

IFRS FINANCIAL AND OPERATING RESULTS FOR SECOND QUARTER 2014

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Agenda

Highlights, Financials

Alexey Yankevich

Member of the Management Board,
CFO



Upstream

Mikhail Zhechkov

Head of Economics and Investment Department,
Exploration and Production Division



Downstream

Vladimir Konstantinov

Head of Economics and Investment Department,
Refining and Marketing Division



Strategy

Sergey Vakulenko

Head of Strategic Planning Department



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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 fact 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 could cause actual results, performance or events to differ materially from those expressed or implied in these statements.

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There are a number of **factors that could affect the future operations of Gazprom Neft and could cause those results to differ materially from those expressed in the forward-looking statements** included in this presentation, inclusively (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 delay or advancement, approvals and cost estimates; and
- (k) changes in trading conditions.

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Highlights



1H 2014 Financial performance:

- Revenue: RUB **688** bln (+16.5% Y-o-Y)
- EBITDA*: RUB **178** bln (+18.5% Y-o-Y)
- Net Income: RUB **88** bln (+12.9% Y-o-Y)

2Q 2014 Key events

- Began industrial oil production at **Badra** oil field
- Began exploratory drilling at the **Dolginskoye** field in the Arctic
- Gazprom Neft, SIBUR and Titan Group establish a Joint Venture based on the **Poliom** plant in **Omsk**

Operational progress in 1H 2014:

- Hydrocarbon production up **4.0%** Y-o-Y
- Refining volumes up **3.8%** Y-o-Y
- Premium sales up **11.1%** Y-o-Y

2Q 2014 vs. 1Q 2014:

- Hydrocarbon production up **0.5%**
- Refining throughput up **2.9%**
- Revenue up **15.1%**
- EBITDA* up **12.3%**
- Net Income up **31.6%**

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

Upstream

Production growing as project portfolio expands

New project portfolio continues to expand in 2014

SeverEnergia

Reached **agreement on 50/50 ownership with NOVATEK**, executed first financial restructuring step to achieve 45.1% effective Gazprom Neft share from 31 March 2014



Prirazlomnoye

Gazprom Neft **acquired Gazprom Neft Shelf**, which owns the license to develop Prirazlomnoye field, from Gazprom



Nortgaz

Acquired an effective stake of 9.1% in Nortgaz (Severo-Urengoyevskoye field)

Geography: Nadymsky and Purovsky areas of YNAO (located close to SeverEnergia's assets)

Proven reserves (SEC):

Liquid hydrocarbons	21 MMTonnes
Gas	157 bcm

Potential peak production: ~ 10 MMtoe

2014

March

April

May

June

July

August

Otdelnoye

Acquired license from undistributed fund

Geography: Surgut area of KMAO and Purovsky area of YNAO (nearest fields – Holmogorskoye, Pogranichnoye and Karamovskoye)

State balance (recoverable reserves):

Crude	4.8 MMTonnes
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Potential peak production: ~ 0.3 MMTonnes

Severo-Vrangelevsky Block

License transfer from Gazprom to Gazprom Neft Sakhalin

Geography: eastern region of the East Siberian Sea shelf and the western region of the Chukchee sea shelf

Estimated resources (recoverable):

Liquid hydrocarbons	769 MMTonnes
Gas	994 bcm

Potential peak production: ~ 10 MMtoe

Stakhanovskoye

Acquired license from undistributed fund

Geography: Purovsky area of YNAO (west of work at Eti-Purovskoye field)

Estimated resources (recoverable):

Crude	9.5 MMTonnes
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Potential peak production: ~ 0.5 MMTonnes

Major upstream achievements



- **SeverEnergiya:** Agreed on a 50/50 ownership plan with NOVATEK; executed first financial restructuring step to achieve 45.1% effective Gazprom Neft share from 31 March 2014
- **Nortgaz:** purchased 9.1185% share in Nortgaz



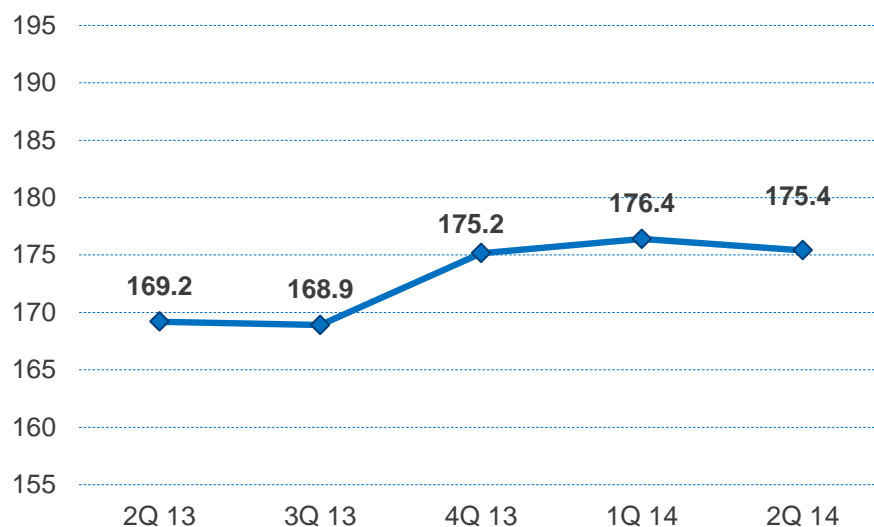
- Increased production **3.7%** in 2Q 2014 vs. 2Q 2013
- Began drilling well 3SD at the **Dolginskoye** field in the Barents Sea



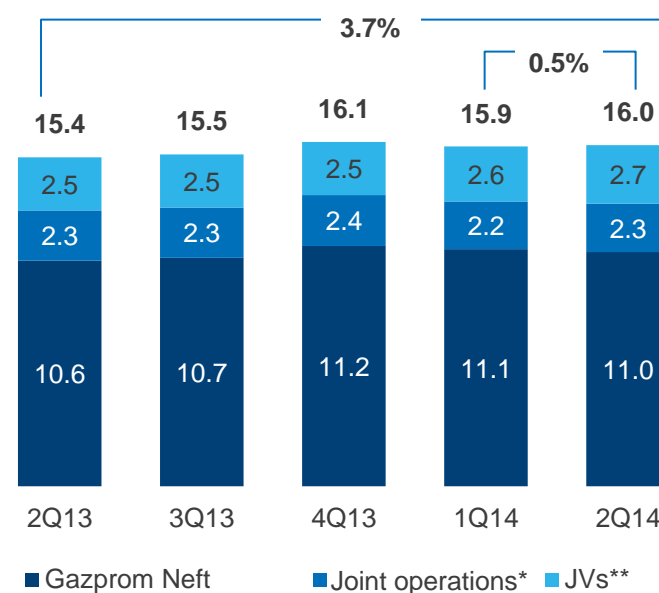
- Began industrial oil production at **Badra** field
- Began drilling Shakal-2 well at **Zagros** project (Iraq)

Hydrocarbon production growth driven by Priobskoye and Orenburg fields and increased share in SeverEnergiya

Average daily hydrocarbon production
‘000 toe/day



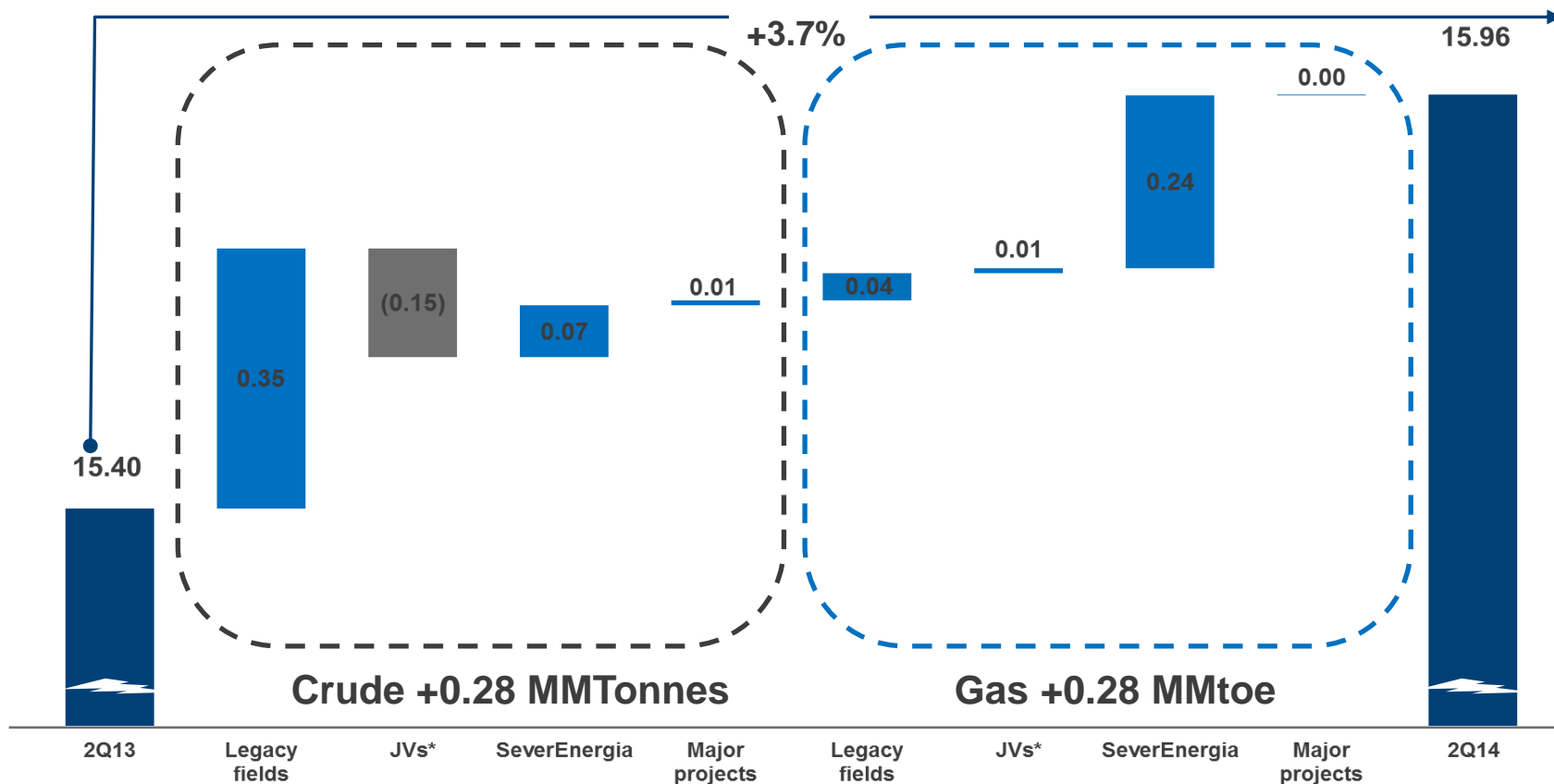
Total hydrocarbon production, MMtoe



*Joint operations: proportionately consolidated entities (Tomskneft, SPD). ** Joint Ventures: Equity accounted entities (Slavneft, SeverEnergiya)

Oil and gas both continue to contribute to production growth

Hydrocarbon production 2Q 2014 vs. 2Q 2013, MMtoe



* JVs refer to proportionately consolidated entities and equity accounted entities

New field development

Chona



- Pilot production from well 96 at the Tympuchikanskiy block
- Completed 2013-2014 3D seismic program
- Signed confirmation agreement with JOGMEC

Kuyumba



- Completed 3D seismic at Podporozhny block (300 km²) and Tersko-Kamovskiy block (400 km²)
- Began drilling pilot production wells
- Agreed on petrophysical and structural-tectonic field models for use in field development plan.

Dolginskoe



- Set up rig and began drilling well 3-SD
- Completed planning for well 4-SD

**Kurdistan
(Iraq)**



- Began drilling Shakal-2 well and completed preparatory work for drilling Shakal-3
- Demining and preparatory work for seismic exploration of Halabджа block

New field development (continued)



Nortgaz

- Gazprom Neft became manager of 50% of the shares of Nortgaz controlled by Gazprom group
- Purchased 9.1185% share in Nortgaz



SeverEnergiya

- Temporary operation of gas processing plant at Urengoiyskoye field following the fire
- Startup of full cycle of first train of CPF at Samburgskoye field



Novoport

- Completed infrastructure for summer shipments
- Completed technical development plan
- Provided construction design documents for ecological assessment, signed agreements with Sovkomflot and Stena for tanker construction, began work on dredging and construction of the cofferdam
- Prepared application for preferential export duty rate



Prirazlomnoye

- First crude shipment
- Purchase of 100% of Gazprom Shelf by Gazprom Neft
- Performed turnaround for the processing system



Messoyakha

- Completed 490 km² of 3D seismic
- Completed preparatory engineering work
- Completed exploration well 112VM



Badra

- Completed FDP and submitted documents for review by Midland Oil Company
- Completed construction of FCP facilities and began industrial oil production
- Drilling contractor ZPEC began drilling two production wells

Downstream

Increasing throughputs as premium channel sales rise

Refinery modernization on track as premium sales volumes rise

1H 2014 Key results:

Refining



- Refining throughput grew **3.8%** in 1H14 vs. 1H13
- Increased share of **Class-5** output of gasoline to **90%** (vs. 60% in 1H13) and diesel to **93%** (vs. 48% in 1H13)
- Completed **polymer-modified bitumen production facility** via GPN-Total JV

2014 Major goals:

- **Omsk**: complete FEED and launch of EPC for the following projects:
 - Deep processing unit
 - CDU/VDU unit
 - Delayed coking unit
- **Moscow**: complete CDU/VDU reconstruction and launch EPC for complex processing unit
- **YANOS**: complete reconstruction of gasoline pool units

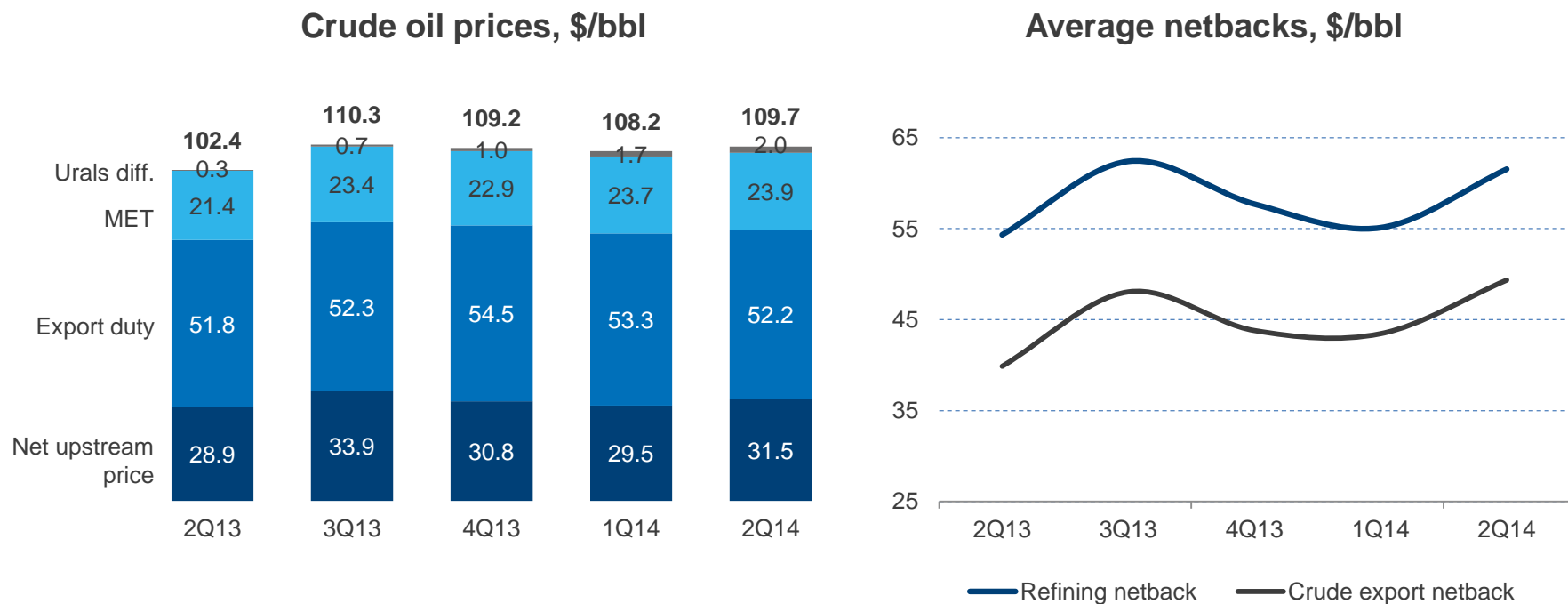
Premium Sales



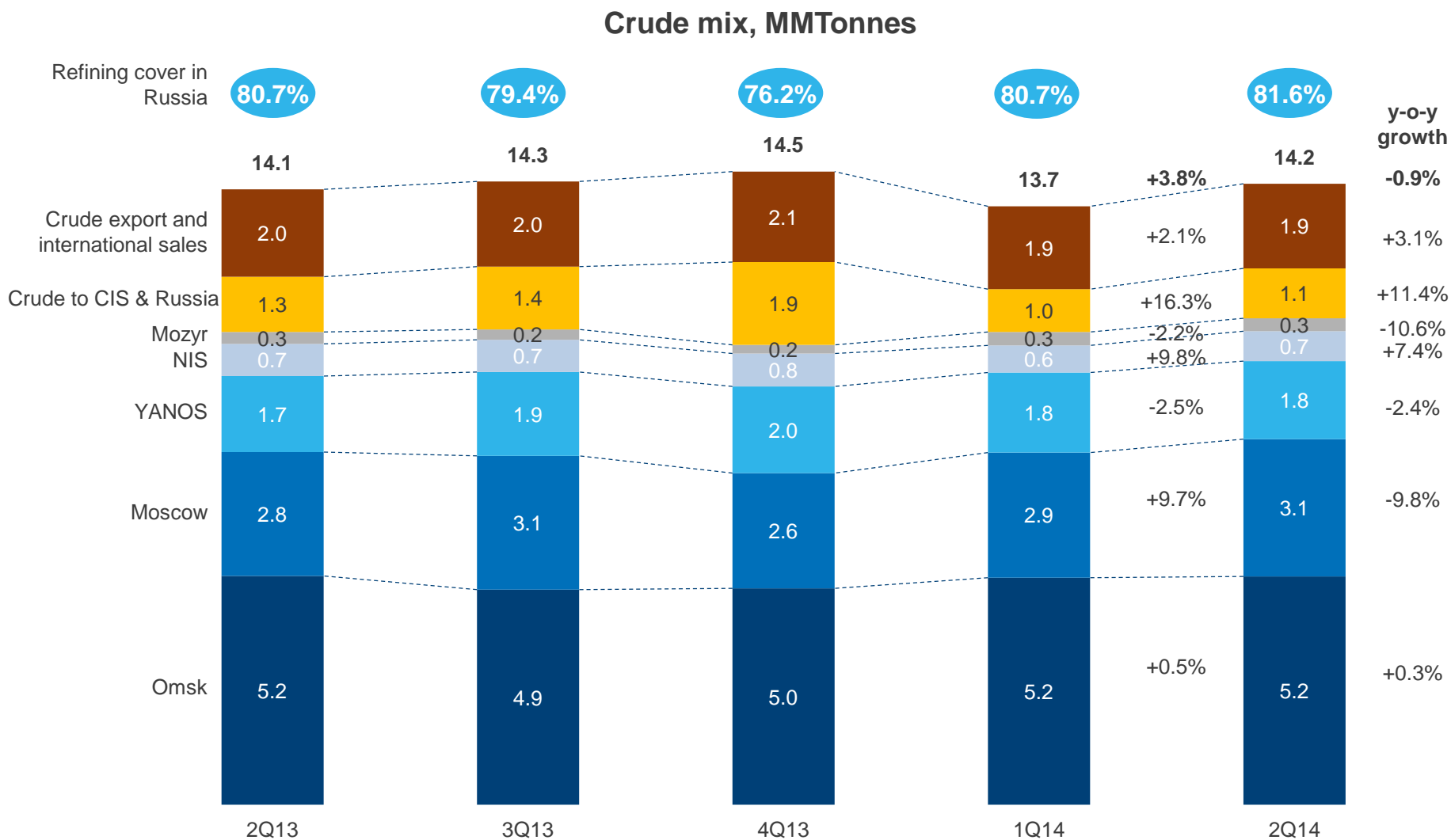
- Increased premium sales volumes by **11.1%** Y-o-Y
- Increased average **daily throughput per station** for Russian network to **18.7 tpd**
- Acquired final stake in Sheremetyevo (100% owned by GPN-Aero)
- **Retail network**: built **1**, reconstructed **4**, rebranded **8** stations

- Develop **retail network**: build **20**, reconstruct **57**, acquire **7**, rebrand **10** stations
- Begin work to prepare St. Petersburg bunker terminal and the Northwest bunker fleet for **SECA standards**
- Continue **domestic and international expansion** for premium channels

Netbacks improve while prices remain largely steady in 2Q 2014

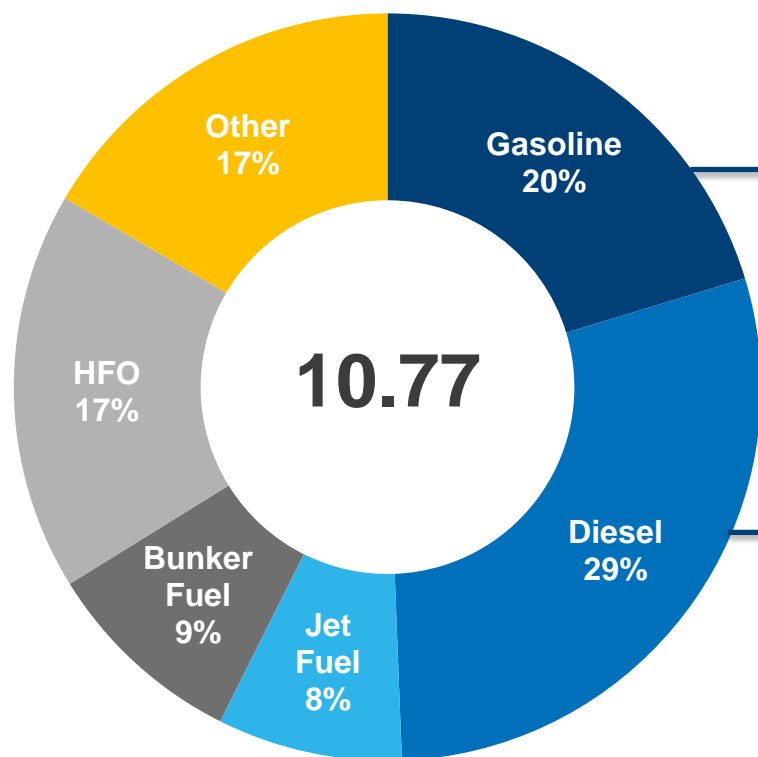


Domestic refining up on strong netbacks and seasonality

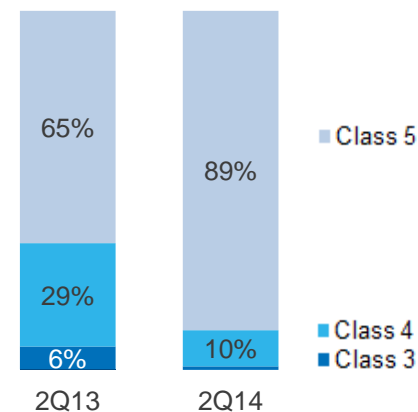


Refining investments result in high-value product yield

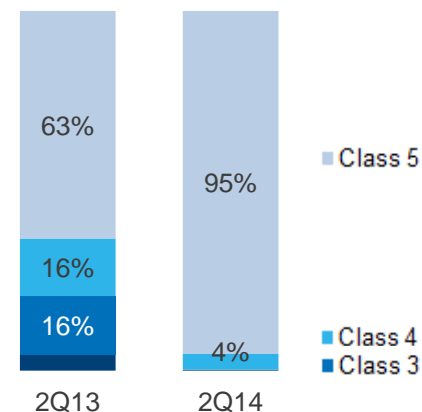
2Q14 Total yield, MMTonnes



Gasoline yield



Diesel yield



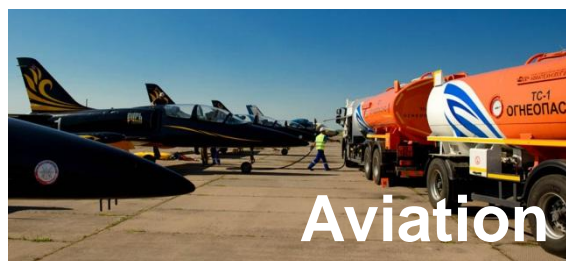
Premium channels continue domestic and global expansion in 2Q14



- Increased average daily throughput per site in Russia to **19.0** tpd in 2Q14 vs. 18.4 in 2Q13, an increase of **3%**
- Reached total active station network of **1,734** in 2Q14

Premium sales volume growth
1H 2013 vs. 1H 2014

7%



- Increased market share to **23%**
- Expanded domestic reach, with number of refueling complexes increased to **11** (+1 Omsk) and operations at airports up to **8**
- Expanded global presence to **136** (+11 in 1H 2014)

29%



- Increased market share to **18.9%**, #1 in Russia
- Won federal bunker fuel supply tenders for Atomflot, Gazflot and Rosmorport

32%



- Increased market share to **12.6%**
- Opened **Russia's largest** motor oil manufacturing plant at Omsk
- Increased the number of international markets to **47** adding Egypt, Lebanon, Libya, Syria and Ghana

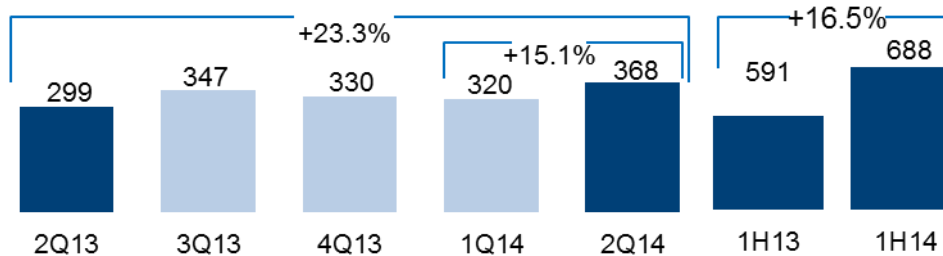
13%

Financials

Production growth and increase in sales pushed 18.5% growth in EBITDA

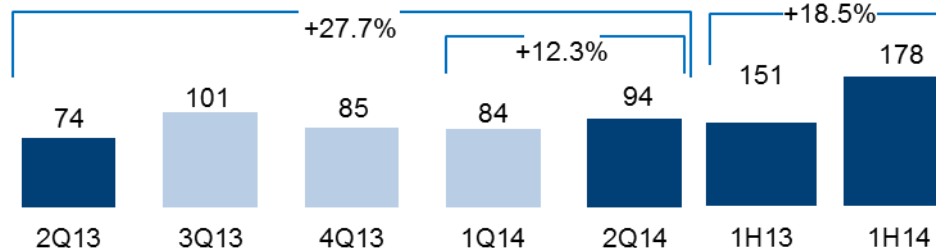
Increasing Y-o-Y EBITDA driven by growth in hydrocarbon production and premium channels

Revenues RUB bln



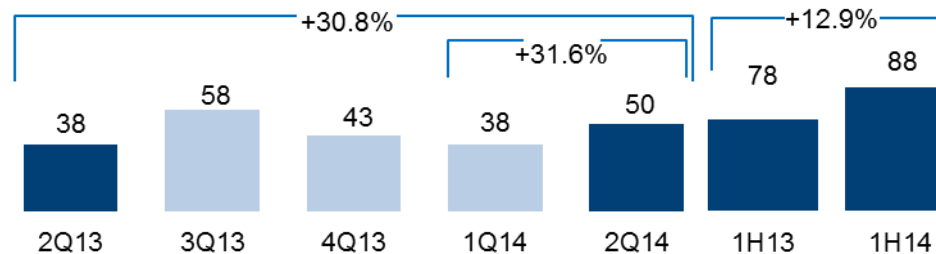
- Revenue grew 16.5% Y-o-Y on higher hydrocarbon production volumes, increased petroleum products sales, higher crude oil and petroleum products prices
- Higher crude oil and petroleum products prices and higher petroleum products sales volumes resulted in higher revenues Q-o-Q

EBITDA* RUB bln



- EBITDA rose in line with revenue
- 18.5% growth Y-o-Y

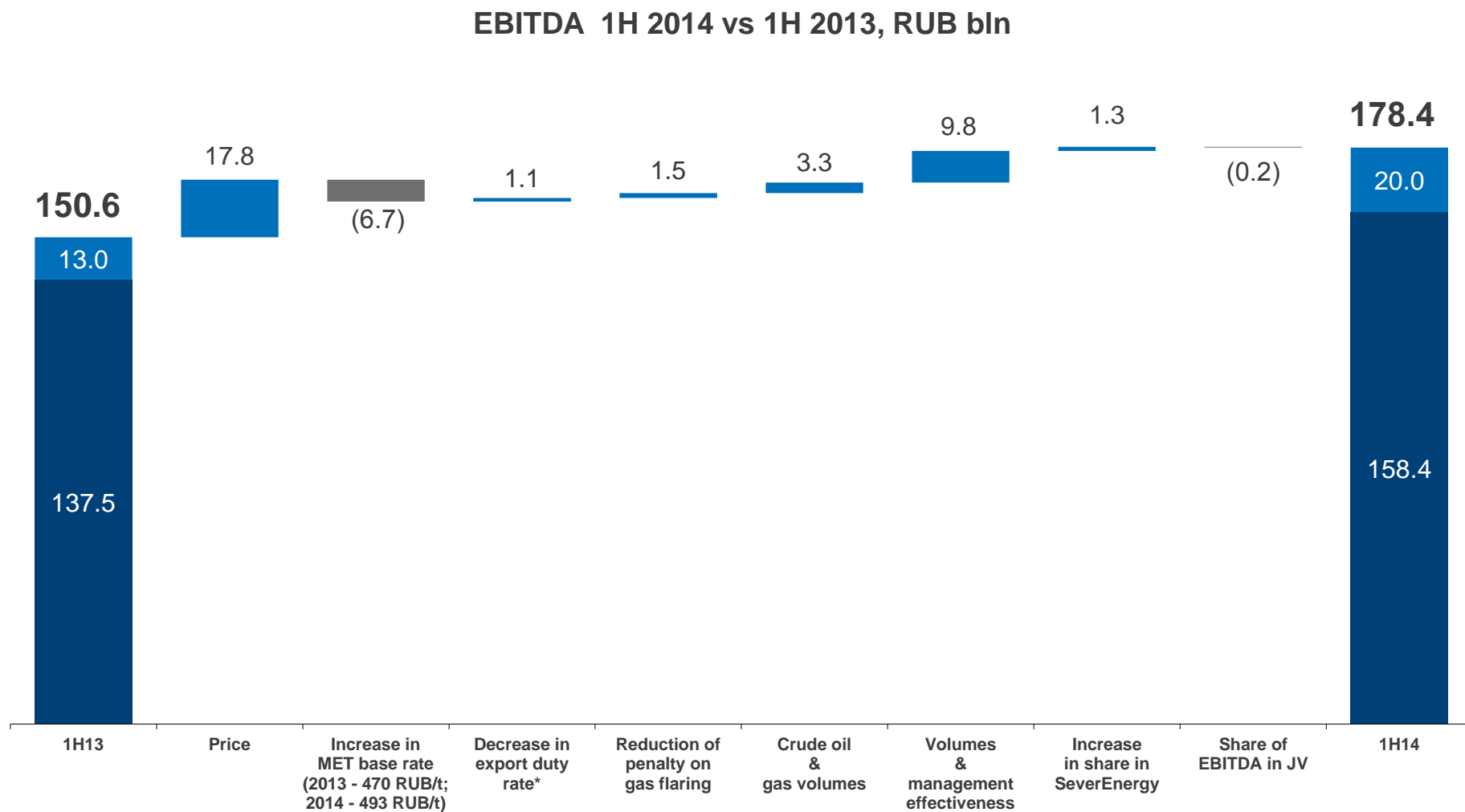
Net income RUB bln



- Net Income rose 12.9% Y-o-Y in line with revenue and EBITDA
- Q-o-Q net income growth reflects positive FX effect

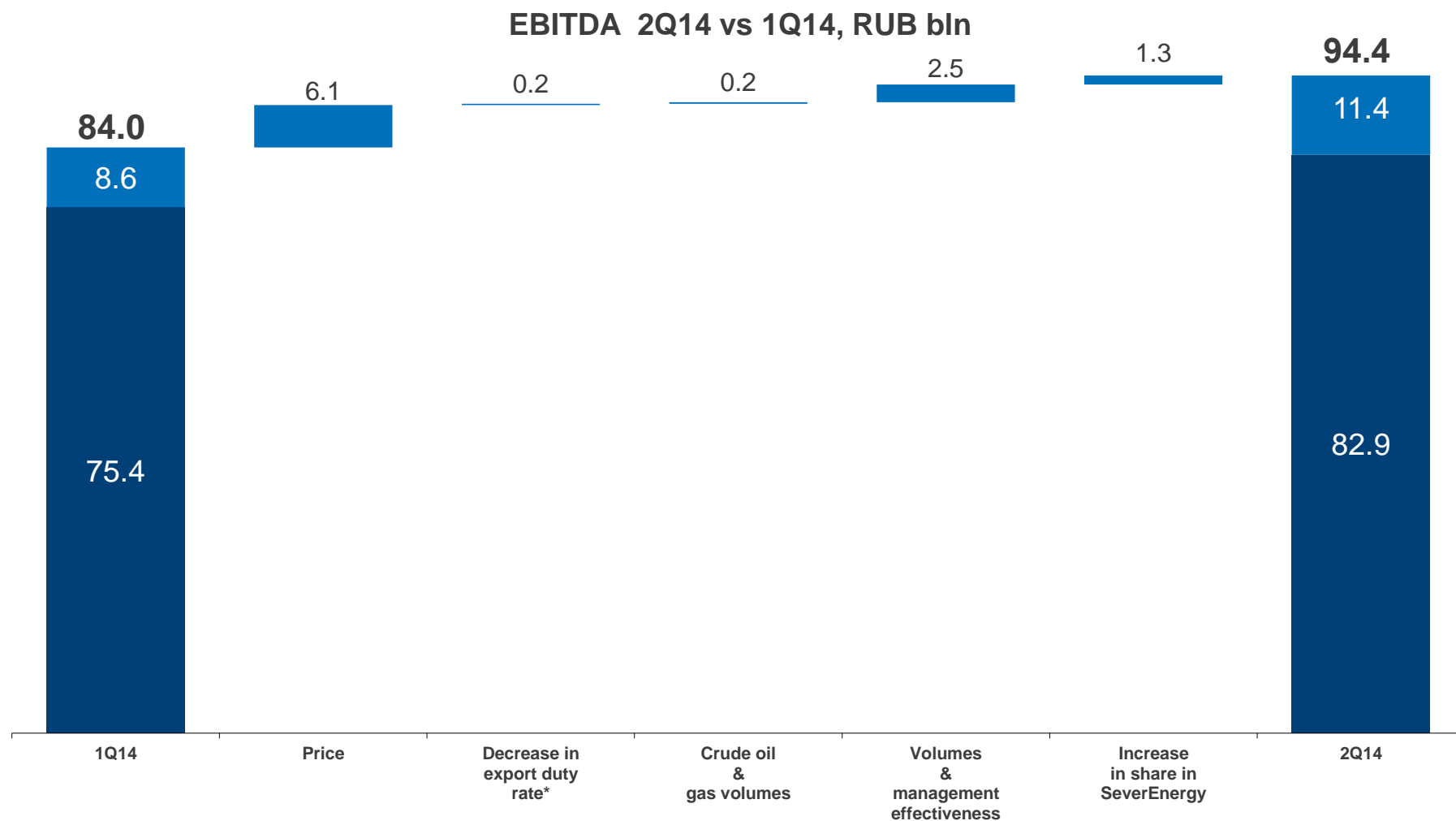
*Including GPN share in EBITDA of associates and joint ventures

EBITDA reconciliation 1H 2014 vs. 1H 2013



* Lower export duty in effect from February 2014 (crude rate reduced from 60% to 59%, light products from 66% to 65%)

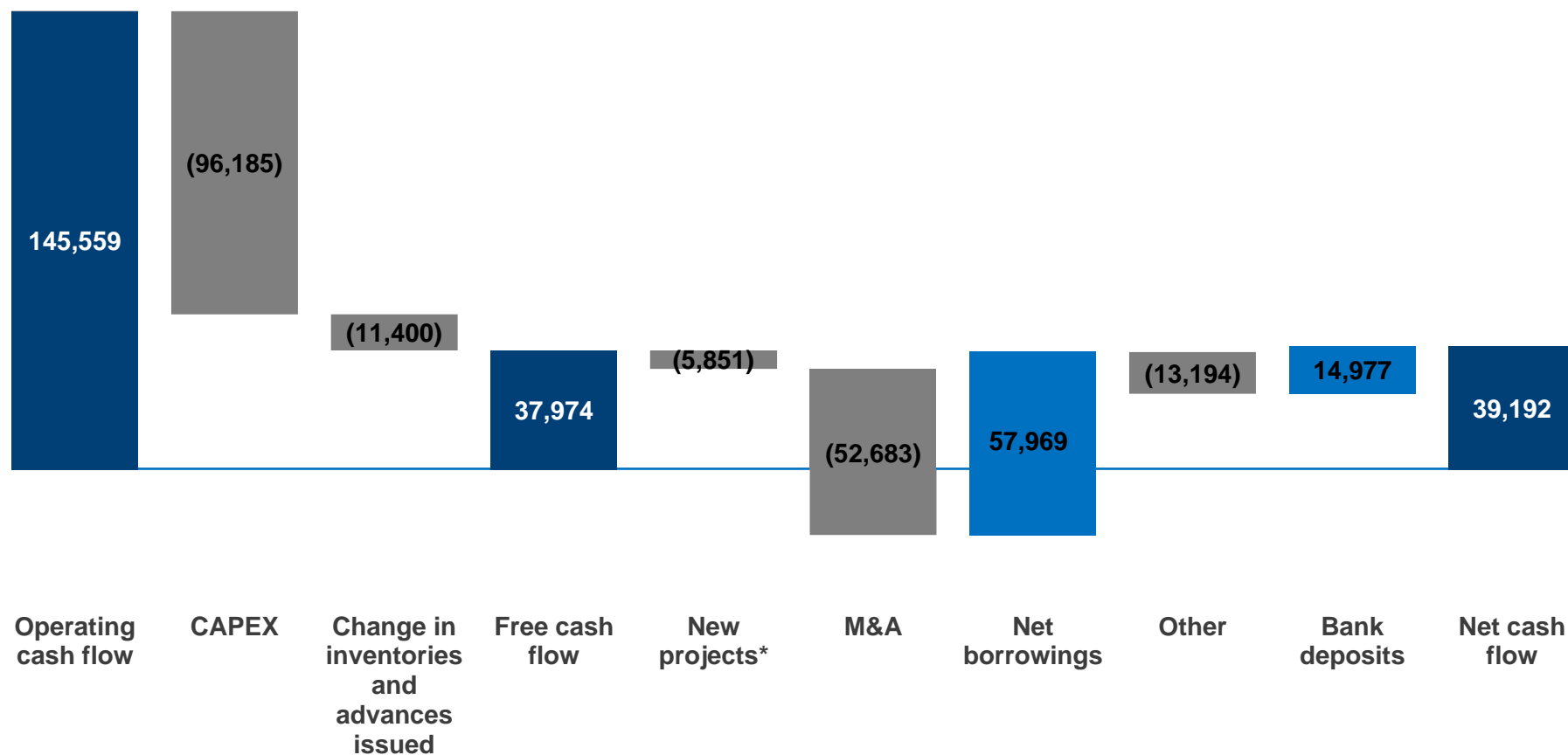
EBITDA reconciliation 2Q14 vs. 1Q14



* Lower export duty in effect from February 2014 (crude rate reduced from 60% to 59%, light products from 66% to 65%)

Strong free cash flow generation

Cash Flow reconciliation 1H 2014, RUB mln



* Projects that are not consolidated under IFRS

Investments support strategic goals and greenfield development



13% Y-o-Y growth in brownfield capex due to increase in use of new technologies in legacy fields

Active development of **offshore projects**, **Novoport field**, **Orenburg cluster** and **Middle East** projects drove **70% Y-o-Y** increase in **greenfield** capex



Refining capex decreased **21% Y-o-Y** as quality improvement projects reached completion at all refineries



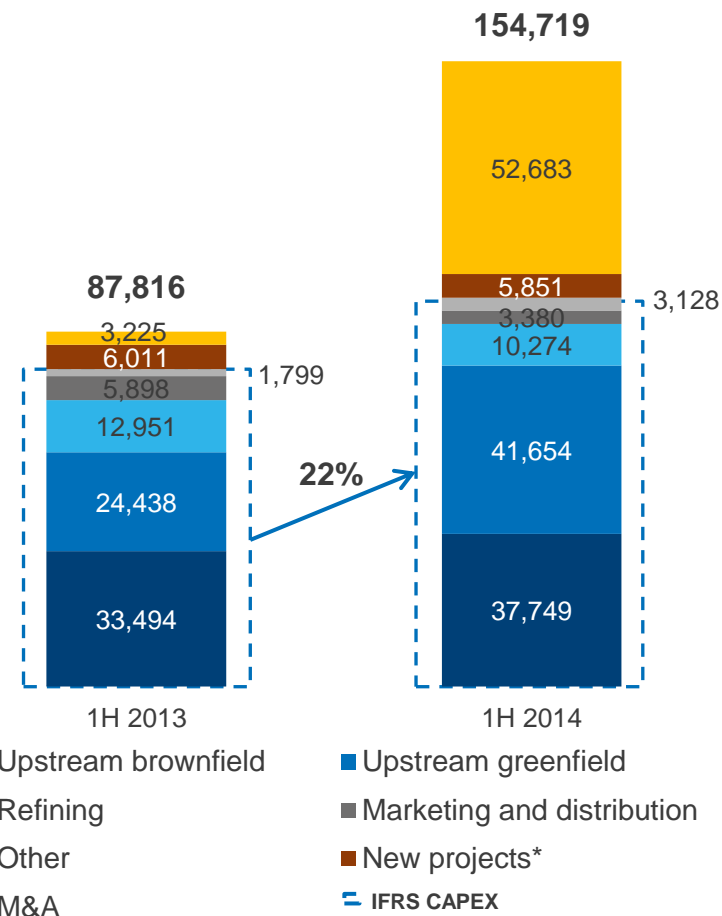
43% Y-o-Y decrease in **marketing** capex due to completion of reconstruction program in Russia

Investments in **new projects*** are stable: active development of new projects (mainly **offshore projects** and **Messoyakha field**)



M&A includes the acquisition of **9.1%** stake in **Nortgaz**, the acquisition of **Poliom's** stake, increased share in **SeverEnergia** and **Sheremetievo** airport fueling complex

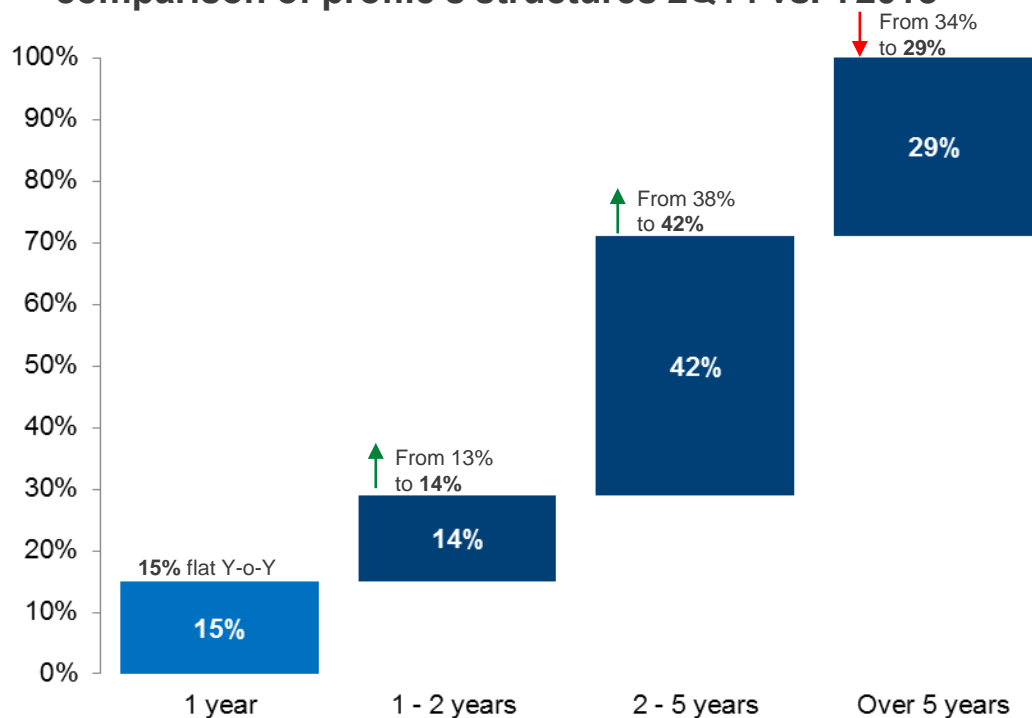
Investments, RUB mln



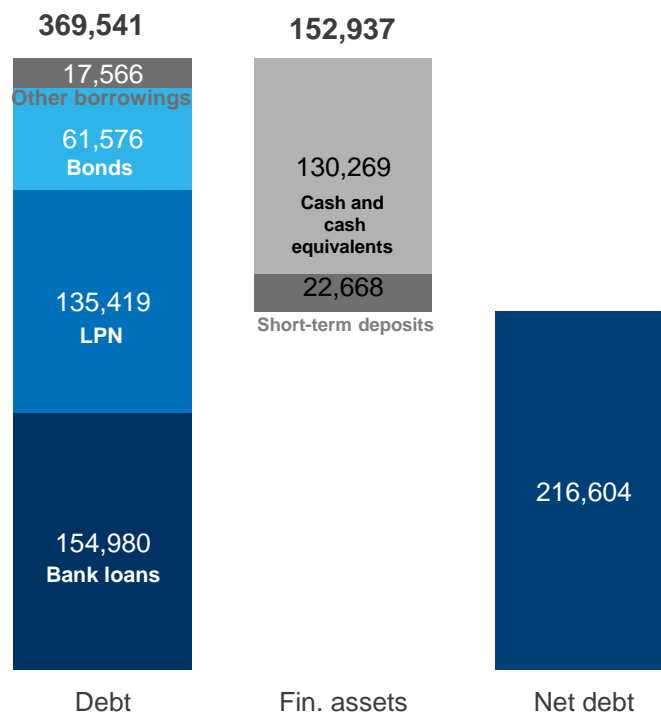
* Projects that are not consolidated under IFRS

Diversified debt portfolio

Debt maturity profile at the end of 2Q14 and comparison of profile's structures 2Q14 vs. Y2013



Debt structure at the end of 2Q14, RUB mln



- Net debt/EBITDA 0.64x vs. target <1.5x
- Decreased average debt maturity from 5.15 years at December 31, 2013 to 4.59 years at June 30, 2014
- Decreased average interest rate from 3.68% at December 31, 2013 to 3.24% at June 30, 2014
- Diversified debt portfolio: bank loans, bonds, LPN (loan participation notes)