2Q2016 IFRS FINANCIAL AND OPERATING RESULTS

August 25, 2016, Saint-Petersburg

Agenda

Highlights,
Financials

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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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(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

1H2016 Financial Performance:

- Sales: RUB **771** bln (**-4.0%** Y-o-Y)
- EBITDA*: RUB **204** bln (**+1.9%** Y-o-Y)
- Net Income: RUB **90** bln (**-19.5%** Y-o-Y)
- Adj. Net Income**: RUB **104** bln (**+7.1%** Y-o-Y)

Operational Progress in 1H2016:

- Hydrocarbon production up **10%** MMToe Y-o-Y, (**10.2%** Y-o-Y, MMBoe)
- Refining volumes down **3.1%** Y-o-Y
- Retail sales up **3.6%** Y-o-Y

2Q2016 vs. 1Q2016

- Hydrocarbon production **in line** with 1Q2016
- Refining throughput up **1.9%**
- EBITDA* up **11.2%**

** Including GPN share in EBITDA of associates and joint ventures*
***Net income for 1H16 was adjusted for the cost of impairment provisions for advances and fixed assets.*
Net income for 1H15 was adjusted for one-time profit from the write-off of liabilities associated with Tomskneft.

Key 1H16 events

Upstream:

- Maintained production levels at **legacy fields**
- For year-round crude exports from **Novy port** three out of six **Arc7 class tankers** put into operation
- Launched **Shinginskoye gas turbine power station**
- Continued implementation of **Gazprom Neft's technology strategy**

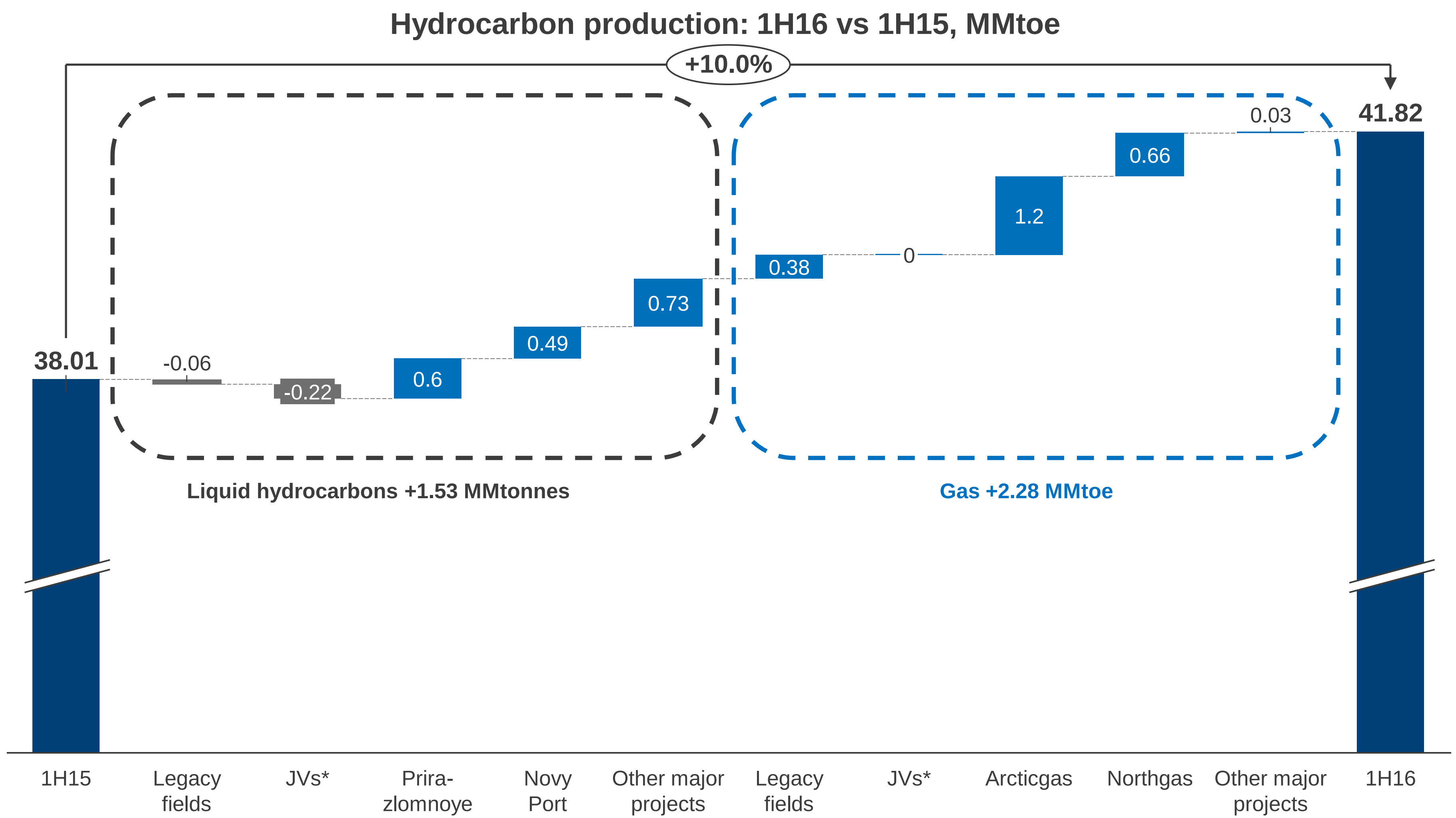
Downstream:

- Increased condensate processing at Omsk to **0.8 MMTonnes** (+ 0.2 to 1H15)
- Average **daily throughput per station in 2Q16** for Russian network **19.0 tpd**
- Completed acquisition of **NOVA-Brit** plant and **Rospolychem** Group assets

Exploration and Production

Technology strategy delivering increased production efficiency and developing new reserves

Novy Port, Prirazlomnoye, Yamal and legacy fields continue to drive oil and gas production increase



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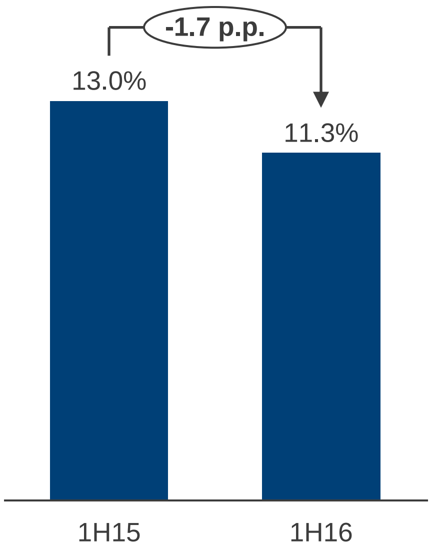
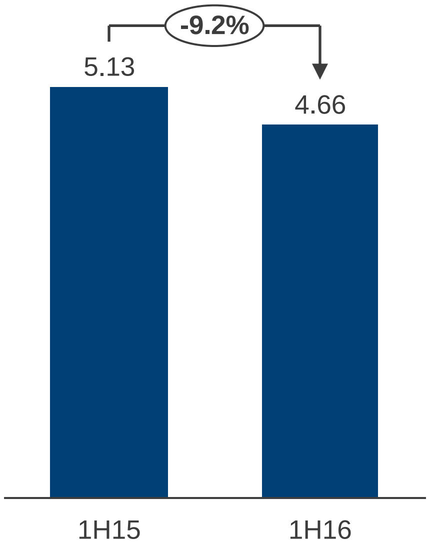
* Included Slavneft, Tomskneft and SPD

Increasing drilling efficiency through implementation of technology strategy

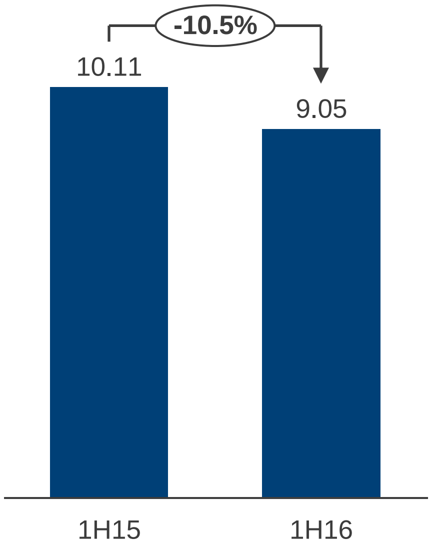
Reduction in downtime



Reduction in directional well drilling time, days/1,000 m



Reduction in horizontal well drilling time, days/1,000 m

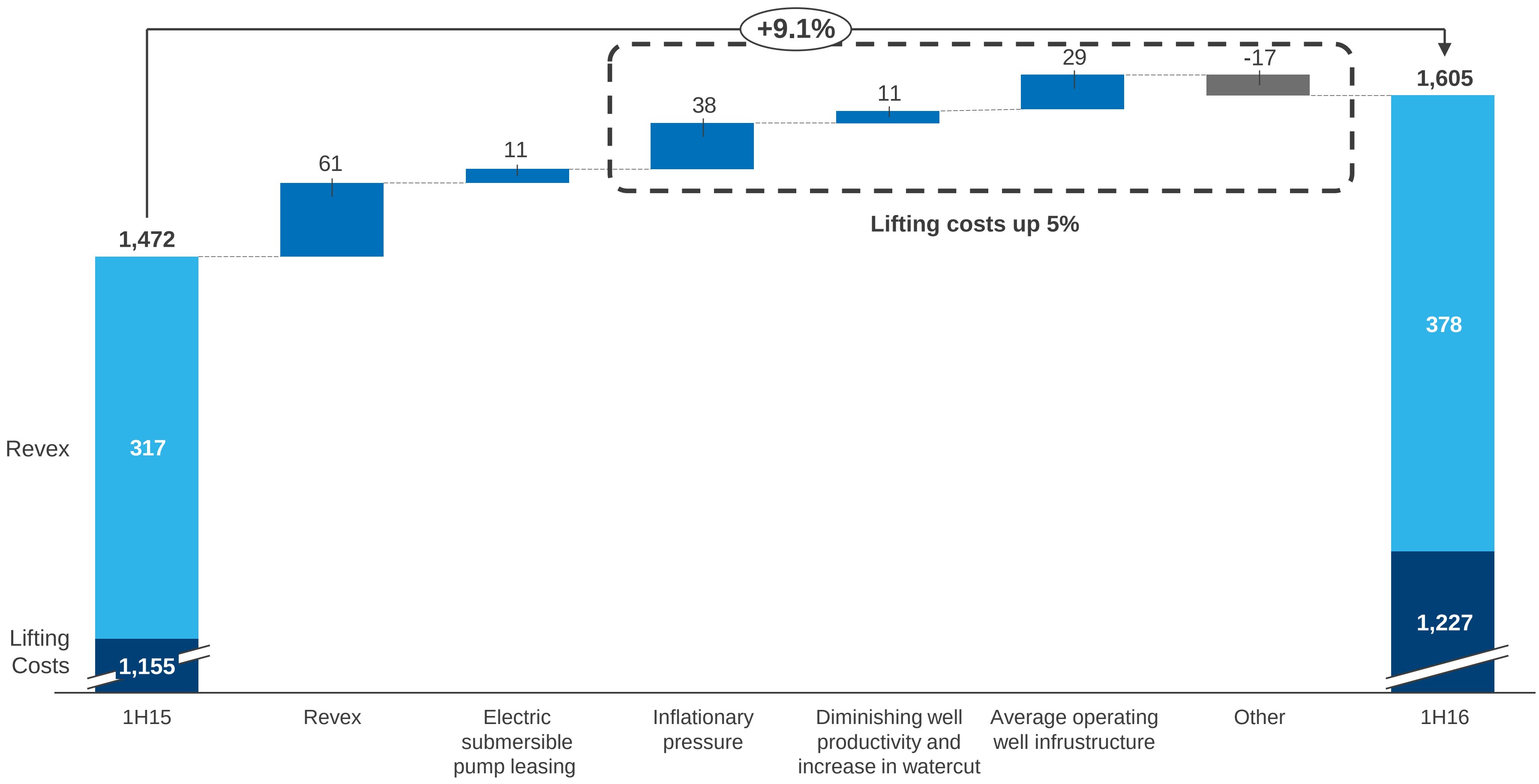


- Implementing strategy of long-term well construction contracts with service companies
- Strengthening internal supervisory team
- Implementing “Technical Limit” project

Note: the charts above take into account the following projects: NNG, MN, Khantos, Vostok,

Controlling OPEX and costs despite reserves depletion

OPEX at legacy fields 1H16 vs 1H15, RUB/toe



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

New project development update

Prirazlomnoye

- Dispatched 14 oil tankers in 1H16
- Launched third base camp and water facilities
- Heliport site: engineering works to prepare the area, selection of contractor for construction and assembly operations

Novy Port

- Launched crude shipments through Arctic terminal 'Arctic Gates'
- Launched three of six Arc7 class tankers for year-round oil exports

Messoyakha

- Launched construction work on: water intake facility, initial gas discharge unit, gas pipeline
- Eight rigs currently drilling
- Completed administration and accommodation complex
- Completed construction work on linear section of pressure-tight pipeline
- Began commissioning works on gas turbine power station

Iraq

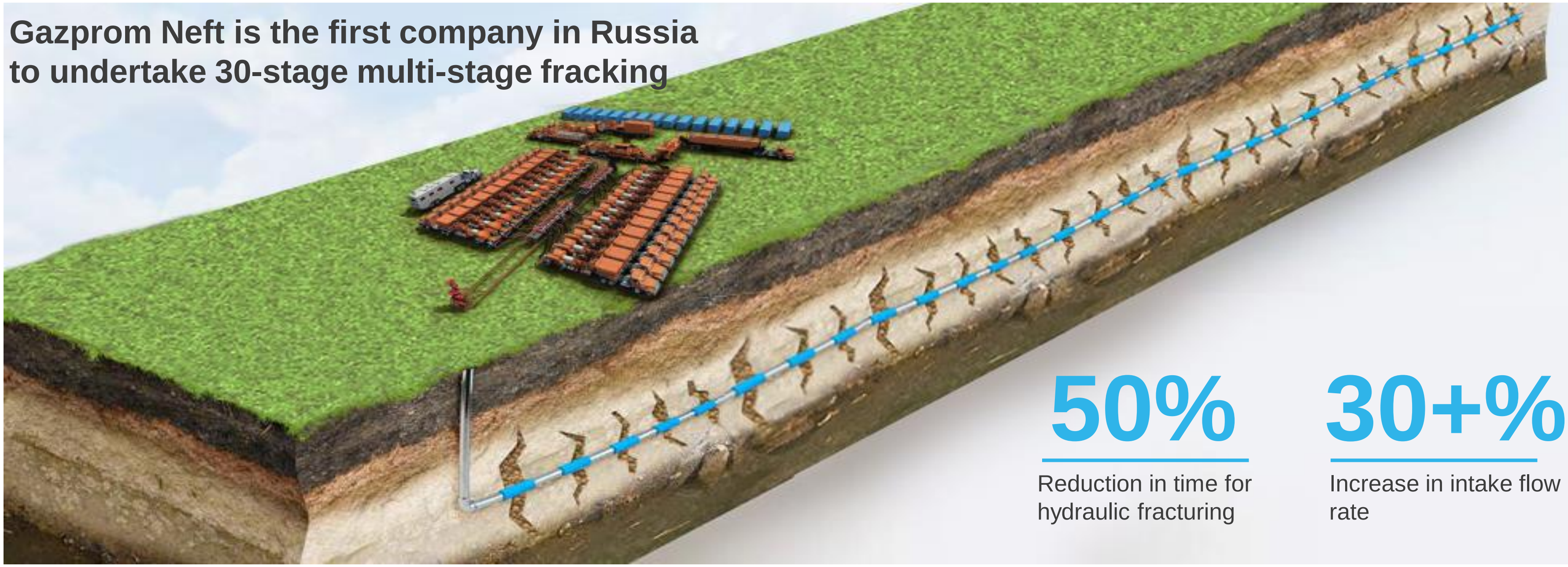
Badra

- Continued to ship compensated crude
- Launched three production wells
- Launched oil line C (3rd stage)

Kurdistan

- Received operatorship from Western Zagros
- Completed interpretation of 2D seismic exploration (North, Halabja block) and 3D seismic exploration (North-West, Shakal block)
- Agreed on plan with Ministry of Natural Resources to develop the Garmian block

Continued implementation of Gazprom Neft’s technology strategy



- Horizontal portion of well – **1.5 ths. meters**; Total length of well – **4.6 ths.meters**; Oil reservoir depth exceeds **2.6 ths. meters**
- Overcame technological barriers: maximum of **one frack per 80 meters** of horizontal well shaft
- Launched a **six-stage fracking operation for 24 hours**. Standard hydraulic technology allows to complete two or three stages per 24 hours.
- Reached a minimum of **130 tons of oil per day** for the operational capacity of new well
- Launched well via fountain without deviating from plan, exceeding the starting performance of oil production with a **flow rate 30-40% higher** than the average of surrounding wells

Increased value of APG usage and effectiveness of Shinginskoye field development



January	February	March	April	May	June	July	August
Start of pre-commissioning works		Gas supply to the site (from 100 thousand m³/day)		Start of electricity supply to grid (from 3.5 MW to 9 MW)			Official launch of gas turbine power station

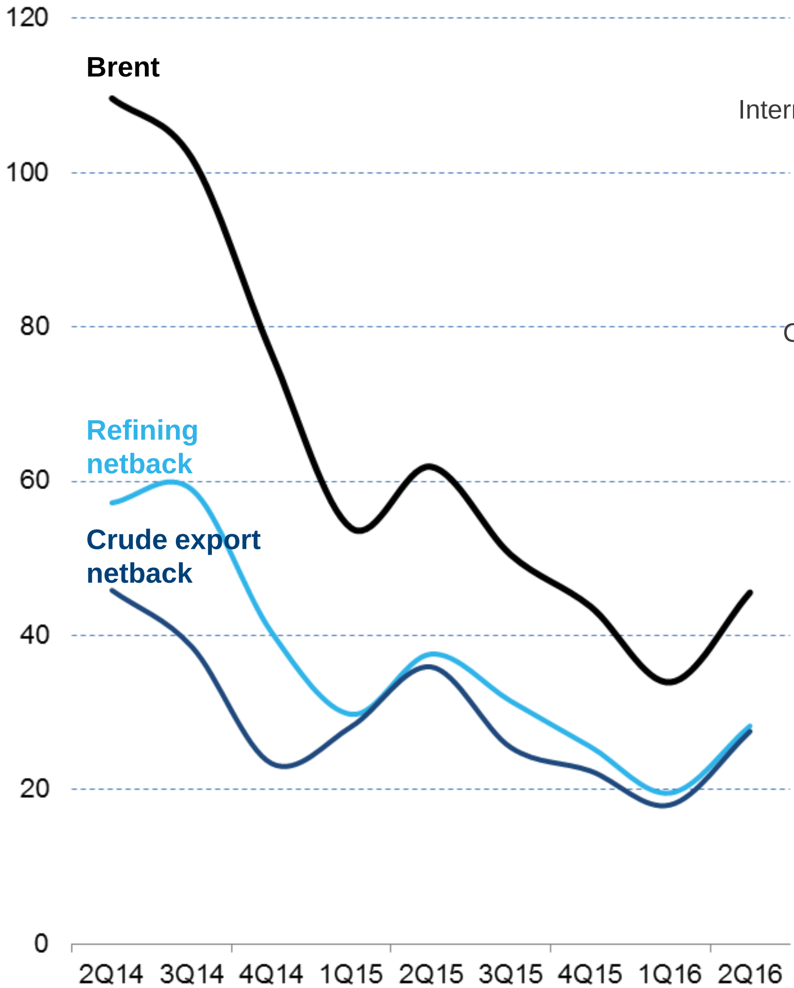
- Gas turbines 4x6 MW, nominal capacity of **24 MW**
- **More than 70 million m³** of usable APG
- Gas preparation unit with a booster compressor (3 compressors of 1.8 MW, Q= 10.8 (3x3.6) million m³ /year
- Launched substation to provide power to electricity grid
- Constructed entire internal infrastructure, including power lines to the fields

Downstream

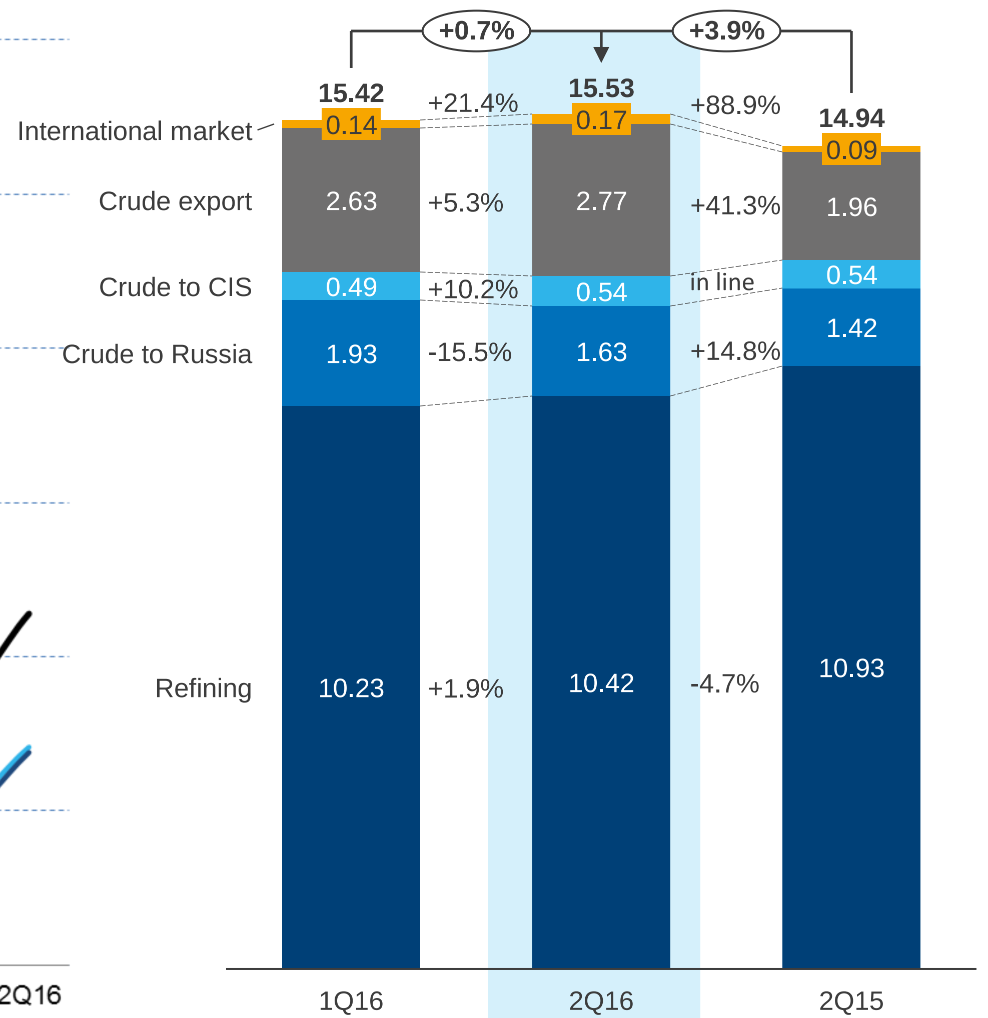
Extending premium offerings, continuing refinery upgrades

Crude and product mix reflects shifting regulatory and price environment

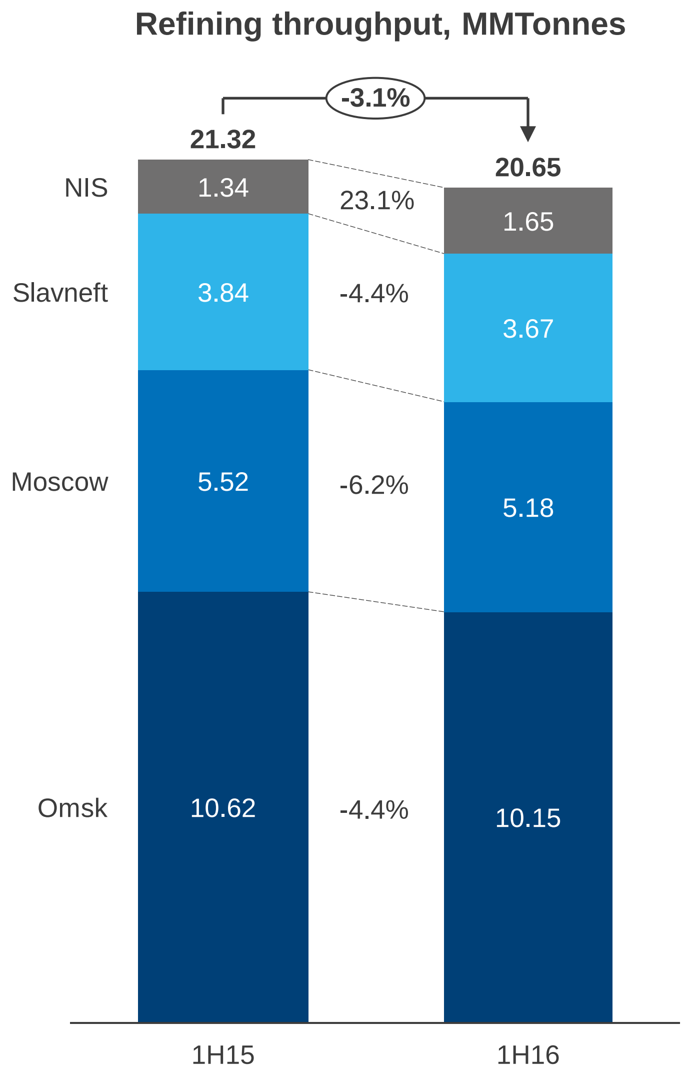
Crude price and average netbacks, $/bbl

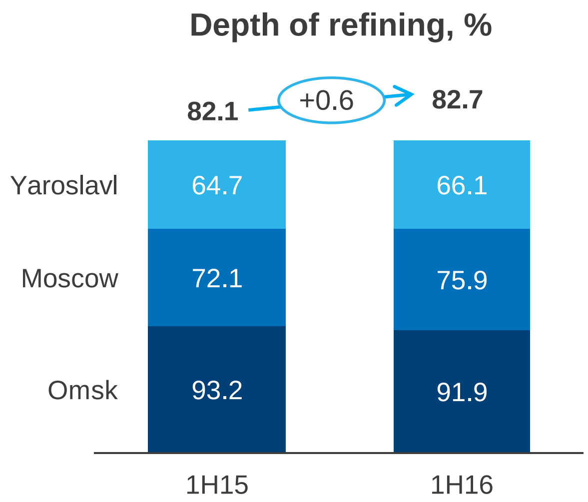


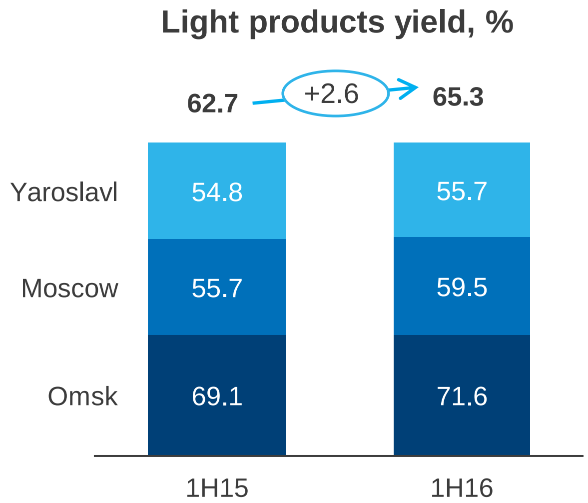
Crude mix, MMTonnes



Decreased refining throughput reflects price environment and market demand

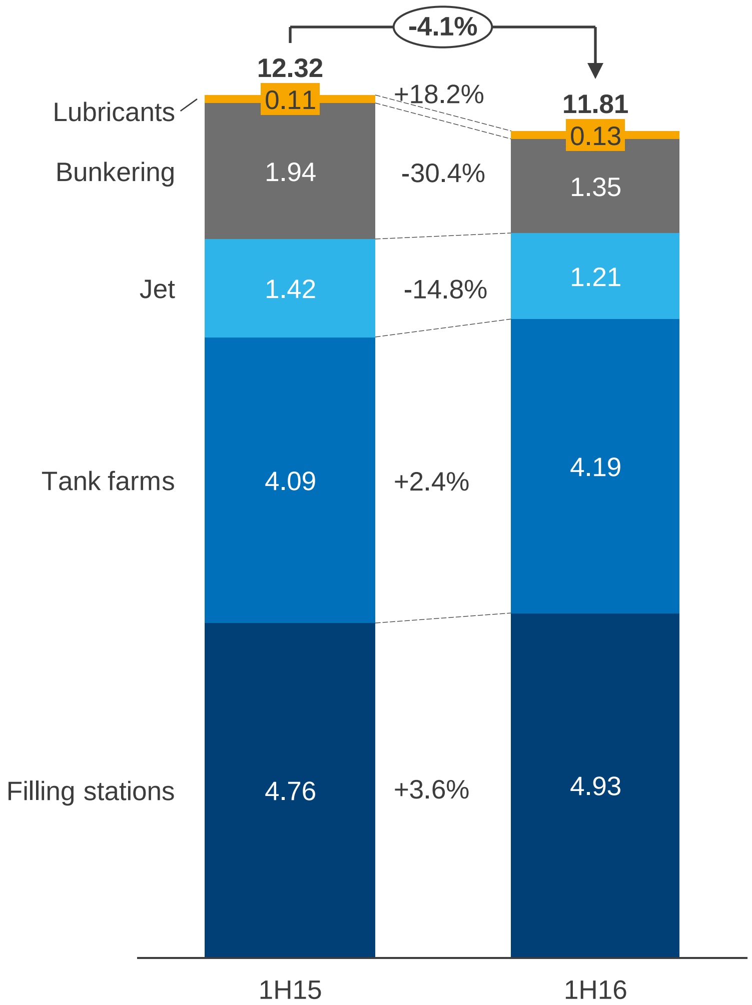




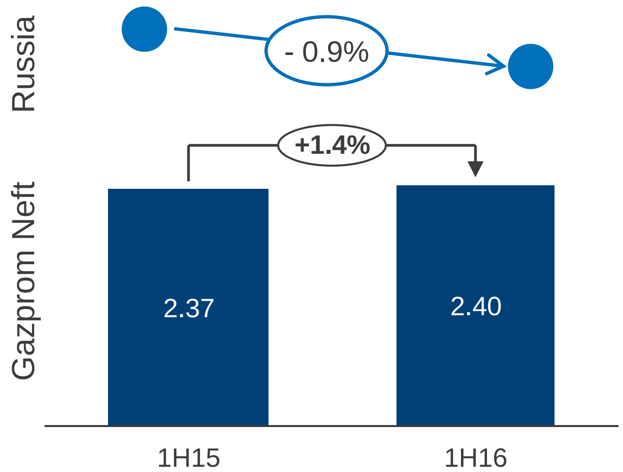


Retail sales outpaced Russian average

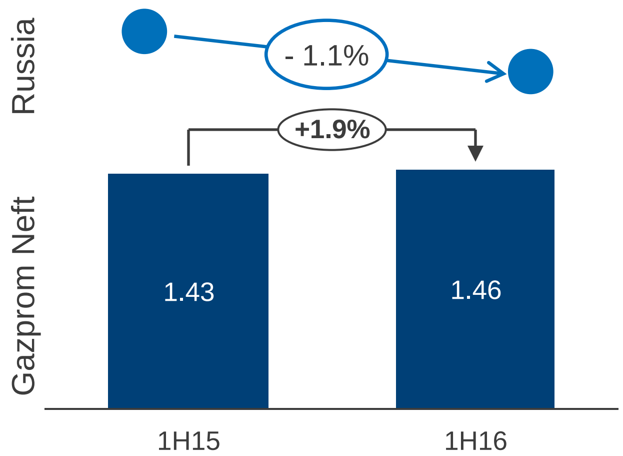
Premium sales, MMTonnes



Retail gasoline sales, MMTonnes



Retail diesel sales, MMTonnes



Acquired specialty lubricants business with high growth potential

2007-2015:

4 production locations

in Russia
- Omsk
- Fryazino (Moscow region)

International
- Italy
- Serbia

2016: Acquired new facility

Rospolychem Group assets (Nizhny Novgorod, Russia)

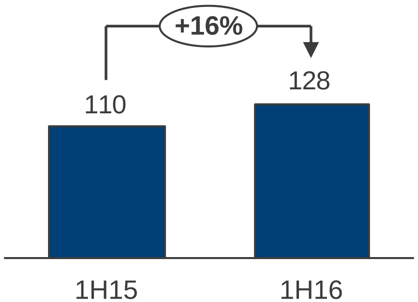
Total production capacity: **5,000** tonnes per year

Production and marketing:
- complex esters and derived products
- specialist lubricants for metallurgical, technology and engineering sectors

1H16

✓ **Total sales: 263 MTonnes** (+5% Y-o-Y)

Premium sales, MTonnes



Leading position on Russian bitumen market, increasing presence abroad

2008-2015:

6 production locations

in Russia
- Moscow
- Omsk
- Yaroslavl
- Ryazan

International
- Kazakhstan
- Serbia

2016: Acquired new bitumen facility

NOVA-Brit (Vyazma, Russia)

Total production capacity: **80,000** tonnes per year

Product range: **30** different branded items

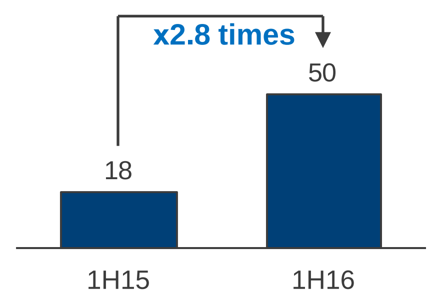
Production:
- road, bridge and airfield mastics
- sealants
- emulsions
- bitumen coupling strips

1H16

✓ **Total sales: 915 MTonnes** (+5% Y-o-Y)

✓ **Bitumen market leader**

Premium sales, MTonnes

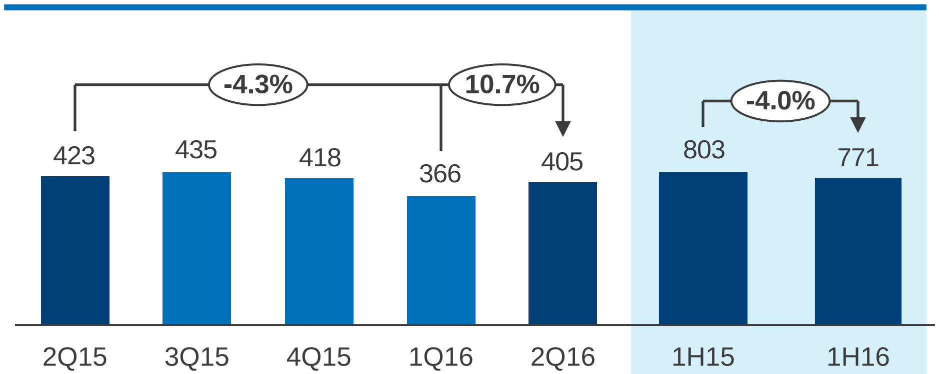


Financials

Strategic focus, strong production levels helped a continued rise in EBITDA despite challenging market context

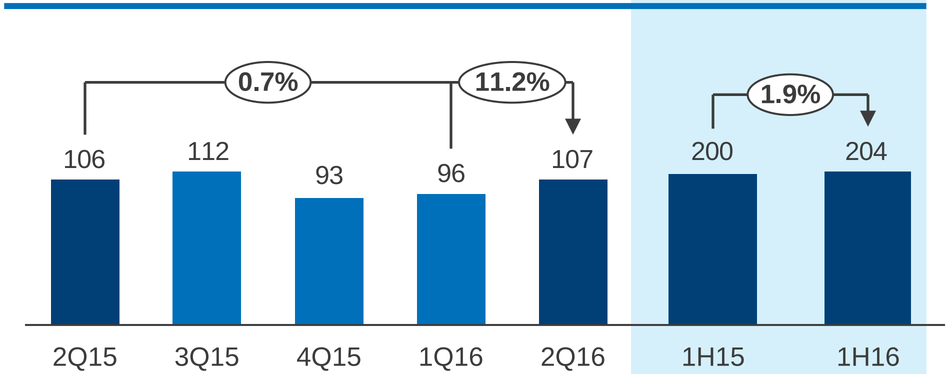
Increased hydrocarbon production and strong management effectiveness resulted in higher EBITDA

Sales RUB bln



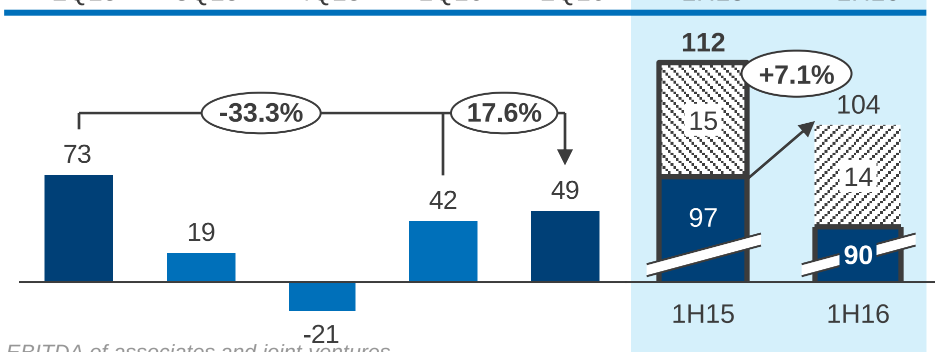
- Sales fell by 4.0% Y-o-Y, driven by the decline in global crude and oil product prices and refining volumes, but was partially offset by increased hydrocarbon production volumes
- Sales increased by 10.7% Q-o-Q due to higher domestic and international oil and oil product prices and increase in volumes of oil products

EBITDA* RUB bln



- Sales mix optimization and increased hydrocarbon production pushed adjusted EBITDA up by 1.9% Y-o-Y, despite of negative effect of tax maneuver
- Adjusted EBITDA rose 11.2% Q-o-Q on increased oil and oil product prices

Net income RUB bln

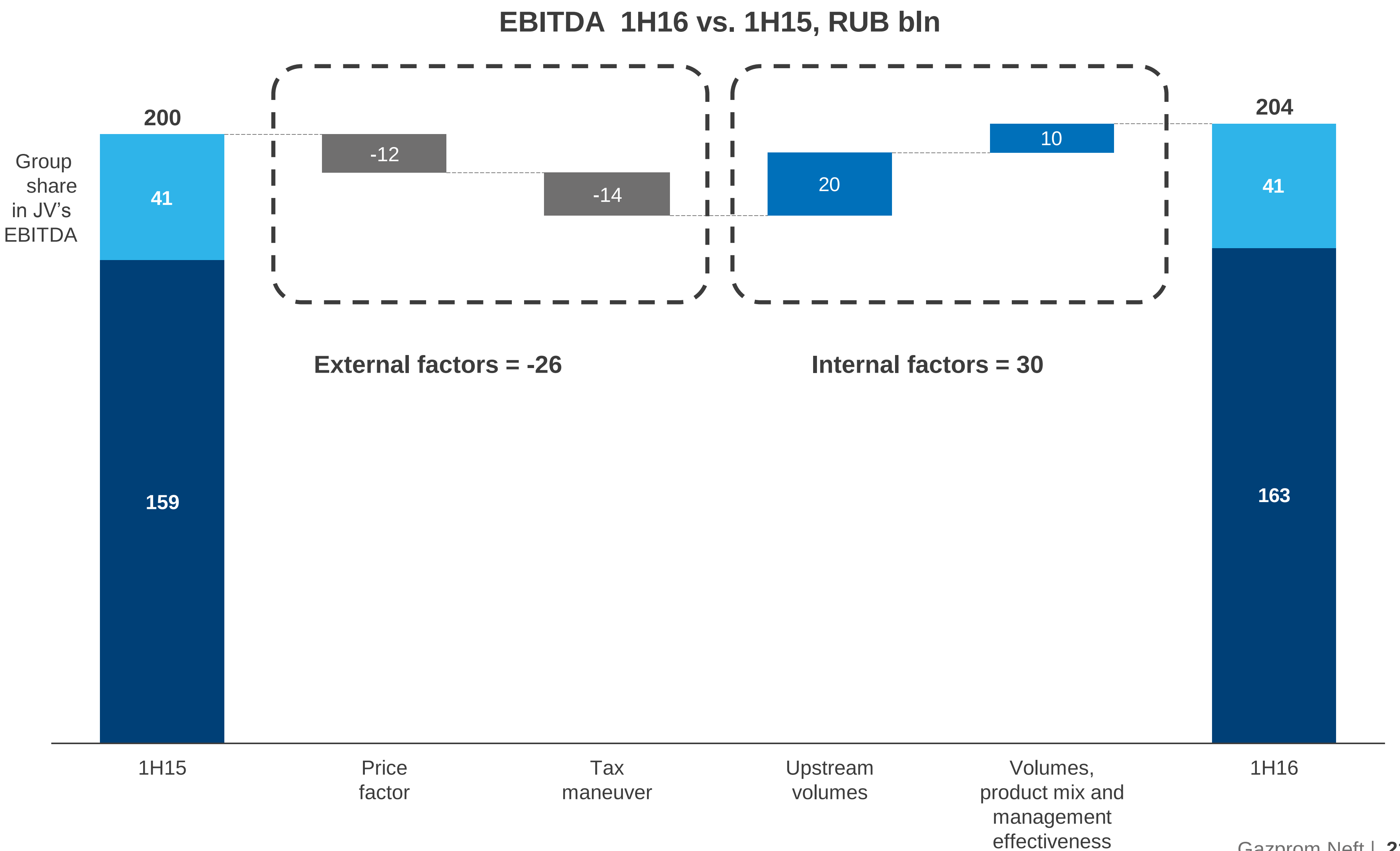


- Net income decreased 19.5% Y-o-Y as a result of increased amortization and provision for impairment of assets
- Adjusted for one-off items net income** rose 7.1% Y-o-Y
- Net income rose 17.6% Q-o-Q as a result of EBITDA and FX gains from debt revaluation

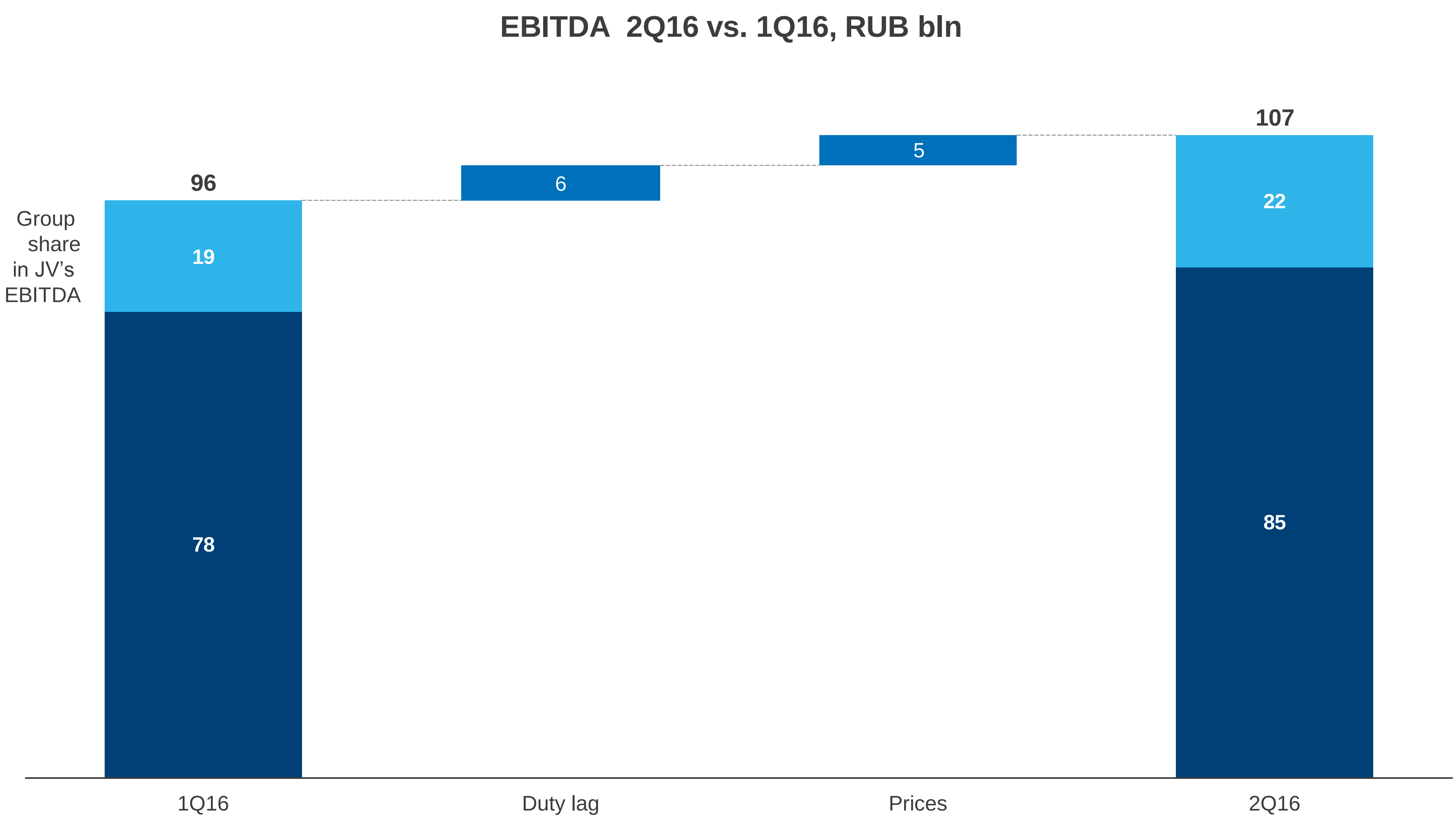
**Including GPN share in EBITDA of associates and joint ventures*

***Net income for 6M 2016 was adjusted for the cost of impairment provisions for advances and fixed assets. Net income for 6M 2015 was adjusted for one-time profit from the write-off of liabilities associated with Tomskneft.*

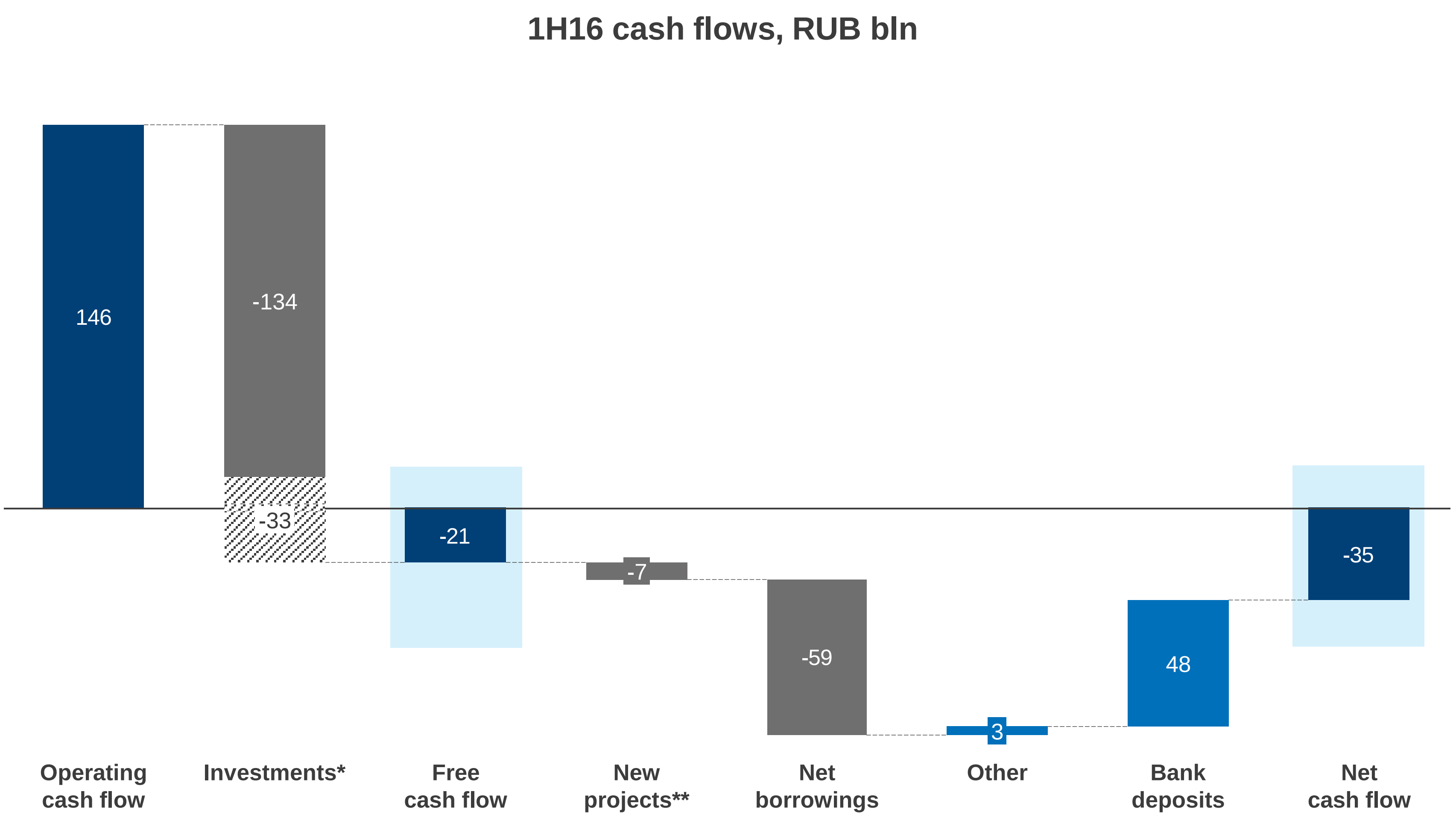
EBITDA reconciliation 1H16 vs. 1H15



EBITDA reconciliation 2Q16 vs. 1Q16



Intensive capital program resulted in decreased net cash flow



* *Including changes in advances & inventory*
** *Projects not consolidated under IFRS*

Refining capex growth driven by an active reconstruction program at refineries

12.4% Y-o-Y increase in **IFRS capex**

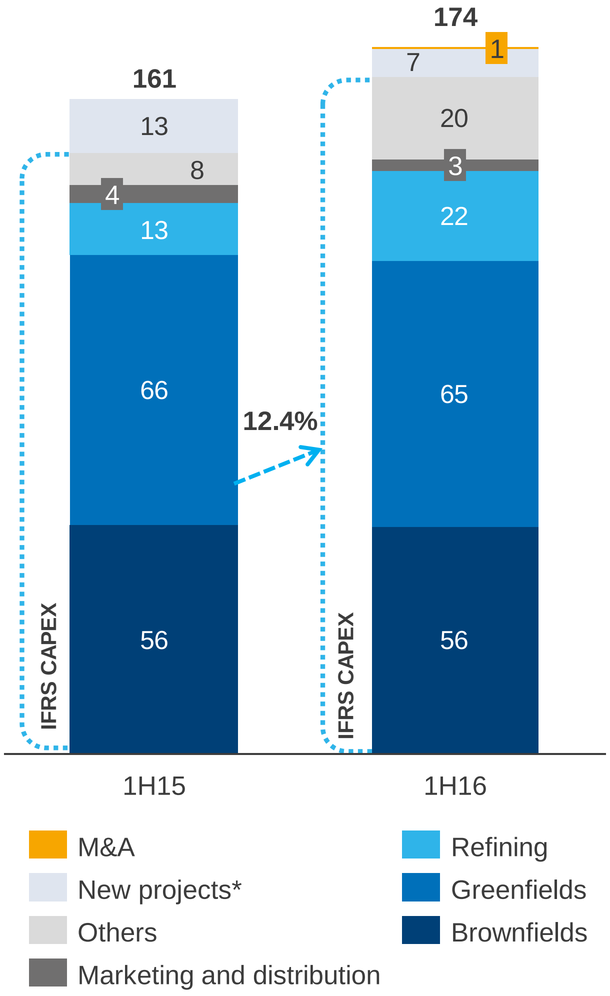
Brownfield and greenfield capex **in line** Y-o-Y

Refining capex increased by **72.6%** due to an active **reconstruction program** at Omsk and Moscow refineries

Marketing capex declined by **31%** Y-o-Y, driven mainly by completion of premium sales infrastructure

Investments in **new projects*** mainly reflect **Messoyakha field development**

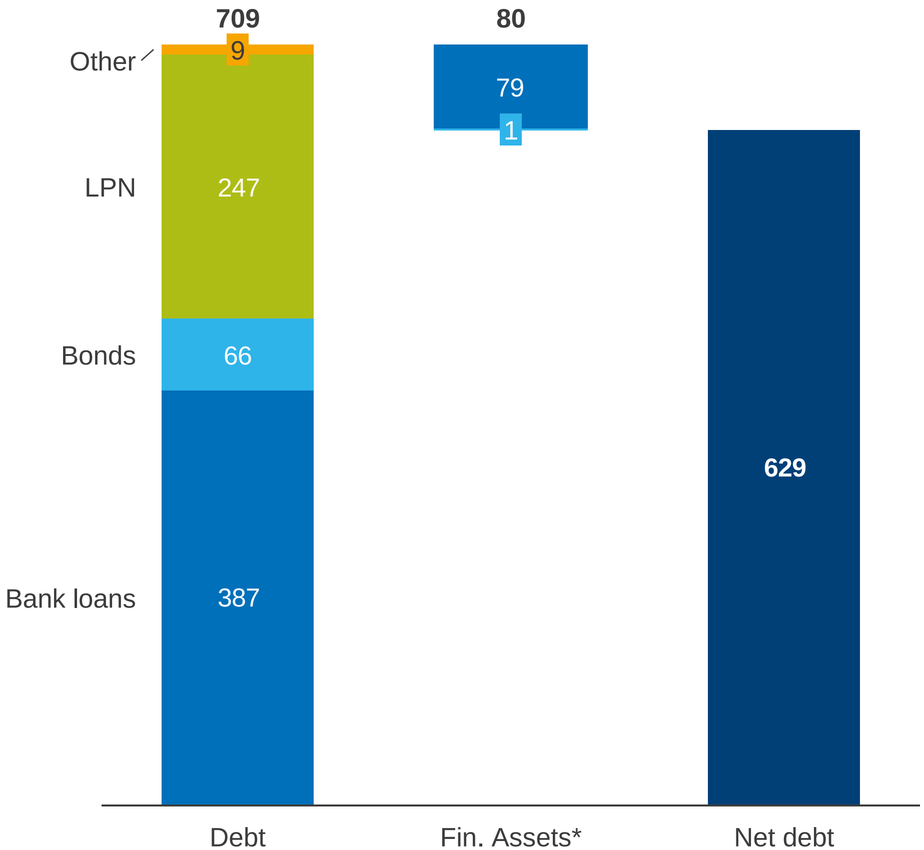
Investments, RUB bln



** Projects not consolidated under IFRS*

Proactive management of robust financial structure

Debt structure by instruments at the end of 2Q16, Rub bln



- **Average debt maturity** is 3.33 years at June 30, 2016 in line with YE2015
- Held **average interest rate** on debt to 4.86% at June 30, 2016 vs. 4.31% at December 31, 2015
- In June and in August 2016 Gazprom Neft completed 2 bond-placements:
  - ✓ **RUB 10 bln 30-year 9,8% p.a. bonds** with 3-year put-option in June: lowest coupon for a Russian corporate borrower at the moment of the deal since mid-2014
  - ✓ **RUB 15 bln 30-year 9,4% p.a. bonds** with 5 year put-option in August: lowest coupon for a Russian corporate borrower at the moment of the deal since the beginning of 2014

** Cash&cash equivalents and short-term deposits included*