



## 1Q 2020 IFRS FINANCIAL AND OPERATING RESULTS

St Petersburg – May 28, 2020



# Agenda

---

---

## Highlights, Financials

### **Alexey Yankevich**

Member of the Management Board,  
CFO



---

## Upstream

### **Igor Shkirov**

Head of Planning, Performance and  
Data Management Department,  
Upstream



---

## Downstream

### **Nikita Anichkin**

Head of Economics and Investment Department,  
Downstream



# Disclaimer

---

This 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.

# 1Q 2020 highlights



## 1Q 2020 financial performance:

- Revenue: RUB **515** billion
- Adjusted EBITDA\*: RUB **99** billion
- Net loss: RUB **14** billion
- Free cash flow: RUB **22** billion

## Operational progress in 1Q 2020:

- Hydrocarbon production up **6.7%** y-o-y (mtoe)
- Refining volumes up **3.2%** y-o-y
- The total number of operating filling stations throughout Russia is up **5.2%** y-o-y

## 1Q 2020 vs 4Q 2019

- Hydrocarbon production up **2.6%** (mtoe)
- Refining volumes down **1.1%**

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

# Gazprom Neft: responsibility and care



## For our employees:

- An integrated protective system has been put in place, directed at minimising the spread of COVID-19 as well as ensuring continuous production
  - Employees have been put on remote working (**>70%** of administrative staff, **>15%** of total headcount, including field teams)
  - Mass preventative testing of employees (**more than 160,000 tests**)
  - Shift turnarounds extended to **90** days
  - Buffer zones (more than **100** with 20,000 employees processing capacity) in place at oil production facilities, automated temperature testing, incoming employees kept separate at all entrances, and contactless shift handovers organized at refineries
  - Advice and information (a “hotline” for shift workers, and a new digital “Mobile Newsfeed”)



## For those around us:

- Integrated testing of contractors at oil fields
- Mobile apps for remote payment at Gazpromneft filling stations
- Direct involvement in developing a mechanism to support oilfield service companies
- An integrated support programme for medics helping to combat COVID-19
- Free car-refills for volunteers (**>1,600** free-fuel cards for use at Gazpromneft filling stations)
- Hand sanitiser production launched at GPN facilities with spare capacity, and **the first 85-tonne** consignment shipped
- Help and support to combat COVID-19 in every locality in which the company operates



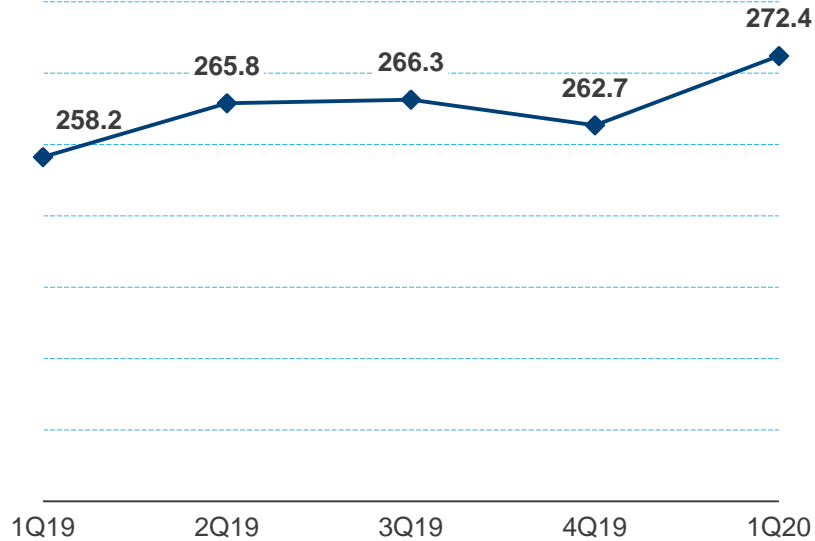
## Exploration and production

---

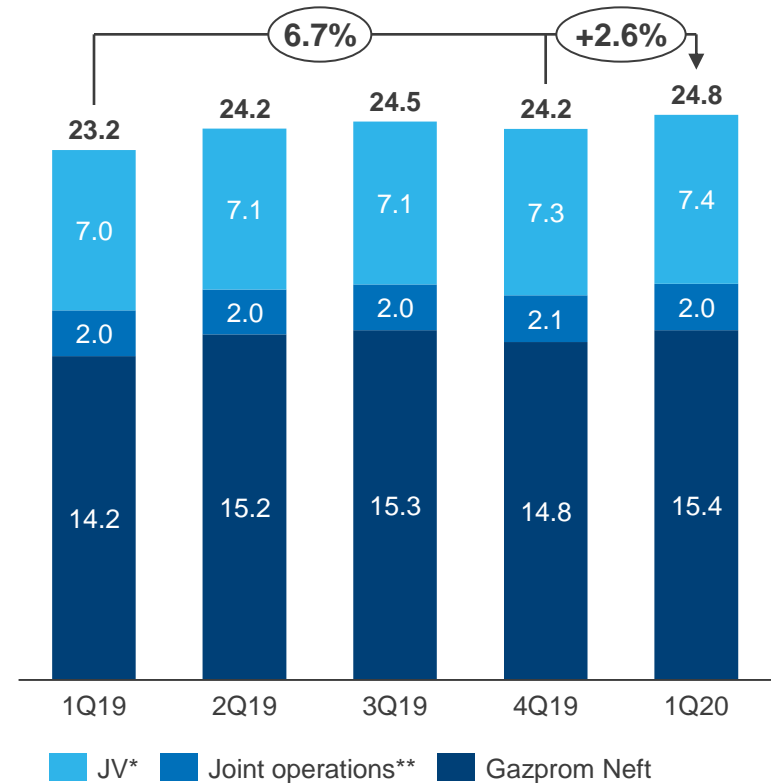
A flexible approach to managing the project portfolio

# Production growth at new fields in traditional areas, and at projects on developing oil-rim deposits

**Daily hydrocarbon production**  
(thousand toe)



**Hydrocarbon production**  
(mtoe)

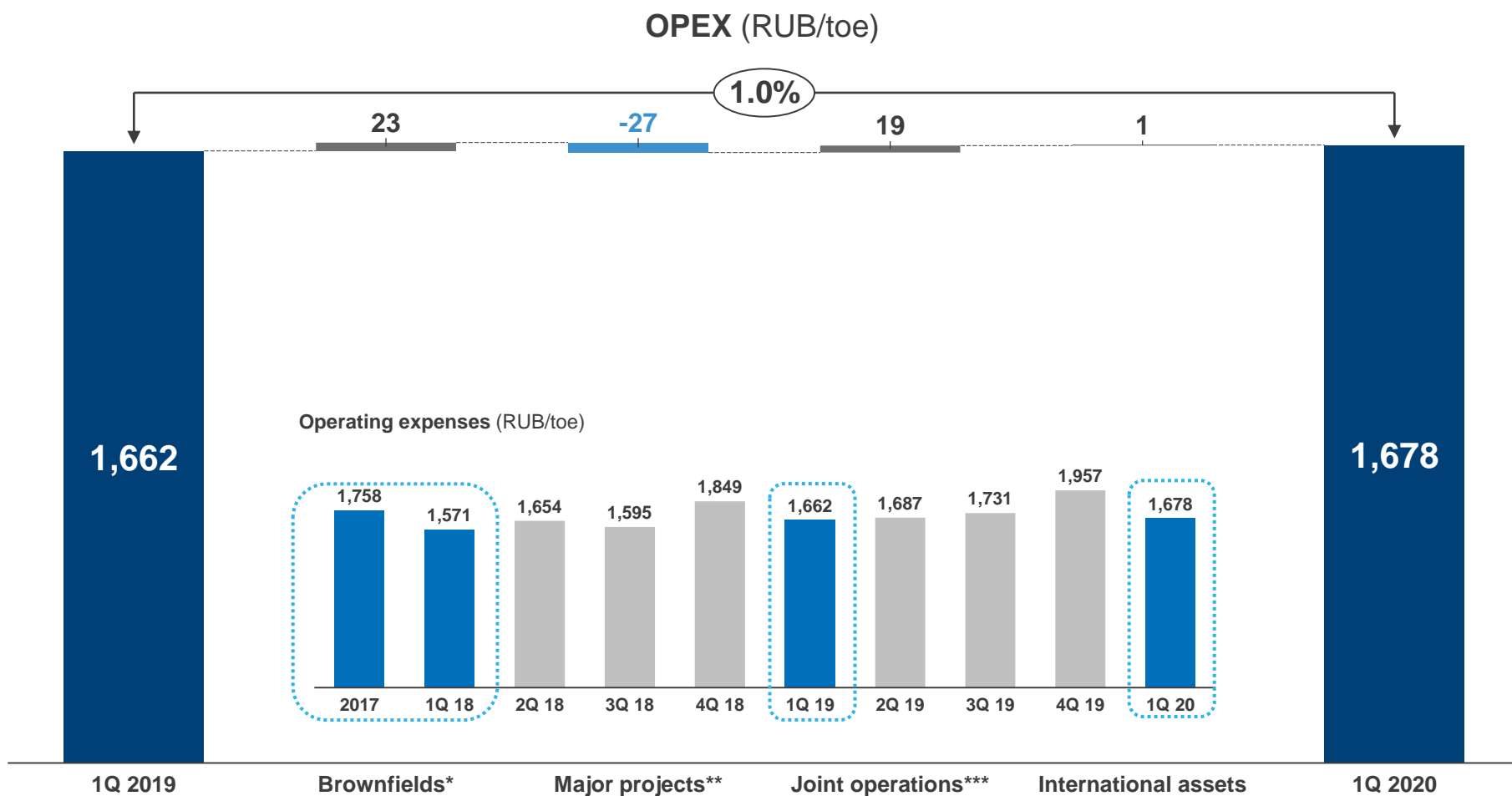


\* Joint ventures: equity-participation entities (Slavneft, Arcticgas, Northgas and Messoyakhaneftegaz)

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

\*\*\* Percentage changes may differ from the calculated figures and values may not sum to total due to rounding

# Control over per-unit operating costs in hydrocarbon production



\* Noyabrskneftegas, Khantos, Vostok, Orenburg

\*\* GPN Yamal, Prirazlomnoye

\*\*\* Tomskneft, SPD

Percentage changes may differ from the calculated ones and the values may not converge in the totals due to rounding

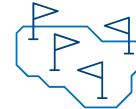


# Production optimised on the basis of efficiency improvements throughout the entire value chain



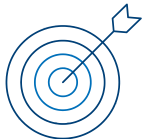
## Viability of core well stock

- Analysed under various price scenarios, with tax implications taken into account
- Evaluated with lifting costs, transport costs, equipment servicing and well repairs all being taken into account



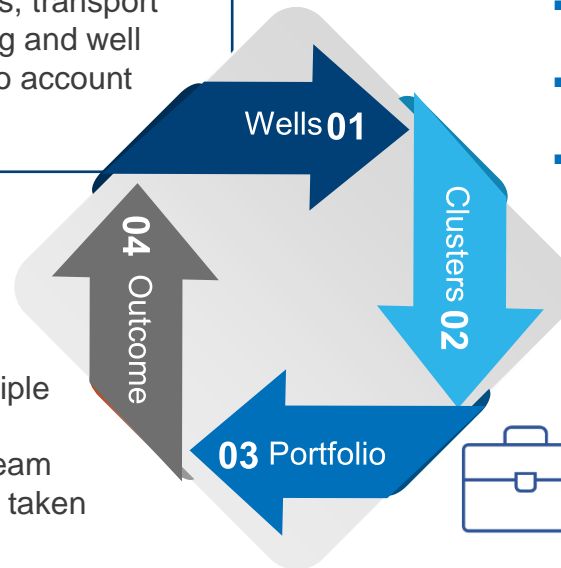
## Profitability of field clusters, with infrastructure costs taken into account

- Operating well stock is grouped around booster pumping stations (BPS)
- Evaluated in line with both variable and fixed operating costs
- Any decision on mothballing will be taken in line with each cluster's overall profitability



## Quick responses to external change

- Adopted on the basis of multiple factors being optimised, and specific aspects of the upstream and downstream businesses taken into account
- Conducted on a regular basis, in line with any changes in external factors



## An optimum and balanced portfolio

- Maximises the added value of every barrel throughout the entire value chain. One priority being – low-sulphur oil production and refining at our own facilities
- Driven by the balance between “base production” and new well workovers

# Production optimisation technologies, well-stock management options

	Moving over to <b>piezometric</b> (pressure- observation) well stock	Moving over to <b>temporary mothballing</b>	<b>Full mothballing</b>
<b>Description</b>	<ul style="list-style-type: none"> <li>▪ No equipment lifting to surface</li> <li>▪ Well blinding</li> <li>▪ Measurements of formation pressure</li> </ul>	<ul style="list-style-type: none"> <li>▪ No equipment lifting to surface</li> <li>▪ Inert-fluid injection</li> <li>▪ Well blinding</li> </ul>	<ul style="list-style-type: none"> <li>▪ Equipment lifted to surface</li> <li>▪ Well bore flushed and scoured</li> <li>▪ Well flooded with inert fluid</li> </ul>
<b>+ / -</b>	<ul style="list-style-type: none"> <li>▪ Facilitates faster response, if necessary, on wells going back into production</li> <li>▪ Short lead-times</li> <li>▪ Low cost of works</li> <li>▪ High recovery rate on restarting</li> </ul>		<ul style="list-style-type: none"> <li>▪ High cost of works</li> <li>▪ Restarting risk</li> <li>▪ Lengthy approval procedure with regulatory agencies</li> </ul>
<b>Shutdown length</b>	not limited, for the period of need for geological surveys	up to six months	over six months
<b>Well stock covered</b>	5-10%	≈90%	≤5%

# COVID-19 prevention strategies at oil and gas production facilities



## “Barrier” mass preventive testing

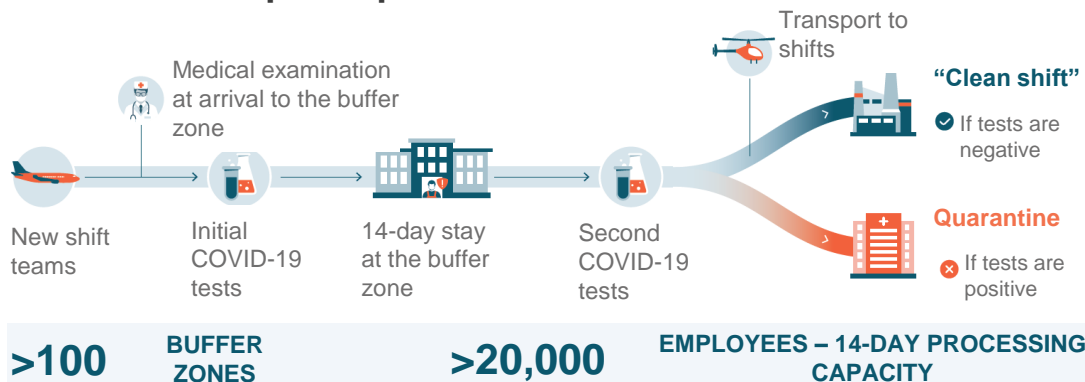
**First stage**  
March-April  
2020

**100% testing of Gazprom Neft employees and contractors working at the company’s production facilities**






**Second stage**  
from May 2020

Regular testing of high-contact personnel. 100% testing of personnel at buffer zones to ensure infection-free “clean shifts”.




## Buffer zones put in place



## Compliance with all epidemiological requirements

-  Personal Protective Equipment
-  Sanitisers and disinfectants
-  Temperatures taken before starting work
-  Medical examinations
-  Transport and premises disinfected regularly

## Organisational initiatives

-  Shift turnarounds extended to 90 days
-  Staff allocated into non-overlapping groups (shifts)
-  Assistance provided to hospitals in production locations

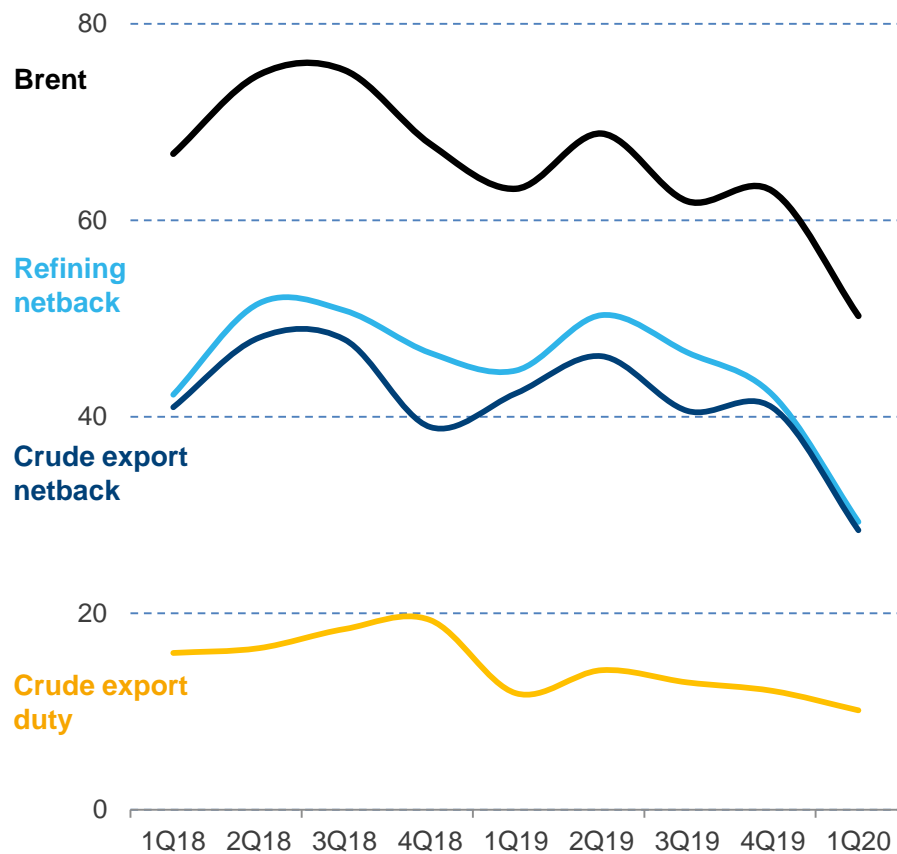
## Downstream

---

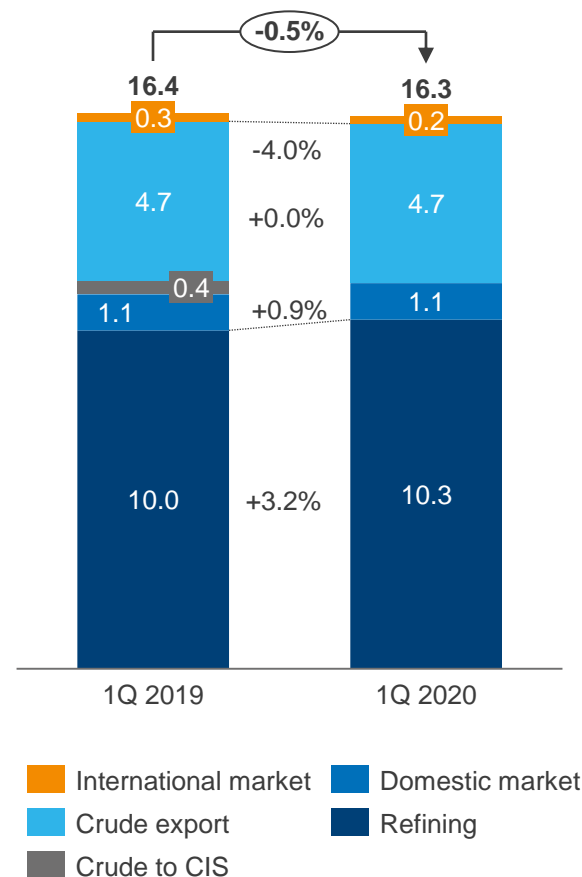
Flexibility at every level in the face of high market volatility

# Maintaining y-o-y crude exports in the face of declining global demand

**Crude price and average netbacks (\$/bbl)**



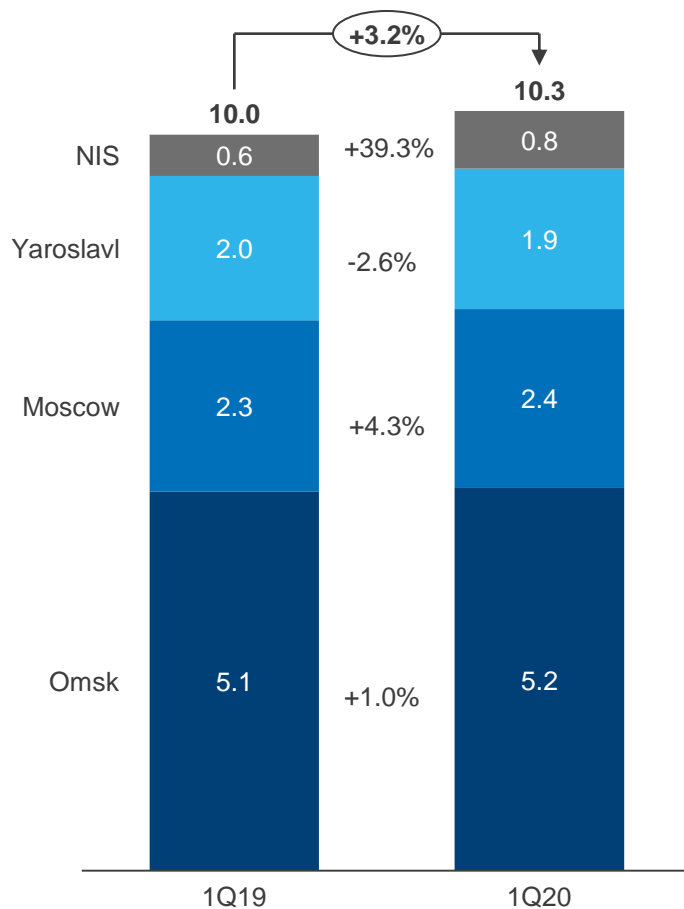
**Crude mix (mt)**



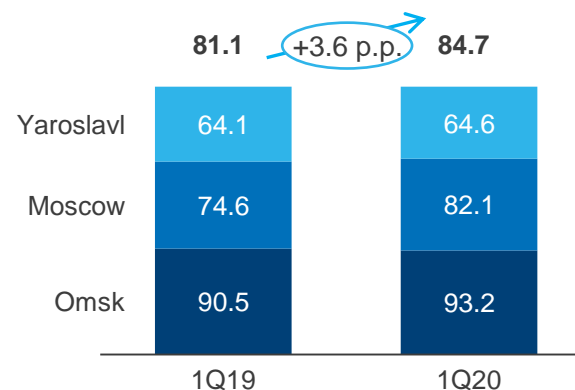
Percentage changes may differ from the calculated ones and the values may not converge in the totals due to rounding

# Improving refinery performance

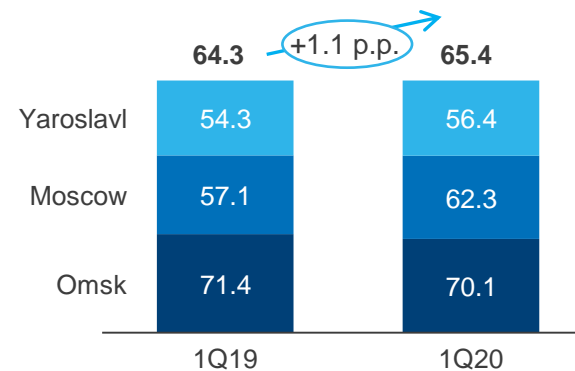
Refining throughput (mt)



Conversion rate in Russia\* (%)



Light product yield in Russia\* (%)



Percentage changes may differ from the calculated ones and the values may not converge in the totals due to rounding

\* At company refineries

# The company's use of digital technologies allows prompt and remote respond to changes in market demand



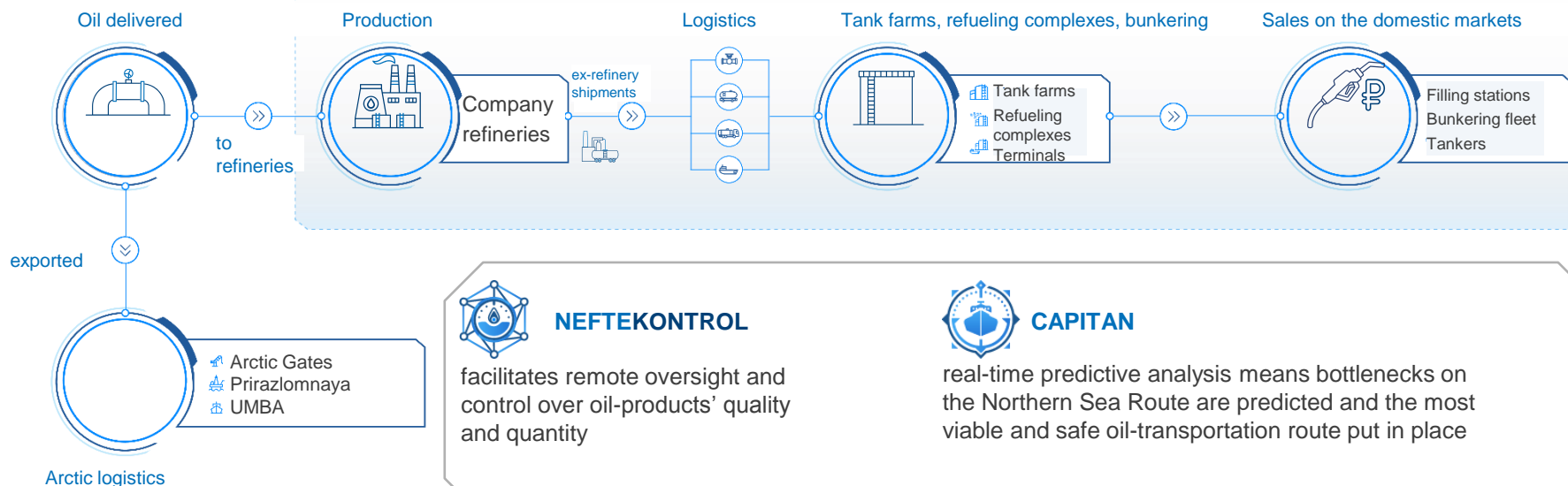
## Efficiency Control Centre

- **integrated planning** of production capacity, logistics operations and sales
- predictive management of the entire value chain – from refinery to sales – **in a single, cohesive digital environment**

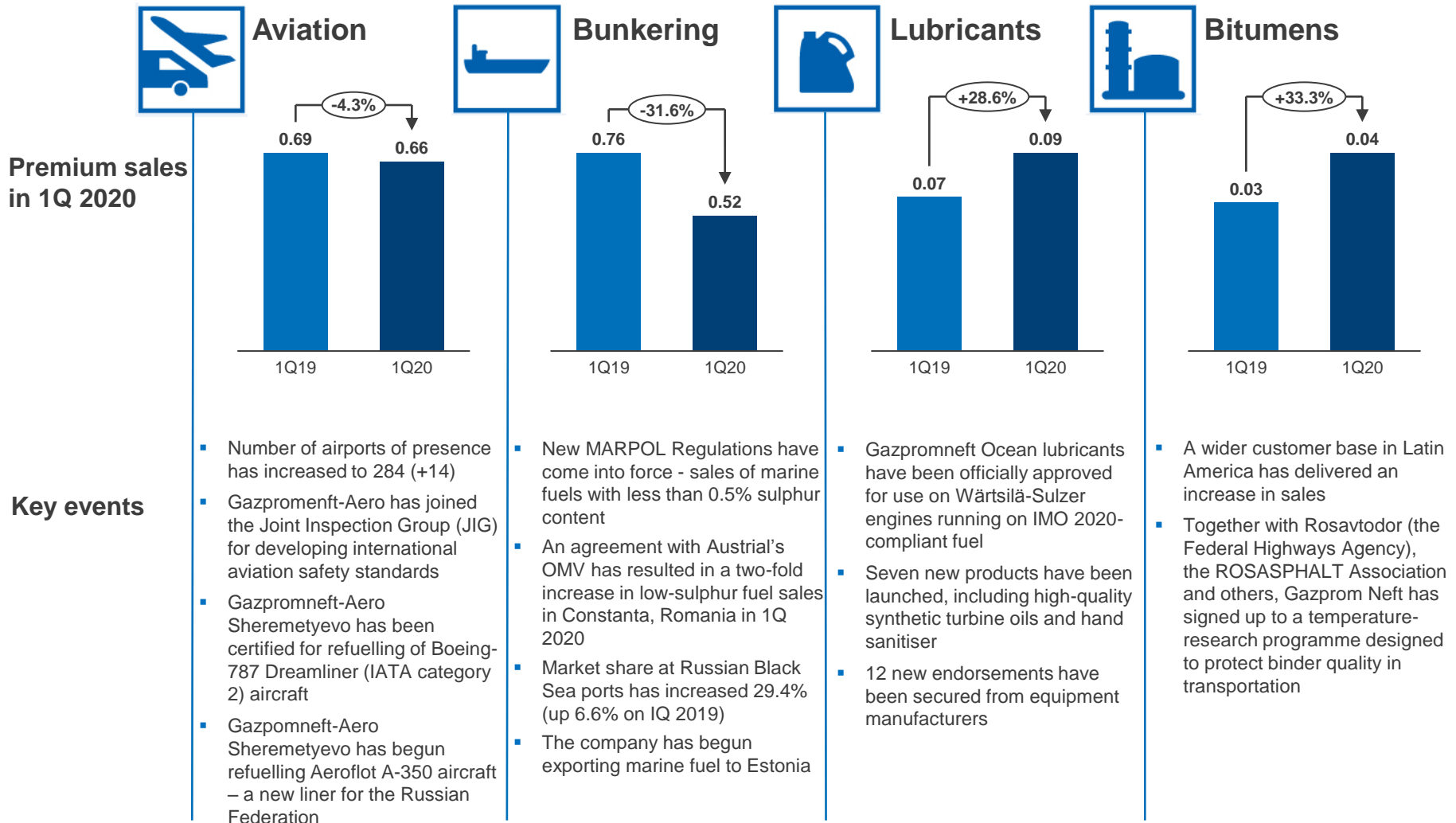


## Integrated scheduling

- **drives** production capacity
- **optimises** the value chain and stock control
- **reallocates** production flows in line with market demand



# Growing lubricants and bitumens sales despite a weaker market environment





# How Gazprom Neft is helping contain COVID-19



## GAZPROM NEFT for MEDICS

### An integrated programme to support medics in combatting COVID-19



#### Providing personal protective equipment for medics

1.3 million items (hamzat suits, respirators, gloves, masks, and more)



#### Refueling of medical transportation vehicles

in the Omsk Oblast and Yamalo-Nenets Autonomous Okrug



#### Antiseptics produced and delivered to hospitals

85 tonnes for free



#### Deliveries of medical equipment and medicines

ventilators delivered to hospitals in Omsk, the Yamalo-Nenets Autonomous Okrug and St Petersburg



#### Free oil-changes for emergency vehicles and ambulances

at 73 G-Energy Service stations across 27 of Russia's regions



#### Free coffees for doctors and paramedics

at Gazpromneft filling stations across 47 of Russia's regions

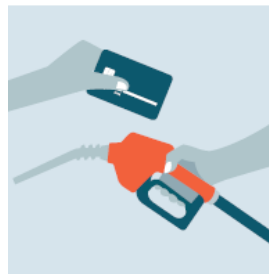


## GAZPROM NEFT for VOLUNTEERS

### Providing free fuel for volunteers



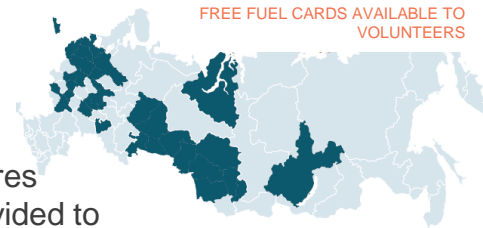
Free fuel for volunteers delivering groceries and medicines to the elderly and people with poor mobility, as well as to healthcare workers and their families



>1,600

FREE FUEL CARDS AVAILABLE TO VOLUNTEERS

More than 200,000 litres of fuel provided to volunteers



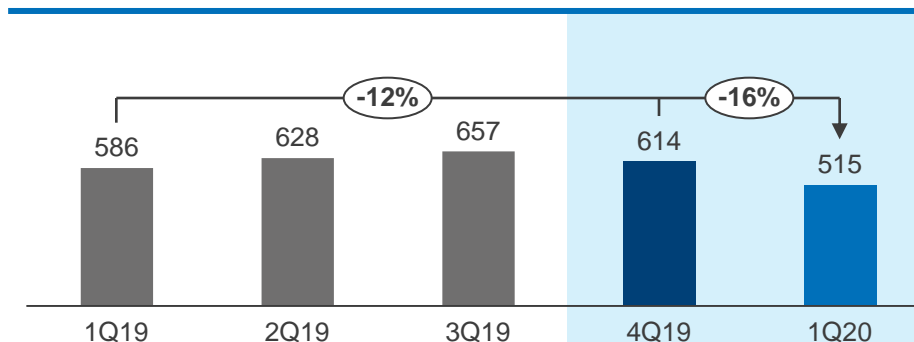
## Financials

---

Maintaining financial stability in the face of a major drop in oil and oil-product prices

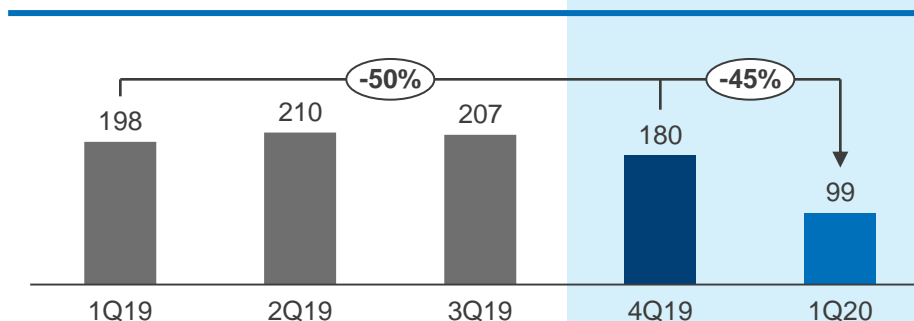
# An adverse price environment and a weakening ruble have impacted financial performance

## Revenue (RUB billion)



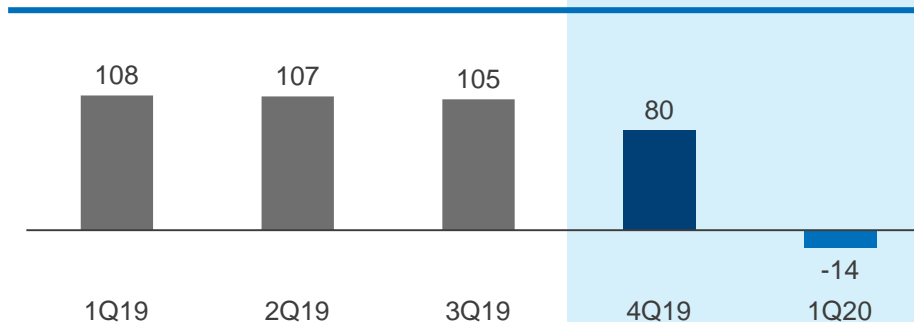
- Revenues are down 12.2% y-o-y due to the drop in oil and oil-product prices on the global and domestic markets. This decrease in prices has been partially offset by higher sales of oil products for export
- Revenues are down 16.2% q-o-q mainly due to the drop in oil and oil-product prices on the global and domestic markets, together with lower sales volumes of oil products

## Adjusted EBITDA\* (RUB billion)



- The decrease in adjusted EBITDA y-o-y and q-o-q is mainly due to the negative effect of export-duty lag and lower contribution to EBITDA from joint ventures

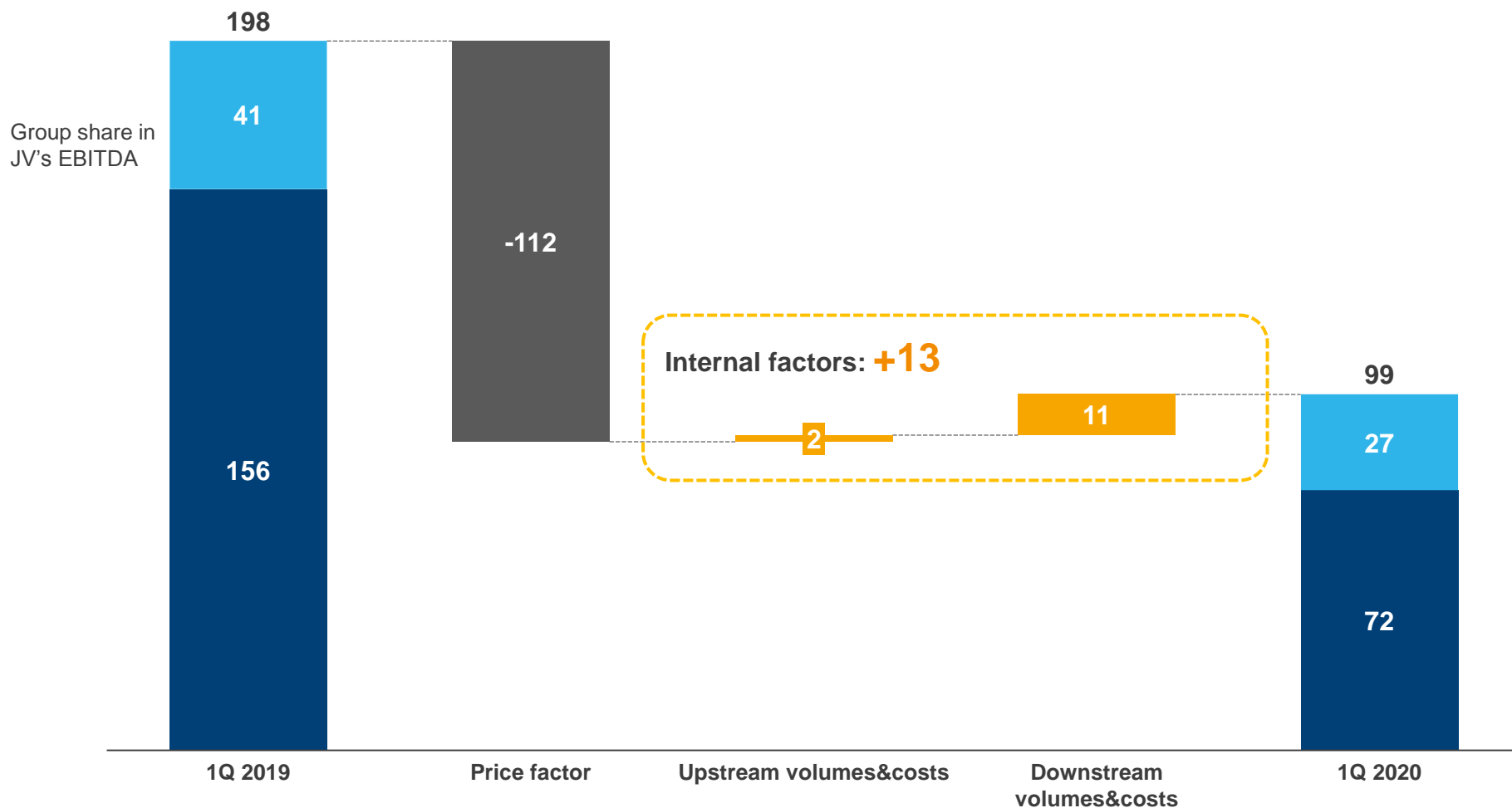
## Net income/(loss) (RUB billion)



- This net loss to Gazprom Neft PJSC shareholders is mainly due to the weaker ruble in Q1 2020 and impairments arising from the sharp drop in oil prices

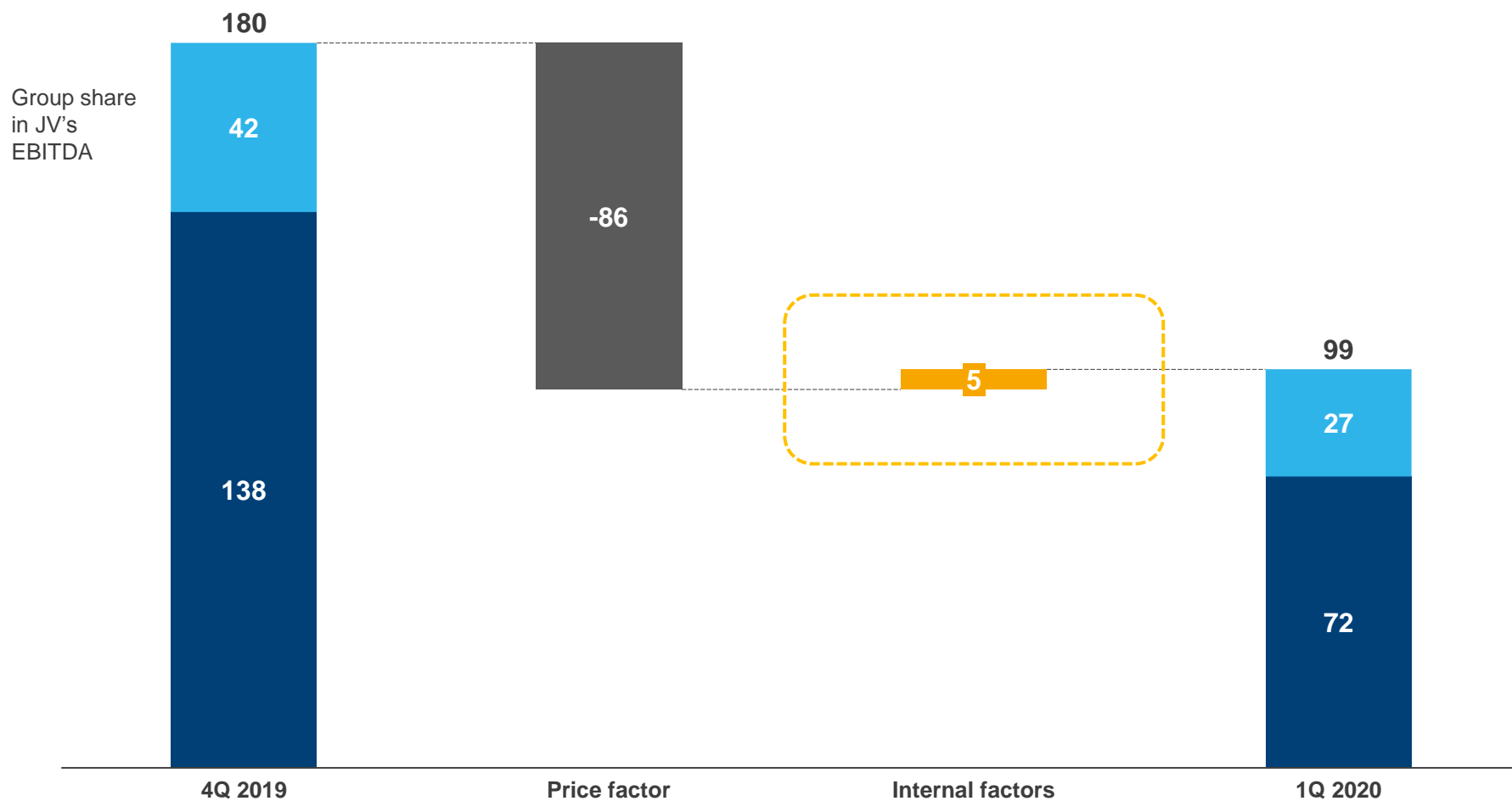
\* Adjusted EBITDA includes the share of EBITDA of associated and jointly controlled companies

## Adjusted EBITDA\* reconciliation 1Q 2020 vs 1Q 2019 (RUB bn)



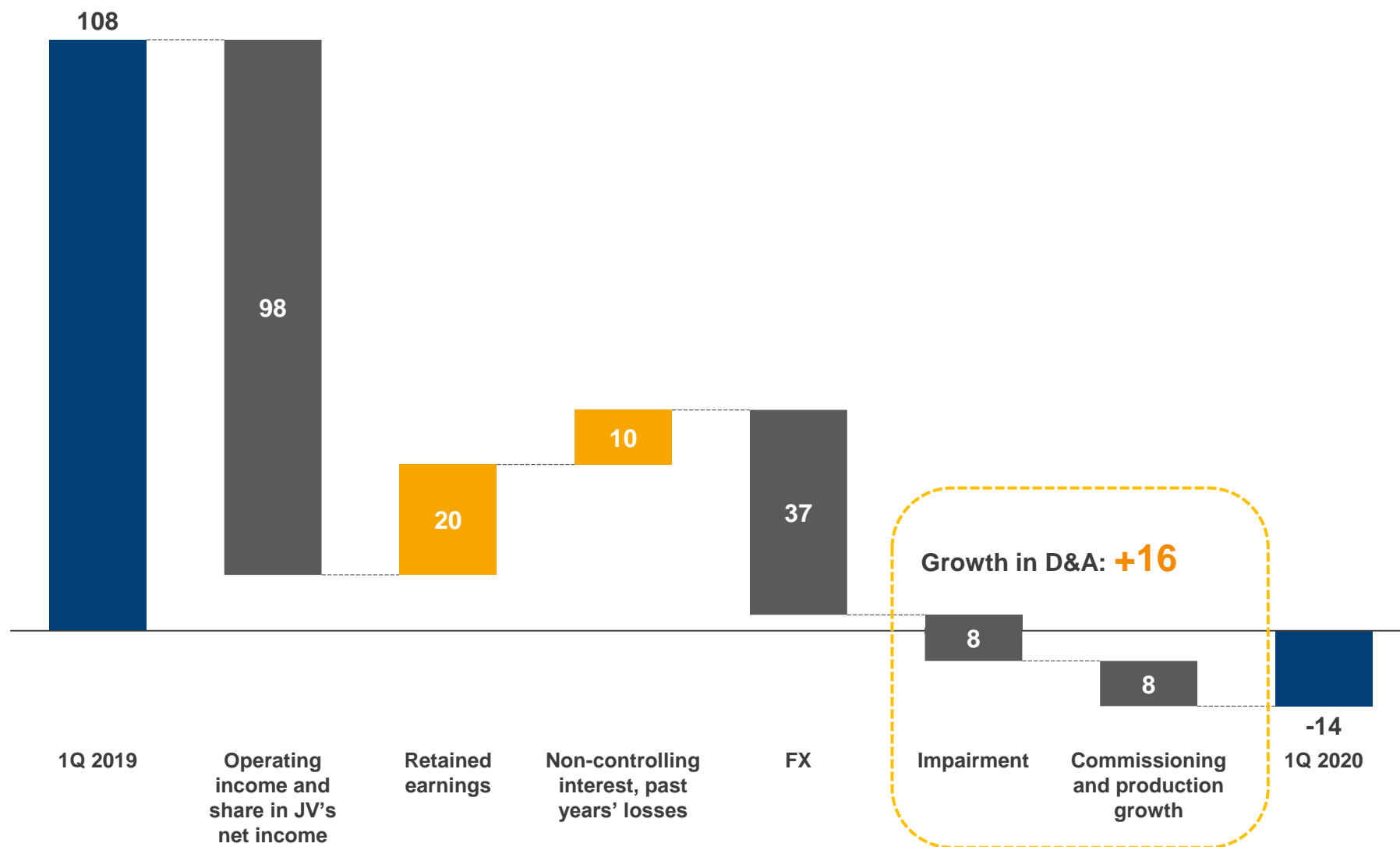
\* Adjusted EBITDA includes the share of EBITDA of associated and jointly controlled companies  
The values may not converge in the totals due to rounding

## Adjusted EBITDA\* reconciliation 1Q 2020 vs 4Q 2019 (RUB bn)



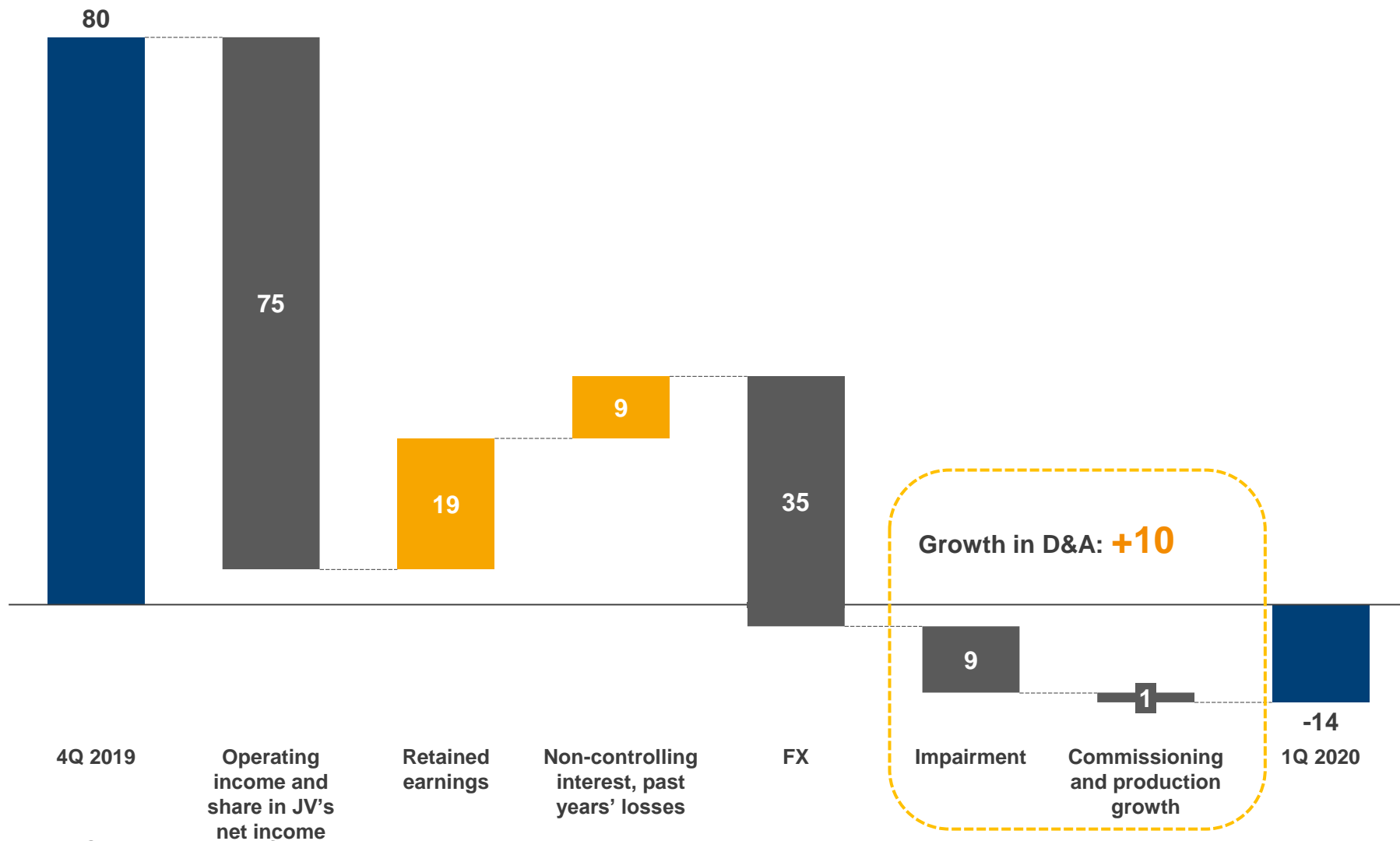
*\*Adjusted EBITDA includes the share of EBITDA of associated and jointly controlled companies  
The values may not converge in the totals due to rounding*

## Net income reconciliation 1Q 2020 vs 1Q 2019 (RUB bn)



*The values may not converge in the totals due to rounding*

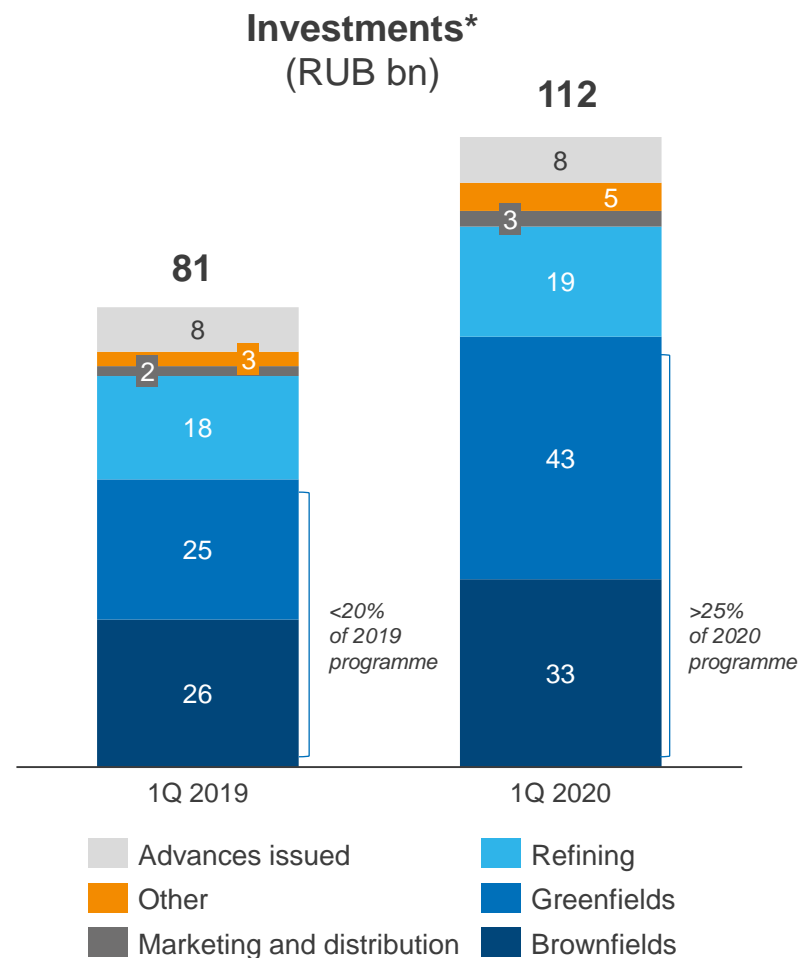
## Net income reconciliation 1Q 2020 vs 4Q 2019 (RUB bn)



Значения могут не сходиться в итоговые суммы в связи с округлением

# New projects moving into their active phase has led to higher CAPEX in 1Q 2020

- Higher drilling volumes and construction of infrastructure facilities at **oil-rim deposits**
- Implementation of the **Zima** and **OGF** projects in traditional locations
- Greater drilling at the **Yuzhno-Priobskoye** field and fields in the **Noyabrsk region**
- Seismic prospecting** projects at newly acquired license blocks
- Implementation of **deep conversion** projects at the Omsk Refinery, and **construction of the catalyst production facility**



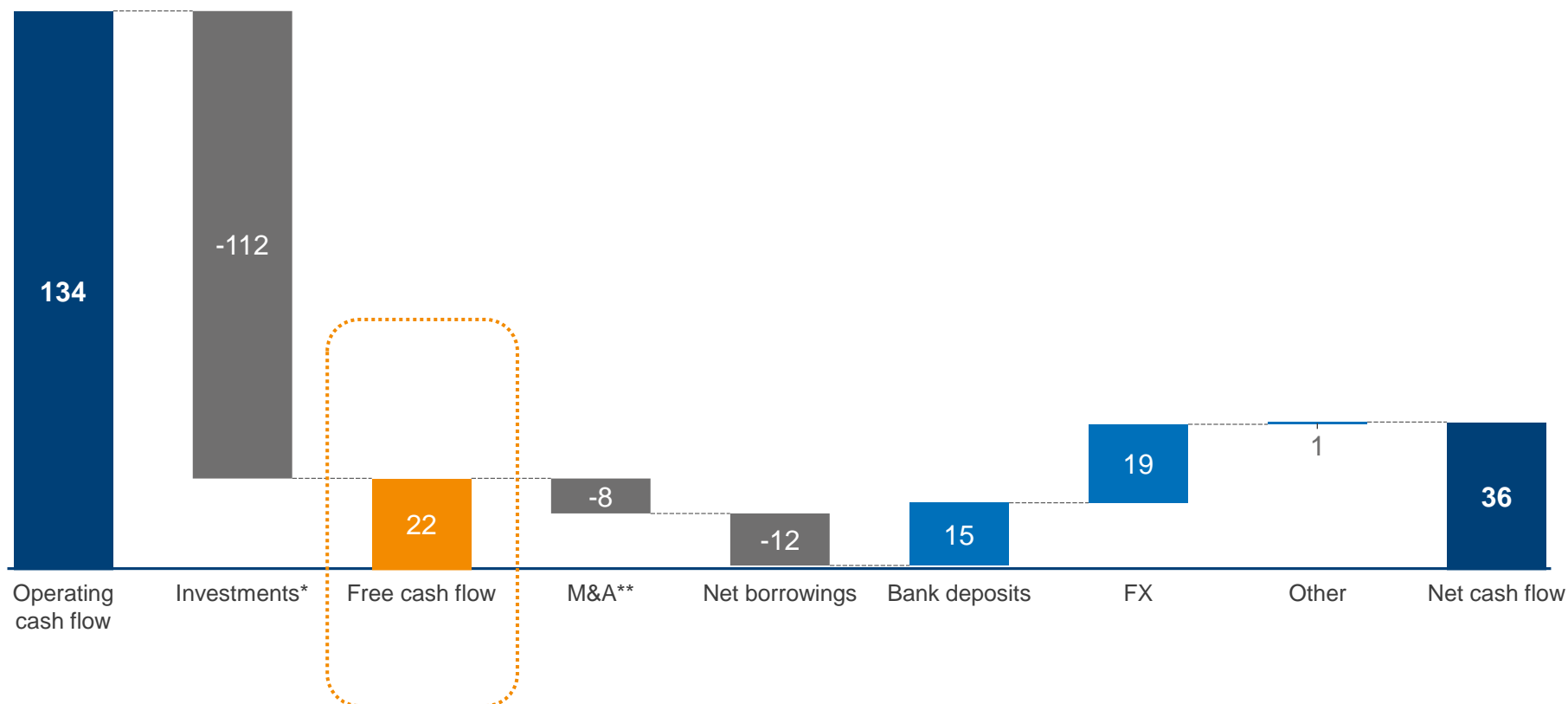
Changes in advances paid and payments for capital construction materials include expenditure on materials and equipment for ongoing projects.

\* Percentage changes and totals shown may differ slightly from those calculated, due to rounding.



# Significant net cash flow in the face of a worsening macroeconomic environment

1Q 2020 cash flow reconciliation (RUB bn)



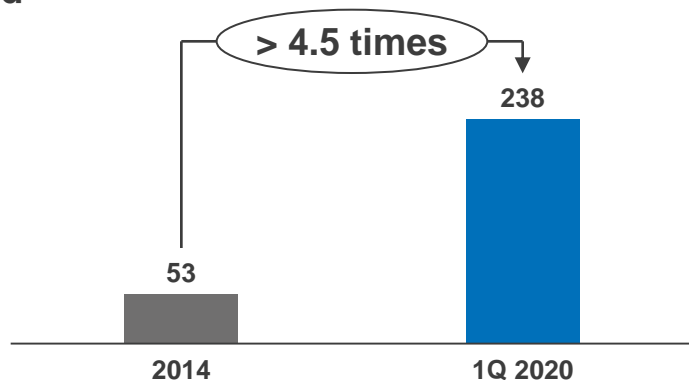
\* Includes changes in the amount of prepayments and materials for capital construction

\*\* The acquisition of oil and gas licences and other cash flows from investing activities

The values may not converge in the totals due to rounding

# A strong and sustainable position: the company is more sustainable than in the 2014 crisis

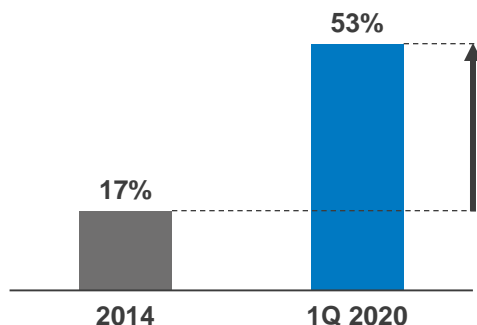
## Cash at the end of the period (RUB bn)



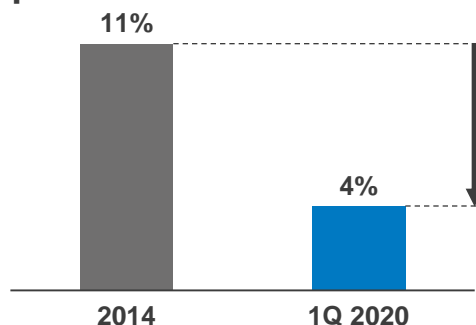
## Accumulated liquidity...

- cash on the balance sheet as at 31.03.2020: **RUB238** billion
- available credit facilities in the order of **RUB85** billion

## Ruble-denominated debt



## Short-term portion of debt



## and a sustainable debt portfolio

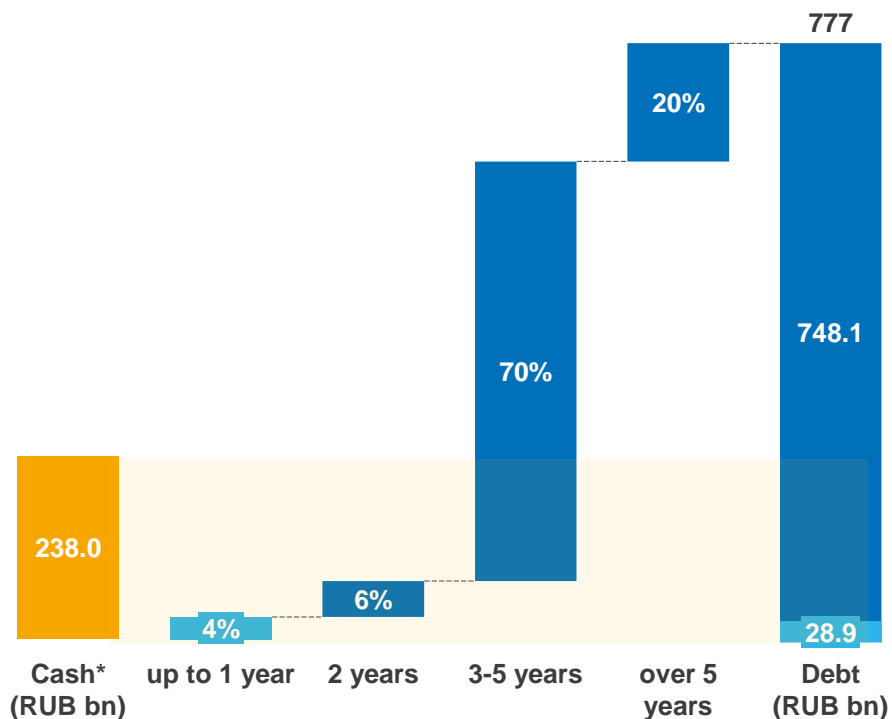
- in terms of currency (>50% of debt is in rubles)
- in terms of maturity (<5% is short-term debt)

Средства

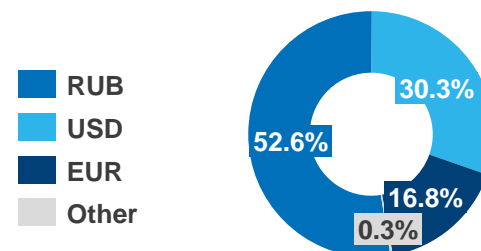
**support the company's financial stability**

# Maintaining financial stability

## Debt repayment profile as at end-1Q 2020



## Debt-portfolio structure (by currency)



## Debt portfolio and credit ratings

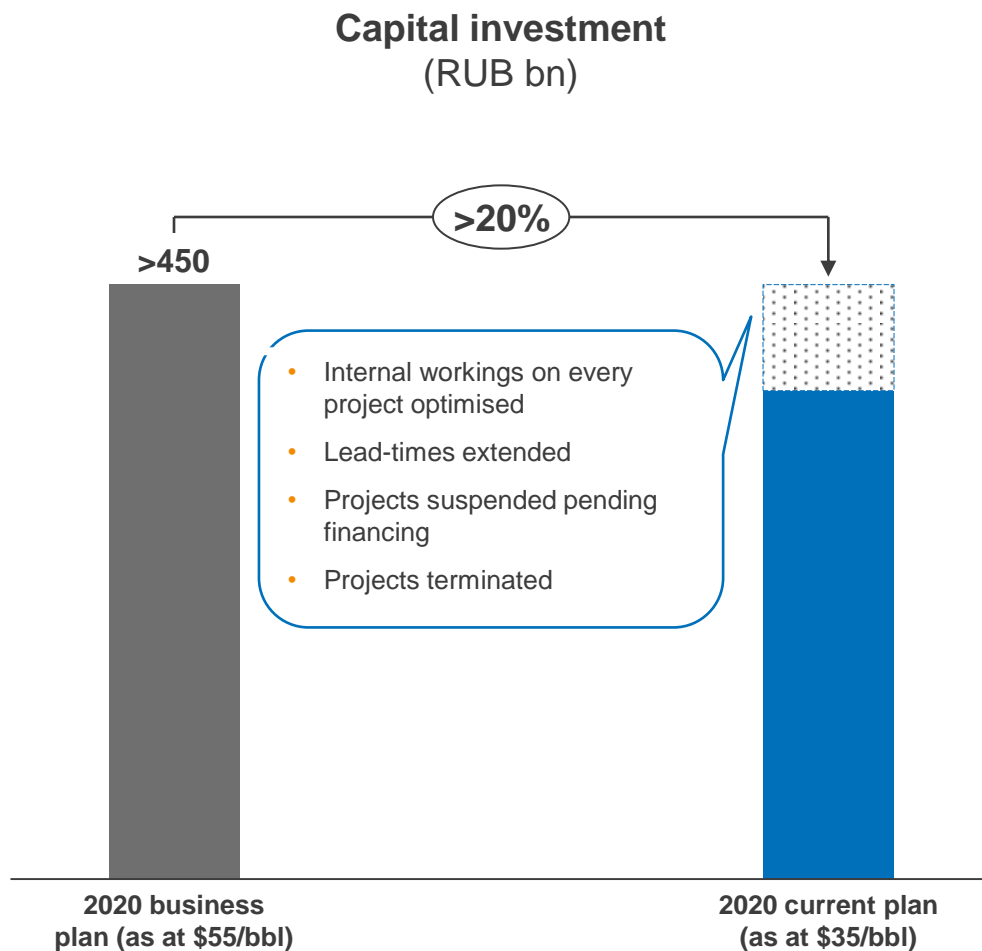
- February 2020 - successful completion of a RUB10-billion five-year **6.2%** p.a. coupon bond placement. The coupon rate has become **the lowest** in the history of the Russian market\*\*
- The company's rating was affirmed by S&P in May 2020 at BBB- (outlook stable)

- Average debt maturity** increased from 3.18 (end-2019) to 3.58 years as at 31 March 2020
- The average interest rate** declined from 6.18% (end-2019) to 5.68% as at 31 March 2020

\* Cash and cash equivalents, short-term deposits.

\*\* Among placements for similar maturity

# The company's response to global changes



- **Approximately 20%** estimated revision of initial investment programme
- **>10%** - optimization of manageable selling, general and administrative expenses, which fully compensates for counter-COVID-19 costs
- **> RUB10 billion** – the anticipated impact of optimising OPEX



- Stringent control over the management of working capital
- No major M&A transactions
- A range of initiatives directed to optimisation at joint ventures level – optimising the investment programme, self-financing of joint ventures