

Press Conference
Gas Supply to Domestic Market. Executing Russian Regions Gasification Program
May 20, 2014

MODERATOR: Hello, colleagues. The topic of our today's Press Conference is "Gas Supply to Domestic Market. Executing Russian Regions Gasification Program". Taking part in the Press Conference is Kirill Seleznev, Member of the Management Committee, Head of the Gas and Liquid Hydrocarbons Marketing and Processing Department of Gazprom; Director General of Gazprom Mezhhregiongaz. I yield the floor to him. Then we'll pass on to questions.

KIRILL SELEZNEV: Hello, dear colleagues. I suggest that we start working in our, I'd say, traditional way. At first, I'll say some words about the current situation with Gazprom Group's gas sales. We'll dwell a bit on the main topical issues we face today – that is, the debt. We'll also touch upon the Russian Regions Gasification Program, and after that I'll be ready to answer your questions.

(Slide 1) Today, following the results of 2013, the volume of gas sales from Gazprom Group's resources, as we see in the slide, decreased by 8.7 per cent. Certainly there is a reason, which is the irregularly warm weather throughout the year. Q1 and Q4 were the most critical periods that generally affected the gas consumption. Another factor that has to be mentioned here is, of course, an increase in gas supplies from independent producers.

Nevertheless, the presented slide shows that Gazprom Group's gas sales proceeds have grown by about 4.5 per cent as well as the average domestic price of Gazprom Group's gas has increased. This increase amounted to some 14.5 per cent. The sales structure shown in the slide hasn't undergone any fundamental changes. Basically, it is the structure which we maintain from year to year.

(Slide 2) All the data on the Gazprom Mezhhregiongaz Group sales are also represented in the slide. Our specific sales volumes are way better than Gazprom's, but, anyway, there is an 8.9 per cent drop. The conditions and reasons are the same.

I would also like to point out the gas sales to the socially significant consumer groups within 2013 gas supplies – the socially significant consumer groups accounted for 30 per cent of the volume. You can also have a look at the increase in gas price, at the corresponding income growth from the sales of Gazprom Mezhhregiongaz Group in compliance with the Russian Government Decree No.333.

(Slide 3) I will dwell on the gas market development. Together with the Russian Ministry of Energy we go on creating the tools for organized gas trading. Renewing the bidding will allow us to get the market indices essential for improving the gas pricing system. This slide shows the specific measures and our proposals that were submitted to the relevant ministries and agencies.

(Slide 4) Now some words about the debt. There is no doubt that it is one of the major problems and tasks we are facing and are to resolve. You can observe the increase in the overdue debt; it totaled RUB 27 billion in Q1 2014 for the socially significant consumer groups alone. About 75 per cent of overall debts are owed by the socially significant consumer groups. In addition, this slide shows the overdue debt by the population, utility sector, power industry and other consumer groups.

(Slide 5) I'll say some words about the debt of the utility sector in particular. As of April 1, 2014 it totaled RUB 46.2 billion. It is our main problem we are focused on. The reasons for it are also quite well-known – intermediaries represented by the managing companies within the chain of heat payments from the population; the so-called deliberate bankruptcy of private operators, of heat generating facilities. The absence of economically justified heat rates in the regions is also worth mentioning. It is caused by rather outdated, worn and inefficient heat generating equipment and heating networks.

You can also see here the debt level and debt paid by different regions. The Moscow Region “tops” the list. We've recently announced that we suggested that the Moscow Region should find another gas supplier for the organizations in debt, because the increase in debt was just a disaster for us. Apart from the Moscow Region, we forwarded the same proposals to the Tver and Yaroslavl Regions.

(Slide 6) Some information about the overdue debt of the power generating companies. 57 per cent of debt of the power generating companies accounts for the TGC-2 debt. It is the problem we are working on, and this work is rather hard. We do not find understanding with TGC-2, but we still go on acting within the effective legislative processes and legal framework.

The rest of the power generation industry debt is not critical for us, mostly it is a carryover indebtedness. In general, we are rather successful resolving the issues of this part of indebtedness today.

(Slide 7) I can't but mention the debt of the public entities – it totals some RUB 6.5 billion. 83 per cent of this debt accounts for the debt of the Russian Ministry of Defense entities. The main reason for this is unclear for us. Why did it happen? Since January 2012, the Ministry of Defense refused direct agreements with gas suppliers. We believe that this is one of the reasons not only for the debt creation, but also for its growth.

(Slide 8) This slide represents the overdue debt of the population in the Russian regions. Traditionally 80 per cent of the population debt accounts for the regions of the North Caucasus. As to solving this problem, we are elaborating the issue of switching some regions from network to cylinder gas. You don't pay in due time – you do not get your gas cylinder. There is still a long way to go in terms of solving this problem, but, nevertheless, we have some ideas and thoughts and we are starting to work on this issue with the authorities of these regions.

(Slide 9) In spite of rather heavy debts, I would like to draw your attention to the activities we carry out in order to improve the gas payment discipline. Here you can see the number of claims, bills, judgements in 2013, the amount of debts recovered and assigned – it provides a clear understanding that rather active efforts are being carried out, though these issues remain thorny for us. Unfortunately, owing to different reasons we can't recover 100 per cent of debt under the current legislation.

(Slide 10) Now let's move on to the last part of my brief account, which is the gasification of Russian regions. This slide provides the information by years. As you can see, from 2005 to 2013 the volume of investments totaled some RUB 214 billion. It also shows the gasification rate of the Russian regions. The general rates throughout the country can be observed as well as the rural and urban gasification rates.

(Slide 11) One of the main problems of implementing the Russian Regions Gasification Program has been and probably will remain the regions' failure to meet their obligations and non-payments for gas. In its turn, this led to reducing the investments into the gasification program

by 18.6 per cent in 2014 already. This slide shows the regions which fail to meet their obligations. If you look at this table, you'll see that we even have some 'leaders' here, such as the Arkhangelsk Region, for example, which hasn't been fulfilling its obligations since 2006.

In addition, this slide contains the information that we had to cease gasification financing of the regions which either do not meet their obligations for consumer preparation or have debts for the supplied gas. But as experience shows, most likely both factors are involved.

I'm done with my report. Thank you for your attention. I'm ready to answer your questions.

QUESTION: Hello, Mr. Seleznev. Mikhail Konyshov, Vyatka State Television and Radio Broadcasting Company, Kirov. First, I'd like to express my gratitude. Thank you for the Bystritsa water sports palace constructed within the Gazprom for Children program. It is a very useful and important facility for children's sports development in the region.

And a question which they pose, inter alia, to the Head of the region Nikita Belykh during live phone-ins. When will gas come to the Kumeny District? According to the specialists, the problem is that there is no Kumeny gas distribution station. When will it be constructed and what has to be done in this respect by the Regional Government and Gazprom's representatives in the Kirov Region?

KIRILL SELEZNEV: That is true, during this period of time we've really established rather close and sound cooperation with the Kirov Region Government – both in terms of paying for gas supply and fulfilling the obligations incurred.

Gazprom Mezhrefiongaz in its turn fulfills all the obligations incurred. Gazprom's Investment Program for 2014 (and it is within Gazprom's sphere of competence) doesn't include the GDS construction. While we have a synchronization schedule signed with the Region and there is also the General Gas Supply and Gasification Scheme up to and including 2015, we expect that by late 2015 all the synchronization obligations – both of Gazprom Mezhrefiongaz and the Regional Government – will be fulfilled and these areas will receive gas by the 2015–2016 heating season.

QUESTION: Good afternoon. Alexander Kalinin, Vice President for Energy, Opora Rossii non-governmental organization. Over the recent two years we've managed to have a new article included into the gas supply law last April, stating that the access to gas distribution networks was from then on regulated by the Government. On December 30 the Government issued a Decree on the Rules of Access to Gas Distribution Networks. Presently, the guidelines for calculating the cost of access to gas distribution networks, devised by the Federal Tariff Service were submitted to the Ministry of Justice. Then, within about two weeks after their approval the regions will have to work out their own prices for the access to gas distribution networks. We've also succeeded in providing reduced prices for the population consuming up to 5 cubic meters an hour and businesses (up to 15 cubic meters an hour) – no more than RUB 50 thousand for an access, provided that the pipe is 200 meters away. We understand that it is a kind of a revolution...

MODERATOR: What is your question?

ALEXANDER KALININ: Here is my question. There will be a shortfall in income of the gas distribution stations, for example. How do you plan to build your relationships with consumers in this respect? What will the investment sources be and do you see any prospects for improving

gas supplies? In our opinion, the gas price is very low, and we need to have a joint discussion on increasing it.

KIRILL SELEZNEV: I'll start with answering the first part of your question. In respect to the sources and the so-called shortfalls in income while providing access to the privileged consumer groups – you've said it yourself that the Federal Tariff Service (FTS) was presently engaged in devising these prices. Therefore, we'll be able to study them more closely and in detail once they are defined. Anyhow, our tariff for the gas provider, fixed by the FTS, is well-balanced and includes not only providing access for the new consumers but also costs for personnel, maintenance and operation of gas distribution facilities. So we believe that the tariff will be well-balanced and the Federal Tariff Service will also be able to account in this tariff for the costs of providing access to the so-called privileged consumer groups.

As for the second part of your question, I fully agree with you. We also think that the current gas price is underestimated; it is more than three times less than that for the European consumers. It provides for some favorable conditions for the Russian industry and Russian business and we should make use of it. We are also quite interested in the Russian gas price being fair and just.

QUESTION: Good afternoon, Mr. Seleznev. Alexander Ustinov, TV-7 television channel, Vologda Region. I will ask all the questions at once, if I may. Firstly, how do you estimate the level of the gas payment discipline in the Vologda Region? What do you blame on the drastic increase in the overdue debt? Why, in your opinion, is the agreement between Gazprom and the Vologda Region Government for debt settlement not being executed and how can all this influence regional gasification in future?

KIRILL SELEZNEV: Thank you for your question. I've actually already noted it for all those who had questions that there were two factors that influenced Gazprom's cooperation with this or that region. Firstly, it is payments for supplied gas. Secondly, it is fulfilling the obligations incurred under the gasification program, namely consumer preparations.

The current situation in the Vologda Region is the following: by April 1 the overdue debt totaled RUB 1.131 billion, which we consider rather a substantial amount. The volume of investments into the Vologda Region gasification program in 2014 is a bit more than RUB 300 million. We wouldn't have allocated any funds at all, but we already have gasification facilities under construction that shall be completed. We also hope for a constructive dialogue with the regional authorities. We began designing the gasification facilities which are of vital importance and necessity to the region. That is why we are going on with our activities, but you should understand it pretty well that with such a level of overdue debts the increase in gasification and cooperation within the Gazprom for Children program are out of the question.

QUESTION: Vyacheslav Sukhanov, the Kommersant-Prikamye newspaper. Within my knowledge the Perm Territory entered your 'top'-twenty list for the first time, being the eleventh right away. Could you, please, say why such a level of payments (41 per cent) there and how you communicate with the regional authorities to resolve the issue? Thank you.

KIRILL SELEZNEV: You see, there is a first time for everything, and the Perm Territory entered the top-twenty list. The situation is getting worse this year, but I would like to point out two factors. Firstly, several regions showed a downward trend in terms of payments for gas supply. And the second aspect, I'd like to note that it hasn't been too long since the end of the heating season, and there is such a common practice in the regions when during the summer-autumn period, before the start of the next heating season, the regions pretty much pay off the

accumulated debts. It is mostly due to the schedule of payments for utility services by the population and other consumers.

We carry out rather active and consistent activities in the Perm Territory but the overdue debts can't but dispirit us. Today it amounts to over RUB 2.8 billion. Nevertheless, we cooperate with the Perm Territory both in gasification and heat power engineering. Less than a year ago we established a heat and power company. Now we are engaged in the dialogue with the regional authorities on what facilities we could upgrade and retrofit in terms of heat and power systems as well as on how and at what rates we could get returns on our investments.

In addition, our subsidiary Gazprom Gazenergoset has been for quite a while implementing and plans to complete by the year-end a project for the autonomous gasification of several districts of the Perm Territory with liquefied natural gas. The volume of investments totaled, if memory serves me, some RUB 2 billion. But anyhow, there is overdue debt and we are working on it; this year's volume of investments totals some RUB 550 million. The situation is similar to that in the Vologda Region. These funds were allocated for completing the construction of the gasification facilities already underway and for design activities. In August we traditionally sum up the results of activities related both to gasification and the overdue debt. Depending on these results we adjust our plans for gasification and work within the Gazprom for Children program: either upwards, if we see that the situation recovers, or downwards. Therefore, it is all up to the region.

QUESTION: Ilona Vasilieva, Pskovskaya Lenta Novostey Internet portal. Mr. Seleznev, according to your forecasts, when can be the Pskov Region gasified, at least the District centers? How are your relations with the regional authorities shaping up in this context?

And my second question. Since we are situated close to Europe and communicate with our most approximate neighbors, some of our locals suspect that gas prices for ordinary consumers in Russia and those for our neighbors differ and not to our favor. Is that really so?

KIRILL SELEZNEV: I will start with the second part of your question. As I've already mentioned, the gas prices in Europe and those in the Russian Federation domestic market differ more than threefold. The average weighted price of gas supply to Europe this year totaled some USD 387, whereas the average Russian price equaled RUB 3 340. So, the price is more than three times different. I don't know with whom the residents of your region communicate in the neighboring regions and countries, but they are wrong.

As for the complete gasification of the Pskov Region District centers: you know, we do not set ourselves a task of gasifying the region to 100 per cent. It all depends on the economic necessity and the energy balance that we calculate and approve together with the regional authorities and basing on which we devise the regional gas supply and gasification schedule for a period of three to five years. Everything that has been included into the schedule devised and approved by the regional authorities and Gazprom's executives and which is economically viable will be completed within this timeframe. That which hasn't been included into the schedule is also being worked on jointly with the regional government. Maybe we'll introduce autonomous gasification in some District centers where it is most feasible.

I also can't but mention the consumer debt of the Pskov Region – today it equals RUB 461 million, that is why work with the regional government should be primarily aimed at resolving this issue.

QUESTION: Pyotr Slizevich, Volzhskaya Kommuna newspaper, Samara Region. Mr. Seleznev, I have two questions.

The first question. Is Gazprom Mezhhregiongaz planning to act as the investor into the construction and upgrade of gas networks in Samara in connection with the 2018 World Cup? Are there such plans?

And my second question. The Samara Region Governor announced that starting with September the licensing of managing companies would begin, aimed at ousting dishonest companies from the market and keeping those which wouldn't resort to such tricks as deliberate bankruptcy, etc. Therefore, company audit will be performed, in which, as the Governor has promised, qualified professionals would take part. Is Gazprom going to take part in this process as well, since you are a very concerned party and you have a great number of qualified professionals in audit?

KIRILL SELEZNEV: Thank you for your question. We have a great number of qualified professionals not only in audit. Though it doesn't mean that we'll be engaged in the activities in all the areas for which we have enough qualified professionals. So, with regard to this part of your question I can say that we do understand that these licensing activities are really in our interest and we do our best to support them.

Since this issue of dishonest companies is rather profound, in addition to licensing we'd think it necessary to submit our proposals on the legislative level. We submitted our requirements for the minimal equity capital of the managing companies in order to increase their responsibilities. These, certainly, include licensing and insurance as well as provision of financial guarantees. These are the measures that will help us if not to avoid, at least to considerably mitigate the current risks related to the failure to perform the obligations primarily to the gas suppliers.

We won't take part in the audit. I suppose that there are enough qualified professionals both in the regional administration and in the companies that will perform the audit. As for the first part of your question, I can say that we didn't plan to act as investors and develop the gas supply system due to the FIFA World Cup. There are no such plans today but the volume of investments into the Samara Region will amount to over RUB 1 billion already in 2014. In addition, while being at this stand, I'd like to draw your attention to the regional debt. At present it exceeds RUB 2 billion. It is also the issue yet to be tackled.

QUESTION: Lyudmila Kovalevskaya, the Stavropolskaya Pravda newspaper. Mr. Seleznev, I have a question that may also be of interest to other regions. On the threshold of celebrating the 70th Anniversary of the Victory Day the heads of some municipal districts in the Stavropol Territory suggest that the regional gas company should maintain the Eternal Flame at war memorials for free. Is it possible and what is your attitude to such requests from the local level?

KIRILL SELEZNEV: In general I can say that Gazprom deeply respects the memory of the defenders of our Fatherland. We totally support this initiative, our gas distribution companies take active part in this program – we can say so today. Over a hundred gas distribution companies have completed construction & installation activities as well as repairs of more than 830 memorial facilities. In relation to the Stavropol Territory we can do it under the donation agreement, but we must have a clear understanding of what municipal district it is and it should appeal to us with the said initiative. In our turn, we are ready to consider this initiative and with respect to the financial state and potential, we could look for the ways of solving this issue either through the regional gas company or through the gas distribution company. Though I can assure you that we are engaged in these activities not only in the Stavropol Territory, but across Russia, too. We'll scrutinize all the requests and will do our best to make advances and provide support.

QUESTION: Good afternoon, Roman Romanyuk, Expert Severo-Zapad magazine. Mr. Seleznev, the Leningrad Region is not on the list of your major debtors, and basically your

regional development plans are rather extensive. Are they being changed anyhow due to the adjustments in the development concept of the Leningrad Region areas adjacent to St. Petersburg? The fact is that a program is being devised for developing certain industrial and other zones. Are you engaged in any joint work with the Leningrad Region or St. Petersburg in this connection? Are there any challenges?

KIRILL SELEZNEV: The existing gas supply and gasification schedules are not a dogma. It's just a document we adhere to within a certain timeframe. Anyhow, from time to time we adjust the gas supply and gasification schedules when such a necessity occurs. You were absolutely right saying that it depended on the changes in the regional energy balance and the regional development plans. We do the same work in the Leningrad Region. As you know, the gas branch to Priozersk was constructed. Currently the construction of two gasification facilities has been completed. This year's volume of investments into the Leningrad Region gasification program is around RUB 500 million. Of course, there is a debt for gas supply in the region, too. We agreed with Alexander Drozdenko, Governor of the Leningrad Region that in August we'd review how the Region coped with the payments for gas supply, debt settlement, how the Region advanced in meeting its obligations under the synchronization schedule. As soon as this August we'll decide on possibly increasing the investments into gasification.

We also intensively cooperate with the Leningrad Region Administration under heat and power programs. We've achieved rather a successful result in our cooperation with the Leningrad Region – it is our Peterburgteploenergo company. About five city districts have already been reconstructed under this program. We are planning to employ the same practice and reapply the same model to developing and reconstructing the heat and power system of the Leningrad Region – we've already agreed it with the regional government.

QUESTION: Hello. Ksenia Anisimova, Vesti-Yaroslavl. Mr. Seleznev, the Yaroslavl Region is one of the three regions where requests were sent to arrange gas purchases for non-payers from third-party suppliers. My question is, why did Yaroslavl enter that top-three list? Is there any response on the part of the companies? To how many companies were such requests sent?

KIRILL SELEZNEV: The reason for entering the list is the same. It is due to pretty high debts for supplied gas, moreover, it's not only the issue of TGC-2 which is not a state-funded company, but there is also rather a high overdue debt of the companies either under the regional administration or different municipal districts. We pursue a stringent policy, and the investments into the Yaroslavl Region gasification are cut to the minimum. The same applies to our cooperation within the Gazprom for Children program. Therefore, Gazprom will not continue the cooperation with the Yaroslavl Region until the situation is not remedied.

QUESTION: Maria Rumyantseva, Interfax Information Agency. Mr. Seleznev, I have several interrelated questions. Have Gazprom concluded the gas purchase agreements with SeverEnergiya for all gas from all the fields? If you have – what is the price, how much higher or lower is it than that of the FTS?

One more question: how much gas will Gazprom purchase from SeverEnergiya in 2014?

KIRILL SELEZNEV: We signed an agreement with SeverEnergiya for purchasing all the gas volumes through to 2040. I will not disclose the commercial terms of this contract to you, I can only say that the price is lower than that of the FTS.

QUESTION: Maria Tatevosova, ITAR-TASS. Mr. Seleznev, a new region appeared in Russia – the Republic of Crimea. Will it be included in the next year’s gasification program? Were the preliminary assessments made of the regional gas facilities network?

KIRILL SELEZNEV: Here is what I can say about this region. At present it is Chernomorneftegaz that supplies gas and develops gasification there. I’ve no other comments. Presently we do not have any plans for the Crimea gasification. We’ll see what happens next year. It is not included into this year’s gasification program.

QUESTION: Denis Pinchuk, Reuters Information Agency. Mr. Seleznev, could you, please, tell us how much gas you are planning to purchase from the independent producers this year, will it be more or less than the last year? Could you, maybe, outline a plan for 2015?

And my second question: what share is Gazprom going to hold this year in the domestic market? Could you estimate what the share will be in the nearest three to five years?

KIRILL SELEZNEV: As for the purchase volume for 2015 – we are still working on it. Certainly, we’ll be executing the long-term contracts we have signed. Though we haven’t agreed either our balance or the balance of the independent producers yet. Regarding the main part of your question, I can say that in 2014, in 2015 and in the years to come Gazprom is not going to reduce its share in the domestic market. This share will remain the same.

QUESTION: Nikolai Khrenkov, corporate Gazprom Magazine. You’ve mentioned the initiative concerning the North Caucasus, saying that the situation with payments there was disastrous. Consumers will be switched to LPG, propane-butane there. Could you, please, say, was the economic efficiency of such measures estimated? What regions are among the first candidates for such adjustments of the gas supply system?

KIRILL SELEZNEV: You were right referring to it as the initiative. We believe that it will make it possible to increase the payment discipline in the North Caucasus, particularly in Ingushetia, where this problem is especially acute, since in the republics of the North Caucasus over 80 per cent of gas supply accounts for supply to the population. We suppose that such measures will allow us to increase the payment discipline. At present we disconnect the whole villages from the gas supply system. So, this problem is being worked on. There is no doubt that it should be settled with the regional authorities.

In addition, we bear rather a high social responsibility. In some respects we are already partially moving in this direction, in others we are still in the process of negotiations. It is the area where we’d see a considerable improvement of the payment discipline and the collectability.

QUESTION: Lyudmila Podobedova, the Izvestiya newspaper. Mr. Seleznev, could you, please, say, what regions could be disconnected from gas due to the non-payments in the utility sector in the nearest future? Under the same principle you did it last year in Makhachkala, Bryansk, etc.?

KIRILL SELEZNEV: All these regions are shown in Slide 5. We won’t disconnect the whole region, we’ll be picking out the consumers whose gas payments are in the most deplorable state. These regions you can see in the slide. Thus we’ll also take a balanced and rifle approach to the matter and apply other measures of influencing consumers, envisaged in the existing regulatory framework with the support of the regional authorities. The main candidates are shown here.

QUESTION: Rimat Kashapov, the Respublika Bashkortostan newspaper. Hello, Mr. Seleznev. My question is related to building up internal consumption and advanced gas processing.

Particularly, our President Rustem Khamitov proposed such an option at the meeting with Alexey Miller in Ufa on April 17. He said that 100 billion cubic meters of Gazprom's gas was pumped via the Republic of Bashkortostan out of which 14 billion cubic meters rested in the Republic. He suggested that another 3 to 5 billion cubic meters should rest in the Republic for the purpose of advanced processing into chemical products and synthetic fuels. Does Gazprom consider the options of using regional capacities for more advanced gas processing, as our President proposed?

KIRILL SELEZNEV: Personally I can say that not only in Bashkiria, but also in other regions Gazprom is interested in expanding the internal gas market and internal consumption, including more advanced processing of gas derivatives as well as extending and increasing the product processing chain. Our wholly-owned subsidiary Gazprom Neftekhim Salavat operates in Bashkiria. It is engaged in a number of investment projects, inter alia, before year-end the 420 MW CCGT unit is to be commissioned, which also will provide for the increase in gas consumption in the Republic in general. We support this initiative in every way and work on the matter. While here we need to work on these issues more thoroughly jointly with the government of the Republic and investors that will want to take part in implementing these investment projects in order to ready specific proposals and start executing them.

QUESTION: Valeria Kazantseva, the Komsomolskaya Pravda newspaper. Mr. Seleznev, could you, please dwell on the Omsk and Novosibirsk Regions gasification plans for 2014 and 2015? What are you going to do in the nearest future?

KIRILL SELEZNEV: I will answer in brief: we plan to gasify or, rather, go on gasifying them. RUB 540 million was directed to the Omsk Region gasification in 2014, and as I've already mentioned, traditionally in August we'll have a look at the rate of gasification, whether the Omsk Region succeeds in fulfilling the incurred obligations or not. After that we'll decide on whether to boost gasification in the region.

In the Novosibirsk Region, according to the information I have, the situation with gasification is even better. We are planning to invest RUB 1.650 billion into gasification in 2014. I'd like to point out that the total volume of investments into the Novosibirsk Region gasification from 2005 to 2014 exceeded RUB 6 billion. Therefore, these regions are of interest for us, we don't see any major problems working there. The regional authorities provide practical support – both in terms of gas supply and the obligations incurred. That is why, we'll go on with the gasification of these two regions.

MODERATOR: There is a very similar question sent via the Internet. I will read it aloud. It concerns the Irkutsk Region, Buryatia and Transbaikal. The question is the same, "What are the gasification plans for these regions? Within what terms and under what conditions will it be possible to gasify them?" asks Zoya Khamidullina, Irkutsk-media Information Agency.

KIRILL SELEZNEV: As for the Irkutsk Region, I can tell you that we have devised the gas supply and gasification scheme. We are working on this. The same can be applied to the Republic of Buryatia and the Transbaikal Territory. There is a certain problem in the Irkutsk Region, because not all the consumers are ready to switch to natural gas at the regional price currently existing for alternative energy sources. In particular, it concerns Irkutskenergo. The negotiations are in progress with them, but we already have certain plans with regard to the utility sector and population. We are progressing and in the nearest future these plans will be executed.

QUESTION: Maria Rumyantseva, Interfax Information Agency. Mr. Seleznev, please, say some words about Gazprom Mezhrefiongaz move to St. Petersburg. Thank you.

KIRILL SELEZNEV: Or maybe it will be the Far East? You know, presently I can't tell you anything about it. Once we are ready to move, our legal address and phone numbers will change. Interfax will be among the first ones to learn our new details.

QUESTION: Elena Khodyakova, the Vedomosti newspaper. I have a small question. As far as I am concerned, last year in your work with industrial enterprises you introduced a kind of express-extension of long-term contracts for another year. How efficient has this experience turned out to be for you? Do you wish to go on with it? Could you, perhaps, provide some statistics?

KIRILL SELEZNEV: I won't give you any statistics. It is due to the fact that today within the gas market conditions existing in the Russian Federation, it is the consumer's wish and we respond to it. We extend the contracts both for one year and for five to ten or fifteen years for different consumers who see and set themselves a task of their investment development and who need to feel secure about their gas supply. In general, such activities take place annually within the contract campaign and within negotiations with consumers regarding their wishes. It is a dynamic work we do annually.

QUESTION: Alexander Kalinin, Vice President, Opora Rossii. Mr. Seleznev, in many regions they say, "Help us with gasification." Such mechanism as a special surcharge to the gas price for transmission exists in the regions. It may reach about 25 per cent, as we know. In some regions it doesn't exceed 10 per cent. That is to say, the regions want Gazprom to give them money, while they do not want to collect from consumers the money they are allowed to by the tariff regulation. Do you have any statistics as to in what regions this mechanism is applied and to what extent?

KIRILL SELEZNEV: We do have such a statistics. Different regions pursue their tariff policy differently. The main thing is to keep down the prices for the population, because any increase in the transmission tariff, be it a 10 or 20 per cent surcharge, leads to the gas price growth for the end consumer. In the regions where regional authorities see such an opportunity, they employ higher surcharge. In some regions, as you've been absolutely right mentioning, it reaches 10 per cent. There are regions where it doesn't exist at all. It is one of the mechanisms that may provide for extending regional gasification, that is why in our regional gasification programs and plans we consider the possibility of this surcharge, when additional gasification of this or that area in this or that region is carried out without Gazprom's investments.

QUESTION: Elena Mazneva, Bloomberg agency. A very small but traditional question which is asked from year to year. Once again you've reminded us that domestic gas prices in Russia were much lower than in Europe. What is Gazprom's forecast: when can our domestic prices equal the so-called export net back? Recently the government has put off the price equation plans until 2017, if memory serves me. What do you think, will it happen at all and in what year?

KIRILL SELEZNEV: You know, we'd better say that 'hope springs eternal'. It is the Russian Federation Government that makes decisions on the matter; we were to obtain net back in 2012. It is 2014 already and it hasn't happened yet. Thus we need to consider not only Gazprom's interests here, but the general macroeconomic situation in the Russian Federation, too. I suppose that Mr. Ulyukaev, Minister of Economic Development will answer your question more precisely.

QUESTION: Lyudmila Podobedova, the Izvestiya newspaper. Mr. Seleznev, to what extent have all the measures taken for settling debts and improving the payment discipline helped to cut down these debts? What other measures (legislative, etc.) need to be taken for at least something to yield results? As we see, the debt keeps on growing. Thank you.

KIRILL SELEZNEV: You know, there is no statistics showing the dependence on the overall debt. You may get the information on the share of the debts recovered from Slide 9. In general, I'd like to say that these measures and the legal framework we currently apply are not sufficient. We forwarded a number of legislative proposals to the relevant ministries and agencies for making amendments into different regulatory acts of the Russian Federation. The main incentive, inter alia, to the request, was given after our meeting with Russian Prime Minister Dmitry Medvedev, concerning the issue of debt for gas supply.

I've already mentioned the requirement toughening and management companies licensing on the government level. This certainly concerns introducing amendments into the law on gas supply to enable us to quickly and firmly react to debts and disconnect this or that nonpayer. Unfortunately, at present we don't have such an opportunity. We are taking steps, but in our opinion it should be done more promptly, more expeditiously.

These are also the issues of trying our claims in the court, because quite often the consumers – for TGC-2, for instance, this is common practice – accumulate the debt and once a claim is filed, pay it off and go ahead accumulating it in the same amount. Therefore we've already specified a number of measures and forwarded the proposals but they are still being considered. Basically these are all the offers that we've made.

MODERATOR: Thank you very much, the Press Conference is over.