



GAS SUPPLY TO DOMESTIC MARKET. EXECUTING RUSSIAN REGIONS GASIFICATION PROGRAM

Kirill Seleznev

Management Committee Member, Department Head, Gazprom;
Director General, Gazprom Mezhhregiongaz

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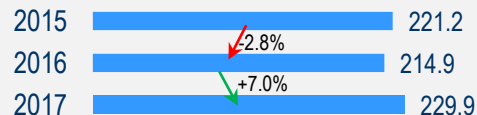
Natural Gas Sales by Gazprom Group in Russia

In 2017, Gazprom stepped up gas sales to consumers

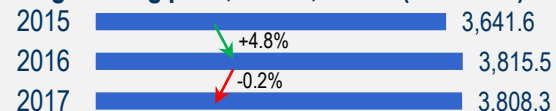
In 2017, Gazprom reached maximum permissible amount specified by Russian Government for exchange-based gas trading

Gazprom Group's gas sales in Russia¹

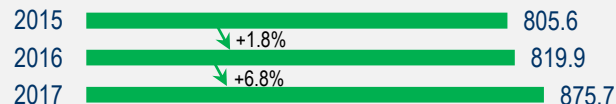
Sales volume, bln m³



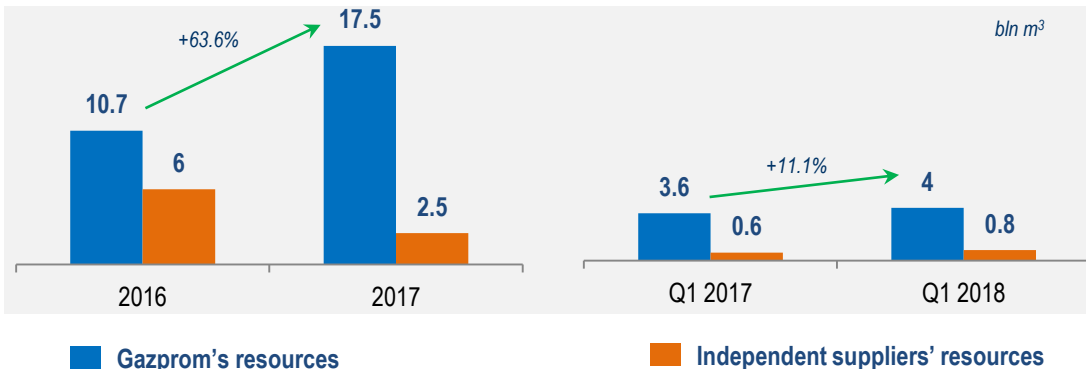
Average selling price, RUB/1,000 m³ (excl. VAT)



Proceeds from sales, RUB bln (excl. VAT)



Gas sales on SPIMEX



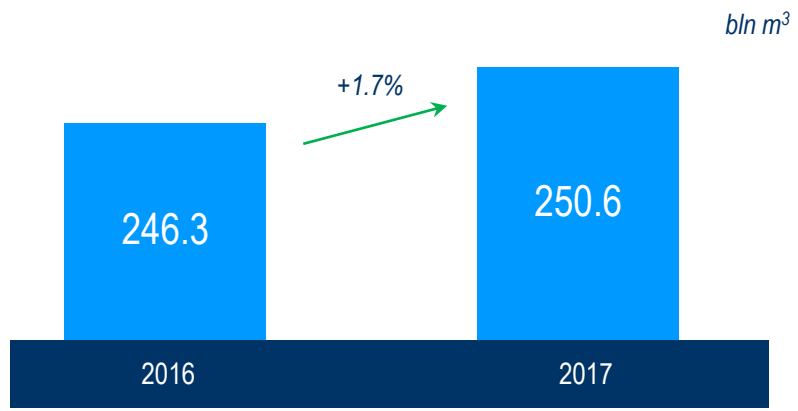
In 2017, exchange-based gas trading was expanded to 47 regions

¹ Excluding intra-Group sales. These key performance indicators of Gazprom were determined according to IFRS principles and may differ from corresponding figures in accounting documents prepared in line with management accounting methodology

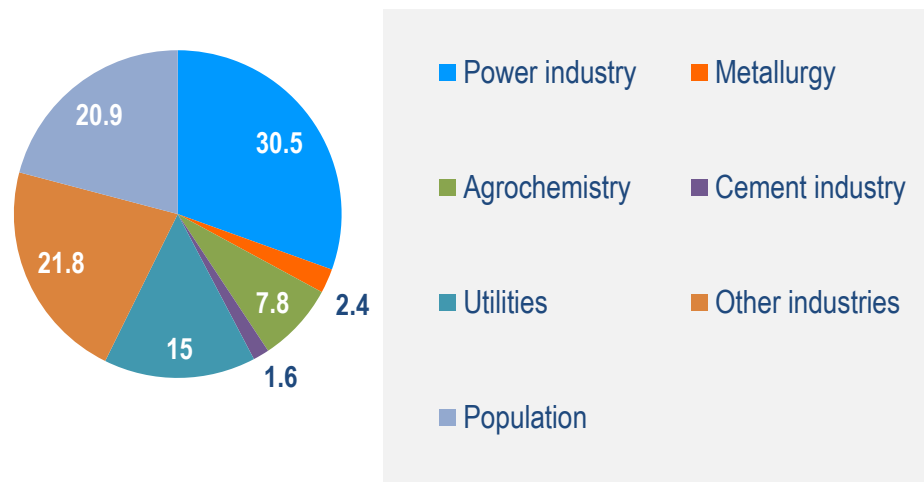
Key Operating Results of Gazprom Mezhrefiongaz Group in Gas Sales

Gas sales¹

Gazprom Mezhrefiongaz Group's total sales of gas provided by Gazprom and other producers (including exchange-based trading)



Gas consumers of Gazprom Mezhrefiongaz Group²



¹ Management accounting data, may be inconsistent with IFRS indicators

² Excluding exchange-traded gas

Key Operating Results of Gazprom Mezhrefiongaz Group in Gas Distribution and Connection of New Consumers

Gas distribution¹

Gas transmission



Length of gas distribution networks



25.6 mln households and apartments, 29,700 industrial entities, 7,100 agricultural companies, and 299,800 public utilities connected to gas networks

Measures to connect new permanent structures

1.073 bln m³
of gas supplied in 2017
to facilities connected in 2016

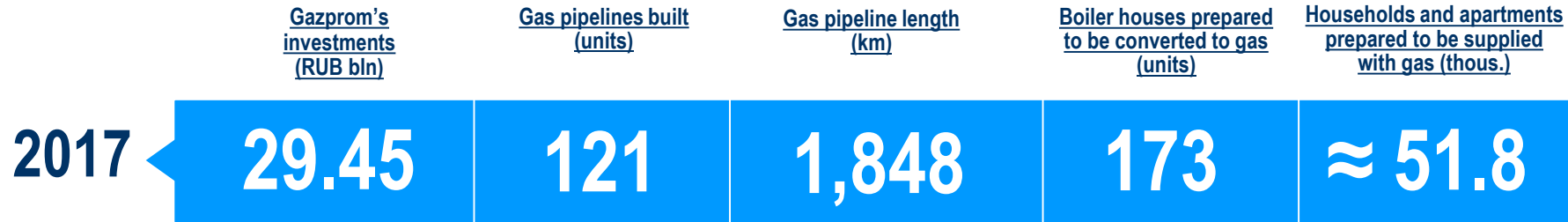


12.6 bln m³
of planned increase
in gas transmission under
specifications issued in 2017

¹ Including performance indicators of subsidiaries and affiliated gas distribution companies of Gazprom Gazoraspredeleniye, not counting Chechengaz and Gazprom Transgaz Kazan

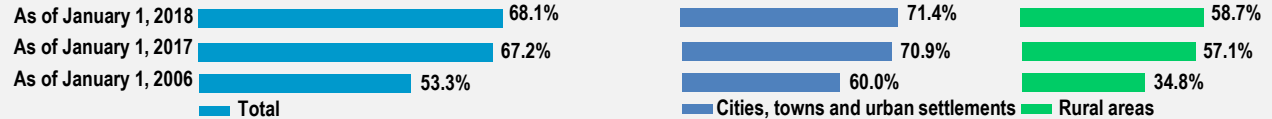
Execution of Russian Regions Gasification Program

Gazprom's investments in gasification activities from 2005 through 2017 – RUB 324.65 bln



Annual total gas consumption by facilities connected to gas networks – 0.4 bln m³

Gas penetration rate in Russian regions



In 2017, gas distribution companies of Gazprom Mezhregiongaz Group were assigned to coordinate Gasification Program at local level

RUB 36.7 bln
investments in Gasification Program for 2018

66 regions
included in Gasification Program for 2018



Obligations Met by Regional Authorities with Regard to Building Inter-Settlement Gas Pipelines in 2005–2017 under Work Synchronization Plans

44 regions involved in Program are **meeting obligations to prepare consumers for gas supplies according to schedules or with slight delays**.
Full compliance with obligations achieved only in **10** regions: Belgorod, Omsk, Penza, Sakhalin and Yaroslavl Regions, Republics of Kalmykia and Mordovia, Chuvash Republic, Yamal-Nenets Autonomous Area, and Khanty-Mansi Autonomous Area

14 regions are **significantly** behind schedules in preparing consumers for gas supplies

Region	Households / apartments (fulfillment rate,%)	Boiler houses (fulfillment rate, %)
Ulyanovsk Region	76.3	82.3
Republic of Ingushetia	68.7	100.0
Perm Territory	61.5	70.4
Saratov Region	56.1	66.7
Republic of Altai	47.2	75.0
Krasnodar Territory	39.9	90.0
Orel Region	52.2	57.5

Region	Households / apartments (fulfillment rate,%)	Boiler houses (fulfillment rate, %)
Novgorod Region	54.1	85.7
Republic of Bashkortostan	46.8	40.9
Republic of Karelia	53.2	92.9
Republic of Adygea	53.2	56.0
Pskov Region	66.9	53.3
Primorye Territory	100.0	72.7
Republic of North Ossetia-Alania	9.2	60.0

5 regions are **falling short** of obligations to prepare consumers for gas supplies

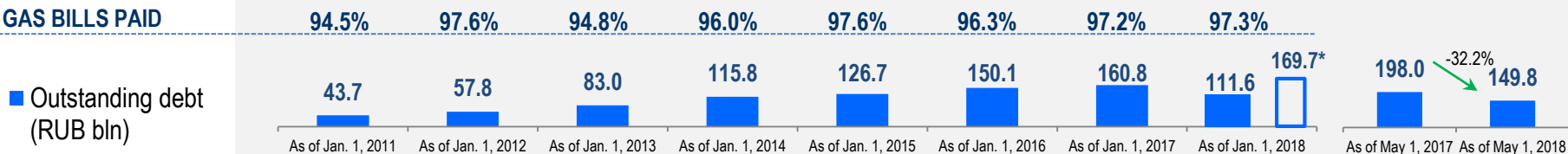
Region	Households / apartments (fulfillment rate,%)	Boiler houses (fulfillment rate, %)
Khabarovsk Territory	33.0	95.5
Stavropol Territory	40.9	15.8
Republic of Dagestan	24.1	7.1

Region	Households / apartments (fulfillment rate,%)	Boiler houses (fulfillment rate, %)
Republic of Karachay-Cherkessia	31.4	25.8
Kamchatka Territory	0.0	50.0

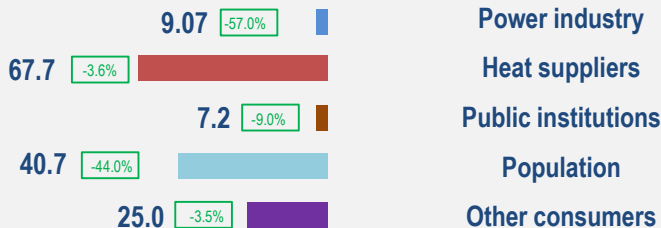
Consumers' Debt to Gazprom Mezhrefiongaz Group

In December 2017, receivables of Gazprom Mezhrefiongaz Pyatigorsk were assigned to new regional gas sales companies in North Caucasus Federal District

GAS BILLS PAID



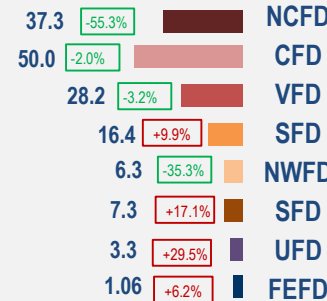
Total debt (as of May 1, 2018, RUB bln)



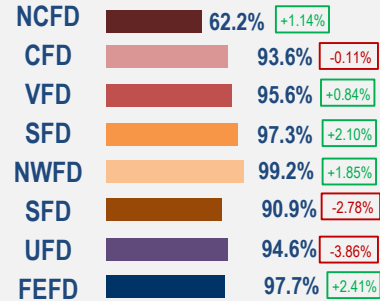
Gas bills paid (as of May 1, 2018)



Total debt (as of May 1, 2018, RUB bln)



Gas bills paid (as of May 1, 2018)



Legend: Green box indicates increase, Red box indicates decrease. - Adjustment against data provided on May 1, 2017

* Assigned receivables excluded

Default in Payments by Major Debtors

Over 10% of overdue debt for gas supplies is owed by 3 major consumers

Debt of Ministry of Defense entities*

RUB bln



Debt of Tsentralnaya CHPP (Novokuznetsk)

RUB bln



Debt of Tverskaya Generatsiya

RUB bln



- In February 2017, Russian Prime Minister Dmitry Medvedev instructed Defense Ministry to take measures on settling debts of its entities. In follow-up to meeting with Dmitry Medvedev, Defense Ministry was tasked in April 2017 to submit proposals on debt repayment mechanism, as well as on scheme for providing Ministry's entities with utility resources that would not allow debt accrual.

- Said government tasks were not performed.

- Agreement on debt restructuring is not being executed.
- Kemerovo Region Government approved Settlement Plan for 2017 and assumed obligations to form Debt Repayment Schedule. December obligations under Settlement Plan were not fulfilled. Debt repayment schedule was not drawn up.
- On December 22, 2017, gas supply restriction regime was imposed at power plant but was not put into effect due to non-admission of gas workers to shut-off valves.
- On December 28, 2017, regional authorities, without consent of gas supplier, endorsed Settlement Plan for 2018, which provides for RUB 461 million growth of company's overdue debt in 2018.

- In December 2016, Tver Region Administration offered to enter into settlement and to develop 7-year debt repayment schedule. Gazprom Mezhhregiongaz agreed to sign documents, provided that current gas supplies were paid for in full and corresponding payment guarantees were provided. There were no further proposals on part of regional government.
- In November 2017, letter requesting prosecutorial action was forwarded to Prosecutor's Office of Tver Region.

* Central Public Utilities Directorate, Main Directorate for Housing & Utilities, Maintenance and Repair Directorate, etc.

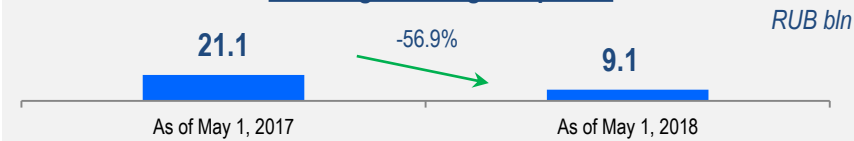
Measures to Improve Financial Discipline and Reduce Debt to Gazprom Mezhrefiongaz Group

Use of indebtedness as commodity credit by generating companies became unprofitable due to heightened penalties for delaying payments for gas supplies under Law No. 307-FZ dated November 3, 2015

Debt of heat suppliers



Debt of generating companies



In April 2017, TGC-2 reached agreements on restructuring of RUB 11.0 bln debt on condition of full payment for current gas supplies before December 31, 2026. TGC-2 also purchased RUB 4.2 bln debt of Tver Utility Systems (bankrupt) from gas supplier

- In 2017, 14 debt repayment schedules totaling RUB 11.2 bln were in effect in 13 regions
- 7 schedules for RUB 6.5 bln were signed in 2017

In 2017, current debt repayment schedules were implemented only by 25%. RUB 1.4 bln was paid out of RUB 5.7 bln

Debt repayment schedules implemented by regions as of January 1, 2018

Region	Implementation	Region	Implementation	Region	Implementation	Region	Implementation	Region	Implementation
Moscow Region	99.9%	Bryansk Region, excl. Bryanskkommunenergo	65.9%	Novgorod Region	32.9%	Vladimir Region	0.0%	Pskov Region	0.0%
Samara Region	806.1%	Bryansk Region, incl. Bryanskkommunenergo	17.5%	Republic of Karachay-Cherkessia	19.4	Smolensk Region	0.0%	Volgograd Region	0.0%
Republic of Ingushetia	119.0%	Vologda Region	37.8	Republic of Udmurtia	6.3%	Chuvash Republic	0.0%		

Measures to Improve Financial Discipline and Reduce Debt to Gazprom Mezhregiongaz Group

Law enforcement practices under Federal Law No. 307-FZ dated November 3, 2015

Increase in penalty set by Federal Law No. 307-FZ dated November 3, 2015, had positive impact on consumers' financial discipline



Russian Government Directive on Making Amendments to Certain Legal Acts of Russian Government Regarding Fulfillment of Energy Payment Obligations No. 139, dated February 4, 2017

Standard procedure and terms specified for securing payment obligations with regard to natural gas provided under gas supply agreement concluded with supplier

Notifications on mandatory financial assurance forwarded to 768 debtors

RUB 8.9 bln of debts paid after receipt of notifications by debtors

Claims

Legal measure	Number/Amount (RUB bln)	Legal entities		Individuals	
		2016	2017	2016	2017
Claims (notices) sent to debtors	number	138,200	151,800	7,500	7,400
	amount	253.6	285.9	35.5	30.6
Claims filed against debtors and applications for issuance of court orders	number	13,500	14,900	331,600	377,900
	amount	85.9	75.6	7.6	6.9
Court rulings and judgements made	number	11,700	12,400	266,800	286,900
	amount	66.8	58.2	3.97	3.8
Debts recovered (following court rulings and claims)	amount	80.6	73.3	6.4	5.3

Measures to Improve Financial Discipline and Reduce Debt to Gazprom Mezhhregiongaz Group

Restrictions on/shut-off of gas supply to non-payers

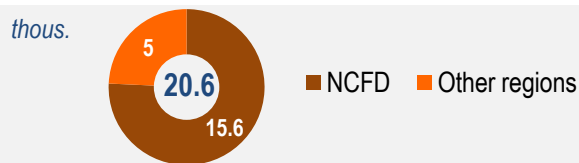


Cooperation with law enforcement agencies

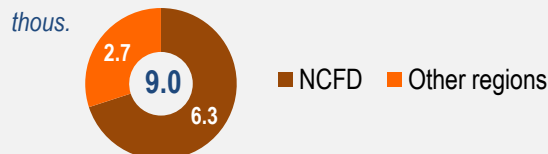
- **20,673** petitions on revealed offences in gas supply sector filed to law enforcement agencies
 - **9,006** criminal and administrative proceedings initiated
 - **6,272** court rulings made under Code of Administrative Offences and Criminal Code of Russian Federation
 - **194** convictions rendered and **202** offenders prosecuted
- **14,214** instances of unsanctioned gas offtake revealed and terminated, including:
 - **2,437** cases settled out of court
 - **485** criminal and **4,035** administrative proceedings initiated
 - **RUB 751.7** mln recovered through court proceedings
- **561** companies struck with administrative and legal sanctions for non-payment
 - **40** criminal proceedings initiated
 - Judgements made for **19** initiated proceedings
 - **19** heads of defaulting companies sentenced
 - **8** persons sentenced with 1 to 5 years of imprisonment

Measures to Improve Collection of Payments to Gazprom Mezhrefiongaz Group in North Caucasus FD

Petitions submitted to law enforcement agencies on revealed offences in gas supply sector in 2017



Criminal and administrative proceedings initiated



Court rulings

- 6,272 rulings made, including 4,414 rulings regarding NCFD
- 194 convictions rendered
- 202 persons sentenced, including 143 persons in NCFD

Outcomes of cooperation with law enforcement agencies

Year	Location	Petitions filed to law enforcement agencies	No court ruling made	Petitions dismissed	Criminal / administrative proceedings initiated
2017	Nationwide	20,673	8,808	2,859	9,006
	NCFD	15,651	7,422	1,904	510 / 5,815
	Dagestan RGC	7,240	4,704	700	446 / 1,390
	Cherkessk RGC	651	18	15	5 / 613
	Nalchik RGC	1,584	855	159	2 / 568
	Nazran RGC	1,720	607	294	9 / 810
	North Ossetia-Alania RGC	2,746	624	579	6 / 1,537
	Grozny RGC	1,522	614	56	30 / 822
	Stavropol RGC	188	0	101	12 / 75

Gazprom Mezhrefiongaz Group set up **Gazprom Mezhrefiongaz Metrologiya**, special-purpose entity aimed at developing gas metering systems. Said company will pay particular attention to NCFD

Further Streamlining of Legislation to Enhance Financial Discipline

Russian Government Directive No. 82, dated January 30, 2018, on Amendments to Certain Acts of Russian Government to Improve Procedure for Connecting Permanent Structures to Gas Distribution Networks and Increase Efficiency of Energy Infrastructure, was adopted: Guidelines for Connecting Permanent Structures were supplemented with new section permitting to legitimate, within shortest time possible and at minimum cost, independently connected facilities and to ensure signing of gas supply contracts with consumers, which helps reduce debt for consumed gas

Federal Law on Amendments to Housing Code of Russian Federation No. 59-FZ, dated April 3, 2018, which allows for concluding gas supply contracts directly between enterprises that provide related services and consumers of services, came into force

Regulatory act	Scope of regulation	Status and list of actions undertaken
Draft Directive of Russian Government on Making Amendments to Directive of Russian Government No. 549, dated July 21, 2008, on Procedure for Supplying Gas for Public and Household Use	Project stipulates, in particular, authorizing gas supplier to provide consumers with gas meters and additional (nonmagnetic) seals and specifies procedure for sending notices on temporary shut-off of gas supply (delivery) to non-payers.	Draft directive was developed by Russian Energy Ministry. Gazprom Mezhregiongaz introduced proposals on said project. Currently, efforts are being taken to promote it taking into account amendments by federal authorities.
Draft Federal Law on Making Amendments to Russian Code of Administrative Offences	Draft federal law is aimed at introducing stronger punishment for violations in energy supplies and accounting (unauthorized tie-ins and stealing, tampering with metering devices and attempts to falsify their readings) and exemptions from administrative liability for entities responsible for installation, replacement and maintenance of metering devices for energy resources.	Draft federal law was developed by Russian Gas Society Union of Oil and Gas Industry Organizations with direct involvement of Gazprom Mezhregiongaz. At present, work is underway to ensure project is reviewed by federal authorities.

Further Streamlining of Legislation to Enhance Financial Discipline

Regulatory act	Scope of regulation	Status and list of actions undertaken
<p>Draft Federal Law on Making Amendments to Criminal Code and Criminal Procedure Code of Russian Federation</p>	<p>Draft law contains amendments to Article 215.3 of Russian Criminal Code relating to criminalization of unauthorized connections to oil pipelines, petroleum product pipelines and gas pipelines, in case of repeated offences.</p>	<p>Draft law was developed by Russian Gas Society Union of Oil and Gas Industry Organizations under Improving Regulatory Framework of Gas Supply Relationships targeted program at initiative and with direct participation of Gazprom Mezhregiongaz. Draft law was adopted by State Duma of Russian Federation in first reading.</p>
<p>Guidelines for Calculation of Damage from Unauthorized Connections to Gas Supply and Consumption Networks and Unauthorized Tampering with Gas Metering Devices, as approved by Russian Energy Ministry Order No. 975 dated December 18, 2015</p>	<p>Guidelines set out procedure for calculating economic damage caused by individuals and (or) legal entities to owners of gas distribution and (or) gas consumption networks or to other persons who legitimately own such facilities, or to supplier of gas conveyed via gas distribution and (or) gas consumption networks, or to gas distribution companies operating gas distribution and (or) gas consumption networks, or to third parties affected by unauthorized connections to gas pipelines, facilities and installations of gas distribution and (or) gas consumption networks and (or) by tampering with gas meters.</p>	<p>Gazprom Mezhregiongaz continues to make efforts to give Guidelines status of regulatory act binding on public at large.</p>



THANK YOU FOR YOUR ATTENTION