STRONG FOOTHOLD IN CHANGING TIMES

GAZPROM
INVESTOR DAY 2017
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Oleg Aksyutin

MEMBER OF GAZPROM MANAGEMENT COMMITTEE
HEAD OF DEPARTMENT

01. STRATEGY
MAJOR EVENTS OF 2016 IMPACTING FUTURE ENERGY MARKET DEVELOPMENT

MARKET & TECHNOLOGICAL
- Oil and gas price stabilization on low-mid levels
- Oil and gas companies’ CAPEX cuts (especially in exploration)
- Speeding up of China natural gas demand growth
- Delays or cancellations of some LNG projects
- Commencement of US Lower 48 LNG exports
- Decrease in investments in renewable energy

POLITICAL & INSTITUTIONAL
- Lifting of sanctions against Iran
- OPEC agreement to cut oil production
- US president election
- “Brexit”
- Coming into force the Paris Agreement on climate change

- The major 2016 events are expected to provide an additional upside to Gazprom’s strategic advantages
- Gazprom’s long-term position in the global energy market remains stable due to the combination of abundant conventional resource base, well developed gas transport infrastructure and low operational costs, long-term gas supply contracts and ongoing diversification of product range, supply routes and markets
INTERNATIONAL CLIMATE POLICY

Focus on reducing greenhouse gas emissions - new opportunities for gas business expansion:

- increase of natural gas consumption through reduced coal consumption
- use of renewable energy sources in combination with natural gas
- use of natural gas as a motor fuel for various types of vehicles

Unbiased assessment of the carbon footprint of different energy sources with due regard for the entire production cycle

Recognition of natural gas role in the decarbonation of the economy
Global primary energy demand will grow over the next two decades at an average rate of 1% per year.

Natural gas will increase its share in world energy mix from 22% in 2016 to 23% in 2035 to the detriment of oil and coal.

Global gas demand is expected to continue rising by an average rate of 1.5% per year until 2035.

Asia-Pacific is projected to replace North America as the main gas consuming market by 2035.

Source: Gazprom long-term forecast, 2016.
According to the draft of the Russian Energy Strategy, about 14% growth in domestic gas consumption is expected by 2035.

Most of gas is supplied to Russian consumers at prices regulated by the government. However, Russian gas exchange has been launched and its role will grow.

About half of Gazprom’s gas is sold domestically with more than 23% of total gas sales revenue.

Gazprom acts as a guaranteeing supplier, including obligations to cover seasonal consumption peak.

Gazprom has the sole right to export Russian natural pipeline gas.

“Existing amount of PJSC Gazprom’s functions will be maintained” (The Russian Energy Strategy 2035 (draft))
RUSSIAN GAS INDUSTRY DEVELOPMENT FACTS AND WISHES

INDEPENDENT GAS PRODUCERS' WISHES
- Creation of a new independent gas transport company
- Pipeline gas export's liberalization
- Independent gas producers' share growth
- UGSF tariff & access regulation

CURRENT PATH RATIONAL FOR RUSSIAN GAS INDUSTRY DEVELOPMENT
- Energy security
- UGSF reliability and centralized dispatch control
- Mega-projects implementation
- Optimal upstream & midstream & downstream development
- State budget revenues maximization
- "One export window" policy (i.e. strong negotiation position)
- Efficient revenue distribution
- High credit ratings
- Gas exchange development
- Pilot regions price experiment
- IGP's limited resource base
- Ongoing country's gasification
- Gazprom's peak gas deliveries
- Low current UGSF tariff (in comparison with economically justified)
- Synchronized production, transportation & storage development

INVESTOR DAY 2017
EUROPE: GAZPROM’S CURRENT KEY EXPORT MARKET

UPSIDE POTENTIAL FOR GAZPROM’S PIPELINE GAS SUPPLIES TO EUROPE

- Natural gas price competitiveness compared to other energy resources
- Price competitiveness of Gazprom’s gas to US LNG
- Huge portfolio of LT take-or-pay contracts
- Declining indigenous gas production
- No success in shale gas developments
- Lack of alternative substantial gas supplies
- Growing gas demand in transport sector
- Gas demand recovery in power generation
- Reinforcement of environmental regulation (Paris Agreement)
- Environmental advantages of natural gas compared to coal

179.3 bcm

Record high pipeline gas deliveries to Europe in 2016

Total annual gas consumption in Japan, Singapore, South Korea and Vietnam

GAZPROM’S SHARE EVOLUTION IN THE EUROPEAN GAS MARKET

- 31% in 2015
- 34% in 2016
- Up to 35% in 2025
KEY CURRENT AND PROSPECTIVE EXPORT DESTINATIONS

- current Russian natural gas export destinations
- prospective and ongoing Russian natural gas export projects
- operating LNG projects
- prospective LNG projects
## NORD STREAM 2

### PROJECT KEY DETAILS

- **Project capacity** – 55 bcm/year
- **Commissioning date** – 2019 (Dec.)
- **Pipeline length** – over 1,200 km
- **Number of lines** – 2
- **Working pressure** – 22 MPa
- **Financing mechanism** – project financing
- **Total investments** – €9.9 bln (incl. CAPEX - €8 bln and financial and operating expenses - €1.9 bln)
- **Planned CAPEX (2017)** – ₽111 bln
- **Planned subsea section construction start** - 2018
- **Transit tariff** – 2.1 US$ per mcm/100 km (20% lower than current tariff and 2.2 times lower than anticipated tariff in Ukraine)
- **CO₂ emissions** – 1.8 mln t/year (8.2 mln t/year lower compared to Ukrainian route)

### Map Details

- **Nord Stream**
- **Nord Stream 2**
- **Existing transit route**

### Countries Involved

- Russia
- Germany
- Czech Republic
- Slovakia
- Ukraine

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**ENHANCING RUSSIA – EU PARTNERSHIP**

**INCREASING EU SECURITY OF SUPPLY**

**SHORTENING DELIVERY DISTANCE**

**EXCLUDING TRANSIT RISKS**

**ENSURING LOW ECOLOGICAL FOOTPRINT**
TURKSTREAM

PROJECT KEY DETAILS

- Project capacity – **31.5 bcm/y**
- Commissioning date – **2019** (end)
- Pipeline length – **over 900 km**
- Number of lines – **up to 2**
- Working pressure – **28 MPa**
- Financing – Gazprom’s Investment Program
- CAPEX (subsea section) – ~€7 bln
- Planned CAPEX (2017) - **₽42 bln**
- Planned construction start – **2H 2017**

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1 40%+ – projected growth of gas consumption in Turkey till 2035 (IHS long-term supply and demand outlook, July 2016)
POWER OF SIBERIA

PROJECT KEY DETAILS

- Project export capacity – 38 bcm/y
- Contract lifetime – 30 years
- Export start date – May 2019-May 2021
- Pipeline length – ~3,000 km
- Pipeline diameter – 1,420 mm
- Working pressure – 9.8 – 11.8 MPa
- Financing – Gazprom’s Investment Program
- Compressor stations – 9
- Construction start date - 2014
- As of 01.02.2017: 699 km of pipes have been welded
  490 km have been laid
- Planned CAPEX 2017 – ₽159 bln
GAZPROM PROJECTS IN THE LARGE-SCALE LNG MARKET

World LNG demand and capacity development forecast

Source: Wood Mackenzie (LNG Tool 2016 Q4)
US LNG PROSPECTS ON THE EUROPEAN GAS MARKET

- Cost+ of US LNG in Western Europe is ~30% higher than Gazprom’s most expensive pipeline gas supply route (via Ukraine).
- After Nord Stream 2 commissioning the economics of Gazprom gas deliveries will become even more overwhelming.
- Only 5 US LNG tankers reached Europe in 2016.

Sources: NIIGazeconomika, IHS Markit, Wood Mackenzie
Emoji art supplied by EmojiOne

1 Totals don’t sum due to rounding
2 Including Turkey
DID GAZPROM "SHALE GAS REVOLUTION"? DEFINITELY NOT!

The company has been keeping track of shale gas industry progress and prospects worldwide since 2009 to make wise strategic decisions.

- Putting off huge investments in US-oriented gas mega-projects (while others spent US$ 7.5+ bn\(^1\) on new US LNG regas terminals)
- No investments in shale assets in North America
  - No write-offs
  - No losses
  (unlike majority of IOCs, Asian NOCs and “sogo shosha”\(^2\))
- No risky spending on expensive domestic and European shale gas exploration projects
  (unlike companies, both local and IOCs, in Eastern Europe)

Vast and cheap conventional resources base does not incentivize Gazprom to join the “shale gas rush”

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\(^1\) According to Wood Mackenzie LNG Service
\(^2\) Japanese trading houses (general trading companies)
In 2011-2016\(^1\) Gazprom’s total savings accounted:
- 12.5 bcm of natural gas
- 1,483 mm kWh of electricity

Savings opportunities:
- reduction of gas consumption for own operational needs during repairs and scheduled maintenance
- optimization of flow modes for trunk pipelines based on advanced modeling
- reduction of gas losses
- optimization of operation modes for electrical equipment;
- use of separated gas from degassing units
- telemetry-based well logging

### NATURAL GAS SAVINGS, bcm (cumulative 2011-2016\(^1\))

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<td>4.2</td>
<td>6.1</td>
<td>8.2</td>
<td>10.5</td>
<td>12.5</td>
</tr>
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</table>

### ELECTRICITY SAVINGS, million kWh (cumulative 2011-2016\(^1\))

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<td>kWh</td>
<td>194</td>
<td>450</td>
<td>743</td>
<td>998</td>
<td>1,258</td>
<td>1,483</td>
</tr>
</tbody>
</table>

\(^1\) 2016 - estimates
**INNOVATIONS & PHASE OUT OF IMPORTS**

**KEY DETAILS**

- **1,200 mm PIPE DIAMETER up to 41 mm WALL THICKNESS**
  - Pipes designed for working pressure up to 25 MPa for subsea long-distance pipelines without using compressor stations

- **508 mm PIPE DIAMETER 22.2 / 24.9 mm WALL THICKNESS**
  - Pipes designed for joining of subsea production units with onshore production facilities

- **GRADE K65 STEEL PIPES 1,420 mm**
  - The use of K65 steel results in 13% pipe weight decrease compared to the use of K60 steel and therefore allows to achieve construction cost optimization

- **HIGH DEFORMATION CAPACITY PIPES**
  - Pipes capable of withstanding deformation and remaining sealed in highly seismic areas and permafrost

- **BIOROS HYDROCARBON SPILL CLEANER**
  - Unique substance designed for reduce land and water hydrocarbon pollution in wider temperature range (from +5 to + 45°C) and pH environment (if compared with similar substances)

- **800 mm PIPES DIAMETER 39 mm WALL THICKNESS**
  - Pipes designed for working pressure up to 28.4 MPa having 4 times higher capacity (vs. the Blue Stream project) without concrete coating of pipeline’s main part

**THE APPLICATION SITE**

- **YUZHNO-KIRINSKOYE FIELD**
  - BOVANENKOVO – UKHTA GAS PIPELINE
  - POWER OF SIBERIA GAS PIPELINE
  - BOVANENKOVO Field
  - TURKSTREAM
GAS CAPEX FORECAST

- Decrease in investments was about 9% down y-o-y vs last year (in US$ equivalent)
- >60% of Gazprom’s CAPEX will be made in downstream projects
- Up to 2025, over 1/3 of gas CAPEX will be allocated in Eastern Siberia and the Far East regions
Alexander Medvedev

DEPUTY CHAIRMAN OF GAZPROM MANAGEMENT COMMITTEE
European gas balance, bcm¹

- Gas demand increased in 2016 due to:
  - broader use of gas in power generation (+8% y-o-y)
  - weather conditions in the second half of the year

- European gas imports in 2016 were growing as a result of increased consumption and a decline in indigenous production

- Gazprom’s share was 34% in 2016 vs. 31% in 2015 and 23% in 2010

¹ GCV = 8,850 Kcal/Mcm, t = 20°C
Source: Eurostat, National Statistics, IEA, IHS, PIRA
NATURAL GAS RETAINS ITS BASIC SHARE IN THE LONG TERM

- Share of natural gas in primary energy has stabilized
- Renewables increased their share at the expense of oil — to a greater extent, due to subsidies and regulatory support
- Natural gas will keep its vital role in the future energy mix, dominated by renewables. It will serve as a clean and economically viable balancing fuel

Source: ENERDATA
Bright spots and new applications for gas in Europe

2015-2025 growth, bcm

By 2025, “bright spots” will generate additional 9% of demand growth

**Power generation**
- Aging of coal and nuclear plants
- Introduction of capacity remuneration mechanisms
- Adjustment of the carbon emission allowances market and carbon taxation schemes

**Transportation and ssCHP**
- Small-scale combined heat and power plants (CHP) offer low-cost energy and tax benefits
- Environmental restrictions and lower costs encourage broader use of LNG in bunkering and road transport

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1 GCV = 8,850 Kcal/Mcm, t = 20°C
Source: IEA, IHS, PIRA

By 2025, bright spots — power generation and transportation sectors — could add 45 bcm to total demand or 9% above 2015 levels
MAJOR SUPPLIERS TO EUROPEAN MARKETS

- A substantial decrease in the Netherlands’ supplies was compensated primarily by Gazprom
- Algerian supplies demonstrated growth thanks to oil-indexed price and contract renegotiations
- An absolute record of Gazprom’s daily exports was set on 27 Jan 2017 — 636.4 mcm/d

Deliveries by major European exporters and producers, bcm

1 European countries with Turkey (excluding CIS and Baltics)
2 Iranian supplies to Turkey
3 Including pipeline and LNG deliveries from Norway to the European market, but not LNG to Asia and America

Source: Eurostat, IEA, IHS, National Statistics, PJSC Gazprom, PIRA
GAZPROM EXPORT DELIVERIES

- Gazprom export deliveries to Europe increased by 19.9 bcm or by 12.5%.

- Average price of gas delivered to Europe was USD 167/mcm in 2016.

- Preliminary forecast of the European gas export price in 2017 is USD 180-190/mcm.

- Gazprom deliveries to CIS and Baltics decreased by 6.1 bcm or by 16.2%.

- Average gas price of gas delivered to CIS and Baltics in 2016 was USD 152/mcm.

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1 Eurasian Economic Union (including Belarus, Kazakhstan, and Armenia)

Source: Company data
GAZPROM’S STRONG COMPETITIVE POSITION AGAINST LNG ON THE EUROPEAN MARKET

Anticipated growth of LNG imports has not materialized: deliveries were practically flat. Incremental supplies were directed to Asia, Africa and Middle East.

Sales of US LNG offer margins on European market on a short-run basis, full costs the US LNG are substantially higher than European hub prices.

Deliveries of US LNG to Europe will result in losses for offtakers.

Incremental global LNG imports in 2016 by region, y-o-y, bcm

-5.5
-1.7
+0.1
+4.6
+6.6
+19.3

ASIA
AFRICA
MIDDLE EAST
EUROPE
NORTH AMERICA
LATIN AMERICA

1 Excluding Mexico
Source: IHS Waterborne
NORD STREAM 2 WILL DELIVER ADDITIONAL GAS VOLUMES TO EUROPE

Nord Stream 2 route

- Gazprom’s resource base is currently shifting further to the north from the Nadym-Pur-Taz region to Yamal. This trend significantly affects export and domestic gas flows.

- Export flows in the EU are shifting from the center to the north as domestic gas production declines.

- Nord Stream 2 is the shortest export route from the resource base in Russia’s Yamal to our main consumers in the EU.

- Gas transit via Ukraine is 20 per cent more costly than via Nord Stream 2.
GAZPROM’S LTCS OFFER FLEXIBLE SUPPLIES AT COMPETITIVE PRICES

- Gazprom’s competitive market position is strong despite new challenges
- Contract- and hub-prices converged after seasonal (2005-2008) and systematical (2009-2014) divergence in recent years
- Trading on forward hub market plays an increasing and important role in the activities of European midstreamers

### Contract- and hub-prices converged after diverging in the past years

![Graph showing contract and hub prices](image)

Source: BAFA, Bloomberg, IEA, IMF, World Bank
## Auctions as a New Form of Gas Exports

### Targets

**Testing the possibilities of:**
- selling additional volumes
- delivery points diversification
- new marketing tools
- eligible pricing mechanisms

**Offer contract terms structured exclusively by the seller:**
- general sales conditions
- price targets
- customer base

### Bilateral deals on the seller’s standard conditions:
- delivery to a border or a trading platform (hub) — a target market
- buyer as an importer (performs customs clearance)
- short-term and one-off deals
- standard small volumes (tranches)
- within the period of market liquidity
- selling commodity and flexibility as separate products

### Delivery Points

- **#1**
  - September 2015
  - Greifswald (OPAL/NEL), Olbernhau, Gaspool
- **#2 (Baltic)**
  - March 2016
  - Kotlovka, Inchukalins UGS
- **#3**
  - September 2016
  - Greifswald (OPAL/NEL), Olbernhau, Gaspool, Baumgarten, Arnoldstein

### Supply Period

- **#1**
  - Winter 2015/16
- **#2 (Baltic)**
  - Q2, Q3, Q4 2016
- **#3**
  - Winter 2016/17

<table>
<thead>
<tr>
<th>#</th>
<th>Supply Period</th>
<th>#1 (Sept 2015)</th>
<th>#2 (Mar. 2016)</th>
<th>#3 (Sept 2016)</th>
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</thead>
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<td>#</td>
<td></td>
<td>1.2</td>
<td>0.424</td>
<td>2.0</td>
</tr>
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</table>
GAZPROM’S LNG BUSINESS

Gazprom’s LNG trading in 2005-2016, mmt

Gazprom is committed to building a diversified LNG trading portfolio to continue reliable and timely deliveries of LNG to its customers.

In 2016:

- Gazprom delivered 55 cargoes to customers in 10 countries;
- Japan was the biggest importer of LNG from Gazprom portfolio;
- Gazprom continued working on the development of its projects: Baltic LNG and Sakhalin-2 Train 3;
- Gazprom chartered in one LNG carrier from Dynagas to support future deliveries of LNG from Cameroon FLNG project.

Gazprom’s LNG projects in operation

SAKHALIN-2 (T1,2) — 9.6 MMT/YEAR

- 10.9 mmt of LNG supplied in 2016
- In 2016 Gazprom took delivery of 1.3 mmt of LNG from Sakhalin, which was sold to customers in Asia Pacific

Gazprom’s LNG projects under development

SAKHALIN-2 T3 — UP TO 5.4 MMT/YEAR

- In 2015 Gazprom signed MOU with Shell on project implementation
- The project’s FEED is under development

BALTIC LNG — 10 MMT/YEAR

- Pre-FEED (Justification of Investment) approved in January 2015
- In 2016 Gazprom signed MOU with Shell regarding cooperation on the project

1 Gazprom holds 50% + 1 share in SEIC (project operator company)
2 under SPA and spot tenders
Gazprom continues expanding its natural gas business in Asia Pacific developing new projects for both LNG and pipeline gas deliveries.

Gazprom believes there is a big potential for demand growth in the region due to:

- Continued economic growth;
- Liberalization of gas markets in the region, which will bring in new customers;
- Concerns over use of nuclear power and environmental policies that will stimulate development of gas-fired power generation;
- Depletion of resources in some of the region’s markets and lower than planned domestic production rates.
COMPETITIVE ADVANTAGES

- Reliable supplier
- Competitive prices
- Geographical diversification
- New applications for gas
Andrey Kruglov

DEPUTY CHAIRMAN OF GAZPROM MANAGEMENT COMMITTEE
KEY PRIORITIES OF FINANCIAL POLICY

Key priorities

- Conservative budgeting assumption
- Prioritization of investment projects
- Optimization of OPEX
- Minimization of FX risks
- Effective debt management
- Prudent dividend policy

Key 2017 budgeting assumptions

- **GAS EXPORT PRICE, USD/MCM**
  - 2016 Actual: 167
  - 2017 Budget: 166

- **OIL PRICE, USD/BBL**
  - 2016 Actual: 42
  - 2017 Budget: 48

- **RUB/USD**
  - 2016 Actual: 66.9
  - 2017 Budget: 63.3
KEY GAS BUSINESS INVESTMENT PROJECTS

PJSC Gazprom (parent company) 2017 Investment Program

<table>
<thead>
<tr>
<th>Project</th>
<th>Cost (RUB BN)</th>
</tr>
</thead>
<tbody>
<tr>
<td>POWER OF SIBERIA</td>
<td>159</td>
</tr>
<tr>
<td>AMUR GPP</td>
<td>102</td>
</tr>
<tr>
<td>CHAYANDA FIELD</td>
<td>64</td>
</tr>
<tr>
<td>UKHTA-TORZHOK 2</td>
<td>62</td>
</tr>
<tr>
<td>BOVANENKOVS KOYE FIELD</td>
<td>37</td>
</tr>
<tr>
<td>TURKSTREAM</td>
<td>42</td>
</tr>
<tr>
<td>NORD STREAM 2</td>
<td>111</td>
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<td>NORD STREAM 2</td>
<td>111</td>
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NORD STREAM 2: Saint Petersburg, Moscow, Torzhok, Ukhta

TURKSTREAM: Greifswald (Germany), Kiyikoy (Turkey), Anapa

POWER OF SIBERIA: Blagoveshchensk

CHAYANDA FIELD: BOVANENKOVS KOYE FIELD: UKHTA-TORZHOK 2: Blagoveshchensk

PJSC Gazprom (parent company) 2017 Investment Program: 911 RUB BN

FEASIBLE OPTIONS FOR INVESTMENT EFFICIENCY

Gazprom and its subsidiaries have a long-term strategy to stabilize and further increase sales volumes on the European market. The company plans to develop its regional networks and enter new markets in the near future. Gazprom is committed to investing in infrastructure projects to support the expansion of its natural gas production and transmission capabilities.
BALANCED CAPEX

Gazprom Group capex¹, USD bn

- GAS UPSTREAM
- GAS DOWNSTREAM
- OIL
- POWER GENERATION
- OTHER
- CASH CAPEX

Gazprom Group capex structure

- OIL BUSINESS ~25%
- GAS BUSINESS ~65%
- OTHER ~5%
- POWER GENERATION ~5%

Capex trends

- Parent company 2016 capex decreased by 21% in RUB and 29% in USD y-o-y

¹ Calculated using average exchange rates for the periods.
Source: Company data, management estimates
# KEY COST OPTIMIZATION INITIATIVES

## MAIN STEPS TO CURB COSTS

<table>
<thead>
<tr>
<th>Major cost optimization phases</th>
<th>Details</th>
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<tbody>
<tr>
<td>10-year strategic planning</td>
<td>Determine key development targets and three development scenarios for Gazprom, choose priority projects, and build long-term financial models</td>
</tr>
<tr>
<td>Project design and engineering</td>
<td>Detailed project documentation</td>
</tr>
<tr>
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<td>Expertise and optimization</td>
</tr>
<tr>
<td>Gazprom's 3-year budget and capex plan</td>
<td>Sets capex and opex limits</td>
</tr>
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<td>Prioritize and pre-approve capex projects; monitor cost estimates</td>
</tr>
<tr>
<td>Gazprom's budget and capex plan for the upcoming year</td>
<td>Sets capex limits</td>
</tr>
<tr>
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<td>Approve the capex plan; monitor cost estimates</td>
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<tr>
<td>Project implementation</td>
<td>Control of project development</td>
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<td>Procurement optimization; contracts execution control</td>
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# CASES OF INVESTMENT PROGRAM OPTIMIZATION: RESCHEDULING PROJECT DEADLINES

Current gas upstream capacity allows to cover extreme seasonal peaks and shift several investment projects:

<table>
<thead>
<tr>
<th>Project</th>
<th>2018-2019 project capex RUB bn</th>
<th>Project starting year</th>
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<tr>
<td>Compressor station on Yamburgskoye field</td>
<td>26.5</td>
<td>2018</td>
</tr>
<tr>
<td>Compressor station on Kharvutinskaya area of Yamburgskoye field</td>
<td>23.2</td>
<td>2019</td>
</tr>
<tr>
<td>Compressor station on Zapolyarnoe field</td>
<td>21.3</td>
<td>2018</td>
</tr>
<tr>
<td>Wells re-equipment on Astrakhanskoye field</td>
<td>5.3</td>
<td>2019</td>
</tr>
<tr>
<td>Reconstruction of Gathering station-2 and gas collection system on Nevskoe underground gas storage</td>
<td>5.1</td>
<td>2019</td>
</tr>
<tr>
<td>Development of Pestsovaya area at Urengoyskoye field</td>
<td>5.1</td>
<td>2019</td>
</tr>
<tr>
<td>Compressor station on Urengoyskoye field</td>
<td>2.2</td>
<td>2019</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>88.7</strong></td>
<td></td>
</tr>
</tbody>
</table>
PRODUCTION AND TRANSPORTATION COSTS

- One of the lowest production costs globally
- Mostly RUB-based costs
- Growth of production costs due to tax increase in 2017

Cost cutting tools

- Detailed breakdown, cost benchmarking
- Setting cost standards against historical best
- Price justification during procurement process by comparing unit costs

Cost of gas production USD/MMBTU\(^1,2\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Mineral Extraction Tax (MET)</th>
<th>Unit Cost of Gas Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>2015</td>
<td>0.7</td>
<td>0.4</td>
</tr>
<tr>
<td>2016E</td>
<td>0.7</td>
<td>0.4</td>
</tr>
<tr>
<td>2017F</td>
<td>0.8</td>
<td>0.4</td>
</tr>
</tbody>
</table>

1. Totals don’t sum due to rounding
2. Unit cost of gas production per 1000 cm among 7 major Gazprom’s subsidiaries. Calculated using average exchange rate for the period

Mineral extraction tax (MET)

- MET temporarily increased for 1 year
- RUB 70 bn total additional MET for Gazprom in 2017
- Formula-based MET
- Russian Tax Code states MET reduction after 2019
- Tax incentives for greenfields
ASIAN FINANCIAL MARKETS ACTIVITIES

Gas supply contract with China sets the basis for diversification of financial activities

- **Financial Institutions**: Syndicated and bilateral loans from Asian banks
- **Credit Ratings**: AAA rating from Chinese Dagong Global Credit Rating
- **Stock Exchanges**: Gazprom’s ADRs included in the quotation list of Singapore Exchange. Potential listing on one of the leading Asian Exchanges
- **Investors**: Diversification of investor base
## SUCCESSFUL PERFORMANCE IN DEBT CAPITAL MARKETS

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
<th>Coupon</th>
<th>Maturity</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2016</td>
<td>EUR 2,000 mm</td>
<td>EURIBOR +3.5%</td>
<td>5 years</td>
<td>Facility agreement with Bank of China</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>The largest amount of financing from one financial institution</td>
</tr>
<tr>
<td>March 2016</td>
<td>CHF 500 mm</td>
<td>3.375%</td>
<td>2.5 years</td>
<td>Public international debt offering under EMTN program</td>
</tr>
<tr>
<td>November 2016</td>
<td>EUR 1,000 mm</td>
<td>3.125%</td>
<td>7 years</td>
<td>Public international debt offering under EMTN program, Lead managers — Bank of China, J.P. Morgan, UniCredit Bank, Gazprombank</td>
</tr>
<tr>
<td>November 2016</td>
<td>CHF 500 mm</td>
<td>2.75%</td>
<td>5 years</td>
<td>Public international debt offering under EMTN program</td>
</tr>
<tr>
<td>December 2016</td>
<td>EUR 800 mm</td>
<td>EURIBOR +2.6%</td>
<td>4 years</td>
<td>Loan from Mizuho, SMBC, and J.P. Morgan</td>
</tr>
</tbody>
</table>

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**Gazprom’s borrowings in 2016**

- **LOANS WITH ASIAN BANKS’ PARTICIPATION** 52%
- **OTHER BORROWINGS** 48%
COMFORTABLE DEBT BURDEN

Gazprom’s leverage level vs. peers

<table>
<thead>
<tr>
<th>Total debt, USD bn</th>
<th>123</th>
<th>75</th>
<th>59</th>
<th>46</th>
<th>33</th>
<th>24</th>
<th>79</th>
<th>47</th>
<th>46</th>
<th>4</th>
<th>13</th>
</tr>
</thead>
<tbody>
<tr>
<td>NET DEBT / EBITDA LTM</td>
<td>4.5x</td>
<td>3.1x</td>
<td>2.0x</td>
<td>1.8x</td>
<td>1.7x</td>
<td>1.7x</td>
<td>1.6x</td>
<td>1.6x</td>
<td>1.5x</td>
<td>0.8x</td>
<td>0.8x</td>
</tr>
</tbody>
</table>

Cash and debt by currency

- RUB: 48%, 14%
- USD: 34%, 51%
- EUR: 12%, 33%
- OTHER: 0%, 0%

Credit ratings

- **Dagong**: AAA, Stable
- **Fitch**: BBB-, Stable
- **S&P**: BB+, Stable
- **Moody’s**: Ba1, Stable

- Fitch, S&P and Moody’s ratings for Gazprom constrained by the sovereign ratings for Russia
- Fitch, S&P and Moody’s revised Gazprom’s rating outlook from ‘Negative’ to ‘Stable’ last months

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1 As of 9M2016, IFRS
2 Rosneft net debt is adjusted for prepayments under long-term oil supply agreements
3 CNOOC data as of 1H 2016
Source: Companies data, Moody’s, Bloomberg
Gazprom FCF generation, USD bn

- Positive FCF generation for past 10 years
- Group capex limited by operating cash flow
- Tightening financial policy
Management intends to keep DPS at least at the same level y-o-y or higher.

Balanced dividend approach considers:
- shareholders return
- financial position
- long-term development of the Group

- 36% share price growth in 2016 (in USD)
- 43% total shareholders return (TSR) in 2016

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1 Dividend payout ratio = % of parent company net income based on Russian accounting standards.
IMPROVING CORPORATE GOVERNANCE

Our goal

Continuously improve Corporate Governance in line with global best practices and increase transparency of the Company's operations

Major achievements of 2016:

- **Currently 3 independent directors on the Board** (independency confirmed by the Russian stock exchanges)
- Majority of **independent directors** in the Audit Committee chaired by an independent director
- Majority of **independent directors** in the newly established Nomination and Remuneration Committee
- Introduction of the **Corporate Secretary** (with responsibilities assigned to a number of structural units)
- **Key internal regulations** on shareholders’ rights protection were aligned with best practices

Goals for 2017:

- Assess performance of the Board of Directors and its committees
- Conduct an **independent audit** of the Corporate Governance; further improve corporate standards
- Get **National Rating of Corporate Governance** (after implementing the independent audit recommendations)
- Continue practice of **independent directors conference calls and personal meetings** with shareholders and investors
2017 INVESTMENT CASE
STRONG FOOTHOLD IN CURRENT MARKET ENVIRONMENT

- Unique fundamentals
- Low cost base
- Growing exports
- Capex optimization and project prioritization
- Balanced dividend policy
APPENDIX
GAZPROM IN GLOBAL OIL&GAS INDUSTRY

Top-5 by EBITDA, 9M2016

Top-5 by net income\(^1\), 9M2016

\(^1\) Attributed to shareholders

Source: Companies' reports, Bloomberg, Factset
## GAZPROM GROUP: KEY FINANCIALS

### Source: Gazprom Group IFRS results

1. Data are converted in USD using average exchange rate RUB/USD: 29.35 in 2011, 31.07 in 2012; 31.82 in 2013; 37.97 in 2014; 60.66 in 2015; 59.02 in 9M2015; 68.22 in 9M2016
3. Excluding capitalized interest
4. Adjusted EBITDA is defined as operating profit before depreciation and changes in assets impairment provision (impairment of accounts receivable and prepayments, assets under construction, investments and other long-term assets, inventory)
5. Attributable to owners of Gazprom PJSC

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales¹</td>
<td>157.993</td>
<td>153.411</td>
<td>164.989</td>
<td>147.217</td>
<td>100.121</td>
<td>71.268</td>
<td>63.345</td>
</tr>
<tr>
<td>Operating expense²</td>
<td>100.245</td>
<td>110.133</td>
<td>113.165</td>
<td>103.863</td>
<td>76.418</td>
<td>53.741</td>
<td>56.064</td>
</tr>
<tr>
<td>Operating profit (EBIT)³</td>
<td>56.451</td>
<td>43.472</td>
<td>49.881</td>
<td>34.512</td>
<td>20.249</td>
<td>17.668</td>
<td>8.323</td>
</tr>
<tr>
<td>Adjusted EBITDA⁴⁺</td>
<td>65.776</td>
<td>52.975</td>
<td>63.151</td>
<td>51.687</td>
<td>30.910</td>
<td>24.117</td>
<td>14.574</td>
</tr>
<tr>
<td>Net profit⁵</td>
<td>44.532</td>
<td>39.410</td>
<td>35.803</td>
<td>4.188</td>
<td>12.975</td>
<td>11.418</td>
<td>10.398</td>
</tr>
<tr>
<td>Total debt²</td>
<td>47.831</td>
<td>49.410</td>
<td>55.056</td>
<td>47.794</td>
<td>47.231</td>
<td>47.522</td>
<td>46.994</td>
</tr>
<tr>
<td>Net debt²</td>
<td>32.141</td>
<td>35.272</td>
<td>34.000</td>
<td>29.340</td>
<td>28.583</td>
<td>30.536</td>
<td>34.523</td>
</tr>
<tr>
<td>Total debt/Adjusted LTM EBITDA</td>
<td>0.7x</td>
<td>0.9x</td>
<td>0.9x</td>
<td>0.9x</td>
<td>1.5x</td>
<td>1.3x</td>
<td>2.2x</td>
</tr>
<tr>
<td>Net debt/Adjusted LTM EBITDA</td>
<td>0.5x</td>
<td>0.7x</td>
<td>0.5x</td>
<td>0.6x</td>
<td>0.9x</td>
<td>0.8x</td>
<td>1.6x</td>
</tr>
<tr>
<td>Operating cash flow¹</td>
<td>55.790</td>
<td>47.402</td>
<td>54.739</td>
<td>50.455</td>
<td>33.480</td>
<td>23.642</td>
<td>17.245</td>
</tr>
<tr>
<td>Cash capex¹²³</td>
<td>52.917</td>
<td>43.422</td>
<td>43.909</td>
<td>33.240</td>
<td>27.052</td>
<td>19.748</td>
<td>15.675</td>
</tr>
<tr>
<td>Free cash flow¹²³</td>
<td>2.873</td>
<td>3.980</td>
<td>10.830</td>
<td>17.214</td>
<td>6.428</td>
<td>3.893</td>
<td>1.571</td>
</tr>
</tbody>
</table>

Source: Gazprom Group IFRS results