



		2,7	25,96	27,07	+0,17	3,52%			
		22,8	22,73	21,18	+0,26	0,89%			
		26,7	25,18	27,33	-1,14	-4,08%			
		26,9	26,17	31,58	+13,53	3,32%			
		9,2	9,73	9,51	+0,82	0,54%			

# GAZPROM'S FINANCIAL AND ECONOMIC POLICY PRESS CONFERENCE

JUNE 28, 2018

St. Petersburg

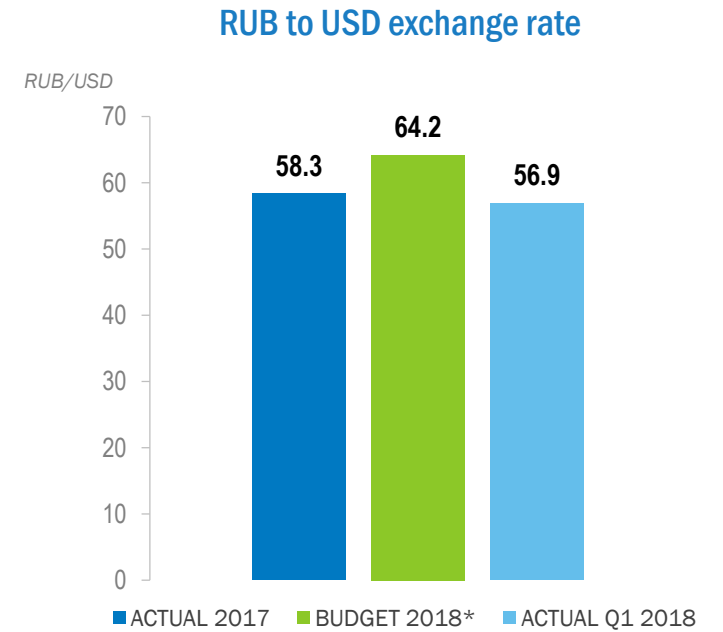
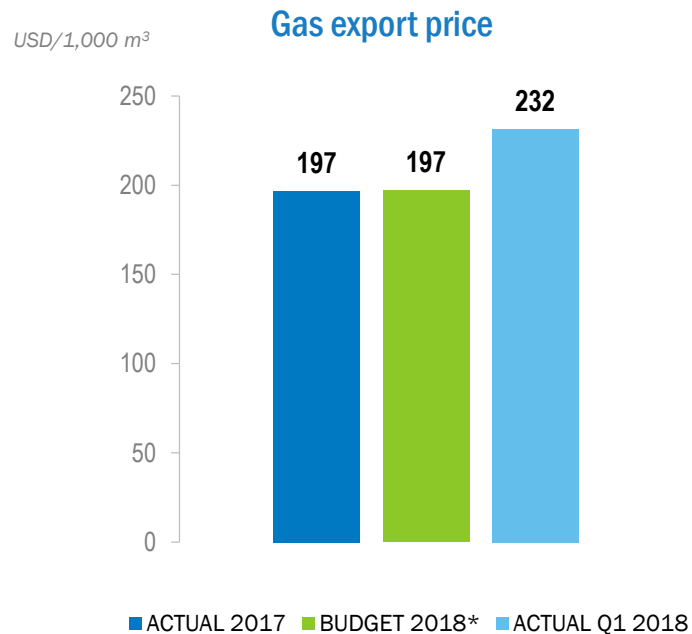
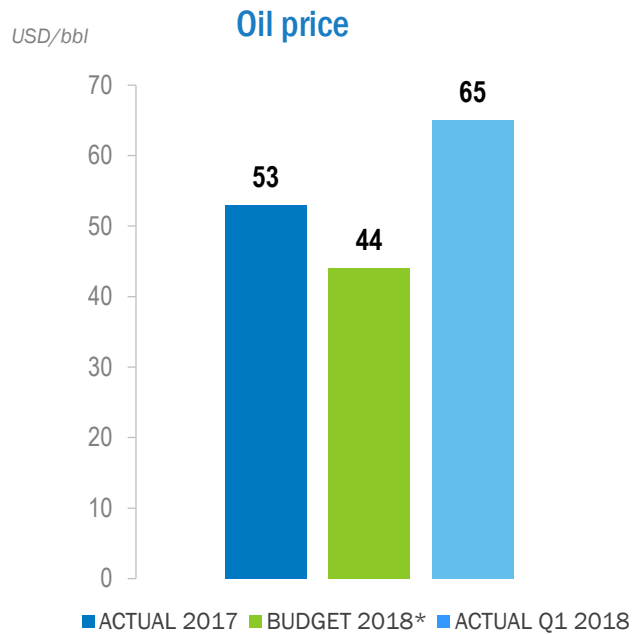
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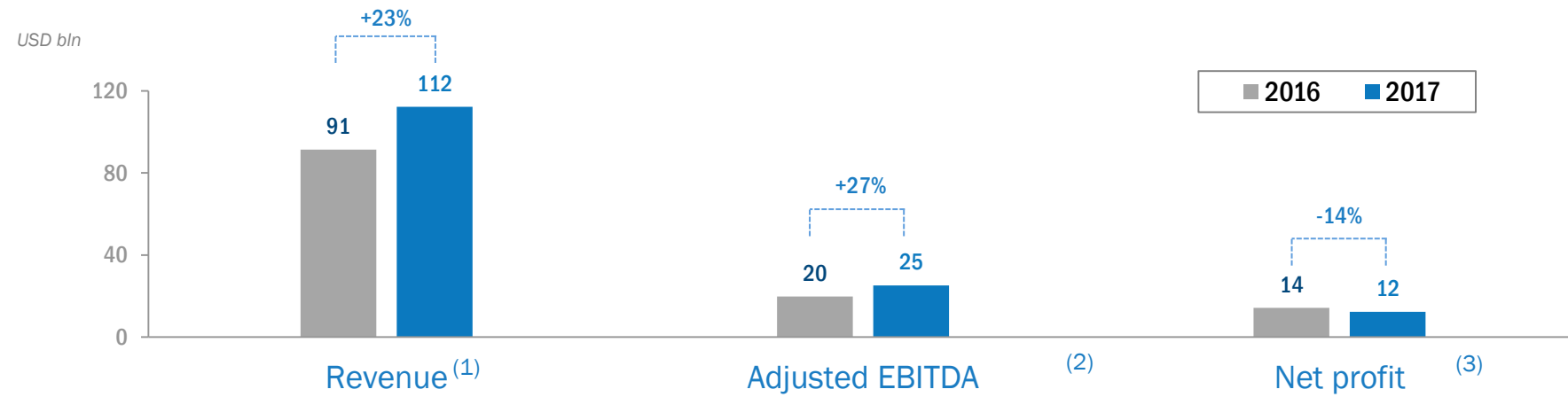
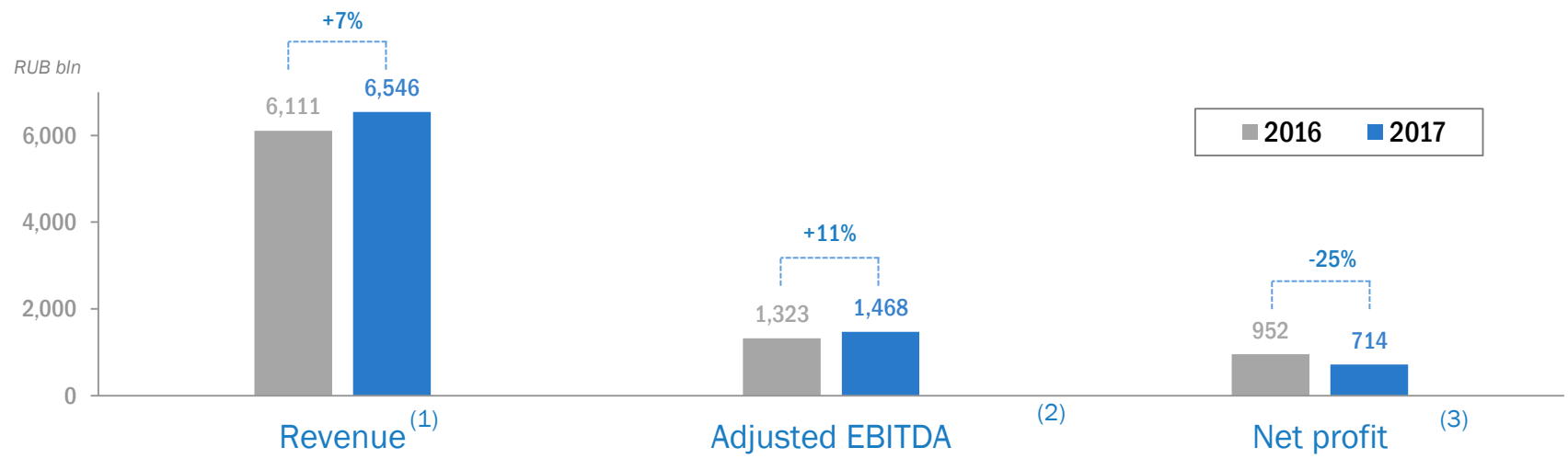
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## Key priorities of financial policy

- Conservative approach to budget planning
- Precise ranking of investment projects
- Optimization of operating expenditures
- Risk reduction measures
- Effective debt management
- Well-balanced dividend policy

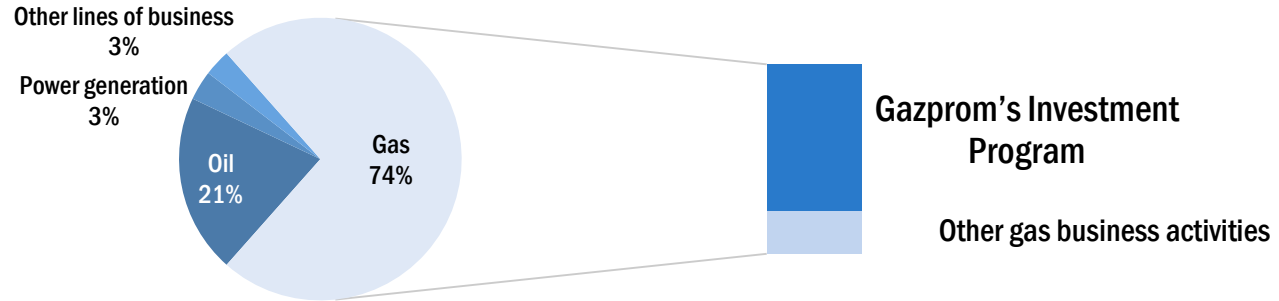
\*approved by Board of Directors



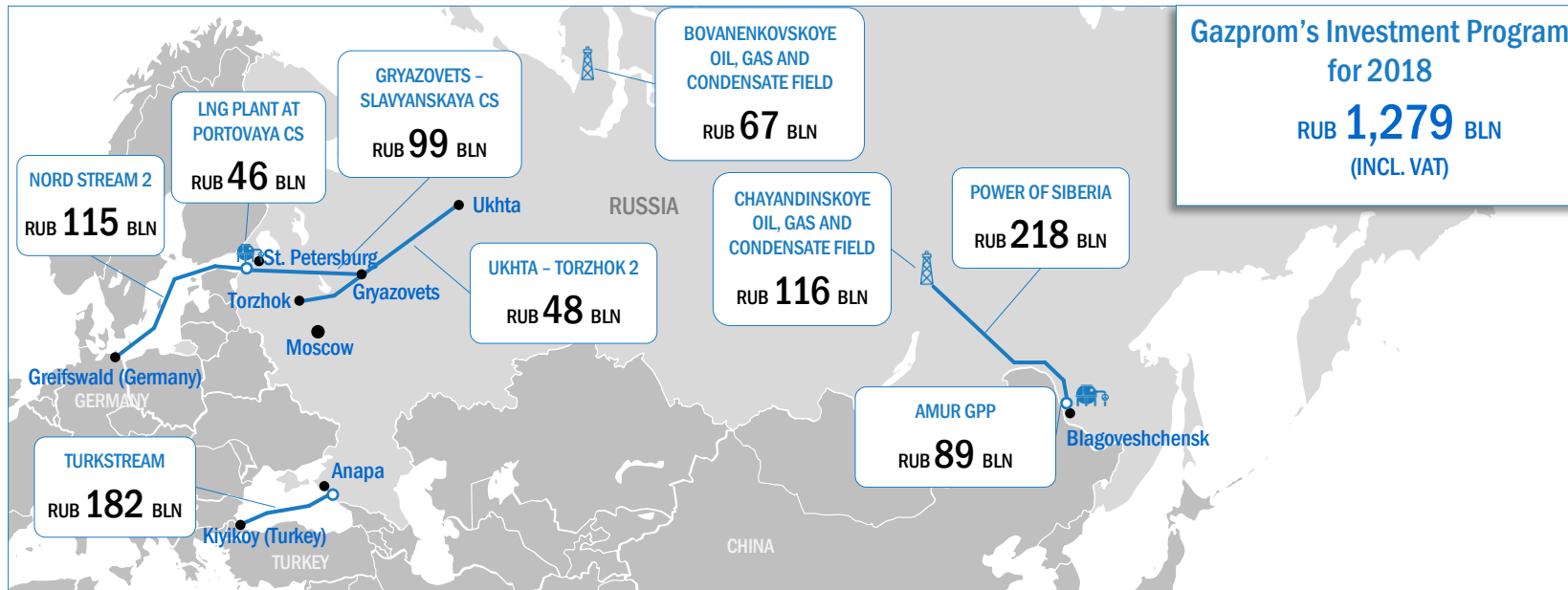
(1) Net of excise tax, VAT and customs duties  
 (2) EBITDA is adjusted by changes in asset impairment reserves  
 (3) Annual profit attributable to shareholders of Gazprom



## Gazprom Group's Investment Program for 2018

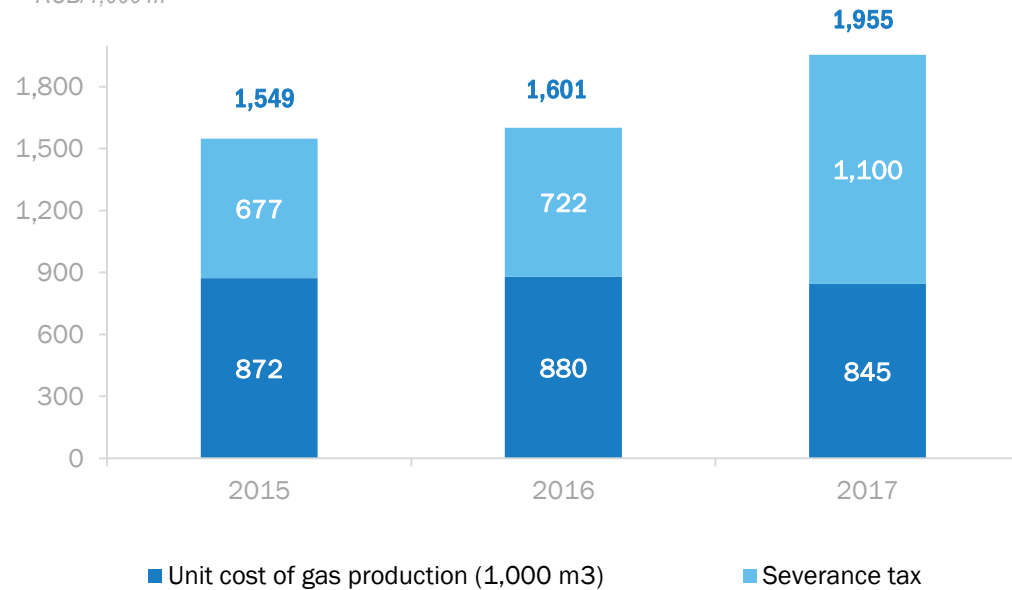


## Major projects under Gazprom's Investment Program for 2018 (incl. VAT)



## Prime cost of gas production<sup>1</sup>

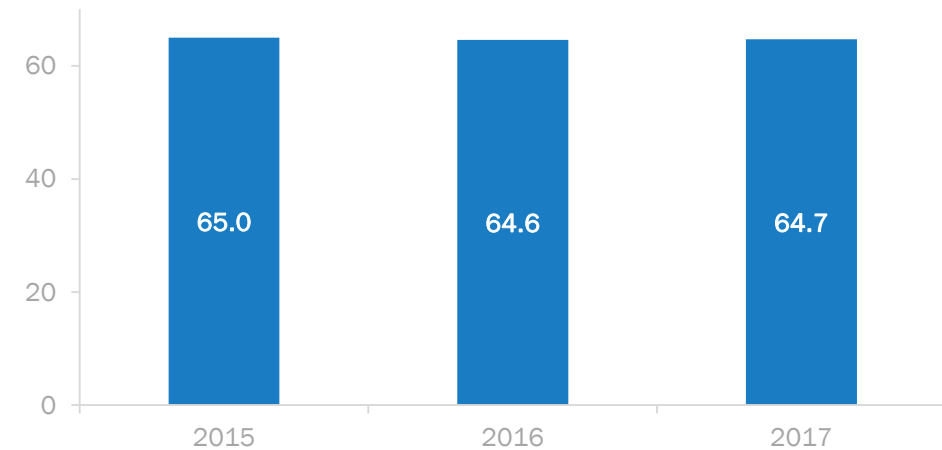
RUB/1,000 m<sup>3</sup>



- In 2017, 4% reduction of gas production cost (net of severance tax) was attained
- Growth in overall production cost caused by severance tax dynamics

## Prime cost of gas transmission<sup>2</sup>

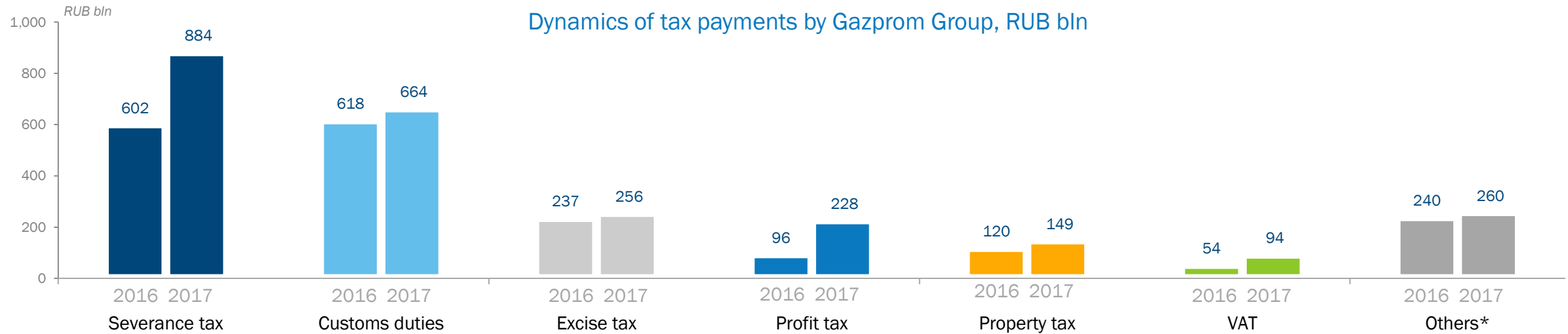
RUB /1,000 m<sup>3</sup> per 100 km



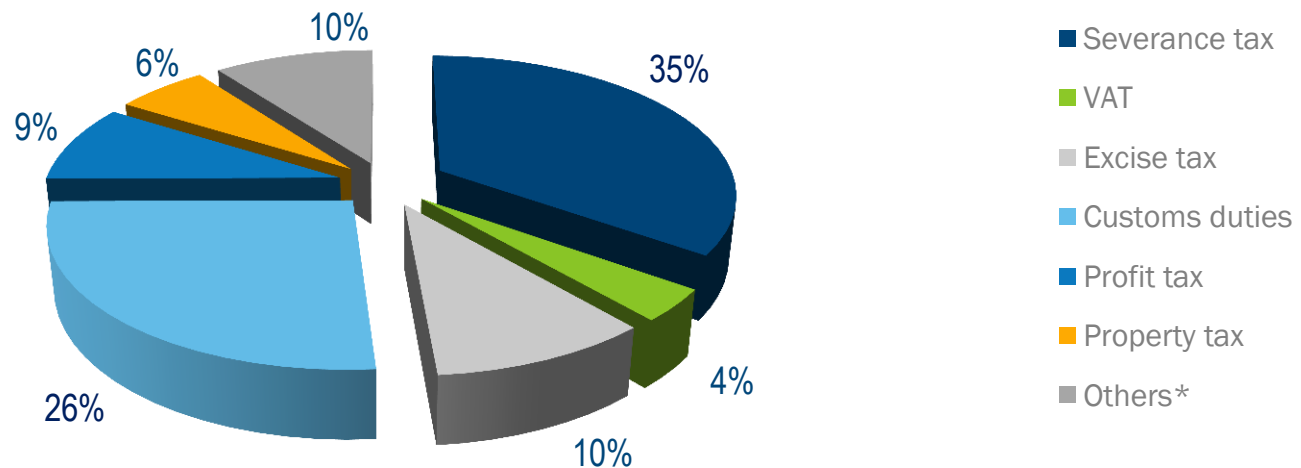
- In 2017, prime cost of gas transmission across Russia grew by less than 1%

<sup>1</sup> Prime cost of gas production – costs for production of 1,000 m<sup>3</sup> of marketable gas by 7 major gas producing subsidiaries of Gazprom

<sup>2</sup> Prime cost of gas transmission – costs for transmission of 1,000 m<sup>3</sup> of gas per 100 km by Gazprom's gas transmission subsidiaries (within Russian Federation)



Breakdown of Gazprom Group's tax payments in 2017, %



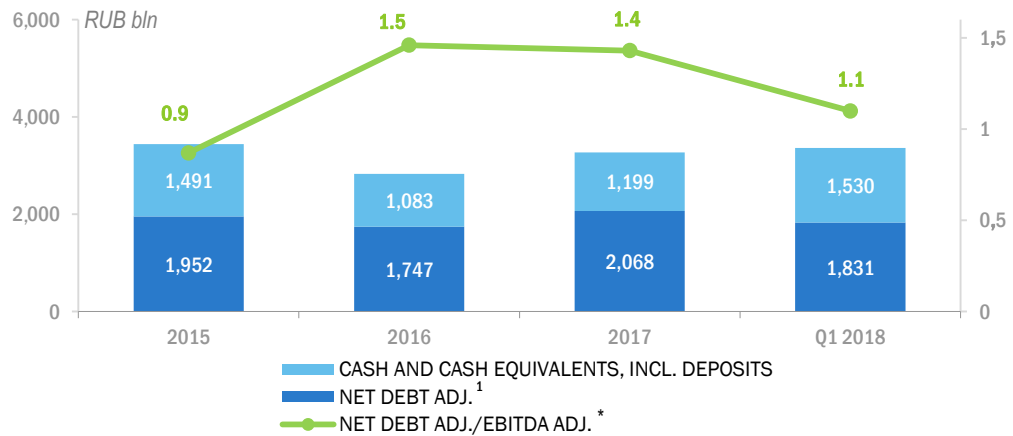
\* Other taxes, insurance payments, personal income tax

## SINGLE TREASURY OF GAZPROM GROUP

Centralized management of Gazprom Group's cash flows	Intra-Group liquidity management	Consolidation of Gazprom Group's payment operations	Management of Gazprom Group's financial risks
<ul style="list-style-type: none"> <li>▪ expansion of cash pooling system comprising accounts of Gazprom Group's companies based within and beyond Russia</li> <li>▪ introduction of advanced banking technologies for cash flow and transaction management</li> </ul>	<ul style="list-style-type: none"> <li>▪ development of corporate dealing at Gazprom Group</li> <li>▪ expansion of list of treasury instruments for managing idle cash</li> <li>▪ enhancement of financial discipline</li> </ul>	<ul style="list-style-type: none"> <li>▪ creation of single transaction processing center for Gazprom Group</li> <li>▪ full control of cash movements on Gazprom Group's accounts</li> <li>▪ efforts to ensure transparency of Gazprom Group's settlements</li> </ul>	<ul style="list-style-type: none"> <li>▪ uniform principles of financial risk management</li> <li>▪ establishment and monitoring of quotas for servicing banks</li> <li>▪ introduction of additional legal oversight procedures (compliance control), including for external financing</li> </ul>



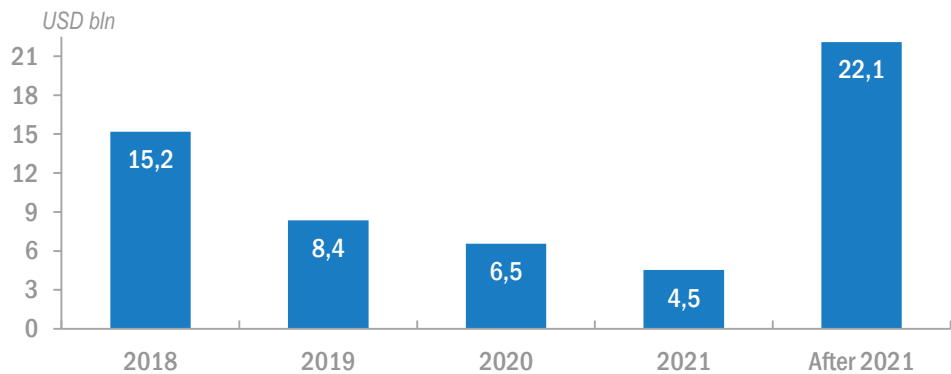
## Net profit adjusted by bank deposits<sup>1</sup>



<sup>1</sup> Net debt adjusted for bank deposits disclosed as Other Current and Non-Current Assets

\* In dollar terms

## Gazprom Group's debt repayment schedule<sup>\*\*</sup>



\*\* As of late 2017 (according to IFRS)

## Gazprom's credit ratings

	Rating	Outlook
<b>Fitch</b> ***	BBB- (Investment level)	positive
<b>Moody's</b>	Baa3 (Investment level)	positive
<b>S&amp;P</b> ***	BBB- (Investment level)	stable
<b>Dagong</b>	AAA	stable
<b>ACRA</b>	AAA (RU)	stable

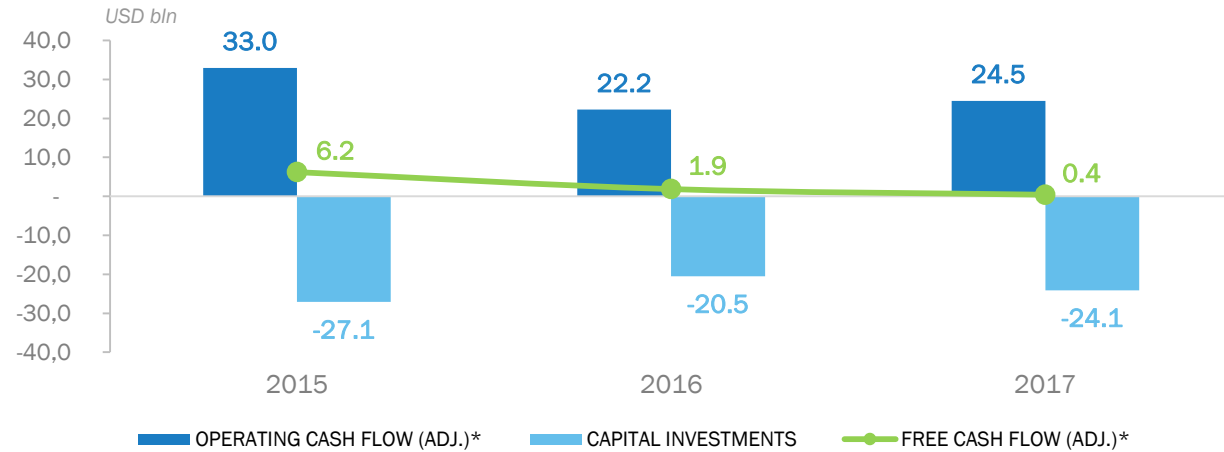
\*\*\* Gazprom's credit ratings are limited by sovereign credit rating of Russian Federation

- Conservative financial policy
- Comfortable level of debt burden
- Liquidity cushion (cash, cash equivalents and bank deposits)
- Access to debt financing

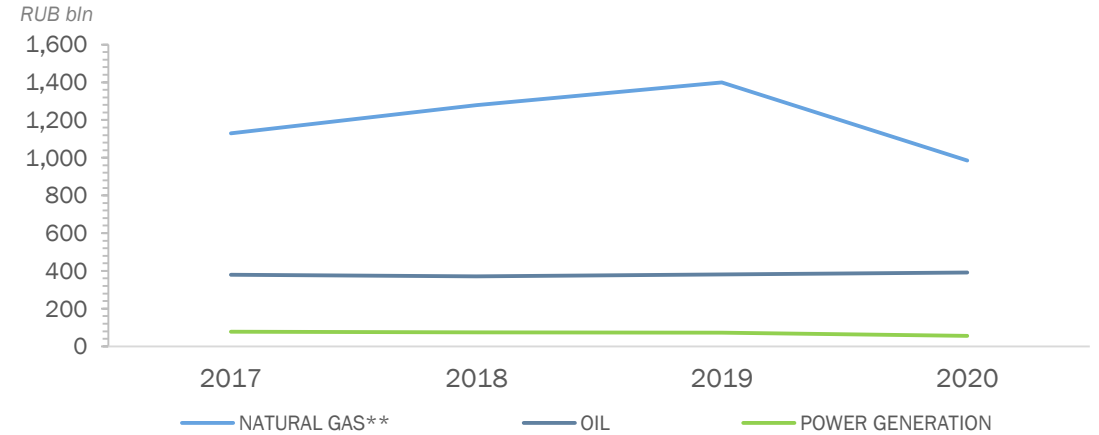
	Placement date	Loaned amount	Coupon	Maturity period	Details
2017	February	RUB 30 bln	8.9%	7 years	- 2 bond issues in RUB
	March	EUR 700 mln	EURIBOR +2.5%	5 years	- Loan agreement
	March	USD 750 mln	4.95%	10 years	- First USD loan in three years - Profitability 10 bps below secondary market
	April	GBP 850 mln	4.25%	7 years	- At time of issuance, biggest transaction in UK market among developing-country firms in three years - Swap into EUR
	May	EUR 300 mln	EURIBOR +0.98% +ECA premium	10 years	- Export credit agency (ECA) guarantee-backed loan agreement
	July	EUR 200 mln	EURIBOR +2.47%	5 years	- Loan agreement
	July	CHF 500 mln	2.25%	5 years	- International public bond issue under EMTN program - Swap into EUR
	November	EUR 700 mln	EURIBOR +1.95%	5 years	- Loan agreement
	November	EUR 1,000 mln	EURIBOR +1.85%	5 years	- Loan agreement with several banks
	November	EUR 750 mln	2.25%	7 years	- International public bond issue under EMTN program
2018	February	RUB 30 bln	7.15%	7 years	- 4 bond issues in RUB
	March	CHF 750 mln	1.45%	5 years	- International public bond issue under EMTN program
	March	EUR 750 mln	2.5%	8 years	- International public bond issue under EMTN program
	March	EUR 600 mln	EURIBOR +1.6%	5 years	- Loan agreement

\* All data provided in this slide are for information purposes only

## Free cash flow



## Investments in gas, oil and power generation businesses



### Factors contributing to free cash flow increase in 2018–2020:

- + Stable market position in Europe
- + Reasonably high oil and gas prices, optimistic price outlooks
- + Start of gas supplies to China in 2019
- + Oil and condensate production growth
- + Reduction of capital expenditures after 2019
- + Transition of oil and power businesses to generation of positive free cash flow
- + Reduction of transportation costs after 2020 thanks to commissioning of TurkStream and Nord Stream 2 projects

\* Adjusted for changes in volume of bank deposits reflected in operating cash flow under IFRS

\*\* Gazprom

## Main sources used in establishing principles of corporate governance improvement at Gazprom

- Recommendations of Bank of Russia Corporate Governance Code
- Listing rules of Russian stock exchanges
- Guidelines of federal authorities
- Best global practices
- Recommendations of external experts

## Action plan for further improvement of Gazprom's corporate governance system was made up in 2018

### Plan includes following measures:

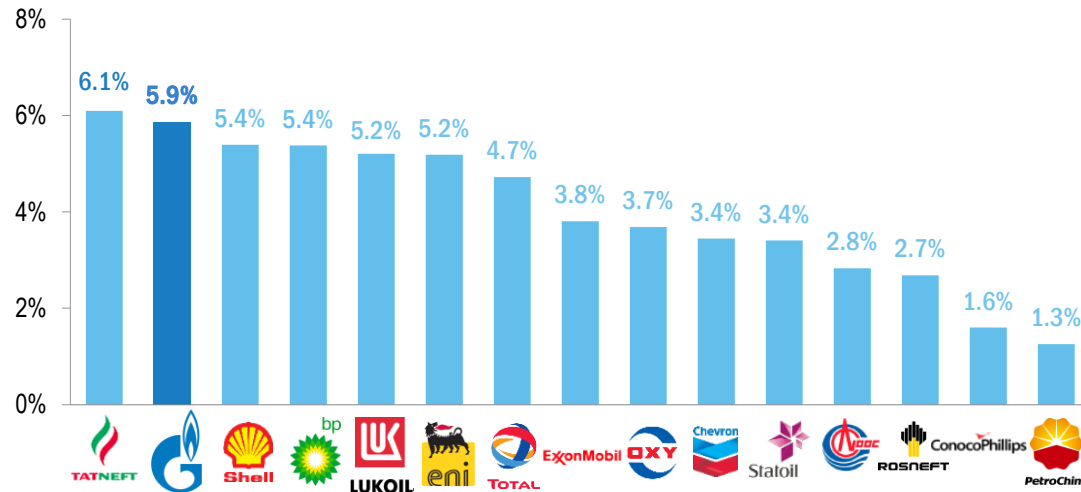
- Further improvement of shareholders' rights mechanisms
- Streamlining of corporate regulations and procedures relating to, inter alia, non-financial reporting
- Further development of corporate ethics
- Continued active engagement with shareholders and investors



## Forecast for 2018–2019:

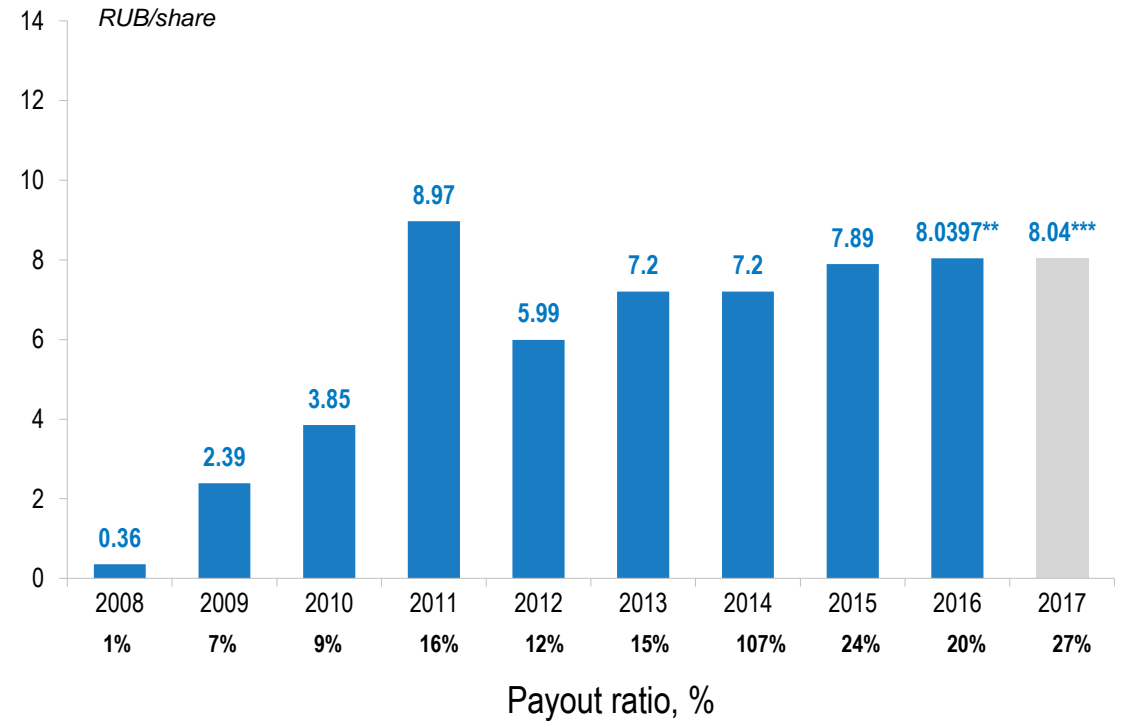
- Keeping dividend payouts in RUB no lower than last year’s level
- Maintaining conservative financial strategy
- Balanced approach to dividend policy

## Dividend yield on shares of largest global oil and gas companies\*



SOURCE: COMPANIES' DATA, BLOOMBERG

## Dividend payouts



Dividend yield on Gazprom’s shares is commensurate with that of largest global oil and gas companies

\* Dividend yield: ratio of dividends for 2017 to share price as of June 20, 2018

\*\* Dividends made up 94% of free cash flow

\*\*\* Recommended by Board of Directors

### Top priorities of Gazprom's management for 2018–2020

#### Conservative financial policy

- Conservative approach to budgeting
- Oil prices embedded in budget are below current level
- Cost management
- Risk management

#### Getting through capital expenditures peak in 2018–2019

- Strong financial discipline
- Bringing onstream key strategic projects in 2019
- Additional profit growth from new projects after 2019

#### Optimization of debt repayment schedule

- Wide access to Russian and international debt capital markets
- Significant liquidity reserve