

## Press Conference Background

# GAS EXPORT AND ENHANCING RELIABILITY OF GAS SUPPLY TO EUROPE

June 6, 2017

## GAS SALES

In 2016, the Gazprom Group sold 228.3 billion cubic meters of gas (including both exports from the Russian Federation and sales of gas purchased by the Group abroad) outside the former Soviet Union. Sales revenue (with the excise and customs duties factored in) totaled RUB 2,686 billion.

2016 saw gas exports from the Russian Federation to countries beyond the former Soviet Union hit a record of 179.3 billion cubic meters (under the contracts of Gazprom Export and GAZPROM Schweiz AG), which was 19.9 billion cubic meters more (+12.5 per cent) than in 2015.

<b>Natural gas sales by the Gazprom Group in countries beyond the former Soviet Union in 2016, billion cubic meters</b>	
<b>Country</b>	<b>Amount</b>
<i>Under the contracts of Gazprom Export and GAZPROM Schweiz AG</i>	
Austria	6.1
Bosnia and Herzegovina	0.2
Bulgaria	3.2
Croatia	0.7
Czech Republic	4.5
Denmark	1.7
Finland	2.5
France	11.5
Germany	49.8
Greece	2.7
Hungary	5.7
Italy	24.7
Macedonia	0.2
Netherlands	4.2
Poland	11.1
Romania	1.5
Serbia	1.7
Slovakia	3.7
Slovenia	0.5
Switzerland	0.3
Turkey	24.8
United Kingdom	17.9
<b>Total</b>	<b>179.3</b>
Other sales of the Gazprom Group	49.0*
<b>Overall</b>	<b>228.3**</b>

\* Trading operations and gas sales to end consumers, including LNG

\*\* Pursuant to Gazprom's consolidated financial statements prepared in accordance with IFRS

*Rounded off to one decimal place*

The Gazprom Group sold 33.2 billion cubic meters of gas in the former Soviet Union in 2016. The largest importer was Belarus with 18.3 billion cubic meters.

<b>Natural gas sales in the former Soviet Union in 2016, billion cubic meters</b>	
Belarus	18.3
Kazakhstan	4.7
Moldova	3.0
Ukraine	2.4
Lithuania	0.9
Armenia	1.8
Latvia	1.3
Estonia	0.4
Georgia	0.1
Kyrgyzstan	0.3
<b>Total</b>	<b>33.2*</b>

*\* Pursuant to Gazprom's consolidated financial statements prepared in accordance with IFRS  
Rounded off to one decimal place*

## **GAS TRANSPORTATION**

Gazprom supplies natural gas to its European customers via the following transportation routes: the Uzhgorod and Balkan corridors and the Yamal – Europe, Blue Stream and Nord Stream gas pipelines.

In 2016, efforts continued within the Nord Stream 2 project envisaging the construction of a transit-free gas pipeline from Russia to Germany across the Baltic Sea. The project is implemented by Nord Stream 2 AG. On April 24, 2017, Nord Stream 2 AG, ENGIE, OMV, Royal Dutch Shell, Uniper, and Wintershall signed the financing agreements for the project. Pursuant to the documents, those five European companies will provide long-term financing for 50 per cent of the total cost of the project, which is currently estimated to be EUR 9.5 billion. Each European company will fund up to EUR 950 million. Gazprom will remain the sole shareholder of the Nord Stream 2 AG project company.

The TurkStream gas pipeline will become a new route for Russian gas supplies to Turkey and European markets. The pipeline will run across the Black Sea to the Turkish seaboard with a landfall in the European part of the country. On October 10, 2016, the Government of the Russian Federation and the Government of the Turkish Republic inked in Istanbul the Agreement on the TurkStream project. The document provides for the construction of two strings with the throughput capacity of 15.75 billion cubic meters each, as well as an onshore string for gas transit to Turkey's border with neighboring countries. On December 8, 2016, the contract was signed to build the first string of the gas pipeline's offshore section. The contract for the second string was signed on February 20, 2017. On May 7, 2017, pipe-laying within the offshore section began, marking the start of the practical implementation of the TurkStream gas pipeline project.

Thanks to a variety of routes and an interconnected gas pipeline system in the Czech Republic and Germany, Gazprom can redistribute gas flows between the Uzhgorod corridor and the Yamal – Europe and Nord Stream pipelines, which is particularly important during peak demand periods and repair works at individual sections of the gas transmission system both in Russia and abroad.

### **GAS STORAGE**

The use of UGS (underground gas storage) capacities located near consumer markets is an efficient way of securing uninterrupted, reliable, and flexible natural gas supplies.

The Gazprom Group's UGS capacities in Europe amount to 5.0 billion cubic meters (up from 1.4 billion cubic meters in 2006), with the daily deliverability of 83.3 million cubic meters (against 18.2 million cubic meters in 2006).

In Germany, Gazprom Export in association with WINGAS operates Rehden, one of Europe's largest UGS facilities. Its storage capacity exceeds 4.7 billion cubic meters.

Gazprom Export, WINGAS, and RAG jointly operate the Haidach UGS facility in Austria. Its working gas capacity reached 2.83 billion cubic meters after its second train had been brought onstream. Haidach ensures the reliability of natural gas supplies in the direction of Baumgarten, as well as to consumers in Germany, Slovakia, Slovenia, Croatia, Hungary, Austria, and Italy.

The Gazprom Group and VNG are jointly constructing the Katharina UGS facility in Germany. Six caverns with a total working gas capacity of 315 million cubic meters and the maximum daily deliverability of 23.2 million cubic meters are currently operational at the facility. As soon as all of the planned 12 caverns are built, Katharina's aggregate storage volume will reach 650 million cubic meters, with a daily withdrawal capacity of 26 million cubic meters. The facility provides dependable gas supplies to Western Europe through Mallnow, Waidhaus, and the GASPOOL and NCG hubs, as well as via the Nord Stream gas pipeline. On April 1, 2017, the facility's above-ground equipment was brought into commercial operation.

In Serbia, the Gazprom Group constructed the Banatski Dvor UGS facility with a working gas capacity of 450 million cubic meters. The Group has a 51 per cent stake in the project. The facility guarantees a steady flow of natural gas exports to Hungary, Serbia, Republika Srpska, and Bosnia and Herzegovina.

In the Netherlands, the Gazprom Group operates over 40 per cent of capacities at the Bergermeer UGS facility. The Group received a 1.9 billion cubic meter share in the facility's active stocks in exchange for cushion gas deliveries. Established in a strategic location, Bergermeer helps ensure the stable operation of Nord Stream and uninterrupted gas supplies to the Netherlands, the United Kingdom, and Germany.

In the Czech Republic, the Damborice UGS facility, which has a design capacity of 456 million cubic meters, came onstream on July 1, 2016. At the moment, Gazprom can use 156 million cubic meters of the facility's capacities, with the maximum daily deliverability standing at 3.7 million cubic meters.

### **USE OF GAS AS VEHICLE FUEL**

Reducing harmful emissions from vehicles is a global challenge that can be addressed by, among other things, the use of eco-friendly fuels. One way of efficiently cutting down emissions is through the conversion to natural gas, a fuel that is easily available, reliable, clean, and less expensive than conventional petroleum products.

CO<sub>2</sub> emissions from natural gas-powered vehicles are a quarter lower than from those powered by gasoline. Methane-driven engines emit much less carbon oxide than diesel ones, and particulate emissions from natural gas-powered engines are nearly zero.

The Gazprom Group is committed to further developing the NGV market, especially in Europe, with its heightened demand for alternative energy due to the tightening of environmental regulations.

Between 2013 and 2016, the number of the Gazprom Group's gas filling stations in Europe climbed from 23 to 69. Gazprom NGV Europe and its partners continue to implement joint projects aimed at introducing LNG-powered buses into European municipalities. In 2016, the Group entered Serbia's NGV market, offering retail services at two gas filling stations.