



GAZPROM: 2019 IFRS RESULTS



Alexander Ivannikov

Head of Department

DISCLAIMER



This presentation has been prepared by PJSC Gazprom (the “Company”), and comprises the slides for a presentation to investors concerning the Company. This presentation does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any shares or other securities representing shares in the Company, nor shall it or any part of it nor the fact of its presentation or distribution form the basis of, or be relied on in connection with, any contract or investment decision.

Any viewer of this presentation considering a purchase of such securities is hereby reminded that any such purchase should be made solely on the basis of the information contained in the prospectus or other offering document prepared in relation thereto and will be subject to the selling restrictions set out therein. The information in this presentation should not be treated as investment advice. Care has been taken to ensure that the facts stated in this presentation are accurate, and that the opinions expressed are fair and reasonable. However, the contents of this presentation have not been verified by the Company. Accordingly, no representation or warranty, express or implied, is made or given by or on behalf of the Company or any of its members, directors, officers or employees or any other person as to the accuracy, completeness or fairness of the information or opinions contained in or discussed at this presentation. None of the Company or any of their respective members, directors, officers or employees nor any other person accepts any liability whatsoever for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection therewith.

The information in this presentation includes forward-looking statements, such statements may also occur during the Q&A session. These forward-looking statements include all matters that are not historical facts, statements regarding the Company’s intentions, beliefs or current expectations concerning, among other things, the Company’s results of operations, financial condition, liquidity, prospects, growth, strategies, and the industry in which the Company operates. By their nature, forward-looking statements involve risks and uncertainties, including, without limitation, the risks and uncertainties to be set forth in the prospectus, because they relate to events and depend on circumstances that may or may not occur in the future. The Company cautions you that forward looking statements are not guarantees of future performance and that its actual results of operations, financial condition and liquidity and the development of the industry in which the Company operates may differ materially from those made in or suggested by the forward-looking statements contained in this presentation. In addition, even if the Company’s results of operations, financial condition and liquidity and the development of the industry in which the Company operates are consistent with the forward-looking statements contained in this presentation, those results or developments may not be indicative of results or developments in future periods.

The information and opinions contained in this presentation are provided as at the date of this presentation and are subject to change without notice. No person is under any obligation to update or keep current the information contained herein.

By attending the presentation you agree to be bound by the foregoing limitations.

SUSTAINABLE FINANCIAL PERFORMANCE IN CHALLENGING MARKETS



EXTERNAL CONDITIONS:

- GAZPROM PRICES IN EUROPE WERE HIGHER THAN THE HUB SPOT PRICES
- UNFAVOURABLE WEATHER CONDITIONS
- WEAKER AVERAGE ROUBLE EXCHANGE RATE OFFSET BY STRONGER ROUBLE AT YEAR END
- LOWER MINERAL TAX RATE FOR GAS

INTERNAL HIGHLIGHTS:

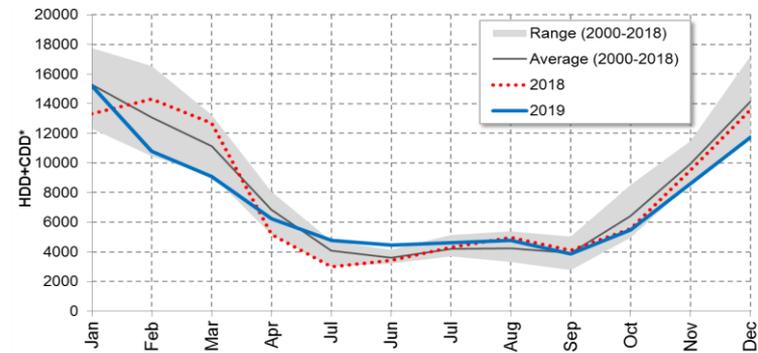


- UNPRECEDENTED DIVIDENDS, NEW DIVIDEND POLICY
- SUCCESSFUL SALE OF TREASURY SHARES
- OIL BUSINESS DEVELOPMENT
- STRONG PERFORMANCE OF ASSOCIATED COMPANIES

GAS SPOT PRICES



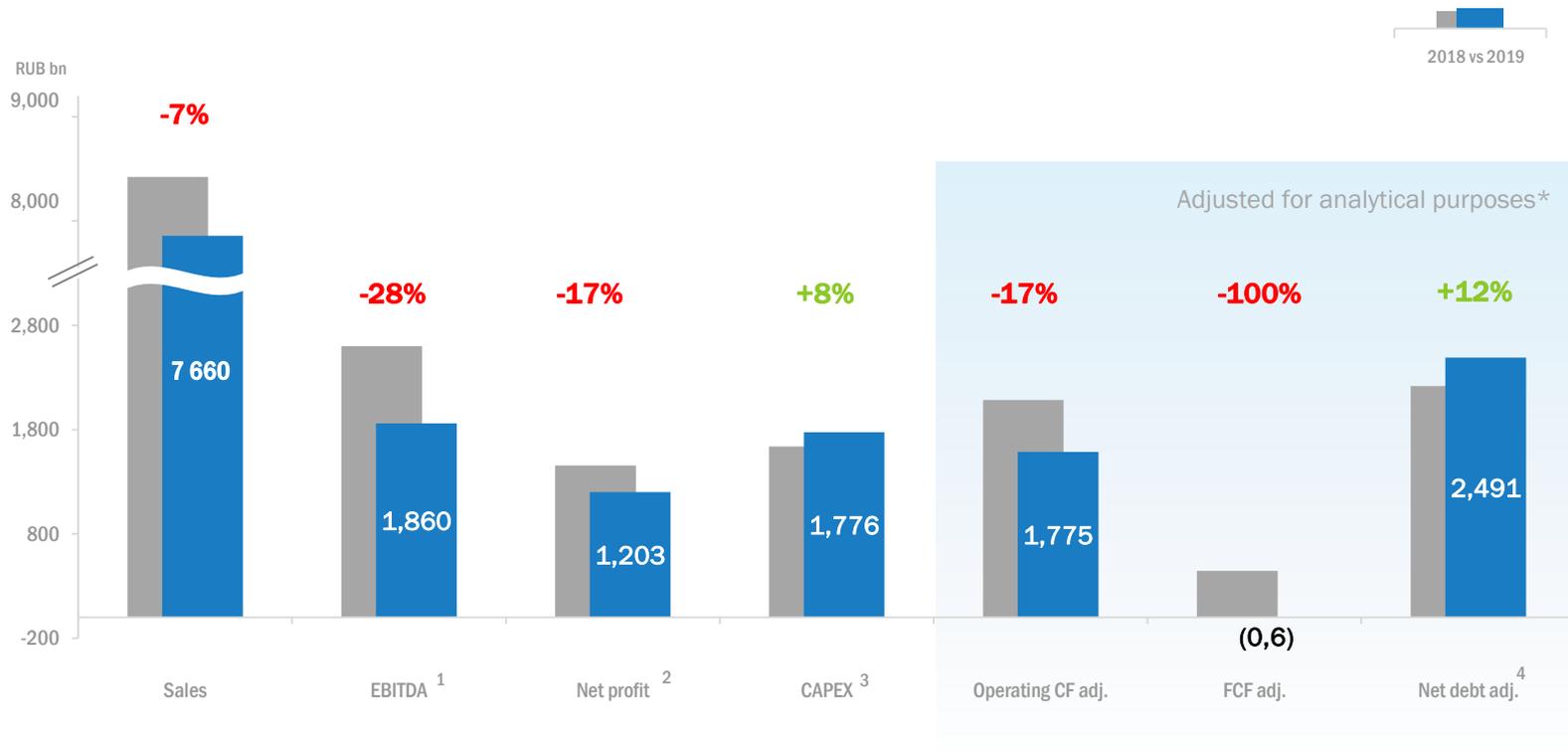
EUROPEAN WEATHER INDEX



* The index is the sum of degree days for the corresponding month
HDD — heating degree days
CDD — cooling degree days
The calculation was based on data on weather conditions in more than 90 areas of different European countries

2019 IFRS RESULTS

- EXPECTED SOFTER FINANCIAL PERFORMANCE VS RECORD-HIGH 2018
- 44% DECLINE IN EUROPEAN SPOT GAS PRICES AS THE KEY NEGATIVE DRIVER
- RECORD-HIGH CAPEX COVERED BY OPERATING CASH FLOW
- RECORD-HIGH DIVIDENDS



¹ EBITDA adjusted for changes in impairment provisions

² Profit attributable to PJSC Gazprom's shareholders for the period

³ Cash capital expenditures

⁴ Compared to Net debt as of December 31, 2018

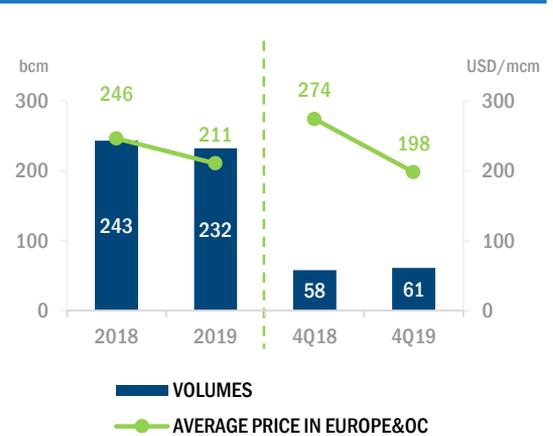
*In order to reflect the effects of the decrease in bank deposits (reported as part of Other current and Other non-current assets) and debt payment to Naftogaz

GAS BUSINESS

RUSSIA



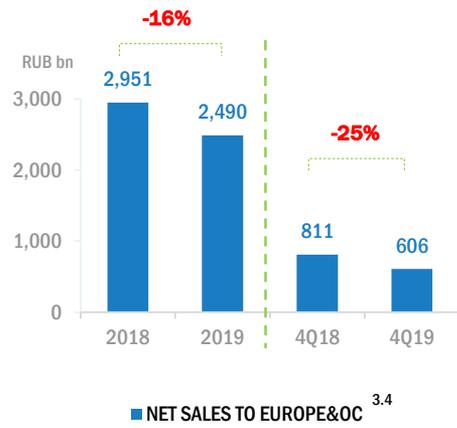
EUROPE & OC²



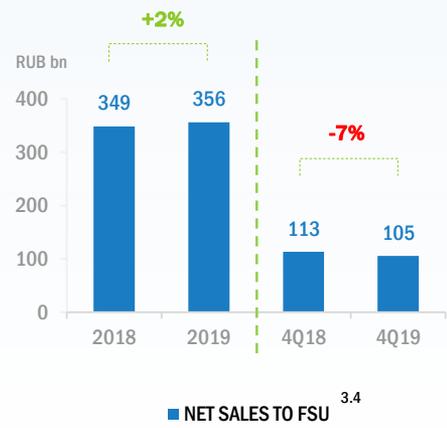
FSU



■ NET SALES TO RUSSIA¹



■ NET SALES TO EUROPE&OC^{3,4}



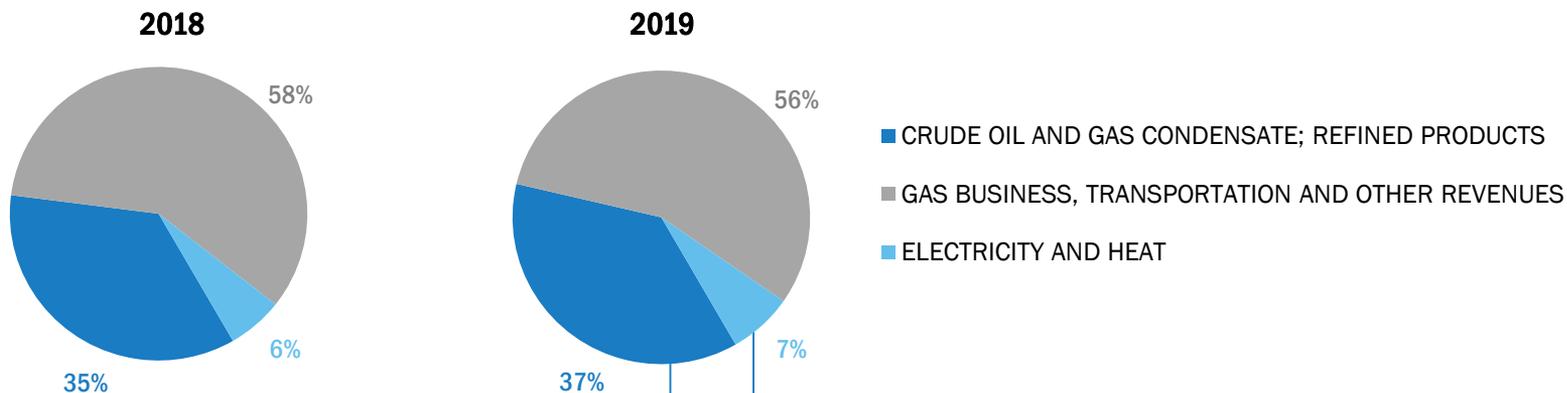
■ NET SALES TO FSU^{3,4}

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



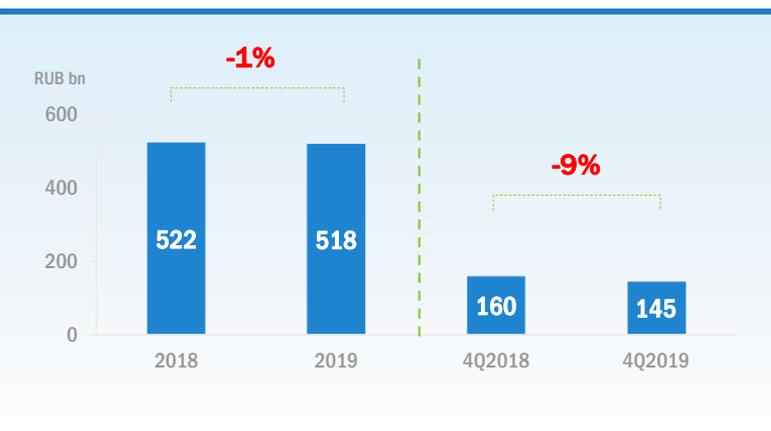
REVENUE BY SEGMENT¹



OIL AND GAS CONDENSATE, REFINED PRODUCTS



ELECTRICITY AND HEAT



Calculations may differ due to rounding.

¹ Net of value added tax (VAT), excise tax and custom duties.

IMPACT OF BANK DEPOSITS

KEY FEATURES OF BANK DEPOSITS:¹

- EARLY WITHDRAWAL CLAUSE
- DEPOSIT TERM OF OVER 3 MONTHS

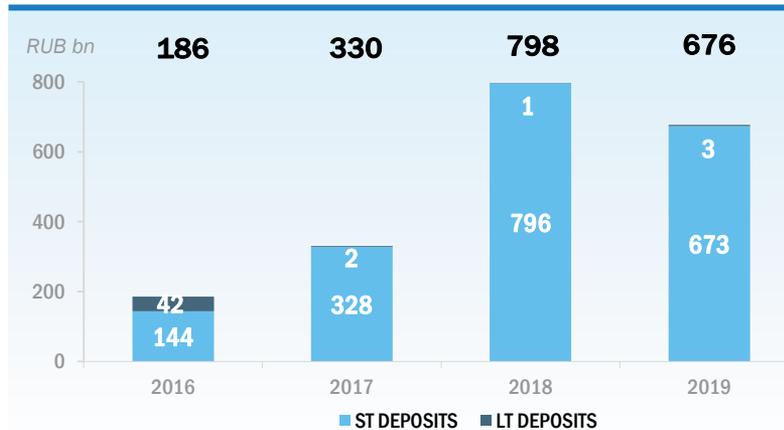
IMPACT OF BANK DEPOSITS ON NET DEBT:

- 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

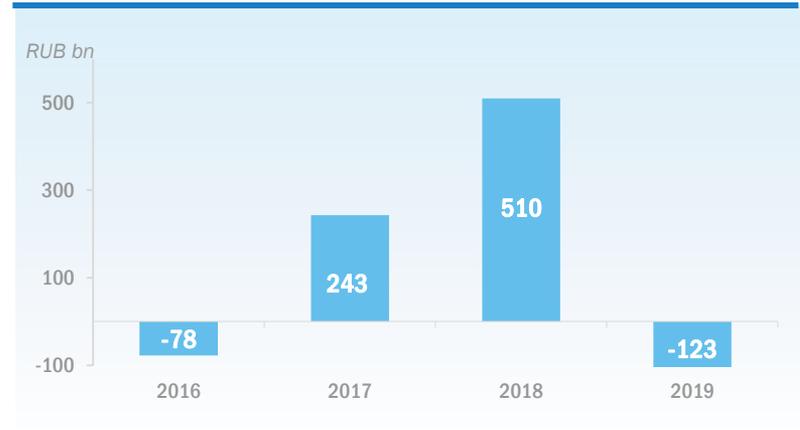
IMPACT OF CHANGES IN ST DEPOSITS ON CASH FLOWS:

- 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 DEPOSITS VOLUMES



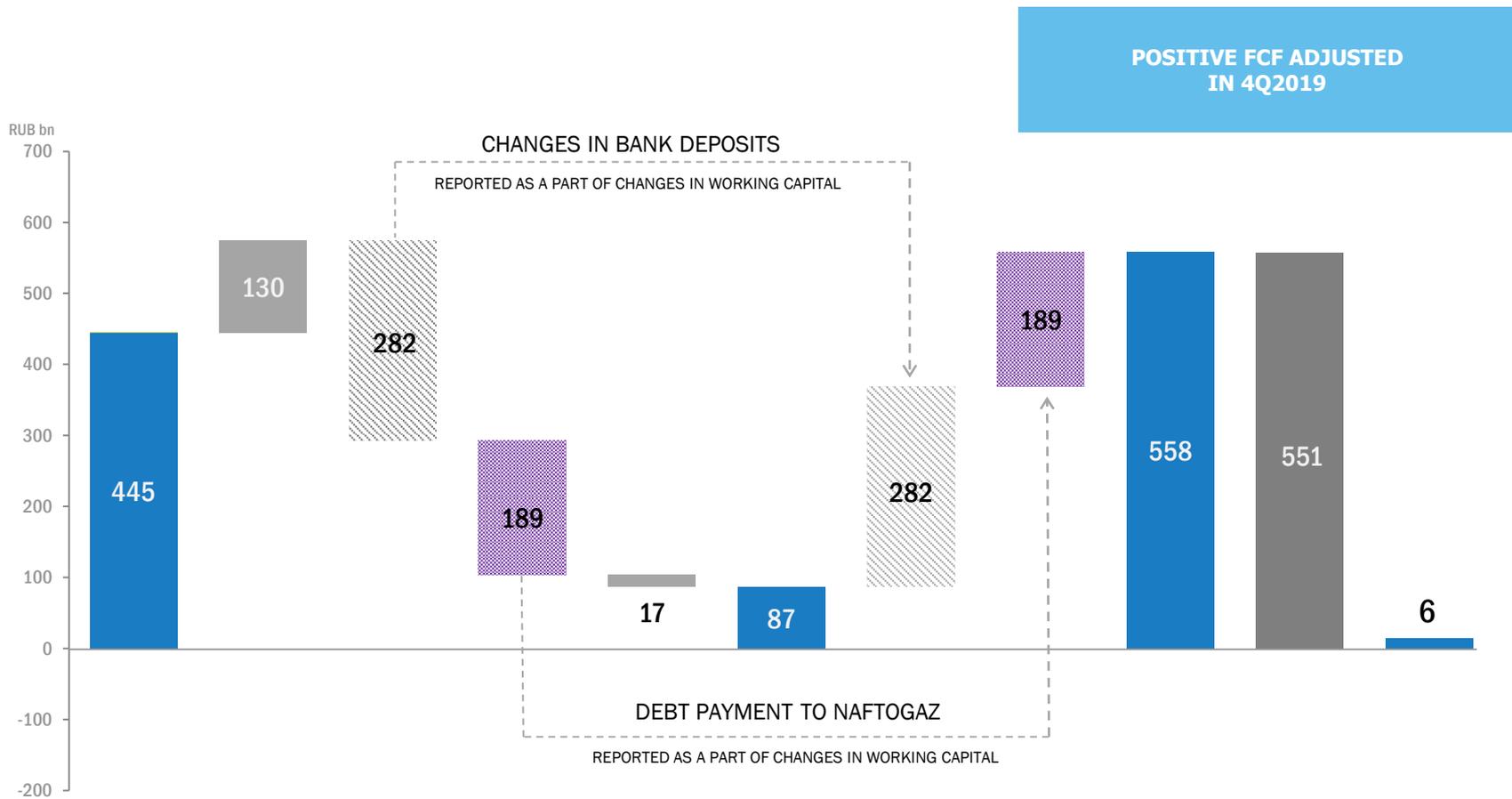
ST BANK DEPOSITS CHANGES



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

¹ Reported as a part of Other current assets and Other non-current assets
Source: Gazprom FY2019 IFRS report, note 12

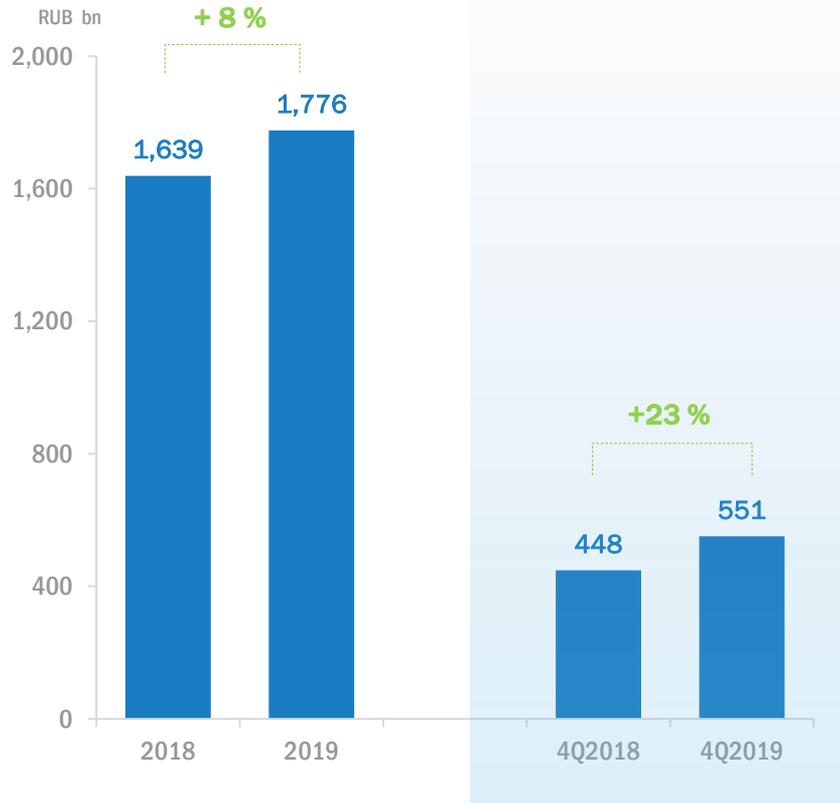
4Q2019 ADJUSTED FREE CASH FLOW BREAKDOWN



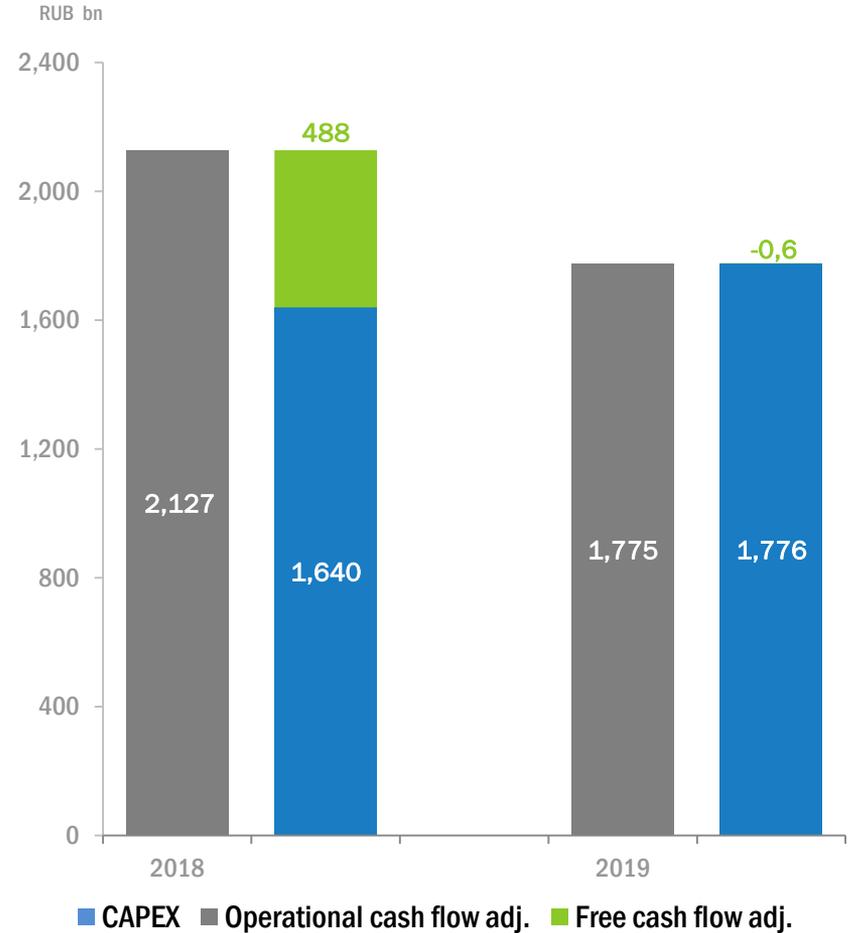
OCF before working capital changes	Changes in working capital excl. adjustments	Changes in bank deposits	Debt payment to Naftogaz	Tax paid	OCF reported	Adjustments for the increase of ST bank deposits	Adjustments for debt payment Naftogaz	OCF adj.	CAPEX	FCF adj.
------------------------------------	--	--------------------------	--------------------------	----------	--------------	--	---------------------------------------	----------	-------	----------

CAPITAL EXPENDTURES

CASH CAPEX

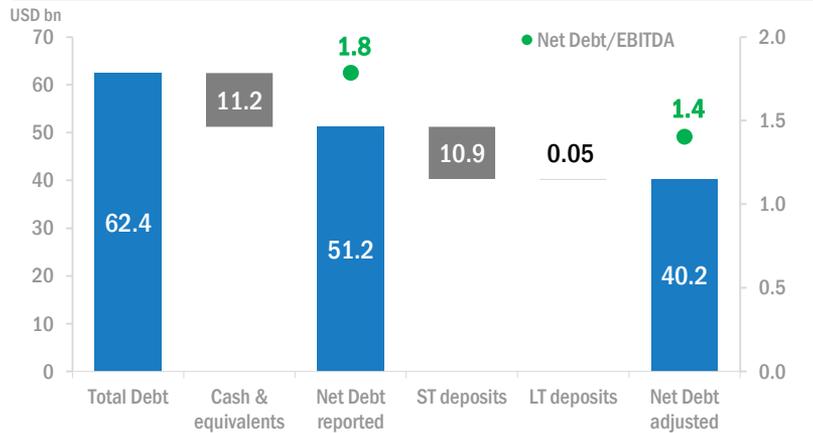


NEUTRAL FCF adj. DESPITE RECORD CAPEX

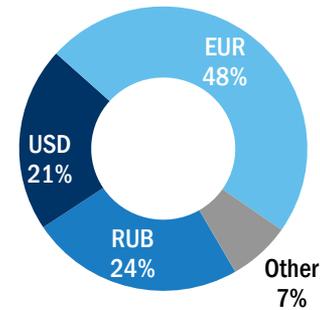


KEY DEBT METRICS

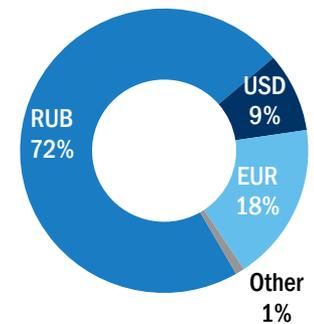
NET DEBT IN FY2019¹



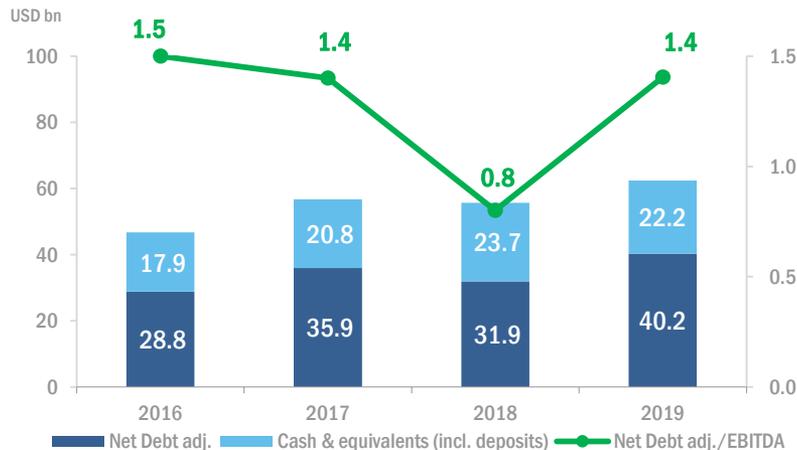
DEBT BREAKDOWN BY CURRENCY



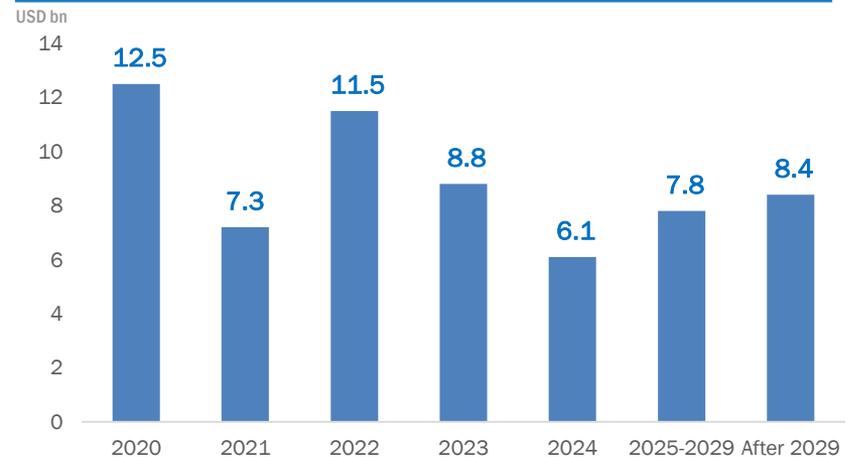
CASH BREAKDOWN (INCL. DEPOSITS) BY CURRENCY



NET DEBT ADJUSTED FOR BANK DEPOSITS¹



DEBT MATURITY PROFILE

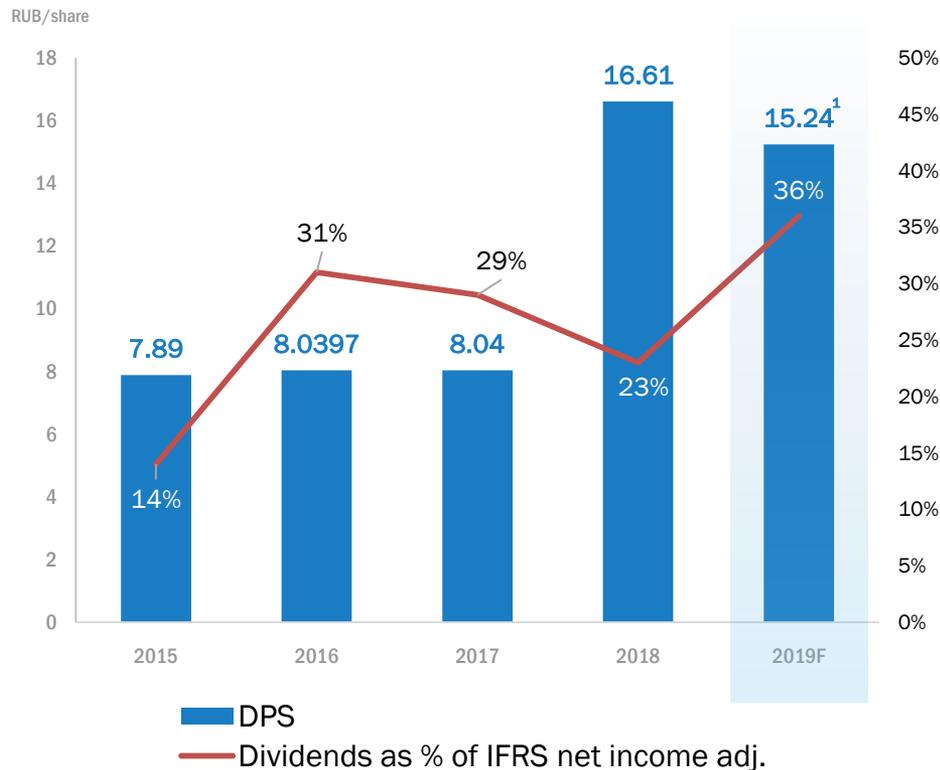


¹ Net Debt adjusted for the bank deposits reported as a part of Other current assets and Other non-current assets (see Slide 8 for details). Based on calculations in USD.

NEW DIVIDEND POLICY

DIVIDEND PAYMENT AS PER APPROVED POLICY IS OUR KEY PRIORITY

DIVIDEND PER SHARE



- THE NEW DIVIDEND POLICY WAS ADOPTED IN DECEMBER 2019
- DIVIDEND PAYOUT FOR 2019 – 30% OF IFRS NET PROFIT
- 2019 NET INCOME WAS NOT ADJUSTED FOR NON-CASH ITEMS IN THE SHAREHOLDERS' INTERESTS

OUTLOOK

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

¹ Proposed by the Management Committee

COST OPTIMISATION



MARKET FACTORS

- THE NATURAL GAS MARKET WAS NOT AFFECTED BY COVID-19 RESPONSE TOO MUCH
- SOFTER GAS PRICES INCENTIVISE GAS CONSUMPTION IN EUROPE AND WORLDWIDE
- SOFTER GAS PRICES LIMIT LNG SUPPLY AND PUT PRESSURE ON FID APPROVAL FOR PLANNED PROJECTS
- LOWER OIL PRODUCTION IN THE US IS EXPECTED TO REDUCE ASSOCIATED GAS PRODUCTION
- FALLING OIL PRICES WILL PUT PRESSURE ON LNG PRICES UNDER LONG-TERM CONTRACTS, WHICH IS SET TO MAKE NATURAL GAS MORE COMPETITIVE AGAINST OTHER ENERGY SOURCES AND BOOST ITS CONSUMPTION

ADDITIONAL COST SAVING MEASURES IN 2020

MEASURES	TARGET	IMPACT (RUB bn incl. VAT)
Operating expenses		
Cutting spending limits in the gas business	Reduction within 20%	RUB 140 bn
Cutting spending limits in the utilities business	Reduction within 20% of semi-controllable expenses	
Cutting operating expenses in the oil business	Lower expenses mostly due to reduction of brownfield well interventions	
CAPEX		
Reduced cash capex under PJSC Gazprom's investment program	Reduction by 20%	RUB 216 bn
Reduced capex of the oil business	Reduction by around 20%	Over RUB 100 bn
Income increase		
Domestic gas market	Higher revenue and decrease in receivables	RUB 40 bn

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

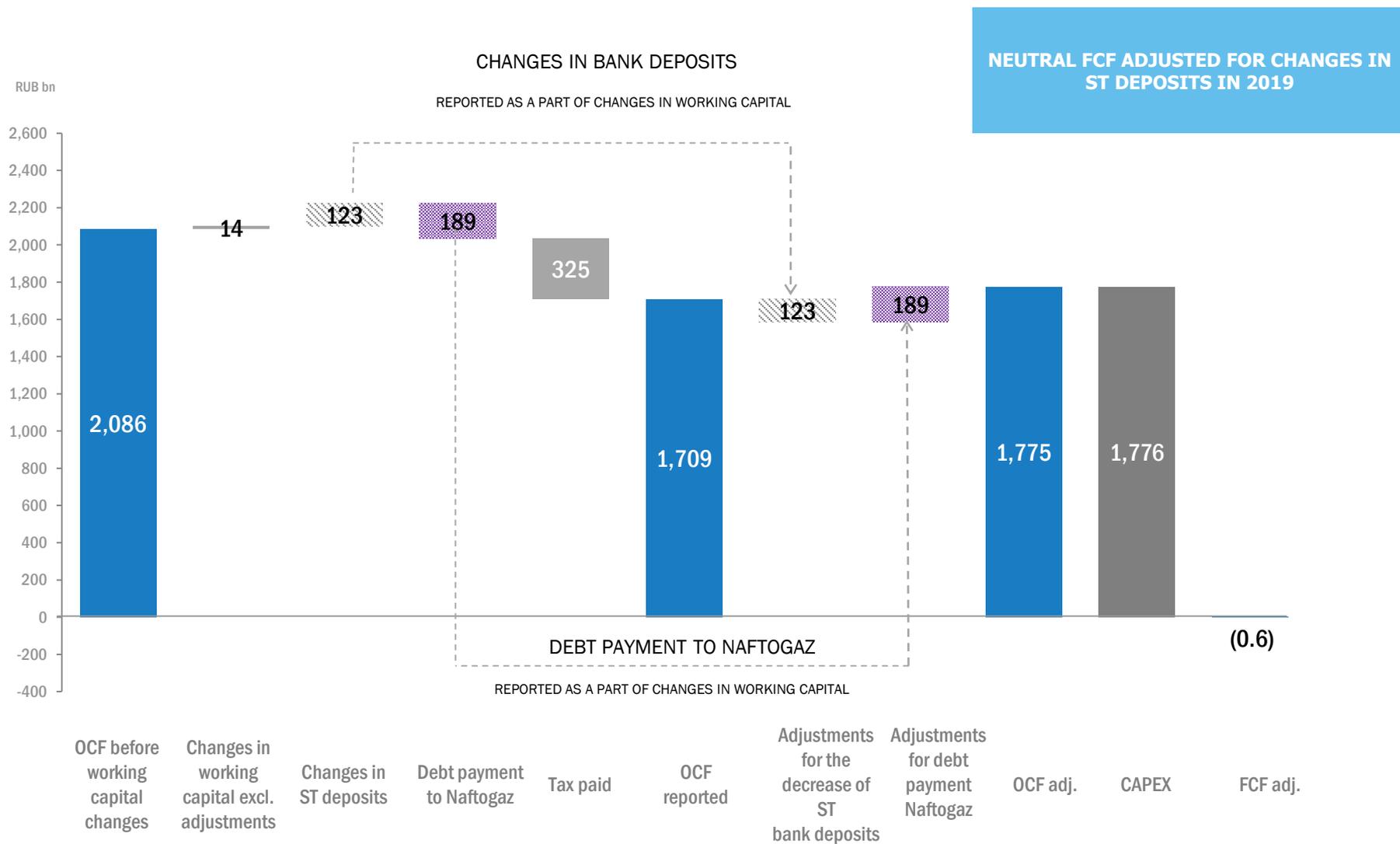
FOCUS ON DIVIDEND PAYOUTS AND SUSTAINABLE DEVELOPMENT

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

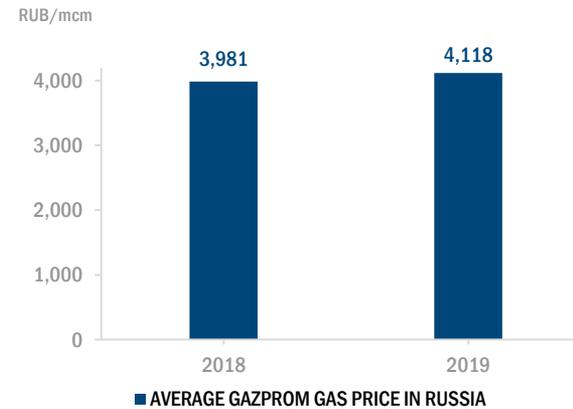
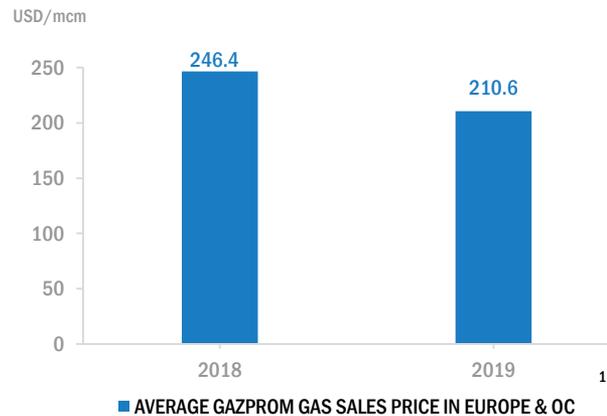
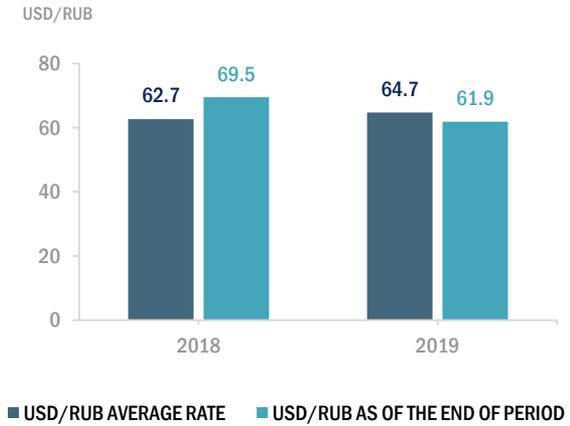
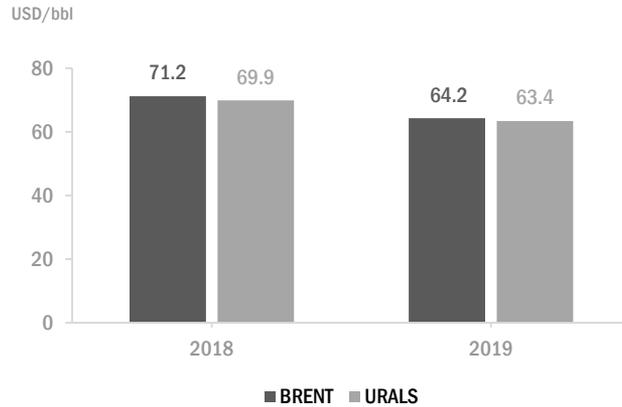


ADDITIONAL INFORMATION

2019 ADJUSTED FREE CASH FLOW BREAKDOWN



MARKET CONDITIONS IN 2019 AND 2018

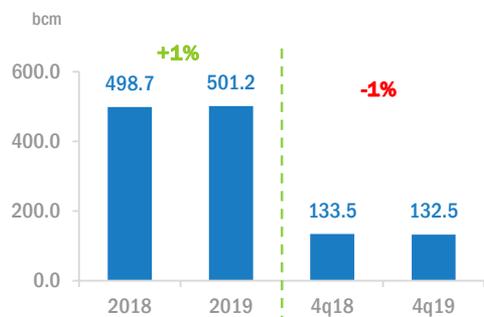


Source: Company data, Bloomberg, Bank of Russia website
 1 OC – Other countries: including LNG sales

OPERATING METRICS



Natural gas



Gas condensate



Crude oil



Electricity



Heat



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

GAS BALANCE IN RUSSIA



Bcm	2018	2019	4Q2018	4Q2019
Natural gas resources	810.64	811.55	219.02	218.14
Domestic gas production	725.41	738.41	193.61	194.07
Other sources including Central Asian and Azerbaijani gas	23.49	27.48	4.34	7.48
Gas withdrawn from underground storage in Russia, Latvia and Europe	59.33	42.85	20.66	16.06
Decrease in the amount of gas within the gas transportation system	2.42	2.82	0.41	0.53
Natural gas distribution	810.64	811.55	219.02	218.14
Domestic consumption	493.18	480.99	144.48	140.20
including needs of the gas transportation system and underground storages	40.55	38.40	10.77	9.92
Gas pumped into underground storages	56.17	53.29	3.97	3.54
Gas for LNG production	20.94	43.20	9.60	11.50
Foreign supplies	200.29	193.05	48.82	49.77
FSU supplies	36.70	37.72	10.62	11.93
Increase in the amount of gas within the gas transportation system	3.07	3.31	0.84	1.21

Source: Company Operating Data

THANK YOU!