FY2015 IFRS FINANCIAL AND OPERATING RESULTS

March 2, 2016, Saint-Petersburg

Agenda

Highlights, Financials

Alexey Yankevich
Member of the Management Board, CFO

Upstream

Alexander Mikheev
Head of Economics and Investment Department, Exploration and Production Division

Downstream

Vladimir Konstantinov
Head of Economics and Investment Department, Refining and Marketing Division

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 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.

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 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.

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

FY2015 Financial Performance:

- Sales: RUB **1,656** bln (**-2.1%** Y-o-Y)
- EBITDA*: RUB **405** bln (**+18.2%** Y-o-Y)
- Net Income: RUB **110** bln (**-10.2%** Y-o-Y) reflects significant negative FX effect in 2015

Operational Progress in FY2015:

- Hydrocarbon production up **20.3%** Y-o-Y, MMToe (**21.3%** Y-o-Y, MMBoe)
- Refining volumes down **0.9%** Y-o-Y
- Premium sales down **0.3%** Y-o-Y
- Average daily throughput per station for Russian network **19.1** tpd

4Q 2015 vs. 3Q 2015:

- Hydrocarbon production up **0.9%**
- Refining throughput down **11.7%** due to planned refinery turnaround
- Sales down **4.0%**
- EBITDA* down **17.7%**

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

Exploration and Production

Hydrocarbon production volumes continue to rise as focus remains on cost management and efficiency

Key exploration and production results

Hydrocarbon production rose by 20% y-o-y




Maintained production levels at mature fields

Reached planned production levels for 2015 at major projects:

- **Novy Port** 0.35 MMToe
- **Prirazlomnoye** 0.87 MMToe
- **Badra (100% project)** 1.4 MMToe

Began commercial production at the **Garmian** block (Kurdistan)

Commissioned **Yaro-Yakhinskoye gas treatment unit** (capacity 7 bcm/year)

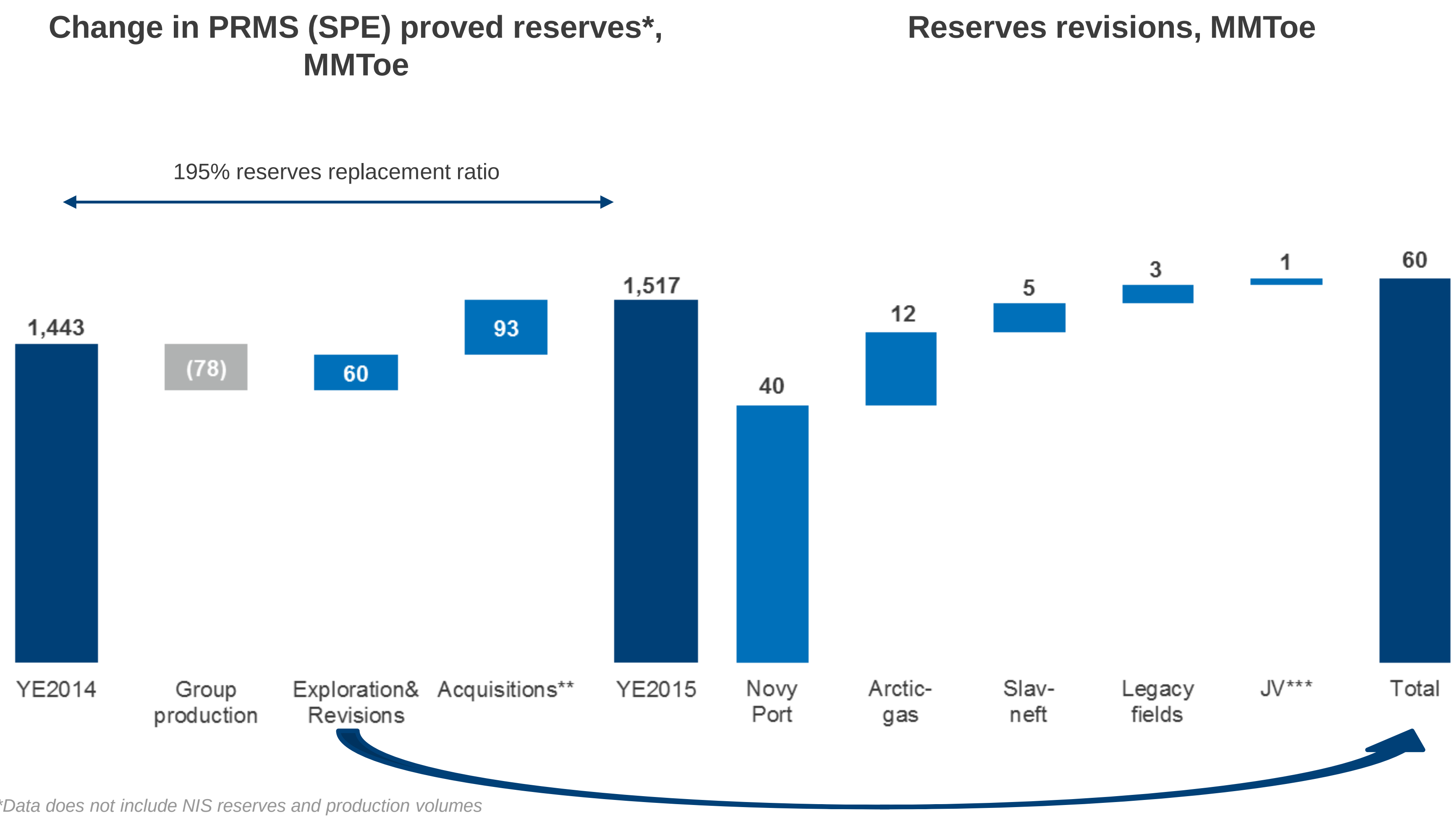
Launched **Yuzhno-Priobskoye gas processing plant** (design capacity 900 million m^3/year)

On track to meet strategic goals


Completed assembly of the **Novy Port** terminal for year-round crude shipments in 2016

Yamal production cluster: achieved equal share in management of **Northgas** and increased share in **SeverEnergia (Arcticgas)** to 46.7%

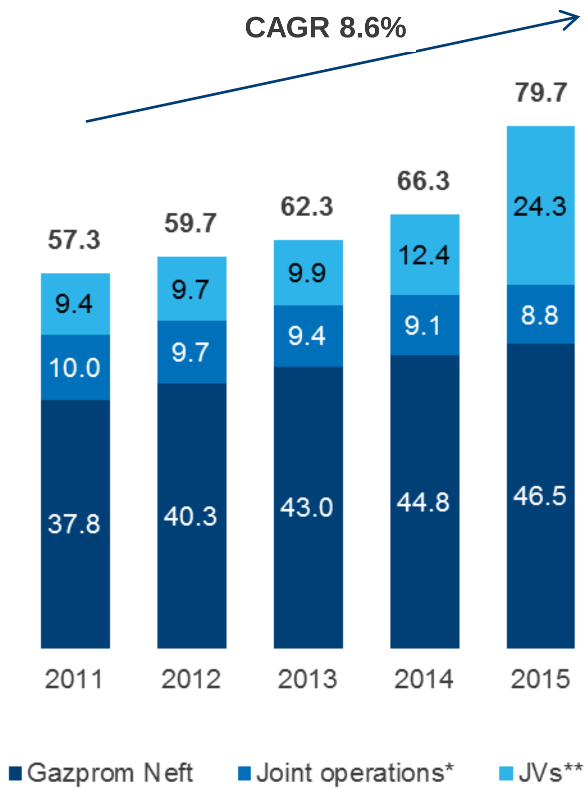
High reserves replacement ratio due to acquisitions and organic growth despite lower crude price



**Data does not include NIS reserves and production volumes*
***Acquisitions includes Arcticgas and Northgas reserves*
**** JV includes Tomskneft, SPD, Northgas, Messoyakha*

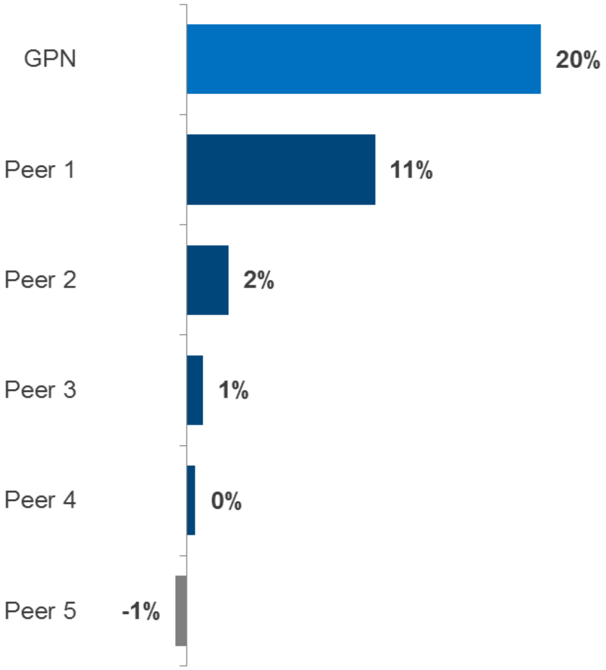
Highest production growth in Russia amongst peers

Hydrocarbon production, MMToe



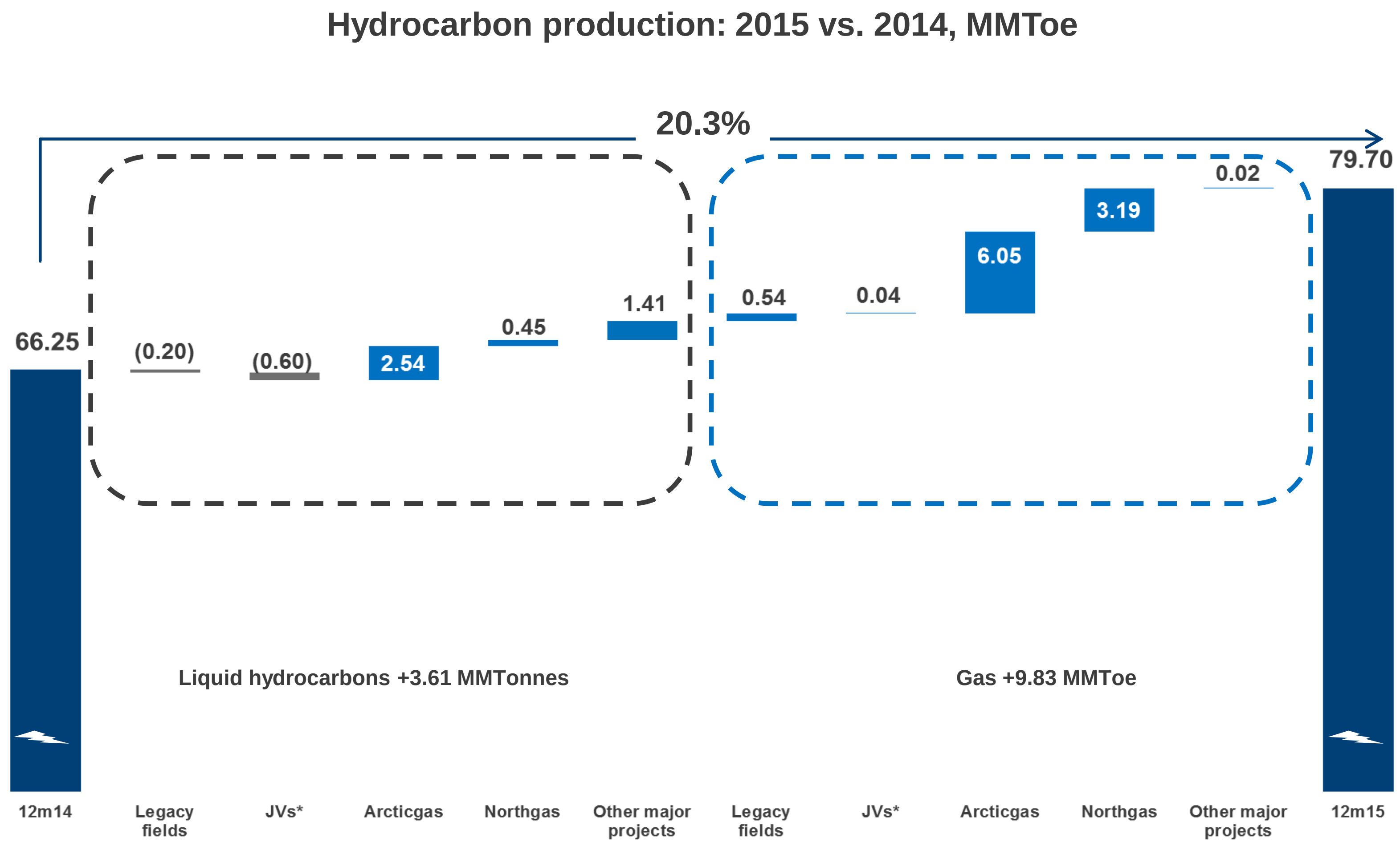
*Joint operations: proportionally consolidated companies (Tomskneft, SPD)
** Joint Ventures: Equity accounted entities (Slavneft, SeverEnergia (Arcticgas), Northgas)

Hydrocarbon production growth in Russia (2015 vs. 2014)



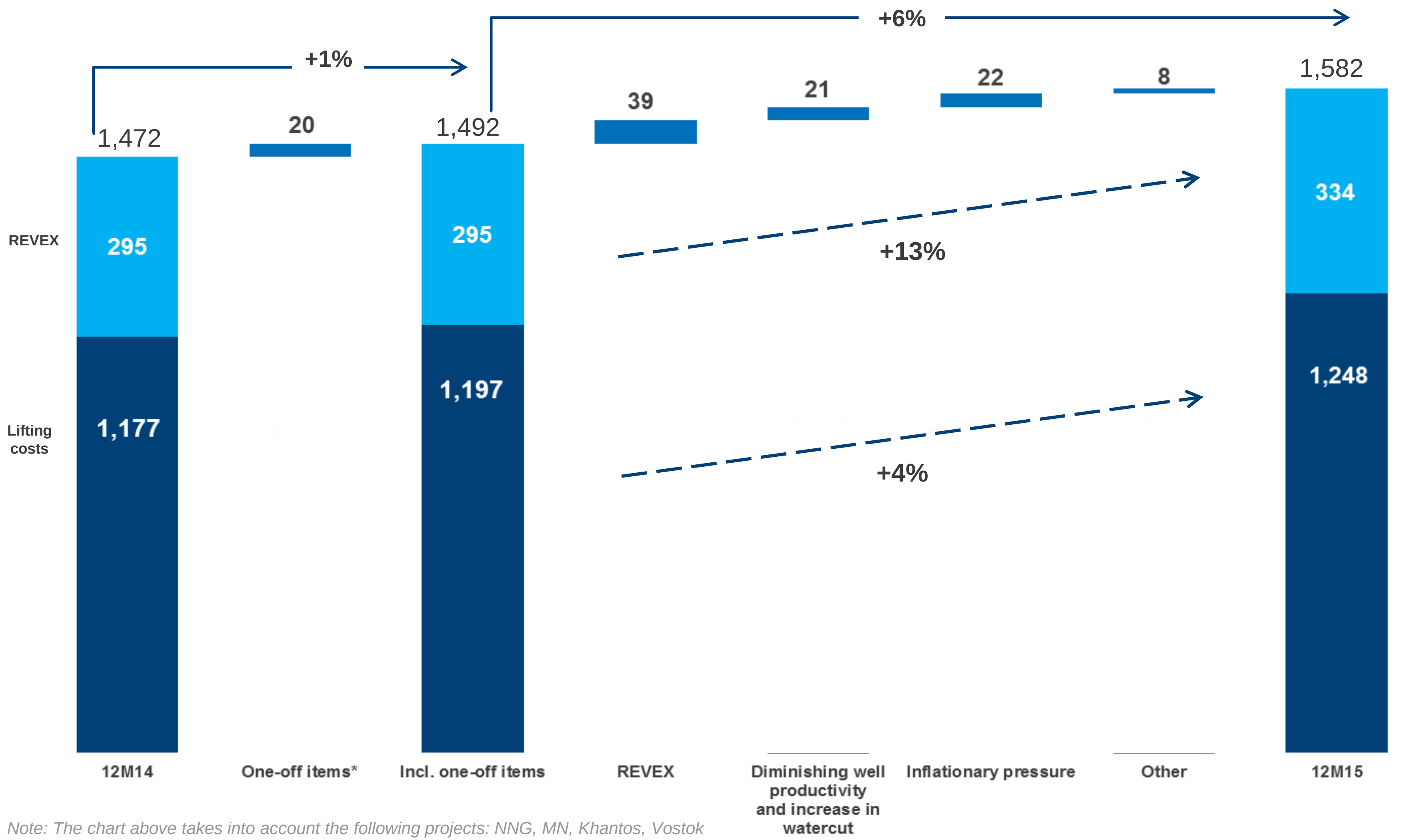
Source: CDU-TEK
Companies: Rosneft, LUKOIL, Surgutneftegaz, Bashneft, Tatneft

Successful implementation of key projects and acquisitions drives hydrocarbon production growth



**JVs refer to proportionally consolidated and equity accounted entities (Tomskneft, SPD, Slavneft)*

Controlling OPEX despite reserves depletion, higher watercut and inflationary pressures



Note: The chart above takes into account the following projects: NNG, MN, Khantos, Vostok

** One-off items include electric submersible pump leasing , flood loss costs (Khantos) and IFRS adjustments*

Novy Port: ready to lift transportation challenge

Completed summer and winter crude oil shipment programs: **293 thousand tons** were exported **in 2015**

As a result of exploration, 2P reserves (PRMS) rose by **38%** up to **176 MMtoe**

- First winter shipment by sea (7 tankers with 110 thousand tons of new crude “Novy port”) was delivered to customers in northwest Europe
- Export duty relief is approved for Novoportovskoye field
- Completed assembly of terminal in the Gulf of Ob, built accompanying infrastructure
- The first ice-breaking vessel was laid down at the Vyborg shipyard

January	February	March	April	May	June	July	August	September	October	November	December




Solidifying Yamal production cluster




January	February	March	April	May	June	July	August	September	October	November	December

- Gazprom Neft achieved equal share in management of **Northgas**
- Launched Yaro-Yakhinskoye gas processing facility with 20 MMm³/day capacity **(Arcticgas)**
- Yaro-Yakhinskoye field achieved projected production levels of roughly 7.7 bcm of natural gas and 1.3 MMTonnes of de-ethanized gas condensate in 2015 **(Arcticgas)**
- **Arcticgas** obtained non-recourse loan facility agreement with PJSC “Sberbank” and JSC “Gazprombank” to refinance existing project debt at longer maturity and lower interest rate

New project developments

Prirazlomnoye

- Approved technological scheme for field development
- Finished construction and assembly work at second base camp
- Produced 0.87 MMToe in 2015
- Dispatched 12 oil tankers over 2015

Messoyakha

- Built 71km of trunk pipeline, assembled gas-turbine electric power plant system
- Fully completed geological exploration program; came to a decision on options for reclamation of wells
- Improved horizontal well drilling time by 30%
- Submitted request for export duty tax relief

Badra

- Completed three production wells, increased daily production 2.5X up to 45 kbpd
- Shipped three tankers (~2.5 MMbbl) of cost recovery oil
- Engaged additional drilling rig, with four rigs drilling at present
- Increased central processing facility capacity nearly twofold up to 85 kbpd

Kurdistan (Iraq)

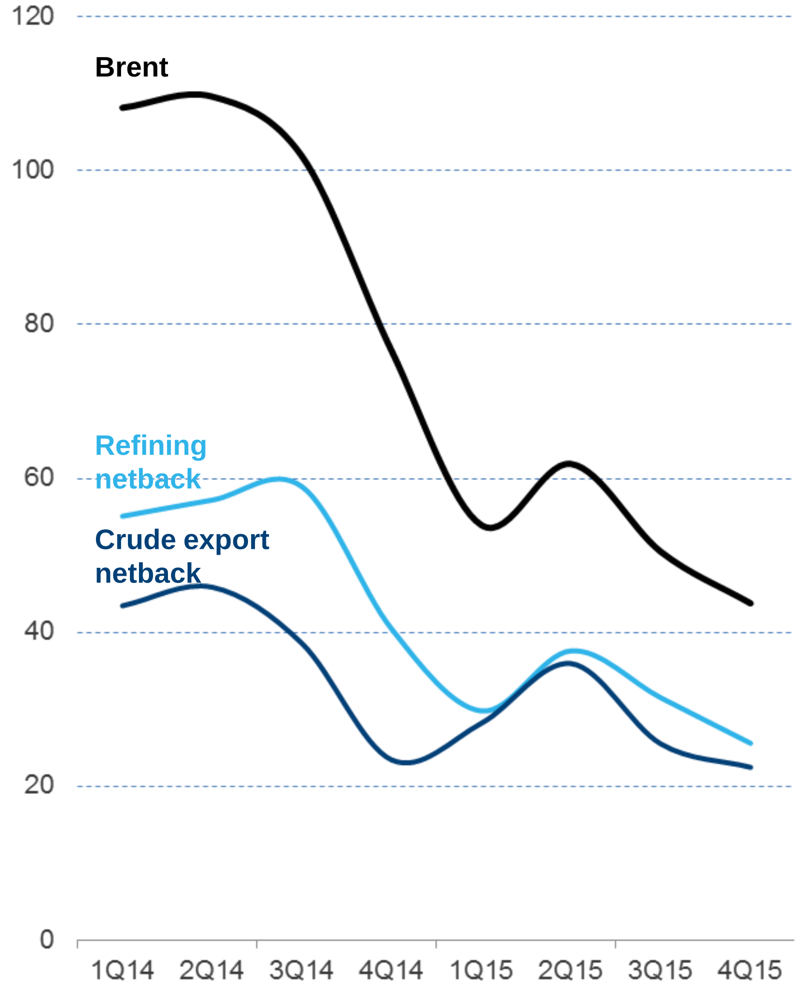
- Began commercial production at Sarkala field (Garmian block)
- Transfer of operating rights for Garmian block to Gazprom neft
- Completed testing Shakal-2 and Shakal-3 wells
- Completed 3-D seismic survey at north-west of Shakal block and 2-D seismic survey at south and north of Halabja block

Downstream

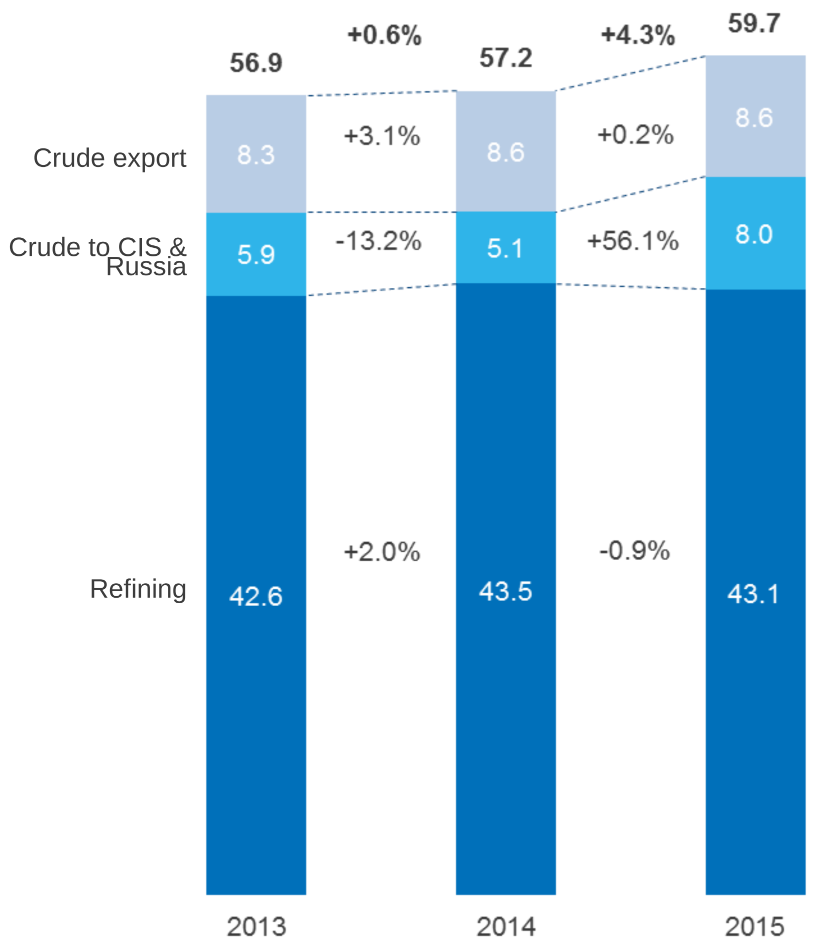
Strategic investments result in higher product quality and rising market share

Crude and product mix reflects shifting regulatory and price environment

Crude price and average netbacks, $/bbl



Crude mix, MMTonnes



Refining highlights: 2015

Omsk:

- Increased **condensate** processing to **1.4** MMTonnes (+0.8 MMTonnes vs. 2014)
- Began developing Gazprom Neft **catalyst production** project
- Introduced **new oil products**: MTBE, light gasoil for bunkering, polymer bitumen binding-130
- Completed **water unit** for **catalytic cracking unit**
- Completed reconstruction of **primary distillation unit**
- Completed reconstruction of **catalytic cracking unit**

Moscow:

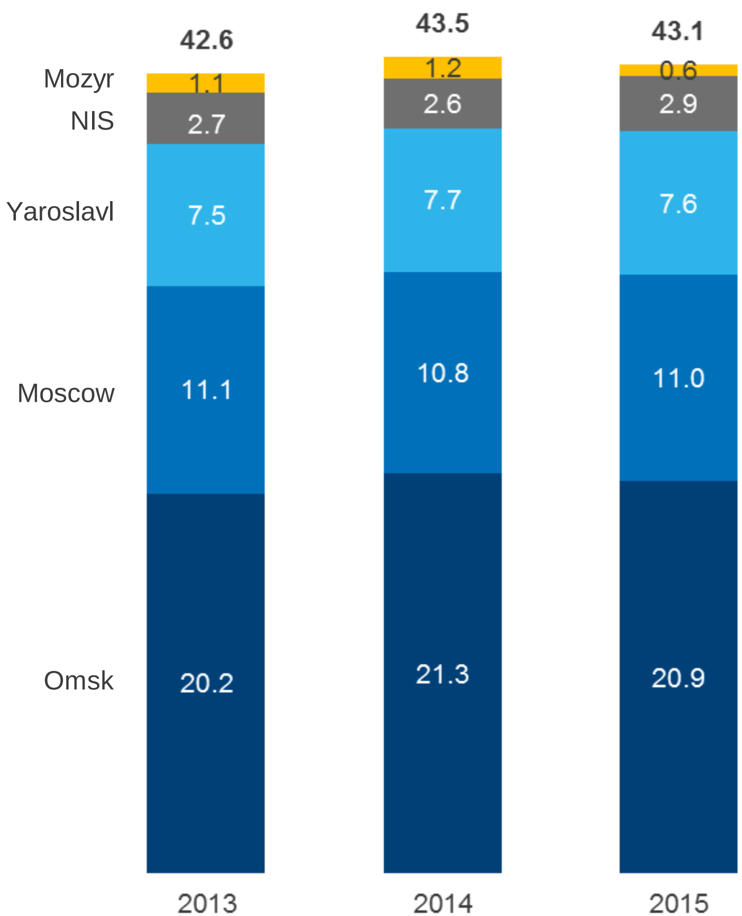
- Euro-5 gasoline production rose by **20%**
- Started project **"Biosphere"** (treatment facility complex)
- Launched **gas fractionation plant**
- Developed detailed documentation and started construction of **complex oil refining units**
- Completed construction of **additives mixing unit** for gasoline
- Completed turnaround maintenance of the "**small ring**" technological installations in record time

Yaroslavl:

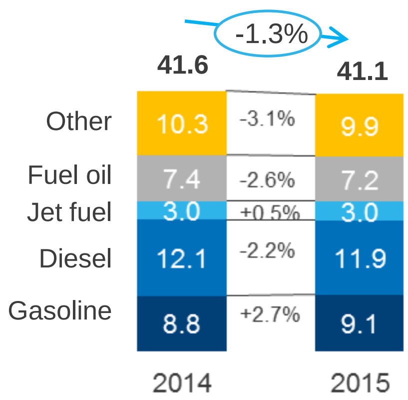
- Completed construction of a **diesel loading rack**
- Continued construction **of Group III base oils facility**

High-quality product yield continues to rise

Refining throughput, MMTonnes

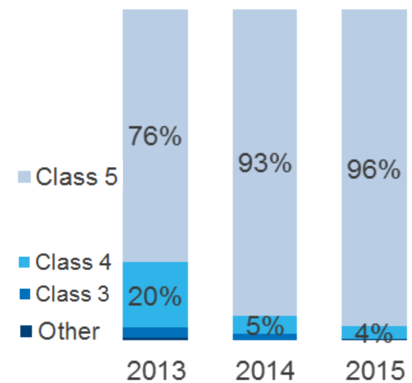


Product yield, MMTonnes

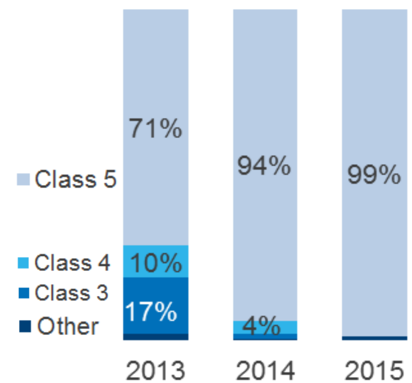


Share of high-octane gasoline, %

Gasoline yield



Diesel yield

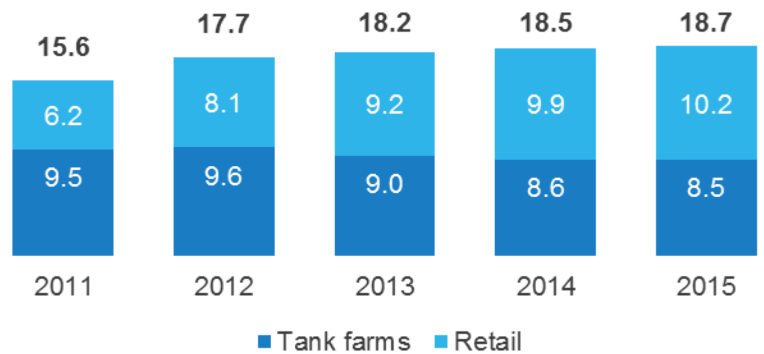


Retail sales increase amidst market challenges

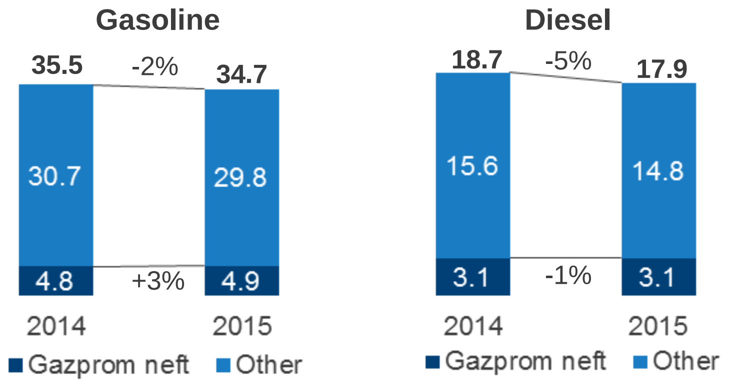
Retail achievements in 2015:

- Retail sales in 2015:
  - Russia 8.1 MMTonnes **+1%** Y-o-Y
  - International 2.1 MMTonnes **+7%** Y-o-Y
- Throughput per station in Russia stood at **19.1 tpd**
- **Acquired 11** stations, **built 11** stations, **reconstructed 24** stations, **rebranded 12** station
- Total number of active stations reached **1,852**
- Domestic non-oil sales revenue increased by **14%** (Y-o-Y)

Sales of gasoline and diesel*, MMTonnes



Retail gasoline and diesel sales in Russia, MMTonnes



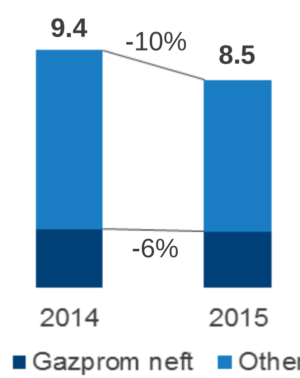
*Including domestic and international sales

Domestic and global expansion via premium channels continues

Aviation

- Presence in **210** airports
- Company-owned refueling complexes: **41**
- Increased number of **aviation partners** abroad to **106** (+6 vs. 2014)
- Began refueling operations at **Chinese airports** (Xian, Shenyan, Tianjin)
- Signed an annual contract for the delivery of jet fuel to **Lufthansa**. Total delivery volume – **18 thousand tonnes**

Sales in Russia, MMTonnes

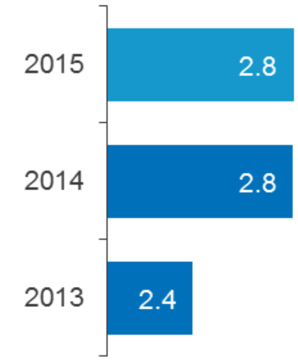


Market share in Russia

26.3%

+1.1pp in 2015

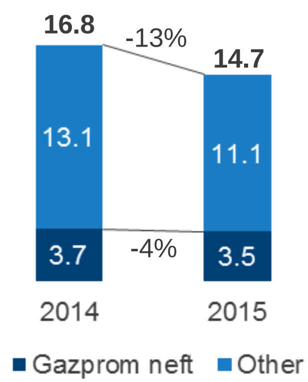
GPN total premium sales*, MMTonnes



Bunkering

- Presence in **37** ports (34 in Russia and 3 abroad - Konstantsa, Tallinn, Riga)
- Company-owned fleet of **11 vessels**
- Introduced high tonnage bunkering **tanker** serving Black Sea
- Signed contract with **Mediterranean Shipping Company** and **Royal Caribbean International**
- Continuing work with major **international shipowners** (CMA CGM, ZIM, CSCL, Thenamaris, HMM, SCF)

Sales in Russia, MMTonnes

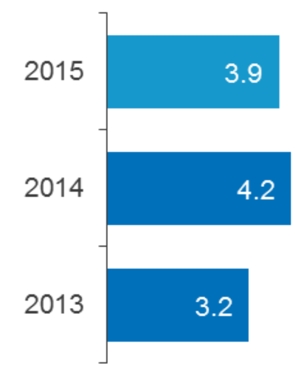


Market share in Russia

21.0%

+2.5pp in 2015

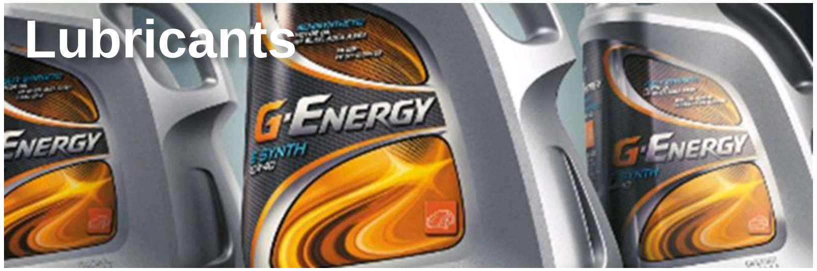
GPN total premium sales*, MMTonnes



*Including domestic and international sales

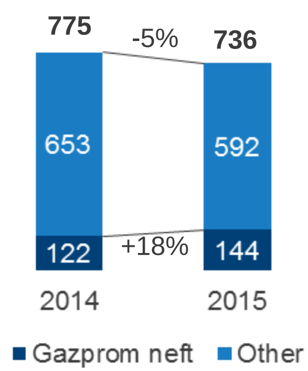
Premium channel growth continues, at home and abroad

Lubricants



- Opened 13 branded **G-Energy service stations** (5 in Russia, 3 in Italy, 2 in Kazakhstan, 1 in Georgia, Armenia and Belarus). Total number of G-Energy service stations reached **22**
- Expanded number of international markets to **54**
- Launched new site for premium lubricants production at **Omsk** (5,000 tonnes/year)
- Organizing **import substitution program** with 200 industrial, transport and agricultural companies in Russia

Sales in Russia, MTonnes

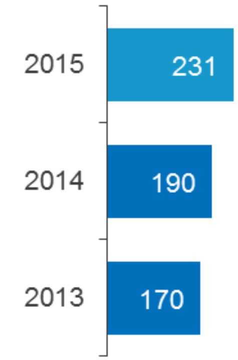


Market share in Russia

17.1 %

+3.5pp in 2015

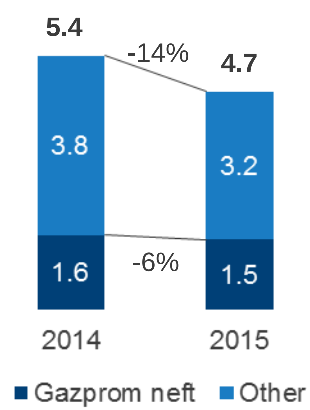
GPN total premium sales*, MTonnes



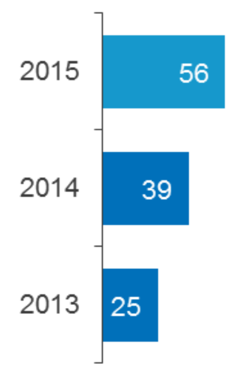
Bitumen

- Expanding into new markets for the sales of **polymer-bitumen binders**: arranged deliveries to Israel, Romania, Turkey, Italy, Bulgaria, Peru
- Official opening of the **Ryazan bitumen plant**
- Produced a pilot batch of **needle coke** at the Omsk refinery
- **Petroleum coke** volumes exported to China
- Executed **cooperation agreements** with Moscow, Stavropol Krai and Yamal Nenets

Sales in Russia, MMTonnes



GPN total premium sales*, MTonnes



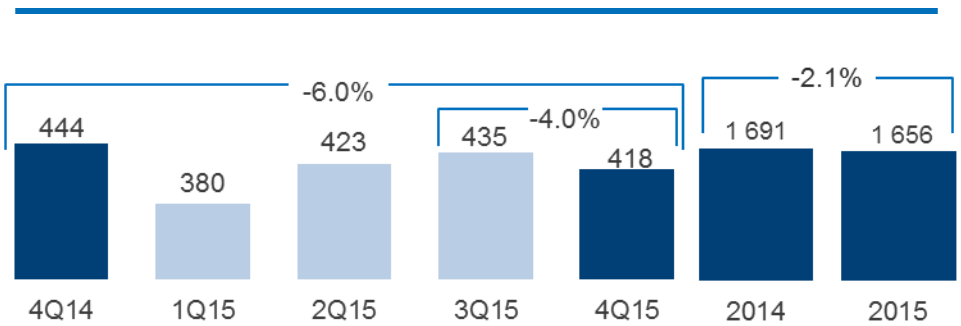
Including domestic and international sales

Financials

Strategic focus in challenging macroeconomic environment

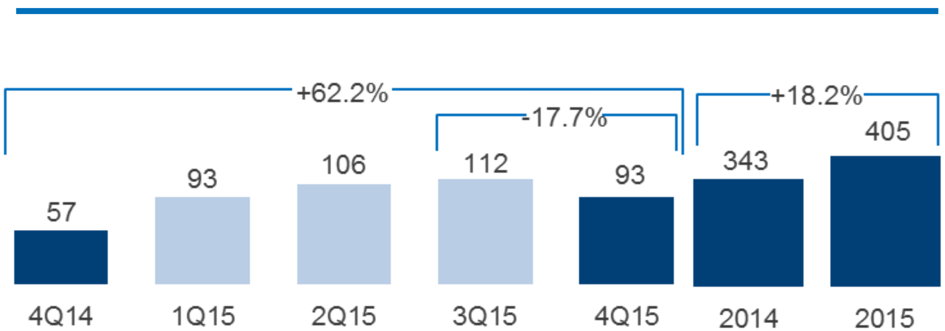
Macro environment and duty lag negatively affected 4Q

Sales RUB bln



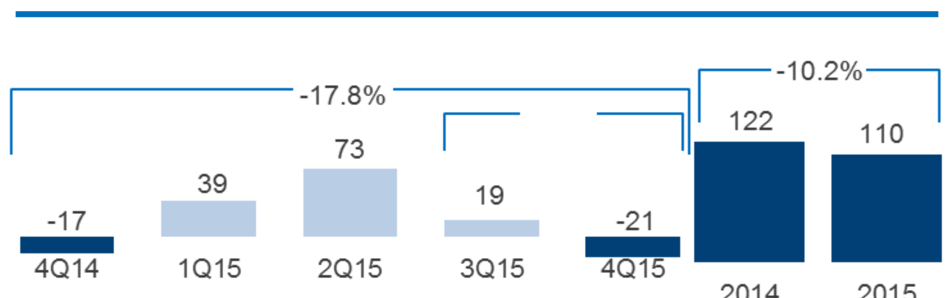
- Sales decreased y-o-y by 2.1% due to declining global oil and oil products prices partially offset by increase of volumes and realization prices at domestic market
- Sales decreased 4.0% q-o-q due to lower oil and oil products prices and seasonal decline in oil products consumption at domestic market

EBITDA* RUB bln



- Adjusted EBITDA rose 18.2% y-o-y due to increased hydrocarbon production, management actions to offset negative effect of tax maneuver and negative export duty lag
- Planned turnaround at refineries in September-December 2015 and seasonal factors resulted in adjusted EBITDA decrease 17.7%

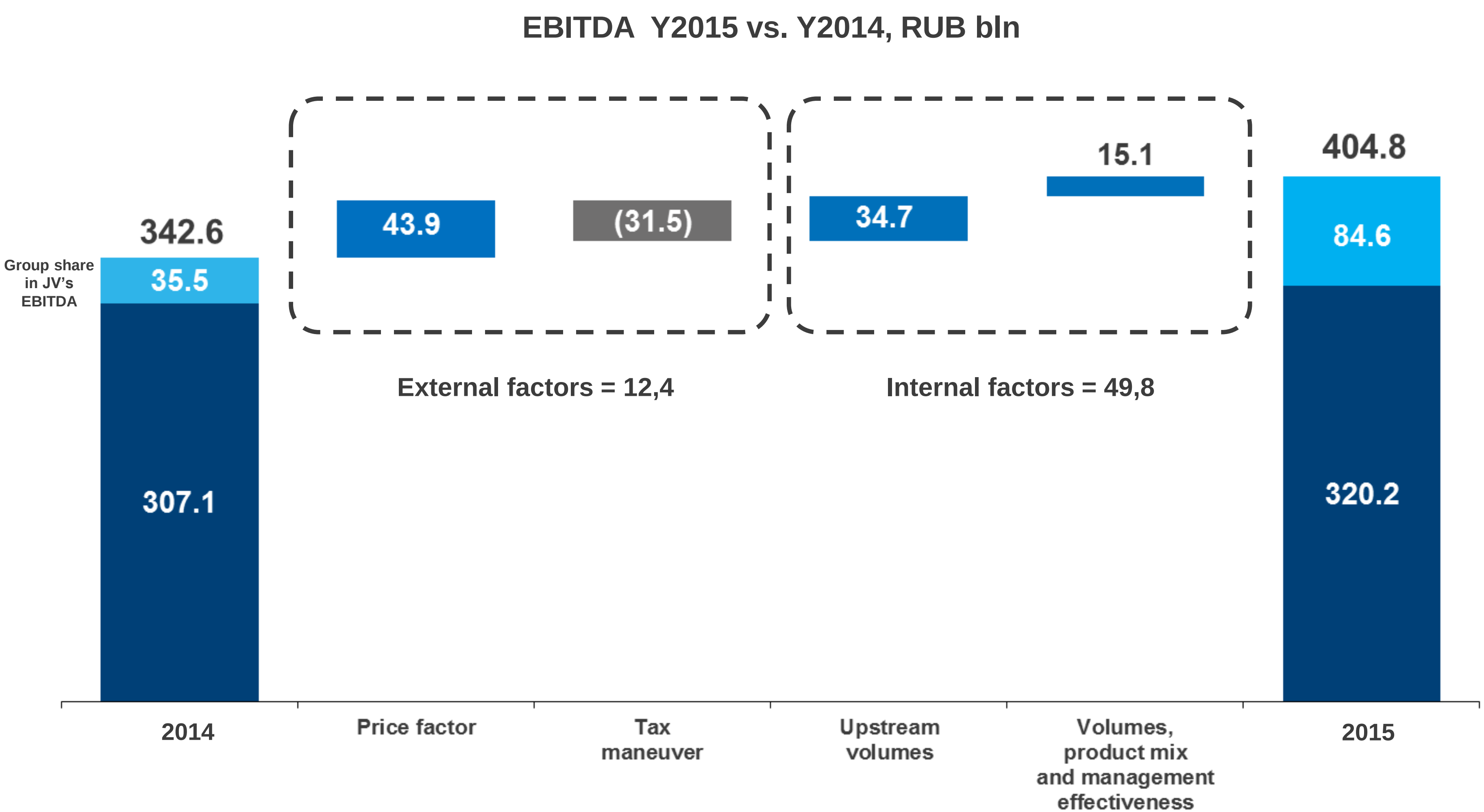
Net income/loss RUB bln



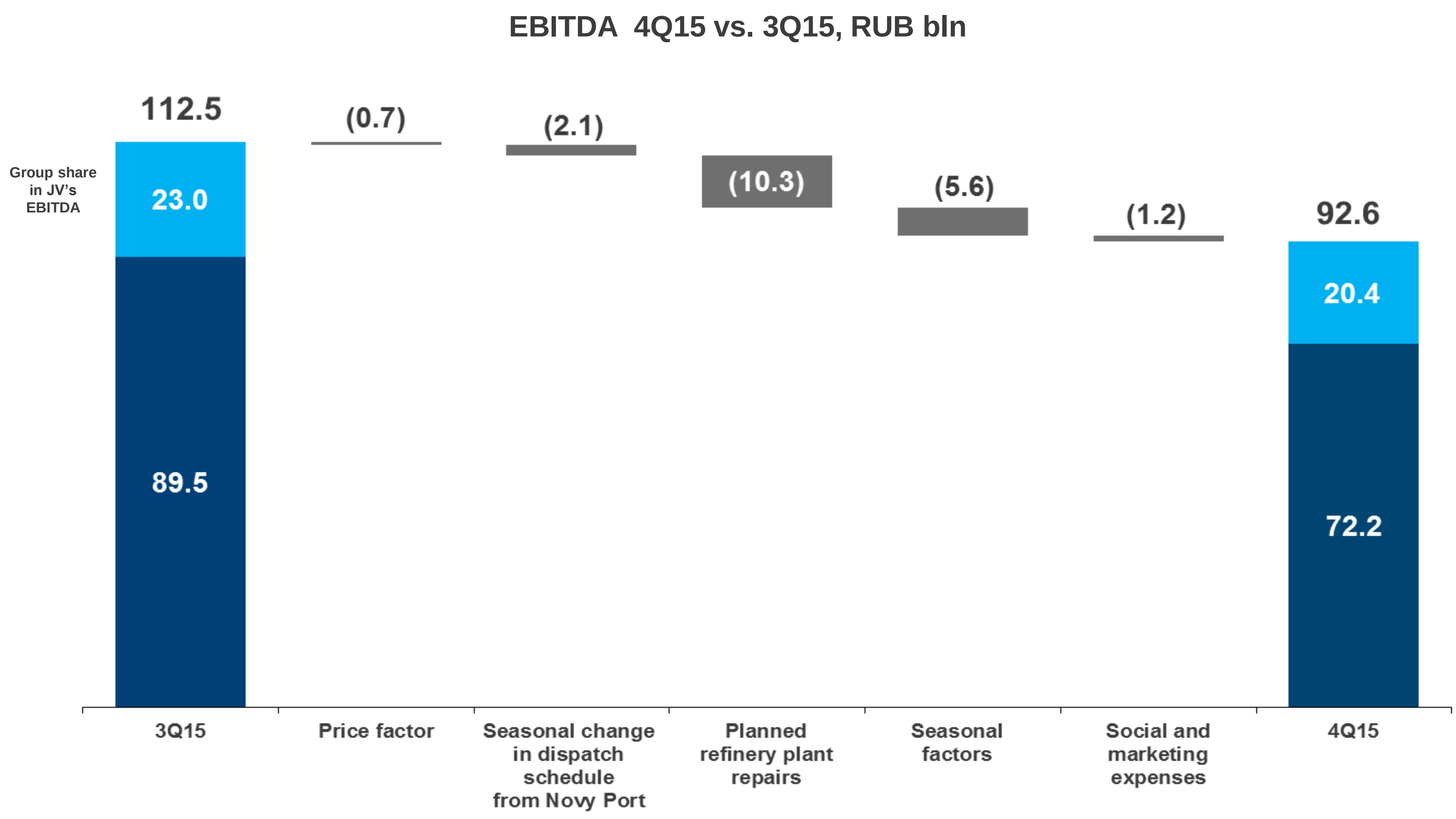
Including GPN share in EBITDA of associates and joint ventures

- Net income declined y-o-y due to debt revaluation forex loss and increased amortization due to investment program realization
- Net income decreased q-o-q due to adjusted EBITDA decrease and provision charge for impairment of oil prices

EBITDA reconciliation FY2015 vs. FY2014

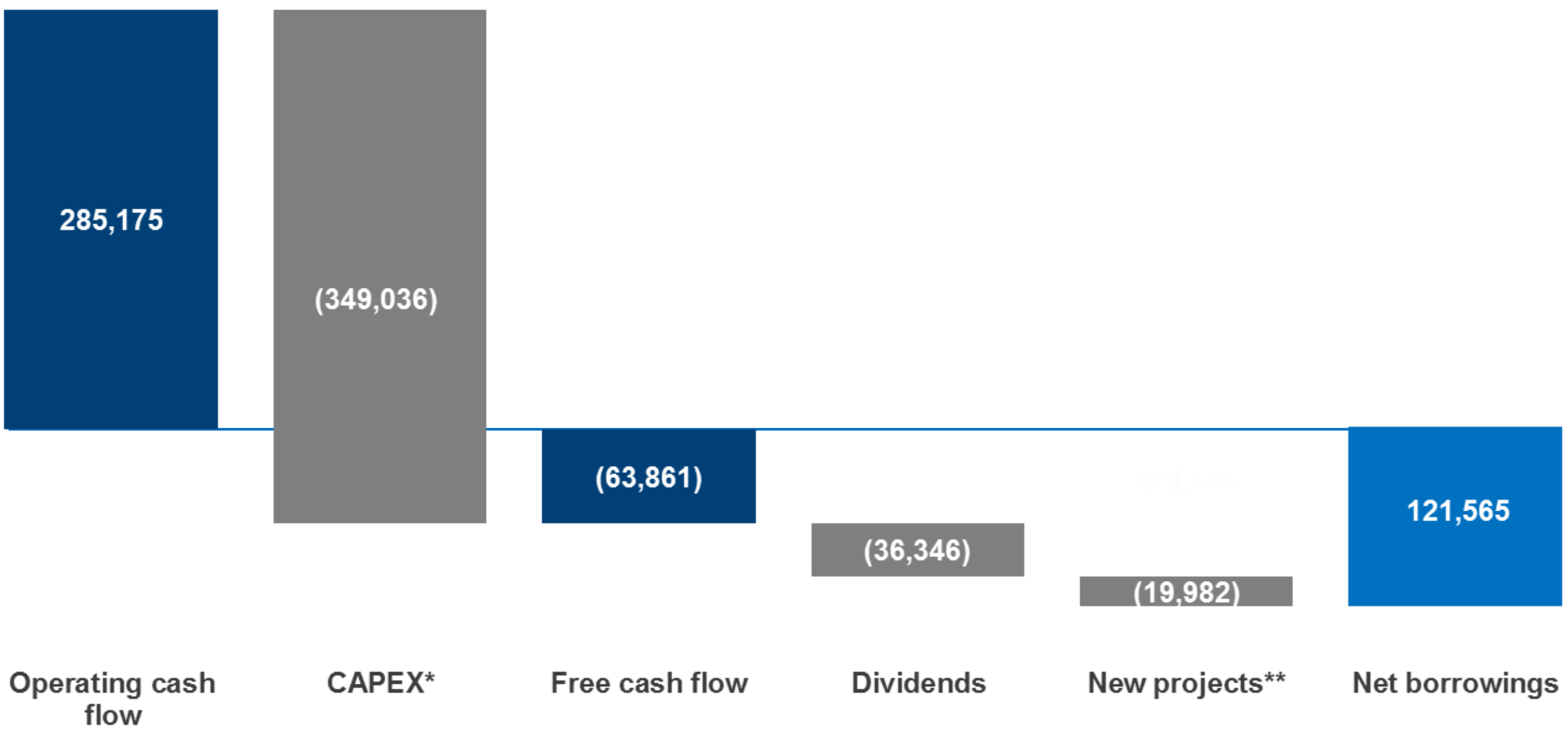


EBITDA reconciliation 4Q15 vs. 3Q15



Balanced cash flow in volatile price environment

FY2015 cash flows, RUB mln



** Projects not consolidated under IFRS*

Upstream capex growth driven by increased brownfield activities, greenfield development

29% Y-o-Y increase in **IFRS capex**

2% Y-o-Y lower **brownfield** capex (adjusted for Priobskoye field to brownfield category)

Greenfield capex (adjusted for Priobskoye field) rose by **63%** Y-o-Y due to active development of **Novoport, foreign projects** and consolidation of **Prirazlomnoye**

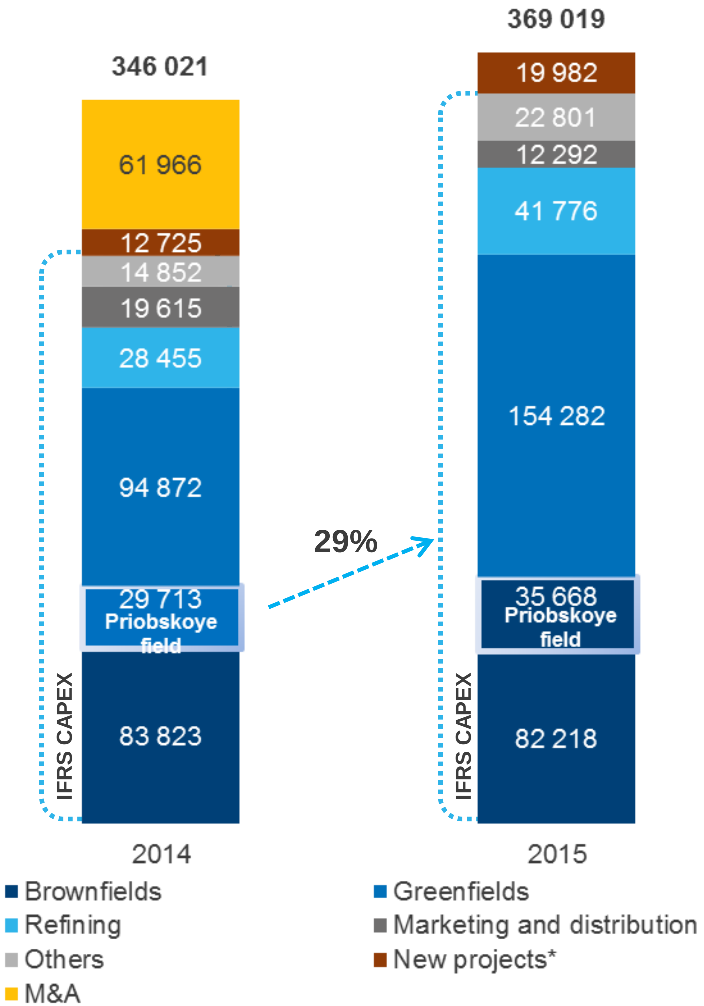
Refining capex increased by **47%** due to active **reconstruction program** at Omsk and Moscow refineries

37% Y-o-Y lower **marketing** capex, driven mainly by decrease in retail rebranding program and premium sales infrastructure completion

Investments in **new projects*** increased by **57%** Y-o-Y due to active development of **Messoyakha**

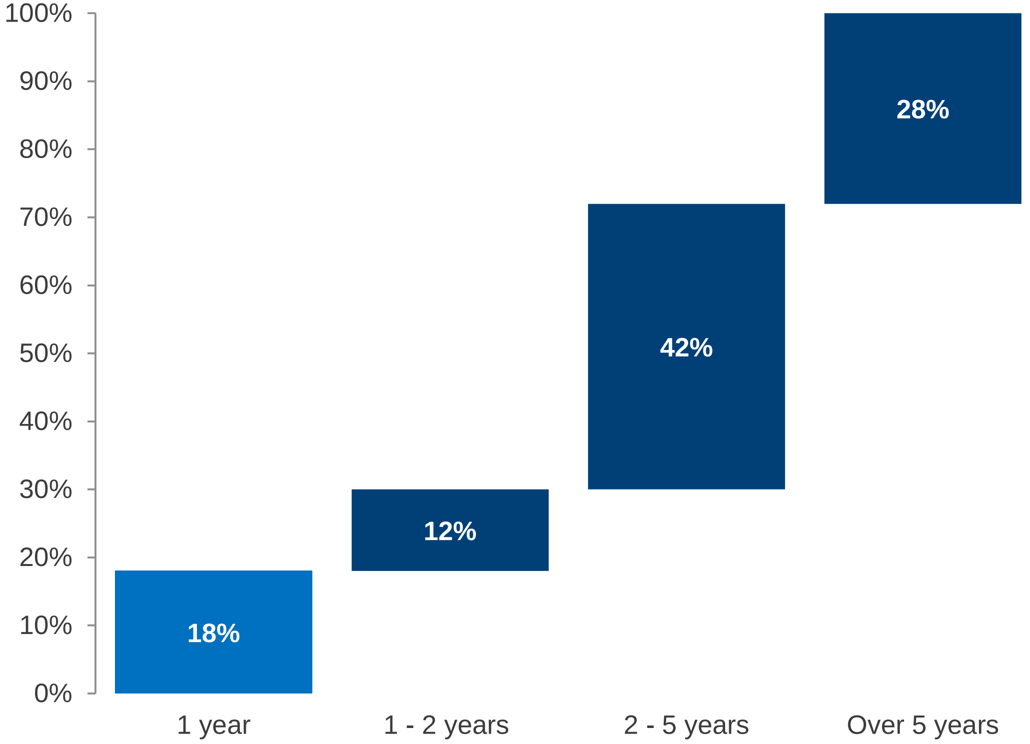
** Projects not consolidated under IFRS*

Investments, RUB mln

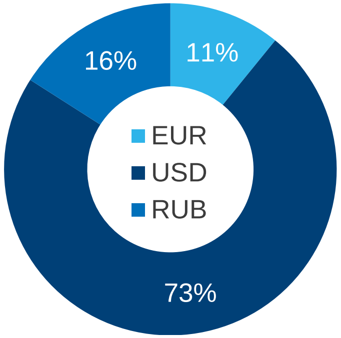


Proactive management of robust financial structure

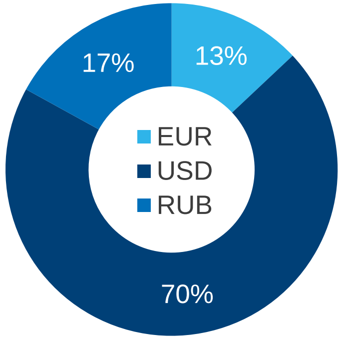
Debt maturity profile at the end of FY2015



Debt structure by currencies at the end FY2015



Debt structure by currencies at the end FY2014



- Decreased average debt maturity from 4.49 years at December 31, 2014 to 3.50 years at December 31, 2015
- Increased average interest rate from 3.48% at December 31, 2014 to 4.38% at December 31, 2015
- Diversified debt portfolio: bank loans, bonds, LPN (loan participation notes)