



9M and 3Q 2018 IFRS FINANCIAL AND OPERATING RESULTS

St Petersburg – November 16, 2018



Agenda

Highlights,
Financials

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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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Highlights



9M 2018 financial performance:

- Revenue: RUB **1,827** billion (+**29.8%** y-o-y)
- EBITDA*: RUB **614** billion (+**53.9%** y-o-y)
- Net income: RUB **299** billion (+**58.0%** y-o-y)

9M 2018 operational progress:

- Hydrocarbon production up **2.8%** y-o-y
- Refining volumes up **6.6%** y-o-y
- Average throughput per filling station in Russia increased by **4.2%** y-o-y (up to **20.5** tpd)

3Q 2018 vs 2Q 2018

- Revenue up **11.7%**
- EBITDA* up **15.9%**
- Net income up **36.5%**
- Hydrocarbon production up **5.7%** MMtoe (**5.6%**, MMboe)
- Refining throughput up **7.7%**

* Including GPN share in EBITDA of associates and joint ventures

Exploration and production

Production growth q-o-q due to OPEC+ quota update

Resource-base development in 9M 2018

Integrated approach to developing Yamal

- New licence blocks acquired on the Yamal Peninsula – the **Yuzhno-Novoportovskiy** and **Suroviy blocks**
- Arcticgas obtained license for **Osenniy block**

- Oil-and-gas reservoir discovered at the **Zapadno-Messoyakhskoye** license block
Geological reserves: **85 MMtonnes**
- Obtained license for **Leskinskiy block** in Krasnoyarsk Region

Obtained exploration and production **licenses** for six license blocks located in **Karabashskiy zone** of the Khanty-Mansi Autonomous Okrug

New oil-production cluster in Orenburg

- Novozarinskoye field discovered at the Uranskiy licence block (Orenburg Oblast), with geological reserves estimated at more than 11 MMtonnes
- Licenses acquired to the **Pokhvistnevskiy** and **Savitskiy blocks**
- License obtained for **Solnechniy block**

The Russian Far East – new strategically important region

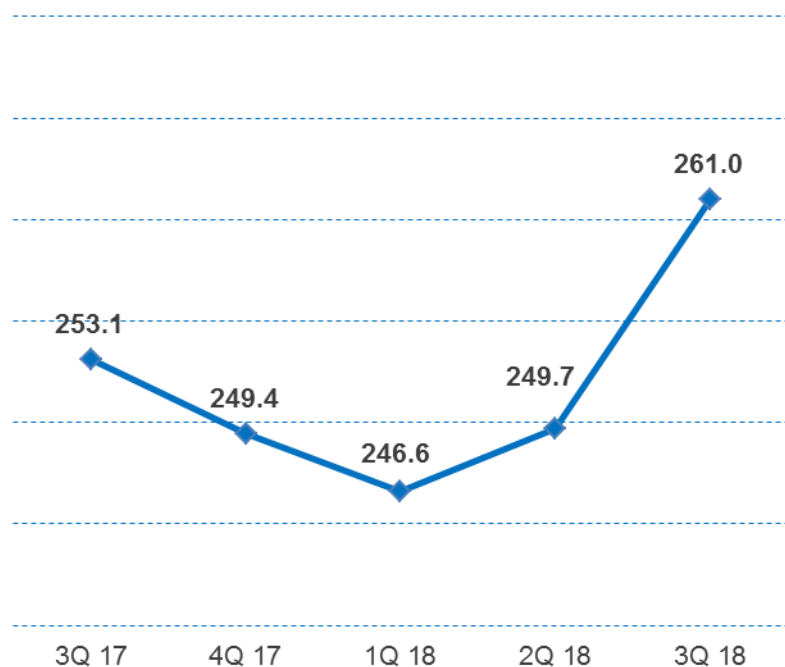
- Hydrocarbon reserves at the **Neptune field** now approved
Geological reserves : **415.8 MMtonnes**

.....
x1.6

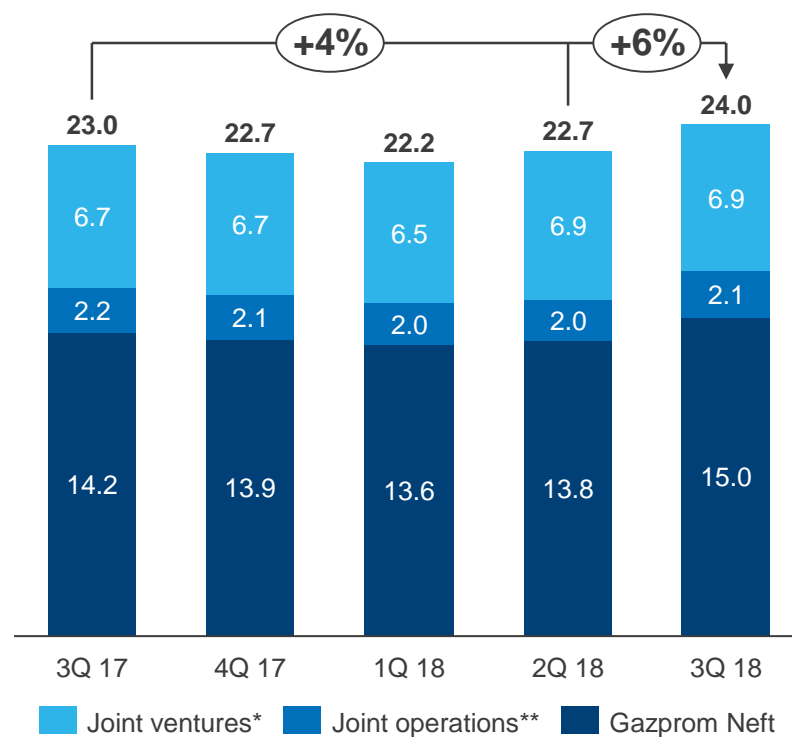
.....
compared to initial evaluation
.....

Hydrocarbon production surged following the OPEC+ deal

Average daily hydrocarbon production, '000 toe/day



Hydrocarbon production, MMtoe

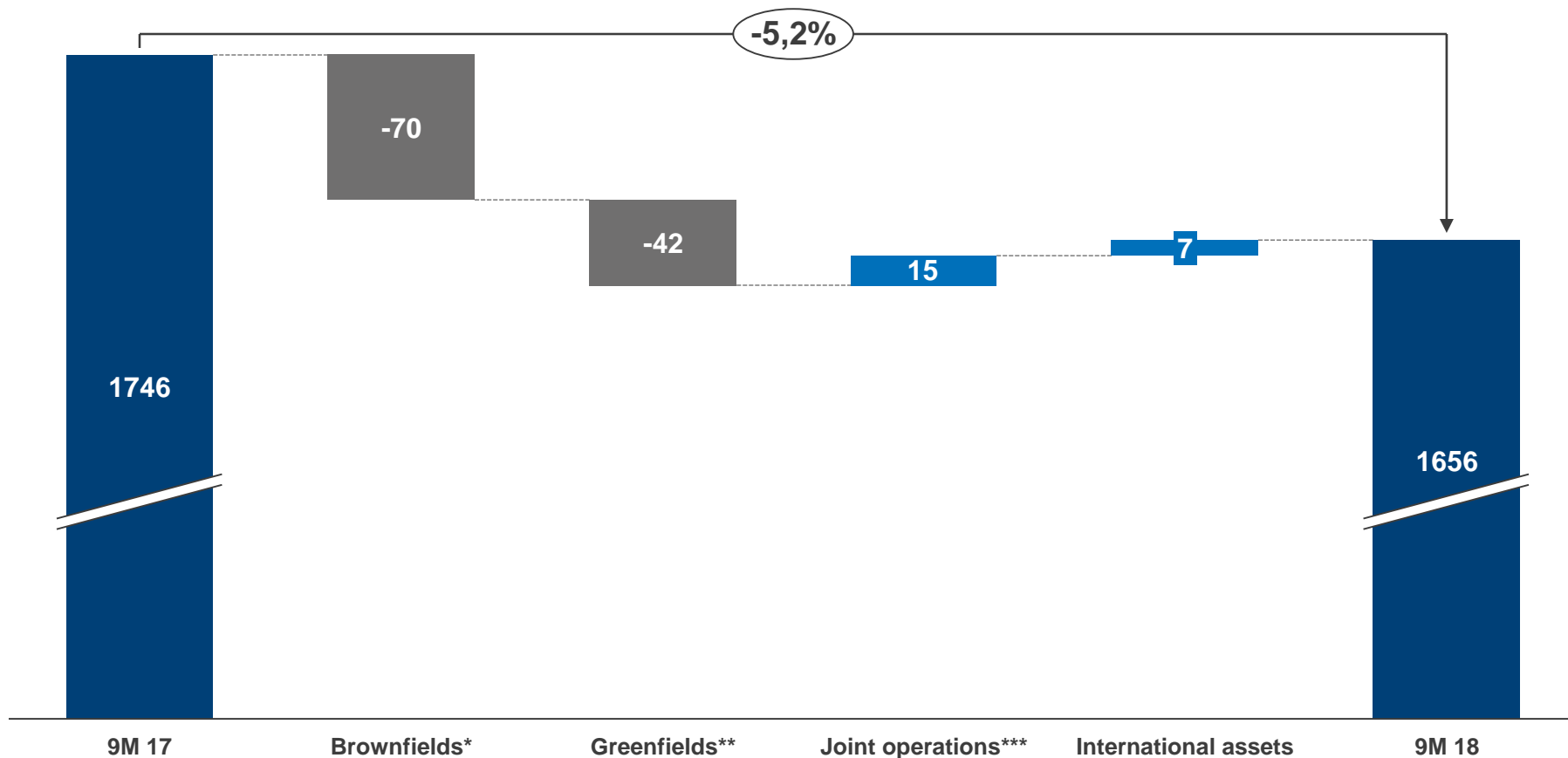


* Joint ventures: equity-participation entities (Slavneft, SeverEnergiya (Arcticgas), Northgas and Messoyakhaneftegas)

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

Cost optimization at brownfields – key factor of decreased OPEX

OPEX: 9M 2018 vs 9M 2017, RUB/toe



* NNG, MN, Khantos, Vostok

** Novoportovskoye, Prirazlomnoye, Orenburg

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

Combining financial and technological resources in a strategic partnership



.....
September 5th, 2018

Gazprom Neft, Mubadala Petroleum and the RDIF

closed the deal to establish a joint venture through Gazpromneft-Vostok
.....

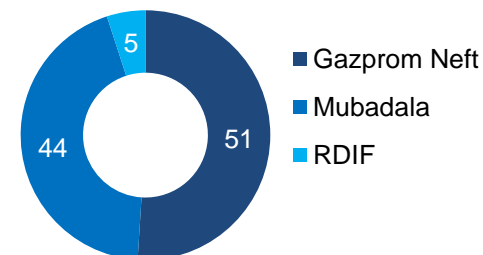
Gazpromneft – Vostok

Ownership structure, %

Region: Tomsk and Omsk regions

2P reserves: 40 MMtoe

Production: 1.6 MMtoe per year



Key areas for joint activities:

- Adopting a long-term strategy for developing the joint venture
- Improving efficiency in production and exploration
- Adopting innovative technologies to develop pre-Jurassic deposits

Using cutting-edge technologies for enhanced oil recovery (EOR)

.....
7-10 %
.....

increase in oil recovery per well
.....

The first high-tech fracking using uniquely formulated fracking fluids at **Yuzhno - Priobskoye field**

.....
up to 800 metres
.....

in length added to horizontal sections
.....

Controlled-pressure technology in drilling horizontal sections at **Paleozoic deposits**

- ✓ Process controllability in online environment
- ✓ Removal of drilled solids from well
- ✓ Minimization of drilling mud seepages into reservoir

.....
up to 50%
.....

increase oil-production volumes at carbonate reservoirs (which comprise more than 40% of the company's recoverable reserves)
.....

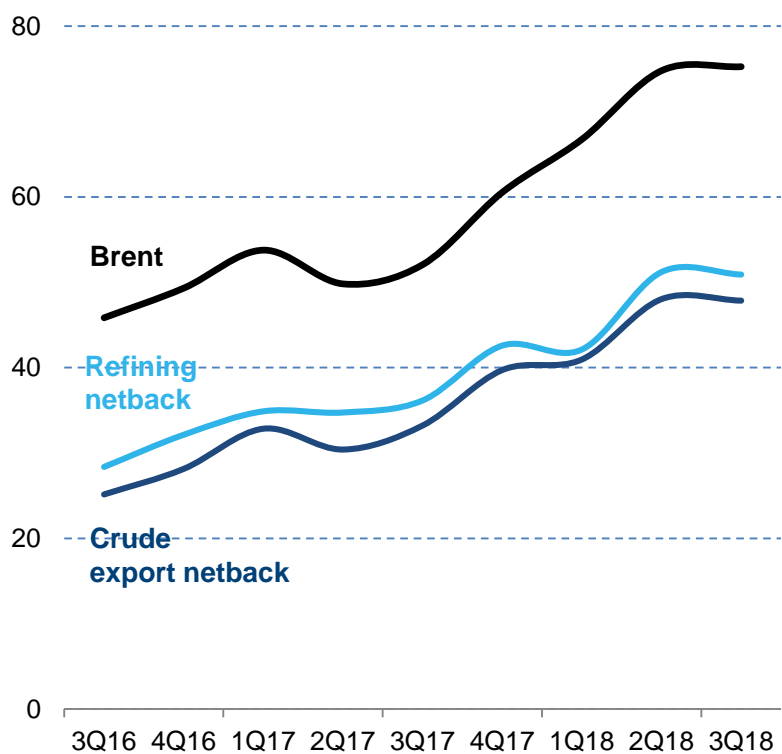
The first usage of special new-generation chemical agents and polymers in re-fracking at **Archinskoye field**

Downstream

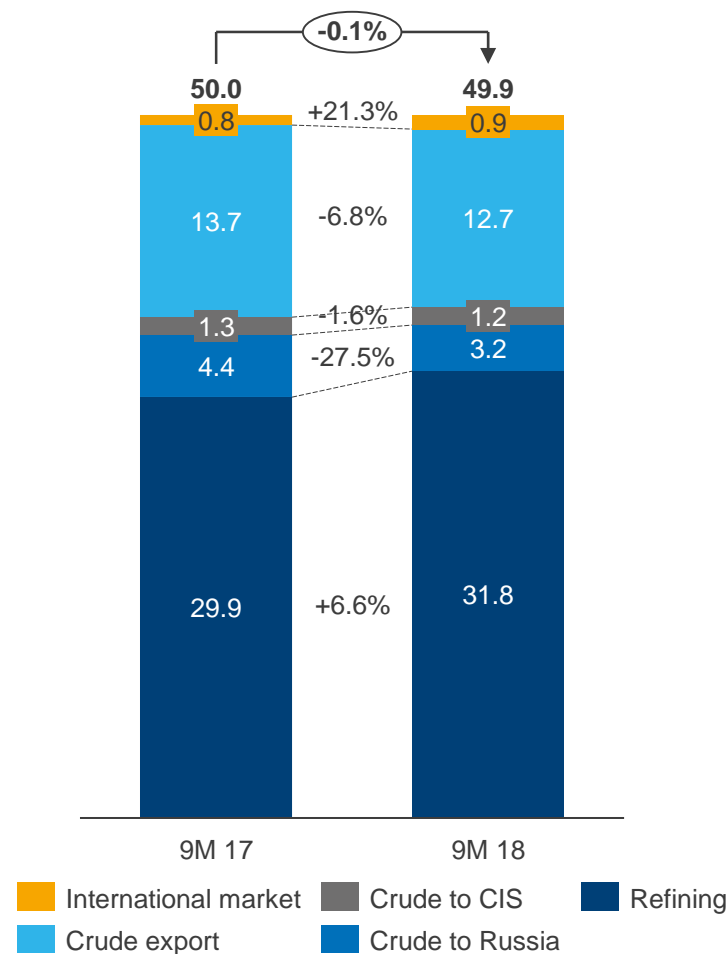
Refining volumes continue to restore after maintenance Y-o-Y

Refining throughput increased after completion of refineries maintenance in 2017

Crude price and average netbacks, \$/bbl

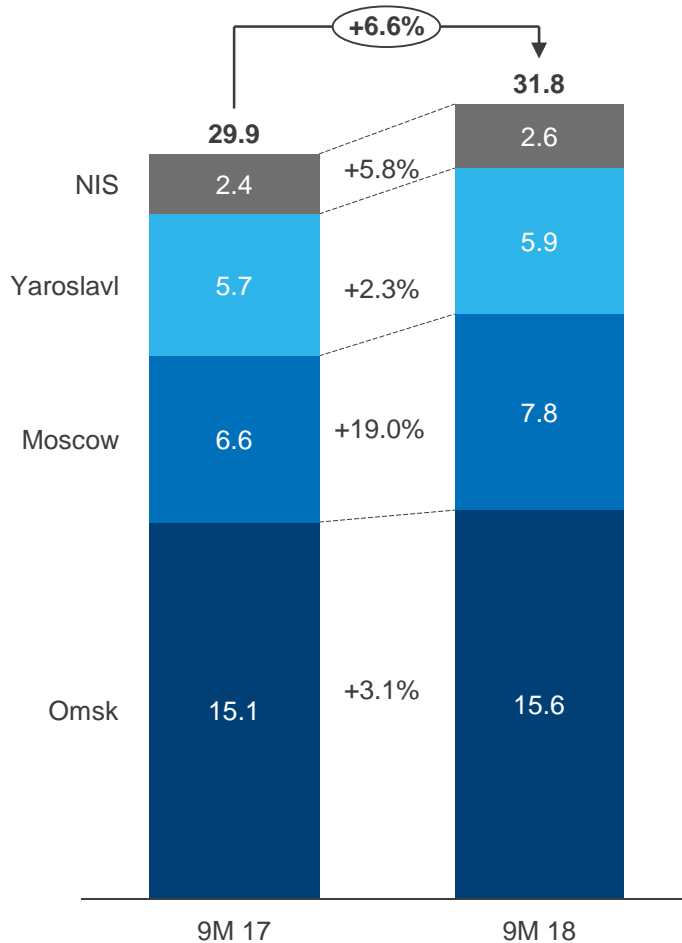


Crude mix, MMtonnes

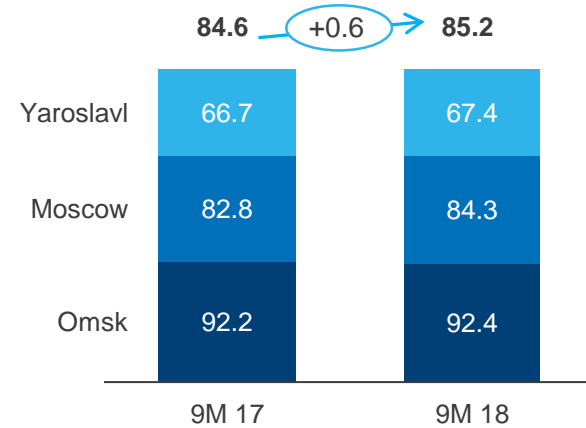


Improved refining performance

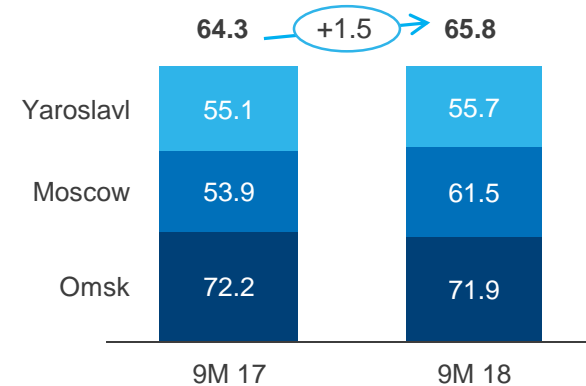
Refining throughput, MMTonnes



Conversion ratio in Russia, %



Light product yield in Russia, %



Implementing best practice in energy consumption and environmental standards



> **RUB1.2 billion**

savings over three years from energy-efficiency programmes implemented at the Omsk and Moscow Refineries

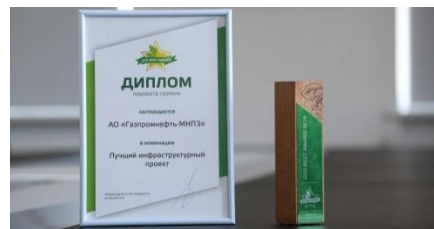
The greatest impact has been achieved through undertaking the following initiatives:

Omsk Refinery

- ✓ launch of a new automated thermal-equipment treatment system at the residue deep conversion unit
- ✓ modernisation of major steam lines
- ✓ upgrading of furnaces at the light naphtha isomerisation and cat-cracking units, with the application of heat-saving coverings

Moscow Refinery

- ✓ optimisation of furnaces' operating modes at the crude distillation (CDU) and cat-cracking hydrotreatment units
- ✓ modernisation of energy and steam thermal facilities and equipment



Eco Best Award

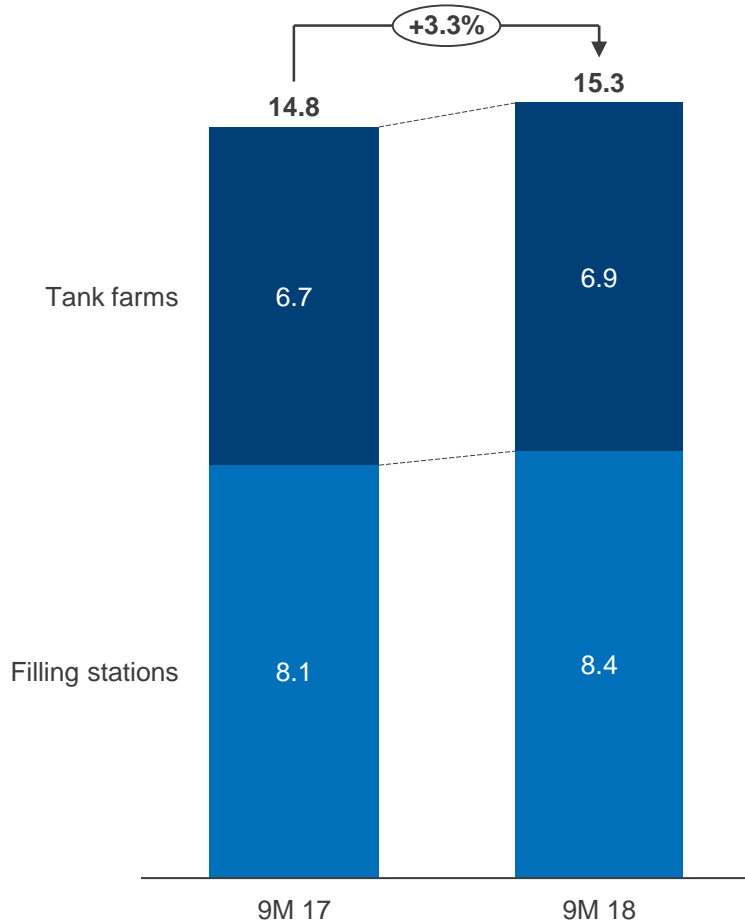
for the Moscow Refinery's "Biosphere", named "Best Infrastructure Project"

Gazprom Neft is implementing a range of extensive environmental initiatives to reduce environmental impacts:

- ✓ **The Omsk and Moscow Refineries** are acting as pilot sites for the introduction of an air-monitoring system expected to become a standard-bearer for industrial enterprises in Russia
- ✓ A unique biological treatment facility was launched at the **Moscow Refinery** in 2017, with construction of another initiated at the **Omsk Refinery**

The Gazprom Neft filling station network is Russian motorists' favourite*

Motor fuel sales, MMtonnes



* ROMIR Holding market research data.

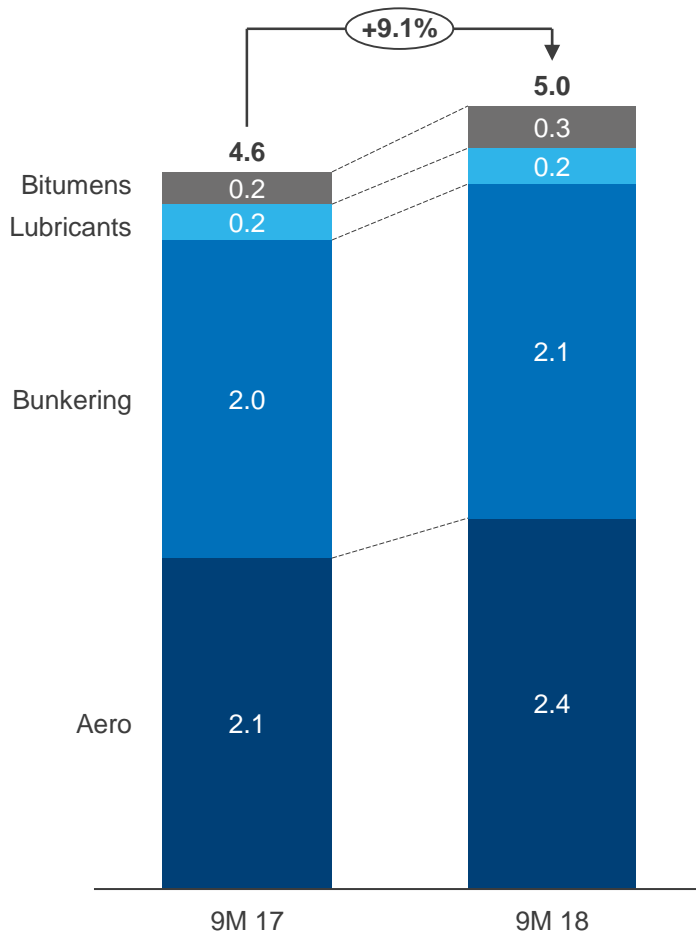
20.5 tpd

Average filling station throughput in Russia

- ✓ The company continued the expansion of its fuels line, with the addition of the new-generation G-Drive 100 fuel, initially launched at the Omsk Refinery following the modernisation programme being carried out across all of Gazprom Neft's refining facilities
- ✓ The Gazprom Neft filling station network has become Russian motorists' favourite according to research by ROMIR Holding, with 40% of respondents answering the question "Which filling station do you use most often?" selecting the Gazprom Neft network as their main preference

B2B businesses continues to see growth

Premium sales, MMtonnes



Aero

- Jet fuel sales increased by 11.8%
- Presence at 257 airports
- Russia's market leader in direct sales of aviation fuels, with 9M 2018 total into-plane fueling sales up 13% at more than two million tonnes

Bunkering

- Bunker fuel sales increased by 4.4%
- The company's position as the leading supplier of oil products in the North-West Russian market was further strengthened, with a market share of 30%
- Sales of low-sulphur marine fuels at Baltic Sea ports within the MARPOL zone saw an increase of 14% in the first nine months of 2018, to 299,000 tonnes

Lubricants

- Lubricants sales increased by 4.5%
- The G-Energy Service network expanded to a total 150 service stations
- An agreement was entered into with the Administration of the Primorsky Krai on promoting import substitution in lubricants and service fluids

Bitumens

- Bitumens sales increased by 28.6%
- An agreement was signed with the Government of the Amur Oblast on collaboration in supplying innovative bitumens and import substitution in lubricants

Advanced technologies in sales of motor fuels

1

The company is now offering a new digital solution for small fuel distributors – **sales of oil products online**

- ✓ Fuel can be shipped – at a fixed price – within 24 hours of an order being placed
- ! As opposed to fuel-sales operators' standard purchasing procedures, which can take several days



>1200 tankers

in the company's own and partnering fleets



>1100 runs/day

frequency of deliveries



> 10 MMtonnes per year

total fuel despatched

Since the launch of the platform



25 tonnes per month

in maximum single-fuel orders per customer



>250 orders

processed



7,500 tonnes of fuel

shipped

2

The company has introduced a range of digital solutions to guarantee **safety and quality in motor fuel shipments** by road

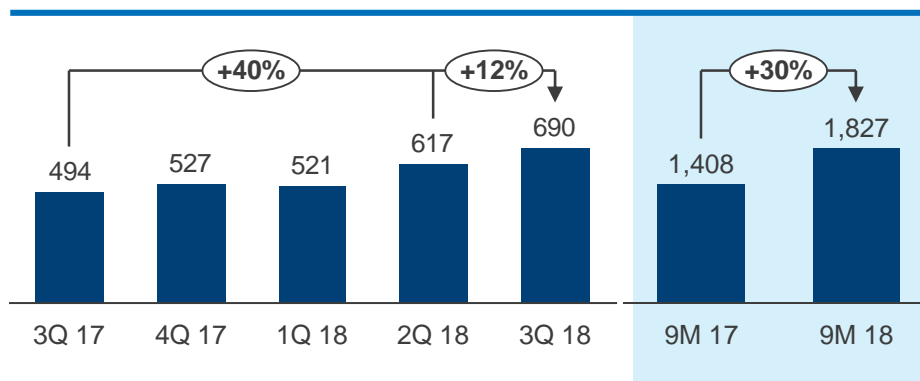
- ✓ Up to 20 measurements are transmitted to a centralised server, in real time
- ✓ Electronic seals have been installed to ensure fuel security on route
- ✓ Four video cameras are installed on each tanker, ensuring full visual oversight and control

Financials

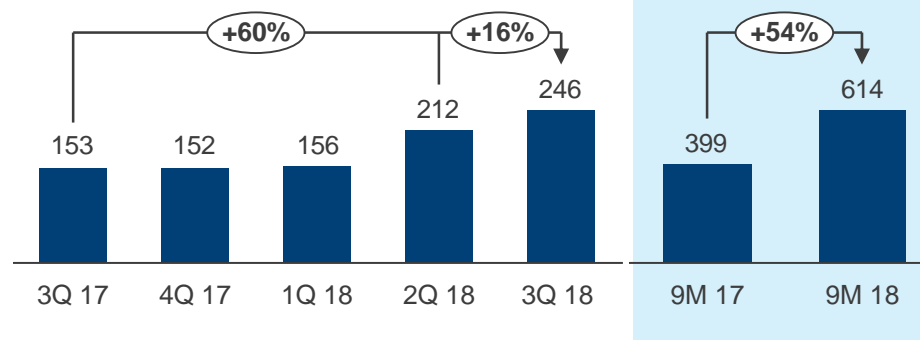
Better macro environment drove financials up y-o-y

Higher oil price and higher production volumes drove financials up q-o-q

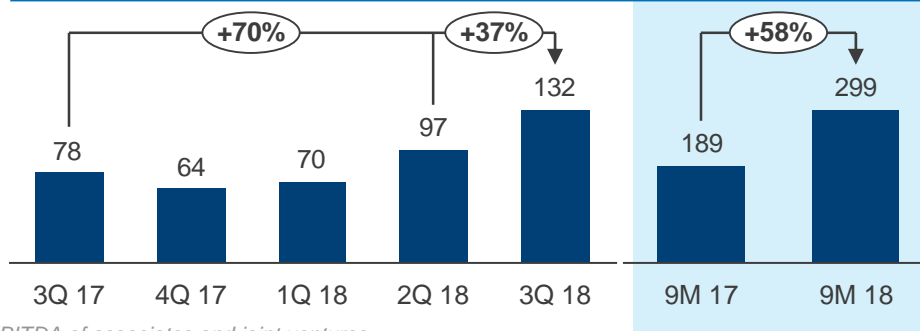
Revenue RUB bln



Adj. EBITDA* RUB bln



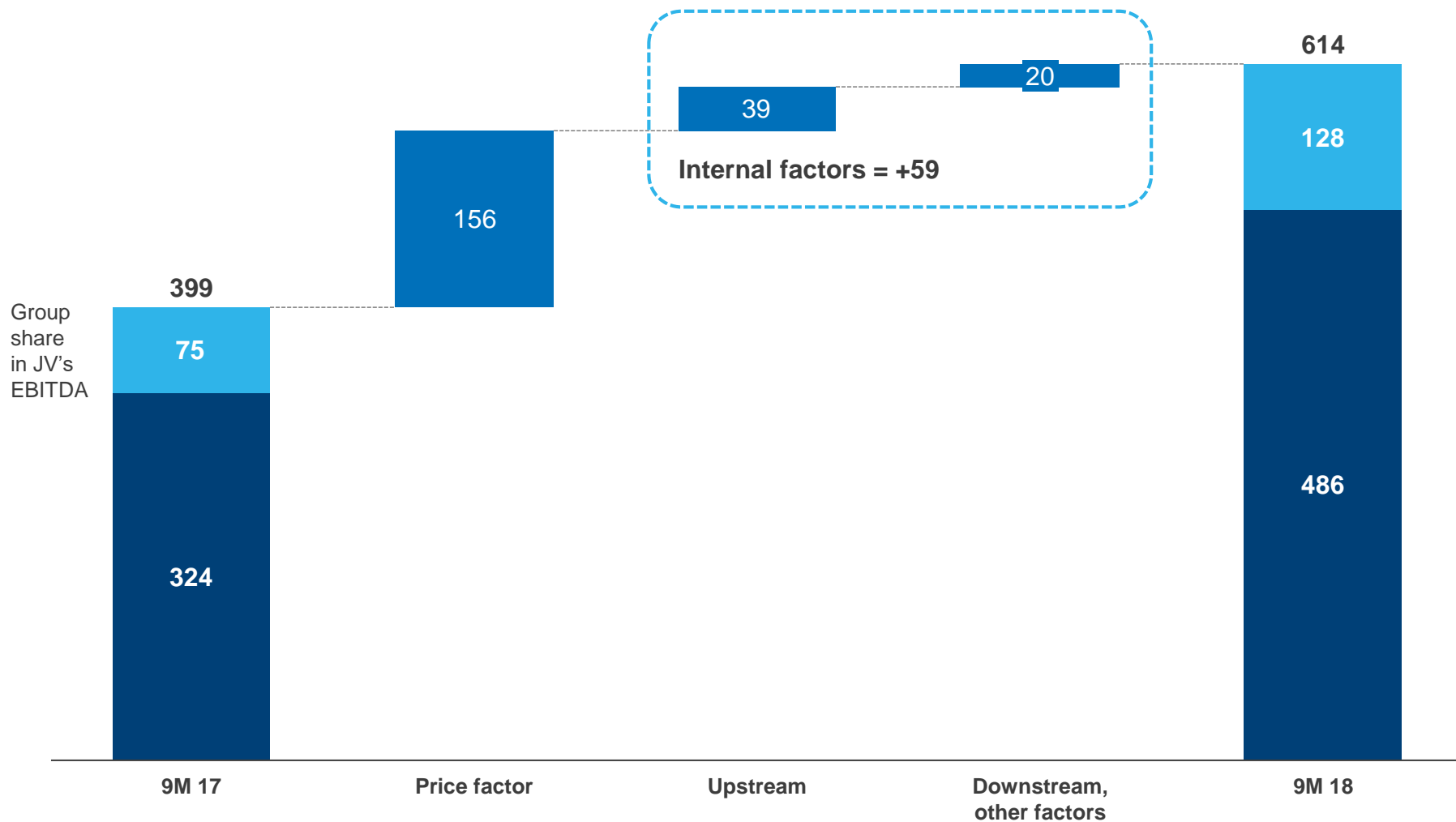
Net income RUB bln



- Revenue increased by 29.8% y-o-y due to higher oil prices and increase in petroleum product sales
- Revenue increased by 11.7% q-o-q due to higher oil prices on domestic and international markets and increase in petroleum product sales
- Higher oil price, and greater production at major projects (Novy Port, Prirazlomnoye and Messoyakha) resulted in adjusted EBITDA increasing by 53.9% y-o-y
- Adjusted EBITDA increased by 15.9% q-o-q due to higher oil price, increasing upstream production volumes and higher sales of petroleum products
- Net income increased by 58.0% y-o-y due to higher EBITDA
- Net income increased by 36.5% q-o-q due to higher EBITDA and lower FX losses in 3Q18

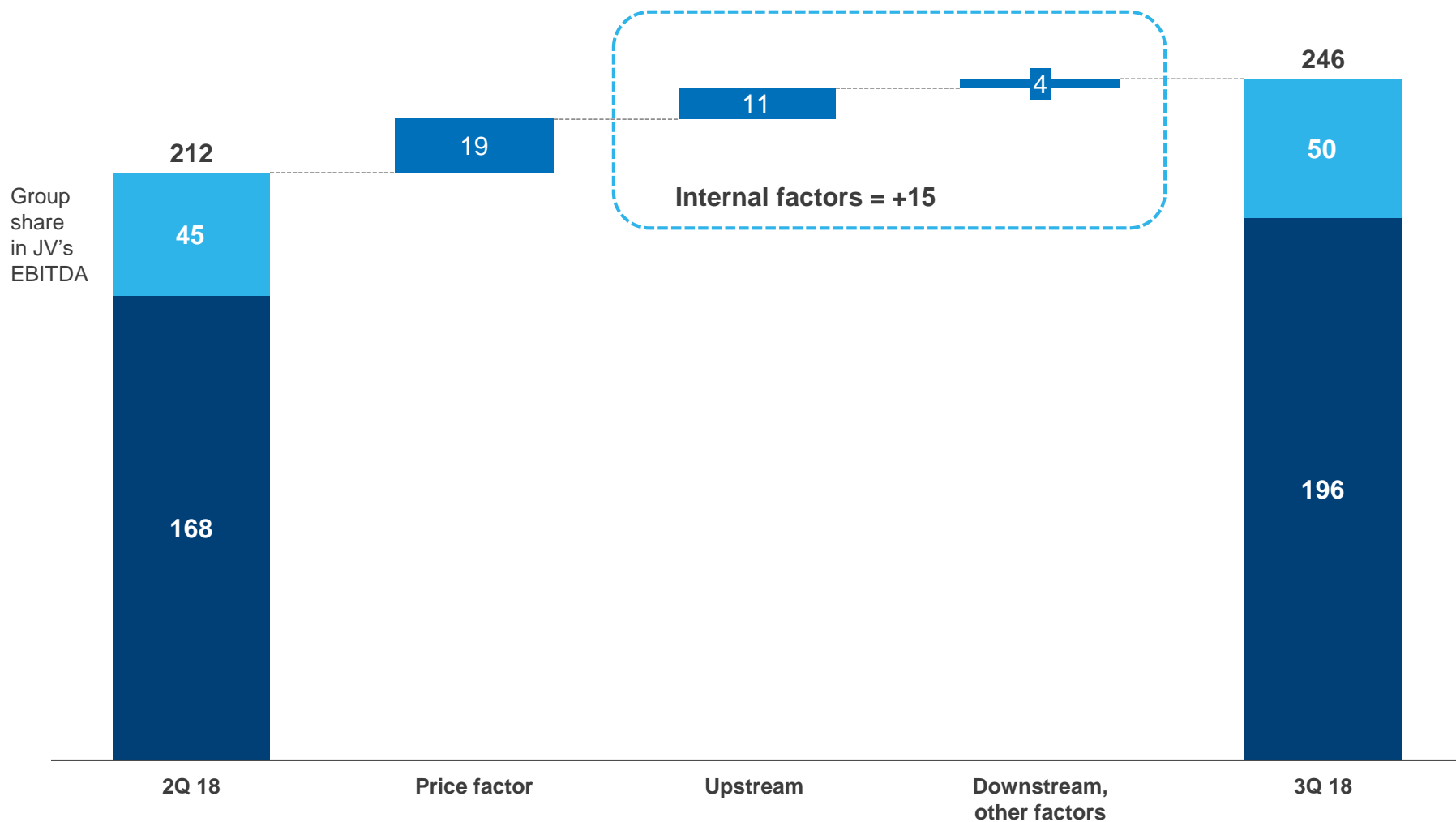
*Including GPN share in EBITDA of associates and joint ventures

Adjusted EBITDA* reconciliation 9M 2018 vs. 9M 2017, RUB bln



*Including GPN share in EBITDA of associates and joint ventures

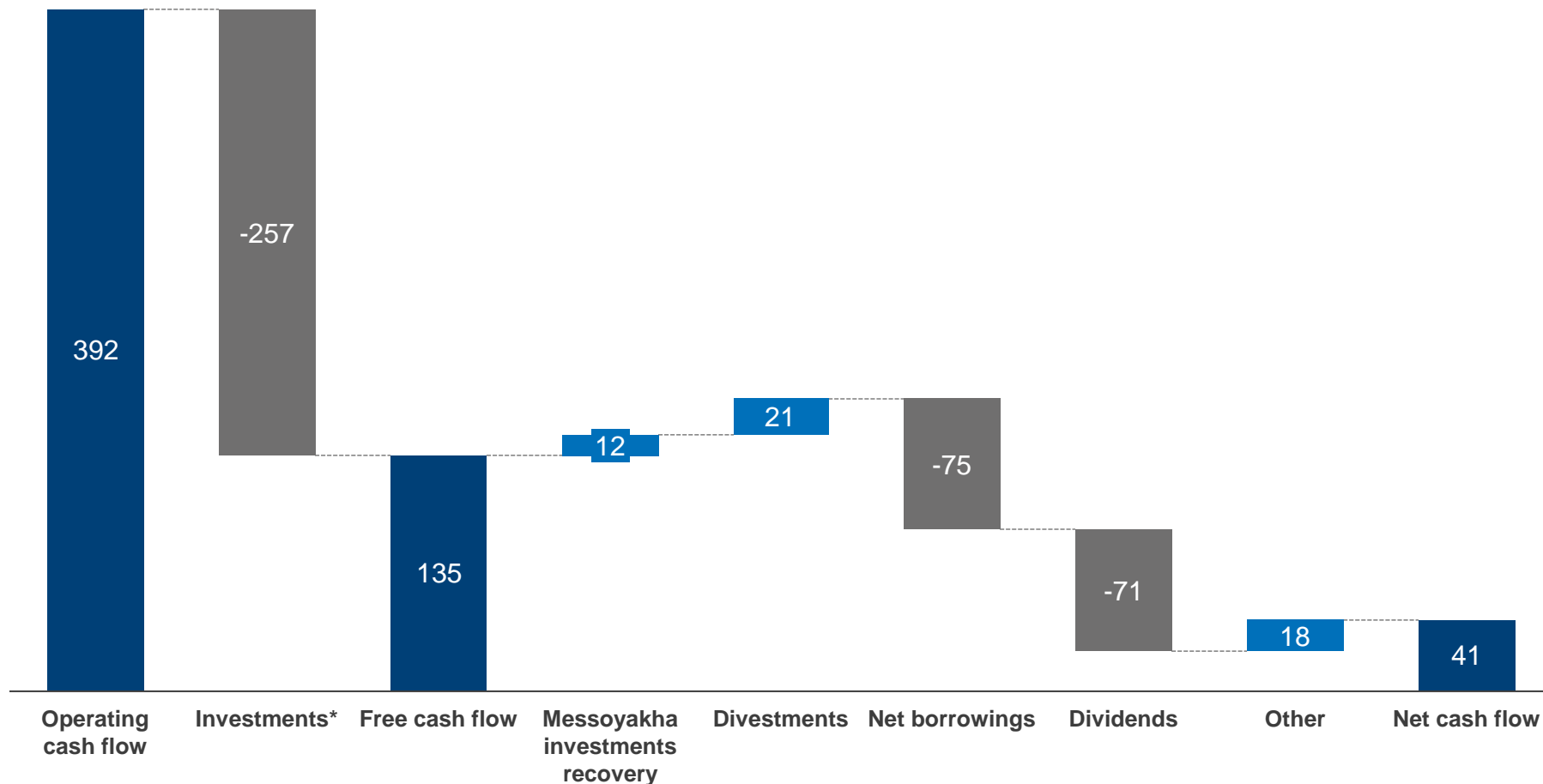
Adjusted EBITDA* reconciliation 3Q 2018 vs. 2Q 2018, RUB bln



*Including GPN share in EBITDA of associates and joint ventures

Stable CAPEX and solid operational cash flow delivered positive free cash flow

9M 2018 Cash flow reconciliation, RUB bln



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

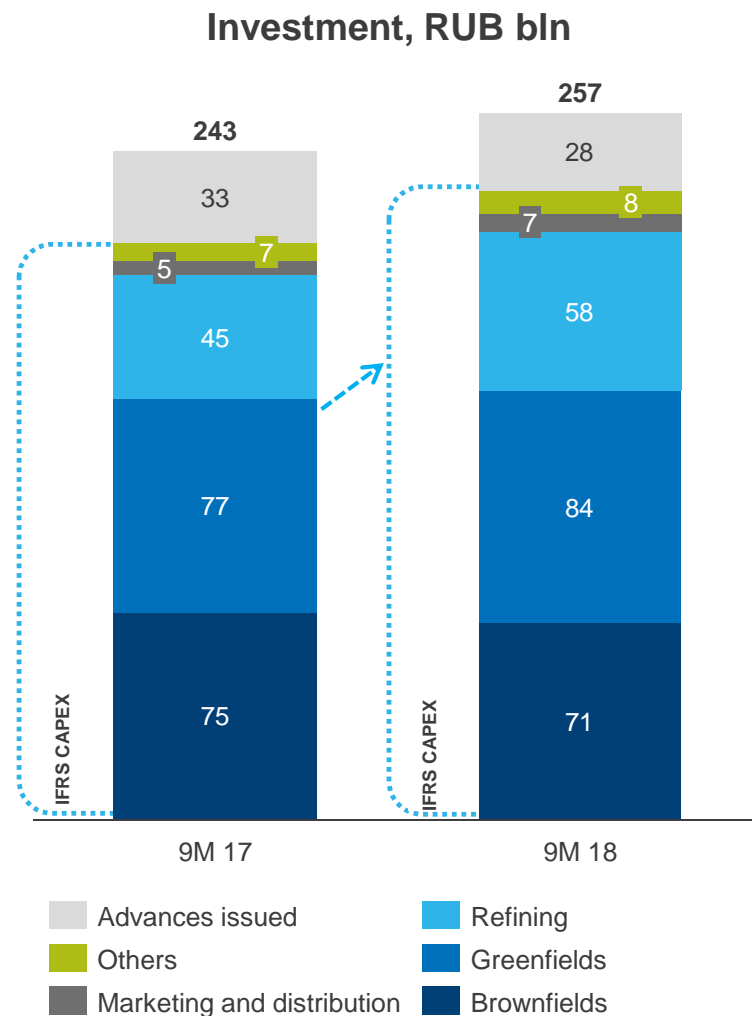
Ongoing refinery modernisation led to greater investment

5.8% y-o-y increase
in **CAPEX**

Upstream CAPEX increased by **2%**

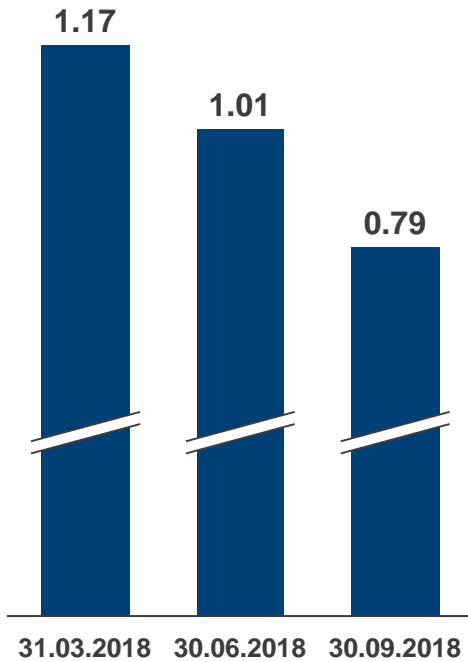
Refining CAPEX increased by **29%** YoY
as a result of the ongoing modernization
of refineries

Marketing CAPEX increased **47%** y-o-y



Further improvement in debt portfolio

Net debt/EBITDA dynamics



Debt maturity profile as of September 30, 2018

