

Press Conference
Gas Supply to Domestic Market.
Executing Russian Regions Gasification Program
May 23, 2017

MODERATOR: Good morning, colleagues. Today our Press Conference will cover the work of the Company in the domestic market.

Taking part in the Press Conference is Kirill Seleznev, Member of the Management Committee, Head of Department at Gazprom, Director General of Gazprom Mezhrefiongaz. I give the floor to Mr. Seleznev. We will then move on to your questions.

KIRILL SELEZNEV: Good morning, colleagues. I would like to make a short statement; you all have received the materials represented on the slides. We will then address your questions that are really very important for all of us. We'll try to give detailed answers.

(slide 1) Gas sales of the Gazprom Group in Russia were 214.9 billion cubic meters in 2016, which is 2.8 per cent less than in 2015. The average gas selling price in the Russian Federation climbed by 4.8 per cent from 2015, to RUB 3,815.5, and the earnings from gas sales also improved, by 1.8 per cent.

In 2016, Gazprom was still an active participant in gas trading on the St. Petersburg International Mercantile Exchange. Sales soared by 149 per cent from 2015, to 10.7 billion cubic meters of gas. In Q1 2017, we also gained a healthy momentum, with a 125 per cent year-on-year growth to nearly 3.6 billion cubic meters of gas sold.

(slide 2) Speaking about total gas sales by the Gazprom Mezhrefiongaz Group, including the Gazprom Group's gas, they equaled 246.3 billion cubic meters, i.e. showed a rise of 2.8 per cent from 2015. Thanks to the Gasification Program, we continue to generate new business. In 2016, provisions for gasification were made in 254 inhabited localities. It means that approximately 25,400 households and apartments are potentially ready to be connected to the network, and 175 boiler houses.

(slide 3) I'm going to say a few words about the Regions Gasification Program in 2016. Investments amounted to RUB 25 billion. 163 gas pipelines were constructed, with a total length of about 1,425 kilometers. As I've said before, provisions were made for the gasification of 175 boiler houses. The total level of gasification in the Russian Federation was up by one percentage point in 2016, to 67.2 per cent. The breakdown for urban and rural areas is represented on the slide.

(slide 4) One of the issues faced by the Gasification Program, and it's an issue that we've been talking about for a few years now, is the failure of regional administrations to fulfill their commitments and their lagging behind in the synchronization of works related to the construction of gas pipelines. As you can see on this slide, 47 participating regions fulfill their obligations, 12 regions are considerably behind schedules, but we are still seeing a trend and an opportunity to change the situation for the better. Seven regions fall short of their obligations, and we see that those commitments will not be met in 2017.

(slide 5) There is quite a hefty potential for increasing gas supplies transmitted via the existing networks of the Gazprom Group. Their utilization rate varies from 77 per cent to 43 per cent. Available network capacity that allows for increasing transmission and adding new consumers ranges from 23 per cent to 57 per cent. Today, utilization is the highest in the Southern Federal District. The lowest utilization rate in the existing networks is in the Far Eastern Federal District,

which is understandable, given that we haven't been working in that area for long. Over 118,000 specifications for connecting consumers to gas networks were issued in 2016, which means that about 14.5 billion cubic meters of gas can be prospectively added to the existing supply volumes.

(slide 6) I would like to say a few words about the Gasification Program in the period from 2017 to 2020. The program metrics have been specified for many regions and are being finalized. Overall in that time span, plans provide for building about 24,000 kilometers of gas pipelines under those programs, creating conditions for gasification in 3,500 inhabited localities, which will cover nearly 600,000 households and apartments and some 3,000 boiler houses and municipal facilities.

(slide 7) Our biggest disappointment is the indebtedness for gas. Unfortunately, I have to state that the outstanding debt keeps rising. As of May 1, 2017, it was RUB 199.3 billion. The trajectory is represented on the slide and shows +6.3 per cent from May 1, 2016. The principal categories of delinquent payers have not changed either, and the trend remains the same – those are heat supply companies and private consumers. Speaking about private consumers, basically, those are the residents of the North Caucasus and Southern Federal Districts.

(slide 8) What has been done in terms of streamlining the regulatory framework in gas supply? Back in 2015, Federal Law No. 307-FZ (dated November 3, 2015) was adopted, and, after that, Russian Government Directives No. 1245 (dated November 25, 2016) and No. 139 (dated February 4, 2017), Federal Laws No. 412-FZ (dated December 5, 2016) and No. 269-FZ (dated July 3, 2016). These are the statutes and regulations on the basis of which we currently operate. Unfortunately, we still need more experience and practice to ensure more efficient and successful application of those statutes and regulations, but we are constantly improving those instruments.

(slide 9) A few words about the measures to strengthen financial discipline. As you can see on this slide, restrictions are imposed on an ongoing basis both on legal entities and private individuals. Restrictions with respect to legal entities saw a 23.2 per cent rise between 2015 and 2016. The situation with private individuals is more complicated, but here we also see a jump, by 1.6 per cent. The Company makes notifications, files claims and obtains court rulings on them. We also carry on in our collaboration with law enforcement agencies. Quite a lot of petitions were filed, but far fewer criminal and administrative proceedings were initiated. We would like to see more of those, but we carry on, we find mutual understanding, and we're moving in that direction.

(slide 10) From the standpoint of financial discipline in the North Caucasus Federal District (NCFD), the same measures are being taken. They include an ongoing inventory of the customer base and installation of customer gas meters. I will dwell on that in more detail later.

(slide 11) Here I would like to say a few words about the initiative we launched in 2016. We decided to move away from a centralized system of gas distribution via Gazprom Mezhrefiongaz Pyatigorsk and to set up an independent subsidiary in each republic; those subsidiaries will be handling gas sales. We have reviewed the practice and experience that we have had over the past 10 years. We are not happy with the pattern. Therefore, jointly with the leaders of the regions, we resolved to move as close to the consumer as possible in order to improve the metrics for the regions of the NCFD.

(slide 11) This slide presents information I've told you about. It's the inventory of the customer base and pilot projects to install customer gas meters equipped with telemetry systems. Just like everywhere else in Russia, we continue to interact with law enforcement agencies.

Unfortunately, the progress on claims filed and criminal and administrative proceedings initiated leaves much to be desired. We are pursuing further work in that area.

(slide 12) A few general words about heat suppliers, generating companies and public institutions. As I've said already, outstanding debts of heat supply companies and private consumers give us headache. For heat supply companies alone, we have signed debt repayment schedules with 24 regions. But, as you can see on this slide, they were fulfilled, unfortunately, only by 34 per cent by January 1, 2017. There are regions that fail to comply altogether with the schedules they have signed. And, of course, there are regions – Kaliningrad Region, Stavropol Territory, and Novgorod Region – that do fulfill the commitments they have undertaken.

Among power industry enterprises, TGC-2 remains our biggest headache. According to the update on May 1, 2017, the debt climbed by 12 per cent versus May 1, 2016. But a positive trend has emerged lately. We continue to work with shareholders, with the leaders of the regions where TGC-2 is present, and we are hopeful of seeing the situation change in 2017. The situation is difficult with the Tsentralnaya CHPP in Novokuznetsk, with debts having jumped by 14.3 per cent from May 1, 2016 to May 1, 2017. Regarding the situation with T Plus: there is a debt restructure schedule, and debts are being repaid. Hopefully, before the end of 2017, the outstanding debt to us will be repaid fully.

Traditionally, among public institutions, Defense Ministry entities run into debt. As of May 1, 2017, their debts amounted to RUB 6.5 billion. We hold conferences, meetings. The issue is related to the organization of the budget process within the Defense Ministry at large, so it's work in progress. There is no trend for the better, but, hopefully, it will emerge in 2017.

(slide 13) And just a couple of words about what is being done for further streamlining the gas supply legislation. There is a number of initiatives and drafts of federal laws, directives of the Government of the Russian Federation. They are listed on this slide, with their status described. Some of our initiatives are currently being reviewed by the Ministry of Construction, Housing and Utilities, others have been submitted to the State Duma. Work is being pursued with the Energy Ministry. We are optimistic, and believe that in 2017 the larger part of those initiatives will be either passed into law or adopted as directives of the Government of the Russian Federation.

I am ready for your questions.

QUESTION: Darya Afinogenova, Channel 7, Vologda. Good morning. Could you please tell us how you evaluate the work done in 2016 to reduce debts for gas in the Vologda Region? And, based on that trajectory, can the Vologda Region count on additional investments in the gasification of the region?

KIRILL SELEZNEV: The amount of investments in the gasification of the Vologda Region was RUB 400 million in 2016. In 2017, investments were scaled back to RUB 100 million. There is some progress in cutting back debt, but it's not enough. Since the beginning of the year, the debt decreased from RUB 1,250 billion to RUB 1,045 billion by May 1. Yes, it shrank by a little more than RUB 200 million, but this progress is not good enough. Therefore, we are going to make further efforts in that field together with the administration.

Sometime closer to August, we will summarize the results of the 2017 Gasification Program in terms of how regions fulfill their obligations and if there are accounts receivable for gas. Based on those results, we will decide whether additional investments should be allocated or whether they should be kept at their former level. For the Vologda Region, it is currently RUB 100

million. Therefore, everything depends on the leadership of the region. The trajectory is positive; hopefully, it will stay that way.

QUESTION: Maxim Strugov, Kommersant newspaper. The Perm Territory saw the replacement of its leader recently. How do you regard cooperation prospects? Or, maybe, the Company's attitude to the Perm Territory has changed in some way given the change in the region's leadership?

KIRILL SELEZNEV: Mr. Reshetnikov, acting Governor of the Perm Territory, was appointed quite recently, in February 2017. Therefore, it's still too early to say anything about any variation in the debt. We are seeing a new HR policy pursued today in the region. We are aware that in April of this year the acting Governor of the Perm Territory had a meeting with the Chairman of the Gazprom Management Committee. Further cooperation was discussed.

The outstanding debt of the Perm Territory is quite big – RUB 3.7 billion as of May 1, 2017. Investments in gasification are not large. We will soon complete the construction of the facilities we started earlier, so we do hope we'll be able to establish fruitful cooperation with Mr. Reshetnikov this year, and all matters related to debts and gasification will be resolved.

QUESTION: Elena Voskanyan, Energetika i Promyshlennost Rossii newspaper. Mr. Seleznev, at your previous Press Conference you spoke about expanding the presence of Gazprom Mezhhregiongaz in the heat generation industry of the Moscow Region via a subsidiary, Gazprom Teploenergo. I would like to know what has been done in that area. Are you going to buy any heat generation assets from municipalities or are you going to take a lease on them? In what way will it allow you to handle large debts owed for gas by enterprises of the heat generation industry in the Moscow Region?

KIRILL SELEZNEV: We have made considerable progress collaborating with the Moscow Region in the heat generation industry. At present, the total amount of investments in that industry can be potentially estimated at RUB 5.6 billion. Across municipal districts, we joined efforts with local administrations to register property in order to make a transition to the final part, namely, signing concession agreements. In some districts, we intend to take part in auctions to buy municipal property. We are working well, quite vigorously, and I believe that we'll sign concession agreements as early as 2017, and we'll take part in auctions and buy the property that will allow us to become owners and handle directly the upgrades and heat sales in the Moscow Region.

QUESTION: Lyudmila Arzamasova, Sovetskaya Chuvashia newspaper. Mr. Seleznev, according to your presentation, Chuvashia has fulfilled the synchronization schedule by 100 per cent. However, regarding gas payments, the situation leaves much to be desired. As things stand now, will investments be allocated to the republic under the Gasification Program for the Trans-Volga areas that are in dire need of natural gas?

KIRILL SELEZNEV: Currently, indeed, overall investments in the gasification of the Chuvash Republic equal merely RUB 30 million. There is an outstanding debt to the tune of RUB 1.8 billion as of May 1, 2017. That said, I would like to note that the gasification level of Chuvashia is quite strong, it currently stands at 91.3 per cent. Regarding potential areas of gasification – what the republic really needs, as you said – we are in touch with the administration. If we see an upswing in debt repayment before August, we'll be willing to consider allocating additional investments in 2017 and augmenting investments in gasification in 2018.

QUESTION: Olga Lizak, AiF – Severny Kavkaz newspaper. Mr. Seleznev, you've dwelled in detail on the developments in our region, the NCFD. Probably, it's the way of thinking of our

people (because it's not the first time they are seeing a change in their gas provider) who reason, with worldly wisdom, "No Gazprom Mezhrefiongaz Pyatigorsk – no debt owed to it." The year 2017 is difficult, it is a pre-election year. According to the tables you've presented to us, the NCFD accounts for 82 per cent of private debts. Could those debts just be dropped?

KIRILL SELEZNEV: Certainly not. We don't isolate the NCFD among other consumers in the Russian Federation at large. You say the pattern has changed multiple times, but I have to disagree. Gazprom Mezhrefiongaz Pyatigorsk has performed the functions of a gas provider for a decade. There were branches in various regions, there was a clear separation of roles in gas supplies to large industrial consumers and gas supplies to communities. All that work was carried out on an ongoing basis, and the change that occurred this year does not signify those debts can be forgiven, forgotten and remain unpaid. Gas has been supplied and consumed – therefore, all the debt owed to Gazprom Mezhrefiongaz Pyatigorsk for that consumed gas should be repaid to Gazprom. The mechanism of debt collection has been communicated to the consumers. Today, new companies are handling the matter properly. Therefore, we don't harbor such doubts or concerns. Gas has been consumed, so it should be paid for.

QUESTION: Evstolia Taranda, Yamal-Region television and radio company. Mr. Seleznev, what's the progress made in the gasification of the most gas-rich region – Yamal? Are there any complications? It's probably costlier than in other regions. You have signed an agreement with the governor this year. Is everything going according to plan?

KIRILL SELEZNEV: Indeed, an agreement has been signed. This agreement has spelled out a few things both from the standpoint of gasification and construction of public amenities in the area by Gazprom. Today, everything is going according to plan. We are collaborating with the region. No questions arise concerning debts or any other problems. Therefore, we're going to move further in the same direction.

QUESTION: Svetlana Parsegova, Severny Krai newspaper. You've mentioned TGC-2 as a headache for Gazprom. In the Yaroslavl Region, it's one of the major heat suppliers. For a few years now, debts for gas across the Yaroslavl Region also have been a painful topic, and it has affected, among others, the general public, honest payers for gas. We felt the consequences three years ago. And a year ago, there was talk that debts of the region were only rising, there were no prospects of seeing them repaid, and the regional leadership would not agree to any constructive dialogue.

But the situation has changed, as we all know. We have a new governor, and the top management has been replaced at TGC-2 as well. I would like to know what ways of addressing the existing problems are pursued now.

KIRILL SELEZNEV: The outstanding debt in the Yaroslavl Region is quite big. As of May 1, it exceeded RUB 5.4 billion according to the latest updates. However, in connection with the changes in the leadership and the team in the Yaroslavl Region, our approaches also have changed. Today, we are actively preparing a five-year debt restructuring schedule that will be subject to a 100-per cent payment of current charges. Commensurate to the work we are seeing on the part of the administration, investments in gasification are in an upward trend. Investments for 2017 equal RUB 914 million. We have started to roll out gasification projects in the Yaroslavl Region. Hopefully, the schedule and the initiatives that are being prepared by the administration will be carried out in their entirety, and we'll continue our collaboration.

QUESTION: Elizaveta Parshukova, RIA Novosti agency. The Sakhalin Regional Duma has sent an inquiry in a bid to accelerate the pace of gasification. Have you received that inquiry and does Gazprom fulfill its commitments for the gasification of Sakhalin?

On June 5, Gazprom Mezhrefiongaz is going to cut off gas to a heat supplier servicing people in Omsk. In what way will that situation be addressed, and won't the communities be left without heating? Will gas supplies be resumed?

In 2016, gasification improved by one percentage point only. What's the reason? Should we expect an upturn in the pace of gasification in Russia? How much do you plan to channel into gasification in 2017?

KIRILL SELEZNEV: Let's begin with Sakhalin. Indeed, that inquiry has been sent. It's hard to say why, because Gazprom fulfills the obligations it has assumed for the gasification of the Sakhalin Region in their entirety. Jointly with the government of the Sakhalin Region, a 2016–2017 synchronization schedule has been approved, and within its framework we contemplate the construction of seven and design of a little more than 20 gas supply and gasification facilities. Since we see some misconceptions, we are assembling a working group. After the discussions, that work will, hopefully, be organized. Therefore, my answer to your question is that, as such, we do not see any issues today.

As for the Omsk Region, the debt does exist – RUB 1.25 billion as of May 1, 2017. I would not overreact to this situation. A notice on restricted gas supplies has been given. We hope the debt or part of the debt will be repaid, and we won't have to resort to those measures.

Concerning the rise in gasification rates by one percentage point. You know that the funds allocated for gasification every year stay around the same figure. It's in the vicinity of RUB 25 to 28 billion. Investments in gasification will amount to RUB 25.7 billion in 2017. And the rise by one percentage point is conditioned by the fact that we've been carrying out gasification for a long time, with the impetus to active implementation of the Gasification Program that was given as far back as in 2005. It's understandable that during the first years the number of new consumers and new inhabited localities that we gasified was quite impressive. Therefore, the total incremental growth in gasification level ranged from 1.5 to 2 percentage points annually during the first years. Over the past five years, the total incremental growth has been 2.8 percentage points. That we are seeing one percentage point in 2017 is not a bad thing, in our view.

ELIZAVETA PARSHUKOVA: In that case, what's the uppermost limit of gasification in Russia? If not 100 per cent, how much can it be at most?

KIRILL SELEZNEV: Everything depends on economic expediency. We handle gasification using an integrated approach. The key thing is network gas, we also handle autonomous gasification. In that same Perm Territory, a construction project was carried out for a plant and a system for regasification, gas supply, and autonomous gasification of communities.

Everything depends on economic expediency. It makes no sense whatsoever to supply network gas to an inhabited locality with 10–15 people. Therefore, we are in close contact with regional authorities. We are close to finalizing the Gasification Program until 2021. What will be the net result that we'll get, it's hard to tell yet. But 100 per cent gasification of all Russia – we're not aiming for that goal.

QUESTION: Varvara Kulaeva, Interfax agency. What's the progress made in the negotiations on wet gas supplies to Tatarstan? How beneficial is the project in terms of its economics? Is it true that Gazprom is going to assign a separate string of the gas pipeline to transmit that type of gas?

The Gazprom Mezhrefiongaz Group has its own investment program worth RUB 150 billion, but only RUB 25 billion is earmarked for the Regions Gasification Program. What are the remaining funds spent on and what projects are being implemented?

KIRILL SELEZNEV: As for the project to build a plant in Tatarstan, Gazprom is indeed a party to that agreement. Today, the parties are preparing an investment feasibility study for that project. I can only say that Gazprom does have a technical possibility to assign that string and transmit that gas. As soon as the investment feasibility study is completed, a decision will be made on whether Gazprom is going to take part in that project or not, and if it is, on what terms.

Regarding the investment program worth RUB 150 billion. I don't know where your information comes from. Evidently, it was some related-party transaction that involved no real money, when we were making a contribution to Gazprom Gazoraspredeleniye's equity capital to buy out the gas pipelines built under the Gasification Program.

We currently have an approved investment program worth RUB 36 billion. Out of that sum, RUB 25.7 billion is what the Gasification Program is worth. Approximately RUB 1.8 billion is the cost of the program for the upgrade of gas supply systems. In addition, funds have been allocated that we are planning to spend on the heat generation program, mainly in the Leningrad Region and the Moscow Region, on the facilities that we already started building and on a number of community facilities – sports centers under the Gazprom for Children program. The overall construction program for customer service sites and office premises is very small and amounts to a little more than RUB 400 million nationwide.

VARVARA KULAEVA: Is it true that Gazprom was in talks with Arkady Rotenberg to sell Gazprom Gazenergoset? Why did the deal fall through, and are the talks over for good? Do you believe they can be resumed?

KIRILL SELEZNEV: Evidently, this question is to be put to the person who was in talks with Arkady Rotenberg. I haven't been in any talks with him.

Regarding Gazprom Gazenergoset. I don't even see the need for it to be purchased, because the company performs the functions of an operator distributing liquid hydrocarbon products manufactured by Gazprom's plants. Maybe, liquefied gas distribution assets that the company has on its books are meant here, but it's a different matter. We are concluding the consolidation of the last portion of those assets. As you know, we had title to part of them, and the other part was owned by gas distribution companies. We specifically unbundle them, turning them into independent companies, to ensure business transparency, so that we would be able to show clearly to the tariff regulator the costs we incur in connection with sales of liquefied gas to communities.

The process will soon be over. If someone wants to purchase something from us, let them contact us, we'll consider the proposal.

QUESTION: Oksana Kobzeva, Reuters agency. What are your plans for this year in terms of the volume of gas purchases from independent producers? Do you plan those purchases at all?

What are your current estimates of your share in the Russian domestic gas supply market?

KIRILL SELEZNEV: Information about our market share can be seen on the slides. Regarding purchases of gas from independent producers. In 2016, Gazprom bought 30.5 billion cubic meters of gas, and Gazprom Mezhrefiongaz and regional companies purchased 30 billion

cubic meters from independent producers. In 2017, the amount of gas will be approximately the same.

OKSANA KOBZEVA: How do you estimate the prospects of your market share?

KIRILL SELEZNEV: We have no plans of diminishing our share. As I've said, about 118,000 specifications for connecting consumers to gas networks were issued in 2016. Potentially, the market share can be increased by 14.5 billion cubic meters of gas. It stands to reason that all that will not be generated by new consumers, we are doing something – connecting and re-connecting – to ensure reliability. But new connections and the Gasification Program will be used as leverage to increase our market share. Gazprom is not going to diminish its share in the domestic market.

QUESTION: Vitaly Sokolov, Energy Intelligence portal. Could you please tell us the figure anyway: what's your estimate of the market share in 2016 and 2017?

Have you seen any new large buyers emerge in 2017, or are you in talks with some new large industrial consumers?

In what way can initiatives of the Federal Antimonopoly Service regarding gas market liberalization affect your market share? What's your attitude to those initiatives, in particular to the idea of levying a single tariff on gas transportation?

KIRILL SELEZNEV: The question about market liberalization has more relevance to our colleagues who are in charge of the financial and economic policies. I can only say that at a meeting on March 3 with Arkady Dvorkovich, Deputy Prime Minister of the Russian Federation, those questions were submitted to the Energy Ministry and the FAS. We are handling them precisely from the standpoint of economic outcome.

Regarding the market share. Total gas sales by Gazprom climbed by 2.8 per cent in 2016. In 2017, we believe the amount will be the same or even bigger, i.e. we'll add about 0.5 to 1.5 per cent. Everything will depend on the implementation of those specifications and those connections within the framework of gasification that we are planning to carry out.

From the standpoint of potential new large consumers, we have rather big volumes in the Far East. Those are the Nakhodka Fertilizer Plant and production of methanol that the ESN Group plans to start. Such projects do exist, but they are not very numerous.

QUESTION: Anton Gladyshev, NTV television company. What leading regions can you name, where gasification has been completed 100 per cent, and outsider regions?

KIRILL SELEZNEV: Belgorod Region – 99 per cent, Bryansk Region – 89 per cent, Voronezh Region – 86 per cent, Stavropol Territory – over 90 per cent, Moscow Region – 99.6 per cent, Nenets Autonomous Area – 92 per cent, Orenburg Region – 96 per cent, Perm Territory – 68 per cent, Pskov Region – 43 per cent, Kamchatka Territory – 58 per cent. We can provide you later with a more detailed fact sheet on gasification levels across regions.

QUESTION: Roman Filatov, Komsomolskaya Pravda newspaper. I would like to go back to the question about a dramatic growth of accounts receivable owed for gas by the utilities sector. In particular, in the Omsk Region, accounts receivable of that group of consumers have increased manifold and are still rising, notwithstanding the debt reduction efforts that Gazprom Mezhhregiongaz Omsk is carrying out on a year-round basis. Naturally, the debt issue is relevant for other regions as well. Has any centralized work in coordination with law enforcement

agencies been planned to address the issue of financial discipline in the utilities sector, and, consequently, to cut debts for gas in delinquent regions?

KIRILL SELEZNEV: As I've said, I wouldn't overreact to the situation in the Omsk Region. The total outstanding debt stands at about RUB 1.2 billion. Regarding heat suppliers – there are five of them with debts slightly exceeding RUB 130 million.

The problem does exist, and we are addressing it. We do not plan any centralized work, because every individual region has its own specific characteristics. There is mutual understanding with law enforcement agencies. There is an understanding of the causes of that debt. Generally, it's a lack of an economically justified tariff in a region, so that the existing tariff does not cover all expenses of heat supply entities. Therefore, it's work in progress.

I can say, for the sake of comparison with the Omsk Region, that we have 15 regions in which debts of heat suppliers exceed RUB 1 billion per region, and RUB 135 million in Omsk is not that dramatic or challenging.

QUESTION: Arseny Molchanov, Russia 24 television channel. Average gasification rates varied from one to two percentage points in previous years. What's the reason behind this not so high pace, as I would call it? What's the percentage of the net profit that Gazprom spends on gasification, and to what extent are those expenses justified?

KIRILL SELEZNEV: Let's look at your question retrospectively. As I've said, every year Gazprom spends approximately RUB 25 to 28 billion on the Gasification Program. All gasification projects are economically efficient and comply with the economic efficiency standards approved by the Board of Directors for those projects.

Let's consider whether it's a large or small annual incremental growth in the gasification level. As I've said earlier, previously, when we first embarked on active steps to carry out gasification in 2005, there used to be more projects, at a low gasification level. Understandably, every year, the level of gasification was rising quite energetically nationwide. As time goes by, with 12 years of the program under our belt, at a rather fast pace as well, it's obvious that the incremental growth cannot be as big as it used to be in the first years. Over the past five years, we have added 2.8 percentage points nationwide. In 2016, one percentage point.

MODERATOR: Thank you, the Press Conference is over.