Press Conference Background

MINERAL AND RAW MATERIAL BASE DEVELOPMENT. GAS PRODUCTION. GAS TRANSMISSION SYSTEM DEVELOPMENT

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MINERAL AND RAW MATERIAL BASE DEVELOPMENT

As of December 31, 2015, the explored A+B+C1 (under the Russian classification) natural gas reserves of Gazprom amounted to 36.147 trillion cubic meters, which equated to 72 and around 17 per cent of the Russian and global reserves respectively.

In 2015, Gazprom added 531.1 billion cubic meters of gas to its reserves thanks to geological exploration conducted in Russia. The reserve replacement ratio of 127 per cent shows that Gazprom consistently ensures its reserve addition rates surpass its production rates. Most of the gas was added by the Yuzhno-Kirinskoye (213.2 billion cubic meters) and Chayandinskoye (205 billion cubic meters) fields.

Over the course of 2015, Gazprom conducted 3D seismic surveys covering 20,000 square kilometers in Russia. The Company drilled through 143,600 meters of rock formations and constructed 43 prospecting and appraisal wells. The exploration spending totaled RUB 102.1 billion.

Gazprom also continues to implement exploration projects outside Russia, namely in Algeria, Vietnam, Serbia, and Kyrgyzstan. The investments in exploration projects abroad made up RUB 16.3 billion.

Gazprom annually makes an independent assessment of its reserves under international standards. In 2015, DeGolyer and MacNaughton performed a PRMS-based reserves audit covering 94 per cent of gas, 92.2 per cent of gas condensate, and 92.4 per cent of oil in A+B+C1 categories. Gazprom Group's proven and probable reserves of hydrocarbons were estimated at 23.7 trillion cubic meters of gas, 933.3 million tons of condensate, and 1,355.4 million tons of oil.

GAS PRODUCTION

In 2015, Gazprom extracted 418.5 billion cubic meters of gas, which was 25.4 billion cubic meters less than in 2014. The decrease is attributable to the reduced gas offtake by consumers.

The Company continued to ramp up its gas production from Bovanenkovskoye, the largest field of the Yamal Peninsula. In 2015, the field produced 61.9 billion cubic meters of gas, thus showing an increase of 19.1 billion cubic meters versus 2014.

The beneficial utilization rate of associated petroleum gas across Gazprom's fields stood at 95.4 per cent.

Liquid hydrocarbon production rose by 1.6 million tons in 2015 against 2014 to 51.3 million tons, including 15.3 million tons of gas condensate and 36 million tons of oil.

GAS TRANSMISSION SYSTEM DEVELOPMENT

The overall length of Gazprom's gas transmission system in Russia reached 171,200 kilometers.

In 2015, the Company actively worked to develop the system.

Gazprom continued expanding the gas transmission corridor in order to feed Yamal gas into Russia's Unified Gas Supply System, specifically by building the Bovanenkovo – Ukhta 2 trunkline. The construction is carried out using unique domestically produced pipes with a 1,420-millimeter diameter and an 11.8-MPa working pressure. In 2015, about 133 kilometers of linear sections were commissioned.

The Company began the construction of the Ukhta – Torzhok 2 trunkline. It will be about 970 kilometers long, with a design capacity of 45 billion cubic meters of gas per year. The gas pipeline will deliver gas to northwestern Russia in the amounts required for gasification, domestic gas supplies, and exports.

In order to improve the flexibility of the gas transmission system and ensure an optimal load distribution, especially during peak loads in the autumn/winter period, Gazprom takes efforts to enhance its underground gas storage (UGS) system. As of December 31, 2015, the working gas capacity of the Company's UGS facilities based in Russia totaled 73.6 billion cubic meters, up by 2.5 billion cubic meters from December 31, 2014. The potential deliverability of UGS facilities hit record numbers by the autumn/winter season of 2015–2016, with the maximum daily deliverability at the beginning of the withdrawal season climbing to 789.9 million cubic meters of gas, which was 19.5 million cubic meters higher than in the 2014–2015 season.

At present, Gazprom continues to build the Bednodemyanovskoye and Volgogradskoye UGS facilities, as well as to develop the Kaliningradskoye UGS facility. The Company is about to make decisions on the construction of UGS facilities in a number of suitable geological formations (Arbuzovskoye in the Republic of Tatarstan and Shatrovskoye in the Kurgan Region). The Novomoskovskoye UGS facility (Tula Region) is at the design stage.