



PUBLIC JOINT STOCK COMPANY GAZPROM NEFT
(GAZPROM NEFT PJSC)

PRESS RELEASE

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Gazprom Neft demonstrates solid growth across all key financial indicators in 2018

Gazprom Neft (the "Company") today announces its IFRS consolidated financial statements for the 12 months ended 31 December 2018 (FY2018).

- **Net profit for FY2018 of RUB376.7 billion , a 48.7 % increase year-on-year**
- **Adjusted EBITDA* of RUB800 billion, – up 45.1 % year-on-year**
- **Free cash flow (FCF) of RUB162 billion, a 2.5-fold increase year-on-year**

Revenue for FY2018 amounted to RUB 2,489 billion, a 28.7% increase year-on-year.** Adjusted EBITDA grew by more than 45.1% year-on-year to RUB799.5 billion. This increase reflects positive dynamics of the oil price, improvements in operational efficiency, and continued production growth at the Novoportovskoye, Prirazlomnoye and Vostochno-Messoyakhskoye fields. Net profit attributable to Gazprom Neft PJSC shareholders totalled RUB376.7 billion, an increase of 48.7% year-on-year.

Significant growth of the Company's operating cash flow, coupled with the completion of key infrastructure investments at major upstream projects, resulted in a positive free cash flow of RUB162 billion for FY2018, up 2.5-fold.

Based on FY2018 results, the Company has retained its top 3 position among Russia's hydrocarbon producers. In 2018, hydrocarbon production, including Gazprom Neft's share in joint ventures, increased by 3.5% year-on-year to 92.9 mtoe, driven by higher production volumes at new fields and an increase in Gazprom Neft's stake in Arktikgas from 46.67 to 50%.

Full-year refining volumes at Gazprom Neft's refineries and processing assets of the Company's joint ventures totalled 42.9 million tonnes, an increase of 7% year-on-year. The Company continued to implement the second stage of technological and environmental improvements to its refining facilities throughout 2018, enabling further improvements to conversion rate and light product yield in the future.

* Adjusted EBITDA includes the share of EBITDA of associated and jointly controlled companies, accounted for under the equity method. ** Starting from 1 January 2018, the Group has been applying IFRS 15 Revenue from Contracts with Customers, resulting in changes in its accounting policy and adjustments to financial statements. Export duties were included into revenue, while excise tax on sales charged in Serbia as a sales tax was excluded.

Oil product sales through premium channels grew by 3.7% year-on-year to over 27.1 million tonnes. The sustainable growth of sales via premium channels was driven by a wider product range, the modernisation of production facilities and the introduction of innovative solutions for customers.

The Gazpromneft filling station network remained one of the most popular among Russian motorists. The Company confirmed its market leading position by average sales per station, which were up 3.3% year-on-year to 20.7 tonnes per day.

The solid growth of aviation fuel sales – 10.2% year-on-year – was supported by increased air traffic, as well as the Company’s expanded geographic coverage and ongoing initiatives to develop collaboration with airlines and fuel suppliers in international markets.

The Company also increased sales of bitumen products and marine fuels with enhanced environmental performance. Further enhancement of Gazprom Neft’s international distribution network and the launch of innovative specialist products resulted in higher sales of lubricants and service fluids.

Commenting on the Company’s FY2018 performance, **Alexander Dyukov, Chairman of the Management Board of Gazprom Neft** said:

“Gazprom Neft retains a market-leading position in operational efficiency. In 2018, we were able to significantly improve our financial performance year-on-year, with net profit up by 48.7 percent. Importantly, the Company delivers a high return on average capital employed (ROACE), a key performance indicator set out in Gazprom Neft’s 2030 Strategy. –

Sustainable improvement of our financial and operational performance facilitates an increase in dividend payments and fosters the implementation of our investment programme. In 2019, we will continue to focus on maximising efficiency across our operations by employing new technologies and responding flexibly to the changing market conditions.”

Financial highlights

	2018	2017	Δ, %
Revenue (RUB, millions)*	2,489,292	1,934,589	28.7
Revenue after excise duties (RUB, millions)**	2,582,126	2,003,576	28.9
EBITDA (RUB, millions)	722,897	489,025	47.8
Adjusted EBITDA* (RUB, millions)	799,506	550,967	45.1
\$/boe	18.52	14.19	30.5
Profit attributable to Gazprom Neft PJSC shareholders (RUB, millions)	376,667	253,274	48.7
Operating cash flow	537,523	421,700	27.5
Free cash flow	162,326	64,610	151.2
Net debt / EBITDA	0.73	1.19	(38.7)

*** For reference – “Sales (revenue) including excise duties” include excise duties on sales in international markets (Sales), applied to 4Q 2017.

Operating highlights

	2018	2017	Δ, %
Hydrocarbon production (including share in joint ventures, mboe)	688.40	665.38	3.5
Hydrocarbon production (including share in joint ventures, mtoe)	92.88	89.75	3.5
Refining volumes at the Company's refineries and joint venture facilities (million tonnes)	42.91	40.11	7.0
Sales through premium channels (million tonnes)	27.10	26.13	3.7
Sales through filling stations (million tonnes)	11.34	11.04	2.7

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