

GAZPROM'S FINANCIAL AND ECONOMIC POLICY PRESS CONFERENCE

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MOSCOW



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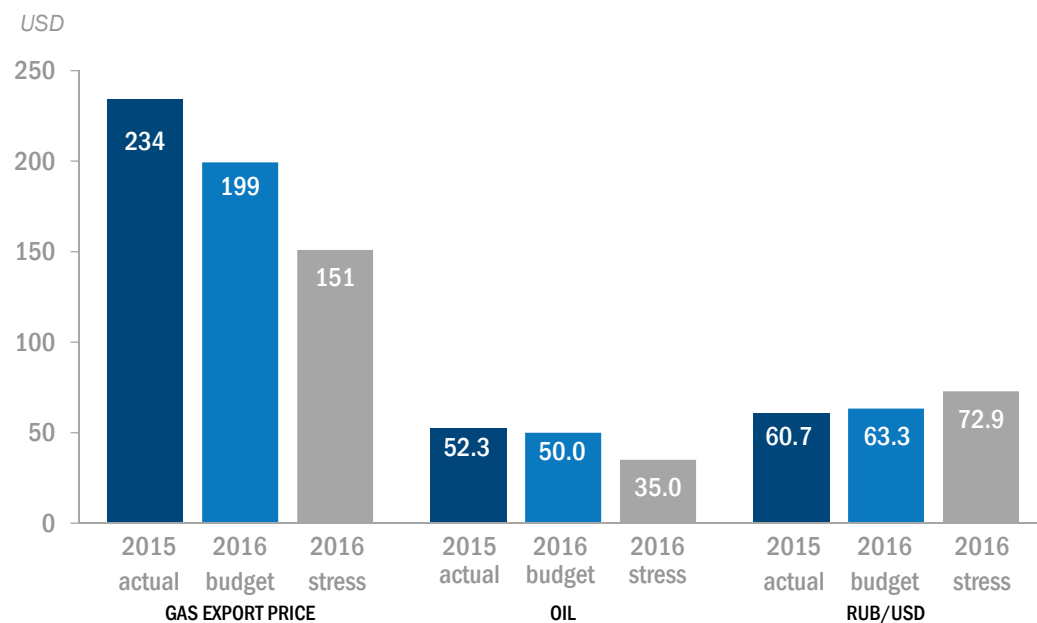
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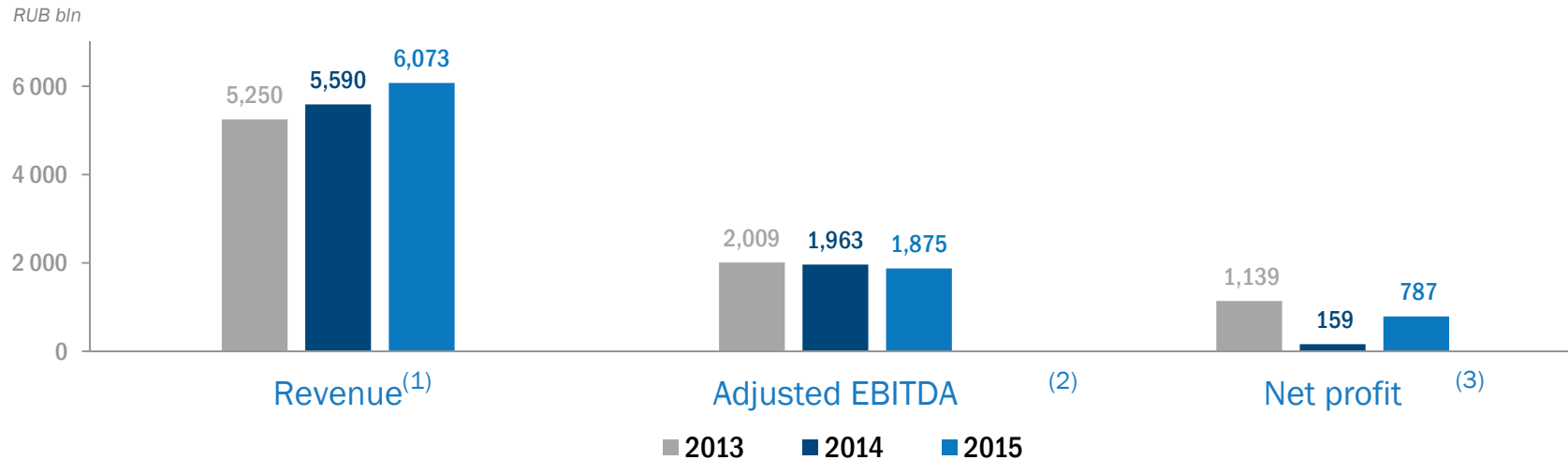
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Basic planning assumptions for 2016 budget

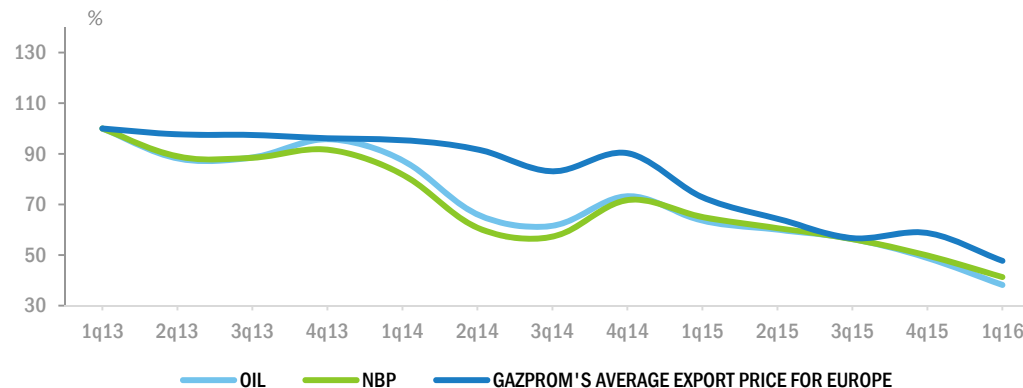


Top priorities

- Conservative approach to budgeting
- Operating expense optimization
- Investment project prioritization
- Exchange risk mitigation
- Effective debt management
- Well-balanced dividend policy
- Scenario analysis

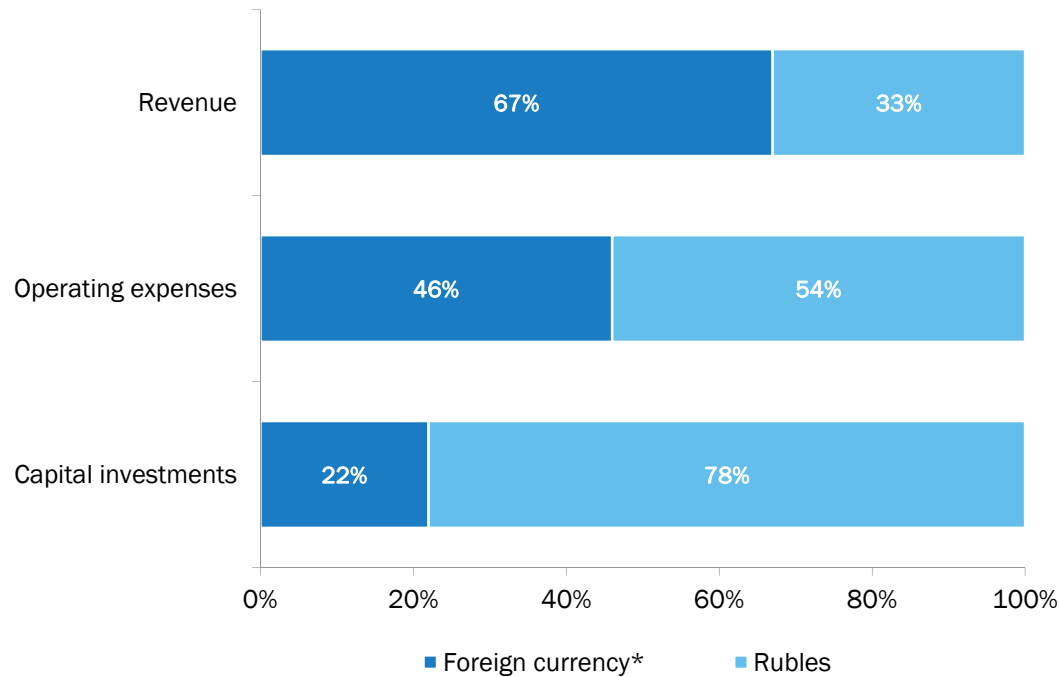


Oil and gas prices, 2013-2016 (4)

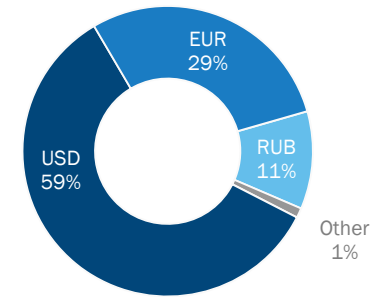


(1) Net of excise tax, VAT and customs duties
 (2) EBITDA is adjusted by changes in asset impairment reserves
 (3) Annual profit attributable to Gazprom shareholders
 (4) Average quarterly figures

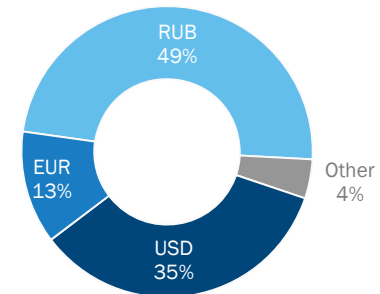
Currency structure of cash flows



Total debt



Cash and cash equivalents



SOURCE: 2015 IFRS STATEMENT, ASSESSMENT BY MANAGEMENT

* Mainly USD and EUR

Data on revenue, cash operating expenses and capital investments were adjusted by RUB-denominated amounts pegged against foreign currency

Cost Optimization (Reduction) Program, 2015–2016

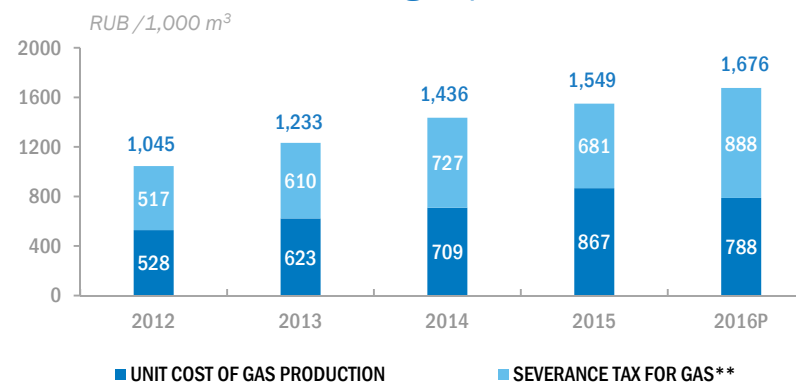
Effect from Program in 2015 – RUB 18.0 bln:

- Operating activities:
 - current costs – RUB 6.7 bln
 - financial costs – RUB 0.7 bln
- Investment activities – RUB 10.5 bln

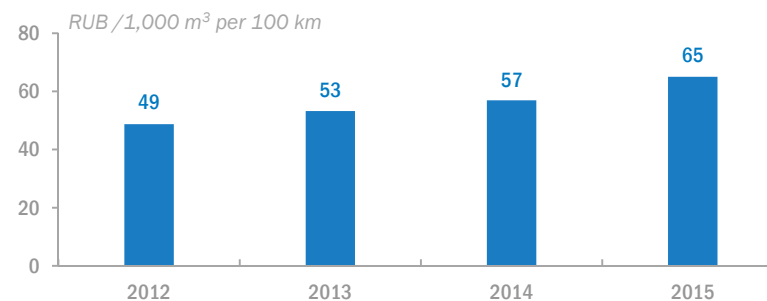
Forecast effect from Program in 2016 – RUB 15.3 bln:

- Operating activities:
 - current costs – RUB 7.0 bln
 - financial costs – RUB 0.2 bln
- Investment activities – RUB 8.3 bln

Prime cost of gas production*



Prime cost of gas transmission***



* Prime cost of gas production – costs for commercial production of 1,000 m³ of gas by 7 major gas producing subsidiaries of Gazprom

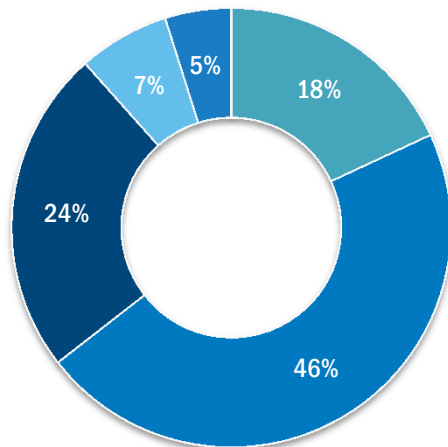
** Average severance tax rate by commercial gas volume

*** Prime cost of gas transmission – costs for transmission of 1,000 m³ of gas per 100 km by Gazprom's gas transmission subsidiaries (within Russian Federation)

Major Steps in Restraining Cost Escalation

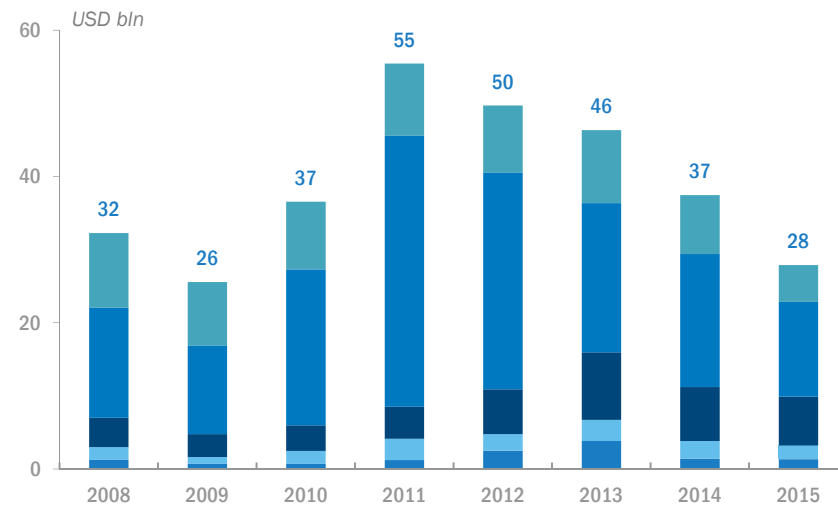
Key stages of cost optimization process	Scope of work
<ul style="list-style-type: none"> Gazprom's long-term development program 	<ul style="list-style-type: none"> Defining key development targets for Gazprom, scope of priority projects, long-term financial modeling, three development scenarios for Gazprom
<ul style="list-style-type: none"> Gazprom's three-year budget plan and investment program 	<ul style="list-style-type: none"> Setting limits for investment program and operating expenses Ranking investment projects and preliminary approval thereof. Control of claimed costs
<ul style="list-style-type: none"> Gazprom's budget and investment program for upcoming year 	<ul style="list-style-type: none"> Setting limits for investment program Approving investment program. Control of claimed costs

Investment program structure in 2015



- Gas production
- Gas transmission, processing and sales
- Oil and gas condensate production
- Power and heat generation and marketing
- Other capital investments

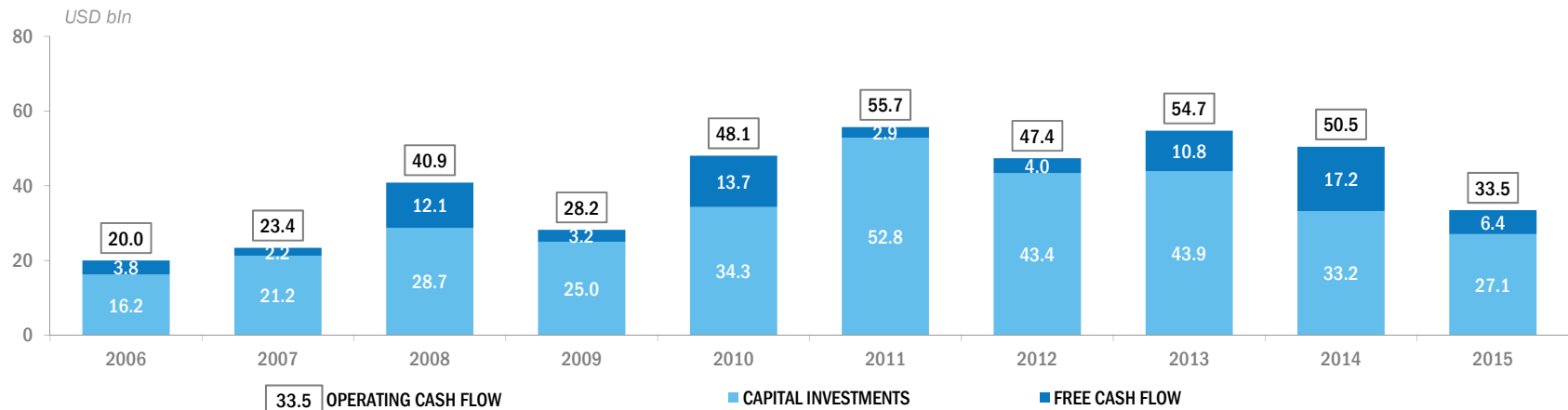
Capital investments of Gazprom Group



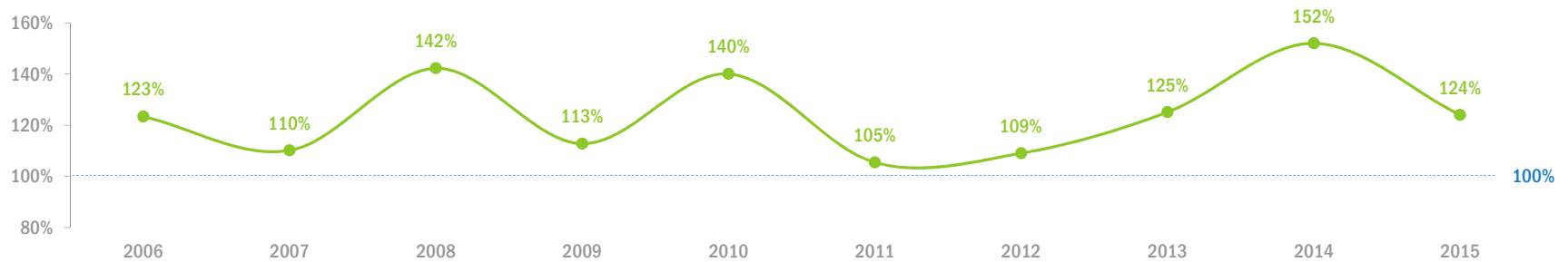
- Gas production
- Gas transmission, processing and marketing
- Oil and gas condensate production
- Power and heat generation and marketing
- Other capital investments

Conservative financial policy: generating positive free cash flow for ten years

Free cash flow



Self-financing*



* Operating cash flow to capital investments ratio

SINGLE TREASURY OF GAZPROM GROUP

Centralized management of Gazprom Group's cash flows

- developing cash pooling system involving Gazprom Group's companies based in Russia
- setting up international cash pooling system

Efficient liquidity management in Gazprom

- improving cash management
- enhancing financial discipline in Gazprom Group

Payment optimization in Gazprom Group

- centralizing Gazprom Group's payment processing
- integrating compliance control procedures into payment system

Centralized financial risk management

- creating efficiency evaluation system for Gazprom Group's treasury operations
- introducing uniform standards of financial risk management

Current terms

For Gazprom	For independent gas producers
<ul style="list-style-type: none"> • Fixed gas pricing 	<ul style="list-style-type: none"> • Free gas pricing
<ul style="list-style-type: none"> • Regulated prices and tariffs do not offset costs on gas transmission via UGSS 	<ul style="list-style-type: none"> • Lower tariffs for gas transmission services
<ul style="list-style-type: none"> • Increased tax burden on gas production 	<ul style="list-style-type: none"> • Preferential taxation (severance tax)
<ul style="list-style-type: none"> • Obligations to ensure reliability of gas supplies to all consumer categories, including in peak consumption periods 	<ul style="list-style-type: none"> • Gas supplies mostly to major industrial consumers in high-yield regions
<ul style="list-style-type: none"> • Social obligations on gas supply and gasification of regions 	<ul style="list-style-type: none"> • Short transportation distances

Measures aimed at creating equal terms for competition in domestic market

1. Gazprom sent a letter to the Russian Government appealing for the right to sell gas in the domestic market at prices within the regulated range.
2. Work is underway to develop conditions for the price liberalization experiment involving industrial consumers in a number of Russian regions.
3. Gazprom is preparing a proposal to legally recognize the status of guaranteeing suppliers.
4. A joint working group for domestic gas market development was set up under the Federal Antimonopoly Service of Russia.
5. Gas volumes supplied via an established trading platform are increasing.



TAXATION CHANGES IN PETROLEUM SECTOR AND SEVERANCE TAX RATES FOR GAS AND GAS CONDENSATE

Amendments effective from 2015

Introduction of K_{KM} adjustment factor for gas condensate in severance tax formula:

- 4.4 from January 1, 2015
- 5.5 from January 1 2016
- 6.5 from January 1, 2017

Lowering marginal rates of export customs duties for crude oil and gas condensate (as part of 'tax maneuver'):

- from 57% to 42% from January 1, 2015
- up to 36% from January 1, 2016

Amendments effective from 2016

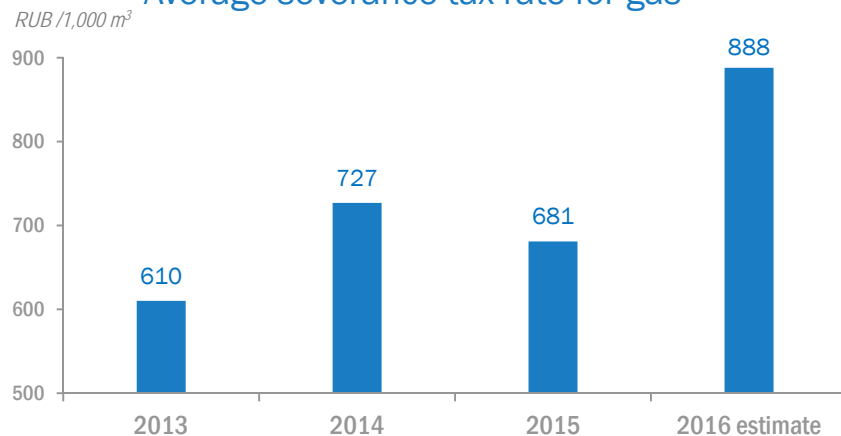
Increasing exemption factor in severance tax formula for gas and gas condensate of Gazprom Group:

- from 0.15 to 0.2051 (by 36.7 %) in 2016

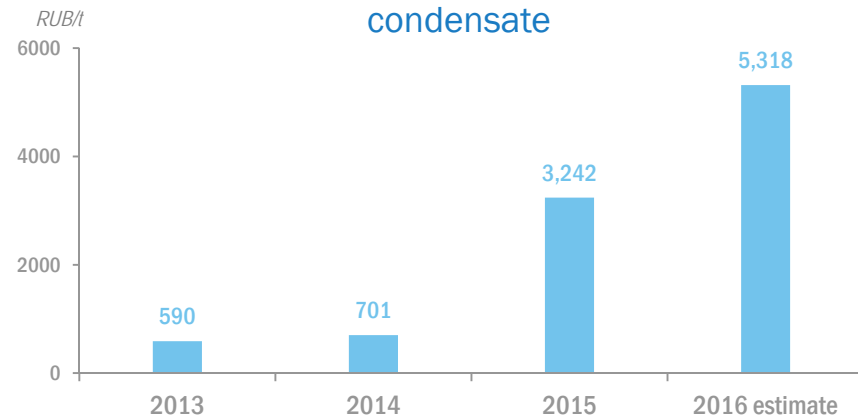
Cancellation of previously planned reduction in marginal rates of export customs duty for crude oil and gas condensate:

- 42% rate instead of 36% in 2016

Average severance tax rate for gas*



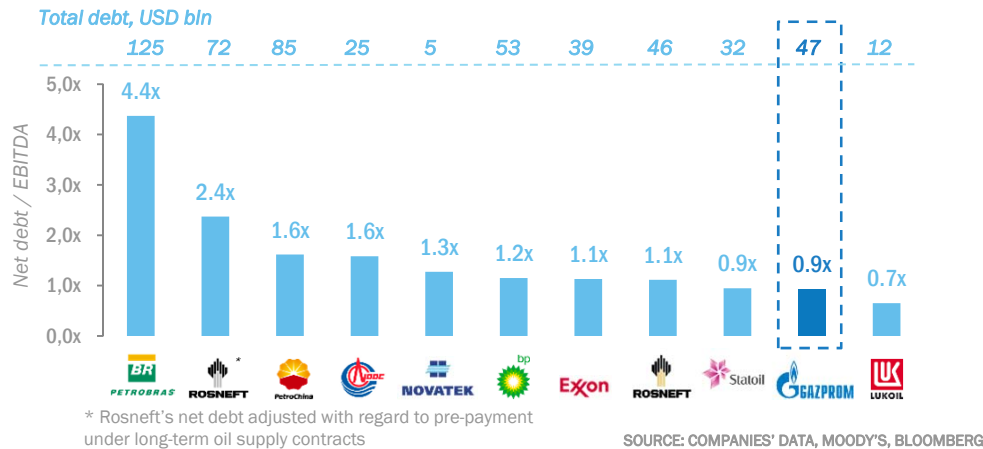
Average severance tax rate for gas condensate



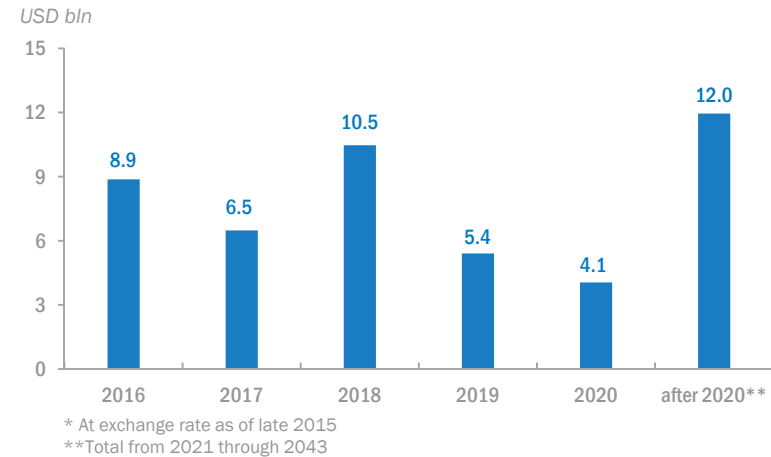
* Average severance tax rate as applied to commercial gas volumes for 7 major gas producing subsidiaries of Gazprom

Date of deal	Value	Coupon	Maturity period	Achievements
January 2015	EUR 350 mln	EURIBOR + 2.75%	1.5 years	<ul style="list-style-type: none"> • First bilateral facility agreement between Gazprom and Intesa Sanpaolo S.p.A. • Deal is essential for strengthening cooperation with credit institutions of Italy and other European countries.
April 2015	USD 500 mln	LIBOR + 3.25%	3 years	<ul style="list-style-type: none"> • Syndicated loan arranged by J.P. Morgan Europe Limited, involving Asian banks.
June 2015	EUR 150 mln	EURIBOR + 3.6%	4 years	<ul style="list-style-type: none"> • Loan from Intesa Sanpaolo S.p.A. bank.
July 2015	EUR 300 mln	EURIBOR + 3.6%	4 years	<ul style="list-style-type: none"> • Loan from UniCredit Bank Austria AG.
August 2015	USD 1.500 mln	LIBOR + 3.5%	5 years	<ul style="list-style-type: none"> • First loan deal between Gazprom and consortium of Chinese banks, with China Construction Bank Corporation acting as bank agent.
October 2015	EUR 1 bln	4.625%	3 years	<ul style="list-style-type: none"> • Largest Eurobond issue placed by Russian issuers in 2015. • Placement without premium for new issue.
March 2016	EUR 2 bln	EURIBOR + 3.5%	5 years	<ul style="list-style-type: none"> • Loan from Bank of China. • Largest deal in terms of financing attracted directly from one credit institution and first bilateral loan facility agreement with Chinese bank.
March 2016	CHF 500 mln	3.375%	2.5 years	<ul style="list-style-type: none"> • Placement of Eurobonds, with Deutsche Bank, Gazprombank, and UBS acting as lead managers.

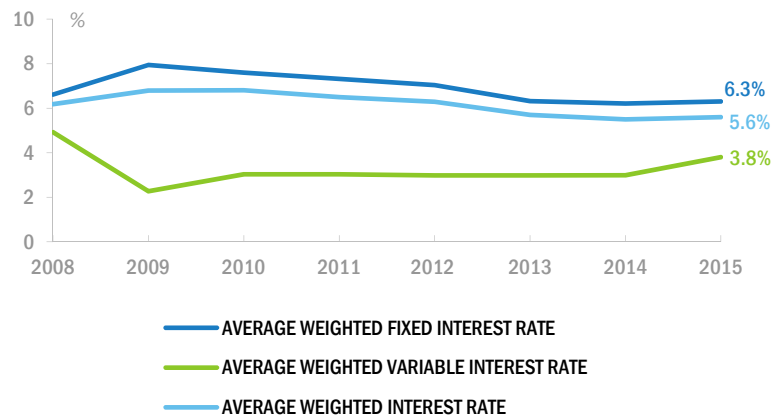
Very low debt burden (2015)



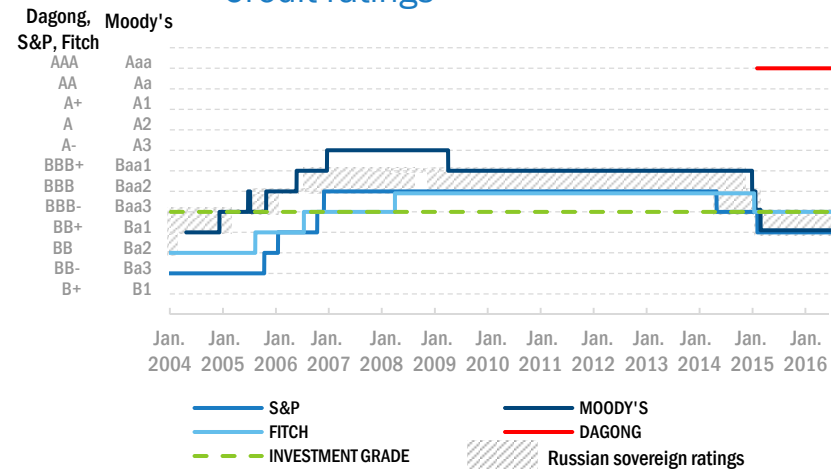
Debt repayment schedule*



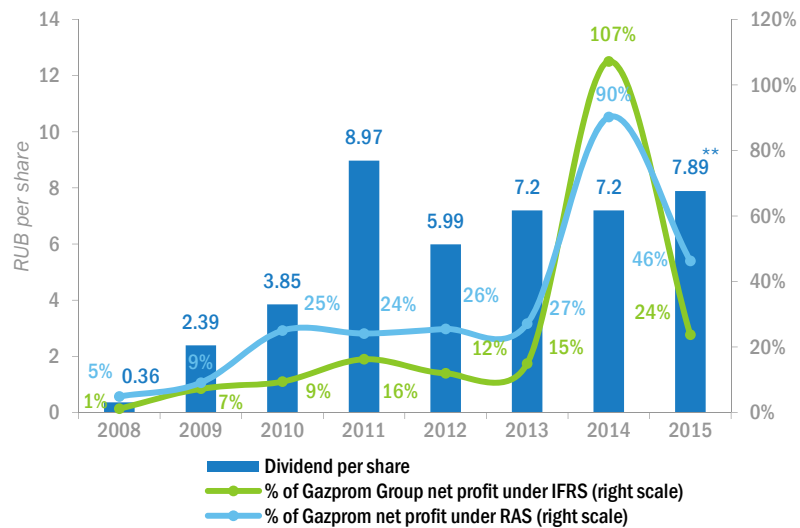
Cost of debt financing



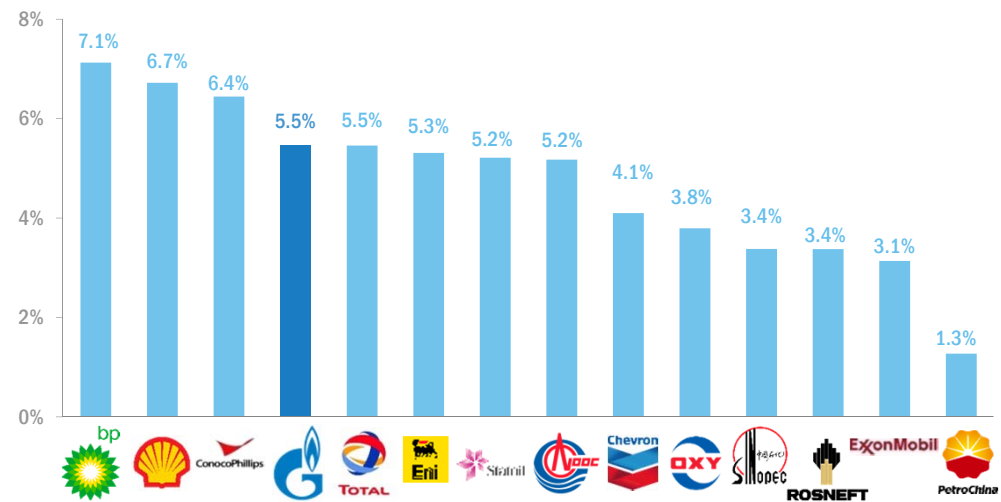
Credit ratings



Dividend payout



Dividend yield on shares in largest global oil and gas companies*



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

- Dividend yield – ratio of dividend for accounting period to share price as of June 23, 2016. World's largest oil and gas companies by capitalization as of June 23, 2016
- ** Proposed by Board of Directors

SOURCE: GAZPROM, BLOOMBERG

1

Unique fundamental indicators

- World's largest oil and gas company
- 122.2 bln bbl of proven hydrocarbon reserves in oil equivalent
- 8.0 mln bbl of hydrocarbons in oil equivalent produced daily
- >100% reserve replacement ratio

2

Robust strategy and stable market positions

- Natural gas: future of global energy market
- Gazprom: global energy company
- 31% of European gas market
- Diversification of products and sales markets is key to Gazprom's sustainability

3

Streamlining corporate governance

- Increasing shareholder value
- Sound dividend policy
- High level of transparency
- Commitment to sustainable development principles

4

Conservative financial policy

- Toughening of budgetary policy
- Well-balanced system of operational expense management
- Capital expenditure optimization and project prioritization
- Liquidity management optimization