



1Q 2018 IFRS FINANCIAL AND OPERATING RESULTS

St Petersburg – May 29, 2018



Agenda

Highlights,
Financials

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The presentation contains forward-looking statements concerning the financial condition, results of operations and businesses of Gazprom Neft and its consolidated subsidiaries.

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- (a) price fluctuations in crude oil and oil products
- (b) changes in demand for the Company's products
- (c) currency fluctuations
- (d) drilling and production results
- (e) reserve estimates
- (f) loss of market and industry competition
- (g) environmental and physical risks
- (h) risks associated with the identification of suitable potential acquisition properties and targets, and successful negotiation and completion of such transactions
- (i) economic and financial market conditions in various countries and regions
- (j) political risks, project delays or advancements, approvals and cost estimates
- (k) changes in trading conditions

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1Q18 highlights



1Q18 Financial performance:

- Revenue: RUB **521** bln (+14.5% y-o-y)
- EBITDA*: RUB **156** bln (+32.3% y-o-y)
- Net Income: RUB **70** bln (+12.4% y-o-y)



Operational progress in 1Q18:

- Hydrocarbon production up **1.1%** y-o-y
- Refining volumes up **15.4%** y-o-y due to scheduled repairs at refineries in 1Q17
- Average throughput per filling station in Russia increased by **6.3%** y-o-y (up to **19.7** tpd)



1Q18 vs. 4Q17

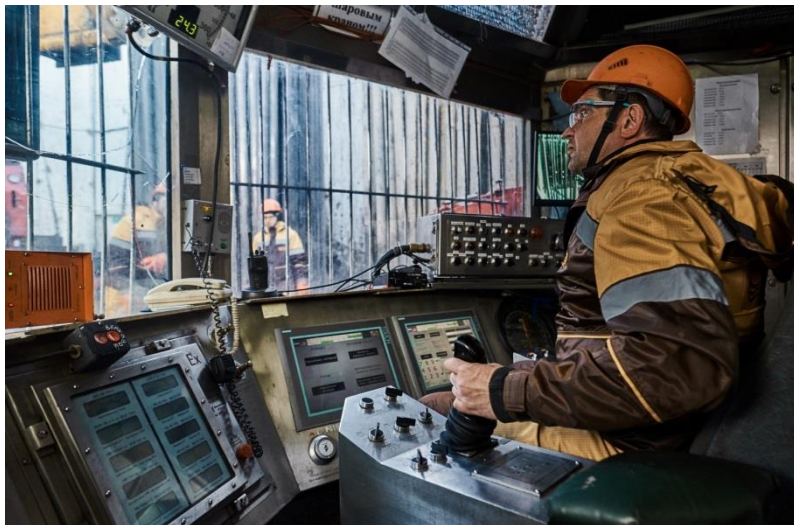
- Revenue down **1.2%**
- EBITDA* up **2.7%**
- Net Income up **8.4%**
- Hydrocarbon production down **2.2%**
- Refining throughput down **1.3%**

* Including GPN share in EBITDA of associates and joint ventures

Exploration and Production

Focus on efficiency and technological development

1Q 2018 Upstream key events

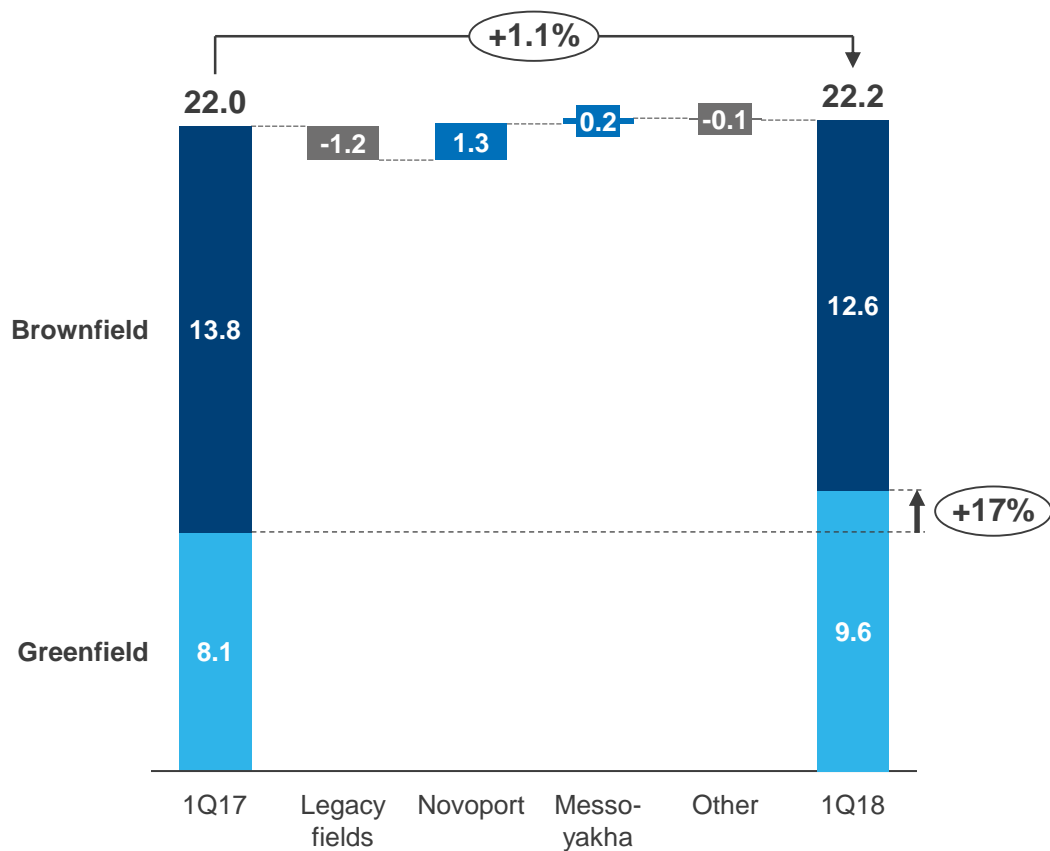


- Increased share in **Arcticgas** from 46.67% to **50%** in March
- Received six license blocks at **Karabashskaya area** in Khanty-Mansi Autonomous District and two license blocks in Yamal-Nenets Autonomous District (**Yuzhno-Novoportovskiy** and **Suroviy license blocks**)
- Discovered **Novozarinskoye field** at Uranskiy license block (Orenburg Region) with geological reserves of over 11 MMTonnes
- Shipped **one hundredth batch** of oil produced at the Russian **Arctic shelf**
- Commissioned the **second well “Sarqala-2”** at Sarqala field with initial flow rate 11,000 bpd
- Completed drilling of the first production well at **Tazovskoye field** with initial flow rate of over 100 tpd
- Performed large-volume hydraulic fracturing in a directional well at **Yamburgskoye field*** (the Achimov Formation) with initial production exceeded 100 tpd

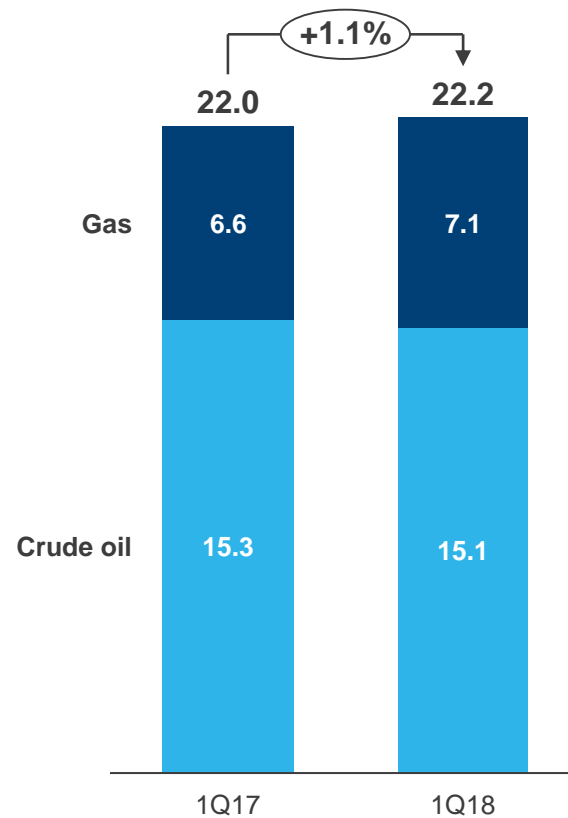
* Under operator agreement

Greenfield contribution in total production ramp up

Hydrocarbon production, MMtoe



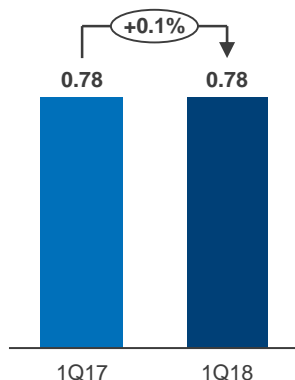
Production breakdown, MMtoe



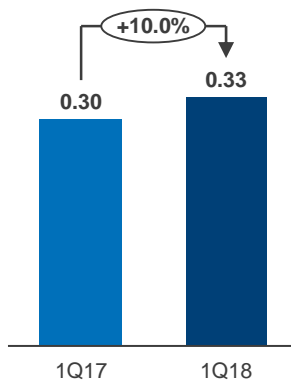
Focus on intensification of production at new projects

Crude oil production, MMTonnes

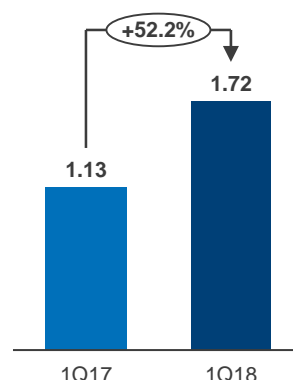
Prirazlomnoye



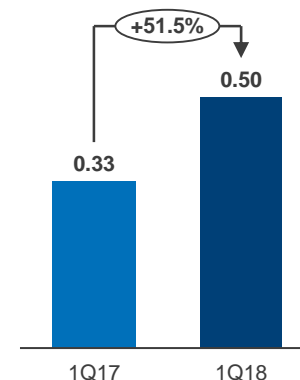
Iraq



Novoportovskoye



Messoyakha



1Q18 results

- Completed drilling of 1 production well with initial flow rate of **1,170 tpd**
- Completed **workover of 1 well**: opened new reservoir intervals, flow rate increased by **500 tpd**

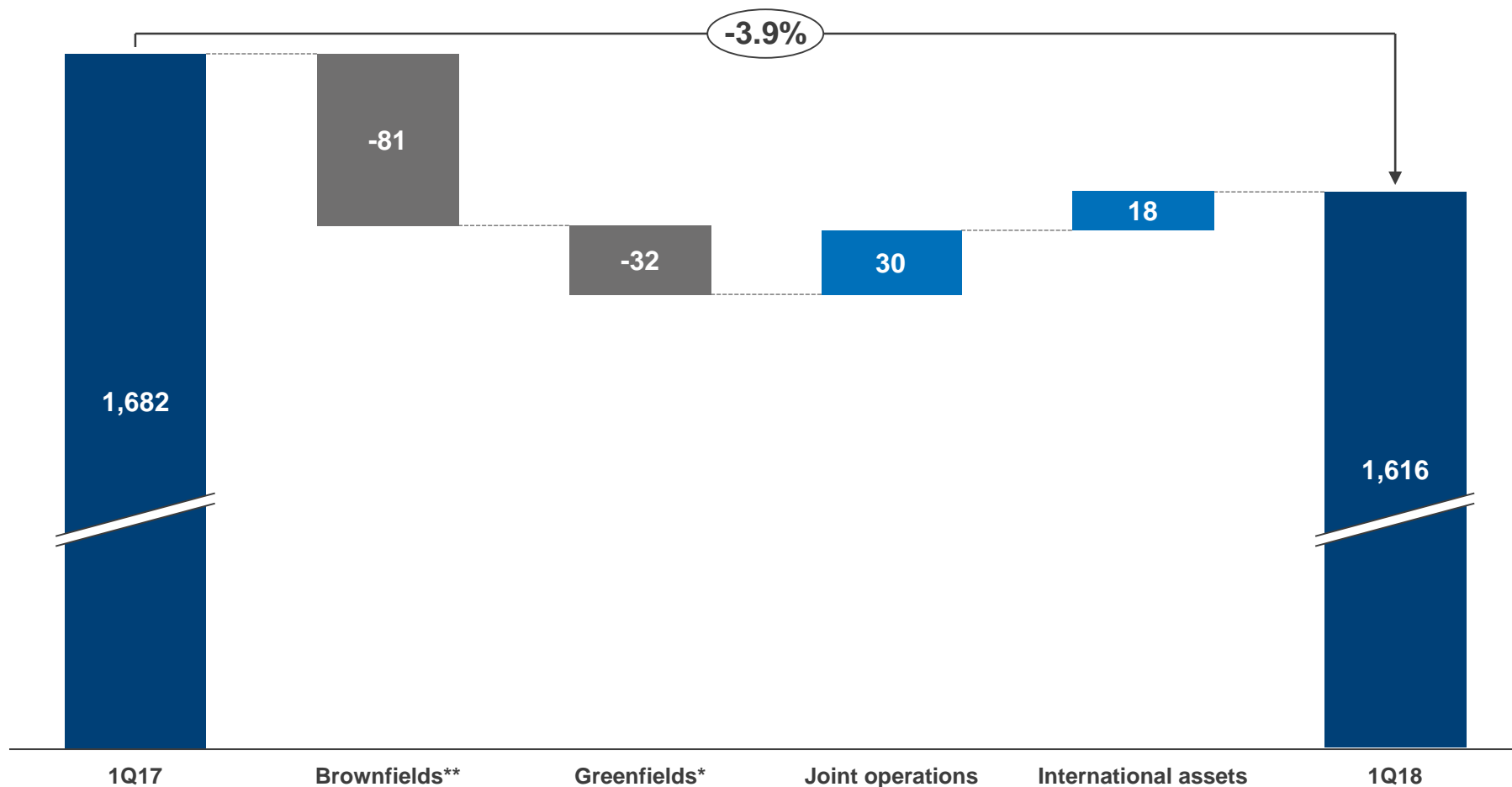
- Commissioned **the second well "Sarqala-2"** at Sarqala field with initial flow rate 11,000 bpd

- Drilled the first **multi-lateral well with four horizontal cased-hole side tracks**. A total 6,756 m was drilled, including 4,411 m drilled in the target strata. Initial flow rate was 268 tpd

- Successfully completed the first stage of **polymer flooding** test project
- Completed the first **deep-strata horizontal production well**. The depth of the new well, with two pilot boreholes, runs to 3.3 km. Initial flow rate is 250 tpd

Operational efficiency improvement under production restrictions

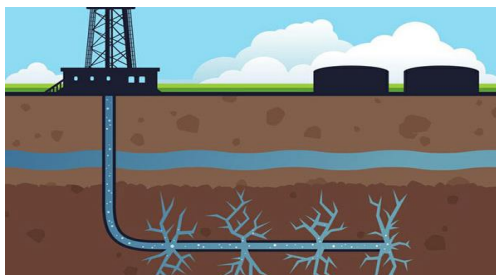
Operational expenses: 1Q18 vs 1Q17, RUB/toe



* Novoport, Prirazlomnoye, Orenburg

**NNG, MN, Khantos, Vostok

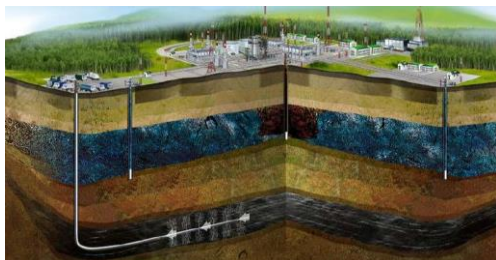
Completed a number of projects at Orenburg as part of Company's Technology Strategy



Working on technological project to increase flooding effectiveness by using effective methods of control and management at horizontal injection wells with multistage hydraulic fracturing

- Elimination of production decrease risk associated with inactive multistage ports of horizontal injection wells

1.1 MMTonnes



Started a new pilot project: selective repeated stimulation of complex construction wells at carbonate reservoir

~2.5 MMTonnes

Potential additional production



Started technological project of setting up an "Intellectual field" based on integrated digital model of Orenburg field

- Lower production decline rate

+300,000

- Production cost optimisation

↓ OPEX by ~10%



Completed a horizontal well without change of drill stem

- ↓ Decrease of well completion time

- ✓ Helps optimize rig's run

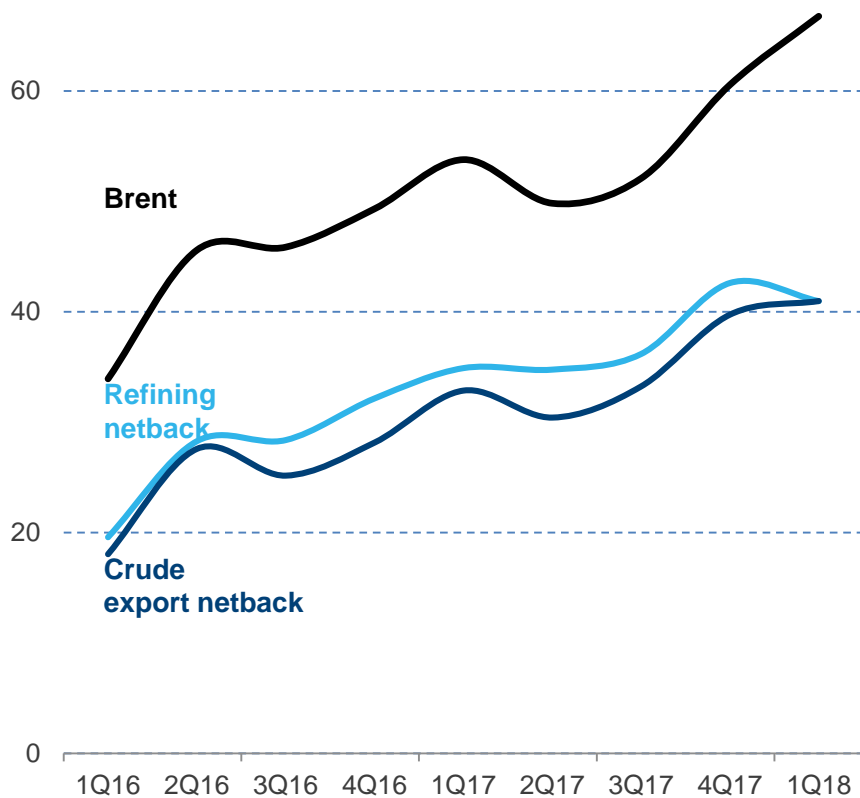
Downstream

Downstream volumes recover after scheduled repairs

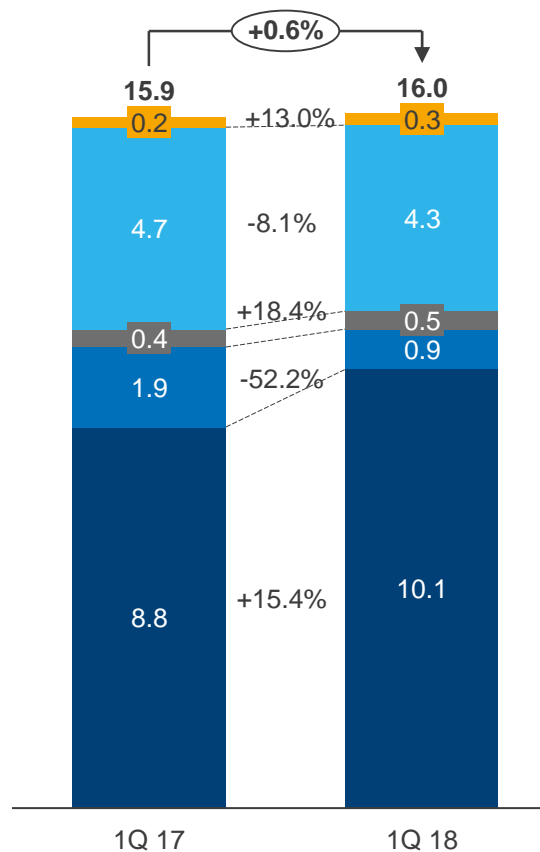
Time lag in product prices squeezed refining margins

Volumes restored after maintenance

Crude price and average netbacks, \$/bbl



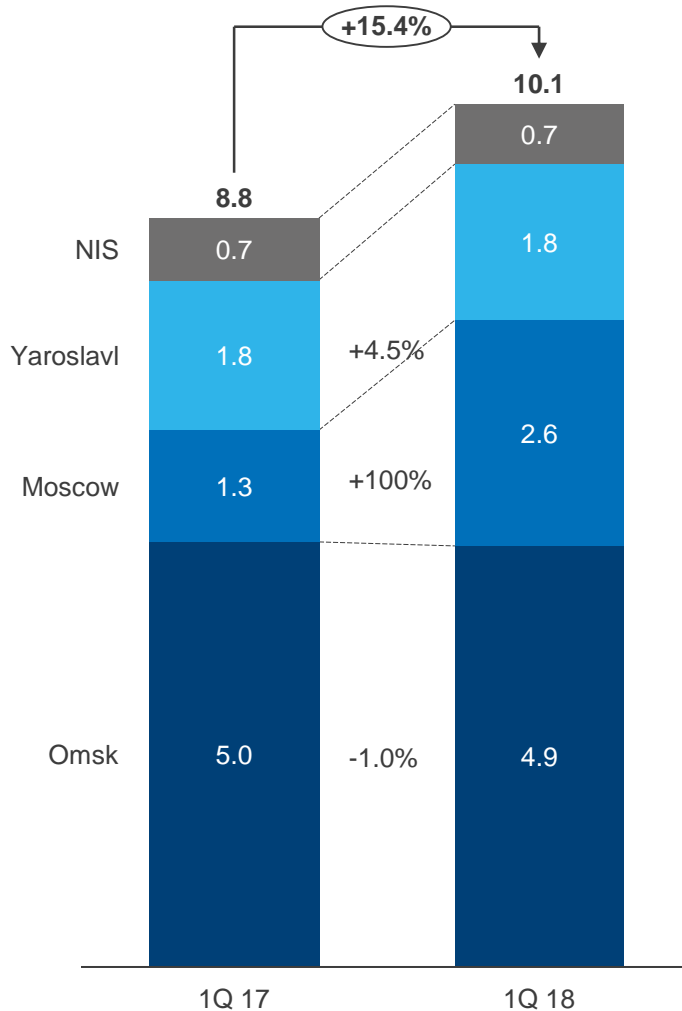
Crude mix, MMTonnes



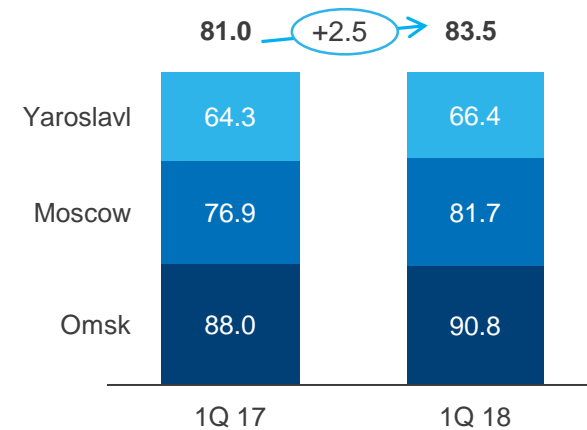
- International market
- Crude to Russia
- Crude export
- Refining
- Crude to CIS

Improved refining performance

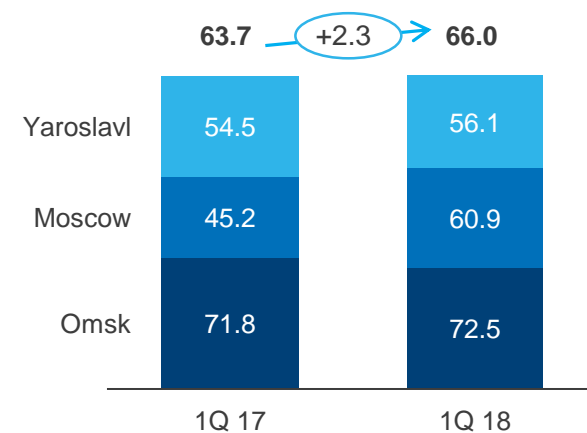
Refining throughput, MMTonnes



Conversion ratio in Russia, %

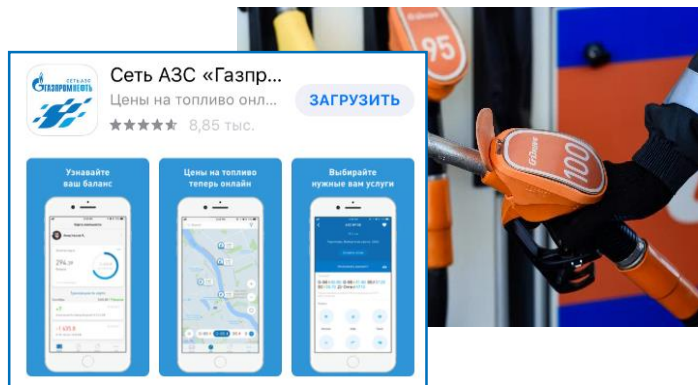
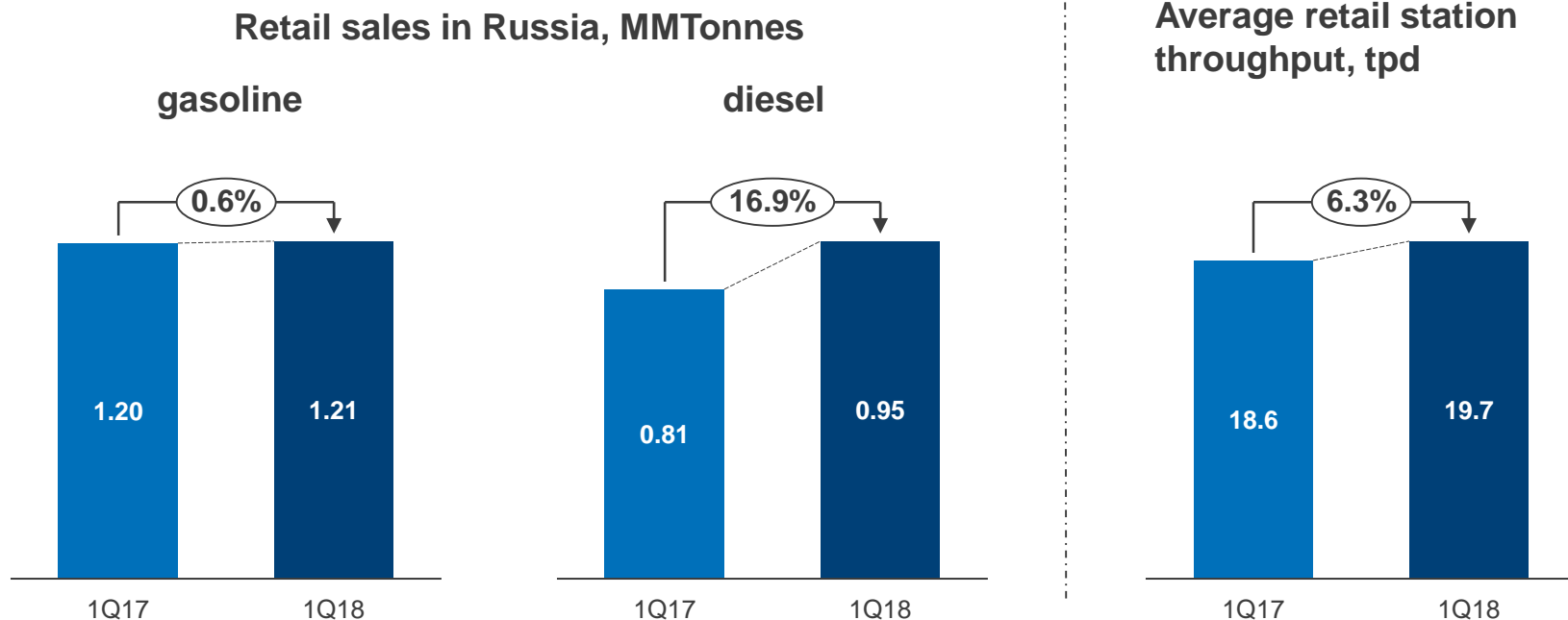


Light product yield in Russia, %



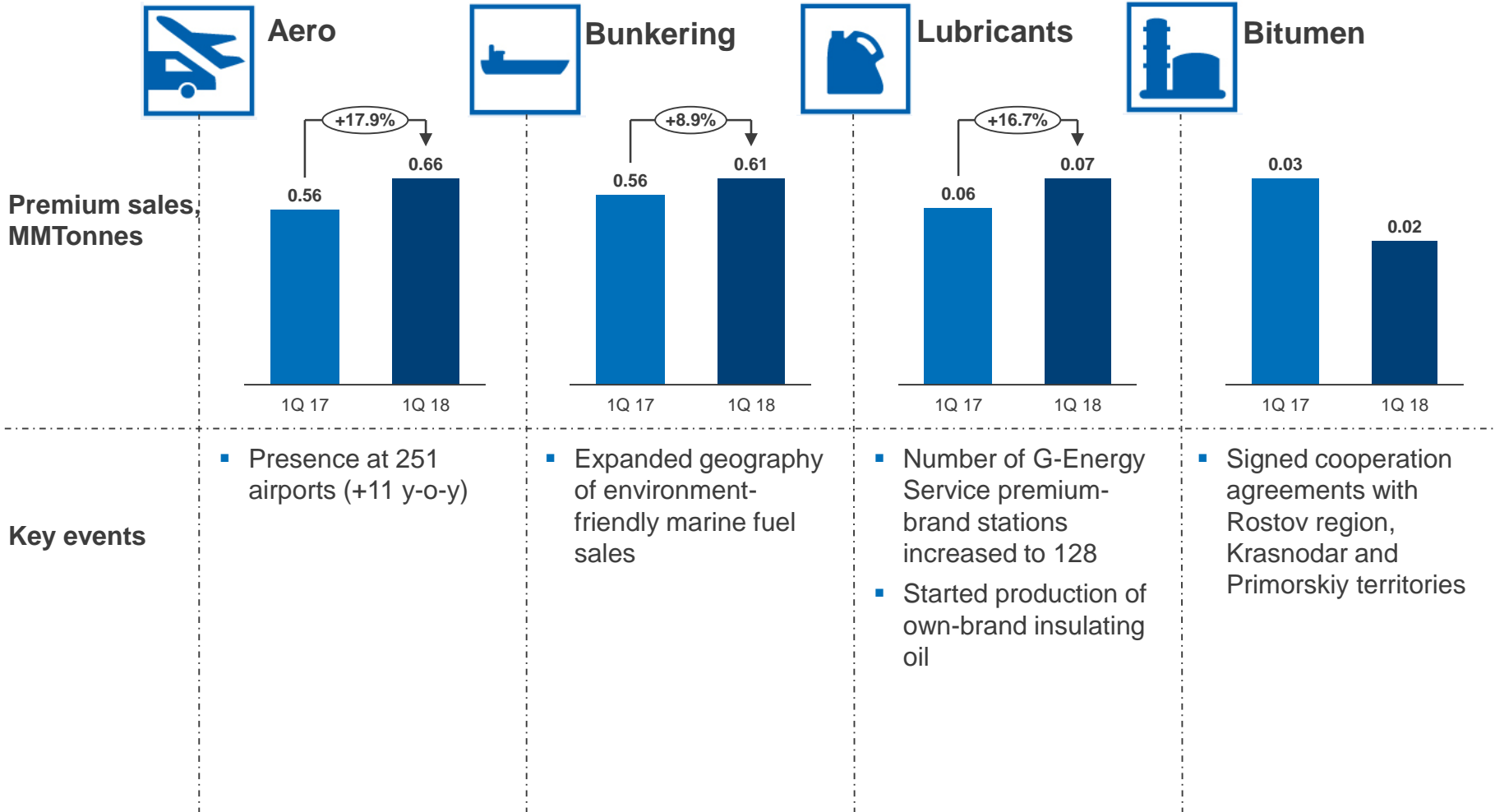
Increased efficiency and volume of retail sales

Digital transformation in retail network



- More than 1 million users downloaded mobile app “GazpromNeft filling station network” in App Store and Google Play
- Expanded sales geography of new high-performance fuel with an octane rating of 100 (G-Drive 100)

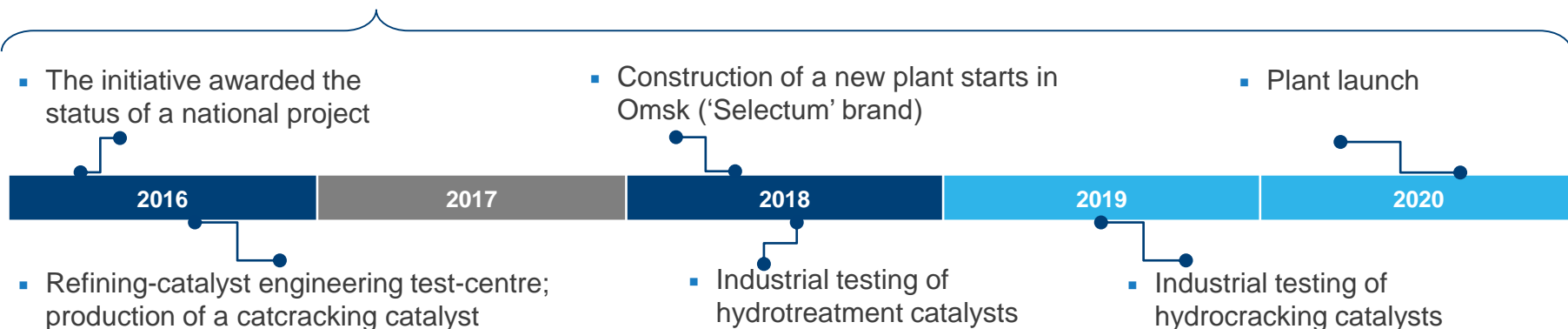
B2B business development



Developing refining catalyst production

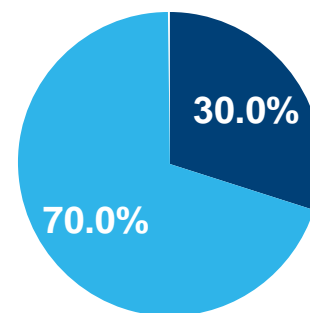
Ensuring supplies of effective catalysts for the production of high-quality motor fuels and increasing conversion rate

Production capacity: **21,000 t/y**



Competitive edge of catalysts to be produced at the plant compared with imported alternatives

- | |
|--|
| <p>Catcracking catalysts
(15,000 t/y)</p> <ul style="list-style-type: none"> ✓ increased yield of gasoline (by 2–3%) maintaining high octane properties ✓ allow for processing of various types of feedstock ✓ reduced consumption rate of the catalyst per tonne of feedstock |
| <p>Hydrotreatment catalysts
(4,000 t/y)</p> <ul style="list-style-type: none"> ✓ allow to reduce sulphur content to <0.001% ✓ improve energy efficiency of the hydrotreating process ✓ extended life cycle |
| <p>Hydrocracking catalysts
(2,000 t/y)</p> <ul style="list-style-type: none"> ✓ increase the yield of target products by 3% ✓ improve energy efficiency of the process |



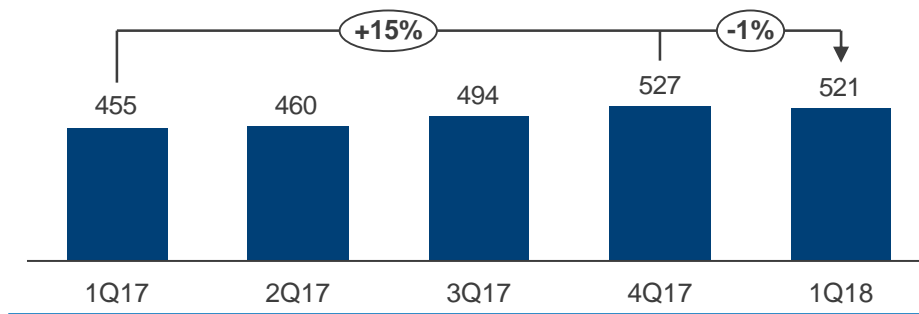
The Gazprom Group's own refineries
 Export and domestic sales

Financials

Better macro environment drove financials up y-o-y

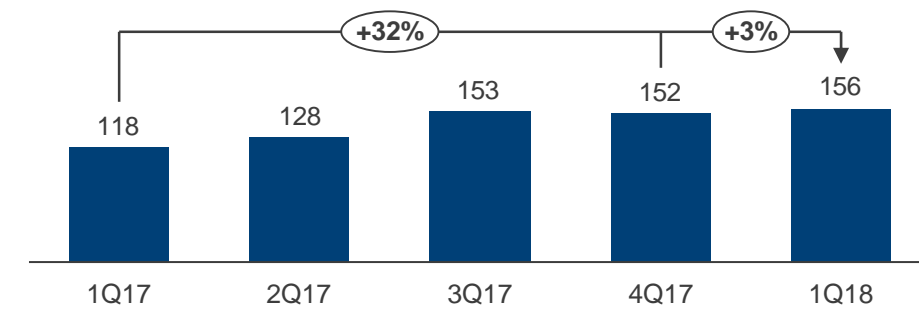
Better macro environment, increased greenfield production and sales volumes drove financials up y-o-y

Revenue RUB bln



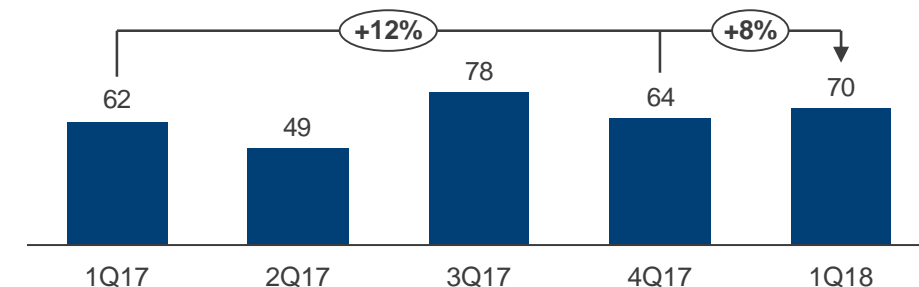
- Revenue increased by 14.5% y-o-y due to higher prices for oil and petroleum products and increased production at greenfields
- Revenue in line q-o-q

Adj. EBITDA* RUB bln



- Adjusted EBITDA increased by 32.2% y-o-y due to increase of production on major projects as well as increase of sales volume and retail prices for oil and petroleum products
- Adjusted EBITDA increased by 2.7% q-o-q mainly due to higher prices for oil and petroleum products

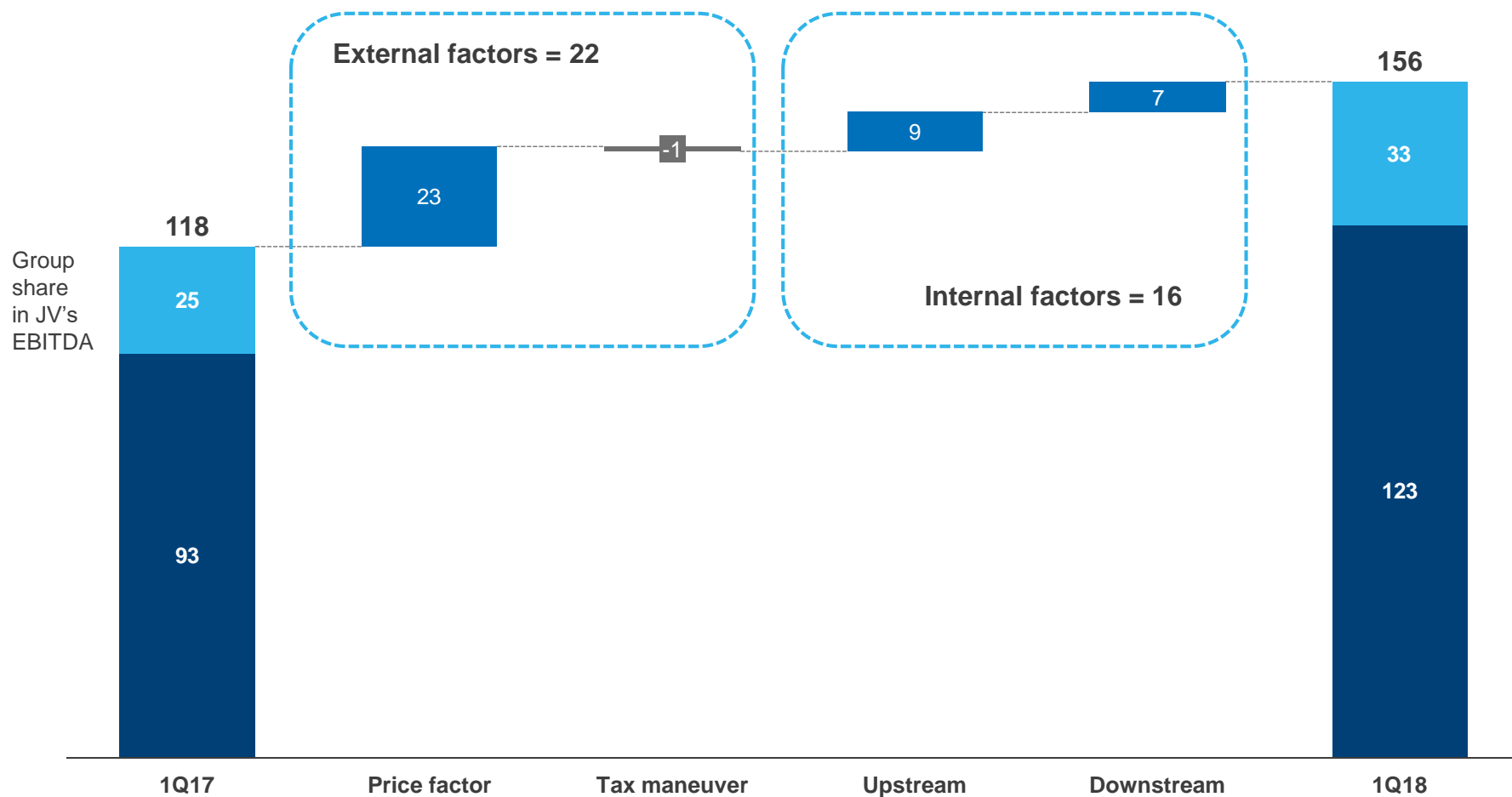
Net income RUB bln



- Y-o-y growth of net income, supported by growth of EBITDA, was partially restricted by FX loss for 1Q18 vs. FX gain for 1Q17
- Net income increased q-o-q mainly due to an increase in EBITDA, and also decrease in FX loss for 1Q18

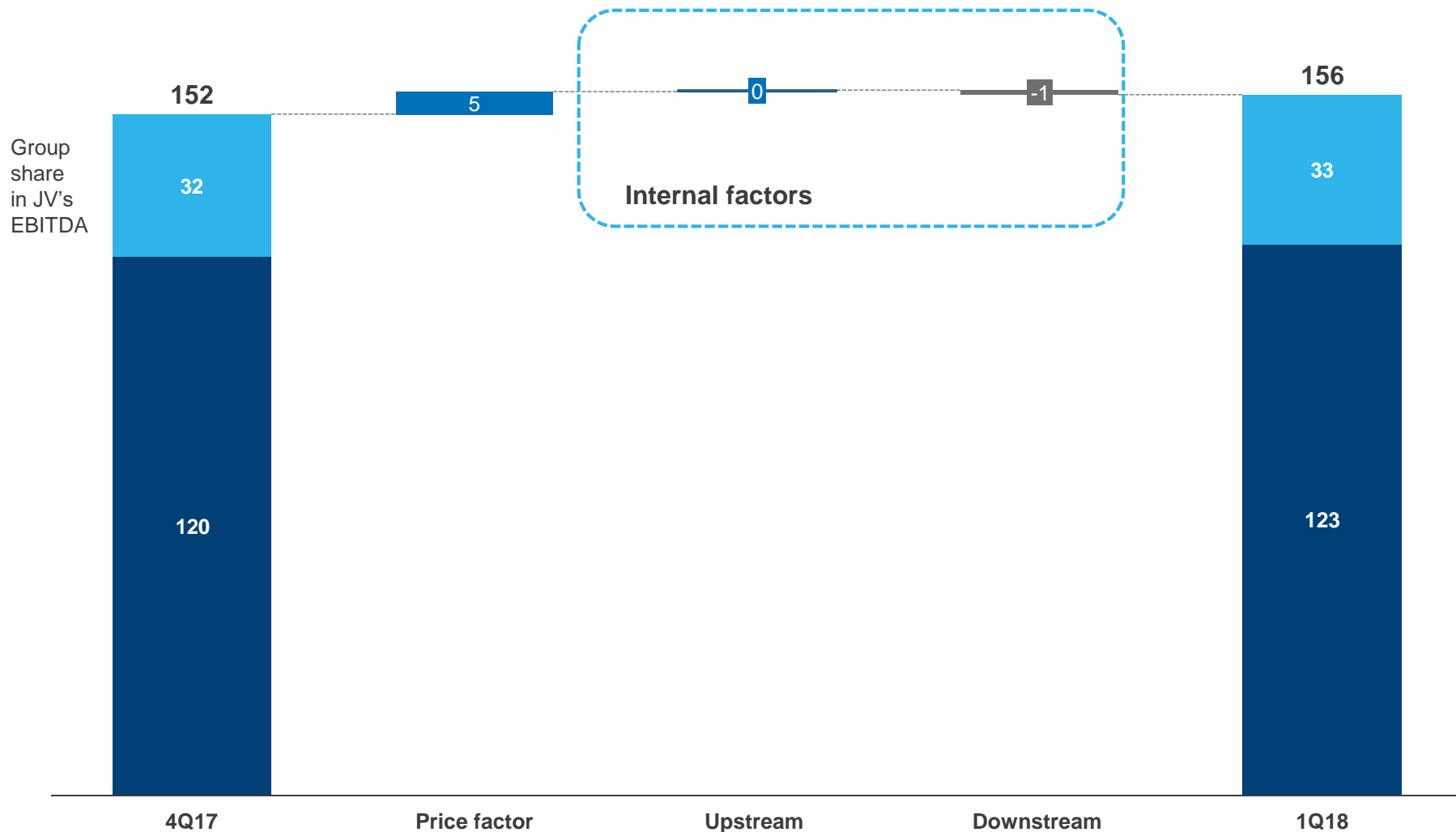
*Including GPN share in EBITDA of associates and joint ventures

Adjusted EBITDA* reconciliation 1Q18 vs. 1Q17, RUB bln



*Including GPN share in EBITDA of associates and joint ventures

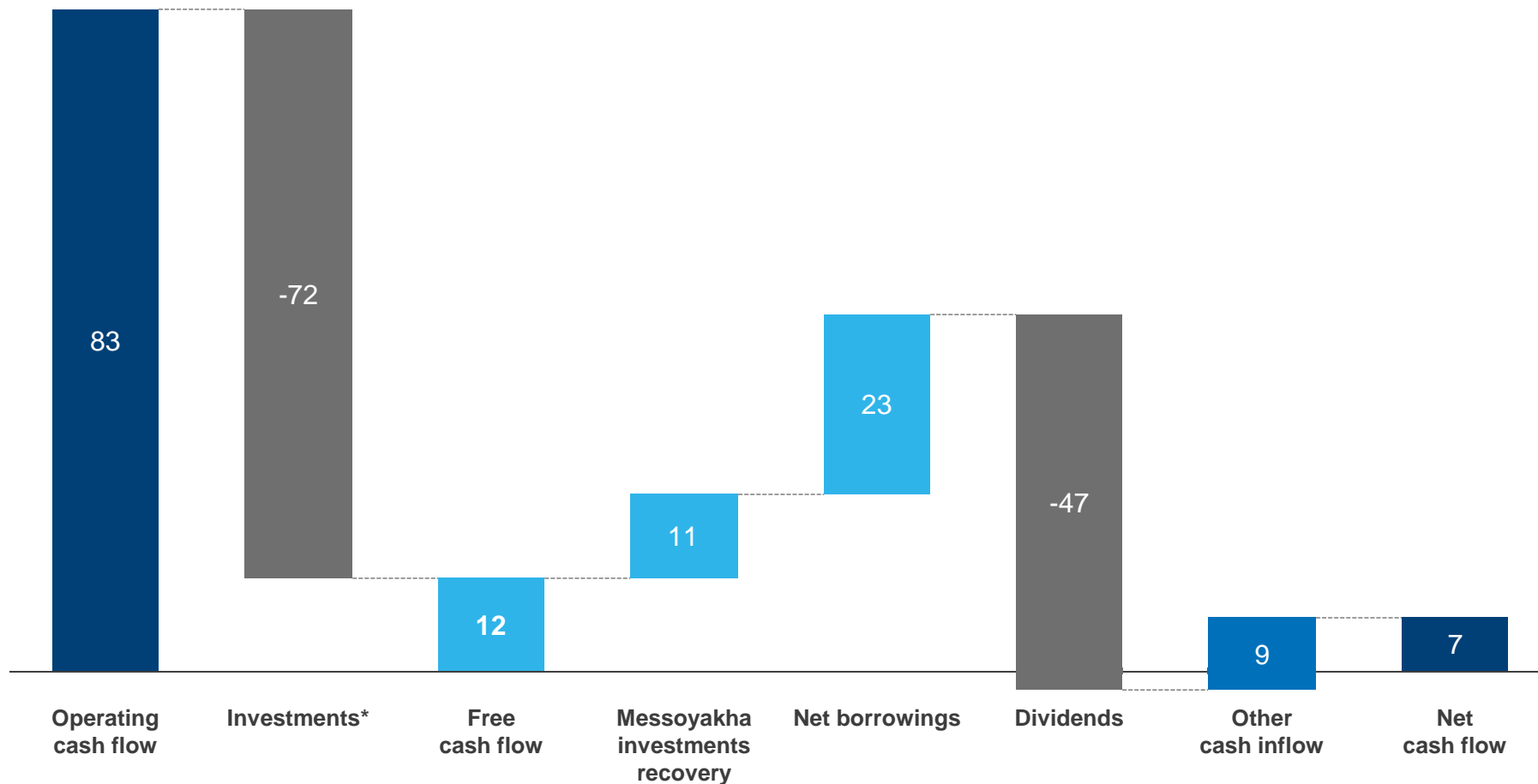
Adjusted EBITDA* reconciliation 1Q18 vs. 4Q17, RUB bln



*Including GPN share in EBITDA of associates and joint ventures

Sustainable free cash flow generation ensures solid dividend payout

1Q 2018 Cash flow reconciliation, RUB bln



* Includes changes in the amount of prepayments and materials for capital construction

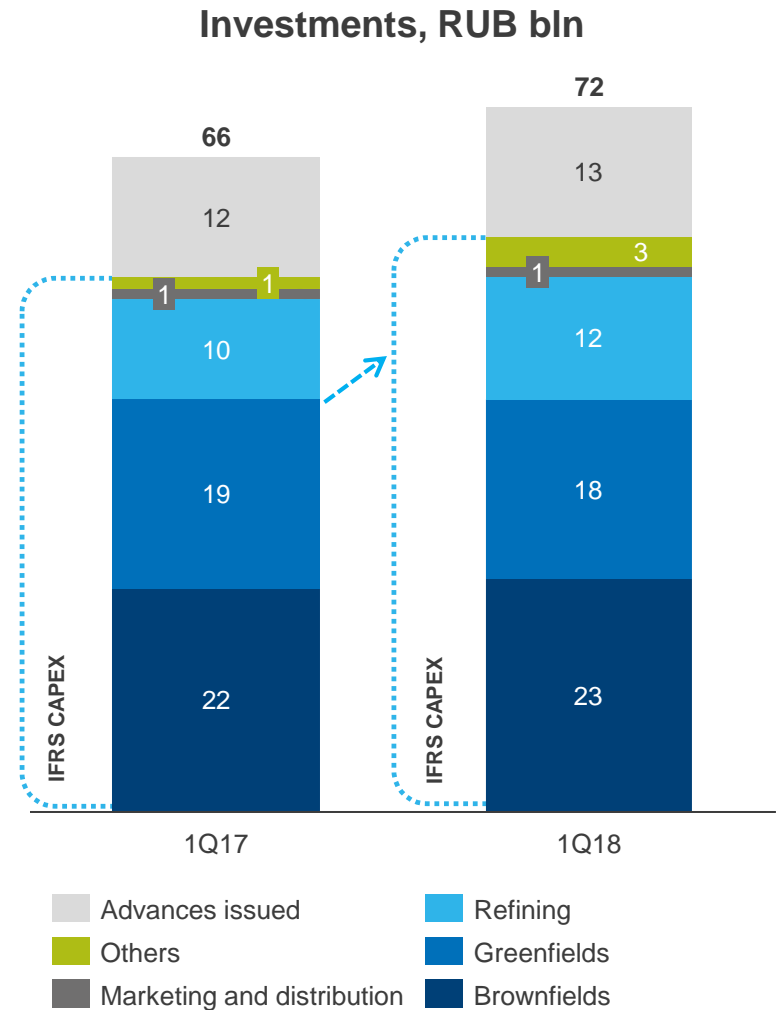
Active phase of refinery modernization drives investments up

8.9% y-o-y
increase in **IFRS CAPEX**

Upstream CAPEX stable y-o-y

Refining CAPEX increased by **23%** y-o-y as the modernization projects continue at the Moscow and Omsk refineries

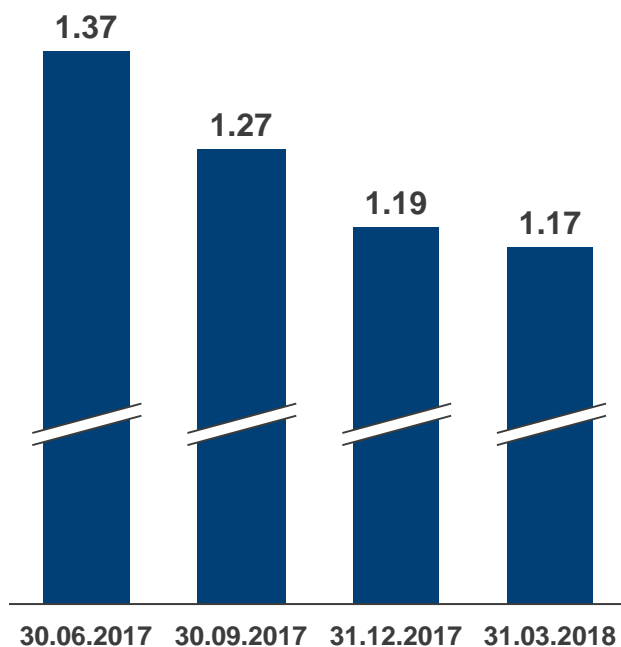
Marketing CAPEX in line y-o-y



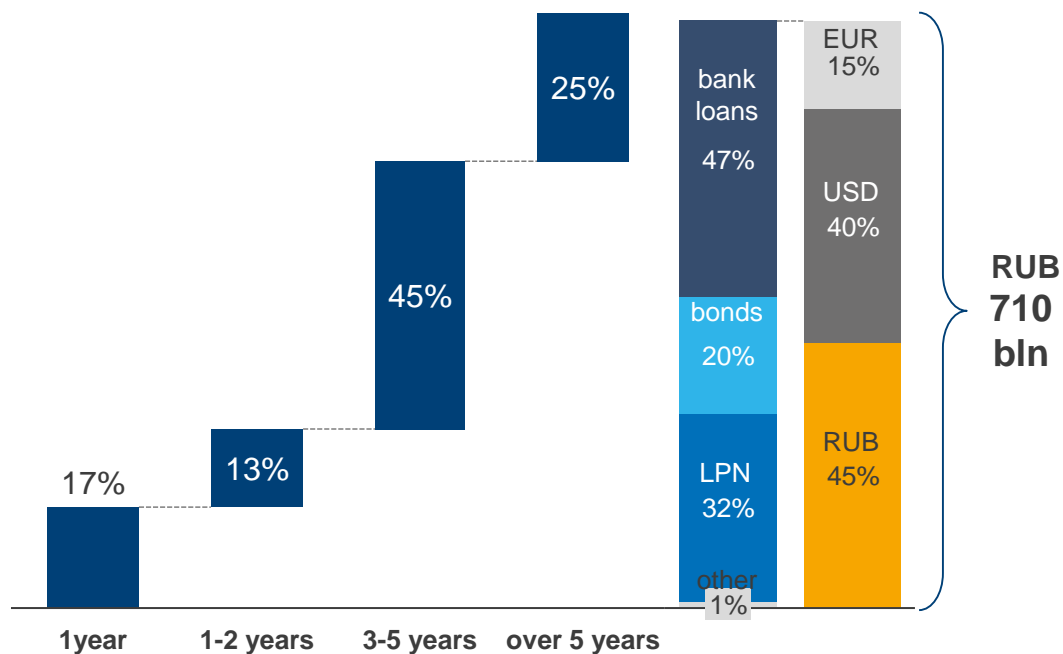
Changes in the amount of prepayments and materials for capital construction includes the cost of materials and equipment for ongoing projects

Better perception of Gazprom Neft on debt capital markets

Net debt/EBITDA dynamics



Debt maturity profile at the end of 1Q18



- In January 2018 international rating agency Moody's upgraded credit rating of Gazprom Neft to **Baa3 with positive outlook** and in February 2018 international rating agency Standard&Poor's upgraded credit rating of Gazprom Neft to **BBB- with stable outlook**
- In March 2018, Gazprom Neft successfully completed bond-placement: **RUB 25 bln 6-year 7.2% p.a. bonds**. Credit Rating Agency (ACRA) assigns **AAA(RU) rating** to new bond issue
- In March 2018, Gazprom Neft performed pre-scheduled redemption of two **10.65% p.a.** local bond issues totaling **RUB 25 bln**
- In April 2018, Gazprom Neft redeemed Series 2 **EUR 750 mln 2.933% p.a. eurobond**