

**JSC Gazprom Neft**  
**Q1 2014 Financial and Operating Results**  
**May 16, 2014**

**Anna Sidorkina, Head of Investor Relations**

Good day, Ladies and Gentlemen! I am Anna Sidorkina, Head of Investor Relations. We welcome you to our conference call, which is dedicated to results in Q1 2014. A presentation and comments on financial reporting will be provided by the Management Board member and CFO, Alexey Yankevich. Upstream performance will be presented by Mikhail Zhechkov, who heads the Economics and Investment Department of our Exploration&Production Division. Then Alexey Urusov, the Head of Economics and Corporate Planning will tell us about developments in the Downstream segment during the reporting period. We will be joined for the Q&A session by Sergei Vakulenko, the Head of Strategic Planning.

As usual, before starting our presentation, which is also available via webcast on our website, we would like to remind you that the presentation and all of the comments to it, as well as all statements made during the teleconference may and will contain forecasts with respect to the financial situation and the results of operations by Gazprom Neft. All statements, other than assertions about past facts, should be treated as 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 could cause actual results, performance, or events to differ materially from those expressed or implied in the statements expressed in the course of this conference call.

Thank you very much. I will now hand over to Alexey Yankevich.

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

Good afternoon, ladies and gentlemen! I will be presenting our results in the first quarter of 2014.

The business of Gazprom Neft continued to grow and develop in Q1. We expanded our operations and improved our results during the period. We achieved a further increase of extraction volumes in the first quarter, when total hydrocarbon production increased by 4.4%. Sales through premium channels increased by 9.4%. Sales and operating profit (EBITDA) increased by 9.6%. Net profit decreased by 4%, but this was primarily due to revaluation of the loan portfolio and was a general trend for all Russian borrowers, reflecting quite substantial weakening of the ruble in Q1. It is also important to note that growth of operating profit by 9.6% was due entirely to internal factors and management efforts, as the overall external environment had a moderately negative impact. There is more to be said about this and I will come back to it later on in the presentation.

As regards strategically important developments, it should be noted that we made an agreement with our partner in the first quarter and are moving towards equalization of ownership stakes in the SeverEnergia asset. At present our stake is 45%, but it will be increased to 50% as there is an agreement in principle on this with our partner. We are also continuing our work with Shell in a joint venture for tight reserves. We obtained three new licenses in the framework of this joint venture for the development of Achimov and Bazhenov formations: Yuzhno-Lungorskiy 1, Yuilskiy 4 and Yuilskiy 5. We also launched a new high-tech lubricant production unit for blending and packaging with use of the latest technologies at our lubricant plant in Omsk.

Let's now compare Company results in the first quarter with the fourth quarter of 2013. It is quite hard to comment because of seasonality, but the first quarter also looks quite positive in general, despite some decline in total extraction volumes. And when we look at average daily extraction on the slides we can see that the growth trend from quarter to quarter is continuing. The main reason for the decline in extraction in absolute terms relative to the fourth quarter was the fact there were fewer days in Q1 than in Q4. Refining volumes increased. EBITDA declined slightly. The main factor causing the decline was change in tax terms, while internal factors were positive. Net income decreased due to exchange rate differences.

I will now hand over to Mikhail Zhechkov, who will tell you about first-quarter results in the Upstream block.

**Mikhail Zhechkov, Head of Economics and Investment Department, Exploration and Production Division**

Good day, dear colleagues! Regarding the major events that were already mentioned by Alexey, I would just repeat what was said about SeverEnergiya: an agreement on parity ownership has been reached. We achieved a positive trend in hydrocarbon production: growth of 4.4% compared with the first quarter of 2013. The first tanker shipment was made from Prirazlomnoye (70,000 tons of oil). Licenses were obtained for KMPA as part of the partnership with Shell. It is also worth pointing out that we have achieved positive dynamics in gas utilization: there was growth of 7.4% compared with first quarter of 2013 and the level of utilization in Q1 2014 reached 84.3%. The main factor in this growth was the launch of a compressor station at the Priobskoye field in mid-2013.

What I would like to point up on the next slide is the positive trend in daily production level relative to the fourth quarter of 2013. The growth was 1%. On the right of the slide you see volumes in absolute terms. The decline in absolute terms is easily explained – it was because of the different number of days in the fourth and first quarters.

The next slide shows a factor analysis of production growth. The overall increase compared with the first quarter of 2013 was 4.4%, of which 1.4% for oil and 2.9% for gas. It is important to emphasize that we obtained positive dynamics from work-overs at Megionneftegaz and the initial flow rate was 57, compared with a target of 42. The effect for the whole year will be about 100,000 tons. So we achieved a positive trend at Megionneftegaz in the first quarter.

The next slide shows progress in drilling horizontal wells, horizontal wells with multi-stage hydrofracs and multilateral drilling. We are pressing ahead with our work on tight reserves, raising drilling efficiency and technology standards.

Next slide, please. This slide shows the portfolio of projects for development of Bazhenov reserves. Three wells were drilled at the Palyanovskoye field, of which two were brought into operation and one is still being drilled. Output was 173 tons per day, of which more than 50 tons from the second well. As regards SPD: we planned to complete two horizontal wells to Bazhenov formations this year and to bring at least 14 million tons of reserves into industrial development in the future. As I already said, three licenses have been obtained in the framework of KMPA and work is underway to design a geological exploration programme at the acquired areas.

The next slide shows development of new fields. Test production was carried out at the Tympuchikanskiy license area as part of the Chona project, at Well 96. Some 1,800 tons of oil were produced in 300 days under the license agreement and seismic work was completed to schedule. At Kuyumba we finished drilling of an exploration well, which is now being tested. The testing will be completed in the first ten days of August 2014. Drilling of two horizontal wells was completed in the test production areas and gushing flows of water-free oil were obtained. We are keeping to the rig schedule and the schedule for supply boats at the Dolginskoye field, and we expect to start drilling this year. In Kurdistan 3D and 2D seismic has been processed at Shakal and we have begun preparations for drilling of wells. Field work is underway at the Halabja block and drilling of wells has been completed at the Garmian block.

Another slide on the development of new fields. At Orenburg the first start-up complex of the technological line has been launched, which will enable us to bring oil quality up to specifications and raise preparation and transportation volumes by 500,000 tons per year. High-pressure compressors have also been commissioned, which will increase gas preparation and transportation of gas by 500 million m<sup>3</sup> per year. At SeverEnergiya a CPF with capacity of 70,000 tons per day has been launched at the Yaro-Yakhinskoye field, first results have been obtained from test production at the Samburgskoye and Yaro-Yakhinskoye fields and the first line of a GPF has been brought into operation at the Urengoykoye field. At Novoport 31,000 tons of oil were transported in the winter shipment programme, a contract was made with Blue Water for manufacture and delivery of an Arctic terminal, the hydrofrac programme was completed, welding work was completed at CPF-CODAP pressure oil pipeline and a contract was signed for the supply of a gas-piston unit for the compressor station. Production began at Prirazlomnoye, as I have already said, and an oil tanker shipped 73,000 tons of oil. A further three tanker shipments are scheduled by the end of the year. The drilling of a second well has begun. At Badra we are carrying out pre-launch works, and field launch is expected in the first half of the year. Testing of Well BD- 5 has been completed and a target of 10,000 barrels per day has been confirmed.

I will end on that and hand you over to my colleague.

### **Alexey Urusov, Head of Economics and Corporate Planning Department**

Good day to you! The volume of oil refining in Downstream increased in the first quarter of 2014 compared with the first quarter of 2013. This was due to the fact that the diesel hydrotreatment unit at the Moscow Refinery underwent repairs in early 2013, while there were no repairs in the first quarter of 2014, so that refining volumes were maximized. Gazprom Neft achieved a level of more 90% of products in Class 5 in the first quarter. This was thanks to reconstruction last year of the diesel hydrotreatment unit and commissioning of a FCC gasoline hydrotreater at the Moscow Refinery. So the Company met the requirements of the Technical Regulations for the production of Class-5 petroleum products ahead of schedule.

All major projects are currently in the active phase of construction or preparation for construction. Pre-project documentation has been prepared for installation of a complex processing unit at the Moscow Refinery. Preparation of FEED documentation is underway for the deep processing unit, ahead of the construction launch.

We should also note the growth of premium sales by 9.4% year-on-year, due both to growth of retail sales and growth in the B2B segment. There was also an increase of average daily throughput per station to a level of 18.4 tpd. This was partly due to growth in sales of G-Drive branded fuels by 56%. Development of the retail network allows the Company to increase the share of non-fuel sales – this indicator grew by 36% year-on-year. As regards M&A, we acquired a 50% stake in the refueling complex at Omsk airport and Russia's largest plant for the production of polymer-modified bitumen in Ryazan.

As for pricing, the graph on the left of slide number 15 shows that wholesale prices in an environment of stable oil prices reflect, first, increase of excise duties – as we know excises for Classes 5 and 4 increased in the first quarter (the excise on Class-5 gasoline rose by about 700 rubles, which is about 12%), – and also the growth of the ruble equivalent of export parity for petroleum products due to change of the dollar exchange rate against the ruble. As regards retail we should note that retail prices are directed by the trend in wholesale prices, and it can be clearly seen on the upper right graph that refining margins and the economics of refining are better than oil exports. This was the case throughout 2013 and the first quarter of 2014, so our company is maximizing its refining volumes in order to provide more return to shareholders.

The other thing to note is that oil refining volumes in the first quarter were up not only in comparison with the first quarter of 2013, but also with the fourth quarter of 2013. This is because units at the Moscow Refinery were undergoing repairs in the fourth quarter of last year.

We look now at premium sales channels. Gazprom Neft operated a network of 1,738 filling stations and the respective growth of premium sales was about 9%. There was substantial growth in the B2B segment – aero, bunkering and lubricants. I also call attention to increase of the Company's market share in the aero segment, by 1.4% y-o-y to 22.7%. Gazprom Neft is currently the Number 1 in Russia on the bunkering market with 18.9% market share, up by almost 3% from last year's level. And the company also has a leading position in lubricants with market share of 12.5%. Speaking of events in the first quarter in the aero segment, it is important to note the establishment of a long-term relationship with Lufthansa – increase of sales volumes by 80% – and a 10-fold increase of refueling for Aeroflot outside Russia. In lubricant business we launched Russia's largest motor oil manufacturing plant in Omsk.

That's all I had to say. I give the floor to Alexey Yankevich.

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

Ladies and gentlemen! I will complete what I have to say with a review of financial indicators.

On slide 19, we see a brief overview trends in revenue, EBITDA and net income. As regards revenue, as I said, there was a year-on-year increase, but some decline relative to the previous quarter. This is because prices on the domestic market seasonally decline in the first quarter and there was also a slight decline of world oil prices, but it should be noted that this has a non-systemic and non-critical nature. And the decrease in revenue had negligible impact on operating profit. We can see that operating profit (EBITDA) declined by just 0.9% quarter-on-quarter. As you will see, this was entirely due to tax manoeuvre. But for the tax manoeuvre, operating profit in the first quarter would have increased against the previous quarter. So our business is generating steady operating profit, which is increasing from quarter to quarter.

We move onto the next slide with factor analysis of change in operating profit, showing what external and internal factors influenced results.

As regards the trend in operating profit compared with the same quarter last year, as I have already said, the impact from the external environment was negative overall. World prices fell relative to the previous year, and the positive exchange rate difference, which partially offset this decline, was in a context of increased mineral extraction tax (MET), also due to the exchange rate differences, so that there was an overall adverse change in the price factor (2.2 billion). That is the sum of changes in world and domestic prices, as well as change of the exchange rate, which affects both the price and export duties and MET. I repeat again – this was to do with the fact that prices are traditionally under pressure in the first quarter, plus the excise growth, so that the price factor was negative. The next two cubes are increase of MET and the reduction of duties, i.e. negative impact of the tax manoeuvre was 2.9 billion, of which about 800 million was one-off effect of delay in the decision to reduce export duties. As you know, tax manoeuvre worked asynchronously: for MET from January 1 and for duties from February 1. So, out of the 2.9 billion, we treat 0.8 billion as a one-off effect and about 2 billion is the effect of the tax manoeuvre – simultaneous increase of MET and reduction of export duties. We, as a company with a larger share of refining, suffered to an extent from the tax manoeuvre, but negative changes in the environment were more than compensated by the efforts of management, production growth, improved sales mix – premium sales, to be precise, – our work to improve efficiency and reduce costs. In total, despite negative external environment impact of 5 billion, EBITDA growth was 9.6%.

Analyzing the dynamics of operating profit quarter-on-quarter, as I said, if you take out impact of the tax manoeuvre, profit would have increased. But, unfortunately, the first quarter loses by comparison with the fourth quarter as well as with the previous year due to the tax manoeuvre.

Next, cash flow analysis. Gazprom Neft continues to generate consistently high operating cash flow. You can see from the MD&A and our reporting that operating cash flow grew substantially in the first quarter of 2014 against the same quarter last year. Overall we had fairly solid free cash flow in the first quarter at about \$600 million, which is approximately \$5.5-5.7/bbl. That is quite a good result in terms of the industry, taking account that we are now at an investment peak and 2014-2015 is the most intense investment period due to intensive development of new projects.

Now for investment analysis. Investments grew by 17% in the first quarter of 2014 compared with the same quarter of the previous year. First in the breakdown comes capex, which is reflected in the MD&A under the following categories: upstream brownfield, upstream greenfield, refining, marketing and distribution. We have also shown major projects (greenfields) and other investments. These are categories, which are not consolidated as capex, but financed through loans, because they are either joint ventures or Gazprom assets in the process of transfer.

As for organic capex, investments in new projects increased by 68%. The growth was mainly associated with the construction of large infrastructure facilities at the Novoport field. We are actively preparing for development and carrying out construction of the field at present. There was also an increase of drilling volumes in the first quarter at our Orenburg assets, which are our other main point of growth.

Regarding current assets: investment growth of 10% was mainly due to the application of new technologies. The number of high-tech operations continues to grow, and we showed growth of such operations in the quarter compared with the previous year.

Investments in oil refining and marketing decreased. There was a 30% decrease in refining due to the completion of the quality programme past year. The last of the new facilities were brought into operation at the Moscow Refinery. We are now moving onto a new phase – investments in deep processing, – but work at present is mainly at the design stage, so the investments are not large.

In marketing and distribution we are completing major reconstruction and re-branding tasks. Most of the work in this area has been completed, so there was some decline in the level of investments compared with the previous year. It should be remembered that we have quite a major reconstruction programme planned this year in the Moscow region, and we are pursuing it, but the scale of investments is not as large as in previous periods.

We can see considerable growth in major projects and other investments, by about 50%, mainly due to implementation of the Prirazlomnoye project. This project is funded by loans, because it is still on Gazprom's balance sheet for the moment. But this year, as we already said, we expect to fully consolidate the asset and receive a license. Development of the Messoyakhskoye field also counts as one of our large projects. It is a joint asset, financed by symmetrical loans from Gazprom Neft and Rosneft.

There have been no major changes in our financial performance. Net debt to EBITDA increased slightly and now stands at 0.56x. So we still have much room for manoeuvre within our ceiling of 1.5x. One event that is

important to mention is the drawdown of a club loan in the first quarter. We completed this transaction worth \$2.15 billion last year, and the interest rate is at a record low level – a premium of 1.5% to LIBOR, which is a fantastic rate in the present environment. We took this loan at just the right time. We drew it down in the first quarter and, generally speaking, we now have sufficient liquidity for the rest of the year and probably also for next year. So our borrowing plan can be considered implemented.

I will end the presentation there, we are ready to answer your questions. Thank you for your attention.

## Q&A

### Question №1

#### Alexander Fak - Sberbank

Good day to you, gentlemen! Many thanks for the conference call, for the presentation. I have three small questions.

The first question is about the Vietnamese refinery. As I understand it, you are going to buy a 50% stake. Could you indicate to us the scale of acquisition: \$500 million, \$1 billion or more?

The second question concerns the company Zagros, the project in Kurdistan. What is your strategy: do you plan to consolidate or acquire the stake in the blocks that belongs to Zagros, maybe you intend to buy this company?

And the third question: SeverEnergiya showed a net loss of about RUB 2 billion in the first quarter. Can you please explain the reason for that?

Thank you.

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

Thank you for the questions, Alexander.

I will start with the last question on the SeverEnergiya loss. It was connected with interest on the loan, which was taken to increase the ownership stake, to buy a stake from the Italian shareholders.

As for Vietnam, I unfortunately cannot add anything new to the comments we have already given. We are currently in negotiations, so I cannot name the acquisition price. The price is under discussion now, and the possibility of our buying depends on that: if we can agree on all the conditions associated with this transaction, including the acquisition cost, the transaction will take place. For us it is a commercial project and we will only go ahead if we can see a return from it. All other aspects are negotiable.

Concerning Zagros I can unfortunately only give a short answer: I cannot make any comment yet, no decisions have been taken on the matter.

### Question №2

#### Maxim Moshkov – UBS

Good evening. I have three small questions, if I may.

The first question relates to transportation costs. Costs rose very quickly in the first quarter and you explain that by the cancellation of a contract for oil substitution with TNK-BP. That is most probably to do the integration processes between Rosneft and TNK-BP. What additional risks do you think there are for you in terms of growth in operating expenses in connection with that unification?

The second question is about MET for gas from July: do you have a reference rate for gas production?

The third question concerns refining capex. We see a substantial reduction. It is clear that quality upgrade projects have been completed, but can you name the capex amount for refinery modernization in Russia, which remains to be spent in the next three years?

Thank you.

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

Allow me to start with the third question. It is hard to name an exact figure for capex in refining at the moment, because we are still at the design stage and, as you know, valuations can vary at the design stage. To give an idea of the scale, we are talking about \$3-4 billion over three years.

As for MET on gas, I do not quite understand the question. We have been making the calculations and I am told that the rate will be RUB 566 per thousand m<sup>3</sup>. The most important thing here is that we will pay as independent gas producers. You can do the calculations yourself and recheck.

With regard to transport costs, it is right that we used to have a substitution scheme with TNK-BP, which came to an end after the change of shareholder, but we do not see any further substantial risks. We have long ago made up for the lost benefit through oil trading actions. So the part of profit in the oil segment, which we consider as the effect of various optimizations and trading operations, has not been substantially reduced. We do not see any additional risks and it was not a substantial quantity for us.

**Question №3**

**Karen Kostanyan – Bank of America Merrill Lynch**

Good day. Thank you very much for your presentation. I have two questions .

The first question: you have started to receive oil from Prirazlomnoye, so when would you like to make Prirazlomnoye eligible for tax benefits applicable to offshore projects? Could you tell me what stage the process is at now, whether these benefits could be obtained in the future and to what extent it is possible for your other offshore projects?

And a second question about the three wells at the Palyanovskoye field that were drilled in 2014. Do you have results for these three wells, and could you let us know what they are?

Thank you.

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

I will start with Prirazlomnoye and then my colleagues will comment on the Palyanovskoye field .

Concerning taxes at Prirazlomnoye, as you know, the project has received export duty benefit as part of tax provisions. Regarding the offshore regime: we believe that the project is profitable with export duty benefits, but it is borderline. So, in principle, for the project to offer a sustainable return taking account of all uncertainties and risks, we think that it would be fair for the project to benefit from the offshore regime. We are carrying out the relevant work, consultations are underway with government, but there has not been any decision yet. The work is continuing.

I refer you to my colleagues for comments about the Palyanovskaya area.

**Mikhail Zhechkov, Head of Economics and Investment Department, Exploration and Production Division**

Three wells have been drilled at the Palyanovskoye field in Khantos, and two of them have been commissioned - № 130 and № 138 with flow rates of 73 tons per day and 42 tons. Well № 158 is being tested and gave 90m<sup>3</sup> per day – that is the initial flow rate.

**Question №4**

**Grigory Birg – Investcafe**

Good day. Thank you for the presentation. I have two related questions.

First, what is the situation with obtaining licenses for offshore fields, Prirazlomnoe and Dolginskoye, and do you still expect to buy them from Gazprom?

Second question: there was information that Gazprom found substantial oil reserves on the Sakhalin shelf and am I right in thinking that if these reserves are put on the balance sheet, you will take part in their

development as operator ? And if that is right, will you be able to put these reserves on your balance sheet in the future?

Thanks.

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

Grigory, thanks for the question. I will start with the last question, about the Yuzhno-Kirinskoye field. You probably heard the comments from Gazprom, which were made on several occasions, including at the Gazprom Investor Day earlier this year. Unfortunately, there is nothing new to add yet. These reserves have not been fully studied with respect to their volumes and commercial viability. Therefore it is not clear how they will affect the development scheme at this field. So we cannot say anything for the moment about how and whether we will take part in this project .

As regards licenses, we have already obtained a license for the Dolginskoye field and development licenses for Prirazlomnoye are owned by Gazprom Neft Shelf, which is now a part of Gazprom group. We are buying this company – all of the corporate decisions have been made. We will acquire Gazprom Neft Shelf by the middle of the year and accordingly we, as Gazprom Neft group, will become the license.

**Question №5**

**Ekaterina Rodina – VTB Capital**

Good day! Thank you very much for the presentation. Congratulations on your good results!

Could you clarify whether there is any more up-to-date information on possible damage from the fire at SeverEnergiya production facilities? If so, it would be interesting to hear the new production forecasts.

Thank you.

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

Ekaterina, thank you for your question.

The question is a good one, but unfortunately I cannot offer you specific figures. A commission is still working on the issue, clarifying the parameters. Various options to restore production are being considered. In particular, our First Deputy, Vadim Yakovlev, is now in Novy Urengoy, but the timing and volumes are still being assessed. There are various options for restoring production, but concrete figures will come a little later.

**Anna Sidorkina, Head of Investor Relations**

Ladies and gentlemen, if you have any questions, please ask .

**Question №6**

**Alexander Rozhechkin – UniCredit**

Good day! Thank you for your presentation. I have three questions for you .

First, could you tell us about your capex plans for this year and 2015? Roughly how much do you plan to spend in these years ?

Second question: the cash and cash equivalents line in your accounts has more than doubled, so how comfortable is the Company with this figure and how do you plan to spend this money?

And a last question about prices. In the presentation on slide 20, you indicate that prices for oil and petroleum products had negative impact on EBITDA, and in the MD&A, comparing Q1 2013 with Q1 2014, it was shown that average prices have grown. What is the reasoning for the negative effect described in your presentation?

Thank you.

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

Thank you very much for your question, Alexander.

As regards CAPEX plans, they remain as we declared them. It is about RUB 330 billion for 2014 and RUB 255 billion for 2015.

As for cash and cash equivalents, this line really has grown and that was due to drawdown of the \$2.15 billion club loan from last year's transaction earlier than we had planned. It is no secret that the situation on external lending markets is fairly uncertain at the moment, so we decided that it would be best for the Company to be properly hedged and to draw this money additionally to use it for the investment program this year and next year. So the money that we now have on our accounts is more than enough for this year and there will be money left over to finance the investment programme next year. Which is to say that those sums are part of our funding for next year.

And the last part of the question, which concerned factor analysis. Perhaps I did not explain well enough. What we understand by the price factor is not only the change in sales prices, but also several other factors, which can also be considered relevant to price. These are: exchange rate change, which affects both price and export duties and MET, and MET change as such due to change in prices and change in duties. What we call price factor is change in the net price, not the contract price. For us, this is prices minus direct taxes, which are export duties and MET, since they are also "tied" to the price. So change of net price is negative, while change of the contract price is positive. If you break down the change in net price, what you get is this: growth of ruble prices gave plus 5 billion, increase of export duties due to the weakening of the ruble gave minus 2 billion, and we had a further minus 5 billion from change of the MET rate due to exchange rate and price changes. In total the negative factor was 2 billion. So the price change really was positive and what was negative was the increase of export duty and MET, also due to changes in the dollar exchange rate.

#### **Alexander Rozhechkin – UniCredit**

Thanks for your answer.

#### **Question №7**

#### **Grigory Birg – Investcafe**

Good day! I have a few questions, if I may. I expect that you will be able to reply them quite quickly, they are about risk management and debt.

Do I understand correctly that further increase of debt is not expected? Do you intend to repay any part of your debt early, as happened during the reporting period? Do you plan to further diversify your loan portfolio, which is now mainly in dollars, as written in your MD&A? With respect to that, can you say what share of the loan portfolio consists of dollar loans at present?

Thank you very much .

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

Thank you very much for your question.

With respect to our financial policy, it is correct, as I have said, that we do not plan any additional borrowing or any substantial repayments this year other than the syndicated loan sum of about RUB 26 billion rubles, which we repaid early. There will be no early repayments other than this.

As for debt: gross debt will not grow, we only intend some increase in net debt based on the fact that the balance will be used to finance investments. As we have said, it is possible that cash from operations will not be sufficient for investments plus dividends in 2015. If investments and dividends are broken out from operating cash flow, the quantity becomes negative in 2015, so we plan to use a part of the money to cover the deficit. Basically, we had planned to grow our debt next year, but that will not happen. So net debt will increase, but gross debt will remain the same.

#### **Grigory Birg – Investcafe**

And can you state the dollar sum, please.

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

As to the second part of the question about currencies, yes, we are looking at increasing the share of ruble loans in our portfolio. Currently the share of ruble debt in pure form, in the form of ruble bonds, is 20%, but effectively the share is less, since the greater part of ruble bonds have been swapped into dollars, i.e. it has been turned into dollar flows through hedging instruments. So you can say that most of our borrowings are effectively denominated in dollars. We plan to gradually change this situation and we will probably increase the share of ruble borrowings.

**Grigory Birg – Investcafe**

Thanks.

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

Excuse me, I have a small clarification. During our conference call, Interfax news has reported that the MET rate for gas for Gazprom Neft will increase by 20% from July 1. I would ask you to adjust your figures, because this is not the case. In the first quarter of 2014 we paid a rate of 700, so, respectively, in the second half the rate will decline to 566. Before the new rules came in we paid a higher rate of MET, like Gazprom. After the introduction of the new rules, as I already said, we will pay the MET at the rate set for independent gas producers. So the effective rate will be reduced for us.

**Anna Sidorkina, Head of Investor Relations**

Ladies and gentlemen! There do not seem to be any more questions. Thank you very much for taking part. I would like to thank the Company managers who participated in today's conference call. If there are any further questions, please contact Investor Relations. We are always glad to help. Thank you very much and all the best to you.