

Investors' FAQ



What are your capital investment plans for 2020?

Gazprom Neft's comprehensive and complex portfolio includes projects at early stages of development that require the adjustment of capital investment plans, so it is difficult to state a definite figure. Prior to the COVID-19 pandemic, we were planning on capital expenditure of up to \$7.3 billion. However, if the situation deteriorates, the company may consider a 20% reduction of the programme. It is difficult to predict what will happen next; but, importantly, the Gazprom Neft position is strong, and the company is ready for any scenario. By the time of this crisis, the company had already achieved strong financial performance, with low leverage. There has not yet been any substantial investment in new major projects; however, the company has mostly finished spending on key current upstream and refining projects, which allows more flexibility in decision-making. The company will have to be more conservative now, and it will have to review all its plans, and extend the deadlines for some projects. However, Gazprom Neft focuses on long-term plans, rather than on the current situation on the market.



What is the main driver of capital expenditure for you in the short term, in order of priority?

The company prioritises key major projects in terms of investment. Those key projects include the Novoportovskoye field, where drilling-out is continuing, and the gas infrastructure is being built. They also include oil rims, which the company has begun to develop on the Yamal Peninsula (the Tazovskoye and Severo-Samburgskoye fields). There are also projects to develop the Neocomian and Jurassic deposits of large Gazprom gas fields, the Bovanenkovskoye and Kharasaveyskoe, which will be developed under long-term risk operator agreements. These projects are priorities for Gazprom Neft that require large amounts of capital investment. They are, however, expected to contribute significantly to future production.



What measures is the company taking in relation to COVID-19?

Given the spread of COVID-19, the company's strategy of focusing on digital technologies proved to be wise, as it allows many processes to be managed remotely, and increases their safety. To ensure business continuity, the company has a multi-level crisis management action plan. It has created a corporate system of barriers to prevent the spread of infection. The company has modelled basic scenarios in relation to the risk of COVID-19 spreading among employees and contractors. It has conducted drills to ensure its smooth operation, if COVID-19 is found among employees at fields and refineries, including increasing rotation periods at remote fields to 45–90 days, and paying advances to those employees who are on rotational leave. Gazprom Neft refineries are ensuring manufacture of petroleum products in accordance with this plan. Automation at refineries in Omsk and Moscow allows remote

control over the production process, and includes measures for preventing infection.

About 60% of employees at the company headquarters in St Petersburg have started working remotely, primarily pregnant women, employees aged 60 and older, disabled people, and all those who have chronic cardiovascular and lung diseases. Overall, the Gazprom Neft Group has organised remote working for about 15% of its staff, and this figure is increasing. The company has introduced additional digital services for remote work that were not available before. In addition, the company has made it easier for its employees to use its devices and software at home.



Is it likely that dividend payments will amount to 50% of the net profit?

The resolution regarding the dividend payout ratio of 50% of the net profit was made at one of the last meetings of the Board of Directors in 2019. This means that all resolutions on dividend payment in 2020 will correspond to a 50% benchmark.



What growth or reduction in production can be expected from the company?

The balanced project portfolio provides significant opportunities to increase production; however, the production growth depends on how the situation on the market develops. In its previous conservative scenario, as part of continuing the OPEC+ deal without changes, the company expected hydrocarbon production to increase by 1%. Given the pandemic, it is extremely difficult to predict changes on the market. I would like to emphasise that the company is strong and it is working on several scenarios for further development, and is able to respond to the changes both flexibly and quickly.



On which fields was the excess-profits tax (EPT) imposed in 2019?

In 2019, EPT was imposed on blocks at the following mature fields: Vyngayakhinskoye, Vostochno-Vyngayakhinskoye, Kraynee, Romanovskoye, and Novogodneye. EPT was also levied on some blocks at greenfield sites, such as Tazovskiy, Ignyalinsky, Zapadno-Yubileyny, Severo-Samburgskiy, Novoportovskiy, Kuyumbinsky, Tersko-Kamovskiy, and Zapadno-Zimny.

