



## 1H and 2Q 2019 IFRS FINANCIAL AND OPERATING RESULTS

St Petersburg – August 8, 2019



# Agenda

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Highlights,  
Financials

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Upstream

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# Disclaimer

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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.

All statements other than statements of historical facts are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that may cause actual results, performance or events to differ materially from those expressed or implied in these statements.

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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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# 1H19 highlights



## 1H19 Financial performance:

- Revenue: RUB **1215** bln (+**6.8%** y-o-y)
- EBITDA\*: RUB **408** bln (+**10.8%** y-o-y)
- Net Income: RUB **215** bln (+**29.2%** y-o-y)

## Operational progress in 1H19:

- Hydrocarbon production up **5.6%** y-o-y (mtoe)
- Refining volumes down **2.8%** y-o-y

## 2Q19 vs. 1Q19

- Revenue up **7.2%**
- EBITDA\* up **6.4%**
- Hydrocarbon production up **4.1%** (mtoe)
- Refining throughput up **0.7%**

\* Including GPN share in EBITDA of associates and joint ventures

## Exploration and Production

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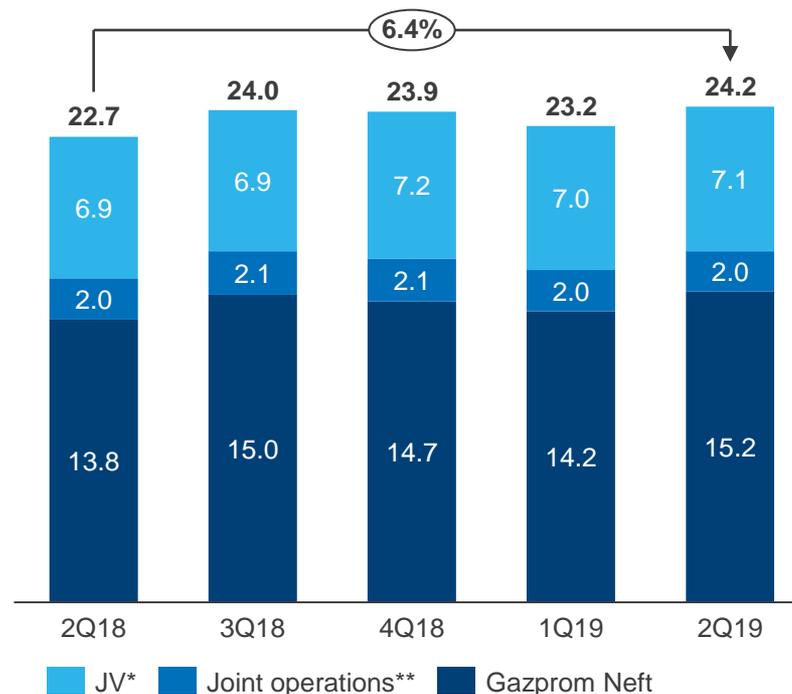
Increasing the value of assets through developing partnerships and bringing unconventional reserves into production effectively

# Development of new assets and implementation of geological and technical initiatives at legacy fields allowed to increase hydrocarbon production

Average daily hydrocarbon production, '000 toe/day



Hydrocarbon production, mtoe\*\*\*

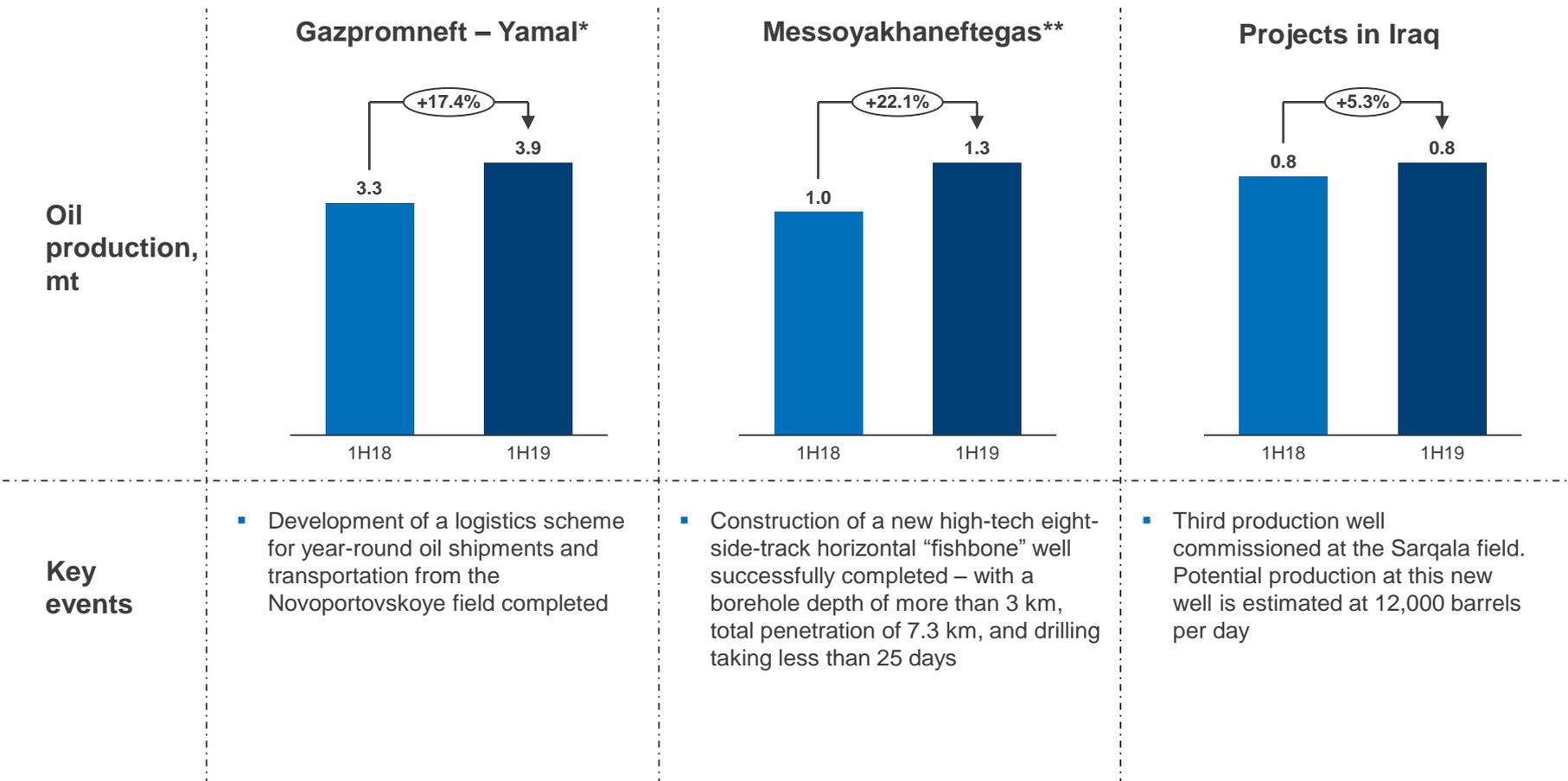


\* Joint ventures: equity-participation entities (Slavneft, Arcticgas, Northgas and Messoyakhaneftegaz)

\*\* Joint operations: proportionally consolidated companies (Tomskneft, SPD)

\*\*\* Percentage changes may differ from the calculated figures and values may not sum to total due to rounding

# Implementation of new technologies: factor driving production growth at the major projects



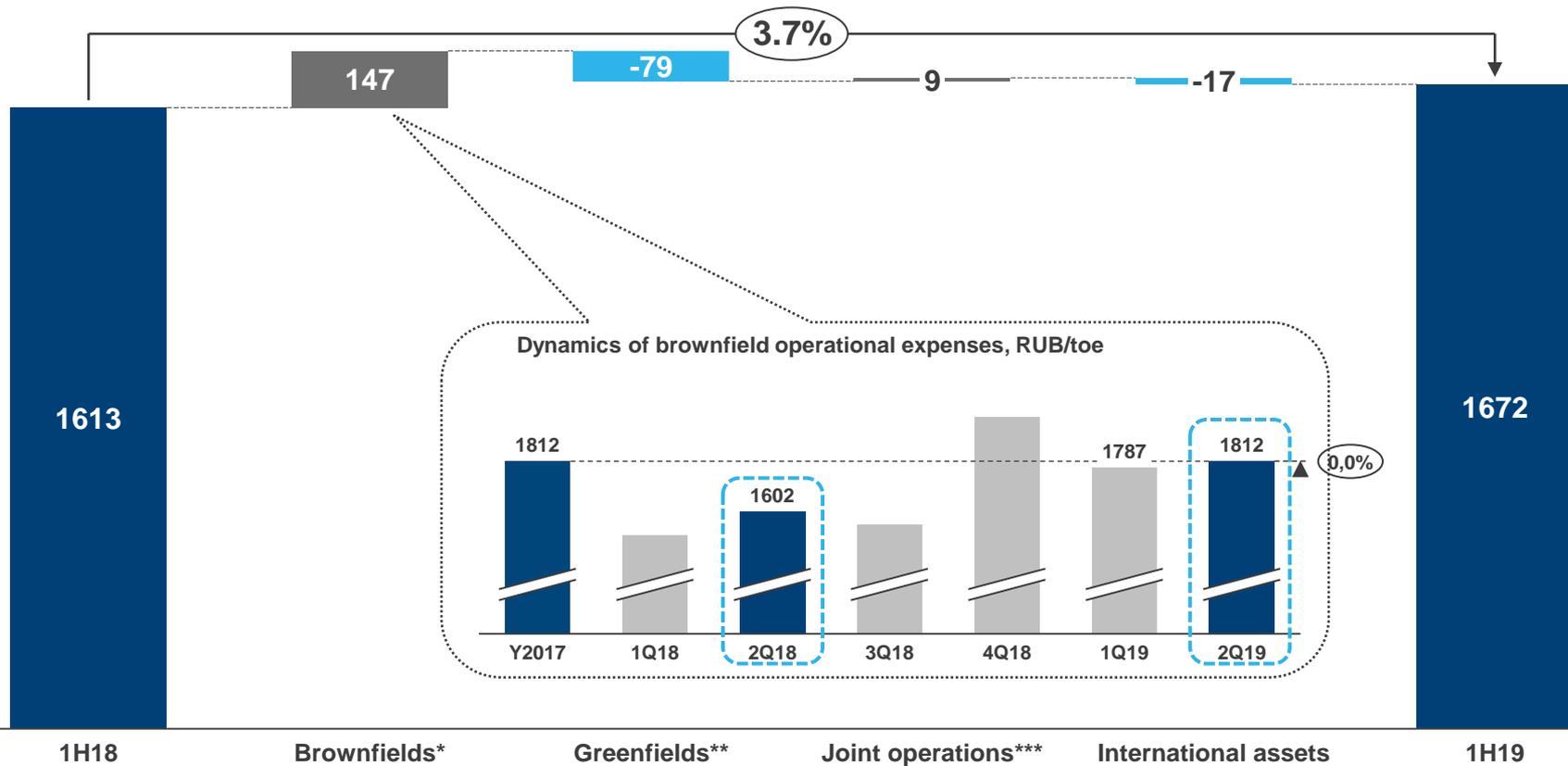
\* The Novoportovskoye and Tazovskoye fields

\*\* The Company holds a 50% interest

Percentage changes may differ from the calculated figures and values may not sum to total due to rounding

# Higher per-unit OPEX costs are the result of base well-stock shutdowns (under OPEC+ deal) in 1H 2018

Operational expenses: 1H19 vs 1H18, RUB/toe



\* NNG, Khantos, Vostok, Orenburg

\*\* GPN Yamal, Prirazlomnoye

\*\*\* Tomskneft, SPD

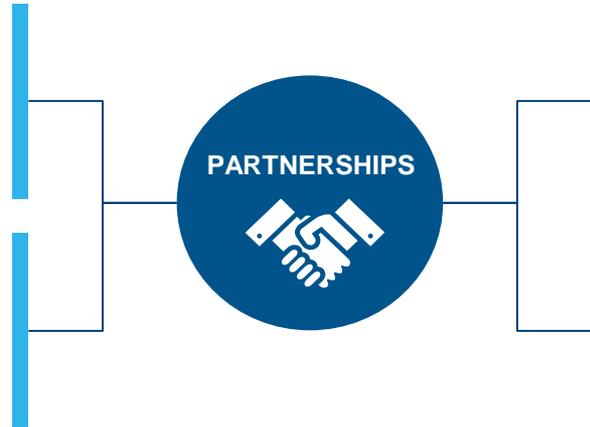
# Developing partnerships is a new approach to the project portfolio management

## INVESTMENT PARTNER

- › Reducing the financial burden
- › Risk sharing

## TECHNOLOGY PARTNER

- › Accessing new technologies
- › Joint development of new technologies



## PARTNERSHIPS WITH CONTRACTORS

- › Selecting and developing technologies
- › Developing a market for services and equipment

## GOVERNMENT PARTNERSHIP

- › Reducing the financial burden
- › Creating a favourable environment for developing technologies, and developing the contractor and equipment-manufacturer markets

## Partnerships in 1H 2019

Gazprom Neft and Shell are creating a joint venture to develop fields in the Yamalo-Nenets Autonomous Okrug (YaNAO)

The [Tazovsky](#), [Severo-Samburgsky](#) and [Meretoyakhinsky](#) blocks, and two [Zapadno-Yubeleini](#) blocks in the YaNAO

Reserves in place:

~**1.1** billion tonnes of oil (bt)

Gazprom Neft, Repsol and Shell are joining forces in developing a major cluster in Gydan

The [Yenisei](#) project: the [Leskinsky](#) and [Pukhutsyayakhsky](#) license blocks in the Gydan Peninsula

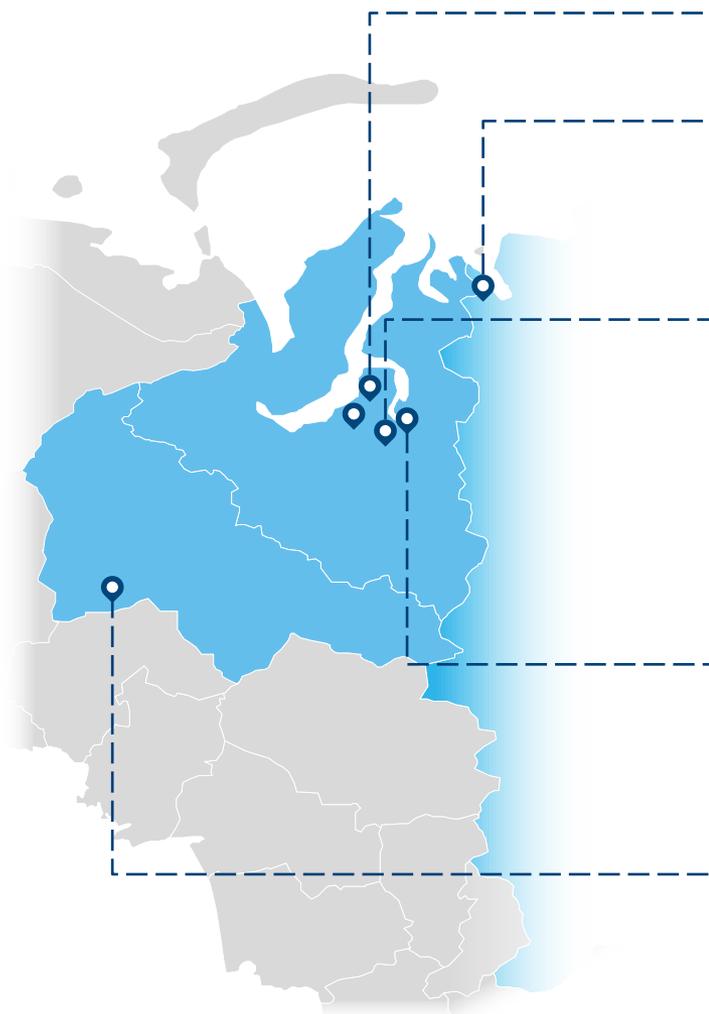
- Entering a new exploration zone
- A field unique in the size of its resource base

Gazprom Neft is establishing an upstream joint venture with Zarubezhneft dedicated to developing 'hard-to-recover' oil reserves

The [Salymsky-3](#) and [Salymsky-5](#) license blocks in the Khanty-Mansi Autonomous Okrug (KhMAO)

- Determining a strategy for developing the Salymsky blocks
- Developing skills and competencies to develop Bazhenov reserves

# Highlights of the new assets performance



## Yamburg–Achimovskiy oil deposits

- Drilling of the first horizontal wells – for multi-stage fracking – has started

## Yenisei\*

- Regional logistics strategy developed and approved
- Location selected for construction of a mooring (berthing facility) and temporary drilling-equipment storage facility
- Drilling-equipment cargo deliveries will be completed by the end of the year. Drilling of the first prospecting and appraisal well set for early March 2020

## Severo-Samburgskoye

- Geological and hydrodynamic models updated on the basis of profiling two horizontal wells
- Forecast oil production for 2019: 18 thousand tonnes

## Oil-rim deposits at oil and gas-condensate fields

- Launched complex of mobile well completion at the En-Yakhinskoye field
- Completed drilling two horizontal wells at the Pestsovoye field
- Production forecast to start at the OOGCF by year-end
- Gazprom PJSC oil infrastructure commissioned at the Chayandinskoye field
- Forecast oil production for 2019: 328 thousand tonnes

## Tazovskoye

- High-tech wells – with record 2,000-metre-plus shaft lengths – drilled
- Oil export contract concluded
- CIW on first-stage construction of the power centre expected to be complete by year-end
- Forecast oil production for 2019: 160 thousand tonnes

## Zima\*\*

- Completed 3D-seismic (540 km<sup>2</sup>)
- Successfully completed winter program of E&A well performance. Higher well productivity than planned
- Forecast oil production for 2019: 338 thousand tonnes

\* Leskinsky and Pukhutsyayakhsky blocks

\*\* Zapadno-zimniy and Vaiskiy blocks

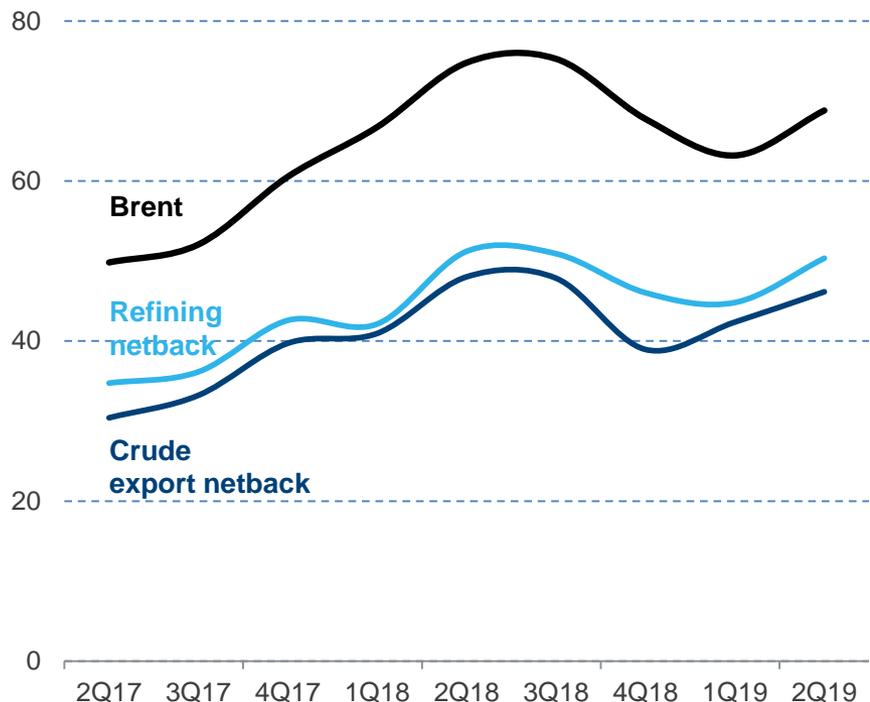
## Downstream

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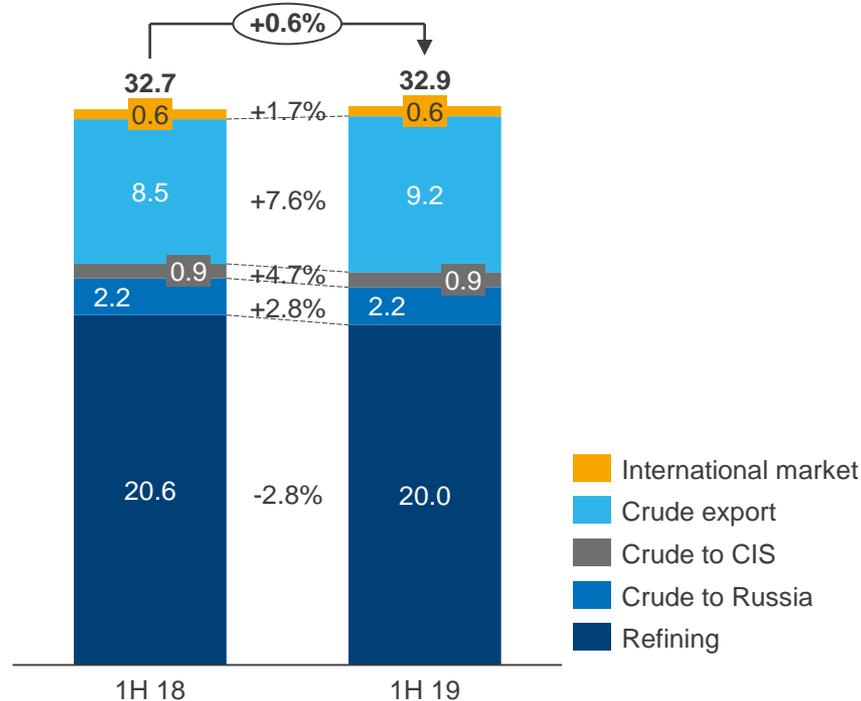
Sales volume through premium channels increased Q-o-Q mainly due to seasonal factors

# Continued production growth at the Novoportovskoye field resulted in higher crude oil export sales

Crude price and average netbacks, \$/bbl



Crude mix\*, mt

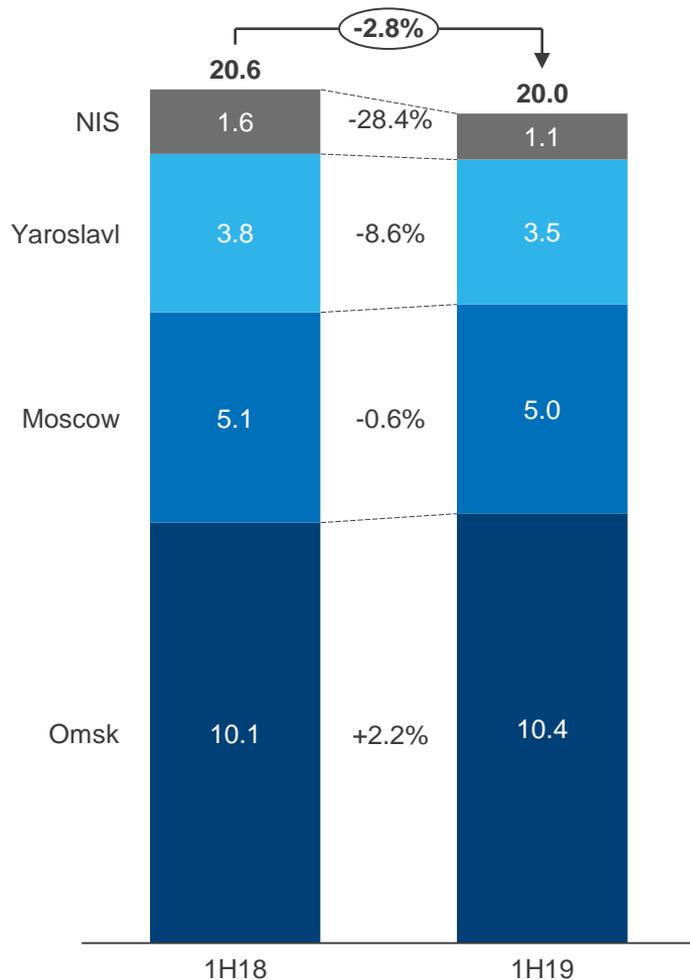


- Sales volumes of arctic crude oil comes to 5.4 mt in 1H19 (+12% Y-o-Y)
- Increased premium export sales volumes in 1H19

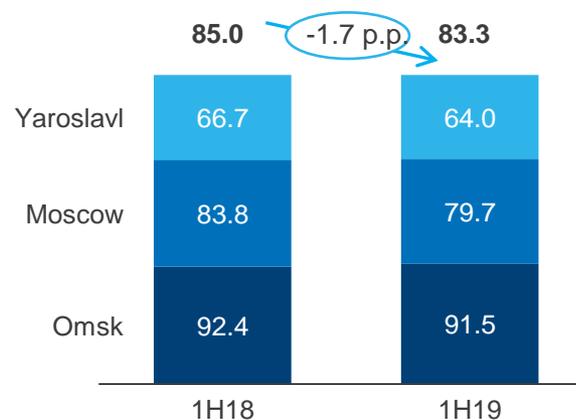
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# Repairs at the Company's refineries resulted in a slight reduction in refining volumes

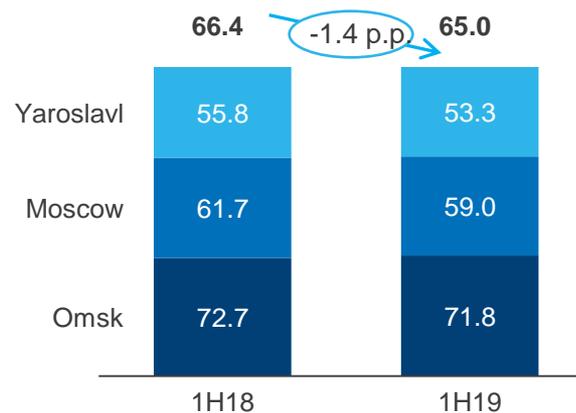
Refining throughput, mt



Conversion ratio in Russia, %



Light product yield in Russia, %



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# Environmental programmes continued to be implemented throughout the Company's refineries



## Capacity at the Moscow Refinery's automated fuel-loading terminal

**6,500** of oil products  
*tonnes* dispatched per day

**12** for simultaneous  
*posts* tanker filling

- Four-fold reduction in shipping time, with shipments accurate to within 100 grams
- Online analysis of fuel flows (transit) through the Gazprom Neft "Neftekontrol" system
- A vapour-recovery system collects escaping vapours, turns them into liquid condensate, and returns them to the production cycle
- Absolutely hermetically sealed bottom-loading of products prevents any emissions of oil products into the atmosphere



## Modernisation of the small cat-cracking filtration unit

The production complex is equipped with a modern water-purification unit

- A modern water-vapour wet-scrubbing system is utilised
- Once used, the water passes through filters before being returned to the production cycle
- There are no industrial wastes or effluents, and the entire system operates on the basis of zero environmental emissions
- Data are transmitted for technological monitoring, online, since all treatment processes are fully automated, and the filtration system equipped with in-line monitoring (control) analysers

# Gazprom Neft is developing its fuel-supply terminals infrastructure



## Infrastructure capacity at the “Gladkoye” terminal

**one** oil-products  
transshipment  
*million-tonne* capacity / year

**40,000** one-off storage  
*m<sup>3</sup>* capacity

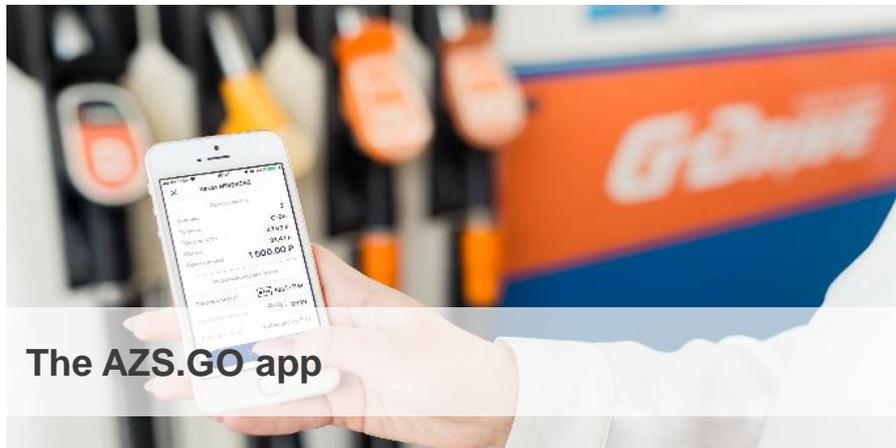
- The only fuel terminal in Russia equipped with metering facilities allowing oil products’ volumes and metrics to be controlled automatically on receipt from rail tank cars and onward shipping by road
- All data on fuel flows is processed and transmitted through the Gazprom Neft “Neftekontrol” system, online
- A “digital twin” of the fuel terminal allows virtual access for the facility’s managers
- Cutting-edge environmental protection technologies have been implemented at the terminal

**2018** ▪ The terminals network includes 31 fuel depots throughout Russia  
▪ Average terminal capacity was 270,000 tonnes per year in 2018

**2019** ▪ Gladkoye terminal commissioned – the company’s first asset to be built under Gazprom Neft’s comprehensive terminal infrastructure development strategy

**2025** ▪ All of the Company’s target terminals will be upgraded on the basis of the Gladkoye model  
▪ Transshipment volumes through the Company’s own network will increase by more than 20%

# Qualitative growth of the Gazprom Neft filling station network



## The AZS.GO app

- A **70-fold increase in** app-based **sales** in Jan–July 2019
- **Sales** have reached **1.5 million** litres/month
- **> 200,000** motorists are using the app
- The app-based refuelling service is accessible at most stations in the Gazprom Neft network, **wherever it operates**
- Using AZS.GO can almost **halve the time spent in filling up**
- In **partnership** with the “Mir” National Payment Card System (with Mir cardholders offered higher cash-backs on fuel purchases through the AZC.GO app)



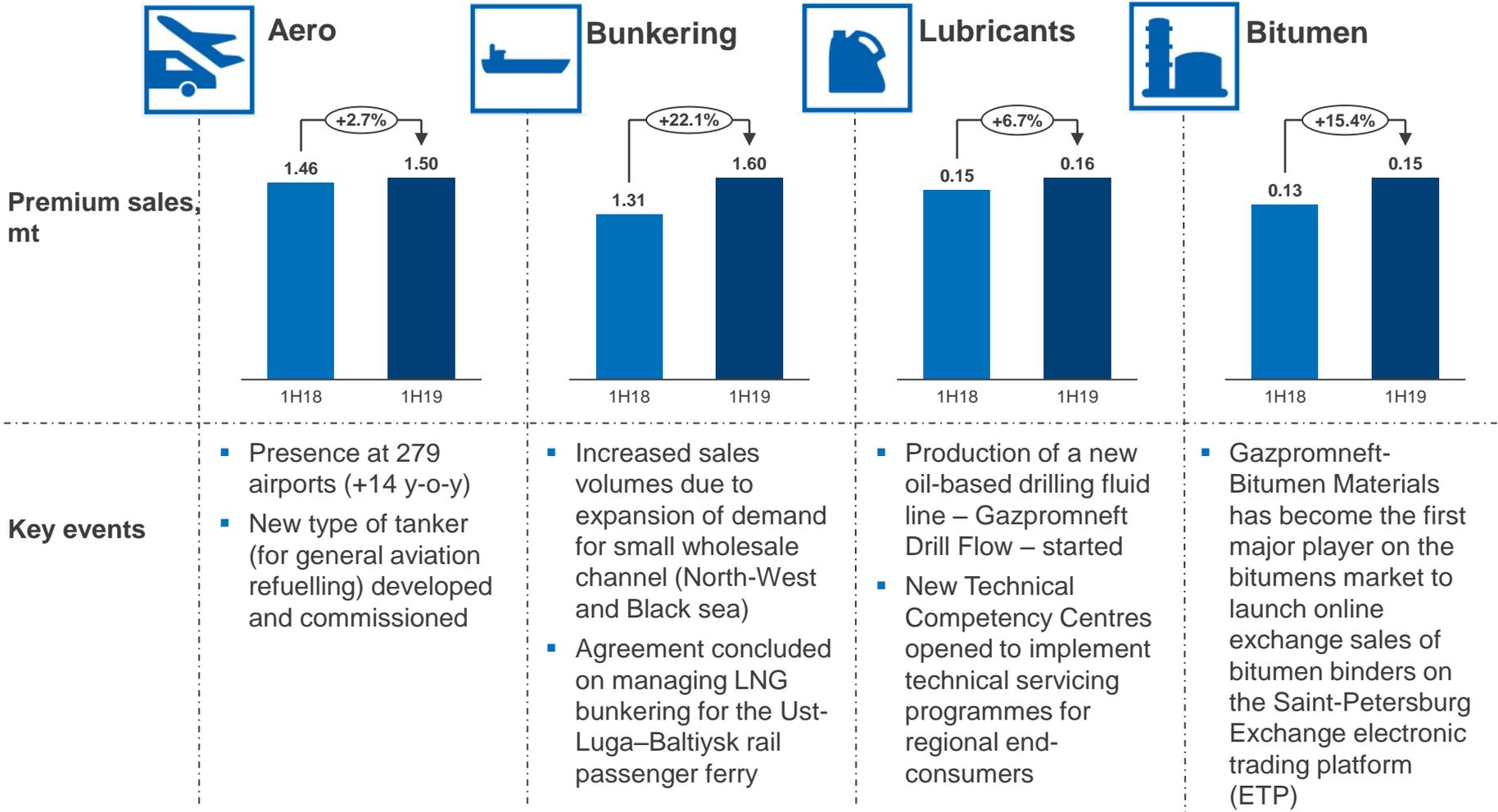
## A new approach to filling-station management

### Fully-automated modular filling stations

- Developed by **Russian factories** specially for the Gazprom Neft filling station network
- Launching a modular filling station requires **3.5 to 4 times less investment** than a conventional station
- Module installation: **one week**, on a 150–300 m<sup>2</sup> plot
- Gasoline and diesel refuelling of up to **350** vehicles per day
- High **environmental and fire-safety** standards are guaranteed for modular filling stations

**Project ASTRA:** expanding the existing filling station network in Moscow and the Moscow Oblast (46 stations on lease)

# B2B business development



# Increasing the Company's interest in Poliom LLC as part of its long-term development strategy



## Gazprom Neft and SIBUR

have consolidated 100 percent of the charter capital in the Poliom LLC polypropylene plant in Omsk

## Design production capacity

**218,000** *tonnes* of high-tech products / year **100** *about trademarked* polypropylene products

- Efficiency is being improved by refinery feedstocks being used to produce goods with high added value
- Strengthening the Company's technological partnership with SIBUR will give products a competitive advantage on the Russian and international markets

**2012** ▪ One of Russia's most important polypropylene producers – Poliom – goes into operation



**2014** ▪ A joint venture between Gazprom Neft (25%), SIBUR (25%) and the Titan Group (50%) is created through Poliom

**2019** ▪ Sibrazpolymer PJSC (a joint venture between Gazprom Neft and SIBUR) signs an agreement on acquiring a 50% interest in Poliom LLC from the Titan Group

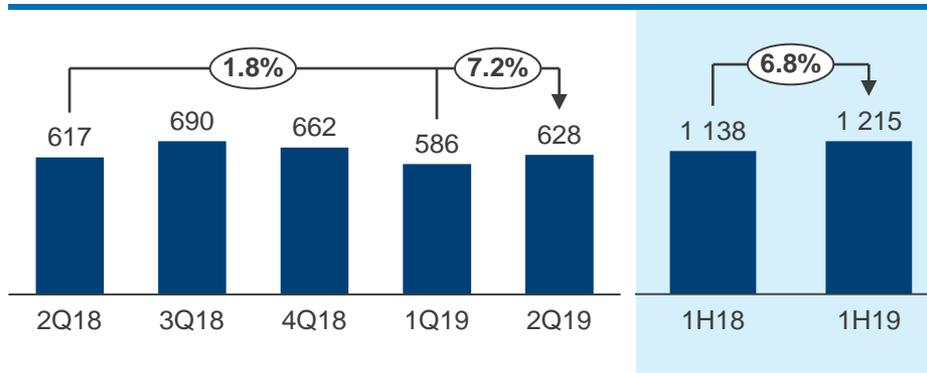
## Financials

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Stable production growth at major projects is driving positive financial performance year-on-year

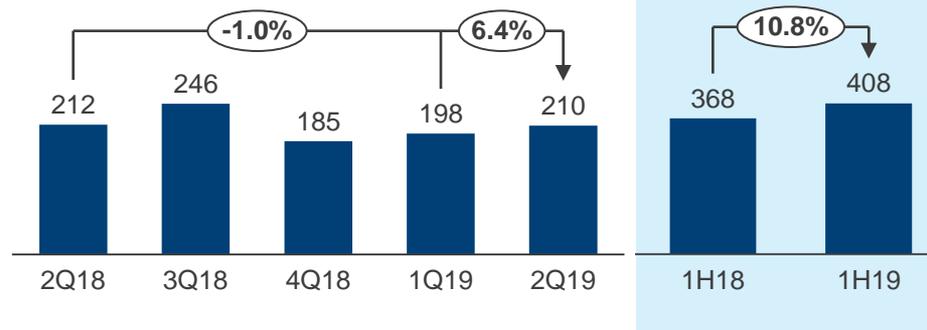
# Increased production volumes at major projects and change in market have led to improvement in financial performance

## Revenue RUB bln



- Revenue increased 6.8% y-o-y due to higher export volumes of oil and petroleum products, and the rouble decline
- Revenue increased 7.2% q-o-q due to higher sales of petroleum products on the domestic market, together with higher prices for oil and petroleum products

## Adj. EBITDA\* RUB bln



- Increasing production at major projects (the Novoportovskoye and Vostochno-Messoyakhskoye fields), and change in market led to a 10.8% y-o-y increase in adjusted EBITDA
- A 6.4% q-o-q increase in adjusted EBITDA is the result of higher crude oil production, higher sales of petroleum products through premium channels, together with higher prices for oil and petroleum products

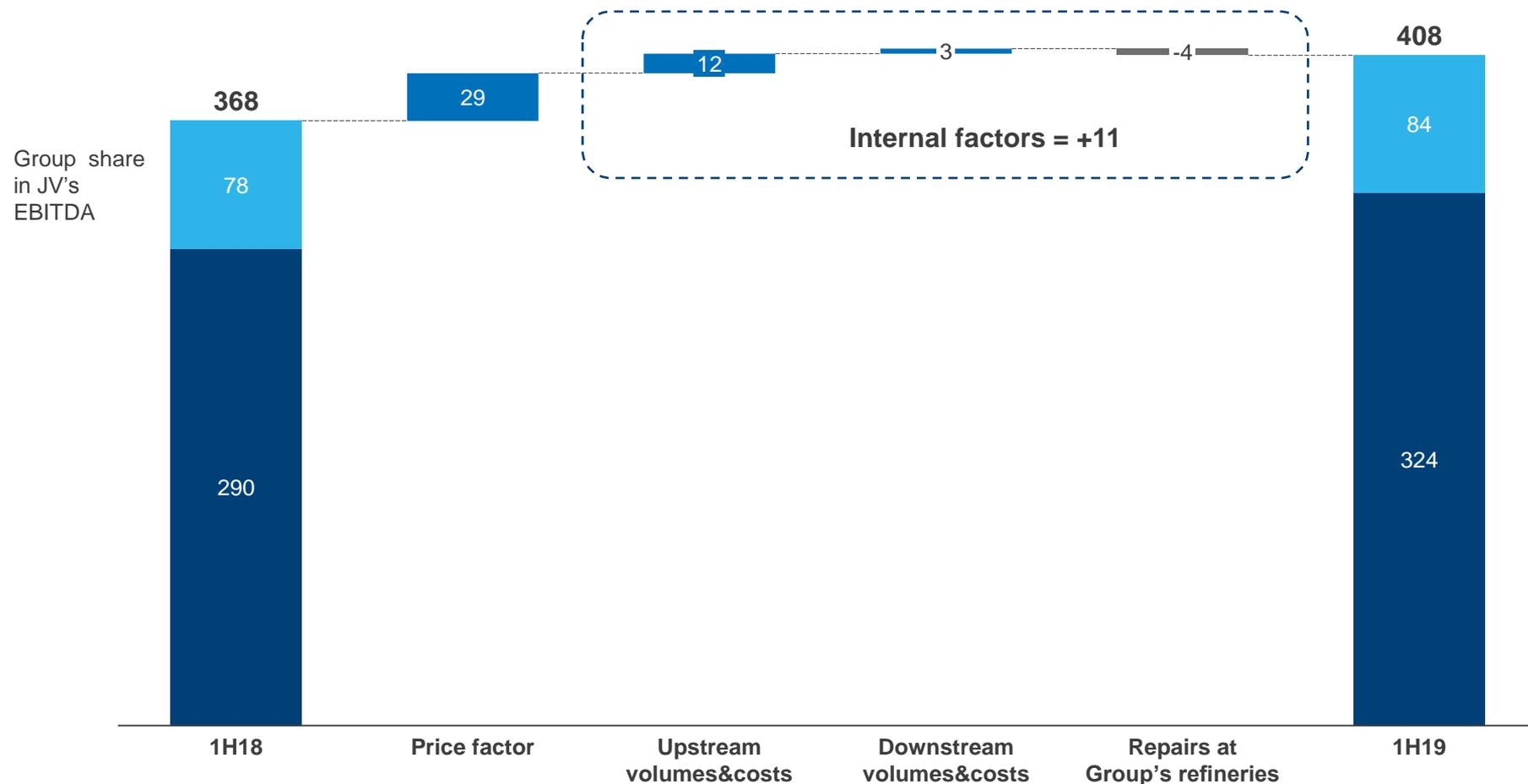
## Net income RUB bln



- The y-o-y increase in net income is mainly the result of higher EBITDA and foreign exchange gains in 1H19
- 2Q19 net income in line with 1Q19 results

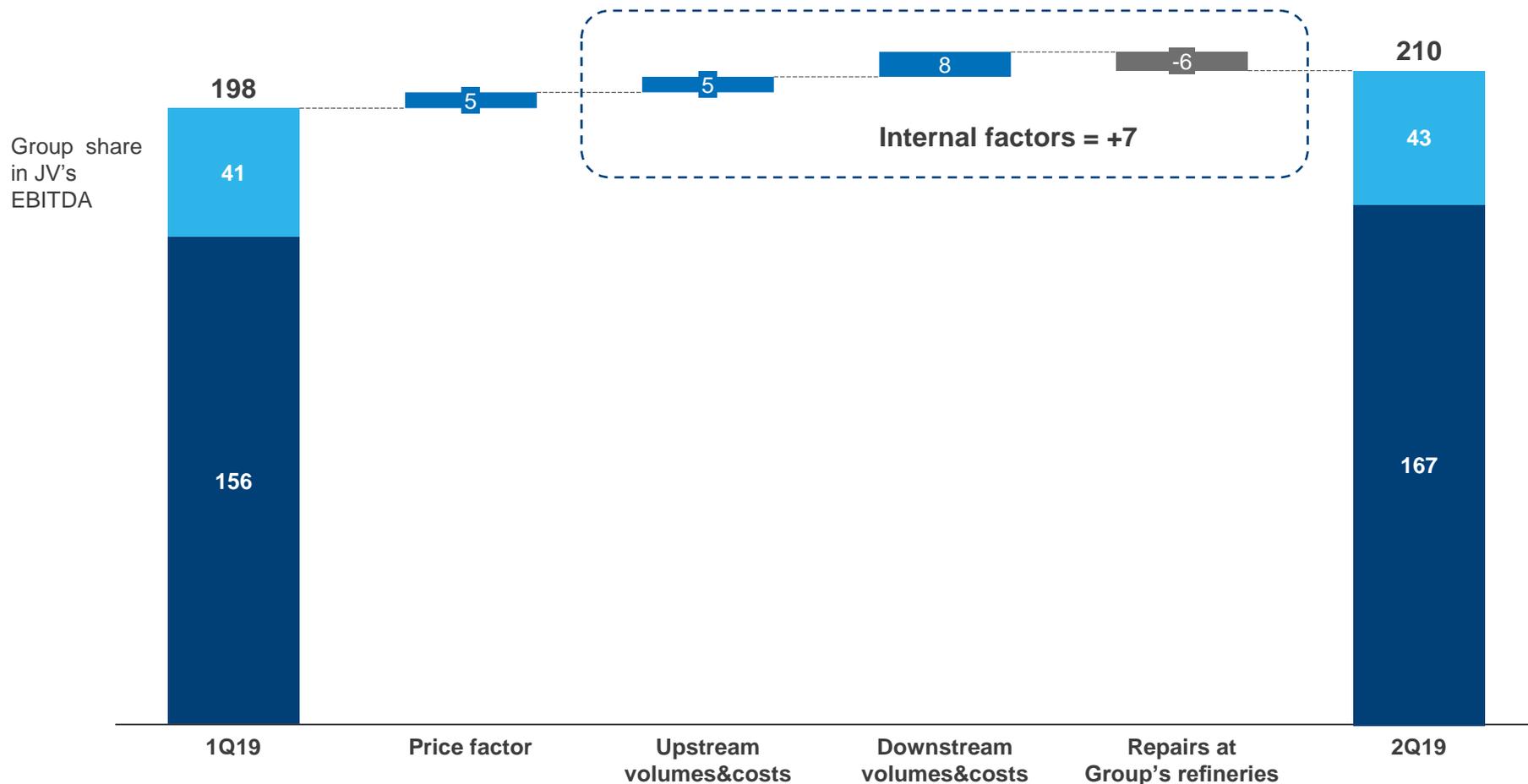
\*Including GPN share in EBITDA of associates and joint ventures  
Percentage changes may differ from the calculated figures and values may not sum to total due to rounding

# Adjusted EBITDA\* reconciliation 1H19 vs. 1H18, RUB bln



\*Including GPN share in EBITDA of associates and joint ventures  
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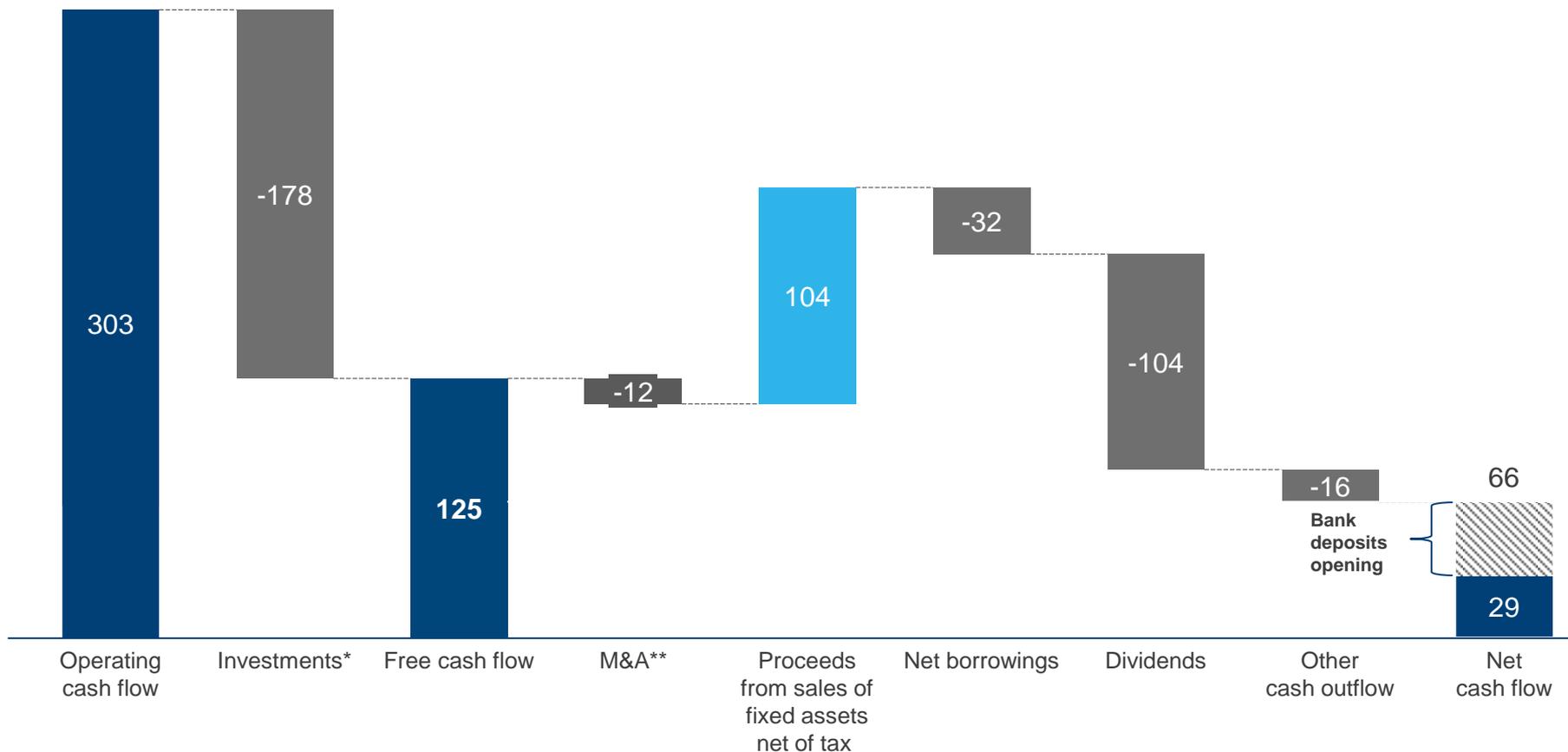
# Adjusted EBITDA\* reconciliation 2Q19 vs. 1Q19, RUB bln



\*Including GPN share in EBITDA of associates and joint ventures  
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# Considerable operating cash flow supported the record 9M18 dividend payout

1H19 Cash flow reconciliation, RUB bln



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

\*\* Mainly refers to the acquisition of 10 license blocks

# Refinery modernisation programme and expanded upstream projects portfolio are driving greater investments

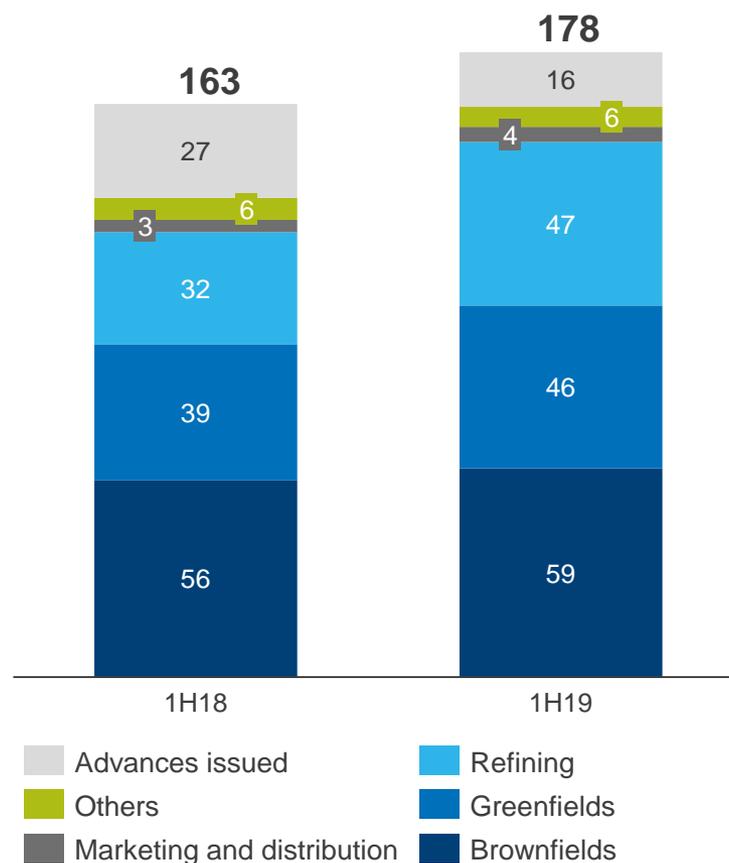
## 9.3% growth in capital investment y-o-y

Capital investments in **brownfields** increased year on year due to higher drilling volumes and well workovers at the Orenburg cluster, and the development of the Otdalennaya group of fields in the Noyabrsk Region

Increasing expenditure on **greenfields** is the result of developing new geological prospecting projects: construction of new infrastructure facilities at the Tazovskoye and Novoportovskoye fields, and increasing drilling works at oil-rim deposits

CAPEX in **downstream** increased **46%** y-o-y as a result of various projects to increase refining depth at the Omsk Refinery going into active construction

Investments, RUB bln

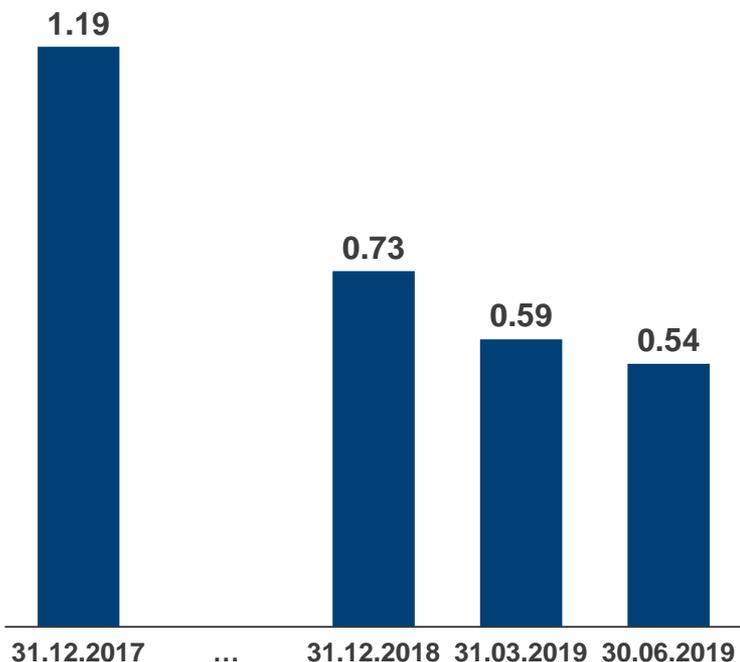


Changes in advances paid and payments for capital construction materials include expenditure on materials and equipment for ongoing projects

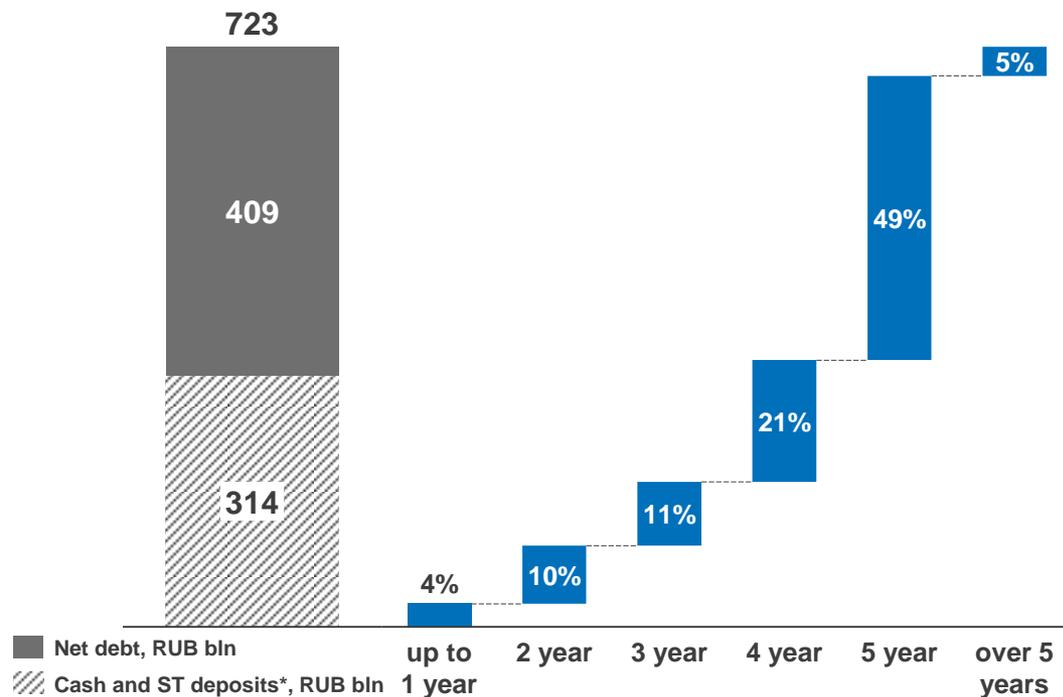
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# Consistently high credit-worthiness maintained

## Net debt/EBITDA dynamics



## Debt maturity profile at the end of 2Q19



- As of 30 June 2019 the ruble debt rate (which comprized 60% of Gazprom Neft's portfolio) dropped to 7,85% - the lowest level in GPN history

\*Cash and cash equivalents, short-term deposits