

## FY2017 IFRS FINANCIAL AND OPERATING RESULTS

St Petersburg – February 28, 2018



# Agenda

---

---

Highlights,  
Financials

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



---

Upstream

**Alexander Mikheev**  
Head of Economics and Investment Department,  
Upstream



---

Downstream

**Vladimir Konstantinov**  
Head of Economics and Investment Department,  
Downstream



# Disclaimer

---

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.

Forward-looking statements include, among other things, statements concerning the potential exposure of Gazprom Neft to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. These forward-looking statements are identified by their use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "objectives", "outlook", "probably", "project", "will", "seek", "target", "risks", "goals", "should" and similar terms and phrases.

There are a number of factors that can affect the future operations of Gazprom Neft and can cause those results to differ materially from those expressed in the forward-looking statements included in this presentation, including (without limitation):

- (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

All forward-looking statements contained in this presentation are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers should not place undue reliance on these forward-looking statements. Each forward-looking statement speaks only as of the date of this presentation. Neither Gazprom Neft nor any of its subsidiaries undertake any obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information.

# Highlights

## 2017 financial performance



- Sales: RUB **2004** bln (+**18.2%** y-o-y)
- Adj.EBITDA\*: RUB **551** bln (+**20.8%** y-o-y)
- Net Income: RUB **253** bln (+**26.5%** y-o-y)

## Operational progress in 2017

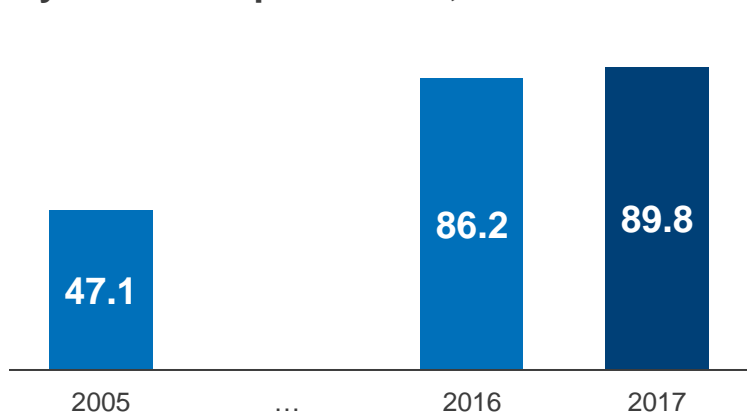


- Hydrocarbon production up **4.1%** MMToe y-o-y, (**3.9%** y-o-y, MMboe)
- Refining volumes down **4.2%** y-o-y due to scheduled repairs at refineries
- Average throughput per filling station in Russia up **4.2%** y-o-y

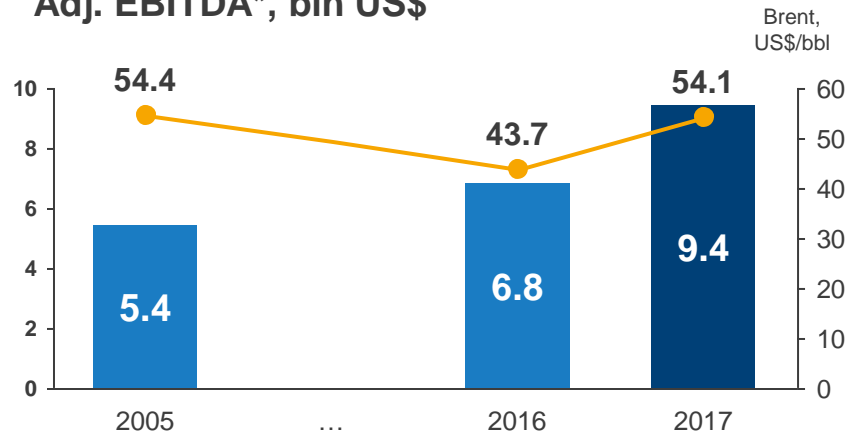
*\*Including GPN share in EBITDA of associates and joint ventures*

# Extensive growth history 2005 vs. 2017 under comparable macroenvironment

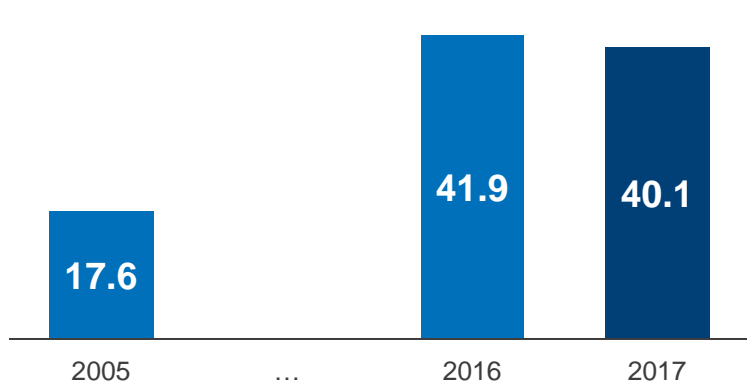
## Hydrocarbon production, MMToe



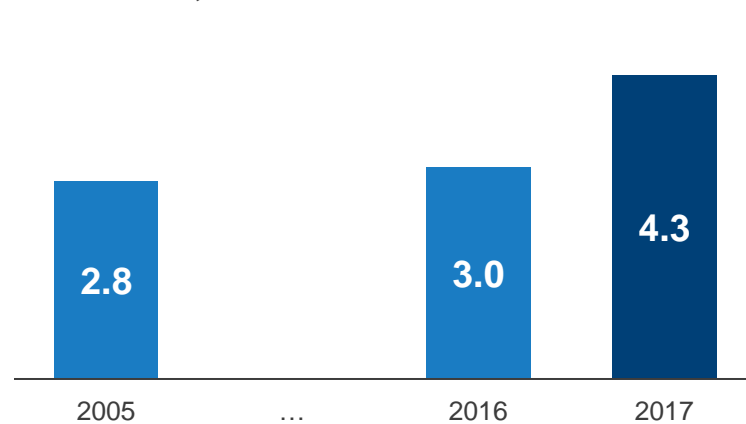
## Adj. EBITDA\*, bln US\$



## Refining throughput, MMTonnes



## Net income, bln US\$



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

# Key events in 2017

---

## Upstream



- Discovered new hydrocarbon field **Neptun** on the continental shelf of the Okhotsk Sea
- Approved increased production plateau at **Novy Port**: 8.6 MMTonnes
- Raised project financing in amount of RUB 100 billion for **Messoyakha**
- Commissioned gas pipeline and first train of gas plant at **Badra**
- Gazprom Neft's project on the **Bazhenov Formation** development awarded **National Project status**
- Received export duties tax benefit for **Kuyumba**
- Acquired a 25.02% stake (with the right to increase its share up to 50%) in **Evrotek-Yugra**

## Downstream



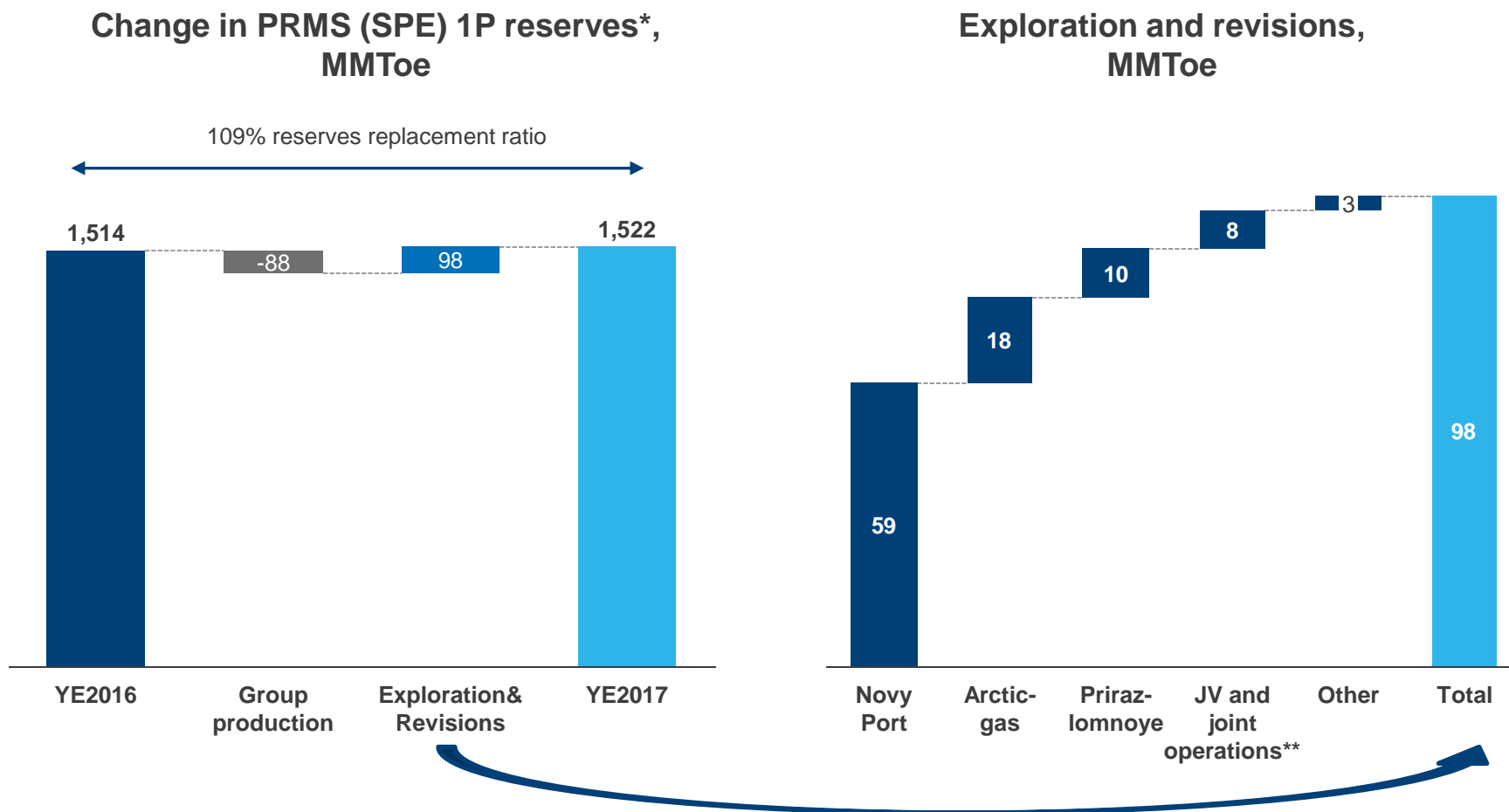
- Continued refinery modernization program:
  - Started construction of project infrastructure for the 2nd modernization stage at **Omsk Refinery**
  - Continued construction of Euro+ at **Moscow Refinery**
  - Started construction of a deep conversion complex at the **Pančevo Refinery**, Serbia
- Completed construction of **Biosphere** at **Moscow Refinery**
- Launched **Downstream Efficiency control center**
- Launched new branded fuels in Russia: **“OPTI Diesel”** and **G-Drive 100**

## Exploration and Production

---

Continuing production growth at Greenfields

# Successful exploration ensures reserve replacement



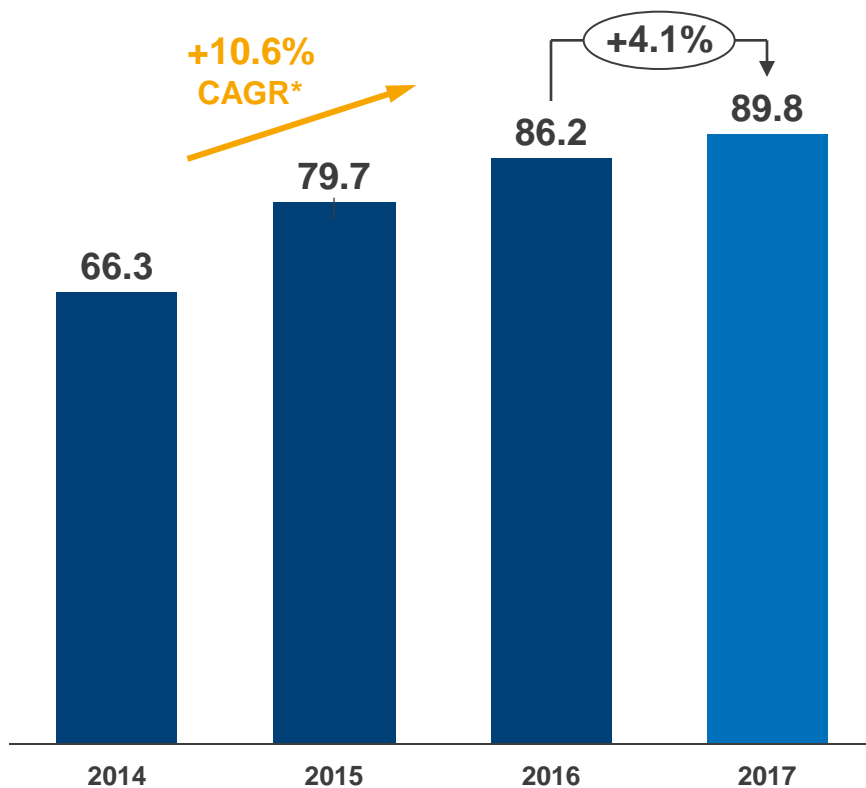
\*Data do not include NIS reserves and production volumes

\*\* JV and joint operations includes Tomskneft, Slavneft, SPD, Northgas, Messoyakha

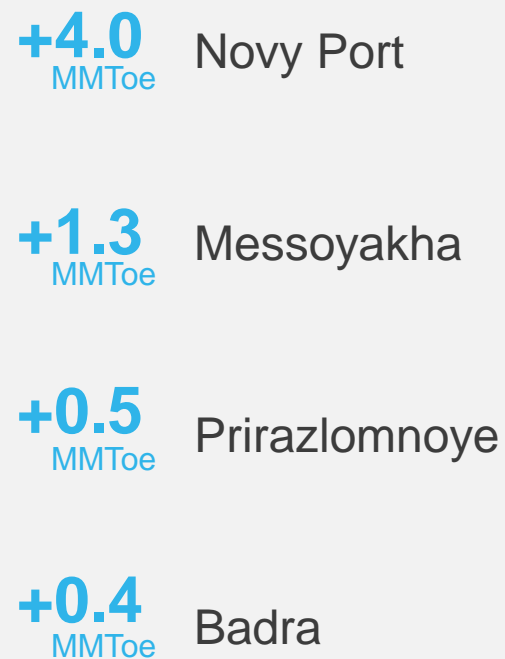


# Strong production growth, driven by greenfield projects

Hydrocarbon production, MMToe



Main growth drivers  
2016 vs. 2017



\*2014-2017

# Gazprom Neft's key projects: delivering growth

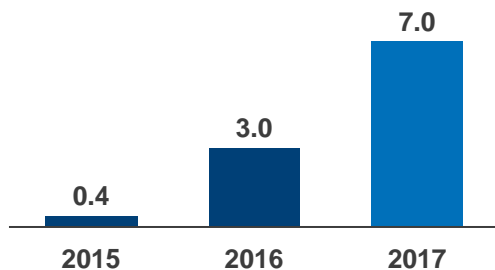
## Novy Port



### 2017 Key events:

- Approved production plateau: 8.6 MMTonnes
- Initiated gas injection
- Launched gas processing plant

### Hydrocarbon production, MMTon



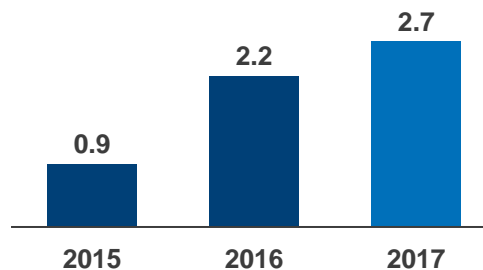
## Prirazlomnoye



### 2017 Key events:

- Completed construction of 4 wells: 3 production wells, 1 injection well
- Completed planned procedures of platform re-equipment
- Completed Oil Spill Response drill

### Hydrocarbon production, MMTon



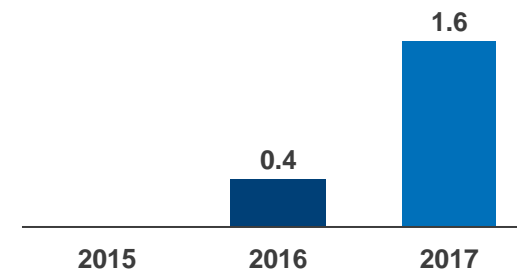
## Messoyakha



### 2017 Key events:

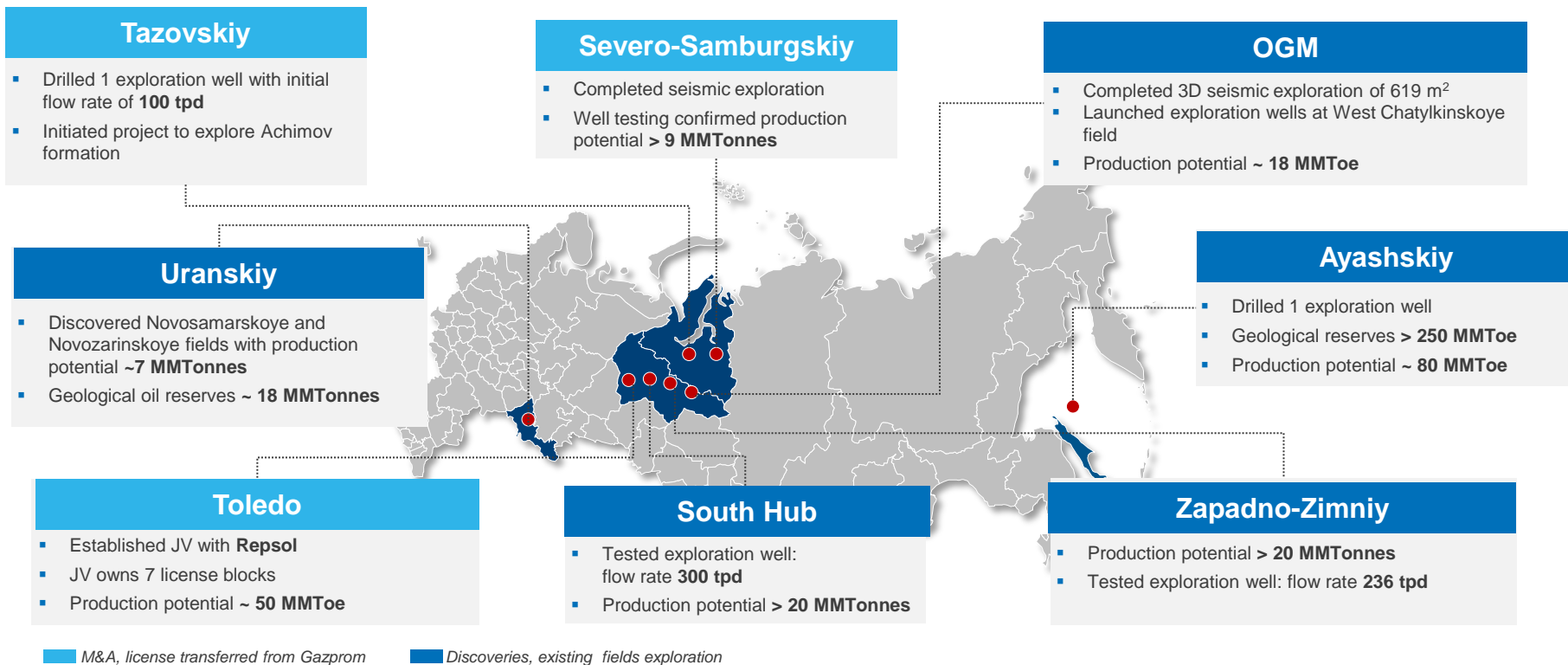
- Received project financing facility in the amount of RUB 100 bln
- Launched primary gas separation facility
- Approved development program of Zapadno-Messoyakhskoye license block

### Hydrocarbon production\*, MMTon

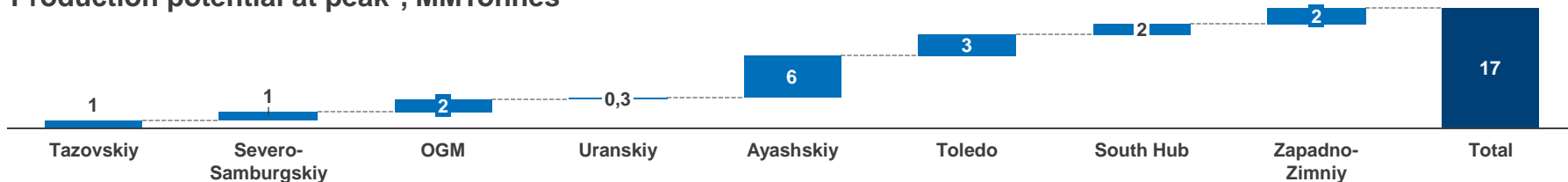


\*GPN share

# Diversified exploration project portfolio: New exploration discoveries and M&A



## Production potential at peak\*, MMTonnes



\*In GPN share;  
Risk factor was taken into consideration;  
Peak production projected at different time period

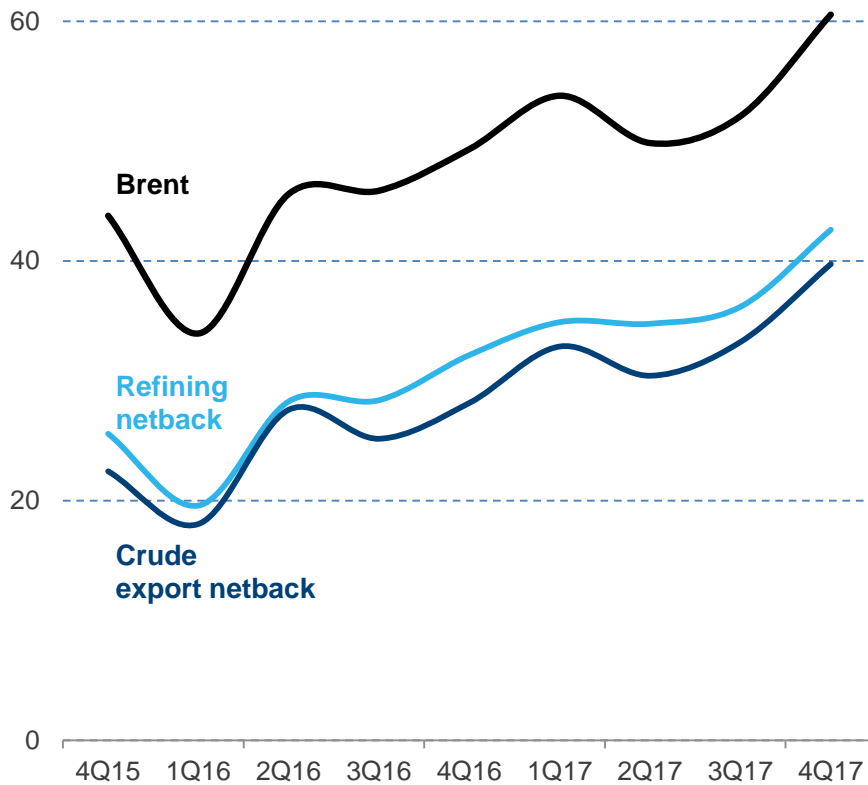
## Downstream

---

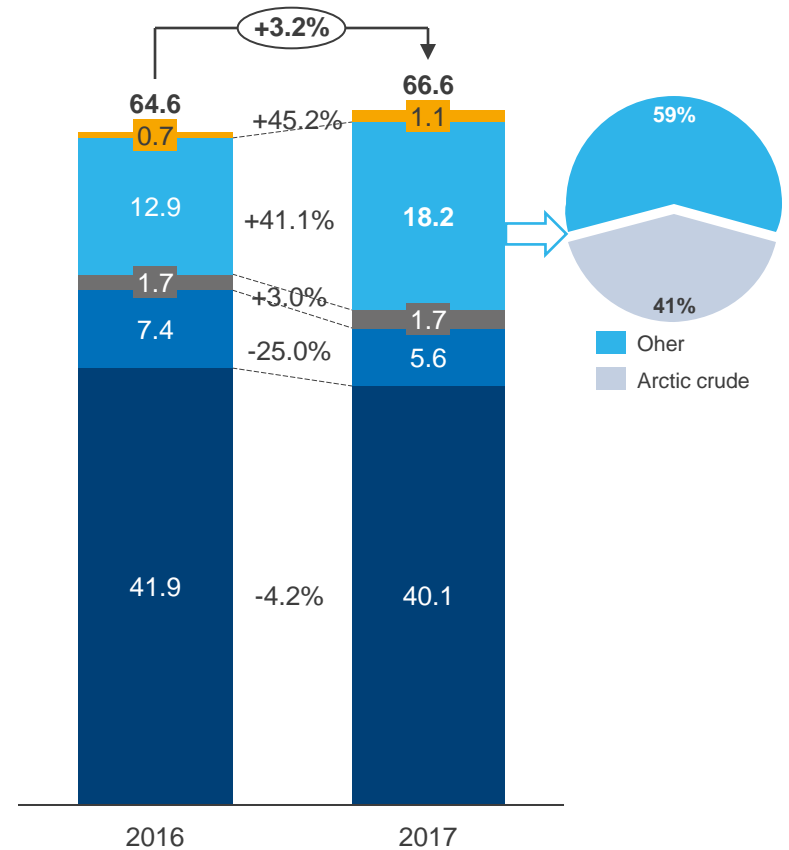
Maximum profitability of downstream despite current market conditions

# Increase in crude exports driven by major projects

Crude price and average netbacks, \$/bbl



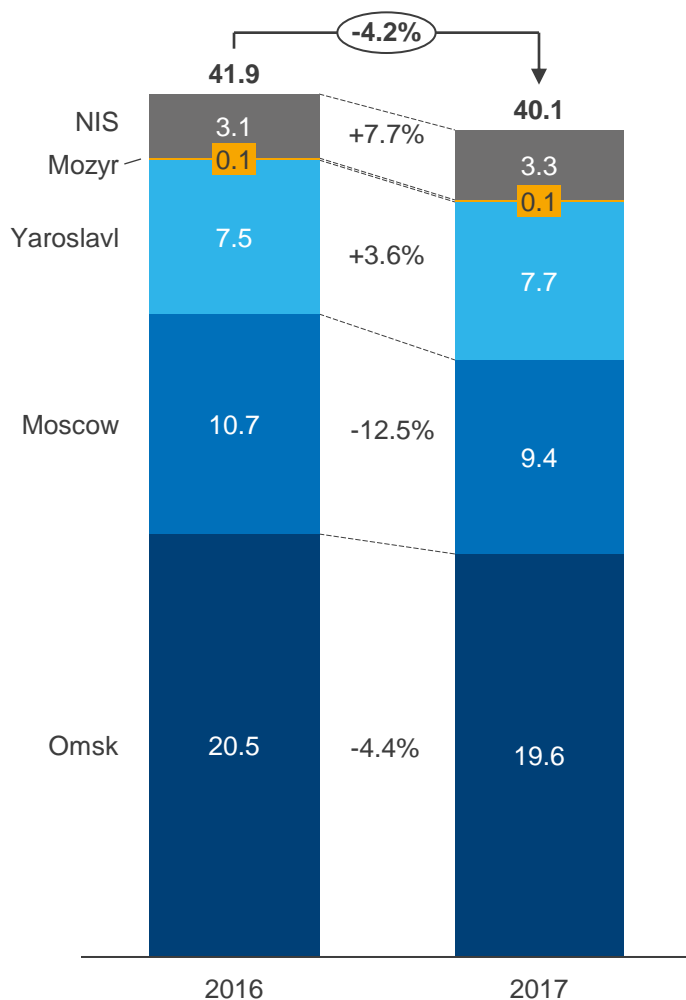
Crude mix, MMTonnes



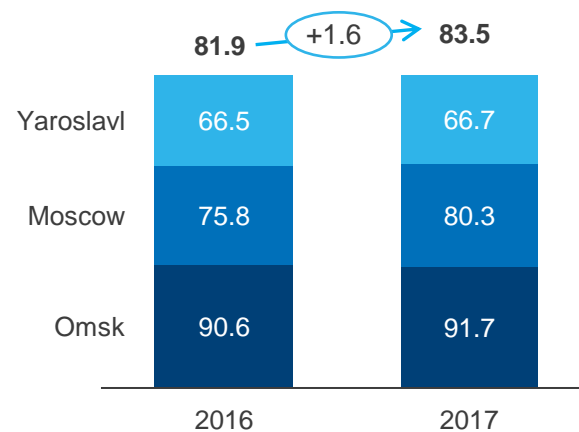
- International market
- Crude to CIS
- Refining
- Crude export
- Crude to Russia

# Optimal refining throughput

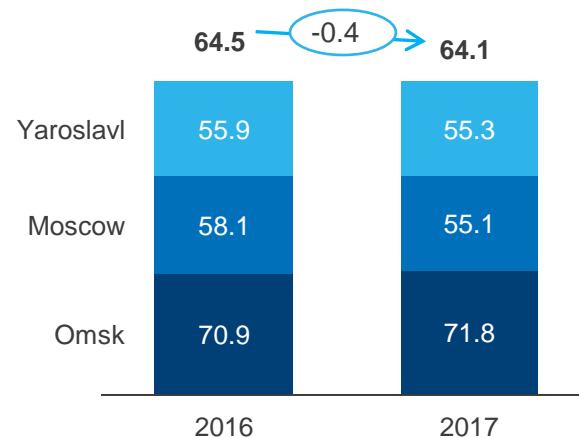
Refining throughput, MMTonnes



Conversion ratio in Russia, %



Light product yield in Russia, %



# Scheduled reconstruction of “big ring” at Moscow and maintenance at Omsk and Yaroslavl

## Moscow refinery

Planned maintenance/ reconstruction of “big ring”:

- Reconstruction of crude distillation unit (AVT-6) and fluid catalytic cracking (G-43-107)
- Maintenance of hydrotreater, catalytic reforming and isomerization units

### Planned outcome:

- Increased energy efficiency and decreased consumption of process fuel at crude distillation unit (AVT-6)
- Ramp-up of motor gasoline output by ~ 200 thousand tonnes per year (2018 vs. 2016) due to increase in fluid catalytic cracking (G-43-107) capacity by 20%

## Omsk refinery

- Maintenance of first technological chain
- Reconstruction of bitumen unit (19/3)

### Planned outcome:

- Expansion of bitumen assortment

## Yaroslavl refinery

- Maintenance of crude distillation unit (AVT-4)
- Maintenance of fluid catalytic cracking unit (1A-1M), catalytic reforming unit, gasoline and diesel hydrotreaters

Decrease in refining  
throughput y-o-y,  
MMTonnes

Moscow - 1.3

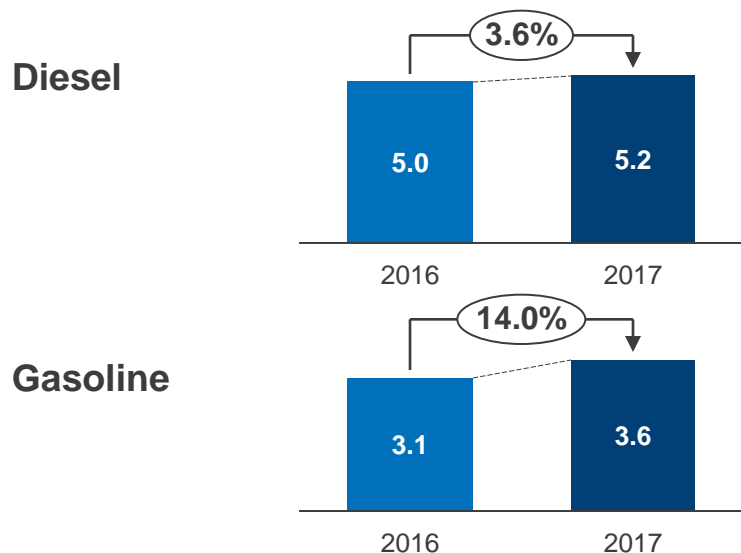
Omsk - 0.9

Yaroslavl +0.3

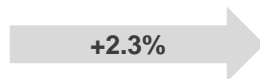


# Gazprom Neft filling stations network was honored for the 4th Consecutive Year with “Consumer rights and Service quality” Award

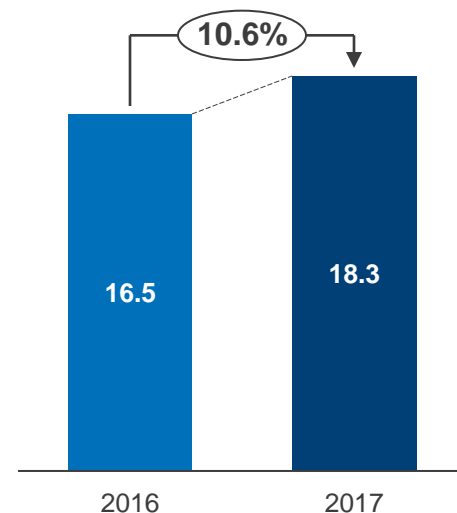
Retail sales  
in Russia



Russian  
market



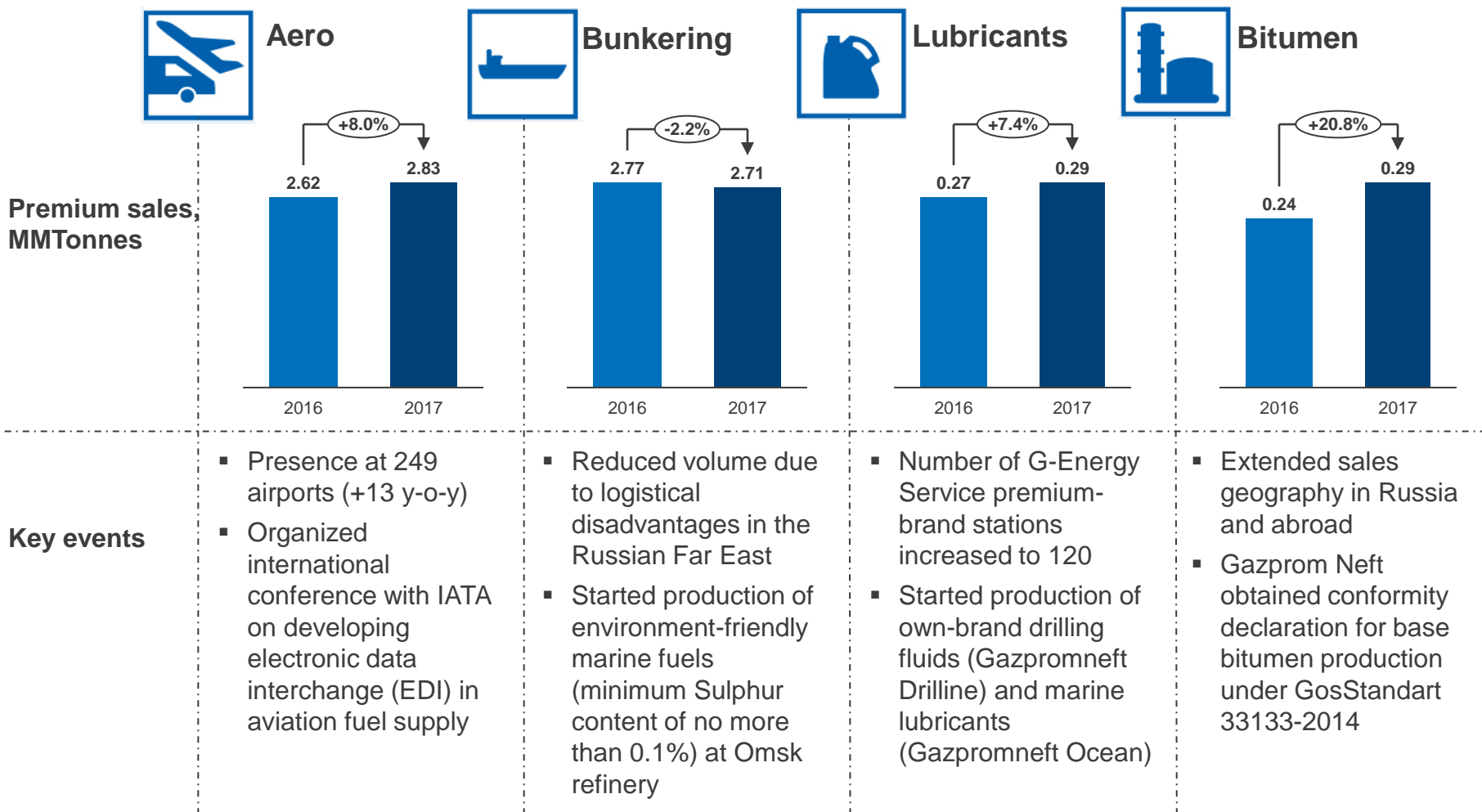
Sales of associated goods  
and services, RUB bln



- Launched new branded fuels at Gazprom Neft filling stations
  - ✓ Enhanced “OPTI Diesel” diesel fuel sales successfully launched at all Gazprom Neft filling stations. Product was presented during “Silk Way” international rally
  - ✓ Started pilot projects on launching OPTI fuels in Yekaterinburg and G-Drive 100 in Novosibirsk
- Gazpromneft-Laboratory was honored with “Technology of the year” Safety Leaders Award for creating fuel quality control system
- Gazprom Neft Filling Station App named "Best on the Market" by Russian Professional Community IT Directors. The digital product also won the "Project of the Year" Competition.



# B2B business development



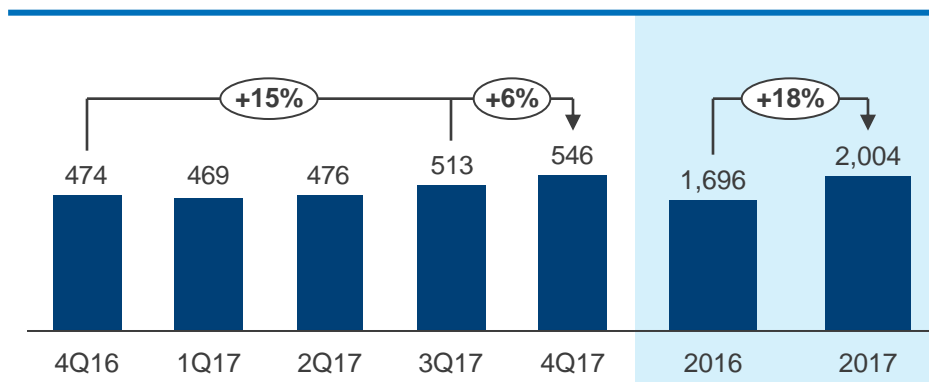
## Financials

---

Record bottom line creates additional shareholder value

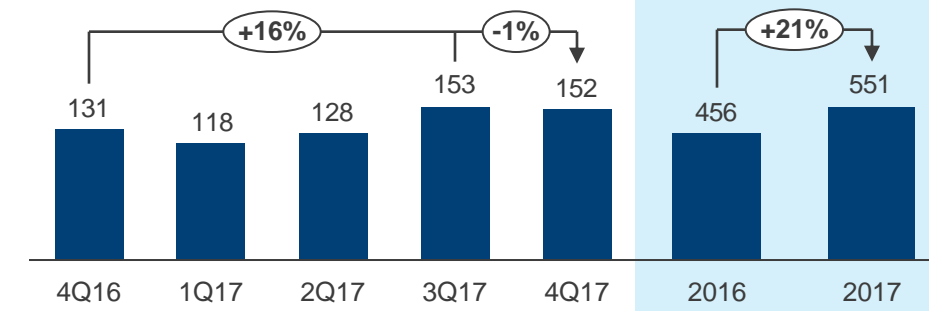
# Solid financials y-o-y

## Sales RUB bln



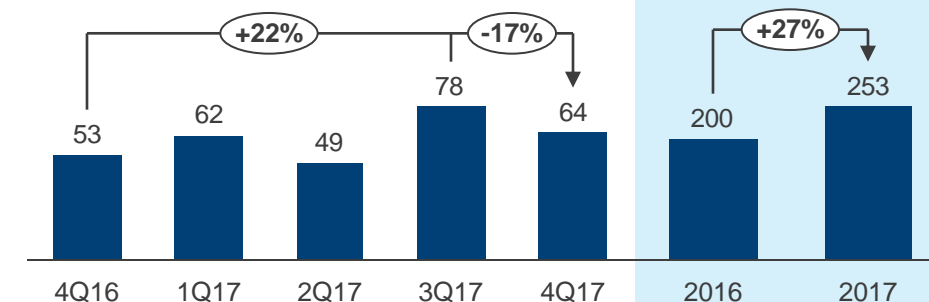
- Sales rose by 18.2% y-o-y due to rising crude production and an increase of crude and petroleum product prices on domestic and international markets
- Higher crude and petroleum product prices resulted in 6.4% growth q-o-q

## Adj. EBITDA\* RUB bln



- Strong rise in production at major projects, retail sales growth and higher crude oil and petroleum product prices boosted adjusted EBITDA by 20.8% y-o-y
- Crude oil production constraints and lower refining throughput due to scheduled maintenance resulted in 1.1% decrease in adjusted EBITDA q-o-q

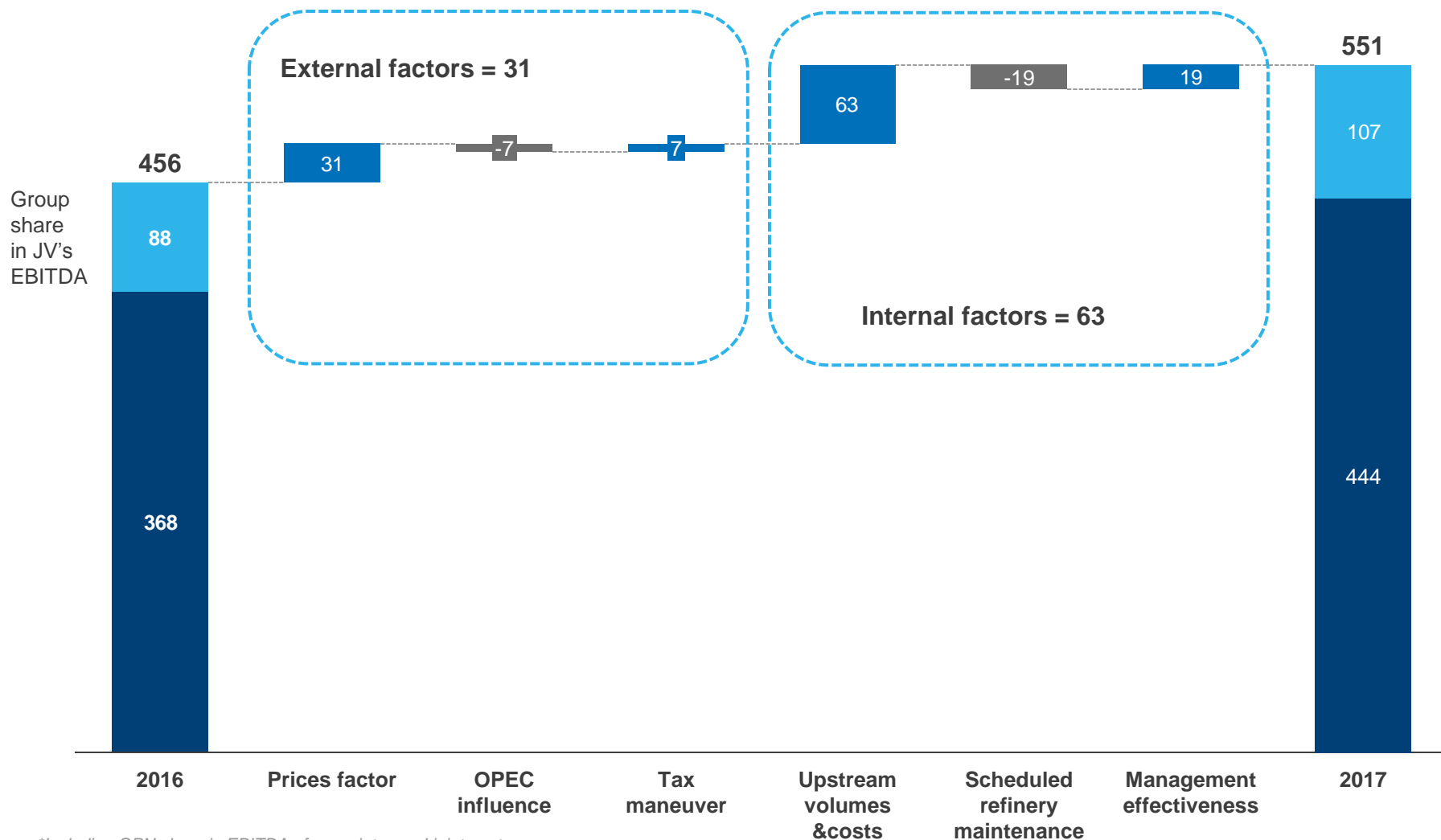
## Net income RUB bln



- Net income rose by 26.5% y-o-y, mainly due to higher EBITDA
- Net income decreased by 17.3% q-o-q as a result of FX loss vs. FX gain for 3Q17 and declined EBITDA

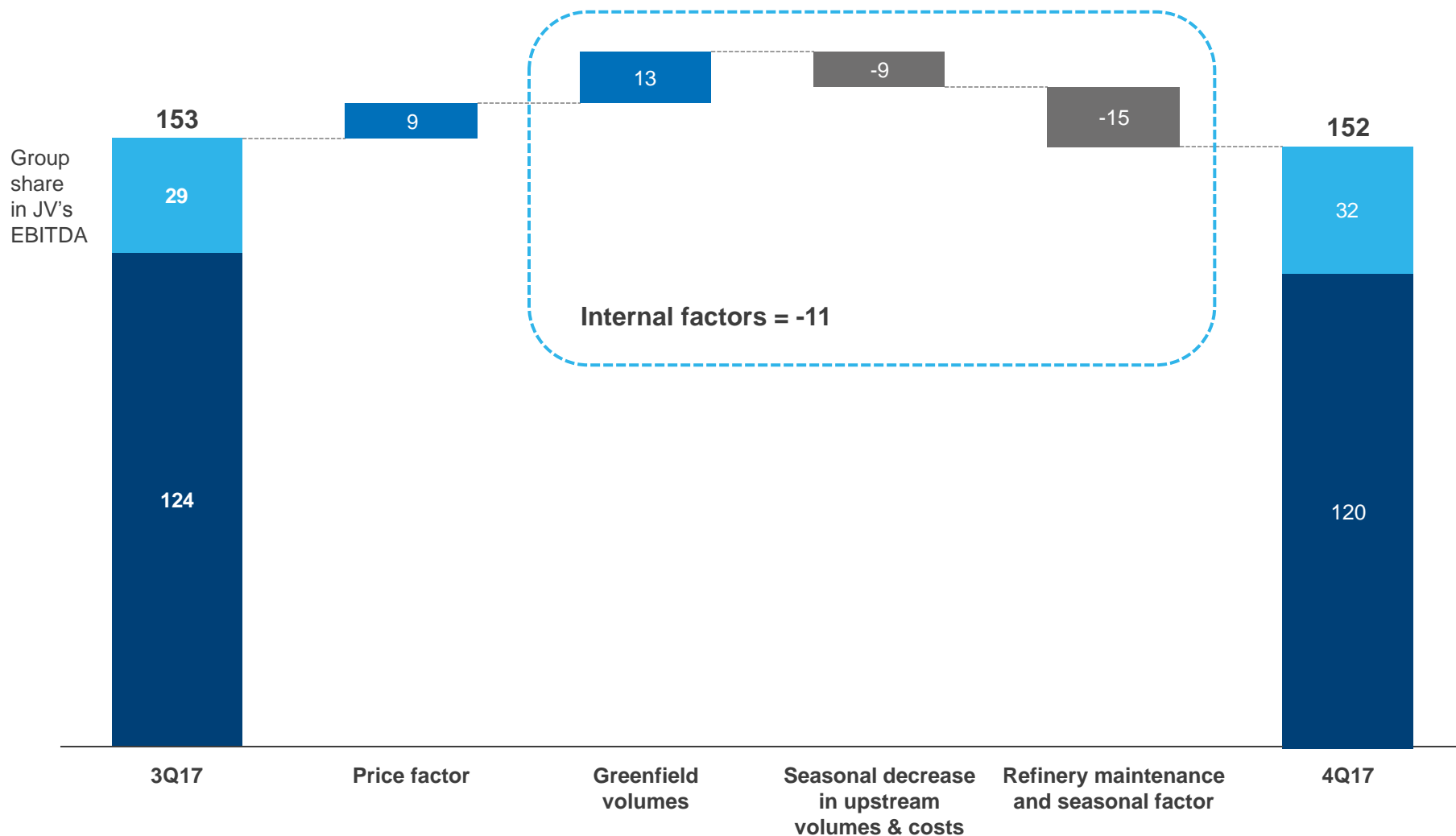
\*Including GPN share in EBITDA of associates and joint ventures

# Adj. EBITDA\* reconciliation 2017 vs. 2016, RUB bln



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

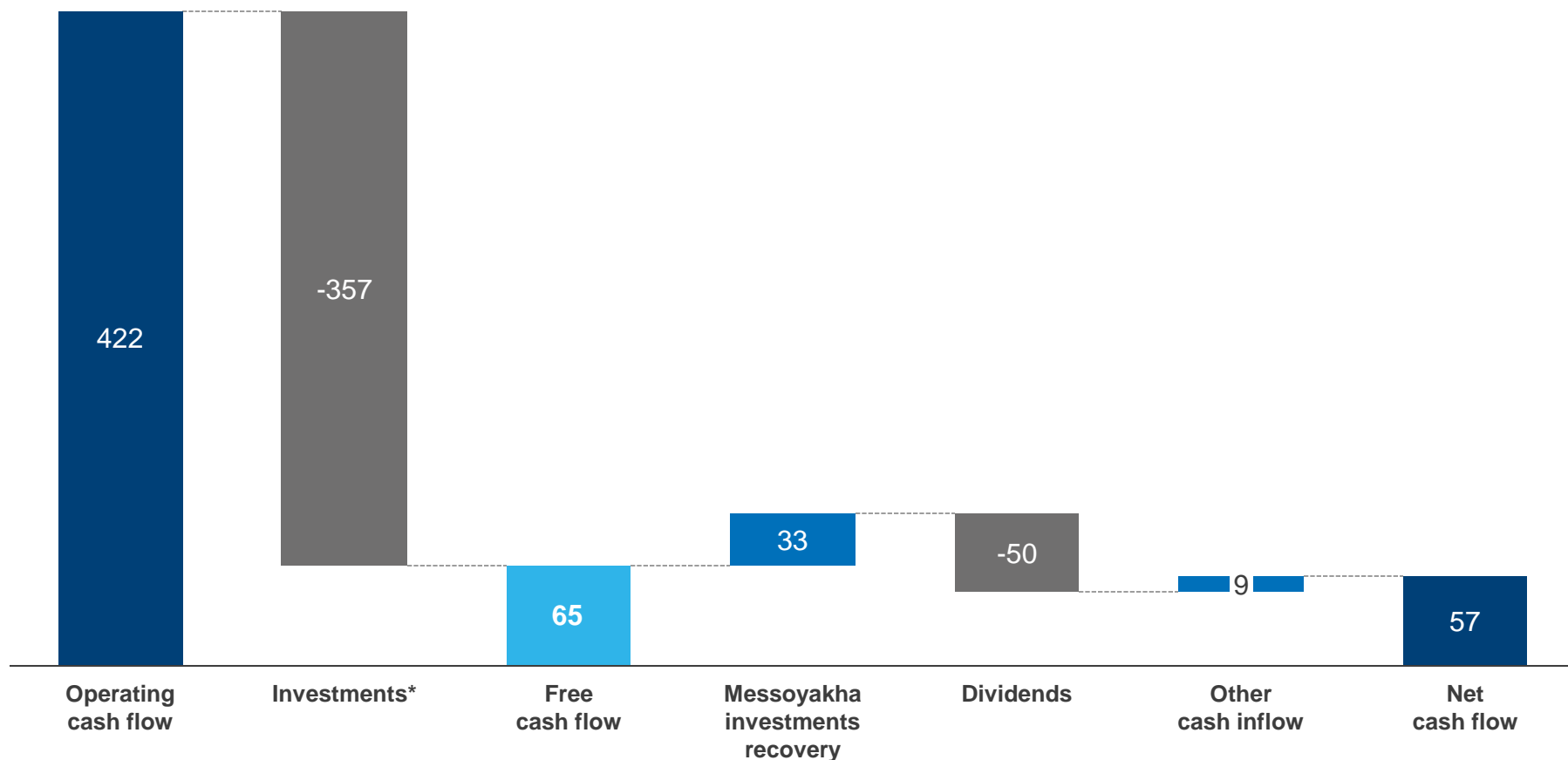
# Adj. EBITDA\* reconciliation 4Q17 vs. 3Q17, RUB bln



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

# Strong free cash flow generation

2017 Cash flow reconciliation, RUB bln

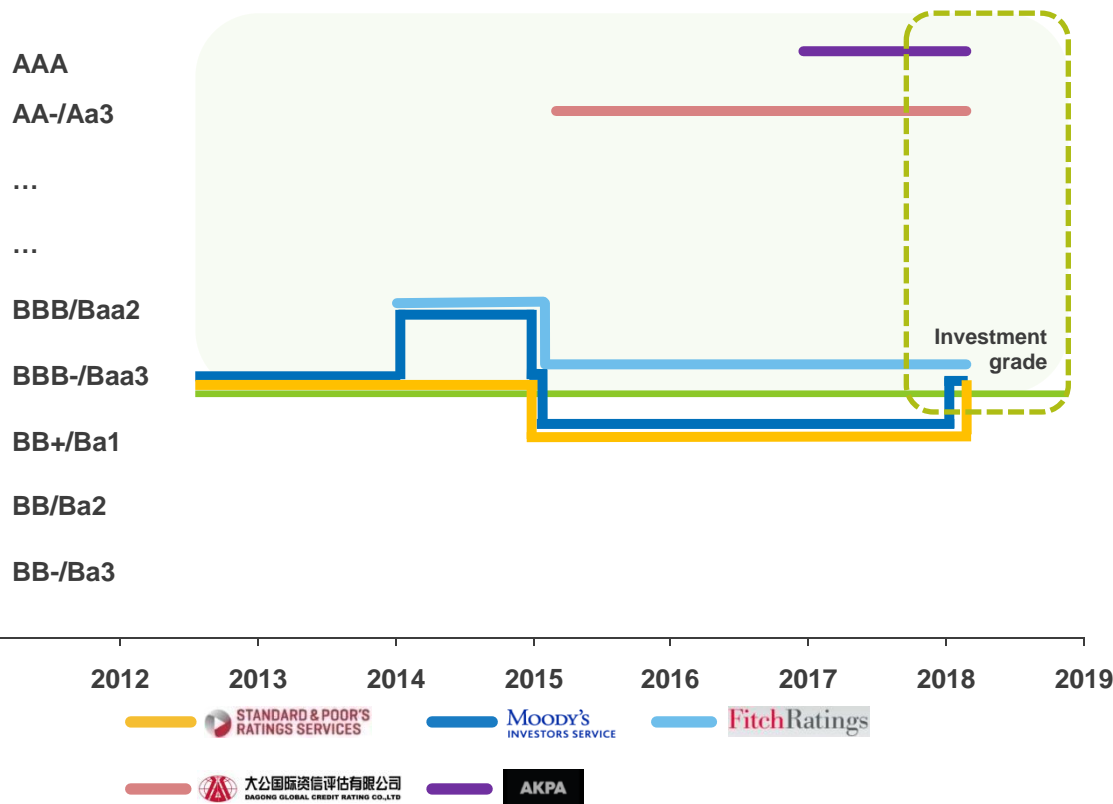


\* Includes changes in the amount of prepayments and materials for capital construction

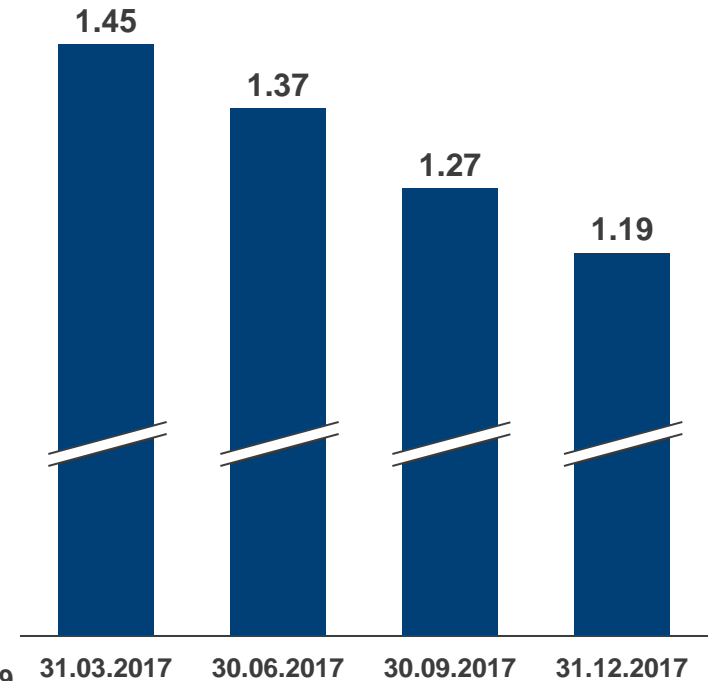


# Improved creditworthiness

## Credit ratings



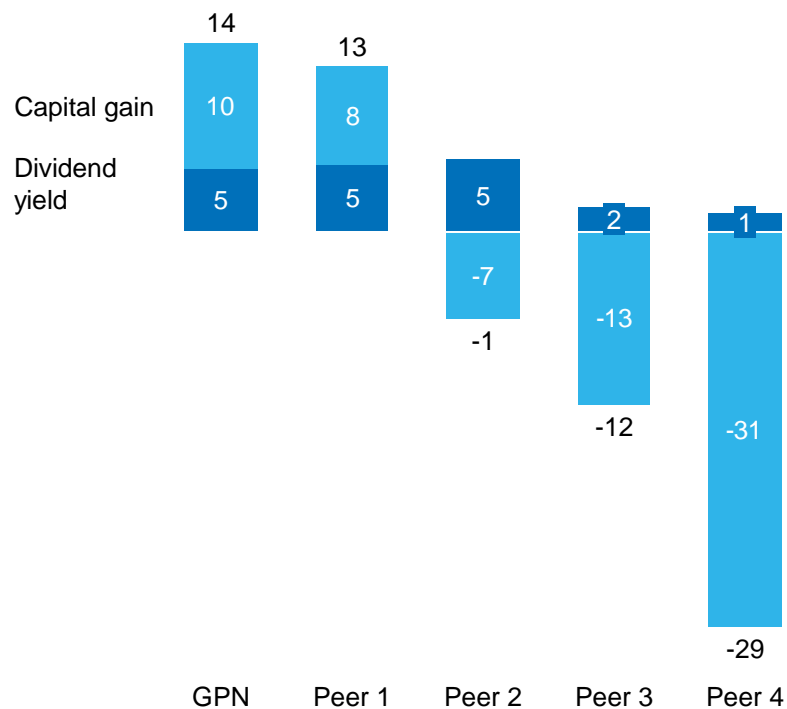
## Net debt/EBITDA dynamics





# Operational performance reflected in dividends growth

Total shareholder return\*, %



Gazprom Neft stock performance



\* Based on dividends for Y2016 and share prices at January 3, 2017 and December 29, 2017  
Peers: Rosneft, Lukoil, Tatneft and Novatek