

# **GAZPROM'S PERFORMANCE IN POWER SECTOR IN 2017**

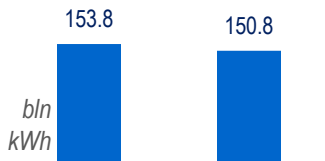
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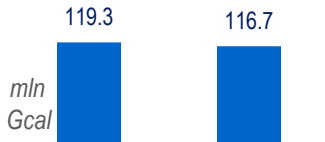
# Gazprom Energoholding Group: 2017 Highlights

## Operating activities

Electricity output **dropped by 1.9%** versus 2016



Heat supply **declined by 2.2%** versus 2016

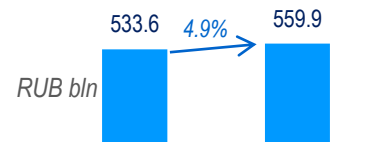


2016

2017

## Financial results

Revenues under RAS **grew by 4.9%** versus 2016



EBITDA under RAS **went up by 30.9%** versus 2016



2016

2017

## Investments

Main CSA investment program nearly completed (8.6 GW of new efficient capacities built)

- ✓ 2017 marked start of supplies of generating equipment of PP-1 of TGC-1's Central CHPP (two new 100 MW gas turbines) to wholesale electricity market
- ✓ Continued progress in final CSA-based project – construction of 360 MW Grozny TPP

## Major events

- ✓ Key financial indicators improved significantly despite decreased performance
- ✓ Debt burden diminished by **RUB 27.5 bln**
- ✓ Benefit from Cost Reduction Programs amounted to **RUB 3.6 bln**
- ✓ **90 MW** of old inefficient equipment decommissioned
- ✓ Market capitalization of generating companies increased greatly

# Key operating results

- ✓ In 2017, electricity output and heat supply decreased in all companies except for TGC-1
- ✓ Operating results are affected by commissioning of new efficient capacities under CSAs, equipment utilization by System Operator, efforts made to reduce utilization of inefficient capacities, and weather conditions
- ✓ Lower heat supply is caused by higher ambient temperatures, transfer of some of MOEK's boiler houses to Mosenergo, and load switch from boiler houses to more efficient CHPPs of Mosenergo

## Electricity output

<i>bln kWh</i>	2016	2017	Changes 2017/2016
Mosenergo	59.1	57.9	-2.1% ▼
TGC-1	27.7	29.5	+6.6% ▲
OGK-2	67.1	63.4	-5.4% ▼
MOEK	-	-	-

## Heat supply

<i>mln Gcal</i>	2016	2017	Changes 2017/2016
Mosenergo	81.8	79.4	-2.9% ▼
TGC-1	24.4	24.7	+1.1% ▲
OGK-2	6.9	6.8	-2.0% ▼
MOEK	6.1	5.8	-5.4% ▼
<b>Total</b>	<b>119.3</b>	<b>116.7</b>	<b>-2.2%</b> ▼

# Key Financial Results (RAS)

- ✓ Gazprom Energoholding's revenues, steadily rising for last few years, reached **RUB 559.9 bln** in 2017
- ✓ Gazprom Energoholding's EBITDA was **RUB 105.7 bln**, showing **30.9%** increase versus 2016
- ✓ EBITDA increase stems from:
  - Putting into operation new efficient capacities
  - Decreasing inefficient generation
  - Cutting down operating costs
  - Raising revenues from sales of electricity and capacities

Revenues	<i>RUB mln</i>	2016	2017	Changes 2017/2016
	Mosenergo	190,342	196,825	+3.4%
TGC-1*	80,132	88,458	+10.4%	▲
OGK-2	134,285	139,613	+4.0%	▲
MOEK	128,800	134,982	+4.8%	▲
<b>Total</b>	<b>533,559</b>	<b>559,878</b>	<b>+4.9%</b>	<b>▲</b>
EBITDA	<i>RUB mln</i>	2016	2017	Changes 2017/2016
	Mosenergo	32,196	44,093	+37.0%
TGC-1	14,607	19,052	+30.4%	▲
OGK-2	16,624	22,775	+37.0%	▲
MOEK	17,332	19,805	+14.3%	▲
<b>Total</b>	<b>80,759</b>	<b>105,725</b>	<b>+30.9%</b>	<b>▲</b>
Net profit (losses)	<i>RUB mln</i>	2016	2017	Changes 2017/2016
	Mosenergo	11,062	25,282	+128.5%
TGC-1	3,834	7,368	+92.2%	▲
OGK-2	3,497	6,653	+90.2%	▲
MOEK	929	6,093	+555.9%	▲
<b>Total</b>	<b>19,322</b>	<b>45,396</b>	<b>+134.9%</b>	<b>▲</b>

In 2017, Gazprom Energoholding's EBITDA from sales of capacities commissioned under CSAs totaled **RUB 67 bln**

\* TGC-1 results include Murmansk CHPP results

# Gazprom Energoholding Group's Debt Burden

- In 2017, aggregate debt of Gazprom Energoholding Group was RUB 116.7 bln, 19% lower than year-end result of 2016
- Debt burden reduction was mostly due to completion of construction projects under CSAs

## Debt (RAS)



<i>RUB bln</i>	2012	2013	2014	2015	2016	2017	Changes 2017/2016
Mosenergo	18.1	24.9	48.6	49.2	43.9	23.3	-46.9%
TGC-1	34.3	30.3	26.5	25.9	23.2	20.4	-12.1%
OGK-2	23.3	34.6	47.1	61.9	56.3	48.8	-13.3%
MOEK		29.4	26.7	20.7	20.7	24.2	+16.9%
<b>Total debt</b>	<b>75.7</b>	<b>119.2</b>	<b>148.9</b>	<b>157.7</b>	<b>144.1</b>	<b>116.7</b>	<b>-19.0%</b>
<i>Debt/EBITDA</i>	1.7x	1.9x	2.8x	2.5x	1.8x	1.1x	-38.9%

Debt came from loans acquired for investment program and is **declining rapidly**

# Gazprom Energoholding's Dividends

## Dividends: history / debt burden of Gazprom Energoholding Group

Dividend calculation principle at Gazprom Energoholding:

**Debt burden** Maintaining balance between debt servicing and dividend payout

**Investment program** Gazprom Energoholding factors in investments to be made within next 2 to 3 years

■ Dividend amount, RUB mln  
○ Debt/EBITDA (2017)



Amount of funds allocated for dividend payout is **growing annually**

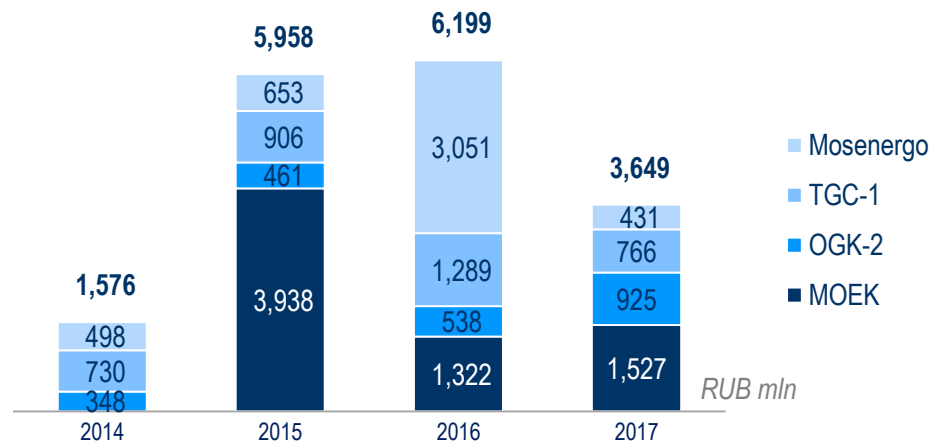
# Execution of Cost Reduction Programs

– In order to boost value of its power generating assets, Gazprom Group takes steps to raise their operating efficiency and runs cost reduction programs meant to improve financial performance

## Optimization measures

- ✓ Efficient use of assets, improvement of production system
- ✓ Optimization of semi-fixed costs (lease, taxes, etc.)
- ✓ Sale of non-core assets
- ✓ Cost reduction
- ✓ Import substitution
- ✓ Additional initiatives

## Optimization effect



- ✓ Updating of Gazprom's Power Generation Strategy
- ✓ Construction and upgrade of capacities, depending on economic incentives in power industry
- ✓ Optimization of operating and investment spending  
Cost reduction potential – 3 years
- ✓ Decommissioning of capacities  
- Planned to decommission some 2 GW of capacities before 2022
- ✓ Participation in Gazprom's major projects concerning construction of generating capacities
- ✓ Purchase of core assets  
- Monitoring underway with regard to horizontal expansion
- ✓ Participation in international projects  
- Pancevo TPP under construction in Serbia, possible construction of gas-fired generating facilities in China and Vietnam discussed
- ✓ Growth in dividends
- ✓ Decrease in debt burden owing to operating flow and revenues from CSA projects



\* involving Gazprom Investproject



THANK YOU FOR YOUR ATTENTION!