



RELEASE

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Gazprom largely unaffected by Western sanctions

The Gazprom Board of Directors took note of the information regarding the effect of the Western sanctions on Gazprom Group in 2015–2016 and the corresponding mitigation measures.

It was pointed out at the meeting that Gazprom had in due time assessed the potential effect of the sanctions-related risks on the Group and had taken a number of steps to mitigate possible negative consequences. As a result, the Western sanctions have left Gazprom largely unaffected, including with respect to the execution and extension of existing contracts and the conclusion of new contracts for gas supplies with foreign parties, and have had little bearing on the Company's ongoing activities.

One of the most efficient mitigation measures is Gazprom's continuing comprehensive effort for technological independence and import substitution. The effort is meant to increase the share of domestic products in the Group's production activities and to facilitate the development of Russian equivalents for imported equipment.

Foreign equipment currently accounts for about 5 per cent (pipes – less than 0.1 per cent) of the total procurements made by Gazprom Group. Having imposed strict limits on the procurement of non-Russian equipment, works and services, the Company seeks to diversify its imports by attracting suppliers from the Customs Union, the CIS, Asia-Pacific, BRICS, etc.

Gazprom actively furthers its cooperation with Russian suppliers. Last year, the Company launched a new collaboration scheme for manufacturers based on long-term contracts for the batch production, supply and maintenance of import-substituting products in the amount equal to guaranteed future purchases. Such long-term contracts were signed with TMK and United Metallurgical Company (OMK). Gazprom will receive seamless casing and pump & compressor pipes made of corrosion-resistant materials from TMK and special-purpose high-temperature and heavy-duty ball valves from OMK. In addition, a joint venture was created with Vakhrushev Tomsk Electromechanical Plant in order to implement the project for manufacturing highly reliable blow-off and control valves.

Gazprom continues stimulating national industrial and scientific capacities. Together with 20 Russian regions, the Company has been implementing the Roadmaps for the wider use of high-tech products, including import substituting ones, in the Company's interest. That cooperation has resulted in the development and introduction of a number of modern products, among them wellhead and tree equipment, shut-off and control valves, pumps and compressors, power equipment, telemechanics systems, and adsorbent materials.

The Company creates the conditions for localizing high-technology production in Russia. To that end, Gazprom, Linde, Power Machines, and Salavatneftemash signed the Agreement of Intent to explore the possibilities for joining efforts in manufacturing natural gas liquefaction and processing equipment.

Besides, Gazprom pursues a sound financial policy that secures the Company's financial stability. Gazprom enjoys free access to international capital markets and is able to take out loans on reasonable terms. The Company enlarges the range of its financial

instruments and diversifies loan sources, including through enhancing its cooperation with Asian credit institutions.

Another issue raised at the meeting was related to the compliance of individual Members of the Gazprom Board of Directors with the independent director criteria in accordance with item 109 of the Corporate Governance Code approved by the Board of Directors of the Bank of Russia on March 21, 2014. It was decided to approve Viktor Martynov and Vladimir Mau as independent directors. The directors' formal connections with the state (serving as the heads of state educational institutions), in view of their professional experience, competence, and business reputation, do not impair their ability to make independent, impersonal and fair judgements. Board of Directors Member Timur Kulibaev also fully meets the independence criteria.

The meeting also resolved to appoint a three-member Audit Committee of the Gazprom Board of Directors. The Committee includes Dmitry Patrushev, Mikhail Sereda, and Viktor Martynov as Chairman.

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