

## Gazprom Neft PJSC

### Financial and Operating Results in Q1 2019

21 May 2019

#### Anna Sidorkina, Head of Investor Relations

We are pleased to welcome you again to our conference call for results in the first quarter of 2019. Let me introduce the participants of today's conference call. Alexey Yankevich, member of the Management Board and Chief Financial Officer, will give an introduction and present the finance and economics part of the presentation. Alexander Mikheev, Head of Economics and Investments at our Upstream Division, will tell you about the work of the upstream unit. And then Nikita Anichkin, Head of Economics and Investments at our Downstream Division, will tell you about events in downstream. Our colleagues from relevant departments will join us for the question and answer session.

Before we begin the presentation, let me remind you that the presentation and all comments on the presentation, and also all statements that will be made during the conference call, may contain and most probably will contain forward-looking statements concerning the financial position, operating results and business of Gazprom Neft. All statements, with the exception of confirmation of past facts, are or may be regarded as forward-looking statements. Forward-looking statements are statements of future expectations based on the current situation and the assumptions of management, and also take account of known and unknown risks and uncertainties that may cause actual results, indicators or events to differ from those that are contained or implied in today's conference call. Thank you very much.

I will now hand over to Alexey Yankevich.

#### Alexey Yankevich, Member of the Management Board and CFO

Ladies and gentlemen, we are pleased to welcome you today to this presentation of our business results in the first quarter of 2019. It was a successful quarter for us, the trend was positive, both compared with the previous quarter and year-on-year. We made a good start to the year. EBITDA was almost 200 billion rubles. We showed 800 billion for the whole of last year, so the trend is good. Net profit was nearly 55% higher year-on-year at 108 billion rubles, which also bodes well for the rest of this year. The increase was due to growth of production, particularly in our new projects.

Total production was up by 4.7% compared to the same period last year. In refining, the repair factor led to a slight decline from a year ago and from the previous quarter. Refining volumes were slightly down, but the repair program is now mostly complete, so we have unloaded our refineries in readiness for the months when demand is high, which will give us an additional boost.

Looking at trends in the last quarter, we showed increases of both EBITDA and net profit. EBITDA was 7% higher and net profit rose by 38%. Refining volume was slightly down, and the volume of hydrocarbon production was also a bit lower than in the fourth quarter, due, firstly, to the OPEC limitations and, secondly, due to a certain calendar specificity – the fact that the number of days in the first quarter is less than in the fourth, so that, all things being equal, we automatically lose about 2% of production.

Now I'll hand over to my colleagues, starting with Alexander Mikheev on results in upstream.

#### Alexander Mikheev, Head of Economics and Investment (Upstream)

Good evening, ladies and gentlemen.

I will tell you about our results in the first quarter of this year in upstream. Gazprom Neft, including our subsidiaries and joint ventures, registered 10 licenses for subsoil usage rights in the first quarter of this year inside Russia, consisting of four sites in Yamalo-Nenets, three in Khanty-Mansi and three sites in Orenburg Region. We estimate total production potential at these license areas at 150 million tons of oil equivalent.

There were some important events at the Otdalennaya field group. As I told you before, this is our main exploration project, extending across six fields in Noyabrsk region. We produced our millionth ton of oil



at the Otdalennaya group and launched two cluster sites at the West Chatylkinskoye field. Flow rates are very high there. Each of the eight producing wells has daily yield of about 350 tons of almost water-free oil.

The Bazhenov Technology Centre completed seismic and electrical exploration at the Palyanovskaya area of the Krasnoleninskoye field in Khanty-Mansi Autonomous District. The geological model of this section of the Bazhenov formation has been updated for the first time in 20 years. So project participants will have access to the most relevant and accurate information, enabling more efficient development work and improving technology approaches for non-conventional Bazhenov reserves.

A total of 13 high-tech wells were built at the Tazovskoye oil and gas condensate field, including two multilateral wells with two cased boreholes, each with horizontal sections longer than 2000 metres. One of the sections was 2,263 metres long, setting a new record for Gazprom Neft in terms of complexity and technology intensity.

We started drilling the first horizontal wells at the Yamburgskoye field, where we plan to carry out multi-stage hydraulic fracturing. Drilling of these wells will give an opportunity to try out new well construction technologies.

Hydrocarbon production by the whole Group in the first quarter of 2019 was 23.2 million tons of oil equivalent, representing an increase of 4.7% compared with the same period last year. Liquid hydrocarbon production was 15.3 million tons, which is 1.5% higher than in the first quarter of 2018. In the context of OPEC restrictions, our oil production growth leaders were highly profitable projects, primarily Novoport. We are also seeing growth of production at our joint ventures, in Orenburg Region as well as in our Middle Eastern projects.

Moving onto gas, the share of gas in our total hydrocarbon production in the first quarter of 2019 was 34%. Production volume in the first quarter of 2019 was 9.9 billion cubic metres, which is nearly 12% more than in the same period last year. The growth leader here was the Novoport field, due to the launch of two more gas pumping units in the second stage of the integrated gas treatment unit. Increase of our interest in Arcticgas also played a role, raising our share of gas output at that asset by almost 300 billion cubic metres.

Unit operating expenses were up in the first quarter of 2019 compared with 2018 by 6.8% to 1726 rubles per ton of oil equivalent. The growth was mainly due to a low base level in the first quarter of 2018, when we had to suspend extraction at wells with high water cut, so we do not view the comparison with the first quarter of 2018 as indicative and the insert on the slide shows that current unit operating expenses are actually lower than in the fourth quarter of 2017, when they were 1962 rubles per ton of oil equivalent. We are still working to optimize unit costs, and this is a key task for management.

Let me go on now to new technology applications. Gazpromneft Khantos implemented a project for polymer flooding. A polyacrylamide-based fluid was used as an alternative to guar gel in hydrofracturing operations. Polyacrylamide is an inorganic polymer, and the residues can be easily washed out of cracks after fracturing. So the effect is to significantly increase the ability of cracks to conduct oil: conductivity increases by about 60% compared with fracturing using guar gel. Expert estimates show that use of polyacrylamide in hydraulic fracturing can increase hydrocarbon production at a well by at least 15% in the medium term.

Two wells with autonomous inflow control devices were built at the Vostochno-Messoyakhskoye field. This is the first time that the technology has been applied by Gazprom Neft. The main objective is to minimize the risk of gas and water incursions into the production well. A system of valves is used, which are built into the liner assembly during drilling. Highly viscous oil passes freely through the valve channel, but it closes when gas and water appear. Our experts estimate that the new technique can increase cumulative well production by 20%.

A multilateral well with 8 sidetracks was built at the Vostochno-Messoyakhskoye field using Fishbone technology. Length of the production borehole was 5.1 km, and total drilled length was 9.1 km. Thickness of oil-bearing strata in the drilling area was not more than 12 metres. Multilateral wells of this type increase productivity by about 40% compared with a standard horizontal well. Each branch can be directed into separate oil-bearing areas without opening up intervals that contain gas and water.

Finally, a few words about two-string wells. We built the first two-string wells at Gazpromneft Khantos, in the southern license area of the Priobskoye field in zones with variable reservoir pressure. They are used for tight hydrocarbon reserves. Installation of two strings reduces the time required to drill a well from 38 to 19 days. The technology is universal and can be replicated at other Company assets, including regions with different geology, after a few construction and organizational details have been resolved.

That's all from me. Thanks for listening.

**Nikita Anichkin, Head of Economics and Investment (Downstream)**

Good afternoon, ladies and gentlemen.

I am going to present results of the downstream block in the first quarter of 2019. I start with slide 11, which deals with the business environment in the first quarter. Value of a barrel of Brent crude was down by USD 4.6 per barrel, or about 7%, on average compared with the fourth quarter of 2018. It is important to note that the fall in oil prices, which benefited the downstream business, did not lead to a decline of oil export netbacks, thanks mainly to a change in tax law on oil export duty. As well as that change, a number of other amendments to legislation on taxes and duties came into force on January 1, 2019. Excises on class-5 gasoline and diesel fuel rose to 50% and excises on medium distillates rose to 40%. A negative excise tax on crude oil and a buffer mechanism were brought in. The agreement with the Russian Energy Ministry and the Antimonopoly Service on measures to stabilize and develop the domestic market for petroleum products also remained in force. In this context the principal negative factor for refining margin was a gasoline surplus on the domestic market, which meant that gasoline was sold at a discount on the domestic market compared with export, and the gasoline component of the buffer mechanism became negative. The effect of all this was that the Company made additional payments to the budget for each ton of gasoline produced. That had impact on margins at refineries that mainly produce gasoline. You should also note that total volume of oil resources in the first quarter of 2019 increased by 2.4% compared to the first quarter of 2018, which was due to growth in exports of Arctic oil in the current demand and price environment.

A few words about Arctic oil shipments. Their increase was partly due to digitization of the planning process and optimization of the oil supply chain as part of the Captain digital logistics management system in the Arctic. At present the Captain system lets you combine a huge number of internal and external factors in a single model. That is more than 6000 parameters, with major effects – ensuring a steady rhythm in oil production and availability of tankers, optimizing use of the icebreaking fleet, minimizing tanker downtime, optimizing fleet speed and fuel consumption, – all of which certainly has impact on the Company's financial results. So the Captain system does not just ensure export of the whole volume of oil produced, but also reduces the cost of Arctic logistics throughout the supply chain.

There were slight declines of oil refining volumes, depth, and light product yield in the first quarter of 2019 compared with the first quarter of 2018, mainly due to repairs at Company refineries. But the repairs that have been carried out will optimize the timing of autumn and spring repairs, which will ensure adequate supplies to the fuel market through the season of traditionally high demand.

The next slide is about retail efficiency. New technologies are making a significant contribution to flexible management of filling stations, helped by our business partners, as well optimizing the cost of filling services. The next steps that we need to take for improving efficiency of the network are selection of an optimal asset management method and extending solutions that have already carried out by Gazprom Neft to our partner network. The Company plans have more than 400 filling stations with partner management schemes by December 2020. The distinctive features of flexible management schemes are shown on the slides.

There was significant year-on-year progress in sales through premium business segments during the first quarter. Increase of sales volumes was mainly due to management work to expand the distribution network and product range. The increase by 25% in sales of bunker fuel deserves special notice, as does the increase in sales of jet fuel, which was partly due to expansion of our business to 13 new airports (we are now present at 265 airports in total). We made cooperation agreements with several major Russian regions in the first quarter of 2019 for lubricant and bitumen deliveries, which will expand our capabilities in the premium business segment in the future.

Overall, taking account of all the specifics and factors that were at work in the first quarter, performance of the downstream business in the period was definitely positive,.

Thanks for your attention.

**Alexey Yankevich, Member of the Management Board and CFO**

Colleagues, as usual, coming back to finance, I will comment on trends in our results and offer a factor analysis that shows reasons for the changes in our results. So let's move straight onto the next slide.



Here you have an analysis of the change in EBITDA compared to the same quarter last year. We see a major contribution from the improved price environment and the impact of changes in the tax system, as well as our efforts to improve efficiency in main segments. There were substantial contributions to growth of financials both from exploration and production and from refining and marketing. This reflects ongoing optimization work and growth of production in new projects.

The trend compared with the previous quarter was mainly due to the external environment (price situation and tax effects). But there were also various negative factors in play that are beyond the company's control. These include the change in the number of calendar days – that's something we can't do anything about, the first quarter is always slightly worse than the fourth quarter. Also, there was some impact from the OPEC + agreement, as well as our internal optimization, our repair program. We tried to carry out the biggest share of repairs during periods of low demand, in the winter, freeing up the spring-summer and autumn periods when demand is strongest, so that we can meet market needs and make a good profit. Quarter-on-quarter, therefore, we see some negative impact from OPEC + and the repair program.

Generally, though, this effect is turning around in later quarters. You can see from statistics that daily production is increasing and daily figures are already significantly higher than in the first quarter, so the factors will turn around. The number of extraction days and the repair factor will also go away. The market is stabilizing and refining margin is also on the increase.

The next slide is our cash flow. You can see the substantial free cash flow that we generated. As I have said to our investors and analysts, the company has entered a zone of sustainable positive free cash flows. We have given a number of breakdowns in this slide, because there was quite a lot going on in the first quarter. As well as our classic capital investments, which form free cash flow, there were also acquisitions, mainly of license areas, which my colleague Alexander Mikheev already talked about. There was also income from the sale of fixed assets, which you also saw in the cash flow statement. Dividends were paid and there were some movements of deposits, which also went into the cash flow statement. So final cash flow figures were close to zero. But I say again – we are generating solid free cash flow.

The next slide is about investment trends. Capital investments were 8.5% higher than a year ago, which is a modest increase. I said before that our goal is a stable level of capex with some quarterly fluctuations and I said that the year-on-year trend may vary, but not very substantially – 8.5% is not a very big increase and it is connected with the schedule for implementation of our refinery modernization program. That program is entering the implementation phase, and this year and the next one are the most intensive. That determined the growth of investments. Investments in the downstream segment grew by 46%, precisely due to the modernization program. The trend is stable other than that. As well as classic capex, you see a figure of 11 billion in the cash flow statement and our MD&A, which is acquisition of licenses. So if you take the overall sum, you need to add 11 more to 78 to get investment cash flow.

As regards debt and our financial stability, I can only say that our indicators are getting better. Our main indicator of financial sustainability, net debt/EBITDA, reached a level of 0.59, which is almost a record low – we haven't been as low as that for a long time. So we feel quite comfortable as regards sustainability and the repayment profile. We also continue to work on cost of the debt portfolio. The cost of our ruble debt in the first quarter was 7.9%, which is our lowest level in history for ruble borrowings. The share of ruble debt in overall debt is growing, but if you count it in equivalent units and theoretically convert it into dollars, you see that the rate is very good – not worse and maybe even better than what we had before.

I will end the presentation on that note. Just to repeat: we are pleased with the results, they are good, they set a good trend, and we look forward to further positive developments and a good year in 2019.

Thanks for listening. We are ready to answer questions.

## Q&A session

### Question №1

**Ekaterina Smyk, Bank of America Merrill Lynch**

Good evening. Thank you very much for the presentation. I have two questions.

The first question: could you please comment on the current situation on the fuel market in Russia? As you pointed out, prices for gasoline and diesel are still much below export netbacks. So my question is: do you have any agreement now in effect with the government on supply volumes to the domestic market? As I understand, an initial agreement to increase volumes by about 3% year-on-year was made last December or November and was to remain in effect until the end of the first quarter. Is this agreement still operative? If so, how long has it been extended for?

My second question is about production capacity. By how much could you increase production if restrictions under the OPEC + agreement were lifted in June? Thank you.

**Alexey Yankevich, Member of the Management Board and CFO**

Thank you very much for the questions, Ekaterina. The situation on the domestic market has now stabilized, so, based on my information, you may be exaggerating the situation with prices a little. Again, though, I am not ready to comment on it in detail right now, but on the whole I can only say that the situation has now stabilized and we feel quite comfortable. One way or another, our refining margin is improving. Yes, maybe things are not as good as they could be, but the situation is moving in the right direction overall; we have a good, constructive dialogue with regulators, and with the Ministry of Finance in particular, as regards all indexing adjustments.

There are many parties to the agreement, so I can't comment on it. You need to contact government agencies for comments. But the most important thing, probably, for our investors and analysts is that we have now reached a good level. We believe that the market is stabilizing and moving in the right direction. We hope that the market will reach a balance.

And, Ekaterina, the answer to the second part of your question is this: we do have the potential to increase production. I can't tell you the exact figure right now. It all depends on how these restrictions will be lifted, when that announcement will come and how it will happen. But there is potential and it is quite substantial. Generally, if the agreements are lifted, we will show strong growth compared with last year. But I would also say that, even now, if you look at daily production, you can see that we are up from last year.

**Ekaterina Smyk, Bank of America Merrill Lynch**

Thank you very much.

**Question №2**

**Evgenia Dyshlyuk, Gazprombank**

Good afternoon. Congratulations on the good results. I have two questions, if that's OK. Even three, I guess.

First question. I would like to clarify: what was your total buffer amount in the first quarter for gasoline and diesel fuel. And where can we see it in P&L? Is it in "costs"? Is it in excises or not? And what is the size of the reverse excise tax on refining? We need those two numbers in order to know how our accurate model is.

Second question. I wanted to clarify what the 68 billion rubles on the balance sheet for "right-of-use assets" are? Are they to do with operator contracts that are associated with risk? Gazprom Neft announced recently that Gazprom is transferring some individual fields to be developed under this type of contract. Can you comment on this? Will any new fields be transferred in the course of the year? Do you plan to bring Russian and foreign investors into these projects? Could there be a sale of minority stakes in these projects, in oil resources of Gazprom, which Gazprom Neft will develop as an operator?

Thanks.

**Alexey Yankevich, Member of the Management Board and CFO**

Thanks for the questions, Evgenia. I will briefly answer the first and second, and then go onto the third after the translation. As for the negative excise and buffer, these two amounts are included with a minus sign in the "Excise" line, and we will send you the exact figure afterwards.

As for the 68 billion for lease rights, this is a consequence of the application of the IFRS 16 standard (lease recognition and rights, and liabilities). So you will also find the figure in lease liabilities – that's what the line in the accounts is called, and there are long-term and short-term parts. You can see it on the balance sheet. This is a methodological feature of the application of the standard, which causes the appearance of an asset and a liability, and changes the amount of depreciation. You can see that too. It will be the same for all



companies. It is really a technical thing and unrelated to operator contracts associated with risk. I will discuss this in a bit more detail later.

As regards operator contracts associated with risk, yes indeed, this is our new tool. We have disclosed this information. There is already quite a long list, showing what we have disclosed and where we plan to develop this mechanism. We have a major work plan to get on with. I can't tell you anything specific at the moment. You shouldn't expect anything straight away, but the work will continue and it's likely that some other assets will be involved.

We think that it could be a good idea to get partners involved, to bring in partners to work on new assets and new classes of reserves. But this applies to all categories of projects. I can't comment on which partners we are bringing in and where. That is commercially sensitive information and depends on discussions and negotiations. Overall, though, we do view this as a promising tool.

#### **Evgenia Dyshlyuk, Gazprombank**

Thank you very much. And can you say something about timing? Maybe you could tell us when to expect news on the new strategy, which you talked about on Investor Day? When could we get information on the strategy regarding Gazprom's oil assets? This year or next? I mean costs in general, production potential and so on.

Thanks.

#### **Alexey Yankevich, Member of the Management Board and CFO**

Thank you very much for this next question. Certainly, we have a strategy. We are getting ready to make it public and that will happen this year, in the near future. I think we will send out invitations to everybody in coming weeks. We plan to hold a special session for the investment and analytical community. We will certainly let everybody in on our strategy.

Thank you very much.

#### **Question №3**

#### **Ildar Khaziev, HSBC**

Good evening. Thank you very much for the presentation.

I wanted to ask about Novoport. Could you remind us how the tax system works there now? Has anything changed? That is my first question.

The second question is about the Lakhta Centre. Are you planning to move there? If not, do you need a bigger business centre of your own?

And the third question: I would like to understand downstream a little better. When you say that the situation has stabilized, do you mean the rise in prices on exchanges in the last few weeks? My understanding is that refinery sale prices have also increased. That's what you talked about. My impression was that refining margin in Russia in the first quarter was still significantly lower year-on-year. How did you manage to increase EBITDA in downstream? Many oil companies have removed discounts for small wholesale customers. Was it because of that?

Thank you very much.

#### **Alexey Yankevich, Member of the Management Board and CFO**

Thank you very much for the questions.

As regards the Novoport field, it is working under the new excess-profit tax system. We already talked about that and there are no surprises. All that went ahead as planned.

I won't comment on your question about the move. There has been a lot of news about that, and if you read it carefully you can understand what happened.

As for refining, yes, the market has stabilized. As I already said, we carried out a number of steps to improve the situation, including work on the repair program. There is a number of other things that we do to optimize our operating results in refining, availability of capacity and other things. All this contributes to growth of margin in refining and in downstream generally, and this isn't about discounts. I can definitely say that the reason is not discounts.

#### Question №4

##### **Andrey Polishchuk, Raiffeisen Bank**

Good evening. Thanks for the presentation.

I have two questions. The first is about your production growth in the event of cancellation of OPEC +. You said that there could be substantial growth. How will this affect capital investment? Will it still be at last year's level, or should we also expect growth?

And the second question is about dividends. Gazprom's management proposes increasing dividend payments by Gazprom itself. Will this affect you in some way? Perhaps you will also move towards a goal of 50 percent of net profit a bit faster than you had planned before?

Thank you.

##### **Alexey Yankevich, Member of the Management Board and CFO**

Thank you very much. I have already commented on production growth. As for capital investments: we do not expect any major growth. We have certain tools we can use to increase production. The list of tools includes further work to stimulate yield from strata, but that will not entail substantial growth of capital investments.

As for dividends, you should remember that we are not lagging behind our parent company. Certainly, Gazprom has substantially increased its dividends, but we increased ours too. We paid 15 rubles per share for 2017, if you remember, and we have already announced a dividend recommendation for 2018. I hope that the annual meeting will make this decision. We will pay 30 rubles per share. That is an increase by two times. I understand that more is never enough, but you have to admit that we are achieving a substantial increase in absolute dividend amounts. As for the payout, as I said, we want to maintain the positive trend. And, secondly, we are committed to a positive dividend trend year-on-year. So our shareholders can count on further increase in dividends per share in the medium term, based on improvement of our financial results and growth of our business, which is our overall strategy. And, generally speaking, there will also be a positive trend in the payout. I should also point out that we will continue the practice of interim dividends. And, of course, you can count on interim dividends this year.

Thank you.

##### **Andrey Polishchuk, Raiffeisen Bank**

Thanks very much.

#### Question №5

##### **Alexander Burgansky, Renaissance Capital**

Hello. Thank you very much for the presentation and the opportunity to ask questions. I have three questions.

Firstly, about excess-profit tax. Could you tell me in more detail which large fields you have already transferred to this type of taxation. As regards Novoport, could you clarify the date when it was transferred to excess-profit taxation. And regarding Vostochno-Messoyakhskeye: have you already transferred this field or are you planning to transfer it this year?

The second question is about 87 billion rubles from the sale of fixed assets. Do I understand right that this is the Lakhta Centre? Could you confirm that? Is this all the money you will get for it, or can we expect more income in the second quarter?

And the third question. Could you confirm whether contaminated oil will have any impact on you? And if so, what will the effect be? Thanks.

##### **Alexey Yankevich, Member of the Management Board and CFO**

Thank you very much for the questions. As regards fields and excess-profit tax, we will send you a list to avoid confusion with the translation now. We will send you the full list of fields that have been transferred to the new tax system. It includes brownfields and greenfields. The next question was about the Lakhta Centre. Again, I don't want to comment further. Everything is disclosed in our reporting. Look at cash flow, look at

disclosure in the financial statements. Everything is in the statements, everything is shown there. There are receipts to cash flow and there is a special note about the transfer of assets.

The next question was about contaminated oil. Certainly, we are measuring that effect at present. It is probably too early to give any numbers. The effect will not be critical for us. I do not think that it will significantly change our financial situation, but, generally, it is too early to talk about specific figures. Thanks.

#### Question №6

##### **Anna Kotelnikova, Sberbank CIB**

Good evening, colleagues, thanks for the presentation. I have three questions.

First: could you clarify the scale of the effect from transition to the excess-profit system in the first quarter?

And the second question: could there be a significant reduction of net debt in the first quarter. How do you plan to use the money that will be released?

And the third question: can you give some information on how discussions with your parent company are progressing as regards possible increase of free float? Has there been any progress on this issue? Thank you very much.

##### **Alexey Yankevich, Member of the Management Board and CFO**

Let's start from the last part of the question. It is a question that we are often asked, but it is a decision to shareholders, so please ask the shareholder. We will be glad to accept any decision that the shareholder makes. But what happens to the free float of Gazprom Neft is up to them.

Next, I will comment on the question about net debt. Yes, it is true, our net debt has decreased, and this has led to an improvement of our net debt to EBITDA ratio. How will we use it? In the classic way: on investments and on dividends. So we will seek a balance between efficient projects and the interests of our shareholders. I have already suggested to you that we will continue the practice of increasing dividends, so you can draw your conclusions from that. That is how we will use the money: on projects and on shareholders.

As for the effect of excess-profit tax, it will be better if we send detailed calculations to avoid confusing you with numbers, because various fields have been transferred, and there were effects from use of the old method of preferences. So we would rather send you a table, where you will be able to see everything and which will reflect everything more accurately. Thanks.

#### Question №7

##### **Ildar Khaziev, HSBC**

Thanks again. If you could clarify regarding excess-profit tax – do I understand correctly that the way the system works is that your expenses for mineral-extraction tax have been significantly reduced since the beginning of this year and, accordingly, production tax expenses have shifted to the end of the active investment phase?

And a second question. I would appreciate clarification regarding dividends of Arcticgas, if you can comment on that. There is a large amount of money accumulated on their balance sheet, so do you expect payment of dividends this year? If so, will it be public information – I mean the dividend declaration itself? And when will it happen, approximately?

Thanks.

##### **Alexey Yankevich, Member of the Management Board and CFO**

Thank you very much for the questions. I'll start with the more enjoyable part – the Arcticgas dividends. Yes, there will be dividends, the money will be used for dividends. Our partner has also said that. It is an agreed position.

As for the excess-profit tax, the system of the new tax is quite complex, it can't be summed up in a few words. We have a presentation that we prepared specially for investors and analysts. We will send it to you again, and you will see how the new tax will work, at what points it will amount to more or less. As regards



its presentation in financial statements, it is in the same place where mineral extraction tax was before. You can see everything there. Thanks.

**Ildar Khaziev, HSBC**

Thanks.

**Alexey Yankevich, Member of the Management Board and CFO**

Colleagues, I would like to thank you all personally and say that I regret if maybe I couldn't answer all the questions – there were a lot of clarifying questions about fundamental things. But, again I can give you a personal assurance that we have recorded everything and we will definitely send everyone breakdowns – we will send the numbers, which I couldn't give to people who asked questions. There were many questions on taxes, and last year we held a session, a special conference call to clarify the new tax system. If necessary, we can have another phone call with our main analysts to explain how this has worked for us this year. But, in any case, we will send the breakdown to everyone again and duplicate the presentation that we did on excess-profit tax, how the system works and which fields it is being used at.

So thanks again to everyone for the questions, thank you very much.