gas production, transmission and supply system in Eastern Siberia and the Far East, taking into account potential gas exports to China and other Asia-Pacific countries (Eastern Gas Program). New gas production centers will be set up in Eastern Russia, namely, in the Krasnoyarsk Krai, the Irkutsk Oblast, the Republic of Sakha (Yakutia), the Sakhalin Oblast and the Kamchatka Krai.

The primary development principles for a gas supply system in Eastern Russia are as follows:

- giving priority to meeting Russian consumers' demand for gas and maintaining sustainable gas supply throughout Russia by expanding the Unified Gas Supply System (UGSS) eastwards;
- shaping a natural gas market on the basis of competitive pricing among various fuels without direct administrative price regulation by the state;
- pursuing an export policy via a single gas exporter.

The Russian Government entrusted OAO Gazprom to act as the Program execution coordinator. In fact, the Company started implementing certain provisions of the Program prior to its official approval.

The Sakhalin Island shelf was identified as most suitable for the startup of gas production and the arrangement of gas supply to consumers in Russia's Far East. Gazprom participates in the Sakhalin II

The largest hydrocarbon fields in Eastern Siberia and the Far East

project as a major shareholder. The first Russian LNG plant was constructed as part of the project and Russian LNG export was commenced. In 2010 the plant reached its nominal capacity.

Sakhalin III is another large-scale project of Gazprom. Here the Company holds licenses for the Kirinsky, Vostochno-Odoptinsky and Ayashsky blocks as well as for the Kirinskoye field that is under development by Gazprom so far.

In September 2010 the Company discovered a new field within the Kirinsky block – the Yuzhno-Kirinskoye field containing 260 billion m^3 of natural gas.

Besides, Gazprom is constructing the Sakhalin – Khabarovsk – Vladivostok gas transmission system (GTS) with a view to develop gas supply to the Khabarovsk Krai and the Sakhalin Oblast and to arrange gas supply to the Primorsky Krai.

The Chikanskoye field was put into pilot operation in the Irkutsk Oblast in 2008. A gas pipeline to feed the cities of Sayansk, Angarsk and Irkutsk with natural gas is being designed. Moreover, Phase 1 construction of the pipeline to supply gas from the Bratskoye field to consumers in Bratsk was completed in 2007. In 2011 Gazprom acquired the assets of RUSIA Petroleum.

Exploration of the Sobinskoye field oil rims is underway in the Krasnoyarsk Krai. Opportunities for gas processing and gas chemical facilities creation in the field are being investigated. In 2010 a new field (Abakanskoye) was discovered.

Gazprom operates the Chayandinskoye field in the Republic of Sakha (Yakutia). The Company is planning to construct the Yakutia – Khabarovsk – Vladivostok gas pipeline and considering the potential creation of gas processing facilities in the Chayandinskoye field and LNG facilities in the Primorsky Krai.

In the Kamchatka Krai Gazprom is pre-developing the Kshukskoye and Nizhne-Kvakchikskoye fields on the west coast of the Kamchatka Peninsula. The Sobolevo – Petropavlovsk-Kamchatsky gas trunkline has been constructed and gas supply to the Krai capital has been started.

Hydrocarbon fields in Eastern Russia feature complex gas composition, high helium content, oil rims and a high condensate factor. These features objectively require a special approach to resources development in the Yakutia, Irkutsk and Krasnoyarsk centers as compared to Western Siberia. Here, it is necessary to apply state-of-the-art technologies and fully utilize all components found in the produced gas. The point is not just to produce gas, but to set up a number of gas chemicals companies in Eastern Russia and to export high value added products.

Exploiting Russia's Arctic shelf resources

Russia's Arctic shelf is considered by OAO Gazprom as one of the most promising regions for discovering new hydrocarbon fields and developing the explored ones.

The initial aggregate hydrocarbon resources of the Russian continental shelf amount to nearly 100 billion t of fuel equivalent, 80 % of which is gas. The bulk of hydrocarbon resources are concentrated in the Arctic Seas, namely the Barents, Pechora and Kara Seas, with gas and condensate prevailing in the Barents and Kara Seas and oil – in the Pechora Sea.

Gazprom holds the development licenses for the Shtokman and Prirazlomnoye fields.

The Shtokman field is located in the central part of the Russian sector of the Barents Sea shelf. The explored reserves (C1 reserves) of the field amount to 3.9 trillion m^3 of gas and 56.1 million t of gas condensate, of which 3.8 trillion m^3 of gas and 53.4 million t of gas condensate fall within Gazprom's licensed area. The field is to be developed in three phases and total gas production may come to 71.1 billion m^3 annually. Gazprom initiated the first phase implementation in cooperation with foreign partners. The Company is planning to complete the remaining phases on its own.

The project implementation will become a pivotal point to form a new gas producing region on the Russian Arctic shelf. Shtokman will be the resource base for increasing Russian gas exports to Europe via the Nord Stream gas pipeline and for liquefied natural gas (LNG) production.

The Prirazlomnoye oil field is the basis for developing offshore oil production in the Pechora Sea. The recoverable oil reserves (ABC1+C2 reserves) of the field amount to 72 million t allowing for extraction of some 6 million t of oil per year. The Prirazlomnaya offshore ice-resistant stationary platform that is going to become a key infrastructure facility in the field is nearly completed.

Gas transmission system development in Russia

The Bovanenkovo – Ukhta gas trunkline system is the first element of a multi-line gas transmission system intended to withdraw gas from the Yamal fields and convey gas from the Bovanenkovskoye field to the UGSS. The system length will come to nearly 1,100 km. At present, the linear part of the first gas pipeline string including the most complex segment, the Baidarata Bay submerged crossing, and one compressor station are being rapidly constructed.

The Ukhta – Torzhok gas pipeline will become a part of a gas transmission system to convey the Yamal gas to the Gryazovets gas transmission hub in Northwestern Russia. The gas pipeline construction was launched in 2011.

The Gryazovets – Vyborg gas pipeline will feed extra gas to Northwestern Russia and to the Nord Stream gas pipeline, inter alia. Separate segments of the pipeline have already been commissioned. The linear part and compressor stations, including Portovaya, that is to become a unique gas transmission facility in Russia in terms of capacity and operating pressure, are under construction.

The Pochinki – Gryazovets gas pipeline will initially secure additional gas supplies to the Northwestern region and convey gas to the Nord Stream gas pipeline, inter alia. Further on, when natural gas deliveries from Yamal are started, the pipeline will be switched to reverse flow and gas will be rerouted to the Central region. The linear part and the compressor stations are being constructed.

The Northern Tyumen Regions (SRTO) – Torzhok gas pipeline will deliver more gas to consumers in Northwestern Russia and ensure export supplies via the Yamal – Europe gas pipeline. By now, the 2,200 km linear part and 10 out of 13 compressor stations have been commissioned. The rest of compressor facilities are to be put into operation simultaneously with the Bovanenkovo – Ukhta gas pipeline.

The Sakhalin – Khabarovsk – Vladivostok gas transmission system is a top priority project within the Eastern Gas Program. The project will enable to develop gas supply to the Khabarovsk Krai and the Sakhalin Oblast, arrange gas supply to the Primorsky Krai starting from the third quarter of 2011 and gas export to consumers in Asia-Pacific countries. At present, the first startup complex of the system is being built.

The Dzhubga – Lazarevskoye – Sochi gas pipeline has been included into the Russian Government approved Program for Construction of Olympic Venues and Development of Sochi as a Mountain Climate Resort. The pipeline route runs beneath the Black Sea along the coastline to the Kudepsta gas distribution station located near Sochi. The gas pipeline was commissioned in June 2011.

The Murmansk – Volkhov gas pipeline (projected) will allow for gas supplies from the Shtokman field to consumers in Northwestern Russia and gas export via Nord Stream.

The UGSS expansion in order to feed gas into the South Stream gas pipeline (projected) envisages stagewise commissioning of the gas transmission facilities at the Pisarevka – Sokhranovka – Berezanskaya

and Pochinki – Petrovsk – Izobilnoye – Salskaya – Berezanskaya sections.

The Altai gas pipeline (projected) will enable to ensure gas transmission to the western part of the Russian – Chinese boarder with the view to supply Russian gas to China via the western route (in case commercial agreements are reached).

Liquefied natural gas

Global gas consumption growth annually averages 2.5 % with liquefied natural gas (LNG) being a primary growth driver.

LNG has become an integral part of the global gas trade and is currently classified as a key factor for the worldwide market formation.

The LNG export amounted to 300 billion m^3 in 2010 which is more than twice as much as in the early 1990s. The forecasts point to further LNG market expansion after 2015.

Liquefied gas deliveries are advantageous due to the market coverage opportunities irrespective of a geographic location.

OAO Gazprom implements a phased strategy to expand its presence in the LNG market.

Gazprom Group has been making efforts to enhance its positions in the LNG market since 2005 through spot trading and exchange transactions carried out by Gazprom Marketing & Trading. In August 2008 due to LNG trading and shipping expansion, this business was spun off into Gazprom Global LNG, a separate subsidiary registered in London. Moreover, Gazprom Marketing & Trading Singapore was established to perform trading operations in Asia-Pacific countries.

The next phase of this strategy began in February 2009 when an LNG plant was put into operation as part of the Sakhalin II project. In April 2009 the first LNG carrier with Russian gas on board arrived in Japan. In 2010 the Sakhalin LNG plant not only reached its full capacity, but also exceeded it by producing over 10 million t of LNG.

Total LNG spot sales reached 4.4 million t (6 billion m^3) over 2005 to 2010. In 2010 Gazprom Group delivered about 1.82 million t or 2.47 billion m^3 to Japan, India, South Korea, China, Taiwan and the UK. 13 LNG cargoes (0.9 million t or 1.22 billion m^3) were offloaded by the end of April 2011. Further buildup of LNG production both in Russia and abroad boosted by marketing efforts will enable the Company to have a strong presence in the global LNG market by 2030.

Exploiting and utilizing hydrocarbon resources in Central Asia

Uzbekistan. In 2002 OAO Gazprom and NHC Uzbekneftegaz entered into the Agreement on Strategic Cooperation stipulating OAO Gazprom participation in natural gas production projects in Uzbekistan during 2003–2012 under the PSA terms. Since mid-2004 OAO Gazprom has been involved in rehabilitating gas production from the Shakhpakhty field. The gas output totaled 1.7 billion m^3 from August 2004 to March 31, 2011.

In January 2006 OAO Gazprom and NHC Uzbekneftegaz signed the Agreement on the Basic Principles for Geological Exploration of Ustyurt Investment Blocks in the Republic of Uzbekistan with Subsequent Oil & Gas Field Development under the PSA Terms.

Pursuant to the Agreement, the Russian party has developed and is engaged in a phased geological exploration program for the Ustyurt investment blocks and, in case of new field discoveries, will have an exclusive right to negotiate with Uzbekistan their development under the production sharing agreement (PSA) terms.

The Dzhel gas field was discovered on the Ustyurt plateau in May 2009.

Kazakhstan. In June 2002 OAO Gazprom and AO NK KazMunaiGaz set up on a parity basis and registered

Uzbekistan's fields

in the Republic of Kazakhstan the KazRosGaz joint venture engaged in natural gas purchasing, marketing and processing at Russia's processing plants as well as running other businesses.

In July 2006 the Kazakh and Russian Presidents signed the Joint Declaration to promote long-term cooperation in processing and marketing of natural gas from the Karachaganak field. On October 3, 2006 the Governments of Russia and Kazakhstan signed the Agreement of Cooperation on setting up a joint venture based on the Orenburg gas processing plant. In furtherance of the document, OAO Gazprom and AO NK KazMunaiGaz entered on June 1, 2007 into the Agreement on Basic Principles for Creation and Operation of Joint Venture Based on Orenburg Gas Processing Plant (Orenburg GPP). The parties also signed a long-term contract stipulating the purchase and processing of up to 16 billion m^3 of Karachaganak gas every year. The bulk of processed gas will be destined for Kazakhstan and the remainder will be marketed under export contracts.

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Represented by TsentrCaspneftegaz, a joint venture of OAO Gazprom and OAO Lukoil, Russia cooperates with Kazakhstan within the Agreement on the Principles for Joint Hydrocarbon Resource Exploitation at the Tsentralnaya Geological Structure in the Caspian Sea.

In 2008 OOO TsentrCaspneftegaz discovered at the Tsentralnaya geological structure a large oil, gas and condensate field with aggregate recoverable reserves amounting to 101.4 million t of oil, 7.5 million t of condensate and 162.1 billion m^3 of free and dissolved gas.

Pursuant to the Joint Statement by the Russian and Kazakh Presidents dated December 19, 2008 the work is underway to coordinate the draft versions of the Production Sharing Agreement and the constituent documents for a joint venture between OOO TsentrCaspneftegaz and AO NK KazMunaiGaz intended for the project operation within the said geological structure. The said documents were drawn up by TsentrCaspneftegaz.

On September 7, 2010 the Intergovernmental Agreement was signed on joint activity in the cross-

border Imashevskoye gas and condensate field. Pursuant to the Agreement enacted on January 17, 2011, prospecting will be followed by the reserves estimation. Gazprom and KazMunaiGaz were authorized to implement the Agreement.

So far, Russia's Subsurface Use Agency has not granted the subsurface use license for the Imashevskoye field to any petroleum company. The Russian side has to arrange a tender for the subsurface use right in order to define the subsurface user. After officially settling the domestic procedures required to put the Agreement into force, the parties will begin its implementation.

Turkmenistan. The relationships between Russia and Turkmenistan in the gas sector are based on the long-term bilateral Agreement of Cooperation in the Gas Industry signed in 2003 and effective for 25 years.

Within the scope of the Agreement, OOO Gazprom export, a Gazprom subsidiary, and Gas Transmission Company Turkmenneftegaz concluded a long-term purchase and sale contract for Turkmen natural gas.

Turkmen gas is supplied via the Central Asia – Center transit gas pipeline system crossing Uzbekistan, Kazakhstan and Russia. Gazprom acts as the operator of Turkmen gas transit across Uzbekistan and Kazakhstan according to intergovernmental agreements.

The supplements and amendments to the long-term gas purchase and sale contract between OOO Gazprom export and Turkmengaz State Concern were signed in December 2009. Paused due to an accident at the Central Asia – Center gas pipeline in Turkmenistan, Turkmen gas supplies were resumed in early 2010.

Kyrgyzstan. In May 2003 OAO Gazprom and the Government of the Kyrgyz Republic entered into the long-term Agreement of Cooperation in Gas Industry effective for 25 years.

In January 2006 OAO Gazprom and the Government of the Kyrgyz Republic signed the Memorandum of Intent to establish a Russian-Kyrgyz joint venture in the oil and gas industry.

In May 2007 OAO Gazprom and the Government of the Kyrgyz Republic entered into the Agreement on Basic Principles for Geological Exploration. As part of the Agreement, Gazprom obtained two licenses for the Kugart and the Eastern Mailu-Suu areas.

In July 2008 the parties endorsed the Phased Program for Geological Exploration in these areas between 2008 and 2011.

Gazprom and the Government of the Kyrgyz Republic signed the Memorandum of Understanding to develop cooperation within the privatization of a part of the state-owned stake in Kyrgyzgaz in October 2008 and approved the Action Plan aimed at working out the common principles and major terms for the Memorandum implementation in February 2009.

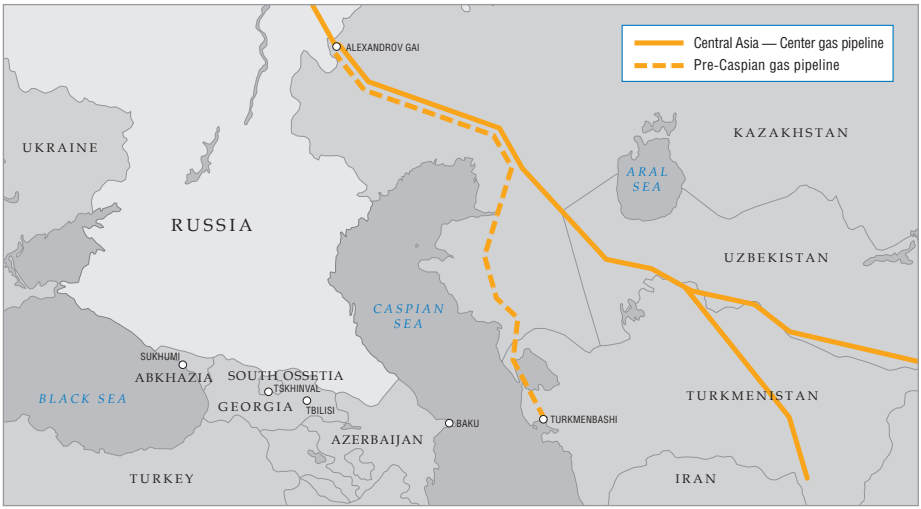
In February 2011 OAO Gazprom and the Government of the Kyrgyz Republic signed two protocols on resumption and promotion of further cooperation (as part of the Agreement of May 14, 2007 and the Memorandum of October 8, 2008).

Tajikistan. Cooperation between the Government of the Republic of Tajikistan and OAO Gazprom is regulated by the long-term (until 2028) Agreement on Strategic Cooperation in Gas Industry dated May 15, 2003.

In June 2008 OAO Gazprom and the Tajik Government signed the Agreement on General Principles for Geological Exploration of Oil and Gas Prospects in the Republic of Tajikistan (Rengan, Sargazon, Sarykamysh, Zapadny Shaambary).

3D seismic surveying and preparations began for deep prospecting wells construction in the Sargazon and Sarykamysh areas.

The projected Pre-Caspian gas pipeline and the Central Asia – Center gas pipeline



Expanding the Central Asia – Center (CAC) gas transmission system

The CAC gas pipeline system is nowadays the main transmission route for gas export from Turkmenistan, Uzbekistan and Kazakhstan.

For more than 30 years of operation the CAC system has far outlived its lifespan and requires substantial rehabilitation. In order to secure transmission capacities for Turkmen, Uzbek and Kazakh gas transit the participants of the Uzbekistan – Kazakhstan – Russia transmission system took actions aimed at securing safe transmission and expansion of the CAC GTS as well as conclusion of mid-term contracts for gas transit via Uzbekistan and Kazakhstan.

Constructing the Pre-Caspian gas pipeline

On December 20, 2007 Kazakhstan, Russia and Turkmenistan entered into the trilateral intergovernmental Cooperation Agreement for Construction of the Pre-Caspian gas pipeline aimed at natural gas transmission from the fields located in the Caspian Sea as well as in Turkmenistan and Kazakhstan to the Russian Federation.

At the first stage the annual gas amount to be conveyed via the gas pipeline is supposed to reach 20 billion m^3:

- up to 10 billion m^3 per year from Turkmenistan;
- up to 10 billion m^3 per year from Kazakhstan.

Russia, Kazakhstan and Turkmenistan will consider an opportunity for building up the transmission capacities of the Pre-Caspian gas pipeline when the gas consumption recovery reaches the pre-crisis level (2008).

The Pre-Caspian gas pipeline will be around 1,700 km long, of which over 500 km will run across Turkmenistan and about 1,200 km – across Kazakhstan.

Developing hydrocarbon fields abroad

In recent years Gazprom has been engaged in geological exploration offshore India and Vietnam. The Bao Den gas and condensate field was discovered on the Vietnamese shelf in 2009.

In September 2008 OAO Gazprom and Venezuelan PDVSA signed the Memorandum of Understanding in relation to the Blanquilla Este y Tortuga project

providing for natural gas exploration and production offshore Venezuela, domestic gas supplies as well as gas liquefaction and export.

Besides, OAO Gazprom neft participates in OOO National Oil Consortium (NOC) established for projects implementation in Latin America. OAO Lukoil, OAO NK Rosneft, OAO Surgutneftegaz and OAO TNK BP are other project parties holding a 20 % stake each.

NOC deals with the Junin-6 oil block development. For this purpose NOC and PDVSA established the PetroMiranda joint venture. Opportunities for the Ayacucho-3 block development together with NOC are under consideration. Gazprom and PDVSA signed the Agreement on joint exploration of the block in December 2008.

In December 2008 Gazprom won the tender for hydrocarbons exploration and production in the onshore El Assel area of the Berkine Basin in Algeria. Gazprom Group started drilling the first prospecting well in the El Assel licensed area in March 2010. Pursuant to the agreement signed in March and enacted in May 2009, Gazprom EP International B.V. was appointed operator of the said project. Between 2009 and 2010 extensive 3D seismic surveying was carried out in the licensed area as part of the contract. As a result of the Rhourde Sayah-2 (RSH-2) wildcat drilling in 2010 the hydrocarbon reserves were discovered in the Ordovician deposits. The well daily yielded nearly 60 thousand m^3 of gas and 49.38 t of oil.

In 2010 Gazprom Group and French petroleum company Total signed the Farm-out Agreement within Bolivia's Ipati and Aquio blocks exploration project. The equity stake of Gazprom Group in the project will amount to 20 %, Total – 60 % and Argentine TecPetrol – 20 %. The project participants are planning to jointly explore and develop the Ipati and Aquio licensed blocks. According to tentative forecasts, natural gas production from the field will start in 2013.

In December 2009 OAO Gazprom neft, as the international consortium operator (30 % participating interest), won the tender for development of Iraq's Badra field with potential reserves of 3 billion bbl of oil. The company became the project operator in January 2010. In 2017 the annual output of the field will reach 8.5 million t of oil.

In 2009 the terms and conditions for geological exploration were agreed on within the Production Sharing Agreement on the Equatorial Guinea shelf. The PSA was signed for two offshore exploration blocks in June 2010.

Moreover, in 2010 Gazprom neft inked an agreement with Malaysian Petronas on entry in the project for exploration and subsequent development of four blocks offshore Cuba.

In addition, Gazprom is considering an opportunity for participating in petroleum projects in Egypt, Iran, Pakistan and Bangladesh.

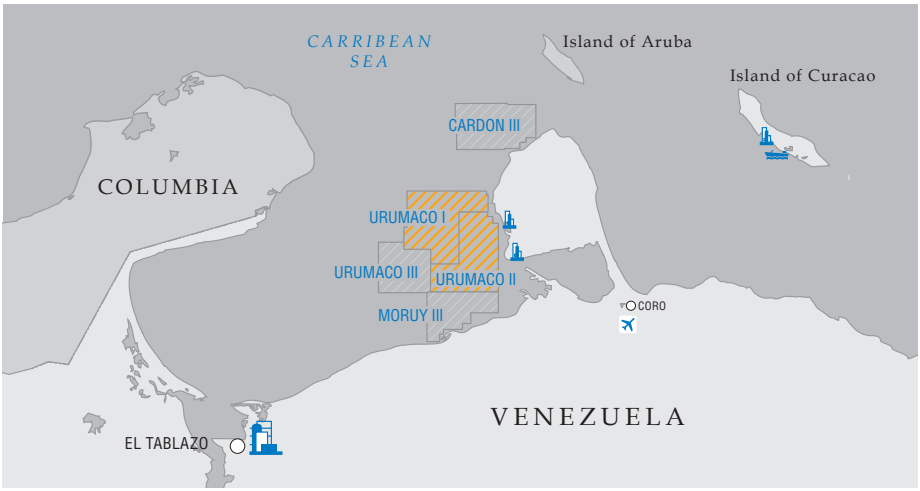
Nord Stream and South Stream gas pipelines

The Nord Stream and South Stream gas transmission projects will open fundamentally new routes for Russian gas deliveries to Europe in order to enhance European energy security.

The Nord Stream gas pipeline will stretch 1,224 km across the Baltic Sea from the Portovaya Bay (Vyborg) to the German coast (Greifswald). The new gas main will annually supply up to 55 billion m^3 of Russian gas to European consumers.

The European Union has included the Nord Stream project into the list of the top-priority energy projects of the Trans-European Energy Networks. The project will enable Gazprom to diversify export flows and directly link Russia's gas transmission pipelines with the European gas network. Nord Stream's distinctive feature is that it bypasses transit countries, and this reduces third-party risks and Russian gas transmission costs as well as enhances the reliability of gas

Venezuela's offshore blocks



export. The gas pipeline construction will contribute to expanding gas supply to Russia's Northwestern Federal District.

In September 2005 OAO Gazprom, BASF SE and E.ON AG entered into the in-principle Agreement on the Nord Stream gas pipeline construction. Dutch Gasunie and French GDF SUEZ joined the project in 2008 and 2010, respectively.

At present, the shareholding structure of Nord Stream AG, being the gas pipeline construction operator, is as follows: OAO Gazprom – 51 %, Wintershall Holding (BASF SE subsidiary) and E.ON Ruhrgas – 15.5 % each, N.V. Nederlandse Gasunie and GDF SUEZ – 9 % each.

Construction of the UGSS sections in Northwestern Russia, to be used, amongst other things, for gas supply via Nord Stream, was initiated in December 2005.

The Nord Stream gas pipeline construction in the Baltic Sea was started in April 2010.

The first string will be completed in autumn 2011. The second string laying will begin in May 2011 and allow for an increase in the gas pipeline capacity from 27.5 to 55 billion m^3. The second string is to reach the German coast near Greifswald in 2012.

The transnational South Stream gas pipeline project contemplates supplying the Russian blue fuel across the Black Sea to Southern and Central Europe.

The gas pipeline will run under the Black Sea from the Russkaya compressor station in Russia to the Bulgarian coast and further across European countries. The total length of the Black Sea section will be around 940 km with the maximum depth exceeding 2,250 m.

The offshore section design capacity is 63 billion m^3.

There are three optional routes for the onshore gas pipeline beyond Russia:

1) to Austria (Baumgarten) via Bulgaria, Serbia and Hungary,
2) to Northern Italy (via Bulgaria, Serbia, Hungary and Slovenia),
3) the Southwestern route – to Greece and Italy.

Gas laterals may be diverted from the main route of the South Stream onshore section in Europe to Croatia

and Macedonia, the latter one starting in Bulgaria. The project's potential participant is Romania.

The offshore section is being constructed by Gazprom in partnership with Italian Eni.

On January 18, 2008 a special purpose entity, South Stream AG, was incorporated in Switzerland to build the offshore pipeline section. Gazprom and Eni acted as the company founders on a parity basis.

On June 19, 2010 OAO Gazprom, Eni and French energy company EDF signed the trilateral Memorandum for EDF to become a shareholder of South Stream AG through reduction of Eni's stake in the joint project company. EDF's stake will be equal to at least 10 %.

On March 21, 2011 OAO Gazprom and BASF SE signed the Memorandum of Understanding on the South Stream gas pipeline project stipulating accession of Wintershall Holding GmbH to the offshore section construction.

The Memorandum identifies that Wintershall Holding GmbH will acquire a 15 % stake in South Stream AG, while Gazprom will retain 50 %.

Between 2008 and 2010 intergovernmental agreements on the project implementation were signed with Austria, Bulgaria, Croatia, Greece, Hungary, Serbia and Slovenia.

OAO Gazprom inked bilateral agreements on cooperation in the project implementation with the authorized national companies: the state-owned Srbijagas, Hungarian Development Bank (MFB), Bulgarian Energy Holding EAD, Greek gas transmission system operator DESFA and Austrian OMV.

The joint project companies were incorporated in Serbia (South Stream Serbia AG, 49 % owned by Srbijagas) in Hungary (South Stream Hungary Zrt., here and thereafter – 50 % owned by the local partner, the Hungarian party is represented by Hungarian Development Bank MFB), Greece (South Stream Greece S.A. with DESFA), Bulgaria (South Stream Bulgaria AD with Bulgarian Energy Holding), Slovenia (South Stream Slovenia LLC with Geoplin Plinovodi d.o.o.), Austria (South Stream Austria GmbH with OMV).

The work is underway to prepare the project's national feasibility studies that will lay the foundation for the consolidated feasibility study.

The South Stream first string will be commissioned on or before 2015.

Geological exploration in Eastern Siberia

Chapter 3
Reserves

What reserves does Gazprom possess?

According to the Russian classification of reserves,

Gazprom holds
33.1 trillion m^3
of natural gas

1.28 billion t
of gas condensate

1.73 billion t
of oil

The current value of reserves:
USD 269.6 billion

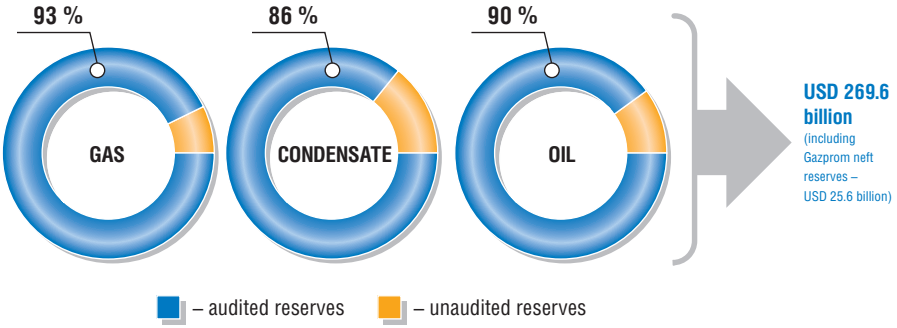
What reserves does Gazprom possess?

Gazprom possesses the world's richest natural gas reserves. Its share in the global and Russian proven gas reserves accounts for some 18 and 70 %, respectively.

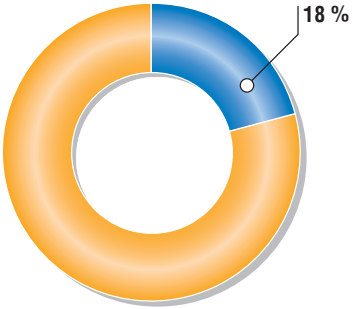
Gazprom Group's A+B+C1 gas reserves totaled 33.1 trillion m^3 as of December 31, 2010.

Gazprom annually audits new fields and adjusts the volume and value of the reserves contained in the fields audited earlier, taking account of the reserve dynamics (cumulative production and growth) as well as changes in gas production costs, taxes and prices.

Independent audit of Gazprom Group's reserves and their current value



Gazprom's share in the global gas reserves



As of December 31, 2010 an independent audit was performed under the PRMS international standards on Gazprom's A+B+C1 reserves – 93 % of natural gas, 86 % of gas condensate and 90 % of oil.

According to DeGolyer & MacNaughton's appraisal, Gazprom Group's proven and probable hydrocarbon reserves are estimated at 28.7 billion t of fuel equivalent and valued at USD 269.6 billion.

Gazprom has recently boosted its geological exploration activities. What are the outcomes?

A major outcome is determined by the fact that in the past five years Gazprom's gas reserves replenishment has been exceeding the level of its gas production.

In 2010, owing to geological exploration activities the Company accrued 547.7 billion m^3 of gas, which is 8 % up on its production level.

In 2010 Gazprom Group discovered three hydrocarbon fields as well as 26 new deposits in the existing fields.

In 2010 C1 gas reserves primarily grew in the Chayanda field in the Republic of Sakha (Yakutia), in the Antipayutinskoye and Tota-Yakhinskoye fields offshore the Ob and Taz Bays.

What are the latest license acquisitions of Gazprom?

In 2010 Gazprom Group spent RUB 1.5 billion to acquire ten licenses with seven licenses obtained to acknowledge the discovery of fields.

In 2010, 21 licenses were canceled: seven of them – due to expiry and 14 – as a result of premature termination of subsurface use rights due to infeasibility. The effective period of licenses for 18 subsurface blocks (fields) was extended.

What is Gazprom's strategy for its mineral resource base?

Gazprom's strategic objective in relation to its resource base is to maintain parity between reserves buildup and production as well as to provide for expanded reserves replenishment in the long term.

A fundamental document determining OAO Gazprom's mineral resource base replenishment strategy is the Program for Mineral Resource Base Development in Gas Industry until 2035. The Program aims at securing the Company's robust performance and expanded replenishment of hydrocarbons. The Program provides for building up the total growth in the explored reserves by 20.0 billion t of fuel between 2011 and 2035 through exploration activities.

In the long run, strategic priority will be given to the Yamal Peninsula and the offshore areas of the northern seas.

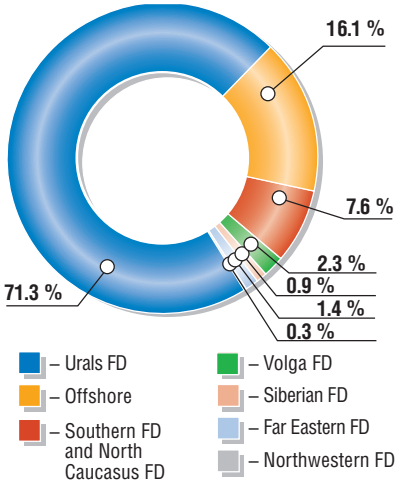
Eastern Siberia and the Far East will also be among the key gas production regions between 2010 and 2020. Gas production will progress due to the development of the Sakhalin Island offshore fields as well as onshore fields in the Krasnoyarsk Krai, the Republic of Sakha (Yakutia) and the Irkutsk Oblast.

In April 2011 the Gazprom Board of Directors approved the updated Program for hydrocarbon resources development on the Russian Federation shelf until 2030. The Program implementation will enable Gazprom to annually produce over 200 billion m^3 of gas (without regard to gas from Sakhalin II) and some 10 million t of oil on the Russian shelf by 2030.

Penetration into new regions will help Gazprom ensure sustainable gas supply in Russia and diversify gas export routes. Provided that there are favorable conditions in the international market and solvent demand on the domestic consumer side, natural gas production may reach 640 to 660 billion m^3 by 2020 taking into account intensified activities in Russia's Far East and Eastern Siberia.

It is planned to proceed with gas exploration and production projects abroad in order to expand the Group's resource base beyond Russia.

Distribution of Gazprom Group's natural gas reserves in Russia as of December 31, 2010



Gas dehydration plant in Vyngaiakhinskoye gas field

Chapter 4
Production

Gas production by Gazprom Group:

547.6 billion m^3 in 2003
552.5 billion m^3 in 2004
555.0 billion m^3 in 2005
556.0 billion m^3 in 2006
548.6 billion m^3 in 2007
549.7 billion m^3 in 2008
461.5 billion m^3 in 2009
508.6 billion m^3 in 2010

How much gas did Gazprom produce in 2010? What is the share of Gazprom in the Russian and global gas production?

In 2010 Gazprom Group produced 508.6 billion m^3 of natural and associated gas, 10 % up versus 2009. The increase in gas production was induced by the revival of the international and, in the first place, domestic markets after the global financial crisis.

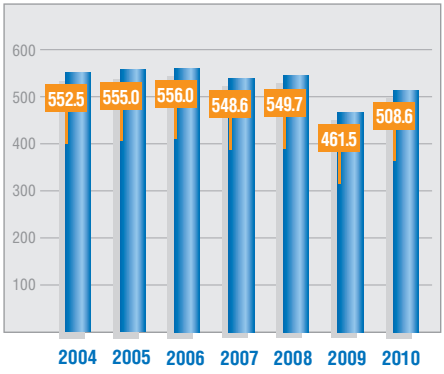
In 2010 the share of Gazprom in the total Russian and global gas production accounted for 78 and 15 % respectively.

Most of Gazprom's basic fields are at a declining production phase. What does Gazprom undertake to maintain and boost gas production?

A decline in production from basic fields is offset through systematic commissioning of new gas

Gas production by Gazprom Group

In order to ensure data comparability, the figures for 2002 through 2005 are calculated via a methodology in line with the preparation principles for Gazprom Group's consolidated statements

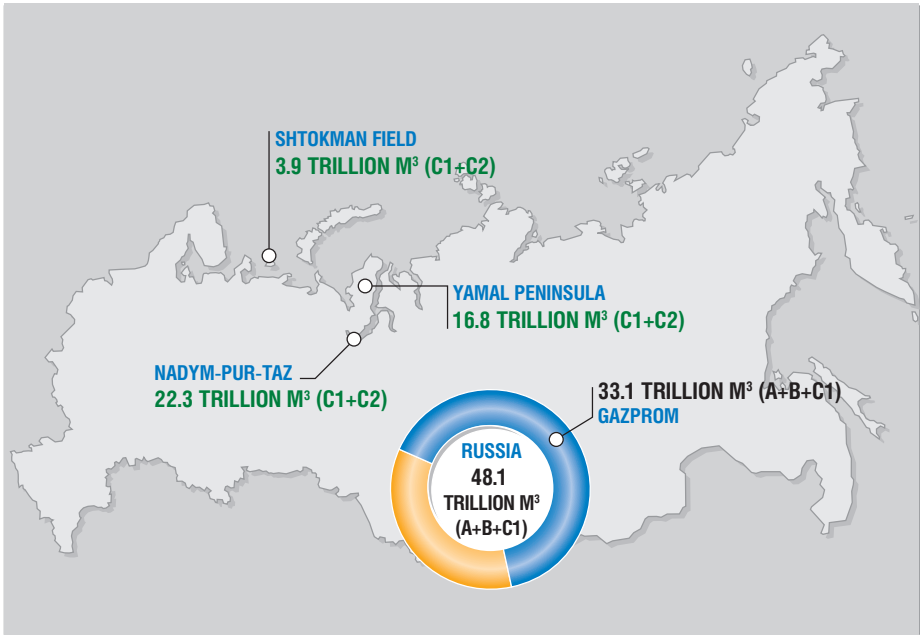


production capacities as well as through higher efficiency of the existing resource base utilization.

Over the period from 2001 to 2010 Gazprom put into operation the Zapolyarnoye, Vyngaiakhinskoye, Yety-Purovskoye, Yen-Yakhinskoye, Yuzhno-Russkoye fields as well as the Tab-Yakhinsky block, Pestsovaya and Zapadno-Pestsovaya areas of the Urengoyskoye field; the Aneryakhinskaya and Kharvutinskaya areas of the Yamburgskoye field and Yareyskaya area of the Yamsoveyskoye field. The aggregate annual capacity of these fields is in excess of 224 billion m^3 of gas.

In April 2011 Gazprom launched production of gas and gas condensate from the Valanginian deposits of the Zapolyarnoye field (design capacity – around 15 billion m^3 and 3 million t of gas condensate per year). The Valanginian deposits of hydrocarbon feedstock lie at the depth of 1,700-3,200 m.

Reserves in promising gas production provinces

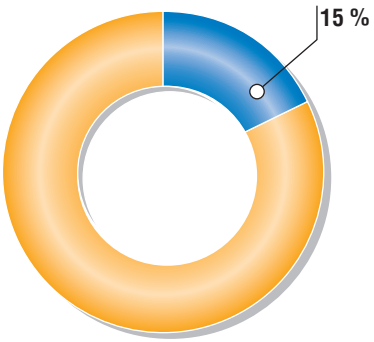


Gazprom also develops difficult-to-access Achimov deposits in the Urengoyskoye field lying at depths of around 4,000 m that enables to extract extra gas amounts. In 2008 OOO Achimgaz, a joint venture of Gazprom and German Wintershall, started production operations in the first pilot block of the Achimov deposits. In 2009 Gazprom commenced independent production operations in the second pilot block (design capacity – 3.5 billion m^3 of gas per year).

In March 2011 Gazprom and Wintershall Holding signed the Memorandum stipulating possible development on a parity basis of two additional blocks (4^{th} and 5^{th}) in the Achimov deposits of the Urengoyskoye field.

With a view to enhance the efficiency of the existing resource base utilization the Company reconstructs and upgrades gas production facilities. Investments are channeled in upgrading the main process equipment, automation systems as well as power, heat and water supply systems and purification facilities.

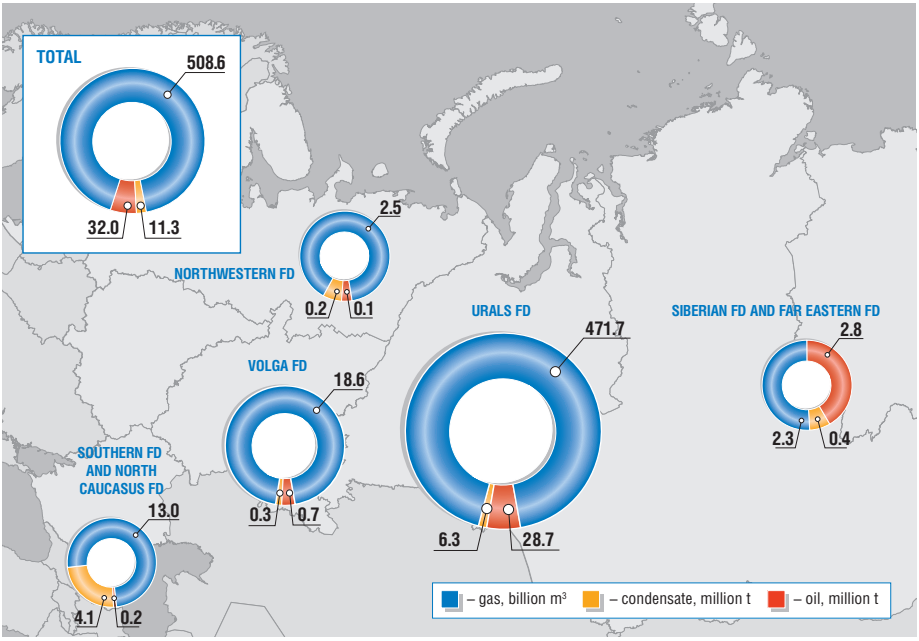
Gazprom's share in global gas production



What are Gazprom's production plans?

In case there is solvent demand on the domestic consumer side and favorable conditions in international

Gazprom Group's gas production in Russian Federal Districts in 2010



Exploiting gas resources and shaping a gas transmission system in eastern Russia

1. **YURUBCHENO-TOKHOMSKOYE**
   RESERVES: **700 BILLION M³**
2. **SOBINSKO-PAIGINSKOYE**
   RESERVES: **170 BILLION M³**
3. **KOVYKTINSKOYE**
   RESERVES: **2,000 BILLION M³**
4. **CHAYANDINSKOYE**
   RESERVES: **1,240 BILLION M³**
5. **SAKHALIN I–II**
   RESERVES: **900 BILLION M³**
6. SAKHALIN OFFSHORE PROSPECTS

markets, Gazprom's gas production could reach up to 660 billion m³ by 2020.

Among the strategic provinces for long-term gas production in Russia are the Yamal Peninsula, Eastern Siberia, the Far East, and the Arctic shelf.

Hydrocarbon fields development in these difficult-to-access regions with harsh climatic conditions requires considerable investments due to complex engineering challenges met in drilling, environmental protection, pipes and communication lines laying. However, investments are estimated to pay off.

Gazprom's promising fields development strategy hinges on the economic viability determined by synchronized advancement of gas production capacities with gas transportation, comprehensive treatment and storage capabilities.

What is the status of Gazprom's project aimed at the Yamal Peninsula fields development?

Development of the Bovanenkovskoye gas field, the largest one in terms of gas reserves, is the first step towards the Yamal megaproject implementation. The field's explored and estimated gas reserves account for 4.9 trillion m^3. The projected gas production from the field is to be increased from the current 115 billion m^3 to 140 billion m^3 per annum in the long term.

In December 2008 Gazprom launched the Yamal megaproject: the first joint of the Bovanenkovo – Ukhta gas trunkline system (GTS) was welded and drilling of production wells was initiated in the Bovanenkovskoye field.

In 2009 the megaproject execution was continued despite the rescheduled commissioning of the field's first startup complexes and the GTS from the third quarter of 2011 to the third quarter of 2012, due to a demand drop caused by the global financial crisis.

The Bovanenkovskoye field was pre-developed and gas transmission capacities were constructed. In particular, the first string of the most complex section of the Bovanenkovo – Ukhta GTS, an underwater crossing via the Baidarata Bay, was completed.

Also in 2009 a unique bridge crossing over the Yuribey River, the Obskaya – Bovanenkovo railroad section, was brought into service to become the world's longest bridge located beyond the Polar Circle.

In February 2011 regular operation was launched all over the railroad to the Karskaya terminal station. Commissioning of this important infrastructure facility will ensure year-round, rapid, cost effective and all-weather delivery of cargoes and personnel to the Yamal fields in the severe polar climate. It will allow for prompt creation of a new gas production center on the Peninsula.

What foreign companies partner Gazprom in the Russian upstream projects? What for and on what basis is it done?

Gazprom's strategy to invite partners for hydrocarbon reserves development is aimed at efficient extraction of resources in a complex geological environment and implies asset swapping on a parity basis in order to expand the scope and geographic reach of Gazprom's businesses.

For instance, such an approach has been applied to the Yuzhno-Russkoye oil and gas field development. In Russian-German joint venture OAO Severneftegazprom – the field licensee – Gazprom owns 50 % plus six ordinary registered shares, and German BASF SE and E.ON AG – 25 % less three ordinary registered shares and three preference non-voting shares each. In exchange for the German companies participation in Severneftegazprom, Gazprom increased its stake in WINGAS joint venture (up to 50 % less one share), in ZAO Gerosgaz (up to 100 %) holding 2.93 % of OAO Gazprom shares and obtained a 49 % stake in Wintershall subsidiary entitled to develop and produce hydrocarbons in Libya under concession agreements.

The Yuzhno-Russkoye field reserves exceed 1 trillion m^3 which is, given the present-day volumes of annual gas supply from Russia to Germany, commensurate with exports for 17 years ahead. The field was put into commercial operation in December 2007 and reached its nominal capacity of 25 billion m^3 of gas per annum in 2010.

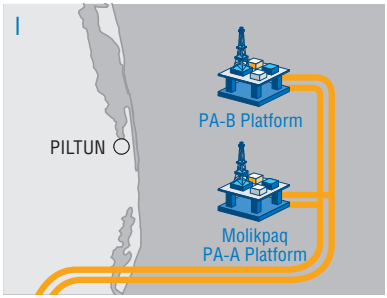
Gazprom has already gained experience in hydrocarbon development projects – OOO Achimgaz (a joint venture owned by Gazprom and Wintershall on a par) implements the project for developing the Achimov deposits in the Urengoyskoye field.

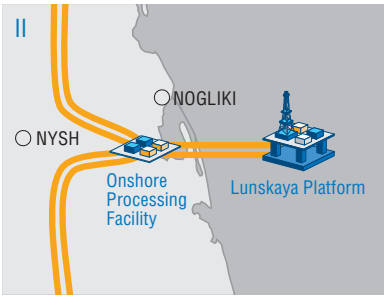
In February 2008 OAO Gazprom, French Total and Norwegian Statoil entered into the Shareholders Agreement to set up Shtokman Development AG, a special purpose entity for designing, developing, constructing, financing and operating facilities as part of phase one of the Shtokman gas and condensate field development. Gazprom holds 51 % of shares in Shtokman Development AG, while Total and Statoil – 25 and 24 %, respectively.

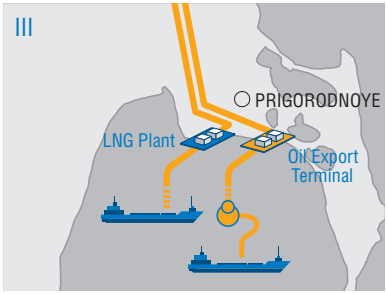
Shtokman Development AG will own the infrastructure as part of phase one of the Shtokman gas and condensate field project for a period of 25 years starting from the field commissioning. The companies will assign their shares to Gazprom upon completion of phase one of the Shtokman field development.

Gazprom actively promotes cooperation with foreign companies within the Sakhalin II project. In pursuance of the Protocol signed in December 2006 by OAO Gazprom, Shell, Mitsui and Mitsubishi Corporation, Gazprom joined Sakhalin Energy Investment Company (Sakhalin II operator) as the principal shareholder.

Gazprom purchased a 50 % stake plus one share in Sakhalin Energy for USD 7.45 billion. To close the deal each of the Sakhalin Energy shareholders decreased







its stake by 50 % with recompense to be distributed on a pro rata basis. The agreement on share purchase and sale was signed in April 2007. The shareholding structure of Sakhalin Energy is currently as follows: Gazprom – 50 % plus one share, Shell – 27.5 % less one share, Mitsui – 12.5 % and Mitsubishi – 10 %.

In December 2008 the Sakhalin II project started exporting crude oil on a year-round basis and on February 18, 2009 the first Russian LNG plant was put into operation. The entire output of the plant has been contracted out under long-term arrangements (effective for over 20 years). In 2009 more than a half of the Sakhalin LNG was supplied to customers in Japan and the rest was delivered to South Korea, India, Kuwait, China and Taiwan.

In 2010 the LNG plant in Sakhalin not only reached is full production capacity but even exceeded it. A total of over 10 million t of LNG were produced in 2010 owing to the operational structure optimization, debottlenecking and fine debugging of production equipment. In 2010 over 60 % of LNG was transported to Japan and the rest to

consumers in South Korea as well as in China, Kuwait and Taiwan.

Thus, a full-scale commercial operation phase began within Sakhalin II being the world's largest integrated petroleum project embracing two offshore oil and gas fields development to the north-east of the Sakhalin Island (Piltun-Astokhskoye and Lunskoye), oil and gas production and transmission via trans-Sakhalin pipelines, LNG production and hydrocarbons export.

Besides, in September 2009 Gazprom closed the deal with Italian Eni S.p.A. (Eni) and Enel S.p.A. (Enel) on obtaining a 51 % stake in OOO SeverEnergia that controls a number of companies holding licenses for hydrocarbons exploration and production in Western Siberia.

In order to pursue the Group's oil strategy and optimize the said fields development in 2010 Gazprom decided to sell its stake in OOO SeverEnergia to the joint venture between OAO Gazprom neft and OAO NOVATEK. Owing to the experience gained by Gazprom neft, multi-layer oil deposits of these fields will be developed in the most efficient way. NOVATEK will bring in a synergetic effect due to the company's infrastructure available for gas condensate treatment. All these factors will significantly accelerate putting the fields into commercial operation and reduce the project capital costs.

How is Gazprom Group's liquid hydrocarbons production progressing?

The oil business development is a strategic objective of Gazprom on its way towards becoming a global energy company.

Gazprom Group's oil production hinges on OAO Gazprom neft. Acquired in October 2005, the company made Gazprom Group Russia's fifth largest oil producer. Based on the 2010 results, 32 million t of oil and 11.3 million t of gas condensate were produced.

In April 2009 OAO Gazprom acquired a 20 % stake in OAO Gazprom neft from Eni exercising its right under the option contract signed in April 2007. As a result of agreements reached, Gazprom Group's stake in OAO Gazprom neft has come to 95.68 %. The deal promoted the Group's oil business to a fundamentally new level and started consolidating the oil reserves development activities of the Holding within a single subsidiary company.

In December 2009 a decision was taken to vest Gazprom neft with subsurface use rights for the Novoportovskoye field and the Vostochny block of the Orenburgskoye field.

As part of the oil business development strategy and as a result of several acquisitions made in February 2011 Gazprom neft consolidated a 100 % shareholding in Sibir Energy plc (Sibir Energy). This enabled Gazprom Group to become a majority shareholder in the Moscow Refinery, gain control of the filling station network comprising over 130 stations in the Moscow region and of a number of Western Siberian fields, including 50 % in the Salym fields development project.

Gazprom neft actively pursues the policy of expanding its international market share. Thus, in February 2009 it acquired a controlling stake in the diversified petroleum company NIS (Serbia). In March 2011 the stake in NIS was increased from 51 % to 56.15 %. In April the company purchased an oils and lubricants plant in Bari (Italy) with the annual production capacity of up to 30 thousand t of oils and 6 thousand t of lubricants from Chevron Global Energy. In summer 2009 Gazprom neft acquired a 20 % stake in OOO National Petroleum Consortium established by five major Russian petroleum companies on a parity basis for oil production projects execution in Latin America. One of the projects is Junin-6 located in the Orinoco River heavy oil belt, Venezuela. It is worth mentioning that OAO Gazprom neft became the leading operator of the project's first phase among participating companies.

In January 2010 OAO Gazprom neft on behalf of the consortium signed a contract to develop the Badra field in Iraq with its some 3 billion barrels of oil. Gazprom neft is the project operator holding a 30 % stake.

Moreover, in 2010 Gazprom neft agreed to enter new offshore geologic exploration projects. In June 2010 Gazprom neft, the Energy Ministry of Equatorial Guinea and the National Oil Company of the Republic of Equatorial Guinea GEPetrol signed the Production Sharing Agreement (PSA) on two offshore blocks. Gazprom neft holds an 80 % stake in the project. Preliminary estimates indicate that the reserves in the blocks may reach 110 million t of oil equivalent. Geological exploration within the sections is currently carried on.

In November 2010 Gazprom neft and Malaysian Petronas signed the Farm-out Agreement increasing the share of the Russian Company to 30 % within the geological exploration project in four blocks offshore Cuba in Mexican Gulf.

By 2020 Gazprom neft is planning to boost its annual production volume to 100 million t of oil equivalent taking into account its subsidiaries' performance and shares in affiliated companies. The company also intends to maintain the reserves to production ratio at the current level for at least 20 years with the fields at an early development phase to yield no less than 50 % of the produced volume by 2020.

The production plan contemplated for 2020 envisages that all of OAO Gazprom neft's explored oil fields are gradually put into operation (including 50 % stakes in OAO NGK Slavneft and OAO Tomskneft), expanding the resource base by bringing onstream the oil fields owned by other companies of the Group. In addition, it is supposed to enlarge the asset portfolio through acquisition of non-licensed areas and new assets.

As of December 31, 2010 the A+B+C (Russian standards) oil and condensate reserves of Gazprom Group were estimated at 3 billion t which enables to ultimately achieve the production volumes commensurate to that of the leading oil companies.

What is Gazprom's attitude towards coalbed methane projects?

In essence, coalbed methane (CBM) extraction is viewed as a key element of OAO Gazprom's resource base expansion strategy and will ultimately result in emergence of a CBM production industry in Russia. Besides, large-scale deployment of Russian CBM production technologies will minimize accidents at coal mines and considerably improve the environmental situation.

The Russian Federation possesses immense forecast CBM resources – around 84 trillion m^3, which is commensurate with one-third of Russia's forecast natural gas resources.

The Kuzbass region with its forecast methane resources coming to 13 trillion m^3 is nowadays considered to be the most appropriate site for commercial production. Methane resources concentration in certain areas of Kuzbass is comparable to the amount of natural gas in northern Tyumen Oblast. Geological and commercial advantages of Kuzbass as well as the availability of gas infrastructure and consumers at a distance of just 15 to 150 km predetermine the economic viability of commercial methane production in Kuzbass.

In February 2010 Gazprom commissioned the first Russian CBM site in the Taldinskoye field (Kemerovo Oblast). In 2010, 4.9 million m^3 of CBM was produced in the pilot operation mode.

The Russian CBM production technology was designed by the Group as well. 31 international and Russian patents were received across the entire process cycle – from exploration to utilization of CBM.

According to provisional estimates, the annual production volume in Kuzbass, being the world's largest CBM basin, could reach 20 billion m^3 in the long run.

Dzhubga – Lazarevskoye – Sochi gas pipeline construction

Chapter 5
Transmission

The Unified Gas Supply System (UGSS) of Russia:

- 161.7 thousand km of gas trunklines and branches
- 215 pipeline compressor stations with 42.1 million kW in capacity
- 25 underground gas storage facilities

Average transmission distance through UGSS:

- in Russia – 2,592 km
- for export – 3,262 km

Gas transmission networks in the CIS and Europe

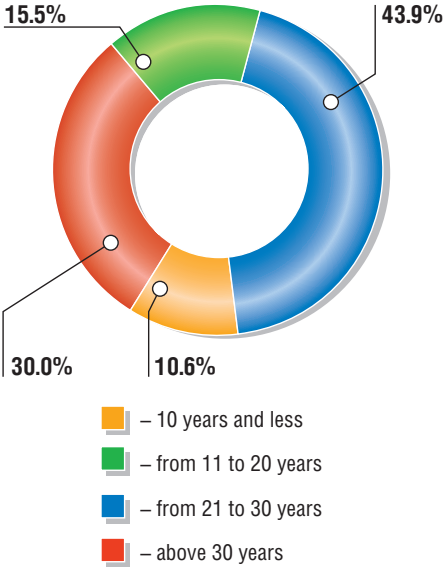
How is gas transported in Russia? What is the Unified Gas Supply System of Russia?

Natural gas produced in Russia is pumped into gas trunklines integrated within the Unified Gas Supply System (UGSS) of Russia. The UGSS is the largest gas transmission system in the world and it is a unique complex of gas extraction, processing, transmission, storage and distribution facilities. The UGSS provides for a continuous cycle of gas supply from the wellhead to the end user.

Owing to centralized management, considerable ramification and parallel transmission routes, the UGSS has a substantial reliability margin and is capable of uninterrupted gas supplies even during seasonal peak demand periods. The UGSS is 161.7 thousand km long.

215 compressor stations with gas compressor units totaling nearly 42.0 million kW in capacity are used for gas transmission. The Unified Gas Supply System of Russia is owned by Gazprom. The year 2010 saw commissioning of 1,338.6 km of gas trunklines and branches.

Gas trunkline structure by lifespan



How is the gas pipeline operational reliability ensured?

In the 1970s and 1980s, when the gas transmission system was built, Gazprom provided it with a substantial reliability margin. Sustainable operation of gas mains is secured through innovative inspection techniques, preventive maintenance and repair.

In 2010 Gazprom allocated around RUB 39.6 billion for upgrading and overhauling the gas transmission system. As a result of repair and technical condition improvement the number of gas pipeline breakdowns reduced more than four times – down to 7 versus 2002 (32 breakdowns). Fewer breakdowns stem directly from the use of progressive gas transmission system inspection techniques and scheduled preventive maintenance operations, which enable efficient detection of worn out sections and aged equipment.

What is the UGSS capacity? Is it necessary to boost the throughput?

The Unified Gas Supply System is fully loaded. In 2010 Gazprom produced 508.6 billion m^3 of natural gas. Taking account of gas supplied by independent and Central Asian producers, a total of 661.2 billion m^3 was pumped into the UGSS.

At present, demand is recovering in the gas market and gas consumption in the global markets is forecast to rise. For example, the Russian Energy Strategy until 2030 envisages that 803 to 837 billion m^3 of gas will be produced domestically by 2020 and 885 to 940 billion m^3 – by 2030. Consequently, the UGSS throughput capacity is to be increased in order to meet solvent demand of domestic consumers and Russia's international obligations in relation to natural gas supply. On the other hand, the gas transmission system load will significantly grow.

Is it true that Gazprom does not grant other gas producers access to the Unified Gas Supply System of Russia?

No, it is not. Gazprom approves all requests by independent gas producers seeking access to the Unified Gas Supply System (UGSS), unless it cannot be granted for purely technical reasons. The main reason is the limited capacity of the gas transmission system. The interaction between Gazprom and other gas market players is fully in line with the Federal Law on Gas Supply in the Russian Federation, which sets the terms and conditions for granting access to free transmission capacity of the UGSS as well as entitles Gazprom to conclude supply contracts or reasonably deny access.

Gazprom grants independent gas producers access to the gas transmission system in case:

- the transmission capacity is available for the period when the producer intends to supply gas;
- the input gas meets the required quality level and technical specifications;

Independent producers' gas conveyed through Gazprom's gas transmission system

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Transmission volume, billion m^3	92.4	103.6	95.4	99.9	114.9	115.0	119.8	111.2	59.3	64.5

- the supplier has the capacity to funnel gas via supply and lateral pipelines to consumers, all fitted with gas metering and quality control facilities.

The requirements for gas funneled into the system, and the terms and conditions of access to gas mains are governed by law. In order to simplify access to its gas transmission system, Gazprom improves the Regulation on preparation and issuance of permits for independent entities seeking access to the gas transmission system of OAO Gazprom. OAO Gazprom first opened up its gas transmission system for independent gas producers in 1998.

The share of independent producers in gas transmission totaled 64.5 billion m^3 in 2010.

What is the current gas transmission rate for independent gas producers? Who is responsible for setting this rate?

For independent producers, the rate of gas transmission via the trunklines of OAO Gazprom is set by the Russian Federal Tariff Service (FTS). Before August 1, 2006 a single rate was set for transmission of 1,000 m^3 per 100 km. Since August 1, 2006 a new differentiated rate setting methodology has been used, when the rate consists of two components: a charge for conveying 1,000 m^3 per 100 km and a charge for using gas mains (RUB per 1,000 m^3), which is determined depending on gas entry and exit points in the gas transmission system.

What are underground gas storage facilities needed for?

Underground gas storage (UGS) facilities are an integral part of the Unified Gas Supply System of Russia and are situated in the key gas consumption regions. UGS facilities help smooth out seasonal fluctuations of gas demand, reduce peak loads in the UGSS and provide better flexibility and reliability of gas supply. The network of UGS facilities supplies Russian consumers with up to 20 % of overall gas volumes during a heating season and up to 30 % during sharp cold spells. There are 25 underground storage facilities in the Russian Federation with the total working gas capacity of 65.4 billion m^3.

UGS capacity expansion is a strategic objective of Gazprom. UGS facilities created to smooth out seasonal fluctuations are 5 to 7 times less expensive than the respective backup facilities for gas production and transmission. Gazprom expands UGS facilities in order to raise the flexibility and ensure the optimum loading of the system.

New projects are underway in Russia to construct underground gas storages in salt caverns: the Volgogradskoye and Kaliningradskoye UGS facilities with 830 and 261 million m^3 of working gas capacity. It is planned to launch construction of the Bednodemyanovskoye, Novomoskovskoye and Shatrovskoye UGS facilities along with gas storages in the Republic of Tatarstan. Some of the existing UGS facilities, namely Kasimovskoye, Kuschevskoye, Punginskoye, Sovkhoznoye and Stepnovskoye, will be retrofitted and expanded.

Gazprom also uses European UGS facilities: in Austria (Haidach), the UK (Humbly Grove), Germany (Rehden) and Latvia (Inchukalnskoye). Between 2006 and 2010 Gazprom's storage capacities in Europe grew from 1.4 to 2.5 billion m^3, while the daily productivity rose from 18.2 to 30 million m^3.

In 2009 Gazprom Group and a consortium of investors (TAQA Onshore B.V., Petro-Canada Netherlands B.V., Dyas BV and Energie Beheer Nederland B.V.) signed an agreement on underground gas storage in the Netherlands. Gazprom will receive the working gas capacity of 1.9 billion m^3.

Gazprom is planning to build new UGS facilities abroad. To this effect, Gazprom Group, in cooperation with Verbundnetz Gas, is planning to implement in Germany the project on construction and operation of the Katharina UGS facility with the working gas capacity of 629 million m^3. Furthermore, in October 2009 Gazprom and Srbijagas signed the Agreement to establish a joint venture for the Banatski Dvor UGS facility to construct and operate the facility with the working gas capacity of 450 million m^3.

On April 1, 2011 Phase 2 of the Haidach UGS facility was commissioned. Its working gas capacity totaled 2.8 billion m^3. At the same time, the volume of natural gas stored by Gazprom in Haidach reached 1.9 billion m^3.

Further development opportunities are under review with the Company's partners on the deployment of new underground gas storages in the Czech Republic, Italy, Romania, Slovakia, Turkey and the UK.

The overall working gas capacity of Russian UGS facilities:

- 2000 – 57.8 billion m^3;
- 2009 – 65.4 billion m^3.

Sulfur pelletizer in Astrakhan

Chapter 6
Gas and Liquid Hydrocarbons Processing

Gazprom Group's processing capacities in 2010:

- natural gas — 52.5 billion m^3 per annum
- unstable gas condensate and oil — 75.4 million t per annum including Gazprom neft — 46.6 million t per annum

Processed in 2010:

- natural and associated gas — 33.6 billion m^3
- unstable gas condensate and oil — 50.2 million t

What companies of Gazprom Group are processing the extracted feedstock?

Gazprom Group's processing segment is made up of gas and gas condensate processing plants, oil refining capacities of Gazprom neft and enterprises of Gazprom neftekhim Salavat.

In the gas processing sector Gazprom Group's aggregate capacities amount to 52.5 billion m^3 of natural gas and 75.4 million t of unstable gas condensate and oil per annum. Gas is processed at six plants: Orenburg Helium Plant, Astrakhan, Orenburg and Sosnogorsk Gas Processing Plants, Surgut Condensate Stabilization Plant and Urengoy Condensate Treatment Plant. The three last-mentioned plants are part of OOO Gazprom pererabotka.

Layout of hydrocarbon feedstock processing and petrochemical facilities

Oil refining in Gazprom Group is performed on the premises of Gazprom neft. The primary company is the Omsk Refinery (installed capacity – 19.5 million t per annum), which is one of the largest and most advanced businesses in Russia's refining sector. The implementation of the Omsk Refinery development program will enable to enhance the quality of its motor gasoline and diesel fuels to the Euro 3, Euro 4 and Euro 5 standards.

Gazprom neft also controls OAO Moscow Refinery (installed capacity – 12.15 million t per annum) and a 50 % stake in OAO NGK Slavneft owning two refineries: Yaroslavnefteorgsintez (installed capacity – 15.2 million t) and D.I. Mendeleyev Yaroslavl Refinery (0.3 million t). Gazprom neft has therefore access to their refining capacities.

In December 2008 Gazprom Group acquired 50 % plus one share in OAO Salavatnefteorgsintez (present Gazprom neftekhim Salavat) – a leader of Russia's petrochemical industry. Gazprom neftekhim Salavat is a unique production complex embracing the full cycle of hydrocarbon feedstock processing, petrochemistry and mineral fertilizer production. The company's oil and gas condensate processing capacities amount to some 7 million t and its product range exceeds 140 items. The companies of Gazprom neftekhim Salavat are linked by raw material, transport and product flows with gas producing and processing subsidiaries of Gazprom.

Gazprom's gas chemicals sector undergoes expansion as part of the creation of the Novy Urengoy Gas Chemicals Facility, which is planned to produce inter alia 400 thousand t of low density polyethylene per annum derived from the processing of 1.4 million t of associated gases per annum at the Urengoy Condensate Treatment Plant.

In 2010 Gazprom's companies processed 33.6 billion m^3 of natural and associated gas, 50.2 million t of oil and unstable gas condensate.

What are the prospects for associated petroleum gas (APG) utilization in Gazprom?

In order to improve the efficiency of gas utilization, minimize environmental and taxation

risks and to benefit from extra volumes of APG and its derivatives sold, Gazprom Group has been tackling the APG utilization challenge since 2008.

The efficient ways of APG utilization at the Group's fields are primarily being developed along the following lines:

- increasing the share of APG produced at oil, gas and condensate fields to be processed jointly with natural gas by means of building extra compressor capacities;
- creating power generating units to produce electricity both for process needs and for delivery into the unified power supply system;
- constructing new gas processing plants and subsequent supply of final products to the existing and projected petrochemical capacities for advanced processing in order to receive high value added products;
- injecting excessive APG volumes into the pay zone to boost oil recovery;
- building gas chemical capacities for APG processing into liquid hydrocarbons in the regions devoid of gas transmission

Derivatives production by major subsidiaries of Gazprom Group in 2010

Stable gas condensate and oil, thousand t	3 828.3
Dry gas, billion m^3	26.2
Liquefied hydrocarbon gases, thousand t	2 311.6
Motor gasoline, thousand t	2 114.3
Diesel fuel, thousand t	1 366.2
Furnace fuel oil, thousand t	377.9
Jet fuel, thousand t	165.7
Sulfur, thousand t	5 154.9
Helium, thousand m^3	4 856.1
Odorant, thousand t	3.3
Natural gas liquids, thousand t	491.7
Ethane, thousand t	384.1
Carbon black, thousand t	31.6
Methanol, thousand t	663.2
Pentane-hexane fraction, thousand t	151.5
Gazprom neft Group	
Motor gasoline, thousand t	7 254.5
Industrial naphtha, thousand t	1 620.0
Diesel fuel, thousand t	11 464.7
Jet fuel, thousand t	2 432.5
Furnace fuel oil, thousand t	7 798.5
Oils, thousand t	367.1
Sulfur, thousand t	95.5
Liquefied hydrocarbon gases, thousand t	807.6

APG utilization by Gazprom Group in 2010

APG volume, billion m^3	6.7
including Gazprom neft	4.4
APG utilization, %	64.1
including Gazprom neft	55.3

infrastructure that is foremost applicable to Eastern Siberian fields.

In 2010 the level of APG utilization in Gazprom Group averaged 64 % (59 % in 2009) with OOO Gazprom dobycha Orenburg, OOO Gazprom pererabotka and OOO Gazprom neft Orenburg fully utilizing APG.

Gazprom neft has developed and implements the Gas Program targeted at achieving a 95 % APG utilization level in 2012. The Company's activity in this direction involves three main regional projects: in the Yuzhno-Priobskoye field, in the Vyngapurovskaya group of fields (the Noyabrsk integrated project) as well as in the Shinginskoye, Urmanskoye, Archinskoye, Nizhne- and Zapadno-Luginetskoye fields (Tomsk integrated project). In 2010 as part of the APG utilization activity the Company made a decision to construct a compressor station and an associated petroleum gas capturing system in the Yuzhno-Priobskoye field allowing to annually convey some 500 million m^3 of gas to the Yuzhno-Balyksky gas processing complex thus reaching the APG utilization level within the field to 95 %.

Does Gazprom have processing companies abroad?

Yes, it does. In February 2009 OAO Gazprom neft acquired a controlling stake in Serbia's Naftna Industrija Srbije (NIS) that owns two refineries in Pancevo and Novi Sad with the total capacity of 7.3 million t of oil per annum.

Gas supplies to Kamchatka started in September 2010

Chapter 7
Gazprom in Russian Market

282.1 billion m^3 in 2001
283.5 billion m^3 in 2002
291.0 billion m^3 in 2003
305.7 billion m^3 in 2004
307.0 billion m^3 in 2005
316.3 billion m^3 in 2006
307.0 billion m^3 in 2007
287.0 billion m^3 in 2008
262.6 billion m^3 in 2009
262.1 billion m^3 in 2010

Gasification level
in the Russian Federation:
54.2% in 2005
63.2% in 2010

How much gas does Gazprom annually supply to companies and the population in Russia?

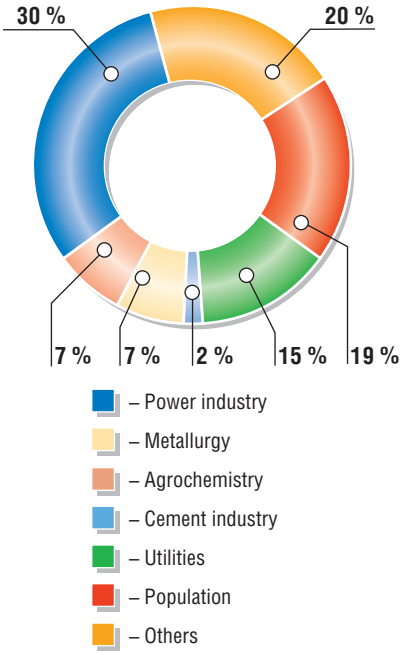
Gazprom's companies sold to Russian consumers 262.6 billion m^3 of gas in 2009 and 262.1 billion m^3 in 2010. A slight reduction versus 2009 is explained by the entry of OAO TGC-1 into Gazprom Group in December 2009. Since then the company's gas sales in the amount of 6.2 billion m^3 were included into the Group's sales.

How does Gazprom decide on the amount of gas to be supplied to this or that consumer?

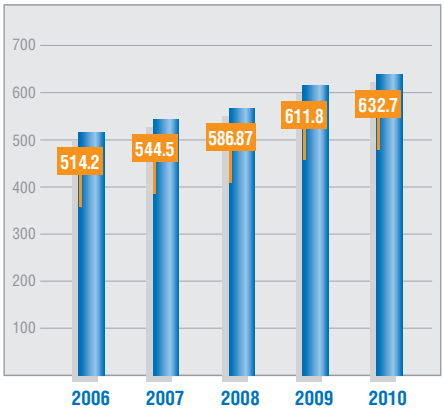
When planning gas deliveries to consumers, the Company relies on OAO Gazprom Gas Resources Allocation Procedure taking into consideration export supplies and independent producers' gas.

In accordance with the said document, OOO Gazprom mezhregiongaz – the major gas trading company in

Gazprom's gas sales to consumer groups in 2009



Length of gas distribution pipelines maintained by subsidiary and affiliated gas distribution companies of Gazprom, thousand km



Gazprom Group – collects consumer requests for gas deliveries over next year. Gas is allocated on the basis of received data.

At the same time, consideration is given to whether consumers have fulfilled their gas payment obligations for previous years. If necessary, Gazprom provides solvent customers with extra gas volumes with due regard to the UGSS technical capabilities and existing international and domestic commitments.

In addition, gas is supplied to new consumers. To secure gas supply, a new consumer files an application form, attaches detailed spreadsheets showing the consumer's heat and fuel requirements, and a final statement of a transportation organization confirming it has facilities and capacity to supply gas. A permit to use gas is issued on account of resource availability in Russia's regions, optimal gas transportation system loading and feasibility of using gas as a fuel.

At what prices does Gazprom sell gas to Russian consumers? How are these prices set?

In Russia wholesale prices for gas extracted and supplied by OAO Gazprom and its affiliates are annually set by the Russian state represented by the Federal Tariff Service (FTS).

The wholesale regulated price for natural gas delivered to industrial consumers in 2010 averaged RUB 2,495.3 per 1,000 m^3 (net of VAT) and RUB 1,860.6 per 1,000 m^3 for gas intended for distribution to population.

Moreover, the Government Directive No.333 of May 28, 2007 entitled Gazprom to supply certain consumers with gas at contract prices with the upper price level fixed by the FTS.

Gazprom receives revenues from gas sales at the wholesale price. Revenues of gas distribution companies conveying gas to consumers via gas

distribution networks are formed through regulated transmission tariffs. Regional gas trading companies receive charges for supply and marketing services rendered.

The wholesale gas prices for the population are set by administrations of the Russian constituents.

Gas pricing for the population has some particular features, i.e. pricing for privileged consumer groups. If there are no gas meters in apartments, charges are calculated on the basis of established standards.

Gas in Russia is the cheapest and hence the most widely used fuel. The share of gas in the primary energy mix of the Russian economy exceeds 50 %. Russia's top-heavy fuel balance threatens national energy security; with gas being as cheap as it is, other fuel alternatives such as fuel oil, peat and coal tend to stagnate. Cheap gas fails to induce efficient utilization of this non-renewable natural resource.

Regulated gas prices are underestimated prices. For many years until 2009 this factor prevented from covering gas production, transportation and marketing costs. Such prices not only hindered the gas industry development but ultimately hampered the formation of an efficient structure of the Russian economy. In fact, the companies subsidized by Gazprom have no stimuli to cut operating expenses due to cheap energy supplies. Energy conservation technologies and new eco-friendly fuels lost the competition due to cheap gas. The Russian economy is currently the most gas-consuming economy in the world. Unlike many industrial countries where gas is mostly consumed by households, in Russia gas is primarily supplied to power generating companies, metallurgical and chemical industries. Moreover, long-term deliveries of cheap gas to Russian export-oriented producers can be viewed upon as unjustified export subsidies.

Thus, for many years the primary sales market – the domestic market – failed to provide funds to the Company's new projects for large-scale field development, capacity upgrade and new gas pipelines construction as well as Russian regions gasification.

Such a situation can hardly be called normal. In view of the above, the Russian Federation Government in recent years has been pursuing the policy of systematically increasing gas prices to an economically substantiated level as well as expanding opportunities of the market based pricing principles application.

What is the Russian gas market structure?

The Russian gas market is divided into a regulated sector and a deregulated sector. Gazprom is the main gas supplier for the regulated sector, while the deregulated sector is mostly supplied by independent gas producing and oil companies.

The regulated market sector currently dominates. The Government regulates:

- wholesale natural gas prices, which apply to natural gas sales by OAO Gazprom and its affiliated companies in the domestic market;
- tariff rates for the services provided to independent producers related to natural gas transmission via gas mains and those related to natural gas transmission via gas distribution networks;
- charges for supply and marketing services.

Independent producers sell their gas at deregulated prices, altogether they meet around one-fourth of Russia's demand for blue fuel. At the same time, the Government stopped regulating the prices of alternative fuels, notably coal and fuel oil, in the early 1990s.

On May 28, 2007 the Russian Federation Government approved Directive No.333 on Improving State Regulation of Gas Prices which proclaims a new pricing mechanism for gas supplied by Gazprom. This mechanism contemplates setting a regulated price ceiling (minimum and maximum price levels) for

different consumer groups. Fixed gas prices set by the Russian FTS are identified as the minimum price levels. The maximum price levels are set forth by the aforementioned Directive of the Russian Federation Government. Excess percentage of the maximum wholesale prices over the fixed regulated prices was set as 10 % since January 1, 2011. The right to determine gas prices within these limits is granted to suppliers and buyers. This pricing procedure is applied to new consumers that sign their first supply contract after July 1, 2007 and to natural gas supplies in excess of the contracted volumes. Long-term gas supply contracts play a crucial role in the Russian gas market development.

Long-term contracts are mutually beneficial both for suppliers and prominent gas consumers. The market based pricing method fixed in contracts will allow, as compared to the current regulated method, for more flexibility in adjusting prices to gas consumption levels by different industries and to seasonal fluctuations as well as consideration, upon agreement with certain consumers, of such factors as price variations depending on the supply schedule, the number of gas offtakes during a day, a week, etc.

The world gas market development experience shows that long-term contracts can steadily guarantee gas deliveries to the consumer and investments necessary for the gas industry development to the producer.

The balance of interests of natural gas consumers and producers in Russia will be achieved in the process of a wider application of market based gas pricing methods along with the state regulation of tariffs for gas transmission services.

The Government decree dated December 31, 2010 No.1205 on Streamlining State Regulated Gas Prices set the task to transfer in 2015 from the state regulated wholesale gas prices to state regulated tariffs for gas transmission via the gas pipelines in Russia.

How are natural gas exchange technologies used in Russia?

The application of stock exchange quotations as market price indicators is one of the main features of a civilized gas market. Past experience shows that 5 to 10 % of the industry output should be traded at an electronic platform for the exchange price to become a benchmark for contract prices.

Between 2007 and 2008 Russian gas market players gained necessary experience in using modern gas exchange technologies at the Electronic Trading Platform (ETP) of OOO Gazprom mezhregiongaz – a trading company of Gazprom.

In essence, the ETP was the first step toward setting up a natural gas exchange in Russia.

During experimental gas sales via the ETP in 2007 and 2008 Gazprom Group and independent producers sold 7.04 billion m^3 and 6.09 billion m^3 of free priced gas, respectively. The bulk of the gas – over 55 % in 2007 and 86 % in 2008 – was purchased by energy utilities.

The trading sessions recorded relatively permanent price indicators – the weighted average price of gas sold via the ETP exceeded the regulated wholesale prices by an average of 36.9 % in 2007 and 38 % in 2008.

Due to the expiry of the experiment term, gas trading sessions at the ETP were terminated on January 1, 2009.

Given the experience gained at the ETP, domestic exchange trading in natural gas on a permanent basis is being considered nowadays.

How does Gazprom undertake gasification efforts in Russia?

Gazprom's participation in the Russian Federation regions gasification is one of the most prominent and socially important aspects of the Company's activity in the domestic market.

From 2005 to 2010 Gazprom channeled RUB 117 billion for the regional gasification. These funds were used to build 1,048 inter-settlement gas pipelines with the total length of over 16,000 km.

As a result, the average gasification level in Russia was raised to more than 63 % between 2005 and 2010.

In 2011 Gazprom is going to earmark RUB 25 billion for the gasification of Russia's regions.

A well adjusted system of interaction between OAO Gazprom and Russia's regional authorities contributes to the successful implementation of the gasification program. This system hinges on cooperation agreements with regions.

In December 2009 a new version of the Concept for the Company's participation in the gasification of Russian regions was approved. It provides for a multi-faceted approach to gasification on account of regional gas resources availability, local production fields development as well as availability of alternative primary fuels including liquefied and compressed natural gas, liquefied petroleum gas.

The Concept divides Russian regions into three groups according to their gas infrastructure development level and contemplates a three-year planning period for the gasification of each region. Furthermore, special attention is given to the gasification of settlements being under-populated and remote from gas mains, which is particularly important in rural areas.

Gazprom's large-scale gasification activities are aimed at achieving the maximum economically viable level of gas penetration in Russia. Being currently among the Company's paramount objectives, gasification of Eastern Siberia and the Far East will be carried out simultaneously with gas production and transmission infrastructure creation in these regions.

Gas supplies to Russia's industrial and household sectors

	2006	2007	2008	2009	2010
Consumers supplied by subsidiary and affiliated gas distribution companies of Gazprom					
Apartments and households, million	25.9	26.1	26.6	26.7	26.9
Industrial facilities, thousand	15.9	16.2	17.6	18.9	19.7
Boiler houses, thousand	35.8	36.4	39.0	40.6	41.4
Utility companies, thousand	173.4	181.8	202.5	211.6	218.2

Gazprom builds up liquefied natural gas sales

Chapter 8
Gazprom in Foreign Markets

Gas sales to Europe in 2010:
148.1 billion m^3

Gas sales to the CIS and Baltic States in 2010:
70.2 billion m^3

Proceeds from gas sales to Europe in 2010:
RUB 1,099.2 billion

Proceeds from gas sales to the CIS and Baltic States in 2010:
RUB 450.1 billion

How much gas does Gazprom sell abroad? What is the share of export in Gazprom's overall sales?

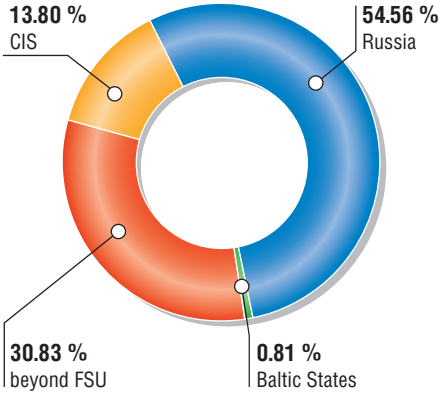
In 2010 Gazprom sold 218.3 billion m^3 of natural gas abroad. Gas deliveries to Russian consumers amounted to 262.1 billion m^3 in the same year.

One could easily figure out that the volume of gas sold abroad amounts to nearly a half of Gazprom's marketable gas.

How much does Gazprom annually earn on gas sales abroad?

In 2010 Gazprom's proceeds from gas export beyond the FSU (net of excise tax and customs duties) equaled RUB 1,099.2 billion, some 0.5 %

Gazprom Group's gas sales structure in 2010



Gas sales to the CIS and Baltic States in 2010, billion m³

Country	Sales volume
Ukraine	36.5
Belarus	21.6
Kazakhstan	3.4
Moldova	3.2
Lithuania	2.8
Armenia	1.4
Latvia	0.7
Estonia	0.4
Georgia	0.2

down versus 2009. Proceeds from gas sales to the CIS and Baltic States were at RUB 450.1 billion, 21.3 % up versus 2009.

What countries does Gazprom supply gas to?

Gazprom is one of the primary suppliers of natural gas to European consumers and accounts for roughly one-third of aggregate gas import to Western Europe. Export deliveries of Russian gas began in the mid-1940s to Poland. In 1967 Russian gas was supplied to Western Europe under a contract with Austrian OMV. In 2010 Russian pipeline gas was fed to 31 countries within and beyond the FSU.

In 2010 Gazprom sold a total of 148.1 billion m³ of gas that is 3 % down versus 2009. As of today, the largest buyers of Russian blue fuel are Germany, Turkey and Italy.

Gas sales to Europe in 2010, billion m³

Country	Sales volume	Country	Sales volume
Germany	35.3	Romania	2.6
Turkey	18.0	Bulgaria	2.3
Italy	13.1	Others	2.1
Poland	11.8	Greece	2.1
UK	10.7	Serbia	2.1
Czech Republic	9.0	Croatia	1.1
France	8.9	Belgium	0.5
Hungary	6.9	Slovenia	0.5
Slovakia	5.8	Switzerland	0.3
Austria	5.6	Bosnia and Herzegovina	0.2
Finland	4.8	Macedonia	0.1
Netherlands	4.3		

In 2010 gas sales to the CIS and Baltic States accounted for 70.2 billion m^3, the 3.6 % rise versus 2009. The largest gas volumes are delivered to Ukraine, Belarus and Kazakhstan.

In February 2009 a new LNG plant was launched as part of the Sakhalin II project (Gazprom holds a controlling stake in the project operator). In 2010 the volume of Sakhalin LNG deliveries reached 1.6 million t (2.18 billion m^3). Furthermore, in 2010 Gazprom Group sold 269 thousand t of LNG on a spot basis. Gazprom supplies its LNG to the markets of Japan, India, South Korea, China, Taiwan and the UK.

What are Gazprom's international partners?

Gazprom's key international partners are: E.ON, Wintershall Holding, Verbundnetz Gas, Siemens and RWE (Germany), GDF SUEZ and Total (France), Eni (Italy), Botas (Turkey), Fortum (Finland), Gasunie and GasTerra (the Netherlands), DONG Energy (Denmark), Statoil (Norway), OMV (Austria), CNPC and PetroChina (China), GAIL (India), Sonatrach (Algeria), Petrovietnam (Vietnam), PDVSA (Venezuela), MOL (Hungary), PGNiG (Poland), SPP (Slovakia) Kogas (Korea), Mitsui, Mitsubishi Corporation (Japan) and transnational Shell.

Under what terms and conditions does Gazprom export gas?

Gazprom exports gas to Central and Western Europe mainly under long-term contracts (up to 25 years) concluded, as a rule, on the basis of intergovernmental agreements. Long-term arrangements are the foundation for steady and reliable gas supplies. Only long-term deals can guarantee the producer and exporter returns on multibillion dollar investments required for the implementation of major gas export projects, and assure steady and uninterrupted gas deliveries for the importer in the long run.

Long-term agreements with major buyers typically contain a take-or-pay provision meaning that the customer agrees to pay for a certain minimum amount of gas even when a lesser amount was physically offtaken. For prominent gas suppliers, such as Gazprom, this is an indispensable guarantee of the buyer's responsibility.

Do Gazprom's export prices differ from those for the domestic gas consumers?

Yes, they do. Export supplies are significantly more expensive. In 2010 Russian blue fuel was supplied to Western Europe at the prices approximately 3.1 times higher and to the CIS and Baltic States – more than 2.7 times higher than those for Russian consumers.

How are Russian gas prices set for the CIS countries?

In 2006 Gazprom completed a transition to the market based price setting principles for gas consumers in all of the CIS and Baltic countries. As a result, gas prices for the CIS region have grown twofold to threefold and are gradually reaching European levels. At the same time, when generating price offers for each country, the consideration is given to a degree of its integration with Gazprom's gas business. Special attention is paid to the development of market based cooperation with the major countries transiting Russian gas to Europe – Ukraine and Belarus. At present, there is a clear differentiation between contracts for gas supply to Ukraine and contracts for gas transit via its territory. The market principles of relationship are fixed in a five-year gas supply and transit contract signed with Belarus.

The transparency of Gazprom's relationships with transit countries is beneficial to all parties and is indispensable for securing the reliability of Russian blue fuel deliveries to European consumers.

What is the basis for a high end-consumer gas price in Europe? Does Gazprom have opportunities to sell gas to end consumers abroad?

The price level for European consumers mainly depends on the cost of gas transmission services. Gazprom sells most of its export gas at the border of the importing country to local distributors that subsequently supply it to end consumers. The end-consumer price includes

the cost of gas transmission via low pressure pipeline networks maintenance of which is several times more expensive than in Russia, plus taxes.

Gazprom's marketing policy provides for optimizing the costs of gas transit to Western Europe and gaining access to the end consumer. For this purpose, the Company is activating various forms of participation in the European gas distribution business.

For instance, back in 1993 Gazprom and German Wintershall established the WINGAS joint venture owning around 2,000 km of pipelines in Germany and Europe's largest Rehden underground gas storage facility with the capacity of over 4 billion m^3. At present, Gazprom holds 50 % less one share in the joint venture. Thus, with an interest in WINGAS, Gazprom effectively owns a stake in Germany's gas transmission networks.

Under the agreement with Eni, OOO Gazprom export, a foreign trade subsidiary of Gazprom, was entitled to independently sell over 3 billion m^3 of gas in the Italian market.

In 2010 Gazprom Group's gas sales to end users of the UK, France, the Czech Republic and Italy totaled 4.7 billion m^3, the 48.3 % rise versus 2009.

Gazprom holds equity stakes in Estonian Eesti Gaas, Latvian Latvijas Gaze and Lithuanian Lietuvos Dujos. Owing to Gazprom's participation in the management of gas companies in the Baltic States, its presence in these gas markets has become more consolidated.

Gazprom's strategy of gaining access to the end consumer is evolving in the CIS market.

ZAO ArmRosGazprom is supplying gas to the Armenian market and selling it to each and every group of end consumers.

Since April 1, 2008 the Company's subsidiary called Gazprom sbyt Ukraine has been supplying gas directly to industrial consumers in Ukraine. In 2010 supplies equaled 3.24 billion m^3.

Average gas sales price
(net of VAT, excise tax and customs duties),
RUB per 1,000 m^3

	2009	2010
Russia	1885.0	2345.5
Beyond the FSU	7216.6	7420.7
CIS and Baltic States	5483.7	6416.5

What impact does the European gas market liberalization have on Gazprom's export policy?

Gazprom's international business activities are carried out in full compliance with the applicable legislation in the countries of Gazprom Group's presence. Recent developments in the European Union legislation aimed at the liberalization of the gas market influenced both organizational issues of the business activities and contracts for gas supplies to the EU member states.

Pursuant to the new regulations Gazprom's companies removed the contract provisions that restricted reselling the Russian blue fuel.

Supporting the EU efforts to shape a single European energy market, Gazprom believes – and major European energy companies share this opinion – that the basic architecture should be comprised of long-term arrangements for blue fuel supply to secure stability, reliability and predictability of the gas market.

European consumers are committed to their long-term agreements with Gazprom. Thus, GDF SUEZ (France) has renewed its gas import contract until 2030, E.ON Ruhrgas (Germany) – until 2035, Wintershall Holding (Germany) – until 2030, Gasum (Finland) – until 2026, RWE Transgas (Czech Republic) – until 2035, Eni (Italy) – until 2035. Contract extensions until 2027 and new arrangements were agreed on with Austrian

EconGas, GWH and Centrex. Contracts were concluded with Romanian Conef Energy for the period from 2010 to 2030, Swiss WIEE for the period from 2013 to 2030, German WIEH until 2027, Czech Vemex for the period up to 2013, Italian PremiumGas up to 2024 and Sinergie Italiane up to 2022.

Gazprom is alert to the legislative initiatives under consideration in the EU and constantly takes part in discussing the issues that may have a negative impact on the natural gas market and impair the situation for all the players. In particular, the proposal to prohibit natural gas suppliers from acquisition of large gas transmission projects in which they frequently invested their own funds causes concern.

This may lead to a lack of funds and an increase in transmission costs and, therefore, have a negative effect on the gas supply reliability.

What place does liquefied natural gas hold in Gazprom's export strategy?

As for new markets, Gazprom's marketing strategy provides for increasing supplies of both pipeline gas and LNG. Gazprom Group has been consolidating its positions in the LNG market since 2005 by spot and swap deals effectuated by Gazprom Marketing & Trading. The total volume of LNG spot sales from 2005 to 2010 reached 4.4 million t (6 billion m^3).

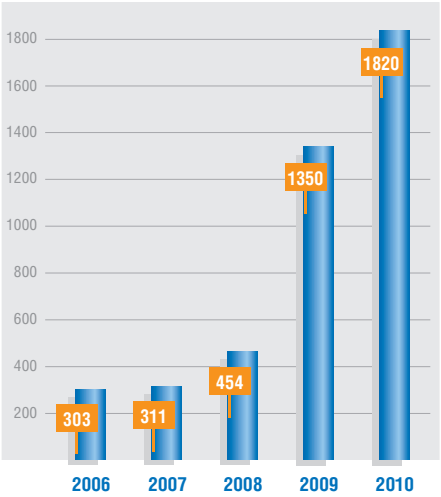
Taking into account the increased scope of LNG trade and marine freight, a special subsidiary company, Gazprom Global LNG, was established in August 2008 to do the LNG business.

Gas transmission system of WINGAS

In order to be an early entrant into the LNG market, OAO Gazprom has studied the opportunities of taking part in the existing LNG projects by means of acquisition or asset swap. In 2007 Gazprom became one of the Sakhalin II project participants. Within the project Russia's first LNG plant was put into operation in February 2009. In 2010 the plant surpassed its nominal capacity (9.6 million t per year) by producing over 10 million t of LNG. The entire output was contracted out based on long-term arrangements. The first carrier containing the Sakhalin LNG arrived in Japan in April 2009. In 2010 the amount of the Sakhalin LNG supplied by Gazprom Group made up 1.6 million t (2.18 billion m^3).

The agreements for LNG supplies from Sakhalin were signed with Shell Eastern Trading LTD and Gazprom Global LNG in April 2009. Pursuant to these agreements, Sakhalin Energy will supply some 1 million t of LNG per year to each of the purchasers between 2009 and 2028. At the same time, a 20-year agreement was signed on supplies of equivalent volumes of Gazprom's pipeline gas to Shell in Europe. The agreement would consolidate Shell's positions in the European gas market and those of Gazprom in the US market, because Shell, in return, will entitle Gazprom's subsidiaries to utilize regasification facilities at the Energia Costa Azul LNG terminal (Baja California, Mexico) as well as gas transmission facilities ensuring gas supply to the South California market.

LNG deals effectuated by Gazprom Group, thousand t



Drilling Rhourde Sayah-2, Algeria's first prospecting well

Chapter 9
International Projects

Projects aimed at developing the transnational Eurasian gas transmission system:

- Yamal – Europe gas pipeline
- Blue Stream gas pipeline
- Nord Stream gas pipeline
- South Stream gas pipeline
- Pre-Caspian gas pipeline

International projects aimed at developing offshore hydrocarbon fields:

- Venezuela
- Vietnam
- India
- Libya
- Bolivia
- Algeria

What gas transmission projects is Gazprom developing in Europe?

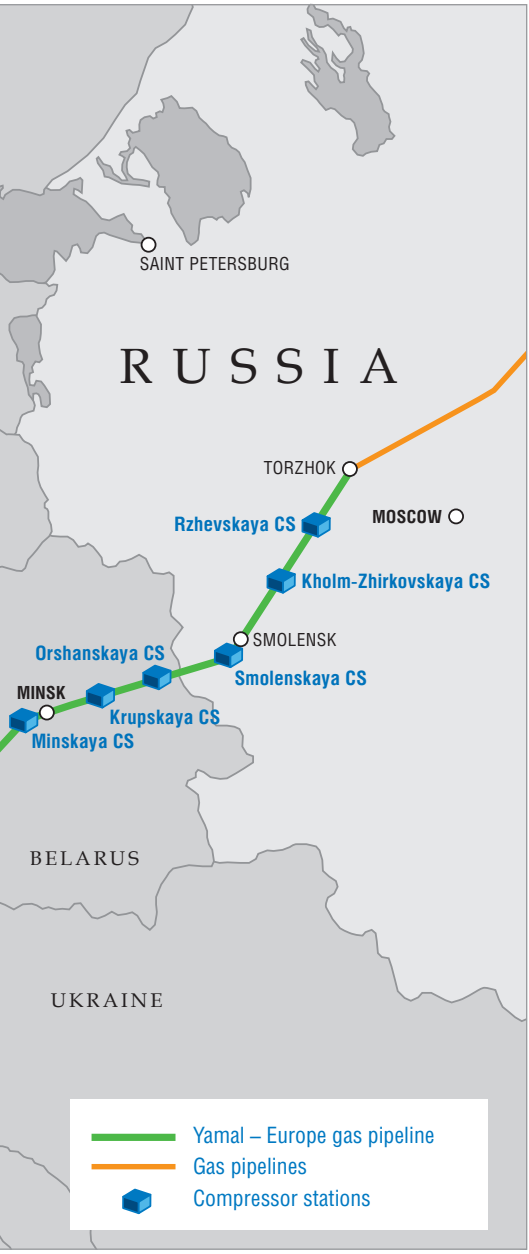
Yamal – Europe gas pipeline

The transnational Yamal – Europe gas pipeline runs across four countries: Russia, Belarus, Poland and Germany. The current overall length of the gas pipeline exceeds 2,000 km. There are 14 compressor stations operational, of which three are in Russia, five – in Belarus, five – in Poland and one – in Germany.

The gas pipeline construction began in 1994 close to the German and Polish borders, and first sections of the pipeline were brought online as early as in 1996.

The German end of the project was overseen by WINGAS, a joint venture between Gazprom and Wintershall. Russian gas arrives at the Mallnow compressor station in the vicinity of the German-Polish border.

Yamal – Europe gas pipeline



The Polish section of the gas pipeline was built by EuRoPol GAZ, a joint venture owned by Gazprom and Polish PGNiG.

Gazprom has become the sole investor and owner of the Belarusian gas pipeline section.

Upon commissioning of the last compressor station in 2006, Yamal – Europe reached the full capacity of 33 billion m^3 per annum.

Blue Stream gas pipeline

The purpose of the Blue Stream gas main is to directly supply Russian gas to Turkey and bypass transit countries. The 1,213 km long gas pipeline consists of an overland and a submerged section. It starts in the vicinity of Izobilnoye, Stavropol Krai and ends in Ankara, Turkey.

The submerged section of Blue Steam is unique in design and construction.

The submerged pipeline rests on the bottom of the Black Sea at depths of up to 2,150 m, i.e. one-third deeper than every known underwater pipeline in the world. Construction was impeded by the unfavorable landscape of the bottom and by the aggressive ground environment saturated with hydrogen sulfide. The submerged section of the pipeline is 393 km long. The gas pipeline was completed in December 2002. In February 2003 commercial gas started flowing through the pipeline. The design capacity of Blue Stream equals 16 billion m^3 of gas per annum.

In 2010 Blue Stream conveyed 8.1 billion m^3 of gas. By April 2011 the total volume of gas supplied via Blue Stream exceeded 59 billion m^3.

South Stream gas pipeline

For the purpose of diversifying natural gas export routes Gazprom is planning to construct a gas pipeline across the Black Sea to South European and Central European countries – the South Stream project.

The gas pipeline will run under the Black Sea from the Russkaya compressor station on the Russian coast to the

South Stream gas pipeline

Bulgarian coast and further on via European countries. The total length of the offshore section will be around 940 km, the maximum depth will reach 2,250 km.

The design capacity of the gas pipeline offshore section will make up 63 billion m^3.

Intergovernmental cooperation agreements were signed with Bulgaria, Serbia, Hungary, Greece, Slovenia, Croatia and Austria in order to construct the pipeline's onshore section. Romania is a potential participant of South Stream.

In January 2008 Gazprom and Eni set up a special purpose entity, South Stream AG, to carry out marketing research and compile a feasibility study of the South Stream project.

In June 2010 a trilateral memorandum was signed for French EDF to join South Stream AG as a new shareholder through a reduction of Eni's share. Meanwhile, the share of EDF will be no less than 10 %.

On March 21, 2011 OAO Gazprom and BASF SE signed the Memorandum of Understanding on the South Stream gas pipeline project stipulating accession of Wintershall Holding GmbH to the offshore section construction.

The Memorandum identifies that Wintershall Holding GmbH will acquire a 15 % stake in South Stream AG, while Gazprom will retain 50 %.

During the project implementation Gazprom and Eni will apply their experience gained in laying the submerged section of the Blue Stream gas pipeline across the Black Sea and utilize up-to-date technologies complying with the most stringent environmental requirements.

Nord Stream gas pipeline

The Nord Stream gas pipeline will run across the Baltic Sea from Russia to Western European countries. Nord Stream will constitute a fundamentally new export route for Russian gas. With no transit countries on its way, the new transnational gas main is distinguished by low country risk and transit costs, while assuring more reliable export supplies of Russian gas.

The project is crucial to diversify export routes and directly link the gas transmission pipelines of Russia with the European gas network.

Nord Stream gas pipeline

Nord Stream will stretch nearly 1,224 km across the Baltic Sea from the Portovaya Bay (Vyborg) to the German coast (Greifswald).

The Unified Gas Supply System elements required for gas supplies via Nord Stream are being constructed by Gazprom itself.

The first joint of the Gryazovets – Vyborg overland section was welded in December 2005. Construction of the Nord Stream gas pipeline in the Baltic Sea started in April 2010.

OAO Gazprom partners BASF/Wintershall Holding and E.ON AG (15.5 % each) and Gasunie and GDF SUEZ S.A. (9 % each) within the project.

Representing the pan-European significance, the Nord Stream project has been included into the list of the top-priority energy projects of the Trans-European Energy Networks. The Russian blue fuel to be carried by the pipeline could be transported from Germany to Denmark, the Netherlands, Belgium, the UK and France.

The major gas customers of the first gas pipeline string will be WINGAS, Gazprom Marketing & Trading, E.ON Ruhrgas, GDF SUEZ and DONG Energy.

Construction of the first string with the throughput capacity of some 27.5 billion m^3 per annum is nearing completion. The second string laying will begin in May 2011. The string will double the project throughput capacity to 55 billion m^3.

The first string is planned for commissioning in 2011, the second one – in 2012.

The budget of the Nord Stream project amounts to EUR 7.4 billion.

Representing significance for entire Europe and constantly attracting public interest, Nord Stream implementation is covered by mass media in detail. Complete information on the project is represented at www.nord-stream.com.

Why does Gazprom purchase gas in Central Asia and Transcaucasia? Will Gazprom produce gas in Central Asia? How is Central Asian gas transported?

As the groundwork for sustainable gas supply at the required level, Gazprom is looking to tap into new fields in various regions, for example, the Yamal Peninsula and the Arctic seas offshore. All these

areas have exceptionally challenging climatic and geological conditions. Gas will cost much more to extract there compared to other regions.

Therefore, Gazprom is seeking to add natural gas of Central Asian origin to its export portfolio in order to enhance the effectiveness of trading operations.

Cooperation between Gazprom and Central Asian gas producers began in 2001 and now covers: gas purchases and transit across Central Asian countries, exploration and production, gas processing at Russian facilities as well as creation and acquisition of fuel and energy infrastructure facilities in Central Asia.

In 2010 Gazprom Group acquired 37 billion m^3 of Central Asian gas, including 10.7 billion m^3 in Turkmenistan, 13.9 billion m^3 in Uzbekistan, and 12.4 billion m^3 in Kazakhstan. Since 2010 purchases of Azerbaijani gas were initiated. By the year-end their amount totaled 0.8 billion m^3.

Kazakhstan

Currently, Gazprom has the strongest partnership in the region with Kazakhstan's national holding company AO NK KazMunaiGaz. Under the Intergovernmental Gas Deal signed between Russia and Kazakhstan on November 28, 2001, Gazprom and KazMunaiGaz established in June 2002 the KazRosGaz joint venture on a parity basis to purchase and market Kazakh gas, process it at Russian processing plants and for other business activities.

In November 2005 OAO Gazprom and AO Intergas Central Asia (a gas transportation subsidiary of KazMunaiGaz) signed a set of medium-term contracts for the transmission of Russian and Central Asian natural gas through Kazakhstan between 2006 and 2010. The contracts provide for utilization of the Central Asia – Center (CAC) and Bukhara – Urals gas transmission systems. In January 2011 the contracts were extended for 2011-2015.

In July 2006 the Kazakh and Russian Presidents signed the Joint Declaration to promote long-term cooperation in processing and marketing of natural gas from the Karachaganak field. On October 3, 2006 the Governments of Russia and Kazakhstan signed the Agreement of Cooperation on setting up a joint venture based on the Orenburg gas processing plant. In furtherance of the document, OAO Gazprom and AO NK KazMunaiGaz entered on June 1, 2007 into the Agreement on Basic Principles for Creation and Operation of Joint Venture Based on Orenburg Gas Processing Plant (Orenburg GPP). The joint venture is focused on providing processing services for hydrocarbon feedstock of the Orenburg Oblast and the Karachaganak field on a processing fee basis. Creating the joint venture on the platform of the Orenburg GPP and boosting Karachaganak gas processing volumes to 16 billion m^3 will help secure the full loading of GPP's all existing and upgraded capacities in the long run. The bulk of processed gas will be destined for Kazakhstan's domestic market and the remaining part – for exports.

In 2008 following the drilling operations executed by OOO TsentrCaspneftegaz (a joint venture between OAO Gazprom and OAO Lukoil), the field named Tsentralnoye was discovered within the Tsentralnaya structure. Its total recoverable reserves account for 101.4 million t of oil, 7.5 million t of condensate and 162.1 billion m^3 of free and dissolved gas.

Pursuant to the Joint Statement by the Russian and Kazakh Presidents dated December 19, 2008 the work is underway to coordinate the draft versions of the Production Sharing Agreement and the constituent documents for a joint venture between OOO TsentrCaspneftegaz and AO NK KazMunaiGaz intended for the project operation within the said geological structure. The said documents were drawn up by TsentrCaspneftegaz.

In September 2010 Russia and Kazakhstan signed the Intergovernmental Agreement on joint geological exploration and investigation of the

The projected Pre-Caspian gas pipeline and the Central Asia – Center gas pipeline

Imashevskoye gas and condensate field. Gazprom was authorized the project operator on behalf of Russia and the Kazakh party was represented by AO NK KazMunaiGaz. Russian sector of this field is located in the non-licensed stock of subsurface resources. Russian side has to hold a tender for the subsurface use right in order to define the subsurface user. After officially settling the domestic procedures required for the entry of the Agreement into force the parties will commence its implementation.

Uzbekistan

Strategic cooperation in the gas industry between Gazprom and National Holding Company Uzbekneftegaz hinges on the Agreement signed in 2002 on long-term purchases of Uzbek gas from 2003 to 2012.

In September 2005 OAO Gazprom and AK Uztransgaz (a sub-holding company of Uzbekneftegaz) signed the Medium-Term Agreement for natural gas transmission through Uzbekistan from 2006 to 2010. In late 2010 the parties signed the Agreement on natural gas transmission via Uzbekistan for 2011-2012.

A pilot project for Gazprom in Uzbekistan's upstream sector was the rehabilitation of gas production from the Shakhpakhty field. Cooperation in this area is progressing under the PSA terms.

A further phase of cooperation may see the development of a larger gas exploration and extraction project in Uzbekistan's Ustyurt region. In May 2009 the Dzhel natural gas field was discovered on the Ustyurt plateau. Once geological exploration is accomplished, Gazprom will have an exclusive right to participate in negotiations with the Republic of Uzbekistan on the discovered fields development under the Production Sharing Agreement terms.

Turkmenistan

In April 2003 Russian President Vladimir Putin and his Turkmen counterpart Saparmurat Niyazov signed the 25-year Agreement for Russia and Turkmenistan to partner up in the gas industry, effective from January 1, 2004 to December 31, 2028. The companies in charge of putting the Agreement into effect are OAO Gazprom and Turkmenistan's national gas trader Turkmenneftegaz. Gazprom export and Turkmenneftegaz followed up with a long-term

contract, spanning the same time period, for purchase and sale of Turkmen gas.

The supplements and amendments to the long-term gas purchase and sale contract between OOO Gazprom export and Turkmengaz State Concern were signed in December 2009. Paused due to an accident at the Central Asia – Center gas pipeline in Turkmenistan, Turkmen gas supplies were resumed in early 2010.

Kyrgyzstan

In May 2003 OAO Gazprom and the Government of the Kyrgyz Republic signed the long-term Agreement of Cooperation in Gas Industry for the period of 25 years.

In January 2006 OAO Gazprom and the Government of the Kyrgyz Republic signed the Memorandum of Intent to establish a Russian-Kyrgyz joint venture in the oil and gas industry. In May 2007 OAO Gazprom and the Kyrgyz Government inked the Agreement on Basic Principles for Geological Exploration of subsurface resources in order to lay the cornerstone for the joint venture operation. In 2008 under the Agreement the Company was granted licenses for geological exploration of the Kugart and Eastern Mailu-Suu IV areas. In July 2008 the Phased Program for geological exploration of subsurface resources in the said areas was approved and in December 2008 Gazprom accomplished geological exploration work.

In October 2008 Gazprom and the Government of the Kyrgyz Republic signed the Memorandum of Understanding to develop cooperation within the privatization of a part of the state-owned stake in Kyrgyzgaz and approved the Action Plan aimed at working out the common principles and major terms for the Memorandum implementation in February 2009.

In February 2011 OAO Gazprom and the Government of the Kyrgyz Republic signed two protocols on resumption and promotion of further cooperation (as part of the Agreement of May 14, 2007 and the Memorandum of October 8, 2008).

Tajikistan

Cooperation between the Government of the Republic of Tajikistan and OAO Gazprom is regulated by the long-term (until 2028) Agreement on Strategic Cooperation in Gas Industry of May 15, 2003.

In June 2008 OAO Gazprom and the Tajik Government signed the Agreement on General Principles for Geological Exploration of Oil and Gas Prospects in the Republic of Tajikistan (Rengan, Sargazon, Sarykamysh, and Zapadny Shaambary). ZAO Gazprom zarubezhneftegaz is the Gazprom subsidiary operating the Company's projects in Tajikistan.

The data obtained between 2009 and 2010 during gravity surveys at the Sargazon and Rengan areas, is being processed at the moment. The rig-up operations at the Sarykamysh area (Shakhrinav structure) are underway.

Thus, a strong contractual and legal framework for strategic cooperation with all of the Central Asian countries has been shaped by now.

Central Asian gas is delivered to consumers via the Central Asia – Center (CAC) transit gas pipeline system built between 1967 and 1985 across Turkmenistan, Uzbekistan and Kazakhstan and running up to the Alexandrov Gai compressor station in the Saratov Oblast.

Pre-Caspian gas pipeline

Additional opportunities to convey natural gas from fields in the Caspian Sea and other locations in Turkmenistan and Kazakhstan to Russia will be provided by the Pre-Caspian gas pipeline.

The agreement on the basic cooperation principles for the construction of this gas main was signed by

Geological model of Berkine Basin

OAO Gazprom, AO NK KazMunaiGaz and Turkmengaz State Concern in September 2008.

The Pre-Caspian gas pipeline will run from the Belek compressor station in Turkmenistan along the Caspian Sea shore through Kazakhstan to Russia's Alexandrov Gai compressor station. The total length of the gas main will be around 1,700 km, with over 500 km running through Turkmenistan and some 1,200 km – through Kazakhstan.

At the first stage the annual gas amount to be conveyed via the gas pipeline is supposed to reach 20 billion m^3:

- up to 10 billion m^3 per year from Turkmenistan;
- up to 10 billion m^3 per year from Kazakhstan.

Russia, Kazakhstan and Turkmenistan will consider an opportunity for building up the transmission capacities of the Pre-Caspian gas pipeline when the gas consumption recovery reaches the pre-crisis level (2008).

What international hydrocarbons extraction projects is Gazprom involved in?

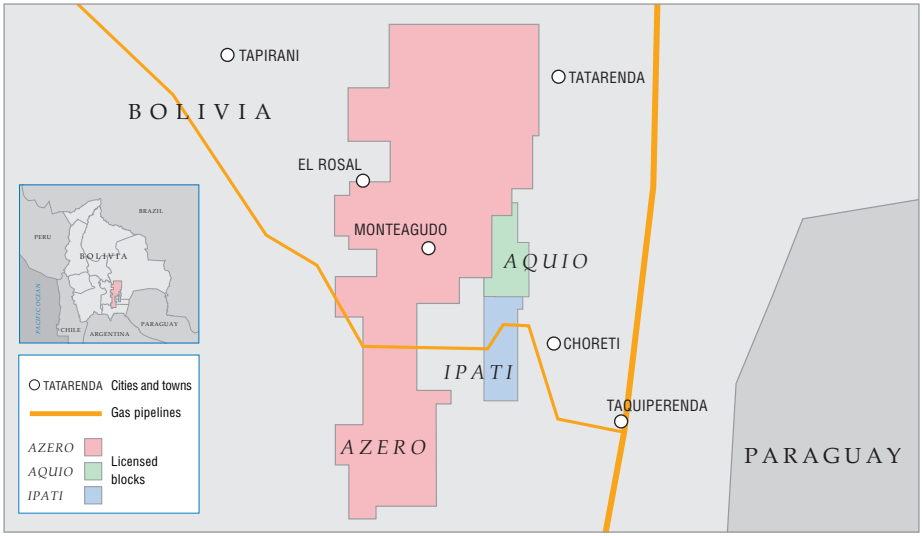
As of April 2011, Gazprom Group holds 17 subsurface use licenses abroad, including 8 licenses for hydrocarbon feedstock production and 9 licenses for geological exploration of subsurface resources.

Indian shelf

In October 2000 Gazprom entered into the Production Sharing Agreement (PSA) with the Indian Government and state-owned GAIL on block 26 in the Bay of Bengal. The block is located within India's continental shelf and belongs to the Bengal Petroleum Basin. The block area is 10,425 km^2 ,water depth – from 40 to 150 m, prospective oil and gas horizons depth – up to 6,500 m. The area is geologically challenging. ZAO Gazprom zarubezhneftegaz acts as Gazprom's agent in implementing the Agreement.

In June 2010 Gazprom drilled the third prospecting well within the Block 26 in the Bengal Bay, India. Thus, the

Azero, Ipati and Aquio licensed blocks in Bolivia



Company fully met its obligations to the Indian party. The activities to complete the project are underway now.

Algeria

In December 2008 Gazprom EP International B.V., a member of Gazprom Group, was announced as the winner of the hydrocarbon exploration and development tender for the onshore El Assel area located in the Berkine Basin of Algeria. Following the tender results, Gazprom signed a contract with Algeria's National Agency for the Valorization of Hydrocarbon Resources (ALNAFT), which came into effect on May 3, 2009.

Gazprom EP International B.V. is the operator of the said project in partnership with Algerian State Oil and Gas Corporation Sonatrach. Gazprom and Sonatrach hold a 49 % and a 51 % stake in the project, respectively.

In March 2010, Gazprom EP International began drilling the first exploratory well Rhourde Sayah-2 at the perimeter of the El Assel licensed block. In November 2010 hydrocarbon reserves were discovered there: the daily production rate from the Ordovician deposits reached some 60 thousand m^3 of gas and 49.38 t of oil.

Vietnamese shelf

Vietgazprom, a joint operating company (JOC) set up by Gazprom and Vietnamese petroleum corporation Petrovietnam, performs geological exploration of block 112 offshore the Socialist Republic of Vietnam pursuant to the Contract of September 11, 2000 that contemplates searching for, exploring, producing and marketing hydrocarbons.

In August 2007 a commercial gas inflow was reported during the first prospecting well testing in Bao Vang as part of geological exploration of block 112 offshore Vietnam in the Gulf of Bac Bo. The discovered field contains gas condensate. In 2009 natural gas reserves were uncapped in the neighboring area of Bao Den.

In October 2008 OAO Gazprom and Petrovietnam signed a 30-year Oil and Gas Contract for blocks 129, 130, 131, 132 offshore the Republic of Vietnam. JOC Vietgazprom will act as the project operator.

On December 15, 2009 OAO Gazprom and Petrovietnam signed an Addendum to the Oil and Gas Contract for block 112. The Addendum makes the terms and conditions of the Contract compliant with the decisions previously taken by the Vietnamese Government on extending the scope of the Contract to cover adjacent blocks and on executing both oil and gas contracts (block 112 and blocks 129 through 132) by a single operator – the Vietgazprom company.

Bolivia

In February 2007 OAO Gazprom and YPFB signed a Memorandum of Understanding. The Memorandum stipulates promoting cooperation in the Bolivian hydrocarbons exploration and development sector, exploring the possibility to join infrastructure projects as well as to train oil and gas sector experts and upgrade their skills.

On February 6, 2009 YPFB, OAO Gazprom and OOO Gazprom VNIIGAZ signed a Memorandum to elaborate the General Scheme for the Bolivian gas industry development until 2030. In March 2010 the project was successfully completed. The results were presented and coordinated with senior officials from Bolivia's Ministry of Hydrocarbons and Energy, and YPFB.

On September 30, 2010 Gazprom Group and French petroleum company Total signed a Farm-out Agreement for Bolivia's Ipati and Aquio blocks exploration project. The equity stake of Gazprom Group in the project will make up 20 %, Total – 60 %, Argentine TecPetrol – 20 %.

The project participants are planning to jointly explore and develop the Ipati and Aquio licensed blocks. According to tentative forecasts, gas production from the field will start in 2013.

Venezuela

OAO Gazprom operates in Venezuela according to the Memorandum of Understanding signed in January 2005 with Venezuelan state-run oil and gas company PDVSA. The document implies the possible participation of parties in joint oil and gas projects.

In 2006 OOO Gazprom VNIIGAZ signed a contract with PDVSA for working out the General Scheme of the Venezuelan gas industry development until 2030 and in 2007 – the Framework Agreement on rendering a wide range of engineering and consulting services. By now, both contracts have been successfully implemented.

In order to execute projects in Venezuela the National Oil Consortium (NOC) was established by the following Russian oil and gas companies: OAO Gazprom neft, OAO Lukoil, OAO NK Rosneft, OAO Surgutneftegaz and OAO TNK-BP holding a 20 % stake each.

NOC and PDVSA set up the PetroMiranda joint venture to develop the Junin-6 block.

In July 2008 OAO Gazprom and PDVSA signed an Agreement on evaluation and certification of the Ayacucho-3 block reserves. In January 2010 Gazprom completed the certification process. Potential development of the Ayacucho-3 block jointly with NOC is being considered at the moment.

In July 2009 OAO Gazprom and PDVSA signed an Agreement on creating the Servicios Venrus joint venture with PDVSA holding a 60 % stake and OAO Gazprom – a 40 % stake. The joint venture provides services at the PDVSA production facilities, particularly installation and repair of compressor stations, cleaning of oil sludge ponds, drilling and overhaul of wells, maintenance of drilling rigs as well as gas processing.

In October 2010 PDVSA and Servicios Venrus signed two framework contracts: on engineering, procurement and construction of the Soto 1 plant for deep fractionation of associated gas; and on engineering, procurement and construction of compression platforms for associated gas produced from oil fields around Lake Maracaibo.

Libya

Between 2006 and 2007 as a result of the tender procedures Gazprom obtained the right to explore and develop hydrocarbons in the promising licensed blocks No.19 (Mediterranean Sea offshore) and No.64 (300 km south of Tripoli).

The projects are regulated by the Exploration and Production Sharing Agreements (EPSA) signed with Libya's National Oil Corporation (NOC). As of the beginning of 2011, seismic survey has been completed and preparations for exploratory drilling have been made for both projects.

In December 2007, following the asset swap deal with BASF, OAO Gazprom acquired a 49 % stake in Libya's oil concessions C96 and C97 owned by Wintershall. These concessions are governed by the agreements effective until 2026. The concessions include nine fields with As Sarah as the largest. In 2010 concessions C96 and C97 yielded 1.92 million t of oil, 0.1 million of condensate and 227 million m^3 of gas.

In February 2011 due to the political unrest in Libya a decision was taken to halt operations on all projects and to evacuate foreign personnel from the country.

Armed hostilities in Libya also caused the suspension of Gazprom's entry in the oil project Elephant.

Pursuant to the Farm-out Agreement for the Elephant project Production Sharing Agreement Gazprom was to acquire a 50 % of Eni's stake in the consortium participating in Libya's Elephant oil field development under the PSA terms, that was 33.33 % of the international consortium.

Gazprom neft was to acquire the stake in Elephant and joint the project.

The parties will resume the negotiations after things settle down in Libya.

Gazprom is also looking into its potential involvement in oil and gas projects in Egypt, Pakistan, Iran and Bangladesh.

In 2010 Gazprom earned RUB 3.662

Chapter 10
Financial Activities

Financial highlights for 2010:

Gazprom Group's earnings (net of VAT, excise and other payments) – RUB 3.662 trillion

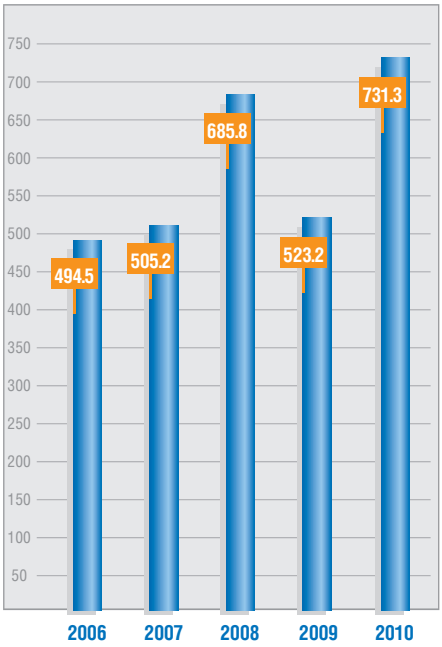
OAO Gazprom's net profit – RUB 775.9 billion

What are Gazprom's annual earnings?
In 2010 Gazprom earned RUB 3.662 trillion.

What was the Company's operating profit in 2010?
In 2010 Gazprom's sales profitability was equal to 28.56 %; return on assets – 4.66 % and return on equity – 5.89 %.

How much does Gazprom pay in taxes?
Gazprom is constantly increasing its tax payments at all levels as required by applicable tax legislation.

Tax payments by Gazprom Group, RUB billion



Thus, in 2005 the Company paid RUB 349.2 billion, in 2007 – RUB 505.2 billion, in 2009 – RUB 523.2 billion and in 2010 – RUB 731.3 billion.

What does Gazprom spend money on?

Gazprom commits multibillion investments into the core businesses, thus securing operational reliability of the huge production and technology complex and rapid development of the Company. Neither the current production programs, nor the strategic projects are feasible without a pro-active investment policy.

Gazprom's investment program for 2011 stipulates capital investments and long-term financial investments in the amount of RUB 729.865 billion and RUB 86.498 billion, respectively.

According to the 2011 Investment Program, capital construction priorities in the production area are pre-development of the Bovanenkovskoye field, the Apt-Albian deposits in the Nyda area of the Medvezhye gas and condensate field, the Achimov deposits of the Urengoyskoye oil, gas and condensate field and other fields.

The gas transmission priorities include construction of the Bovanenkovo – Ukhta and Ukhta – Torzhok gas trunkline systems, the Gryazovets – Vyborg, the Pochinki – Gryazovets and the SRTO – Torzhok gas pipelines.

Funds will be allocated for the projects in Eastern Russia, namely, for construction of the Sakhalin – Khabarovsk – Vladivostok GTS, a gas pipeline to convey gas from the Kirinskoye field to the main compressor station of the Sakhalin – Khabarovsk – Vladivostok GTS, pre-development of the Kshukskoye, Nizhne-Kvakchikskoye and Kirinskoye fields.

The Program stipulates allocation of funds for reconstruction of the key production and transmission assets, retrofitting of UGS facilities, construction and reconstruction of gas processing capacities, prospecting and exploration activities, production drilling in fields.

The Company will sponsor the projects provided for in the governmentally-approved Program for Construction of Olympic Venues and Development of Sochi as a Mountain Climate Resort.

The 2011 Long-Term Financial Investment Plan stipulates, inter alia, Gazprom's participation in the Shtokman and Prirazlomnoye fields development as well as the Nord Stream and the South Stream gas pipelines construction. It is also planned to allocate funds for power generation projects implementation including the Adler CHPS construction.

How does Gazprom spend its money?

While running their businesses, Gazprom's subsidiary companies consume over 600 thousand items of materials and equipment incurring substantial

costs. It is obvious that Gazprom's final operating results directly depend on the procurement strategy efficiency.

The lineup of products required by various gas industry companies is roughly the same. In this context, with a view to moderate the price bargaining power of suppliers, the bulk of materials and equipment should be acquired through a single channel.

In Gazprom Group these functions are charged to a special-purpose subsidiary company – OOO Gazprom komplektatsiya. It is inexpedient, however, to vest this unit with 100 % of procurement, since each member company has its specific features.

Moreover, subsidiaries may have unforeseen needs in this or that product (for instance, in case of emergency), which have to be met in a very prompt manner. That is why, around 80 % of Gazprom Group's current procurement requirements are satisfied via Gazprom komplektatsiya, with the rest acquired by subsidiaries independently.

In October, 2010 OAO Gazprom Board of Directors approved the Guidelines for Purchasing Goods, Works and Services by Gazprom Group. In compliance with the Guidelines, OAO Gazprom Competitive Purchases Department (former OAO Gazprom Tender Committee) should act as a central body for managing purchases in Gazprom Group starting from January 1, 2011.

Tender notices are published on the following websites: www.zakupki.gov.ru and www.gazprom.com (in the Tenders section) and in print media.

While only 3 % of all procurement activities were tender-based in 2004, their share increased to 30 % in 2006 and some 80 % in 2009.

Another crucial fact is that in its procurement policy Gazprom has long been focused on domestic manufacturers. The share of imports in Gazprom komplektatsiya's purchases is on a continuous decline: while in 2006 the purchases from beyond the former Soviet Union accounted for 14.7 % of the overall procurement, in 2010 this figure shrank to 9.5 %. At present, Gazprom acquires abroad mainly unique and unrivaled in Russia products.

Such an approach is favored by Russian manufactures. For instance, Russia's leading machine-building companies supply Gazprom with gas compressor units at a far lower price than for customers abroad.

In recent years Gazprom has been actively developing the practice of tender-based awarding of construction contracts. The contract awarding to construction companies on the tender basis is planned to be gradually increased to at least 90 % for new facilities.

It is worth mentioning that thanks to a focus on Gazprom's promising projects, Russia develops new production capacities and enhances its production technologies. For instance, Gazprom's needs for high-quality large-diameter pipes have triggered their manufacturing at Russia's major pipe plants. It wouldn't be an exaggeration to say that Gazprom's product orders represent effective investment demand in the domestic industry.

Isn't Gazprom's debt burden too heavy?

Gazprom Group's net debt (according to accounting statements prepared in compliance with international standards) as of December 31, 2010 amounted to RUB 870.993 billion.

Although this figure might seem impressive, in fact it is regular for global energy companies.

First of all, repayment is spaced out for many years ahead. Second, no company ever engages in large-scale projects entirely on its own. No pragmatic international lender would give the Company

a cent if they had the slightest doubt about its trustworthiness.

Both domestic and international investors lend eagerly to Gazprom. Even in the crisis year of 2009 Gazprom attracted very favorable investments. Thus, for the first time in its history the Company has issued short-term European commercial papers. This instrument allowed Gazprom attracting investment at the rate over one-half lower than the standard Eurobond rate. Despite the global crisis, in the third quarter of 2009 the Company managed to reverse the trend of its debt growth and to retain this tendency owing to both low costs of attracted investments and a number of other measures. Particularly, the Company is actively developing the centralized cash flow management system that allows for mobilizing internal financial resources, thus reducing a need for loans as well as improving quality of liquidity management. Besides, great attention is paid to Gazprom's projects implementation on project finance terms.

Therefore, as of December 31, 2010 OAO Gazprom's net debt was reduced by 36.5 % versus the end of 2009, i.e. from RUB 1,372.3 trillion to RUB 870.993 billion.

Gazprom was rated at the investment grade level by all the three most reputable international rating agencies: Standard & Poor's, Fitch and Moody's. Thus, the market was clearly informed of Gazprom's steady financial standing.

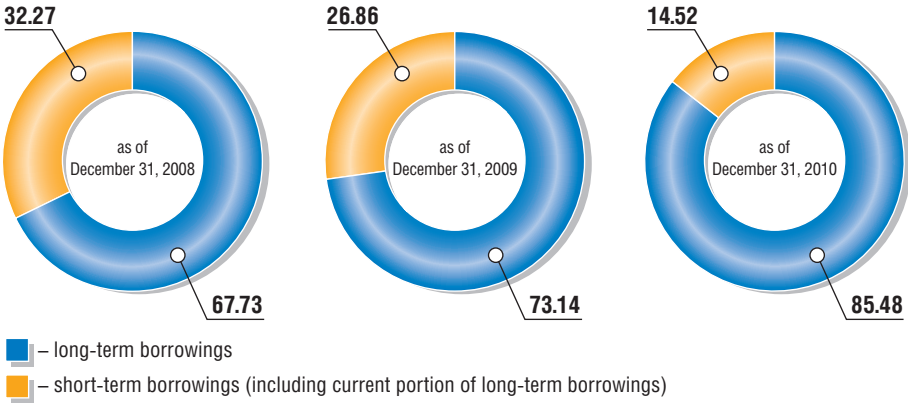
Is it true that many of Gazprom's member companies have no relation to its core business?

Today Gazprom's policy is to stay focused on its core business, i.e. hydrocarbons extraction, transmission, storage and processing as well as the power generation industry development. However, some time ago Gazprom owned a significant share of non-core assets. They were mainly accumulated over the 1990s, when many Russian consumers practiced non-cash gas

OAO Gazprom's credit ratings as of April 30, 2011

Rating agency	Rating	Forecast
Standard & Poor's	BBB	Stable
Moody's	Baa1	Stable
Fitch	BBB	Stable

OAO Gazprom's debt structure by term of borrowings, %



Proceeds from non-core asset sales, RUB billion

	2009	2009	2010
Actual proceeds	**36.2**	**6.9**	**5.1**
including			
those disregarding the Group's in-house deals	34.0	4.2	4.8

payments in securities or other "cash equivalents". By now, non-core assets have almost been sold out. According to the 2010 results, Gazprom earned RUB 5.1 billion on non-core asset sales (RUB 4.8 billion disregarding the Group's in-house deals) by selling assets with poor financial condition and rather low market value. It took two years to finalize the pre-sale activities.

CHPP-21, OAO Mosenergo

Chapter 11
Gazprom in Power Industry

Gazprom's major energy assets:

OAO Mosenergo
OAO TGC-1
OAO WGC-2
OAO WGC-6

The investment program of Gazprom's power generating companies:

over RUB 365 billion

Why is Gazprom taking part in the power generation business?

In order to become a world's leading energy company, Gazprom is to span the entire production chain – from the wellhead to the end user – primary energy carriers and a wide range of final products including electricity.

Gas and power generation business mergers represent a trend nowadays observed all over the world. For instance, the merger of E.ON (energy) with Ruhrgas (gas) and Gaz de France with Suez in Europe resulted in a considerable synergetic effect.

Direct involvement of Gazprom being a prominent energy resource supplier in electric power generation

and distribution projects will eventually enable to normalize Russia's fuel balance, elaborate and implement effective schemes for balanced consumption of coal and gas, thus preventing from wasteful consumption of blue fuel. It is also important that Gazprom's participation in the energy business will allow for the Corporation to enjoy significant economic benefits owing to the introduction of the most efficient schemes of energy supply to production companies of the Group.

Gazprom's conversion into a global, vertically integrated energy company with significant energy assets is needed not only by the Company itself, but by the shareholders as well. Strengthening the Company's positions in the power industry will allow Gazprom to increase the attractiveness of its shares in the market.

What areas of the power sector is Gazprom operating in?

In April 2007 OAO Gazprom Board of Directors approved the Company's Power Generation Strategy. In particular, the document stipulates the implementation of measures aimed at the power sector capitalization increase and related to the following activities:

- acquisition of generating companies;
- construction of new efficient capacities and upgrade of the existing ones to decrease the energy intensity of power generation;
- power distribution business advancement;
- network company development.

What assets does Gazprom own in Russia's power industry?

Between 2007 and 2008 as a result of the power industry reform in Russia and participation in additional share issue by power generating companies, Gazprom Group substantially achieved its strategic goals to enter the power generation business.

The Group consolidated controlling stakes in OAO Mosenergo, OAO Second Wholesale Generating Company (WGC-2), OAO Sixth Wholesale Generating Company (WGC-6) and OAO First Territorial Generating Company (TGC-1).

Generating companies of Gazprom Group possess significant competitive advantages and the companies complement each other in a seamless way.

Mosenergo is the largest generating company in Russia with a high factor of installed capacity utilization. The company is a national leader in state-of-the-art combined heat and power plants commissioning.

TGC-1 is the main generating company in Northwestern Russia. The share of hydropower generation in the installed capacity is 46 %.

Gazprom Group's power generating assets as of January 2011

Company	Installed capacity	
	Power, GW	Heat, Gcal/h
OAO Mosenergo	11.9	34.9
OAO TGC-1	6.3	14.4
OAO WGC-2	8.7	1.6
OAO WGC-6	9.2	2.7
Kaliningrad CHPP (power generating unit No.2)	0.45	0.34
Total	**36.5**	**53.7**

WGC-2 is a generating company with one of the largest shares of gas in the fuel balance. The Company comprises one of the largest gas-fired power plants in Russia – Surgut CHPP-1.

WGC-6 is a generating company with the biggest share of coal in the fuel balance. It holds one of the leading positions among wholesale generating companies by installed capacity.

Power plants of Gazprom Group are located in rapidly developing regions with solvent consumer demand, which guarantees demand for heat and power.

WGC-6 is currently being reorganized in the form of a merge with WGC-2. The supposed merger will lead to creation of the largest heat generating company in Russia with the installed capacity of 17.9 MW allowing to reach a considerable synergic effect through streamlining and centralization of the procurement activities, unified marketing strategy, reduction of redundant functions and personnel in administration, optimization of the investment activity financing as well as through efficient fuel cost management when distributing loads among stations.

Installed capacity of the power plants owned by Gazprom Group's generating companies equals 36 GW or 17 % of Russia's total installed capacity.

Gazprom is the largest owner of generating assets in Russia and listed among top ten leading power businesses in the world.

What is the structure of Gazprom Group's energy assets?

Generating assets of Gazprom are consolidated on the books of a specialized subsidiary company, OOO Gazprom energoholding, established as part of OAO Gazprom Power Generation Strategy. This enables to create an effective management system based on unified corporate standards. Gazprom energoholding is responsible for Gazprom's power generation strategy development (fuel supplies, heat and power marketing, adding new power generation capacities, etc.). The company is also cooperating with state authorities and industry regulators in order to promote a common stance on the principal matters.

OAO Mezhregionenergosbyt is a specialized company responsible for optimizing electric power supplies to Gazprom Group members. The company has branches in 43 Russian Federation constituents and is one of Russia's largest energy traders. In 2010 the company sold over 80 billion kWh of electricity.

The energy facilities of Gazprom Group's gas production and gas transmission companies were leased out to the network operating subsidiary OOO Gazprom energo (except for the facilities within the UGSS). Currently, OOO Gazprom energo is operating over 10 thousand facilities in 44 constituents of the Russian Federation.

How is Gazprom's energy business developing?

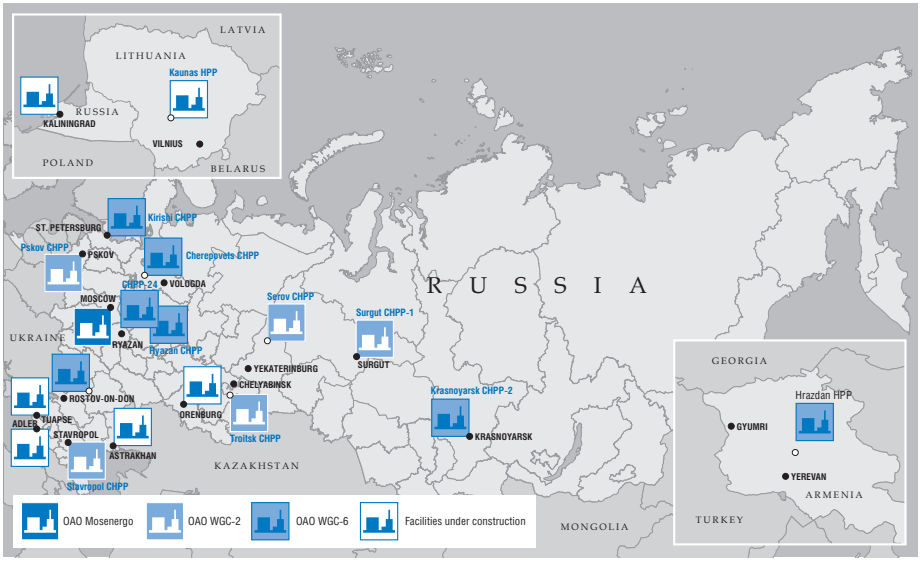
The status of Russia's biggest owner of generating assets is also supported by the large-scale investment program.

Special attention is focused on the projects that help increase the efficiency and aim at new gas and coal-fired generating capacities development. Thus, modern combined cycle power units provide for saving some 30 % of gas versus outdated steam power units.

Investment projects are being implemented with respect to the assumed obligations. The investment program of Gazprom's generating companies in relation to the units covered by capacity supply agreements (until 2016) exceeds RUB 365 billion.

Between 2007 and 2010 Gazprom commissioned 1.9 GW of new capacities.

Power generating companies of Gazprom Group in Russia and abroad



In 2010 capacity creep projects were implemented by OAO WGC-6 (420 MW CCGT-420 at SDPS-24), OAO TGC-1 (Pervomaiskaya CHPP-14 – 180 MW; Lesogorskaya HPP-10 – 30.5 MW; Svetogorskaya HPP-11 – 29.5 MW), OAO Mosenergo (16 MW GTU at CHPP Pavlovsky Posad). A 450 MW second power generating unit was commissioned at Kaliningradskaya CHPP-2.

1.9 GW of new capacity will be commissioned in 2011: 420 MW by OAO Mosenergo, 660 MW by OAO TGC-1 and 800 MW by OAO WGC-6. At that, a new 30 MW hydroelectric generating unit No.2 was already commissioned at the Lesogorskaya HPP of the Vuoksinsky hydroelectric power plant chain in February 2011, the second 450 MW power generating unit was put onstream at the Yuzhnaya CHPP of OAO TGC-1 in April 2011, and a new CCGT-420 was brought onstream at CHPP-26 of OAO Mosenergo in May 2011. Underway is the construction of the Adler CHPP with installed electric and thermal capacity totaling 360 MW and 100 Gcal/h respectively.

The aggregate capacity of Gazprom Group's generating facilities to be commissioned before 2016 is estimated at 8.9 GW.

Upon implementation of the investment program for the units covered by capacity supply agreements (CSA), the total installed capacity of Gazprom Group's generating companies will grow to 44.8 GW.

Capacities of Mosenergo will rise from 11.9 to 13.5 GW, TGC-1 – from 6.3 to 7.8 GW, WGC-2 – from 8.7 to 10.6 GW and WGC-6 – from 9.1 to 10.6 GW. The program for upgrading the obsolete and decommissioning the inefficient equipment is also being developed.

Is Gazprom participating in heat and power generation for the utility sector?

Gazprom Group's heat and power generation business is run by the specialized holding company OAO Mezhregionteploenergo. The holding consists of 25 regional heat companies dealing with hot water supply as well as heat generation and supply. In addition, the

company implements investment projects in the heat and power generation sector of 20 Russian Federation constituents.

Investment programs in the heat and power generation sector are focused on three key areas. Firstly, integrated modernization and upgrade of the existing heat supply systems.

Secondly, construction of heat supply facilities for new community areas and thirdly, provision of energy sources to industrial consumers.

The amount of investments allocated for upgrade and construction of heat and power generating facilities as well as integrated modernization of heat supply systems in populated areas exceeded RUB 35 billion. The investment projects implementation resulted in construction and upgrade of 298 boiler houses, 14 power generating units and 798 km of heat supply networks in St. Petersburg, the Republic of Tatarstan, in the Vologda, Volgograd, Voronezh, Leningrad, Moscow, Orel, Pskov, Yaroslavl, Samara, Tver, Kostroma and Kirov Oblasts as well as in the Krasnodar Krai.

Is Gazprom participating in energy projects abroad?

Gazprom's marketing strategy provides for developing the power generation business internationally. The most favorable markets for Gazprom Group's power generation projects are Western European countries as well as Turkey, Macedonia, Greece and Poland because of capacity shortage and a high price level.

In this regard Gazprom is considering various possibilities for combined cycle power stations acquisition and/or construction in these countries.

Gazprom effectuates electricity deals on foreign trading platforms via Gazprom Marketing & Trading. Gazprom is executing the Hrazdan-5 project to complete construction of the fifth power generating unit at the Hrazdan HPP (Armenia) and install state-of-the-art gas turbines increasing the capacity to 480 MW. Upon commissioning of the power generating unit, Gazprom Group will capture a considerable share of the electricity market in the Republic of Armenia and receive the opportunity to increase electric power supplies to neighboring countries.

Environmental impact mitigation is one of Gazprom's priorities

Chapter 12
Ecology and Energy Conservation

In 2010 Gazprom earmarked
RUB 20.5 billion
for environmental protection

In 2010 Gazprom Group saved
2.7 million t
of fuel equivalent

To what extent does Gazprom adhere to the commonly accepted principles of nature conservation and environmental protection?

Gazprom runs its business in compliance with the environmental legislation of the Russian Federation, commonly accepted international principles and OAO Gazprom Environmental Policy based on such principles.

Environmental impact mitigation and natural resource conservation is a mainstay of OAO Gazprom's environmental activities. This is proved by the fact that

despite the annually increasing scope of operations, the environmental impact made by OAO Gazprom subsidiary companies remains stably low and keeps declining as measured by a number of indicators.

Gazprom pays great attention to preventive environmental protection measures: the Environmental Inspection operates within the Gazprom structure, the corporate draft documents pass Gazprom's environmental expert review.

The Company is implementing the Action Plan of OAO Gazprom's environmental management system preparation for a certification procedure to ensure the ISO 14001 standard compliance. According to the document, environmental management systems meeting the international standard requirements have to be up and running in 29 relevant subsidiaries by late 2012.

In 2010 Gazprom Group's companies proceeded with upgrading and reconstructing production facilities in line with the environmental legislation requirements.

How much does Gazprom spend on environmental protection?

In 2010 Gazprom Group spent RUB 20.5 billion on environmental protection, which is RUB 1.6 billion more as compared to 2009. Capital investments intended for nature conservation and sound environmental management exceeded RUB 7.7 billion. Overhaul of the basic production assets used for environmental protection cost over RUB 1.2 billion. Relevant operating expenses averaged RUB 10.3 billion. Environmental pollution charges came to RUB 1.2 billion.

What are Gazprom's energy conservation initiatives?

Gazprom's energy conservation policy generally aims to reduce gas losses and process gas consumption, enhance and optimize operating modes of process facilities as well as introduce new energy saving technologies.

Through implementation of the corporate Energy Saving Program for the period from 2002 to 2010 Gazprom's fuel and energy resource savings totaled 29.8 million t of fuel equivalent including 25 billion m^3 of natural gas and some 3 billion KWh of electric energy.

The main energy saving effect (over 85 %) was produced by the gas transmission while the economic effect of the activity reached RUB 24.4 billion.

Associated petroleum gas (APG) utilization by Gazprom Group increased to 64 % in 2010 versus 59 % in 2009. In December 2010 the Company adopted the 2011-2020 Energy Saving and Energy Efficiency Improvement Concept and 2011-2013 Energy Saving and Energy Efficiency Improvement Program.

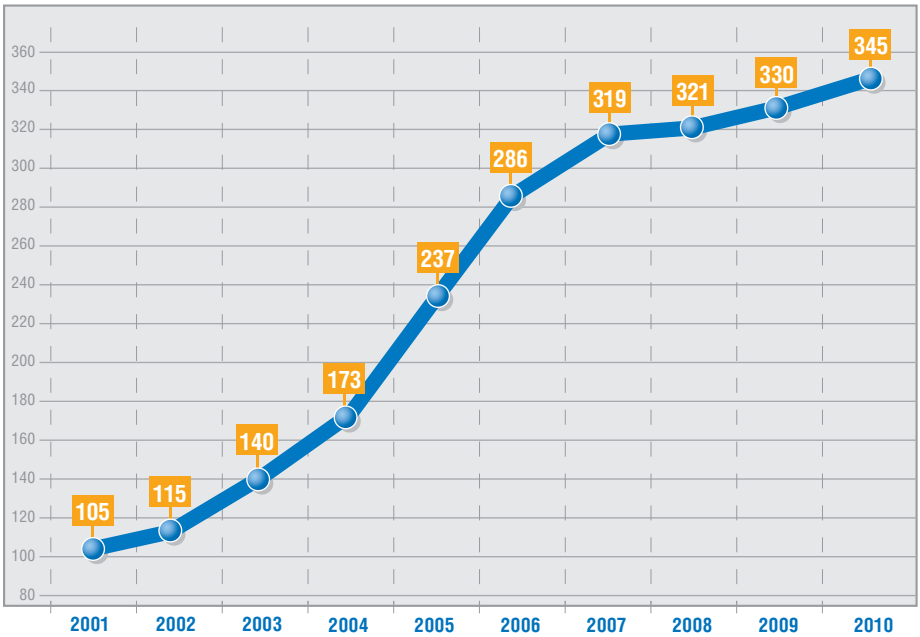
The Concept is primarily aimed at the maximum use of energy saving potential in any activity thus reducing the environmental impact. This objective will be met through cutting-edge technologies and equipment utilization as well as through energy saving management streamlining.

Does Gazprom have any environmental alternative to petrol?

Natural gas represents the most acceptable alternative to petroleum fuels due to its economic, resource and environmental characteristics. Compressed (pressurized) and liquefied natural gas used as a fuel enables to significantly enhance the cost effectiveness of road and railway transport operation and mitigate their environmental impacts.

At present, the Russian fleet of natural gas vehicles is made up of nearly 86 thousand units with 4.6 % held by Gazprom. There are 249 CNG filling stations operating in 58 Russian Federation regions with the overall annual design capacity averaging 2 billion m^3. Gazprom Group owns 206 CNG filling stations with three of them located abroad (two in Germany and one in the Czech Republic).

Marketing of gas as a vehicle fuel, million m³



For over a decade Gazprom has been purposefully working on the promotion of gas fuel in Russia and conversion of various vehicle types to natural gas. The Company is an absolute leader in the domestic gas fuel market that consequently displays apparent and sustainable growth.

Following the decision by the Board of Directors, OAO Gazprom has developed the targeted comprehensive development program for the natural gas filling network and natural gas vehicles. Under the program, it is planned to commission 200 new CNG filling stations and 90 mobile refuelers in 47 Russian Federation constituents.

The program implementation will enable to double the Russian fleet of CNG vehicles, create 1,700 new jobs, substitute around 2.5 million t of petroleum fuel with gas, and reduce overall air pollutants emission by 1 million t of fuel equivalent.

Gazprom to Children program is the Company's major social project

Chapter 13
Social Responsibility

Total number of employees:
over 400 thousand people

Why do they call Gazprom a socially responsible company?

Gazprom's large-scale activities are of strategic significance for the entire country's economic advancement and concern lots of people. Consequently, crucial operating principles of Gazprom Group are as follow: pursuing the public interest, maximally contributing to the socioeconomic development of the Russian Federation regions, stimulating a favorable business climate throughout the country and supporting decent labor conditions, social and spiritual welfare of the people.

In this regard, the Company strives to secure the sustainable development of its business, paying great attention to both the economic and social aspects. Gazprom steadily pursues the following social responsibility principles: creating new jobs, implementing social programs for its employees, placing a focus on sponsorship and charity, taking environment and education related actions.

How does Gazprom follow the social responsibility principles in practice?

Year on year, Gazprom plays a more active role in social support projects by creating new jobs, rendering assistance to economically disadvantaged people, servicemen, World War II disabled veterans, implementing social support programs for indigenous peoples of the Far North, making investments in new production and social infrastructure facilities construction throughout the Russian Federation. Particular attention is traditionally paid to supporting disabled children, orphans and boarding school inmates. The Company annually earmarks funds to build housing, kindergartens, health care centers, etc.

The Company fulfills each and every of its tax commitments. Furthermore, Gazprom is consistent in gasifying population centers in Russia.

In its sponsorship and charitable activities Gazprom is oriented towards reviving the spiritual and national values, supporting culture, sports, education and science, contributing to the sci-tech progress as well as promoting a healthy lifestyle.

Gazprom's Christmas and New Year festivals for children from orphan homes and orphanages of Moscow and the Moscow region have become traditional.

As part of the charitable event OAO Gazprom supported in 2010 the First International Children's Forum "The World Belongs to Us!" held in Avignon (France) and dedicated to the 60th anniversary of the International Children's Day. The Company kept rendering assistance to the Children's Radio.

Throughout many years OAO Gazprom has fruitfully cooperated with the Russian Orthodox Church and other confessions for the purpose of reviving the spiritual and religious traditions. The Company supported the construction of the Life-Giving Trinity Church in Petropavlovsk-Kamchatsky, restoration of the Saint Archangel Michael Church in the settlement of Belousovo, Moscow Oblast, the Church after the Saint Great Prince Vladimir Equal to the Apostles in Sochi and financed the Sanctifier Alexiy film.

For the purpose of preserving the traditions of Russia's multinational culture, promoting folk arts and fostering corporate identity, starting from 2005 Gazprom holds the corporate Fakel Festival bringing together amateur artistic teams from the Company's subsidiaries and partner businesses. In 2010 China hosted the joint Arts Festival among the Fakel winners and creative teams of CNPC. Held as part of the cooperation between OAO Gazprom and China National Petroleum Corporation, the Festival was a success.

Gazprom also holds literature festivals.

In 2010 the Company arranged the Masterpieces amid Masterpieces series of concerts in the Tretyakov State Gallery involving the Rachmaninov Trio, Russian and foreign musicians, opera singers, theater and cinema actors. Under Gazprom auspices the exhibition of the Russian avant-garde artist, Pyotr Konchalovsky was held in State Russian Museum (Saint Petersburg) and Tretyakov Gallery (Moscow), as well as concerts by the National Philharmonic Orchestra of Russia led by Vladimir Spivakov, performances by Moiseev State Academic Folk Dance Ensemble and road tours of the Russian Seasons 21st Century ballet festival of Russian cities.

Within the Year of Russia in France and the Year of France in Russia projects, the Holy Russia arts exhibition was arranged in Louvre (Paris, France) in cooperation with GDF Suez.

Supported by Gazprom, the book by Viktor Baranovsky "The Victory in The Fight for Moscow. 1941-1942" was published on the eve of the 65th anniversary of the Great Patriotic War.

Gazprom is active in supporting the development of the national science and is the founder of a variety of Russia's prominent non-profit research institutions and foundations including the Supreme Engineering Council of the Russian Federation, the Vernadsky Non-Governmental Ecological Foundation, etc. The Company takes part in annually awarding the Global Energy International Prize for outstanding discoveries, inventions and solutions in the energy sector. Joint projects are traditionally implemented with Gubkin Russian State University of Oil and Gas aimed at supporting and developing the national education system.

Gazprom pays special attention to the development of sports, promotion of a healthy lifestyle and actively interacts with the Ministry of Sport, Tourism and Youth Policy of the Russian Federation as well as sports federations.

The Company annually holds summer and winter Spartakiada Games for OAO Gazprom's subsidiary companies as part of OAO Gazprom policy aimed at supporting sports and physical training in the Russian Federation.

Gazprom is a permanent sponsor of the Zenit Football Club and the St. Petersburg Open Tennis Tournament. The Company annually participates in financing competitions in rhythmic gymnastics, volleyball, chess and biathlon.

In September 2010 Moscow first hosted the 30th World Rhythmic Gymnastics Championship supported by Gazprom. Russian female gymnasts won most of the awards in this event. The Company also participated in the All-Russian Forum dubbed Russia is the Sporting Country. The Russian Federation put forward its application on hosting the World Football Championship in 2018 and 2022 with the assistance of OAO Gazprom.

The Company traditionally supports national sports federations, teams and individual athletes (both professionals and amateurs) as well as sports veterans.

What is the nation-wide Gazprom to Children program?

As a traditional backer of children and youth, in 2007 Gazprom launched the largest social project – the Gazprom to Children program.

The program goals include creating conditions for the intellectual, spiritual and physical development of younger generations in a harmonious manner, promoting a healthy lifestyle among the Russian youth, engaging as many children and teenagers as possible in sports, creative teams and amateur art clubs.

To achieve these goals, Gazprom

- builds and upgrades sports facilities, versatile outdoor sports grounds;
- purchases the equipment needed for establishing sports and creative teams, amateur art clubs;
- engages highly-skilled coaches and instructors to train children and teenagers;
- arranges festivals and sports competitions throughout the country.

Considerable efforts are also made under the Gazprom to Children program to develop the creative potential of younger generations.

Along with holding the traditional festive events for children in Russian regions, it is planned to

Educational level of employees of Gazprom Group

	For the year ended December 31,		
	2008	2009	2010
Management*			
higher and post graduate	79.3 %	80.8 %	79.9 %
specialized secondary	18.3 %	17.0 %	15.3 %
secondary	2.4 %	2.2 %	4.8 %
Specialists:			
higher and post graduate	75.8 %	78.7 %	76.9 %
specialized secondary	20.7 %	18.4 %	17.2 %
secondary	3.5 %	2.9 %	5.9 %
Workers:			
higher and post graduate	12.7 %	13.1 %	14.3 %
specialized secondary	25.9 %	26.7 %	27.7 %
secondary	61.4 %	60.2 %	58.0 %

** Including all levels of management.*

significantly increase the number of amateur art teams and clubs that will engage up to 120 thousand children. All of them will have an opportunity to try their skills within the Fakel Festival of creative amateur teams and performers annually held by Gazprom. Every year young athletes may prove their sports achievements at summer and winter Spartakiada Games of OAO Gazprom.

RUB 10.9 billion were spent to construct sports facilities over the Program execution period.

What are Gazprom's programs to support its personnel?

Gazprom employs 400.6 thousand people at the moment. The Company pays paramount attention to ensuring most decent labor conditions, providing a variety of social guarantees, benefits and compensations. Traditionally, continuous support is given to industry veterans, with a focus placed on their well-being.

Social and labor relations of employees and the administration are regulated by labor laws, the Industry Agreement for Oil and Gas Industry Organizations and Construction of Oil and Gas Facilities in the Russian Federation over 2011 to 2013, Industry Tariff Agreement in the power industry of the Russian Federation, the General Collective Agreement of OAO Gazprom, its Subsidiary Companies and Organizations for the period from 2010 to 2012 as well as collective agreements of subsidiary companies and organizations. There are a number of other documents with regard to the education, personnel management as well as health care services to employees and their families.

The most important of them is the Provision on Continuous Vocational Education and Training System for Managers and Experts. 188.9 thousand people received further vocational training in 2010. In addition, Gazprom has adopted: the Provision on Training of Young Experts with Higher and Secondary Vocational Education and their Internships in OAO Gazprom Subsidiary Companies and Organizations, the Provision on Psychological Support to Personnel Management in OAO Gazprom, the Provision on Health Care Services for OAO Gazprom Employees,

Non-Working Pensioners and their Family Members, etc. A crucial social guarantee is payment of extra pensions by Gazfond Non-State Pension Fund.

Developing new oil and gas fields, constructing gas mains in the Far North with a view to improve the employees' operational capabilities and living standards, the Company builds the system of life support, medical and ecological as well as social and hygienic monitoring for Gazprom Group's employees and their family members. In order to enhance the effectiveness and accessibility of medical services, especially in field camps, the Company developed a corporate telehealth network.

In order to ensure financial interest of Gazprom's management staff in the Company's efficient development, in 2006 Gazprom introduced a financial motivation system for the management of OAO Gazprom and its major subsidiaries, which includes an annual bonus system and a program for allocating OAO Gazprom shares as a bonus.

Viktor Zubkov
First Deputy Prime Minister of the Russian Federation, Chairman of the Board of Directors, OAO Gazprom

Alexey Miller
Chairman of the Management Committee, OAO Gazprom

Chapter 14
Management

The Board of Directors administers general management in the Company, save for those matters that are, under the Federal Companies Act, the prerogative of the General Shareholders Meeting.

The Board of Directors assures the advancement of the goals and vision of the Company as set forth in its Articles of Association.

The principal duties of the Board of Directors are to set the Company's development strategy so as to maximize capitalization and investment appeal, to determine the Company's asset management policy and to implement efficient controls over the Company's financial and business performance.

(From the Provision on OAO Gazprom Board of Directors)

The Management Committee is a collective executive body that runs the Company on a day-to-day basis.

The Management Committee contributes to the drafting of the Company's strategies and policies and sees to it that the same are properly implemented; it also oversees compliance with resolutions of the General Shareholders Meeting and the Board of Directors.

The main duties of the Management Committee are to ensure reliable operation of the Unified Gas Supply System (UGSS) and steady gas supply to consumers, to manage the Company's assets so as to maximize returns, to improve internal controls and risk management, and to advocate the lawful rights and interests of the Company's shareholders.

(From the Provision on OAO Gazprom Management Committee)

VIKTOR ZUBKOV
FIRST DEPUTY PRIME MINISTER OF THE RUSSIAN FEDERATION, CHAIRMAN OF THE BOARD OF DIRECTORS, OAO GAZPROM

Viktor Zubkov was born on September 15, 1941 in the settlement of Arbat, Kushvinsky District, Sverdlovsk Oblast.

Education
He graduated from the Faculty of Economics, Leningrad Agricultural Institute.

Viktor Zubkov holds a PhD in Economics.

Professional experience
Viktor Zubkov headed a number of agro-industrial enterprises and specialized departments of local authorities in the Leningrad Oblast.

1992–1993. Deputy Head of the External Relations Committee of the St. Petersburg Mayor Office.

1993–1999. Deputy Head of the Russian Federal Tax Service – Head of the St. Petersburg State Tax Inspection.

1999–2001. Deputy Minister for Taxes and Levies of the Russian Federation – Head of the St. Petersburg Department of the Russian Federation Ministry for Taxes and Levies.

2001–2004. First Deputy Finance Minister of the Russian Federation, Acting Chairman of the Russian Financial Monitoring Committee.

2004–2007. Head of the Federal Financial Monitoring Service.

2007–2008. Prime Minister of the Russian Federation.

Since 2008 – First Deputy Prime Minister of the Russian Federation.

Chairman of OAO Gazprom Board of Directors since 2008.

ALEXEY MILLER
CHAIRMAN OF THE MANAGEMENT COMMITTEE, OAO GAZPROM

Alexey Miller was born on January 31, 1962 in Leningrad.

Education
He graduated from Voznesensky Leningrad Finance and Economics Institute and holds a PhD in Economics.

Professional experience
Upon graduation, Alexey Miller was engineer-economist at the General Planning Division of Leningrad Civil Construction Research and Design Institute (LenNIIproekt under the Executive Committee of the Leningrad City Council).

1990. Junior Researcher, Leningrad Finance and Economics Institute; Section Head, Economic Reform Committee, Executive Committee of the Leningrad City Council.

1991–1996. Head of the Markets Monitoring Division, Foreign Economic Relations Directorate, External Relations Committee of St. Petersburg Mayor Office; Head of the Foreign Economic Relations Directorate; Deputy Chairman of the External Relations Committee.

1996–1999. Director for Development and Investments, Sea Port of St. Petersburg.

1999–2000. Director General of OAO Baltic Pipeline System.

2000. Deputy Energy Minister of the Russian Federation.

Since 2001 – Chairman of the Management Committee, OAO Gazprom.

Deputy Chairman of OAO Gazprom Board of Directors since 2002.

BOARD OF DIRECTORS

Viktor ZUBKOV

FIRST DEPUTY PRIME MINISTER OF THE RUSSIAN FEDERATION, CHAIRMAN OF OAO GAZPROM BOARD OF DIRECTORS

Alexey MILLER

DEPUTY CHAIRMAN OF THE BOARD OF DIRECTORS, CHAIRMAN OF THE MANAGEMENT COMMITTEE, OAO GAZPROM

Alexander ANANENKOV

DEPUTY CHAIRMAN OF OAO GAZPROM MANAGEMENT COMMITTEE

Burckhard BERGMANN

Farit GAZIZULLIN

Elena KARPEL

HEAD OF THE PRICING AND ECONOMIC EXPERT ANALYSIS DEPARTMENT, OAO GAZPROM

VALERY MUSIN

HEAD OF THE CIVIL PROCEDURE DEPARTMENT, FACULTY OF LAW, ST. PETERSBURG STATE UNIVERSITY

Elvira NABIULLINA

ECONOMIC DEVELOPMENT MINISTER OF THE RUSSIAN FEDERATION

Mikhail SEREDA

DEPUTY CHAIRMAN OF THE MANAGEMENT COMMITTEE – HEAD OF THE ADMINISTRATION OF OAO GAZPROM MANAGEMENT COMMITTEE

Sergey SHMATKO

ENERGY MINISTER OF THE RUSSIAN FEDERATION

Igor YUSUFOV

MANAGEMENT COMMITTEE

Alexey MILLER

DEPUTY CHAIRMAN OF OAO GAZPROM BOARD OF DIRECTORS, CHAIRMAN OF THE MANAGEMENT COMMITTEE

Andrey KRUGLOV

DEPUTY CHAIRMAN OF THE MANAGEMENT COMMITTEE, HEAD OF THE DEPARTMENT FOR FINANCE AND ECONOMICS

Alexander ANANENKOV

DEPUTY CHAIRMAN OF THE MANAGEMENT COMMITTEE

Alexander MEDVEDEV

DEPUTY CHAIRMAN OF THE MANAGEMENT COMMITTEE, DIRECTOR GENERAL OF OOO GAZPROM EXPORT

Elena VASILIEVA

DEPUTY CHAIRWOMAN OF THE MANAGEMENT COMMITTEE, CHIEF ACCOUNTANT

Sergey KHOMYAKOV

DEPUTY CHAIRMAN OF THE MANAGEMENT COMMITTEE, DIRECTOR GENERAL OF OAO GAZPROM CORPORATE SECURITY SERVICE

Valery GOLUBEV

DEPUTY CHAIRMAN OF THE MANAGEMENT COMMITTEE

Oleg AKSYUTIN

MEMBER OF THE MANAGEMENT COMMITTEE, HEAD OF THE GAS TRANSPORTATION, UNDERGROUND STORAGE AND UTILIZATION DEPARTMENT

Alexander KOZLOV

DEPUTY CHAIRMAN OF THE MANAGEMENT COMMITTEE

Nikolai DUBIK

MEMBER OF THE MANAGEMENT COMMITTEE, HEAD OF THE LEGAL DEPARTMENT

Yaroslav GOLKO

MEMBER OF THE MANAGEMENT COMMITTEE, HEAD OF THE INVESTMENT AND CONSTRUCTION DEPARTMENT

Vlada RUSAKOVA

MEMBER OF THE MANAGEMENT COMMITTEE, HEAD OF THE STRATEGIC DEVELOPMENT DEPARTMENT

Viktor ILYUSHIN

MEMBER OF THE MANAGEMENT COMMITTEE, HEAD OF THE DEPARTMENT FOR RELATIONS WITH THE RUSSIAN FEDERATION AUTHORITIES

Kirill SELEZNEV

MEMBER OF THE MANAGEMENT COMMITTEE, HEAD OF THE GAS AND LIQUID HYDROCARBONS MARKETING AND PROCESSING DEPARTMENT; DIRECTOR GENERAL OF OOO MEZHREGIONGAZ

Olga PAVLOVA

MEMBER OF THE MANAGEMENT COMMITTEE, HEAD OF THE ASSET MANAGEMENT AND CORPORATE RELATIONS DEPARTMENT

Igor FYODOROV

MEMBER OF THE MANAGEMENT COMMITTEE, DIRECTOR GENERAL OF OOO GAZPROM KOMPLEKTATSIYA

Vsevolod CHEREPANOV

MEMBER OF THE MANAGEMENT COMMITTEE, HEAD OF THE GAS, GAS CONDENSATE AND OIL PRODUCTION DEPARTMENT

Chapter 15
Contacts

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