



US GAAP Financial and Operating Results for First Quarter 2011

12 May 2011

Management participating in this call



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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.

Forward-looking statements include, among other things, statements concerning the potential exposure of Gazprom Neft to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. These forward-looking statements are identified by their use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "objectives", "outlook", "probably", "project", "will", "seek", "target", "risks", "goals", "should" and similar terms and phrases. There are a number of factors that could affect the future operations of Gazprom Neft and could cause those results to differ materially from those expressed in the forward-looking statements included in this presentation, inclusively (without limitation): (a) price fluctuations in crude oil and oil products; (b) changes in demand for the Company's products; (c) currency fluctuations; (d) drilling and production results; (e) reserve estimates; (f) loss of market and industry competition; (g) environmental and physical risks; (h) risks associated with the identification of suitable potential acquisition properties and targets, and successful negotiation and completion of such transactions; (i) economic and financial market conditions in various countries and regions; (j) political risks, project delay or advancement, approvals and cost estimates; and (k) changes in trading conditions.

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- Highlights
- Macro Environment
- Upstream
- Downstream
- Financials
- Q & A
- Appendix



- **Delivered strong financial performance**
 - Revenue: US\$ 9,865 mln (+9% Q-o-Q; +35% Y-o-Y)
 - EBITDA: US\$ 2,467 mln (+19% Q-o-Q; +56% Y-o-Y)
 - Net Income: US\$ 1,437 mln (+47% Q-o-Q; +91% Y-o-Y)



- **Grew hydrocarbon production by 8% Y-o-Y as Cenomanian gas reached full scale production**
- **Commissioned second unit at South Priobsky gas turbine power plant**
- **Introduced Euro-4 at Omsk and Moscow refineries**



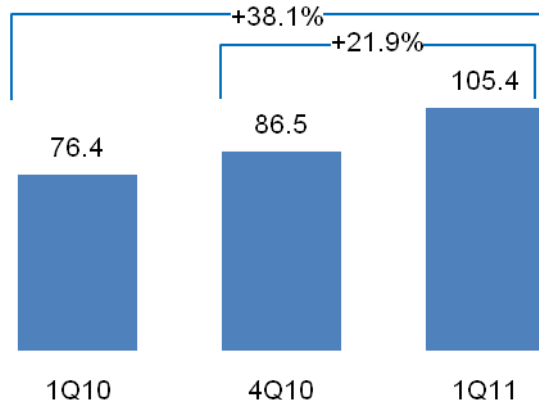
- **Substantial increase in premium channel sales**
- **Increased ownership in Sibir Energy to 100%**
- **Increased NIS shareholding to 56%**
- **Refinanced and restructured debt**

Macro Environment

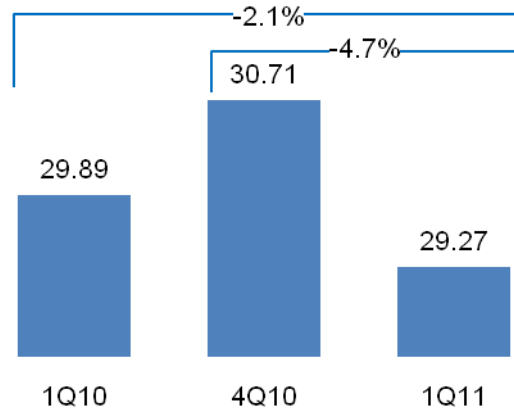
Strengthening crude price and ruble

Higher crude prices contribute to strengthening ruble and inflation pressure

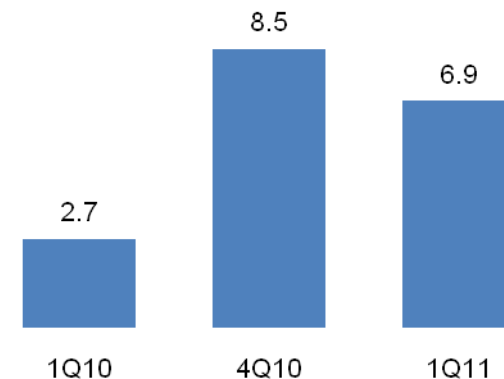
Brent, \$/bbl



Average exchange rate

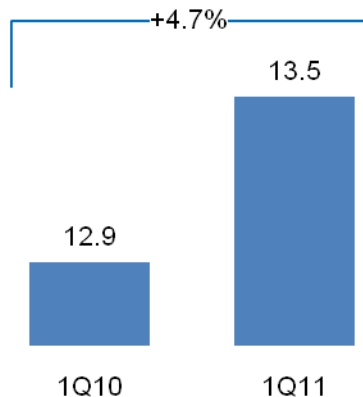


Inflation (PPI), %

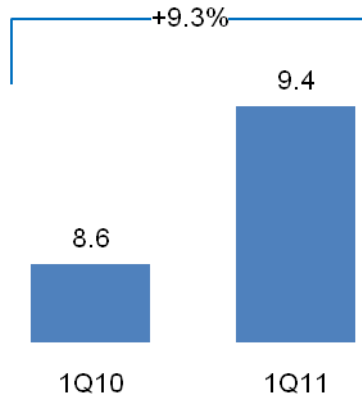


Russian retail demand, MMtonnes

Gasoline demand



Diesel demand



- Higher global crude and product prices
- Continued recovery in Russian product demand
- Ruble appreciation increased dollar costs
- Higher inflation Y-o-Y
- Low temperatures and harsh ice conditions created logistical challenges at Baltic ports
- Ending of duty on exports to Belarus and Kyrgyzstan

Upstream

New projects on track, hydrocarbon production rises

New projects driving domestic growth while international expansion continues

1Q11 Key Events:

New Source



- **Cenomanian gas** full scale production
- **Messoyakha** seismic and drilling
- **Orenburg/Novoport**: preparation for license transfers
- **Novoport** – reappraisal identified premium quality crude oil; marine transport plan approved
- **SeverEnergy**: development on track

2011 Major Goals:

- Produce 3.2 MMtoe **Cenomanian gas**
- **Messoyakha**: complete development plan, exploration drilling
- **Orenburg** – active development
- **Novoport** – well re-entry, further study
- **SeverEnergy** preparation for gas and condensate transportation

International



- **Badrah**: de-mining 90% complete; 3D seismic 73% complete; infrastructure work in progress
- **Equatorial Guinea**: completed 3D seismic on Blocks T and U
- **Venezuela, Cuba**: planning

- **Badrah**: complete seismic and first stage infrastructure; begin drilling
- **Equatorial Guinea** : selected sites for exploration drilling
- **Venezuela**: organizational activity and stratigraphic drilling
- **Cuba**: preparatory work and drill first well

Legacy Assets

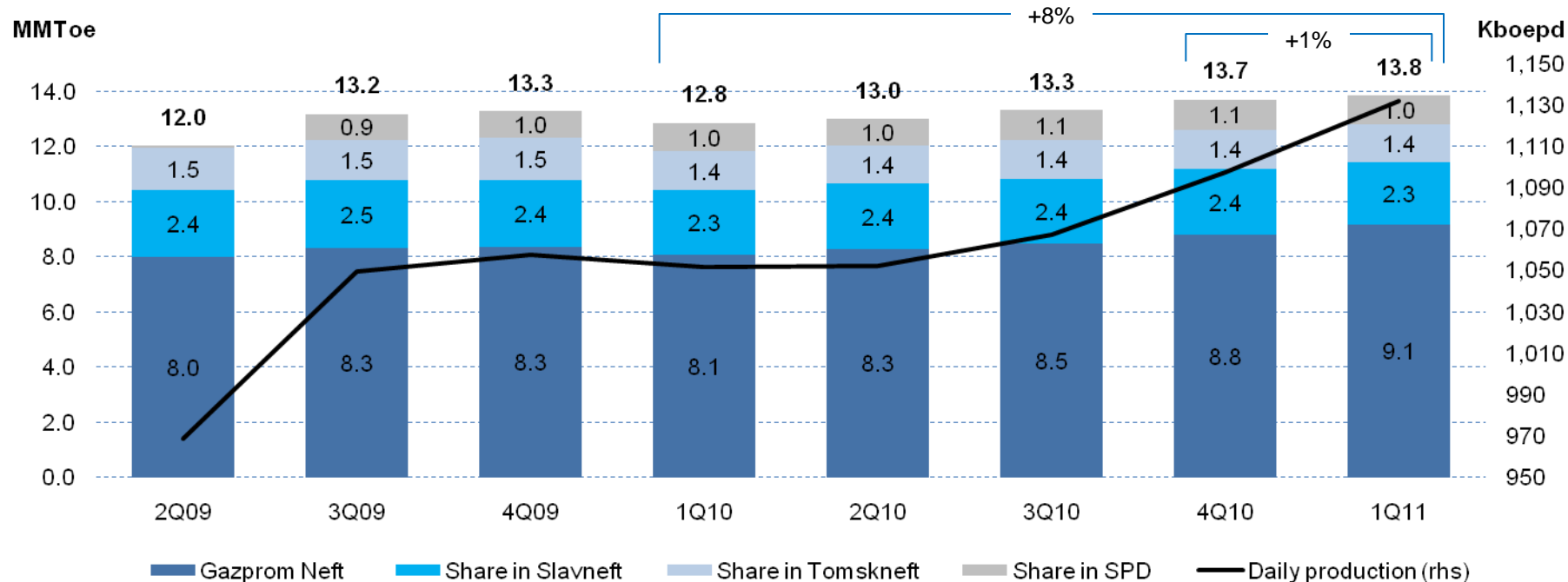


- Stabilizing production
- Intensified E&P activity

- Develop new technologies
- Maintain production levels

Steady production growth continues, driven by Cenomanian gas

Group hydrocarbon production

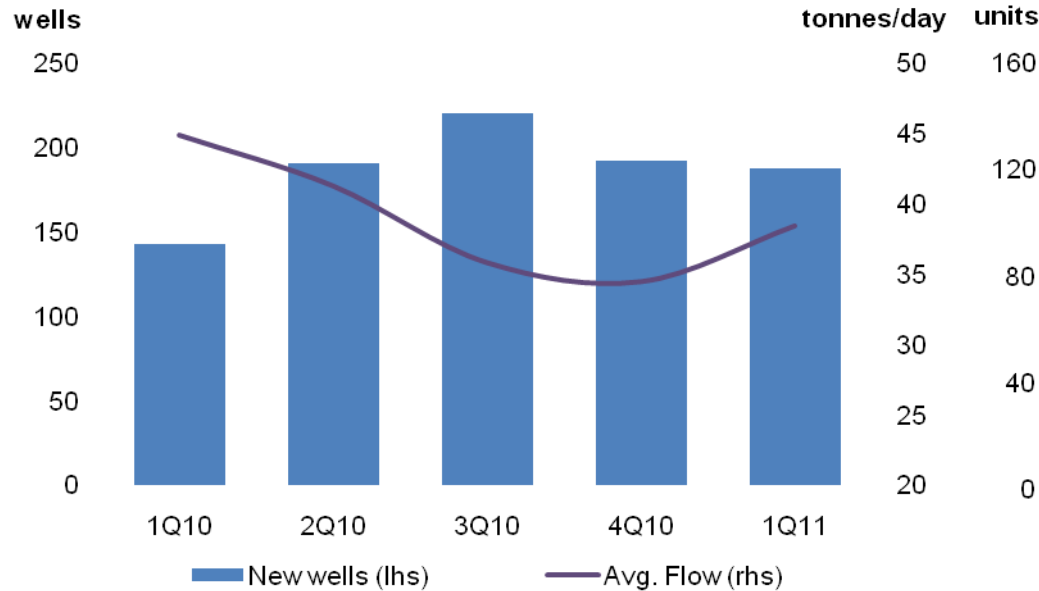


- 4th consecutive quarter hydrocarbon production growth
- Cenomanian gas – major driver for production growth
- Seasonal production decrease at Salym Petroleum due to planned surveillance and reconstruction works
- Slavneft Q1 production affected by well workover operations

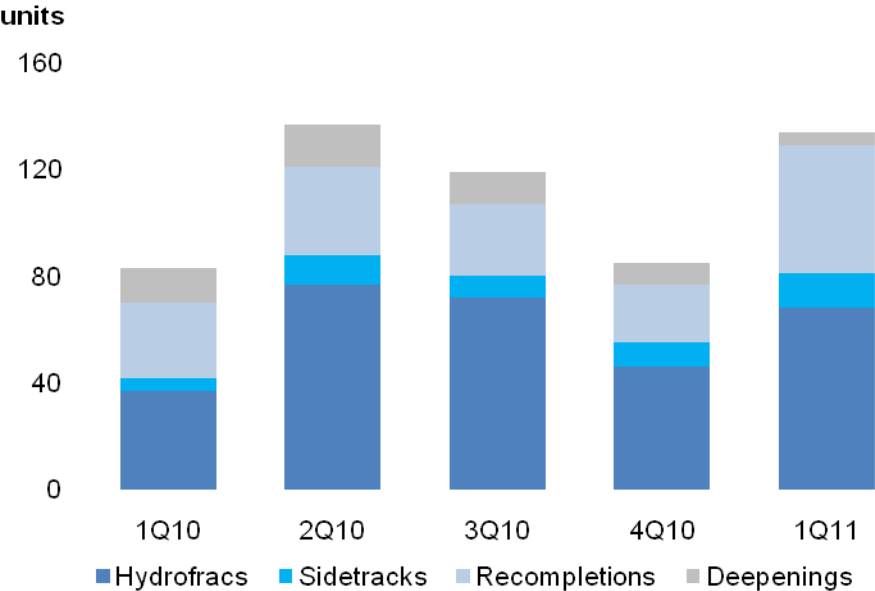
Higher average well flows, expanded activity at 100% owned fields



New wells and average new well flow



Other E&P activities

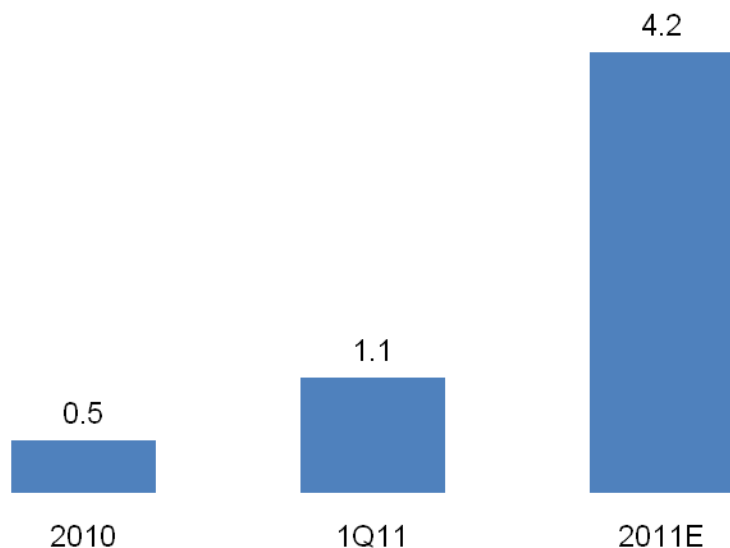


- Improved flow rates from new wells
- Slight seasonal decline in drilling activity
- Full year 2011 drilling expected at 2010 level

- Recovery Q-o-Q in primary operations at 100% owned fields:
 - +26 recompletions
 - +22 hydrofracs
 - +1 deepenings and sidetracks

Cenomanian gas will drive full year 2011 growth

Sales volumes, bcm



- Muravlenko and Novogodneye Cenomanian gas fields started up 4Q2010
- Cumulative production of ~500,000 mcm through 31.12.10
- 2011 estimated production of 3.4 MMtoe (4.2 bcm)
- 51.2 MMtoe in ABC1 reserves
- First implementation of unmanned gas extraction technology in the Russia
- Total project investment ~US\$ 174 mln over 2009-2010
- Primary customers: Omsk area producers, own power plant, Gazprom affiliates

Gas contribution to production portfolio will grow through 2020

Phase 2 of South Priobsky gas turbine power station will reduce opex



- Following startup of South Priobsky gas turbine power station (GTPS) Phase 2, internal sources can supply 19% of the power needs of Gazprom Neft's Upstream operations, up from 4% in 2009

South Priobsky GTPS key data

- Located 70 km south of Khanty-Mansiysk
- Phase 1 startup December 2009 48 MW
- Phase 2 startup December 2010 48 MW
- Capex: US\$ 160 mln (4.8 billion rubles)
- Annual electricity output – 757 MMkWh
- Primary equipment (70% of total) produced in Russia
- Annual gas consumption – 250/210 MMm³ (dry gas/associated gas)
- South Priobsky GTPS commissioning has reduced operating costs vs. area average regional tariffs

South Priobsky GTPS supplies 100% of the power needs of Priobskoye field

Downstream

Stronger margins; modernization program on schedule

Refinery modernizations raise fuel quality, drive continued premium sales growth

1Q11 Key Events:

Refining



- Refining **volumes** up 5% Y-o-Y
- **Omsk** and **Moscow** launch Euro-4 motor fuel production

2011 Major Goals:

- Begin construction of isomerization units at **Moscow** and **Yaroslavl** refineries to improve gasoline quality
- Upgrade and construct fuel quality-focused units (hydrotreaters) at **all refineries** to achieve EU environmental standards

Premium Sales



- Premium sales volume up 27% Y-o-Y
- Introduced new **G-drive** brand motor fuel

- Complete retail station rebranding and introduce customer loyalty programs
- Optimize network to increase average per-site throughputs and related products and services sales
- Continue premium sales growth

International

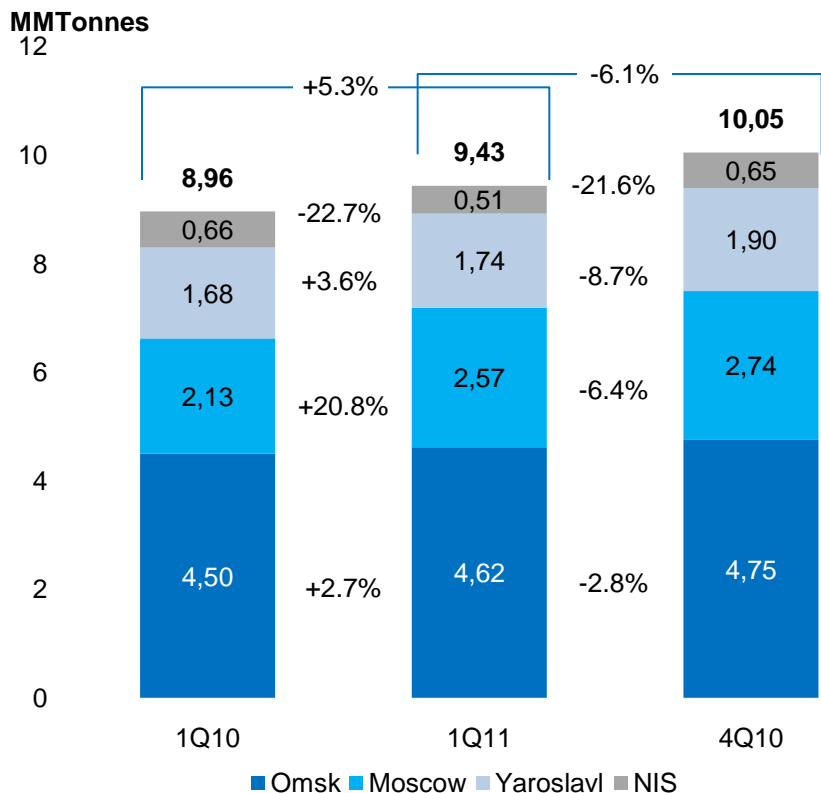


- Increased Euro-quality fuel output at **NIS**
- Retail sales growth in Serbia +8%

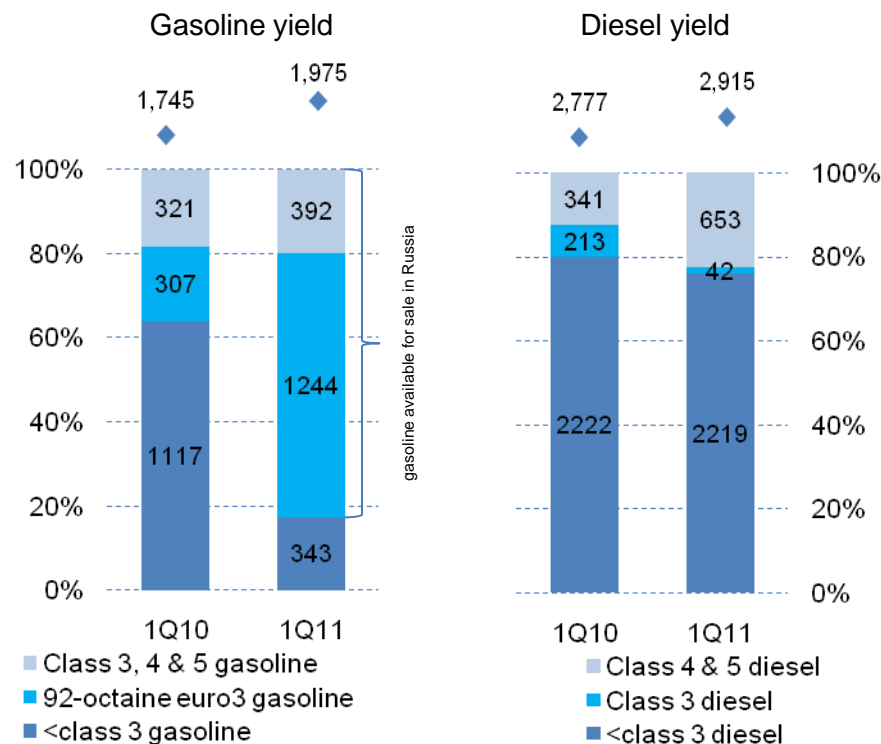
- Continue **NIS** refinery modernization plan, including construction of MHC/DHT unit, allowing transition to Euro-5 product output in 2012
- Premium sales development in Serbia
- Growing sales volumes at **Gazpromneft Lubricants Italia**

Upgraded fuel quality adds value to increased refining runs

Gazprom Neft refining throughput



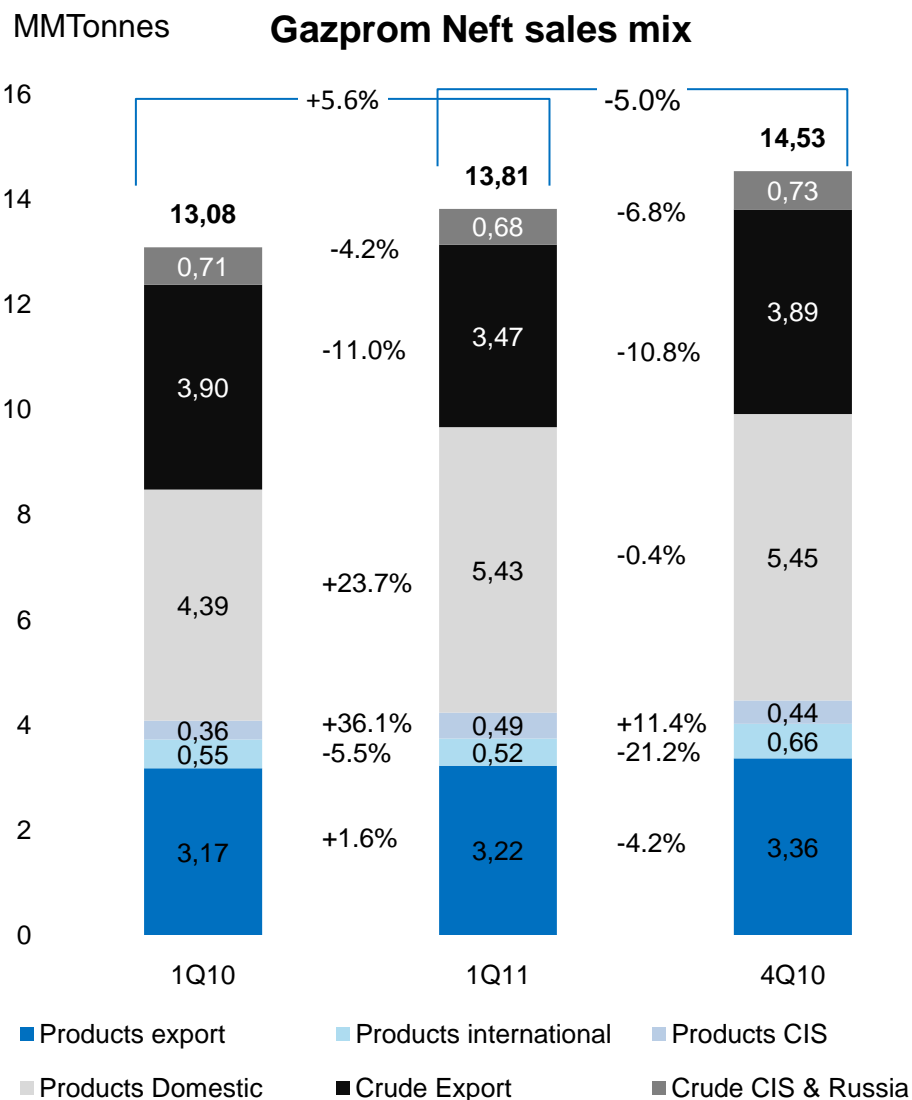
Gazprom Neft gasoline & diesel yields, % (labels in MMTonnes)



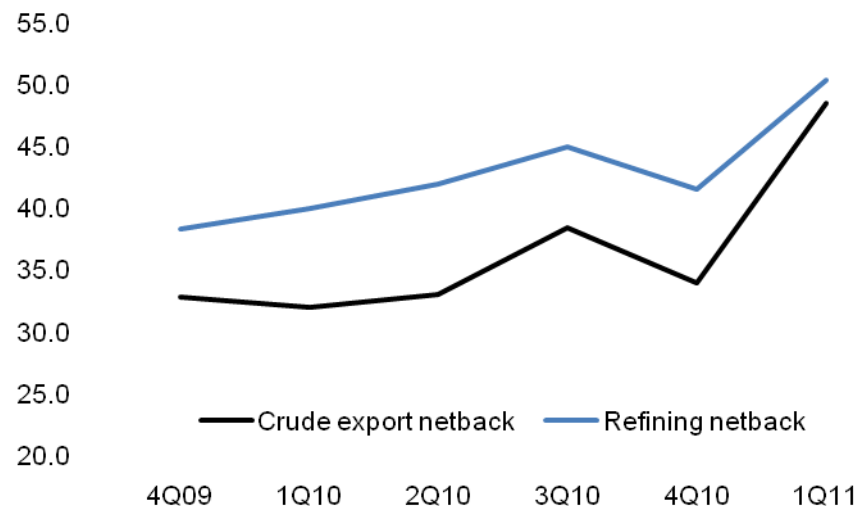
- Lower seasonal demand in January 2011 resulted in decrease of refining volumes Q-o-Q
- Refining throughputs up across all Russian refineries Y-o-Y following Sibir Energy consolidation, optimization programs

- High-octane gasoline production up 11% Y-o-Y following streaming of Omsk Isomalk-2 unit
- Began producing Euro-4 gasoline at Omsk and Moscow refineries

Seasonal drop in crude and product sales

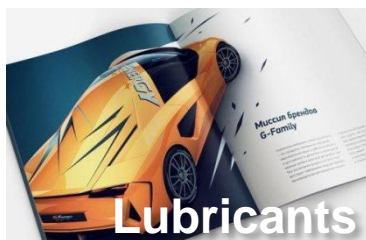


Gazprom Neft average netbacks



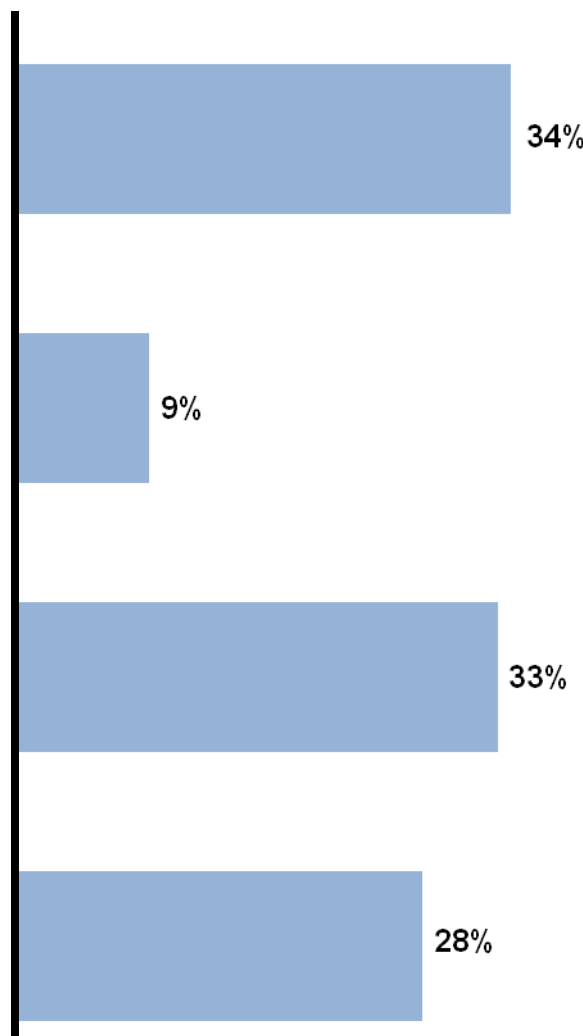
- Several factors drove crude export profitability to match refining netbacks in March 2011:
 - Lag in crude oil export duty in growing oil price environment
 - Reduction and freezing of domestic product prices beginning February 2011
- Higher domestic and CIS sales driven by buoyant post-crisis demand and prices
- Lower crude exports as a result of higher January-February 2011 refining netbacks

Continuing focus on high-margin premium channels

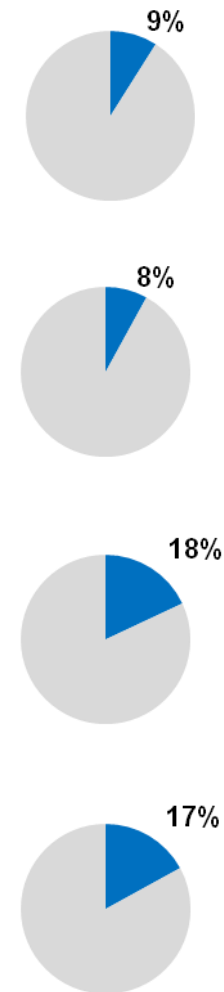


- Introduced G-drive branded premium motor fuel
- Completing reconstruction and rebranding campaigns
- Launched “Winter Story” national advertising campaign
- Began sales of G-Energy branded motor oil in Serbia in conjunction with advertising campaign
- Expanded fueling operations to 11 civil and 11 military airports in Russia and 31 abroad
- Opened modern ship-bunkering facilities at St. Petersburg and Murmansk

Y-o-Y 1Q premium* sales increase



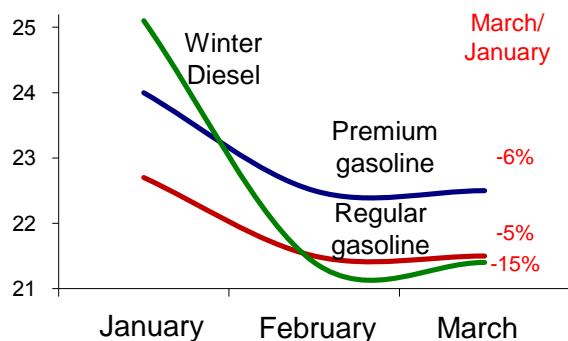
National retail market share



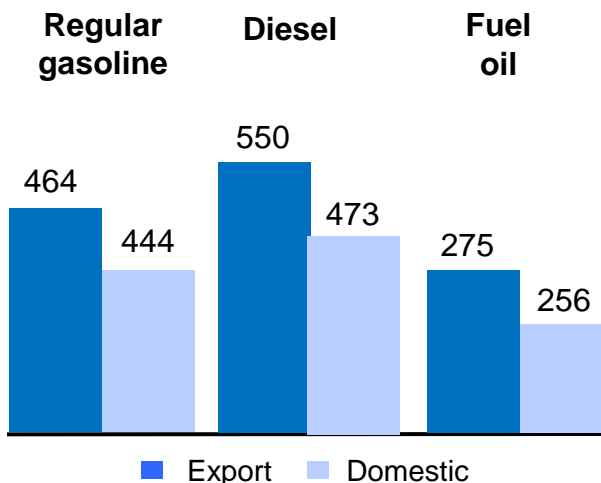
* premium sales include retail and small wholesale

US \$ 87 mln losses following domestic price cuts

Petroleum product retail prices Omsk, Rub/liter



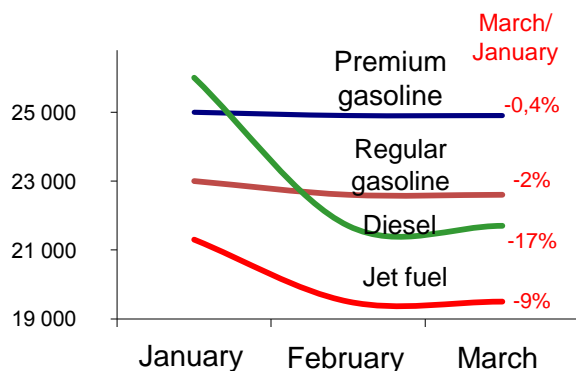
Netback, March 2011, Omsk, \$/tonne



Downstream losses following price cap, US\$ mln



Wholesale prices, Omsk, Rub/tonne



- As a result of artificial price stabilization on the domestic market the profitability of exports exceeded the domestic market netback

- Growth in sales volume due to:
 - Stronger demand
 - Management actions to stimulate sales

Financial Results

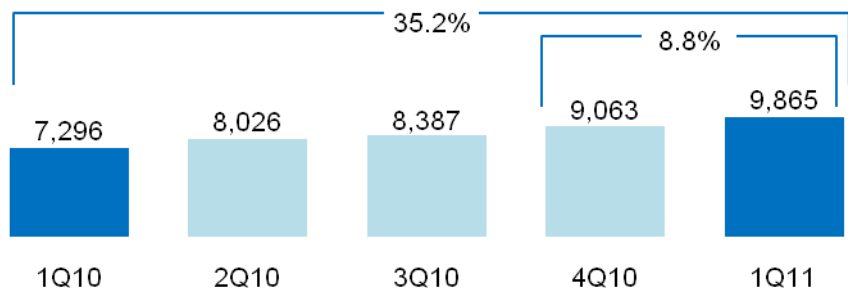
Strong performance on expanded production and higher crude prices

Expanded volumes and pricing strength leverage

93.1% net income expansion Y-o-Y

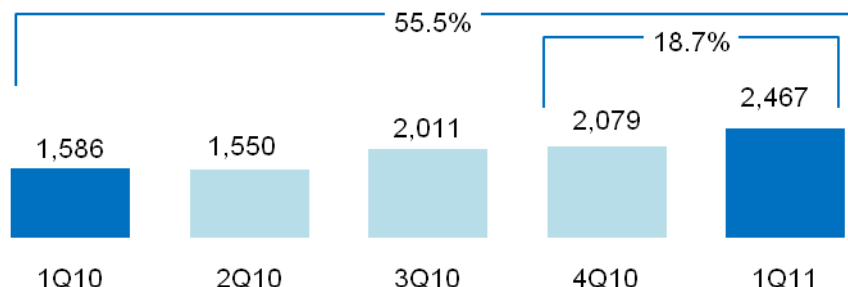


Revenues US\$ mln



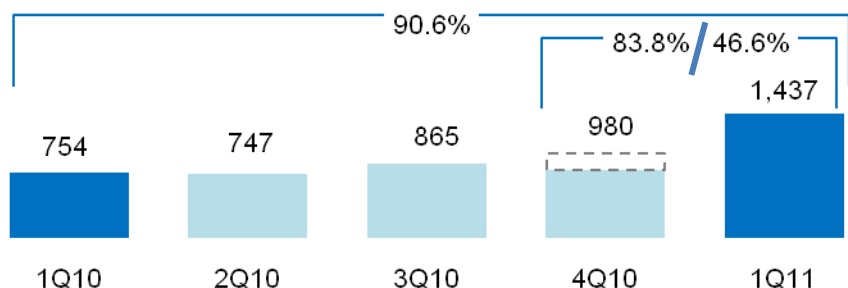
- Revenue increases driven by hydrocarbon production volumes and prices
- Average Urals price increased 20.4% Q-o-Q and 36.2% Y-o-Y

EBITDA* US\$ mln



- Revenue strength as well as a shift of sales mix to a more marginal downstream segment supported by Ruble appreciation overcome cost increases resulting from higher taxes, tariffs and inflation

Net Income US\$ mln



- 55.5% Y-o-Y EBITDA increase and unrealized gain from hedging operations drove a 90.6% growth in net income
- Net income increased 46.6% vs. 4Q net income adjusted for \$198 mln charge for FAS penalties

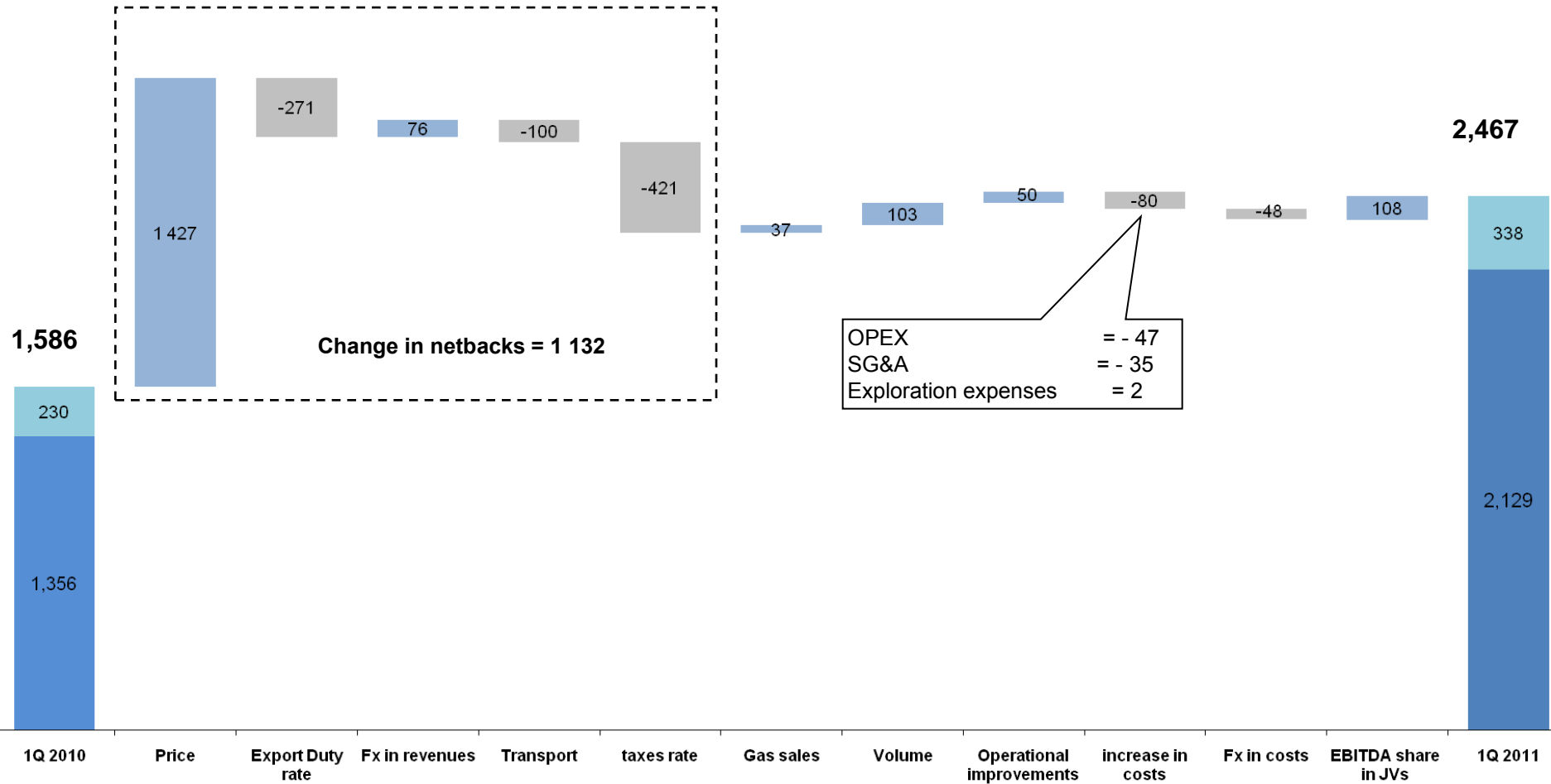
- US\$ 198 mln charge to reserve for FAS penalties

*EBITDA includes share of affiliates' EBITDA

Y-o-Y EBITDA growth driven by price and volume increases, tempered by higher taxes and costs

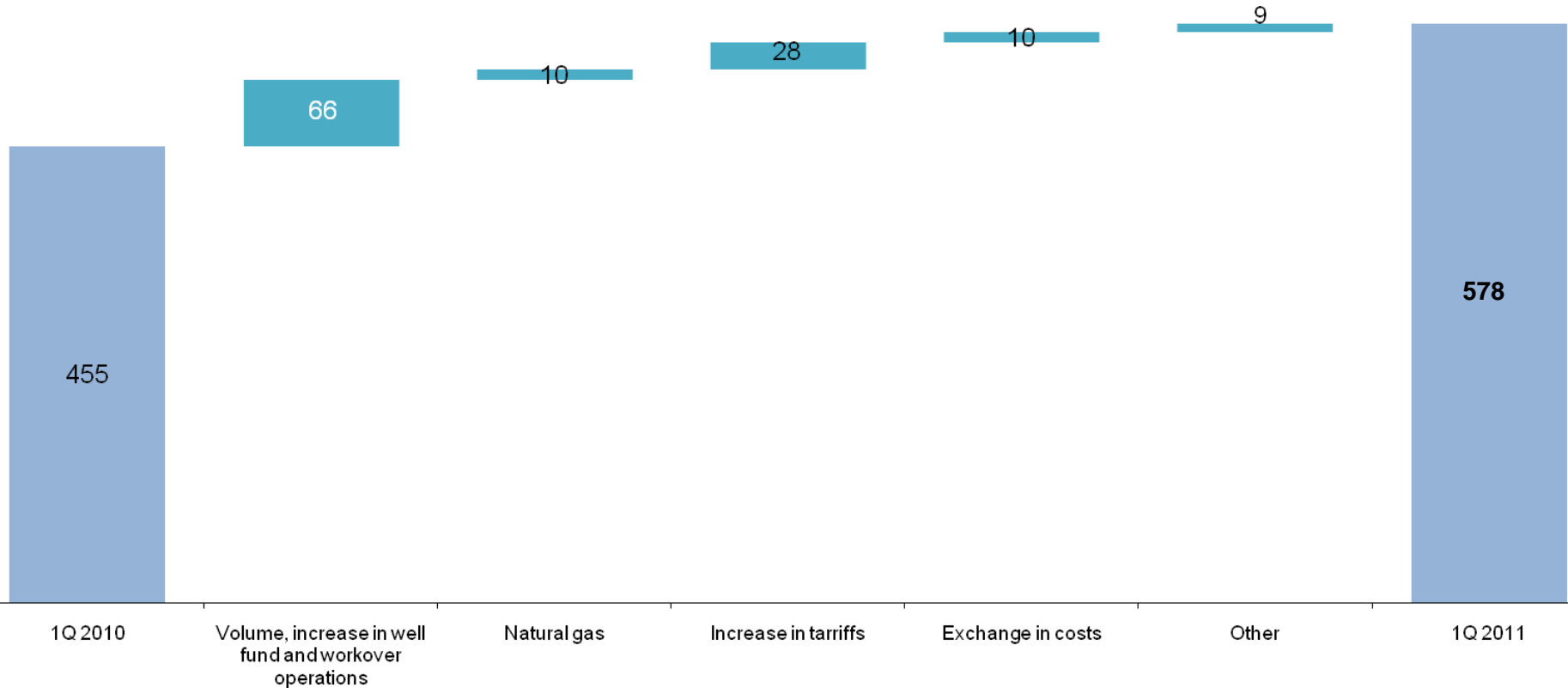


EBITDA 1Q 2011 vs 1Q 2010(US\$ mln)



Volume increases leading to larger Opex Y-o-Y

Opex reconciliation: 1Q10 vs. 1Q11



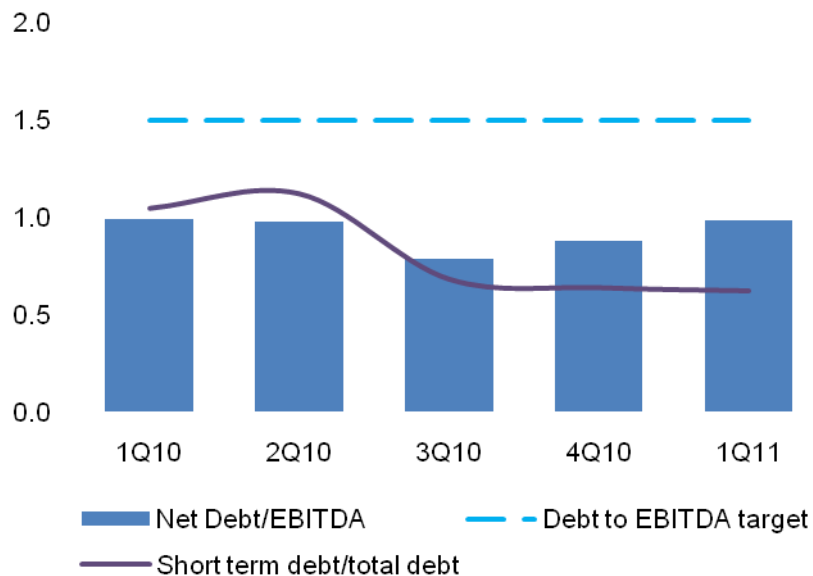
Borrowings used for Sibir, NIS acquisitions

Cash reconciliation: 4Q10 vs. 1Q11

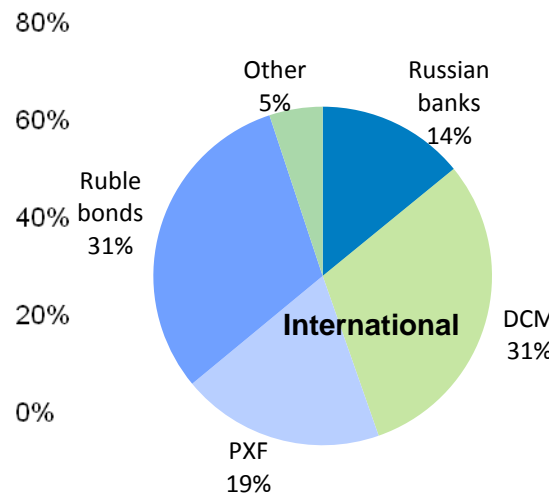


Continued commitment to capital discipline and debt optimization

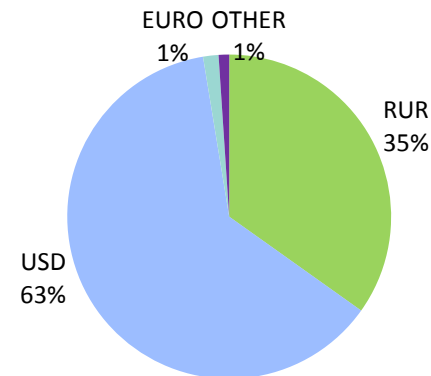
Gearing ratio and maturity mix



By category



By currency

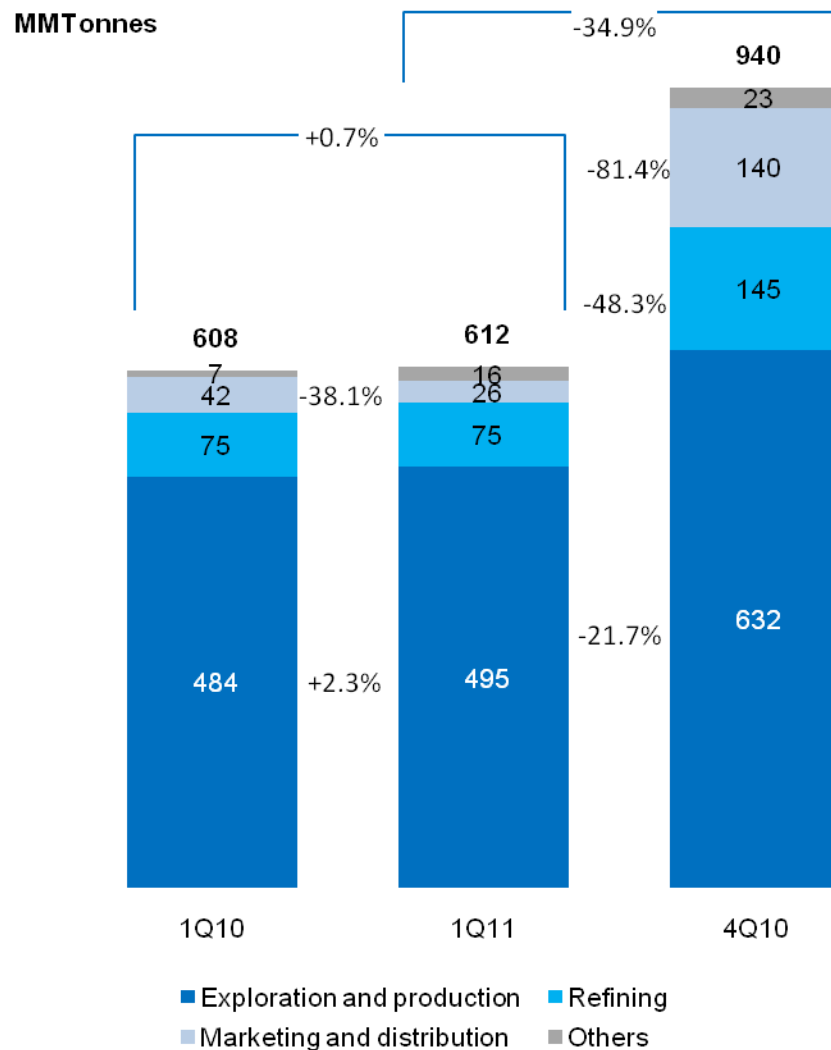


- Net debt/EBITDA 1.0 vs. target < 1.5
- Average debt maturity increased by 15% from 2.10 to 2.41 years
- April 2011 agreement reduces interest rate on \$1.5 billion syndicated loan from Libor +2.1% to Libor +1.6% per annum

Capex program ensures future growth

- Capex up 1% Y-o-Y, down 35% Q-o-Q
- Q-o-Q upstream capex decline due to seasonal factors
- Marketing capex decline amid ramp down of rebranding campaign
- Drop in refining capex follows completion of Omsk isomerization unit
- 2011E capex and investments to reach US\$ 5.4 bn, up 10% on 2010

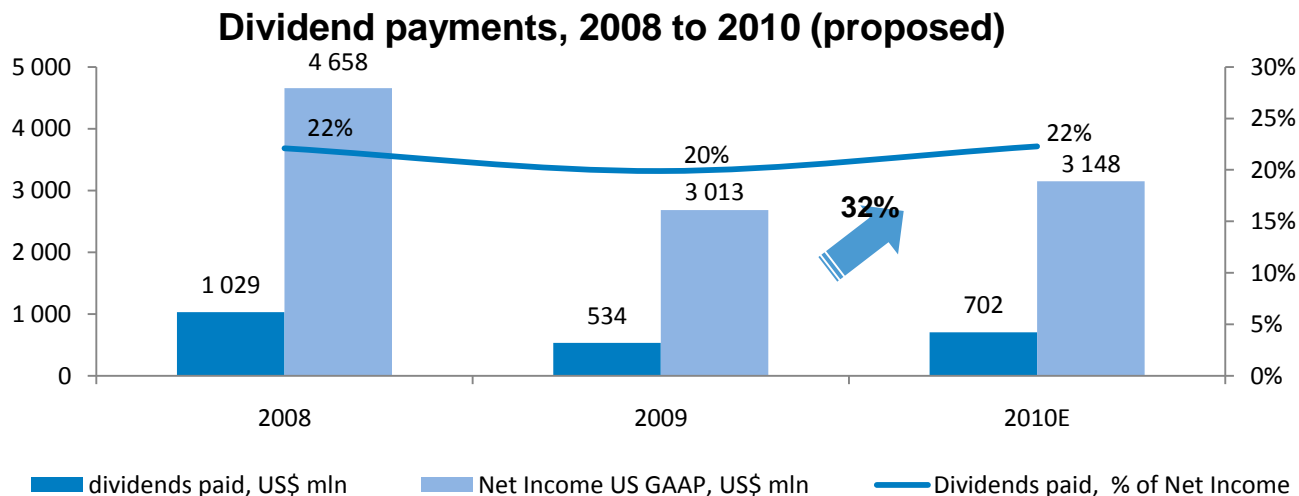
Capex Dynamics (US\$ mln)



Board has recommended dividend equivalent to 22% of Net Income, subject to AGM confirmation



- The AGM will take place at **11:00 on 9 June 2011** at the offices of Gazprom (16 Nametkina St, Moscow)
- Eligibility to participate in the AGM and receive dividends will be based on the share register as at the end of **25 April 2011**
- The Board has recommended a dividend of **4.44 rubles per share for 2010**
- The total recommended dividend to shareholders of approximately **21.05 billion rubles** amounts to **22%** of the Company's 2010 US GAAP Net Income
- Dividends will be remitted to shareholders within **60 days** of approval by the AGM



Questions & Answers

bbl	barrel
boe	barrel of oil equivalent
tonne	metric ton
toe	tonnes of oil equivalent
MMTonnes	million tonnes
MMbbl	million barrels
MMboe	million barrels of oil equivalent
Mmtoe	million tonnes of oil equivalent
bcm	billion cubic metres
mcm	thousand cubic metres
MMm3	million cubic metres
bcf	billion cubic feet
kbpd	thousand barrels per day
kboepd	thousand barrels of oil equivalent per day
ktpd	thousand tonnes per day
tonnes/day	tonnes per day

For additional definitions:
<http://ir.gazprom-neft.com/>