

GAZPROM'S PERFORMANCE IN POWER SECTOR IN 2018

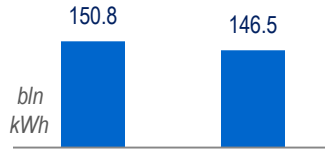
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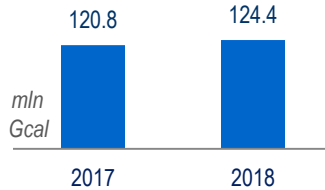
Gazprom Energoholding Group: 2018 Highlights

Operating activities

Electricity output **dropped by 2.8%** versus 2017

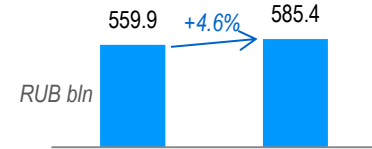


Heat supply **grew by 3%** versus 2017

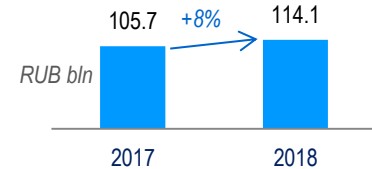


Financial results

Revenues under RAS **increased by 4.6%** versus 2017



EBITDA under RAS **went up by 8%** versus 2017



Investments

Main CSA investment program nearly completed (8.8 GW of new efficient capacities built)

- ✓ Power Unit No. 1 at Grozny TPP, final project related to CSA obligations, put onstream in 2018. Second power unit (180 MW) is under construction.

Major events

- ✓ Key financial results improved despite lower electricity output
- ✓ Debt burden reduced by **RUB 35 bln**
- ✓ **RUB 4 bln** saved due to cost optimization programs
- ✓ **548 MW** of old inefficient equipment decommissioned

Key Operating Results

- ✓ In 2018, electricity output declined in all companies except for Mosenergo. Conversely, heat supply increased Group-wide
- ✓ 2.8% decrease in total production of electricity in 2018 versus 2017 is explained by optimization of generating equipment (minimized loading of non-marginal equipment)
- ✓ Mosenergo stepped up its total output through mode optimization and corresponding increase in output by CCGT units (+3.2%)
- ✓ Productive heat supply went up thanks to lower air temperatures in Q1 and December 2018

Electricity output

<i>bln kWh</i>	2017	2018	Changes 2018/2017
Mosenergo	57.9	58.3	+0.8% ▲
TGC-1	29.5	29.3	-0.6% ▼
OGK-2	63.4	58.9	-7.1% ▼
Total	150.8	146.5	-2.8% ▼

Heat supply

<i>mln Gcal</i>	2017	2018	Changes 2018/2017
Mosenergo	79.4	82.3	+3.6% ▲
TGC-1	24.7	24.9	+0.7% ▲
OGK-2	6.8	7.0	+3.7% ▲
MOEK	9.8	10.2	+3.3% ▲
Total	120.8	124.4	+3.0% ▲

Key Financial Results (RAS)

- ✓ Gazprom Energoholding's revenues, rising steadily for last few years, reached **RUB 585 bln** in 2018
- ✓ EBITDA of Gazprom Energoholding amounted to **RUB 114 bln**, showing **8%** increase from 2017
- ✓ EBITDA changes stem from:
 - Higher fuel costs resulting from heat supply increase
 - Growing sales of TGC-1 and OGK-2 capacities under CSAs
 - Expiry of CSAs for some Mosenergo facilities
 - Cutting down on inefficient electricity production
 - Rise in weighted average prices in wholesale electricity and power market

Revenues

<i>RUB mln</i>	2017	2018	Changes 2018/2017
Mosenergo	196,825	199,047	1.1% ▲
TGC-1*	88,458	93,328	5.5% ▲
OGK-2	139,613	140,870	0.9% ▲
MOEK	134,982	152,150	12.7% ▲
Total	559,878	585,395	4.6% ▲

EBITDA

<i>RUB mln</i>	2017	2018	Changes 2018/2017
Mosenergo	44,093	42,421	-3.8% ▼
TGC-1	19,052	17,784	-6.7% ▼
OGK-2	22,775	27,605	21.2% ▲
MOEK	19,805	26,326	32.9% ▲
Total	105,725	114,136	8.0% ▲

Net profit (losses)

<i>RUB mln</i>	2017	2018	Changes 2018/2017
Mosenergo	25,282	23,770	-6.0% ▼
TGC-1	7,369	7,105	-3.6% ▼
OGK-2	6,653	11,148	67.6% ▲
MOEK	6,093	11,208	83.9% ▲
Total	45,397	53,231	17.3% ▲

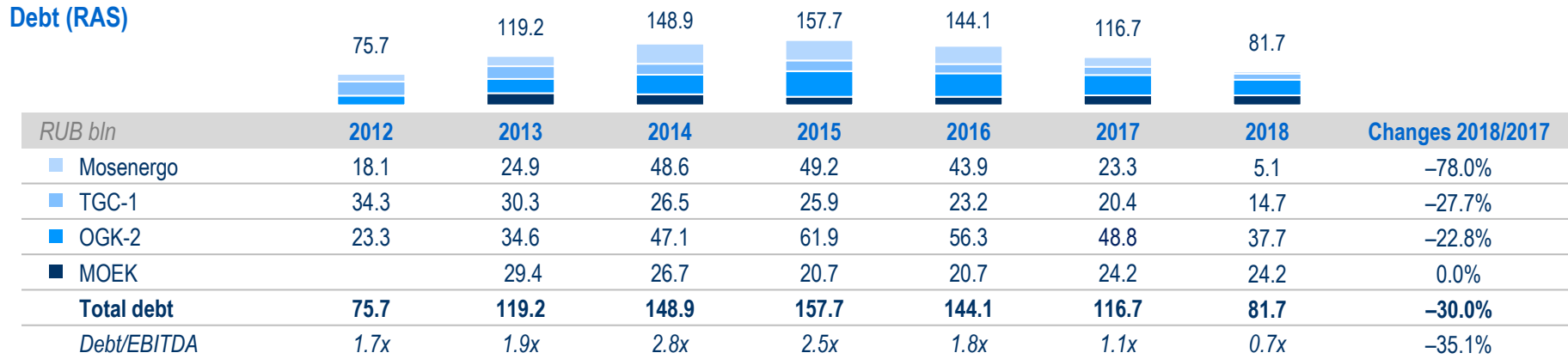
Thanks to power units covered by CSA, operating EBITDA of Gazprom Energoholding grew by **RUB 64.4 bln** in 2018

* TGC-1 results include Murmansk CHPP data

Gazprom Energoholding Group's Debt Burden

- In 2018, aggregate debt of Gazprom Energoholding Group was RUB 81.7 bln under RAS, 30% lower than year-end results of 2017
- Debt burden reduced mainly due to completion of construction projects under CSAs

Debt (RAS)



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

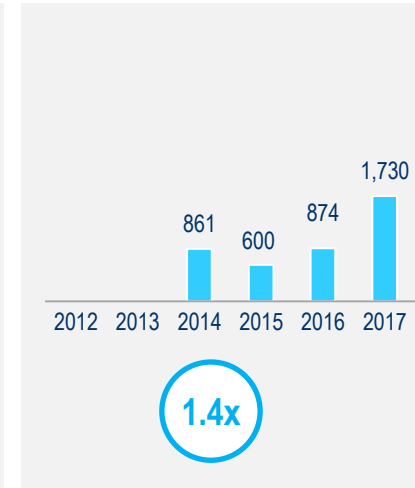
Gazprom Energoholding's Dividends

Dividends: history / debt burden of Gazprom Energoholding Group

Principles for determining Gazprom Energoholding dividends:

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



Amount of funds dedicated to dividend payout is growing annually

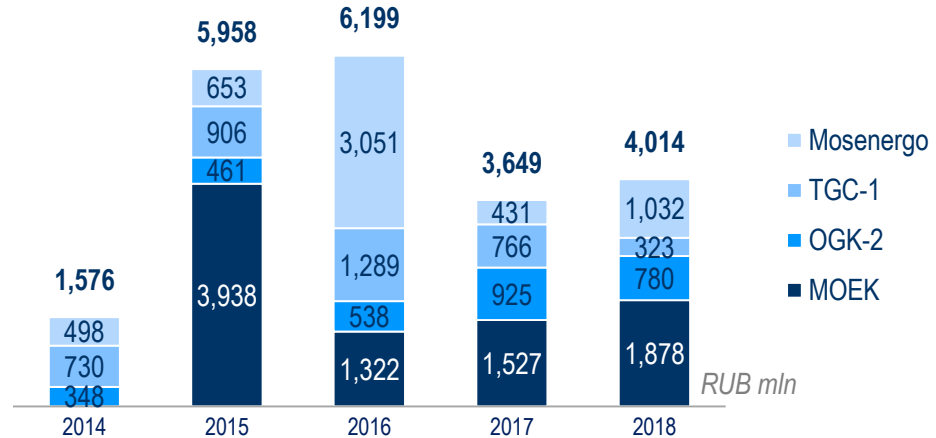
Execution of Cost Reduction Programs

— In order to enhance value of its power generating assets, Gazprom Group is taking steps to raise their operating efficiency and pursuing cost optimization programs

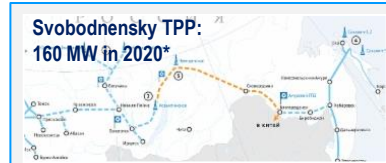
Optimization measures

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

Optimization effect



- ✓ Implementation of Gazprom's Power Generation Strategy
- ✓ Construction and upgrade of capacities, depending on economic incentives in power industry
- ✓ Optimization of operating and investment costs:
 - Cost reduction potential – 3 years
- ✓ Decommissioning of capacities
 - Some 2 GW of capacities planned to be taken out of service before 2022
- ✓ Participation in Gazprom's major projects focused on construction of generating capacities
- ✓ Purchase of core assets
 - Monitoring of opportunities for horizontal expansion
- ✓ Participation in international projects
 - Pancevo TPP is under construction in Serbia, discussions are proceeding on possible construction of gas-fired generating facilities in China and Vietnam
- ✓ Decrease in debt burden through operating cash flow and revenues from CSA projects



* involving Gazprom Investproject