FY2016 IFRS FINANCIAL AND OPERATING RESULTS

St Petersburg – February 22, 2017

Agenda

Highlights,
Financials

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Disclaimer

The 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, 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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FY2016 highlights: strong bottom line

FY2016 Financial performance:

- Sales: RUB **1,696** bln (**+2.4%** Y-o-Y)
- EBITDA*: RUB **456** bln (**+12.7%** Y-o-Y)
- Net Income: RUB **200** bln (**+82.5%** Y-o-Y)

Operational progress in FY2016:

- Hydrocarbon production up **8.2%** MMToe Y-o-Y, (**8.1%** Y-o-Y, MMBoe)
- Refining volumes down **2.7%** Y-o-Y, but light products yield up **2.5 p.p.** Y-o-Y (**+0.4 MMTonnes**)
- Retail sales of motor fuels up **3.7%** Y-o-Y

4Q16 vs. 3Q16

- Sales up **5.4%**
- EBITDA* up **8.2%**
- Hydrocarbon production up **4.6%** MMToe, (**4.4%** MMBoe)
- Refining throughput up **1.1%**
- Average throughput per filling station in Russia reached record **20.5** tonnes per day in 4Q16 (**+2.9%** Q-o-Q)

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

Key events in FY2016 : delivering upstream growth

Upstream:

- Started commercial production at **Novy Port** and **East Messoyakha** fields
- Launched **Shinginskoye and Messoyakha gas turbine power stations**
- Commissioned **compressor plant at Ety-Purovskoye field**
- Opened newly refurbished and re-equipped **drilling support center**

Downstream:

- Continued refinery modernization program:
  - Active construction Euro+ unit in **Moscow**
  - Started construction CDU/VDU unit and completed FEED of Deep processing unit in **Omsk**
- Started crude shipments from **Novy Port** through the Arctic terminal ‘Vorota Arktiki’
- **Three** of six **Arc7 tankers** started operations in 2016-early 2017 to provide year-round crude exports
- Completed acquisition of **NOVA-Brit** plant, **Rospolychem** Group assets and **Chukotaerosbyt** (3 aviation refueling complexes)

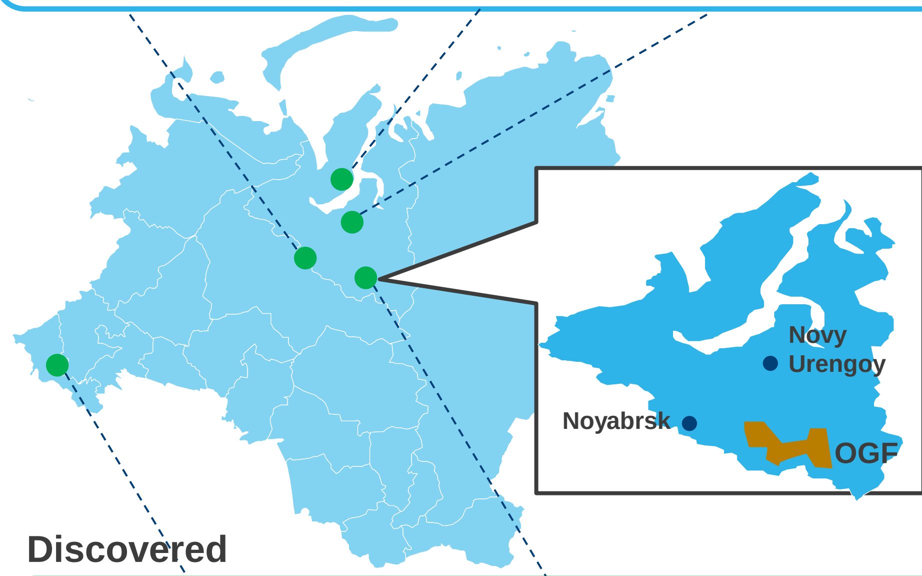
Exploration and Production

Major startups in 2016 drive production growth

Core production assets: involving new reserves into development

Acquired

Yuzhno-Noyabrskiy block	Kamennomysskiy block (onshore)	Severo-Samburgskiy block
Start of production: 2019	Start of production: 2019	Start of production: 2019



Discovered

Novosamarskoye field	Zapadno-Chatylkinskoye field
Start of production: 2017	Start of production: 2018

OTDALENNAYA (the "Remote")
GROUP OF FIELDS (OGF) DEVELOPMENT PROJECT

6 fields: **Chatylkinskoye, Zapadno-Chatylkinskoye, Holmistoye, Vorgenskoye, Ravninnoye and Yuzhno-Udmurtskoye**

Operator: **Gazpromneft-Noyabrskneftegaz**

Peak production: **3 MMTonnes** in **2025**

Commercial oil production at the **Zapadno-Chatylkinskoye field** will begin in **2018**

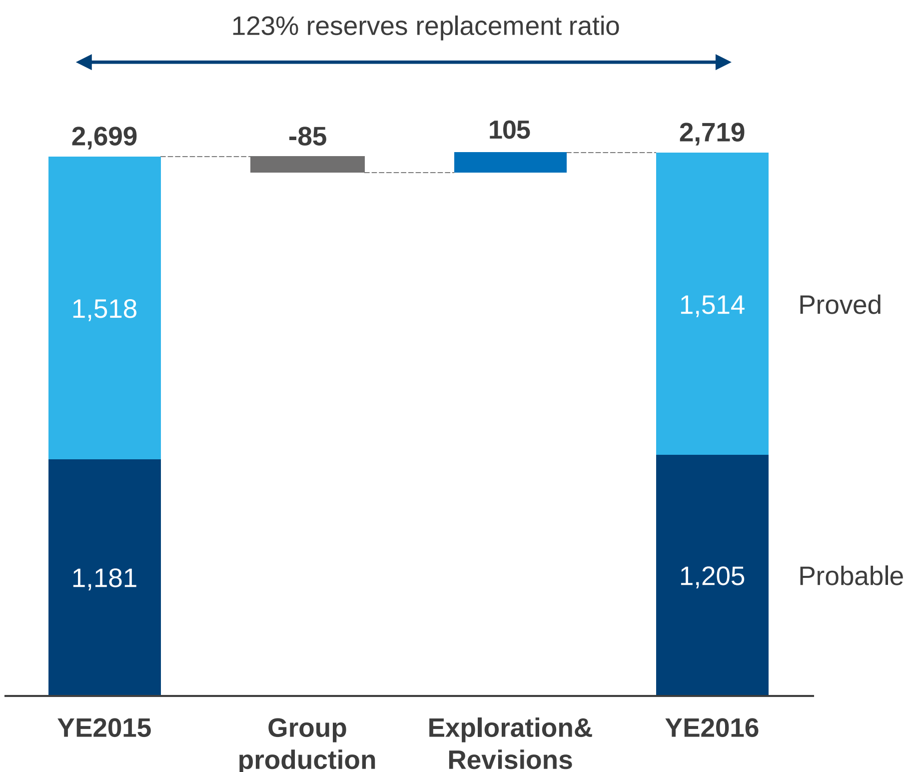
2016 results (OGF):

- Discovered new field with more than **40 MMTonnes** of reserves in place
- Drilled **5 exploration wells**, Completed 3D seismic **880 km2**
- Initial recoverable reserves **+12 MMTonnes**

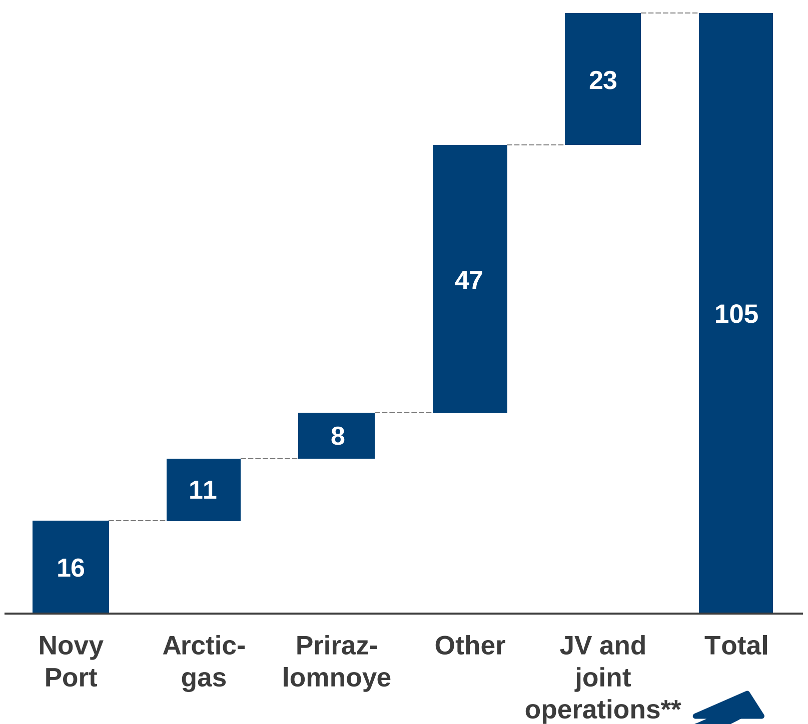
Effective planning and use of advanced technologies helped achieve a **96%** success rate in exploratory drilling in 2016

Successful exploration ensures reserve replacement

Change in PRMS (SPE) 2P reserves*, MMToe



Exploration and revisions, MMToe

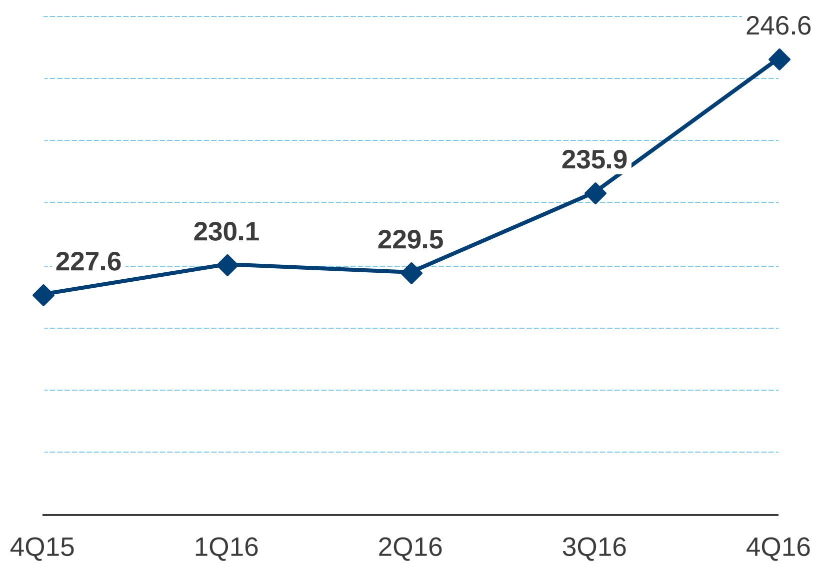


*Data do not include NIS reserves and production volumes

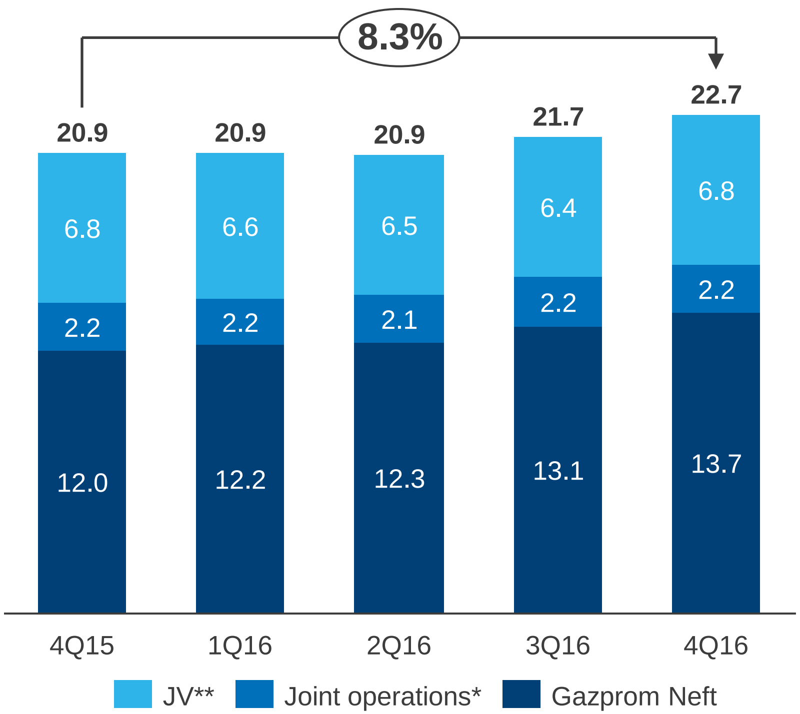
** JV and joint operations includes Tomskneft, Slavneft, SPD, Northgas, Messoyakha

Strong production growth, driven by new project startups

Average daily hydrocarbon production, ‘000 toe/day

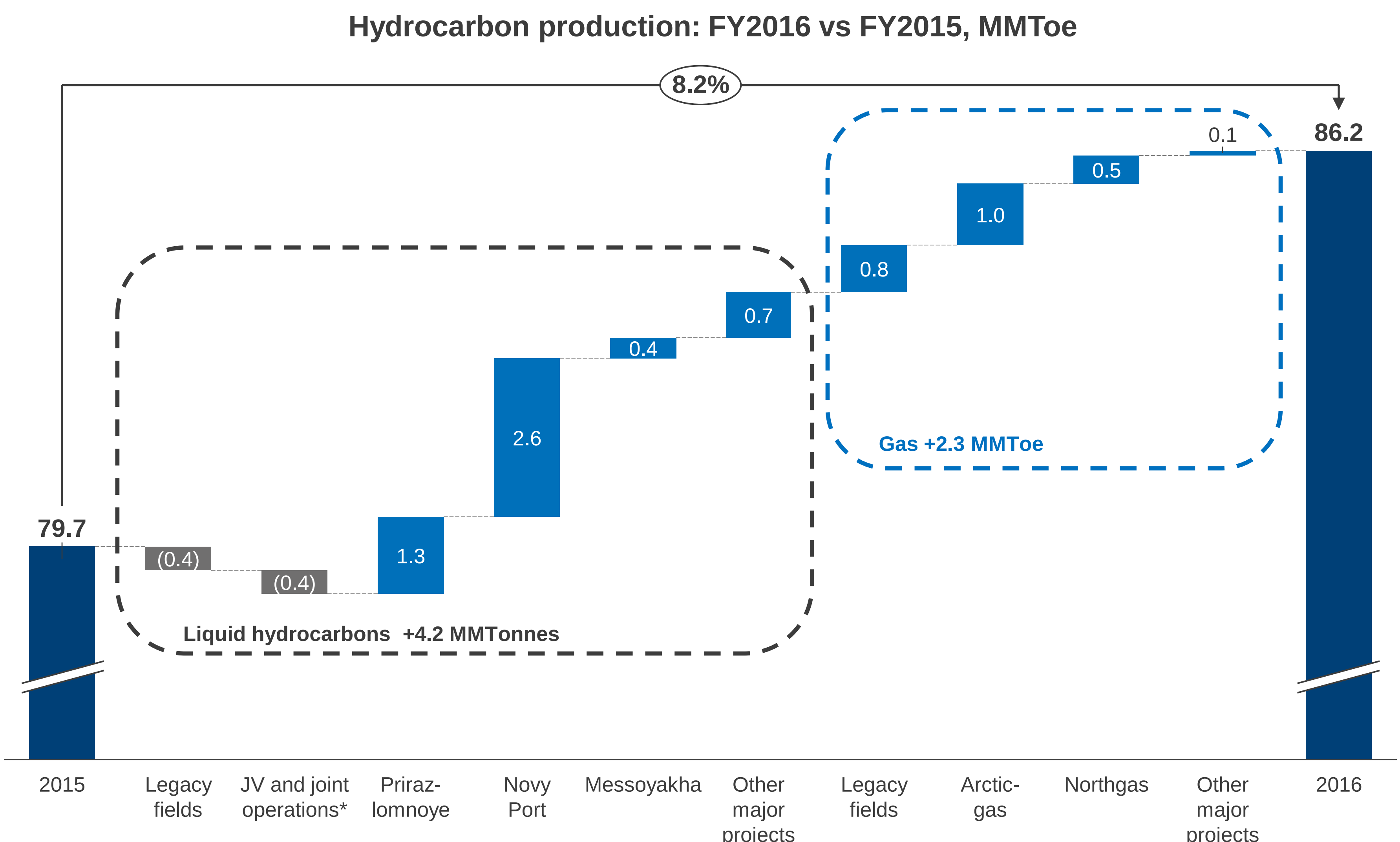


Hydrocarbon production, MMtoe



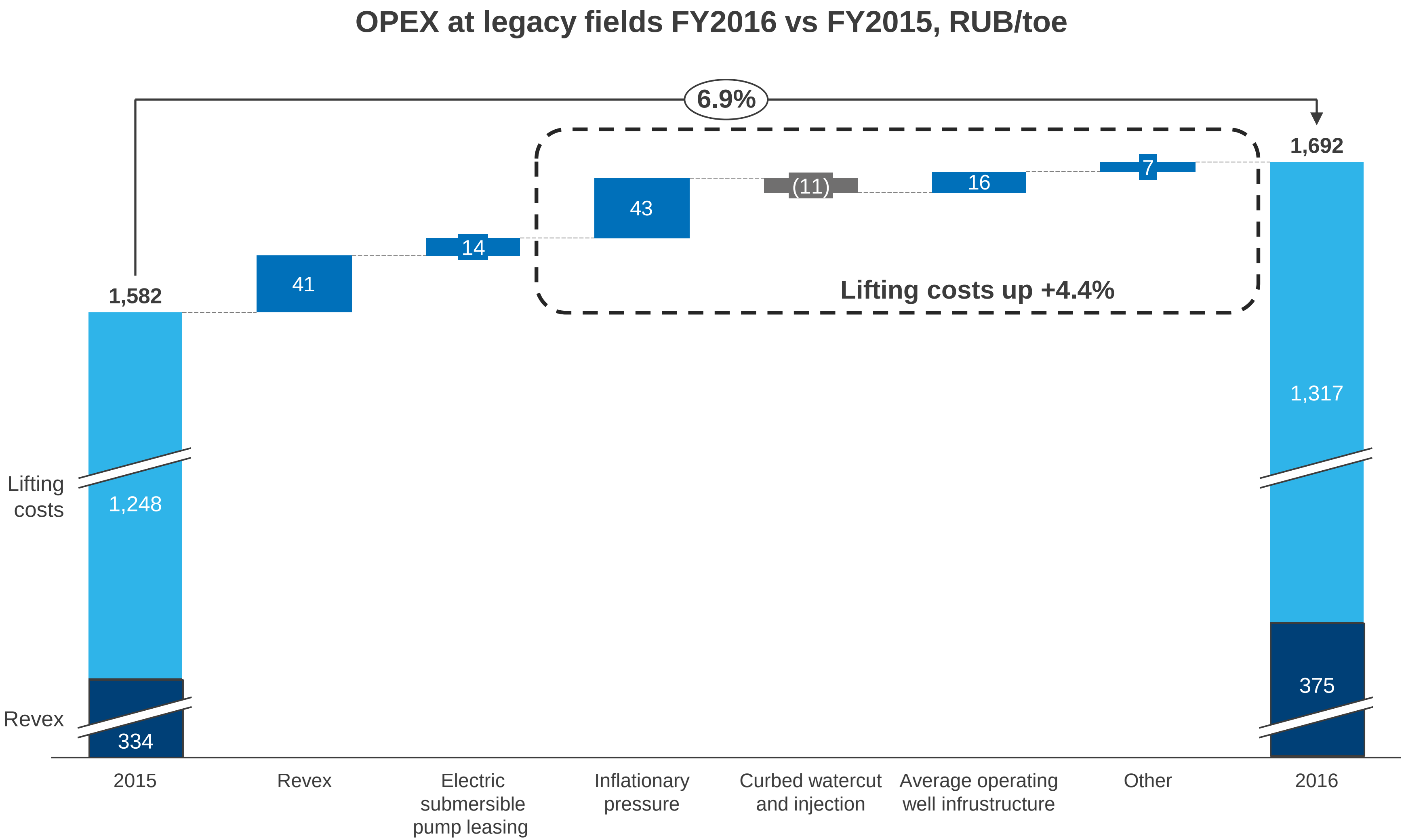
**Joint operations: proportionally consolidated companies (Tomskneft, SPD)*
*** Joint ventures: equity accounted entities (Slavneft, SeverEnergia (Arcticgas), Northgas and Messoyakhaneftegas)*

Shift toward liquid growth



** Included Slavneft, Tomskneft and SPD*

Controlling OPEX at legacy fields



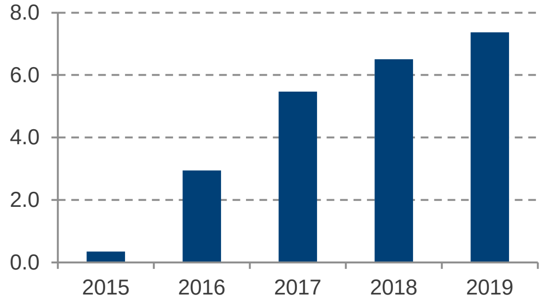
Note: the chart above takes into account the following operators: NNG, MN, Khantos, Vostok,

Gazprom Neft’s key projects: delivering growth

Novy Port

- Began year-round crude shipments from Gulf of Ob terminal (‘Vorota Arktiki’).
- Ground infrastructure completed at Novy Port field (5.5 MMTonnes)
- Three Arc7 tankers started operations to provide year-round crude exports

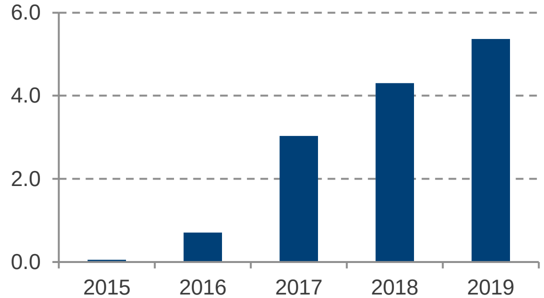
Oil production profile, MMTonnes



Messoyakha

- Started commercial production
- Began crude oil deliveries to trunk pipeline
- Obtained export duty tax break
- Launched power plant with combined 90MW capacity

Oil production profile*, MMTonnes

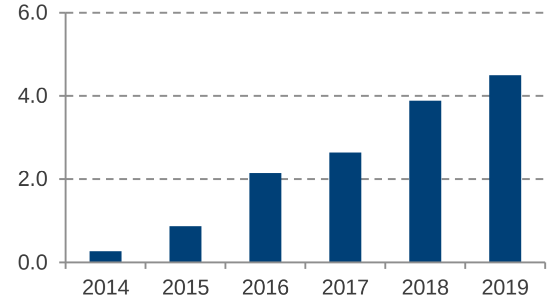


** 100% of project*

Prirazlomnoye

- Dispatched 32 oil tankers in 2016
- Drilled 3 production and 1 injection wells
- Commissioned shift camp and water supply system
- Onshore heliport construction in progress

Oil production profile, MMTonnes



Speeding up technological development: key achievements in 2016

Launched Drilling Support Center (DSC) to increase capacity of high-tech drilling

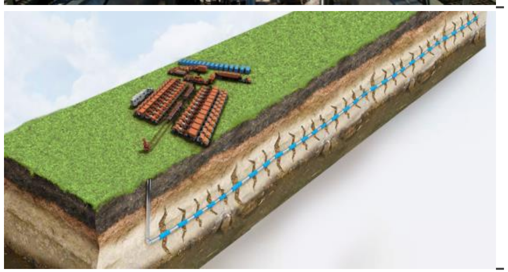
↓46%
Reduction in average high-tech drilling time

~1.5 MMTonnes/y
Extra production

Launched ASP mixing unit at SPD

+10%
Increase in the oil recovery ratio at the field

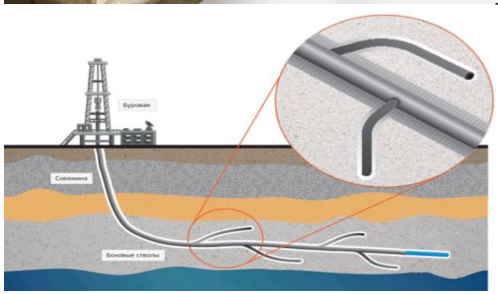
~25 MMTonnes
Extra production over 15 years



Completed 30-stage multi-stage fracking

50%
Reduction in time for hydraulic fracturing

30+%
Increase of injection rate



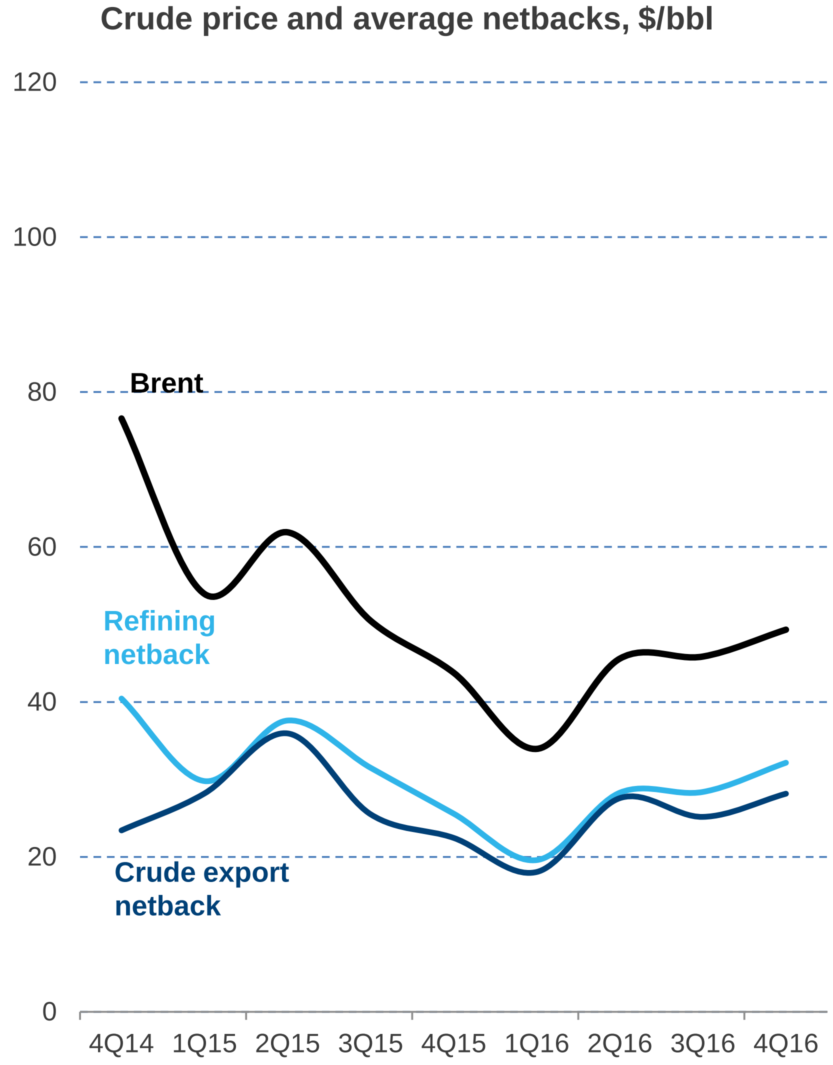
Implemented horizontal well drilling using multiple horizontal branches

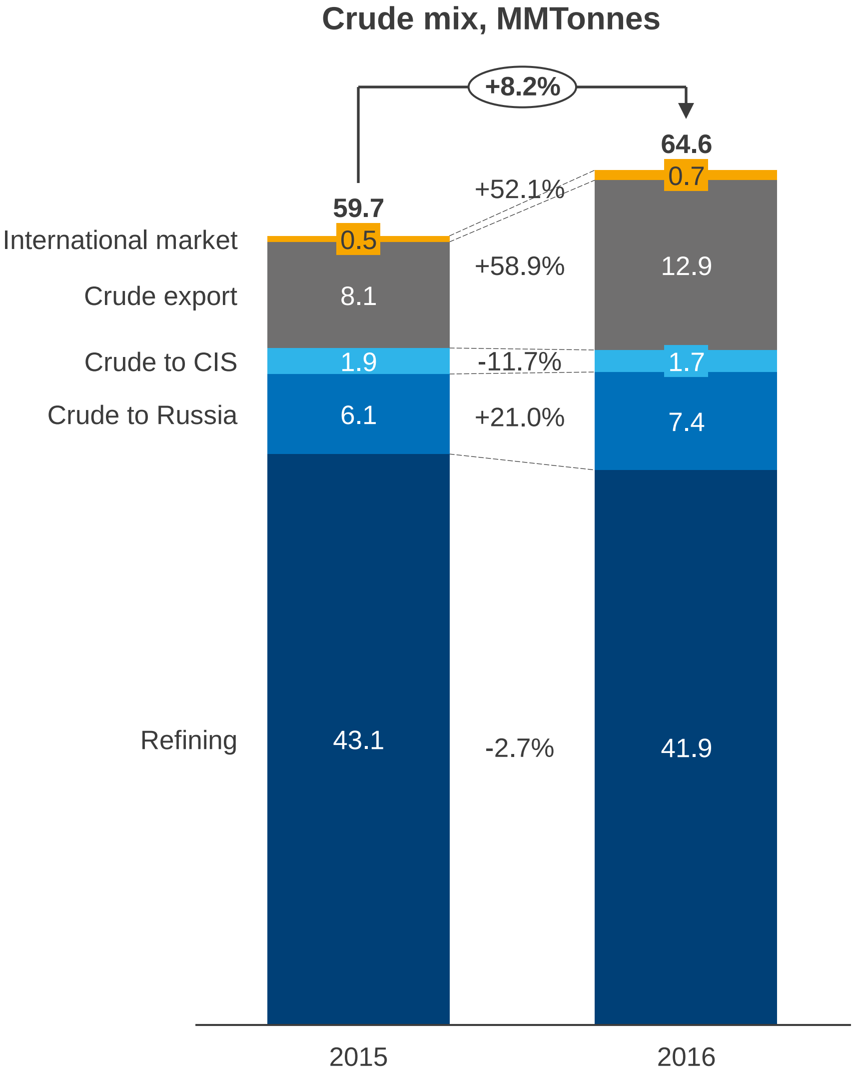
The initial flow rate for fishbone multilateral wells is **40%** higher than flow rates from conventional horizontal wells drilled in the same reservoir compartments

Downstream

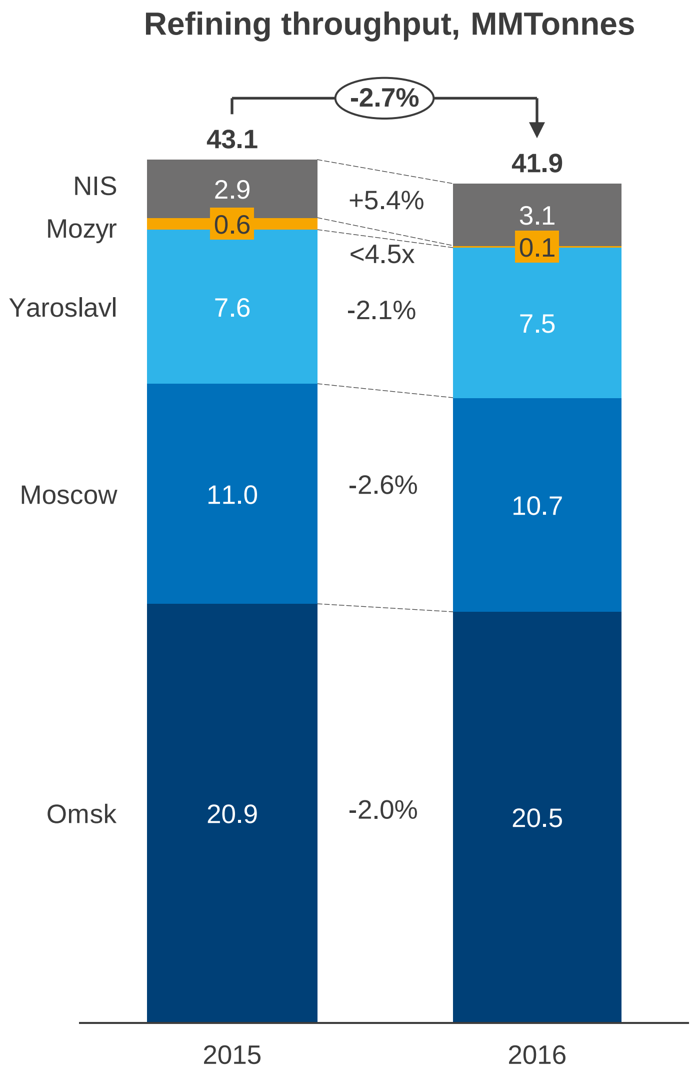
Optimizing refining throughputs while maintaining market share

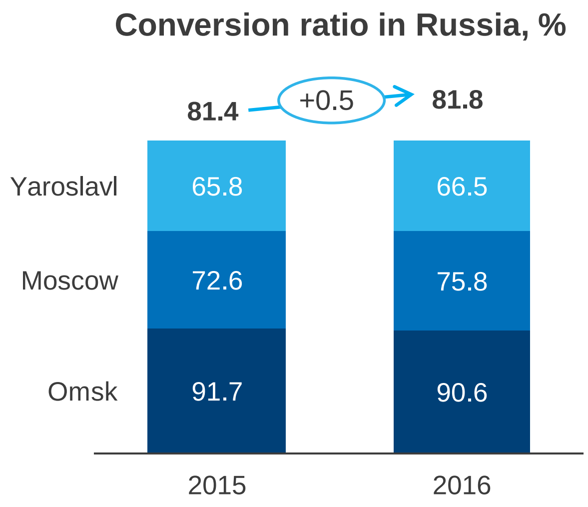
Crude exports rise on strong production increases from startups

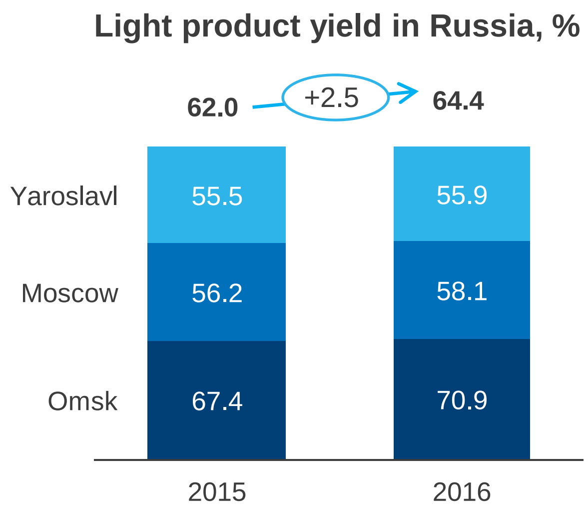




Optimizing refining throughput in challenging macro environment

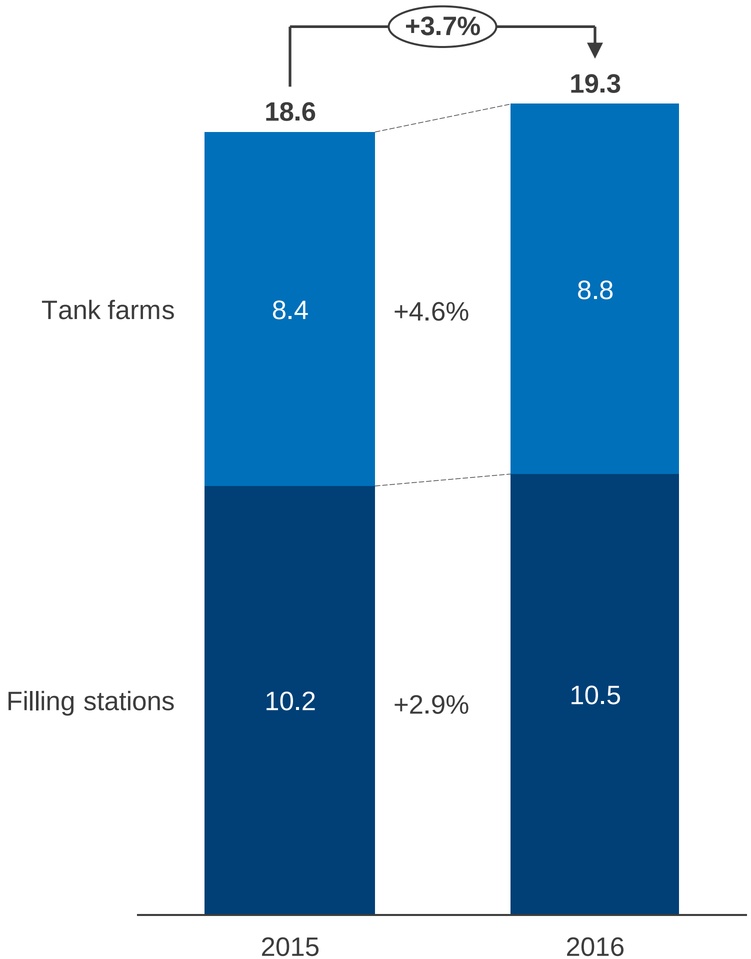




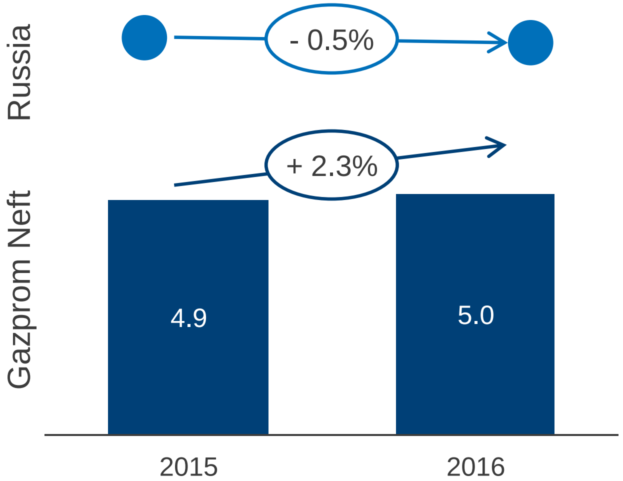


Increase of retail fuel sales despite fall of demand in Russia

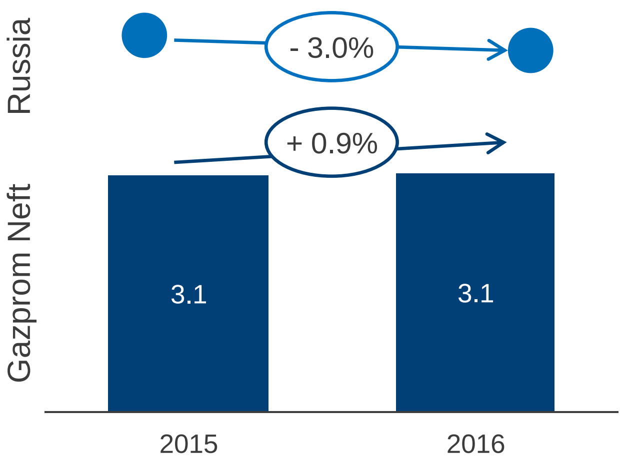
Premium sales of motor fuels, MMTonnes



Retail gasoline sales in Russia, MMTonnes



Retail diesel sales in Russia, MMTonnes



Retaining market share in BtB

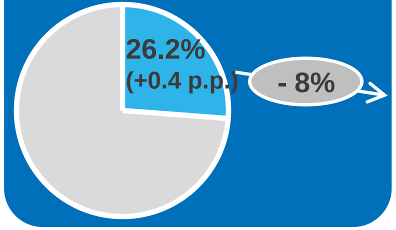
- Presence in 235 airports (+24 in 2016)

Premium sales*

2.6 MMTonnes

Market share**

GPN **in Russia**



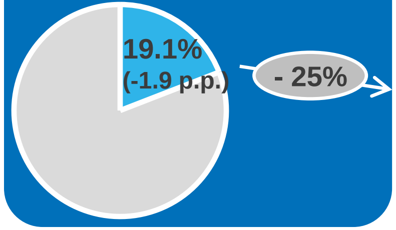
- Bunkering of Arctic fleet vessels at Nord RTC
- Transshipment capacity of Terminal in St Petersburg increased

Premium sales*

2.8 MMTonnes

Market share**

GPN **in Russia**



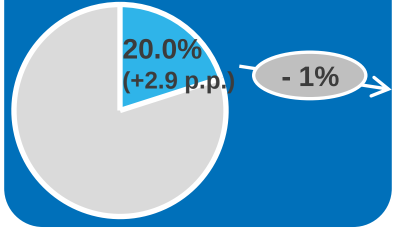
- Completed acquisition of Rospolychem Group assets
- Number of service stations in G-Energy Service premium branded chain increased from 26 to 70 (+29 in Russia, +15 overseas)

Premium sales*

0.3 MMTonnes

Market share**

GPN **in Russia**



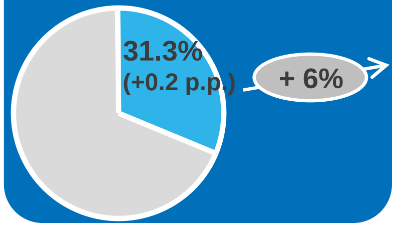
- Completed acquisition of NOVA-Brit plant
- Expansion into new foreign markets: Europe (Poland), South America (Uruguay, Brazil, Paraguay, Costa Rica), Africa (Guinea-Bissau), Asia (Vietnam)

Premium sales*

0.2 MMTonnes

Market share**

GPN **in Russia**



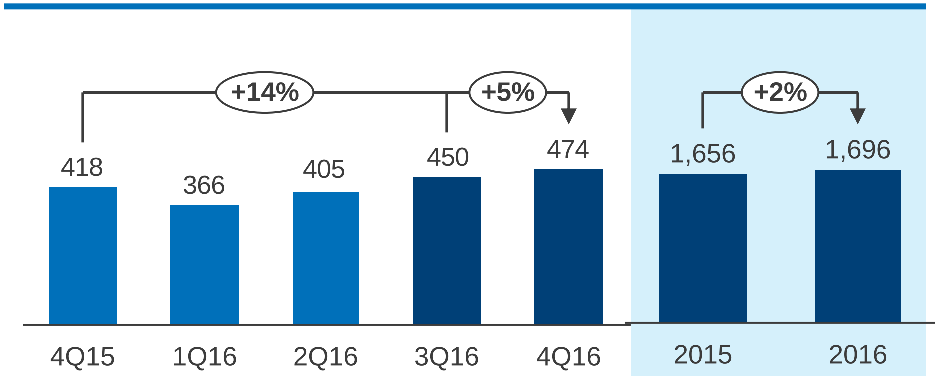
*Including sales on international market
*In Russian Federation

Financials

Successful launch of major greenfields surpassed negative effect of tax maneuver

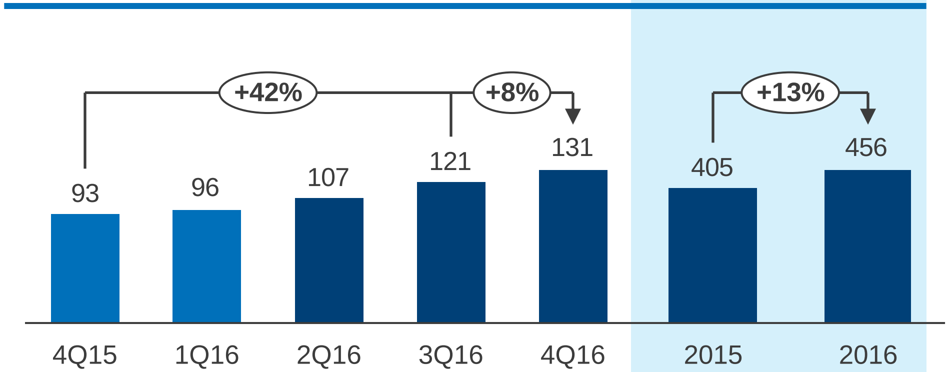
Delivering growth from startups led to a rise in adjusted EBITDA

Sales RUB bln



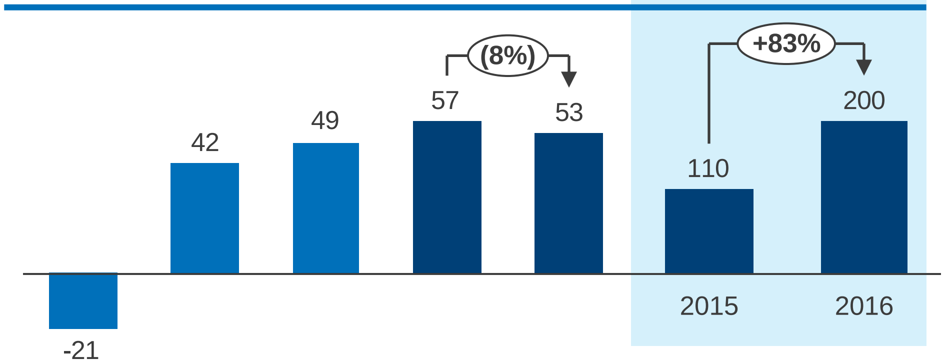
- Decline of oil prices was compensated by crude production growth and rising prices for oil products on the domestic market, giving sales growth by 2.4% y-o-y
- Sales rose by 5.4% q-o-q, due to rising crude production and an increase of crude and petroleum product prices on domestic and international markets

EBITDA* RUB bln



- Strong rise in production, driven by startup of new projects and sales mix optimization pushed up adjusted EBITDA by 12.7% y-o-y and 8.2% q-o-q

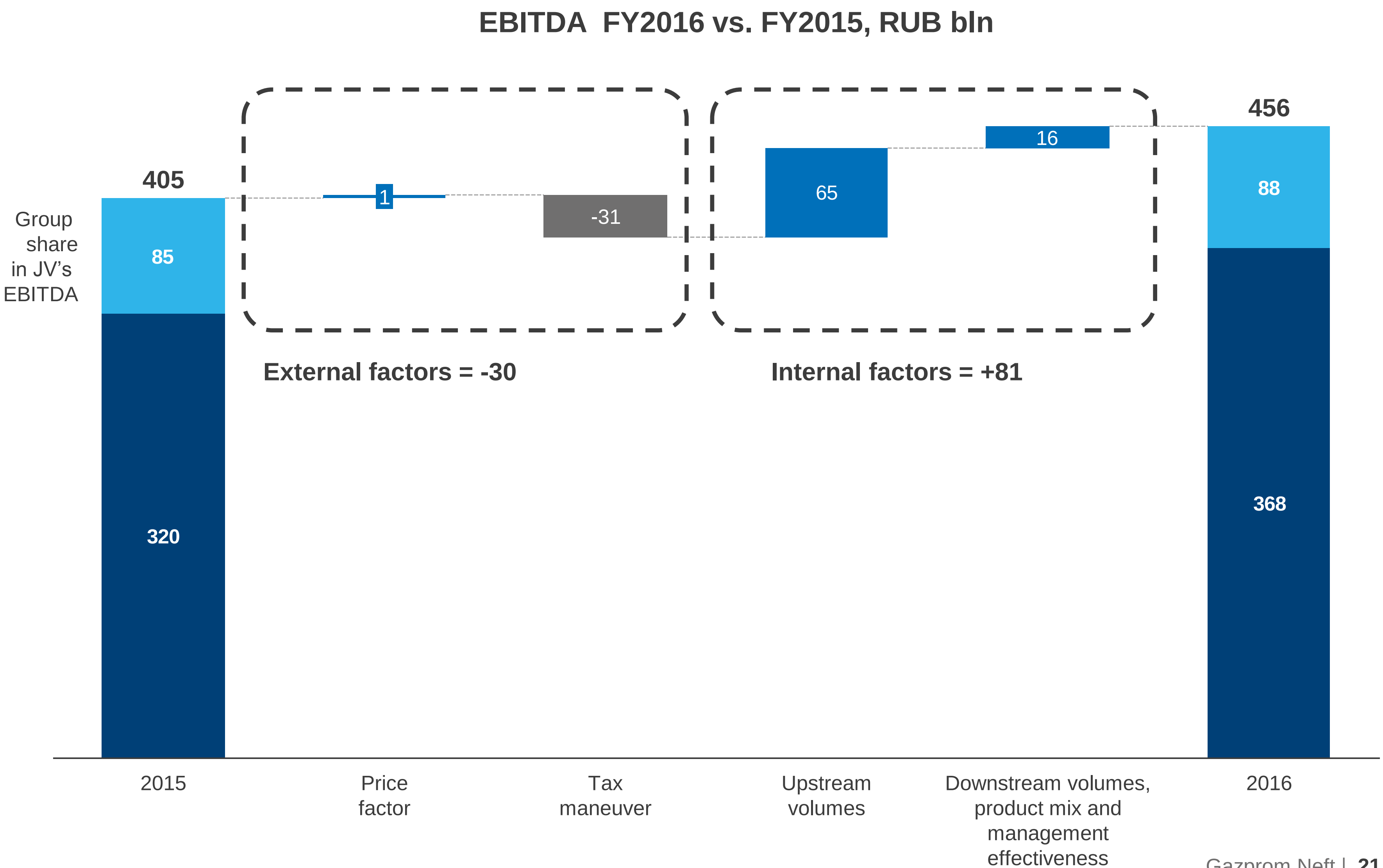
Net income RUB bln



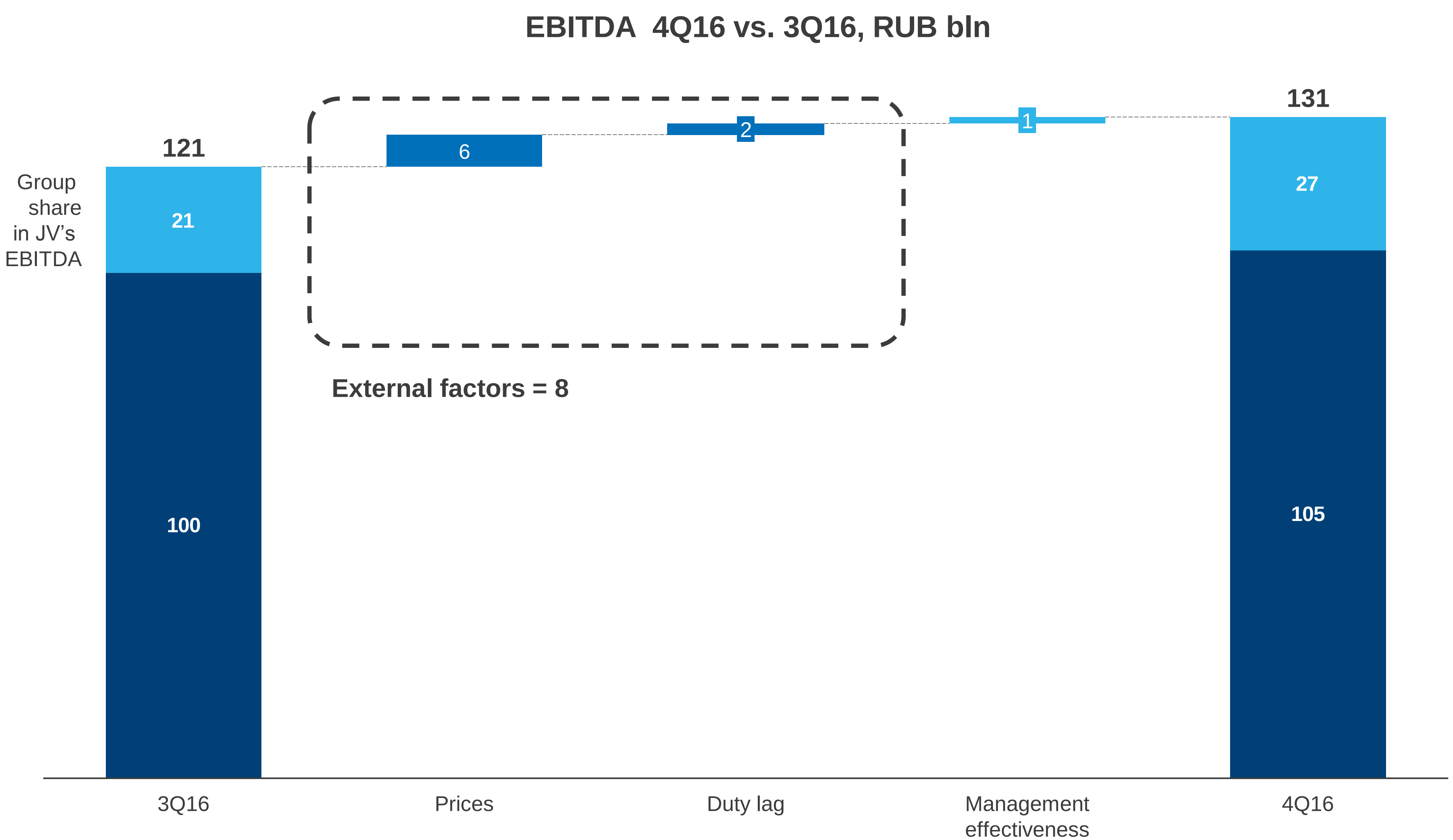
- Net income rose by 82.5% y-o-y due to higher EBITDA and FX gains from loan revaluation
- Net income decreased 7.7% q-o-q as a result of increase in depreciation of foreign assets

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

EBITDA reconciliation FY2016 vs. FY2015

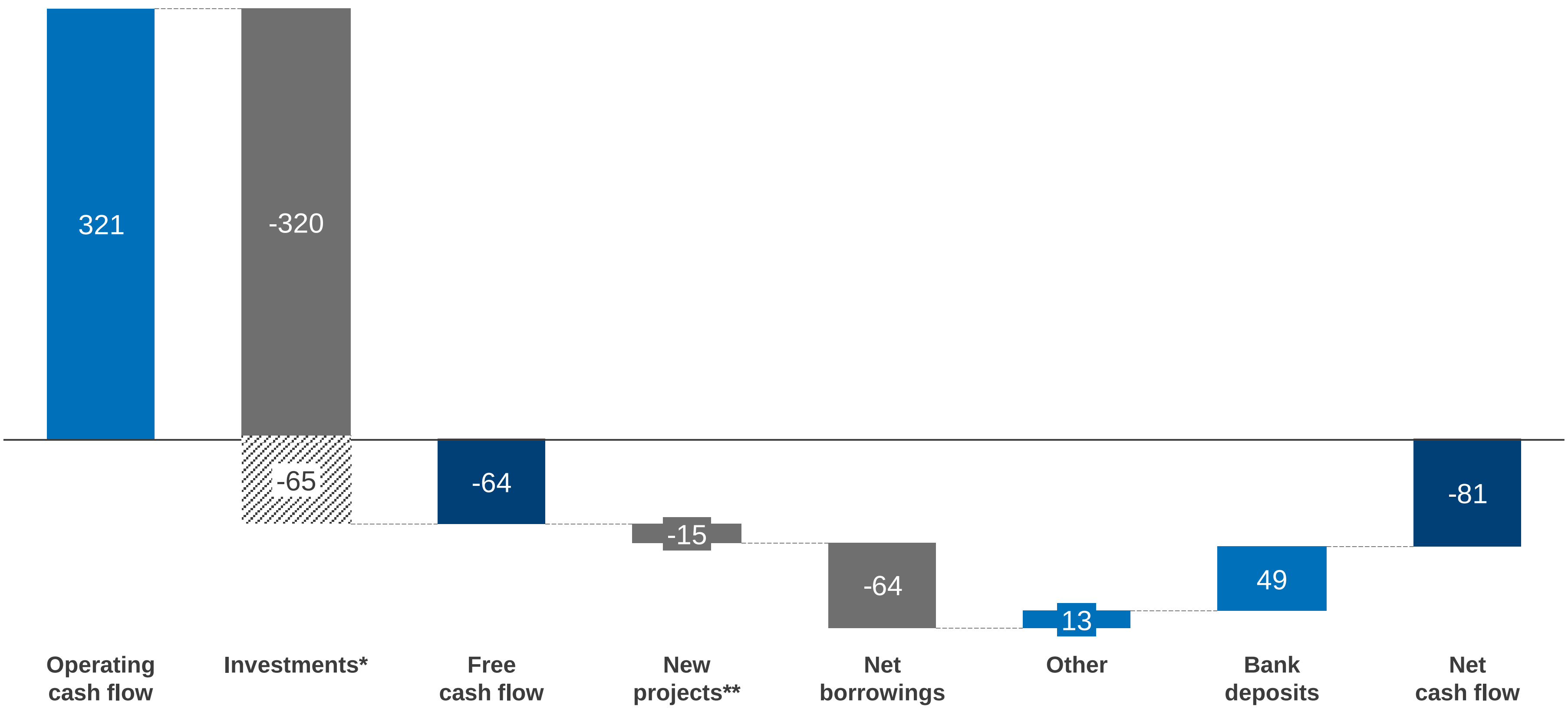


EBITDA reconciliation 4Q16 vs. 3Q16



Peak investments cycle stipulates temporarily yielding negative FCF

FY2016 cash flows reconciliation, RUB bln



** Changes in the amount of prepayments and materials for capital construction*
*** Projects not consolidated under IFRS capex*

IFRS capex: focus shift to refining

2.0% Y-o-Y increase in **IFRS capex**

Brownfield capex in-line Y-o-Y

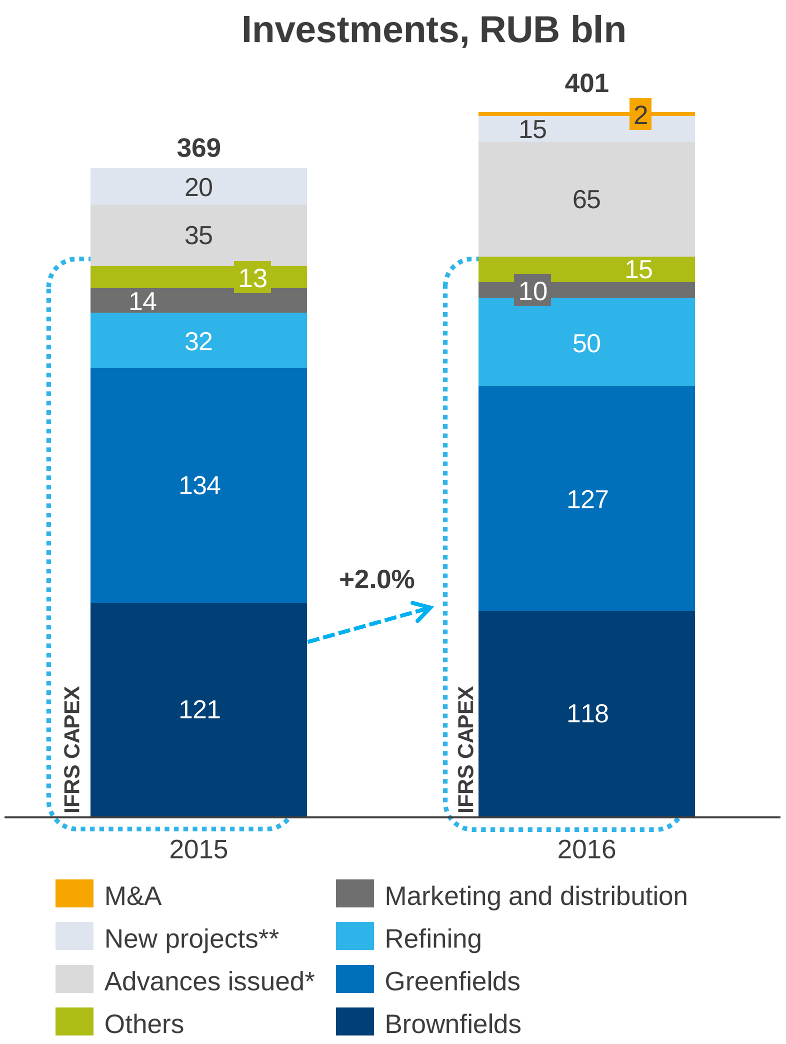
Greenfield capex decreased **by 5%** Y-o-Y, due to lower international activity

Refining capex increased by **59%** Y-o-Y as the modernization projects continued at the **Moscow and Omsk refineries**

Marketing capex declined by **28%** Y-o-Y on completion of premium retail infrastructure

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

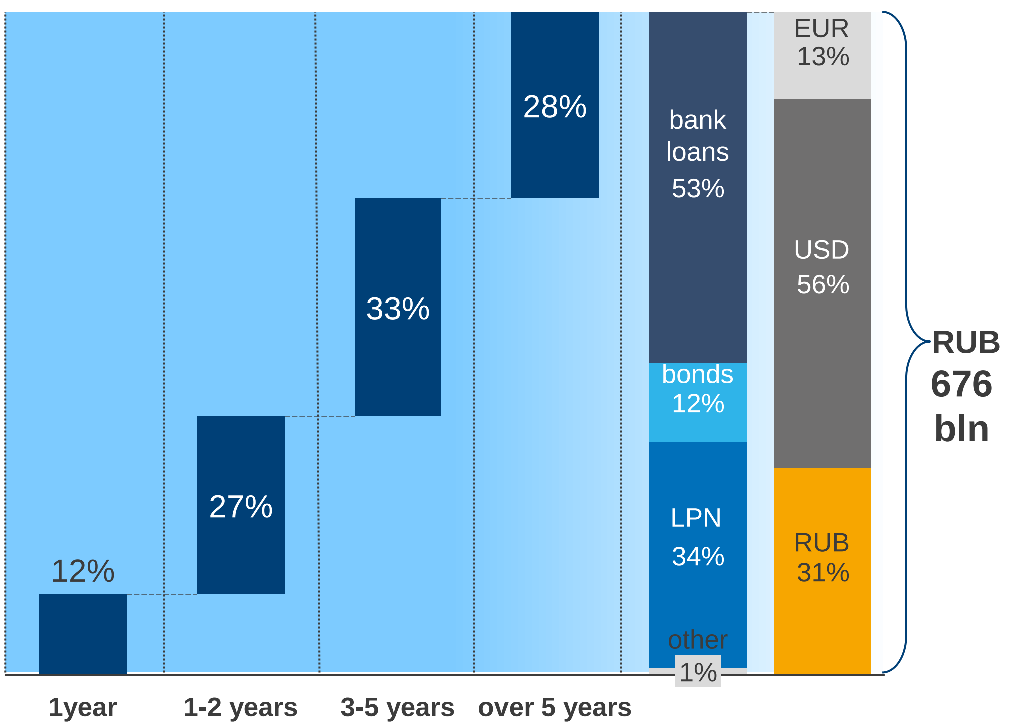
Changes in the amount of prepayments and materials for capital construction include cost of materials and equipment at ongoing projects



* *Changes in the amount of prepayments and materials for capital construction*
** *Projects not consolidated under IFRS capex*

Proactive management of robust financial structure

Debt maturity profile at the end of 4Q16



Credit ratings

Credit ratings at sovereign level:

S&P	BB+ STABLE
Moody’s	Ba1 STABLE
Fitch	BBB- STABLE
Dagong	AA- NEGATIVE

- Increased average debt maturity from 3.33 years at December 31, 2015 to 3.60 years at December 31, 2016
- In September and October 2016 **Standard & Poor’s** and **Fitch** revised Company’s outlook from negative to stable
- In February 2017 **Moody’s** revised Company’s outlook from negative to stable