

Press Conference Background

GAS SUPPLY TO DOMESTIC MARKET. EXECUTING RUSSIAN REGIONS GASIFICATION PROGRAM (May 22, 2019)

The Gazprom Group continues to provide reliable and uninterrupted gas supplies to all consumer categories in the Russian Federation.

In 2018, the Group sold 239.7 billion cubic meters of natural gas to all consumer categories (under the International Financial Reporting Standards (IFRS), excluding intra-Group supplies), a rise of 4.3 per cent from 2017. This increase was caused by the growth in gas demand, due largely to colder weather in the first and fourth quarters of 2018, and was mostly related to companies in the energy, agrochemistry and public utilities sectors.

The average selling price in 2018 stood at RUB 3,981.3 (VAT exclusive) for 1,000 cubic meters (+4.5 per cent against 2017).

The net revenue from gas sales amounted to RUB 954.5 billion (VAT exclusive), a 9 per cent rise from 2017.

Within the framework of its ongoing efforts to develop the gas market, Gazprom takes part in gas trading operations. In 2018, the Company traded on the St. Petersburg International Mercantile Exchange (SPIMEX) 13.6 billion cubic meters of gas, or 87 per cent of all gas sold via trading in the reporting year. The weighted average cost of Gazprom's gas traded at various balancing points grew by 7.6 per cent last year compared to 2017.

Over the course of 2018, the Gazprom Mezhhregiongaz Group supplied gas to consumers in 69 Russian regions through 53 regional gas sales companies. Last year, the Gazprom Mezhhregiongaz Group sold 260 billion cubic meters of gas supplied by Gazprom and other producers (including via trading on SPIMEX), a 3.7 per cent increase against 2017.

The overall length of the Gazprom Mezhhregiongaz Group's gas distribution systems in 2018 totaled 744,800 kilometers, with the aggregate transmission volume of 227.8 billion cubic meters. As many as 26.2 million households and apartments, 30,700 industrial and 7,700 agricultural enterprises, and 313,800 utility facilities were connected to natural gas.

As part of the efforts aimed at connecting new consumers to the gas supply networks, gas distribution entities of the Gazprom Mezhhregiongaz Group issued 210,000 technical specifications, signed 152,000 connection agreements, and brought gas to 102,000 permanent structures in 2018.

Gazprom is implementing the Gas Infrastructure Expansion Program in the Russian regions. Every year, this extensive work helps improve the quality of life for tens of thousands of Russian families and paves the way for socio-economic development in Russian constituent entities.

From 2005 through 2018, Gazprom invested over RUB 361 billion in the Program (including RUB 36.7 billion in 2018), building 2,310 gas pipelines with the total length of more than 32,000 kilometers and creating conditions for bringing gas to 4,360 populated places, 5,450 boiler houses and over 913,000 households and apartments. Over this period, Russia's average gas penetration rate rose by 15.3 per cent, i.e. from 53.3 to 68.6

per cent. Gas grid coverage reached 71.9 and 59.4 per cent in urban and rural areas, respectively.

One of the chief problems hindering the Program remains the failure of regional administrations to fulfill their obligations regarding consumers' readiness for gas supplies. Only 10 out of 68 regions involved in the Program fulfilled all of their obligations during the 2005–2018 period. These are the Belgorod, Omsk, Penza, Sakhalin and Yaroslavl Regions, the Chuvash Republic, the Republics of Kalmykia and Mordovia, and the Yamal-Nenets and Khanty-Mansi Autonomous Areas.

In 2019, 66 regions are taking part in the Program.

The Gazprom Group is actively working to reduce gas debt across all consumer categories. In 2018, the Company managed to maintain the upward trend in the number of regions reducing their indebtedness, as well as to cut down the growth in arrears among heat supply companies, the largest group of debtors.

In full compliance with the law, the Gazprom Mezhrefiongaz Group disconnected 7,500 legal entities and 165,000 individuals from gas networks in 2018.

Together with the Russian authorities, Gazprom is working to improve the current legislation in order to optimize gas supply and transportation processes.