

**Management's Discussion and Analysis of Financial Condition and Results  
of Operations for the three months ended March 31, 2016 and 2015 and December 31, 2015**

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## Definitions and Conversions

The following discussion is intended to assist you in understanding the Group financial position as of March 31, 2016 and results of operations for the three months ended March 31, 2016 and 2015 and December 31, 2015 and should be read in conjunction with the Interim Condensed Consolidated Financial Statements and notes thereto, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

This report represents Group's financial condition and results of operations on a consolidated basis. In this report the terms "Gazprom Neft", "Company", "Group" represent PJSC Gazprom Neft, its consolidated subsidiaries and joint operations (as defined in IFRS 11) ("Tomskneft", "Salym petroleum development" (SPD) and Yuzhno-Priobskiy GPZ (UGPZ)). The term "Joint ventures" represents entities accounted for by the equity method.

Tonnes of crude oil produced are translated into barrels using conversion rates reflecting oil density from each of our oil fields. Crude oil purchased as well as other operational indicators expressed in barrels are translated from tonnes using a conversion rate of 7.33 barrels per tonne. Translations of cubic meters to cubic feet are made at the rate of 35.31 cubic feet per cubic meter. Translations of barrels of crude oil and liquid hydrocarbon into barrels of oil equivalent ("boe") are made at the rate of 1 barrel per boe and of cubic feet into boe at the rate of 6,000 cubic feet per boe.

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## Forward-Looking Statements

This discussion 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 contained in this Report, inclusively (without limitation): (a) price fluctuations in crude oil and gas; (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.

## Key Financial and Operating Data

1Q	4Q			3m		
2016	2015	Δ, %		2016	2015	Δ, %
<b>Financial results (RUB million)</b>						
366,002	417,527	(12.3)	Sales*	366,002	380,035	(3.7)
96,365	92,588	4.1	Adjusted EBITDA**	96,365	93,387	3.2
4,602	4,422	4.1	RUB per toe of production	4,602	5,120	(10.1)
8.30	9.01	(7.9)	USD*** per boe of production	8.30	11.11	(25.3)
41,541	(21,220)	-	Profit attributable to Gazprom Neft	41,541	39,129	6.2
<b>Operational results</b>						
155.60	155.79	(0.1)	Hydrocarbon production including our share in joint ventures (MMboe)	155.60	135.14	15.1
20.94	20.94	-	Hydrocarbon production including our share in joint ventures (MMtoe)	20.94	18.24	14.8
1.71	1.69	1.2	Daily hydrocarbon production (MMboepd)	1.71	1.50	14.0
107.38	106.03	1.3	Crude oil and condensate production including our share in joint ventures (MMbbl)	107.38	99.46	8.0
289.38	298.54	(3.1)	Gas production including our share in joint ventures (bcf)	289.38	214.06	35.2
10.23	10.20	0.3	Refining throughput at own refineries and joint ventures (MMtonnes)	10.23	10.39	(1.5)

\* Sales includes export duties and sales related excise tax, calculated based on volume of products sold

\*\* EBITDA is a non-IFRS measure. A reconciliation of adjusted EBITDA to profit before income taxes is provided in the appendix

\*\*\* Translated to USD at the average exchange rate for the period

## 1Q 2016 Highlights

- Launched first of six Arc7 tankers to provide year-round crude exports from Novoport field in March 2016
- Placed exchange traded bonds with total par value of RUB 25 billion on 21 March 2016
- SPD completed construction of three-component ASP mixture unit at Salym oil fields and started mixture injection into formation
- Opened revamped high-tech drilling support center at Gazprom Neft Scientific Center
- Acquired 75% of LLC NOVA-Brit, which owns innovative bitumen production plant
- Received operatorship at Garmian Block in Kurdistan since March 2016 (former operator Western Zagros)
- Received exploration and production licenses for Ostrovo field in Serbia.

## Results for 1Q 2016 compared with 1Q 2015

- Total hydrocarbon production including our share in joint ventures increased 14.8% to 20.94 MMtonnes due to continued production growth at SeverEnergiya (Arcticgas) fields, consolidation of 50% of Northgas volume, continued production growth at Prirazlomnoye and Novoport fields, increase in gas utilization in Orenburg and Khanty-Mansiysk regions and sustained production at major fields
- The Group optimized crude processing volumes relative to oil and oil products prices and demand conditions. Total refining throughput declined 1.5% with major decline attributable to fuel oil and bunker oil, while output of light products increased
- Lower oil and oil products prices on international markets were partially offset by higher production volumes, resulting in net 3.7% sales decline
- Management actions to optimize refining throughput and product mix resulted in 3.2% adjusted EBITDA increase
- Net profit attributable to Gazprom Neft increased 6.2% due to 3.2% EBITDA growth and positive impact of revaluing non-ruble debt at current foreign exchange rates.

## Results for 1Q 2016 compared with 4Q 2015

- Daily hydrocarbon production including our share in joint ventures increased to 1.71 MMboe
- Total hydrocarbon production including our share in joint ventures in 1Q 2016 remained steady from 4Q 2015 levels. Decrease in natural gas production at West Siberia, SeverEnergiya (Arcticgas) and Northgas fields was compensated by increased crude production at Novoport and Prirazlomnoye fields
- Refining throughput increased 0.3% Q-o-Q due to scheduled maintenance of “small ring units” at Moscow refinery in October 2015 and reconstruction of Omsk catalytic cracker in September-December 2015. The volume of crude processed was optimal in terms of current oil and oil products price and demand environment
- Sales declined 12.3% due to lower oil and oil products prices and decreased petroleum products sales volumes on domestic and international markets
- Sales decrease was offset by positive effect of export duty lag effect and decrease of MET due to oil prices reduction resulted in adjusted EBITDA increase 4.1%
- Net profit attributable to Gazprom Neft in 1Q 2016 resulted from higher EBITDA and foreign exchange gains from revaluation of Group debt portfolio.

## Operational Data and Analysis

### Production Drilling

1Q 2016	4Q 2015	Δ, %		3m 2016	2015	Δ, %
<b>Consolidated subsidiaries</b>						
641	801	(20.0)	Production drilling ('000 meters)	641	655	(2.2)
162	201	(19.4)	New production wells	162	173	(6.4)
51.16	37.00	38.3	Average new well flow (tonnes per day)	51.16	36.31	40.9
<b>Joint operations</b>						
130	182	(28.3)	Production drilling ('000 meters)	130	168	(22.4)
59	57	3.5	New production wells	59	45	31.1
<b>Joint ventures</b>						
303	266	14.0	Production drilling ('000 meters)	303	261	16.0
53	68	(22.1)	New production wells	53	43	23.3

- Production drilling by consolidated subsidiaries in 1Q 2016 remained steady from 1Q 2015 level
- Increase in average new wells flow by consolidated subsidiaries 40.9% Y-o-Y and 38.3% Q-o-Q due to high-flow-rate wells completion at Novoport field
- Number of new wells drilled by joint ventures decreased 22.1% Q-o-Q due to increased share of horizontal and multilateral wells.

## Production

1Q 2016	4Q 2015	Δ, %		3m 2016	2015	Δ, %
<b>(MMtonnes)</b>			<b>Crude oil and condensate</b>	<b>(MMtonnes)</b>		
3.49	3.57	(2.2)	Noyabrskneftegaz	3.49	3.58	(2.5)
3.62	3.64	(0.5)	Khantos***	3.62	3.52	2.8
1.18	1.22	(3.3)	Tomskneft	1.18	1.23	(4.1)
0.76	0.74	2.7	SPD	0.76	0.77	(1.3)
0.69	0.68	1.5	Orenburg	0.69	0.64	7.8
0.26	0.27	(3.7)	NIS	0.26	0.28	(7.1)
0.42	0.42	-	Vostok**	0.42	0.35	20.0
0.31	0.01	3,000.0	Novy Port	0.31	0.07	342.9
0.43	0.33	30.3	Prirazlomnoye	0.43	0.14	207.1
0.16	0.18	(11.1)	Badra & Kurdistan	0.16	0.07	128.6
0.03	0.02	50.0	Others	0.03	0.09	(66.7)
<b>11.35</b>	<b>11.08</b>	<b>2.4</b>	<b>Total production by subsidiaries and joint operations</b>	<b>11.35</b>	<b>10.74</b>	<b>5.7</b>
1.89	1.93	(2.1)	Share in Slavneft	1.89	1.94	(2.6)
0.97	0.98	(1.0)	Share in SeverEnergiya (Arcticgas)	0.97	0.64	51.6
0.15	0.16	(6.3)	Share in Northgas	0.15	0.05	200.0
<b>3.01</b>	<b>3.07</b>	<b>(2.0)</b>	<b>Share in production of joint ventures</b>	<b>3.01</b>	<b>2.63</b>	<b>14.4</b>
<b>14.36</b>	<b>14.15</b>	<b>1.5</b>	<b>Total crude oil and condensate production</b>	<b>14.36</b>	<b>13.37</b>	<b>7.4</b>
<b>(bcm)</b>			<b>Gas*</b>	<b>(bcm)</b>		
2.37	2.53	(6.3)	Noyabrskneftegaz	2.37	2.49	(4.8)
0.27	0.26	3.8	Khantos***	0.27	0.16	68.8
0.21	0.25	(16.0)	Tomskneft	0.21	0.25	(16.0)
0.03	0.03	-	SPD	0.03	0.03	-
0.61	0.57	7.0	Orenburg	0.61	0.51	19.6
0.14	0.15	(6.7)	NIS	0.14	0.14	-
0.02	0.01	100.0	Vostok	0.02	0.02	-
0.03	-	-	Others	0.03	0.01	200.0
<b>3.68</b>	<b>3.80</b>	<b>(3.2)</b>	<b>Total production by subsidiaries and proportionally consolidated companies</b>	<b>3.68</b>	<b>3.61</b>	<b>1.9</b>
0.12	0.13	(7.7)	Share in Slavneft	0.12	0.11	9.1
3.07	3.15	(2.5)	Share in SeverEnergiya (Arcticgas)	3.07	1.93	59.1
1.33	1.37	(2.9)	Share in Northgas	1.33	0.41	224.4
<b>4.52</b>	<b>4.65</b>	<b>(2.8)</b>	<b>Share in production of joint ventures</b>	<b>4.52</b>	<b>2.45</b>	<b>84.5</b>
<b>8.20</b>	<b>8.45</b>	<b>(3.0)</b>	<b>Total gas production</b>	<b>8.20</b>	<b>6.06</b>	<b>35.3</b>
<b>(MMtoe)</b>			<b>Hydrocarbons</b>	<b>(MMtoe)</b>		
14.31	14.15	1.1	Total production by subsidiaries and proportionally consolidated companies	14.31	13.64	4.9
6.63	6.79	(2.4)	Share in production of joint ventures	6.63	4.60	44.1
<b>20.94</b>	<b>20.94</b>	<b>-</b>	<b>Total hydrocarbon production</b>	<b>20.94</b>	<b>18.24</b>	<b>14.8</b>
<b>155.60</b>	<b>155.79</b>	<b>(0.1)</b>	<b>MMtoe</b>	<b>155.60</b>	<b>135.14</b>	<b>15.1</b>
<b>1.71</b>	<b>1.69</b>	<b>1.2</b>	<b>Daily hydrocarbon production (MMboepd)</b>	<b>1.71</b>	<b>1.50</b>	<b>14.0</b>

\* Production volume includes marketable gas and gas utilized in Company power plants

\*\* Production for Archinskoye and Urmanskoye fields is presented in Gazpromneft – Vostok effective June 1, 2015 due to merger of Archinskoye LLC into Gazpromneft-Vostok in June 2015 (previously included in Others)

\*\*\* Khantos oil production in 2016 includes NGL in Gazprom Neft share (50%). Associated gas utilization excludes gas used for NGL production at UGPZ (50%).

- Group daily hydrocarbon production increased 14.0% Y-o-Y and 1.2% Q-o-Q in toe
- Group oil and condensate production increased 7.4% Y-o-Y to 14.36 MMtoe, driven by continued increase in production at SeverEnergiya (Arcticgas), consolidation of 50% of Northgas volume, increased production at Prirazlomnoye, Novoport fields and Iraq

- Group natural gas production increased 35.3% Y-o-Y primarily due to higher production at Urengoykoye and Yaro-Yakhinskoye (SeverEnergiya (Arcticgas)) fields, consolidation of 50% of Northgas volume; start up of Yuzhno-Priobskiy gas processing plant (UGPZ) which increased gas utilization in Khanty-Mansyisk region, increase in gas utilization at Orenburg region fields due to increase in supply of associated gas to Orenburg gas refinery
- Group gas production declined 3.0% Q-o-Q primarily due to decrease in natural gas production at Noyabrskneftegaz fields as a result of decline in gas consumption by industrial customers driven by changes in fuel oil market condition, and gas production decline at SeverEnergiya (Arcticgas) due to overall decline in gas consumption.

## Crude Oil Purchases

1Q	4Q			3m		
2016	2015	Δ, %	(MMtonnes)	2016	2015	Δ, %
2.21	1.92	15.1	Crude oil purchases in Russia *	2.21	1.37	61.3
0.19	0.24	(20.8)	Crude oil purchases internationally	0.19	-	-
<b>2.40</b>	<b>2.16</b>	<b>11.1</b>	<b>Total crude purchased</b>	<b>2.40</b>	<b>1.37</b>	<b>75.2</b>

\* Crude oil purchases in Russia:

- exclude purchases from the Group's joint ventures Slavneft and SeverEnergiya (Arcticgas)

- include purchase of stable gas condensate from Novatek (25% volume of Arcticgas production)

- Crude oil purchases in Russia increased 61.3% Y-o-Y due to more effective domestic trading operations.

## Refining

1Q	4Q			3m		
2016	2015	Δ, %	(MMtonnes)	2016	2015	Δ, %
5.08	4.87	4.3	Omsk	5.08	5.21	(2.5)
2.41	2.38	1.3	Moscow	2.41	2.58	(6.6)
0.72	0.80	(10.0)	Pancevo	0.72	0.61	18.0
<b>8.21</b>	<b>8.05</b>	<b>2.0</b>	<b>Total throughput at refineries owned by subsidiaries</b>	<b>8.21</b>	<b>8.40</b>	<b>(2.3)</b>
1.91	1.99	(4.0)	Share in Yaroslavl	1.91	1.90	0.5
0.11	0.16	(31.3)	Share in Mozyr	0.11	0.09	22.2
<b>10.23</b>	<b>10.20</b>	<b>0.3</b>	<b>Total refining throughput</b>	<b>10.23</b>	<b>10.39</b>	<b>(1.5)</b>
<b>Production of petroleum products</b>						
2.23	2.04	9.3	Gasoline	2.23	2.31	(3.5)
-	-	-	Class 2 and below	-	0.02	-
-	0.05	-	Class 4	-	0.15	-
2.23	1.99	12.1	Class 5	2.23	2.14	4.2
0.45	0.40	12.5	Naphtha	0.45	0.37	21.6
2.96	2.91	1.7	Diesel	2.96	2.93	1.0
0.03	0.03	-	Class 2 and below	0.03	0.01	200.0
2.93	2.88	1.7	Class 5	2.93	2.92	0.3
1.71	2.06	(17.0)	Fuel oil	1.71	1.91	(10.5)
0.67	0.64	4.7	Jet fuel	0.67	0.63	6.3
0.67	0.77	(13.0)	Bunker fuel	0.67	0.84	(20.2)
0.27	0.33	(18.2)	Bitumen	0.27	0.19	42.1
0.10	0.10	-	Lubricants	0.10	0.10	-
0.62	0.51	21.6	Other	0.62	0.64	(3.1)
<b>9.68</b>	<b>9.76</b>	<b>(0.8)</b>	<b>Total production</b>	<b>9.68</b>	<b>9.92</b>	<b>(2.4)</b>

- Total throughput declined by insignificant 1.5% Y-o-Y. The Group optimized refining throughput with respect to oil and oil products price and demand conditions. Increase of light oil products output and decrease in oil fuel and bunker fuel output as a result of increased supply of SGC to Omsk refinery.

- Refining throughput increased 0.3% Q-o-Q due to planned repair of “small ring units” at Moscow refinery in October 2015, and reconstruction of Omsk catalytic cracker in September-December 2015
- In 1Q 2016 share of class 5 gasoline reached 100% in accordance with requirements of technical regulations
- Bunker fuel production decrease 20.2% Y-o-Y due to market demand decline
- Fuel oil production decreased 10.5% Y-o-Y due to decrease of oil refining at Omsk and Moscow refineries, higher SGC throughput, greater output of light oil products and increase in fuel oil consumption for own purposes instead of natural gas at Omsk refinery (due to economic efficiency)
- Bitumen production increased 42.1% Y-o-Y due to increased demand and favorable market conditions in 1Q 2016 leading to decreased fuel oil production
- Gasoline production increased 9.3% Q-o-Q due to repair of “small ring units” at Moscow refinery in October 2015 and reconstruction of Omsk catalytic cracker in September-December 2015
- Other oil products output increased 21.6% Q-o-Q primary due to increase in heavy gas oil production as a result of reconstruction of Omsk catalytic cracker in September-December 2015, and increase in aromatics production due to increase in demand.

### Petroleum Products Purchases on International Markets

	1Q 2016		4Q 2015		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
Diesel	2,724	0.11	2,297	0.09	18.6	22.2
Jet fuel	468	0.01	1,613	0.05	(71.0)	(80.0)
Bunker fuel	757	0.03	1,171	0.05	(35.4)	(40.0)
Lubricants	331	0.00	260	0.00	27.3	-
<b>Total</b>	<b>4,280</b>	<b>0.15</b>	<b>5,341</b>	<b>0.19</b>	<b>(19.9)</b>	<b>(21.1)</b>

	3m 2016		3m 2015		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
Diesel	2,724	0.11	791	0.02	244.4	450.0
Jet fuel	468	0.01	2,705	0.07	(82.7)	(85.7)
Bunker fuel	757	0.03	1,874	0.07	(59.6)	(57.1)
Lubricants	331	0.00	260	0.00	27.3	-
<b>Total</b>	<b>4,280</b>	<b>0.15</b>	<b>5,630</b>	<b>0.16</b>	<b>(24.0)</b>	<b>(6.3)</b>

- Purchases on international markets declined Q-o-Q due to reduced international trading operations.

### Petroleum Products Purchases in CIS

	1Q 2016		4Q 2015		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	235	0.01	1,534	0.05	(84.7)	(80.0)
Low octane gasoline	196	0.01	154	0.01	27.3	-
Diesel	402	0.02	546	0.03	(26.4)	(33.3)
Other	148	0.01	255	0.01	(42.0)	-
<b>Total</b>	<b>981</b>	<b>0.05</b>	<b>2,489</b>	<b>0.10</b>	<b>(60.6)</b>	<b>(50.0)</b>

	3m 2016		3m 2015		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	235	0.01	216	-	8.8	-
Low octane gasoline	196	0.01	8	-	-	-
Diesel	402	0.02	223	0.01	80.3	100.0
Other	148	0.01	143	0.01	3.5	-
<b>Total</b>	<b>981</b>	<b>0.05</b>	<b>590</b>	<b>0.02</b>	<b>66.3</b>	<b>150.0</b>

## Domestic Purchases of Petroleum Products

	1Q 2016		4Q 2015		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	9,082	0.30	14,658	0.46	(38.0)	(34.8)
Diesel	6,082	0.20	7,336	0.23	(17.1)	(13.0)
Fuel oil	10	0.00	116	0.02	(91.4)	-
Jet fuel	1,328	0.07	1,889	0.07	(29.7)	-
Bunker fuel	584	0.04	610	0.04	(4.3)	-
Lubricants	83	0.00	141	0.01	(41.1)	-
Other	275	0.01	1,107	0.04	(75.2)	(75.0)
<b>Total</b>	<b>17,444</b>	<b>0.62</b>	<b>25,857</b>	<b>0.87</b>	<b>(32.5)</b>	<b>(28.7)</b>

	3m 2016		3m 2015		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	9,082	0.30	7,643	0.27	18.8	11.1
Diesel	6,082	0.20	3,720	0.12	63.5	66.7
Fuel oil	10	0.00	379	0.04	(97.4)	-
Jet fuel	1,328	0.07	1,383	0.06	(4.0)	16.7
Bunker fuel	584	0.04	465	0.02	25.6	100.0
Lubricants	83	0.00	44	0.00	88.6	-
Other	275	0.01	212	0.01	29.7	-
<b>Total</b>	<b>17,444</b>	<b>0.62</b>	<b>13,846</b>	<b>0.52</b>	<b>26.0</b>	<b>19.2</b>

- Diesel and gasoline purchases decreased Q-o-Q due to increased production at own refineries
- Domestic diesel purchases increased Y-o-Y due to increased trading operations
- Domestic bunker fuel purchases increased Y-o-Y due to purchases of ultra-low sulfur fuel oil ULS FO connected with adoption of MARPOL standards in North-West Europe resulting in increased demand.



## Products Marketing

1Q 2016	4Q 2015	Δ, %		3m 2016	2015	Δ, %
<b>(units)</b>			<b>Active retail stations</b>	<b>(units)</b>		
1,175	1,189	(1.2)	In Russia	1,175	1,156	1.6
256	243	5.3	In CIS	256	249	2.8
418	420	(0.5)	In Eastern Europe	418	420	(0.5)
<b>1,849</b>	<b>1,852</b>	<b>(0.2)</b>	<b>Total retail stations (as at the end of the period)</b>	<b>1,849</b>	<b>1,825</b>	<b>1.3</b>
<b>(MMtonnes)</b>			<b>Average daily sales per retail site in Russia (tonnes per day)</b>	<b>(MMtonnes)</b>		
<b>17.5</b>	<b>20.3</b>	<b>(13.7)</b>		<b>17.5</b>	<b>17.8</b>	<b>(1.8)</b>
<b>(MMtonnes)</b>			<b>Sales volume through premium channels</b>	<b>(MMtonnes)</b>		
4.34	4.71	(7.9)	Gasoline and Diesel	4.34	4.12	5.3
0.55	0.55	-	Jet	0.55	0.62	(11.3)
0.71	0.92	(22.8)	Bunkering	0.71	0.92	(22.8)
0.05	0.06	(16.7)	Lubricants	0.05	0.05	-
<b>5.65</b>	<b>6.24</b>	<b>(9.5)</b>	<b>Total sales volume through premium channels</b>	<b>5.65</b>	<b>5.71</b>	<b>(1.1)</b>

- Total number of active retail stations increased 1.3% Y-o-Y
- Average daily sales per retail site in Russia declined 1.8% Y-o-Y due to lower level of consumer purchase capacity and demand for oil products in retail segment
- Sales volume through premium channels decreased by insignificant 1.1% Y-o-Y primarily due to:
  - Bunkering sales declined mainly due to lower demand at Russian ports
  - Jet fuel sales declined due to lower demand and liquidation of Transaero Airlines
  - Bunker and jet fuel sales decrease was offset by increased gasoline sales and market share gains in all premium channels under weaker market conditions
- Sales volumes through premium channels declined 9.5% Q-o-Q primarily due to seasonal factors and lower demand for bunker oil.

## Results of Operations

1Q	4Q			3m		
2016	2015	Δ, %	(RUB million)	2016	2015	Δ, %
366,002	417,527	(12.3)	Sales*	366,002	380,035	(3.7)
(36,050)	(49,404)	(27.0)	Less export duties and excise tax**	(36,050)	(51,788)	(30.4)
<b>329,952</b>	<b>368,123</b>	<b>(10.4)</b>	<b>Total revenue</b>	<b>329,952</b>	<b>328,247</b>	<b>0.5</b>
<b>Costs and other deductions</b>						
(73,570)	(94,673)	(22.3)	Purchases of oil, gas and petroleum products	(73,570)	(62,553)	17.6
(48,650)	(64,544)	(24.6)	Production and manufacturing expenses	(48,650)	(46,143)	5.4
(24,422)	(25,679)	(4.9)	Selling, general and administrative expenses	(24,422)	(21,407)	14.1
(34,915)	(33,626)	3.8	Transportation expenses	(34,915)	(31,311)	11.5
(27,989)	(28,011)	(0.1)	Depreciation, depletion and amortization	(27,989)	(22,197)	26.1
(70,610)	(77,000)	(8.3)	Taxes other than income tax	(70,610)	(92,354)	(23.5)
(108)	(391)	(72.4)	Exploration expenses	(108)	(143)	(24.5)
<b>(280,264)</b>	<b>(323,924)</b>	<b>(13.5)</b>	<b>Total operating expenses</b>	<b>(280,264)</b>	<b>(276,108)</b>	<b>1.5</b>
(657)	(21,331)	(96.9)	Other loss, net	(657)	(2,035)	(67.7)
<b>49,031</b>	<b>22,868</b>	<b>114.4</b>	<b>Operating profit</b>	<b>49,031</b>	<b>50,104</b>	<b>(2.1)</b>
5,724	707	709.6	Share of profit of associates and joint ventures	5,724	6,647	(13.9)
2,295	(26,929)	-	Net foreign exchange gain / (loss)	2,295	(8,830)	-
2,547	4,239	(39.9)	Finance income	2,547	3,422	(25.6)
(9,724)	(12,542)	(22.5)	Finance expense	(9,724)	(6,923)	40.5
<b>842</b>	<b>(34,525)</b>	<b>-</b>	<b>Total other income / (expense)</b>	<b>842</b>	<b>(5,684)</b>	<b>-</b>
<b>49,873</b>	<b>(11,657)</b>	<b>-</b>	<b>(Loss) / Profit before income tax</b>	<b>49,873</b>	<b>44,420</b>	<b>12.3</b>
(1,637)	(11,263)	(85.5)	Current income tax (expense)	(1,637)	(7,059)	(76.8)
(6,644)	5,824	-	Deferred income tax (expense) / benefit	(6,644)	304	-
<b>(8,281)</b>	<b>(5,439)</b>	<b>52.3</b>	<b>Total income tax benefit / (expense)</b>	<b>(8,281)</b>	<b>(6,755)</b>	<b>22.6</b>
<b>41,592</b>	<b>(17,096)</b>	<b>-</b>	<b>(Loss) / Profit for the period</b>	<b>41,592</b>	<b>37,665</b>	<b>10.4</b>
(51)	(4,124)	(98.8)	Less: Profit attributable to non-controlling interest	(51)	1,464	-
<b>41,541</b>	<b>(21,220)</b>	<b>-</b>	<b>Profit attributable to Gazprom Neft</b>	<b>41,541</b>	<b>39,129</b>	<b>6.2</b>

\* Sales include export duties and sales related excise tax, calculated based on volume of products sold

\*\* Includes excise tax calculated based on petroleum products volumes sold by the Company's subsidiary in Serbia

## Revenues

1Q	4Q			3m		
2016	2015	Δ, %	(RUB million)	2016	2015	Δ, %
<b>Crude oil</b>						
36,450	37,598	(3.1)	Export	36,450	22,191	64.3
45,423	54,256	(16.3)	Export sales	45,423	38,259	18.7
(8,973)	(16,658)	(46.1)	Less related export duties	(8,973)	(16,068)	(44.2)
1,552	3,741	(58.5)	International markets	1,552	1,494	3.9
5,100	6,051	(15.7)	Export to CIS	5,100	7,991	(36.2)
5,229	6,197	(15.6)	Export sales and sales in CIS	5,229	8,328	(37.2)
(129)	(146)	(11.6)	Less related export duties	(129)	(337)	(61.7)
20,724	19,959	3.8	Domestic	20,724	21,250	(2.5)
<b>63,826</b>	<b>67,349</b>	<b>(5.2)</b>	<b>Total crude oil revenue</b>	<b>63,826</b>	<b>52,926</b>	<b>20.6</b>
<b>Gas</b>						
622	296	110.1	International markets	622	1,630	(61.8)
6,876	7,271	(5.4)	Domestic	6,876	6,290	9.3
<b>7,498</b>	<b>7,567</b>	<b>(0.9)</b>	<b>Total gas revenue</b>	<b>7,498</b>	<b>7,920</b>	<b>(5.3)</b>
<b>Petroleum products</b>						
46,613	43,653	6.8	Export	46,613	56,783	(17.9)
56,174	56,410	(0.4)	Export sales	56,174	79,038	(28.9)
(9,561)	(12,757)	(25.1)	Less related export duties	(9,561)	(22,255)	(57.0)
20,728	28,189	(26.5)	International markets	20,728	23,539	(11.9)
38,043	48,023	(20.8)	Sales on international markets	38,043	36,640	3.8
(17,315)	(19,834)	(12.7)	Less excise*	(17,315)	(13,101)	32.2
16,073	20,289	(20.8)	CIS	16,073	17,121	(6.1)
16,145	20,298	(20.5)	Export sales and sales in CIS	16,145	17,148	(5.8)
(72)	(9)	700.0	Less related export duties	(72)	(27)	166.7
160,231	178,698	(10.3)	Domestic	160,231	156,593	2.3
<b>243,645</b>	<b>270,829</b>	<b>(10.0)</b>	<b>Total petroleum products revenue</b>	<b>243,645</b>	<b>254,036</b>	<b>(4.1)</b>
<b>14,983</b>	<b>22,378</b>	<b>(33.0)</b>	<b>Other revenue</b>	<b>14,983</b>	<b>13,365</b>	<b>12.1</b>
<b>329,952</b>	<b>368,123</b>	<b>(10.4)</b>	<b>Total revenue</b>	<b>329,952</b>	<b>328,247</b>	<b>0.5</b>

\* Includes excise tax calculated based on petroleum products volumes sold by the Company's subsidiary in Serbia

## Sales Volumes

1Q	4Q			3m		
2016	2015	Δ, %		2016	2015	Δ, %
<b>(MMtonnes)</b>			<b>Crude oil</b>	<b>(MMtonnes)</b>		
2.63	2.73	(3.7)	Export	2.63	1.60	64.4
0.14	0.20	(30.0)	Sales on international markets*	0.14	0.07	100.0
0.49	0.43	14.0	Export to CIS	0.49	0.55	(10.9)
1.93	1.65	17.0	Domestic sales	1.93	1.57	22.9
<b>5.19</b>	<b>5.01</b>	<b>3.6</b>	<b>Total crude oil sales</b>	<b>5.19</b>	<b>3.79</b>	<b>36.9</b>
<b>(bcm)</b>			<b>Gas</b>	<b>(bcm)</b>		
0.05	0.02	150.0	International markets	0.05	0.10	(50.0)
3.29	3.32	(0.9)	Domestic sales	3.29	3.13	5.1
<b>3.34</b>	<b>3.34</b>	<b>-</b>	<b>Total gas sales</b>	<b>3.34</b>	<b>3.23</b>	<b>3.4</b>
<b>(MMtonnes)</b>			<b>Petroleum products</b>	<b>(MMtonnes)</b>		
3.27	3.01	8.6	Export	3.27	3.25	0.6
0.70	0.92	(23.9)	Sales on international markets	0.70	0.68	2.9
0.54	0.63	(14.3)	Export and sales in CIS	0.54	0.44	22.7
6.27	6.48	(3.2)	Domestic sales	6.27	6.13	2.3
<b>10.78</b>	<b>11.04</b>	<b>(2.4)</b>	<b>Total petroleum products sales</b>	<b>10.78</b>	<b>10.50</b>	<b>2.7</b>

\* Including production sharing agreement (PSA)

## Average Realized Sales Prices

1Q	4Q			3m		
2016	2015	Δ, %		2016	2015	Δ, %
<b>(RUB per tonne)</b>			<b>Crude oil</b>	<b>(RUB per tonne)</b>		
17,271	19,874	(13.1)	Export	17,271	23,912	(27.8)
10,671	14,412	(26.0)	Export and sales in CIS	10,671	15,142	(29.5)
10,738	12,096	(11.2)	Domestic sales	10,738	13,535	(20.7)
<b>(RUB per tonne)</b>			<b>Petroleum products</b>	<b>(RUB per tonne)</b>		
17,179	18,741	(8.3)	Export	17,179	24,319	(29.4)
54,347	52,199	4.1	Sales on international markets	54,347	53,882	0.9
29,898	32,219	(7.2)	Export and sales in CIS	29,898	38,973	(23.3)
25,555	27,577	(7.3)	Domestic sales	25,555	25,545	-

## Crude Oil Sales

- Crude export volumes increased 64.4% Y-o-Y due to crude oil production increase at Prirazlomnoye and Novoport oil fields, increase in domestic oil purchases and lower refining throughput
- Crude export volumes to CIS decreased 10.9% Y-o-Y due to discontinued export to Uzbekistan
- Domestic crude volumes increased 22.9% Y-o-Y due to more effective domestic trading operations and increase in crude oil production at Orenburg region
- Domestic crude volumes increased 17.0% Q-o-Q due to higher volumes of domestic trading operations and decline in export sales.

## Gas sales

- Domestic gas sales increased 5.1% Y-o-Y due to increased production at consolidated subsidiaries and joint operations.

## Petroleum Products Exports

	1Q 2016		4Q 2015		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	1,660	0.07	-	-	-	-
Naphtha	8,778	0.39	8,039	0.30	9.2	30.0
Diesel	26,674	1.19	21,052	0.83	26.7	43.4
Fuel oil	10,481	1.26	16,366	1.56	(36.0)	(19.2)
Jet fuel	1,154	0.04	2,809	0.09	(58.9)	(55.6)
Bunker fuel	3,448	0.19	2,469	0.10	39.7	90.0
Bitumen	24	0.00	61	0.01	(60.7)	-
Lubricants	1,708	0.04	3,247	0.05	(47.4)	(20.0)
Petrochemicals	1,666	0.06	1,405	0.05	18.6	20.0
Other	581	0.03	962	0.02	(39.6)	50.0
<b>Total</b>	<b>56,174</b>	<b>3.27</b>	<b>56,410</b>	<b>3.01</b>	<b>(0.4)</b>	<b>8.6</b>

	3m 2016		3m 2015		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	1,660	0.07	1,057	0.03	57.0	133.3
Low octane gasoline	-	-	441	0.02	-	-
Naphtha	8,778	0.39	6,365	0.24	37.9	62.5
Diesel	26,674	1.19	30,657	0.95	(13.0)	25.3
Fuel oil	10,481	1.26	24,092	1.46	(56.5)	(13.7)
Jet fuel	1,154	0.04	5,880	0.13	(80.4)	(69.2)
Bunker fuel	3,448	0.19	6,915	0.28	(50.1)	(32.1)
Bitumen	24	0.00	34	0.00	(29.4)	-
Lubricants	1,708	0.04	1,022	0.03	67.1	33.3
Petrochemicals	1,666	0.06	2,098	0.10	(20.6)	(40.0)
Other	581	0.03	477	0.01	21.8	200.0
<b>Total</b>	<b>56,174</b>	<b>3.27</b>	<b>79,038</b>	<b>3.25</b>	<b>(28.9)</b>	<b>0.6</b>

- Diesel fuel export volumes increased 43.4% Q-o-Q due to lower diesel fuel sales on domestic and CIS markets and favourable market conditions.

## Petroleum Products Export and Sales in CIS

	1Q 2016		4Q 2015		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	7,636	0.22	7,823	0.20	(2.4)	10.0
Low octane gasoline	931	0.03	1,347	0.04	(30.9)	(25.0)
Diesel	4,727	0.13	7,666	0.22	(38.3)	(40.9)
Fuel oil	444	0.06	253	0.05	75.5	20.0
Jet fuel	1,198	0.04	1,776	0.06	(32.5)	(33.3)
Bitumen	138	0.02	222	0.03	(37.8)	(33.3)
Lubricants	527	0.01	595	0.02	(11.4)	(50.0)
Petrochemicals	113	0.00	207	0.01	(45.4)	-
Other	431	0.03	409	0.00	5.4	-
<b>Total</b>	<b>16,145</b>	<b>0.54</b>	<b>20,298</b>	<b>0.63</b>	<b>(20.5)</b>	<b>(14.3)</b>

	3m 2016		3m 2015		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	7,636	0.22	8,009	0.18	(4.7)	22.2
Low octane gasoline	931	0.03	1,136	0.03	(18.0)	-
Diesel	4,727	0.13	5,482	0.13	(13.8)	-
Fuel oil	444	0.06	-	-	-	-
Jet fuel	1,198	0.04	1,036	0.03	15.6	33.3
Bitumen	138	0.02	365	0.02	(62.2)	-
Lubricants	527	0.01	571	0.02	(7.7)	(50.0)
Petrochemicals	113	0.00	172	0.01	(34.3)	-
Other	431	0.03	377	0.02	14.3	50.0
<b>Total</b>	<b>16,145</b>	<b>0.54</b>	<b>17,148</b>	<b>0.44</b>	<b>(5.8)</b>	<b>22.7</b>

### Domestic Sales of Petroleum Products

	1Q 2016		4Q 2015		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	71,725	2.11	73,219	2.13	(2.0)	(0.9)
Low octane gasoline	270	0.01	402	0.01	(32.8)	-
Diesel	52,817	1.75	62,355	1.86	(15.3)	(5.9)
Fuel oil	1,214	0.37	2,742	0.44	(55.7)	(15.9)
Jet fuel	16,263	0.66	17,288	0.61	(5.9)	8.2
Bunker fuel	6,942	0.65	10,575	0.77	(34.4)	(15.6)
Bitumen	1,073	0.21	2,273	0.23	(52.8)	(8.7)
Lubricants	2,538	0.05	2,503	0.06	1.4	(16.7)
Petrochemicals	5,084	0.30	5,178	0.23	(1.8)	30.4
Other	2,305	0.16	2,163	0.14	6.6	14.3
<b>Total</b>	<b>160,231</b>	<b>6.27</b>	<b>178,698</b>	<b>6.48</b>	<b>(10.3)</b>	<b>(3.2)</b>

	3m 2016		3m 2015		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	71,725	2.11	67,353	2.08	6.5	1.4
Low octane gasoline	270	0.01	448	0.02	(39.7)	(50.0)
Diesel	52,817	1.75	47,913	1.57	10.2	11.5
Fuel oil	1,214	0.37	3,884	0.49	(68.7)	(24.5)
Jet fuel	16,263	0.66	15,403	0.59	5.6	11.9
Bunker fuel	6,942	0.65	11,428	0.70	(39.3)	(7.1)
Bitumen	1,073	0.21	1,212	0.17	(11.5)	23.5
Lubricants	2,538	0.05	2,152	0.09	17.9	(44.4)
Petrochemicals	5,084	0.30	4,200	0.25	21.0	20.0
Other	2,305	0.16	2,600	0.17	(11.3)	(5.9)
<b>Total</b>	<b>160,231</b>	<b>6.27</b>	<b>156,593</b>	<b>6.13</b>	<b>2.3</b>	<b>2.3</b>

- Domestic bunker fuel volumes decreased 15.6% Q-o-Q and 7.1% Y-o-Y due to lower market demand in Russia
- Domestic jet fuel sales increased 11.9% Y-o-Y due to increased airlines consumption, mainly at Sheremetyevo and Tolmachevo airports.

### Other Revenue

Other revenue primarily includes revenue from transport, construction, utilities and other services.

- Other revenue decreased 33.0% Q-o-Q primarily due to decrease in operating services resulting from Gazprom neft no longer executing operator's function in joint venture Messoyakha.

## Purchases of Oil, Gas and Petroleum Products

- Purchases of oil, gas, and petroleum products declined 22.3% Q-o-Q due to reduced oil products purchase volumes and lower oil and petroleum products prices.

## Production and Manufacturing Expenses

1Q	4Q			3m		
2016	2015	Δ, %	(RUB million)	2016	2015	Δ, %
<b>24,334</b>	<b>28,947</b>	<b>(15.9)</b>	<b>Upstream expenses</b>	<b>24,334</b>	<b>21,732</b>	<b>12.0</b>
18,472	20,590	(10.3)	Consolidated subsidiaries inside Russia including	18,472	16,832	9.7
15,496	17,591	(11.9)	Brownfields	15,496	13,938	11.2
1,602	1,780	(10.0)	RUB per toe	1,602	1,441	11.2
2.93	3.68	(20.4)	USD* per boe	2.93	3.16	(7.3)
2,976	2,999	(0.8)	Greenfields	2,976	2,894	2.8
			Consolidated subsidiaries outside Russia (including PSA)**			
2,117	3,582	(40.9)		2,117	1,696	24.8
3,745	4,775	(21.6)	Joint operations	3,745	3,204	16.9
1,742	2,170	(19.7)	RUB per toe	1,742	1,443	20.7
3.18	4.49	(29.1)	USD* per boe	3.18	3.17	0.6
<b>12,643</b>	<b>14,849</b>	<b>(14.9)</b>	<b>Downstream expenses</b>	<b>12,643</b>	<b>12,413</b>	<b>1.9</b>
7,082	8,835	(19.8)	Refining expenses at own refineries	7,082	7,138	(0.8)
863	1,098	(21.4)	RUB per tonne	863	850	1.5
1.58	2.27	(30.6)	USD* per bbl	1.58	1.86	(15.4)
3,398	3,788	(10.3)	Refining expenses at refineries of joint ventures	3,398	3,551	(4.3)
1,682	1,762	(4.5)	RUB per tonne	1,682	1,784	(5.7)
3.08	3.64	(15.6)	USD* per bbl	3.08	3.91	(21.4)
2,163	2,226	(2.8)	Lubricants manufacturing expenses	2,163	1,724	25.5
<b>6,680</b>	<b>6,573</b>	<b>1.6</b>	<b>Transportation expenses to refineries</b>	<b>6,680</b>	<b>6,576</b>	<b>1.6</b>
<b>4,993</b>	<b>14,175</b>	<b>(64.8)</b>	<b>Other operating expenses</b>	<b>4,993</b>	<b>5,422</b>	<b>(7.9)</b>
<b>48,650</b>	<b>64,544</b>	<b>(24.6)</b>	<b>Total</b>	<b>48,650</b>	<b>46,143</b>	<b>5.4</b>

\* Translated to USD at average exchange rate for the period

\*\* PSA refers to production sharing agreement

- Upstream expenses include expenditures for raw materials and supplies, maintenance and repairs of producing equipment, labor costs, fuel and electricity costs, activities to enhance oil recovery, and other similar costs at our Upstream subsidiaries
- Upstream expenses at consolidated subsidiaries in Russia increased 9.7% Y-o-Y due to increased expenses at Brownfields
- Upstream expenses per toe at consolidated subsidiaries at Brownfields increased 11.2% Y-o-Y due to:
  - Workover and other enhanced oil recovery activities (fracturing of existing wells)
  - Continuing transition to electric submersible pump (ESP) rental program (over time, savings from pump purchases and ownership costs will offset rental expense)
  - Increase in total liquids production volume due to higher watercut at mature fields
  - Higher tariffs of natural monopolies and inflationary pressures
  - Upstream expenses increased 3.4% excluding expenses related to fracturing and effect from transition to electric submersible pump (ESP) rental program
- Upstream expenses at consolidated subsidiaries outside Russia increased 24.8% Y-o-Y due to weakening of Russian ruble
- Upstream expenses at joint operations increased 20.7% Y-o-Y mainly due to increase of SPD expenses as a result of transition to electric submersible pump (ESP) rental program and increased expenses for maintaining formation pressure
- Refining expenses at own refineries include expenditures for raw materials and supplies, maintenance and repairs of productive equipment, labor and electricity costs, and other similar costs
- Refining expenses per tonne at own refineries increased 1.5% Y-o-Y primarily due to:

- Higher tariffs of natural monopolies
- Higher expenditures on materials and supplies due to inflationary pressures
- Refining expenses per tonne at refineries of joint ventures declined 5.7% Y-o-Y and 4.5% Q-o-Q due to decline in processing costs at Yaroslavl refinery in accordance with legislation on transfer pricing and market conditions
- Transportation expenses to refineries increased 1.6% Y-o-Y due to 5.8% increase in oil transportation tariffs partially offset by lower throughput at Moscow and Omsk refineries
- Other operating expenses decreased Q-o-Q mainly as a result of decline in operating services provided by the Group to Messoyakha.

### **Selling, General and Administrative Expenses**

Selling, general and administrative expenses include general business expenses, wages, salaries (except wages and salaries at production and refining subsidiaries), insurance, banking commissions, legal fees, consulting and audit services, and other expenses.

- Selling, general and administrative expenses increased by 14.1% Y-o-Y, driven by:
  - Higher expenses at foreign subsidiaries due to weakening of Russian ruble
  - Business growth and expansion of retail network.

### **Transportation Expenses**

Transportation expenses include costs to transport crude oil and petroleum products to final customers. These costs consist of pipeline transportation, sea freight, railroad, shipping, handling, and other transportation costs.

- Transportation expenses increased 11.5% Y-o-Y due to increased crude oil production, higher tariffs of natural monopolies, and weakening Russian ruble, which affected transportation costs for crude and oil product exports.

### **Depreciation, Depletion and Amortization**

Depreciation, depletion and amortization expenses include depreciation of oil and gas properties, refining and other assets.

1Q	4Q			3m		
2016	2015	Δ, %	(RUB million)	2016	2015	Δ, %
19,463	20,482	(5.0)	Upstream	19,463	15,821	23.0
8,526	7,529	13.2	Downstream	8,526	6,376	33.7
<b>27,989</b>	<b>28,011</b>	<b>(0.1)</b>	<b>Total depreciation, depletion and amortization</b>	<b>27,989</b>	<b>22,197</b>	<b>26.1</b>

- Depreciation, depletion and amortization expenses increased 26.1% Y-o-Y in line with increase in depreciable assets driven by investment program implementation.

### **Taxes Other than Income Tax**

1Q	4Q			3m		
2016	2015	Δ, %	(RUB million)	2016	2015	Δ, %
40,599	52,241	(22.3)	Mineral extraction taxes	40,599	68,666	(40.9)
20,745	14,926	39.0	Excise	20,745	15,989	29.7
2,590	2,396	8.1	Property tax	2,590	2,334	11.0
4,752	4,347	9.3	Social security contributions	4,752	3,934	20.8
1,924	3,090	(37.7)	Other taxes	1,924	1,431	34.4
<b>70,610</b>	<b>77,000</b>	<b>(8.3)</b>	<b>Total taxes other than income tax</b>	<b>70,610</b>	<b>92,354</b>	<b>(23.5)</b>



- Taxes other than income tax declined 23.5% Y-o-Y. 29.7% excise tax expenses growth resulting from higher base tax rate following tax manoeuvre was partly offset by 40.9% Y-o-Y MET decrease due to decline in oil prices.

### Share of Profit of Equity Accounted Investments

1Q	4Q			3m		
2016	2015	Δ, %	(RUB million)	2016	2015	Δ, %
3,358	631	432.2	Slavneft	3,358	3,316	1.3
2,320	(126)	-	SeverEnergia (Arcticgas)	2,320	2,625	(11.6)
46	202	(77.2)	Other companies	46	706	(93.5)
<b>5,724</b>	<b>707</b>	<b>709.6</b>	<b>Share of profit of associates and joint ventures</b>	<b>5,724</b>	<b>6,647</b>	<b>(13.9)</b>

- Share of Slavneft profit increased Q-o-Q mainly due to foreign exchange gain
- Share of SeverEnergia (Arcticgas) profit decreased Y-o-Y insignificantly. Decrease in profit due to increase in financial expenses as a result of fixed assets put in use resulting in decrease of interest capitalized.

### Other loss

- Other expenses declined 96.9% Q-o-Q due to assets impairment provision in 4Q 2015.

### Other Financial Items

- Foreign exchange gains/losses were mainly due to revaluation of portion of Group debt portfolio that is denominated in foreign currencies.

### Liquidity and Capital Resources

#### Cash Flows

(RUB million)	3m		
	2016	2015	Δ %
Net cash provided by operating activities	83,496	55,437	50.6
Net cash used in investing activities	(39,936)	(38,790)	3.0
Net cash (used in) / provided by financing activities	(67,169)	14,109	-
<b>(Decrease) / Increase in cash and cash equivalents</b>	<b>(23,609)</b>	<b>30,756</b>	<b>-</b>

#### Net Cash Provided by Operating Activities

(RUB million)	3m		
	2016	2015	Δ %
Net cash provided by operating activities before changes in working capital, income tax, interest and dividends	76,759	72,159	6.4
Net changes in working capital	17,909	(5,667)	-
Income tax paid	(3,902)	(4,855)	(19.6)
Interest paid	(8,958)	(6,200)	44.5
Dividends received	1,688	-	-
<b>Net cash provided by operating activities</b>	<b>83,496</b>	<b>55,437</b>	<b>50.6</b>

- Net cash provided by operating activities increased 50.6% Y-o-Y primarily due to operating profit increase, positive changes in working capital, and dividends received from joint ventures.

#### Net Cash Used in Investing Activities

(RUB million)	3m		
	2016	2015	Δ %
Capital expenditures	(83,900)	(70,125)	19.6
Acquisition of subsidiaries, shares in joint operations and equity affiliates	(417)	-	-
Net changes in deposits	40,184	33,919	18.5
Other transactions	4,197	(2,584)	-
<b>Net cash used in investing activities</b>	<b>(39,936)</b>	<b>(38,790)</b>	<b>3.0</b>

- Net cash used in investing activities increased 3.0% Y-o-Y due to:
  - 19.6% growth of capital expenditures
  - 18.5% growth of cash inflow from returned deposits
  - Growth of cash inflow from loans repayments

### Net Cash Used in Financing Activities

(RUB million)	2016	2015	Δ %
Net changes in debt	(67,169)	14,280	-
Other transactions	-	(171)	-
<b>Net cash (used in) / provided by financing activities</b>	<b>(67,169)</b>	<b>14,109</b>	<b>-</b>

- Repayment of previously held borrowings exceeded new funds raised in 1Q 2016.

### Capital Expenditure

(RUB million)	3m		Δ, %
	2016	2015	
Exploration and production	58,132	51,445	13.0
Consolidated subsidiaries	54,034	48,063	12.4
Joint operations	4,098	3,382	21.2
Refining	5,131	4,113	24.8
Marketing and distribution	848	1,760	(51.8)
Others	2,203	1,176	87.3
<b>Subtotal capital expenditures</b>	<b>66,314</b>	<b>58,494</b>	<b>13.4</b>
Change in advances issued and material used in capital expenditures, including	17,586	11,631	51.2
<b>Total capital expenditures</b>	<b>83,900</b>	<b>70,125</b>	<b>19.6</b>

- Capital expenditures for Exploration and Production increased 13.0% Y-o-Y primarily due to
  - Construction of major infrastructure for Novoport
  - Construction of gas utilization facilities at major fields and in Orenburg region.

### Debt and Liquidity

(RUB million)	March 31, 2016	December 31, 2015
Short-term loans and borrowings	108,326	147,319
Long-term loans and borrowings	624,832	670,779
Cash and cash equivalents	(87,825)	(114,198)
Short-term deposits	(9,492)	(49,206)
<b>Net debt</b>	<b>635,841</b>	<b>654,694</b>
Short-term debt / total debt, %	14.8	18.0
Net debt / EBITDA ttm	1.83	1.90

- The Group's diversified debt structure includes syndicated and bilateral loans, bonds, and other instruments
- Average debt maturity increased from 3.33 years at December 31, 2015 to 3.44 years at March 31, 2016
- Average interest rate increased from 4.31% at December 31, 2015 to 4.86% at March 31, 2016.

## Financial Appendix

### EBITDA Reconciliation

1Q 2016	4Q 2015	Δ, %	(RUB million)	3m		
				2016	2015	Δ, %
<b>41,592</b>	<b>(17,096)</b>	-	<b>Profit for the period</b>	<b>41,592</b>	<b>37,665</b>	<b>10.4</b>
8,281	5,439	52.3	Total income tax benefit / (expense)	8,281	6,755	22.6
9,724	12,542	(22.5)	Finance expense	9,724	6,923	40.5
(2,547)	(4,239)	(39.9)	Finance income	(2,547)	(3,422)	(25.6)
27,989	28,011	(0.1)	Depreciation, depletion and amortization	27,989	22,197	26.1
(2,295)	26,929	-	Net foreign exchange gain / (loss)	(2,295)	8,830	-
657	21,331	(96.9)	Other loss, net	657	2,035	(67.7)
<b>83,401</b>	<b>72,917</b>	<b>14.4</b>	<b>EBITDA</b>	<b>83,401</b>	<b>80,983</b>	<b>3.0</b>
(5,724)	(707)	709.6	less Share of profit of associates and joint ventures	(5,724)	(6,647)	(13.9)
18,688	20,378	(8.3)	add Share of EBITDA of equity accounted investments	18,688	19,051	(1.9)
<b>96,365</b>	<b>92,588</b>	<b>4.1</b>	<b>Adjusted EBITDA</b>	<b>96,365</b>	<b>93,387</b>	<b>3.2</b>

### Financial ratios

#### Profitability

	3m		Δ, p.p.
	2016	2015	
Adjusted EBITDA margin, %	29.21	28.45	0.8
Net profit margin, %	12.61	11.47	1.1
Return on assets (ROA), %	5.20	6.43	(1.2)
Return on equity (ROE), %	9.73	11.33	(1.6)
Adjusted Return on average capital employed (ROACE), %	12.30	14.44	(2.1)

#### Adjusted ROACE calculation

	3m	
	2016	2015
<b>For 12 months preceding</b>		
Adjusted EBITDA	407,789	351,968
Depreciation, depletion and amortization	(132,400)	(106,034)
Effective income tax charge on EBIT	(56,021)	(40,059)
<b>Adjusted EBIT*</b>	<b>219,368</b>	<b>205,875</b>
<b>Average capital employed</b>	<b>1,782,779</b>	<b>1,425,840</b>
<b>Adjusted ROACE</b>	<b>12.30</b>	<b>14.44</b>

\*Adjusted EBIT represents the Group's EBIT and its share in associates and joint ventures' EBIT

#### Liquidity

	3m		Δ, %
	2016	2015	
Current ratio	1.42	1.55	(8.1)
Quick ratio	0.72	0.79	(8.7)
Cash ratio	0.38	0.47	(18.7)

## Leverage

	3m		Δ, p.p.
	2016	2015	
Net debt/ Total Assets, %	26.09	21.17	4.9
Net debt/ Equity, %	48.81	39.64	9.2
Gearing, %	33.13	30.42	2.7
			Δ, %
Net debt/ Market Capitalization	0.90	0.61	46.7
Net debt/ EBITDA	1.83	1.51	21.2
Total debt/ EBITDA	2.11	1.96	7.5

## Main Macroeconomic Factors Affecting Results of Operations

The main factors affecting the Group's operational results include:

- Changes in market prices of crude oil and petroleum products
- Changes in the exchange rate between the Russian ruble, and US dollar and inflation
- Taxation
- Changes in transportation tariffs for crude oil and petroleum products.

## Changes in Market Prices of Crude Oil and Petroleum Products

Prices for crude oil and petroleum products in the international and Russian markets are the primary factor affecting the Group's operational results.

Petroleum product prices in the international markets are primarily determined by world prices for crude oil, supply and demand of petroleum products, and competition in different markets. Petroleum product price trends on international markets in turn determine domestic prices. Price dynamics are different for different types of petroleum products.

The sharp drop in crude oil and petroleum product prices in the international markets in 1Q 2016 negatively affected Group results, but the oil price declines were largely offset by changes in the exchange rate for the US dollar relative to the Russian ruble.

1Q 2016	4Q 2015	Δ, %		3m		Δ, %
				2016	2015	
			<b>International market</b>	<b>(US\$/ barrel)</b>		
33.94	43.77	(22.5)	Brent	33.94	53.94	(37.1)
32.19	42.01	(23.4)	Urals Spot (average Med + NWE)	32.19	52.92	(39.2)
				<b>(US\$/ tonne)</b>		
386.04	461.60	(16.4)	Premium gasoline (average NWE)	386.04	548.78	(29.7)
312.03	402.45	(22.5)	Naphtha (average Med. + NWE)	312.03	455.23	(31.5)
313.21	410.39	(23.7)	Diesel fuel (average NWE)	313.21	528.11	(40.7)
307.26	395.99	(22.4)	Gasoil 0.2% (average Med.)	307.26	508.77	(39.6)
127.55	174.93	(27.1)	Fuel oil 3.5% (average NWE)	127.55	266.83	(52.2)
			<b>Domestic market</b>	<b>(RUB/ tonne)</b>		
31,669	32,521	(2.6)	High-octane gasoline	31,669	29,254	8.3
26,126	28,934	(9.7)	Low-octane gasoline	26,126	26,341	(0.8)
25,970	29,502	(12.0)	Diesel fuel	25,970	27,474	(5.5)
3,451	5,553	(37.9)	Fuel oil	3,451	7,444	(53.6)

Sources: Platts (international), Kortes (domestic)

## Ruble vs. US Dollar Exchange Rate and Inflation

The Group's presentation currency is the Russian ruble. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates, which for most entities is the Russian ruble.

1Q 2016	4Q 2015		3m 2016	2015
2.1	2.5	Change in Consumer Price Index (CPI), %	2.1	7.4
74.63	65.94	Average RUB/US\$ exchange rate for the period	74.63	62.19
72.88	66.24	US\$/ RUB exchange rate as of the beginning of the period	72.88	56.26
67.61	72.88	US\$/ RUB exchange rate as of the end of the period	67.61	58.46
-7.0%	10.0%	Depreciation (appreciation) of Russian rouble to US\$	-7.0%	4.0%

## Hydrocarbon taxes

### Average tax rates effective in reporting periods for the taxation of oil and gas companies in Russia

1Q 2016	4Q 2015	Δ, %		3m 2016	2015	Δ, %
			<b>Export customs duty</b>			
						<b>(US\$/ tonne)</b>
54.93	92.33	(40.5)	Crude oil	54.93	129.63	(57.6)
21.97	44.30	(50.4)	Light petroleum products	21.97	62.13	(64.6)
21.97	44.30	(50.4)	Diesel	21.97	62.13	(64.6)
33.47	71.97	(53.5)	Gasoline	33.47	101.07	(66.9)
38.97	78.43	(50.3)	Naphtha	38.97	110.13	(64.6)
45.00	70.10	(35.8)	Heavy petroleum products	45.00	98.50	(54.3)
			<b>Mineral extraction tax</b>			
					-	
4,076	5,099	(20.1)	Crude oil (RUB/ tonne)	4,076	6,873	(40.7)

### Crude oil and petroleum products export duty rates

Resolution of the Russian Government # 276 (March 29, 2013) establishes a methodology for the Ministry of Economic Development of the Russian Federation to calculate export duty rates for crude oil and certain oil products.

#### Crude oil export customs duty rate

a) According to Russian Federal Law # 5003-1 (May 21, 1993) clause 3.1. subclause 4, amended by Russian Federal Law # 366-FZ (November 24, 2014) export custom duty rates should not exceed the marginal export duty rates calculated according to the following formulas:

Quoted Urals price (P), USD/ tonne	Maximum Export Custom Duty Rate
≤109.50	0%
109.50 < P ≤ 146.00	35.0% x(P - 109.50)
146.00 < P ≤ 182.50	12.78 + 45.0% x (P - 146.00)
>182.50	29.20 + 59.0% x (P - 182.50) for 2014 29.20 + 42.0% x (P - 182.50) for 2015

Crude oil exports to Kazakhstan, Belarus are not subject to oil export duties.

b) Under Federal Law # 239-FZ (December 3, 2012) the Government of the Russian Federation established formulas for lower customs duty rates for crude oil that meets certain chemical and physical conditions, identified by the codes TN VED TS 2709 00 900 1 and 2709 00 900 3. According to Russian Government Resolution # 276

(March 29, 2013) these lower duty rates are calculated based on the average Urals price in the monitoring period using the following formula:

$$Ct = (P - 182.5) * K - 56.57 - 0.14 * P$$

Where P is the Urals price (USD/tonne) and K is an incremental coefficient equal to 42% for 2015-2016.

Resolution of the Russian Government # 846 (September 26, 2013) sets the rules for applying specific crude oil export duty rates and monitoring their use in respect of Group investment projects in Sakha Republic (Yakutia), Irkutsk Oblast, Krasnoyarsk Krai, and Yamalo-Nenets Autonomous Okrug north of Latitude 65°.

Order # 868 (December 3, 2013) of the Ministry of Energy establishes the application form and methodology to analyze the applicability of these special rates for crude oil.

c) Under Federal Law # 5003-1 (May 12, 1993) "Custom tariffs" crude oil produced from new offshore fields is exempted from export duties until:

- March 31, 2032 – for offshore fields located entirely in the Azov Sea, or located 50% or more in the Baltic Sea, Black Sea (at water depths less than 100 meters), Pechora Sea, White Sea, Sea of Okhotsk (south of 55° N), or the Caspian Sea
- March 31, 2042 – for offshore fields located 50% or more in the Black Sea (at depths exceeding 100 meters), Sea of Okhotsk (north of 55°), Barents Sea (south of 72°N)
- Indefinitely – for offshore fields situated 50% or more in the Kara Sea, Barents Sea (north of 72° N), or the Eastern Arctic (Laptev Sea, East Siberian Sea, Chukchi Sea, Bering Sea).

According to the Russian Federation Tax Code clause 11.1 subclause 5, a new offshore field is a field where commercial hydrocarbon production commences no earlier than 1 January 2016.

#### Export customs duty rate on petroleum products

In accordance with clause 3.1 of Russian Federal Law # 5003-1 (May 21, 1993) the export customs duty rate on petroleum products is determined by the Government. Petroleum products exported to Kazakhstan, Belarus and Kyrgyzstan are not subject to customs duties. Exports of petroleum products to Tadjikistan and Armenia within the indicative limits are not subject to customs duties from November 13, 2013 and January 19, 2015 respectively.

According to Resolution of the Russian Government # 276 (March 29, 2013) the export customs duty rate on petroleum products is calculated using the following formula:

$R = K * R_{crude}$ , where  $R_{crude}$  is the export customs duty rate per tonne of crude oil and K is a coefficient depending on the type of petroleum product.

The coefficients K for different petroleum products are as follows:

	2015	2016	from 2017
Light and middle distillates			
Diesel	0.48	0.4	0.3
Lubricants oil			
Naphtha	0.85	0.71	0.55
Gasoline	0.78	0.61	0.3

## Excise duties on petroleum products

In Russia, excise duties are paid by the producers of refined products. Excise duties are also applied to petroleum products imported into Russia.

Tax Code RF clause 193 (amended by Russian Federal Law # Law # 34-FZ February 29, 2016) established the following excise duty rates for petroleum products (in rubles/tonne):

	2015	2016 01.01-31.03	2016 01.04-31.12	from 2017
<b>Gasoline</b>				
Below Class 5	7,300	10,500	13,100	12,300
Class 5	5,530	7,530	10,130	7,430
Naphtha	11,300	10,500	13,100	12,300
Diesel fuel	3,450	4,150	5,293	5,093
Heating oil	3,000	4,150	5,293	5,093
Motor oil	6,500	6,000	6,000	5,400
Middle distillate		4,150	5,293	5,093

## Mineral extraction tax (MET) on crude oil

According to Russian Federation Tax code clause 193 the mineral extraction tax rate on crude oil (R) is calculated using the following general formula:

	2015	2016	2017
MET oil - R	$766 \times K_c - D_m$	$857 \times K_c - D_m$	$919 \times K_c - D_m$

$D_m = K_{met} \times K_c \times (1 - K_v \times K_z \times K_d \times K_{dv} \times K_{kan})$ , where

$K_{met}$  – 530 for 2015 FY, 559 starting from 2016 FY.

$K_c$  reflects the volatility of crude oil prices on the global market.  $K_c = (P - 15) \times D / 261$ , where P is average monthly Urals oil price on the Rotterdam and Mediterranean markets (in USD/bbl.) and D is the average ruble/ US dollar exchange rate.

$K_v$  characterizes the degree of depletion of the specific field, providing lower tax rates for highly depleted fields. Depletion is measured by  $N/V$ , where N is cumulative production volume from the field and V is total initial reserves volume at January 1, 2006. For fields with depletion between 0.8 and 1,  $K_v = 3.8 - 3.5 \times N / V$ . Where depletion is greater than 1,  $K_v$  is 0.3. In all other cases  $K_v = 1$ . Where fields include deposits with  $K_d < 1$ ,  $K_v$  is equal to 1.

$K_z$  characterizes the relative size of the field (by reserves) and provides lower tax rates for small fields. For fields with initial reserves (designated by  $V_3$ , defined as total reserves categories volume at January 1 of the year proceeding the tax period) below 5 MMtonnes and depletion ( $N / V_3$  where N is the cumulative production volume from the field) less than 0.05,  $K_z = 0.125 \times V_3 + 0.375$

$K_d$  characterizes the effort required to recover oil. It varies between 0.2 and 1 depending on recovery complexity from the deposit as follows:

- 0.2 – for oil produced from deposits with permeability no greater than  $2 \times 10^{-3} \mu^2$  and effective formation thickness no greater than 10 meters
- 0.4 – for oil produced from deposits with permeability no greater than  $2 \times 10^{-3} \mu^2$  and effective formation thickness greater than 10 meters
- 0.8 – for oil produced from deposits classified in the state mineral reserves balance as related to the Tyumen formation
- 1 – for oil produced from other deposits.

**Kdv** characterizes the degree of depletion of the deposit, providing lower tax rates for highly depleted deposits. Depletion is measured by  $Ndv/Vdv$ , where  $Ndv$  is cumulative production volume from the deposit and  $Vdv$  is total initial reserves (total reserves categories at January 1 of the year preceding the tax period). For deposits with depletion between 0.8 and 1,  $Kdv = 3.8 - 3.5 * Ndv / Vdv$ . Where depletion is greater than 1,  $Kdv$  is 0.3. In all other cases  $Kdv = 1$ . For areas containing deposits for which the coefficient  $Kd$  is less than 1, the coefficient  $Kdv$  for all other deposits in the area (for which the coefficient  $Kd=1$ ) is the value of  $Kv$  as calculated for the entire area.

**Kkan** characterizes the oil production region and oil quality. This coefficient provides lower tax rates for fields located partly or completely in regions with challenging climate and geological conditions (specifically, Yamal Peninsula in Yamalo-Nenets Autonomous Okrug, Irkutsk Oblast, and Sakha Republic (Yakutia)). Coefficient  $Kkan$  is set at 0 until the first day of the month following the month when one of the following conditions is met: (1) Achieving maximum cumulative stipulated production from the field; (2) Expiration of the stipulated term. When the tax exemption term expires  $Kkan$  is equal to 1.

b) According to the Russian Federation Tax Code clause 342 subclause 2.1 and clause 338 subclause 6 the following ad valorem MET rates should be used for oil produced from new offshore fields (as a % of price):

- 30% from start of commercial hydrocarbon production until a five-year termination period, but not later than 31 March 2022 – for fields located entirely in the Sea of Azov or for fields located more than 50% in the Baltic Sea
- 15% from start of commercial hydrocarbon production until a seven-year termination period, but not later than 31 March 2032 – for fields located more than 50% in the Black Sea (at water depths less than 100 meters), the Sea of Japan, Pechora Sea, White Sea, Sea of Okhotsk (south of 55° N), Caspian Sea
- 10% from start of commercial hydrocarbon production until a ten-year termination period, but not later than 31 March 2037 – for fields located more than 50% in the Sea of Okhotsk (north of 55° N), Black Sea (at depths exceeding 100 meters), Barents Sea (south of 72° N)
- 5% from start of commercial hydrocarbon production until a 15-year termination period, but not later than 31 March 2042 – for fields located more than 50% in the Kara Sea, Barents Sea (north of 72° N), and eastern Arctic (Laptev Sea, East Siberian Sea, Chukchi Sea, Bering Sea).

Russian Federation tax law also provides for a zero rate of MET on oil produced from deposits classified in the state mineral reserves balance as related to the Bazhenov formation, provided all other Tax Code conditions are met.

#### Group effective MET rate

1Q	4Q			3m		
2016	2015	Δ, %		2016	2015	Δ, %
4,076	5,099	(20.1)	Nominal crude oil MET rate, RUB/tonne	4,076	6,873	(40.7)
3,749	4,812	(22.1)	Effective crude oil MET rate, RUB/tonne	3,749	6,545	(42.7)
			Difference between nominal and effective rates, RUB/tonne	327	328	
			Difference between nominal and effective rates, %	8.0%	4.8%	

In 3 months 2016 the Group's effective MET rate was 3,749 RUB/tonne, or 327 RUB/tonne lower than the nominal MET rate established in Russian legislation. The difference results from the application of certain factors ( $Kv$ ,  $Kz$  and  $Kd$ ) that reduce the MET rate.

#### Mineral extraction tax (MET) on natural gas and gas condensate

Russian Federation Tax Code clause 342 established mineral extraction tax rates for natural gas and gas condensate as follows:

MET on natural gas (RUB/mcm)	$35 * Eut * Kc + Tg$
MET on gas condensate (RUB/tonne)	$42 * Eut * Kc * Kkm$



**Eut** is the base rate per fuel-equivalent unit calculated by the taxpayer depending on natural gas and gas condensate prices and their relative production amounts.

**Kc** characterizes the effort required to recover hydrocarbons from the particular deposit. The coefficient is designed to reduce the tax rate on natural gas and gas condensate and is equal to the lowest of the following concessionary coefficients: **Kr** – depending on location, **Kvg** – for highly depleted deposits, **Kgz** – for deposits at depths of more than 1,700 meters, **Kas** – for deposits related to the regional gas supply system and **Korz** – for deposits classified as Turonian formations.

**Tg** reflects gas transportation costs (set at zero for 2015-2016 according to Federal Tariff Service of the Russian Federation).

**Kkm** is a correction coefficient that for 2016 is equal to 5.5 (2015: 4.4) .

### Tax concessions

Under effective tax legislation Group subsidiaries apply the following tax concessions (including lower tax rates and coefficients that reduce the MET rate):

#### Tax concessions, applied during 3 m 2016

##### MET for Gas

Hard-to-recover factor **Kc**

##### MET for Oil

Small fields factor **Kz**

Depletion factor **Kv**

Hard-to-recover factor **Kd**

Oil production region and oil quality factor **Knan**

Zero MET rate for fields classified as belonging to Bazhenov formation

Lower MET rate for new offshore fields in the Pechora Sea

##### Profit tax

16% rate (4% concession under regional legislation of Khanty–Mansiysk Autonomous Okrug)

15.5% rate (4.5% concession under regional legislation of Yamalo-Nenets Autonomous Okrug)

#### Subsidiaries (oil fields) belonging to the Group

LLC Gazpromneft -Yamal  
LLC Gazpromneft Orenburg

OJSC Gazpromneft-Noyabrskneftegaz  
LLC Gazpromneft Orenburg

OJSC Gazpromneft-Noyabrskneftegaz  
LLC Gazpromneft-Vostok  
JSC Yuzhuralneftegas

OJSC Gazpromneft-Noyabrskneftegaz  
LLC Gazpromneft-Vostok  
LLC Zapolyarneft  
LLC Gazpromneft-Khantos

LLC Gazpromneft-Angara  
LLC Gazpromneft-Yamal

LLC Gazpromneft-Khantos

LLC Gazpromneft-Shelf

LLC Gazpromneft-Khantos  
OJSC Gazpromneft-Noyabrskneftegaz

OJSC Gazpromneft-Noyabrskneftegaz  
LLC Zapolyarneft

19.3% rate (0.7% concession under regional legislation of Tumen)	LLC Gazpromneft-Khantos
15.5% rate (4.5% concession under regional legislation of Saints-Petersburg)	PJSC Gazpromneft CJSC Gazpromneft Aero LLC Gazpromneft-NTC LLC Gazpromneft-Razvitie LLC Gazpromneft-Business Service LLC Gazpromneft-Regionalnie prodazhi LLC Gazpromneft-Marin Bunker
<b>Property tax</b>	
Exemption from property tax for investment projects in Khanty–Mansiysk Autonomous Okrug under applications filed before January 1, 2011 (under regional legislation of Khanty–Mansiysk Autonomous Okrug)	LLC Gazpromneft-Khantos
1.1% rate on property purchased/constructed for investment projects in Yamalo-Nenets Autonomous Okrug (under regional legislation of Yamalo-Nenets Autonomous Okrug)	OJSC Gazpromneft-Noyabrskneftegaz LLC Zapolyarneft
Exemption from property tax for investment projects in Orenburg region (under Orenburg regional legislation)	LLC Gazpromneft Orenburg

## Transportation of Crude Oil and Petroleum Products

Transportation tariff policies are established by the state authorities to ensure a balance between the interests of the state and all participants in the transportation process. Transportation tariffs for natural monopolies are set by the Federal Tariff Service of the Russian Federation (FTS). Tariffs are dependent on transport destination, delivery volume, transportation distance, and several other factors. Changes in tariffs depend on inflation forecasts made by the Ministry of Economic Development of the Russian Federation, investment needs of the owners of transportation infrastructure, other macroeconomic factors, and compensation of economically reasonable expenses incurred by entities of natural monopolies. Tariffs are to be revised by FTS at least annually, and comprise dispatch, loading, transshipment, pumping, and other tariffs.

The following table shows average transportation costs per tonne for the Group's crude oil for export and use at its refineries, as well as costs per tonne for transportation of its petroleum products from refineries for export:

1Q	4Q			3m		
2016	2015	Δ, %	(RUB per tonne)	2016	2015	Δ, %
<b>Crude oil</b>						
Export						
1,492	1,617	(7.7)	Pipeline	1,492	1,846	(19.2)
CIS						
1,466	1,456	0.6	Pipeline	1,466	1,247	17.6
Transportation to Refineries						
678	441	53.5	Omsk	678	487	39.3
1,287	889	44.8	Moscow	1,287	1,187	8.4
1,224	1,180	3.7	Yaroslavl	1,224	914	34.0
<b>Petroleum products</b>						
Export from ONPZ						
1,942	2,749	(29.4)	Gasoline	1,942	2,792	(30.5)
4,780	4,024	18.8	Fuel oil	4,780	4,371	9.4
4,532	5,333	(15.0)	Diesel fuel	4,532	3,876	16.9
Export from MNPZ						
2,016	1,944	3.7	Gasoline	2,016	1,916	5.2
2,971	2,751	8.0	Fuel oil	2,971	1,947	52.6
2,005	2,162	(7.3)	Diesel fuel	2,005	2,142	(6.4)
Export from YaNPZ						
1,507	1,516	(0.6)	Gasoline	1,507	1,387	8.6
1,651	1,844	(10.5)	Fuel oil	1,651	1,843	(10.4)
1,515	1,880	(19.4)	Diesel fuel	1,515	1,687	(10.2)

The Group's crude oil export route mix (tonnes) in 3 months 2016 and 3 months 2015 is presented below:

	3m	
	2016	2015
<b>Crude oil export</b>		
Primorsk Baltic Sea port	3.6%	5.5%
Druzhba pipeline	17.2%	15.4%
Port of Novorossiysk	36.3%	36.4%
ESPO pipeline and the port of Kozmino	18.1%	37.2%
Exported without using Transneft system, including:	24.8%	5.5%
Prirazlomnoye	15.9%	3.7%
Novoport	8.8%	1.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Crude oil export to CIS countries</b>		
Belarus	96.6%	95.2%
Uzbekistan	3.4%	4.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

[www.gazprom-neft.com](http://www.gazprom-neft.com)  
 Contacts: PJSC Gazprom Neft  
 Investor Relations Department e-mail: [ir@gazprom-neft.ru](mailto:ir@gazprom-neft.ru)  
 Address: 3-5, Pochtamtskaya Street, Saint-Petersburg 190000, Russia  
 Phone: +7 812 385 95 48

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