



# GAZPROM: 1Q2020 IFRS RESULTS

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# COVID-19: RESPONSE TO THE OUTBREAK



## KEY MEASURES

- COVID-19 hotlines
  - Office-based staff **shifted to remote work, working hours and pay conditions upheld**
  - Business trips curtailed; self-isolation for 14 days on arrival
  - Requirement to seek medical assistance in the event of respiratory symptoms, compliance with state self-isolation guidance
- 30 March – 11 May 2020 – paid holiday across Russia**
- Uninterrupted operation and **premium rates of pay** at continuous process facilities
  - Safe rotation procedures**, including a 14 day quarantine before shift
  - Longer shifts
  - Provision of PPE to all employees
  - Sanitization of buildings, premises, vehicles and equipment
- Phased lifting of restrictions**
- Remote work preserved for part of office-based staff
  - Admission to work after negative PCR test result, mandatory PCR test every 14 days
  - Office-based employees to start and finish work at different hours
  - Employees to wear PPE and keep a social distance
  - Consecutive normalization of work at all levels as the rate of infection is lowering in Russia

## CHAYANDINSKOYE FIELD CASE

- Early April 2020: COVID-19 outbreak at the Chayandinskoye field
- ✓ Isolation facility equipped with ventilators and oxygen concentrators
  - ✓ Quarantine facility for those in contact with positive patients
  - ✓ Regular PCR testing
  - ✓ Provision of PPE to all employees
  - ✓ In May, **almost 7,000 people were transported away** from the field
- Early June 2020: **lockdown at the field was lifted** by state authorities

## SOCIAL RESPONSIBILITY

- The Members of the Management Committee donated their monthly salaries to the Botkin Infectious Disease Hospital in St. Petersburg;
- Gazprom Workers' Union allocated over RUB70 mln to buy PPE and combat coronavirus. Member volunteer teams to help veterans were set up;
- Gazprom and its subsidiaries constantly make donations to and try to meet urgent needs of local hospitals fighting COVID-19 in the regions of presence :
  - ✓ With the active assistance of Gazprom the Lenexpo exhibition complex in St. Petersburg was converted into a temporary hospital with 1,000 beds for COVID-19 patients;
  - ✓ Supplies of professional PPE (ex. biological protection suits) to medical staff and contributions to local hospitals to purchase new medical equipment (ICU ventilators, oxygen concentrators).

## RESULTS OF RESPONSE TO THE OUTBREAK

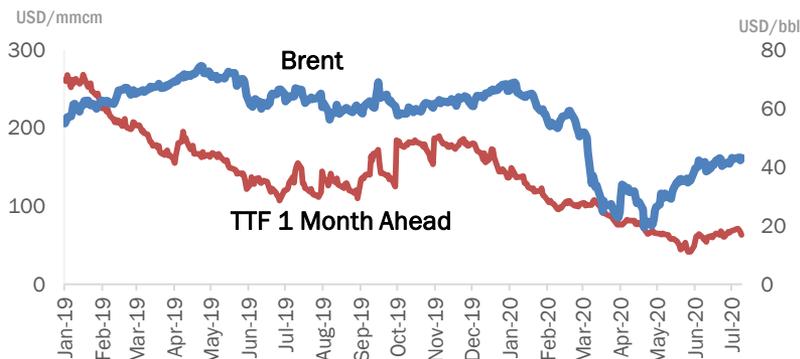
- Safe working conditions for employees
- Uninterrupted operation of hydrocarbon production, transportation and processing facilities
- Uninterrupted supplies, including gas supplies for export

# 1Q2020 VS 1Q2019 MARKET ENVIRONMENT

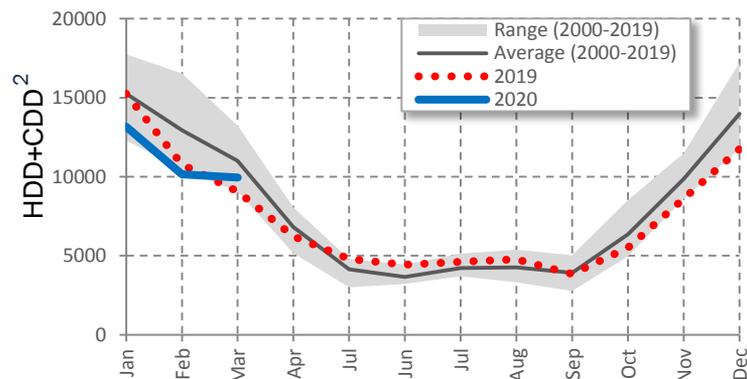
## HIGHLIGHTS

- A PACK OF MACROECONOMIC BLACK SWANS: COVID PANDEMIC, OIL AND GAS PRICES CRASH AND RUBLE DRAMATIC WEAKENING ...
- ...WEATHER CONDITIONS IN EUROPE IN 1Q2020 WERE NOT FAVORABLE FOR GAS CONSUMPTION

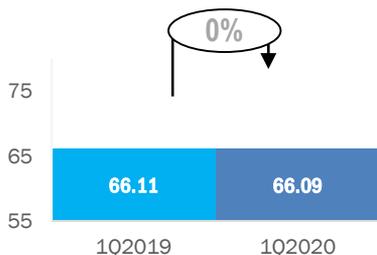
## EUROPEAN GAS PRICES



## WEATHER INDEX IN EUROPE<sup>1</sup>

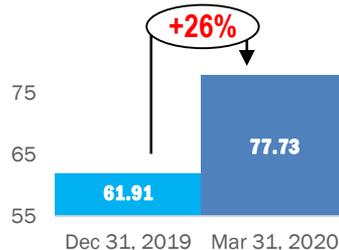


## AVERAGE USD/RUB EXCHANGE RATE



- AVERAGE RUBLE RATE IS THE SAME IN 1Q2019 AND 1Q2020, BUT...

## END OF PERIOD USD/RUB EXCHANGE RATE

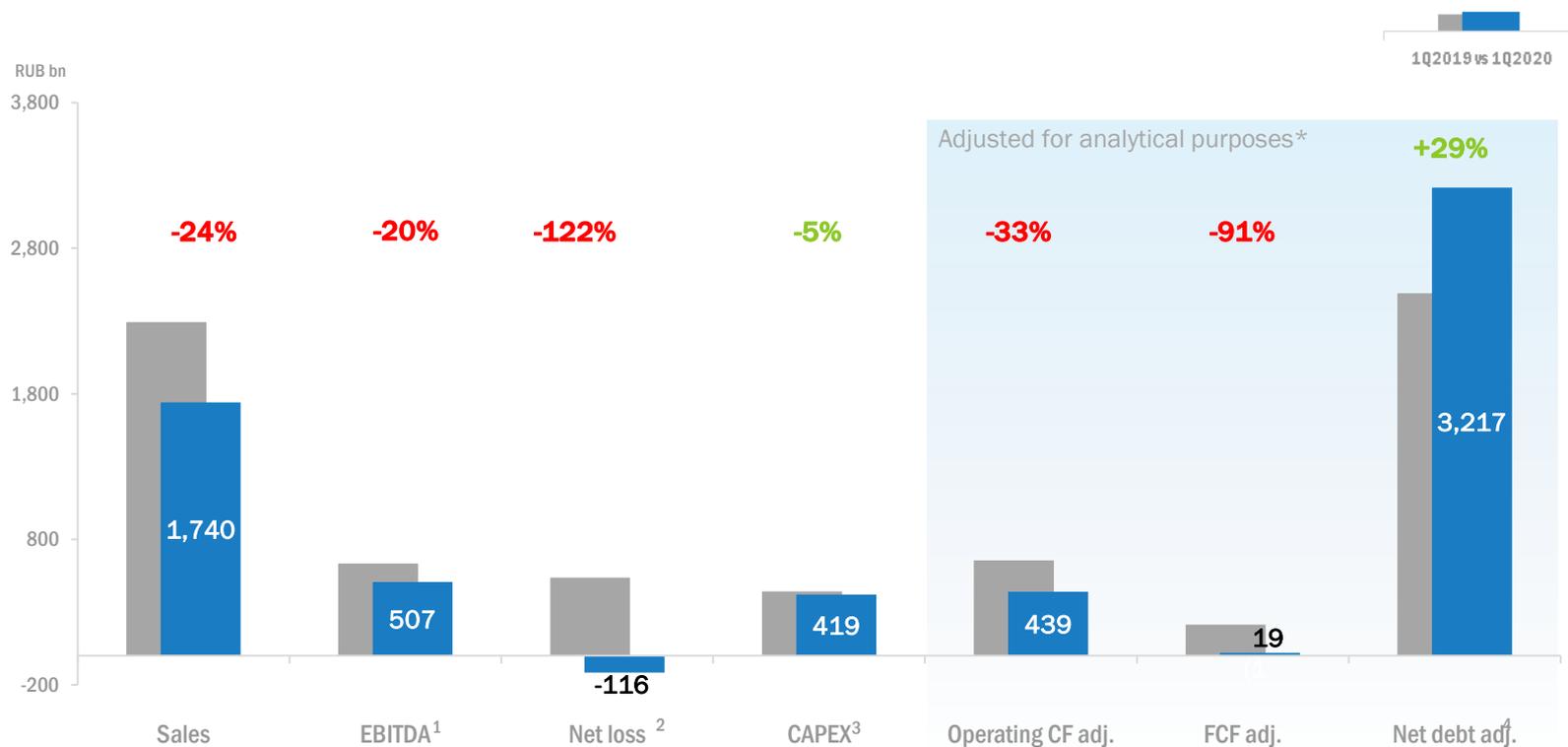


- ...DURING 1Q2020 RUBLE IS WEAKENING BY 26% - RESULTED IN FX LOSSES

<sup>1</sup> Index is calculated as a sum of degree days for the appropriate month in more than 90 European countries  
<sup>2</sup> HDD (heating degree days) – degree day at the heating season  
 CDD (cooling degree days) – degree day of a cooling season

# 1Q2020 IFRS RESULTS

- POSITIVE FCF DUE TO LOWER CAPEX
- RUBLE WEAKENING LED TO FX LOSSES AND NEGATIVE NET PROFIT AS WELL AS THE INCREASE OF NET DEBT
- MODERATE DEBT BURDEN MAINTAINED



<sup>1</sup> EBITDA adjusted for changes in impairment provisions

<sup>2</sup> Profit attributable to PJSC Gazprom's shareholders for the period

<sup>3</sup> Cash capital expenditures

<sup>4</sup> Compared to Net debt as of December 31, 2019

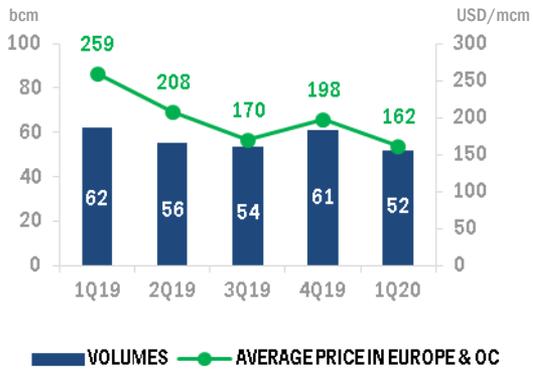
\*In order to reflect the effects of the decrease in bank deposits (reported as part of Other current and Other non-current assets)

# GAS BUSINESS

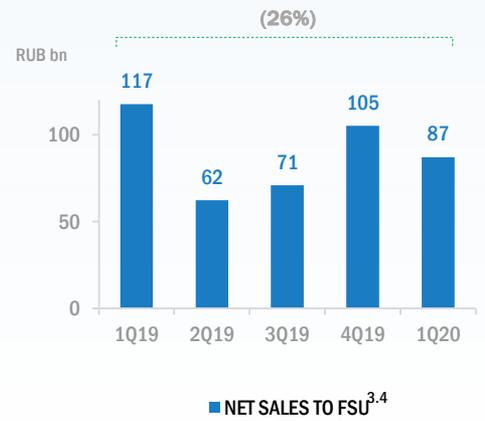
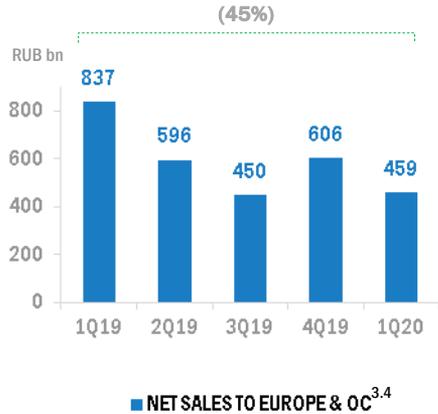
## RUSSIA



## EUROPE & OC<sup>2</sup>



## FSU

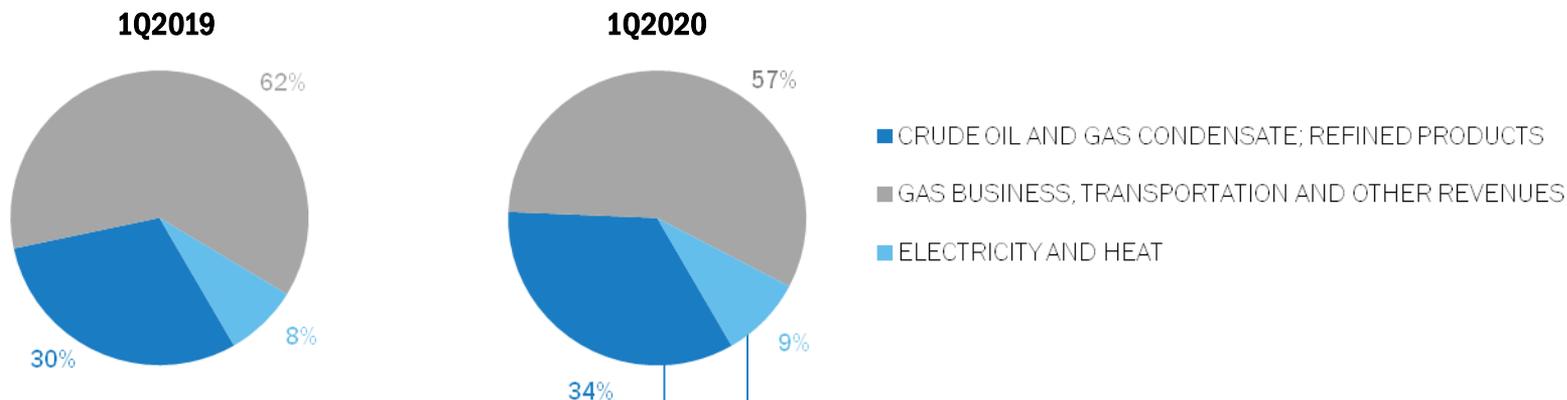


Calculations may differ due to rounding.  
 1 Net of value added tax (VAT)  
 2 OC – other countries, including LNG sales  
 3 VAT is not charged on export sales  
 4 Net of custom duties and excise tax on gas exports

# OIL AND ENERGY BUSINESS



## REVENUE BY SEGMENT<sup>1</sup>



## OIL AND GAS CONDENSATE, REFINED PRODUCTS



## ELECTRICITY AND HEAT



Calculations may differ due to rounding.

<sup>1</sup> Net of value added tax (VAT), excise tax and custom duties.

# IMPACT OF BANK DEPOSITS

## KEY FEATURES OF BANK DEPOSITS:<sup>1</sup>

- EARLY WITHDRAWAL CLAUSE
- DEPOSIT TERM OF OVER 3 MONTHS

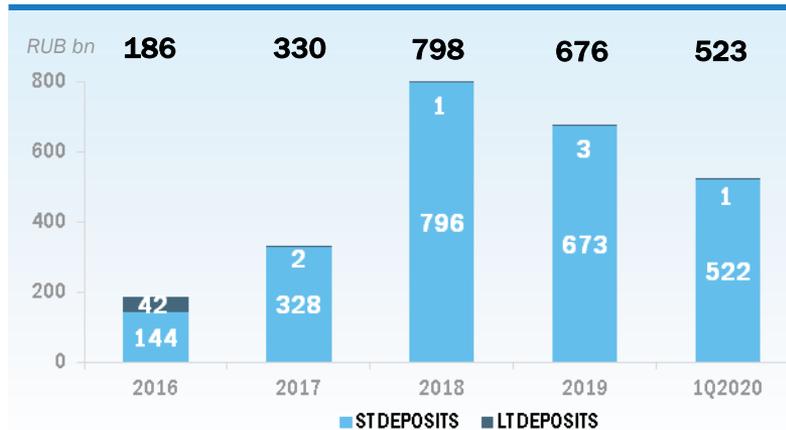
### IMPACT OF BANK DEPOSITS ON NET DEBT:

- BANK DEPOSITS ARE NOT INCLUDED IN CASH AND CASH EQUIVALENTS
- NET DEBT AND NET DEBT/EBITDA NEED TO BE ADJUSTED FOR BANK DEPOSITS FOR ANALYTICAL PURPOSES

### IMPACT OF CHANGES IN ST DEPOSITS ON CASH FLOWS:

- CHANGES IN WORKING CAPITAL (A PART OF OPERATING CASH FLOWS) INCLUDE CHANGES IN ST BANK DEPOSITS
- OPERATING CASH FLOWS AND FREE CASH FLOW NEED TO BE ADJUSTED FOR CHANGES IN ST BANK DEPOSITS FOR ANALYTICAL PURPOSES

### ST & LT BANK DEPOSIT VOLUMES



### ST BANK DEPOSIT CHANGES



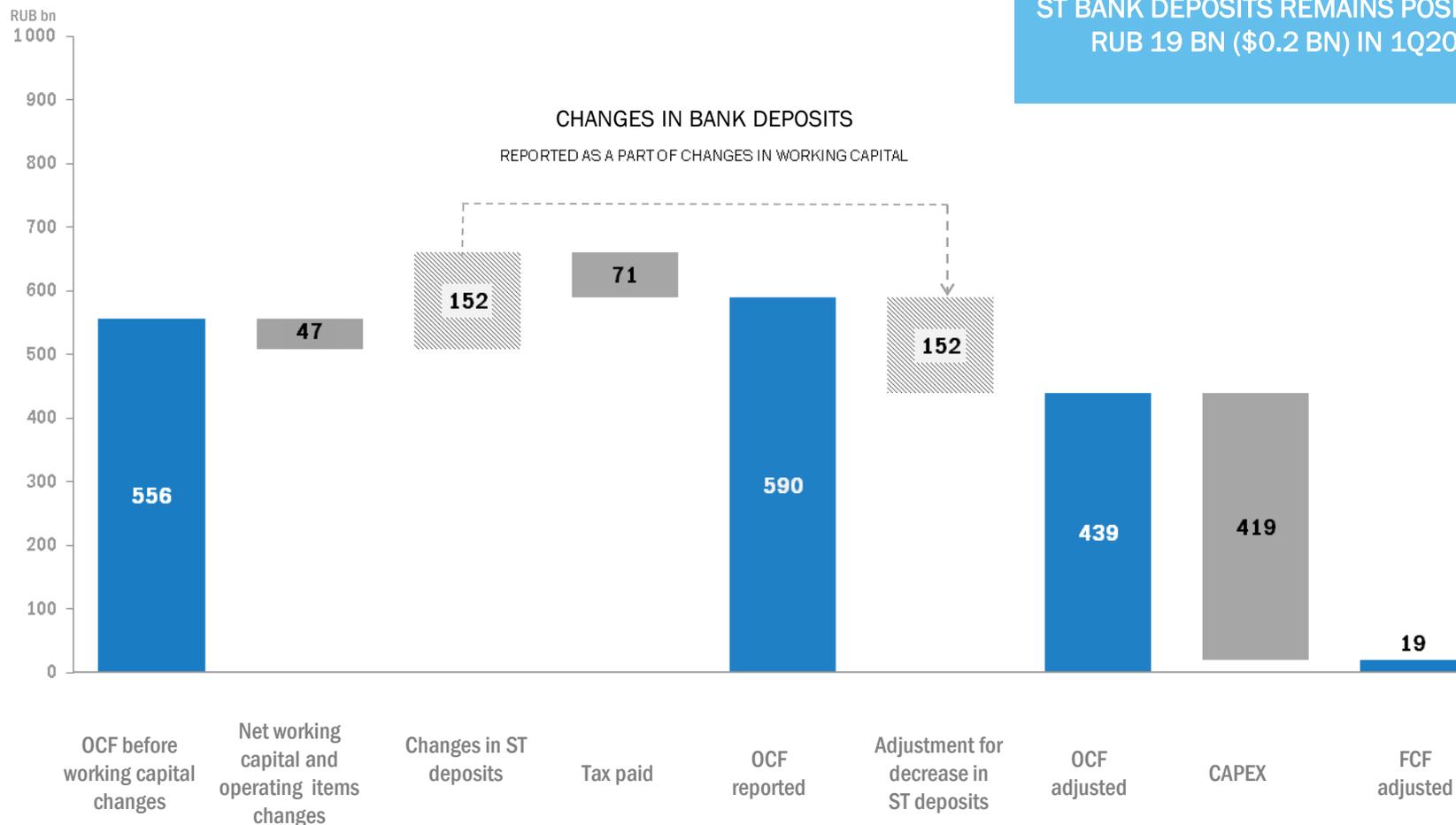
APPLYING OF LT AND ST BANK DEPOSITS IS AIMED AT IMPROVING THE EFFICIENCY OF LIQUIDITY MANAGEMENT

<sup>1</sup> Reported as a part of Other current assets and Other non-current assets  
Source: Gazprom 1Q2020 IFRS report, note 13

# 1Q2020 ADJUSTED FREE CASH FLOW

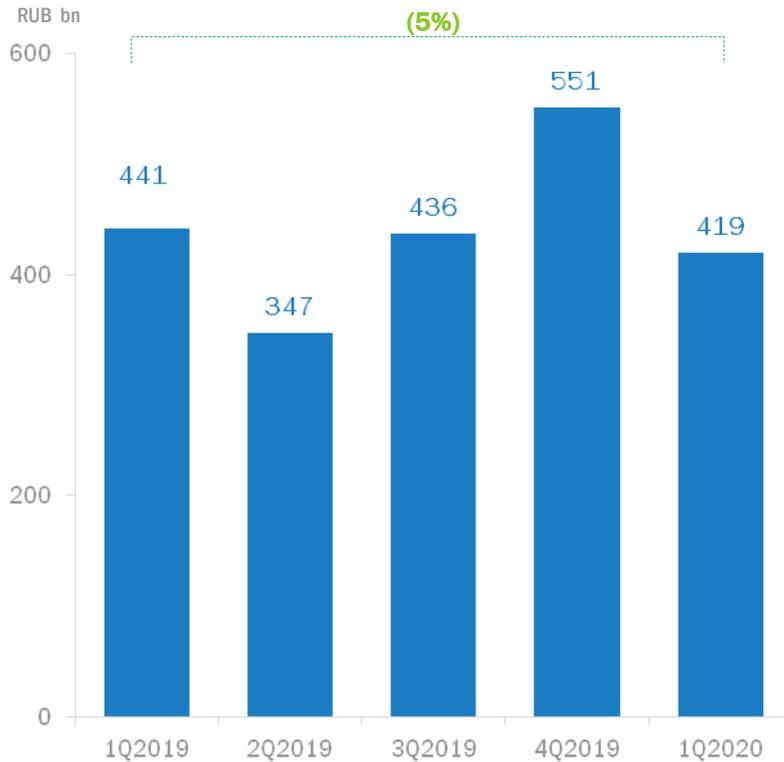


FCF ADJUSTED FOR CHANGES IN ST BANK DEPOSITS REMAINS POSITIVE AT RUB 19 BN (\$0.2 BN) IN 1Q2020

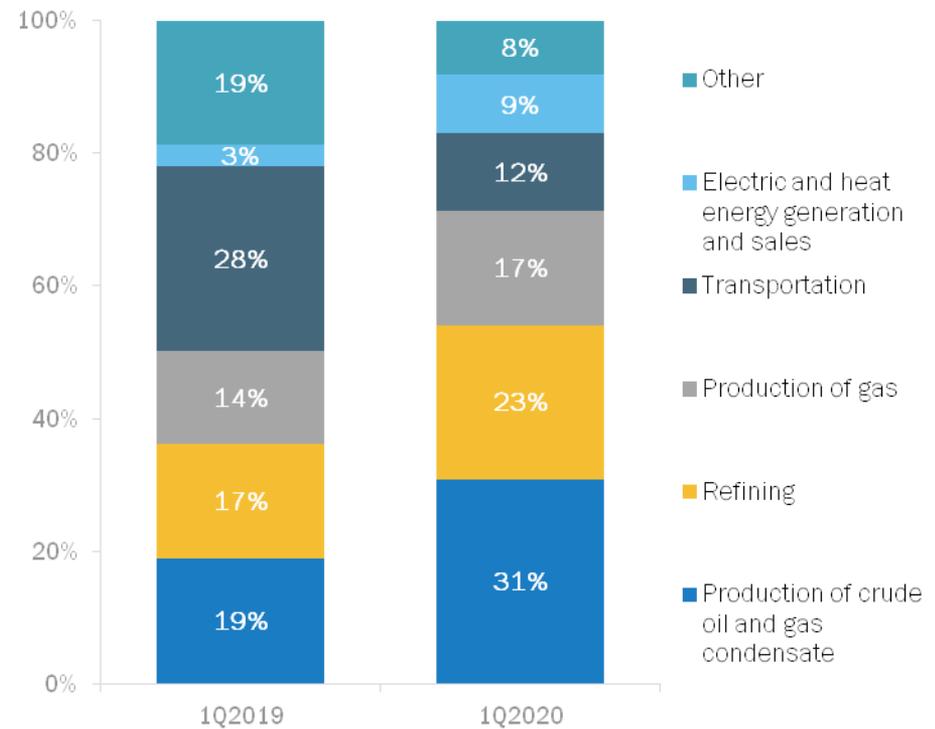


# CAPITAL EXPENDTURES

## CASH CAPITAL EXPENDTURES

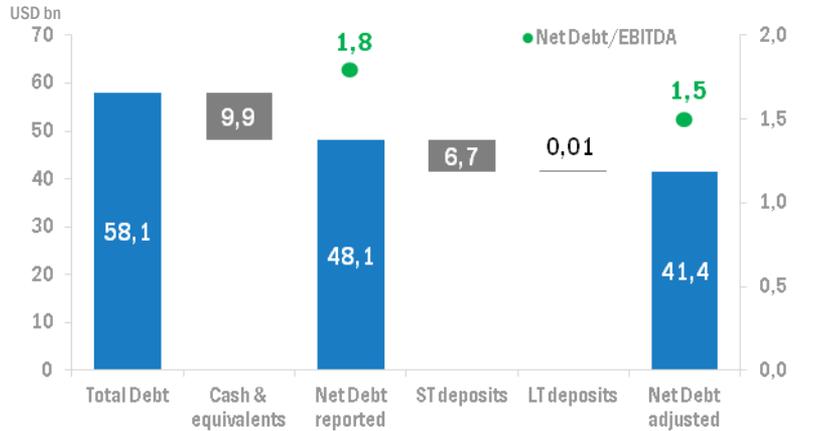


## SEGMENT CAPEX

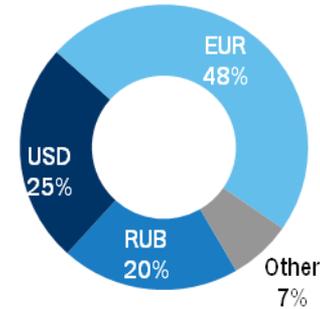


# KEY DEBT METRICS

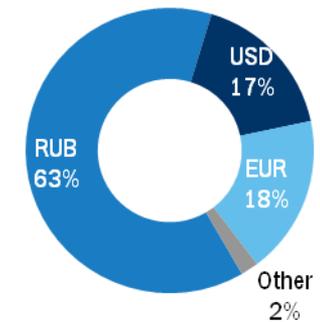
## NET DEBT IN 1Q2020<sup>1</sup>



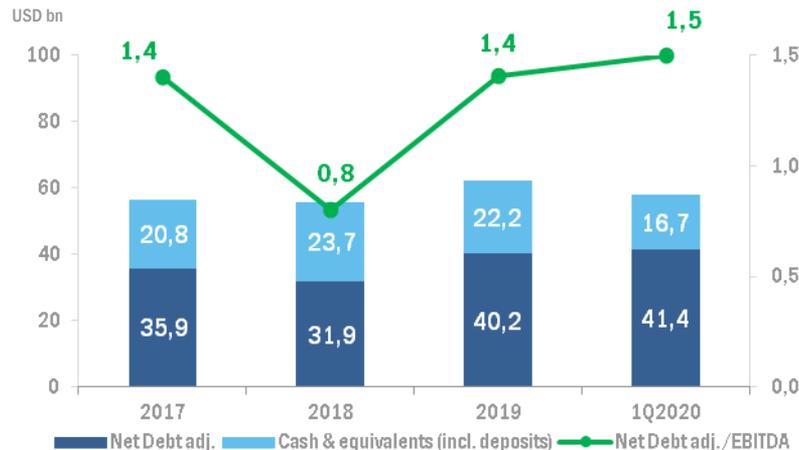
## TOTAL DEBT



## CASH&EQUIVALENTS (INCL. DEPOSITS)



## NET DEBT ADJUSTED FOR BANK DEPOSITS<sup>1</sup>



## CREDIT RATINGS

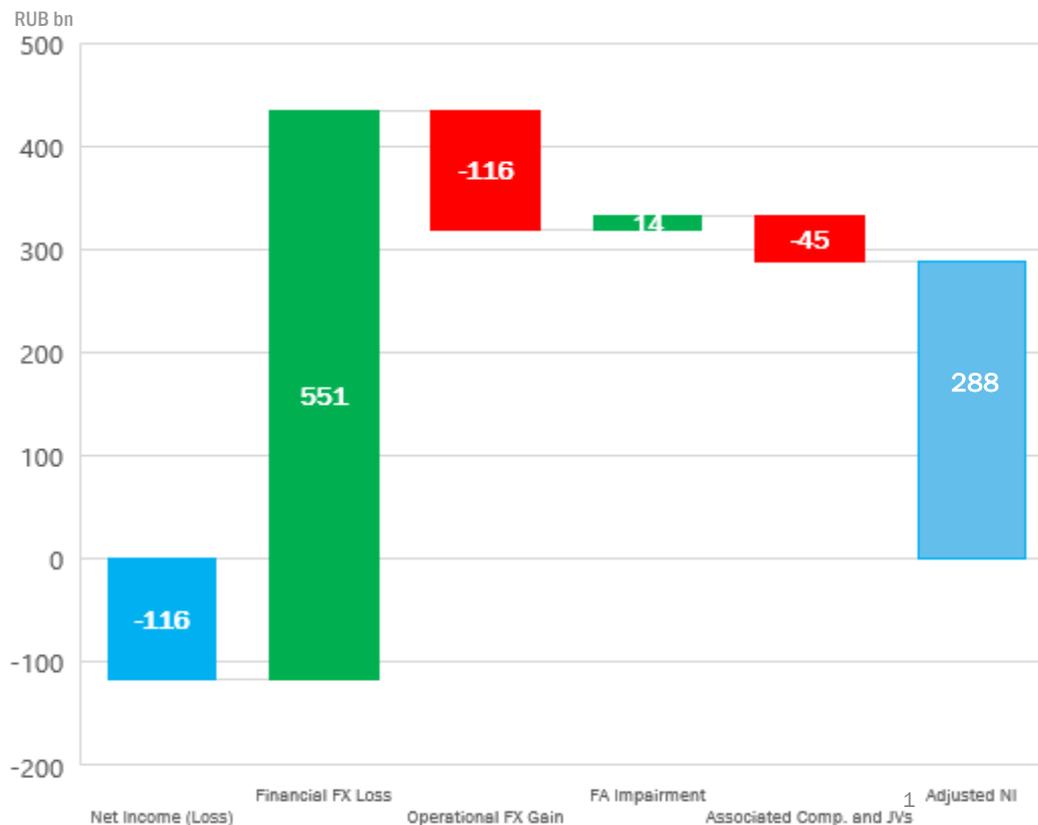
Fitch	BBB / stable
Moody's	Baa2 / stable
S&P	BBB- / stable
Dagong	AAA / stable
ACRA	AAA (RU) / stable

<sup>1</sup> Net Debt adjusted for the bank deposits reported as a part of Other current assets and Other non-current assets (see Slide 9 for details). Based on calculations in USD.

# NEW DIVIDEND POLICY

DIVIDEND PAYMENT AS PER APPROVED POLICY IS GAZPROM'S PRIORITY

## CALCULATION OF ADJUSTED NET INCOME FOR 1Q2020



- TARGET DIVIDEND PAYOUT FOR 2020 – 40% OF ADJUSTED IFRS NET INCOME
- 40% OF 1Q2020 ADJUSTED IFRS NET INCOME PER SHARE – 4.87 RUB/SHARE

## OUTLOOK

- TARGET PAYOUT LEVEL – 50% OF NET INCOME FOR 2021 AND AFTER
- CONSERVATIVE FINANCIAL POLICY AIMED AT SECURING DIVIDEND PAYOUTS OUT OF FREE CASH FLOW
- COMMITMENT TO THE NEW DIVIDEND POLICY DESPITE CHALLENGING MARKETS

1 – The difference between the share in the profit of affiliated entities and JVs and proceeds from affiliated entities and JVs

# RESILIENCE TO EXTERNAL CHALLENGES

- THE INDUSTRY IS FACING THE MOST DIFFICULT SITUATION OVER A LONG PERIOD OF TIME
- ALL GLOBAL OIL AND GAS PLAYERS HAVE BEEN SEVERELY AFFECTED BY A UNIQUE COMBINATION OF HEADWINDS
- GAZPROM MAINTAINS ITS STRONG POSITION DUE TO A NUMBER OF LONG-TERM FACTORS AND RESPONSE MEASURES

## 1

### FUNDAMENTAL ADVANTAGES

- Low production cash cost
- Leadership in the European gas market
- Diversification secured by the launch of gas supplies to China
- Balanced portfolio of long-term contracts

## 2

### ROBUST FINANCIAL POSITION

- Moderate leverage
- Large short-term liquidity buffer
- Conservative financial policy
- Free cash flow upside through the launch of key projects
- Favourable FX breakdown of cash flows

## 3

### FURTHER OPTIMISATION EFFORTS

- Lower OPEX cap
- Lower CAPEX financing limits
- Search for additional sources of cash flow optimisation
- Leverage control

## 4

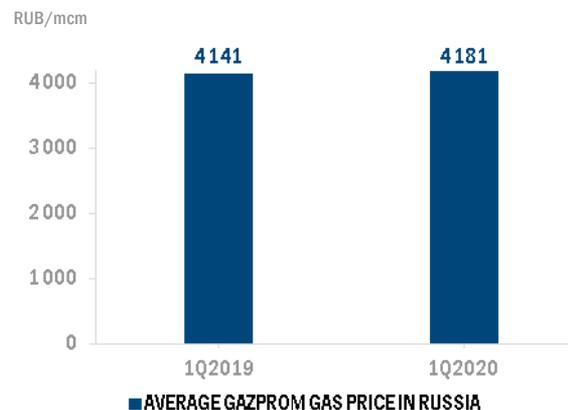
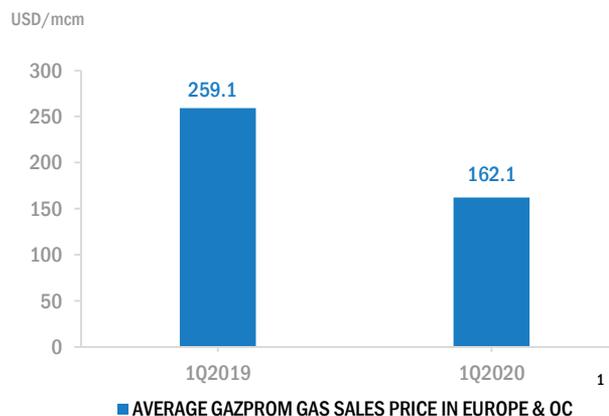
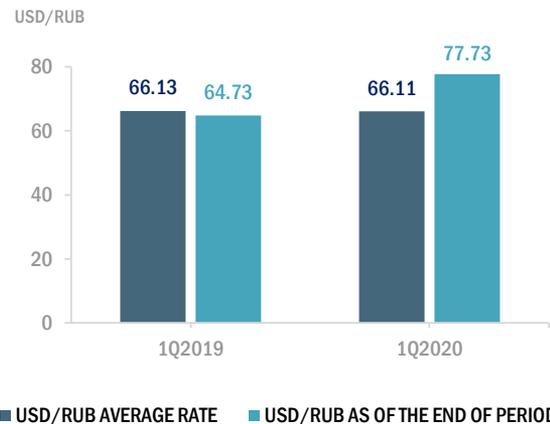
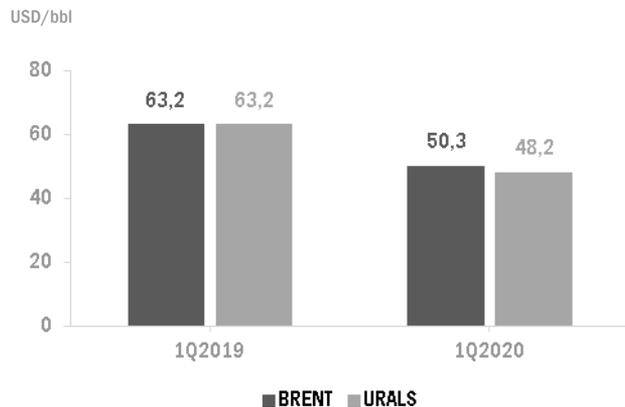
### FOCUS ON DIVIDEND PAYOUTS AND SUSTAINABLE DEVELOPMENT

- Commitment to the Dividend policy
- Social responsibility
- Initiatives on sustainable development, incl. ESG
- Focus on transparency and investor relations



## ADDITIONAL INFORMATION

# MARKET CONDITIONS IN 1Q2019 AND 1Q2020



Source: Company data, Bloomberg, Bank of Russia website  
 1 OC – Other countries: including LNG sales

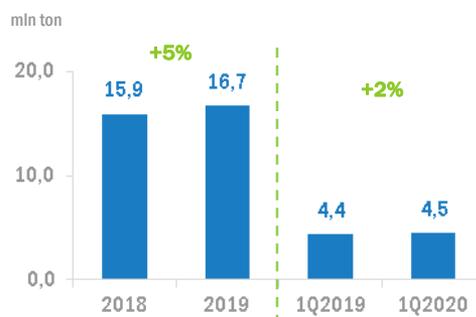
# OPERATING METRICS



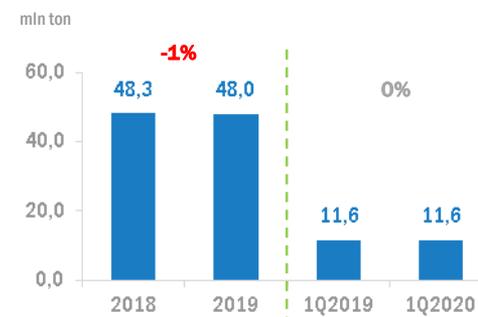
## Natural gas



## Gas condensate



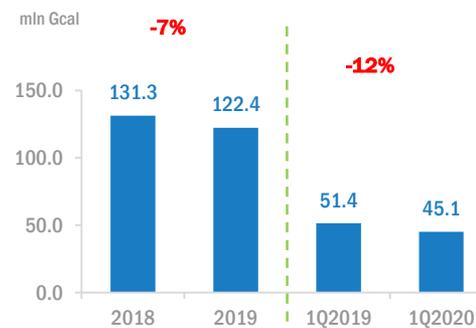
## Crude oil



## Electricity



## Heat



Gazprom Group's volumes produced in Russia  
Calculations may diverge due to rounding.

# RUSSIAN NATURAL GAS BALANCE



Bcm	2018	2019	1Q2019	1Q2020
<b>Natural gas resources</b>	<b>810.64</b>	<b>811.55</b>	<b>227.82</b>	<b>207.62</b>
Domestic gas production	725.41	738.41	197.17	185.41
Other sources including Central Asian and Azerbaijani gas	23.49	27.48	5.33	5.24
Gas withdrawn from underground storage in Russia, Latvia and Europe	59.33	42.85	24.52	16.23
Decrease in the amount of gas within the gas transportation system	2.42	2.82	0.80	0.75
<b>Natural gas distribution</b>	<b>810.64</b>	<b>811.55</b>	<b>227.82</b>	<b>207.62</b>
Domestic consumption	493.18	480.99	154.23	143.46
including needs of the gas transportation system and underground storages	40.55	38.40	10.95	8.73
Gas pumped into underground storages	56.17	53.29	1.42	0.32
Gas for LNG production	20.94	43.20	10.55	11.95
Foreign supplies	200.29	193.05	49.62	40.60
FSU supplies	36.70	37.72	11.24	10.81
Increase in the amount of gas within the gas transportation system	3.07	3.31	0.76	0.49

Source: Company Operating Data

**THANK YOU!**