



PUBLIC JOINT-STOCK COMPANY GAZPROM NEFT
(GAZPROM NEFT PJSC)

PRESS RELEASE

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Gazprom Neft publishes IFRS financial statements for Q1 2020

- *The Company has maintained its financial stability amidst the unprecedented COVID-19 pandemic and decline in oil demand and oil prices;*
- **Adjusted Q1 2020 EBITDA stands at RUB99 billion;**
- **Significant free cash flow, standing at RUB22 billion;**
- **Net debt to EBITDA ratio as at end Q1 2019 standing at 0.88x.**

Gazprom Neft (the "Company") today announces its consolidated IFRS financial results for the three months ended 31 March 2020.

Gazprom Neft's revenue in Q1 2020 totalled RUB515 billion. Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) was RUB99 billion.¹ This reflects a decline in oil demand, as well as lower prices of oil and oil products, the negative impact of deferred export duties, and the decrease of the joint ventures' contribution to the Company's EBITDA. The RUB14 billion loss attributable to Gazprom Neft PJSC shareholders is due to differential exchange rates (totalling RUB37 billion, year-on-year) and asset revaluations in the light of lower oil prices.

Despite the significant adjustment in the macroeconomic environment, Gazprom Neft continued to generate free cash flow, which totalled RUB22 billion in 1Q 2020.

In Q1 2020, the Company maintained a low leverage, with a net debt to EBITDA ratio of 0.88x. The company further improved the management of its loan portfolio, with the average interest rate decreasing to 5.68% as at Q1 2020 from 6.18% as at the end of 2019. The average debt maturity increased from 3.18 to 3.58 years. Ruble loans now exceed 50% of the Company's total loan portfolio.

In Q1 2020, Gazprom Neft improved its performance across key operational indicators. Hydrocarbon production (including Gazprom Neft's share in joint ventures) reached 24.8

¹ Adjusted EBITDA includes the share of EBITDA of associated and jointly controlled companies accounted for under the equity method.

million tonnes of oil equivalent (mtoe), a 6.7%-increase year-on-year, resulting from higher production at the Novoportovskoye field and fields in the Orenburg Region, at oil-rim projects under development, and at Arcticgas fields.

The Company acquired subsoil usage rights to six new licence blocks in the Yamalo-Nenets Autonomous Area. It also commissioned a new gas transportation system at the Urmansky-Achinskaya group of fields in the Tomsk Region and, together with Shell, closed a transaction on a joint project to develop the Salym group of fields.

Refining volumes at Gazprom Neft's own and joint-venture refining assets amounted to 10.3 million tonnes (mt) in Q1 2020, up 3.2% year-on-year. A milestone was reached with the installation of key production equipment at the Omsk Refinery's future delayed coking unit (DCU) with a capacity of two million tonnes. The new facility will enable the refinery to minimise the production of fuel oil while increasing the production of automotive fuels and petroleum coke, as well as further reducing its environmental impact and improving its refining performance.

In Q1 2020, the Company sold 5.7 million tonnes of oil products through premium channels, increasing the sales of lubricants and service fluids by 28.6% and bringing seven new products to the market, including a new range of high-tech synthetic turbine oils. This significant growth was matched by sales in the bitumens sector, up more than 30% year-on-year driven by the growing international client base. The Company also increased its production and sale of environmentally-friendly marine fuels, with the Omsk Refinery starting the production of a new low-sulphur fuel (with less than 0.5% sulphur content) from January 2020, a proprietary development of the Company.

COVID-19 response

As part of its efforts to help combat the spread of COVID-19, Gazprom Neft launched a wide-ranging "Antivirus" programme, aimed at protecting the health of its employees and contractors, as well as ensuring continuous production despite the pandemic.

Gazprom Neft swiftly put anti-virus infrastructure in place throughout its refineries, setting up more than 100 buffer zones for COVID-19 testing and the temporary isolation of employees due to go on shift. Shift durations have been extended to up to 90 days, with shift handovers being completely contactless. Additionally, the Company has already provided more than 160,000 tests for its own employees and those at contracting organisations at its own expense.

As part of its Antivirus programme the Company has also provided financial support and products to medical and emergency services and volunteer organisations.

Commenting on the Company's performance in Q1 2020, as well as the wider market environment, **Alexander Dyukov, CEO and Chairman of the Management Board of Gazprom Neft**, noted that the Company remains in a stable financial position, with a low level of debt, most of which is denominated in rubles.

“We were ready for the unprecedented situation caused by the COVID-19 pandemic, the drop in oil demand globally, and the decrease in oil price. Gazprom Neft was quick to respond to working in this new environment, launching its integrated and wide-ranging “Antivirus” programme aimed at protecting the Company and its employees from COVID-19. This has made it possible to avoid mass outbreaks at Gazprom Neft facilities, maintain the Company’s continuous operations and production, and support the regions in which the Company operates. This new challenge has confirmed the veracity of our strategic focus on digital technologies, which means many processes can be managed remotely and with increased safety,” said Mr Dyukov. He added that the Company continues to implement its major projects, and that the current market environment does not affect Gazprom Neft’s long-term objectives outlined in its Strategy 2030.

Financial highlights

1Q	4Q	Δ, %		3 months		Δ, %
2020	2019			2020	2019	
514,568	613,870	(16.2)	Revenue (RUB billions)	514,568	586,359	(12.2)
81,376	156,593	(48.0)	EBITDA (RUB billions)	81,376	179,052	(54.6)
99,114	179,618	(44.8)	Adjusted EBITDA (RUB millions)	99,114	197,688	(49.9)
8.17	15.70	(48.0)	\$/boe	8.17	17.42	(53.1)
(13,806)	80,228	-	Profit/(Loss) attributable to Gazprom Neft PJSC shareholders (RUB millions)	(13,806)	107,894	-
133,711	148,775	(10.1)	Cash flow from operations	133,711	168,596	(20.7)
22,089	(9,412)	-	Free cash flow	22,089	86,651	(74.5)
0.88	0.70	25.9	Net debt / EBITDA	0.88	0.59	49.2

Operational highlights

1Q	4Q	Δ, %		3 months		Δ, %
2020	2019			2020	2019	
184.13	179.58	2.5	Hydrocarbon production including Gazprom Neft share in joint ventures (mboe)	184.13	171.67	7.3
24.79	24.17	2.6	Hydrocarbon production including Gazprom Neft share in joint ventures (mtoe)	24.79	23.24	6.7
10.28	10.39	(1.1)	Refining throughput at the company's own and joint-venture refineries (million tonnes)	10.28	9.96	3.2
5.67	6.35	(10.7)	Sales volumes through premium channels (million tonnes)	5.67	5.96	(4.9)
2.34	2.69	(13.0)	Sales through filling stations (million tonnes)	2.34	2.44	(4.1)

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